DMG Mori Denmark ApS

Vesterballevej 24, Snoghøj, 7000 Fredericia

Company reg. no. 34 07 61 54

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 20 June 2023.

Karl Martin Svärdh
Chairman of the meeting

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

Contents

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of DMG Mori Denmark ApS for the financial year 1 January - 31 December 2022.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Fredericia, 20 June 2023

Managing Director

Karl Martin Svärdh

Board of directors

Steffen Rolf Burghoff	Rajeev Anand	James Nudo

Independent auditor's report

To the Shareholders of DMG Mori Denmark ApS

Opinion

We have audited the financial statements of DMG Mori Denmark ApS for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibilities for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Fredericia, 20 June 2023

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

Nikolaj Møller Hansen
State Authorised Public Accountant
mne33220

Company information

The company	DMG Mori Denmark ApS Vesterballevej 24 Snoghøj 7000 Fredericia	
	Company reg. no.	34 07 61 54
	Established:	23 November 2011
	Domicile:	Fredericia
	Financial year:	1 January - 31 December 11th financial year
Board of directors	Steffen Rolf Burghoff Rajeev Anand James Nudo	
Managing Director	Karl Martin Svärdh	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Vesterballevej 27, 2. 7000 Fredericia	

Financial highlights

DKK in thousands.	2022	2021	2020	2019	2018
Income statement:					
Gross profit	19.692	16.458	15.148	18.435	18.547
Profit from operating activities	4.660	2.292	1.495	2.764	1.933
Net financials	-193	-515	-409	-305	-584
Net profit or loss for the year	3.436	1.358	821	1.871	1.026
Statement of financial position:					
Balance sheet total	91.584	49.167	61.562	69.846	50.886
Investments in property, plant and equipment	0	0	0	23	96
Equity	29.606	26.170	24.812	23.992	22.121
Employees:					
Average number of full-time employees	17	16	17	19	21
Key figures in %:					
Solvency ratio	32,3	53,2	40,3	34,3	43,5
Return on equity	12,3	5,3	3,4	8,1	4,7

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Solvency ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Management´s review

The principal activities of the company

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

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

Development in activities and financial matters

The gross profit for the year totals DKK 19.692.000 against DKK 16.458.000 last year. Income or loss from ordinary activities after tax totals DKK 3.436.000 against DKK 1.358.000 last year. Management considers the net profit for the year satisfactory in relations to the expectations given in the 2021 annual report.

New products

The Company did not intriduce any new products in 2022.

Investments

The Company did not make any significant investments in 2022.

Financial resources

The financial ressources are mainly presentede by equity of TDKK 29.606 and debt capital TDKK 43.931

Expected developments

The EBIT is expected to be around TDKK 4.800 for then financial year 2023 and gross profit is expected to be around 16.000 TDKK.

Financial risks and the use of financial instruments

The Company bears currency and credit risks.

Foreign currency risks

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

Credit risks

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

Events occurring after the end of the financial year

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

Accounting policies

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

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

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

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

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

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

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

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

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

Income statement

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

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

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

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

Depreciation, amortisation, and writedown for impairment
Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses
Financial income and expenses comprise interest income and expense, financial costs regarding payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on net profit or loss for the year
Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Balance Sheet

Intangible assets

Goodwill

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

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

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

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

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

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

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

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

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

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

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

Impairment loss relating to non-current assets
The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

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

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

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

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

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

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

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

Receivables

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

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

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

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

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

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

DKK thousand.

Note		2022	2021
	Gross profit	**19.692**	**16.458**
1	Staff costs	-13.779	-12.900
2	Depreciation, amortisation, and impairment	-1.253	-1.266
	Operating profit	**4.660**	**2.292**
3	Other financial expenses	-193	-515
	Pre-tax net profit or loss	**4.467**	**1.777**
4	Tax on net profit or loss for the year	-1.031	-419
5	**Net profit or loss for the year**	**3.436**	**1.358**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2022	2021
	Non-current assets		
6	Goodwill	11.420	12.658
	Total intangible assets	11.420	12.658
7	Other fixtures and fittings, tools and equipment	8	23
	Total property, plant, and equipment	8	23
	Total non-current assets	**11.428**	**12.681**
	Current assets		
	Manufactured goods and goods for resale	3.416	4.207
	Total inventories	3.416	4.207
	Trade receivables	33.225	17.902
	Receivables from group entites	22.578	8.791
	Other receivables	2.155	1.142
	Total receivables	57.958	27.835
	Cash on hand and demand deposits	18.782	4.444
	Total current assets	**80.156**	**36.486**
	Total assets	**91.584**	**49.167**

Balance sheet at 31 December

DKK thousand.

Note	**Equity and liabilities**	2022	2021
	Equity		
	Contributed capital	818	818
	Retained earnings	28.788	25.352
	Total equity	**29.606**	**26.170**
	Provisions		
8	Provisions for deferred tax	2.473	1.722
	Total provisions	**2.473**	**1.722**
	Liabilities other than provisions		
	Debt to credit institutions	15.574	0
	Prepayments received from customers	24.902	11.069
	Trade payables	3.693	4.788
	Payables to group entities	11.410	1.272
	Income tax payable	280	0
	Other payables	3.646	4.146
	Total short term liabilities other than provisions	59.505	21.275
	Total liabilities other than provisions	**59.505**	**21.275**
	Total equity and liabilities	**91.584**	**49.167**

9 Contingencies

10 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	818	25.352	26.170
Retained earnings for the year	0	3.436	3.436
	818	**28.788**	**29.606**

Notes

DKK thousand.

		2022	2021
1.	**Staff costs**		
	Salaries and wages	12.604	11.684
	Pension costs	899	856
	Other costs for social security	136	119
	Other staff costs	140	241
		13.779	**12.900**
	Average number of employees	17	16
2.	**Depreciation, amortisation, and impairment**		
	Depreciation of other fixtures and fittings, tools and equipment	15	28
	Amortisation of goodwill	1.238	1.238
		1.253	**1.266**
3.	**Other financial expenses**		
	Financial costs, group enterprises	100	245
	Other financial costs	93	270
		193	**515**
4.	**Tax on net profit or loss for the year**		
	Adjustment of deferred tax for the year	751	419
	Tax on net profit or loss for the year	280	0
		1.031	**419**
5.	**Proposed appropriation of net profit**		
	Transferred to retained earnings	3.436	1.358
	Total allocations and transfers	**3.436**	**1.358**

Notes

DKK thousand.

		31/12 2022	31/12 2021
6.	**Goodwill**		
	Cost 1 January 2022	24.755	24.755
	Cost 31 December 2022	**24.755**	**24.755**
	Amortisation and writedown 1 January 2022	-12.097	-10.859
	Amortisation and depreciation for the year	-1.238	-1.238
	Amortisation and writedown 31 December 2022	**-13.335**	**-12.097**
	Carrying amount, 31 December 2022	**11.420**	**12.658**
7.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2022	2.366	2.366
	Cost 31 December 2022	**2.366**	**2.366**
	Amortisation and writedown 1 January 2022	-2.343	-2.315
	Amortisation and depreciation for the year	-15	-28
	Amortisation and writedown 31 December 2022	**-2.358**	**-2.343**
	Carrying amount, 31 December 2022	**8**	**23**
8.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2022	1.722	1.303
	Deferred tax relating to the net profit or loss for the year	751	419
		2.473	**1.722**

9. Contingencies

Contingent liabilities

Rent obligations falling due within five years amount to TDKK 2.361. The rent obligations falling due within one year amount to TDKK 450.

Lease obligations (operating leases) falling due within five years amount to TDKK 2.742. The lease obligations falling due within one year amount to TDKK 1.356.

DKK thousand.

9. Contingencies (continued)

Contingent liabilities (continued)

Of the company's trade receivables amounting to TDKK 33.225 is TDKK 15.574 provided as security for bank loans as part of factoring agreement.

10. Related parties

Controlling interest

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

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

DMG Mori Aktiengesellschaft
Gildemeisterstrasse 60
D-33689 Bielefeld

Transactions

The company has the following related party transactions:

	2022
Sale of goods to group companies	5.202.787
Purchase of goods from group companies	81.886.473
Sale of services to group companies	1.946.124
Purchase of services from group companies	2.285.826

The company's balances with group enterprises at December 31, 2022 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 3. Further balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.