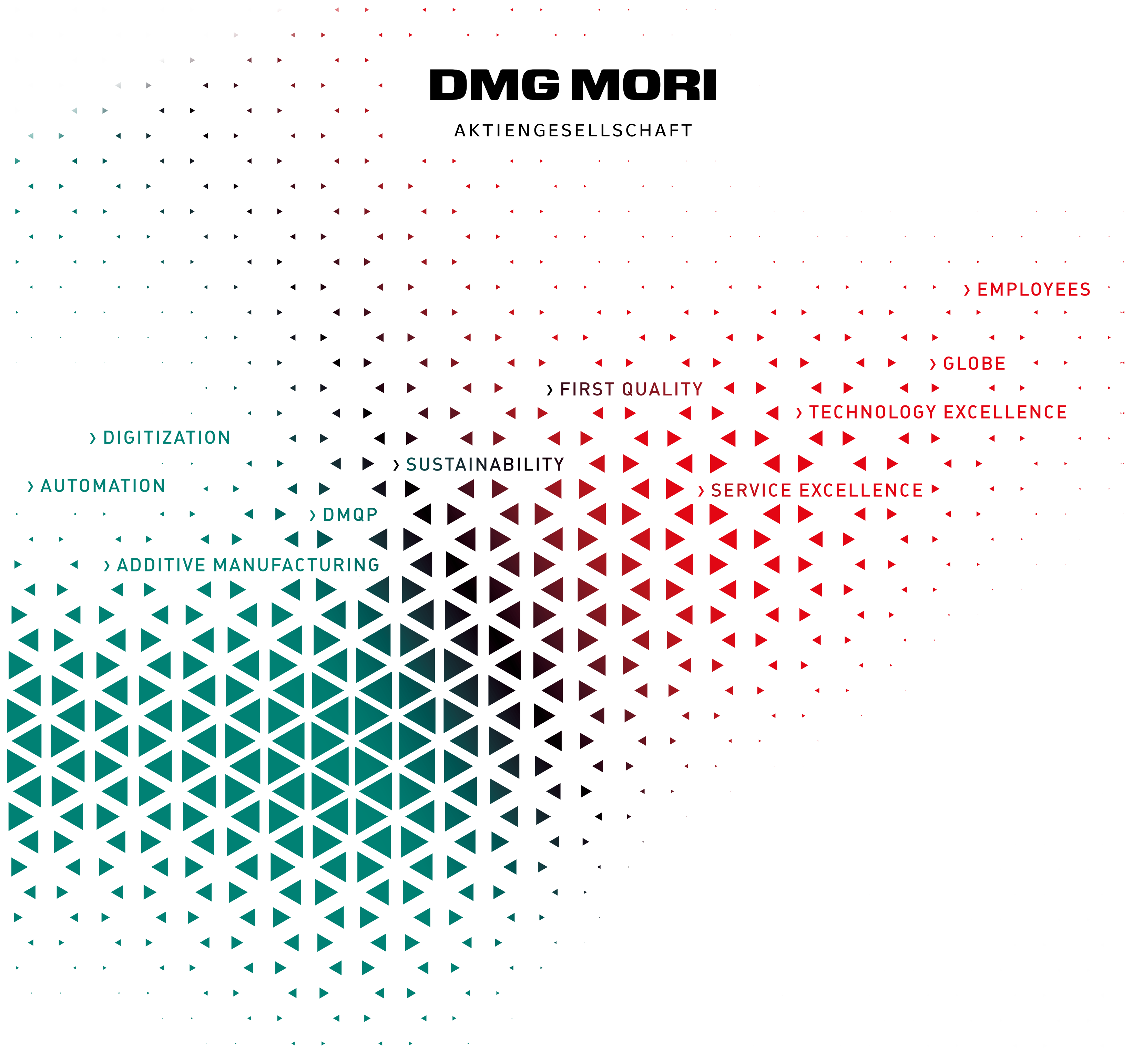
DMG MORI

AKTIENGESELLSCHAFT



dynamic. EXCELLENCE

Annual Report 2022

KEY FIGURES

The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2022 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	2022	2021	Changes 2022 against 2021	
Order Intake	2,904.2	2,517.2	387.0	15 %
Domestic	894.4	747.4	147.0	20 %
International	2,009.8	1,769.8	240.0	14 %
% International	69	70		
Sales Revenues	2,365.7	2,052.9	312.8	15 %
Domestic	786.5	652.8	133.7	20 %
International	1,579.2	1,400.1	179.1	13 %
% International	67	68		
Order Backlog *	1,613.4	1,208.9	404.5	33 %
Domestic	567.7	459.8	107.9	23 %
International	1,045.7	749.1	296.6	40 %
% International	65	62		
EBITDA	297.8	190.8	107.0	56 %
EBIT	216.5	123.8	92.7	75 %
EBT	216.2	121.6	94.6	78 %
EAT	153.4	85.6	67.8	79 %
Free cash flow	171.7	179.9	-8.2	-5 %

	2022	2021	Changes 2022 against 2021	
Employees *	6,833	6,821	12	0 %
incl. trainees	237	225	12	5 %

* reporting date 31 Dec.

DMG MORI in brief

DMG MORI is a worldwide leading manufacturer of high-precision machine tools and sustainable technologies that are at the center of global value chains. At DMG MORI AKTIENGESELLSCHAFT around 6,800 employees generate sales revenues of over € 2.3 billion. Together with DMG MORI COMPANY LIMITED, sales revenues amount to around € 3.4 billion. In the "Global One Company", more than 12,000 employees are in direct contact with over 100,000 customers from 57 sectors. DMG MORI is present in 88 countries worldwide with 16 production plants, 113 sales and service locations.

The strategic fit of automation, digitization and sustainability is a perfect match with our vision-mission statement:
We empower our customers in manufacturing and digitization! We want to be the most attractive global machine tool manufacturer with digitized and sustainable products!

Integrated automation and end-to-end digitization solutions extend our core business with turning and milling machines, Ultrasonic, Lasertec and Additive Manufacturing. We bundle our entire manufacturing know-how of more than 152 years into technology excellence for the focus sectors Aerospace, Automotive, Die & Mold as well as Medical and Semiconductor. Our customer-oriented services cover the entire life cycle of a machine tool – including training, repair, maintenance and spare parts service.

DMG MORI is one of the most sustainable industrial companies worldwide. Our innovative solutions make a decisive contribution to the benefit of humans and the environment. The combination of machines, technologies, users, automation and digitization enables a high degree of process integration for resource-saving and efficient production. True to our motto: *dynamic* . Excellence.

dynamic . EXCELLENCE

Dynamically advance future fields – optimize expertise to excellence!

Empowerment & Execution!

> Automation
> Digitization
> Additive Manufacturing
> DMQP
> Sustainability

> First Quality
> Service Excellence
> Technology Excellence
> GLOBE
> Employees

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03 CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

04 FURTHER INFORMATION

↗ business report information not reviewed for content

ANNUAL REVIEW 2022

DMG MORI is globally regarded as an attractive employer.

WE love AUTOMATION

1ST QUARTER

Attractive employer

External studies and media regularly honor the modern corporate culture – such as the business magazines Forbes, Capital or the F.A.Z. Institute. DMG MORI is globally regarded as an attractive employer.

Sustainably TOP

DMG MORI is awarded the Platinum Medal in the Sustainability Rating by the internationally renowned assessment institute EcoVadis and is thus among the "TOP 1%" of over 35,000 companies evaluated worldwide.

Completely digital

Following the basic understanding of holistic sustainability and digitization, DMG MORI is presenting its first completely digital Annual and Sustainability Report 2021 at the Annual Press Conference.

Annual and Sustainability Report 2021:
for the first time only online and interactive.

The Executive Board team stands for success, continuity and innovation.

2ND QUARTER

120th Annual General Meeting

The Annual General Meeting is again held virtually due to corona. 2021 was challenging but successful. The strategic focus fits better than ever. A big thanks to all shareholders and employees of DMG MORI.

Open House Pfronten

For the first time for two weeks, live on site or digitally: a total of over 5,000 international visitors inform themselves about the latest technological developments from DMG MORI at the traditional Open House in Pfronten.

1st Half Year 2022

DMG MORI benefits from the consistent implementation of the strategic fit of automation, digitization and sustainability. New record values for order intake and free cash flow, among others, reflect the successful course of business.

3RD QUARTER

Modern logistic center

DMG MORI starts operation in the new, state-of-the-art Logistic Center in Pfronten. Four previously external warehouses are now bundled centrally. The smart supply chain is shorter, more transparent and more dynamic thanks to maximum automation and complete digitization.

We love automation!

DMG MORI presents 22 machines at AMB 2022 – more than half of them equipped with innovative automation (workpiece or pallet handling). Automation, digitization and sustainable technology integration are the future topics of the machine tool industry.

Live Strategy Information

The Executive Board once again informs all employees worldwide live about the strategic fit of DMG MORI. The focus is on the questions asked in real time. A continuous exchange and appreciative interaction are decisive success factors at DMG MORI.

International and social: DMG MORI welcomes over 1,000 guests at the German-Japanese Classical Concert.

4TH QUARTER

Global Development Summit

At the 9th "Global Development Summit" in Tokyo, more than 300 international TOP R&D specialists and external experts develop future ideas for networked, sustainable solutions from machine, automation and digitization.

DMG MORI Classical Concert

DMG MORI welcomes over 1,000 guests at the 2nd German-Japanese Classical Concert. In the Rudolf-Oetker-Hall in Bielefeld, the "Japanese National Orchestra" from Tokyo with star pianist Kyohei Sorita, the "Bielefeld Philharmonic Orchestra" as well as Loney Dear from Stockholm fascinate the audience.

Financial year 2022

In times of high volatility and uncertainty, DMG MORI closes the financial year with success. The forecasts increased over the course of the year are achieved and in some cases exceeded. In addition, employees benefit from a group-wide inflation compensation bonus.

Dr. Eng. Masahiko Mori (61)

Chairman of the Supervisory Board
President of DMG MORI COMPANY LIMITED

Dr. Eng. Masahiko Mori 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.

Report of the Supervisory Board

In financial year 2022, the Supervisory Board's main focus was once again on the global impact of the corona pandemic on business performance, but also with the consequences of the war in Ukraine on business development, 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 2025, were also addressed, as was the ongoing group-wide roll-out of SAP S/4HANA. The importance of digitization was once again in focus. Added to this was the investment in the new production plant in Pinghu (China) and the realignment of sales and service in Europe and India.

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. Christian Thönes was reappointed as a member of the Executive Board and its Chairman until 31 December 2027.

The Supervisory Board managed to hold all of its meetings as scheduled in face-to-face meetings at the Bielefeld site, in the production plant at DECKEL MAHO Pfronten and during the AMB trade fair in Stuttgart. The average presence was pleasingly high at 93.83%. Table A.01 shows details of the meetings attended by the individual members of the Supervisory Board in 2022.

The **Nomination Committee** and the **Mediation Committee** did not hold any meetings in 2022.

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. From the very first meeting in the reporting year in March, the war in Ukraine and the effects of the sanctions were regularly in focus. 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

A.01 | PARTICIPATION OF SUPERVISORY BOARD MEMBERS IN SUPERVISORY BOARD AND COMMITTEE MEETINGS		Supervisory Board Meeting	Finance and Audit Committee (F&A)	Personnel, Nomination and Remuneration Committee (PNR)	Committee for Transactions with Related Parties (TRP)	Ø-Presence (in %)
Dr. Eng. Masahiko Mori	Chairman of the Supervisory Board Chairman PNR	5 out of 5	6 out of 6	2 out of 2	–	100
Ulrich Hocker	Deputy chairman SB Chairman TRP	5 out of 5	–	2 out of 2	3 out of 3	100
Irene Bader		5 out of 5	–	–	–	100
Prof. Dr. Berend Denkena		5 out of 5	–	–	3 out of 3	100
Prof. Dr. Annette Köhler	Chairwoman F&A	3 out of 5	6 out of 6	–	–	81.82
James Victor Nudo		5 out of 5	6 out of 6	2 out of 2	–	100
Mario Krainhöfner	1st Deputy chairman SB	4 out of 5	–	2 out of 2	–	85.71
Stefan Stetter	Deputy chairman SB	5 out of 5	6 out of 6	–	3 out of 3	100
Tanja Fondel		5 out of 5	–	2 out of 2	–	100
Dietmar Jansen		3 out of 5	5 out of 6	–	–	72.73
Larissa Schikowski		5 out of 5	–	2 out of 2	–	100
Michaela Schroll		4 out of 5	5 out of 6	–	3 out of 3	85.71
						93.83

regulatory changes. The same applies to the committee members. The Supervisory Board has again carried out a self-evaluation. Each member of the Supervisory Board answered again a comprehensive list of questions. During a detailed presentation, the Supervisory Board was able to convince itself of the improvements compared to the last survey.

The Supervisory Board performed its duties with diligence in accordance with the Articles of Association and statutory requirements. It held a total of five meetings in financial year 2022. 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 and presented recommendations. In the reporting 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 14 March 2022**. 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 2021 and the Sustainability Report 2021. The plenary meeting also discussed business performance and the agenda for the 120th Annual General Meeting planned for 6 May 2022, 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. At this meeting, the Supervisory Board already addressed the attack of Russia on Ukraine launched on 24 February 2022. The Executive Board informed about its effects on the Russian business and the Supervisory Board and Executive Board unanimously strongly condemned the war. 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 **5 May 2022** focused on preparations for the Annual General Meeting on the following day, as well as the discussion of current business performance, especially against the background of the war in Ukraine and rising prices for materials, energy and logistics. The Supervisory Board also approved the audit engagement for the auditor of the Individual and Consolidated Financial Statements and set the aim for the gender quota on the Executive Board.

On **10 May 2022**, the Supervisory Board decided in its meeting at the Pfronten site to extend the appointment of Christian Thönes as a member of the Executive Board and its Chairman until 31 December 2027. Furthermore, the reorganization of the sales and service organization was discussed in detail and approved by the Supervisory Board.

On **14 September 2022**, the Supervisory Board meeting was held on the occasion of the AMB trade fair in Stuttgart. The Executive Board once again informed the Supervisory Board in detail about the course of business, which marked an all-time high for order intake in the core business of machine tools and services under difficult geopolitical conditions, also due to the war in Ukraine. Other topics were the AMB trade fair – 2022 for the first time again as a face-to-face trade fair after a four-year break due to corona – as well as the construction progress of the production plant in Pinghu, the status of the project in Egypt and the group's cast strategy as well as cyber security issues. 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 **25 November 2022** focused on business performance 2022, the discussion and resolution on corporate and investment planning for 2023 and medium-term planning for 2024/2025. In particular, the Supervisory Board also examined the impact of increasingly limited material supplies, rising material, energy and logistics costs. Furthermore, 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 2023 were defined. Moreover – as recommended by the Finance and Audit Committee – the Supervisory Board defined the following main focus areas for the statutory audit 2022:

› recoverability of goodwill,
› value of inventories,
› impairment of assets in Russia,
› value of shares in affiliated companies,
› as well as the ESEF taxonomy 2021.

The declaration of compliance in accordance with Section 161 AktG (German Stock Corporation Act) was discussed in detail and 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 2022. 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 2022.

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 2022.

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. The committee prepared the Supervisory Board's resolution on the targets for variable Executive Board remuneration for 2023 and also prepared the Supervisory Board's self-evaluation and analyzed its results.

The **Committee on Transactions with Related Parties** held three meetings in the reporting year. On 5 May 2022, in addition to the reporting of reportable facts, the committee discussed and approved the increase in the loan amount to the group parent company. The increase in loan financing for the new production plant in Pinghu was also approved. On 24 June 2022, the committee discussed details of the reorganization of the sales and service organization. The sale of DMG MORI Management GmbH to DMG MORI COMPANY LIMITED or one of its group companies was approved as well as the sale of an investment in DMG MORI India Pvt. Ltd. At the meeting on 14 December 2022, the committee again dealt with the sale of a stake in DMG MORI India Pvt. Ltd. to DMG MORI COMPANY LIMITED, the current reporting of reportable facts and an increase in the loan amount to the group parent company.

The **"Corporate Governance Report / Group Declaration on Corporate Management"** section on page 46 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 2021, DMG MORI AKTIENGESELLSCHAFT has complied with both the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019 and, since their publication on 27 June 2022, with the recommendations in the version dated 28 April 2022 and will continue to do so in the future, but in each case with the following exception:

› **Recommendation G.10 of the German Corporate Governance Code**

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.

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 2022 at the **balance sheet meeting on 13 March 2023**. 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 2022, as well as the Group Business Report 2022 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements 2022 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 developments 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 2022 very successfully despite the renewed difficult market and economic conditions worldwide. The Supervisory Board wishes to thank the members of the Executive Board for their exceptional commitment and outstanding strategic, but also 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, 13 March 2023

Dear Shareholders,

2022 – a year of TOP performance for DMG MORI and at the same time a year of major global challenges: worldwide supply and material shortages, high raw material, energy and transport costs, rising interest and inflation rates, but also the ongoing corona pandemic and above all the war in Ukraine. Peace and freedom always take precedence over business interests, because they are the basic prerequisite for security.

Even before the EU sanctions were enacted on 26 February 2022, DMG MORI therefore immediately and comprehensively stopped all activities on the Russian market. All sales, service and training activities as well as production in Ulyanovsk were suspended. This also includes all deliveries of machines, spare parts, components and services to Russia.

DMG MORI nevertheless achieved a very successful financial year 2022 under more difficult market and general conditions. Thanks to the consistent implementation of our strategic focus on automation, digitization and sustainability, we were able to reach and in some cases exceed the forecasts that were increased during the course of the year.

Order intake in our core business with machine tools and services rose by +15 % to an all-time high of € 2,904.2 million, to which both the new machines business and the service business contributed positively. New machine business performed well at +15 % and reflects increased demand for our integrated and sustainable automation and digitization solutions. Service business also grew by +15 % and reached a new record level. Sales revenues increased by +15 % to € 2,365.7 million – despite the continued difficult materials and logistics situation. The sustainable optimization of our cost structure and stringent implementation of our efficiency improvement measures paid off: EBIT rose by +75 % to € 216.5 million. The EBIT margin improved to 9.2 % and thus also marked an all-time high. The financial situation also developed encouragingly: free cash flow amounted to € 171.7 million.

In short: our strategic fit and focus on our customers' shopfloors are a perfect match. The combination of machines, technologies, users, automation and digitization enables a high degree of process integration for resource-saving and efficient production. Our innovative solutions make a decisive contribution to the benefit of humans and the environment. And global challenges make resilience and sustainability mandatory in all areas!

Following our motto "*dynamic* **. Excellence**", we have dynamically advanced our five strategic future fields together with DMG MORI COMPANY LIMITED already since 2017: automation, digitization, sustainability, additive manufacturing and DMG MORI Qualified Products (DMQP). At the same time, we optimize our expertise in quality, service and technology solutions as well as our processes for excellence – in the "Global One Company" with over 12,000 highly qualified employees.

Automation is the key to greater efficiency, higher productivity, even faster amortization – and thus to greater competitiveness and sustainability. In addition to our broad machine portfolio with 157 machines, DMG MORI is also a full liner in automation. Our innovative and comprehensive automation portfolio with 57 products in 13 product lines includes machine-specific, universal and scalable solutions up to the DMG MORI CELL CONTROLLER LPS 4 for workpiece, pallet and tool management.

Digitization enables continuous collection, evaluation and analysis of data directly from the process and thus accelerates economical and sustainable production. The basic prerequisite for this is connectivity. DMG MORI Connectivity is the solution for connectivity on the entire shopfloor – including third-party machines. In compliance with the highest IT security and testing standards, we create secure, standardized interfaces for easy digitization of new and existing DMG MORI machines as well as third-party machines.

***my* DMG MORI** is our online portal and digital face to the customer. Numerous service processes have been digitized. With over 140,000 networked machines, more than 75 % of our customers already use this digital access to our service experts and benefit from up to 70 % faster response times – thanks to direct contact, high transparency via Track & Trace and central access to all information.

To our Shareholders | The Executive Board | Letter from the Chairman

The app-based operating and control interface **CELOS** bundles our digital products in one interface and enables access to all production-related information. CELOS X is a platform-based end-to-end shop floor solution for the connected manufacturing of the future. With CELOS Xperience, local machine and shopfloor tasks are organized in continuous app-based workflows. CELOS Xchange provides a trusted data hub to securely store, analyze and exchange manufacturing data in global production chains. CELOS X will be presented at EMO Hanover 2023.

A highly innovative and completely digital business model is **PAYZR** – **PAY** with **Z**ero **R**isk – for Equipment-as-a-Service and Software-as-a-Service. Subscription & All-In instead of investment and purchase. Through subscription, our customers benefit from fast innovation cycles without risk – with maximum planning security, cost and price transparency as well as full flexibility. In addition, digital offers from ISTOS and TULIP round off the digitization along the entire value chain of our customers.

Sustainability and technology leadership form a symbiosis at DMG MORI, which we actively live. DMG MORI is globally one of the most sustainable industrial companies. In 2022, we received the Platinum Medal in the Sustainability Rating from the internationally renowned assessment institute EcoVadis, placing us among the "TOP 1 %" of over 35,000 evaluated companies worldwide.

With our high-precision, sustainable machine tools and holistic technologies, we are making a decisive contribution to a greener future. Our manufacturing solutions are produced in a resource-saving manner, are of high quality, durable and recyclable and maximally efficient. The strong trend towards high process integration, automation and digitization solutions benefits sustainability.

Under **DMG MORI GREEN ECONOMY** we summarize all initiatives towards the "100 % green machine". Our focus is on avoiding and reducing emissions. DMG MORI has already had a balanced **Company Carbon Footprint** since 2020 and a balanced **Product Carbon Footprint** since 2021 via the climate triple "Avoid – Reduce – Compensate". We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO_2 certificates. 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 are produced resource-saving as **GREEN**MACHINE. Further information can be found in the Sustainability Report 2022 on page 24 et seqq. With **GREEN**MODE, we are also consistently increasing the energy and resource efficiency of our machines (scope 3 downstream).

However, dear shareholders, sustainability goes much further than that. This means: diversity, equal opportunities, compliance, the satisfaction and health of our employees as well as the common good are equally important to us.

Our future field **Additive Manufacturing** is without alternative and of high strategic importance. As a full liner for additive manufacturing processes, DMG MORI is the only manufacturer to cover the entire process chain – from design through additive manufacturing with the technologies of laser buildup welding with a powder nozzle and laser melting in the powder bed to post-production cutting. We realigned this important future field in the reporting year to make even better use of our "global footprint". We are following our motto "in the markets for the markets" and increasing our resilience through increased regionalization.

The **DMG MORI Qualified Products** – DMQPs in short – are developing dynamically: In 2022, we were able to offer our customers worldwide more than 5,000 DMQP products in 100,000 technology variations from over 120 technology partners. Everything from a single source – everything for the perfect synergy of machine, components, peripherals and accessories – everything AI-based, online and intuitively configurable. As one-stop-shop!

"**First Quality**" means for us: excellent quality and 100 % customer satisfaction – along the entire value chain and without compromise. We achieve this through the following core elements of our "First Quality" strategy:

1. standardized components and interfaces,
2. own DMG MORI Components,
3. 36-month warranty on all MASTER spindles,
4. 100 hours quality test before delivery release,
5. use of the latest measuring methods for maximum accuracy,
6. *my* DMG MORI – the online customer portal for direct access to service experts.

Service excellence is a high priority at DMG MORI. Everyday, over 1,500 experts work to further optimize this high-margin pillar of our business and to offer our customers the best possible service. We bundle our know-how in 17 **Technology Excellence** Centers. Over 800 application engineers are involved in our customers' development processes at an early stage.

GLOBE – **Gl**obal **O**ne **B**usiness **E**xcellence – stands for the implementation of a global ERP-system based on SAP S/4HANA. With this business and IT transformation project, DMG MORI is creating an efficient and resilient organizational structure to ensure standardized systems. Integrated processes are another success factor for the future.

Dear shareholders, DMG MORI's success is a strong team effort. The tireless commitment of our **employees** in a year of further high stress is unique and makes me proud. Mindset and motivation simply fit excellently at DMG MORI. As "Global One Company", we have improved the positive corporate culture even further. The basis for this are our **TOP** values: **T**rust, **O**penness and **P**assion. Above all, this makes us an attractive employer and is also the basis for our vision-mission statement: 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!

DMG MORI is strategically well positioned and consistently uses its strengths. We are a technology leader in 57 industries and 88 countries – as a full liner. This global footprint is unique and the implementation of the strategic fit of automation, digitization and sustainability made by DMG MORI is exactly right. The success in financial year 2022 shows that we have done a very good job in the past years and that the focus on future fields and main sectors is paying off.

Now more than ever, it is important to operate sustainably and maximize efficiency. This saves valuable energy and resources. Every day, we work on automated and digitized manufacturing solutions for competitive production – starting from batch size 1, individually tailored to the needs of our customers. At our traditional Open House in Pfronten at the beginning of the current financial year, we presented 7 world premieres to more than 6,000 international trade visitors. Further innovations are in the starting blocks. Because this year is once again an EMO year. From 18 to 23 September 2023, DMG MORI will be the largest exhibitor, presenting a wide range of innovations as well as new, sustainable technology, automation and digitization solutions on more than 10,000 m². I am convinced: we need even more engineers to solve our world's problems of today and tomorrow!

The new level of geopolitical uncertainties will continue to keep us busy. 2023 will also be marked by high volatility – characterized by the new corona wave in China, globally disrupted supply chains, material shortages, high inflation as well as increasing prices for raw materials, transportation, logistics and energy as a result of the war in Ukraine. Added to this are rising interest rates, which are impacting the financing of capital goods. We are already sensing restraint in the markets but are confident for the current financial year. And there are good reasons for this:

1. We have a strong foundation and great employees.
2. We innovate and invest at a high level.
3. We believe in stable partnerships and have a resilient supply chain.
4. We have an order backlog of over € 1.6 billion and therefore a good basis.

For the financial year 2023, we plan order intake of around € 2.45 billion. Sales revenues are expected to be around € 2.35 billion. We estimate EBIT to be around € 170 million. Free cash flow is to be around € 80 million. Our forecasts are subject to the provision that the global market and economic conditions do not become more difficult.

2023 remains challenging. DMG MORI has a high degree of resilience and the strength to deal with changes quickly and agilely across the world. Our strong long-standing network with customers, partners and suppliers, our broad product portfolio, our speed of innovation as well as our highly qualified employees are the backbone of our success. With an excellent team, our valued customers and partners, we will face the continuing challenges.

My thanks go to our great customers, dedicated employees as well as our owners, who place their trust in us and support us. I would like to thank them personally as well as on behalf of the Executive Board team. Only those who work together excellently can be successful! I am sure: together as a team, we will succeed in further positioning DMG MORI for a strong future. Accompany us! Progress through sustainable process integration and technologies – that is DMG MORI.

Yours

Christian Thönes
Chairman of the Executive Board
Bielefeld, 13th March 2023

Björn Biermann (43)
Controlling, finance, accounting, taxes, risk management, investor relations and compliance

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

Christian Thönes (50)
Chairman of the Executive Board
Product development, sales and services, procurement,corporate communications, personnel, legal and audit

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

Michael Horn (51)
Production, logistics, quality and information technologies

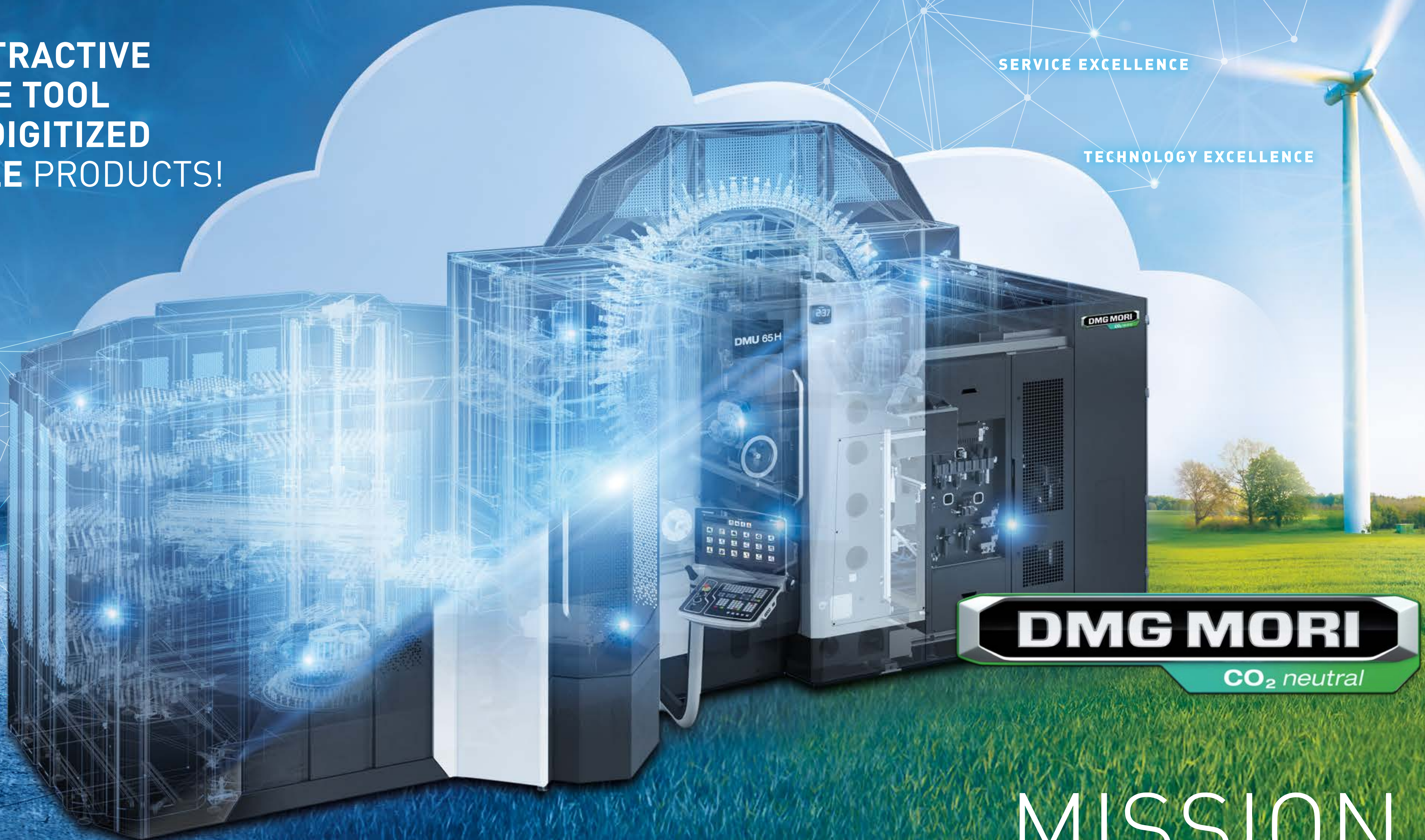
Michael Horn has been member of the Executive Board since 15 May 2018. Previously he was member of the Executive Board of Körber AG, Hamburg, and Managing Director of several international mechanical engineering companies.

VISION

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

FIRST QUALITY
GLOBE
EMPLOYEES
SERVICE EXCELLENCE
TECHNOLOGY EXCELLENCE

AUTOMATION
DIGITIZATION
ADDITIVE MANUFACTURING
DMQP
SUSTAINABILITY



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**!

AUTOMATION

WE
love
AUTOMATION

Global full liner –
economic automation
for companies of any size

13 PRODUCT LINES

57 AUTOMATION PRODUCTS

flexible
production systems
+ machine utilization > 90 %
+ modularly built / one-stop-shop
+ for workpieces, pallets and tools
+ for series and individual production

24/7

Upgradeable_ maximum added value through automated 3-shift operation


DIGITIZATION
PAYZR
+ maximum planning security
+ full financial flexibility
+ flexible monthly operating expenses
+ flexibility in the choice of the term
+ freedom of choice after the end of the term
my DMG MORI
CONNECTIVITY by DMG MORI
DMG MORI IoTconnector
ISTOS
TULIP
DIGITAL TWIN
1. PLANNING
2. PREPARATION
3. PRODUCTION
4. MONITORING
5. SERVICE
CELOS
PAYZR® by DMG MORI
PAY WITH ZERO RISK
SOFTWARE-AS-A-SERVICE
EQUIPMENT-AS-A-SERVICE
We empower our customers – in manufacturing and digitization!
27 CELOS apps & 63 technology cycles

ADDITIVE MANUFACTURING

90 % TIME SAVINGS

70 % WEIGHT SAVING

Global full liner
with end-to-end solutions

NEW
blue laser for highly reflective materials, e.g. copper

Additive Manufacturing in finished part quality
+ hybrid Additive Manufacturing – building, repairing and coating
+ ADDITIVE INTELLIGENCE
  consulting & engineering
  ramp-up production
  training

POWDER NOZZLE
LASERTEC 125 *DED hybrid*

POWDER BED
LASERTEC 30 DUAL *SLM*

Highest flexibility in the manufacturing process
through combination of generative and cutting machining.


QUALIFIED PRODUCTS
DMG MORI
One-stop-shop:
perfectly matching
peripherals and accessories
>120
DMQP TECHNOLOGY
PARTNERS
100,000
TECHNOLOGY
VARIATIONS
DMU 50
Qualified Products
+ customizable online
+ with AI to the optimal
technology solution
+ up to 30 % price advantage with
the DMQP bonus program
5,000
DMQP PRODUCTS
DMG MORI Configurator for an
individual machine solution. Intuitive,
comprehensive and perfectly
customizable with DMQP products.
DMQP
DMG MORI QUALIFIED PRODUCTS

SUSTAINABILITY

DMG MORI GREEN ECONOMY

DMG MORI GREEN MACHINE | DMG MORI GREEN MODE | DMG MORI GREEN TECH

DMG MORI
GREEN ECONOMY
100 % green machines

+ DMG MORI takes on responsibility holistically
+ energy- and emission-efficient operation
+ Technology Excellence for green technologies
+ resource-saving via the climate triple "Avoid – Reduce – Compensate"

PLATINUM Top 1%
2022
ecovadis
Sustainability Rating

TOP 1 % of over 35,000 companies!

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

FIRST QUALITY

100 hrs. tested

36 MONTH quality guarantee

100 % satisfied customers

Without compromises –
highest quality for 100 % customer satisfaction

+ 100 hours quality check
+ 36 months warranty for all MASTER spindles

SERVICE EXCELLENCE

Digital progress &
technical competence

>140,000
MACHINES

REGISTRATION IN <3 MIN.

>30,000
CUSTOMERS

FASTER SERVICE, NO WAITING LOOP, EVERYTHING AT A GLANCE

+ digital, direct access to service experts
+ end-to-end-communication – simple and fast

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

Full service_ 3 years all-round carefree package including crash insurance

TECHNOLOGY EXCELLENCE

Process integration completed –
success through turnkey projects

+ full-service provider – machine, automation and technology
+ end-to-end turnkey projects: from the first idea to commissioning
+ operative strength in the support of production ramp-ups

AEROSPACE

17
TECHNOLOGY EXCELLENCE CENTER

10,000
TURNKEY PROJECTS

800
APPLICATION ENGINEERS

AUTOMOTIVE

DIE & MOLD

MEDICAL

SEMICONDUCTOR

CELOS X

DMG MORI
CO_2 neutral

Process integration_ the key to success in the manfacturing industry are complete solutions that are individually customized and perfectly aligned to the customer's needs.

BUSINESS EXCELLENCE

GLOBAL ONE

Excellence in integration and performance

+ real-time access to business and production data
+ global harmonization of systems and processes
+ basis for digitization of own value chain
+ maximum performance improvement through automated processes

GLOBE

GLOBAL ONE BUSINESS EXCELLENCE

EMPLOYEES

Basis for the strong teamwork –
our TOP values in the "Global One Company"

TOP VALUES

TRUST **OPENNESS** **PASSION**

THE BASIS OF THE GROUP

Corporate Strategy and Key Financial and Performance Indicators

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 segments "Machine Tools" and "Industrial Services". "Corporate Services" mainly comprise the group-wide holding functions.

The global manufacturing industry is strongly influenced by exogenous factors, such as the worldwide supply and material shortages, high raw material, energy and transport costs, rising interest and inflation rates, but also the corona pandemic – especially in China – and above all the war in Ukraine. The global challenges make resilience and sustainability mandatory in all areas. Through the combination of machines, technologies, users, automation and digitization, DMG MORI enables a high degree of process integration for resource-saving, efficient and thus sustainable production. We continuously strengthen our resilience with comprehensive measures along the entire value chain, such as sustainable cost optimization, increased localization of our procurement and double sourcing. We consistently implement our motto: "in the markets for the markets".

DMG MORI actively meets the challenging market environment and increasing customer demands with innovations, a high level of technology and process integration as well as in some cases fundamentally new business models. Our goal: to offer our customers optimally aligned, integrated technology solutions as a stable and sustainable partner. 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. Customers receive a flexible and sustainable manufacturing solution from DMG MORI – consisting of machine tool, automation, software, process, peripherals and service.

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 number 1 for our customers worldwide: from development and production to global sales and services. Therefore, we are consistently developing further from a machine builder to a holistic, sustainable solution provider in the manufacturing environment. Our mission: "**We strengthen our customers – in manufacturing and digitization**".

Following our motto "***dynamic* . Excellence**", we have been dynamically advancing our five strategic future fields together with DMG MORI COMPANY LIMITED since 2017: automation, digitization, sustainability, additive manufacturing and DMG MORI Qualified Products (DMQP). At the same time, we are optimizing our expertise in quality, service and technology solutions as well as our processes for excellence – in the "Global One Company" with over 12,000 highly qualified employees.

I. Automation

Automation is the key to greater competitiveness and sustainability. In addition to our broad machine portfolio with 157 machines, DMG MORI is also a full liner in automation. Our innovative and comprehensive automation portfolio with 57 products in 13 product lines includes machine-specific, universal and scalable solutions up to the DMG MORI CELL CONTROLLER LPS 4 for workpiece, pallet and tool management – everything from a single source. These include universal solutions such as the Robo2Go MAX, the PH Cell Twin pallet handling system as well as the highly scalable solutions:

a) **LPP:** linear pallet systems for up to 8 machines, 99 pallets and 5 setup stations or individually configurable automation modules from our MATRIS modular system,

b) **AGVs / AMRs:** WH-AMR, PH-AGV und TH-AGV as fully automated, driverless transport systems (automated guided vehicles / autonomous mobile robots) freely movable, collaborative and modular for maximum flexibility.

Our automation products are characterized, among other things, by simple programming and handling. We are a partner for the automation of our customers' production and are ready to assist with our know-how in our "Automation Excellence Centers" for the areas of turning and milling.

II. Digitization

Digitization enables the connection of machines and processes as well as the parallel, virtual illustration of production for maximum transparency and efficiency increases along the entire value creation process.

Our digitization strategy focuses on maximizing customer benefits with end-to-end solutions along the entire process chain: from planning and work preparation through production and monitoring up to services. In doing so, we rely on uniform interfaces, an architecture that is open to third parties, which enables maximum variability as well as the security of our solutions.

We first test our digitization products internally in our own production plants before presenting the solutions externally and thus also optimize the implementation phase at the customer's site.

1. **DMG MORI Connectivity** is the solution for connectivity on the entire shopfloor – including third-party machines. In compliance with the highest IT security and testing standards, we create secure, standardized interfaces for easy digitization of new and existing DMG MORI machines as well as third-party machines. Meanwhile, more than 8,500 machines are connected. By the end of 2023, there should be 13,000 machines.

2. ***my* DMG MORI** is our online portal and digital face to the customer. Numerous service processes have been digitized. With our software solutions, we make the entry into digitization as easy as possible for our customers. *my* DMG MORI offers extensive and fast service communication. New are the continuous, direct contact with the responsible service expert up to the complete resolution of the service request as well as the identification and ordering of spare parts via photo upload. This is how we complement our comprehensive, worldwide sales and service in a software-based and digital way. With over 140,000 networked machines, more than 75 % of our customers already use this digital access to our service experts and benefit from up to 70 % faster response times – thanks to direct contact, high transparency via Track & Trace and central access to all information.

3. The app-based operating and control interface **CELOS** bundles our digital products in one interface and enables access to all production-related information. CELOS X is a platform-based end-to-end shop floor solution for the connected manufacturing of the future. With CELOS Xperience, local machine and shopfloor tasks are organized in continuous app-based workflows. CELOS Xchange provides a trusted data hub to securely store, analyze and exchange manufacturing data in global production chains. CELOS X will be presented at EMO Hanover 2023.

4. The **DMG MORI Store** has enabled our customers to access digital solutions from DMG MORI (Software-as-a-Service and Equipment-as-a-Service) as a digital point-of-sale already since June 2021. Thanks to a cross-system single sign-on concept, logging in to the DMG MORI Store, *my* DMG MORI and selected partner applications is simple and uniform.

5. **ISTOS**_Our "Planning Board" from ISTOS offers our customers the possibility to optimize planning processes directly from the shopfloor. The cloud-based production planning and control replaces complicated Excel spreadsheets and reduces manual effort. The ideal solution for small and 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 up to 80 % time-savings during commissioning and up to 30 % lower component costs. Digital twins represent an important component of a holistic digital engineering approach. Digital engineering aims at optimizing the efficiency of the entire process – from plant design through virtual commissioning, optimized use of the real machine or automated machining system up to training.

7. **TULIP**_With the no-code manufacturing platform TULIP, our customers create their own applications – without any programming knowledge – and digitally map their processes on machines and throughout the shopfloor. Higher productivity, no unnecessary paper documentation and individually tailored to their own needs. More than 1,600 workstations and over 200 self-developed apps are in use in our own plants.

Our completely digital business model **PAYZR – PAY with Zero Risk –** for Equipment-as-a-Service (EaaS) and Software-as-a-Service (SaaS) means subscription & all-in instead of investment and purchase. Customers benefit from fast innovation cycles without risk, full flexibility as well as maximum planning security, cost and price transparency. In addition to the cloud-based SaaS solutions from TULIP and ISTOS, PAYZR has also included the 3-axis milling machine M1 and the CLX 450 TC in the area of EaaS since 2021 as well as the turning machines T1 and T2 and the milling machine M2 for the entry-level.

III. Sustainability

Sustainability and technology leadership form a symbiosis at DMG MORI, which we actively live. At an early stage, DMG MORI assumed global and holistic responsibility for resources along the entire value chain. Sustainability is firmly anchored in all structures and processes, because only sustainable management is successful management. Our manufacturing solutions are high-quality, durable, recyclable and maximally efficient. The strong trend towards high process integration, automation and digitization solutions benefits sustainability. Under **DMG MORI GREEN ECONOMY** we summarize all initiatives for the "100% green machine":

1. **GREEN**MACHINE – the resource-saving produced machine (scope 1, 2 and 3 upstream)
2. **GREEN**MODE – the resource-efficient machine operation at the customer's site,
3. **GREEN**TECH – our know-how for green technologies.

DMG MORI has a balanced **Company Carbon Footprint** and a balanced **Product Carbon Footprint** via the climate triple "Avoid – Reduce – Compensate". All machines are produced resource-saving as **GREEN**MACHINE. We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO_2 certificates. Our Company Carbon Footprint has already been zero since May 2020. This includes emissions from scope 1, scope 2 as well as scope 3 (categories 1 paper, 3, 5, 6 and 7). We have been compensating our Product Carbon Footprint already since 2021. This also includes emissions from upstream processes along the supply chain, primarily from scope 3 (categories 1 purchasing materials and 4), as well as from downstream processes at the customer and at the end of the product life cycle (categories 9, 11 and 12).

Since September 2021, DMG MORI committed itself to the goals of the "Science Based Targets" initiative, which is dedicated to limiting global warming to no more than 1.5°C. To achieve this, we want to reduce our emissions in scope 1 & 2 by 46.2% and in scope 3 by at least 13.5% by 2030 (base year: 2019). We aim to increase this target to 27.5% in the current financial year. In addition, we are implementing the recommendations of the "Task Force on Climate-related Financial Disclosures" (TCFD) for voluntary and consistent disclosure of climate-related information.

To achieve our goals, we avoid and reduce emissions throughout the entire manufacturing process and life cycle of the machine. In doing so, we work closely with our suppliers and encourage them to become active themselves and reduce their CO_2 emissions. With the platforms "Integrity Next" and "SAP Ariba", our sustainability criteria are consistently integrated into the purchasing and supplier organization across the group.

In customer operations, we optimize the resource efficiency of our machines with **GREEN**MODE for efficient use of all production factors. This increases productivity and saves energy.

Furthermore, we support our customers with experts in our production plants with specific know-how for green technologies – **GREEN**TECH. On our machines, many of our customers manufacture highly innovative components for wind turbines, hydropower plants, hydrogen electrolysis or electromobility.

In addition to environmental and climate protection, our sustainability strategy also covers diversity, equal opportunities, compliance, the satisfaction and health of our employees as well as the common good.

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

IV. Additive Manufacturing

Additive manufacturing allows our customers to create new product designs and opens up entirely new fields of application. As a full-liner for additive manufacturing processes, we are the only manufacturer to cover the entire process chain and support our customers throughout with DMG MORI Additive Intelligence – from product development, through additive manufacturing of metal components and post-production cutting to service and training. Our focus is on the two important generative manufacturing processes DED and SLM. DMG MORI Ultrasonic I Lasertec GmbH offers machines for laser buildup welding with a powder nozzle (Direct Energy Deposition / DED) and DMG MORI Additive GmbH for laser melting in the powder bed (Selective Laser Melting / SLM). With this product portfolio, we enable our customers to cover a wide range of applications for individual, complex geometries and multi-materials – from medical technology to toolmaking.

V. DMQP

In close cooperation with over 120 technology partners worldwide, we complete our integrated portfolio with currently over 5,000 **DMG MORI Qualified Products** (DMQP). Machine components, peripherals and accessories with a high synergy to our machine tools – everything from a single source. Our customers have already configured more than 55,000 manufacturing solutions comprising machine, automation and peripherals simply, quickly and individually for their needs via our AI-supported online configurator.

VI. First Quality

Our machines stand for efficiency, accuracy, reliability, durability as well as sustainability – in short: excellent quality – and thus meet the demanding expectations of our customers. Accordingly, our "First Quality" strategy focuses on customer benefits for all products and processes along the entire value chain. One example is the 100-hour "DMG MORI Quality Check" of every machine before delivery release. The in-house development and production of our core components under the term DMG MORI Components ensures the best possible quality of our products. At the same time, we reduce dependencies and influences from volatile markets and strengthen our core competencies.

VII. Service Excellence

Our goal in the "Industrial Services" segment: service excellence over the entire life cycle of our machines – from commissioning, through maintenance and spare parts, to repair and training. Our offering includes the two all-round packages "FULLservice" and "Digital Manufacturing Package", which increase planning reliability and generate high added value. With digital service offerings, such as *my* DMG MORI and NET*service*, we create transparency for our customers and accelerate problem solving through targeted, direct and digital interaction with DMG MORI service experts. These solutions have reduced response times by up to 70%. Another new feature, for example, is the identification of spare parts via photo upload. In parallel, we are optimizing our internal service processes by switching to a digital and consistent service platform. Another focus is our spindle service, which we are continuously expanding.

VIII. Technology Excellence

We bundle our technological sector know-how in 17 Technology Excellence Centers and are continuously expanding it – especially in the main sectors Aerospace, Automotive, Die & Mold as well as Medical and Semiconductor. In order to offer our customers individual, matching complete solutions, more than 800 DMG MORI application engineers are involved in the component development processes at an early stage. Until today, we have successfully implemented over 10,000 turnkey projects. Our customers also benefit from our 63 technology cycles, which enable precise and up to 60% faster machine programming, even for complex machining operations.

IX. GLOBE

As a global technology leader, DMG MORI continuously optimizes its own processes and structures to be able to react flexibly and dynamically to the increasing volatility of the market environment. Our project "**GLOBE – Gl**obal **O**ne **B**usiness **E**xcellence" for the implementation of a global ERP system is the next decisive step for a significant reduction in complexity. With this business and IT transformation project, DMG MORI is creating an efficient and resilient organizational structure to ensure standardized systems. Integrated processes are another success factor for the future.

X. Employees

DMG MORI's success is based on a strong team effort by our highly motivated employees. With passion and profound know-how, the entire team is committed to our customers every day in order to meet their high demands and to simultaneously also exceed our own ambitious goals. At the same time, DMG MORI also considers it very important to be an attractive employer, to constantly improve the working environment, to provide stability even during periods of economic weakness and to strengthen employee loyalty through numerous offers. These include group-wide training programs such as the "High Potential Program" for young talents and the DMG MORI Digital Academy – a digital opportunity for sustainable further training. DMG MORI stands for a modern corporate culture with **TOP** values: **T**rust, **O**penness and **P**assion.**P**assion/Leidenschaft.

dynamic . EXCELLENCE

A.02 | GROUP STRUCTURE // DMG MORI AKTIENGESELLSCHAFT

(as part of "Global One Company" // as of: March 2023)

CORPORATE SERVICES

DMG MORI AKTIENGESELLSCHAFT, Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Development and Production[1)]

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)[2)]		
FAMOT Pleszew Sp. z o.o. (Pleszew / Poland)	GRAZIANO Tortona S.r.l. (Tortona / Italy)		

INDUSTRIAL SERVICES

DMG MORI Vertriebs und Service GmbH, Bielefeld

SALES AND SERVICES

DMG MORI DACH[3)]	DMG MORI EMEA[4)]	DMG MORI China	DMG MORI Services

Markets of DMG MORI COMPANY LIMITED[5)]

DMG MORI Japan	DMG MORI Asia[6)]	DMG MORI USA	DMG MORI Americas

1) Production stop February 2022: Ulyanovsk Machine Tools ooo (Ulyanovsk / Russia)
2) Grand Opening: 4th quarter 2023
3) Germany, Austria, Switzerland
4) Europe, Middle East, Africa
5) These markets are consolidated by DMG MORI COMPANY LIMITED.
6) incl. India

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 consistently, target-oriented and sustainably.

DMG MORI closed the financial year 2022 very successfully despite major global challenges. Worldwide supply and material shortages, high raw material, energy and transport costs, rising interest and inflation rates, but also the corona pandemic – especially in China – and above all the war in Ukraine impacted the entire industry. The global market for machine tools was also impacted by these exogenous factors, but due to the good development in the first half of the year was again above the high pre-corona level 2019 for the first time.

In this volatile market environment, DMG MORI once again achieved a TOP performance. Order intake in the core business with machine tools and services rose by +15 % to an all-time high of € 2,904.2 million (previous year: € 2,516.7 million), to which both the new machines business and the service business contributed positively. New machine business performed well with +15 % and reflects increased demand for our integrated and sustainable automation and digitization solutions. Service business also increased by +15 % and reached a new record level. Sales revenues increased by +15 % to € 2,365.7 million – despite the continued difficult materials and logistics situation. The sustainable optimization of our cost structure and stringent implementation of our efficiency improvement measures paid off: EBITDA improved by +56 % to € 297.8 million (previous year: € 190.8 million). EBIT increased by +75 % to € 216.5 million (previous year: € 123.8 million). The EBIT margin improved to 9.2 % and thus also marks an all-time high (previous year: 6.0 %). EBT grew by +78 % to € 216.2 million (previous year: € 121.6 million). As of 31 December 2022, the group reported EAT of € 153.4 million – a plus of 79 % compared to the previous year (€ 85.6 million). Financial performance was also encouraging: free cash flow amounted to € 171.7 million and was thus below the record level of the previous year (-5 %; € 179.9 million) but slightly above the pre-corona level 2019 (€ 168.8 million).

Investments in property, plant and equipment and intangible assets were at € 118.5 million as planned and thus significantly above the previous year (€ 77.3 million) due to the construction progress of our new production plant DMG MORI Manufacturing Solutions in Pinghu (China) as well as comprehensive expansion and modernization measures of the production and assembly areas at DECKEL MAHO in Seebach, FAMOT in Pleszew (Poland) and GRAZIANO in Tortona (Italy) and targeted measures for the self-sufficient, sustainable power supply of our production plants. Research and development expenses increased to € 77.0 million (previous year: € 72.9 million). DMG MORI achieved or, in some cases, exceeded all the target and control figures for the financial year 2022 forecast in the Annual Report 2021, in particular due to the sustainable optimization of cost structures, the consistent implementation of efficiency measures as well as the good development in the new machine business as a result of the strategic fit of automation, digitization and sustainability. One exception is the expenses for research and development, which were below the planned figure in the course of the efficiency measures.

A.03 | KEY FINANCIAL AND PERFORMANCE INDICATORS	Target Annual Report 2021 (16 March 2022)	Targets Q1 / 2022 (27 April 2022)	Targets Q2 / 2022 (04 August 2022)	Targets Q3 / 2022 (07 November 2022)	FACTS 2022
Order intake	around € 2.5 billion	around € 2.5 billion	around € 2.7 billion	around € 2.9 billion	€ 2,904.2 million
Sales revenues	around € 2.3 billion	around € 2.3 billion	around € 2.3 billion	around € 2.3 billion	€ 2,365.7 million
EBIT	around € 180 million	around € 180 million	around € 180 million	around € 180 million	€ 216.5 million
Free cash flow	around € 130 million	around € 130 million	around € 150 million	around € 150 million	€ 171.7 million
Investments (tangible fixed assets / intangible assets)	around € 115 million	around € 115 million	around € 115 million	around € 115 million	€ 118.5 million
Research and Development expenses	around € 84 million*	around € 84 million*	around € 84 million*	around € 84 million*	€ 77.0 million*

* including expense for special construction

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 and manages the markets in the regions DACH (domestic market Germany, Austria, Switzerland) and EMEA (Europe, Middle East, Africa), as well as China. DMG MORI Vertriebs und Service GmbH, Bielefeld, assumes further holding functions for sales and service. With effect from 1 July 2022, DMG MORI COMPANY LIMITED acquired the majority in DMG MORI India Pvt. Ltd. and, in addition to Japan, North and South America, also manages the Indian market as another part of Asia. As the parent company of the group's production sites, GILDEMEISTER Beteiligungen GmbH assumes further holding functions. Together with DMG MORI COMPANY LIMITED, we have a global presence with 113 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:

› In March 2022, GILDEMEISTER Beteiligungen GmbH founded CCP Services GmbH based in Mülheim an der Ruhr (Germany). GILDEMEISTER Beteiligungen GmbH holds 45 % of the shares.

› In May 2022, GILDEMEISTER Beteiligungen GmbH founded COMPONENT MANUFACTURING d.o.o., Zivinice (Bosnia and Herzegovina). GILDEMEISTER Beteiligungen GmbH holds 100 % of the shares.

› With effect from 1 July 2022, as part of the reorganization of sales and services, 100 % of the shares in DMG MORI Management GmbH, Bielefeld, were sold to a subsidiary of DMG MORI COMPANY LIMITED, Tokyo (Japan).

› Also with effect from 1 July 2022, 1% of the shares in DMG MORI India Pvt. Ltd., Bangalore (India), were sold to DMG MORI COMPANY LIMITED, Tokyo (Japan).

› In August 2022, GILDEMEISTER Beteiligungen GmbH sold its 46.3 % stake in SparePartsNow GmbH, Aachen (Germany).

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 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 87.37 % in the share capital of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI's financial investments are listed on page 159 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 87.37 % via DMG MORI Europe Holding GmbH, Bielefeld (until 9 September 2022: 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 complies with standard agreements. They do not result in the automatic termination of the above 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 2022, 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 2022.

› 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 2022 at a price of € 42.20 (3 January 2022). It closed with € 41.90 as of 30 December 2022. In the course of the year, the share developed stably in a volatile stock market environment and proved to be a solid investment. The market capitalization amounted to € 3.30 billion.

Guaranteed Dividend

Due to the domination and profit transfer agreement with DMG MORI Europe Holding GmbH (until 9 September 2022: 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 Europe Holding 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.

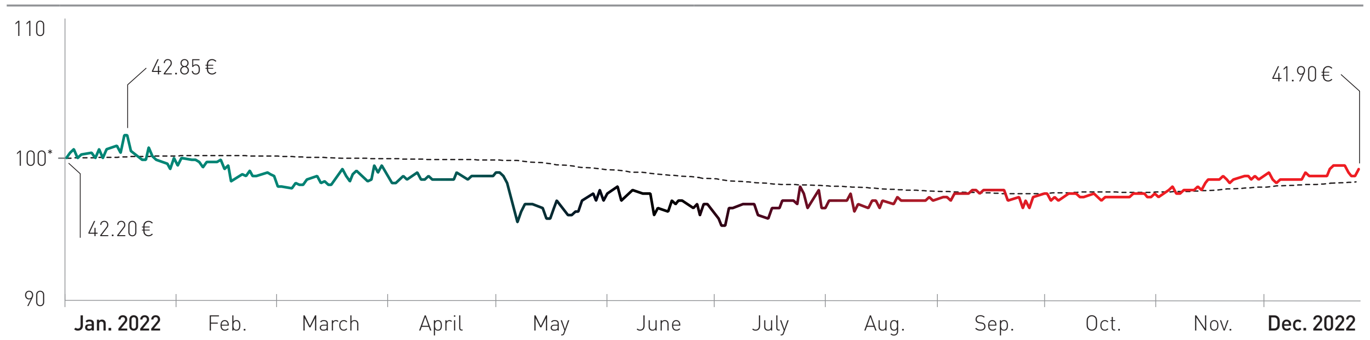
We publish extensive information on our website → **en.dmgmori-ag.com/investor-relations**. In addition to regular financial reporting, it contains current announcements, important dates and details of the annual press conference and Annual General Meeting. The Annual General Meeting, which was again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

A.04 | KEY FIGURES OF THE SHARE OF DMG MORI AKTIENGESELLSCHAFT | ISIN: DE0005878003

		2022	2021	2020	2019	2018
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]	€	41.90	42.15	41.10	42.35	43.10
Annual high[1]	€	42.85	42.40	42.90	48.35	50.60
Annual low[1]	€	40.30	41.00	38.80	40.90	42.80
Market capitalization	€ million	3,302.5	3,322.2	3,239.4	3,337.9	3,397.1
Earnings per share[2]	€	1.84	1.07	0.66	1.93	1.88
Price-to-earnings-ratio[3]		22.8	39.4	62.3	21.9	22.9

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

A.05 | DMG MORI AKTIENGESELLSCHAFT SHARE – JANUARY TO DECEMBER 2022
in %



* 3 January 2022 = 100, stock performances indexed XETRA; Source: Deutsche Börse Group — DMG MORI AKTIENGESELLSCHAFT - - - 100-days-avarage

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 2022, the Executive Board and Supervisory Board issued a Compliance Statement pursuant to Section 161 of the German Stock Corporation Act (AktG). This confirms that DMG MORI AKTIENGESELLSCHAFT has complied with both the recommendations of the "Government Commission on the German Corporate Governance Code" in the code version dated 16 December 2019 and, since its publication on 27 June 2022, the recommendations in the code version dated 28 April 2022 and will continue to do so in the future, but in each case 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.

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 Compliance Statement 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. Group-wide risk management is based on an integrated governance, risk and compliance model (GRC model). Detailed information on the opportunities and risk management system can be found on page 81 et seqq. We are not aware of any circumstances from our reviews of internal control and risk management or from reports by internal audit that speak against the appropriateness and effectiveness of these systems.

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 50 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. 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 2022. It also adhered to its voluntary commitment to ensure the independence of at least 50 % of the Supervisory Board members. In the reporting year, the Supervisory Board dealt with the necessary qualifications and also defined the competencies for the entire board. Further details on the competence profile are shown in table A.06.

Taking into account the shareholder structure and the existing domination and profit and loss transfer agreement dated June 2, 2016, the shareholder representatives assume that at least 5 members of the shareholder side are independent (→ Table A.06).

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 applicants are treated equally and valued equally, regardless of nationality or ethnic origin, gender, age, religion, sexual orientation or physical impairment. 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 5 May 2022 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 2027. There were no suitable female candidates available for a position as of 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. This target was met with a proportion of women of 12 % as of 30 June 2022. As a new target for 30 June 2027, the Executive Board decided on June 13, 2022 that the proportion of women would be 15 %.

Regarding 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 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.

A.06 | QUALIFICATION MATRIX OF SUPERVISORY BOARD

	Dr. Eng. Masahiko Mori	Ulrich Hocker	Irene Bader	Prof. Dr.-Ing. Berend Denkena	Prof. Dr. Annette Köhler	James Victor Nudo	Mario Krainhöfner	Stefan Stetter	Tanja Fondel	Dietmar Jansen	Larissa Schikowski	Michaela Schroll
Tenure												
joined Board in	2009/09/06	2010/05/11	2016/05/24	2013/05/17	2017/05/06	2018/05/04	2011/04/16	2018/05/04	2018/01/19	2013/05/17	2018/05/04	2018/05/04
elected until	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12	2023/05/12
Personal Suitability												
Independence		●		●	●		●	●	●	●	●	●
No Overboarding	●	●	●	●	●	●	●	●	●	●	●	●
Diversity												
Gender	male	male	female	male	female	male	male	male	female	male	female	female
Nationality	Japanese	German	Austrian	German	German	US-American	German	German	German	German	German	German
Date of birth	1961/09/16	1950/11/06	1979/01/01	1959/11/05	1967/01/13	1954/05/30	1964/10/16	1968/12/30	1976/07/27	1965/08/23	1969/08/19	1976/02/16
Professional Suitability												
Technology and knowledge of mechanical engineering industry	●		●	●			●	●	●	●		●
Strategy	●	●	●	●	●	●		●				●
Accounting		●			●			●			●	
Auditing		●			●			●		●		
Law / Regulation		●			●	●						
Personnel / co-determination / remuneration	●	●		●		●	●	●	●	●	●	●
Corporate Governance / Internal processes		●		●	●	●	●	●		●		
Compliance		●			●	●	●	●			●	
Digitization	●			●					●	●		●
ESG / Sustainability / Social and labor conditions	●			●	●		●	●	●	●	●	●
International Experience												
Germany	●	●	●	●	●		●	●	●	●	●	●
Europe	●	●	●	●	●	●		●	●			
Asia	●	●	●	●		●		●				
America	●	●	●	●		●						

1) with the meaning of Corporate Governance Code

● Criterion met, based on a self-assessment by the Supervisory Board. One point means at least "good knowledge" and thus the ability to understand the relevant issues well and make informed decisions based on existing qualifications, the knowledge and experience acquired in the course of work as a member of the Supervisory Board (for example, many years of service on the Audit Committee) or the training measures regularly attended by all members of the Supervisory Board.

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 includes in particular the observance of and compliance with legal requirements and regulatory standards, voluntary commitments and our internal guidelines. 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 2022 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 Compliance Statement 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 87.37% 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 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 2022 are presented in the following. The annual preparation of the remuneration report according to Section 162 of the German Stock Corporation Act (AktG) is the responsibility of the Executive Board and the Supervisory Board. In accordance with Section 162 (1) sentence 2 no. 1 AktG, remuneration is reported in the financial year in which the activity on which the remuneration is based was completed in full.

Approval of the remuneration report by the Annual General Meeting 2022

At the Annual General Meeting on 6 May 2022, the compensation report for fiscal year 2021, prepared and audited in accordance with Section 162 of the German Stock Corporation Act (AktG), was approved by 99.88%. There were no aspects to be considered with regard to the compensation system or its implementation in the compensation report.

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 2022, 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: € 252,000) 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.

A.07 | 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)	Base remuneration and committee remuneration total	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	15,000	159,000
Irene Bader 3)	-	-	-	-	-	-	0
Prof. Dr.-Ing. Berend Denkena 4)	60,000	0	0	18,000	78,000	12,000	90,000
Prof. Dr. Annette Köhler Chairwoman F&A	60,000	36,000	0	0	96,000	13,500	109,500
James Victor Nudo 5)	-	-	-	-	-	-	0
Mario Krainhöfner 6) 7) 1st Deputy chairman SB	90,000	0	18,000	0	108,000	9,000	117,000
Stefan Stetter 8) Deputy chairman SB	90,000	18,000	0	18,000	126,000	21,000	147,000
Tanja Fondel 6) 9)	60,000	0	18,000	0	78,000	10,500	88,500
Dietmar Jansen 6) 10)	60,000	18,000	0	0	78,000	12,000	90,000
Larissa Schikowski 11)	60,000	0	18,000	0	78,000	10,500	88,500
Michaela Schroll 6) 12)	60,000	18,000	0	18,000	96,000	18,000	114,000
Total amount	**630,000**	**90,000**	**72,000**	**90,000**	**882,000**	**121,500**	**1,003,500** 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 2022.
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 2022.
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 2022.
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 2022.

In financial year 2022, the total remuneration paid to the Supervisory Board amounted to € 1,003,500 (previous year: € 930,000). The total base remuneration and committee remuneration amounted to € 882,000 (previous year: € 819,000). The meeting attendance fees amounted to € 121,500 (previous year: € 111,000).

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 table A.08 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.

A.08 | COMPARISON OF ANNUAL CHANGE IN SUPERVISORY BOARD REMUNERATION

	CHANGES 2021 AGAINST 2020 in %	CHANGES 2022 AGAINST 2021 in%
Dr. Eng. Masahiko Mori 1)	–	–
Ulrich Hocker	+8.5%	+8.2%
Irene Bader 2)	–	–
Prof. Dr.-Ing. Berend Denkena	+4.4%	+13.2%
Prof. Dr. Annette Köhler	+3.6%	+4.3%
James Victor Nudo 3)	–	–
Mario Krainhöfner	+1.7%	+8.3%
Stefan Stetter	+5.2%	+8.9%
Tanja Fondel	+2.3%	+9.3%
Dietmar Jansen	+0.4%	+5.3%
Larissa Schikowski	+2.3%	+9.3%
Michaela Schroll	+6.6%	+5.6%
EAT (DMG MORI AG group) 4)	+64%	+79%
EAT (DMG MORI AKTIENGESELLSCHAFT) 5)	+8%	+400%
Average employee remuneration 6)	+2%	+3%

1) Dr. Eng. Masahiko Mori has not received any Supervisory Board remuneration for 2022.
2) Irene Bader has not received any Supervisory Board remuneration for 2022.
3) James Victor Nudo has not received any Supervisory Board remuneration for 2022.
4) 2022: € 153.4 million / 2021: € 85.6 million / 2020. € 52.1 million
5) 2022: € 146.5 million (under HGB) / 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 Europe Holding GmbH (until 9 September 2022: 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).

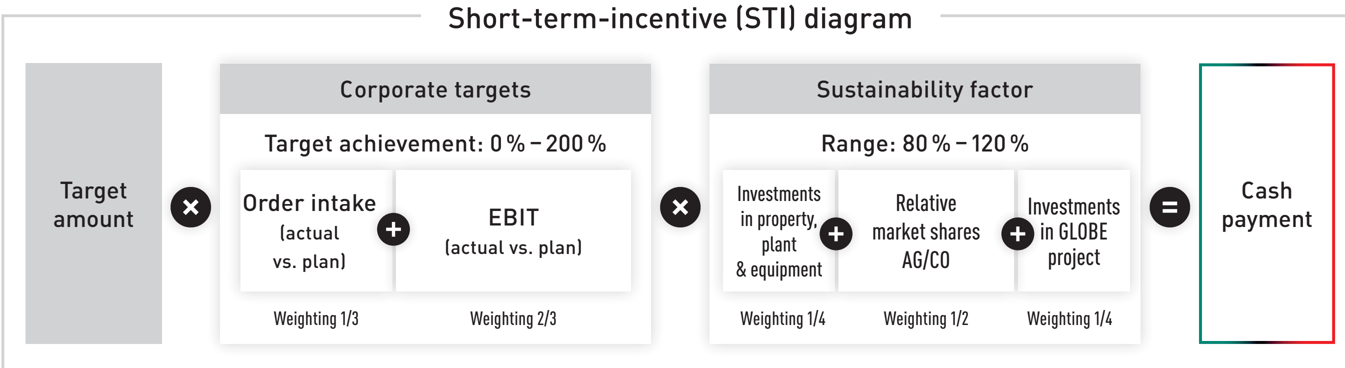
Base remuneration: Each Executive Board member receives a fixed base remuneration. This is paid in twelve monthly installments.

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.

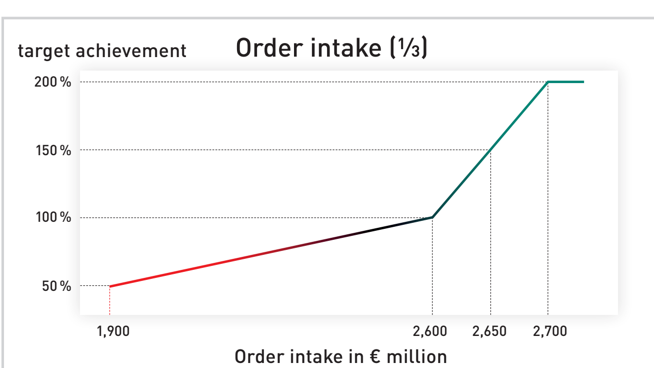


The STI system is based on two target dimensions with different weightings that can be adjusted by so-called sustainability factors ("modifiers"). This considers both the market position (measured by the performance indicator "order intake"), as well as the earnings position (measured by the performance 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 2022 result from the following key figures and factors for 2022 and are determined for all Executive Board members according to the same criteria:

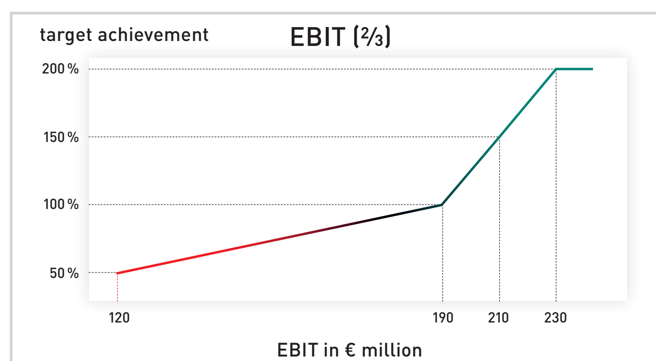
Order intake is weighted 1/3. In this way, the STI considers one of the key financial figures of DMG MORI AKTIENGESELLSCHAFT. The order intake component of the STI must reach a lower limit before it becomes bonus relevant. The lower limit is set at a target achievement of 50 %. Reaching the target amount 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 %.

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

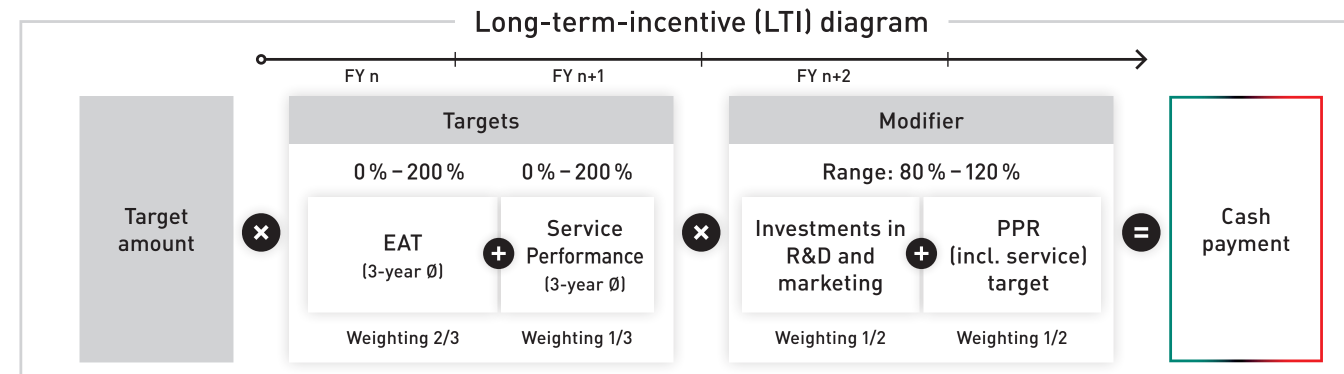


The **EBIT** is weighted 2/3. In this way, the STI considers an additional key financial figure of DMG MORI AKTIENGESELLSCHAFT. The EBIT component of the STI must reach a lower limit before becoming bonus relevant. This lower limit corresponds to a target achievement of 50 %. Reaching the target amount 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 goals is adjusted by three **sustainability factors** ("modifiers") defined as part of the award (80 %-120 %). These goals, on which the sustainability factor is based, include investments in property, plant and equipment, investments for the GLOBE project (introduction of SAP) and the development of internal market shares and positions (ratio of incoming orders DMG MORI AG group and DMG MORI COMPANY LIMITED). All sustainability factors can reach a level of 80 %-120 %. The factors investments in tangible assets and investments for the GLOBE project are each weighted with 25 %, the factor development of internal market shares and positions is weighted with 50 %. This is intended to particularly strengthen the Management Board's efforts to achieve sustainable management geared towards 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.

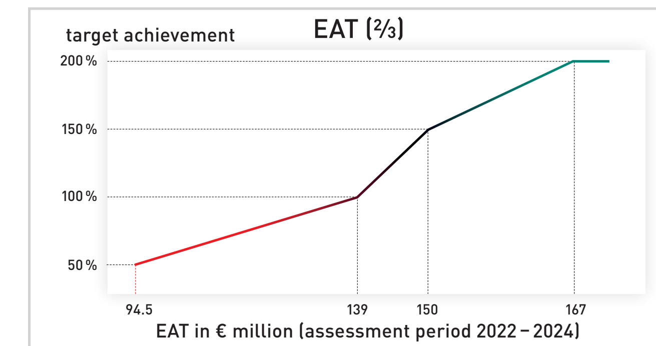
The LTI is based on two financial targets as well as measurable sustainability targets that are expressed in the form of a "modifier". The financial performance criteria represent important core management ratios of DMG MORI AKTIENGESELLSCHAFT (the earnings after tax – EAT – and the service performance). In addition to that, the modifier with a bandwidth of 80 % to 120 % also incorporates the sustainability targets.

An individual target amount is 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:

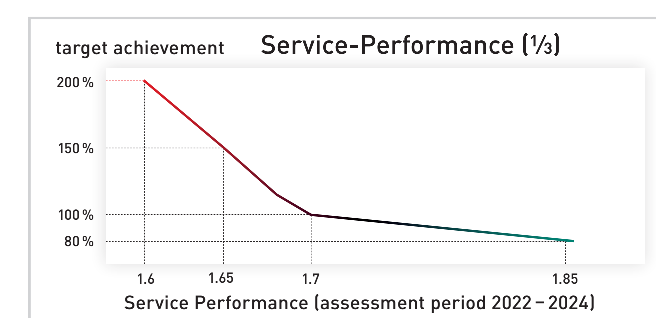
The **EAT** is weighted 2/3. In this way, the LTI considers one of the key financial figures of DMG MORI AKTIENGESELLSCHAFT. The EAT component of the LTI must reach a lower limit in order to become bonus relevant. This corresponds to a target achievement of 50 %. Reaching the target amount results in 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 %. The consideration ends at a set minimum value. This 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 2022–2024) and retirement provisions.

The maximum total remuneration for financial year 2022 was set at € 5,550 K for the Chairman of the Executive Board and € 2,950 K for the Executive Board members. (→ Table A.09)

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.

Expenses for the contribution-based retirement provisions for the Executive Board members totaled € 850 K in financial year 2022 (previous year: € 850 K).

Remuneration for former members of the Executive Board

In the reporting year, as part of direct pension obligations € 1,087 K (previous year: € 1,132 K) was paid to former members of the Executive Board and their surviving dependents, of which € 680 K went to Dr. Rüdiger Kapitza who left the Executive Board in 2016.

Remuneration of the Executive Board for financial year 2022

The target achievement for short-term variable remuneration (STI) is 166% 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 109%, for the GLOBE project 120% and for the relative market shares AG/CO 120%, resulting in a weighted modifier of 117% overall. The total target achievement for short-term variable remuneration (STI) for the year 2022 is 208%. The STI payment is limited to a total of 200% of the target amount (cap).

Target achievement for the long-term remuneration component (LTI tranche 2020-2022) is 200% for the EAT indicator (3-year average 2020-2022) and 200% for the service performance indicator. The target achievement for the sustainability factor for adhering to the R&D and marketing budgets was 120% and for the development of the PPR indicator also 120%, resulting in a weighted modifier of 120% in total. The target achievement for the LTI tranche 2020–2022 is 220%. The payout from the LTI tranche 2020–2022 is limited to a total of 200% of the target amount (cap).

The total remuneration without advance payments of the Executive Board for financial year 2022 amounted to € 9,753 K (previous year: € 7,118 K). Of this amount, € 2,461 K (previous year: € 2,228 K) is attributable to the fixed, non-performance-based remuneration (base remuneration and fringe benefits), and € 3,200 K (previous year: € 3,200 K) to the short-term variable remuneration (STI) as well as € 850 K to contribution-based retirement provisions (previous year: € 850 K).

The LTI tranche 2020-2022, which was allocated on 31 December 2022 and will be paid in 2023, results in a total amount of € 4,750 K (LTI 2019-2021: € 840 K). An advance payment of € 1,508 K was made in 2021 for the LTI tranche 2020-2022. The payment from the LTI tranche 2020-2022 amounts to € 3,242 K.

A.09 I TARGET AND MAXIMUM REMUNERATION (REMUNERATION COMPONENTS 2022)	Christian Thönes		Björn Biermann		Michael Horn	
	2022 (Target)	2022 (MAX)	2022 (Target)	2022 (MAX)	2022 (Target)	2022 (MAX)
Base remuneration	€ 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 2022-2024	€ 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**	**€ 5,550,000**	**€ 1,812,500**	**€ 2,950,000**	**€ 1,812,500**	**€ 2,950,000**

For the LTI tranche 2021-2023, a recoverable advance payment of € 1,663 K was made in 2022, 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.10 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 2022 as well as the LTI tranche 2020-2022 that will be paid in financial year 2023 for underlying activities that were fully performed by the end of financial year 2022. The recoverable advance payment for the LTI tranche 2021-2023 is also shown.

A.10 | REMUNERATION AS GRANTED AND PAYABLE (SECTION 162 (1) SENT. 1 AKTG)
in € K

	Christian Thönes Executive Board Chairman				Björn Biermann Executive Board Member			
	2021 [4]	2021 [5]	2022	2022 [5]	2021 [4]	2021 [5]	2022	2022 [5]
Base remuneration	1,080	-	1,200	-	540	-	600	-
Perquisite	11	-	11	-	8	-	8	-
Total	**1,091**	**31 %**	**1,211**	**25 %**	**548**	**31 %**	**608**	**26 %**
STI	1,600	46 %	1,600	33 %	800	45 %	800	33 %
LTI 2019 – 2021	360	10 %	-	-	240	13 %	-	-
LTI 2020 – 2022 [1]	-	-	1,650	33 %	-	-	796	33 %
Total	**1,960**	**56 %**	**3,250**	**66 %**	**1,040**	**58 %**	**1,596**	**66 %**
Pension [2]	450	13 %	450	9 %	200	11 %	200	8 %
Total remuneration without advance payment	**3,501**	**100 %**	**4,911**	**100 %**	**1,788**	**100 %**	**2,404**	**100 %**
Recoverable advance payment LTI 2020–2022 [3]	650	-	-	-	429	-	-	-
Recoverable advance payment LTI 2021–2023 [3]		-	805	-	-	-	429	-
Total inflow with advance payment	4,151	-	5,716	-	2,217	-	2,833	-

	Michael Horn Executive Board Member				Executive Board total			
	2021 [4]	2021 [5]	2022	2022 [5]	2021 [4]	2021 [5]	2022	2022 [5]
Base remuneration	540	-	600	-	2,160	-	2,400	-
Perquisite	49	-	42	-	68	-	61	-
Total	**589**	**32 %**	**642**	**26 %**	**2,228**	**31 %**	**2,461**	**25 %**
STI	800	44 %	800	33 %	3,200	45 %	3,200	33 %
LTI 2019 – 2021	240	13 %	-	-	840	12 %	-	-
LTI 2020 – 2022 [1]	-	-	796	33 %	-	-	3,242	33 %
Total	**1,040**	**57 %**	**1,596**	**66 %**	**4,040**	**57 %**	**6,442**	**66 %**
Pension [2]	200	11 %	200	8 %	850	12 %	850	9 %
Total remuneration without advance payment	**1,829**	**100 %**	**2,438**	**100 %**	**7,118**	**100 %**	**9,753**	**100 %**
Recoverable advance payment LTI 2020–2022 [3]	429	-	-	-	1,508	-	-	-
Recoverable advance payment LTI 2021–2023 [3]	-	-	429	-	-	-	1,663	-
Total inflow with advance payment	2,258	-	2,867	-	8,626	-	11,416	-

1) Amount less prepayments
2) Payments for pension provisions as defined contribution
3) LTI 2020 – 2022: Prepayment made in 2021, LTI 2021 - 2023: Prepayment made in 2022
4) Basic compensation 2021 including waiver
5) 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.

Table A.11 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" 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.11 | COMPARISON OF ANNUAL CHANGE IN EXECUTIVE BOARD'S REMUNERATION (SECTION 162 (1) NO. 2 AKTG)	CHANGES 2021 AGAINST 2020 in%	CHANGES 2022 AGAINST 2021 in%
Christian Thönes	+47.7 %	+37.7 %
Björn Biermann	+35.4 %	+27.8 %
Michael Horn	+49.8 %	+27.0 %
EAT (DMG MORI AG group) 1)	+64 %	+79 %
EAT (DMG MORI AKTIENGESELLSCHAFT) 2)	+ 8 %	+400 %
Average employee remuneration 3)	+ 2 %	+3 %

1) 2022: € 153.4 million / 2021: € 85,6 million / 2020: € 52.1 million
2) 2022: € 146.5 million (under HGB) / 2021: € 29,3 million (under HGB) / 2020: € 27.1 million (under HGB)
3) Employee remuneration in Germany in the respective financial year

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. Our strategic fit of automation, digitization and sustainability is paying off. In the reporting year, we presented 23 **innovations** together with DMG MORI COMPANY LIMITED – thereof 3 world premieres, 6 automation solutions as well as 12 digital innovations including 8 technology cycles and 2 DMG MORI Components.

We expanded our now 157 different machine models with 3 world premieres in the reporting year:

› **NTX 500** – the latest and most compact model in the successful Turn & Mill series, with a footprint of less than 7 m² and the new compactMASTER spindle, is the ideal solution for demanding industries such as medical technology.

› **DMU / DMC 85 H monoBLOCK** – the new, versatilely automatable universal horizontal machining center expands the innovative series and is aimed in particular at users in the main sectors of aerospace, die & mold and semiconductor. The machine combines the flexibility and ergonomics of a 5-axis universal machining center with the productivity and process reliability of a horizontal machining center.

› **LASERTEC 100/160 PowerDrill** – the machine for 5-axis laser precision drilling offers 40 % higher dynamics and a 42 % larger working area with a smaller footprint compared to its predecessor. For example, components from the sectors aerospace and energy can be equipped highly efficiently and automatically with cooling air ducts.

› **Automation** is the key to more efficiency, more productivity, even faster amortization – and thus to greater competitiveness and sustainability for our customers. In addition to our broad machine portfolio, DMG MORI is also a full-liner in automation. Our innovative and comprehensive automation portfolio with 57 products in 13 product lines includes machine-specific, universal and scalable solutions up to the DMG MORI CELL CONTROLLER LPS 4 for workpiece, pallet and tool management. New additions in the reporting year are:

› **Robo2Go Max**: now also for workpieces up to 115 kg. Quick and easy control via CELOS – without programming knowledge. This makes the Robo2Go the ideal and flexible solution also for heavy components for small and medium batch sizes.

› **MATRIS Light:** The highly flexible and compact cobot for workpieces up to 5 kg can be connected in less than 5 minutes, operated intuitively and does not require a safety fence.

› **PH 50:** The cost-effective entry into pallet handling on only 2,7 m².

› **PH Cell Twin:** The compact and modular round storage system for pallets is based on the proven PH Cell 300, is easy to retrofit and simultaneously automates two machines – a particularly efficient and economical solution for up to 30 pallets.

› **PH Cell 2000:** The solution for handling up to 2,000 kg on 21 pallets each – variably adaptable thanks to standardized modules.

› **CTS** (Central Tool Storage): The central tool magazine is based on our proven concept of tool wheel magazines to store and manage up to 1,440 tools independently of the machine. Combined with our driverless transport system for tools – TH-AGV – or a portal tool shuttle, different machines can thus be supplied with tools from a central location.

As a central control computer, the **DMG MORI CELL CONTROLLER LPS 4** performs efficient workpiece, pallet and tool management in a production line with several machines. Standardized interfaces enable seamless connection to higher-level planning and control systems, such as APS, MES and ERP. For example, Production Planning & Control from ISTOS can now interact seamlessly with the DMG MORI CELL CONTROLLER LPS 4 via API (Application Programming Interface).

In addition to automation, **digitization** is a strategic pillar of economic and sustainable manufacturing technology. With digital offers along the entire value chain, we create added value and strengthen our customer relationships. **DMG MORI Tooling**, for example, makes tool management easier for small and medium-sized companies in particular by efficiently managing tool data in the cloud. We thus increase process reliability and transparency while reducing costs. With the **Digital Twin Process Optimizer**, real manufacturing processes recorded by sensors can be digitally tracked, analyzed and optimized 1:1 – with "Cloud connected" now also independent of location and time. The Digital Twin is also part of our holistic "Digital Engineering" approach to increase the efficiency of real production. With 8 new **DMG MORI technology cycles**, we now support our customers with a total of 63 cycles for programming their machine on the shopfloor. The new Polygon/Oval Milling cycle, for example, enables simple and flexible production of demanding oval and polygonal geometries.

As a full-liner for **Additive Manufacturing**, DMG MORI is the only manufacturer to offer the complete process chain – from design, through additive manufacturing of complex components, to post-production cutting. The new blue laser for laser deposition welding with a powder nozzle (Direct Energy Deposition / DED) enables the processing of highly reflective materials such as copper thanks to its significantly better absorption behavior. With a new size of our proven compactMASTER spindles for the new NTX 500 as well as a new, particularly compact variant of our successful turnMASTER spindles, we have added 2 innovations to our **DMG MORI Components**.

At DMG MORI, **technology leadership** and sustainability form a symbiosis which we actively live. For us, resource-efficient machine production is a lived reality. We have already achieved a lot here – and created our own "**DMG MORI GREEN ECONOMY**": our manufacturing solutions are high-quality, durable, recyclable and maximally efficient – for example, through high process integration as well as comprehensive automation and digitization solutions – this preserves resources, the climate and the environment.

DMG MORI has already had a balanced **Company Carbon Footprint** since 2020 and a balanced **Product Carbon Footprint** since 2021 via the climate triple "Avoid – Reduce – Compensate". We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO_2 certificates. 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 are produced resource-saving. Further information can be found in the Sustainability Report on page 24 et seqq. With **GREEN**MODE, we are consistently advancing the energy and resource efficiency of our machines (scope 3 downstream). As an innovation leader, we are also thinking ahead in terms of sustainability!

For the current financial year 2023, we are again planning a large number of world premieres and innovations. At the traditional Open House in Pfronten, we showed 7 world premieres at the beginning of the year, including:

› The turning machines **T1** and **T2** and the milling machine **M2** for the entry-level: compact and precise, with proven components and DMG MORI Connectivity. Easily configurable via Cloud-based Offering and immediately subscribable, they expand our **PAYZR** offer. With PAYZR – PAY with Zero Risk – for Equipment-as-a-Service and Software-as-a-Service, our customers benefit from fast innovation cycles without risk – with maximum flexibility, cost and price transparency and thus maximum planning security.

› The **DMU 40** – with maximum rigidity, the ideal entry into 5-axis machining – particularly easy to automate with the Robo2Go or PH 150.

› The **DMU 65 / 75 monoBLOCK** of the 2nd generation – proven technology from over 6,000 monoBLOCK machines with even higher accuracy.

We also presented end-to-end innovations in the area of **sustainability** at Open House Pfronten 2023 – for example, the particularly efficient supply of cooling lubricant to our machines through active control of the volume flow – for up to 40 % less energy consumption during operation.

The app-based operating and control interface **CELOS** bundles our digital products in one interface and enables access to all production-relevant information. CELOS X is a platform-based end-to-end shop floor solution for the connected manufacturing of the future. With CELOS Xperience, local machine and shopfloor tasks are organized in continuous app-based workflows. CELOS Xchange provides a trusted data hub to securely store, analyze and exchange manufacturing data in global production chains. CELOS X will be presented at EMO Hanover 2023.

A.12 | RESEARCH AND DEVELOPMENT IN A YEAR BY YEAR VIEW		2022	2021	2020	2019	2018	2017
R & D employees	number	604	599	560	583	581	525
R & D employees [1]	in %	15	15	15	15	15	15
R & D expense [2]	€ million	77.0	72.9	66.7	72.0	70.9	60.9
Innovation ratio [3]	in %	6.0	6.6	6.4	5.0	4.9	4.7
Capitalization quote [4]	in %	6.4	6.3	6.1	6.4	6.4	10.5

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 expense in relation to sales revenues in the "Machine Tools" segment
4) capitalized development costs in relation to R & D expenses

DMG MORI Connectivity is the solution for connectivity on the entire shopfloor – including third-party machines since Open House Pfronten 2023. In compliance with the highest IT security and testing standards, we create secure, standardized interfaces for easy digitization of new and existing DMG MORI machines as well as third-party machines.

Technology integration combined with our unique **DMG MORI gear cutting solutions**, such as the new gearSKIVING AI, **DMG MORI gearMILL** and gearBROACHING make it possible to program a wide variety of gearings directly on the machine and to manufacture them without special gear cutting machines. The thus higher capacity utilization and increased efficiency make a further contribution to greater sustainability at our customers.

In the reporting year research and development expenses amounted to € 77.0 million (previous year: € 72.9 million). 604 employees worked on the development of our products (previous year: 599 employees). As in the previous year, this corresponds to 15 % of the plants' total workforce. The innovation rate in the "Machine Tools" segment was 6.0 % (previous year 6.6 %). 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 November, around 350 international experts again came together digitally and on site in Tokyo to develop and drive forward future ideas for networked, sustainable solutions from machine, automation and digitization.

Purchasing

Purchasing at DMG MORI has the central task of securing requirements in the short and medium term with optimized cost structures. The material and delivery shortages that had already occurred during the pandemic have increased significantly as a result of the war in Ukraine and once again presented the supply chains with major challenges. Purchasing is playing a key role more than ever. Building resilient, agile and sustainable supply chains is a key success factor. DMG MORI is therefore still pursuing a clear strategy when it comes to purchasing:

1. Double sourcing and regionalization
2. own development and production of core components – DMG MORI Components
3. Digitization in purchasing
4. Sustainability along the entire supply chain
5. strong partnerships with suppliers.

DMG MORI assumes holistic and sustainable responsibility every day: This also applies to purchasing. We expect our partners and suppliers to follow our commitment to sustainability and, in turn, to pass these requirements along their entire supply chain.

We increasingly evaluate and select our suppliers based on sustainability criteria: In order to record the sustainability performance of our suppliers as early as possible in the procurement process, we carry out an assessment using the platform "Integrity Next". Information about suppliers is obtained using digital questionnaires to make possible risk factors transparent, to check sustainability issues such as quality, environmental standards and social requirements, and to ensure compliance with regulatory requirements. On this basis, we determine concrete improvement measures with our suppliers.

In 2022 we were able to further strengthen the sustainability and resilience in our supply chain: In addition to the global double-sourcing strategy, the current supplier portfolio is characterized by diversification and regionalization in the different markets. Furthermore, we increasingly manufacture core components ourselves with our DMG MORI Components. Moreover, start-ups are also coming into focus: The digital platform Matchory is used to identify suitable suppliers with the latest concepts of machine learning and unique algorithms "with one click" in real time.

Advantages of the "Big Data" and AI-supported supplier search:

› Compare 100x more suppliers worldwide per sourcing request,
› time savings in procurement of up to 85 %,
› transparent global supply chains from the start,
› high flexibility and fast response time.

At the same time, we are continuing to work consistently on implementing a completely digitized supply chain and thus increasing efficiency in purchasing sustainably. DMG MORI works with digital solutions that help identify group-wide synergies and increase security of supply. To do this, we create a common database and use innovative technologies that enable networked collaboration in real time – within the group and with our delivery partners. In the future, transactions with our suppliers are to be further standardized and – wherever possible – automated. The aim is to reduce transaction costs and accelerate business processes. Cloud-based software applications and the use of "Robotic Process Automation" (RPA) support us in this.

DMG MORI maintains strong and stable partnerships with its suppliers: In particular, the ongoing challenges caused by the pandemic and the war in Ukraine have shown that the worldwide network of supplier management functions reliably and that the supply of materials could be largely ensured over the reporting year.

Success depends to a large extent on the performance of our partners and suppliers. Our global purchasing departments are therefore constantly on the lookout for new, high-performance suppliers who can make efficient contributions to our top corporate goal of improving customer satisfaction. Here we rely on:

› Meeting deadlines: high flexibility, reliability and problem-solving skills,
› Responsibility for costs: transparent pricing,
› Quality responsibility: modern and efficient quality management systems,
› Environmental protection: Compliance with applicable laws and regulations is a minimum requirement,
› Carbon footprint: responsible handling of CO_2 emissions,
› Collaboration: expanding technology leadership through innovation,
› Compliance: respect for human rights.

The cost of materials and purchased services amounted to € 1,329.1 million (previous year: € 1,161.6 million). Of this, € 1,150.9 million was attributable to raw materials, consumables and supplies (previous year: € 1,008.6 million). The materials ratio was 55.4 % (previous year: 55.9 %). The depth of added value was 24.5 % (previous year: 24.0 %).

Global supply shortages and rising costs for steel and energy (including gas: +199.4 % or electricity: +141.9 %) meant that DMG MORI was also confronted with price increases. Caused by the war in Ukraine, steel prices in particular reached historic highs (+20 %) in the first half of the year. At the end of the reporting year, steel prices stabilized at a high level.

The structural analysis in purchasing shows that 6 % of the suppliers cover around 80 % of the total purchasing volume. We refer to these as our A-suppliers. Another 12 % of our suppliers account for 15 % of the purchasing volume (B suppliers); 18 % of our suppliers thus cover 95 % of the total purchasing volume. The remaining 5 % of the purchased materials are distributed among the remaining 82 % of our suppliers, the so-called C-suppliers.

Purchasing at DMG MORI is organized globally and is present in the important purchasing markets worldwide. This enables us to purchase production materials, goods and services worldwide in the required quality and at the best possible conditions. Three regional purchasing units in India, China and Taiwan identify additional growth markets and qualify local suppliers to realize cost benefits for all production sites in the group.

Through the material group management together with DMG MORI COMPANY LIMITED, both companies benefit from improved cost structures and the use of synergies resulting from numerous group-wide projects.

The area of PCO (Product Cost Optimization) has become firmly established and is now an integral part of every product development. PCO supports our project managers with extensive manufacturing know-how and ensures that components and assemblies are designed at optimal cost right from the start of development. A total of 28 projects with potential savings of around € 1.9 million were initiated in the year under review.

With the platforms "Integrity Next" and "SAP Ariba", our sustainability criteria are uniformly integrated into the purchasing and supplier organization throughout the group. Of particular relevance here are the active suppliers for our core business with machine tools and services, with which we have been working for at least two years. Even before the Supply Chain Due Diligence Act came into force on 1 January 2023, DMG MORI was able to actively involve 100 % of these suppliers – that is 4,585 – in the monitoring of "Integrity Next".

We react to sustainability risks and violations by systematically implementing measures. Supply partners are informed of deficits, for example, and are proactively asked to rectify them within a certain period. Serious violations can lead to the dissolution of the cooperation and to the delivery partner being blocked by the system.

Climate change and the associated reduction in CO_2 emissions are currently the central tasks. In order to make the transition to a "GREEN ECONOMY", technological and regulatory changes are necessary and of great importance, especially for purchasing. We record the emissions generated along the upstream supply chain in our CO_2 balance sheet and have been fully offsetting them since January 2021. In this way, we make advance payments for our suppliers. At the same time, we call on them to become active themselves and also to make their CO_2 emissions transparent to DMG MORI.

To provide our partners with the best possible support and also to record our own emissions even more precisely, we are actively looking for innovative software providers to identify emission-intensive material groups. Using the automated comparison with secondary databases such as ECOINVENT or DEFRA, the appropriate CO_2 emission factors for the materials used can be determined at the product level and offset against the weight of the components. In the future, the validation of these so created calculations will be carried out via a platform approach with active supplier integration and will be further specified. The high level of transparency enables us to provide our suppliers of production material with specific optimization suggestions and CO_2 reduction targets in the future. With an active dialogue, we want to help our suppliers at an early stage and raise awareness that we at DMG MORI also implement a sustainable and low-emission supply chain in purchasing and that in future we will only work with partners who accompany us dynamically on the path to decarbonization. Further details can be found in the separate Sustainability Report 2022 on page 44 et seqq.
→ en.dmgmori-ag.com/sustainability

Production and Logistics

DMG MORI is committed to highly efficient, digitized and sustainable production and logistics and strict adherence to high global quality standards – always with the aim of delivering top-quality products on time to our more than 100,000 customers around the world. The DMG MORI "First Quality" strategy and innovative technological solutions along the entire value chain ensure that all processes are geared toward maximum quality and the greatest possible benefit for the customer. Our continuously conducted customer satisfaction analyses prove that we are achieving this ambitious goal. The result: more than 95 % of all customers report that they are satisfied.

We systematically implement our production strategy for optimal capacity utilization and sustainable production using the TAKT production method. This way we are also actively advancing the transfer of standards, process optimizations and lighthouse projects across our production sites in particular. One of our strengths and core competencies is the in-house production of DMG MORI Components. With this component strategy, we are increasing our supply chain resilience and, above all, ensuring compliance with the very highest quality standards.

In addition, the DMG MORI TAKT Academy provides our employees with training in the "Digital Lean Six Sigma" methodology. During this training, for example, projects are carried out to increase productivity, reduce lead times, eliminate waste and improve sustainability. The main focus here is on digitizing our processes and implementing flexible automation solutions in our own value chain.

We are advancing the digital transformation dynamically – for example also through the internal implementation of in-house software solutions by TULIP and ISTOS. At our production plants, more than 200 TULIP apps developed by local employees are already in use at 1,600 workstations.

Idea management and all activities relating to continuous improvement are bundled on our internal suggestion platform DMG MORI Improve. More than 11,000 ideas were submitted across the group in the reporting year, of which around 75 % were implemented. One particular focus was on "Working together to save energy". Employees can take part in an energy efficiency challenge from 1 October 2022 up to 31 March 2023 and had already submitted 150 effective ideas for saving energy by the end of the reporting year. The modules for workshops and projects for continuous improvement process management are used across all production locations and also support the implementation of the TAKT Academy projects.

The reporting year was characterized globally by increasing logistics shortages. Through consistent supplier and supply chain management and thanks to the stable, long-standing network with partners and suppliers, DMG MORI was able to avoid major production interruptions. We were able to counter this through a close exchange with our partners and suppliers as well as with finely tuned monitoring and escalation management. The challenges posed by material and supply shortages in particular have shown how important strong and stable partnerships are.

We structure our global production network in close cooperation with DMG MORI COMPANY LIMITED. By working together, we achieve greater flexibility and can also optimize our delivery capability and transport times to our customers by coordinating the use of global production capacities.

One important component of our future production network, among others, is the new DMG MORI Manufacturing Solutions production plant in Pinghu near Shanghai. In line with the motto "Made in China for China", we thus secure long-term local access to the world's largest machine tool market. Since late 2021, the fully digitized, highly automated, around 41,000 m² large plant has been under construction – including mechanical production and a continuous flow assembly line with a driverless transport system. The grand opening is scheduled for the fourth quarter of 2023.

Four previously external warehouses were bundled at the Pfronten site on an area of 8,400 m² with a total of 14,000 rack meters. The now automated, digitized supply chain will reduce the time required to supply materials from the warehouse to the assembly station from before up to 48 hours to less than 60 minutes in the future. The launch of this new, state-of-the-art logistics center in July 2022 was one of several measures specifically aimed at optimizing our delivery times. In addition, digitally supported "Production Dojos" – i.e. the analysis of machine assembly under laboratory conditions – identified optimization potential for the DMU/C 65/85 H monoBLOCK and DMU 200 Gantry machine types. Depending on the machine type or assembly, productivity and lead time improvements of up to 25 % could be realized.

Thanks to innovative augmented reality (AR) technology, experts from DECKEL MAHO Seebach were able to successfully train the new employees in China for their future activities at the Pinghu plant – despite pandemic conditions and across thousands of kilometers. AR allows the employees in China to view the machines in real time from the perspective of the trainer in Germany, set them up in parallel and jointly solve any problems in the running process.

At the Bielefeld site, a key milestone in the global transformation project GLOBE was achieved in the reporting year with the GO-Live of the new ERP system at GILDEMEISTER Drehmaschinen GmbH and DMG MORI Additive GmbH as part of the group-wide rollout of SAP S/4HANA. In the reporting year, around 500 users were already using the new GLOBE platform with standardized templates and processes.

At the Pleszew site (Poland), construction work on the new FAMOT Components Center has been progressing since July 2022 and is scheduled for completion in late 2023. This pre-assembly center for the entire group will provide additional capacity for the production of around 360 different components and about 140 assemblies for internal supply to our European production sites on a total area of around 5,200 m².

At the Tortona (Italy) site, GRAZIANO is also investing in extensive rebuilding measures to expand final assembly. In addition to the construction of a new hall, we plan to open a new, state-of-the-art AGV flow assembly line for efficient and flexible assembly in 2024.

ECONOMIC REPORT

Framework

Overall Economic Development

In 2022, the global economy was overshadowed by the war in Ukraine. The consequence: significantly increased energy costs, high inflation rates, rising and significant price increases for raw materials, transport, logistics and again increasing supply shortages. Geopolitical uncertainties and China's strict zero-covid policy also significantly impacted global economic activity during the year. According to preliminary calculations by the Institute for the World Economy (IfW) at the University of Kiel, the global economy grew by only +3.2 % (previous year: +6.1 %).

According to IfW, Germany recorded a growth in gross domestic product (GDP) of just +1.9 % (previous year: +2.6 %) and was facing a recession at the end of the year. In the euro zone, the economy grew by +3.4 % (previous year: +5.3 %). However, significantly rising prices, high interest rates and the negative effects of the war in Ukraine weakened the economy significantly over the year. The major European economies – led by Spain with an increase in GDP of +4.6 % (previous year: +5.5 %), Italy with +3.8 % (previous year: +6.7 %) and France with +2.5 % (previous year: +6.8 %) – were still able to compensate for the recession in the second half of the year due to the positive development in the first half of the year.

In the United Kingdom, the economy lost momentum due to increased inflationary pressure and the devaluation of the British pound. At +4.3 %, GDP growth remained well below the previous year (+7.5 %).

China recorded a GDP growth rate of only +2.9 % (previous year: +8.6 %). The real estate crisis, energy shortages and the rigid corona policy with the associated lockdowns weighed on the economy. In Japan, economic development remained moderate with growth of +1.4 % (previous year: +1.5 %). India again recorded growth of +6.5 % (previous year: +8.3 %). The Southeast Asia region grew by +5.0 % (previous year: +3.5 %).

The US economy grew in the first half of 2022 but, lost significant momentum towards the end of the year. Full-year GDP increased by only +1.9 % (previous year: +5.9 %). Latin America recorded a modest increase of +3.6 % (previous year: +7.0 %).

Development of the machine tool industry

INTERNATIONAL DEVELOPMENT

The global market for machine tools again faced major challenges in 2022. The war in Ukraine, lack of material availability and supply shortages, rising inflation as well as high raw material and energy costs had a particularly negative impact on performance in the second half of the year. 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 2022 rose by +8.1 % to € 76.9 billion (2021: € 71.2 billion) – in particular due to the good development in the first half of the year – and was thus again above the high pre-corona level in 2019 for the first time (+4.6 %; € 73.5 billion).

According to preliminary information from the VDW, in Europe, demand for machine tools increased by +11.5 %, but was not yet able to reach the pre-corona level in 2019 (previous year: +14.5 %). Asia recorded the smallest increase of +2.5 % (previous year: +20.5 %). The development in the North and South America regions, on the other hand, was extremely positive at +25.9 % (previous year: +23.5 %).

In China, the world's largest market, consumption of machine tools fell by -7.8 % to € 21.7 billion (2021: € 23.6 billion; 2019: € 19.9 billion). The USA, the second most important market for machine tools with € 11.6 billion, showed a significant increase of +28.0 % (2021: € 9.1 billion; 2019: € 8.7 billion). In Italy, the third largest market, consumption increased significantly by +38.2 % to € 5.6 billion (2021: € 4.0 billion; 2019: € 4.0 billion). Germany lost third place and is now in fourth place. Although consumption here increased by +15.3 % to € 5.2 billion (2021: € 4.5 billion), Germany is still well below the pre-corona level of 2019 (-27.6 %; € 7.1 billion). Japan's consumption developed extremely positively with +16.8 % to € 3.8 billion (2021: € 3.3 billion; 2019: € 5.5 billion), maintaining its position as the fifth-strongest market ahead of India with € 2.7 billion (2021: € 2.1 billion; 2019: € 2.8 billion). The ten most important consumer markets represented around 76 % (previous year: 77 %) of global machine tool consumption.

For global production, the VDW calculated a volume of € 76.9 billion (2021: € 71.2 billion; 2019: € 73.5 billion). According to preliminary estimates, China remained the world's largest producer of machine tools with a volume of € 21.6 billion (2021: € 21.8 billion; 2019: € 17.3 billion). Japan with € 10.1 billion (2021: € 8.9 billion; 2019: € 11.8 billion) and Germany with € 9.8 billion (2021: € 9.0 billion; 2019: € 12.6 billion) followed in second and third place. As in the previous year, the ten key production countries represented a total of 89 % of all machine tools worldwide.

GERMAN MACHINE TOOL INDUSTRY

The German machine tool industry performed well in 2022 despite all adversities, but was unable to maintain growth in the final months of the year. Order intake at plants in Germany rose by +17.5 % to € 16.0 billion (2021: € 13.6 billion) but was still well below the 2018 peak of € 17.5 billion. Both domestic demand at +18.3 % (previous year: +50.7 %) and foreign orders +17.2 % (previous year: +62.0 %) increased again. Order intake for metal cutting machines grew significantly by +20.0 % (previous year: +65.0 %). Domestic orders increased by +24.0 % (previous year: +69.0 %). Foreign orders rose by +18.0 % (previous year: +64.0 %). In the metal forming machinery sector, order intake increased only by +12.0 % (previous year: +42.0 %). Order intakes at the foreign plants of German manufacturers are not included here.

Sales revenues of German machine tool manufacturers continued to lag significantly behind the development of order intake due to the tight supply situation. They grew only by +9.8 % to € 14.1 billion and were thus still -17.0 % below the high pre-corona level 2019 (€ 17.0 billion). The production of machinery, parts and accessories reached a total volume of € 12.7 billion and was also up +9.8 % on the previous year (€ 11.6 billion).

German machine tool exports rose by +7.0 % to € 8.7 billion (previous year: € 8.1 billion). The export ratio fell by just under two percentage points to 68.1 %. The most important export market for German machine tools was again China with an increase of +1.0 % to € 1.6 billion (previous year: € 1.6 billion). This corresponds to a share of 18.5 % of machine tool exports (previous year: 19.6 %).

As in the previous year, the USA ranked second with an export volume of € 1.2 billion (export share: 14.3 %). Italy was the third most important export market with € 0.6 billion and an export share of 6.7 %, followed by Switzerland and Austria. Imports of machine tools went up by +14.2 % to € 3.4 billion (previous year: € 3.0 billion). With an import share of 25.2 %, approximately every fourth machine tool imported came from Switzerland. Japan (10.7 %) and China (8.0 %) followed in the other places.

Domestic consumption of machines, parts and accessories increased by +15.4 % to € 7.5 billion. Over the course of the year, the capacity utilization of German machine tool manufacturers rose by around 7 percentage points. Capacity utilization of cutting and forming machine manufacturers was 87.7 % (previous year: 80.8 %).

The number of employees in German machine tool companies fell by -1.1 % on average to around 64,100 (previous year: 64,871).

For the industrial economy, the ifo business climate is the leading indicator of economic development in Germany. According to the ifo publication of January 2023, the mood in the German economy brightened somewhat 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). Companies assessed the current situation as better than in previous months and expectations for the first half of 2023 also brightened noticeably. The order backlog is declining, but remains at a high level. Production is expected to increase in the coming months.

Results of Operations, Financial Position and Net Worth

Order Intake

The global machine tool market faced several major global challenges in 2022. Numerous exogenous factors – in particular high inflation rates, rising interest rates and significant price increases for raw materials, transport, logistics and significantly higher energy costs, the corona pandemic, especially in China, and the war in Ukraine – had an impact on demand. The lack of availability of materials and delivery bottlenecks particularly burdened the development in the second half of the year.

At DMG MORI, under these again more difficult general conditions, the order intake in the core business with machine tools and services rose by +15 % to the all-time high of € 2,904.2 million (previous year: € 2,516.7 million). The new machine business was pleasing at € 2,277.3 million and reflects the increased demand for our holistic and sustainable automation and digitization solutions (+15 %; previous year: € 1,980.3 million). In the fourth quarter, orders totaled € 564.1 million (previous year: € 588.6 million).

In the "Machine Tools" segment, orders increased to € 1,622.7 million (+14 %; previous year: € 1,423.8 million). In the fourth quarter, incoming orders amounted to € 269.4 million (previous year: € 302.0 million). The "Industrial Services" segment recorded an increase of +17 % to € 1,281.3 million (previous year: € 1,093.2 million). This includes the incoming orders from our original service business, which at € 771.0 million reached a new record level (+15 %; previous year: € 671.5 million), as well as orders for machines from DMG MORI COMPANY LIMITED in the amount of € 510.3 million (+21 %; previous year: € 421.2 million). In the fourth quarter, the order intake in "Industrial Services" increased to € 295.2 million (previous year: € 286.6 million).

Domestic orders increased by +20 % to € 894.4 million (previous year: € 747.4 million). Orders from abroad increased by +14 % to € 2,009.8 million (previous year: € 1,769.8 million). The foreign share thus amounted to 69 % (previous year: 70 %). At 6,103, the number of new machines sold was slightly below the previous year (6,452), but the average order value increased significantly due to the high-tech equipment of the machines. Selling prices were successively increased across the entire product range due to increased material prices worldwide.

Sales Revenues

Sales revenues increased by +15 % to € 2,365.7 million despite the persistently difficult material and logistics situation (previous year: € 2,052.9 million). In the fourth quarter, sales revenues increased to € 668.6 million (+11 %; previous year: € 602.0 million).

The pressure on supply chains was high worldwide – especially due to the lockdown in parts of China and the global delay in shipping. DMG MORI was able to avoid production interruptions due to material shortages through consistent supplier and supply chain management and thanks to the stable, long-standing network of partners and suppliers.

The "Machine Tools" segment developed positively with an increase in sales revenues to € 1,282.8 million (+16 %; previous year: € 1,103.9 million). In the fourth quarter, sales revenues rose to € 387.8 million (+13 %; previous year: € 342.8 million). In the "Industrial Services" segment, sales revenues for the full year increased to € 1,082.7 million (+14 %; previous year: € 948.8 million). Of this, € 585.2 million was attributable to our original service business (+16 %; previous year: € 506.0 million) and € 496.5 million to trading sales of products from DMG MORI COMPANY LIMITED (previous year: +13 %; € 440.6 million). In the fourth quarter, sales revenues in "Industrial Services" reached € 281.3 million (+9 %; previous year: € 259.2 million).

Domestic sales revenues increased by +20 % to € 786.5 million (previous year: € 652.8 million). Foreign sales revenues increased by +13 % to € 1,579.2 million (previous year: € 1,400.1 million). The export ratio was 67 % (previous year: 68 %).

Order Backlog

The order backlog increased to € 1,613.4 million as of 31 December 2022 (31 Dec. 2021: € 1,208.9 million) due to the good development in incoming orders. The domestic order backlog amounted to € 567.7 million (31 Dec. 2021: € 459.8 million). The international order backlog amounted to € 1,045.7 million (31 Dec. 2021: € 749.1 million). International orders accounted to 65 % (same date in the previous year: 62 %).

The order backlog for the individual segments developed as follows: In "Machine Tools" it was € 913.1 million (31 Dec. 2021: € 574.3 million). As of 31 December 2022, "Industrial Services" had an order backlog totaling € 700.3 million (31 Dec. 2021: € 634.6 million).

The order backlog for "Machine Tools" results in a calculated production range of around 8 months on average – this forms a good basis for the financial year 2023 (previous year: 7 months). The individual production companies have different levels of capacity utilization. We counteract longer delivery times with the expansion and optimization of assembly and production capacities, among other things. The commissioning of our new logistics center in Pfronten is one of several targeted measures. The now automated, digitized supply chain accelerates the provision of materials from the warehouse to the assembly station from up to 48 hours previously to less than 60 minutes in the future.

Results of Operations

2022 – a year of TOP performance for DMG MORI and at the same time a year of major global challenges: worldwide supply and material shortages, high raw material, energy and transport costs, rising interest and inflation rates, but also the ongoing corona pandemic and above all the war in Ukraine.

DMG MORI achieved a very successful financial year 2022 under more difficult market and general conditions. Thanks to the consistent implementation of our strategic focus on automation, digitization and sustainability, we were able to achieve and, in some cases, exceed the increased forecasts during the year.

The sustainable optimization of our cost structure and consistent implementation of our efficiency improvement measures paid off: EBITDA improved by +56 % to € 297.8 million (previous year: € 190.8 million). EBIT increased by +75 % to € 216.5 million (previous year: € 123.8 million). EBIT margin improved to 9.2 % (previous year: 6.0 %) and thus marks an all-time high. EBT grew by +78 % to € 216.2 million (previous year: € 121.6 million). As of 31 December 2022, the group reported EAT of € 153.4 million – a plus of 79 % (previous year: € 85.6 million).

The income statement items are explained below: sales revenues rose by 15 % to € 2,365.7 million (+15 %; previous year: € 2,052.9 million) – despite the continued difficult materials and logistics situation. Total operating performance went up to € 2,400.1 million (+15 %; previous year: € 2,079.5 million).

The materials ratio improved to 55.4 % (previous year: 55.9 %). The change resulted in particular from lower price discounts as well as a change in the product and country mix. The cost of materials increased by € 167.5 million to € 1,329.1 million (previous year: € 1,161.6 million), mainly as a result of the higher total operating performance.

The personnel ratio improved to 23.6 % (previous year: 25.1 %) with a significant increase in total operating performance. Personnel expenses grew to € 566.3 million (previous year: € 522.7 million).

At € -206.9 million, the balance of other income and expenses was almost unchanged from the previous year (€ -204.4 million), with a significant increase in total operating performance. The share of total operating performance improved to 8.6 % (previous year: 9.8 %). Other operating income rose by € 55.2 million to € 114.9 million (previous year: € 59.7 million). It includes in particular exchange rate gains of € 50.1 million (previous year: € 24.0 million), which are related to the exchange rate losses in other operating expenses. In the financial year 2022, there was a net exchange rate gain of € 4.8 million (previous year: € 1.8 million). In addition, other operating income includes recharges of € 12.3 million (previous year: € 9.3 million) and income from the sale of two subsidiaries amounting to € 12.8 million. Other operating expenses (OOE) increased by € 57.7 million to € 321.8 million (previous year: € 264.1 million). Foreign exchange losses amounted to € 45.3 million (previous year: € 22.2 million). Adjusted for foreign exchange losses, the OOE ratio improved by 0.1 % to 11.5 % (previous year: 11.6 %) as a result of our sustainable cost optimization measures. Expenses for outgoing freight and packaging grew to € 50.6 million (previous year: € 44.9 million) and sales commissions to € 27.5 million (previous year: € 9.7 million). Expenses for exhibitions and trade fairs amounted to € 30.7 million (previous year: € 29.2 million) and travel and entertainment expenses were € 29.4 million (previous year: € 21.8 million). Expenses for temporary employment and contractors totaled € 11.4 million (previous year: € 5.6 million).

Depreciation increased to € 81.3 million (previous year: € 67.0 million). Depreciation includes impairment losses of € 10.8 million (previous year: € 1.9 million) attributable to impairment losses on assets in Russia. Amortization of rights of use in accordance with IFRS 16 amounted to € 17.0 million (previous year: € 18.8 million). Investments, which increased by € 41.2 million to € 118.5 million, also led to an increase in depreciation.

The financial result amounted to € -0.6 million (previous year: € -2.4 million). This was due to interest income of € 6.8 million (previous year: € 4.6 million) and interest expenses of € 7.4 million (previous year: € 7.0 million). Tax expense increased to € 62.8 million (previous year: € 36.0 million) on significantly higher EBT. The tax ratio improved to 29.1 % (previous year: 29.6 %). Further explanations are provided in the notes to the consolidated financial statements on page 120 et seq.

B.01 | INCOME STATEMENT
In € million

	2022		2021		Changes against previous year	
SALES REVENUES	**2,365.7**	**98.6 %**	**2,052.9**	**98.7 %**	**312.8**	**15.2 %**
Changes in finished goods and work in progress	23.6	1.0 %	19.8	1.0 %	3.8	19.2 %
Own work capitalized	10.8	0.4 %	6.8	0.3 %	4.0	58.8 %
Total operating income	**2,400.1**	**100.0 %**	**2,079.5**	**100.0 %**	**320.6**	**15.4 %**
Cost of materials	-1,329.1	-55.4 %	-1,161.6	-55.9 %	-167.5	14.4 %
Personnel costs	-566.3	-23.6 %	-522.7	-25.1 %	-43.6	8.3 %
Other expenses and income	-206.9	-8.6 %	-204.4	-9.8 %	-2.5	1.2 %
EBITDA	**297.8**	**12.4 %**	**190.8**	**9.2 %**	**107.0**	**56.1 %**
Depreciation	-81.3	-3.4 %	-67.0	-3.2 %	-14.3	21.3 %
EBIT	**216.5**	**9.0 %**	**123.8**	**6.0 %**	**92.7**	**74.9 %**
Financial result	-0.6	-0.1 %	-2.4	-0.2 %	1.8	75.0 %
Result from companies accounted for at equity	0.3	0.0 %	0.2	0.0 %	0.1	50.0 %
EBT	**216.2**	**8.9 %**	**121.6**	**5.8 %**	**94.6**	**77.8 %**
Income taxes	-62.8	-2.6 %	-36.0	-1.7 %	-26.8	74.4 %
EAT	**153.4**	**6.3 %**	**85.6**	**4.1 %**	**67.8**	**79.2 %**

Financial Position

The financial position also developed positively. Free cash flow amounted to € 171.7 million (previous year: € 179.9 million). Cash flow from operating activities (cash inflow) improved to € 276.8 million (previous year: € 244.9 million). The main contributors to this cash flow were earnings before taxes (EBT) of € 216.2 million (previous year: € 121.6 million) and depreciation of € 81.3 million (previous year: € 67.0 million). Due to the significant increase in order intake, advance payments received rose by € 109.1 million. A further improvement in cash flow resulted from the reduction in trade receivables by € 29.7 million as well as the € 92.1 million increase in trade payables due to the rise in total operating performance. The increase in inventories by € 141.3 million and in trade accounts receivable from related parties by € 53.9 million reduced cash flow. Payments for income taxes (€ 29.9 million) and interest (€ 5.4 million) reduced cash flow.

B.02 | CASHFLOW in € million	2022	2021
Cash flow from operating activity	276.8	244.9
Cash flow from investment activity	-304.5	-83.8
Cash flow from financing activity	-33.3	-44.7
Changes in cash and cash equivalents	-64.5	118.4
Liquid funds at the start of the reporting period	241.9	123.5
Liquid funds at the end of the reporting period	177.4	241.9

Cash flow from investment activities (cash outflow) was € -304.5 million (previous year: € -83.8 million). Cash outflows for investments in property, plant and equipment amounted to € 75.7 million (previous year: € 42.6 million) and for intangible assets to € 29.5 million (previous year: € 23.1 million). Investments in financial assets resulted in cash outflows of € 0.9 million (previous year: cash outflows of € 12.8 million). The increase in the loan to DMG MORI Europe Holding GmbH resulted in payments of € 200.0 million.

Free cash flow was again at a high level and amounted to € 171.7 million (previous year: € 179.9 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 cash outflows and inflows relating to the sale and acquisition of subsidiaries (€ +1.7 million; previous year: € -3.1 million) or to financial assets (€ -0.9 million; previous year: € - 12.8 million) as well as to cash outflows and inflows from loans to other related parties (€ -200.7 million; previous year: € - 2.9 million).

B.03 | FREE CASHFLOW in € million	2022	2021
Free cash flow from operating activity	276.8	244.9
Free cash flow from investment activity	-105.1	-65.0
Free cash flow	171.7	179.9

Cash flow from financing activities (cash outflow) amounted to € -33.3 million (previous year: € -44.7 million). The cash flow resulted from the payment of the profit transfer to DMG MORI Europe Holding GmbH for 2021 in the amount of € 29.3 million (previous year: € 27.1 million). Due to the adoption of IFRS 16 "Leases", lease payments of € 15.7 million (previous year: € 19.1 million) are included in cash flow from financing activities. For loans taken out to partially finance our new production plant in China, payments of € 11.7 million were received (previous year: € 4.1 million).

The change in cash flows resulted in cash and cash equivalents of € 177.4 million as of 31 December 2022 (previous year: € 241.9 million). DMG MORI has a cash surplus of € 171.7 million as of 31 December 2022 (previous year: € 241.9 million).

DMG MORI covers the capital requirements from operating cash flow, cash and cash equivalents as well as from raising short- and long-term financing. The amount of agreed financing lines totaled € 772.4 million in financial year 2022 (previous year: € 727.9 million).

These consist of a cash tranche of € 200.0 million, a guarantee tranche of € 300.0 million, bilateral guarantee lines of € 63.2 million, the financing framework for the production plant in Pinghu of € 49.2 million as well as factoring agreements amounting to € 160.0 million.

A key component of the financing lines is an existing 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 2022 until February 2027. The syndicated credit line consists of a useable revolving cash tranche of € 200.0 million and a 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 premium may change depending on the company's key figures. The cash tranche was not utilized as of 31 December 2022. The financing framework for the production plant in Pinghu was utilized in the amount of € 5.7 million.

Factoring remains an important component in 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 issue sureties and guarantees for prepayments and warranties.

With this financing mix, we have sufficient financing lines with which we can provide the required liquidity for our business. Our syndicated loan agreement requires us to observe a market-standard covenant. This was complied with on a quarterly basis as well as on 31 December 2022.

B.04 | BALANCE SHEET OF DMG MORI in € million	31 Dec. 2022		31 Dec. 2021		Changes against previous year	
Assets						
Long-term assets	931.1	32.9 %	905.7	35.4 %	25.4	2.8 %
Intangible assets	234.0	8.3 %	221.4	8.7 %	12.6	5.7 %
Tangible assets	496.7	17.5 %	468.7	18.3 %	28.0	6.0 %
Financial assets	152.3	5.4 %	146.4	5.7 %	5.9	4.0 %
Other long-term assets	48.1	1.7 %	69.2	2.7 %	-21.1	30.5 %
Short-term assets	1,895.4	67.1 %	1,650.3	64.6 %	245.1	14.9 %
Inventories	686.3	24.3 %	579.1	22.7 %	107.2	18.5 %
Trade receivables	160.5	5.7 %	202.0	7.9 %	-41.5	20.5 %
Receivables from related companies	655.0	23.2 %	412.1	16.1 %	242.9	58.9 %
Other short-term assets	216.2	7.6 %	215.2	8.4 %	1.0	0.5 %
Liquid funds	177.4	6.3 %	241.9	9.5 %	-64.5	26.7 %
Balance sheet total	**2,826.5**	**100.0 %**	**2,556.0**	**100.0 %**	**270.5**	**10.6 %**
Equity and liabilities						
Long-term financing resources	1,542.7	54.6 %	1,527.5	59.7 %	15.2	1.0 %
Equity	1,422.5	50.3 %	1,401.8	54.8 %	20.7	1.5 %
Outside capital	120.2	4.3 %	125.7	4.9 %	-5.5	4.4 %
Long-term provisions	71.3	2.5 %	82.7	3.2 %	-11.4	13.8 %
Long-term liabilities	48.9	1.8 %	43.0	1.7 %	5.9	13.7 %
Short-term financing resources	1,283.8	45.4 %	1,028.5	40.3 %	255.3	24.8 %
Short-term provisions	274.4	9.7 %	265.2	10.4 %	9.2	3.5 %
Prepayments received	433.6	15.3 %	348.8	13.6 %	84.8	24.3 %
Trade payables	176.5	6.2 %	134.7	5.3 %	41.8	31.0 %
Liabilities to related companies	239.5	8.5 %	119.1	4.7 %	120.4	101.1 %
Other short-term liabilities	159.8	5.7 %	160.7	6.3 %	-0.9	0.6 %
Balance sheet total	**2,826.5**	**100.0 %**	**2,556.0**	**100.0 %**	**270.5**	**10.6 %**

The financing is supplemented by lease agreements. The total of future obligations from lease liabilities amounts to € 40.3 million (previous year: € 45.1 million).

Net Worth

The balance sheet total increased to € 2,826.5 million as of 31 December 2022 (previous year: € 2,556.0 million). Equity grew by +1.5 % to € 1,422.5 million (previous year: € 1,401.8 million). The equity ratio was 50.3 % due to the increase in the balance sheet total (previous year: 54.8 %).

On the assets side, long-term assets increased by € 25.4 million or 2.8 % to € 931.1 million (previous year: € 905.7 million). Intangible assets grew by € 12.6 million to € 234.0 million (previous year: € 221.4 million). Property, plant and equipment went up by € 28.0 million to € 496.7 million (previous year: € 468.7 million). Financial assets increased by € 5.9 million to € 152.3 million (previous year: € 146.4 million). An explanation of the key investments is provided in the chapter "Investments" on page 70.

Long-term receivables and other assets decreased by € 21.1 million to € 48.1 million (previous year: € 69.2 million). Deferred tax assets went down to € 30.8 million (previous year: € 55.2 million).

Short-term assets increased by 14.9 % or € 245.1 million to € 1,895.4 million (previous year: € 1,650.3 million). Inventories grew by 18.5 % or € 107.2 million to € 686.3 million (previous year: € 579.1 million). Inventories of raw materials and consumables rose by € 89.7 million to € 368.7 million (previous year: € 279.0 million) and work in progress by € 23.9 million to € 151.7 million (previous year: € 127.8 million) to secure the material supply. At € 165.9 million, finished goods were slightly below the previous year's level (€ 172.3 million). The inventory turnover rate was 3.4 (previous year: 3.5). The share of inventories in the balance sheet total amounted to 24.3 % (previous year: 22.7 %).

Trade receivable decreased by € 41.5 million to € 160.5 million (previous year: € 202.0 million) on increased sales revenues and an increased factoring volume. The turnover rate of trade receivables improved to 14.7 (previous year: 10.2). Receivables from related parties amounted to € 655.0 million (previous year: € 412.1 million). The rise resulted in particular from the € 200.0 million increase in the loan to DMG MORI Europe Holding GmbH to € 540.0 million. At € 216.2 million (previous year: € 215.2 million), other assets were at the same level as the previous year.

On the balance sheet date, liquid funds amounted to € 177.4 million (previous year: € 241.9 million). This corresponds to 6.3 % of the increased balance sheet total (previous year: 9.5 %).

On the liabilities side, equity grew by € 20.7 million or 1.5 % to € 1,422.5 million (previous year: € 1,401.8 million). The equity ratio was 50.3 % (previous year: 54.8 %) due to the increase in the balance sheet total. As on the previous year's date, we have a cash surplus and therefore no gearing.

Long-term debts decreased slightly by € 5.5 million to € 120.2 million (previous year: € 125.7 million). The share in the balance sheet total was 4.3 % (previous year: 4.9 %). Long-term provisions amounted to € 71.3 million. Long-term liabilities included € 6.5 million in deferred tax liabilities (previous year: € 2.6 million). Long-term financing resources, comprising equity and long-term liabilities, rose by € 15.2 million or 1.0 % to € 1,542.7 million in the reporting year (previous year: € 1,527.5 million).

Short-term financial resources amounted to € 1,283.8 million (previous year: € 1,028.5 million). Short-term provisions increased to € 274.4 million (previous year: € 265.2 million) on the back of higher total output. Trade accounts payable grew by € 41.8 million to € 176.5 million (previous year: € 134.7 million). Advance payments received rose by € 84.8 million to € 433.6 million (previous year: € 348.8 million) on significantly higher order intake. Liabilities to other related parties increased by € 120.4 million to € 239.5 million (previous year: € 119.1 million) and include the profit transfer to DMG MORI Europe Holding GmbH (2022: € 146.5 million; 2021: € 29.3 million). The profit in the liabilities to other related parties is recognized in cash flow from financing activities on 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.

Investments

As planned, investments in property, plant and equipment and intangible assets amounted to € 118.5 million (previous year: € 77.3 million). The additions from rights of use contained therein in accordance with IFRS 16 "Leases" amounted to € 13.3 million (previous year: € 11.5 million). Investments in financial assets amounted to € 0.9 million (previous year: € 11.8 million). Investments thus totaled € 119.4 million (previous year: € 89.1 million).

At our production site in Pfronten, we have completed and commissioned the state-of-the-art, automated logistics center. On an area of 8,400 m², we are now bundling four logistics warehouses that were previously externally located. Innovative transport and automation solutions enable efficient and ready-to-assemble material provision with shorter transport routes and less packaging. 14,000 meters of shelving with automated and fully digitized processes enable a sustainably optimized material supply in less than 60 minutes after order.

In China we are building our new production plant DMG MORI Manufacturing Solutions in Pinghu near Shanghai. The highly automated and fully digitized, around 41,000 m² production plant for high-tech machines has been under construction since December 2021. In 2022, the shell and the facade work were completed as planned. The heart of the new factory will be a continuous assembly line with a driverless transport system. The grand opening is scheduled for the fourth quarter of 2023.

At DECKEL MAHO in Seebach, we have started building a new training center. On an area of around 1,000 m² we offer a multifunctional project room design as well as 50 modern training places and rely even more on future technologies, digitization and automation. We will further strengthen our position as an attractive employer and raise the training to a higher level. The grand opening will also be in the current financial year.

In our important production and supplier plant FAMOT in Pleszew (Poland) we have expanded the mechanical production by two DMC 210 U. The machining centers from our portal series are automated with our RPS pallet rotary storage system. We have also started building the new FAMOT Components Center. On an area of around 5,200 m², FAMOT will manufacture components and assemblies for the internal supply of our European production sites. We also plan to complete this in 2023.

At our Italian site GRAZIANO in Tortona we have started with the expansion and modernization. The focus is on the construction of a new assembly hall and the implementation of a groundbreaking assembly concept based on driverless AGV transport systems (Automated Guided Vehicles), which has already been successfully implemented in Pfronten. Completion should take place in 2024.

In addition, we continue to invest in the self-sufficient and sustainable power supply of our production plants. The photovoltaic systems will be installed on the roofs of the halls at the German locations in Pfronten, Seebach and Stipshausen as well as in Pleszew (Poland). After commissioning in 2023, the solar systems will achieve a total peak output of around 8 MWh. In this way, DMG MORI strengthens the security of supply while reducing greenhouse gases at the same time.

We are also investing further in our ERP project "GLOBE – Global One Business Excellence" to ensure standardized systems and integrated processes.

Depreciation of fixed assets, taking capitalized development costs and leases into account, amounted to € 81.3 million (previous year: € 67.0 million). The depreciation of the capitalized development costs amounted to € 4.1 million (previous year: € 5.7 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 income from financial assets amounting to € 200.8 million (previous year: € 67.5 million); this includes the profit transfers of the domestic subsidiaries and the profit distribution of a foreign subsidiary (€ 70.0 million), which is eliminated in the consolidated financial statements.

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

in € million	2022	2021
Sales revenues	11.8	11.8
Other operating income	33.3	22.6
Other expenses	-73.5	-62.4
Income from financial assets	200.8	67.5
Financial result	4.6	4.2
Income taxes	-30.5	-14.4
EAT	146.5	29.3
Transfer of profits to DMG MORI Europe Holding GmbH	-146.5	-29.3
Net income	0	0
Net profit	**0**	**0**

Other operating income increased to € 33.3 million (previous year: € 22.6 million). It essentially includes currency exchange gains of € 27.3 million (previous year: € 18.8 million). Other expenses improved to € 73.5 million (previous year: € 62.4 million). The change relates in particular to other operating expenses, which increased to € 39.9 million (previous year: € 34.7 million). They mainly resulted from currency losses of € 19.7 million (previous year: € 16.1 million). On balance, there was a currency gain of € 7.6 million (previous year: € 2.7 million). Personnel expenses increased to € 29.2 million (previous year: € 24.0 million).

The financial result improved to € 4.6 million (previous year: € 4.2 million). Tax expenses amounted to € 30.5 million (previous year: € 14.4 million). Income taxes include the taxes charged by DMG MORI Europe Holding 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 € 146.5 million will be transferred to DMG MORI Europe Holding GmbH (previous year: € 29.3 million).

The balance sheet total of DMG MORI AKTIENGESELLSCHAFT increased in total by € 260.8 million to € 2,142.8 million (previous year: € 1,882.0 million). Fixed assets amounted to € 752.8 million (previous year: € 752.9 million).

Current assets and other assets grew to € 1,390.0 million (previous year: € 1,129.1 million). The change results in particular from an increase in receivables from affiliated companies by € 353.6 million to € 1,268.6 million. Cash amounted to € 94.0 million (previous year: € 169.3 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 43.0 % (previous year: 48.9 %). Liabilities to affiliated companies grew to € 1,184.4 million (previous year: € 927.3 million). These include the profit transfer to DMG MORI Europe Holding GmbH for financial year 2022 in the amount of € 146.5 million, income taxes of € 27.2 million, which are charged by DMG MORI Europe Holding 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 COMMERCIAL CODE – HGB)

in € million	2022	2021
Assets		
Fixed assets	**752.8**	**752.9**
Shares in affiliated companies	717.8	717.8
Equity investments	6.7	6.7
Other fixed assets	28.3	28.4
Current and other assets	**1,390.0**	**1,129.1**
Receivables from affiliated companies	1,268.6	915.0
Other current assets and other assets	121.4	214.1
Balance Sheet total	**2,142.8**	**1,882.0**
Equity and liabilities		
Equity	**921.2**	**921.2**
Provisions	**32.7**	**30.4**
Liabilities	**1,188.9**	**930.4**
Liabilities to affiliated companies	1,184.4	927.3
Other liabilities	4.5	3.1
Balance Sheet total	**2,142.8**	**1,882.0**

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".

B.07 | SEGMENT KEY FIGURES DMG MORI
in € million

	2022	2021	Changes against previous year	
Order Intake	**2,904.2**	**2,517.2**	**387.0**	**15 %**
Machine Tools	1,622.7	1,423.8	198.9	14 %
Industrial Services	1,281.3	1,093.2	188.1	17 %
Corporate Services	0.2	0.2	0.0	0 %
Sales revenues	**2,365.7**	**2,052.9**	**312.8**	**15 %**
Machine Tools	1,282.8	1,103.9	178.9	16 %
Industrial Services	1,082.7	948.8	133.9	14 %
Corporate Services	0.2	0.2	0.0	0 %
EBIT	**216.5**	**123.8**	**92.7**	**75 %**
Machine Tools	56.5	54.7	1.8	3 %
Industrial Services	184.7	95.4	89.3	94 %
Corporate Services	-24.8	-26.4	1.6	6 %

Machine Tools

The "Machine Tools" segment includes the group's new machine business with the divisions Turning and Milling, Advanced Technologies (Ultrasonic / Lasertec) and Additive Manufacturing as well as 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), where high-tech machines are planned to be manufactured. Grand Opening of this new, highly automated and fully digitized production plant is planned for the 4th quarter of 2023. In line with the motto "Made in China for China", we are securing long-term local access to the world's largest machine tool market. Universal turning and milling machines, including the CLX and CMX series, are built at our plants FAMOT Pleszew Sp. z o.o. respectively GRAZIANO Tortona S.r.l. 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 division Advanced Technologies 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 deposition welding with powder nozzle with DMG MORI Ultrasonic Lasertec GmbH.

In the division Digital Solutions, DMG MORI Digital GmbH bundles the digitization expertise in the group and is thus the central point of contact for our customers on all topics relating to digitization. This includes the subscription business model PAYZR, the control and software development of DMG MORI Digital GmbH as well as our customer portal *my* DMG MORI and DMG MORI Connectivity as the solution for connectivity on the entire shopfloor – including third-party machines. 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. simplifies the entry into digitization of manufacturing for our customers. The no-code manufacturing platform enables users to create apps themselves – without any programming knowledge – and digitally image workflows on machines and throughout the shopfloor.

In our future field of automation, we rely on the intelligent automation of machines and systems with machine-specific, universal and scalable solutions, the DMG MORI CELL CONTROLLER LPS 4 as well as 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.

The worldwide market for machine tools faced a number of major global challenges in 2022. Numerous exogenous factors – in particular high inflation rates, rising interest rates and noticeable price increases for raw materials, transport, logistics as well as significantly higher energy costs, the corona pandemic, especially in China and the war in Ukraine – impacted demand.

Under these once again more difficult general conditions, DMG MORI achieved a significant rise in order intake and a new all-time high in the core business with machine tools and services. New machine business in particular performed well at +15 % and also reflects the increased demand for our holistic and sustainable automation and digitization solutions.

In the "Machine Tools" segment, order intake grew by +14 % to € 1,622.7 million (previous year: € 1,423.8 million). In the fourth quarter, order intake decreased to € 269.4 million (-11 %; previous year: € 302.0 million). Domestic order intake for the full year rose to € 507.4 million (previous year: € 423.4 million). International orders increased to € 1,115.3 million (previous year: € 1,000.4 million). The export share was 69 % (previous year: 70 %). The "Machine Tools" segment accounted for 56 % of all orders (previous year: 57 %).

Sales revenues rose to € 1,282.8 million (+16 %; previous year: € 1,103.9 million) despite more difficult material supplies as well as increasing logistics shortages. In the fourth quarter, sales revenues amounted to € 387.8 million (+13 %; previous year: € 342.8 million). Domestic sales revenues for the full year amounted to € 445.1 million (previous year: € 363.1 million). International sales revenues reached € 837.7 million (previous year: € 740.8 million). The export share was 65 % (previous year: 67 %). As in the previous year, the "Machine Tools" segment accounted for 54 % of sales revenues.

At 31 December 2022, the order backlog was € 913.1 million (previous year: € 574.3 million). Domestic order backlog amounted to € 223.7 million (previous year: € 105.4 million). At € 689.4 million, international orders accounted for 76 % of total orders (previous year: € 468.9 million; 82 %). EBITDA reached € 107.6 million (previous year: € 97.3 million). EBIT improved to € 56.5 million (previous year: € 54.7 million) despite significantly higher costs for raw materials, transport, logistics as well as energy. EBT amounted to € 52.4 million (previous year: € 51.5 million).

Investments in property, plant and equipment and intangible assets amounted to € 101.0 million as planned (previous year: € 63.2 million). This includes additions from rights of use in accordance with IFRS 16 amounting to € 2.1 million (previous year: € 2.1 million). Investments in financial assets amounted to € 0.9 million (previous year: € 11.8 million). Investments thus totaled € 101.9 million (previous year: € 75.0 million). Capitalized development costs amounted to € 4.9 million (previous year: € 4.6 million).

At DECKEL MAHO in Pfronten, we completed and launched the state-of-the-art automated logistics center. On an area of 8,400 m², we are centrally bundling four previously external logistics warehouses and enabling efficient and ready-to-assemble material provision with shorter transport routes and less packaging at the same time.

At DECKEL MAHO in Seebach, we have started building a new training center. On an area of around 1,000 m² we offer a multifunctional project room design as well as 50 modern training places and rely even more on future technologies, digitization and automation. We will further strengthen our position as an attractive employer and raise the training to a higher level. The grand opening will be in the current financial year.

In our important production and supplier plant FAMOT in Pleszew (Poland) we have expanded the mechanical production by two DMC 210 U which are automated with our rotary pallet storage system RPS. We have also started building assembly center for components. We also plan to complete this in 2023.

B.08 | KEY FIGURES "MACHINE TOOLS" SEGMENT in € million	2022	2021	Changes against previous year	
Order intake				
Total	1,622.7	1,423.8	198.9	14 %
Domestic	507.4	423.4	84.0	20 %
International	1,115.3	1,000.4	114.9	11 %
% International	69	70		
Sales revenues				
Total	1,282.8	1,103.9	178.9	16 %
Domestic	445.1	363.1	82.0	23 %
International	837.7	740.8	96.9	13 %
% International	65	67		
Order backlog*				
Total	913.1	574.3	338.8	59 %
Domestic	223.7	105.4	118.3	112 %
International	689.4	468.9	220.5	47 %
% International	76	82		
Investments	101.9	75.0	26.9	36 %
EBITDA	107.6	97.3	10.3	11 %
EBIT	56.5	54.7	1.8	3 %
EBT	52.4	51.5	0.9	2 %
	2022	**2021**	**Changes against previous year**	
Employees*	4,035	3,908	127	3 %
including trainees	188	189	-1	-1 %

* reporting date 31 Dec.

At our Italian site GRAZIANO in Tortona we have started with the expansion and modernization. The focus is on the construction of a new assembly hall and the implementation of a groundbreaking assembly concept based on driverless AGV transport systems (Automated Guided Vehicles), which has already been successfully implemented in Pfronten. Completion will take place in 2024.

In China we are building our new production plant DMG MORI Manufacturing Solutions in Pinghu near Shanghai. In the reporting year, the structure and facade work of the highly automated and fully digitized, around 41,000 m² large production plant was completed on schedule. The opening is planned for the 4th quarter of 2023.

In addition, we continue to invest in the self-sufficient and sustainable power supply for our production plants. The photovoltaic systems will be installed on hall roofs at the German sites in Pfronten, Seebach and Stipshausen as well as in Pleszew (Poland). After commissioning in the financial year 2023, the solar plants will achieve a total peak output of around 8 MWh. In this way, DMG MORI is strengthening security of supply while at the same time reducing emissions. Furthermore, the focus continued to be on our ERP project "GLOBE – Global One Business Excellence" to ensure standardized systems and integrated processes.

The "Machine Tools" segment had 4,035 employees at the end of the year (previous year: 3,908 employees). The percentage of employees in this segment was 59 % (previous year: 57 %). The personnel ratio was 22.0 % (previous year: 23.0 %). Personnel expenses amounted to € 282.0 million (previous year: € 254.1 million).

B.09 | KEY FIGURES "INDUSTRIAL SERVICES" SEGMENT in € million	2022	2021	Changes against previous year	
Order intake				
Total	1,281.3	1,093.2	188.1	17 %
Domestic	386.8	323.8	63.0	19 %
International	894.5	769.4	125.1	16 %
% International	70	70		
Sales revenues				
Total	1,082.7	948.8	133.9	14 %
Domestic	341.2	289.5	51.7	18 %
International	741.5	659.3	82.2	12 %
% International	68	69		
Order backlog*				
Total	700.3	634.6	65.7	10 %
Domestic	344.0	354.4	-10.4	-3 %
International	356.3	280.2	76.1	27 %
% International	51	44		
Investments	16.1	12.8	3.3	26 %
EBITDA	211.5	116.5	95.0	82 %
EBIT	184.7	95.4	89.3	94 %
EBT	183.5	91.7	91.8	100 %
	2022	**2021**	**Changes against previous year**	
Employees*	2,689	2,831	-142	-5 %
including trainees	49	36	13	36 %

* reporting date 31 Dec.

Industrial Services

In the reporting period, the "Industrial Services" segment mainly comprised the business activities of the Services division. Here we bundle the marketing activities and LifeCycle services for both our machines as well as those of DMG MORI COMPANY LIMITED. With the help of DMG MORI LifeCycle Services, our customers maximize the productivity of their machine tools over their entire life cycle – from commissioning, maintenance and repair to trade-in as a used machine. The diverse range of service contracts, repair and training services enables our customers to achieve high-cost efficiency for their machine tools. Our online customer portal *my* DMG MORI digitizes service processes and sets new standards for transparent communication.

In order to be optimally positioned for the globally changing market and general conditions and to further strengthen the competitive position of our "Global One Company", sales and service in India were reorganized as of 1 July 2022. DMG MORI AKTIENGESELLSCHAFT serves the German domestic market, Austria and Switzerland (DACH) as well as the EMEA region (Europe, Middle East, Africa) and the Chinese market. Through DMG MORI COMPANY LIMITED, we are also successfully present in Japan, North and South America as well as in India and other parts of Asia. Further details can be found in the notes to the consolidated financial statements on page 152 et seqq.

DMG MORI also achieved another TOP performance in the "Industrial Services" segment under more difficult market and general conditions worldwide. Order intake increased by +17 % to € 1,281.3 million (previous year: € 1,093.2 million). This includes order intake from our original service business, which comprises LifeCycle Services (including spare parts, maintenance and repair) as well as sales commissions and reached a new record level of € 771.0 million (+15 %; previous year: € 671.5 million). Orders for machines from DMG MORI COMPANY LIMITED rose by 21 % to € 510.3 million (previous year: € 421.2 million). Order intake in the fourth quarter amounted to € 295.2 million (previous year: € 286.6 million). Domestic orders for the full year were € 386.8 million (previous year:

€ 323.8 million). International orders totaled € 894.5 million (previous year: € 769.4 million). 70 % of all orders came from abroad (previous year: 70 %). "Industrial Services" accounted for 44 % of all orders (previous year: 43 %).

Sales revenues also increased to € 1,082.7 million (+14 %; previous year: € 948.8 million) under conditions that remained difficult. Of this, € 585.2 million was attributable to our original service business (+16 %; previous year: € 506.0 million) as well as € 496.5 million to trade with products of DMG MORI COMPANY LIMITED (+13 %; previous year: € 440.6 million). In the fourth quarter, sales revenues reached € 281.3 million (previous year: € 259.2 million). Domestic sales revenues for the full year amounted to € 341.2 million (previous year: € 289.5 million). International sales revenues were € 741.5 million (previous year: € 659.3 million). The share was 68 % (previous year: 69 %). As in the previous year, "Industrial services" accounted for 46 % of sales revenues.

As of 31 December 2022, the order backlog amounted to € 700.3 million (previous year: € 634.6 million). Compared to the previous year, there was a methodological change in the calculation of this order backlog, which led to a reduction in the order backlog by € 114.4 million. As of 31 December 2022 this resulted in an increase of order backlog in the "Machine Tools" segment by this amount. EBITDA in the "Industrial Services" segment was € 211.5 million in the reporting year (previous year: € 116.5 million). EBIT improved significantly to € 184.7 million (previous year: € 95.4 million). EBT increased to € 183.5 million (previous year: € 91.7 million).

Investments in property, plant and equipment and intangible assets amounted to € 16.1 million (previous year: € 12.8 million) and resulted mainly from rights of use in accordance with IFRS 16 (€ 11.0 million; previous year: € 9.0 million). We also invested in equipping our service employees with state-of-the-art tools, measuring equipment and diagnostic tools.

In the "Industrial Services" segment, the number of employees at the end of the reporting year was 2,689 (previous year: 2,831 employees). The decrease is due in particular to the structural changes in India and Russia. The share of employees working in the segment was 39 % (previous year: 42 %). The personnel ratio was 24.2 % (previous year: 25.9 %). Personnel expenses amounted to € 262.4 million (previous year: € 245.4 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 includes 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 improved to € -24.8 million (previous year: € -26.4 million). The financial result was positive at € 3.9 million (previous year: € 4.0 million). EBT amounted to € -19.8 million (previous year: € -21,7 million).

Investments in property, plant and equipment and intangible assets were € 1.4 million (previous year: € 1.3 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 € 0.2 million (previous year: € 0.4 million).

As of 31 December 2022, the "Corporate Services" segment had 109 employees (previous year: 82). This corresponds to 2 % of the group's workforce (previous year: 1 %).

B.10 | KEY FIGURES "CORPORATE SERVICES" SEGMENT in € million	2022	2021	Changes against previous year
Order intake	0.2	0.2	0.0
Sales revenues	0.2	0.2	0.0
Investments	1.4	1.3	0.1
EBITDA	-21.4	-23.1	1.7
EBIT	-24.8	-26.4	1.6
EBT	-19.8	-21.7	1.9
	2022	**2021**	**Changes against previous year**
Employees*	109	82	27

* reporting date 31 Dec.

Non-Financial Key Performance Indicators

↗ Business Report information not reviewed for content

DMG MORI holistically takes on responsibility

Sustainability

At DMG MORI, sustainability and technology leadership form a symbiosis that we actively live. DMG MORI is globally one of the most sustainable industrial companies. We take global and holistic responsibility for resources along the entire value chain: from our suppliers to our product development, production and employees to our customers. The internationally renowned institute EcoVadis awarded DMG MORI in the reporting year with the Platinum Medal. 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.

Our focus in climate protection applies equally on avoiding and reducing emissions. Through the climate triple "Avoid – Reduce – Compensate" DMG MORI has already had a balanced **Company Carbon Footprint** since May 2020 and also a balanced **Product Carbon Footprint** since January 2021 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). Details on how to calculate the CO_2 balance can be found in the Sustainaility Report 2022 on page 24 et seqq. At the same time, we actively encourage our suppliers to take action themselves. To this end, in the reporting year we once again asked our suppliers to make their CO_2 emissions transparent to DMG MORI via the Integrity Next platform.

DMG MORI avoids and reduces emissions in all areas of its own value creation, among others through software-supported heating, air, lighting and cooling systems. We have been generating regenerative energy for our own consumption at almost all production plants and selected sales and service locations for many years – primarily via photovoltaic systems. In addition, wherever possible, only green electricity is used. We rely on heat recovery and modern combined heat and power plants for combined heat and power. All DMG MORI digitization and automation solutions are aimed at maximum resource efficiency and are therefore tested in our own production.

Sustainability plays a central role in the implementation of our corporate strategy. Decarbonization is a top priority for us. With clearly defined goals and concrete measures, we are contributing to the achievement of the Paris Climate Agreement. Since September 2021, DMG MORI has committed itself to the goals of the "Science Based Targets" initiative, which is dedicated to limiting global warming to a maximum of 1.5 °C. To this end, we want to reduce our emissions in Scope 1 & 2 by 46.2 % and in Scope 3 by at least 13.5 % by 2030 (base year: 2019). We aim to increase this target to 27.5 % in the current financial year.

In 2022, DMG MORI was again one of the TOP companies for the German Sustainability Award, the largest competition of this kind in Europe, out of more than 1,000 applicants in the area of climate protection. The nomination alone shows that our great commitment to the climate is seen as a top performance. In the reporting year, DMG MORI was also recognized as the winner of the renowned Lean&Green Award in the "Manufacturing Industry" category for the Pfronten location.

So our strategic fit of automation, digitization and sustainability is absolutely right. We have already achieved a lot: Our manufacturing solutions are high quality, durable, recyclable and highly efficient. We summarize all initiatives for the "100 % green machine" under **DMG MORI GREEN ECONOMY**:

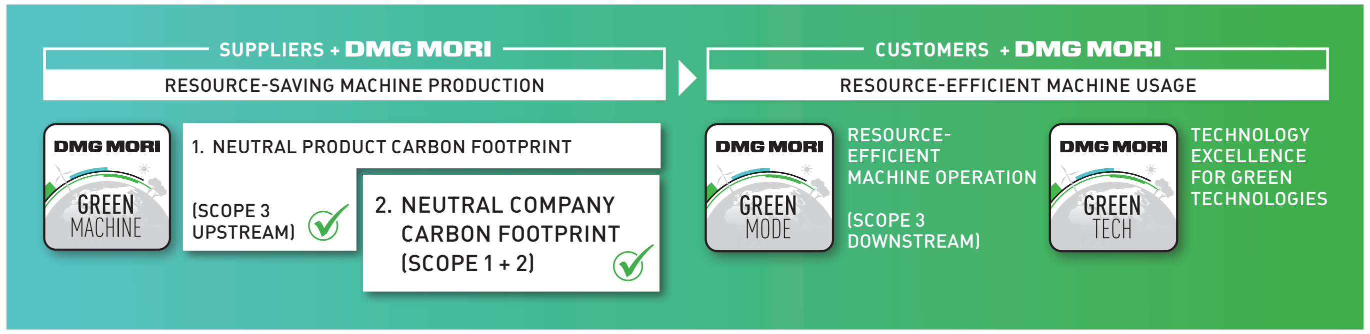
1. **GREEN**MACHINE – the resource-saving produced machine (scope 1, 2 and 3 upstream),
2. **GREEN**MODE – the resource-efficient machine operation at the customer's site,
3. **GREEN**TECH – our know-how for green technologies.

1. GREENMACHINE

In addition to its own 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 and our environmental management according to ISO 14001.

2. GREENMODE

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, highly efficient drives according to IE3, regenerative



braking, intelligent control of aggregates as well as the optimization of moving masses using FEM simulations. 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 recycling-oriented product development according to VDI 2243 ensures that we use more and more recyclable and recycled materials in our production. With our "First Quality" offensive and our greatly expanded range of machine overhauls, we ensure that our products are in use for 30 years and more. Around 400 machines are still running at our customers' premises after more than 50 years. DMG MORI thus avoids waste and conserves resources.

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. With modern manufacturing processes such as additive manufacturing, products with reduced weight, optimized functionality and minimal transport routes can also be manufactured in a resource-saving manner. 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 projects resp. ex-post CO_2 certificates. These projects are aimed exclusively at a green infrastructure and 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 2022, which also contains the separate, non-financial group report 2022, we are complying with:

› the statutory requirements as per the CSR Directive Implementation Act for implementing Directive 2014 / 95 / EU (Section 315b HGB (German Commercial Code)) dated 11 April 2017,

› the reporting requirements pursuant to Article 8 of Regulation 2020 / 852 / EU of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation 2019 / 2088 / EU.

Thus, the separate, non-financial group report is not part of the group business report. DMG MORI also prepares the Sustainability Report with reference to the international reporting guidelines "GRI Standards" of the Global Reporting Initiative (GRI) and thus provides a large number of voluntary disclosures. The Sustainability Report 2022 is available on the website: → en.dmgmori-ag.com/sustainability

Employees

The success of DMG MORI is a strong team effort by our highly motivated employees, who work for our customers every day with passion and well-founded know-how.

As of 31 December 2022, the group had 6,833 employees, including 237 apprentices (previous year: 6,821 employees, including 225 apprentices). The number of employees increased by 12. The number of agency workers employed within the group was 196 persons (previous year: 172).

Personnel expenses were € 566.3 million (previous year: € 522.7 million). Of this amount, wages and salaries accounted for € 480.0 million (previous year: € 440.5 million) and social security contributions and expenses for pensions and other benefits for € 86.3 million (previous year: € 82.2 million). Expenses for agency workers amounted to € 11.4 million (previous year: € 5.6 million). Personnel expenses ratio improved to 23.6 % (previous year: 25.1 %).

The qualifications, satisfaction and health 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 € 11.7 million (previous year: € 12.1 million). The age structure of our employees is balanced.

The employee sickness rate was 4.5 % (previous year: 3.4 %) and thus again below the last industry average of 5.4 %. The fluctuation rate amounted to 10.6 % (previous year: 9.2 %). The proportion of employees in key positions or of high potentials who have left our company (dysfunctional fluctuation) was 0.6 % (previous year: 0.7 %).

DMG MORI stands for a modern corporate culture with **TOP** values: **T**rust, **O**penness and **P**assion. With trust, openness and passion, we work to fulfill our vision: We aim to be the most attractive global machine tool manufacturer with digitized and sustainable products!

At the same time, we are strengthening our position as an attractive and secure employer. This is only possible with appreciative interaction, trust and the willingness to take on responsibility, because qualified specialist staff is the decisive success factor – in challenging times this applies more than ever!

In September 2022, there was again a live strategy briefing from the Executive Board with a detailed Q&A session. Numerous employees again took the opportunity to continuously exchange information about the strategic direction and future fields of DMG MORI. It is precisely this spirit that makes DMG MORI so special. It is always the people who make the difference.

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 with a digital focus at an early stage, since a good training program is the foundation for sustainable success.

At DECKEL MAHO in Seebach we will open a new, 1,000 m^2 training center with 50 modern training places in 2023. By integrating innovative future technologies such as digitization and automation, additive manufacturing, AI, the use of virtual reality or the use of TULIP, DMG MORI makes lifelong learning interesting and varied and thus fulfills its own claim of being a permanently learning organization.

We promote potential managers and talented junior staff in particular through our "High Potential Program". In the reporting year, the 10 participants were able to benefit from modern courses, carry out their own projects and present their results to the Executive Board.

In addition, the employees benefited from a Group-wide inflation compensation premium. The total payout volume was around € 7 million.

As scheduled, an employee satisfaction survey was carried out in the year under review. From 23 September to 14 October 2022, employees again had the opportunity to anonymously share their opinions on a total of twelve topics. We would like to take this opportunity to thank all employees who took part in the survey.

For years, DMG MORI has been considered an attractive employer in the industry and far beyond the region. In the reporting year, DMG MORI was identified as "Leading Employer 2022" in Germany and is therefore one of the TOP 1 % of a total of 160,000 employers evaluated. Particularly important criteria were employee satisfaction, modern working conditions, health management and the company's general understanding of values and expertise in the HR department. In addition, DMG MORI was once again honored by the renowned business magazine "CAPITAL" and the portal "Ausbildung.de" as one of "Germany's best trainers 2022" and achieved 5 out of 5 stars in the areas of training and dual studies.

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 of the Executive Board on Financial Year 2022

The global economy in 2022 was overshadowed by the war in Ukraine. The consequence: energy crisis with gas shortage and significantly increased energy costs, high inflation rates, rising interest rates and significant price increases for raw materials, transport, logistics and again growing supply shortages. This also slowed the recovery in demand for machine tools in the second half of the year. According to preliminary data from the German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics, global consumption rose by +8.1 % to € 76.9 billion in 2022 (2021: € 71.2 billion) and was thus above the high pre-corona level 2019 (+4.6 %; € 73.5 billion) for the first time again.

In an environment of major global challenges, DMG MORI again achieved a TOP performance in the financial year 2022. Order intake in the core business with machine tools and services rose by +15 % to an all-time high of € 2,904.2 million (previous year: € 2,516.7 million), to which both the new machine business and the service business contributed positively. New machine business performed well with +15 % and reflects increased demand for our integrated and sustainable automation and digitization solutions. Service business also increased by +15 % and reached a new record level. Sales revenues increased by +15 % to € 2,365.7 million – despite the continued difficult materials and logistics situation. The sustained optimization of our cost structure and stringent implementation of our efficiency improvement measures paid off: EBITDA improved by +56 % to € 297.8 million (previous year: € 190.8 million). EBIT increased by +75 % to € 216.5 million (previous year: € 123.8 million). The EBIT margin improved to 9.2 % and thus also marks an all-time high (previous year: 6.0 %). EBT grew by +78 % to € 216.2 million (previous year: € 121.6 million). As of 31 December 2022, the group reported EAT of € 153.4 million – a plus of 79 % compared to the previous year (€ 85.6 million). Financial performance was also encouraging: free cash flow amounted to € 171.7 million and was thus below the record level of the previous year (-5 %; € 179.9 million) but slightly above the pre-corona level 2019 (€ 168.8 million).

We were able to increase our forecasts for financial year 2022 in the course of the year. DMG MORI achieved or, in some cases, exceeded all target and control figures for the financial year 2022 forecast in the Annual Report 2021, in particular due to the sustainable optimization of cost structures, the consistent implementation of efficiency measures as well as the good development in the new machine business as a result of the strategic fit of automation, digitization and sustainability. One exception is the expenses for research and development, which were below the planned figure in the course of the efficiency measures (→ Table A.03, page 43).

2022 has once again shown: DMG MORI is a stable and reliable partner even under difficult external conditions. Our strong long-standing network with customers, partners and suppliers, the innovative product portfolio as well as our highly qualified employees are the backbone of our success. We have a high degree of resilience and the strength to deal quickly and agilely with globally changing conditions.

DMG MORI is one of the most sustainable industrial companies worldwide. Our innovative solutions make a decisive contribution to the benefit of humans and the environment. The combination of machines, technologies, users, automation and digitization enables a high degree of process integration for resource-saving and efficient production.

With dynamic and excellence, we are advancing our future fields and sustainably optimizing the tried and tested. In this way, we are consistently developing into a holistic and sustainable solution provider in the manufacturing environment. True to our motto: ***dynamic* . Excellence**.

OPPORTUNITIES AND RISK REPORT

Opportunities Management System (OMS)

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 for machine tools and industrial services. Our CRM is based on a large 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 113 sales and service companies. 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 includes various machine types at different price levels. We are involved in our customer's development processes 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 through continuous product innovations and integrated technology solutions. A particular focus is on our strategic triad 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 operate directly in our German domestic market, Austria and Switzerland (DACH) as well as the EMEA region (Europe, Middle East, Africa) and the Chinese market. We see strategic opportunities in the construction of a new production plant in Pinghu, where we manufacture machines locally for our Chinese customers. Through DMG MORI COMPANY LIMITED, we are also successful present in Japan, North and South America, and other parts in Asia.

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. DMG MORI has a balanced **Company Carbon Footprint** and a balanced **Product Carbon Footprint** via the climate triple "Avoid – Reduce – Compensate". We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO_2 certificates. We are also consistently improving the energy efficiency of our machines. The **DMG MORI GREEN ECONOMY** comprises all initiatives for three major areas: **GREEN**MACHINE – the resource-saving produced machine, **GREEN**MODE – resource-efficient machine operation at the customer, **GREEN**TECH – our know-how for green technologies.

Risk Management System (RMS)

Our international business activities as a worldwide leading manufacturer of machine tools and supplier of integrated and sustainable 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.

Already in the 2021 financial year, we also committed to implementing the "Task Force on Climate-related Financial Disclosure" (TCFD), thus following 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 corresponding 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 II concept and allows us to ascertain and control risks that affect future development. We define operational risk as being a negative deviation from our planned earnings target (EBIT) within the next twelve months 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 to reduce or eliminate risks,
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 at the level of the group and individual subsidiaries, including ad-hoc reporting on existential risks, as well as 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 which 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 at least in part can 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 to ensure the regularity of the group's financial reporting. Rules that bear group-wide relevant regulations 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 to 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 based on 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	Insignificant
Research & development risks	Insignificant
Personnel risks	Insignificant
IT risks	Moderate
Financial risks	Insignificant
Legal risks	Insignificant
Tax risks	Insignificant
Other risks	Moderate

PRESENTATION OF THE INDIVIDUAL RISK FIELDS

Macroeconomic risks mainly arise from uncertainty about the further course of the more difficult material supply, existing logistics bottlenecks as well as rising inflation rates and rising interest rates, which have a negative effect on the willingness to invest. Furthermore, there is the corona pandemic, especially in China, so that more workers could be absent. Renewed corona restrictions in numerous regions cannot be ruled out either. In addition, there are global and political uncertainties, such as the smoldering China-Taiwan conflict and the Russian war in Ukraine. These exogenous factors can have a significant impact on economic development in the affected regions, but also beyond. Other risks arise from industrial structural change, rising raw material and energy prices on the international markets, and inflationary risks, which can have a negative impact on demand. In addition to sharply rising energy prices, a gas shortage cannot be completely ruled out. DMG MORI would only be slightly affected by a gas shortage, as natural gas is only used to generate heat. DMG MORI would be indirectly affected due to rising production costs at our suppliers and the possible loss of energy-intensive suppliers. In addition, changes in exchange rates can affect our future competitive position (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi and British pound could make our products more expensive in the countries concerned and in dollar-dependent markets. We counteract this risk with 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 advantage of our products and a clear focus on our customers and markets. We equip our customers with highly efficient, automated and sustainable manufacturing solutions. 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. In addition, delivery delays may result from the difficult procurement situation. Together with significant price increases for materials and in view of the high demands of the collective bargaining parties, risks with increased pressure on margins can also arise on existing orders. 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 Europe Holding 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, energy and transport prices. The global supply situation remains very tense. Availability is severely limited and the delivery times are still long. Moreover, the prices of materials are increasing sharply. This may lead to material shortages and associated production interruptions. In addition, the manufacturing costs of our products increase significantly. 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. With these measures we want to further strengthen the resilience of our supply chain.

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 advantage. 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. In addition, logistics risks can arise in Asia, particularly due to global delays in shipping.

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 deputy regulations. The permanent availability of highly qualified specialists and managers could also be impaired by an increased sickness rate. Negative effects from the corona crisis can still not be excluded. We counteract this risk, in particular, through

preventive occupational health care, as well as options for remote work. There is also the risk of rising personnel costs as a result of inflation and higher wage agreements.

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, 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 educated 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 2027, as well as accounts receivable programs. The finance contracts contain a clause that prescribes compliance with a market standard covenant. The liquidity of the group is considered sufficient. In principle, inflation, rising interest rates and the energy crisis can lead to increased risks of bad debts and insolvency 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 142 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 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 carryforwards, this could adversely affect the company's results of operations, financial position and net worth.

Other risks arise from general project risks and possible balance sheet impairments. This could lead to further asset devaluations, especially as a result of the Russian war in the Ukraine.

Overall statement by 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 2021, the total exposure to risks has increased. 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.

FORECAST REPORT

Future Business Environment

The Kiel Institute for Economic Research (IfW) forecasts global economic growth of +2.2 % for the financial year 2023 in its latest economic report published in December 2022. A large number of negative factors are clouding the global economic outlook. First and foremost, the war in Ukraine and the associated energy crisis in Europe, but also high inflation, rising interest rates as well as sharply increased corona infection figures in China point to restrained global economic development.

In Europe, the outlook continues to dim. High energy prices and the lack of momentum from the global economic environment mean that a period of economic weakness is expected. Germany is expected to stagnate with GDP of +0.0 % in 2023. GDP growth of just +0.5 % is forecast for the euro zone. Asia will again be the fastest-growing region, with growth expected to be +5.3 %. In China, the pace of expansion is expected to remain subdued, with growth of +4.6 %. According to IfW estimates, Japan's economy is likely to grow by only +0.7 %. With a forecast of -0,4 %, the economy in the USA is expected to weaken.

According to VDW and Oxford Economics, global machine tool consumption is expected to grow by only +2.6 % to € 78.9 billion in 2023 and will be just above the 2018 peak (€ 78.8 billion; 2022: € 76.9 billion). In view of the ongoing war in Ukraine as well as the challenges posed by material and supply shortages, increasing raw material and energy prices, continued high inflation and the ongoing corona pandemic, particularly in China, 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 +12.8 % to € 5.8 billion in 2023 (2022: € 5.2 billion) but remain below the high pre-corona level in 2019 (-18.3 %; € 7.1 billion).

In Europe, consumption is also predicted to increase by +5.3 % to € 22.4 billion (2022: € 21.3 billion), but still below the pre-corona 2019 level (-0.5 %; € 22.5 billion).

Consumption in Asia is forecast to rise by +5.7 %. At country level, the growth rate in the Chinese machine tool market is forecast to be rather moderate at +4.9 % to € 22.8 billion. With an increase of +9.9 % to € 4.2 billion (2022: € 3.8 billion), the economic recovery in Japan is expected to continue, but still -24.6 % below the pre-corona level in 2019 (€ 5.5 billion). In comparison, VDW and Oxford Economics assume a significant decline in machine tool consumption for the USA. With a forecast of -12.1 % to € 10.2 billion, the American machine tool market should decrease significantly in 2023 (2022: +28.0 %).

Demand for capital goods is expected to show little momentum worldwide. The ongoing corona pandemic, especially in China, as well as existing global uncertainties and trade conflicts are slowing down the economic recovery. Although order books in the international machine tool sector are well filled, a more difficult supply of materials and continuing logistics shortages could, however, have a major impact on investments 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 the forecasts cannot be ruled out if the economic continue to deteriorate worldwide.

Future Development of DMG MORI

As "Global One Company", together with DMG MORI COMPANY LIMITED, we aim to further expand our market position as a leading global manufacturer of high-precision machine tools with high process integration, sustainable technologies as well as holistic automation and end-to-end digitization solutions for the manufacturing industry.

With 113 international sales and service locations, 16 production plants, DMG MORI is present in 88 countries worldwide. For our more than 100,000 customers, we want to be the number 1: from development through production to sales and services. DMG MORI is a global technology leader and full-liner in 57

industries. With our global footprint and far-reaching service offerings, we provide everything integrated, consistent and sustainable from a single source – worldwide!

Since 2017, DMG MORI has been accelerating five important future fields as well as five strategic pillars, which continue to be topical and firmly integrated in the corporate strategy. We are dynamically advancing our future fields. We are sustainably optimizing proven processes to excellence. In this way, we are consistently developing into a holistic and sustainable solution provider in the manufacturing environment. True to our motto: ***dynamic .* Excellence**.

DMG MORI actively meets the challenging market environment and increasing customer demands with innovations and, in some cases, fundamentally new business models. Always with the aim of offering our customers optimally coordinated, integrated technology solutions as a stable and reliable partner. Our combination of highly productive, flexible machines and the strategic triple of automation, digitization and sustainability is strong for the future. Customers receive a flexible, integrated and sustainable machine tool from DMG MORI as a complete solution – including automation, software, process, peripherals and service. Here the principle applies: the machine is and remains our core!

Our strategic fit and focus on the shopfloor of our customers are a perfect match. Their success is our mission: "**We strengthen our customers – in manufacturing and digitization**". Digital innovations expand our core business with machine tools and services. We are continuously expanding the subscription business model PAYZR – PAY with Zero Risk – for Equipment-as-a-Service and Software-as-a-Service.

Global challenges make resilience and sustainability mandatory in all areas. We are continuously strengthening our resilience with comprehensive measures along the entire value chain, such as sustainable cost optimization, increased regionalization and double sourcing. We consistently act "in the markets for the markets".

Through the combination of machines, technologies, users, automation and digitization, DMG MORI enables a high degree of process integration for resource-saving, efficient and thus sustainable production. 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.

Our innovative solutions make a decisive contribution to people and the environment. DMG MORI is one of the most sustainable industrial companies worldwide. All machines have been produced resource-saving. Through the climate triple "Avoid – Reduce – Compensate", DMG MORI already has both a balanced **Company Carbon Footprint** and a balanced **Product Carbon Footprint** – along the entire supply chain up to delivery to the customer. We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO_2 certificates.

2023 will also be marked by high volatility – characterized by the new corona wave in China, globally disrupted supply chains, material shortages, high inflation as well as further rising prices for raw materials, transport, logistics and energy as a result of the war in Ukraine. Added to this are rising interest rates, which are impacting the financing of capital goods. We are already sensing restraint in the markets but look to the current financial year with confidence. Our reasons for this are:

1. a strong foundation and great employes,
2. innovations and investments at a high level,
3. stable partnerships and resilient supply chains,
4. a good basis through the order backlog of over € 1.6 billion.

For the current financial year, we plan order intake of around € 2.45 billion. Sales revenues are expected to be around € 2.35 billion. We estimate EBIT to be around € 170 million. Free cash flow is to be around € 80 million. Our forecasts are subject to the provision that the global market and economic conditions do not become more difficult.

Our agreed financing framework will cover the necessary liquidity requirements in the financial year 2023. We therefore have sufficient financial room in the group at all times. We expect market interest rates to rise further in the financial year 2023 compared with the reporting year.

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

For the financial year 2023 we plan to invest around € 120 million in property, plant and equipment and intangible assets. A highlight will be the opening of our new production plant DMG MORI Manufacturing Solutions in Pinghu (China) in the 4th quarter of 2023. In addition, we will complete the expansion and modernization measures we have started for our production and assembly areas at DECKEL MAHO in Seebach and FAMOT in Pleszew (Poland) and continue to make targeted investments in the self-sufficient and sustainable power supply of our production plants. Furthermore, we will continue to invest in our ERP-project "GLOBE – Global One Business Excellence" to ensure standardized systems and integrated processes.

In the area of research and development, we will sustainably advance our innovation strategy and present a large number of world premieres – particularly in the future fields of automation, digitization and sustainability – at EMO Hanover from 18 to 23 September 2023, among other events. One highlight, for example, will be CELOS X. At the traditional Open House in Pfronten at the beginning of the current financial year, we have already presented 7 world premieres. Expenses for research and development is expected to remain stable at a high level of around € 80 million. A total of 15 % of the workforce at the plants is to work in research and development.

Overall Statement of the Executive Board on Future Business Development 2023

The overall economy is significantly losing momentum. Especially Europe is being impacted by the continued war in Ukraine and the associated political and economic consequences. Added to this are further increases in raw material and energy costs, high inflation and restrictive monetary and interest rate policies by international central banks as well as a large number of geopolitical risks which are impacting the economies of Europe and the USA in particular. There is also a lack of economic stimulus from China due to the sharp rise in corona infection numbers at the beginning of the year.

According to VDW and Oxford Economics, global machine tool consumption is expected to grow by only +2.6 % to € 78.9 billion in 2023 and will be just over the 2018 peak (€ 78.8 billion; 2022: € 76.9 billion). However, it cannot be ruled out that these forecasts will have to be adjusted in the course of the year due to the ongoing global uncertainties.

DMG MORI is planning order intake of around € 2.45 billion for the financial year 2023. Sales revenues are expected to amount to around € 2.35 billion. We estimate EBIT to be around € 170 million. Free cash flow is to be around € 80 million. Our forecasts are subject to the provision that the global market and economic conditions do not become more difficult. For the current financial year, we plan to invest around € 120 million in property, plant and equipment and intangible assets, which will be financed principally from our own funds.

We aim to sustainably strengthen our high innovative strength as "Global One Company". We will already be presenting a large number of world premieres at EMO Hanover from 18 to 23 September 2023, such as CELOS X.

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 global machine tool manufacturer with digitized and sustainable products! We strengthen our customers in manufacturing and digitization!

Through the consistent implementation of our strategic triple of automation, digitization and sustainability, DMG MORI is stable and future-proof, especially in times of high volatility and uncertainty. The global challenges make resilience and sustainability mandatory in all areas! Our strategic fit and focus on the shopfloor of our customers are a perfect match. The combination of machines, technologies, users, automation and digitization enables a high degree of process integration for resource-saving and efficient production. Our innovative solutions make a decisive contribution to the benefit of humans and the environment.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 January to 31 December 2022

D.01	Notes	2022 € K	2021 € K
Sales revenues	6	2,365,666	2,052,921
Changes in finished goods and work in progress		23,644	19,756
Own work capitalised	7	10,807	6,804
Total work done		**2,400,117**	**2,079,481**
Other operating income	8	114,893	59,730
Operating performance		**2,515,010**	**2,139,211**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,150,893	1,008,599
Cost of purchased services		178,243	153,047
		1,329,136	1,161,646
Personnel costs	10		
Wages and salaries		479,960	440,503
Social security contributions, pensions and other benefits		86,365	82,211
		566,325	522,714
Depreciation, amortization and impairment losses	11	81,281	67,033
Other operating expenses	12	321,754	264,046
Operating result		**216,514**	**123,772**
Financial income	13		
Interest income		5,623	4,367
Other income		1,129	241
		6,752	4,608
Financial expenses	14		
Interest payable		5,354	5,675
Interest expense from pension provisions		291	193
Other financial expenses		1,753	1,148
		7,398	7,016
Financial result		-646	-2,408
Share of profits and losses of at equity-accounted investments	15	318	222
Earnings before taxes		**216,186**	**121,586**
Income taxes	16	62,832	36,020
Annual profit		**153,354**	**85,566**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		145,183	84,165
Of which attributed to non-controlling interests	17	8,171	1,401
Earnings per share pursuant to IAS 33 in € (undiluted)	**18**	**1.84**	**1.07**
Earnings per share pursuant to IAS 33 in € (diluted)		**1.84**	**1.07**

Consolidated Statement of Other Comprehensive Income

for the period 1 January to 31 December 2022

D.02	Notes	2022 € K	2021 € K
Annual profit		**153,354**	**85,566**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans	30	8,524	4,067
FVOCI – Equity instruments – net change of fair value	39	1,560	72,186
Income taxes	16, 28	-2,462	-2,169
Sum of items never reclassified to income statement		**7,622**	**74,084**
Differences from currency translation		4,338	11,537
Net investments	29	4,411	341
Adjustment IAS 29 – High inflation	5	679	0
Changes in market value of hedging instruments	37	1,663	-167
Market value of hedging instruments – reclassification to the income statement	37	-1,321	-124
Income taxes	28	-1,200	87
Sum of items which are reclassified to the income statement		**8,570**	**11,674**
Other comprehensive income for the period after taxes		**16,192**	**85,758**
Total comprehensive income for the period		**169,546**	**171,324**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		162,185	168,743
Of which attributed to non-controlling interests		7,361	2,581

Consolidated Cash Flow Statement

For the period 1 January to 31 December 2022

D.03	Notes	2022 € K	2021 € K
CASH FLOW FROM OPERATING ACTIVITY			
Earnings before taxes (EBT)		216,186	121,586
Depreciation, amortization and impairment losses		81,281	67,033
Monetary loss from the application of IAS 29	5	1,395	0
Financial result	13, 14	646	2,408
Other income and expenses not affecting payments		-6,853	-2,146
Change in provisions	30, 31	13,628	49,856
Result from the disposal of fixed assets		-67	1,332
Income tax refunds		3,126	2,524
Income taxes paid		-29,935	-28,877
Interest received		8,278	4,697
Interest paid		-5,391	-5,260
Dividends received	22	324	361
Changes in asset and liabilities items			
Inventories	24	-141,308	-41,554
Trade debtors	23, 25	-24,146	-22,288
Other assets not from investments or financing activity		-39,419	-72,857
Trade creditors	33, 34	82,382	-28,359
Other liabilities not from investments or financing activity		116,663	196,477
	40	**276,790**	**244,933**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		126	685
Amounts paid out for investments in tangible assets		-75,661	-42,606
Amounts paid out for investments in intangible assets		-29,500	-23,111
Cash flow from the loss of control over subsidiaries	40	1,690	-3,079
Amounts paid out for investments in financial assets	40	-919	-12,799
Amounts paid out/repayments for loans	23, 25	-200,718	-2,850
Amounts received from disposal in financial assets	40	463	0
		-304,519	**-83,760**
CASH FLOW FROM FINANCING ACTIVITY			
Deposits/payments for borrowing / for repayment of financial debt	45	11,677	4,139
Dividends paid to non-controlling interests in subsidiaries		0	-1,631
Payments/amounts paid out from changes in subsidiaries		0	-1,029
Profit transfer to DMG MORI Europe Holding GmbH	45	-29,250	-27,063
Cash outflows of principal for lease liabilities		-15,712	-19,103
	40	**-33,285**	**-44,687**
INFLATION ADJUSTMENT OF THE CASH FLOW FROM OPERATING ACTIVITY, FROM INVESTMENT ACTIVITY AND FROM FINANCING ACTIVITY (IAS 29)	5	**-4,545**	**0**
Changes affecting payments		-65,559	116,486
Effects of exchange rate changes on financial securities		-2,074	1,921
Effects of inflation on financial securities (IAS 29)	5	3,150	0
Cash and cash equivalents as at 1 January	27	241,896	123,489
Cash and cash equivalents as at 31 December	**27**	**177,413**	**241,896**

Consolidated Balance Sheet

As at 31 December 2022

D.04 ASSETS	Notes	31 Dec 2022 € K	31 Dec 2021 € K
LONG-TERM ASSETS			
Goodwill	19	136,416	138,044
Other intangible assets	19	97,618	83,344
Tangible assets	20	496,691	468,686
Equity-accounted investments	22	46,376	39,711
Other equity investments	21	105,914	106,760
Trade receivables from third parties	23	918	732
Other long-term financial assets	23	15,001	11,006
Other long-term assets	23	1,398	2,362
Deferred tax assets	28	30,845	55,212
		931,177	**905,857**
SHORT-TERM ASSETS			
Inventories	24	686,340	579,091
Trade receivables from third parties	25	160,523	201,944
Receivables from at equity accounted companies	25	19,383	17,150
Receivables from other related companies	25	655,005	412,121
Receivables from other equity investments	25	157	50
Receivables from down payment invoices	6	15,879	22,446
Other short-term financial assets	26	41,239	40,675
Other short-term assets	26	137,192	129,880
Income tax receivables		2,200	4,917
Cash and cash equivalents	27	177,413	241,896
		1,895,331	**1,650,170**
Balance Sheet Total		**2,826,508**	**2,556,027**

D.04 EQUITY AND LIABILITIES	Notes	31 Dec 2022 € K	31 Dec 2021 € K
EQUITY			
Subscribed capital	29	204,927	204,927
Capital reserve	29	498,485	498,485
Retained earnings and other reserves	29	698,273	681,341
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,401,685**	**1,384,753**
Non-controlling equity interests	29	20,811	17,029
Total equity		**1,422,496**	**1,401,782**
LONG-TERM DEBTS			
Provisions for pensions	30	26,982	34,870
Other long-term provisions	31	44,324	47,857
Long-term lease liabilities	35	30,377	30,977
Trade payables to third parties	33	0	244
Contract liabilities from performance obligations	6	6,252	5,722
Other long-term financial liabilities	33	0	85
Other long-term liabilities	33	5,798	3,324
Deferred tax liabilities	28	6,506	2,598
		120,239	**125,677**
SHORT-TERM DEBTS			
Other short-term provisions	31	274,435	265,202
Short-term financial debts	32	5,668	0
Short-term lease liabilities	35	9,914	14,176
Trade payables to third parties	34	176,461	134,714
Liabilities to at equity accounted companies	34	7,118	2,189
Liabilities to other related companies	34	239,500	119,061
Liabilities to other equity investments	34	1,010	1,192
Tax liabilites		20,398	25,308
Contract liabilities from payments received on account	6	433,583	348,844
Contract liabilities from performance obligations	6	39,843	39,590
Contract liabilities from down payment invoices	6	15,879	22,446
Other short-term financial liabilities	34	25,557	19,957
Other short-term liabilities	34	34,407	35,889
		1,283,773	**1,028,568**
Balance Sheet Total		**2,826,508**	**2,556,027**

Development of Group Equity

For the period 1 January 2021 to 31 December 2022

D.05

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Difference from currency translation	Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIEN-GESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2022	204,927	498,485	728,741	-47,172	-228	1,384,753	17,029	1,401,782
Total comprehensive income								
Annual Profit			145,183			145,183	8,171	153,354
Other comprehensive income								
Differences from currency translation				5,148		5,148	-810	4,338
Hedging of net investments (after taxes)				3,313		3,313		3,313
Adjustment IAS 29 – Hyperinflation			679			679		679
FVOCI – Equity instruments – net change of fair value (after taxes)			1,514			1,514		1,514
Change in fair value of derivative financial instruments (after taxes)					240	240		240
Remeasurement of benefit-oriented plans (after taxes)			6,108			6,108		6,108
Other comprehensive income for the period after taxes	**0**	**0**	**8,301**	**8,461**	**240**	**17,002**	**-810**	**16,192**
Total comprehensive income for the period	**0**	**0**	**153,484**	**8,461**	**240**	**162,185**	**7,361**	**169,546**
Transactions with owners								
Total capital contribution/withdrawals to owners								
Purchase/Sale of non-controlling interests without/with change of control			1,256			1,256	-3,579	-2,323
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)								
Profit transfer to DMG MORI Europe Holding GmbH for 2022			-146,509			-146,509		-146,509
Sum of transactions with owners	**0**	**0**	**-145,253**	**0**	**0**	**-145,253**	**-3,579**	**-148,832**
As at 31 Dec 2022	**204,927**	**498,485**	**736,972**	**-38,711**	**12**	**1,401,685**	**20,811**	**1,422,496**

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements in the notes 29.

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Difference from currency translation	Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIEN-GESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 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 Europe Holding 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 in the notes 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT FOR THE FINANCIAL YEAR 2022

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 2022 to 31 December 2022 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 2022 will be available through the electronic Federal Gazette (Bundesanzeiger), the Commercial Register as well as from our website →**en.dmg-mori-ag.com**. DMG MORI COMPANY LIMITED, Nara, Japan, is the ultimate parent company of the DMG MORI group. DMG MORI Europe Holding GmbH, Bielefeld (Germany) (until 9 September 2022: DMG MORI GmbH), 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 Europe Holding 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 Europe Holding 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 13 March 2023.

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" liminate 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 intra-group deliveries and services are eliminated; deferred tax assets and deferred tax liabilities from consolidation transactions affecting net income are recognized in the income statement. Intra-group sales revenues and other intra-group income is offset against the corresponding expenses not affecting income.

Other companies related to the DMG MORI group are the ultimate parent company, DMG MORI COMPANY LIMITED, Nara (Japan), and its subsidiaries and major holdings outside the DMG MORI group. 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 2022, 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 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

D.06	
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Annual improvements to IFRS 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
IFRS 17	Insurance contracts

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.

The amendments must be applied to mergers where the acquisition date is on or after 1 January 2022.

This amendment has had no material effects on the Consolidated Financial Statements of the DMG MORI Group.

Amendments to IAS 16 – Proceeds before Intended Use
IAS 16 requires that the costs for acquiring or producing an item of tangible assets 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 tangible assets, any proceeds that exceeded the costs of testing and that were earned from selling items produced while bringing an item of tangible assets 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 tangible assets.

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 acquisition costs is not allowed.

This amendment has had no material effects on the DMG MORI Group.

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.

This amendment has had no material effects on the DMG MORI Group.

Annual Improvements to IFRS 2018 – 2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
The "Annual Improvements to IFRS" 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.

This amendment has had no material effects on the DMG MORI Group.

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.

a) These have already received EU endorsement

D.07	
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information
Amendments to IAS 8	Definition of accounting estimates
Disclosures on IAS 1 and Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information
The IASB published the amendment to IFRS 17 "Initial application of IFRS 17 and IFRS 9 – Comparative Information" in December 2021. On initial application of the requirements of IFRS 17 and IFRS 9 in force prior to this date, accounting mismatches may occur if comparative information for financial assets is not adjusted retrospectively to the requirements of IFRS 9. Such an adjustment is not made under IFRS 9 if the entity exercises the relevant option accordingly or if the entity adjusts the comparative information retrospectively, but the relevant financial assets are derecognized during the comparative period. The amendment made in December 2021 allows first-time adopters of the standard to present financial assets in the comparative period as if the classification and measurement rules in IFRS 9 had been applied to these financial assets (classification overlay).

Entities that apply the classification overlay to financial assets are not required to also apply the impairment requirements of IFRS 9 to those financial assets. If an entity elects to apply this option, any impairment of the financial assets concerned will continue to be calculated in accordance with IAS 39 in the comparative period.

Any carrying amount adjustments to be made at the beginning of the comparative period should be recognized in retained earnings or another appropriate component of equity.

Irrespective of the application of classification overlays to financial assets, an entity is still required to comply with the transition requirements of IFRS 9 applicable to financial assets.

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

Amendments to IAS 8 – Definition of Accounting 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.

Instead of the previous definition of a "change in accounting estimates," IAS 8 now defines the term "accounting estimate" as follows: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Under IAS 8, the term accounting estimate thus represents a value that is calculated using measurement techniques and inputs where there is estimation uncertainty, in order to meet the objective of the required accounting treatment. In other standards, the term estimate is also used in other ways, e.g., for inputs used to calculate this value. Changes in accounting estimates may be necessary if changes occur in the circumstances on which the estimate was based, or as a result of new information, developments or more experience. Changes in estimates never relate to prior periods and thus are not corrections of errors. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior errors.

Earlier application of the changes is permitted.

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

Amendments to IAS 1 and Practice Statement 2 – Disclosure of accounting policies
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 provided to users of the financial statements for making decisions.

The central theme is that

› accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial (and need not be disclosed). However, it is important to note that both qualitative and quantitative factors are required to determine and assess the immateriality of transactions, other events or conditions.

› Accounting policies that relate to material transactions, other events or conditions may be material, but do not need to be.

The standard provides further guidance on when accounting policy disclosures should be considered material.

Amendments to Practice Statement 2

The bases of IAS 1 for determining when an accounting policy is material and when disclosure requirements apply have also been incorporated into IFRS Practice Statement 2 "Making Materiality Judgements" and clarified in the form of a decision tree.

The amendments are applicable to reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

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

Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

The amendments address previous uncertainties when accounting for deferred taxes on leases and decommissioning or restoration obligations.

When assets and liabilities are recognized for the first time, the initial recognition exemption (IAS 12.15) previously applied under certain conditions. In such cases, as an exception, deferred taxes should not be recognized. In practice, there was uncertainty as to whether this exemption also applied to leases and decommissioning or restoration obligations. A narrow-scope amendment to IAS 12 has now been made to ensure uniform application of the standard.

As a result of this amendment, the initial recognition exemption no longer applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, even if the other previously applicable conditions are met. This is an exception to the initial recognition exemption for closely defined cases. These amendments result in the recognition of deferred taxes, e.g. on leases accounted for by the lessee and on decommissioning or restoration obligations.

The amendments are applicable to reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

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

b) EU Endorsements are still pending

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

Amendments to IAS 1 – Classification of liabilities as current or non-current

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

The amendment requires liabilities to be classified as non-current 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 October 2022, further amendments were made to IAS 1, which clarify that covenants to be complied with after the reporting date do not affect the classification of liabilities as current or non-current at the reporting date. However, the amendments require an entity to disclose information about these covenants in the notes to the financial statements that enables users of the financial statements to understand the risk of whether non-current liabilities with covenants could become repayable within twelve months.

D.08	
Amendment to IAS 1	Classification of liabilities as current or non-current including the decision announced in July 2020 to defer the effective date of the amendments.
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction

As a result of other amendments to IAS 1, the IASB has deferred the mandatory effective date for all IAS 1 amendments.

The amendments are thus applicable to reporting periods beginning on or after 1 January 2024, 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 is currently not expecting any material effects for the Consolidated Financial Statements.

Amendments to IFRS 16 – Lease liabilities in a sale-and-leaseback transaction

This amendment relates to the accounting for lease liabilities arising from sale-and-leaseback transactions and requires a seller-lessee to subsequently measure its lease liability from a sale and leaseback transaction in such a way that it does not recognize any amount of the gain or loss related to the right of use it retains. Using examples, the newly added paragraphs explain different approaches that may be applied, particularly in the case of variable lease payments.

Subject to adoption by the EU, the amendments should be applied for financial years beginning on or after 1 January 2024. Early application of the amendments is permitted but requires EU endorsement.

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

IMPACT OF CLIMATE-RELATED FACTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The recognition of climate-related factors did not have any material effect on the consolidated financial statements for financial year 2022. Further explanations can be found in the Sustainability Report for financial year 2022.

IMPACT OF THE UKRAINE WAR AND THE CORONAVIRUS PANDEMIC ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2022, global economic growth was overshadowed by Russia's war in Ukraine. This has led to: An energy crisis with gas shortages and a sharp increase in energy costs; high inflation rates, rising interest and higher costs for raw materials, shipping, logistics and again a rise in supply bottlenecks. Geopolitical uncertainties and China's strict zero-Covid policy also had a significant impact on the global economy for the year.

The global machine tools market again faced major challenges in 2022. Russia's war in Ukraine, material shortages and supply bottlenecks, rising inflation, and high raw material and energy costs were the main factors impacting growth in the second half of the year.

Supply chains were placed under severe strain around the world and this situation was further exacerbated by the lockdown in parts of China and global shipping delays during the year. DMG MORI has so far been able to prevent production stoppages caused by material bottlenecks through consistent supplier and supply chain management and its strong, well-established network with partners and suppliers.

Under these difficult market and general conditions, DMG MORI achieved a very successful fiscal year 2022. Order intake and consolidated earnings significantly improved from the previous year. For further details on developments, please see the section on "Results of operations, financial position and net worth" in the Group Management Report.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect reported amounts and related disclosures. Estimates and assumptions are subject to regular review and may need to be adjusted.

Although these assumptions and estimates are made to the best of management's knowledge based on current events and measures, the actual results may differ from these estimates. This is particularly true given the significant increase in geopolitical risks in financial year 2022, mainly due to the war in Ukraine, which involves risks and impairments, such as potential disruptions to production site energy supplies or price increases and energy and raw materials shortages, as well as disruptions to global supply chains, sales markets and the growth of the economy as a whole.

If this conflict were to escalate, it would further increase the risk of a global economic downturn, which, combined with rising inflation and higher interest rates, could lead to a major economic downturn. Both tariff disputes and trade restrictions, e.g., between the U.S. and China, may adversely affect global trade and thus global economic growth.

Due to the global economic recovery in financial year 2022, the impact of the coronavirus pandemic was significantly reduced in financial year 2022 compared to financial year 2021.

In certain countries, such as China, there were pandemic-related disruptions to manufacturing or supply chains, which also affected production facilities and those of its overseas suppliers and customers. This had and continues to have an impact on the availability of raw materials and components and DMG MORI sales.

Due to the dynamic nature of developments related to geopolitical risks and the coronavirus pandemic, we cannot rule out that actual results may differ significantly from the estimates and assumptions made in these consolidated financial statements, or that the estimates and assumptions may need to be adjusted in future periods, which could have a material impact on DMG MORI's net worth, financial position and results of operations.

Due to the ongoing war in Ukraine, the company tested the recoverability of assets for the two Russian subsidiaries and recognized an impairment loss of € 10.8 million. For further information, please see Note 20.

Valuation and accounting principles

The effects on the different 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 principles". Where necessary or foreseeable, the assumptions for discretionary decisions and estimates take into account the effects of the war in Ukraine and the coronavirus 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, liabilities, 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 2022, the carrying amount of goodwill totaled € 136,416 K (previous year: € 138,044 K). This change from the previous year is due to disposals and currency effects. Further information can be found under Note 19.

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 2022, provisions for pensions amounted to € 26,982 K (previous year: € 34,870 K). Further information can be found under Note 30.

Intangible assets arising from development

Intangible assets arising from development are capitalized according to the recognition and measurement methods presented in Note 3. 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 2022, on a best estimate basis, the carrying amount of intangible assets arising from development amounted to € 13,209 K (previous year: € 11,024 K).

Inventories

Inventories are capitalized according to the recognition and measurement methods presented in Note 3.

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 € 27,268 K (previous year: € 31,164 K). In assessing expected net realizable values, past experience and current market trends were taken into account, allowing for the effects of the coronavirus pandemic.

Other

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 2022, impairment testing was conducted for capitalized goodwill at the end of the year. Based on these tests, no impairment losses were recognized for capitalized goodwill.

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 2022. 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 evaluated 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 met ("Borrowing costs"). Depreciation was carried out using the straight-line method in accordance with useful life. A re-evaluation of tangible assets pursuant to IAS 16 "Property, Plant and Equipment" was not carried out. No property was held as a financial investment pursuant to IAS 40 "Investment Property".

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

Leases

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 on 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.

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

› fixed payments, including in-substance fixed payments,

› variable lease payments linked to an index or (interest) rate, measured initially using the index or (interest) rate in effect 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 tangible assets. 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 sublease separately on the balance sheet, if it acts as an intermediate lessor. The sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease to which the group applies the exception described above, it classifies the sublease as an operating lease.

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

Impairment

Pursuant to IAS 36 "Impairment of Assets", the assets of the DMG MORI group, with the exception of assets as defined by IAS 36.2, are tested for signs of impairment at each balance sheet date. 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 2022. 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 "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 2022, factoring agreements were concluded with a total volume of € 160.0 million (previous year: € 160.0 million). As of the balance sheet date, receivables with a volume of € 76.4 million (previous year: € 18.1 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, but is considered immaterial on the basis of a quantitative analysis.

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.

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 2022 and in the previous year, financial asset conditions were not renegotiated.

Impairment

IFRS 9 is 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 derecognition 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 0.05 % and 2.38 %.

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 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, resulting from over collateralization, 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 Europe Holding 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 Europe Holding 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 Europe Holding 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 Europe Holding 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 Europe Holding 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 and whether expenses are deductible or non-deductible. 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. 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".

The OECD is currently working on the introduction of a global minimum tax (OECD-Pillar 2) with the aim of guaranteeing fair tax competition between countries and preventing tax evasion. This is designed to ensure that the income of multinational corporations with a turnover of more than € 750 million is subject to a minimum tax rate of 15 %. As a potentially affected company, DMG MORI is closely following all developments relating to the introduction of a global minimum tax, analyzing the current draft regulations with regard to their impact on the group, and working on any tax reporting adjustments required. The complexity of the regulations and the fact that they have not yet been finally implemented in local laws means that our analysis of their impact is still ongoing. Hence, we have not made an estimate of their financial impact on the group.

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. The target achievement levels for the STI 2022 are based on the following key performance indicators and factors for 2022 and are determined using the same criteria for all Executive Board members.

Order intake has a weighting of 1 / 3, and EBIT 2 / 3. Both financial indicators must reach a floor, in order to qualify for a bonus. This corresponds to a target achievement of 50 %. Reaching the target amount corresponds to a target achievement of 100 % (EBIT; € 190 million, Order Intake: € 2,600 million). This amount stops increasing after a cap has been reached. This cap corresponds to a target achievement of 200 %.

The remuneration resulting from the degree of target achievement is adjusted (80 %-120 %) by three sustainability factors ("modifiers"), which are specified in the target agreement with

the respective Board member. These targets, on which the sustainability factor is based, include investments in tangible assets, investments in the GLOBE project and the development of internal market shares and positions (ratio of order intake DMG MORI AKTIENGESELLSCHAFT Group and DMG MORI COMPANY LIMITED). All sustainability factors can reach a level of 80 %-120 %. The factors, investments in tangible assets and investments in the GLOBE project are each weighted at 25 %. The factor, development of internal market shares and positions is 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. The target achievement levels are based on the following key performance indicators and factors and are determined using the same criteria for all Executive Board members. EAT has a weighting of 2 / 3. The EAT component of the LTI must reach a floor, in order to qualify for a bonus. This corresponds to a target achievement of 50 %. Reaching the target amount corresponds to a target achievement of 100 % (€ 139 million). This amount stops increasing after a cap has been reached. This cap corresponds to a target achievement of 200 %. Service performance has a weighting of 1 / 3. Service performance is the average number of service calls per machine under warranty over the last twelve months. The service performance of the LTI must fall below a floor, in order to qualify for a bonus. This corresponds to a target achievement of 80 %. Reaching the target corresponds to a target achievement of 100 % (1.70). It does not increase further after reaching the minimum value. This minimum value corresponds to a target achievement of 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. Both sustainability factors can reach a value of 80 %-120 % and are each weighted at 50 %. STI and LTI payments are each limited to a total of 200 % of the target amount. The total maximum remuneration of an Executive Board member is determined annually by the Supervisory Board on the basis of total target remuneration and is the maximum amount of total remuneration for each performance year, taking into account fixed remuneration, short-term variable remuneration (STI), long-term variable remuneration (LTI 2022-2024), and retirement benefits. The total maximum remuneration for financial year 2022 is € 5,550 K for the Chairman of the Executive Board and € 2,950 K for each of the Executive Board members. The target achievement for the STI in financial year 2022 is 166 % for the key performance indicator, EBIT, and 200 % for the key performance indicator, order intake. The target achievement for the sustainability factor in the budget for investments in tangible assets was 109 %, for the GLOBE project 120 % and for the relevant market shares 120 %, resulting in a weighted modifier of 117 %. The STI payment is limited to a total of 200 % of the target amount (cap). The target achievement for short-term variable remuneration (STI) for 2022 is 208 %. The target achievement for long-term remuneration components (LTI tranche 2020-2022) is 200 % for the key performance indicator, EAT, and 200 % for the key performance indicator, service performance. The target achievement for sustainability factors was 120 %, resulting in a total weighted modifier of 120 %. Payment of the LTI tranche 2020-2022 is limited to a total of 200 % of the target amount (cap).

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 2020-2022, 2021-2023 and 2022-2024 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. The DMG MORI Group has recognized the amounts owed in the balance sheet under other financial liabilities. 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 2022, a total of € 6,735 K in trade creditors (previous year: € 5,151 K) 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 recognized as deferred income in the total amount of € 143 K (previous year: € 188 K) and included in other operating income in the amount of € 943 K (previous year: € 752 K).

Government grants for short-time allowances in Germany are offset against the corresponding expense items. In the reporting year, this resulted in unessential grants of € 0.1 million (previous year: € 9.1 million).

Regional grants amounting to € 3,932 K were issued for the new production plant in China. These grants are reported as deferred income under other liabilities, and with the planned start of production in the fourth quarter of 2023, will be reversed over the expected useful life of the assets concerned.

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 2022 that arose from the development assets amounted to € 12 K (previous year: € 10 K) and, as in the previous year, there were no borrowing costs for tangible assets that can be directly allocated to the acquisition, construction or production of a qualifying asset. As in the previous year, a borrowing cost rate of 1.3 % (previous year: 1.0 %) 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 2022	31 Dec 2021
National	27	28
International	43	43
Total	**70**	**71**

At the balance sheet date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 81 companies (previous year: 81). In addition to DMG MORI AKTIENGESELLSCHAFT 69 subsidiaries (previous year: 70) were included in the Consolidated Financial Statements as

part of the full consolidation process. Eleven companies (previous year: ten) 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), DMG MORI India Private 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 2021, the company,

› COMPONENT MANUFACTURING d.o.o., Zivinice (Bosnia-Herzegovina),

has been added to the consolidation group.

Since the end of financial year 2021, the companies

› CCP Services GmbH, Mülheim an der Ruhr,
› DMG MORI India Private Limited, Bangalore (India),

have joined the DMG MORI group as associated companies.

In March 2022, GILDEMEISTER Beteiligungen GmbH founded CCP Services GmbH, based in Mülheim an der Ruhr. GILDEMEISTER Beteiligungen GmbH holds a 45 % interest. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

In May 2022, GILDEMEISTER Beteiligungen GmbH founded COMPONENT MANUFACTURING d.o.o., Zivinice (Bosnia and Herzegovina). GILDEMEISTER Beteiligungen GmbH holds a 100 % interest. The shares were fully consolidated on the company's founding date.

With effect from 1 July 2022, wholly owned shares in DMG MORI Management GmbH, Bielefeld, were sold to a subsidiary of DMG MORI COMPANY LIMITED, Tokyo (Japan) as part of the reorganization of Sales and Services. The company was deconsolidated.

Also with effect from 1 July 2022, 1% of the shares in DMG MORI India Pvt. Ltd, Bangalore (India) were sold to DMG MORI COMPANY LIMITED, Tokyo (Japan) and thus transferred the control. The prorated assets and liabilities were deconsolidated.

The company is now classified as an associate and since 1 July 2022, has been recognized as an equity-accounted company in the consolidated financial statements.

In August 2022, GILDEMEISTER Beteiligungen GmbH sold its 46.3 % interest in SparePartsNow GmbH, Aachen.

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),
› up2parts GmbH, Weiden,
› RUN-TEC GmbH, Niedenstein,
› German-Egyptian Company for Manufacturing Solutions (GEMAS), Cairo (Egypt).

Disposal of subsidiaries 2022
With effect from 1 July 2022, wholly owned shares in DMG MORI Management GmbH, Bielefeld, were sold to a subsidiary of DMG MORI COMPANY LIMITED, Tokyo (Japan), as part of the reorganization of Sales and Services.

The purchase price received totaled € 5,418 K. The shares were fully consolidated on the company's founding date. All assets and liabilities were deconsolidated from the group at the time the shares in this company were sold. The disposal of the companies with their assets and liabilities resulted in a total gain on disposal of € 11,272 K. There was a pro rata reduction in goodwill amounting to € 440 K. The capital gains are recognized in other operating income.

Also with effect from 1 July 2022, 1% of the shares in DMG MORI India Pvt. Ltd, Bangalore (India) were sold to DMG MORI COMPANY LIMITED, Tokyo (Japan). The purchase price received totaled € 144 K. The shares were fully consolidated since the date of initial consolidation. As the interest in the company after the sale is 49.99 % and control was transferred to DMG MORI COMPANY LIMITED, Tokyo (Japan), with effect from July 1, 2022, all assets and liabilities were deconsolidated from the Group. In connection with the disposal of the company, €-1,256 K were reclassified to the income statement, which were recognized in equity as currency differences until the disposal. As of 1 July 2022, the remaining interest in the company was included in the consolidated financial statements and accounted for using the equity method. The disposal of the companies with their assets and liabilities resulted in a total gain on disposal of € 1,511 K. There was a pro rata reduction in goodwill amounting to € 1,172 K. The capital gains are recognized in other operating income.

The consideration received due to the loss of control of the disposed assets and liabilities and the gains or losses on disposals are shown in the following table. [→ D.11]

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 since been a wholly owned subsidiary of GILDEMEISTER energy solutions GmbH.

Also with effect from 1 July 2021, GILDEMEISTER LSG Beteiligungs GmbH sold 94.9 % of its shares in each of the following companies 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 purchase price received totaled € 669 K. The (indirect) shares of GILDEMEISTER LSG Beteiligungs GmbH were also fully consolidated as of its founding date via the 51 % interest held by GILDEMEISTER energy solutions GmbH. All assets and liabilities (51 % respectively) were deconsolidated from the group at the time the shares in the companies were sold. The disposal of the companies and their assets and liabilities resulted in a total loss on disposal of € 125 K in financial year 2021. There was also a disposal of prorated goodwill amounting to € 57 K. The loss on disposal was recognized in other operating expense. The remaining 5.1 % of the shares were recognized as an investment.

The consideration received due to the loss of control of the disposed assets and liabilities and the gains or losses on disposals are shown in the following table. [→ D.12]

In financial year 2021, the disposal of shares resulted in a cash outflow of € 3,079 K.

In financial year 2022, the group of consolidated companies changed from the previous year as explained above. When compared with the Consolidated Financial Statements of 31 December 2021, the results of operations, financial positions and net worth were not significantly affected in this regard.

D.11

in € K	DMG MORI Management GmbH	DMG MORI India Pvt. Ltd.
Goodwill	440	1,172
Intangible assets	12	0
Tangible assets	1,114	3,631
Inventories	29,082	1,683
Trade debtors	12,305	3,230
Other assets	30,898	2,167
Deferred tax assets	235	591
Cash and cash equivalents	4	3,868
Assets sold	**74,090**	**16,342**
Provisions	4,851	1,913
Lease liabilities	499	224
Contract liabilities from advance payments on orders	21,908	0
Trade creditors	43,254	916
Other liabilities	9,432	5,111
Debt sold	**79,944**	**8,164**
Net assets sold	**-5,854**	**8,178**
Consideration received	**5,418**	**144**
Fair value of remaining interests	0	7,222
Other comprehensive income	0	-1,256
Non-controlling equity interests	0	3,579
Gains or losses	**11,272**	**1,511**

D.12

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**

A general overview of all companies within the DMG MORI group is presented in table [→ D.102].

5. FOREIGN CURRENCY TRANSLATION

The exchange rates of the major currencies developed as follows: [→ D.13]

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.

The annual financial statements of subsidiaries in hyperinflationary economies are translated in accordance with IAS 29 "Financial reporting in hyperinflationary economies".

In financial year 2022, Turkey was classified as a hyperinflationary economy for the first time. As a result, DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, based in Istanbul (Turkey), was accounted for in accordance

D.13 | CURRENCIES

		Exchange rate on reporting date = € 1		Average exchange rate = € 1	
	ISO-Code	31 Dec 2022	31 Dec 2021	2022	2021
Australian dollars	AUD	1.57375	1.56415	1.52243	1.57868
Canadian dollars	CAD	1.44605	1.43650	1.37599	1.48510
Swiss franc	CHF	0.98745	1.03615	1.00463	1.07949
Chinesise renminbi	CNY	7.41920	7.24780	7.10340	7.63273
Czech crowns	CZK	24.15400	24.85000	24.57781	25.65831
British pound	GBP	0.88725	0.83960	0.85371	0.86098
Indian rupees	INR	88.29355	84.53450	82.91320	87.34672
Japanese yen	JPY	140.81830	130.95425	137.68638	129.96278
Polish zloty	PLN	4.68125	4.58335	4.67904	4.56397
Russian rubles	RUB	77.90935	85.29710	74.68351	87.44565
Singapore dollars	SGD	1.43140	1.53310	1.45532	1.58747
US dollars	USD	1.06725	1.13720	1.05814	1.18347

with IAS 29. Due to hyperinflation, the activities in Turkey were no longer accounted for on the basis of historical acquisition and production costs but adjusted for the effects of inflation. Expense and income items reflecting any changes in purchasing power, including annual net income, were also adjusted for inflation. The carrying amounts of the company's non-monetary balance sheet items and expense and income items were adjusted to reflect the changes in prices that occurred during this financial year prior to translation into euros based on the Consumer Price Index Turkey (CPI Turkey) used to measure purchasing power. The CPI for Turkey was 687 points as of 31 December 2021 and in the reporting year increased by 64 % to 1,128 points as of 31 December 2022.

The adjustment of the carrying amounts on the date of initial application in the amount of € 679 K was recognized in equity. Gains and losses from the current hyperinflation of non-monetary assets and liabilities, equity, and items in the income statement were recognized in other financial income / expense in the amount of € -1,395 K.

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	2022	2021
Germany	786,569	652,806
EU (excluding Germany)	781,230	700,691
USA	22,824	25,278
Asia	604,151	519,139
Other countries	170,892	155,007
	2,365,666	**2,052,921**

A breakdown and other additional notes on revenue from the sale of goods and provision of services can be found in segment reporting under note 41 and in the chapter "Segment Report" of the Group Management Report.

The table [→ D.15 | D.16] shows a reconciliation of sales revenue for 2022 by sales territory, as well as key product and service lines as per reporting segment.

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

Contract balances

The table [→ D.17] provides information on contract balances from contracts with customers.

Contract liabilities from advance payment receipts mainly include advance payment receipts from customers for machines. Contract liabilities from performance obligations mainly include commissioning services, training and maintenance services, deliveries of tool packages, software licenses and services for extended warranties that have already been invoiced but not yet rendered.

Contract liabilities from advance invoices are mainly due but unpaid advance invoices for which an unconditional right to the payment exists. There are no contract assets.

The increase in contract liabilities under IFRS 15 from € 416,602 K in 2021 to € 495,557 K in 2022 is mainly due to strong business performance in the reporting year, which led to a further rise in advance payment receipts.

The total amount of € 416,602 K (previous year: € 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 was recognized in sales revenue in financial year 2022 in an amount of € 410,880 K (previous year: € 194,694 K).

The group expects performances in the amount of € 489,305 K (previous year: € 410,880 K), which were allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period, to result in revenue in financial year 2023. The group has applied the practical expedient in IFRS 15.121 and thus has not presented these performances separately.

The group expects contract liabilities from performance obligations amounting to € 6,252 K (previous year: € 5,722 K) to generate sales revenue from 2024 to 2027.

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.

D.15

in € K	Machine Tools 2022	Industrial Services 2022	Corporate Services 2022	Group 2022
Sales Area				
Germany	445,122	341,230	0	786,352
EU (excluding Germany)	386,211	395,019	0	781,230
USA	5,156	17,668	0	22,824
Asia	338,395	265,750	0	604,145
Other countries	107,875	63,017	0	170,892
Total	**1,282,759**	**1,082,684**	**0**	**2,365,443**
Key product / services lines				
Machine Tool sales	1,282,759	0	0	1,282,759
Trading volume with DMG MORI CO. Ltd. products	0	496,526	0	496,526
Core service business	0	585,207	0	585,207
Other	0	951	0	951
Total	**1,282,759**	**1,082,684**	**0**	**2,365,443**
Revenue from contracts with customers	**1,282,759**	**1,082,684**	**0**	**2,365,443**
Other sales revenue	**0**	**0**	**223**	**223**
External sales revenue	**1,282,759**	**1,082,684**	**223**	**2,365,666**

D.16

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.17

in € K	Note	Carrying amount as of 31 December 2022	Carrying amount as of 31 December 2021
Trade receivables from third parties	23, 25	161,441	202,676
Receivables from at equity accounted companies	25	19,383	17,150
Receivables from other related companies	25	655,005	412,121
Receivables from other equity investments	25	157	50
Receivables from down payment invoices		15,879	22,446
Total		**851,865**	**654,443**
Contract liabilities from payments received on account		433,583	348,844
Contract liabilities from performance obligations		46,095	45,312
Contract liabilities from down payment invoices		15,879	22,446
Total		**495,557**	**416,602**

8. OTHER OPERATING INCOME

On balance, exchange rate and currency gains occurred in financial year 2022 in the amount of € 4,836 K (previous year: € 1,799 K).

Miscellaneous income includes income from the subleasing of rights of use in the amount of € 852 K (previous year: € 1,285 K).

D.18 | INCOME UNRELATED TO ACCOUNTING PERIOD
in € K

	2022	2021
Release of provisions	4,584	2,498
Receipt of payments for written off receivables	579	806
Profit on asset disposals	408	713
Other income unrelated to accounting period	2,495	3,090
	8,066	**7,107**
OTHER OPERATING INCOME		
Gains on currency and exchange rates	50,111	23,983
Refund of expenses and on-debiting	12,265	9,329
Income from sale of subsidaries	12,798	0
Reversals of impairment	8,098	814
Reduction in impairment losses	4,494	4,847
Bonuses and allowances	1,903	1,571
Compensation for damages	755	787
Others	16,403	11,292
	106,827	**52,623**
Total	**114,893**	**59,730**

9. COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10. PERSONNEL COSTS

In financial year 2022, total executive remuneration from direct and indirect remuneration amounted to € 9,753 K (previous year: € 7,118 K). The fixed, non-performance-related remuneration (basic remuneration and fringe benefits) of Executive Board members accounted for a total of € 2,461 K (previous year: € 2,228 K), the short-term variable remuneration (STI) of these members accounted for € 3,200 K (previous year: € 3,200 K) and a defined contribution pension plan accounted for € 850 K (previous year: € 850 K). The targets determining the short-term variable remuneration were attained at a rate of 200 % for the performance indicator EBIT, and 200 % for order intake. The weighted sustainability factor (modifier) was 117 %. The last LTI tranche 2020 to 2022, which was allocated on 31 December 2022 and will be paid in financial year 2023, results in an amount totaling € 4,750 K (previous year: € 840 K) from LTI tranche 2019- 2021).

For the LTI tranche 2020-2022, a recoverable advance payment of € 1,508 K was made in 2021. The payment from the LTI tranche 2020-2022 in the year 2023 amounts to € 3,242 K.

For the LTI tranche 2021-2023, a recoverable advance payment of € 1,663 K was made in 2022, which is a component of the remuneration in accordance with Section 162 (1) sentence 1 of the German Stock Corporation Act (AktG) and is also a component of the total executive remuneration in accordance with Section 285 and Section 314 of the German Commercial Code (HGB).

Former members of the Executive Board and their surviving dependents received € 1,393 K (previous year: € 1,437 K). Provisions for direct pension obligations were formed for former members of the Executive Board and their surviving dependents in the amount of € 16,685 K (previous year: € 21,234 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained in the remuneration report of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out in the Group Management Report of the remuneration report.

No loans were granted to board members. Similarly, no contingent liabilities were incurred on behalf 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 the financial year 2022, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 28,449 K (previous year: € 26,687 K). This includes employers' contributions to statutory pension insurance amounting to € 26,744 K (previous year: € 24,990 K).

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

D.19

	Average number		At the balance sheet date	
	2022	2021	31 Dec 2022	31 Dec 2021
Wage earners	1,887	1,793	1,926	1,824
Salary earners	4,666	4,678	4,670	4,772
Trainees	195	231	237	225

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 (→ D.25) and (→ D.26) under Note 19 and 20.

Depreciation and amortization include impairments of right-of-use assets in an amount of € 16,968 K (previous year: € 18,841 K) under IFRS 16 – Leases.

The following table shows a detailed breakdown.

D.20 | AMORTIZATION OF RIGHT-OF-USE ASSETS
in € K

	2022	2021
Land and buildings	4,781	4,589
Technical equipment and machinery	2,254	3,077
Other equipment, factory and office equipment	9,933	11,175
Total	**16,968**	**18,841**

Depreciation/amortization and impairment include impairments of € 10,800 K (previous year: € 1,920 K) for intangible assets. Further information can be found under Note 20.

12. OTHER OPERATING EXPENSES

In the reporting year, the group's strong business performance and the rise in demand for machine tools resulted in higher expenses than the previous year. These expenses are directly related 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, shipping and energy costs, as well as packaging and sales commissions. This also applies to corporate communication and trade fair expenses, as well as other advertising expenses. In the reporting year, live trade fairs were held for the first time since Covid began. (→ D.21)

Other expenses were maintained at the previous year's level through systematic cost structure optimization and the strict implementation of efficiency measures.

Expenses for rentals and leases include € 2,884 K (previous year: € 3,113 K) in expenses for short-term leases, € 1,241 K (previous year: € 1,451 K) in expenses for leases on a low-value asset, excluding short-term leases on low-value assets, and € 681 K (previous year: € 390 K) in expenses for variable lease payments.

D.21 | EXPENSES UNRELATED TO ACCOUNTING PERIOD
in € K

	2022	2021
Losses from the disposal of fixed assets	340	2,045
Other taxes	0	1,903
Other expenses unrelated to accounting period	720	1,967
	1,060	**5,915**
OTHER OPERATIONAL EXPENSES		
Freight out, packaging	50,636	44,864
Other external services	34,165	34,297
Corporate communication, trade fairs and other advertising expenses	30,677	29,239
Exchange rate and currency losses	45,275	22,184
Travelling and entertainment expenses	29,397	21,769
Sales commissions	31,097	14,062
Rental and leases	11,951	10,550
Expenses for temporary employment and contractor	11,354	5,623
Other personnel costs	12,589	10,542
Cost of preparation of accounts, legal and consultancy fees	8,089	9,329
Impairment on receivables	7,107	7,601
Stationery, post and telecommunication expenses	7,084	6,749
Insurance	6,831	6,703
Other taxes	3,580	4,337
Licences and trademarks	2,874	2,397
Monetary transactions and capital procurement	1,329	1,184
Investor and Public Relations	660	396
Others	25,999	26,305
	320,694	**258,131**
Total	**321,754**	**264,046**

Moreover, this line shows expenses from service components that were mainly agreed within the scope of car leasing contracts. This resulted in expenses of € 7,145 K in the reporting year (previous year: € 5,596 K).

The remuneration granted to the Supervisory Board for the financial year 2022 is € 1,004 K (previous year: € 930 K); this was recognized under other external services. An individual and detailed presentation of Supervisory Board remuneration in the financial year can be found in the remuneration report of the Group Management Report.

13. FINANCIAL INCOME

Interest earned and other income of the DMG MORI group amounted to € 6,752 K (previous year: € 4,608 K). These also include interest income amounting to € 3,919 K (previous year: € 3,400 K) from the loan to DMG MORI Europe Holding GmbH.

14. FINANCIAL EXPENSES

Financial expenses of € 7,398 K (previous year: € 7,016 K) include interest expenses and other financial expenses.

Interest expenses of € 5,354 K (previous year: € 5,675 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 € 631 K (previous year: € 711 K) and € 176 K (previous year: € 165 K) in interest expenses calculated by DMG MORI Europe Holding GmbH in the financial year.

This also includes an interest component of € 292 K (previous year: € 193 K) from allocations to pension provisions.

Other financial expenses in the amount of € 1,753 K (previous year: € 1,148 K) include expenses from the initial adoption of IAS 29 in the amount of € 1,395 K. They also include transaction costs in the amount of € 193 K (previous year: € 295 K), resulting from the scheduled amortization of transaction costs for the group's syndicated credit line. In addition, € 102 K (previous year: € 784 K) from the interest accrued on other long-term provisions have been accounted for.

15. PROFIT FROM COMPANIES ACCOUNTED FOR AT EQUITY

Profits from companies accounted for at equity amount to € 318 K (previous year: € 222 K). This mainly includes the pro rata income from the interest in DMG MORI Finance GmbH in an amount of € 1,050 K (previous year: € 625 K) and the pro rata positive income from PRAGATI AUTOMATION Pvt. Ltd., DMG MORI HEITEC Digital Kft., Vershina Operation LLC., DMG MORI India Pvt. Ltd. and RUN-TEC GmbH totaling € 1,185 K. The pro rata income from INTECH DMLS Pvt. Ltd., up2parts GmbH, DMG MORI HEITEC GmbH and CCP Services GmbH reduced the profit from companies accounted for at equity by € 1,917 K in total.

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

	2022	2021
Actual taxes	**41,210**	**33,935**
Tax expenses for the current financial year	45,004	29,919
Tax income for previous periods	-4,291	-2,362
Tax expenses for previous periods	497	6,378
Deferred taxes	**21,622**	**2,085**
Losses carried forward	637	-258
Tax credits	1,526	2,117
Temporary differences	19,464	149
Tax rate reduction	-5	77
	62,832	**36,020**

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 charged by DMG MORI Europe Holding GmbH, Bielefeld, due to fiscal unity, in an amount of € 21,173 K (previous year: € 11,538 K). An amount of € 4,291 K (previous year: € 2,362 K) resulted from actual tax income for previous years. This also includes current tax expenses in the amount of € 497 K (previous year: € 6,378 K) relating to previous years.

Actual tax expenses were reduced by € 71 K due to the utilization of previously unrecognized tax losses (previous year: € 544 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 2022, 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

D.23
in € K

	2022	2021
Earnings before taxes	216,186	121,586
DMG MORI AKTIENGESELLSCHAFT income tax rate in percent	29.8	29.8
Expected tax income / expense	64,423	36,233
Tax consequences of the following effects		
Adjustment due to different tax rate	-5,827	-6,107
Effects from the changes in tax rate	-5	77
Tax reduction due to the revenues exempt from taxation	-1,966	-1,149
Tax loss carried forward	946	-682
Temporary differences	6,417	1
Tax increase due to non-deductible expenses	3,696	5,250
Tax income or expenditure for prior years	-3,794	4,016
Tax credits	-1,692	-1,262
Other adjustments	634	-357
Income taxes	**62,832**	**36,020**

account of the trade tax of 14.0 % (previous year: 14.0 %), the total 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 % and 30 %).

The net amount of income tax on other comprehensive income is € 3,662 K (previous year: € 2,082 K) and relates to changes in the fair values of derivative financial instruments included in other comprehensive income, equity investments, net 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 expense for financial year 2022 in an amount of € 62,832 K (previous year: € 36,020 K) is € 1,591 K lower (previous year: € 213 K) than the expected income tax expense of € 64,423 K (previous year: € 36,233 K), which would theoretically result from applying the domestic tax rate of 29.8 % for financial year 2022 (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 € 1,017 K (previous year: € 376 K) and adjustments made to deferred tax assets on loss carryforwards from previous years amounting to € 0 K (previous year: € 0 K). On the other side, deferred taxes previously not recognized on losses carried forward in the amount of € 71 K (previous year: € 1,058 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: € 0 K). In the financial year, valuation allowances for deferred taxes on temporary differences amounted to € 6,417 K (previous year: € 1 K). These mainly concern Russian companies. Based on the future business activities, tax planning and tax planning opportunities, it is currently assumed that no sufficient positive taxable income will be available in the future for the realization of the recognized tax asset.

Further explanations can be found under Note 28.

17. ANNUAL PROFIT ATTRIBUTED TO NON-CONTROLLING INTERESTS

Non-controlling interests account for a pro rata annual profit of € 8,171 K (previous year: € 1,401 K). This item mainly includes the pro rata share of profit from non-controlling interests in DMG MORI Machine Tools Trading Co., Ltd., Shanghai (China).

18. EARNINGS PER SHARE

In accordance with IAS 33 "Earnings per Share", the undiluted earnings per share ("basic earnings per share") are determined by dividing the consolidated profit – excluding profit shares of other owners – by the average weighted number of ordinary shares outstanding, as follows:

D.24	2022	2021
Group result excluding annual net income attributable to non-controlling interests	€ 145,183 K	€ 84,165 K
Average weighted number of shares (pieces)	78,817,994	78,817,994
Earnings per share	1.84 €	1.07 €

Earnings result exclusively from continued business. Group earnings after tax of € 153,354 K were reduced by earnings from non-controlling interests in the amount of € 8,171 K. The earnings per share (undiluted) was € 1.84 in the reporting year (previous year: € 1.07). As in the previous year, there were no dilutive effects.

NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

19. INTANGIBLE ASSETS

The movement and a breakdown of items in the group's intangible assets are shown in the following table. [→ D.25]

The goodwill amounts to € 136,416 K previous year: € 138,044 K). The changes result from the conversion of goodwill denominated in foreign currency into the group's currency Euro and from a change in the consolidated group.

DMG MORI tests for impairment of goodwill on an annual basis. For the reporting period 2022, 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 in the Group Management Report). The assumptions regarding the future development of order intake and sales revenue for the 5-year forecast period between 2023 and 2027 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 2023, sales revenue is expected to rise to around € 2,4 billion. In subsequent periods, there are plans for growth based on management's expectations of market trends and external forecasts. Revenues of around € 2.9 billion are planned for 2027, the final year of the forecast period. 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. An EBIT margin of around 7.0 % was planned for 2023. In subsequent years, slightly higher EBIT margins are projected for each year. A slight double-digit EBIT margin is expected in the long-term forecast period 2027.

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 15.8 % (previous year: 15.3 %) for the cash-generating unit "Machine Tools" and 15.7 % (previous year: 15.3 %) for "Industrial Services". The WACC was derived from the application of the "Capital Asset Pricing Model" (CAPM). The year-on-year rise in the cost of capital is mainly due to an increase in the risk-free rate. 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 2022 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 € 79,343 K (previous year: € 80,971 K).

In the previous year, impairment losses on intangible assets amounting to € 1,920 K were recognized in depreciation, amortization and impairment losses, which were attributable to 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 from development recognized at the end of the financial year amounted to € 13,209 K (previous year: € 11,024 K). Research and development costs directly recognized as expenses amounted to € 76,987 K in the financial year 2022 (previous year: € 68,319 K).

D.25 | INTANGIBLE ASSETS

in € K	Goodwill	Assets arising from development	Industrial property and similar rights	Payments on account	Total
ACQUISITION AND PRODUCTION COSTS 2022					
As at 1 January 2022	138,044	126,962	127,515	57,627	450,148
Difference from currency translation	-16	0	168	-59	93
Other changes	0	0	-11	0	-11
Change in the group of consolidated companies	-1,612	0	-35	0	-1,647
Additions	0	4,908	2,537	22,055	29,500
Disposals	0	0	-10,654	0	-10,654
Book transfers	0	1,424	38,865	-40,257	32
As at 31 Dec 2022	**136,416**	**133,294**	**158,385**	**39,366**	**467,461**
Depreciation, amortization and impairment losses 2022					
As at 1 January 2022	0	115,938	112,215	607	228,760
Difference from currency translation	0	0	59	0	59
Other changes	0	0	-8	0	-8
Change in the group of consolidated companies	0	0	-24	0	-24
Additions	0	4,147	11,146	0	15,293
Disposals	0	0	-10,653	0	-10,653
Book transfers	0	0	0	0	0
As at 31 Dec 2022	**0**	**120,085**	**112,735**	**607**	**233,427**
Net carrying amount at 31 Dec 2022	**136,416**	**13,209**	**45,650**	**38,759**	**234,034**
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, amortization and impairment losses 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**

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 2022					
As at 1 January 2022	474,313	162,171	292,893	40,026	969,403
Difference from currency translation	4,151	54	298	-1,699	2,804
Other changes	25	934	741	-321	1,379
Change in the group of consolidated companies	-4,799	-1,422	-2,682	0	-8,903
Additions	12,295	2,875	23,596	50,237	89,003
Disposals	-4,464	-4,488	-20,069	324	-28,697
Book transfers	21,455	2,106	1,755	-25,349	-33
As at 31 Dec 2022	**502,976**	**162,230**	**296,532**	**63,218**	**1,024,956**
Depreciation, amortization and impairment losses 2022					
As at 1 January 2022	176,972	96,553	226,975	217	500,717
Difference from currency translation	413	207	290	-6	904
Other changes	13	-6,549	-2,000	0	-8,536
Change in the group of consolidated companies	-1,340	-1,358	-1,460	0	-4,158
Additions	29,226	12,096	24,666	0	65,988
Disposals	-3,898	-3,669	-19,083	0	-26,650
Book transfers	0	0	0	0	0
As at 31 Dec 2022	**201,386**	**97,280**	**229,388**	**211**	**528,265**
Net carrying amount at 31 Dec 2022	**301,590**	**64,950**	**67,144**	**63,007**	**496,691**
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, amortization and impairment losses 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**

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)

Due to the ongoing war in Ukraine, the recoverability of assets, in particular property, plant and equipment, was tested as of 31 December 2022. The impairment test is performed at the level of the two subsidiaries in Russia, which in our opinion each represent independent cash-generating units.

A cash-generating unit is impaired if its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of future expected cash flows derived from a cash-generating unit (IAS 36.6).

The estimation method used to prepare the impairment tests for previous years pursuant to IAS 36.A4-A6 involved the use of a single cash flow discounted at a weighted average cost of capital (WACC) based on a country risk premium and derived from the applicable country ratings.

As of 31 December 2022 – and already as of the first half of 2022 – management changed its estimation method for Russia and applied the expected cash flow method: Instead of discounting a single cash flow projection with a risk-adjusted WACC, management accounted for the uncertainties and risks caused by the war in Ukraine in the cash flow projection of the Group's underlying Russian business activities in the form of several scenarios with different probabilities of occurrence. These scenarios relate to the expected impact on the business development of DMG MORI in Russia.

The scenarios considered were a valuation or sale of property, plant and equipment at fair value (scenario 1), a long-term, unchanged regime in Russia with expropriation taking place and insurance claims from an investment guarantee for the factory (scenario 2), as well as a medium-term change of regime in Russia with a renewed focus on international cooperation and a corresponding easing of sanctions leading to a resumption of business activities (from 2026 et seq.), whereby two scenarios (scenario 3 and 4) were applied for the level at which this resumption would take place.

Subsequently, a separate value assessment was carried out, each of which was assigned a probability of occurrence, with scenarios 1 and 2 having a significantly higher impact. The resulting yields were then condensed into an expected value for each. At the same time, the Russian country risk premium was removed from the discount rate considerations, as the country risks are reflected in the cash flows of the underlying operating business activities. The expected values calculated in this way have a high level of uncertainty and subjectivity, but we believe they provide an indication of the recoverability of material assets. These assumptions mainly relate to the expected scenarios, probabilities of occurrence and effects. The fair values of property, plant and equipment were calculated on the basis of external independent valuations.

Based on the scenario analyses, impairment losses on assets (buildings) totaling € 10.8 million were recognized as of 31 December 2022, reported in the income statement under depreciation, amortization and impairment losses and recognized in the amount of € 3.8 million in the "Machine Tools" segment and in the amount of € 7.0 million in the "Industrial Services" segment. The pre-tax discount rate used to determine the value in use was 14.3 %. The recoverable amount of the cash generating unit allocated to the "Machine Tools" segment amounted to € 38.6 million The recoverable amount of the cash generating unit allocated to the "Industrial Services" segment amounted to € 10.3 million.

In the reporting year, the group recognized the reversal of an impairment loss of € 1,463 K for a solar park in Germany. Due to the sharp rise in electricity prices resulted in the reversal of an impairment loss on the recoverable amount of € 2,907 K. The discount factor before taxes used to determine the value in use was 7.5 %. The reversal of impairment losses was allocated to the "Corporate Services" segment under other operating income.

In the reporting year, the group also recognized the reversal of an impairment loss in the amount of € 6,549 K for another solar park in Italy with significantly higher output, that had been impaired in previous years. A sharp rise in electricity prices resulted in the reversal of an impairment loss on the recoverable amount of € 7,725 K. The discount factor before taxes used to determine the value in use was 10.2 %. The reversal of impairment losses was allocated to the "Industrial Services" segment under other operating income.

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 2022 in Other assets. (→ D.26)

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 € 47,080 K as of 31 December 2022 (previous year: € 45,822 K) under property, plant and equipment. Additions to right-of-use assets during financial year 2022 amounted to € 13,342 K (previous year: € 11,540 K). Similarly, lease liabilities of € 40,291 K (previous year: € 45,153 K) were recognized as liabilities (Note 35).

The following items were recognized in the balance sheet in relation to leases:

D.27 in € K	31 Dec 2022	31 Dec 2021
Land and buildings	31,094	26,801
Technical equipment and machinery	1,620	4,149
Other equipment, factory and office equipment	14,366	14,872
Total	**47,080**	**45,822**

21. EQUITY INVESTMENTS

Equity investments are accounted for at fair value and designated as at FVOCI. At initial recognition, DMG MORI exercised the option under IFRS 9.4.1 to recognize subsequent changes in the fair value of equity investments in other comprehensive income, as they serve strategic purposes.

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 pay-outs during the financial year.

GILDEMEISTER Beteiligungen GmbH holds a 14.45 % 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.

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 2022, the fair value of the investments totaled € 105,914 K (previous year: € 106,760 K).

In the reporting year, increases in value amounting to € 3,065 K (previous year: € 72,186 K) were recognized on investments, which were reported in other comprehensive income. This increase in value mainly results from the revaluation of the fair value of TULIP Interfaces Inc.

In the reporting year, impairment amounting to € 4,372 K (previous year: € 0 K) were recognized on the interest in ADAMOS GmbH in other comprehensive income, to the fair value of € 0 K (previous year: € 4,372 K). This impairment resulted from the decision to discontinue the business activities.

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 2022		31 Dec 2021	
	Equity interest %	Carrying amount € K	Equity interest %	Carrying amount € K
Total at reporting date		**46,376**		**39,711**
Of which, joint ventures				
DMG MORI HEITEC GmbH	50.0	481	50.0	564
Of which, associated companies				
DMG MORI HEITEC Digital Kft.	49.9	603	49.9	554
DMG MORI India Pvt. Ltd.	49.9	7,294	–	–
SparePartsNow GmbH	46.3	0	46.3	123
CCP Services GmbH	45.0	8	–	–
DMG MORI Finance GmbH	42.6	13,907	42.6	12,857
RUN-TEC GmbH	40.0	422	40.0	339
German-Egyptian Company for Manufacturing Solutions	40.0	0	40.0	0
Vershina Operation, LLC.	33.3	1,608	33.3	1,323
INTECH DMLS PRIVATE LIMITED	30.0	1,488	30.0	2,205
PRAGATI AUTOMATION Pvt. Ltd.	30.0	20,565	30.0	20,740
up2parts GmbH	24.9	0	24.9	1,006

The equity interests of the equity-accounted companies correspond to the voting rights.

In March 2022, GILDEMEISTER Beteiligungen GmbH founded CCP Services GmbH, based in Mülheim an der Ruhr. GILDEMEISTER Beteiligungen holds a 45 % interest. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

Details of the results from equity-accounted companies are presented in the explanatory notes to the individual items on the income statement "Profit from companies accounted for at equity" in Note 15.

We consider DMG MORI Finance GmbH, a machine tool financing provider, and PRAGATI AUTOMATION Pvt. Ltd., a manufacturer and supplier of machine tool components, to be material.

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

D.29 | DMG MORI FINANCE GMBH in € K	31 Dec 2022	31 Dec 2021
Short-term assets	266,967	233,395
Long-term assets	524,010	439,183
Short-term liabilities	317,732	265,087
Long-term liabilities	440,560	377,273
Net carrying amount	32,685	30,218
Sales revenues	217,356	177,663
Earnings after taxes	2,467	1,470

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

D.30 | DMG MORI FINANCE GMBH in € K	31 Dec 2022	31 Dec 2021
Net carrying amount as of 1 January	30,218	28,748
Earnings after taxes	2,467	1,470
Net carrying amount as of 31 December	32,685	30,218
Proportional equity	13,907	12,857
Carrying amount of equity accounted interests	**13,907**	**12,857**

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 2022 [1]	31 Dec 2021 [1]
Short-term assets	39,010	34,765
Long-term assets	39,333	43,403
Short-term liabilities	14,904	12,583
Long-term liabilities	12,724	14,288
Net carrying amount	50,715	51,297
Sales revenues	44,037	32,113
Earnings after taxes	1,239	-171

1) As the financial data of PRAGATI AUTOMATION Pvt. Ltd. as of 31 December 2022 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 2022. The resulting effects on the carrying amount rollforward as of 31 December 2022 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 2022	31 Dec 2021
Net carrying amount as of 1 January	51,297	49,545
Earnings after taxes	1,239	-171
Other comprehensive income	-1,821	1,923
Net carrying amount as of 31 December	50,715	51,297
Proportional equity	15,215	15,390
Goodwill from at-equity valuation	5,350	5,350
Carrying amount of equity accounted interests	**20,565**	**20,740**

For immaterial joint ventures, there was an aggregate share of profit or loss in the amount of € -143 K (previous year: € -155 K) and for immaterial associates in the amount of € -961 K (previous year: € -299 K).

During the financial year, the DMG MORI group did not recognize losses totaling € 92 K (previous year: € 0 K) from its investment in up2Parts GmbH, as it has no obligation with regard to these losses. On an accumulated basis, the losses amounted to € 92 K (previous year: € 0 K).

In the reporting year, DMG MORI received a dividend of € 324 K (previous year: € 68 K) from DMG MORI HEITEC Digital kft. In the previous year, DMG MORI received a dividend of € 293 K from Vershina Operation, LLC.

23. LONG-TERM RECEIVABLES AND OTHER ASSETS

D.33 in € K	31 Dec 2022	31 Dec 2021
Trade debtors	918	732
Other long-term financial assets	15,001	11,006
Other long-term assets	1,398	2,362
	17,317	**14,100**

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 2022	31 Dec 2021
Loans to associated companies	2,580	1,850
Loans to third parties	1,716	1,000
Security deposits and other security payments	395	507
Other assets	10,310	7,649
	15,001	11,006

Other financial assets include the fair value of an option for purchasing shares in a company amounting to € 5,311 K (previous year: € 2,443 K). During the financial year, a write-up was made in an amount of € 2,868 K (previous year: write-up € 231 K), which was recognized in other comprehensive income.

Other long-term assets include the following items:

D.35 in € K	31 Dec 2022	31 Dec 2021
Tax refund claims	642	1,516
Other assets	756	846
	1,398	2,362

24. INVENTORIES

Inventories are made up as follows:

D.36 in € K	31 Dec 2022	31 Dec 2021
Raw materials and consumables	368,708	279,026
Work in progress	151,726	127,782
Finished goods and goods for resale	165,906	172,283
	686,340	579,091

Finished goods and merchandise include machines in an amount of € 39,511 K (previous year: € 48,728 K) acquired from DMG MORI COMPANY LIMITED for trading purposes. Of inventories shown in the balance sheet on 31 December 2022, € 163,119 K (previous year: € 168,762 K) were recognized at their net realizable value. In the financial year; impairment of inventories in an amount of € 27,268 K (previous year: € 31,164 K) were recognized in cost of materials and change in inventories.

In the financial year, write-ups amounting to € 4,874 K (previous year: € 9,038 K) mainly resulting from the increase in net realizable values, were also recognized in cost of materials.

25. SHORT-TERM RECEIVABLES

Trade receivables from other related parties include receivables from DMG MORI COMPANY LIMITED amounting to € 97,299 K (previous year: € 61,740 K). Moreover, as in the previous year, receivables from other related parties include receivables from DMG MORI Europe Holding GmbH from the granting of loans in the amount of € 540,000 K (previous year: € 340,000 K) and from accrued interest in the amount of € 733 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 allow 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 € 37,669 K (previous year: € 5,230 K) and foreign receivables with a value of € 38,741 K (previous year: € 12,918 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 € 289,111 K (previous year: € 288,582 K), for which no specific allowance has been made (Note 38), are broken down as follows. [→ D.38]

D.38 in € K	31 Dec 2022	31 Dec 2021
Germany	74,859	95,448
Europe	112,557	132,417
Asia	15,046	14,292
DMG MORI CO. Group	114,934	72,366
Total	**317,396**	**314,523**

D.37 in € K	31 Dec 2022	31 Dec 2021
Trade receivables		
from third parties	160,523	201,944
from at equity accounted companies	19,383	17,150
from other related companies	114,306	71,597
from other equity investments	157	50
Total trade debtors	**294,369**	**290,741**
Other receivables from other related companies	540,699	340,524
Total	**835,068**	**631,265**

Allowances for trade debtors from third parties and related parties and for other assets were as follows. [→ D.39]

D.39 in € K	2022	2021
Allowances as of 1 January	**23,116**	**23,304**
Write-offs	-3,565	-2,943
Net remeasurement in financial year	2,613	2,755
Allowances as of 31 December	**22,164**	**23,116**

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. Specific value allowances were made for the gross values of trade debtors in the amount of € 28,285 K (previous year: € 25,941 K). The net value of the allowances in the financial year includes reductions of specific allowances in the amount of € -955 K (previous year: € -353 K).

Allowances as of 31 December 2022 include allowances under the "simpified approach" for receivables in the amount of € 771 K (previous year: € 757 K) and allowances under the "general approach" for other receivables and cash and cash equivalents in the amount of € 55 K (previous year: € 66 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 2022, there were derecognized trade debtors with a contract value of € 3,186 K (previous year: € 1,435 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.

Details on the calculation of allowances and on credit risks are described in Note 38.

26. OTHER ASSETS

Other assets include the following items:

D.40 in € K	31 Dec 2022	31 Dec 2021
Other short-term financial assets	41,239	40,675
Other short-term assets	137,192	129,880
	178,431	170,555

Other short-term financial assets include the following items:

D.41 in € K	31 Dec 2022	31 Dec 2021
Receivables from factoring	11,520	6,135
Purchase price receivables from asset disposal	3,310	5,617
Security deposits and other security payments	7,546	5,263
Discounted customers' bills of exchange	2,197	4,213
Creditors with debit balance	2,160	3,332
Fair market value of derivative financial instruments	1,947	3,077
Loans to third parties	3,301	3,021
Receivables from corporate directory	3,170	1,508
Receivables from employees	402	856
Other short-term financial assets	5,686	7,653
	41,239	40,675

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 2022	31 Dec 2021
Payments on account	79,704	70,802
Tax refund claims	23,698	20,460
Advance payments for services/licenses	20,181	19,686
Other assets	13,609	18,932
	137,192	129,880

Tax refund claims primarily include receivables from value added tax. Other assets include ex-post certificates amounting to € 5,009 K (previous year: € 6,094 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 € 177,413 K (previous year: € 241,896 K). Information on the calculation and recognition of impairments can be found under Note 38.

The development of cash and cash equivalents constituting the financial fund pursuant to IAS 7 "Cash Flow Statement" is illustrated consolidated statement of cash flows.

28. DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expense/-income are allocated to the following items according to the tables: [→ 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 trade income tax as well as corporate income tax and the solidarity surcharge, the tax rate for deferred taxes for domestic companies is 29.8 % (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.

The increase in deferred tax liabilities on intangible assets results from the use of the tax option for the instant write-off of software in Germany. The deferred tax assets movements in provisions are mainly due to the current changes in interest for personnel provisions.

As of 31 December 2022, deferred tax assets on losses carried forward amounts to € 1,552 K (previous year: € 2,234 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 losses carried forward are attributable to foreign subsidiaries in an amount of € 1,552 K (previous year: € 2,234 K). In the reporting year, deferred tax assets on losses carried forward amounting to € 0 K (previous year: € 635 K) were re-capitalized, € 682 K (previous year: € 361 K) were offset against actual taxable income and € 0 K (previous year: € 0 K) written down. The tax losses carried forward amount to a total of € 35,713 K (previous year: € 69,269 K), of which € 28,653 K (previous year: € 59,194 K) was not recognized. From the unrecognized tax losses brought forward, € 4,525 K (previous year: € 1,686 K) can be used indefinitely, while € 24,128 K (previous year: € 56,381 K) must be used within the next five years. Moreover, the rest of the tax loss carry forwards not recognized in an amount of € 0 K (previous year: € 1,127 K) expire within 6 to 10 years.

Deferred tax assets on deductible temporary differences amounting to € 45,588 K (previous year: € 12,748 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 € 0 K (previous year: € 2,655 K) were capitalized. The realization of these assets depends on future taxable income that is higher than the income effects from the reversal of current 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 deferred temporary differences related to interest in subsidiaries in the amount of € 12,928 K (previous year: € 20,351 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 € 3,662 K to € 4,831 K as of the reporting date (previous year: € 8,493 K). These break down into deferred tax assets amounting to € 7,037 K (previous year: € 9,453 K) on actuarial gains and losses recognized in equity, as well as deferred tax liabilities in the amount of € 1,108 K (previous year: € 960 K) relating to the measurement of financial instruments in equity and of € 1,098 K (previous year: € 0 K) on net investments.

D.43

in € K	31 Dec 2022 Assets	31 Dec 2022 Liabilities	31 Dec 2021 Assets	31 Dec 2021 Liabilities
Intangible assets	8,067	20,628	10,676	7,092
Tangible assets	8,381	2,890	8,612	3,550
Financial assets	211	1,103	177	1,057
Inventories	15,917	818	15,602	650
Receivables and other assets	2,581	3,061	3,126	2,315
Provisions	20,108	5,236	26,252	3,654
Liabilities	1,908	3,946	3,701	4,366
Tax credit	3,296	0	4,918	0
Tax loss carried forward	1,552	0	2,234	0
	62,021	**37,682**	**75,298**	**22,684**
Balancing	-31,176	-31,176	-20,086	-20,086
Total	**30,845**	**6,506**	**55,212**	**2,598**

D.44

in € K	2022 Deferred tax expense/-income	2021 Deferred tax expense/-income
Intangible assets	16,510	2,544
Tangible assets	-918	435
Financial assets	-8	-41
Inventories	-657	464
Receivables and other assets	1,164	-1,000
Provisions	3,841	-3,201
Liabilities	-473	1,025
Tax credit	1,526	2,117
Tax loss carried forward	637	-258
Total	**21,622**	**2,085**

29. EQUITY

The movement of individual components in group equity for financial years 2022 and 2021 is presented in the consolidated statement of changes in equity. 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. Each no-par share grants 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 09 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 2022, 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. An amount of € 1,303 K (previous year: € -3,108 K) was recognized for net investments in a foreign operation. Deferred taxes recognized directly in equity related to the valuation of financial instruments recognized directly in equity amount to € 1,108 K as of 31 December 2022 (previous year: € -960 K).

A detailed overview on the composition of, or changes in, other reserves in the financial year 2022 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 Europe Holding 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 2022 financial year of DMG MORI AKTIENGESELLSCHAFT closes with a result pre-profit transfer of € 146,508,827 (previous year: € 29,250,250). The entire profits will be transferred to DMG MORI Europe Holding GmbH. According to IFRS regulations, this is a transaction with equity providers.

As of 31 December 2022, 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 at 31 December 2022, amount to € 20,811 K (previous year: € 17,029 K). The change from the previous year is mainly due to profit shares of DMG MORI Machine Tools Trading Co., Ltd., Shanghai, (China), for which non-controlling interests amounting to 49 % of the ownership interests are recognized. This interest is held by DMG MORI COMPANY LIMITED.

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 2022, the syndicated credit line

had not been used and an use of the guarantee line. The syndicated credit line requires that the group comply with a customary covenant that stipulates a defined financial ratio. We complied with the covenant in the quarters and as of 31 December 2022.

Due to the domination and profit transfer agreement between DMG MORI Europe Holding 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 cash and cash equivalents less sum of financial debt.

D.45 in € K	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	177,413	241,896
Financial debt	5,668	0
Surplus fund	171,745	241,896
Total Equity	1,422,496	1,401,782
Equity ratio	50.3	54.8
Gearing	–	–

Total equity fell in absolute terms by € 20,714 K. The equity ratio as of 31 December 2022 fell to 50.3 % (previous year: 54.8 %).

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 related expenses in financial year 2022 amounted to € 1,705 K (previous year: € 1,697 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 2022	Rest of the world 2022	Germany 2021	Rest of the world 2021
Discount interest rate	3.63	1.36	0.94	0.29
Salary trend	0.00	9.32	0.00	4.29
Pension trend	2.20	2.88	1.70	1.41

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 9.32% was taken into account for our foreign companies. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not taken into account when determining the relating company pension provisions.

Due to increases or reductions in the cash value of defined benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the 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. These values are summarized in the following 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 € 174 K (previous year: € 878 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 € 23,824 K (previous year: € 31,734 K).

The following 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.

The item "Other" in table [→ D.50] includes initial recognition of the performance obligation and asset value of a subsidiary.

During the past five years, the funded status, consisting of the present value of all pension commitments and the fair value of plan assets, has changed as shown in the following table. [→ D.51]

Payments to beneficiaries from pension plans not financed by funds in 2023 are expected in an amount of € 2,907 K

D.47	31 Dec 2022		31 Dec 2021	
in € K	Germany	Rest of the world	Germany	Rest of the world
Cash value of pension commitments not financed by funds	25,632	3,952	29,011	3,493
+ Cash value of funded pension commitments	13,985	11,906	17,805	13,071
– Current value of pension plan assets	-15,767	-12,726	-15,979	-12,531
= Net value of amounts shown in the balance sheet on the reporting date	**23,850**	**3,132**	**30,837**	**4,033**
of which pensions	25,633	3,132	30,837	4,033
of which assets (–)	-1,783	0	0	0

D.48	2022		2021	
	in € K	in %	in € K	in %
Stock exchange listed				
Cash and cash equivalents	255	0.90	202	0.71
Shares	3,692	12.96	3,883	13.62
Obligations	3,544	12.44	3,884	13.62
Property	2,946	10.34	2,486	8.72
Other	385	1.35	316	1.11
Not stock exchange listed				
Qualifying insurance policies (Life insurance)	15,767	55.34	15,979	56.05
Other	1,904	6.67	1,760	6.17
Total plan assets	**28,493**	**100.00**	**28,510**	**100.00**

D.49	Defined benefit obligation		Fair value of plan assets		Net debt (net asset) from defined benefit plans	
	2022	2022	2022	2022	2022	2022
in € K	Germany	Rest of the world	Germany	Rest of the world	Germany	Rest of the world
As at 1 January	**46,816**	**16,564**	**-15,979**	**-12,531**	**30,837**	**4,033**
Included in profit and loss						
Current service cost	0	1,000	0	0	0	1,000
Past service cost	195	-39	0	0	195	-39
Interest expense (income)	424	141	-148	-34	276	107
Exchange rate changes	0	625	0	-531	0	94
	619	**1,727**	**-148**	**-565**	**471**	**1,162**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-6,802	-3,360	0	0	-6,802	-3,360
– experience adjustments	140	1,143	0	0	140	1,143
– demographic adjustments	0	0	0	0	0	0
Effects on plan assets excluding interest income	0	0	-233	588	-233	588
	-6,662	**-2,217**	**-233**	**588**	**-6,895**	**-1,629**
Other						
Contributions paid by the employer	0	0	-992	-760	-992	-760
Pension payments made	-2,954	-216	1,585	542	-1,369	326
Other	1,798	0	0	0	1,798	0
	-1,156	**-216**	**593**	**-218**	**-563**	**-434**
As at 31 December	**39,617**	**15,858**	**-15,767**	**-12,726**	**23,850**	**3,132**

D.50	Defined benefit obligation		Fair value of plan assets		Net debt (net asset) from defined benefit plans	
	2021	2021	2021	2021	2021	2021
in € K	Germany	Rest of the world	Germany	Rest of the world	Germany	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.51 in € K	2022	2021	2020	2019	2018
Discounted value of all pension commitments	55,475	63,380	66,436	70,029	66,767
Current value of the pension plan assets of all funds	-28,493	-28,510	-25,758	-27,021	-28,939
Funding status	26,982	34,870	40,678	43,008	37,828

(previous year for 2022: € 2,882 K), while payments to funded pension plans in the financial year 2023 are estimated to amount to around € 355 K (previous year for 2022: € 324 K).

The average weighted duration of pension obligations in Germany is around thirteen years and in Switzerland around nineteen years.

Key assumptions for calculating the pension obligation were based on sensitivity analyses. The discount factor, the 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.

The effects on the entitlement present value are as follows:

D.52	Effects on the entitlements at 31 Dec 2022	
	in € K	in %
Cash value of the entitlement obligations	**55,475**	
In the case of:		
reduction of the discount rate by 0.25 %-points	56,450	1.76
increase of the discount rate by 0.25 %-points	53,859	-2.91
reduction of the pension trend by 0.25 %-points	54,379	-1.98
increase of the pension trend by 0.25 %-points	55,908	0.78
reduction of the life expectancy by 1 year	57,019	2.78
increase of the life expectancy by 1 year	53,244	-4.02

In the presented sensitivities, it should be taken into account that due to actuarial effects, the change as a percentage is not and / or does not have to be linear. Thus, increases and decreases in terms of per cent do not react with the same absolute amount. There are no demographic effects.

31. OTHER PROVISIONS

The following lists the major contents of provisions. [→ D.53].

Provisions for personnel expenses in the group include obligations for profit-sharing and staff bonuses of € 46,236 K (previous year: € 47,116 K), part-time retirement payments of € 5,313 K (previous year: € 6,810 K), holiday pay of € 12,895 K (previous year: € 11,072 K) and anniversary payments of € 10,895 K (previous year: € 13,415 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 2022, liquid assets of € 3,288 K (previous year: € 3,462 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 wide range of identifiable individual risks and other obligations, for which uncertainties exist regarding dates and required future expenses, and whose expected amounts 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 outflows beyond these provisions is considered unlikely as of 31 December 2022. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2023.

The movement in the other provisions is illustrated in the breakdown of provisions. [→ D.54]

The other changes include currency adjustments and book transfers.

Obligations arising from personnel include provisions for the long-term incentive, a remuneration component with a long-term incentive effect, totaling € 8,166 K (previous year: € 5,650 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the Group Management Report.

32. FINANCIAL DEBTS

As of 31 December 2022, DMG MORI AKTIENGESELLSCHAFT has financial debts amounting to € 5,668 K (previous year: € 0 K). These result from the drawdown of a financing loan for the construction of our new production plant in Pinghu (China). The total financing framework amounts to € 49.2 million. [→ D.55 | D.56]

D.53	31 Dec 2022		31 Dec 2021	
in € K	Total	of which short-term	Total	of which short-term
Obligations arising from personnel	100,152	77,052	103,787	71,538
Risks arising from warranties and retrofitting	64,678	53,335	69,332	59,314
Obligations arising from sales	104,494	100,038	82,785	80,066
Other	49,435	44,010	57,155	54,284
Total	**318,759**	**274,435**	**313,059**	**265,202**

D.54 in € K	1 Jan 2022	Additions	Used	Reversal	Change in the group of consolidated companies	Other changes	31 Dec 2022
Obligations arising from personnel	103,787	66,275	55,554	9,160	-4,160	-1,036	100,152
Risks arising from warranties and retrofitting	69,332	46,215	37,332	13,242	-335	40	64,678
Obligations arising from sales	82,785	46,165	20,204	4,021	-260	29	104,494
Other	57,155	31,429	22,833	15,542	-2,009	1,235	49,435
Total	**313,059**	**190,084**	**135,923**	**41,965**	**-6,764**	**268**	**318,759**

D.55 in € K	31 Dec 2022	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
Bank loans and overdrafts	5,668	5,668	0	0
	5,668	**5,668**	**0**	**0**

D.56	31 Dec 2022				31 Dec 2021			
	Currency	Carrying amount	Remaining period in years	Effective interest rate	Currency	Carrying amount	Remaining period in years	Effective interest rate
		€ K		%		€ K		%
Loans	CNY	3,739	up to 1	3.9	CNY	0	up to 1	–
Bank overdrafts	CNY	1,929	up to 1	3.4	various	0	up to 1	–
		5,668				0		

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 € 772.4 million (previous year: € 727.9 million). These mainly comprise a syndicated credit line amounting to € 500.0 million (previous year: € 500.0 million), bilateral guaranteed credit lines amounting to € 63.2 million (previous year: € 67.9 million), the financing framework for the production plant in Pinghu (China) amounting to € 49.2 million and factoring agreements, another part of the financing mix, amounting to € 160.0 million (previous year: € 160.0 million).

The average cost of borrowing amounts to 1.3 % (previous year: 1.0 %).

Since 31 December 2022, 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 2022, the group was able to secure the early extension of this current credit line to February 2027. It comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures. The syndicated credit line also requires the DMG MORI group to comply with a customary covenant, which provides a defined financial ratio. The covenant was met on a quarterly basis and as of 31 December 2022. The syndicated loan is classified as short-term as it can only be drawn down over a maximum period of six months. As of 31 December 2022, the cash tranche had not been used.

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. and 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 € 447.2 million (previous year: € 507.2 million). These comprise free cash lines amounting to € 200.0 million (previous year: € 200.0 million) and other free lines (guarantees, credits and factoring) amounting to € 247.2 million (previous year: € 307.2 million).

33. TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term liabilities are shown as follows:

D.57
in € K

	31 Dec 2022	31 Dec 2021
Trade payables to third parties	0	244
Other long-term financial liabilities	0	85
Other long-term liabilities	5,798	3,324
	5,798	**3,653**

Other long-term financial liabilities include the following items:

D.58
in € K

	31 Dec 2022	31 Dec 2021
Fair value of derivative financial instruments	0	35
Other long-term financial liabilities	5,798	50
	5,798	**85**

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

D.59
in € K

	31 Dec 2022	31 Dec 2021
Deferred income	5,707	2,051
Other long-term liabilities	91	1,273
	5,798	**3,324**

The deferred revenue accounted for in other long-term liabilities includes the guaranteed investment grants from the funds of the joint aid program, "Improvement of the Regional Economic Structure" and investment subsidies under the Research Subsidies Act, as well as investment subsidies under the Investment Subsidies Act totaling € 1,775 K (previous year: € 1,908 K) as applied under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". In financial year 2022 no investment grants were paid (previous year: € 215 €). This item also includes regional grants of € 3,932 K paid for the construction of our new production plant in China.

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.60
in € K

	31 Dec 2022	31 Dec 2021
Trade payables to third parties	176,461	134,714
Liabilities to other related companies	239,500	119,061
Liabilities to at equity accounted companies	7,118	2,189
Liabilities to other equity investments	1,010	1,192
Other short-term financial liabilities	25,557	19,957
	449,646	**277,113**

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 € 65,700 K (previous year: € 59,960 K). A liability amounting to € 146,509 K (previous year: € 29,250 K) results from the transfer of profit to DMG MORI Europe Holding GmbH.

All information and notes on contract liabilities from performance obligations and contract liabilities from down payment invoices can be found in note 6.

Other short-term financial liabilities are shown as follows:

D.61
in € K

	31 Dec 2022	31 Dec 2021
Factoring liabilities	7,876	5,160
Fair market values of derivative financial instruments	2,231	1,142
Debtors with credit balance	4,552	3,742
Other short-term financial liabilities	10,898	9,913
	25,557	**19,957**

Factoring liabilities refer to liabilities arising from reverse factoring amounting to € 6,735 K (previous year: € 5,151 K).

The fair value of derivative financial instruments involves the fair value for forward exchange contracts amounting to € 2,231 K (previous year: € 1,142 K) mainly in USD, GBP, CHF and JPY. Other financial liabilities include liabilities from bills of exchange amounting to € 8,487 K (previous year: € 7,672 K).

Other short-term liabilities include the following items:

D.62
in € K

	31 Dec 2022	31 Dec 2021
Tax liabilities	24,392	23,112
Liabilities relating to social insurance	4,801	4,633
Payroll account liabilities	2,051	2,638
Deferred income	2,753	4,732
Other liabilities	410	774
	34,407	**35,889**

Tax liabilities refer to liabilities arising primarily due from value added tax amounting to € 12,413 K (previous year: € 12,222 K) as well as liabilities arising from wage and church tax in the amount of € 9,285 K (previous year: € 7,662 K).

35. LEASING

Leases acting as a lessee

The DMG MORI group leases specific tangible assets such as 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.63]

As of 31 December 2022, the DMG MORI group recognizes right-of-use assets amounting to € 47,080 K (previous year: € 45,822 K) under tangible assets. The corresponding lease liabilities of € 40,291 K (previous year: € 45,153 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 € 3,924 K (previous year: € 4,404 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 2022, 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 2022.

D.63 | 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 2022				
As at 1 January 2022	36,345	11,596	35,126	83,067
Difference from currency translation	221	-96	102	227
Other changes	25	428	341	794
Change in the group of consolidated companies	-1,022	0	-920	-1,942
Additions	3,169	101	10,072	13,342
Disposals	-3,886	-2,861	-13,185	-19,932
Book transfers	6,413	0	1	6,414
As at 31 December 2022	**41,265**	**9,168**	**31,537**	**81,970**
Depreciation 2022				
As at 1 January 2022	9,544	7,447	20,254	37,245
Difference from currency translation	2	-63	-77	-138
Other changes	13	0	-24	-11
Change in the group of consolidated companies	-799	0	-431	-1,230
Additions	4,781	2,253	9,934	16,968
Disposals	-3,370	-2,089	-12,485	-17,944
Book transfers	0	0	0	0
As at 31 December 2022	**10,171**	**7,548**	**17,171**	**34,890**
Net carrying amount at 31 December 2022	**31,094**	**1,620**	**14,366**	**47,080**
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**

In 2022, the DMG MORI group recognized payments from subleases relating to finance leases in the amount of € 186 K (previous year: € 176 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.64]

D.64

in € K	31 Dec 2022	31 Dec 2021
FINANCE LEASES		
Less than one year	204	186
One to two years	204	186
Two to three years	204	186
Three to four years	204	186
Four to five years	204	186
More than five years	3,730	3,595
Total	**4,750**	**4,525**

Operating leases
During financial year 2022, 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 2022, the DMG MORI group recognized € 1,186 K in lease income from operating leases including income from subleases (previous year: € 1,458 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.65

in € K	31 Dec 2022	31 Dec 2021
OPERATING LEASES		
Less than one year	588	939
One to two years	122	436
Two to three years	64	99
Three to four years	0	64
Four to five years	0	0
More than five years	0	0
Total	**774**	**1,538**

36. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities recognized at nominal values, as the risk of utilization is considered relatively improbable:

D.66 | CONTINGENCIES

in € K	31 Dec 2022	31 Dec 2021
Guarantees	50	50
Warranties	487	705
Other contingencies	5,016	5,346
Total	**5,553**	**6,101**

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 2022, the DMG MORI group concluded contracts for the purchase of property, plant and equipment in financial year 2023 worth € 47,068 K (previous year for 2022: € 45,486 K). This increase was mainly due to the planned completion of the group's 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.67]

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.

D.67

	31 Dec 2022				31 Dec 2021	
in € K	Nominal value	Asset	Debt	Fair market value total	Nominal value	Fair market value
Forward exchange contracts as cash flow hedges	34,335	273	362	-89	18,509	-365
Forward exchange contracts held for trading purposes	159,693	1,674	1,869	-195	161,894	2,265
	194,028	**1,947**	**2,231**	**-284**	**180,403**	**1,900**

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 € 1,947 K (previous year: € 3,077 K).

As of the balance sheet date, existing forward exchange contracts in cash flow hedges with a nominal volume of € 30,576 K have a residual term of up to one year (previous year: € 18,454 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 contracts in cash flow hedges with a nominal volume of € 3,759 K had a remaining term of more than one year on the balance sheet date (previous year: € 55 K).

In financial year 2022, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € 1,663 K (previous year: € -167 K) were allocated to equity and not recognized in the income statement and an amount of € -1,321 K (previous year: € -124 K) was removed from equity and recognized in exchange rate and currency gains respectively losses.

Forward exchange contracts were recognized in the income statement as exchange rate and currency gains or exchange rate and currency losses.

The items hedged by the cash flow hedges are expected to be realized in the same way as the hedging instruments. We expect a substantial part of the financial assets from derivatives in the amount of € 273 K (previous year: € 24 K) and the liabilities from derivatives in the amount of € 362 K (previous year: € 389 K) that have been classified as cash flow hedges, to be recognized in the income statement within the next twelve months.

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 € 57 K (previous year: € 588 K) were used and compared with the changes in value of the relevant hedging instruments amounting to € 57 K (previous year: € 588 K).

D.68

in € K	2022	2021
As of 1 January (before tax)	**-325**	**-34**
Change in value of forward exchange contracts recognised in other comprehensive income	1,663	-167
Amount reclassified from hedging reserve to profit or loss (recycling)	-1,321	-124
As of 31 December (before tax)	**17**	**-325**

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 [→ D.69 | D.70] provides an overview of financial assets and financial liabilities, which are subject to netting agreements or similar agreements.

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 Group Management Report 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 contracts are used. Derivative financial instruments are concluded and handled, based on binding internal guidelines defining scope, responsibilities, reporting and controls.

D.69

in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2022	Potential offsetting assets subject to global netting agreements 31 Dec 2022	Net amount 31 Dec 2022
Financial assets			
Forward exchange contracts	1,947	1,078	869
Financial liabilities			
Forward exchange contracts	2,231	1,078	1,153

D.70

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

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.71

in €	Average hedging rates In 2022	Average hedging rates in 2021
USD	1.07	1.18
JPY	138.79	129.49
GBP	0.87	0.86

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.72] shows the net currency risk from transactions in € K for major currencies as of 31 December 2022 and 2021.

The table [→ D.73] presents the possible impact of financial instruments on the reserve for derivatives or the other

D.72 | CURRENCY

in € K	31 Dec 2022 USD	31 Dec 2022 JPY	31 Dec 2022 GBP	31 Dec 2021 USD	31 Dec 2021 JPY	31 Dec 2021 GBP
Currency risk from balance sheet items	-6,147	-5,579	9,339	314	-8,219	5,371
Currency risk from pending transactions	3,601	-8,383	9,101	-202	-5,039	2,161
Transaction-related currency items	-2,546	-13,962	18,440	112	-13,258	7,532
Financially hedged item through derivatives	2,034	12,972	-17,310	-797	12,768	-7,331
Open currency items	-512	-990	1,130	-685	-490	201

D.73 in € K	Profit or loss		Net equity	
	Increase	Decrease	Increase	Decrease
31 December 2022				
RUB (10 % change)	4,875	-4,875	-402	402
GBP (10 % change)	-1,188	1,188	1,329	-1,329
USD (10 % change)	-964	964	-80	80
JPY (10 % change)	96	-96	-896	896
	2,819	**-2,819**	**-49**	**49**
31 December 2021				
RUB (10 % change)	3,395	-3,395	-31	31
GBP (10 % change)	1,158	-1,158	68	-68
USD (10 % change)	-642	642	-81	81
JPY (10 % change)	-523	523	-408	408
	3,388	**-3,388**	**-452**	**452**

reserves in equity as well as the impact on earnings as of 31 December 2022 or 31 December 2021. If the euro had appreciated (depreciated) against the major currencies USD, GBP, RUB and JPY by 10 % respectively, the reserve for derivatives or the other reserves in equity and the fair value of forward exchange contracts with a hedging relationship would have been € 49 K lower (higher) in total (previous year: € 452 K lower (higher)). The results and fair value of forward exchange contracts without a hedging relationship and of other financial instruments would have been € 2,819 K higher (lower) (previous year: € 3,388 K higher (lower).

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on earnings, equity or cash flow during the current or any future reporting periods. At the DMG MORI group, interest rate risks are essentially related to financial assets and debts. The entire Executive Board will decide in each individual case on whether interest rate risks will be hedged using interest rate hedging instruments on the basis of a proposal drafted by the board's CFO.

As of 31 December 2022, 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 reporting date would result in an increase in interest income of € 6.3 million (previous year: € 2.1 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. Interest income would 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.74]

D.74 in € K	Nominal volume	
	31 Dec 2022	31 Dec 2021
Fixed-rate instruments		
Financial assets	7,475	37,072
Financial liabilities	-9,435	-4,139
	-1,960	**32,933**
Variable-rate instruments		
Financial assets	711,735	581,896
Financial liabilities	-76,410	-18,148
	635,325	**563,748**

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-rate-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.75 in € K	Profit or loss	
	Increase by 100 base points	Decrease by 5 base points
31 December 2022		
Variable-rate instruments	6,353	-318
Profit sensitivity (net)	**6,353**	**-318**
31 December 2021		
Variable-rate instruments	2,146	0
Profit sensitivity (net)	**2,146**	**0**

Liquidity risks

Liquidity risk is the risk that the DMG MORI group may not be able to meet its financial obligations. Cash outflows result primarily from financing working capital, capital investments

and covering the financial requirements of sales financing. The management is regularly informed about cash inflows and outflows as well as about financing sources. The liquidity risk is mitigated by creating the necessary financial flexibility within the scope of existing financing operations and through effective cash management. Liquidity risk at the DMG MORI group is governed by financial planning over twelve months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. On the basis of current liquidity planning, no liquidity risks are identifiable at present. A syndicated credit facility of € 500.0 million is available at various banks to secure liquidity. For the production plant in Pinghu (China) the financing framework is amounting to € 49.2 K (previous year: € 0 K). The syndicated credit line had an original maturity date of February 2025. In April 2022, the group was able to secure the early extension of this current credit line to February 2027. It comprises a usable revolving cash tranche of € 200,0 million and a bank guarantee tranche of € 300,0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures.

The 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 2022.

Loan facilities have not been canceled either in financial year 2022 or in the previous year. As of 31 December 2022, the DMG MORI group has access to cash and cash equivalents amounting to € 177.4 million (previous year: € 241.9 million) and open lines of credit in the amount of € 200.0 million (previous year: € 200.0 million) and additional open credit lines (bank guarantees, credits and factoring) in the amount of € 247.2 million (previous year: € 307.2 million).

The table [→ D.76] 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 of 31 December 2022 and 31 December 2021 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

D.76 in € K	Book value 31 Dec 2022	Cash flows 2023		Cash flows 2024 – 2027		Cash flows 2028 et seq.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts	5,668	211	5,668	0	0	0	0
Liabilities arising from lease arrangements	40,291	791	9,914	1,476	21,064	2,623	9,313
Trade payables to third parties	176,461	0	176,461	0	0	0	0
Liabilities to at equity accounted companies	7,118	0	7,118	0	0	0	0
Liabilities to other related companies	239,500	0	239,500	0	0	0	0
Liabilitites to other equity investments	1,010	0	1,010	0	0	0	0
Other financial liabilities (without liabilities from derivatives)	23,326	0	23,326	0	0	0	0
Subtotal	**493,374**	**1,002**	**462,997**	**1,476**	**21,064**	**2,623**	**9,313**
Liabilities from derivatives	2,231	0	2,231	0	0		
Total	**495,605**	**1,002**	**465,228**	**1,476**	**21,064**	**2,623**	**9,313**

D.77 in € K	Book value 31 Dec 2021	Cash flows 2022		Cash flows 2023 – 2026		Cash flows 2027 et seq.	
		Interest	Repayment	Interest	Repayment	Interest	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 (without liabilities from derivatives)	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		
Total	**322,595**	**751**	**291,289**	**1,433**	**21,030**	**2,694**	**10,276**

the basis of the last fixed interest rate before 31 December 2022 and 31 December 2021 respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date.

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. 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 2022 and 2021, 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.78 | D.79]

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 € 3,565 K (previous year: € 2,943 K). Further details on financial risk assessment can be found in the section "Opportunities and risk report" of the Group Management Report.

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 2022, this impairment amounted to € 1 K (previous year: € 3 K).

Within the DMG MORI group, cash deposits are managed and coordinated centrally by DMG MORI AKTIENGESELLSCHAFT. Financial contracts are only entered into with banks that have been carefully selected by us. We monitor credit rating (external rating) on a regular basis; cash deposits are distributed at different banks, mainly our syndicated banks. With respect to derivative financial instruments, the DMG MORI group is exposed to a credit risk arising from the non-performance of contractual agreements by the other party to the agreement. This credit risk is only mitigated by entering into transactions with parties with good credit ratings.

Pursuant to IFRS 7.36, the carrying amount of the financial assets represents the maximum credit risk.

No securities received or other credit enhancements existed in the financial year or previous year.

D.78

in € K	31 Dec 2022 Default rate in %	Gross carrying amount of trade debtors	Impairment	affected creditworthiness
Not overdue	0.05 – 0.21	276,041	521	no
Overdue	0.05 – 2.38	13,070	250	no
Total		**289,111**	**771**	

D.79

in € K	31 Dec 2021 Default rate in %	Gross carrying amount of trade debtors	Impairment	affected creditworthiness
Not overdue	0.04 – 0.21	272,182	433	no
Overdue	0.04 – 5.84	16,400	324	no
Total		**288,582**	**757**	

39. OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and fair value of financial assets and liabilities are shown in the table below. [→ D.80 | D.81].

The table does not contain any information about the fair value of financial assets and liabilities that have not been measured at fair value, if the carrying amount is a reasonable approximation of fair value. Financial assets include those investments that were classified as "measured at fair value with changes in value recognized in other comprehensive income" (FVOCI) under IFRS 9. Trade debtors include receivables from third parties, other related parties, companies accounted for at equity and associated companies. Other receivables from other related parties are shown separately. The same disclosure applies to trade creditors (see Note 34). Information on other financial assets and liabilities is shown in Note 23, 26, 33 and 34.

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 equity instruments amounts to € 111.2 million (previous year: € 109.2 million) 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 using the discounted cash flow method (previous year: based on the last financing round). The valuation model takes into account the present value of the expected payments, discounted using a risk-adjusted discount rate (WACC). The expected payments are calculated taking into account the possible scenarios of planned sales revenues and EBIT. The significant unobservable inputs used in the calculation in 2022 are the risk-adjusted discount rate of 12.5 % and the growth rate of 1.00 %. The estimated fair value would rise (fall) if the risk-adjusted discount rate were lower (higher); if the growth rate were higher (lower).

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 used in 2022 are the risk-adjusted discount rate 7.82 % (previous year: 6.43 %) and the expected annual sales revenue (between € 2,580 K and € 2,824 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) 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 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 2022, the group held the financial assets and liabilities presented in the following table and measured at fair value. [→ D.82]

D.80

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 2022
	Valuation and fair value in accordance with IFRS 9					
Assets						
Financial assets [1]		111,225			111,225	111,225
Cash and cash equivalents	177,413				177,413	177,413
Trade debtors	62,487	232,800			295,287	295,287
Other receivables from other related companies	540,699				540,699	540,699
Receivables from factoring	11,520				11,520	11,520
Other financial assets [3]	37,463				37,463	37,463
Derivative financial assets			1,673	273	1,946	1,946
	829,582	**344,025**	**1,673**	**273**	**1,175,553**	**1,175,553**
Equity and Liabilities						
Financial debts	5,668				5,668	5,668
Trade creditors	246,971				246,971	246,971
Other financial liabilities to other related companies	177,117				177,117	177,117
Factoring liabilities	7,876				7,876	7,876
Other financial liabilities	15,450				15,450	15,450
Derivative financial liabilities			1,869	362	2,231	2,231
	453,082	**0**	**1,869**	**362**	**455,313**	**455,313**

1) In the balance sheet, € 105,914 K is reported in investments and € 5,311 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 in the notes 23 and 26.

D.81

in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2021
	Valuation and fair value in accordance with IFRS 9					
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 in the notes 23 and 26.

D.82

in € K	31 Dec 2022			31 Dec 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Measured at fair value						
Financial assets (recognized in equity) [1]			111,225			109,203
Trade debtors in FVOCI category [2]		226,476	6,324		216,421	3,483
Derivatives with hedge relationship (recognized in equity)		273			24	
Derivatives without hedge relationship (recognized in P&L)		1,673			3,053	
Financial liabilities						
Measured at fair value						
Derivatives with hedge relationship (recognized in equity)		362			389	
Derivatives without hedge relationship (recognized in P&L)		1,869			788	

1) In the balance sheet, € 105,914 K (previous year: € 106,760 K) is reported in investments and € 5,311 K (previous year: € 2,443 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.

The measurement and disclosure of the fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and is broken down as follows:

Level 1: Quoted prices (adopted unadjusted) in active markets for identical financial assets and liabilities;

Level 2: Input data other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Input data used for measuring the asset or liability data not based on observable market data (unobservable input data).

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 operating a solar park. The carrying amount was € 5,311 K (previous year: € 2,443 K). In the financial year, a net change in the fair value amounting to € 2,868 K (previous year: € 232 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. There were no dividend pay-outs during the financial year. The fair value of the investment in TULIP Interfaces Inc., Somerville (USA), in the amount of € 104,742 K (previous year: € 101,677 K), is also included here (for further information, please refer to Note 21).

The table below shows additions to financial assets in the financial year on Level 3 of the fair value hierarchy:

D.83 | EQUITY INVESTMENTS LEVEL 3

in € K	2022	2021
Opening balance	**109,203**	**27,279**
Additions	461	9,737
Changes in value	1,561	72,187
Disposals	0	0
Final balance	**111,225**	**109,203**

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.84 | PROFIT OR LOSS

in € K	Increase	Decrease
31 December 2022		
WACC (1.00 % change)	-574	648
Degradation (0.50 % change)	-438	453
Market price for electricity (0.50 % change)	411	-387

D.85 | 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

If all other inputs remain the same, a potential change in any of the significant unobservable inputs would have the following effects on the fair values of TULIP Interfaces Inc.:

D.86 | PROFIT OR LOSS

in € K	Increase	Decrease
31 December 2022		
WACC (1.00 % change)	-5,869	7,033
Growth rate (1.00 % change)	1,095	-1,095

The net results of the financial instruments by measurement categories under IFRS 9 are shown in table [→ D.87] and [→ D.88].

Interests from financial instruments are recognized in interest results.

Allowances on trade debtors is 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.

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, cash flow from investment and financing activities, and cash flow adjusted for inflation (IAS 29).

Besides actual cash funds, i.e., cheques, cash in hand and money on account at banks, cash and cash equivalents also

D.87

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	Allowance	2022
Assets in the category:					
At amortized cost	5,623		29,800	1,119	36,542
Debt instruments – at fair value through other comprehensive income (FVOCI)			-4,972	-167	-5,139
Equity instruments – at fair value through other comprehensive income (FVOCI)		1,561			1,561
At fair value through profit or loss (FVTPL)		-1,379			-1,379
Liabilities in the category:					
At amortized cost	-3,903		-17,532		-21,435
At fair value through profit or loss (FVTPL)		-1,081			-1,081
Total	**1,720**	**-899**	**7,296**	**952**	**9,069**

D.88

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	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**

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 2022 amounted to € 16,326 K (previous year: € 19,821 K), including € 15,712 K for repayment (previous year: € 19,103 K) and € 614 K for interest (previous year: € 718 K). 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 reconciliation between the change in liabilities from financing activities and in cash flow from financing activities is shown in the table below. [→ D.89 | D.90]

D.89

in € K	Financial debts	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI Europe Holding GmbH	Loans from other related companies	Total
As at 1 January 2022	0	45,153	29,250	4,139	**78,542**
Deposits / payments for borrowing / for repayment of financial debt	5,921			5,756	11,677
Profit transfer to DMG MORI Europe Holding GmbH			-29,250		-29,250
Cash outflows of repayment for lease liabilities		-15,712			-15,712
Total changes in cash flow from financing activities	**5,921**	**-15,712**	**-29,250**	**5,756**	**-33,285**
Changes from the acquisition or loss of control of subsidiaries		-723			-723
Effects of changes in foreign exchange rates	-253	218		-460	-495
Liabilities from the profit and loss transfer to DMG MORI Europe Holding GmbH for year 2022			146,509		146,509
Other changes		11,355			11,355
As at 31 December 2022	**5,668**	**40,291**	**146,509**	**9,435**	**201,903**

D.90

in € K	Liabilities from profit transfers to non-controlling interest	Non-controlling equity interests	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI Europe Holding GmbH	Loans from other related companies	Total
As at 1 January 2021	**1,631**	**13,830**	**52,336**	**27,063**	**0**	**94,860**
Profit transfer to DMG MORI Europe Holding 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 repayment 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	**-1,631**	**-1,029**	**-19,103**	**-27,063**	**4,139**	**-44,687**
Changes from the acquisition or loss of control of subsidiaries		-649	-238			-887
Effects of changes in foreign exchange rates		1,180	1,358			2,538
Liabilities from the profit and loss transfer to DMG MORI Europe Holding GmbH for year 2021				29,250		29,250
Other changes		3,697	10,800			14,497
As at 31 December 2021	**0**	**17,029**	**45,153**	**29,250**	**4,139**	**95,571**

The profit transfer to DMG MORI Europe Holding GmbH for financial year 2021 resulted in a cash outflow of € 29,250 K in 2022, recognized in cash flow from financing activities.

The profit transfer to DMG MORI Europe Holding GmbH for financial year 2022 amounting to € 146,509 K did not result in a cash outflow in 2022. Other changes in lease liabilities mainly result from the new rights of use in fixed assets.

With effect from 1 July 2022, the 100 % stake in DMG MORI Management GmbH, Bielefeld, Germany, was sold to a subsidiary of DMG MORI COMPANY LIMITED, Tokyo (Japan), as part of the reorganization of the group's sales and service activities. The purchase price amounted to € 5,418 K. Cash and cash equivalents of € 4 K were transferred as part of the transaction, which resulted in the group reporting a cash inflow of € 5,414 K in cash flow from investing activities.

Also with effect from 1 July 2022, 1% of the shares in DMG MORI India Pvt. Ltd, Bangalore (India) were sold to DMG MORI COMPANY LIMITED, Tokyo (Japan). The purchase price received totaled € 144 K. Cash and cash equivalents of € 3,868 K were transferred as part of the transaction, which resulted in the group reporting a cash out-flow of € 3,724 K in cash flow from investing activities.

Payments for investments in financial assets mainly result from capital increases at DMG MORI Heitec GmbH, Erlangen and SparePartsNow GmbH, Aachen, as well as from the acquisition of a 45 % interest in CCP Services GmbH, Mülheim an der Ruhr.

In August 2022, GILDEMEISTER Beteiligungen GmbH sold its 46.3 % interest in SparePartsNow GmbH, Aachen. The consideration for the sale of the shares amounted to € 463 K. This cash inflow was reported in cash flow from investing activities.

In the reporting year, disbursements for loans to other related parties were primarily made to DMG MORI Europe Holding GmbH, Bielefeld, to up2Parts GmbH, Weiden, and to CCP Services GmbH, Mülheim an der Ruhr. DMG MORI received payments for loans from other related parties from up2Parts GmbH, Weiden, and from DMG MORI EMEA GmbH, Wernau (formerly: DMG MORI Management GmbH, Bielefeld).

In April 2022, DMG MORI Manufacturing Solutions (Pinghu) Co. Ltd., Pinghu (China), received the increase of a loan from the related company, DMG MORI (Tianjin) Manufacturing Co., Ltd., Tianjin (China), in an amount of € 5,756 K. This loan was recognized in cash flow from financing activities.

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 in 2021 of € 3,079 K being reported in cash flow from investing activities.

The payments for investments in financial assets in the previous year mainly related to capital increases at TULIP Interfaces, Inc., Somerville (USA), and ADAMOS GmbH, Darmstadt, as well as to the acquisition of a 24.9 % interest in up2parts GmbH, Weiden, and a 40 % interest in RUN-TEC GmbH, Niedenstein.

In the previous year, disbursements for loans to other related parties were primarily made 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.

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.

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, 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 group's segmentation reflects internal control and reporting based on different products and services. The key performance indicators for evaluating profitability of each business segment are the sales revenues and EBIT.

A tabular presentation as part of the notes can be found in Note 42.

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.

All machines produced are classified as cutting machine tools, and all business units are highly concurrent with each other. 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 the business activities of the Services division and Energy solutions division. 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. DMG MORI Vertriebs und Service GmbH, Bielefeld, is as well 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 market. With effect from 1 July 2022 DMG MORI COMPANY LIMITED acquired the majority in DMG MORI India Pvt. Ltd. and, in addition to Japan, North and South America, also manages the Indian market and the residual regions in Asia.

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 Energy Solutions sector is only of minor importance to the group. 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.91 | D.92 | D.93)

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, pro-rata revenue for brokerage and consulting activities from the sale of machine tools are reclassified from the "Machine Tool" segment to the "Industrial Services" segment. Sales between the segments are made at standard market transfer prices.

Pursuant IFRS 3 "Business Combinations", existing goodwill was allocated to the segments as follows: goodwill is attributed to the "Machine Tools" segment amounting to € 57,073 K (previous year: € 57,073 K) and to the 'Industrial Services' segment in an amount of € 79,343 K (previous year: € 80,971 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.

In the financial year, the EBT of the "Machine Tools" segment includes income from the reversal of provisions in the amount of € 38 K (previous year: € 2,262 K). Impairment losses of € 3,818 K (previous year: € 1,920 K) were recognized in the financial year. These relate to impairment losses on assets (buildings) at Ulyanovsk Machine Tools ooo, Ulyanovsk (Russia), which were recognized due to the ongoing war in Ukraine. No reversal of impairment losses was made in the financial year (previous year: € 814 K).

D.91 | INFORMATION ON GEOGRAPHICAL AREAS

in € K	Sales revenues with third parties 2022	2021	Long-term assets 2022	2021
Germany	1,062,971	884,679	362,780	337,859
Rest of Europe	990,497	880,336	312,365	326,951
Asia	312,198	287,906	61,096	33,743
Total segments	2,365,666	2,052,921	736,241	698,553
Transition	0	0	-4,611	-8,479
Group	2,365,666	2,052,921	731,630	690,074

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In the financial year, the EBT of the Industrial Services segment includes income from the reversal of provisions in the amount of € 448 K (previous year: € 236 K). Impairment losses of € 6,982 K were recognized in the financial year (previous year: € 0 K). These relate to impairment losses on assets (buildings) at DMG MORI Rus ooo, Moscow (Russia), which were recognized due to the ongoing war in Ukraine. In the financial year, impairment losses were reversed in the amount of € 6,549 K (previous year: € 0 K). These relate to an impairment loss recognized in previous years on a solar park in Italy. Due to the sharp rise in electricity prices, an impairment loss of € 7,725 K was reversed to the asset's recoverable amount.

No impairment losses were recognized in the Corporate Services segment in the financial year (previous year: € 0 K). In the reporting year, there was a reversal of an impairment loss of € 1,463 K for a solar park in Germany recognized in previous years. Due to the sharp rise in electricity prices, an impairment loss of € 2,907 K was reversed to the asset's recoverable amount. In the financial year, expenses for transaction costs amounting to € 193 K (previous year: € 295 K) were recognized for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT.

In financial year 2022 and in the previous year, no transactions carried out with any one customer were more than 10 % of the sales revenues of the DMG MORI group.

The "Reconcilation" line shows the elimination of intragroup receivables and liabilities, income and expenses, as well as earnings from 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. The data is determined on the basis of geographical subgroups.

Long-term assets are mainly attributable to fixed assets; they do not include financial instruments or deferred tax claims. As of 31 December 2022, the region of "Rest of Europe" contains long-term assets in Italy in an amount of € 115,181 K (previous year: € 111,366 K) as well as in Poland in the amount of € 92,479 K (previous year: € 93,491 K). In the region, "Rest of Europe, third-party revenue amounts to € 237,603 K in Italy (previous year: € 173,466 K) as well as in Poland in the amount of € 68,304 K (previous year: € 55,487 K).

D.92 | SEGMENTATION BY BUSINESS SEGMENTS

in € K	"Machine Tools" 2022	2021	"Industrial Services" 2022	2021	„Corporate Services" 2022	2021	Total segments 2022	2021	Transition 2022	2021	Group 2022	2021
Segment assets	1,554,909	1,380,572	1,857,331	1,778,032	1,948,155	1,805,333	5,360,395	4,963,937	-2,569,924	-2,472,873	2,790,471	2,491,064
Carrying amount of at equity accounted investments	23,567	25,531	8,902	1,323	13,907	12,857	46,376	39,711	0	0	46,376	39,711
Investments	101,954	75,029	16,057	12,764	1,410	1,327	119,421	89,120	0	0	119,421	89,120
Employees	4,035	3,908	2,689	2,831	109	82	6,833	6,821	0	0	6,833	6,821

D.93 | SEGMENTATION BY BUSINESS SEGMENTS

in € K	"Machine Tools" 2022	2021	"Industrial Services" 2022	2021	„Corporate Services" 2022	2021	Total segments 2022	2021	Transition 2022	2021	Group 2022	2021
Sales revenues with other segments	947,738	837,037	49,395	52,358	10,610	11,627	1,007,743	901,022	-1,007,743	-901,022	0	0
Sales revenues with third parties	1,282,759	1,103,919	1,082,684	948,788	223	214	2,365,666	2,052,921	0	0	2,365,666	2,052,921
EBIT	56,539	54,655	184,692	95,344	-24,863	-26,361	216,368	123,638	146	134	216,514	123,772
Financial result	-3,096	-2,423	-1,504	-4,003	3,954	4,018	-646	-2,408	0	0	-646	-2,408
thereof interest income	2,256	2,613	5,482	2,769	11,983	10,547	19,721	15,929	-13,482	-11,556	6,239	4,373
thereof interest expenses	-5,377	-5,028	-5,627	-6,708	-7,803	-6,766	-18,807	-18,502	13,060	11,850	-5,747	-6,652
Share of profit for the period of at equity accounted investments	-1,089	-727	357	324	1,050	625	318	222	0	0	318	222
EBT	52,354	51,505	183,545	91,665	-19,859	-21,718	216,040	121,452	146	134	216,186	121,586
Depreciation	51,051	42,675	26,838	21,127	3,392	3,231	81,281	67,033	0	0	81,281	67,033

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 and by affiliated companies of the auditor, recognized as expenses in financial year 2022 amount to € 734 K (previous year: € 712 K) and relate to auditing services in the amount of € 671 K (previous year: € 618 K), other assurance services in the amount of € 0 K (previous year: € 0 K) and other services in the amount of € 63 K (previous year: € 95 K).

Other services include services provided by affiliated companies of the auditor in the amount of € 51 K (previous year: € 0 K.

The audit services related to the audits of the Annual and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT and some group companies, including statutory extensions of the audit engagement and key audit areas agreed with the Supervisory Board. The auditors also conducted a review of the IFRS group reporting packages for the half-year report as of 30 June 2022 and the quarterly reports as of 31 March 2022 and 30 September 2022 of DMG MORI AKTIENGESELLSCHAFT. The fees for other services relate to consulting services, analyses and validations of specific security concepts and assessments of compliance with the EU taxonomy regulation.

44. EVENTS OCCURRING AFTER THE REPORTING DATE

No significant events occurred to the date the financial statements were authorized for issue by the Executive Board on March 13, 2023.

The corona pandemic will continue to have an impact on the business performance of the DMG MORI group in financial year 2023. Moreover, the Ukraine war may have an impact on future business performance. For future financial years, we are unable to provide a reliable estimate of the specific effects on the recognition and measurement of significant items in the financial statements based on the current conflict.

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 and 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, Tokyo (Japan), and its subsidiaries and major holdings outside the DMG MORI group. DMG MORI Europe Holding GmbH (until 9 September 2022: 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, is recognized as a joint venture.

DMG MORI Finance GmbH, Wernau, the Pragati Automation Pvt., Ltd., Bangalore (India), DMG MORI India Pvt. Ltd, Bangalore (India), INTECH DMLS PRIVATE LIMITED, Bangalore (India), DMG MORI HEITEC Digital Kft, Budapest (Hungary), RUN-TEC GmbH, Niedenstein, German-Egyptian Company for Manufacturing Solutions, Cairo (Egypt), Vershina Operation LLC, Narimanov (Russia), CCP Services GmbH, Mülheim, and up2Parts GmbH, Weiden, are recognized as associated companies.

In 2018, DMG MORI AKTIENGESELLSCHAFT granted DMG MORI Europe Holding GmbH a loan in the original amount of € 370,000 K, which was paid out in full. In 2021, the loan was partially repaid in the amount of € 30,000 K, thus reducing it to € 340,000 K. In reporting year 2022, the loan was increased by € 200,000 K. As of 31 December 2022, the loan amounts to € 540,000 K. In financial year 2022, it bore interest at a LIBOR market rate plus a 1.00 % margin p.a.

No other significant supply and service relationships existed with DMG MORI Europe Holding GmbH in the financial year.

DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., a subsidiary of DMG MORI AG, received a loan from DMG MORI (TIANJIN) Manufacturing Co., Ltd., another related party, in December 2021, which was increased in 2022 and is valued at € 9,435 K as of 31 December 2022. The loan was paid out in full. It has a one-year term with an option to extend. Interest is charged at a market rate of 2.70 % p.a.

A domination and profit transfer agreement exists between DMG MORI Europe Holding GmbH 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 Europe Holding GmbH and DMG MORI AKTIENGESELLSCHAFT. The profit transfer to DMG MORI Europe Holding GmbH for financial year 2022 amounted to € 146,509 K (previous year: € 29,250 K). The current tax debited by DMG MORI Europe Holding GmbH as a result of the tax allocation agreement amounted to € 21,173 K (previous year: € 11,538 K).

With effect from 1 July 2022, a 100 % stake in DMG MORI Management GmbH, Bielefeld, was sold to a subsidiary of DMG MORI COMPANY LIMITED, Tokyo (Japan), as part of the reorganization of sales and services.

The purchase price received totaled € 5,418 K and was calculated by an external independent valuation report.

Also with effect from 1 July 2022, 1% of the shares in DMG MORI India Pvt. Ltd, Bangalore (India) were sold to DMG MORI COMPANY LIMITED, Tokyo (Japan). The purchase price received totaled € 144 K and was calculated by an external independent valuation report. DMG MORI AKTIENGESELLSCHAFT now holds 49.9 % of the shares in DMG MORI India Pvt. Ltd, Bangalore (India), and recognizes the company as an associated company in the consolidated financial statements.

In the reporting year, impairments or provisions for doubtful debt relating to outstanding balances for other related parties were made in an amount of € 577 K (previous year: € 740 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.94 | GOODS AND SERVICES RENDERED TO

in € K	2022	2021
Associates	173,223	130,097
Joint ventures	1	76
DMG MORI COMPANY LIMITED	273,760	219,313
Other related companies (excluding DMG MORI COMPANY LIMITED)	49,648	34,244

D.95 | GOODS AND SERVICES RECEIVED OF

in € K	2022	2021
Associates	11,239	21,172
Joint ventures	4,197	2,932
DMG MORI COMPANY LIMITED	252,087	231,994
Other related companies (excluding DMG MORI COMPANY LIMITED)	169,446	139,630

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 2022, the following balances resulted from transactions with related parties:

D.96 | TRADE DEBTORS

in € K	2022	2021
from DMG MORI COMPANY LIMITED	97,299	61,740
from other related parties	17,007	9,857
from associated companies	19,383	17,150

D.97 | ADVANCE PAYMENTS

in € K	2022	2021
to other related companies	54,029	35,311
to associated companies	3,577	1,770

D.98 | LOANS

in € K	2022	2021
to other related parties	540,699	340,524
to associated companies	2,580	1,850
from other related parties	9,435	4,139

D.99 | TRADE CREDITORS

in € K	2022	2021
to DMG MORI COMPANY LIMITED	65,700	59,960
to other related parties	164,365	54,962
to associated companies	7,118	2,189

D.100 | PREPAYMENTS in € K	2022	2021
to members of management in key positions	3,170	1,508

The loan to DMG MORI Europe Holding GmbH resulted in interest income of € 3,919 K (previous year: € 3,400 K), which is reported under financial income. Interest expenses of € 176 K (previous year: € 165 K) were incurred from liabilities for DMG MORI Europe Holding 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 of the Group Management Report. The structure of the remuneration system for the Executive and Supervisory Boards is also explained here. An individual and detailed presentation of Executive Board remuneration in the financial year can be found in the remuneration report of the Group Management Report.

D.101 | EXECUTIVE BOARD REMUNERATION in € K	2022	2021
Short-term benefits	5,661	5,428
Post-employment benefits	850	850
Other long-term benefits	3,416	4,238
Total	**9,927**	**10,516**

The post-employment benefits related to additions to pension commitments in the reporting year.

In financial year 2022, the Executive Board was granted the following remuneration for subsequent years: For 2023, the Executive Board was granted an STI (100 %) of € 1.6 million, which may amount to a minimum of € 0 million and a maximum of € 3.2 million depending on the target achievement level. Target achievement is determined by the inputs, market position (order intake) and earnings performance (EBIT), and is adjusted using "sustainability factors", which are based on investments in property, plant and equipment, investments in the Globe project (implementation of SAP) and the performance of the internal market share (order intake ratio for DMG MORI AKTIENGESELLSCHAFT Group and DMG MORI COMPANY LIMITED).

As part of the LTI tranche 2023-2025, the Executive Board was granted remuneration (100 %) of € 2.4 million, which, depending on the target achievement level, may amount to a minimum of € 0 million and a maximum of € 4.8 million. Target achievement is determined by the inputs, earnings after taxes and service performance, and is adjusted using "sustainability factors" based on CO_2 emissions according to the so-called science-based targets and the PPR indicator (number of product problem reports issued in the last twelve months with a closed or final adjusted status divided by the number of product problem reports issued in the last twelve months).

The total remuneration of the Supervisory Board for financial year 2022, which is recognized in the income statement, amounted to € 1,004 K (previous year: € 930 K) and only includes short-term benefits.

The remuneration structure for the Supervisory Board is explained in the Group Management Report.

No loans were granted to board members. Similarly, 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.

Remuneration is explained in Note 20. Note that indirect remuneration includes benefits after the end of the employment relationship. The other long-term benefits include the LTI and the short-term benefits include all other remuneration components

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 2022 and are permanently available on our website at → **en.dmgmori-ag.com/corporate-communications/corporate-governance/**

48. SHAREHOLDER STRUCTURE

As of 31 December 2022, DMG MORI COMPANY LIMITED, Tokyo (Japan), holds an 87.37 % interest in the share capital of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI Group Companies

D.102 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	Local currency	Equity [1]	Equity [1] in € K	Participation quota in %
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			262,464	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 [3/7/8]			25	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/4/5/6]			28,996	100.0
GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Bergamo), Italy [5]			85,276	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			41,486	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			3,438	100.0
CARLINO FTV 3.2 S.R.L., Bozen, Italy [9]			10,844	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	8,839,832	113,463	100.0
DMG MORI Additive GmbH, Bielefeld [5/6/21]			9,083	100.0
DMG MORI Digital GmbH, Bielefeld [3/4/5/6]			2,691	100.0
DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu, China [5]	CNY K	126,322	17,026	100.0
COMPONENT MANUFACTURING d.o.o., Zivinice, Bosnia and Herzegovina [5]	BAM K	2	1	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			724	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			236	100.0
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	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]			465,094	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [14]			513,929	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [15]	CHF K	26,666	27,005	100.0
DMG MORI Balkan GmbH, Klaus, Austria [15]			3,952	100.0
DMG MORI Austria GmbH, Klaus, Austria [16]			26,856	100.0
DMG MORI Netherlands B.V., Veenendaal, Netherlands [15]			10,757	100.0
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [15]			5,937	100.0

D.102 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	Local currency	Equity [1]	Equity [1] in € K	Participation quota in %
DMG MORI Czech s.r.o., Brno, Czech Republic [15]	CZK K	151,498	6,272	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [15]	DKK K	29,606	3,981	100.0
DMG MORI FRANCE SAS, Paris, France [15]			24,310	100.0
DMG MORI Hungary Kft., Budapest, Hungary [15]			11,878	100.0
DMG MORI IBERICA S.L., Ripollet, Spain [15]			14,893	100.0
DMG MORI Italia S.r.l., Milan, Italy [15]			55,386	100.0
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [15]			4,361	100.0
DMG MORI Saudi Arabia Maintenance Company, Riad, Saudi Arabia [20]			10	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	93,084	19,884	100.0
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [15]			1,809	100.0
DMG MORI Sweden AB, Gothenburg, Sweden [15]	SEK K	156,619	14,084	100.0
DMG MORI NORWAY AS, Langhus, Norway [15]	NOK K	18,678	1,777	100.0
DMG MORI Finland Oy AB, Tampere, Finland [15]			4,871	100.0
DMG MORI UK Limited, Luton, Great Britain [15]	GBP K	31,052	34,998	100.0
DMG MORI Romania S.R.L., Bucharest, Romania [15]	RON K	9,317	1,883	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [15]	BGN K	1,336	683	100.0
DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [15]	TRY K	172,800	8,649	100.0
DMG MORI Rus ooo, Moscow, Russia [15]	RUB K	4,345,502	55,776	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [15]	EGP K	-692	-26	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [15]	EGP K	200	8	100.0
DMG MORI Africa for Trading in Machines & Service (S.A.E.), Cairo, Egypt [17]	EGP K	24,699	935	100.0
DMG MORI Asia Pte. Ltd., Singapore [15]			33,792	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [15]	CNY K	30,763	4,146	100.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [15]	CNY K	84,338	11,368	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [15]	PLN K	835,471	178,472	100.0
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	313,028	42,192	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	18	100.0
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [18]			1,838	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [18]			5,387	100.0

D.102 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Associates	Local currency	Equity [1]	Equity [1] in € K	Participation quota in %
DMG MORI Finance GmbH, Wernau			29,791	42.6
DMG MORI HEITEC GmbH, Erlangen [5]			3	50.0
DMG MORI HEITEC Digital Kft., Budapest, Hungary [5]	HUF K	512,593	1,280	49.9
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	INR K	130,322	1,476	30.0
PRAGATI AUTOMATION Pvt. Ltd., Bangalore, India [5]	INR K	2,742,014	31,056	30.0
Vershina Operation, LLC., Narimanov, Russia [19]	RUB K	70,549	906	33.3
up2parts GmbH, Weiden [5]			-1,258	24.9
RUN-TEC GmbH, Niedenstein [5]			278	40.0
DMG MORI India Private Ltd., Bangalore, India [5]	INR K	659,708	7,472	49.9
CCP Services GmbH, Mülheim an der Ruhr [5]			-51	45.0
German Egyptian Company for Manufacturing Solutions (GEMAS), Cairo, Egypt [5]	EGP K	0	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
Managing Director 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

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, München, Member of the Supervisory Board (until February 2022)
› GEA Group Aktiengesellschaft, Düsseldorf, Member of the Supervisory Board
› Gerresheimer AG, Düsseldorf Member of the Supervisory Board (since June 2022)
• DKSH Holding AG, Zürich, Member of the Board of Directors
• ABB E-Mobility Holding AG, Baden (Switzerland), Member of the Board of Directors (since February 2022)

James Victor Nudo
Member of the Supervisory Board
since 4 May 2018
Illinois (USA), born 1954
Managing Director of
DMG MORI Europe Holding GmbH, Bielefeld
Managing Director of
DMG MORI EMEA GmbH, Wernau
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
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, 13 March 2023
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, 2022, 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, 2022 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 including the remuneration report pursuant to § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act], including the related disclosures, included in section "Fundamental information of the Group", for the financial year from January 1 to December 31, 2022. 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, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022 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, 2022. 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

3. Recoverability of the "Ulyanovsk Machine Tools" and "DMG MORI Rus" cash-generating units

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 amounting in total to EUR 136.4 million (4.8 % of total assets or 9.6 % of equity) is reported in the Company's consolidated financial statements. 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 flows 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. In the Company's consolidated financial statements a total of EUR 686.3 million (24.3 % of total assets) is reported under the "Inventories" balance sheet item. Inventories comprise EUR 368.7 million in raw materials, consumables and supplies, EUR 151.7 million in work in progress and EUR 165.9 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 made by 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 the 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.

3. Recoverability of the "Ulyanovsk Machine Tools" and "DMG MORI Rus" cash-generating units

1. In the consolidated financial statements of the Company a total carrying amount of EUR 42.4 million is recognized for the "Ulyanovsk Machine Tools" cash-generating unit and a total carrying amount of EUR 17.3 million is recognized for the "DMG MORI Rus" cash-generating unit. Given the ongoing war in Ukraine, the material assets, in particular property, plant and equipment, were tested for impairment as of December 31, 2022. Impairment testing is carried out at the level of the "Ulyanovsk Machine Tools" and "DMG MORI Rus" cash-generating units, respectively.

The carrying amount of the relevant cash-generating unit 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 cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. To depict the increased forecast uncertainty for the two above-mentioned cash-generating units in Russia, various scenarios were developed and allocated to likelihoods of occurrence (expected cash flow approach). The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment test determined that it was necessary to recognize a write-down of EUR 7.0 million on the "DMG MORI Rus" cash-generating unit and a write-down of EUR 3.8 million on the "Ulyanovsk Machine Tools" cash-generating unit.

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 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 flows 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. Furthermore, we assessed the process to derive the probability-weighted scenarios used in the impairment tests based on the Company's internal forecasts for the future earnings situation of the respective cash-generating units, and assessed the appropriateness of the underlying estimates and assumptions as well as the likelihoods underlying the scenarios. 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.

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 relating to the "Ulyanovsk Machine Tools" and "DMG MORI Rus" cash-generating units are contained in sections 3 and 20 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/Group declaration on corporate governance" of the group management report and other disclosures in this section

› the section "Non-financial performance indicators" of the group management report.

The other information comprises further

› the separate non-financial group report to comply with §§ 315b to 315c 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, actions taken to eliminate threats or safeguards applied.

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-2022-12-31.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, 2022 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 (06.2022)) 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 6, 2022. We were engaged by the supervisory board on May 25, 2022. We have been the group auditor of 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 filed in the company register – 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 13, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Carsten Schürmann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Matthias Nicolmann
Wirtschaftsprüfer
(German Public Auditor)

Multiple Year Overview

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		2016	2017	2018	2019	2020	2021	2022	Changes against previous year in %
Sales revenues	**€ K**	**2,265,709**	**2,348,451**	**2,655,128**	**2,701,489**	**1,831,293**	**2,052,921**	**2,365,666**	**15**
Domestic	€ K	737,069	712,094	821,499	769,203	553,035	652,806	786,569	20
International	€ K	1,528,640	1,636,357	1,833,629	1,932,286	1,278,258	1,400,115	1,579,097	13
% International	%	67	70	69	72	70	68	67	
Total work done	**€ K**	**2,262,352**	**2,367,881**	**2,667,935**	**2,706,063**	**1,809,839**	**2,079,481**	**2,400,117**	**15**
Cost of materials	€ K	1,157,498	1,263,576	1,480,102	1,524,043	983,851	1,161,646	1,329,136	14
Personnel costs	€ K	571,971	550,655	595,897	592,365	486,946	522,714	566,325	8
Depreciation	€ K	65,720	72,833	63,729	78,104	75,025	67,033	81,281	21
Financial result	€ K	-10,507	-5,248	-5,735	-5,120	-4,482	-2,408	-646	73
Earnings before taxes	**€ K**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**121,586**	**216,186**	**78**
Annual profit / loss	**€ K**	**47,484**	**118,363**	**149,530**	**154,442**	**52,114**	**85,566**	**153,354**	**79**
Adjusted results									
EBITDA	**€ K**	**169,666**	**252,978**	**280,862**	**299,842**	**156,739**	**190,806**	**297,795**	**56**
EBIT	**€ K**	**103,946**	**180,145**	**217,133**	**221,738**	**81,714**	**123,772**	**216,514**	**75**
EBT	**€ K**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**121,586**	**216,186**	**78**
Profit share of shareholders in DMG MORI AG	**€ K**	**44,820**	**117,442**	**148,257**	**151,874**	**51,893**	**84,165**	**145,183**	**72**
Fixed assets	**€ K**	**749,526**	**677,948**	**686,506**	**815,922**	**737,861**	**836,545**	**883,015**	**6**
Intangible assets	€ K	195,276	190,681	190,372	199,546	211,178	221,388	234,034	
Tangible assets	€ K	486,370	440,005	434,880	506,579	464,468	468,686	496,691	
Financial assets	€ K	67,880	47,262	61,254	109,797	62,215	146,471	152,290	
Current assets incl. deferred tax and deferred income	**€ K**	**1,589,652**	**1,563,350**	**1,753,993**	**1,653,644**	**1,453,673**	**1,719,482**	**1,943,493**	**13**
Inventories	€ K	505,041	547,662	625,381	611,810	538,683	579,091	686,340	
Receivables incl. deferred tax assets + prepaid expenses	€ K	687,886	652,283	975,931	887,829	791,501	898,495	1,079,740	
Cash and cash equivalents	€ K	396,725	363,405	152,681	154,005	123,489	241,896	177,413	
Equity	**€ K**	**1,187,663**	**1,164,618**	**1,197,688**	**1,281,449**	**1,259,495**	**1,401,782**	**1,422,496**	**1**
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	444,346	458,095	489,823	563,702	542,253	681,341	698,273	
Non-controlling equity interests	€ K	39,905	3,111	4,453	14,335	13,830	17,029	20,811	
Outside capital	**€ K**	**1,151,515**	**1,076,680**	**1,242,811**	**1,188,117**	**932,039**	**1,154,245**	**1,404,012**	**22**
Provisions	€ K	255,233	271,025	305,253	325,805	305,674	347,929	345,741	
Liabilities incl. deferred tax + income	€ K	896,282	805,655	937,558	862,312	626,365	806,316	1,058,271	
Balance Sheet total	**€ K**	**2,339,178**	**2,241,298**	**2,440,499**	**2,469,566**	**2,191,534**	**2,556,027**	**2,826,508**	**11**
Employees (annual average)		7,102	6,637	6,933	6,986	6,707	6,471	6,553	
Employees (31 Dec)		6,964	6,742	7,107	6,898	6,393	6,596	6,596	
Trainees		318	359	396	347	279	225	237	
Total employees		**7,282**	**7,101**	**7,503**	**7,245**	**6,672**	**6,821**	**6,833**	

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		IFRS							
		2016	2017	2018	2019	2020	2021	2022	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	4.6	7.7	8.2	8.2	4.5	6.0	9.2	53
Profit on sales (EBT) = EBT / Sales revenues	%	4.2	7.5	8.1	8.1	4.1	5.9	9.1	54
Profit on sales (Annual result) = Annual result / Sales revenues	%	2.1	5.0	5.6	5.7	2.8	4.2	6.5	55
Equity return = Annual result / Equity (as of 1 Jan)	%	3.5	9.8	12.8	12.9	4.1	6.8	10.9	60
Return on total assets = EBT + interest on borrowed capital / average total assets	%	4.6	8.1	9.6	9.4	3.6	5.4	8.3	54
ROI – Return on Investment = EBT / average total capital	%	4.1	7.7	9.2	8.9	3.2	5.1	8.0	57
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	319.0	353.8	383.0	386.7	273.0	317.2	361.0	14
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	14.6	27.1	31.3	31.7	12.2	19.1	33	73
ROCE – Return on capital employed = EBIT / Capital Employed	%	9.4	16.1	16.1	15.3	5.7	8.2	13.6	66
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	32.0	30.2	28.1	33.0	33.7	32.7	31.2	-5
Working intensity of current assets = current assets / total assets	%	65.0	66.9	68.9	63.7	63.0	64.3	66.9	4
Equity ratio = equity / total capital	%	50.8	52.0	49.1	51.9	57.5	54.8	50.3	-8
Borrowed capital ratio = borrowed capital / total assets	%	49.2	48.0	50.9	48.1	42.5	45.2	49.7	10
Assets and liabilities structure = fixed assets / current assets	%	49.3	45.2	40.8	51.8	53.4	50.9	46.7	-8
Capital structure = equity / outside capital	%	103.1	108.2	96.4	107.9	135.1	121.4	101.3	-17

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		IFRS							
		2016	2017	2018	2019	2020	2021	2022	Changes against previous year in %
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	45.9	56.0	28.3	19.9	20.9	40.1	22.6	-44
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	117.5	146.9	189.8	123.0	141.3	172.8	151.6	-12
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	157.6	186.6	242.3	174.2	206.1	211.0	183.8	-13
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	-342.1	-316.9	-152.7	-154.0	-123.5	-241.9	-171.7	29
Gearing = net financial liabilities / equity	%	–	–	–	–	–	–	–	
Working Capital = current assets – short-term borrowed capital	€ million	574.3	540.3	326.5	291.4	279.4	320.4	244.3	-24
Net Working Capital = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	270.0	317.1	343.2	386.0	407.1	301.6	292.6	-3
Capital Employed = equity + provisions + net financial liabilities	€ million	1,100.8	1,118.7	1,350.2	1,453.2	1,441.7	1,507.8	1,596.5	6
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		5.1	5.4	5.2	4.6	3.3	4.0	3.6	-10
Turnover rate of inventories = sales revenues / inventories		4.5	4.3	4.2	4.4	3.4	3.5	3.4	-3
Turnover rate of receivables = sales revenues / trade debtors		9.4	7.3	7.4	8.5	6.8	7.0	8.0	14
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)	%	1.0	1.0	1.1	1.1	0.8	0.8	0,8	0
DSO (Days sales outstanding) = trade debtors / (sales revenues) × 365	%	39.0	49.8	49.4	42.7	54.0	51.8	45.6	-12
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	51.2	53.4	55.5	56.3	54.4	55.9	55.4	-1
Intensity of staff = Personnel costs / Total work done	%	25.3	23.3	22.3	21.9	26.9	25.1	23.6	-6

D.103 | DMG MORI GROUP		IFRS							
		2016	2017	2018	2019	2020	2021	2022	Changes against previous year in %
Cash flow & Investments									
Cash flow from operating activity	€ million	124.0	171.7	230.4	234.1	67.3	244.9	276.8	13
Cash flow from investment activity	€ million	-198.3	-9.7	-315.1	-114.2	21.7	-83.8	-304.5	-263
Cash flow from financing activity	€ million	-52.5	-190.7	-123.5	-118.9	-117.1	-44.7	-33.3	26
Free Cashflow = cash flow from operating activity + cash flow from investment activity (exc. Cash flow from financial)	€ million	42.5	142.4	154.2	168.8	15.7	179.9	171.7	-5
Investments	€ million	88.1	41.8	90.7	155.1	81.2	89.1	119.4	34
Share & valuation									
Market capitalisation	€ million	3,401.8	3,627.2	3,397.1	3,337.9	3,239.4	3,322.2	3,302.5	-1
Company value = Market capitalisation + bank liabilities + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	3,187.4	3,414.9	3,370.1	3,301.2	3,218.5	3,175.3	3,223.4	2
Earnings per share = result after minority interests / number of shares	€	0.57	1.49	1.88	1.93	0.66	1,07	1.84	72
Price-to-earnings ratio (P / E) = market capitalisation / EBT		36.1	20.6	15.8	15.2	43.3	27.3	15.3	-44
Company value-EBITDA-ratio = company value / EBITDA		18.8	13.5	12.0	11.0	20.5	16.6	10.8	-35
Company value-EBIT-ratio = company value / EBIT		30.7	19.0	15.5	14.9	39.4	25.7	14.9	-42
Company value sales ratio = company value / sales revenues		1.4	1.5	1.3	1.2	1.8	1.5	1.4	-7

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 war in Ukraine or 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

15 March 2023	Annual Press Conference Publication of the Annual Report 2022 Analysts' Conference
26 April 2023	Release for the 1st Quarter 2023 (1st January to 31 March)
12 May 2023	121st Annual General Meeting
3 August 2023	Report for the 1st Half-Year 2023 (1st January to 30 June)
7 November 2023	Release for the 3rd Quarter 2023 (1st January to 30 September)
10 May 2024	122nd Annual General Meeting

Subject to alteration

DMG MORI

dynamic . EXCELLENCE – WORLDWIDE

Headquarters Bielefeld
DMG MORI AKTIENGESELLSCHAFT

Headquarters Tokyo
DMG MORI COMPANY LIMITED

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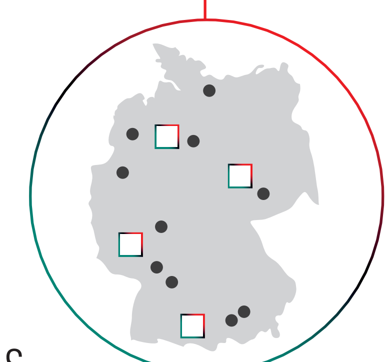
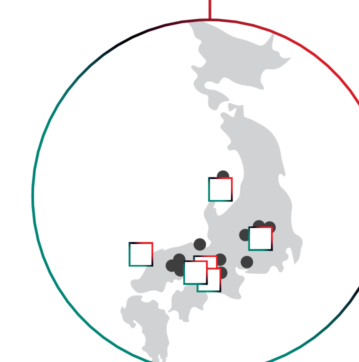
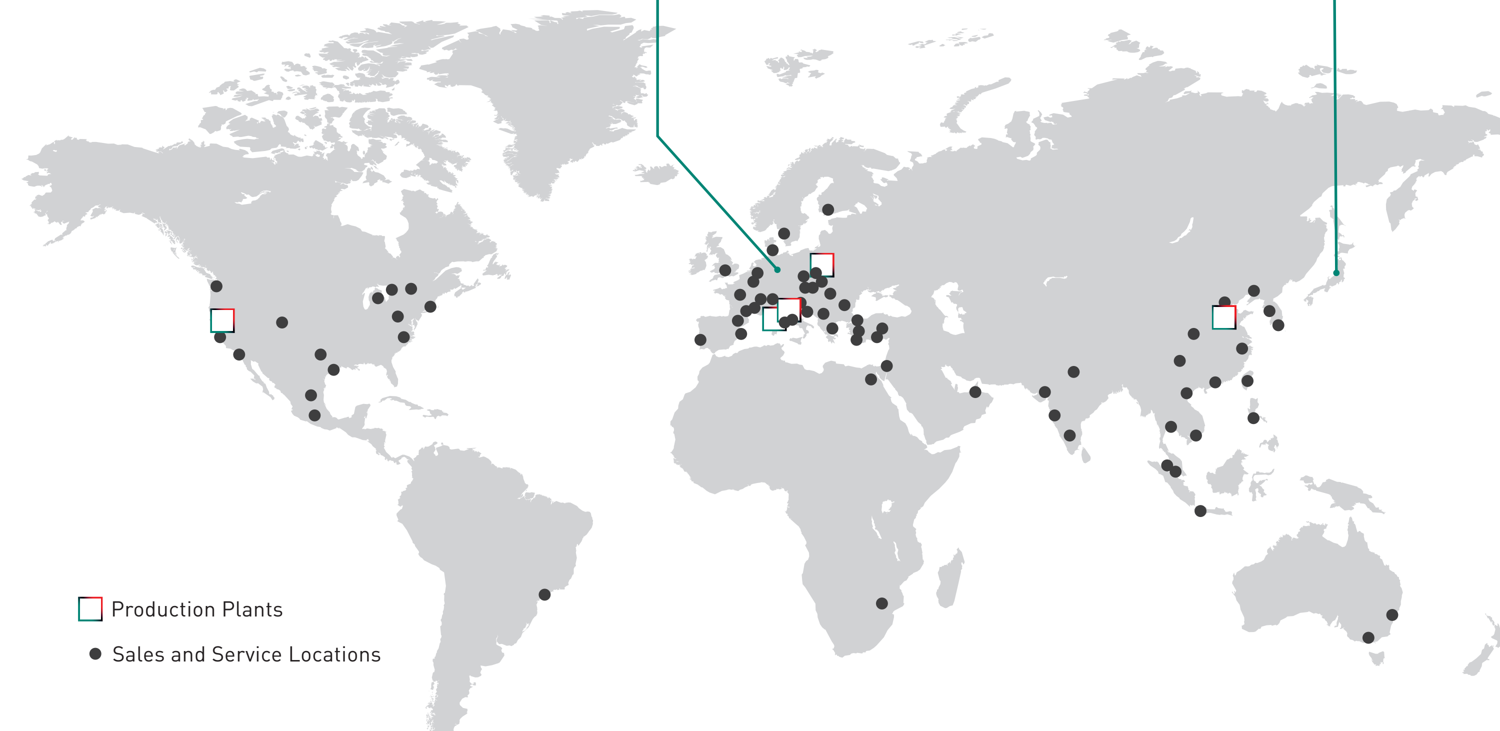


16 PRODUCTION PLANTS





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 2022 // digital highlights

+ highlights and interactive information

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