

# Annual Report

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# 2023



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# INDICES

## HERMLE GROUP

€m	2019	2020	2021	2022	2023	Change 2023/2022
Turnover	463.1	296.9	376.0	474.1	532.3	12.3%
- Domestic	197.6	112.2	139.2	171.5	203.3	18.5%
- International	265.5	184.7	236.8	302.6	329.0	8.7%
Orders received	414.4	242.5	439.1	534.1	494.8	-7.4%
Order backlog	99.3	44.8	107.9	168.0	130.5	-22.3%
Investments	16.3	21.6	8.6	10.4	33.2	219.0%
- Property, plant and equipment <sup>1</sup>	13.3	21.6	7.6	10.4	33.2	219.0%
- Financial assets	3.0	-	1.0	-	-	-
Depreciation	10.4	10.4	11.3	11.2	11.6	3.6%
- Property, plant and equipment <sup>1</sup>	10.4	10.4	11.3	11.2	11.6	3.6%
- Financial assets	-	-	-	-	-	-
Operating result	114.2	54.2	74.6	99.6	115.8	16.3%
Net income	84.2	40.1	54.9	71.8	87.6	22.0%
Cash flow	94.6	50.5	66.3	87.8	99.1	12.9%
Balance sheet total	360.1	347.0	415.0	467.8	506.4	8.3%
Equity	260.4	274.4	305.2	334.8	366.9	9.6%
Employees (reporting date 31 December)	1,319	1,304	1,320	1,383	1,511	9.3%

<sup>1</sup> Property, plant and equipment and intangible assets

For ease of reading, the terms used in this annual report, such as employee and worker, should be broadly representative and inclusive for all persons.

# COMPANY EXECUTIVE BODIES

## SUPERVISORY BOARD

**Dietmar Hermle**

Chair,  
Entrepreneur

**Lothar Hermle**

Deputy Chair,  
Industrial Foreman

**Dr. Sonja Zobl-Leibinger**

Deputy Chair,  
Lawyer

**Dr. Wolfgang Kuhn**

Entrepreneur

**Gerd Grewin\***

Industrial Foreman, Control Technician,  
Chair of the Works Council

**Andreas Borho\***

Industrial Business Management Assistant

## MANAGEMENT BOARD

**Günther Beck**

Areas of responsibility:  
Finances Information technology

**Franz-Xaver Bernhard**

Areas of responsibility:  
Research & development Sales

**Benedikt Hermle**

Areas of responsibility:  
Materials management . Production . Service .  
Human resources (since 1 May 2023)

## FULLY AUTHORISED REPRESENTATIVE

**Gabriele Peyerl** (until 30 April 2023)

Area of responsibility:  
Human resources

\*Elected employee representatives

Additional Management Board and Supervisory Board positions are stated on page 84.

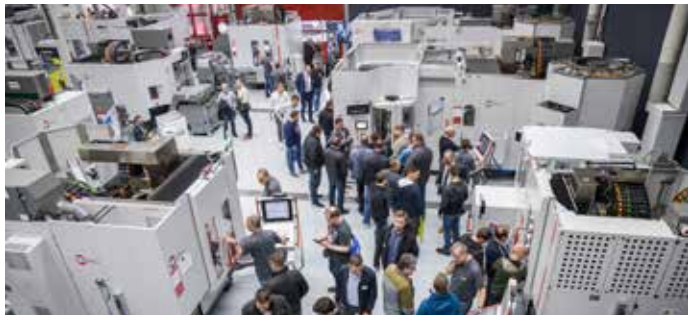
# COMPANY HISTORY

- 1938 Founding of Berthold HERMLE, a bolt and machine screw manufacturer, in the southwestern German town of Gosheim. Production of turned parts begins.
- 1953 Conversion to Maschinenfabrik Berthold HERMLE KG.
- 1956 Centrifuge production begins.
- 1957 Milling machine production begins.
- 1972 Presentation of first HERMLE universal milling machine.
- 1975 Production of numerically-controlled milling machines.
- 1978 Start of production of CNC controlled milling machines.
- 1984 Conversion to Maschinenfabrik Berthold HERMLE GmbH & Co.
- 1990 Conversion to Maschinenfabrik Berthold HERMLE AG, company is publicly traded on the stock exchange. Company opens new sales and administration building in Gosheim.
- 1992 Start of comprehensive restructuring of the HERMLE Group in Germany and abroad.
- 1995 Optimisation of company as part of the 2000 Concept.
- 1997 HERMLE Vertriebs GmbH commences operations.
- 1998 Founding of HLS HERMLE Systemtechnik GmbH as a joint venture for customer-specific automation of HERMLE machines.
- 1999 HERMLE (Schweiz) AG is founded in Switzerland as a sales and service hub.  
Opening of the new Technology and Training Centre in the Kassel-Lohfelden business park.
- 2000 Our technology and training centre opened at the company headquarters in Gosheim.
- 2001 US branch becomes independent entity as HERMLE Machine Co. LLC.  
Founding of HERMLE Nederland B.V.
- 2003 Service and sales centre commissioned in North America.
- 2004 Opening of the customer service centre at the installation location in Gosheim.  
Opening of the sales branches and representative offices in China, Austria and the Czech Republic.
- 2005 Founding of the export business HERMLE WWE AG in Switzerland and a Russian subsidiary.
- 2006 Founding of HERMLE Italia S.r.l.
- 2009 During the financial crisis, the concept of the breathing company proves itself once again: Despite the drop in demand, HERMLE manages to make a profit and avoid job losses.  
Founding of a branch in Denmark, as well as a representative office in Bulgaria.
- 2011 HERMLE opens a branch in Poland.  
A new warehouse and logistics centre commences operations at the company headquarters in Gosheim.
- 2014 At its Gosheim location, the company moves into a state-of-the-art production facility for the assembly of large machines and automated plant and opens a new restaurant for customers and visitors.
- 2016 Second production facility is established in Zimmern ob Rottweil.
- 2017 Expansion of machining operations at the location in Gosheim.
- 2018 Acquisition of all shares in the former joint venture HLS, which specialises in automation.
- 2019 Founding of a subsidiary in Mexico.
- 2020 HERMLE manages to overcome the economic slump caused by the COVID-19 pandemic and keep its workforce intact.  
Founding of HERMLE South East Asia (Thailand).  
Opening of an ultra-modern sheet metal production facility at the location in Zimmern ob Rottweil.  
As a full-range supplier, HERMLE now supplies automation solutions for the entire spectrum of machines.
- 2022 HERMLE establishes a subsidiary in China.

# HIGHLIGHTS 2023

## APRIL

**Open House: Original with cult status** – The HERMLE Open House opens its doors again without COVID-19 restrictions. We welcome approx. 2,500 guests from 1,100 companies and over 30 countries to the event, the number of visitors is almost back to pre-COVID-19 levels. For four whole days, interested parties are provided with a comprehensive showcase of HERMLE services, machining centres, Industry 4.0 solutions as well as automation and digitalisation components. Over 20 machining operations specially programmed and set up for the Open House demonstrate the high precision and reliability of HERMLE products. The star of the exhibition is undoubtedly the lovingly milled, 1:5 scale VW T1 van – yet another true cult classic.



## JUNE

**HERMLE subsidiary in France** – To serve the key French market directly in the future, HERMLE establishes a subsidiary in the country in March: HERMLE France SAS, based in the greater Paris area. This enables us to intensify contact with our customers in France, something that was previously handled by a trading partner. The new company commences operations in June and represents HERMLE at the important Paris Air Show.



## JULY

**New hub in the USA** – Speed is the key to successful service. HERMLE USA Inc. therefore decides to open a new service branch in Phoenix, Arizona. Customers in the western half of the USA can be accessed and supplied with spare parts faster and thus more cost-effectively from this new hub.

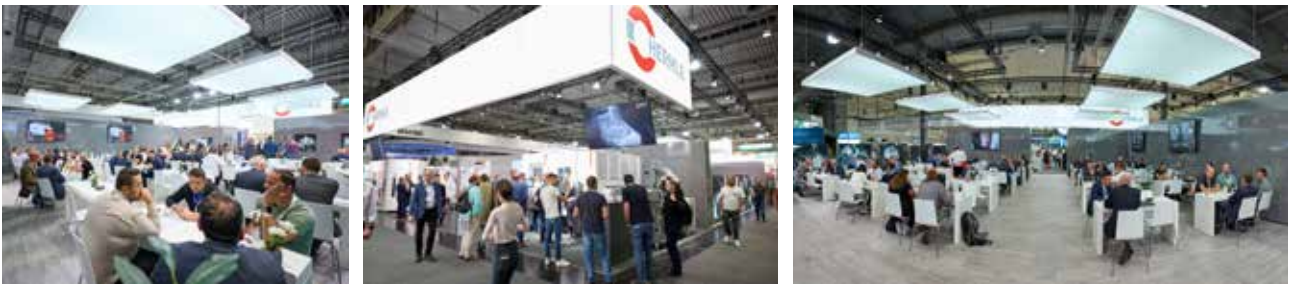


**Big party for the HERMLE team** – Following a three year break due to the COVID-19 pandemic, HERMLE employees celebrate a big summer party at the company headquarters in Gosheim. The event, which is very popular with the employees, helps to further strengthen the already existing strong bond within the HERMLE team. Roughly 900 employees come together to exchange ideas and have a good time.



## SEPTEMBER

**HERMLE at EMO** – HERMLE also attends EMO 2023 in Hanover, the world's leading trade fair for production technology that is not to be missed. Around 92,000 trade visitors from approx. 130 countries learn about the latest innovations and trends in the industry. Spread across 560 m<sup>2</sup> of exhibition space and true to the motto "everything from a single source", HERMLE exhibits three fully equipped automation solutions and a mill/turn machining centre. All machines showcase the technological advantages of HERMLE products with interesting machining operations.



## NOVEMBER

**Photovoltaic system connects to the grid** – HERMLE puts the first module of a new photovoltaic system into operation at its production site in Zimmern ob Rottweil. Once completed, the system, which consists of two equally sized modules on two roofs, is expected to offer an average yield of around 1,650 megawatt hours a year. Thus, on days with sufficient sunlight, HERMLE will be able to fully meet the location's daily electricity demands and operate fully CO<sub>2</sub> neutral without electricity from the grid.



**New HERMLE company in South East Europe** – HERMLE establishes yet another international company: HERMLE South East Europe S.R.L. It is based in Medias/Romania, north-west of the capital Bucharest. Business operations in the South East Europe region will be systematically managed and expanded from this location.

**25 years of HLS** – The automation specialist of the HERMLE Group, HLS HERMLE Systemtechnik GmbH, celebrates its 25th anniversary. Founded in November 1998 for the customised automation of HERMLE machines, HLS initially developed pallet changers. This was soon followed by the first robot systems and further automation components. Focussing from the start on automation has proven to be the right and far-sighted decision. Today, this business segment plays a key role in HERMLE's success.



# INTRODUCTION BY THE MANAGEMENT BOARD

## DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF THE COMPANY,

In 2023, Maschinenfabrik Berthold HERMLE AG again performed satisfactorily despite facing some very difficult challenges. This was down to the high order backlog from the previous year, the continued solid order intake, which lasted until the second quarter of 2023, and the significantly improved supply chain situation.

Group turnover rose by around 12% to more than €m 532 over the past business year – a new record high. Sales of automation solutions featuring HERMLE's own digitalisation components grew particularly strongly, allowing us to outpace the industry average slightly. Our strategy of focussing increasingly on automation has, therefore, proven successful. In this segment that is so full of potential, we offer our customers customised complete solutions from a single source – ranging from individual machines with simple pallet changers to large production solutions with complex robot systems and coupled with intuitively operable software.

Income also rose to an unprecedented level in 2023: The Group's yearly surplus increased by 22% to €m 87.6. In addition to slightly higher capacity utilisation, we additionally benefited from an improved product/country mix and the ability to pass on some of the more moderate increases in energy and material prices. The higher result also further underpinned our financial and asset position, which was clearly reflected in a further increase in the equity ratio to 72.5% and extensive liquid funds totalling €m 111 at the end of 2023.

This is a solid foundation on which to propose increasing the dividend at the shareholders' meeting in July: Subject to the approval of the ordinary shareholders, we propose a payout of €15 per ordinary share and €15.05 per preference share. In the previous year, the figure was €11 and €11.05 respectively. Based on the closing price in 2023, which was set at €216 on

the Stuttgart Stock Exchange, this results in a dividend yield of 7% for the preference shares. A total of €m 75.1 of HERMLE AG's balance sheet profit, which totalled €m 156 in 2023, is to be received by the shareholders, leaving the company with sufficient funds for current and upcoming major investment projects.

What factors drove the positive development in 2023? Our machine tools and automation solutions set technological standards, offer high quality and exceptional efficiency, are customised to meet our customers' needs and ensure economical production. Moreover, users of our products also benefit from an extremely reliable, fast and competent service. In addition to these customised responses to our customers' needs, our company benefits from broad market positioning both regionally and across various sectors. We also have ultra-modern and efficient structures in place, not only in production but throughout all areas of the company, great flexibility and, most importantly, an outstanding team of employees. We would like to express our sincere thanks to all the employees of the HERMLE Group worldwide. Without them, HERMLE's above-average business performance over many years would not have been possible.

In 2023, the number of HERMLE employees rose by almost 130 to more than 1,500 people. All of them are key to both operational development and the implementation of essential projects to secure HERMLE's long-term future. These projects are continuously advanced independently of day-to-day business operations. For example, the internationalisation of our activities: Last year saw the establishment of new sales and service companies in France and Romania, as well as a service hub in the western USA. In 2024, we are looking to expand our global reach, for instance in Turkey, India and various African and South East Asian countries. Or the R&D sector: In 2023,



we started converting the internal hardware and software architecture of our machines to the next generation, which we will gradually introduce to the market. The first Generation 2 machines were unveiled at the 2024 Open House, with more to follow over the course of the year.

Site development also plays a key role: To boost capacity and meet the growing demand for automation solutions, we constructed new buildings at our production site in Zimmern ob Rottweil in 2023. These additions have expanded our mineral casting production facility and storage capacities and provide a second facility for manufacturing large parts. Interior construction work is currently being completed and operations are planned to commence there in the fourth quarter of 2024. We are also installing a photovoltaic system on the roofs of the buildings in Zimmern, the first section of which has already been put into operation. Cutting-edge technical facilities for spindle assembly were set up at the company headquarters in Gosheim in 2023 and should be in operation by the middle of this year. The next step will involve initiating preparations for the construction of a larger application centre to showcase our entire range of machining centres and automation solutions, along with a new canteen for our employees.

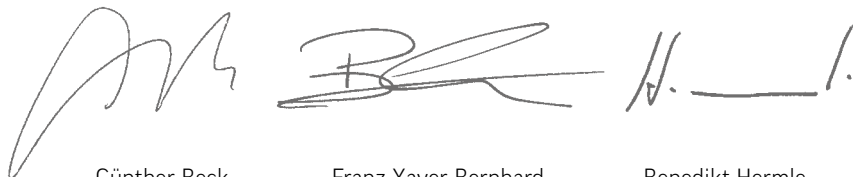
From an operational perspective, 2024 will be much more challenging than 2023. The decrease in demand forecast for the previous year did not materialise until May 2023, and thus later than anticipated. As a result, we were able to maintain a solid order backlog at the beginning of 2024. However, the downward trend has continued throughout the first few months of 2024. The reasons for this are manifold. On the one hand, the weak domestic economy, challenging economic and political conditions in both Germany and Europe, rising labour and material costs as well as numerous geopolitical conflicts and associated risks are all contributing to a reluctance to

invest in the industry. On the other hand, increasing red tape and regulations are causing problems for both us and our customers. Examples include slow export approval processes, the German Supply Chain Duty of Care Act and increasingly detailed regulations regarding sustainability reporting. Additionally, the growing shortage of skilled labour and the intricate balancing act between rising customer expectations, particularly in the service sector, and the evolving work-life balance demands of employees further complicate the situation.

Predicting future developments is never an easy task, but we anticipate continued deterioration in the coming months. In 2024 as a whole, Group turnover is unlikely to reach last year's strong level. Even in the best-case scenario, it may fall short, and in an unfavourable one, it could drop by up to 20% or more. The result is likely to fall by at least 10% to 20% more than turnover due to costs and capacity utilisation. Such losses would obviously be unpleasant, but HERMLE is well prepared to deal with them. Our concept of a breathing company, which allows us to adjust for fluctuations in demand with a highly flexible working hours system, along with our substantial equity and liquidity reserves, provides us with a strong level of resilience to short-term developments compared to the rest of the industry.

In any case, we focus on sustainable trends rather than fleeting ones. In the medium term, the overall demand for HERMLE machining centres and automation solutions is expected to continue worldwide. They help address both cost pressures and the shortage of skilled labour. Implementing the necessary technological changes in numerous areas – such as mobility and climate change – will also be challenging without the extremely dynamic, high-precision machine tools manufactured by HERMLE.

Yours faithfully,



Günther Beck  
Management Board

Franz-Xaver Bernhard  
Management Board

Benedikt Hermle  
Management Board



# REPORTS



HERMLE C 42 U MT dynamic as a 5-axis mill/turn version |  
Machining of a engine casing for the aerospace industry.

# REPORT OF THE SUPERVISORY BOARD

## LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

In the 2023 business year, Maschinenfabrik Berthold HERMLE AG surpassed the industry average growth rate and achieved record highs in both turnover and result. Demand slowed overall throughout the year amid increasingly challenging and uncertain conditions. Nevertheless, thanks to the substantial order backlog from 2022 and the unexpectedly strong order intake at the beginning of the year, we achieved highly satisfactory performance once again. This is again testament to the effort and commitment shown by every member of the HERMLE team. On behalf of the Supervisory Board, I would like to thank the Management Board and all the employees for their outstanding contributions.

### COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

Throughout the 2023 business year, the Supervisory Board diligently and conscientiously fulfilled all its responsibilities in accordance with legal requirements and the Articles of Association. We provided the Management Board with advice and support in managing the business and closely monitored its activities. Our collaboration always fostered an open, trusting and constructive environment. The Management Board provided us with comprehensive and frequent written and verbal updates on all critical company matters. This included strategic initiatives, operational business performance, the current company status, including risk and financial aspects, corporate planning such as financial, investment and personnel planning, as well as any deviations from these plans. As a result, we were consistently informed about crucial developments and engaged in all key decisions from an early stage. This particularly applied to transactions requiring approval, for which we always reached agreements based on comprehensive documentation and detailed discussions. The Supervisory Board would like to expressly thank the entire Management Board team for consistently well-prepared information and harmonious cooperation.

During Supervisory Board meetings, we thoroughly and constructively discussed all important issues concerning the company. Significant social and environmental concerns were also considered. The Management Board was on hand at the meetings to provide explanations and to answer questions if needed. Additionally, the Supervisory Board regularly discussed current events with the Management Board in between meetings.

### SUPERVISORY BOARD MEETINGS AND COMMITTEES

In the 2023 business year, the Supervisory Board held five scheduled meetings, as it did the previous year, on 22 March, 26 April, 5 July (two meetings) and 6 December. We again recorded a high level of participation throughout the year under review. Except for one meeting where a Supervisory Board member failed to attend but sent apologies for their absence, all of the members were present at all times. As such, the Supervisory Board meetings were always quorate. The Management Board also attended all the meetings in person.

As in previous years, the Supervisory Board formed a general committee, which did not have to be convened during the period under review. In compliance with our legal obligations, we also established an Audit Committee. In accordance with Section 107 (4) in conjunction with Section 100 (5) of the German Stock Corporation Act (AktG), at least one member of the Committee must have expertise in the field of auditing (Dietmar Hermle) and at least one further member must have expertise in the field of accounting (Dr Wolfgang Kuhn). In 2023, the Audit Committee mainly dealt with the preparation of the annual audit. On 22 March 2023, the Committee decided by written consent in lieu of a live Supervisory Board meeting to appoint Ebner Stolz GmbH & Co. KG as auditor for the 2023 business year and declared that this recommendation was made

free of undue influence by third parties. At its meeting on 26 April 2023, the Audit Committee reviewed Ebner Stolz's report on the audit of HERMLE AG's 2022 annual financial statements, consolidated financial statements and summary management report. After a thorough examination, the Committee decided to recommend that the Supervisory Board approve these financial statements.

## THE MAIN SUPERVISORY BOARD ISSUES IN 2023

Topics regularly discussed at last year's Supervisory Board meetings included the progress of the new machine and service business, result and personnel development as well as current market trends. We also frequently addressed the adverse effects of increasing EU and German Government regulations on Germany as a business location. Other regular agenda items included the planning and advancement of the construction projects at the Gosheim and Zimmern ob Rottweil sites, as well as the continued internationalisation of the HERMLE Group.

During the Supervisory Board meeting on 22 March 2023, the Management Board presented the preliminary figures and results for the 2022 business year, along with its recommendation for the appropriation of profits. The proposal to pay out a dividend of €11 per ordinary share and €11.05 per preference share for 2022 and to allocate €m 16 to revenue reserves was discussed in detail and approved unanimously. Another item on the agenda related to the organisation of the 2023 shareholders' meeting: The Supervisory Board decided to hold this event as a face-to-face event in 2023 after three virtual meetings during the COVID-19 pandemic. At the same time, it was decided to propose an amendment to the Articles of Association to the shareholders as a precautionary measure. This amendment will enable future shareholders' meetings to be held in a virtual format if necessary. With regard to the new construction projects, the Management Board reported on the conversion measures at the company headquarters in Gosheim. The premises of the former sheet metal production facility underwent extensive modernisation and preparation to accommodate the spindle assembly facility. We also enquired about the progress of work and the development

of construction costs in Zimmern ob Rottweil. The first construction phase, which essentially comprises expansion of the production facility for large parts and the storage area, began on schedule. We approved the Management Board's proposal to bring forward the second construction phase, expansion of the mineral casting production facility, and to implement it together with the first phase. We also looked at establishing a sales and service subsidiary in France, through which this key national market can be served directly in the future. Furthermore, we agreed to a change in HR management and decided to assign this area to the responsibility of Management Board member Benedikt Hermle, effective from 1 May 2023, upon the expiration of the power of attorney of the previous fully authorised representative, Gabriele Peyerl. We would like to express our sincere thanks to Ms Peyerl for her outstanding and valuable work. She is set to remain with HERMLE AG and continue to apply her extensive knowledge and experience in a senior role within a pivotal area of the HR department. Finally, we approved the Corporate Governance Statement in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and took note of the draft copies of the remuneration report and the mandatory non-financial statement.

The main focus of the Supervisory Board meeting on 26 April 2023 was the 2022 annual financial statements of Maschinenfabrik Berthold HERMLE AG and the Group. The auditing company Ebner Stolz GmbH & Co. KG reported in detail on the financial statements and were available for further questions. After a detailed discussion, the Supervisory Board approved the Audit Committee's proposal to adopt the annual financial statements of HERMLE AG and to approve the consolidated financial statements and the summary management report. Ebner Stolz also provided us with an outlook on future reporting requirements regarding sustainability issues (CSRD reporting requirements). Additionally, the Management Board briefed us on the risk situation and the mechanisms and measures of HERMLE's internal control system. We tasked them with defining a framework for the control obligations regarding transactions with related parties/companies. Another item was the preparation of the shareholders' meeting. The Supervisory

Board confirmed the final dividend proposal in line with the recommendation of the Management Board and decided to appoint Ebner Stolz as the auditor for the 2023 business year as suggested by the Audit Committee. Moreover, we approved the report of the Supervisory Board, adopted the agenda for the shareholders' meeting and approved the design of the 2022 Annual Report. During our discussions on the ongoing construction projects, we also addressed the growing shortage of parking spaces at the Gosheim site, stemming from the expanding workforce. In this context, we directed the Management Board to explore the feasibility of acquiring adjacent plots of land.

On 5 July 2023, the day of the shareholders' meeting, the Supervisory Board met before and after the said meeting. The topics of the initial meeting included the agenda of the shareholders' meeting and the business developments to date in 2023, which the Management Board presented as part of a concise report. We engaged in detailed discussions regarding the growing regulatory requirements and the prolonged processing times for export applications, which are adversely affecting HERMLE's operations in certain countries. During our meeting following the shareholders' meeting, the Management Board informed us about the re-organisation of the HR department and new concepts for this area, which is facing increasing challenges due to the shortage of skilled labour. The ongoing site development measures were also on the agenda. We sanctioned the acquisition of a plot of land to expand parking facilities at our corporate headquarters in Gosheim and reviewed the progress of projects in Zimmern, including the scheduled installation of a photovoltaic system, which is proceeding as scheduled.

On 31 August 2023, the Supervisory Board approved, by written consent in lieu of a live meeting, the Management Board's proposal to establish a subsidiary in Romania aimed at enhancing market development in South East Europe. On 11 October 2023, we also approved, by written consent in lieu of a live meeting, the acquisition of Gebr. Grieswald GmbH & Co. KG. This will expand the strategically important segment of spindle production for HERMLE.

The final Supervisory Board meeting of the year was held on 6 December 2023 and focused on budget planning. The Management Board outlined the planned sales of new machines and the budgets of both HERMLE AG and the Group for 2024. They specifically discussed potential factors influencing the result development and provided details on investment projects. After extensive discussions, we approved both the budget and the investment plans. Another issue was site development: The Management Board reported on the progress of the ongoing measures, the plans for the next construction phase at the site in Gosheim and the associated, expected increase in construction costs, which the Supervisory Board approved. An outlook was presented outlining the plans for the site over the next decade. We also received updates on the business performance of the subsidiary HERMLE Maschinenbau GmbH, which specialises in additive and generative manufacturing, and discussed preparations for the acquisition of Grieswald. Additionally, we approved the unchanged declaration of compliance according to Section 161 of the German Stock Corporation Act (AktG).

## ANNUAL AUDIT 2023

On 5 July 2023, the shareholders' meeting elected Ebner Stolz GmbH & Co. KG as the auditor for the business year 2023. The auditors assured in advance that they did not render any significant services to Maschinenfabrik Berthold HERMLE AG in the year under review going beyond this assignment and that no circumstances applied that could jeopardise their impartiality or give rise to doubts about their impartiality.

Ebner Stolz audited the annual financial statements of Maschinenfabrik Berthold HERMLE AG prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB) and issued an unqualified opinion. The same applies to the consolidated financial statements, which were prepared in compliance with the International Financial Reporting Standards, as applicable in the European Union (EU), and the supplementary provisions pursuant to Section 315e (1) of the German Commercial Code



(HGB), as well as the summary management report for HERMLE AG and the Group. The auditors assured that the financial statements give a fair and appropriate presentation of the net assets, financial position and results of operations and that the management report accurately presents the opportunities and risks of future development of HERMLE AG and the Group.

The Management Board provided us with the financial statement documents and the audit reports in good time. We scrutinised the documents and discussed them together with the auditors during the balance sheet meeting on 26 April 2024. The auditors reported on the key findings, main issues and particularly important matters of their audit. The Supervisory Board agreed with the auditor's findings and did raise any objections. We approved the annual financial statements and the management report. The annual financial statements of Maschinenfabrik Berthold HERMLE AG have, therefore, been formally approved. The Supervisory Board also approved the Management Board's proposal on the appropriation of profits for the 2023 business year. Accordingly, a basic dividend of €0.80 per ordinary share and €0.85 per preference share, as well as a bonus of €14.20 per share is to be paid out.

The auditor also examined the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG) and raised no objections. We also examined this report, formed an opinion on its correctness and expediency and approved it. Furthermore, the Supervisory Board also reviewed the mandatory non-financial statement pursuant to Section 289b and 315b of the German Commercial Code (HGB) and confirmed that they comply with the legal requirements.

From today's perspective, the 2024 business year will be characterised by enormous challenges. These challenges stem from various factors, including numerous geopolitical crises, as well as challenging economic and regulatory conditions, especially in Europe and Germany. These factors negatively affect the investment climate and subsequently impact demand at HERMLE. Therefore, depending on further economic developments, HERMLE's business performance is expected to

decline in 2024. Nevertheless, our company offers significant potential for the future due to the anticipated sustained high demand for machine tools and automation solutions in the medium and long term. The Supervisory Board extends its best wishes for success to all the employees and the Management Board team when dealing with the upcoming challenging tasks.

Gosheim, April 2024



Dietmar Hermle  
Chair of the Supervisory Board

# MANAGEMENT REPORT OF THE AG AND CONSOLIDATED REPORT

This report is a summary management report covering Maschinenfabrik Berthold HERMLE AG and the Group. It is in line with the requirements of the German Accounting Standard (DRS) 20. As in the previous year, the consolidated financial statements for 2023 were prepared in compliance with the International Financial Reporting Standards (IFRS), as applicable within the European Union. The accounting principles of the German Commercial Code (HGB) were applied to the annual financial statements of the individual company Maschinenfabrik Berthold HERMLE AG. Details that refer to the individual company are denoted with the addition "HERMLE AG" or "individual company". The separate mandatory non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (HGB) can be viewed on the HERMLE website at [www.hermle.de](http://www.hermle.de) (under: Company & Career / Investor Relations / Sustainability Report). It contains all the key information on our sustainability activities as well as the legally required disclosures in accordance with the EU Taxonomy Regulation.\*) There are no disclosure requirements in accordance with Sections 289a and 315a of the German Commercial Code (HGB), as only the preference shares of Maschinenfabrik Berthold HERMLE AG's share capital, which is divided into 4 million ordinary shares and 1 million non-voting preference shares, are traded on the stock exchange.

## GROUP FUNDAMENTALS

### BUSINESS MODEL AND SALES MARKETS

Maschinenfabrik Berthold HERMLE AG is one of the world's leading manufacturers of high-quality milling machines and machining centres and offers its customers complete automation solutions from under one roof. Our 5-axis machining centres and high quality standards set benchmarks in the industry. HERMLE's customers include domestic and international companies in high-tech sectors such as toolmaking and mould construction, medical technology, the electronics and chip industries, packing technology, the optical industry, the aerospace industry, energy technology as well as the automotive industry, including their subcontractors. We are continuously broadening our customer base so that the importance of individual sales sectors, such as the automotive industry, is gradually decreasing. In addition, we will increasingly distribute our products worldwide and develop growth markets in a targeted manner in order to improve our international position. Our most important single market is and remains Germany.

The HERMLE product range has a modular structure that is continuously enhanced in line with the requirements of the various market segments. The basis is formed by two machine series: High-quality entry-level machines of the Performance

Line and extremely dynamic, precise and powerful machining centres of the High Performance Line. Furthermore, we offer a growing number of digital modules and automation components. Building on this, we are increasingly designing individual solutions for integrated automation and digitally networked production for our customers. To this end, we integrate modules from various areas, such as tool handling, digital components and robot systems, into our machining centres to meet the needs of our customers. In addition, we offer services for additive and generative manufacturing.

### ORGANISATIONAL STRUCTURE

The HERMLE Group consists of the parent company Maschinenfabrik Berthold HERMLE AG and several domestic and international subsidiaries. Within the Group, HERMLE AG handles most of the development and production activities, central services and logistics services, as well as commercial issues and administrative functions. Other domestic companies include the subsidiaries HPV HERMLE Vertriebs GmbH (HPV), HLS HERMLE Systemtechnik GmbH (HLS), which specialises in customised automation solutions, and the development company HERMLE Maschinenbau GmbH (HMG), which focuses on additive and generative manufacturing. The companies which have their headquarters in Germany make up the Domestic company segment.

\*) This sentence is an unverified statement.

The Foreign sales segment comprises our companies and operating facilities outside Germany. They mainly assume sales and service activities in various regions. In 2023, new subsidiaries were founded in France and Romania and the group of consolidation companies was expanded accordingly. Independent HERMLE subsidiaries are also located in China, Italy, Mexico, the Netherlands, Switzerland, Thailand and the USA. In addition, there are HERMLE operating facilities in Denmark, Austria, Poland and the Czech Republic as well as representative offices in other sales regions, for example in Bulgaria, which organisationally belong to HERMLE AG.

## STRATEGY AND MANAGEMENT CONTROL

The strategy of Maschinenfabrik Berthold HERMLE AG is geared towards profitable organic growth. We aim to produce premium grade tool machines and top-class automation solutions in Germany relying on a strong equity base and a highly motivated and competent team of employees working for the company on a long-term basis, offer excellent service worldwide and in the process generate adequate income. With our high-precision, powerful machining centres, automation components and digital modules, which are continuously being further developed, we have become an established partner for integrated automation solutions. We want to continue to consolidate this position. Moreover, we are striving for a broad industry-related positioning and intend to further advance the internationalisation of our activities as well as the digitalisation of our product range and all corporate processes. In the year under review, we were able to successfully implement our strategy.

We also continued our work on a systematic sustainability strategy in 2023. This topic has always been a high priority at HERMLE. For example, we are committed to conserving resources in our operations, sourcing raw materials from local suppliers, keeping routes short and providing attractive and secure jobs for our employees. In recent years, stricter statutory regulations have significantly raised the standards for sustainable corporate governance. To meet these requirements and further reduce CO<sub>2</sub> emissions, among other goals, we are taking a pragmatic approach by maximising savings potential in material and energy consumption, as well as transportation, wherever feasible. Another crucial aspect is the contribution that our machines and systems can make to driving sustainable innovation for our customers, as they are essential in many industries for initiating technological advancements. As a precautionary measure, we actively monitor the risks associated with increasing sustainability requirements, which are currently minimal for HERMLE overall.

The HERMLE Group is controlled centrally by HERMLE AG. The orders received, turnover and earnings before interest and taxes (EBIT), which correspond to the result, are the key indicators for this. The Management Board of HERMLE AG, which consists of three members, is responsible for managing the company.

## CORPORATE GOVERNANCE STATEMENT

The working methods adopted by the Management Board and the Supervisory Board as well as relevant details of corporate governance practices are set out in the Corporate Governance Statement pursuant to Sections 289f and 315d HGB, which is permanently available on our website [www.hermle.de](http://www.hermle.de) (under: Company & Career / Investor Relations / Mandatory publications / Corporate Governance Statement). It also includes the legally required disclosures of female-to-male employee ratios pursuant to Sections 76 and 111 of the German Stock Corporation Act (AktG).

Remuneration of the Management Board is presented in detail in the remuneration report, which is available on our website at [www.hermle.de](http://www.hermle.de) (under: Company & Career / Investor Relations / Mandatory publications / Remuneration System/Remuneration Report).

## BUSINESS REPORT

### FRAMEWORK CONDITIONS: GLOBAL ECONOMY MORE ROBUST THAN EXPECTED

According to the International Monetary Fund (IMF) in January 2024, the global economy proved to be surprisingly more resilient than expected in 2023. Despite high inflation and the corresponding restrictive policies of many central banks, as well as numerous geopolitical conflicts, it is likely that growth reached 3.1% last year. That is 0.1 percentage points more than forecast in October 2023. One of the reasons for the slightly better-than-predicted outcome was the unexpectedly robust economic performance in the USA and in several large developing and emerging countries. It was also notable that global inflation declined faster than anticipated and that China contributed more to global economic growth than expected. From a historical perspective, however, 2023 was one of the weakest years for growth in the past three decades, excluding recessionary periods. In 2022, the increase was 3.5%.

According to the IMF, industrialised nations recorded overall growth of 1.6% in 2023 (previous year 2.6%) and the developing and emerging countries grew by 4.1%, as in the

previous year. In the USA, gross domestic product (GDP) is expected to have grown by 2.5% (previous year 1.9%) and in China by 5.2% (previous year 3.0%). By contrast, the economy in the eurozone was marked by consumer and investment restraint, high energy prices and financing costs, and it expanded by only 0.5% (previous year 3.4%).

Germany experienced particularly weak performance, with its price-adjusted gross domestic product shrinking by 0.3% according to the Federal Statistical Office (Destatis), in contrast to an increase of 1.8% in 2022. According to Destatis, this was due to prices remaining high at all stages in the economic process despite recent declines, unfavourable financing conditions due to rising interest rates and weaker domestic and foreign demand. The manufacturing industry, in particular, experienced losses, while many service sectors helped bolster the economy.

## INDUSTRY SITUATION: ORDERS RECEIVED DECREASE SIGNIFICANTLY

The persistent uncertainty in the political and economic climate, coupled with higher financing costs, subdued the demand for investment goods, impacting the mechanical and plant engineering sector as well. According to estimates by VDMA (German Mechanical Engineering Industry Association), global machine sales stagnated in 2023 on a price-adjusted basis, with declines in euro countries and the USA offset by only modest growth in China. The price-adjusted turnover of German machine and equipment manufacturers remained stable last year. However, due to some significant price adjustments, a nominal increase of roughly 7% was achieved. The robotics and automation sector proved to be a pillar of development, boosting sales by an estimated 13% according to VDMA.

Based on information from VDMA, production by German machine and equipment manufacturers fell by 1% on a price-adjusted basis. Although companies continued to benefit from high order backlogs in the first half of the year, demand gradually declined in the second half. Overall, orders received by German machine and equipment manufacturers fell by 12% in real terms in 2023. In 2023, companies experienced an 11% decline in domestic orders and a 13% decrease in orders from abroad. In nominal terms, new orders fell by 5%.

The machine tool manufacturing sector developed in a similar fashion: In terms of orders received, VDW (German Mechanical Engineering Industry Association) reported a nominal decrease of 11% for its member companies in 2023, with a sharper decline of 14% in Germany compared to a 9% decrease abroad.

In contrast, German machine tool manufacturers managed to achieve a 10% increase in turnover in nominal terms, both overall and within the machining sector.

From a technological perspective, Industry 4.0 and thus the automation and digitalisation of manufacturing processes continue to be of central importance to the sector. A major driver in this field is the significant shortage of skilled workers in Germany, which companies are compensating for with increasing automation, thereby reinforcing the trend towards autonomous manufacturing. In addition to the increasing degree of automation, simple and convenient operation of the production systems is becoming more and more important. In addition, we continued to observe a high demand for both extremely powerful, high-precision machines and high-quality, standardised and thus low-priced entry-level models. Furthermore, additive or generative manufacturing processes (so-called 3D printing) continue to gain importance in various special applications.

## AN OVERVIEW OF HERMLE'S BUSINESS PERFORMANCE

The HERMLE Group achieved profitable growth in 2023, driven by a substantial order backlog from the previous year and initial strong demand. Our order intake increased until the beginning of the second quarter of 2023, and thus longer than expected. As forecast, there was a slowdown from May. For the year as a whole, orders received fell by around 7% to €m 495. This decline was slightly less than the industry average. Our strategy of expanding our product portfolio to include automation solutions has thus proven successful.

With continued easing in global supply chain disruptions throughout the year under review, we were able to process orders swiftly and fully utilise our capacities. Group turnover increased by around 12% to a new high of around €m 532, slightly more than in the machine tool industry as a whole. Business with automated production systems equipped with HERMLE digitalisation components was particularly strong.

The operating result of the Group increased slightly faster than turnover by 16.3% to €m 115.8 in 2023. In addition to slightly higher capacity utilisation, we also benefited from the price quality remaining steady. The ongoing price increases for purchased materials and energy were partially offset by passing on costs and benefiting from a favourable product/country mix. Increased staff costs due to new hires, wage increases from collective agreements and high sickness absence rates were largely offset by improved capacity utilisation. In the previous

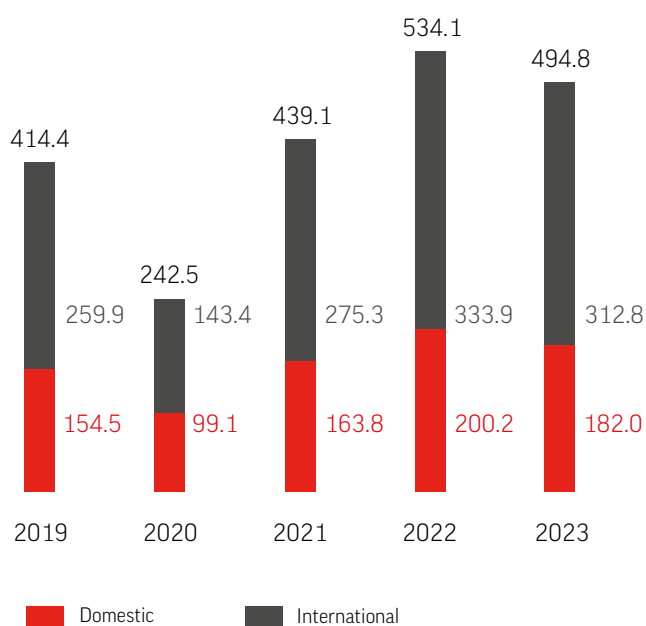
year, the result was also down by around €m 5 due to the termination of business activities in Russia.

Overall, despite the uncertain environment marked by a reluctance to invest from the second quarter onward, the past business year proved to be very satisfactory for HERMLE. We were able to consolidate our market position as technology leader in 5-axis machining centres and expand in the field of automation solutions.

### ORDERS RECEIVED BY HERMLE DOWN BY 7% TO €M 495

Demand for HERMLE machines and systems increased during the first four months of 2023, thus exceeding initial forecasts. The anticipated slowdown did not occur until May, but this was partially mitigated by the acquisition of new major projects. Furthermore, we profited from the generally sustained high demand for automation solutions, which we can cover very well with our production systems. In total, new orders amounting to €m 494.8 were received across the Group during the past business year, 7.4% less than in the previous year. Domestic orders received rose by 9.1% to €m 182 and orders received from abroad by 6.3% to €m 312.8. As of 31 December 2023, the order backlog came to about €m 130.5. The previous year's extremely high figure of €m 168 was partly influenced by postponed sales caused by supply chain disruptions.

#### Orders received by the HERMLE Group in €m

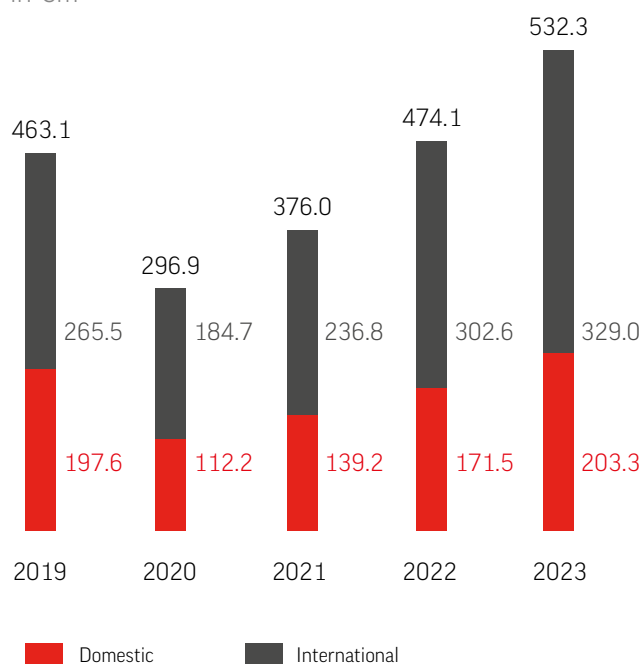


Orders received at HERMLE AG fell by 7.1% to €m 449.4 in 2023. Of which €m 183 were generated by domestic sales (previous year €m 201) and €m 266.4 by foreign sales (previous year €m 282.9). The order backlog of the individual company totalled €m 118.6 at the end of 2023 compared to €m 154.6 on the same date in the previous year.

### TURNOVER INCREASES BY 12% TO €M 532

Due to the high order backlog from the previous year and excellent demand in the first four months, HERMLE was able to increase Group turnover by 12.3% to €m 532.3 in 2023. Growth was achieved in both the new machine and the service business, with sales of HERMLE automation solutions equipped with HERMLE digitalisation components becoming increasingly significant. Domestically, the business volume rose by 18.5% to €m 203.3. Non-domestic turnover grew by 8.7% to €m 329. This led to an export quota of 61.8% (previous year 63.8%).

#### HERMLE Group turnover in €m



Turnover of the individual company HERMLE AG increased by 12.7% to €m 485.4 during the period under review. Turnover in Germany rose by 18.6% to €m 204.2 and non-domestic turnover by 8.9% to €m 281.2. Thus, the export rate was 57.9% (previous year 60.0%).

## SEGMENT DEVELOPMENT

In 2023, turnover in the Domestic Companies segment of the HERMLE Group increased by 12.7% to €m 301.8. Growth was recorded at HERMLE AG as well as at the automation specialist HLS and the sales company HPV. HMG, which is responsible for development and the range of services in the area of additive or generative manufacturing and contributes to HERMLE AG's turnover, was also able to increase its business volume.

Turnover in the Foreign Sales segment increased by 11.7% to a total of €m 230.5. The subsidiaries benefited from our increasingly automated product portfolio and the corresponding growth in the service business. The companies in Italy, Switzerland and the USA performed particularly well. The new companies in China and Mexico also achieved high growth rates, despite starting from a low level. The French-based company, which was founded in 2023, also got off to a highly successful start. The business performance of the other foreign branches and representative offices assigned to HERMLE AG also enjoyed good development.

## OPERATING RESULT INCREASES BY MORE THAN 16.3% TO €M 116

The results of the HERMLE Group in 2023 were positively influenced by overall high capacity utilisation, despite some areas starting to normalise towards the end of the year, and by the price quality remaining steady. Based on the increased sales, the total operating performance rose by 10.1% to €m 534.1. Since there were no major shifts compared to the previous year, the inventory increase in 2023 was significantly lower at €m 1 (previous year €m 9.4). The company-produced assets decreased from €m 1.5 to €m 0.7 and, as in 2022, mainly concerned self-produced machines and testing equipment for production and quality assurance as well as the expansion of capacity for our service offerings in the area of additive or generative manufacturing.

The cost of materials was characterised by higher purchase prices for supplier parts and energy, which, however, did not develop quite as dynamically as predicted; additional costs were partially offset by passing them on. We also benefited from an improved product/ country mix with favourable exchange rates, especially for the US dollar and the Swiss franc. As a result, the cost of materials ratio to the total operating performance fell from 42.1% to 40.7%, wherein the previous year's ratio was distorted upwards by the high inventory increase.

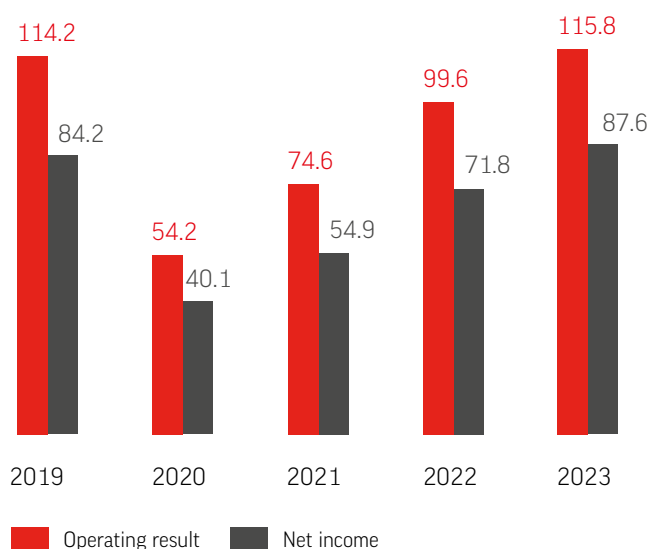
Staff costs increased significantly during the period under review. In addition to the expansion of the workforce, increases from collective agreements and unchanged high sickness absence rates in Germany and abroad were noticeable. Despite improved capacity utilisation, the share of staff costs in the total operating performance therefore rose from 25.7% to 26.8%.

At €m 11.6, depreciation was slightly above the previous year's figure of €m 11.2. The net balance of other operating expenses and income was roughly €m -46. The previous year's figure of €m -45.3 included losses of around €m 5 due to the termination of business activities in Russia.

The overall 2023 operating result of the HERMLE Group increased by 16.3% to €m 115.8. Of which €m 102.5 (previous year €m 99.6) was generated by the Domestic Companies segment. In the Foreign Sales segment, the result rose from €m 5.1 to €m 13.7, partly due to the absence of the losses resulting from terminating business activities in Russia.

Including the financial result, which grew from €m 0.1 to €m 2.5 in the year under review as a result of the interest rate hike by the European Central Bank, HERMLE's result before taxes was €m 118.4 across the Group (previous year €m 99.7). This corresponds to an increased gross margin on turnover from 21% to 22.2%. The net income of the Group rose from €m 71.8 to €m 87.6. The result thus increased from € 14.35 to € 17.50 per ordinary share and from € 14.40 to € 17.55 per preference share.

### HERMLE Group operating result and net income in €m





At HERMLE AG, the operating result determined according to the German Commercial Code (HGB) regulations jumped by 9% to €m 100.6. The net income, which included €m 8.3 in dividends from subsidiaries (previous year €m 3.9), increased by 14.7% to €m 82.9.

## FINANCIAL MANAGEMENT AND FINANCIAL POSITION: CASH FLOW INCREASES TO €M 99

The financial management of HERMLE AG and the Group aims to ensure that operational business activities and investments are largely financed internally and that liquidity is safeguarded. By primarily financing our activities from internally generated cash flows, we can respond swiftly and flexibly to changes in the market, thereby maintaining a relative independence from third-party interests and the uncertainties of capital markets. Further, we invest our liquid funds exclusively in low-risk and predominantly short-term investments to ensure that we can access them quickly in the event of an economic downturn. We use financing options such as leasing only in a few exceptional cases where this seems advisable.

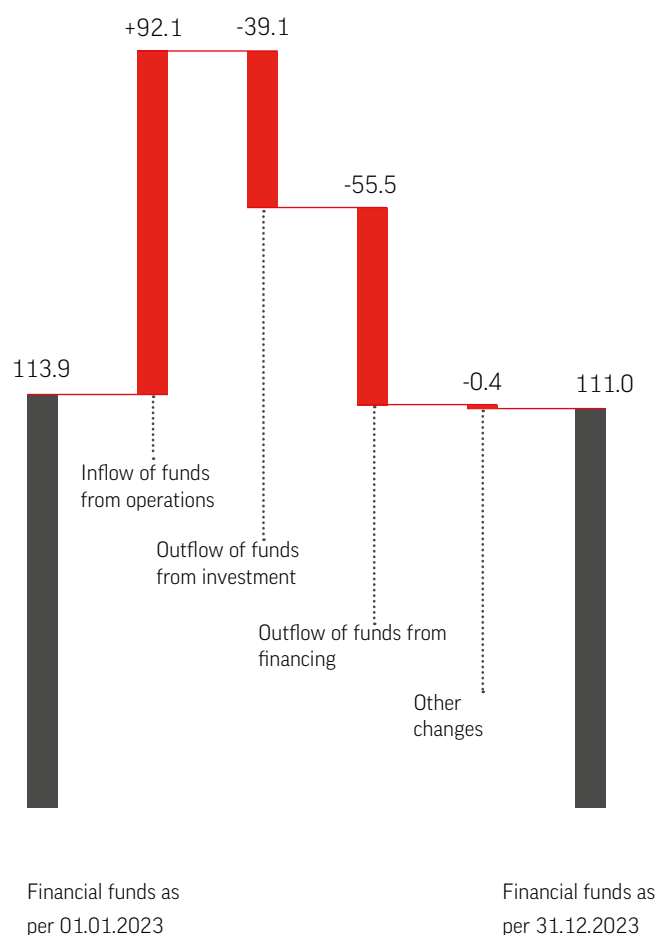
The operating cash flow before changes in working capital increased in the HERMLE Group in 2023 by 12.8% to €m 99.1 on the basis of the improved result. The funds tied up in working capital increased slightly. The increase in inventories and the decrease in advance payments on orders received were mainly offset by the increase in staff-related expenses and tax provisions. Overall, the inflow of funds from operations amounted to €m 92.1 compared to €m 90.5 in the previous year.

Investments amounted to €m 39.1, primarily driven by the net increase in expenditures for capacity expansion, totalling €m 32.2. The following chapter contains details on this. On balance, expenses of €m 5 were also incurred, as the expenditures for purchasing outside marketable securities exceeded the proceeds from the sale or repayment of maturing time deposits, which must be recognised here in accordance with IFRS. The previous year's figure of €m 41.4 included significantly lower investment payments of €m 10.4 as well as time deposit purchases totalling a net amount of €m 32.

The outflow of funds from financing activity of €m 55.5 (previous year €m 45.4) was predominantly characterised by the significantly higher dividend payout to shareholders compared to the previous year. For the 2023 business year, the Management Board recommends that the Supervisory Board proposes a distribution of € 15 per ordinary share and € 15.05 per preference share. In addition to the unchanged base dividend of € 0.80 per ordinary share and € 0.85 per preference share, a bonus of € 14.20 is planned for each share (previous year €10.20).

In total, there was an outflow of €m 2.9 in the HERMLE Group, meaning that the amount of liquid funds dropped from €m 113.9 on 1 January 2023 to €m 111 on 31 December 2023. HERMLE thus still has a healthy financial cushion for upcoming investments and the forecast decrease in demand.

## HERMLE Group liquidity development 2023 in €m



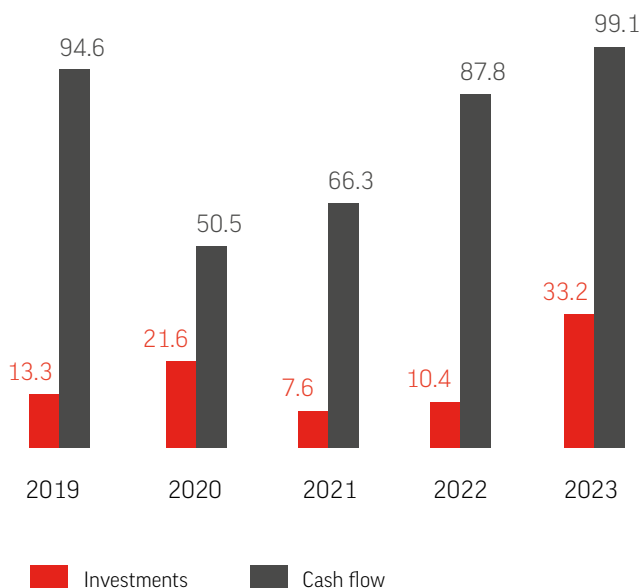
The liquid assets of the individual company had increased from €m 99.7 to €m 110.7 by the end of December 2023.

## SIGNIFICANT INCREASE IN INVESTMENTS FOR CAPACITY EXPANSION

Investments in property, plant and equipment and in intangible assets by the HERMLE Group increased considerably in 2023 from €m 10.4 to €m 33.2. The main focus was on the expansion of the production site in Zimmern ob Rottweil, which includes constructing a second production facility for large parts and expanding the existing mineral casting production facility and the storage capacities. In addition, a photovoltaic

system was installed and put into operation at this site. We also acquired additional land in 2023 to ensure our continued growth. Other main focuses of investment included the new spindle assembly facility at the company headquarters in Gosheim, information technology and equipping our expanded service team in Germany and abroad.

**HERMLE Group cash flow and investments\* in €m**



\*Investments in property, plant and equipment and intangible assets

The individual company HERMLE AG invested €m 28 in property, plant and equipment and intangible assets during the year under review, which corresponds to an increase of €m 20.5 compared to the previous year. Once again, the construction measures in Zimmern and Gosheim as well as the IT and service areas were at the heart of the investment activities.

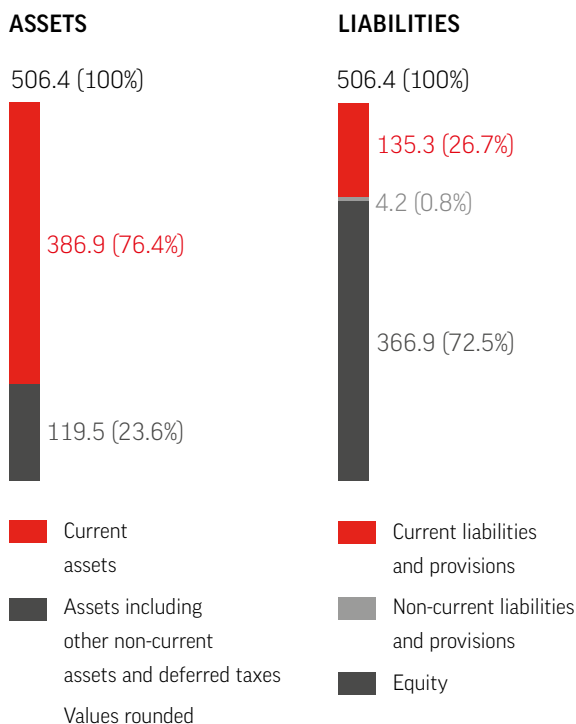
**NET ASSETS**

The balance sheet of the HERMLE Group had grown by 8.3% to €m 506.4 at the end of 2023. In terms of assets, this was primarily due to high advances paid and assets in construction totalling €m 20 (previous year €m 1.7). They were related to the construction measures at the sites in Gosheim and Zimmern. Due to investments in IT hardware, service equipment and quality assurance, among other items, the category of other systems, fixtures and fittings increased from €m 12.8 to €m 16. In total, property, plant and equipment increased by 26.6% to €m 102.7. Financial assets increased from almost zero to €m 3 due to the acquisition of time deposits with a term exceeding one year. Intangible assets only changed

insignificantly from €m 9.6 to €m 9.0. Overall, the non-current assets increased from €m 94.1 to €m 119.5.

Inventories also increased significantly from €m 108.1 to €m 120.8, wherein we took the precaution of increasing the stock of raw, process and operating materials in particular. At €m 93.2, trade accounts receivables were slightly below the figure recorded on the same date in the previous year (previous year €m 94.6), the other current receivables hardly changed at €m 12.9 (previous year €m 13.1). Current securities rose from €m 44 to €m 49 due to the increased investment of liquidity in time deposits with maturities of between three months and one year. Furthermore, €m 3 was newly invested in time deposits with maturities in excess of one year. This led to liquid funds decreasing by 2.5% to €m 111.

**Balance sheet structure of the HERMLE Group (31.12.2023) in €m**

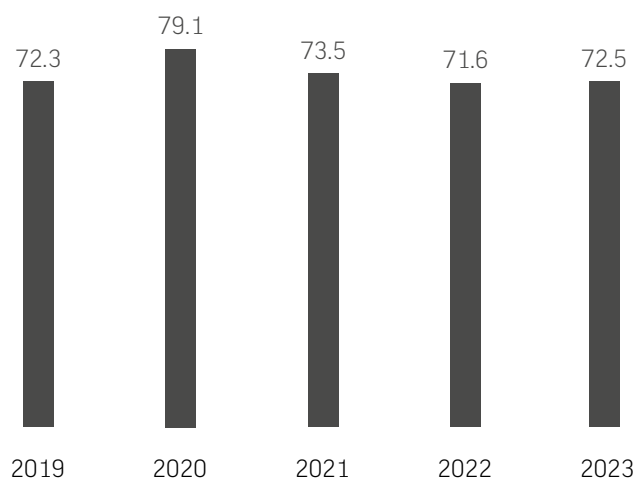


The liabilities side of the balance sheet remained dominated by equity, which increased from €m 334.8 to €m 366.9. This led to a slightly improved equity quota of 72.5% (previous year 71.6%).

While non-current liabilities remained of minor importance at €m 4.2 (previous year €m 3.9), current liabilities increased by 4.8% to €m 135.3. There were opposing changes: Other current liabilities fell from €m 66.7 to €m 56.8, mainly due to the decrease in advance payments on orders received. In contrast, tax provisions increased from €m 4.4 to €m 13.3 and current

provisions from €m 48.4 to €m 56.4 due to the increase in income. This was mainly due to personnel provisions, including for the well stocked flexitime accounts. The current trade accounts payable totalled €m 8.8 (previous year €m 9.6).

### HERMLE Group equity ratio in %



At the end of 2023, the balance sheet total of the individual company HERMLE AG had risen by 10% to €m 405.4 compared to the figure recorded on the same reporting date in the previous year. Equity increased by 10.2% to €m 300.8, thereby corresponding to a 74.2% share of the balance sheet (previous year 74.1%).

### OVERALL ASSESSMENT OF THE ECONOMIC SITUATION AND COMPARISON WITH THE FORECAST

Overall, the HERMLE Group performed slightly better than expected during the past business year. At €m 494.8, the orders received were down by around 7% on the previous year, while Group turnover rose by roughly 12% to €m 532.3 and the operating result increased by 16.3% to €m 115.8. The individual company HERMLE AG also developed better than expected.

At the start of 2023, we forecast a noticeable decline in order intake. In terms of turnover and result, we anticipated at least stable development and, in a favourable scenario, increases compared to the very good level of 2022. As the high demand in the first few months of the period under review lasted longer than expected, the decline in orders received was less pronounced and turnover growth was stronger than predicted. The resulting better-than-predicted price quality and

the slowdown in material cost increases ultimately led to a disproportionately high increase in the result.

Against this background, the extremely solid financial and asset position of the HERMLE Group was further consolidated despite extensive investments: The operating cash flow rose by 12.9% to €m 99.1. As of 31 December 2023, the liquid funds amounted to €m 111 and the equity ratio to 72.5%. Overall, the Management Board of Maschinenfabrik Berthold HERMLE AG considers business performance and the economic situation to be very satisfactory, although demand has slowed noticeably since the fourth quarter of 2023.

## OTHER PERFORMANCE FEATURES

### R&D: CUSTOMISED AUTOMATION REMAINS THE FOCUS

HERMLE conducts intensive research and development (R&D). These activities are a crucial success factor for the company and were maintained at a high level during the year under review. The goal is to offer our customers additional benefits and thus further consolidate our market position. The main focus is on technological advancements in our machine series as well as on enhancing the breadth and depth of our automation expertise.

In terms of machining centres, the focus of R&D in 2023 was on the fundamental conversion of the internal hardware and software architecture of our machines and systems to the next generation (Generation 2) in order to meet the latest technological standards and to map additional functionalities. This includes various aspects such as control and drive technology. The base frame and the structure of the Generation 2 machining centres remain unchanged. We have already finished development of the first machine series, which will be presented as Generation 2 variants at the Open House 2024.

Our R&D activities in automation continued to focus on customised innovations, such as the fully automatic conversion of a machining centre and additional hardware and software components to expand our modular system for user-specific complete solutions. In addition to automation components, new and useful digitalisation ones are continuously being developed to enhance the degree of automation, overall functionality and ease of use.

In the field of MPA technology (metal powder application process), HERMLE's additive or generative manufacturing process that is offered to our customers as a service, we have been able to implement new applications for high-tech sectors such as the telecommunications and aerospace industries.

## PRODUCTION: CONSTRUCTION MEASURES TO EXPAND CAPACITY IN ZIMMERN ON SCHEDULE

Our cutting-edge production capacities were well utilised in the period under review thanks to the large order backlog from the previous year and the continued strong demand at the beginning of 2023. To prepare for future growth, we continued implementing the extensive investment programme launched in 2022, impacting both of our production sites. In 2023, the main focus of activities was on the site in Zimmern ob Rottweil. New buildings were constructed for a new production facility for large parts, the expansion of the existing mineral casting production facility and additional assembly and storage areas. Construction work went according to plan. The next step involves interior construction work, with commissioning scheduled for the second half of 2024. We are additionally installing a photovoltaic system to cover most of the electricity requirements at the site ourselves. The first section of this system, which is located on the roof of existing buildings, was completed and put into operation in 2023.

In Gosheim, we have largely completed the conversion and modernisation of the premises for the new spindle assembly facility, which should be up and running by the second quarter of 2024. Furthermore, our production processes were adjusted to accommodate the increasing proportion of automation solutions, and quality assurance was further enhanced.

## PROCUREMENT: ONGOING PRICE INCREASES

Despite our high level of in-house production, purchased materials and components play a key role at HERMLE. The cost of materials accounts for more than 40% of the Group turnover. To ensure a reliable supply of all critical parts, we maintain long-term and trusting relationships with our suppliers. Whenever possible, we work with suppliers from the local region and avoid overseas deliveries. We contribute to financial stability in the supply chain as a reliable and solvent partner with an excellent payment record.

In 2023, disruptions in global supply chains decreased, but the procurement situation was still marked by price increases for

materials, transport and energy. To secure our supplies in the long term, we have continued to focus intensively on alternative material components and suppliers.

## SERVICE AND SALES: EXPANSION OF INTERNATIONALISATION

Our highly dependable service and efficient sales organisation are key competitive advantages for HERMLE. Due to the increasing share of automated production systems in our portfolio, the importance of service is growing significantly. To ensure the high service quality that is well recognised within the industry, we are constantly expanding and consolidating our service networks in Germany and abroad and increasingly digitalising the corresponding processes. Expansion of our international sales and service activities plays a particularly crucial role. The objective is to expand into new markets and customer bases, to enhance support for customers in existing regions by shortening response times and to bolster resilience against potential customer production shifts due to factors like escalating energy costs in Europe or geopolitical conflicts.

In the year under review, we expanded our service capacities and networks in various markets. HERMLE France SAS, a new subsidiary in France, was founded in March. The company is based in the greater Paris area and has been operating successfully since June. The mutual arrangement with the trading partner that previously served the French market ensured a seamless transition for our customers. Our US company HERMLE USA Inc. established a new service branch in Arizona at the end of the second quarter, which commenced operations in July. It is located close to the air traffic hub Phoenix, which obviously shortens distances to customers in the western USA, thereby reducing response times as well as travel and logistics costs. In October, we also established HERMLE South East Europe S.R.L., located north-west of the capital Bucharest in Romania, to enhance our local presence and development in the South East Europe region.

As part of our internationalisation drive, we also intensified our presence at global trade fairs in 2023. In total, we took part in more than 30 trade fairs on all continents, around 20% more than in the previous year. Our main focus was on Europe, America and Asia, although we also showcased our products in Africa and Australia. However, the most important events for us took place in Germany with the HERMLE Open House and EMO, the world's leading trade fair for production technology. There were also user days and workshops designed to boost customer loyalty.

## HERMLE TEAM GROWS TO 1,511 PEOPLE

At the end of past business year, the HERMLE Group had a total of 1,511 employees, 128 more people than on the previous year's reporting date. New employees were hired primarily for Customer Service roles in Germany and abroad and for areas associated with automation. As in previous years, junior staff were taken on after completing their training and the vacant positions were filled. Due to increasing requirements, we created additional positions for junior staff during the year under review, particularly in the field of cooperative university courses. As of 31 December 2023, the Group employed 531 people in production (previous year 531), 93 in administration (previous year 93) and 887 in the areas of customer and supplier service as well as R&D (previous year 759).

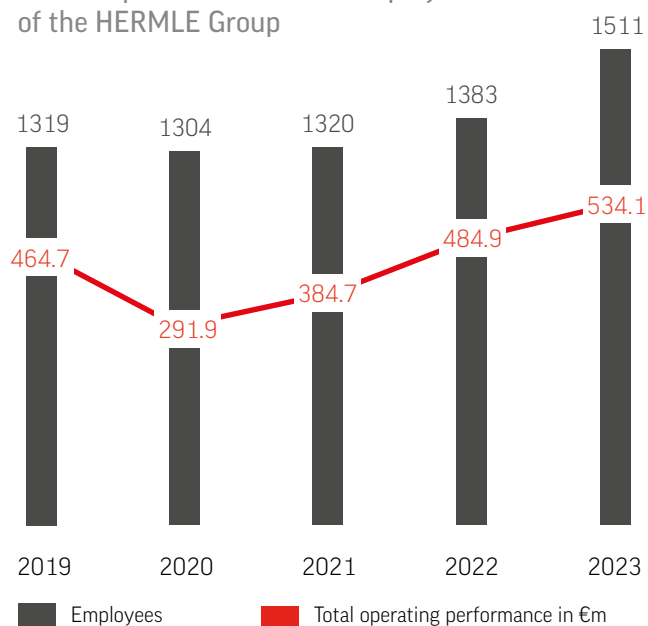
On an annual average basis, we employed 1,472 people across the Group in 2023 (previous year 1,355); of which 1,282 (previous year 1,190) worked at companies in Germany and 190 (previous year 165) in foreign sales.

The number of employees at HERMLE AG increased to 1,179 compared to the same reporting date (previous year 1,097). We were able to increase the number of young apprentices and dual-study students from 87 to 111. The previous year saw a decline due to the shortening of apprenticeship periods, driven by high demand among other factors. The increase during the reporting period is also attributed to our intensified activities targeting young people. Training is an important task for HERMLE, both due to the shortage of skilled labour and our sense of corporate responsibility. As a result of the demographic change and the changing life concepts of young people, the search for suitable candidates is a challenging task. More information on our respective activities is contained in chapter Social affairs of the mandatory non-financial statement.

## TOTAL OUTPUT PER EMPLOYEE INCREASES TO €K 353.5

In 2023, the total output per employee at the HERMLE Group rose despite the increase in the workforce by 0.8% to €k 353.5 (previous year €k 350.6). The demands on our employees remained high due to strong capacity utilisation in the year under review. As part of HERMLE's 2000 Concept, their flexitime accounts were further replenished, reaching nearly the upper limit in many areas. In order to reward the motivation of our workforce, it is planned that all employees in Germany receive an incentive payment in the form of a fixed one-off amount following the distribution of dividends. The incentive payment is linked to the amount of the dividend.

## Total output and number of employees of the HERMLE Group



## DIVERSITY IN THE HERMLE TEAM

Tolerance and a diverse workforce are crucial to HERMLE's success. Diversity, for example in terms of gender, nationality and age, help us to draw on a wide range of experience and prevent the shortage of skilled labour in Germany. A key objective is to expand the quota of women in industrial-technical professions. Basically, well over 80% of all jobs at HERMLE, including positions on the first two management levels, have a technical focus. They require training in industrial professions or so-called MINT subjects (mathematics, information technology, natural sciences and technology) – fields in which women are still strongly underrepresented.

In our recruitment procedures for technical staff, we aim to consider at least a number of women proportionate to the total number of applications. To this end, we have geared our recruitment campaigns specifically towards young women, such as Girls' Days. They give interested female candidates the chance to find out about career opportunities in technical professions. Our EMMA (Electronics, Mechatronics, Mechanics and Automation) support project is also aimed at female apprentices and their specific needs. We intensified these programmes in the year under review. With regard to new hires, we were able to increasingly consider female candidates so that the quota of women at HERMLE AG increased overall from 14% to 17% and in the industrial-technical field from 7% to 8%.

Disclosures relating to the quota of women in management positions are contained in the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB).

The increasing internationalisation of HERMLE's activities is also creating more employment opportunities for individuals of various nationalities. In particular, to strengthen our position in key foreign markets, open up new markets and intensify customer contacts, we specifically recruit native speakers from these regions as required. Applications from persons with an international background are also very welcome when expanding the workforce at the company headquarters. In 2023, there were corresponding new hires, primarily for sales and service roles in the USA, France, the Netherlands and Romania.

HERMLE also offers attractive jobs to people with disabilities. In 2023, the rate of severely disabled people at HERMLE AG was 2.4%, compared to 2.5% in the previous year.

Given the significant value of the extensive experience of older employees, our aim is to retain them within the company for the long term. For everyone interested, we also offer partial retirement models. In 2023, the average age of the workforce at HERMLE AG remained 38 years, consistent with the previous year, and the average length of service was twelve years due to the influx of new hires (previous year 13). Last year, 59 employees across the Group were recognised for their long-standing service to the company (ranging from 10 to 40 years), including 29 HERMLE employees who celebrated their 40th anniversary with the company in the past decade.

## SUPPLEMENTARY REPORT

Following the conclusion of the 2023 business year and up until this report was signed off, there were no events that had significant effects on the earnings, financial and assets position of HERMLE AG and the Group, with the exception of the event mentioned below. In order to strengthen our position in the area of high-precision grinding parts, which are required for strategically important spindle assembly, for example, we acquired Gebr. Grieswald GmbH & Co. KG, Burladingen, with 20 employees in January as part of an asset deal effective from 1 April 2024.

## RISK AND OPPORTUNITIES REPORT

### RISK AND OPPORTUNITIES MANAGEMENT

As a globally active, medium-sized company, Maschinenfabrik Berthold HERMLE AG is confronted with a wide range of opportunities and risks in the course of its business activities. Opportunities can often only be exploited by accepting certain risks. The management of opportunities and risks therefore

represents a fundamental cornerstone of our corporate governance and is absolutely essential for our long-term positive development. In general, we only want to take risks if the associated business can be expected to make an appropriate contribution to the company's assets.

HERMLE's risk and opportunity management is based on the Group-wide planning and controlling system. This provides us with early information on important external or internal changes which might entail opportunities or risks for HERMLE. The information is regularly reviewed within the company on a cross-divisional basis. As part of this open discussion, we develop suitable strategies to deal with the respective opportunities and risks.

### ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

HERMLE has installed an internal control system (ICS) to supplement risk and opportunity management and to ensure that the annual and consolidated financial statements comply with the regulations. Core elements of the ICS include the general separation of central functions and the application of the two-person rule as a matter of principle in the areas and business processes of key importance to the company's overall risk situation, which are additionally secured by access controls on IT systems.

### INTEGRATED MONITORING, CONTROL AND COMPLIANCE MANAGEMENT SYSTEM <sup>1</sup>

We also undertake monthly analyses of orders received, turnover and key expenditure items, as well as monitor trends in individual cost categories in order to identify any discrepancies quickly. In addition, there are suitable control mechanisms in product and order costing, service, sales, personnel, warehousing and manufacturing that enable conspicuous changes in these areas to be recognised at an early stage. Due to the still growing density of regulations, including new EU legislative initiatives, we are also continuously expanding our compliance activities.

In the year under review, we initiated revisions of our ICS and compliance systems to enhance and expand them with regard to various topics, for example in areas such as foreign trade. Due to its growing significance, the topic of climate risks is increasingly being integrated into our opportunity and risk management.

<sup>1</sup> The information in this section is not part of the management report and is not subject to audit.



## PRESENTATION OF KEY RISKS

The following sets out the key risks for HERMLE, in the order of their significance:

**Market and economic risks** – A deterioration in the economic environment can impact the demand cycles typical of our industry. Throughout 2023, the risks stemming from the highly uncertain macroeconomic environment of previous years have continued to increase. The war in Ukraine and other crises, such as the strained relations between China and the United States or the conflicts in the Middle East, are weighing on the geopolitical situation and generally bring about growing sales and supply risks. These risks are magnified by the increasing density of regulation and red tape in Germany and Europe, as well as the tendency towards trade restrictions and rising energy prices, as these factors could weaken the competitive position and responsiveness of export-oriented companies based here. More challenging financing conditions also heighten the risk of insolvencies among our customers. Furthermore, sales risks arise from the energy and mobility transition: The increasing demand for electricity for electromobility and heat pumps has led to situations where some of our customers are unable to secure adequate electricity from their utility providers to commission additional machine tools.

HERMLE can compensate for economic fluctuations to a normal extent very well through flexible structures and processes within the concept of the breathing company. In addition, our high liquidity and equity ratio, as well as the resulting extensive independence, additionally improve our ability to withstand changes in demand on a larger scale.

**Procurement risks** – HERMLE carefully selects suppliers and works with them in fair, usually long-term, partnerships in order to always have sufficient access to high-quality purchased materials and components and to avoid procurement bottlenecks. We generally reduce the risk of supply shortages with a second-source strategy, rolling demand planning and safety stock as far as is reasonable. The risk of supply chain disruptions has eased somewhat since the end of the COVID-19 pandemic but still persists due to ongoing geopolitical tensions. Increasing material and energy costs, along with more challenging financing conditions, have heightened the risk of insolvencies among our suppliers. We mitigate this by ensuring reliable and prompt payments. By operating our own combined heat and power plant, we partly avoid increasing energy supply risks that result from the phasing out of conventional power plants and the energy transition and which have, in particular,

increased in the area of gas supplies due to the war in Ukraine. We counteract the effects of the energy price increases, which mainly affect us indirectly due to the higher price demands from our suppliers, through moderate adjustments to our sales prices.

**Competitive risks** – In order to cushion the intense competitive pressure in our industry, we rely on particularly high-quality machines, individual production systems, a very competent and reliable service, high delivery reliability and the close customer loyalty that goes with it. Our intelligently structured product range and the modular design of our machines as well as automation and digitalisation components enable us to offer tailor-made solutions and at the same time maintain a sound cost structure. Moreover, the differentiation of our product range to meet diverse market requirements has a positive impact. As part of the current economic downturn, competition within the machine tool industry is expected to further intensify.

HERMLE counters trends toward market consolidation on the demand side and the risk of associated dependencies through regional and industry-specific diversification and by striving to acquire new customer accounts and open up new markets, particularly abroad. We mitigate the risk of payment defaults due to insolvency through rigorous order checks and comprehensive receivables management.

Due to the growing internationalisation in our industry, the probability of imitators is also increasing continuously. This is why we consolidate our R&D activities at the Gosheim site and strictly regulate access. We also rely on our high degree of vertical integration. Additionally, the fundamentally highly complex nature of HERMLE machines and system provides a degree of protection.

**IT risks** – To counter IT-related risks, HERMLE employs state-of-the-art technology and redundant systems in key areas. In Gosheim, we operate two mirrored computer rooms and another room for data backup in different parts of the building and also secure our data on a partly redundant infrastructure. Additionally, we have implemented consistent security mechanisms, which are checked by external specialists at regular intervals. Repeated training for our employees in the area of data security ensures they are aware of the high priority of this topic. Despite these measures, IT failures cannot be completely ruled out. The risks from cyber crime are increasing worldwide, and HERMLE, like other companies, faces cyber attacks on an ongoing basis. To mitigate the risks of hacker

attacks and other IT threats, we invested in additional IT security measures in 2023. Furthermore, cyber insurance is in place to ensure that we have access to sufficient support capacity from external specialists in the event of an emergency.

**Innovation and product risks** – In order to consistently align our range of products and services with user requirements, we regularly exchange ideas with customers, system suppliers and other market participants. The information gained from these exchanges helps to reduce innovation risks. Intensive R&D activities further strengthen our technological leadership. We prevent product liability risks through extensive testing prior to market launch as well as appropriate contract design, insurance and proactive service measures.

**Production risks** – HERMLE minimises the risk of production failures through careful, preventive and extensive maintenance and early investment measures. In addition, we always keep our production facilities up-to-date with the latest technology and use efficient organisational structures to ensure that production runs as smoothly as possible. The high technical competence of our employees reduces the probability of operating errors. In addition, some of our production facilities are redundant. However, the risk of an interruption in the power supply has increased due to the energy transition and an energy supply crisis that cannot be ruled out due to the war in Ukraine. Although HERMLE operates emergency generators to power doors, gates, lighting and the IT infrastructure, we do not have our own power plants to maintain a constant supply for production in the event of an outage.

**Quality risks** – The high quality of our machines and services is an important competitive factor, which we ensure to a large extent through systematic quality management, comprehensive testing procedures and training for our employees. The use of sophisticated machines and components as well as our extensive experience and competence in the field of automation also contribute to limiting quality risks. We also continuously expand our service capacities to ensure a very good level of services and spare parts supply even with an increasing share of the automation business.

**Climate risks** – The measures implemented by the EU and the German government to combat climate change pose the risk of cost increases stemming from higher energy and CO<sub>2</sub> prices. This could potentially lead to an increase in the cost of production, purchased materials and transport. As a company

in the machine tool industry, HERMLE is currently less affected by these negative factors compared to the average, since we do not have exceptionally high energy demands and our business model is not very CO<sub>2</sub> intensive. However, the significant rise in electricity demand for electromobility is increasing the risk of power supply bottlenecks, potentially impacting our customers' investment decisions in the future. Currently, we classify risks from climate change as low.

**Personnel-related risks** – HERMLE's employees are highly competent in their field, have completed most of their training at our company and regularly gain further qualifications. In order to increase their already high level of motivation and reliability, we offer our employees the most varied and interesting tasks possible, long-term employment relationships and autonomous activities. We are preventing the increasing shortage of skilled labour due to demographic developments in Germany by positioning ourselves as an attractive employer, making an above-average commitment to training and promoting the quota of women in the workforce, especially in technical areas. Although the challenges for HERMLE as an employer have increased due to greater demands from employees, such as flexible working hours or home office regulations, we continue to categorise personnel-related risks as low.

**Financial risks** – HERMLE finances both major investment projects and ongoing business activities largely internally. We have a conservative balance sheet and a high equity ratio. We therefore consider financial and liquidity risks to be low. Currency risks are minimised through suitable hedge transactions, which are, just like the other financial risks, described in detail in the notes to the consolidated financial statements under item (29). However, tax risks can arise from the high complexity of national and international tax regulations.

**Overall risk situation** – The uncertain overall economic situation has further increased the economic risks during the reporting period. Due to the challenging financing conditions and price hikes, especially in the energy sector, the risk of insolvency among our customers and suppliers has slightly increased. Conversely, the risk of supply chain disruptions has decreased somewhat. In the view of the Management Board, the currently discernible risks are manageable for HERMLE. They still do not pose a threat to the company's existence, either individually or in combination.

## PRESENTATION OF THE OPPORTUNITIES

Both the business environment and our own strengths offer HERMLE significant opportunities for future development. They are presented below divided into varying categories, but also partly overlap.

### Opportunities from the environment

Technological changes generally offer innovative companies like HERMLE great potential for expansion. At present, the trend towards networking and automation in manufacturing (Industry 4.0) in particular provides great opportunities for growth. HERMLE is a recognised and experienced full-range supplier in this field and can design and implement a wide range of production systems for its customers, right up to complete automation solutions for large workshops, into which additional functionalities can be integrated. The basis for this is formed by our high-quality and extremely reliable machines, a diverse range of corresponding automation and digitalisation modules, which we are continuously expanding, as well as our extensive experience in the field of automation. This gives us the opportunity to open up new markets as well as additional areas of demand with existing customers.

Social and political trends also present opportunities for HERMLE. The demographic change in many industrialised countries thus strengthens the sales potential of our automation solutions, as they give our customers the opportunity to actively counter the resulting shortage of skilled labour. Measures aimed at enhancing climate protection can also increase our sales opportunities, as the transition to new technologies, such as alternative energy generation or advancements in automotive technology, often initially requires the use of machine tools.

From a regional perspective, there are growth opportunities for HERMLE, especially abroad. We are therefore expanding our position in key markets and are reviewing additional interesting sales regions on an ongoing basis. In addition, the increasing maturity of various foreign markets in which we are already active offers us the opportunity to increasingly sell higher-quality machining centres there in the future.

In principle, HERMLE can develop better than expected if the overall economic and industry-specific conditions turn out to be more favourable than forecast. As we have flexible capacity reserves and processes due to our concept of a breathing company, which enable a high ability to deliver and react, we

can respond to positive economic developments even at short notice.

As the overall economy experiences an upswing, our customers' increased business activities provide further opportunities to sell our products. During periods of high demand, particularly efficient and dependable production systems, such as those manufactured by HERMLE, are often sought after.

### Opportunities from the strengths of the company

HERMLE's above-average quality and flexibility represent competitive advantages that have already been highlighted in relation to external opportunities. The resulting potential is further enhanced by the extensive expertise and motivation of our workforce. Their great commitment, experience and know-how underpin our technologically leading market position and help us to cope with fluctuations in demand and capacity utilisation, and to enhance customer loyalty based on strong service.

Favourable effects can also arise from our long-term HR policy. We keep the workforce as stable as possible during crises, such as the recent COVID-19 pandemic, thus having an intact, competent and motivated team in place for subsequent phases of upswing. This enables us to respond quickly.

Opportunities to attract new customers and explore additional applications for our machines with existing customers arise from the exceptional reliability of our machining centres, our expanding automation and digitalisation expertise and our up-to-date, needs-oriented product portfolio driven by ongoing innovations. The high-grade, standardised and therefore cost-effective 3 and 5-axis models that now augment the machinery portfolio have also improved our prospect of winning customers in new regions.

Positive effects may also result from our reputation as a dependable, financially stable and quality and service-oriented partner, known for continuity and high delivery reliability. As a result, our chances of acquiring new customers in both our existing market segments and new ones are also heightened.

Another success factor is our healthy liquidity and equity ratio, which makes us largely financially independent and enables us to respond rapidly to fluctuations in demand. We are also able to withstand economic downturns for longer than others. This increases our opportunities in particular in and after crises.

## FORECAST

### GLOBAL ECONOMY: SLOW UPWARD TREND

Following the stronger-than-expected performance of the global economy in the second half of 2023, the International Monetary Fund is now forecasting slightly better development for 2024 than initially assumed. In its WEO Update from January 2024, the institute forecast global economic growth of 3.1% for the current year, an increase of 0.2 percentage points from its last World Economic Outlook in October 2023. The IMF is particularly confident about the USA, China and large emerging and developing countries. However, the forecast remains significantly below the average historical growth rate of 3.8% for the years 2000 to 2019. According to the IMF, this is partly due to the restrictive monetary policies of many central banks, reduced fiscal support and lower productivity growth. Risks include numerous geopolitical tensions, particularly the war in Ukraine and the conflict in the Middle East, as well as natural disasters that could disrupt supply chains. A potentially prolonged period of inflation, along with corresponding measures by central banks and a slowdown in Chinese and European growth, could also negatively impact the global economy.

In the industrialised countries, overall economic output is expected to increase by 1.5% in 2024. The strength of the US economy, with a growth rate of 2.1%, is partially offset by the improved but still subdued momentum in the eurozone, where growth is forecast at just 0.9%.

For developing and emerging countries, the IMF is forecasting an increase of 4.1%. Positive effects are expected particularly from China, with a growth rate of 4.6%, and India, with a growth rate of 6.5%.

According to the IMF, the German economy is projected to grow minimally in 2024: With GDP expected to increase by 0.5%. The IMF cites low domestic demand from both private households and companies, which cannot currently be offset by exports, and the debt brake, which limits government spending, as the main reasons for the minimal growth forecast in Germany.

### WEAK INDUSTRY ENVIRONMENT

Global growth in the mechanical engineering industry is expected to remain subdued in 2024. According to forecasts by VDMA and the Oxford Economics research institute, global industry sales will stagnate once again on a price-adjusted

basis. As in 2023, declines in Europe and the USA are expected to be offset by a slightly positive trend in China, among other factors. Overall, according to VDMA, there is a lack of confidence in a sustained global economic upturn in the major sales markets of Europe, the USA and China, which is particularly necessary for the capital goods industry.

German machine and equipment manufacturers are forecast to experience a price-adjusted decline in turnover of 2% in the current year. In nominal terms, VDMA is forecasting a decline of 1%, although the robotics and automation sub-sector is expected to grow at an above-average rate of 4%. According to VDMA, production is expected to decline by 4% in real terms.

According to VDW (German Machine Tool Builders' Association), production in the domestic machine tool industry is likely to decrease by 3% in 2024. The industry association is currently observing a divergent or split development: Growth sectors such as electromobility, wind power, medical technology, aerospace and defence are primarily supporting the project business, while the standard machinery segment is weaker. Machine purchases are also facing challenges in financing due to higher interest rates. According to VDW, other challenges for the industry include increasing red tape, lengthy export authorisation procedures and a shortage of skilled labour.

### PROSPECTS FOR MASCHINENFABRIK BERTHOLD HERMLE AG

The current subdued economic situation in Germany and Europe, characterised by high uncertainty, increasing and unpredictable overregulation, high financing and energy costs and a corresponding reluctance to invest in the industry, is also impacting the prospects for HERMLE in the current year. Additionally, many overseas markets are currently expected to exhibit restrained momentum, and the slow processing of export licences is also hindering our business there in some cases. However, this is balanced by a generally high demand for automation solutions, driven in Germany and other industrialised countries not least by demographic factors.

Despite the slowdown in demand throughout 2023, HERMLE has entered 2024 with a solid order backlog. The first months of 2024 were characterised, especially in Germany, by weak demand, which was absorbed somewhat for HERMLE by various major projects. The

future development of the order situation is challenging to predict but is likely to deteriorate further given the difficult general conditions. We therefore anticipate a decrease in the number of orders received for the year as a whole, which could be at least 10%, but in the worst case could be around 25%. Depending on the actual development of the economy and demand, the turnover of the HERMLE Group and the individual company HERMLE AG is expected to fall short of last year's figure even in a favourable scenario. In the event of a stronger slowdown, it could decrease by around 20%. In every scenario, earnings before interest and taxes are expected to develop disproportionately weaker than turnover. Declines are expected here to be at least 10% to 20% greater than those in turnover. In addition to lower capacity utilisation, the inability to adequately pass on anticipated increases in personnel costs, regulatory expenses and energy prices in the current market environment is having a noticeable impact. Additionally, indirect burdens such as increased lorry tolls and CO<sub>2</sub> prices are leading to higher transport costs.

In the medium term, we expect demand for our products, especially in automation, to grow despite the current difficult economic situation. Therefore, we are continuing our extensive investment programme, although individual projects that have not yet been initiated may be postponed if a significant economic slowdown occurs. The ongoing capacity expansion measures in Zimmern and Gosheim will be completed in 2024. The interior construction work of the new buildings in Zimmern is currently underway. The second production facility for large parts, the assembly line for automation components and additional storage space for mineral casting and sheet metal parts are expected to be operational in the fourth quarter. The new spindle assembly facility in Gosheim will be put into operation in the first half of the year. Other investments in the reporting period focussed on the areas of production, IT and service. Overall, we anticipate an investment volume of around €m 25.

The HERMLE team will continue to grow in 2024. HERMLE plans to recruit new specialists in areas such as construction, procurement and warehousing and aims to compensate for planned retirements and manage increasing regulations, particularly in supply chain due diligence. Furthermore, we intend to expand our service offerings in Germany and abroad to meet the increasing demand resulting from the growing level of automation of our product range. Given the subdued and volatile global demand, we also aim to strengthen our presence in additional markets. Our focus is on expanding into markets such as India, Turkey, various countries in South East Asia and Africa, among others.

In 2024, we will continue to advance our R&D activities with unwavering commitment. We are continuing to upgrade the hardware and software of our machine series and are gradually introducing our Generation 2 machining centres to the market. At this year's Open House, we will be starting with the C 32, C 42 and C 650 machine series. We are also integrating new hardware components and useful digitalisation modules into our modular automation system, with an emphasis on enhancing the simple and intuitive operation of the machines.

## FINANCIAL AND ASSETS POSITION REMAINS SOUND

The HERMLE Group's financial and assets situation will remain very sound in 2024. The renewed high investment volume is supported by ample liquidity and strong equity. As in previous years, we do not require outside capital to finance investments and ongoing operations.

## OVERALL ASSESSMENT OF THE FUTURE DEVELOPMENT

The subdued economic situation, companies' reluctance to invest and the numerous negative factors affecting not only HERMLE but the economy as a whole will restrain demand in the current year. Therefore, we are adopting a cautious outlook for the 2024 business year. We anticipate a decrease in the number of orders received for the year as a whole, which could be at least 10%, but in the worst case could be around 25%. Even in the best-case scenario, turnover for the Group and HERMLE AG is unlikely to reach the high levels of the previous year. In an unfavourable scenario, it could decline by up to 20%. Due to costs and capacity utilisation, earnings before interest and taxes are likely to fall by at least 10% to 20% more than turnover and thus develop at a noticeably lower rate.

HERMLE is well prepared for the economic slowdown thanks to its solid financial situation and the largely full flexitime accounts of its employees. We remain confident about the medium-term development of our company: The demand for high-performance machine tools and automation solutions from HERMLE is expected to remain strong across many industries in the future. This is because they help our customers to address the shortage of skilled labour, respond to changing requirements and enhance efficiency, competitiveness and innovative strength.

Gosheim, 26 March 2024

Maschinenfabrik Berthold HERMLE AG

Management Board

# HERMLE SHARE

## KEY FIGURES OF THE HERMLE PREFERENCE SHARE IN €

	2019	2020	2021	2022	2023
Result per preference share <sup>1</sup>	16.88	8.06	11.02	14.40	17.55
Cash flow <sup>1</sup>	18.90	10.09	13.26	17.57	19.82
Equity <sup>1</sup>	52.08	54.89	61.04	66.95	73.37
All-time high <sup>2</sup>	337.00	294.00	310.00	255.00	247.00
All-time low <sup>2</sup>	250.00	197.00	228.00	190.00	203.00
Year-end share price <sup>2</sup>	282.00	294.00	243.00	202.00	216.00
Price/earnings ratio at year-end	16.72	35.36	22.05	14.03	12.31
Price/cash flow ratio at year-end	14.92	28.25	18.33	11.50	10.90
Dividend per preference share	0.85	0.85	0.85	0.85	0.85 <sup>3</sup>
Bonus	4.20	4.20	8.20	10.20	14.20 <sup>3</sup>
Price on 28 March 2024					230.00

<sup>1</sup>Share basis: 5,000,000 pieces

<sup>2</sup> Source: Stuttgart Stock Exchange

<sup>3</sup> Subject to approval at the shareholders' meeting

## STOCK MARKETS UP IN 2023 DESPITE PERIODS OF TURBULENCE

Overall, international stock markets performed positively in 2023, despite the challenging economic and social environment. High inflation, rising key interest rates and geopolitical conflicts, including armed conflicts, only temporarily slowed the upward trend. After a strong start to 2023, most markets experienced noticeable declines in the summer and autumn but were able to recover significantly from October onwards. Major, broad-based share indices such as the Euro Stoxx 50 in Europe and the S&P 500 in the USA posted double-digit gains. Only China recorded losses. The German benchmark index DAX rose by over 20% for the year, while the CDAX, reflecting the performance of all German shares in the Prime and General Standard, increased by 19% compared to the same reporting date.

## HERMLE SHARE PRICE INCREASES BY 7%

The HERMLE share started 2023 with a strong gain. Starting from a low of € 203 on the Stuttgart Stock Exchange at the beginning of the year, the share price rose sharply in January. Noticeable fluctuations followed in the subsequent months, culminating in the highest level of 2023 with € 247 in mid-June. Our share subsequently lost value, closing at € 216 by the end of the year. Compared to the end of the previous year, which was € 202, this represented a plus of 7%.



## NEW RECORDS IN TURNOVER AND RESULT

HERMLE's business developed very satisfactorily overall in 2023, driven by the high order backlog from the previous year and continued strong demand in the first few months. Group turnover increased by 12% to around €m 532 and Group profit by 22% to almost €m 88, both new record figures. The same applies to the result per share, which improved from € 14.35 to € 17.50 for ordinary shares and from € 14.40 to € 17.55 for preference shares.

## DIVIDEND TO RISE TO € 15.05 PER PREFERENCE SHARE

In 2023, net income at the individual company HERMLE AG climbed by 15% to €m 83. The Management Board and Supervisory Board have decided to allocate €m 40 to revenue reserves and will propose to the shareholders' meeting on 3 July 2024 that around €m 75 be distributed from the remaining balance sheet profit of HERMLE AG of around €m 116 and approximately €m 41 be carried forward to new account. An unchanged basic dividend of € 0.85 per preference share and € 0.80 per ordinary share, as well as a bonus increased from € 10.20 to € 14.20 per share are to be paid out. This results in a distribution of € 15.05 per preference share (previous year € 11.05), which corresponds to a dividend yield of 7% measured against the 2023 year-end closing price.

The share capital of Maschinenfabrik Berthold HERMLE AG is divided into 4 million ordinary shares and 1 million non-voting preference shares, which have, however, a dividend preference. The shares, which have been quoted on the stock exchange since 1990, are traded on the regular market of the Stuttgart and Frankfurt am Main Stock Exchanges.

## CORPORATE GOVERNANCE AND TRANSPARENCY

Maschinenfabrik Berthold HERMLE AG is managed with responsibility and care. Our aim is to secure the long-term value and future of the HERMLE Group. We consider the interests of all stakeholders affected by our activities, including shareholders, customers, employees, suppliers and other partners, and strive to harmonise them. To this end, we implement a company-specific corporate governance concept, which is appropriate for a company of our size and meets all legal standards. Further information on this is contained in our Corporate Governance Statement, which is available on our website at [www.hermle.de](http://www.hermle.de) under Company & Career / Investor Relations / Mandatory publications. The declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) is also available for download from the same location and is additionally printed on page 92 of this annual report.

In our perspective, transparent communication is fundamental to responsible corporate governance. This also applies to our investor relations and press work. Our shareholders, potential investors, the business press and financial market players are therefore informed on an equal footing and in a timely manner about the business performance of and important news from the company. To this end, we, in particular, use our annual and half-yearly reports, interim reports on the first and third quarters, as well as press releases and ad hoc announcements as required. These publications and other extensive information material about the company, our products and services are also available on our website at [www.hermle.de](http://www.hermle.de). We maintain direct contact with our shareholders at the shareholders' meeting, which will once again be held as a face-to-face event in 2024. Afterwards, our shareholders have the opportunity to get to know the company better during a guided tour of the plant.

# FROM THE COMPANY: SHAPING THE FUTURE

HERMLE thinks and acts with a long-term perspective. We are not guided by fleeting trends or short-term gains but by ensuring sustained and successful development of the company over the long term. We actively shape the future of our company with the interests of our customers, employees, shareholders, partners and other groups affected by our activities in mind. Several factors contribute to our success. In this annual report, we highlight three factors that are currently critical alongside our high-quality, high-performance product range.

## OPENING UP NEW MARKETS WORLDWIDE

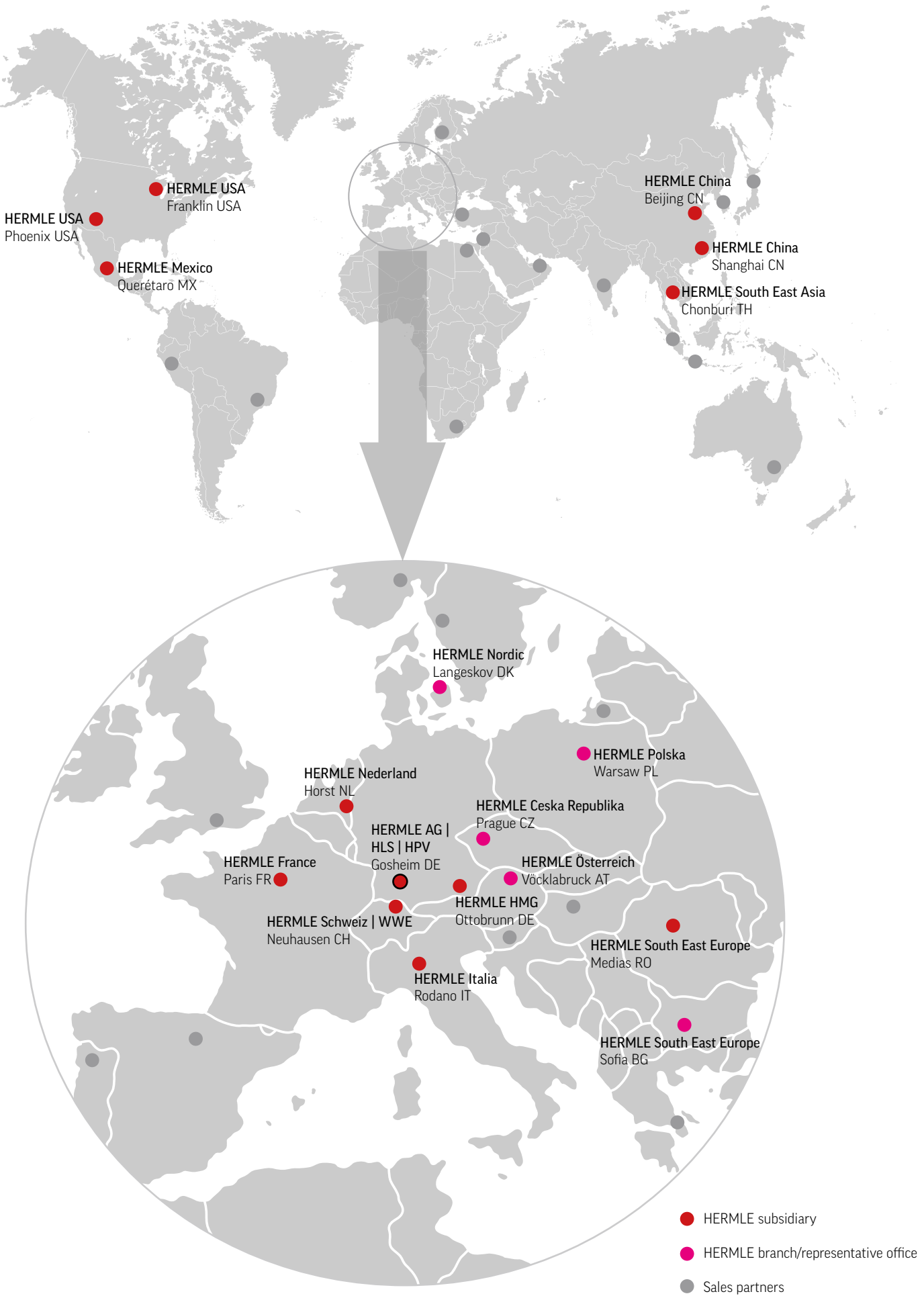
Improving efficiency and quality, reducing costs and addressing the global shortage of skilled labour are crucial issues around the globe. As a result, demand for machine tools and automation solutions is growing in many countries. We aim to leverage these opportunities available to HERMLE to ensure the sustainable development of our company in the future. By continuously expanding and consolidating HERMLE's network of subsidiaries, hubs and dealers abroad in terms of sales and service, we are advancing our internationalisation efforts.

HERMLE founded its first independent foreign company in Switzerland in 1999. Over the next 20 years, this expansion was followed by companies in the USA, the Netherlands, Italy and Russia – with the latter being discontinued at the outset of the war in Ukraine. Additionally, HERMLE established branches and representative offices in Bulgaria, China, Denmark, Poland, Austria and the Czech Republic.

Over the past five years, we have dynamically expanded our activities abroad. Initially with HERMLE México, which has been opening up the nationwide market from Querétaro since 2019. One year later, HERMLE South East Asia was established in Chonburi, Thailand, aiming to enhance our presence in the Asian tiger economies, particularly Indonesia, Malaysia, Taiwan, Thailand, the Philippines and Vietnam. A separate company in China, HERMLE Machine (Shanghai), followed in 2022. It took over the employees and activities of the previous representative offices, expanding our footprint in this crucial market.

Three new subsidiaries and branches started operation in 2023. HERMLE France, headquartered in the greater Paris area, and HERMLE South East Europe, located in Medias, Romania, from where it also operates across the Balkan states, including Serbia, Croatia and Albania. Furthermore, HERMLE USA has bolstered its footprint with a new service hub in Phoenix, Arizona, enhancing support and expedited spare parts supply for customers across the western United States.

Today, HERMLE maintains its own structures in nearly all major machine tool markets globally, encompassing approximately 15 sales and service companies, branches and representative offices, along with partnerships with over 20 sales partners. In the upcoming years, we aim to expand our international presence into promising regions and countries to capitalise on further growth opportunities. For instance, we are currently looking into intensifying our involvement in India, Turkey and various countries across South East Asia and Africa.



## ATTRACTING AND RETAINING THE BEST QUALIFIED EMPLOYEES

Our employees are integral to HERMLE's success as one of the world's leading specialists in machine tools and automation. Our team of over 1,500 employees contributes to the company's success through their motivation, expertise, experience and dedication. At HERMLE, attractive jobs, team spirit and appreciation are not mere slogans but the essential foundation for attracting and retaining qualified personnel. HERMLE has a long-standing reputation as an outstanding employer. As a high-tech and family-owned company, we combine the advantages of two worlds: We offer regional roots and international career opportunities, creative space and security, good remuneration and flexible working time models.



Our strong reputation aids us in attracting qualified junior staff and qualified employees alike. However, HERMLE is also experiencing the impacts of demographic change. We must expand our recruitment efforts and tailor them to the evolving preferences of young individuals in particular. Our new training marketing strategy enhances our traditional and successful collaboration with schools and universities, now incorporating intensive digital recruiting efforts: In addition to an extensive online career portal (<https://www.hermle.de/en/company-career/career/career-at-hermle/>), we are continually enhancing our presence and engagement across social media platforms. An editorial team comprising trainees as well as training and marketing experts prepares engaging content tailored for platforms like YouTube, Instagram and TikTok to foster interest in HERMLE.





We aim to retain qualified employees who have completed their vocational training at HERMLE or choose to build their careers with us for the long term. HERMLE generally pursues a continuous HR policy focused on job retention, even during challenging economic periods. The HERMLE-specific concept of the breathing company, supported by an efficient flexible working hours system, plays a crucial role in achieving this goal. This reliability is complemented by various factors that contribute to creating attractive working conditions for our employees. All this includes above-average remuneration with profit-sharing, individual training and development opportunities and a commitment to fostering a good work-life balance within a safe and healthy working and leisure environment. In our production areas, we maintain high standards in occupational safety, noise protection, ventilation and ergonomics.



In 2023, we launched a new ergonomics programme aimed at assisting our employees in mitigating strain, promoting body-friendly practices and optimising their working conditions with the use of appropriate technical aids such as lifting equipment when required. We also organised health days for the first time last year. Under the motto "Fit and healthy together", the programme featured fitness courses, tips on balancing work and personal life and options for healthy eating. Since 2023, we have also been offering a health-promoting option for commuting to work: tax-advantaged leasing of job bikes, both electric and non-electric.



## SUSTAINABLE DEVELOPMENT OF OUR SITES

The increasing demand for our machines and automation solutions, our stringent quality standards, but also the high requirements in terms of attractive working conditions for our employees, energy efficiency and climate protection necessitate continuous expansion and modernisation of our sites. To ensure they are fit for the future, we have launched an extensive investment programme in 2022 that includes measures in both Gosheim and Zimmern ob Rottweil. It has a total volume of more than €m 60 and spans a period of five years. This will primarily expand and update our production capacities. Additionally, we have planned a larger, state-of-the-art application centre to showcase our automation solutions and a new canteen for our employees.

In 2023, projects were mainly implemented at the Zimmern site. We have constructed additional buildings there to expand our existing mineral casting production facility, establish a second production facility for large parts and create additional assembly and storage space, crucial for accommodating the increasing demand for automation solutions. The work progressed swiftly and according to schedule: Construction started in spring 2023. Work on the structural steel for the new production facility for large parts was basically completed by the middle of the year. This was followed by the foundation works for this area and for the expansion of the mineral casting production facility. The building envelope was completed in late autumn, allowing us to commence detailed interior construction work during the winter months, independent of weather conditions. The new capacities are scheduled to be operational by the end of 2024. The expansion will more than double our production space in Zimmern.

We are implementing high energy efficiency and climate protection standards in the new facilities. High-quality insulation materials and an airtight building envelope have already reduced energy demands significantly in the sheet metal production facility, which commenced operations in 2020. The entire room heating is provided by panel heating systems designed to operate efficiently with low flow temperatures. The required heat is supplied by an air/water heat pump, which can also be used for room cooling during the summer months. Some of the thermal energy needed is sourced from waste heat generated during production, which can be used for heating via a recovery system.

During the current construction phase, a new energy centre is being built alongside the assembly and storage facilities. This centre will centrally and efficiently supply heating and cooling energy to these and future buildings. We also employ established concepts such as a low-temperature surface heating system in combination with efficient air/water heat pumps. A cross-building control system that regulates all generation systems based on demand ensures energy-efficient operation.

The construction measures in Zimmern also include a photovoltaic system, which will make us less dependent on the public power supply and mitigate high electricity costs. It consists of two equally sized modules on two roofs, each with a system output of approximately 870 kilowatt peak and an expected average yield of around 1,650 megawatt hours a year. Installation of the first module began in June 2023 and was completed in late summer, enabling us to produce our own electricity since the autumn. By March 2024, this system already covered 24% of the total electricity requirements for all buildings at the site. Once fully operational, the system will generate enough electricity on sunny days to power the Zimmern site entirely with CO<sub>2</sub>-neutral electricity during the day.



The Gosheim site is also being continuously expanded and modernised with sustainability in mind. In 2023, we refurbished and converted the former sheet metal production facility in Gosheim, preparing it for spindle assembly and repair, which is scheduled to commence in the first half of 2024. Improved air conditioning, new high-precision test benches and optimised work processes will further improve product quality in this area. The next step is to begin preparatory work for a new application centre and staff canteen at our company headquarters.





# CONSOLIDATED FINANCIAL STATEMENTS





HERMLE C 42 U dynamic in 5-axis version |  
Machining of a propeller for the sports and leisure industry.

# CONSOLIDATED BALANCE SHEET

## ASSETS

€k	Appendix	31.12.2023	31.12.2022
<b>A. Non-current assets</b>			
I. Intangible assets	(7)		
1. Goodwill		6,096	6,096
2. Capitalised development expenditure		0	15
3. Other intangible assets		2,903	3,490
		8,999	9,601
II. Property, plant and equipment	(7)		
1. Land, leasehold rights and buildings, including the buildings on non-owned land		52,854	52,404
2. Technical plants and machinery		13,802	14,099
3. Other plants, fixtures and fittings		15,975	12,831
4. Advances paid		20,026	1,726
		102,657	81,060
III. Other financial assets	(11)	3,005	5
IV. Other non-current assets	(8)	0	0
V. Deferred tax assets	(24)	4,807	3,464
		<b>119,468</b>	<b>94,130</b>
<b>B. Current assets</b>			
I. Inventories	(9)		
1. Raw, process and operating materials		74,156	61,613
2. Unfinished products		21,776	22,041
3. Finished products and goods		24,132	22,528
4. Advances paid		773	1,888
		120,837	108,070
II. Trade accounts receivables	(10)	93,210	94,579
III. Other current receivables	(10)	12,849	13,071
IV. Securities and other assets	(11)	49,000	44,000
V. Liquid assets	(12)	111,034	113,901
		<b>386,930</b>	<b>373,621</b>
		<b>506,398</b>	<b>467,751</b>

**LIABILITIES**

€k	Appendix	31.12.2023	31.12.2022
<b>A. Equity</b>	(13)		
I. Equity of the shareholders of HERMLE AG		366,884	334,755
II. Interests of other shareholders	(14)	3	3
		366,887	334,758
<b>B. Non-current liabilities and provisions</b>			
I. Non-current financial liabilities	(16)	532	186
II. Non-current provisions	(15)	1,970	2,023
III. Deferred tax liabilities	(24)	1,677	1,677
		4,179	3,886
<b>C. Current liabilities and provisions</b>			
I. Tax provisions	(15)	13,257	4,382
II. Current provisions	(15)	56,447	48,380
III. Current trade accounts payable	(16)	8,795	9,605
IV. Other current liabilities	(16)	56,833	66,740
		135,332	129,107
		506,398	467,751

# GROUP INCOME STATEMENT

## INCOME STATEMENT

€k	Appendix	2023	2022
1. Sales revenues	(17)	532,324	474,065
2. Inventory change of finished and unfinished products		1,025	9,383
3. Other company-produced assets		741	1,468
<b>4. Total operating performance</b>		<b>534,090</b>	<b>484,916</b>
5. Other operating income	(18)	8,401	9,927
6. Material cost	(19)	217,468	204,179
7. Personnel costs	(20)	143,184	124,559
8. Depreciation on intangible assets and property, plant and equipment	(21)	11,571	11,223
9. Other operating costs	(22)	54,438	55,259
<b>10. Operating result</b>		<b>115,830</b>	<b>99,623</b>
11. Other financial result	(23)		
a) Other interest and similar income		2,721	279
b) Interest and similar expenses		194	229
		2,527	50
<b>12. Result before taxes</b>		<b>118,357</b>	<b>99,673</b>
13. Taxes on income	(24)	30,783	27,888
<b>14. Net income</b>		<b>87,574</b>	<b>71,785</b>
15. Profit shares of other shareholders		0	0
<b>16. Consolidated after-tax net income</b>		<b>87,574</b>	<b>71,785</b>

**STATEMENT OF COMPREHENSIVE INCOME**

€k	Appendix	2023	2022
Transfer of consolidated after-tax net income		87,574	71,785
<b>Other overall income</b>			
Items that may subsequently be reclassified to the income statement			
Currency differences		-97	1,600
Change from derivative financial instruments		-411	984
Income taxes on other overall income			
- Taxes on changes in derivative financial instruments		109	-261
Change from amendments to the group of consolidated companies		0	662
- Taxes on changes of amendments to the group of consolidated companies		0	-175
<b>Other result</b>		-399	2,810
<b>Overall result</b>		<b>87,175</b>	<b>74,595</b>
Attribution of the annual result			
Profit share of other shareholders		0	0
Profit share of the shareholders of HERMLE AG		87,574	71,785
		87,574	71,785
Attribution of the overall result			
Profit share of other shareholders		0	-13
Profit share of the shareholders of HERMLE AG		87,175	74,608
		87,175	74,595
Result for each share (diluted and undiluted) in €	(25)		
Ordinary share		17.50	14.35
Preference share, incl. dividend preference		17.55	14.40
Number of shares used as a basis		5,000,000	5,000,000

# GROUP CASH FLOW STATEMENT

€k	Appendix	2023	2022
<b>Net income</b>		87,574	71,785
+/- Depreciation/appreciation of fixed assets		11,571	11,223
+/- Increase/decrease in non-current provisions		-54	129
+ Change to the group of consolidated companies		0	4,708
<b>Cash flow before change in working capital</b>		99,091	87,845
- Elimination of supplementary tax from retirement of fixed assets		-459	-731
-/+ Increase/decrease from inventories		-12,767	-28,046
-/+ Increase/decrease from trade accounts receivables		1,369	-12,484
-/+ Increase/decrease in other current receivables		222	21,669
-/+ Increase/decrease in deferred tax assets and other non-current assets		-1,343	72
+/- Increase/decrease in current trade accounts payable		-810	3,412
+/- Increase/decrease in current provisions		16,941	9,996
+/- Increase/decrease in other current liabilities		-10,192	8,435
+/- Increase/decrease in deferred tax liabilities		0	351
<b>Cash flow from operating activities</b>	(26)	92,052	90,519
- Disbursements for investments in intangible assets		-385	-480
+ Proceeds from retirements of property, plant and equipment		1,105	695
- Disbursements for investments in property, plant and equipment		-31,801	-9,651
- Disbursements for investments in property, plant and equipment of financial assets		-3,000	0
- Disbursements for securities and other investments		-49,000	-43,000
+ Proceeds from the sale of outside marketable securities and other assets		44,000	11,000
<b>Cash flow from investment</b>	(26)	-39,081	-41,436
Transfer		52,971	49,083

€k	Appendix	2023	2022
Transfer		52,971	49,083
- Payment of dividends		-55,046	-45,047
- Repayment of lease liabilities		-393	-375
<b>Cash flow from financing activities</b>	(26)	-55,439	-45,422
+/- Changes in the fund of cash and cash equivalents due to exchange rate fluctuations		-97	1,219
+/- Changes from offsetting without directly affecting the operating result		-302	723
+/- Other changes		0	-463
<b>Changes in the fund of cash and cash equivalents with an effect on payments</b>	(26)	-2,867	5,140
Financial funds as per 01.01.		113,901	109,452
Change in financial funds due to amendments to the group of consolidated companies		0	-691
<b>Financial funds as per 31.12.</b>		111,034	113,901
<b>Fund of cash and cash equivalents</b>			
Liquid assets		111,034	113,901



# GROUP EQUITY STATEMENT

## Equity of the parent company

€k	Subscribed capital Ordinary shares	Subscribed capital Preference shares	Capital reserve	Statutory reserves	Other revenue reserves
As per 01.01.2022	12,000	3,000	3,286	1,815	104,537
Dividend for the previous year as per shareholders' meeting resolution	0	0	0	0	0
Net income 2022	0	0	0	0	0
Allocation to the revenue reserves	0	0	0	0	6,139
Currency loss	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Unclaimed dividend	0	0	0	0	0
Amendments to the group of consolidated companies	0	0	0	0	0
Other changes	0	0	0	-315	315
As per 31.12.2022	12,000	3,000	3,286	1,500	110,991
Dividend for the previous year as per shareholders' meeting resolution	0	0	0	0	0
Net income 2023	0	0	0	0	0
Allocation to the revenue reserves	0	0	0	0	16,074
Currency loss	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Unclaimed dividend	0	0	0	0	0
<b>ASper 31.12.2023</b>	<b>12,000</b>	<b>3,000</b>	<b>3,286</b>	<b>1,500</b>	<b>127,065</b>

	Equity of the parent company				Interests of other shareholders			Consolidated equity
	Consolidated balance sheet profit	Total revenue reserves	Cumulated other equity from currency conversion	Cumulated other equity from derivative financial instruments	Total	in capital	in cumulated Group profit	Total
	178,887	285,239	2,088	-414	305,199	1	10	305,210
	-45,050	-45,050	0	0	-45,050	0	0	-45,050
	71,785	71,785	0	0	71,785	0	0	71,785
	-6,139	0	0	0	0	0	0	0
	-155	-155	1,768	0	1,613	0	-13	1,600
	0	0	0	723	723	0	0	723
	3	3	0	0	3	0	0	3
	0	0	483	0	483	0	5	488
	-1	-1	0	0	-1	0	0	-1
	199,330	311,821	4,339	309	334,755	1	2	334,758
	-55,050	-55,050	0	0	-55,050	0	0	-55,050
	87,574	87,574	0	0	87,574	0	0	87,574
	-16,074	0	0	0	0	0	0	0
	0	0	-97	0	-97	0	0	-97
	0	0	0	-302	-302	0	0	-302
	4	4	0	0	4	0	0	4
	215,784	344,349	4,242	7	366,884	1	2	366,887

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DEVELOPMENT OF THE CONSOLIDATED FIXED ASSETS 2023

€k	Acquisition/manufacturing costs					As of 31.12.2023
	As of 01.01.2023	Additions	Repostings	Retirements	Currency adjustment	
<b>I. Intangible assets</b>						
1. Goodwill	6,096	0	0	0	0	6,096
2. Capitalised development expenditure	3,061	0	0	0	0	3,061
3. Other intangible assets	13,713	385	0	283	3	13,818
	22,870	385	0	283	3	22,975
<b>II. Property, plant and equipment</b>						
1. Land, leasehold rights and buildings, including the buildings on non-owned land	88,306	2,972	0	1,065	-54	90,159
2. Technical plants and machinery	57,097	2,864	532	833	-95	59,565
3. Other plants, fixtures and fittings	41,404	7,472	423	2,461	61	46,899
4. Advances paid and assets in construction	1,726	19,519	-955	263	-2	20,025
	188,533	32,827	0	4,622	-90	216,648
<b>III. Other financial assets</b>						
	5	3,000	0	0	0	3,005
	211,408	36,212	0	4,905	-87	242,628

	Cumulated depreciation				Book values		
	As of 01.01.2023	Additions	Retirements	Currency adjustment	As of 31.12.2023	As of 31.12.2023	As of 31.12.2022
	0	0	0	0	0	6,096	6,096
	3,046	14	0	1	3,061	0	15
	10,223	973	282	1	10,915	2,903	3,490
	13,269	987	282	2	13,976	8,999	9,601
	35,902	2,443	1,050	10	37,305	52,854	52,404
	42,998	3,478	663	-50	45,763	13,802	14,099
	28,573	4,663	2,362	50	30,924	15,975	12,831
	0	0	0	-1	-1	20,026	1,726
	107,473	10,584	4,075	9	113,991	102,657	81,060
	0	0	0	0	0	3,005	5
	120,742	11,571	4,357	11	127,967	114,661	90,666

**DEVELOPMENT OF THE CONSOLIDATED FIXED ASSETS 2022**

€k	Acquisition/manufacturing costs					As of 31.12.2022
	As of 01.01.2022	Additions	Repostings	Retirements	Currency adjustment	
<b>I. Intangible assets</b>						
1. Goodwill	6,096	0	0	0	0	6,096
2. Capitalised development expenditure	3,061	0	0	0	0	3,061
3. Other intangible assets	13,296	480	0	66	3	13,713
	22,453	480	0	66	3	22,870
<b>II. Property, plant and equipment</b>						
1. Land, leasehold rights and buildings, including the build- ings on non-owned land	86,946	1,127	15	137	355	88,306
2. Technical plants and machinery	56,341	2,274	35	1,667	114	57,097
3. Other plants, fixtures and fittings	38,974	5,065	321	3,143	187	41,404
4. Advances paid	654	1,479	-371	36	0	1,726
	182,915	9,945	0	4,983	656	188,533
<b>III. Other financial assets</b>	1,005	0	0	1,000	0	5
	206,373	10,425	0	6,049	659	211,408

	Cumulated depreciation				Book values		
	As of 01.01.2022	Additions	Retirements	Currency adjustment	As of 31.12.2022	As of 31.12.2022	As of 31.12.2021
	0	0	0	0	0	6,096	6,096
	2,867	179	0	0	3,046	15	194
	9,289	997	66	3	10,223	3,490	4,007
	12,156	1,176	66	3	13,269	9,601	10,297
	33,570	2,381	121	72	35,902	52,404	53,376
	41,147	3,409	1,628	70	42,998	14,099	15,194
	27,083	4,257	2,900	133	28,573	12,831	11,891
	0	0	0	0	0	1,726	654
	101,800	10,047	4,649	275	107,473	81,060	81,115
	0	0	0	0	0	5	1,005
	113,956	11,223	4,715	278	120,742	90,666	92,417

**CONSOLIDATED SEGMENT REPORTING**

€k	Domestic companies		Foreign sales companies		Consolidation effects		Consolidated financial statements	
	2023	2022	2023	2022	2023	2022	2023	2022
Turnover with third parties	301,803	267,749	230,521	206,316	0	0	532,324	474,065
Operating result	102,531	99,560	13,729	5,078	-430	-5,015	115,830	99,623
Income tax	-27,827	-24,890	-2,956	-3,193	0	195	-30,783	-27,888
Net income	79,599	71,666	11,316	1,890	-3,341	-1,771	87,574	71,785
Non-current segment assets	106,719	83,635	13,539	10,495	-790	0	119,468	94,130
Current segment assets	305,349	296,047	110,023	109,229	-28,442	-31,655	368,930	373,621
Segment assets (sum of assets)	412,068	379,682	123,562	119,724	-29,232	-31,655	506,398	467,751
Segment debts incl. provisions	103,005	93,091	63,920	68,685	-27,414	-28,783	139,511	132,993
Investments (incl. additions in rights of use)	29,369	7,993	3,843	2,432	0	0	33,212	10,425
Depreciation	9,434	9,469	2,137	1,754	0	0	11,571	11,223
Employees annual average	1,282	1,190	190	165	0	0	1,472	1,355



## (1) GENERAL PRINCIPLES

Maschinenfabrik Berthold HERMLE AG, which has its headquarters in Gosheim, Industriestrasse 8-12, Germany, and is entered in the Stuttgart Local Court ("Amtsgericht") commercial register under HRB 460397, is the primary controlling company of the HERMLE Group. Maschinenfabrik Berthold HERMLE AG and its subsidiaries manufacture and sell high-end precision milling machines and machining centres.

The consolidated financial statements of Maschinenfabrik Berthold HERMLE AG were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and in compliance with the commercial requirements pursuant to Section 315e of the German Commercial Code (HGB). In that respect, all applicable standards, concepts and interpretations that were mandatory on the reporting date were taken into account.

The statements of the companies incorporated in the consolidated financial statements are prepared pursuant to standardised accounting and valuation principles applicable on the reporting date 31 December 2023.

To improve the clarity of the presentation, some items of the consolidated balance sheet and consolidated income statement are summarised. These are stated separately and explained in the notes to the consolidated financial statements. The consolidated income statement was prepared pursuant to the total cost type of accounting. The Group currency is the euro. Unless otherwise stated, the figures are presented in thousands of Euro (€k), with the standard commercial rounding up or down.

The Management Board of Maschinenfabrik Berthold HERMLE AG released the consolidated financial statements on 28 March 2024 for forwarding to the Supervisory Board. The Supervisory Board's responsibility is to review the consolidated financial statements and state whether or not it approves them.

## (2) NEW AND AMENDED STANDARDS/INTERPRETATIONS

The IFRS standards were taken as a basis for the 2023 business year. Their application is mandatory for business years that commence on 1 January 2023.

The following standards and interpretations were mandatory for the first time in the current business year:

Amend. IAS 1:	Presentation of financial statements – classification of liabilities as current or non-current
IAS 8:	Accounting policies, changes in accounting estimates and errors – definition of accounting estimates
Amend. IAS 12:	Income taxes – deferred taxes relating to assets and liabilities arising from a single transaction
IFRS 17:	Insurance contracts

The application of these new standards and interpretations did not have any significant impact on the consolidated financial statements.

Furthermore, the following new or amended standards and interpretations exist which were issued by IASB, but have yet to be recognised by the European Union.

Amend. IFRS 16:	Lease Liability in a Sale and Leaseback
Amend. IAS 7 and IFRS 7:	Statement of Cash Flows and Financial Instruments: Disclosures – Supplier Finance Arrangements
Amend. IAS 21:	The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

Based on current knowledge, it is not to be expected that these standards will have significant effects on the consolidated financial statements. No use was made of the option to apply already adopted standards early.

### (3) GROUP OF CONSOLIDATED COMPANIES

All subsidiaries of Maschinenfabrik Berthold HERMLE AG are incorporated in the consolidated financial statements. All subsidiaries are companies that are directly controlled by Maschinenfabrik Berthold HERMLE AG according to IFRS 10 and are thus consolidated in full.

The group of consolidated companies is shown in the following table:

Company	Type of consolidation	Amount of holding
<b>Domestic segment</b>		
HPV HERMLE Vertriebs GmbH, Gosheim	Full	100.0%
HLS HERMLE Systemtechnik GmbH, Gosheim	Full	100.0%
HERMLE Maschinenbau GmbH, Gosheim	Full	100.0%
<b>Foreign sales segment</b>		
HERMLE (Schweiz) AG, Neuhausen, Switzerland	Full	100.0%
HERMLE WWE AG, Neuhausen, Switzerland	Full	99.8%
HERMLE Nederland BV, Horst, Netherlands	Full	100.0%
HERMLE Italia S.R.L., Rodano, Italy	Full	100.0%
HERMLE USA INC., Franklin Wisconsin, USA	Full	100.0%
HERMLE Properties INC., Franklin Wisconsin, USA	Full	100.0%
HERMLE México S. DE R.L. DE C.V., Querétaro, Mexico	Full	100.0%
HERMLE SEA Co., Ltd., Bangkok, Thailand	Full	100.0%
HERMLE Machine (Shanghai) Co. Ltd., Shanghai, China	Full	100.0%
HERMLE France SAS, Les Ulis, France	Full	100.0%
HERMLE South East Europe SRL, Medias, Romania	Full	100.0%

HERMLE France SAS, founded in March 2023 and based in Les Ulis, France, and HERMLE South East Europe SRL, founded in October 2023 and based in Medias, Romania, were included in the group of consolidated companies for the first time in the business year.

Otherwise, the group of consolidated companies remained unchanged from the previous year.

#### (4) CONSOLIDATION PRINCIPLES

The capital consolidation applies pursuant to IFRS 3 ("Business Combinations") using the purchase method. Accordingly, the acquisition costs of the purchased shares are offset at the market value of the purchased assets and debts of the subsidiary at the time of acquisition. A resulting positive difference is capitalised as derivative goodwill, a resulting negative difference is immediately liquidated affecting the current result. Resulting goodwill normally undergoes an impairment test at least annually.

Interim results between the fully consolidated companies are eliminated – where significant. Expenses and income as well as receivables and liabilities between Group companies are offset.

A compensating item for interests of other shareholders has been created in the sum of their share of the equity for the interests of non-Group shareholders in the Group companies. In addition to third party holdings in capital and provisions, this amount includes the pro rata balance sheet profit.

#### (5) CURRENCY CONVERSION

The annual financial statements of consolidated companies prepared in foreign currencies were converted on the basis of the concept of the functional currency using the modified reporting date rate method. In view of the fact that all companies incorporated in the consolidated financial statements operate their business transactions independently in terms of finances, management and organisation, as a general rule the functional currency is identical to the respective national currency of the company. Therefore, the assets and debts are converted in the consolidated financial statements at the reporting date rate, equity items at historical rates, and expenses and income at the annual average rate. Conversion differences resulting from converting the statement are recorded in equity without an effect on the operating result up until the subsidiary leaves the Group.

As a general rule, monetary items in foreign currencies are converted in the statements of the individual Group companies at the reporting date rate. Currency gains or losses as a result are directly recorded as having an effect on the operating result. As a general rule, currency conversion differences from the conversion of balance sheet items of foreign operating facilities are recorded with an effect on the operating result.

The following exchange rates were used for converting the key foreign currency contracts:

	Exchange rate on the reporting date 31.12.2023	Exchange rate on the reporting date 31.12.2022	Average prices 2023	Average prices 2022
EUR/USD	1.1050	1.0666	1.0829	1.0500
EUR/CHF	0.9260	0.9847	0.9717	1.0017

#### (6) ACCOUNTING AND VALUATION PRINCIPLES

The financial statements of HERMLE AG and the domestic and international subsidiaries are prepared in accordance with IFRS 10.19 using uniform accounting and valuation principles.

##### ASSET ITEMS

##### INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets are stated at acquisition costs in accordance with IAS 38, reduced by scheduled straight-line depreciation over the expected economic useful life periods. The cost of intangible assets acquired in a business combination is the market value at the date of the business combination.

Intangible assets with indefinite useful life periods – including goodwill – are capitalised and tested for impairment at least annually in accordance with IAS 36. If a need for value adjustment is identified, a depreciation is made.

Even the company's own intangible assets that are highly likely to provide future benefit for the company, and the cost of which can be reliably determined, are capitalised in the manufacturing costs. In that respect, the manufacturing costs record all costs that are directly attributable to the manufacturing process and reasonable parts of the associated overheads. Financing costs are not capitalised. As a general rule, research and development expenses that are not eligible for capitalisation are treated as ongoing costs when they arise. The development cost of new or significantly improved products are capitalized provided the technical implementation capability and the marketing eligibility and intent are secured. Proof of the stated criteria is furnished via the technical trials of the new products at the company and the successful presentation to trial customers. In the development phase, the soundness is reviewed annually by means of an impairment test. Capitalized developments are depreciated using the straight-line method for an expected product life cycle of three to four years and commence with the public presentation.

The property, plant and equipment item is stated on the basis of the acquisition and manufacturing costs less scheduled depreciation in line with the customary company life cycle. Scheduled depreciation applies in line with the expected consumption of the future use. The company-produced assets were stated in the balance sheet with the directly attributable costs plus pro rata overheads. Repair and maintenance costs as well as financing expenses are recorded as current expenses.

The scheduled depreciation is based on the following standardised Group useful life periods:

Industrial property rights and similar rights	3 to 5 years
Development costs	3 to 4 years
Technical know-how	10 years
Building	12 to 50 years
Technical plants and operating equipment	3 to 14 years
Other fixtures and fittings	3 to 14 years

There are no assets with indefinite useful live periods other than goodwill.

## LEASING

Maschinenfabrik Berthold HERMLE AG assesses at the beginning of the contract whether a contract establishes or contains a leasing relationship. A lease exists if the contract gives the right to control the use of an identified asset for a certain period of time in return for payment of a consideration within the meaning of IFRS 16. The Group operates exclusively as a lessee and not as a lessor. At the inception of the lease, rights to use the leased assets and lease liabilities for the payment obligations incurred are recognised for all leases.

In accordance with the option, short-term leases with a term of no more than twelve months (and without a purchase option) and leases where the asset underlying the lease is of low value within the meaning of IFRS 16 have not been recognised. The related lease payments are recognised as an expense in the consolidated income statement. Non-lease and lease components are generally accounted for separately.

Rights of use are capitalised at the date of provision at cost, which is the cost of the recognised lease liability, the initial direct costs incurred and the rental incentive granted by the lessor. Subsequently, the right-of-use assets are reduced by straight-line depreciation until the end of the lease term and adjusted for any revaluation of the lease liability.

The initial recognition of the lease liability is determined as the cash value of the lease payments to be made over the term of the lease. The lease payments exclusively comprise fixed lease payments. In calculating the cash value of the lease liability, the Group uses its incremental borrowing rate at the commitment date, as the interest rate underlying the lease cannot be readily determined. The lease liability is subsequently increased to reflect the higher interest expenditure and reduced by the lease payments made. In addition, the book value of the lease liability is reassessed for changes in the lease, the term of the lease, the lease payments (e.g. as a result of a change in the index or interest rate used to determine those payments) or a change in the assessment of a purchase option on the underlying asset.

## IMPAIRMENT TEST

The soundness of the fixed assets is regularly reviewed on the reporting date. A review also takes place when circumstances indicate that the value may be impaired. Non-scheduled depreciation is applied if a likely permanent impairment is given as a result of changed circumstances. The soundness is determined by way of a comparison of the book value of the respective asset with the achievable amount. The achievable amount corresponds with the higher value from the use or the sale of the affected asset. Non-scheduled depreciation is applied insofar as this has fallen below the book value. If the market value increases for an asset that had to date been depreciated on a non-scheduled basis, an increased valuation is applicable up to the amount of the amortised cost. Goodwill is excluded from the increased valuation.

Goodwill is also subjected to an impairment test annually or if there are indications of impairment. The book value of the corresponding cash-generating unit, including the goodwill allocated to it, is compared with the fair value less costs of sale. The calculation uses cash flow forecasts based on a five-year planning period. The EBIT margin in the detailed planning period is in a range of between 6.1% to 7.5%. The sales revenues are planned to increase at rates ranging from 8% – with a downward trend – to 1% during this period. To extrapolate the cash flow forecast for periods outside the detailed planning period, a growth rate of 1% is assumed, which corresponds to the expected long-term growth rate in the mechanical engineering industry. The calculation method corresponds to level 3 of the valuation hierarchy according to IFRS 13.

### Discount rates

The discount rates represent the current market assessments with regard to the risks assigned to the respective cash-generating units. The interest effect and the specific risks of the assets are taken into account. The discount rate takes into account the risks of the Group and its segments and companies that would arise for a comparable investment on the capital market and is based on the weighted average cost of capital (WACC). A uniform discount rate of 7.97% (previous year 7.89%) after tax was used to calculate the fair value against the background of current economic uncertainties.

The annual impairment test did not identify any need for non-scheduled depreciation.

### Sensitivity of the assumptions made

Scenario analyses with differing assumptions were prepared as part of the impairment test. Neither an interest rate increase of 200 basis points nor an additional EBIT margin deterioration of up to 2% would have resulted in a need for depreciation on the book value.

## OTHER FINANCIAL ASSETS

Other financial assets generally included financial assets in the form of time assets or comparable financial assets with a term of more than one year, which were stated at amortised cost.

## INVENTORIES

As a general rule, raw materials and merchandise are stated at average acquisition cost or the lower net sale value.

Unfinished and finished goods are stated at manufacturing costs or the lower net sale value. In addition to the directly attributable costs, manufacturing costs contain the reasonable and necessary production and material overheads as well as applicable administrative costs eligible for capitalisation based on normal utilisation. Adequate depreciation is applied to the lower net sale value for stocks warehoused for lengthy periods and in the case of diminished marketability or loss-free valuation. This becomes inapplicable once the reasons for depreciation no longer apply. Interest on borrowings is not taken into account.

## TRADE ACCOUNTS RECEIVABLES AND OTHER CURRENT RECEIVABLES

Trade accounts receivables and other current receivables are stated in the balance sheet at the nominal value or the lower fair value. Potential and identifiable defaults in the case of individual receivables are taken into account by way of appropriate value adjustments for losses on individual bank loan accounts.

The determination of value adjustments for doubtful debts is based on discretionary decisions and assessments of individual receivables, taking into account not only the creditworthiness and default of the respective customer, but also current economic developments, current business developments, country-specific circumstances, past experience, etc. Non-interest bearing or low-interest bearing receivables and assets with terms in excess of one year are stated at the cash value.

## FINANCIAL INSTRUMENTS

Financial instruments within the meaning of IFRS 9 are contracts that in the case of a company lead to a financial asset and in the case of the contracting party a financial obligation or an equity capital instrument.

Financial assets include in particular trade accounts receivables, cash and cash equivalents, derivative financial assets as well as marketable securities and similar cash investments and financial investments.

Financial assets, with the exception of trade accounts receivables, and liabilities are recognised for the first time on the trading date when HERMLE becomes a contracting party under the contracts for the financial instruments. Trade accounts receivables are recognised from the date on which they arose.

Financial assets, with the exception of trade accounts receivables without a significant financing component or financial liabilities, are stated at fair value on initial recognition. For items not stated at the fair value with an effect on the operating result in the following, transaction costs directly attributable to the acquisition or issue are recognised as incidental acquisition costs. Trade accounts receivables without a significant financing component are initially stated at transaction price (which generally corresponds to acquisition cost). Subsequent measurement is based on the classification of the financial instruments.

The classification of financial assets is based on the business model in which the instruments are held and the composition of the contractual cash flows. The business model is determined at the portfolio level and is based on the management's intention and past transaction patterns. The cash flow review is carried out on an instrument-by-instrument basis.

Financial assets are classified into the following three categories according to IFRS 9:

1. Financial assets that are stated at amortised cost,
2. Financial assets stated at the fair value without an effect on the operating result
3. Financial assets stated at the fair value with an effect on the operating result.

## FINANCIAL ASSETS THAT ARE STATED AT AMORTISED COST

Financial assets that are stated at amortised cost are non-derivative financial assets with contractual payments that consist solely of interest and principal payments on the principal amount outstanding and are held for the purpose of collecting the contractual cash flows, such as trade accounts receivables or cash and cash equivalents ("hold to collect" business model).

Cash and cash equivalents may include, in particular, cash on hand, cheques, demand deposits with banks as well as bonds and certificates of deposit with a remaining term at the time of acquisition of up to three months, which are only subject to insignificant risks of value fluctuations. Cash and cash equivalents in this and the previous business year match the fund of cash and cash equivalents in the consolidated cash flow statement.

After initial recognition, these financial assets are stated at amortised cost using the effective interest method minus impairment. Gains and losses are recorded in the Group profit with an effect on the operating result when the loans and receivables are impaired or derecognised.

The interest effects from the application of the effective interest method and effects from currency conversion are also recorded with an effect on the operating result.

## FINANCIAL ASSETS STATED AT THE FAIR VALUE WITHOUT AN EFFECT ON THE OPERATING RESULT

Financial assets stated at the fair value without an effect on the operating result are non-derivative financial assets with contractual payments that consist solely of interest and principal payments on the principal amount outstanding and are held for the purpose of collecting the contractual cash flows, such as trade receivables or cash and cash equivalents ("hold to collect and sell" business model). This category also includes equity instruments that are not held for trading and for which the option to recognise changes in fair value in other comprehensive income is exercised.

After initial measurement, financial assets in this category are stated at fair value through other comprehensive income, with unrealised gains or losses recognised in other comprehensive income. On disposal of debt instruments in this category, the cumulative fair value gains and losses recognised in other comprehensive income are recorded with an effect on the operating result. Interest received from financial assets that are stated at fair value through other comprehensive income is generally recorded with an effect on the operating result as interest income using the effective interest method. Changes in the fair value of equity instruments that are stated at fair value through other comprehensive income are not recorded with an effect on the operating result, but are transferred to the revenue reserve. Dividends are recorded with an effect on the operating result when the right to receive payment is established.

## FINANCIAL ASSETS STATED AT THE FAIR VALUE WITH AN EFFECT ON THE OPERATING RESULT

Financial assets stated at the fair value with an effect on the operating result comprise financial assets whose cash flows do not exclusively consist of interest and principal payments on the outstanding nominal amount. In addition, financial assets are also included that were neither allocated to the business model "hold to collect" nor to the business model "hold to collect and sell".

Also included here are shares or interest bearing securities acquired with the intention of selling them in the short term. Gains or losses on these financial assets are recorded with an effect on the operating result.



## DERIVATIVE FINANCIAL INSTRUMENTS

HERMLE uses derivative financial instruments to safeguard existing or planned basic operating transactions and appertaining risks. At present, forward exchange transactions are largely used to safeguard foreign currency risks. Derivative financial instruments and forward exchange transactions are initially recognised by HERMLE AG at the fair value. The market values are also relevant to the follow-up valuation. Derivative financial instruments with a positive fair value are stated in the other current receivables, while those with a negative fair value are stated in the other current liabilities. As part of the hedge accounting, value changes of fair value hedges used to safeguard value fluctuations of balance sheet items are, as in the case of value fluctuations of basic transactions stated in the balance sheet, recorded with an effect on profits in the consolidated income statement. Value changes of cash flow hedges are offset against the cumulated other equity with consideration given to deferred taxes without affecting the profit.

## IMPAIRMENT

In principle, the expected credit loss model is to be applied according to the 12-month credit loss concept. Evaluation over the entire term is to be applied if the credit risk of a financial asset on the reporting date has increased significantly since initial recognition. Evaluation over the entire term is always to be carried out for trade accounts receivables and for contractual assets without a significant financing component.

The impairment model is applicable to financial assets stated at amortised cost or at fair value with no effect on profit and loss.

Impairment in the form of specific individual value adjustments take adequate account of the expected default risks. Specific defaults lead to the write-off of the receivable in question. As part determining the individual value adjustments, receivables for which there is a potential need for devaluation are examined for impairment and value adjustments are made if necessary. The determination is based on assessments and evaluations of individual receivables. In addition to the creditworthiness and payment default of the respective customer, current and possible future economic and industry developments, country-specific risks and past experience are also taken into account.

Cash and cash equivalents are deposited with banks and financial institutions with good to very good credit ratings. The value adjustments on cash and cash equivalents are calculated on the basis of expected losses within twelve months. This is reflected in the short terms.

## LIABILITY ITEMS

### PROVISIONS AND LIABILITIES

The tax provisions and other provision take into account all legal and factual obligations and risks involving third parties that are identifiable on the reporting date that are based on past business transactions or past events and which in the future are likely to lead to an outflow of resources, and can be reliably assessed. They are created in the sum of their likely performance amount, and are not offset against potential recourse claims. Non-current provisions are stated in the balance sheet at the discounted performance amount on the reporting date provided the interest effect created from the discounting is significant.

As a general rule, financial liabilities are entered on the liabilities side at the fair value.

Trade accounts payable and other primary financial liabilities are stated at amortised cost.

### DEFERRED TAXES

Deferred taxes are stated for all temporary differences between the amounts stated in the IFRS balance sheet and the tax balance sheet of the individual companies and for consolidation measures that have an effect on profits. Furthermore, deferred tax assets for tax reductions claims based on tax losses carried forward are also stated in the balance sheet provided the future realizability is adequately safeguarded. The tax rates used to calculate the deferred taxes are in each case the tax rates valid or expected at the realisation time.

## CONSOLIDATED INCOME STATEMENT

### SALES REVENUES

Pursuant to IFRS 15, sales revenues are recognised as soon as the customer obtains control over the products or rendered services. This is generally the case when the products have been delivered or the services have been rendered and the risk has thus passed to the customer. If spare parts are related to a service agreement, turnover realisation is not recognised until the service agreement has been completed, as the agreed consideration is only fully met at that moment. In addition, the resulting performance obligations must be identified for each contract. A contract or the sum of combined contracts may include several performance obligations, each of which is subject to its own rules regarding the amount and timing of turnover realisation.

At HERMLE, contracts with customers for the sale of goods only contain warranty and training services as separate performance obligations.

Country-specific statutory warranties exist in relation to the sale contracts which, following application of IFRS 15, will be taken into account through the creation of provisions as previously according to IAS 37. HERMLE also offers extended warranties which must be classed as separate performance obligations, and to which a separate price can be allocated. Pursuant to IFRS 15, revenue is recognised pro rata temporis at the end of the warranty period. HERMLE normally grants extended warranties of up to 36 months and thus beyond the statutory warranty periods (in Germany usually 24 months, abroad usually 12 months).

Corresponding turnover is also allocated to the training services in the amount of the individual sales price that is realised when the services are rendered. Training services in connection with the sale of machines are generally provided up to two years after delivery of the machines.

For all service contracts, revenue is recognised when the services are rendered in accordance with IFRS 15. In the case of contracts entailing a range of different performance obligations, the allocation will be based on their respective separate prices, as the services are also offered in separate transactions. The separate prices then also correspond to the respective fair values of the service components.

Revenue for these performance obligations and the related costs are recognised after the performance has been rendered.

Sales revenues are reported net of discounts and price reductions.

### GOVERNMENT GRANTS

Government grants are stated at fair value when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to it. Government grants that compensate for expenses incurred by the Group are recognised in the consolidated income statement in the periods in which the expenses are recognised.

Government grants for social security contributions in Germany are offset against personnel costs. In the year under review, this resulted in grants in connection with reimbursements of COVID-19 related deficiency compensation within the framework of the Infection Protection Act (IfSG) as well as with training grants amounting to €k 22 (previous year €k 107).

## EXPLANATORY NOTES ON THE CONSOLIDATED BALANCE SHEET

### (7) ASSETS

The development and apportionment of the fixed assets is set out in the statement of asset additions and disposals.

The capitalised development costs from the development of new tool machine products are stated in the intangible assets.

At the end of the business year, the net amount was €k 0 (previous year €k 15).

The research and development expenses recorded directly as expenses were €k 18,157 (previous year €k 15,947).

The goodwill results from the first-time consolidation of HERMLE Systemtechnik GmbH in the 2018 business year.

Other intangible assets include technical know-how, patents, software, licences and similar rights.

Land and buildings are mainly owned assets and, to a lesser extent, rights of use on leased land, which are capitalised in accordance with IFRS 16 "Leases". For further disclosures on recognised leases, see the section on leases.

An overview of the interests held by Maschinenfabrik Berthold HERMLE AG is stated in (3) Group of consolidated companies.

### LEASES

The Group has mainly entered into leasing agreements for building rental agreements and vehicle leasing agreements.

The following table shows the book values of the rights of use recognised in the balance sheet and the change during the reporting period:

€k	Land, leasehold rights and buildings, including the buildings on non-owned land	Other plants, fixtures and fittings	Total
As per 1 January 2022	530	173	703
Additions minus retirements	131	163	294
Depreciation	-279	-145	-424
As per 31 December 2022	382	191	573
Additions minus retirements	723	302	1,025
Depreciation	-355	-135	-490
As per 31 December 2023	750	358	1,108

The following table shows the book values of the lease liabilities and the change in the reporting period:

€k	2023	2022
As per 1 January	573	696
Additions minus retirements	851	247
Interest	29	5
Payments	-393	-375
As per 31 December	1,060	573

Leasing liabilities €k	up to 1 year	1 to 5 years	from 5 years	Total
Minimum lease payments	544	565	0	1,109
Cash value	533	528	0	1,060

For building leases, the terms can be up to five years. The term of the vehicle leasing contracts is usually three to four years.

## (8) OTHER FINANCIAL ASSETS

The item includes fixed-term deposit investments and cooperative shares. Please refer to the information under (11).

## (9) INVENTORIES

The inventories are classified as follows:

€k	31.12.2023	31.12.2022
Raw, process and operating materials	74,156	61,613
Unfinished products, unfinished services	21,776	22,041
Finished products and goods	24,132	22,528
Advances paid on inventories	773	1,888
	120,837	108,070

The book value of the inventories stated at net sales prices was €k 11,209 (previous year €k 10,118). The decrease in the value adjustment for inventories recorded with an effect on profits was €k 490 (previous year €k 669). Advances paid are stated as net amounts without turnover tax.

## (10) TRADE ACCOUNTS RECEIVABLES AND OTHER CURRENT RECEIVABLES

€k	31.12.2023	31.12.2022
<b>Trade accounts receivables</b>		
Against third parties	93,210	94,579
<b>Other current receivables</b>		
Derivative financial instruments	656	528
Tax refund claims	2,157	2,798
Accrued and deferred items	1,531	1,065
Customer receivables from advance payments	6,781	7,609
Other assets	1,724	1,071
	12,849	13,071
Total	106,059	107,650

The trade accounts receivables with a remaining term of more than one year were €k 4,260 (previous year €k 5,634). The other receivables and other assets all had a remaining term of less than one year.

Pursuant to IFRS 9 or IAS 39, the derivative financial instruments stated in the other current receivables are stated at the market value. They apply to the positive market values of currency hedge transactions as part of the statement presentation of hedging relationships pursuant to IFRS 9 or IAS 39. Insofar as they are intended for fair value hedge security purposes, the positive market values are juxtaposed with impairment in the balance sheet items of the allocated basic transactions.

Furthermore, the remaining other assets contain as primary items current receivables due from suppliers from returns as well as current receivables due from employees.

The composition of the non-value adjusted trade accounts receivables classified according to overdue dates is stated below:

€k	Book value total	Of which: neither impaired nor overdue	Of which: not impaired and overdue in the following time bands			
			<3 months	3-6 months	6-12 months	>12 months
Trade accounts receivables 31.12.2023	93,210	24,185	2,462	0	13	11
Trade accounts receivables 31.12.2022	94,579	20,643	633	1,326	2,934	354

With regard to the neither impaired nor in default or overdue amount of trade accounts receivables, on the reporting date there are no indications of the debtors being unable to honour their payment obligations.

The following table illustrates the change in the value adjustments on the amount of trade accounts receivables and other current receivables:

€k	2023	2022
Value adjustments at the beginning of the business year	7,966	9,018
Recognised in the income statement in the reporting period	-155	-1,180
Write-off of receivables	-39	-36
Currency conversion effects	98	164
Value adjustments at the end of the business year	7,870	7,966

The following table illustrates the expenses for the complete writing off of trade accounts receivables as well as income from the receipt of written-off trade accounts receivables:

€k	2023	2022
Expenses for the complete write-off of receivables	141	55
Income from the receipt of written off receivables	0	0

## (11) OTHER FINANCIAL ASSETS AND SECURITIES AND OTHER ASSETS

Fixed-term deposit investments with a remaining term of more than twelve months in the sum of €k 3,000 (previous year €k 0) are stated as other non-current financial assets.

In the year under review, fixed-term deposit investments with a remaining term of less than twelve months in the sum of €k 49,000 (previous year €k 44,000) are stated in this item.

## (12) LIQUID ASSETS

The liquid assets largely apply to cash in banks.

€k	31.12.2023	31.12.2022
Credit balance with financial institutions	111,008	113,879
Cash on hand	26	22
	111,034	113,901

## (13) EQUITY

The share capital is unchanged compared with the previous year and is divided into 4,000,000 ordinary shares and 1,000,000 non-voting preference shares. The preference shares have a surplus dividend of € 0.05. The arithmetical nominal value of the shares is € 3 for each share.

The capital reserve contains allocations from the sale of shares acquired in previous business years via the stock exchange.

In the business year, €k 16,000 (previous year €k 6,000) were allocated to the revenue reserves of Maschinenfabrik Berthold HERMLE AG. A further €k 74 was allocated to the revenue reserves of the subsidiaries.

The Management Board recommended at the shareholders' meeting on 20 March 2024 to use the 2023 balance sheet profit of Maschinenfabrik Berthold HERMLE AG amounting to €k 155,948 to pay out €k 75,050 through the payment of a dividend totalling € 15.00 per ordinary share, and € 15.05 per preference share, to allocate €k 16,000 to other revenue reserves and to carry forward the remaining €k 64,934 to a new account. This dividend proposal will be re-evaluated jointly by the Management Board and the Supervisory Board at the Supervisory Board meeting on 26 April 2024 based on the further development of the war in Ukraine and its effects as well as the economic situation in the industry.

In the 2023 business year a dividend totalling € 11.00 per ordinary share and € 11.05 per preference share was paid in respect of the 2022 business year.

The equity difference resulting from the currency conversion contains the differences resulting from the conversion of foreign subsidiaries.

The cumulated other equity contains the effects from the evaluation of derivative financial instruments without affecting the operating result. In the business year, an amount of €k 309 (previous year €K -414) was withdrawn from the equity and recorded as income (previous year expenses) in the period result. In addition, income (previous year income) from the market valuation of derivative financial instruments attributable to cash flow hedges was allocated to the equity without affecting profits in the sum of €k 7 (previous year €k +309).

The development of equity and its elements is stated in the consolidated equity statement.

## (14) MINORITY INTERESTS

The remaining item is attributable to the share in equity of HERMLE WWE AG attributable to the other shareholders.

## (15) PROVISIONS

€k	As per 01.01.2023	Consumption	Resolution	Addition	Other changes	As per 31.12.2023
Tax provisions	4,382	1,038	94	10,018	-12	13,257
Personnel provisions	17,657	9,122	121	15,823	-153	24,084
Other provisions						
in sales and purchasing	31,192	20,574	937	22,748	-4	32,425
for other areas	1,554	1,118	50	1,517	6	1,910
	32,764	21,692	989	24,265	2	34,334
	54,785	31,852	1,202	50,106	-163	71,674
of which current provisions	52,672	31,522	1,156	49,796	-176	69,704
of which non-current provisions	2,023	329	46	309	13	1,970

The provisions in human resources largely apply to flextime provisions, provisions for partial retirement commitments as well as bonus payments. The marketing and purchasing risks apply to warranties, fairness in trade and other follow-up benefits, acceptance or buy-back obligations and a raft of other purchasing and marketing risks. The other area contains other outstanding services and liabilities, which have not been identified on merit and/or in terms of their ultimate amount.

As in the previous year, the non-current provisions are personnel-related provisions, in particular relating to long-service award payments and flextime commitments.

The other changes comprise currency and interest effects totalling €k 163 (previous year €k 299), which were recognised as income.

The effects from the interest charge and from changes to the discounting interest rate in the sum of €k 18 (previous year €k 15) apply in an amount of €k 14 (previous year €k 12) to personnel provisions and €k 4 (previous year €k 3) to other provisions.

## (16) LIABILITIES

The liabilities relate in particular to:

€k	31.12.2023	31.12.2022
<b>Other non-current liabilities</b>		
Leasing liabilities	532	186
<b>Current trade accounts payable</b>		
against third parties	8,795	9,605
<b>Other current liabilities</b>		
Advances paid	28,732	37,316
Contractual debt from advance payment invoices	6,781	7,609
Contractual liabilities	3,089	2,463
Leasing liabilities	528	387
Derivative financial instruments	390	259
Tax liabilities	8,437	10,200
Social security liabilities	752	690
Other liabilities	8,118	7,814
	56,833	66,740
<b>Breakdown of liabilities by remaining terms</b>		
up to 1 year	65,628	73,345
from 1 year	532	186
	66,160	76,531

The current trade accounts payable contain title reservations that are customary in the trade.

Pursuant to IFRS 9, the derivative financial instruments stated in the other liabilities are stated at the market value. They apply to the negative market values of currency hedge transactions as part of the statement presentation of hedging relationships pursuant to IFRS 9 or IAS 39. Insofar as they are intended for fair value hedge security purposes, the negative market values are juxtaposed with increases in value in the balance sheet items of the allocated basic transactions.

The advances paid are stated as net amounts without turnover tax.



## EXPLANATIONS ON THE CONSOLIDATED INCOME STATEMENT

### (17) SALES REVENUES

The following table shows the distribution of sales in 2023 and 2022 by sales region as well as the reconciliation of sales by product and service areas to the reportable segments.

€k	Domestic companies		Foreign sales companies		Group	
	01-12/2023	01-12/2022	01-12/2023	01-12/2022	01-12/2023	01-12/2022
<b>Sales regions</b>						
Federal Republic of Germany	203,281	171,489	0	0	203,281	171,489
Other countries	98,522	96,260	230,521	206,316	329,043	302,576
<b>Total</b>	<b>301,803</b>	<b>267,749</b>	<b>230,521</b>	<b>206,316</b>	<b>532,324</b>	<b>474,065</b>
<b>Product and service areas</b>						
Sale of machine tools						
Accessories and spare parts	286,178	253,266	218,726	196,346	504,904	449,612
Service and training services	15,625	14,483	11,795	9,970	27,420	24,453
<b>Total</b>	<b>301,803</b>	<b>267,749</b>	<b>230,521</b>	<b>206,316</b>	<b>532,324</b>	<b>474,065</b>
Revenue from contracts with customers	301,803	267,749	230,521	206,316	532,324	474,065
Turnover with third parties	301,803	267,749	230,521	206,316	532,324	474,065

The contract balances are as follows:

€k	31.12.2023	31.12.2022
Trade accounts receivables against third parties	93,210	94,579
Customer receivables from advance payments	6,781	7,609
<b>Total</b>	<b>99,991</b>	<b>102,118</b>
Advances paid	28,732	37,316
Contractual liabilities	3,089	2,463
Contractual debt from advance payment invoices	6,781	7,609
<b>Total</b>	<b>38,602</b>	<b>47,388</b>

The advances paid relate to advances received from customers for machine sales. Contractual liabilities mainly include warranty and training services that have already been invoiced but not yet rendered.

The contractual debt from advance payment invoices is due advance payment invoices that have not yet been paid and for which there is an unconditional right to payment.

There are no contract assets.

In the 2023 business year, sales revenues of €k 1,398 (previous year €k 1,354) were recognised, which were included in the contractual liabilities at the beginning of the business year.

HERMLE expects that amounts included in the contractual liabilities as of 31 December 2023 amounting to €k 2,603 in 2024 and €k 486 in 2025 will lead to sales.

## (18) OTHER OPERATING INCOME

The other operating income item applies to:

€k	2023	2022
Income from reversal of provisions	1,174	2,331
Income from reversal of value adjustments	4,248	5,062
Income from retirement of fixed assets	612	994
Currency gains from exchange rate differences and derivative financial instruments	0	0
Other operating income	2,367	1,540
	8,401	9,927

The remaining other operating income item contains as key elements income from letting and leasing, from the passing on of costs and compensation payments of insurers and other third parties.

## (19) COST OF MATERIALS

Costs of materials apply to:

€k	2023	2022
Expenses for raw, process and operating materials and procured goods	209,047	195,856
Cost of purchased services	8,421	8,323
	217,468	204,179

## (20) PERSONNEL COSTS

Personnel costs include:

€k	2023	2022
Salaries and wages	121,867	106,190
Social security contributions	21,317	18,369
	143,184	124,559

As in the previous year, there were no expenses for old-age pensions.

Average numbers of employees:

	2023	2022
Industrial workers	551	494
Salaried employees	826	774
Apprentices	95	87
	1,472	1,355

The board members' emoluments totalled €k 3,233. The Supervisory Board members' emoluments totalled €k 80.

## (21) DEPRECIATION

The depreciation largely applies to scheduled depreciation on intangible assets and property, plant and equipment.

The business year includes non-scheduled depreciation of €k 5 (previous year €k 0).

## (22) OTHER OPERATING COSTS

€k	2023	2022
Formation of value adjustments on receivables	3,849	3,986
Currency losses	382	2,618
Expense from amendments to the group of consolidated companies	0	4,708
Other operating costs	50,207	43,947
	54,438	55,259

The other operating expenses largely apply to expenses for marketing, service and administration, as well as for maintenance expenses for buildings, fixtures and fittings. In addition, the item contains so-called taxes chargeable as expenses for road tax and land tax as well as foreign representative offices.

The expense from amendments to the group of consolidated companies relates to the two companies in Russia.

Other operating expenses include expenses relating to leases amounting to €k 1,527 (previous year €k 1,273). Of which, €k 1,493 (previous year €k 1,157) is attributable to current leases and €k 34 (previous year €k 116) to leases for assets of low value that are not current term.

With regard to auditing the annual financial statements and the consolidated financial statements of Maschinenfabrik Berthold HERMLE AG, auditor's fees of €k 258 (previous year €k 215) were incurred in 2023. Of which, €k 13 are allocated to the previous year. In addition, €k 0 (previous year €k 0) was paid in the current year for other certification services, €k 0 (previous year €k 0) were charged for tax consultancy services and €k 0 (previous year €k 0) for other services.

## (23) FINANCIAL RESULT

The financial result is classified as follows:

€k	2023	2022
Other interest and similar income	2,721	279
Interest and similar expenses	-194	-229
	2,527	50

Other interest and similar income largely apply to interest income from fixed-term bank deposits.

In addition to external interest, the interest expenditure mainly relates to internal expenses from the interest charge of current and non-current provisions.

## (24) TAXES ON INCOME

The taxes on income apply to:

€k	2023	2022
Current taxes	32,032	27,707
Deferred taxes	-1,249	181
	30,783	27,888

The following table illustrates the transition from the calculated or expected to the actual income tax liability, and explains the key differences in a summary:

€k	2023	2022
Result before income tax	118,357	99,673
Calculated income tax in %	26.50%	26.50%
Calculated income tax	31,364	26,413
Non-deductible expenses	229	174
Other aperiodic taxes	-816	-137
Differences from tax rates/currency conversion	-188	418
Losses carried forward not taken into account	194	1,020
Total tax expenses	30,783	27,888

The calculated income tax was calculated for domestic companies based on a tax rate of 26.50% (previous year 26.50%), while the deferred taxes were created on the basis of a tax rate of 26.50% (previous year 26.50%). The tax rate contains trade tax, corporation tax and the solidarity surcharge.

The stated deferred tax assets and liabilities apply to the following balance sheet items:

€k	31.12.2023	31.12.2022
<b>Deferred tax assets</b>		
Consolidations	929	857
Assets	407	165
Inventories and receivables	1,487	1,272
Provisions	1,441	778
Derivative financial instruments	104	69
Contractual liabilities	440	323
<b>Total</b>	<b>4,808</b>	<b>3,464</b>
Offset against deferred tax liabilities	0	0
<b>Total</b>	<b>4,808</b>	<b>3,464</b>
of which items charged to equity without affecting the operating result	104	28
<b>Deferred tax liabilities</b>		
Assets	814	651
Inventories and receivables	405	618
Provisions	271	260
Derivative financial instruments	174	140
Other	13	8
<b>Total</b>	<b>1,677</b>	<b>1,677</b>
Offset against deferred tax assets	0	0
<b>Total</b>	<b>1,677</b>	<b>1,677</b>
of which items charged to equity without affecting the operating result	107	140

The deferred tax assets are stated in the consolidated balance sheet in the non-current assets item, while the deferred tax liabilities are stated in the non-current liabilities item.

Temporary differences of €k 470 exist in connection with shares in subsidiaries, for which no deferred tax liability was recognised.

Tax losses capable of being carried forward of €k 5,848 (previous year €k 5,260) have not been stated due to the uncertain realisation options.

## (25) RESULT FOR EACH SHARE

€k	2023	2022
Net income:		
Acc. to income statement	87,574	71,785
Minority interests in the result	0	0
Result acc. to minority interests	87,574	71,785
Accrued preference dividends	-50	-50
Result acc. to minorities and preference dividends	87,524	71,735
Weighted average in pieces:		
Outstanding ordinary shares	4,000,000	4,000,000
Outstanding preference shares	1,000,000	1,000,000
Total of all types of shares	5,000,000	5,000,000
Average weighted number of shares in items:	5,000,000	5,000,000
Undiluted and diluted result for each share in euros:		
Per ordinary share	17.50	14.35
Per preference share, incl. dividend preference	17.55	14.40

The company does not hold any treasury shares or preference shares. In other respects, too, no further changes to the equity instruments occurred. The preference shares contain a surplus dividend of € 0.05 for each share compared with the ordinary shares. This additional share in the profit is initially shortened on a standardized basis in the case of calculating the result for each share, and only added once again in the case of the result for each preference share.

## (26) CONSOLIDATED CASH FLOW STATEMENT

The development of the money flows and their effects on the funds of the cash equivalents are illustrated in the Group cash flow statement. In that respect a distinction is made between payment flows from the ongoing business activity and the investment and financing activity. The cash flow from the ongoing business activity is determined using the indirect method, while by contrast the cash flow from the investment and financing activity is determined on a payment-related basis. Effects from the currency conversion and amendments to the group of consolidated companies are adjusted in that respect.

The cash and cash equivalents explained under (12) from cash on hand and cash in banks make up the funds of the cash and cash equivalents.

Tax payments as well as interest payments are stated in full as fund outflows or fund inflows from the business activity. The cash flow from the ongoing business activity contains cash flows from interest and other financial expenses amounting to €k +2,082 (previous year €k -58) and cash flows from taxes of €k -29,225 (previous year €k +547).

## (27) SEGMENT REPORTING

With regard to the segment reporting, HERMLE follows IFRS 8 "Operating Segments", which on a mandatory basis promotes classification in segments in line with the "Management Approach". By way of this method, information is published on the operating segments based on the internal organisational and management structure. In this respect, the financial reporting to the primary management committee of the company is authoritative, which is represented at HERMLE by the Management Board.

In view of this, this segment reporting is geared towards the segmenting in line with the marketing activities. On the one hand, the segments are divided into homogeneous activities of the foreign sales companies and sales branches, which cover the function of authorised dealers and sales branches, and on the other in the remaining domestic companies that each report their results on an ongoing basis. The companies and branches are classified in segments according to their affiliation. The Foreign sales segment includes the companies HERMLE USA INC, HERMLE Properties INC, HERMLE Nederland BV, HERMLE Italia S.R.L., HERMLE (Switzerland) AG, HERMLE WWE AG (Switzerland), HERMLE Vostok OOO (Russia), HERMLE Uljanovsk OOO (Russia), HERMLE México S. DE R.L. DE C.V., HERMLE SEA Co, Ltd. (Thailand), HERMLE Machine (Shanghai) Co. Ltd., China, as well as the sales branches of HERMLE AG in Austria, the Czech Republic, Denmark and Poland. HERMLE France SAS, Les Ulis (France) and HERMLE South East Europe SRL, Medias (Romania) were also added to the foreign segment in 2023. In the previous year, the foreign segment included HERMLE Vostok OOO (Russia) and HERMLE Ulyanovsk OOO (Russia). They are still included in the previous year's sales, operating result, income taxes and net income until they were removed from the group of consolidated companies on 1 April 2022.

Sales and services between the segments are offset using conditions that are customary in the market. HERMLE measures the success of the segments primarily by way of the operating result.

Receivables and liabilities, provisions, income and expenses between the segments are eliminated in the column consolidation effects. In addition, in the column consolidation effects the items are also stated that cannot be allocated to the stated segments. As a general rule, the segment reporting is based on the same accounting and valuation methods that apply to the consolidated financial statements. As a general rule, the assets of the segments comprise all assets, whereby the segment-wide relations are stated in the column consolidations. . However, apart from the assets, all shares, interests and loans to companies that are incorporated in full or in part in the consolidated financial statements are in the non-current financial assets area.

As a result of HERMLE's customer structure and business structure, there was no significant concentration on individual customers or regions in the years under review.

## (28) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The following contingent liabilities and other financial commitments applied on the reporting date:

€k	31.12.2023	31.12.2022
<b>Contingent liabilities</b>		
Liability from cooperative shares	5	5

## (29) FINANCIAL INSTRUMENTS

### ORIGINAL FINANCIAL INSTRUMENTS

The following section contains additional, key explanations on the statement presentation of financial instruments and their effects on profits in the consolidated income statement within the meaning of IFRS 7. The following overviews illustrate the composition of the financial instruments according to balance sheet items and valuation categories, the fair value and the valuation results according to valuation categories.

The amounts stated for the financial instruments according to valuation categories pursuant to IFRS 9 as per 31 December 2023 are as follows:

€k	Values stated in the balance sheet pursuant to IFRS 9					
	Book value 31.12.2023	Amortised cost	Fair value with an ef- fect on the operating result	Fair value without an effect on the operat- ing result	Leasing	Fair value 31.12.2023
<b>Assets</b>						
<b>Non-current assets</b>						
Other financial assets	3,005	3,000		5		3,005
Other non-current assets	0	0				0
<b>Current assets</b>						
Trade accounts receivables	93,210	93,210				93,210
Other current receivables	7,568	7,568				7,568
Derivative financial instruments	656		256			656
Securities and other assets	49,000	49,000		400		49,000
Cash and cash equivalents	111,034	111,034				111,034
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Financial liabilities	0					0
Derivative financial instruments	0					0
Leasing liabilities	-532				-532	-532
<b>Current liabilities</b>						
Trade accounts payable	-8,795	-8,795				-8,795
Other liabilities	-851	-851				-851
Leasing liabilities	-528				-528	-528
Derivative financial instruments	-390			-390		-390



The amounts stated for the financial instruments according to valuation categories pursuant to IFRS 9 as per 31 December 2022 are as follows:

Values stated in the balance sheet pursuant to IFRS 9

€k	Book value 31.12.2022	Amortised cost	Fair value with an ef- fect on the operating result	Fair value without an effect on the operat- ing result	Leasing	Fair value 31.12.2022
<b>Assets</b>						
<b>Non-current assets</b>						
Other financial assets	5			5		5
Other non-current assets	0					0
<b>Current assets</b>						
Trade accounts receivables	94,579	94,579				94,579
Other current receivables	7,956	7,956				7,956
Derivative financial instruments	528			528		528
Securities and other assets	44,000	44,000				44,000
Cash and cash equivalents	113,879	113,879				113,879
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Derivative financial instruments	0					0
Leasing liabilities	-186				-186	-186
<b>Current liabilities</b>						
Trade accounts payable	-9,605	-9,605				-9,605
Other liabilities	-4,342	-4,342				-4,342
Leasing liabilities	-259		-151	-108		-259
Derivative financial instruments	-387				-387	-387

The net results of the financial instruments according to valuation categories are as follows for the 2023 business year pursuant to IFRS 9:

€k	From interest/ Dividends	From follow-on valuations:			off Retire- ment	2023
		On fair value	Currency conversion	Value adjustment		
<b>Financial assets</b>						
Stated at amortised cost	2,721		-382	-257	-142	1,940
Stated at fair value directly in equity	0					0
Stated at fair value through profit and loss		0				0
<b>Financial liabilities</b>						
Stated at amortised cost	-165					-165
Stated at fair value through profit and loss		-29				-29
<b>Total</b>	<b>2,556</b>	<b>-29</b>	<b>-382</b>	<b>-257</b>	<b>-142</b>	<b>1,746</b>

The net results of the financial instruments according to valuation categories are as follows for the 2022 business year pursuant to IFRS 9:

€k	From interest/ Dividends	From follow-on valuations:			off Retire- ment	2022
		On fair value	Currency conversion	Value adjustment		
<b>Financial assets</b>						
Stated at amortised cost	301		-2,618	1,076	-55	-1,296
Stated at fair value directly in equity		-22				-22
Stated at fair value through profit and loss		0				0
<b>Financial liabilities</b>						
Stated at amortised cost	-171					-171
Stated at fair value through profit and loss		-49				-49
Stated at fair value without effect on the operating result		-22				-22
<b>Total</b>	<b>130</b>	<b>-93</b>	<b>-2,618</b>	<b>1,076</b>	<b>-55</b>	<b>-1,560</b>

The net profits or losses from loans and receivables largely contain changes in the value adjustments, currency conversions, income from received payments, write-ups as well as interest income.

Determining the fair value of the financial instruments set out in the above tables is geared towards a fair value hierarchy that takes into account the significance of the input data used for the valuation, and is classified as follows:

Level 1: listed on active markets (unchanged assumed prices) for identical assets and liabilities;

Level 2: for the asset or the liability either directly (as price) or indirectly (derived from the prices) observable input data that do not constitute a listed price according to Level 1;

Level 3: drawn input data that are not based on observable market data for valuing the asset and the liability (non-observable input data).

In the business year and in the previous year, the stated fair values were determined exclusively according to Level 2 of the fair value hierarchy.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING STRATEGIES

### FINANCIAL RISK MANAGEMENT

As per 31 December 2023, the HERMLE Group has an above-average equity ratio in the sum of 72.5%. On the reporting date, the amount of liquid funds and securities was €k 163,034. Liquid funds and securities relate to debtors with credit ratings that are generally considered good at present. As a result of these circumstances, the HERMLE Group is not dependent on interest-bearing outside capital to finance spare parts and expansion investments and the distribution of dividends. The HERMLE Group gives consideration at all times to keeping adequate financial reserves available to react at short notice to potential changes in the economic situation.

The financial risks are assessed below insofar as they are of importance to the HERMLE Group.

### RISKS FROM INTEREST CHANGES

Risks from interest changes arise from the investment of liquid funds in the form of variable and short-term, fixed-interest investments. Additional interest risks do not apply because there is no interest-bearing outside capital and only minor leasing liabilities. At the end of the year, the liquid funds were invested largely with remaining terms of less than one year, in part even with terms of up to three months, and therefore were practically equated with variable interest rates.

With regard to the liquid funds and marketable securities of circulating assets held up to the end of the year, an increase in the interest rates of 0.5% during the period of one year would lead to a potential increase in the net interest income of the following year by approximately €m 0.8 (previous year €m 0.8). The risk from a deterioration in interest rates exists to the same extent, as banks also pass on falling interest rates directly to customers. This effect is thus a mirror image of approximately €m -0.8 (previous year €m -0.8).

### DEFAULT RISKS

There is no significant concentration of default risks at the HERMLE Group because no more than 10% of the Group's turnover are generated with any single end customer. Furthermore, the default risks are further reduced by way of the ongoing monitoring of the payment behaviour of our customers, and consistent receivables management. However, against the backdrop of an expected economic downturn and the still partially impaired results of operations and financial position in individual customer sectors of our products after the COVID-19 pandemic, we currently assess the credit risk as higher than the average of previous years.

Liquid funds are invested in securities or debtors with a generally good credit rating, so that from today's perspective, despite latent risks from the capital markets and for the banks, short-term default risks are not to be assumed. In addition, short investment periods are currently still chosen. The for us significant indirect risk of default of totally over-indebted countries, if it were to occur, cannot be assessed by us with regard to the likelihood of occurrence. However, during the course of the last few years it has increased, and in the case of individual countries, in particular in the eurozone, it is still to be classified as "high". Risk-limiting countermeasures were introduced through the so-called "Stability Pact" and defined new debt limits, which were, however, temporarily suspended in practically all countries in the course of the COVID-19 pandemic and the war in Ukraine, circumvented by "special funds" or "flexibly handled". The sense and binding nature of these rules is openly disputed by many countries. This increases the likelihood that future compliance with the rules will also be questioned. The maximum default risk arises from the book value of the financial assets stated in the consolidated balance sheet.

## LIQUIDITY RISKS

The HERMLE Group has above-average high stocks of cash and cash equivalents. Liquidity risks are not discernible in the short to medium term due to these facts, wherein the stability of the German banking system is still assumed to be given despite weak earning power and a reduction in protection from the banks' voluntary protection systems - which may give rise to doubts (see comments on default risks).

## EXCHANGE RATE RISKS

Exchange rate risks apply, in particular, where receivables and liabilities exist in a currency other than the functional currency of the respective company or will arise in the case of scheduled business development in the form of future payment flows. Hedging exchange rate risks refers to payment flows; foreign currency risks that do not lead to payment flows are not secured. These are, for example, risks from converting the contracts of foreign subsidiaries and operating facilities in the Group reporting currency euro.

The exchange rate risks of the HERMLE Group largely refer to the amount of trade accounts receivables in foreign currencies as well as the inflow of cash and cash equivalents in foreign currencies. Maschinenfabrik Berthold HERMLE AG uses derivative instruments to hedge these currency risks. These are aimed at securing the foreign currency receivables that exist on the reporting date against Group companies or third parties, which are normally hedged as a rule, beyond this additionally the hedging of cash flows that have yet to be recorded in the balance sheet on the reporting date or pending or anticipated cash flows. Hedges for expected cash flows only are secured depending on the assessment of the price situation within a window of up to twelve months, beyond this in exceptional cases.

With regard to the presentation of market risks, IFRS 7 specifies sensitivity analyses on the effects on hypothetical changes in relevant risk variants on the year-end result and equity. As per 31 December 2023 and 31 December 2022, all key trade accounts receivables in foreign currency at Maschinenfabrik Berthold HERMLE AG against Group companies had been hedged by way of forward exchange transactions that were classified as fair value hedges. Currency items concluded from these result, in each case, in compensation effects such that changes do not, insofar, occur in equity and in the annual result. However, the valuation of the cash flow hedges as well as the conversion of foreign currency contracts are sensitive in relation to changes in currency rates.

In the case of impairment of the key foreign currencies by 5% in 2023, a loss for the 2023 business year of €m 0.1 (previous year €m 0.1) would arise; in the case of a corresponding increase in value, an income of €m 0.1 (previous year €m 0.1). In the case of impairment of the key foreign currencies by 5% in 2023, the Group capital as per 31 December 2023 would decrease by €m 0.3 (previous year €m 0.4); in the case of a corresponding write-up of the foreign currencies, it would increase by €m 0.3 (previous year €0.4 million).

The nominal volumes taken as a basis for the derivative financial instruments as well as their market values on the reporting date are stated in the following table:

€k	31.12.2023	31.12.2022
Forward currency sales:		
Nominal volume	47,756	43,108
of which Remaining term > 1 year	0	0
Positive market values	656	528
of which Fair value hedges < 1 year	(256)	(0)
of which Fair value hedges > 1 year	(0)	(0)
of which Cash flow hedges < 1 year	(400)	(528)
of which Cash flow hedges > 1 year	(0)	(0)
Negative market values	390	259
of which Fair value hedges < 1 year	(0)	(151)
of which Fair value hedges > 1 year	(0)	(0)
of which Cash flow hedges < 1 year	(390)	(108)
of which Cash flow hedges > 1 year	(0)	(0)

The market value corresponds with the profits and losses in the case of a notional settlement of the derivatives on the reporting date. The maximum default risk of derivative financial instruments corresponds with the total positive market values. It applies to potential assets that may arise from the failure by individual trading partners to honour contractual obligations. Derivative financial instruments are only concluded with banks that have the stated credit rating to avoid such a risk.

As a general rule, changes in the market values are recorded with an effect on profits. If future planned cash flows in foreign currencies are the subject matter of an effective hedge within the meaning of IFRS 9, the regulations of a cash flow hedge are applied. The market values of the corresponding hedge transactions are then initially offset against the equity, without affecting profits, in the "cumulated other equity" item, and only recorded with an effect on profits at a later date in the case of realizing the basic transaction.

### (30) ESTIMATES

Estimates are incorporated in the valuation of the trade accounts receivables, inventories as well as determining the other provisions. In the case of goodwill recognised in the consolidated balance sheet, these relate to the calculation of future cash flows and the determination of an appropriate discount rate; in the case of trade accounts receivables, these largely apply to the likelihood of default for the individual debtors and the default amount, in the case of the inventories warehoused for lengthy periods or inventories with a low likelihood of being marketed the future marketability, in the case of deferred tax assets, the realisability of tax losses carried forward, and in the case of the stated other provisions both the likelihood of occurrence of events and assumed performance amounts which, where possible, are determined on the basis of previous empirical values. In view of the fact that the actual future development of these parameters may vary from the forecast assumptions, new valuations of the corresponding items may arise in subsequent years with an effect on profits.

In the 2023 business year, the Group profit was again negatively affected by the after-effects of the COVID-19 pandemic, the war in Ukraine and supply chain disruptions. Estimation uncertainties remain high in the following year due to these uncertainties and the unclear course and outcome of the Ukraine conflict, the war in the Gaza Strip and the Middle East crises.

### **(31) EVENTS AFTER THE REPORTING DATE**

Following the conclusion of the 2023 business year and up until the consolidated financial statement was signed off, there were no events that had significant effects on the earnings, financial and assets position of HERMLE AG and the Group, with the exception of the event mentioned below. In order to strengthen our position in the area of high-precision grinding parts, which are required for strategically important spindle assembly, for example, we acquired Gebr. Grieswald GmbH & Co. KG, Burladingen, with 20 employees in January as part of an asset deal effective from 1 April 2024.

### **(32) RELATIONS WITH CLOSELY AFFILIATED COMPANIES AND PERSONS**

In addition to the subsidiaries incorporated in the consolidated financial statements as the holdings not incorporated in the consolidated financial statements, as a general rule consideration here is given to members of the Management Board or Supervisory Board as well as shareholders with a considerable influence within the meaning of IAS 24 "Related Party Disclosures". The relations with this group of closely affiliated companies and groups are processed at conditions that are customary in the market.

There are no closely affiliated companies that are dominated by the HERMLE Group or upon which the HERMLE Group exerts a considerable influence but which are not included in the consolidated financial statements.

The deliveries and services performed and rendered by the Group for other closely affiliated companies were €k 769 (previous year €k 119), while the deliveries and services purchased by the Group from other closely affiliated companies were €k 0 (previous year €k 693). On the reporting date, the Group receivables due from other closely affiliated companies were €k 1 (previous year €k 16), while the Group liabilities due to other closely affiliated companies were €k 1 (previous year €k 4).

### **(33) DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)**

The Management Board and Supervisory Board of HERMLE AG issued the declaration of compliance with GCGC pursuant to Section 161 of the German Stock Corporation Act (AktG) on 6 December 2023 and made it permanently available to the general public on the HERMLE AG homepage at [www.hermle.de](http://www.hermle.de) (under: Company & Career / Investor Relations / Mandatory publications / Code Section 161 of the German AktG).

### (34) DETAILS OF THE COMPANY'S EXECUTIVE BODIES

The following persons form the board of management:

**Günther Beck**, Member of the Board, Finances, Information Processing

**Franz-Xaver Bernhard**, Member of the Board, Sales, Research and Development

Other mandates in supervisory boards and controlling bodies:

Member of the Supervisory Board of VOLLMER Werke Maschinenfabrik GmbH, Biberach an der Riss

**Benedikt Hermle**, Member of the Board, Production, Customer Service, Materials Management, Human Resources

The following persons form the Supervisory Board:

**Dietmar Hermle**, Chair of the Supervisory Board

Entrepreneur, former spokesperson of the Management of Maschinenfabrik Berthold HERMLE AG

**Lothar Hermle** Deputy Chair, Industrial Foreman

**Dr. Sonja Zobl-Leibinger**, Deputy Chairwoman

Lawyer

Other mandates in supervisory boards and controlling bodies:

Chair of the Supervisory Board of AdCapital AG, Tuttlingen

**Dr. Wolfgang Kuhn**

Entrepreneur

Other mandates in supervisory boards and controlling bodies:

Chair of the Supervisory Board of Concept AG, Stuttgart, until 4 December 2023

Member of the Supervisory Board of SALytic Invest AG, Cologne

Member of the Board of Directors of Pactum AG, Zurich, until 14 July 2023

Chair of the Supervisory Board of E3 Holding AG, Biberach an der Riss

Deputy Chair of the Supervisory Board of WS Holding AG, Ludwigsburg

**Gerd Grewin\***

Chair of the Works Council

Industrial Foreman, Control Technician

**Andreas Borho\***

Industrial Business Management Assistant

\* Elected employee representatives

Gosheim, 26 March 2024

Maschinenfabrik Berthold HERMLE AG

Günther Beck

Franz-Xaver Bernhard

Benedikt Hermle

## UNQUALIFIED OPINION

### AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE SUMMARY MANAGEMENT REPORT

#### Audit appraisal

We have audited the consolidated financial statements of Maschinenfabrik Berthold HERMLE AG, Gosheim, and its subsidiary companies (the Group) – comprising the consolidated balance sheet as per 31 December 2023, the consolidated statement of comprehensive income, the consolidated equity statement and the consolidated cash flow statement – for the business year from 1 January to 31 December 2023, as well as the notes to the consolidated financial statements, including a summary of key financial reporting methods applied. We have also audited the management report (company and consolidated report/summary management report) of Maschinenfabrik Berthold HERMLE AG, Gosheim, for the business year from 1 January to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) and the separate mandatory non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (HGB), each of which has been published on the company's website and to which reference is made in the first paragraph or in the section "Corporate Governance Statement" of the summary management report, the section "Corporate Governance Statement", the subsection "Integrated monitoring, control and compliance management system" in the section "Risk and opportunities report" as well as the components expressly marked as unaudited in the summary management report.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply in all respects with IFRS, as adopted in the EU, and with the additional requirements of Section 315e (1) of the German Commercial Code (HGB), and in line with those requirements give a true and fair view of the net assets and financial position of the Group as per 31 December 2023, and of the results of operations for the business year from 1 January to 31 December 2023.
- The summary management report as a whole provides an accurate view of the Group's position. The summary management report is consistent with the consolidated financial statements in all material respects, complies with German law, and accurately presents the opportunities and risks of future developments. Our audit appraisal on the summary management report does not cover the aforesaid components of the summary management report that were not audited as to their substance.

Pursuant to Section 322 (3) Clause 1 of the German Commercial Code (HGB), we hereby declare that our audit raised no objections concerning the accuracy and propriety of the consolidated financial statements or the summary management report.

#### Basis of the audit appraisal

We conducted our audit of the consolidated financial statements and the summary management report in accordance with Section 317 of the German Commercial Code (HGB) and EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities (in the following referred to as the EU Audit Regulation), in line with the generally accepted German standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities pursuant to the said regulations and principles is detailed in the section of our unqualified opinion headed "Responsibilities of the auditor for auditing the consolidated financial statements and the summary management report". In accordance with European law and with German commercial law and professional standards, we are independent of the Group companies, and have fulfilled our other professional duties as German auditors in line with the said requirements. Furthermore, we hereby declare in accordance with Article 10 (2) f) of the EU Audit Regulation that we have provided no prohibited non-audit services pursuant to Article 5 (1) of the EU Audit Regulation. In our view, the documentary records we requested were adequate and suitable to serve as the basis for our audit of the consolidated financial statements and the summary management report.

#### Key matters in auditing the consolidated financial statements

Key audit matters are matters which according to our prudent judgement were the most significant in our audit of the consolidated financial statements for the business year from 1 January to 31 December 2023. The said matters were given due consideration in the context of our audit of the consolidated financial statements as a whole and in drawing up our overall audit appraisal; we provide no separate appraisal of the said matters.

In the following, we present the audit matter that we consider to be of particular importance:

- Recognition of sales revenues from new machine and spare parts sales



**a) The risk for the consolidated financial statements**

The Group of Maschinenfabrik Berthold HERMLE AG, Gosheim, generates revenue from the sale of machines and spare parts as well as from the provision of services. In the 2023 business year, sales revenues of €m 504.9 were generated from the sale of new machines and spare parts. Sales revenues are generally recognised at the time the products are delivered and the ownership or risk is transferred to the customer. If spare parts are related to a service agreement, turnover realisation is not recognised until the service agreement has been completed, as the agreed consideration is only fully met at that moment. The Maschinenfabrik Berthold HERMLE AG Group also offers extended warranties and training in connection with the sales contracts, which are accounted for as a separate performance obligation in accordance with IFRS 15. For contracts that contain various performance obligations, the allocation of revenue is based on the individual sales prices.

The company's disclosures on turnover realisation are contained in particular in the section "Consolidated income statement" in chapter (6) "Accounting and valuation principles" and in chapter (17) "Sales revenues" of the notes to the consolidated financial statements and in the summary management report in the section "An overview of HERMLE's business performance".

Due to the variety of contractual provisions using different general terms of delivery (Incoterms), the complexity in allocating the sales price to the individual performance obligations as well as the large number of business transactions in the area of spare parts sales, turnover realisation is considered complex and therefore classified as a significant risk. Against the background of the materiality of sales revenue from new machine and spare parts sales for the annual result and thus the relevance for understanding the net assets, financial position and results of operations as well as the high significance as an important financial performance indicator for corporate management and corporate planning, the turnover realisation of new machine and spare parts sales was of particular importance within the scope of our audit.

**b) Audit procedure and conclusions**

We have assessed the compliance of the accounting and valuation methods applied by the Maschinenfabrik Berthold HERMLE AG Group for the recognition of sales revenues with the IFRS framework and the relevant IFRS. Based on our understanding of business and processes, we analysed the revenue reported in the 2023 business year using key figures and performed data analyses to assess the accounting system recording. We have assessed the adequacy and effectiveness of the internal control system, tested significant implemented controls and also examined, on the basis of extensive sampling of the sales revenues generated from new machines and spare parts sales in the business year, whether the revenues have been correctly recognised in the business year in accordance with the contractual agreements, the available customer acceptance or shipping documents and other related documentation. We have audited the Group sales revenues for the 2023 business year with regard to the accrual basis of accounting on a sample basis by examining individual revenue transactions shortly before and after the reporting date.

We also obtained balance confirmations from customers on a sample basis in order to verify the trade accounts receivables recognised by the Maschinenfabrik Berthold HERMLE AG Group on the reporting date and assessed whether the Maschinenfabrik Berthold HERMLE AG Group has properly identified the separate accounting units, correctly determined the transaction price for such units and ensured turnover realisation on an accrual basis. We have also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

The approach of the Maschinenfabrik Berthold HERMLE AG Group to recognise sales revenues from new machines and spare parts sales is appropriate. Our audit procedures did not reveal any objections with regard to turnover realisation.

**Other information**

The legal representatives or the Supervisory Board are/is responsible for the other information given. Other information includes:

- The separate mandatory non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (HGB) published on the company's website, to which reference is made in the first paragraph of the summary management report
- The Corporate Governance Statement published on the company's website in accordance with Sections 289f and 315d of the German Commercial Code (HGB), to which reference is made in the "Corporate Governance Statement" section of the summary management report
- The "Corporate Governance Statement" section of the summarised management report
- The subsection "Integrated monitoring, control and compliance management system" in the chapter "Risk and opportunities report" of the summary management report

- The components expressly marked as unaudited in the summary management report
- The Report of the Supervisory Board
- The other parts of the published annual report, but not the consolidated financial statements, not the audited content of the summary management report and not our unqualified opinion thereon, and
- The assurance pursuant to Section 297 (2) Clause 4 of the German Commercial Code (HGB) relating to the consolidated financial statements and the assurance pursuant to Section 289 (1) Clause 5 of the German Commercial Code (HGB) and to Section 315 (1) Clause 5 relating to the summary management report

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the Corporate Governance Statement published on the company's website. Otherwise, the legal representatives are responsible for the other information.

Our audit appraisal of the consolidated financial statements and the summary management report does not extend to the other information. Accordingly, we provide no audit appraisal, nor do we present any other form of audit conclusions, on the said other information.

In connection with our audit appraisal of the consolidated financial statements, we have a duty to read the aforesaid other information, and to consider whether the other information

- contains material inaccuracies relating to the consolidated financial statements, the content of the audited disclosures in the summary management report or our findings from the audit, or
- appears to be materially incorrectly presented in any other way.

If, based on the work we have performed, we conclude that there has been materially false information in this other information, we are required to report that fact. We have nothing to report in this context.

#### **Responsibility of the legal representatives and of the Supervisory Board for the consolidated financial statements and the summary management report**

The legal representatives are responsible for compiling the consolidated financial statements in compliance with IFRS, as applicable in the EU, and with the additional German legal requirements pursuant to Section 315e (1) of the German Commercial Code (HGB) in all material respects, and for ensuring that the consolidated financial statements convey a true and accurate view of the net assets, financial position and results of operations of the Group in line with those requirements. The legal representatives are also responsible for the internal controls which they have designated as necessary in order to compile consolidated financial statements that do not contain false information, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In compiling the consolidated financial statements, the legal representatives are responsible for assessing the ability of the Group to maintain its business operations. They further have a duty to disclose any relevant matters pertinent to the maintaining of business operations. Their responsibilities also include reporting on the Group's ability to maintain business operations on the basis of financial reporting principles, unless it is intended that the Group should be liquidated or cease its business operations, or there is no realistic alternative to doing so.

The legal representatives are also responsible for compiling the summary management report, presenting an accurate overall view of the Group's position and complying in all material respects with the consolidated financial statements and with German law, and accurately presenting the opportunities and risks of future developments. The legal representatives are also responsible for implementing the precautions and measures (systems) they consider necessary in order to compile a summary management report in compliance with the applicable German laws and to provide adequate and suitable evidence supporting the statements made in the summary management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting processes in compiling the consolidated financial statements and the summary management report.

## Responsibilities of the auditor for auditing the consolidated financial statements and the summary management report

Our objective is to establish with adequate certainty that the consolidated financial statements as a whole do not contain false information, whether due to fraud or error, and that the summary management report presents an accurate overall view of the Group's position and complies in all material respects with the consolidated financial statements, with the findings of the audit, and with German law, and accurately presents the opportunities and risks of future developments. We are required to draw up an unqualified opinion setting forth our appraisal of the consolidated financial statements and the summary management report.

'Adequate certainty' means a high degree of certainty, but does not guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation, in line with the generally accepted German standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will reveal all materially false information. False information may result from fraud or errors, and is regarded as material if it might reasonably be expected that – in isolation or overall – it will influence commercial decisions of the target readership taken on the basis of these consolidated financial statements and this summary management report.

During the audit, we exercise due diligence in making judgements and adopt a critical view. Additionally:

- We identify and assess the risks of materially false information presented in the consolidated financial statements and the summary management report due to fraud or error, plan and implement audit procedures in response to the said risks, and gather evidence which is adequate and suitable to serve as the basis for our audit appraisal. The risk of not detecting materially false information resulting from fraud is higher than the risk of not detecting materially false information resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading information or override of internal controls.
- We gain an understanding of the internal control system relevant to auditing of the consolidated financial statements and the precautions and measures relevant to auditing of the summary management report, in order to plan audit procedures which are appropriate to the given circumstances, though not with the aim of appraising the efficacy of these systems.
- We assess the adequacy of the financial reporting methods applied by the legal representatives and the accuracy of the estimated values and related information given by the legal representatives.
- We draw conclusions as to the adequacy of the financial reporting methods applied by the legal representatives in evidencing the ability of the Group to maintain its business operations, and check on the basis of the audit evidence gathered whether there is any material uncertainty in relation to events or circumstances which might cast significant doubt on the ability of the Group to maintain its business operations. If we conclude that there is any material uncertainty, we have a duty to cite the relevant disclosures in the consolidated financial statements and the summary management report in our unqualified opinion or, if the said disclosures are inappropriate, to modify our audit appraisal. We draw our conclusions on the basis of the audit evidence gathered up to the date of our unqualified opinion. Future events or circumstances may, however, result in the Group no longer being able to maintain its business operations.
- We assess the presentation, the structure and content of the consolidated financial statements, including the disclosures therein, as well as assessing whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements in compliance with IFRS, as applicable in the EU, and with the additional German legal requirements pursuant to Section 315e (1) of the German Commercial Code (HGB) convey a true and accurate view of the net assets, financial position and results of operations of the Group.
- We gather adequate and suitable audit evidence concerning the financial reporting information on the companies or business operations within the Group in order to provide appraisals of the consolidated financial statements and the summary management report. We are responsible for guiding, supervising and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit appraisal.
- We assess the conformance of the summary management report to the consolidated financial statements, its legal compliance, and the view it provides of the Group's position.
- We implement audit procedures relating to the forward-looking information set out by the legal representatives in the summary management report. Based on adequate and suitable audit evidence, we in particular trace the significant assumptions made by the legal representatives underpinning the forward-looking information they set out, and assess the correct and proper derivation of the said forward-looking information from the said assumptions. We do not provide a separate appraisal of the forward-looking information or of the assumptions underpinning it. There is a significant unavoidable risk that future events will vary materially from the forward-looking information presented.

We consult with the staff responsible for overseeing the planned audit on matters including the scope and timing of the audit, and discuss with them significant findings from the audit, including any important deficiencies in the internal control system which we identify in the course of our audit.

We provide the staff responsible for overseeing the audit with a declaration that we have complied with the relevant requirements for independence, and discuss with them all the relationships and any other matters which might reasonably give rise to the assumption that our independence could be impaired, and, where relevant, the actions taken or the preventive measures implemented to prevent any such independence threats.

From the matters discussed with the staff responsible for overseeing the audit, we define those matters which were most significant in auditing the consolidated financial statements for the current reporting period, and which consequently are considered to be key audit matters. We detail the said matters in our unqualified opinion unless the law or other legally binding regulations prohibit public disclosure of the matters.

### **OTHER STATUTORY REQUIREMENTS**

Report on the audit of the electronic reproductions of the consolidated financial statements and the summary management report prepared for the purpose of disclosure in accordance with Section 317 (3a) of the German Commercial Code (HGB)

#### **Audit appraisal**

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the summary management report (hereinafter also referred to as "ESEF documents") contained in the file "HERMLE\_AG\_KA\_2023-12-31.zip" and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the summary management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforesaid file.

In our opinion, the reproductions of the consolidated financial statements and the summary management report contained in the aforesaid file and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format. Other than this audit appraisal and our audit appraisals on the accompanying consolidated financial statements and on the accompanying summary management report for the business year from 1 January to 31 December 2023 included in the "Auditor's report on the audit of the consolidated financial statements and the summary management report", we do not provide any audit appraisal on the information given in these reproductions or on the other information included in the aforesaid file.

#### **Basis for the audit appraisal**

We performed our audit of the reproductions of the consolidated financial statements and the summary management report in the aforesaid file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (06.2022)). Our responsibility is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our audit firm has applied the quality management requirements of the IDW quality management standard: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

#### **Responsibility of the legal representatives and of the Supervisory Board for the ESEF documents**

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the summary management report in accordance with Section 328 (1) Clause 4 No. 1 of the German Commercial Code (HGB) and for the mark-up of the consolidated financial statements in accordance with Section 328 (1) Clause 4 No. 2 of the German Commercial Code (HGB).

Furthermore, the legal representatives of the company are responsible for the internal controls they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) of the German Commercial Code (HGB).

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

#### **Auditor's responsibility for the audit of the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documentation is free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB). During the audit, we exercise due diligence in making judgements and adopt a critical view. Additionally:

- We identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB), 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 appraisal.
- We gain an understanding of the relevant internal controls to audit the ESEF documents in order to plan audit procedures which are appropriate to the given circumstances, though not with the aim of appraising the efficacy of these controls.
- We assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2020/815, as amended at the reporting date, for the technical specification for that file.
- We assess whether the ESEF documents provide a consistent XHTML representation of the audited consolidated financial statements and the audited summary management report.
- We assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML representation.

#### **OTHER DISCLOSURE PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION**

We were elected to audit the consolidated financial statements by the shareholders' meeting on July 5, 2023. We were contracted to conduct the audit by the Supervisory Board on 20 November 2023. We have been the auditors of the consolidated financial statements of Maschinenfabrik Berthold HERMLE AG without interruption since the 2020 business year.

We hereby declare that the audit appraisals set forth in this unqualified opinion conform to the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (Additional report to the audit committee).

#### **Other matters - use of the audit opinion**

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited summary management report and the audited ESEF documents. The consolidated financial statements and the summary management report converted into ESEF format - including the versions to be published in the Company Register - are merely electronic reproductions of the audited consolidated financial statements and the audited summary management report and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documentation provided in electronic form.

#### **Responsible auditor**

The auditor responsible for the audit is Katrin Wolfrum.

Stuttgart, 25 April 2024

Ebner Stolz GmbH & Co. KG  
Auditors and tax consultants

Dr. Volker Hecht  
Auditor

Katrin Wolfrum  
Auditor

## ASSURANCE OF THE LEGAL REPRESENTATIVES (BALANCE SHEET OATH)

We assure to the best of our knowledge that pursuant to the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations, and in the joint management report of Maschinenfabrik Berthold HERMLE AG and the Group, the business performance, including the business result, and the Group's position are stated such that a true and fair view of the actual circumstances is presented, and the key opportunities and risks of the likely development are described.

Gosheim, 26 March 2024

Maschinenfabrik Berthold HERMLE AG

Günther Beck      Franz-Xaver Bernhard      Benedikt Hermle

## DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and the Supervisory Board declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022, which came into force on 17 May 2022 (GCGC 2022), are not complied with, with the exception of various individual points. This is justified in that Maschinenfabrik Berthold HERMLE AG conducts its operations in accordance with the principles of open information policy that it has put in place to date, which were implemented as part of the rules of procedure of the Management Board and the Supervisory Board. In that respect, the mandatory requirements were complied with in full.

The Management Board and the Supervisory Board hold the view there are various reasons for not implementing recommendations of the GCGC 2022 that extend beyond this. As detailed below, Maschinenfabrik Berthold HERMLE AG therefore deviates considerably from the recommendations of the GCGC 2022, wherein it may be assumed for the following statements that all GCGC 2022 recommendations that are not identified as being positively regarded in the following have been deviated from.

The recommendations under B. regarding the appointment of members to the Management Board are largely not complied with. In view of the successful, decade-long practice in the appointment of Management Board members and the continuity in the Management Board, the previous framework conditions for the appointment of board members shall essentially be retained and no further restrictions shall be deliberately imposed – albeit in compliance with all legal framework conditions and requirements.

The recommendations under C. on composition, under D. on working methods, under E. on conflicts of interest and under F. on transparency and external reporting of the Supervisory Board are largely not complied with, as the applicable legal regulations together with the rules of procedure of the Management Board and the Supervisory Board are judged to be fully sufficient for the topics dealt with there. Furthermore, we believe that the Code recommendations under C. to F. are geared towards international major DAX-listed Groups but not to an SME with a limited number of ordinary shareholders who, in part and also on the basis of a right of delegation under the articles of association, are represented personally in the supervisory committees.

Finally, the recommendations on the remuneration of the Management Board and the Supervisory Board under G. (GCGC 2022) are essentially not complied with. In addition to the basic provisions for the remuneration of Management Board members in accordance with Section 87 of the AktG for DAX-listed companies in Section 87 a of the AktG, the legislator has regulated the obligation to establish a remuneration system that is to be put before the shareholders' general meeting in accordance with Section 120 a, Para. 1 of the AktG, whereby with only a few exceptions the specified, comprehensive individual requirements of the remuneration system are only then to be implemented in the remuneration system if they are indeed part of contractual agreements with Management Board members. Correspondingly, in accordance with Section 162 of the German Stock Corporation Act (AktG) the obligation pertains to draw up a remuneration report containing, in particular, evidence of compliance with the remuneration system. In accordance with Section 120 a, Para. 4 of the AktG, this is to be approved by the shareholders' meeting for the respective previous business year. To date, Maschinenfabrik Berthold HERMLE AG has completely fulfilled all these legal requirements within the timespan prescribed by the legislator and will also do this in future. Maschinenfabrik Berthold HERMLE AG also considers these requirements by the legislator to be absolutely sufficient to ensure appropriate remuneration for the Management Board and the Supervisory Board and also transparency in this regard. In particular, we expressly view the individual complexities designated in the recommendations under G of the GCGC 2022 as being unsuitable for a company of our dimensions with regard to ensuring fair and transparent remuneration of the Management Board members that remains beneficial to the company as well. In addition, in the past Maschinenfabrik Berthold HERMLE AG had variable remuneration based on the company's results, but no share-based remuneration for the board members, and from today's perspective such share-based remuneration is not planned for the future.

Overall, in view of the relative lower market capitalisation of the company, the shareholder structure, the very lean and therefore efficient company organisation to date as well as the additional costs associated with full implementation, Maschinenfabrik Berthold HERMLE AG has decided in favour of a merely very limited implementation of the recommendations of the GCGC.

However, Maschinenfabrik Berthold HERMLE AG complies with various individual regulations of the GCGC 2022 that go beyond the legal requirements; these are listed below:

Recommendation A.2	Observance of diversity when filling management positions
Recommendation A.4	Compliance Management System with disclosure of the principles
Recommendation A.5	Disclose and statement in the management report on the main features of the internal control system and the risk management system and on the appropriateness and effectiveness of these systems.
Suggestion A.7	Limitation of the time of the shareholders' meeting to a maximum of four to six hours
Recommendation B.1	Observance of diversity by the Supervisory Board in the composition of the Management Board
Recommendation B.4	Reappointment of the Management Board before the end of one year prior to the end of the term of appointment only in the case of special circumstances
Recommendation C.4	Multiple mandates of Supervisory Board members
Recommendation C.11	Supervisory Board mandates for former Management Board members
Recommendation C.12	Position of Supervisory Board members towards competitors
Recommendation D.5	Consultation of the Chair of the Supervisory Board with the Management Board on issues of strategy, business development, risk situation, risk management and compliance of the company
Recommendation D.7	Information on Supervisory Board meetings in the report of the Supervisory Board
Recommendation D.8	Agreement on immediate notification of the Supervisory Board by the auditor in the event of significant findings and occurrences
Recommendation D.9	Agreement on the provision of information to the Supervisory Board by the auditor in the event that incorrect declarations regarding the Code are identified
Recommendation E.3	Secondary activities of Management Board members
Recommendation F.3	Publication of quarterly reports or information during the year on significant changes in the business outlook and the risk situation
Recommendation F.5	Publication of the declaration of compliance on the website for five years
Recommendations G.12- G.14	Benefits in the event of termination of contracts of Management Board members
Recommendation G.15	Offsetting the remuneration for intra-group Supervisory Board mandates in the Management Board remuneration
Recommendation G.16	Decision of the Supervisory Board on the offsetting of remuneration for Supervisory Board mandates outside the group in the Management Board remuneration
Recommendation G.18	Fixed remuneration of Supervisory Board members

Gosheim, 6 December 2023

Maschinenfabrik Berthold HERMLE AG

Management Board  
Supervisory Board





FURTHER  
INFORMATION



HERMLE C 42 U dynamic in 5-axis version |  
Machining of a die for toolmaking and mould construction.

# BALANCE SHEET

BY MASCHINENFABRIK BERTHOLD HERMLE AG

## ASSETS

€k	31.12.2023	31.12.2022
<b>A. Assets</b>		
I. Intangible assets		
Industrial property rights and similar rights acquired for value consideration	976	1,081
II. Property, plant and equipment		
1. Land and buildings, including the buildings on non-owned land	46,577	46,985
2. Technical plants and machinery	12,521	12,789
3. Other plants, fixtures and fittings	11,090	9,719
4. Advances paid	19,990	1,726
	90,178	71,219
III. Financial assets		
1. Investments in associated companies	12,477	12,025
2. Loans to associated companies	1,065	275
3. Other loans	5	5
	13,547	12,305
	<b>104,701</b>	<b>84,605</b>
<b>B. Circulating assets</b>		
I. Inventories		
1. Raw, process and operating materials	68,581	56,496
2. Unfinished products	21,880	22,683
3. Finished products	23,366	21,881
4. Advances paid	774	1,888
	114,601	102,948
II. Trade and other receivables		
1. Trade accounts receivables	49,321	53,152
2. Receivables from associated companies	22,444	25,394
3. Other receivables	2,599	1,995
	74,364	80,541
III. Liquid assets	110,695	99,745
	<b>299,660</b>	<b>283,234</b>
<b>C. Accrued and deferred items</b>	<b>1,009</b>	<b>726</b>
	<b>405,370</b>	<b>368,565</b>



# DEVELOPMENT OF ASSETS

BY MASCHINENFABRIK BERTHOLD HERMLE AG

€k	Acquisition/manufacturing costs					As of 31.12.2023
	As of 01.01.2023	Additions	Repostings	Currency adjustment	Retirements	
<b>I. Intangible assets</b>						
Industrial property rights and similar rights acquired for value consideration	8,686	384	0	0	258	8,812
<b>II. Property, plant and equipment</b>						
1. Land and buildings, including the buildings on non-owned land	79,754	1,530	0	0	0	81,284
2. Technical plants and machinery	51,854	2,421	532	0	833	53,974
3. Other plants, fixtures and fittings	32,650	4,176	423	-2	1,567	35,680
4. Advances paid	1,726	19,485	-955	-2	264	19,990
	165,984	27,612	0	-4	2,664	190,928
<b>III. Financial assets</b>						
1. Investments in associated companies	12,025	452	0	0	0	12,477
2. Loans to associated companies	275	790	0	0	0	1,065
3. Other loans	5	0	0	0	0	5
	12,305	1,242	0	0	0	13,547
	186,975	29,238	0	-4	2,922	213,287

	Cumulated depreciation				Book values		
	As of 01.01.2023	Additions	Currency adjustment	Retirements	As of 31.12.2023	As of 31.12.2023	As of 31.12.2022
	7,605	488	0	257	7,836	976	1,081
	32,769	1,939	-1	0	34,707	46,577	46,985
	39,065	3,051	0	663	41,453	12,521	12,789
	22,931	3,131	1	1,473	24,590	11,090	9,719
	0	0	0	0	0	19,990	1,726
	94,765	8,121	0	2,136	100,750	90,178	71,219
	0	0	0	0	0	12,477	12,025
	0	0	0	0	0	1,065	275
	0	0	0	0	0	5	5
	0	0	0	0	0	13,547	12,305
	102,370	8,609	0	2,393	108,586	104,701	84,605

# INCOME STATEMENT

BY MASCHINENFABRIK BERTHOLD HERMLE AG

€k	2023	2022
1. Sales revenues	485,430	430,580
2. Increase in inventory of finished and unfinished products	282	7,069
3. Other company-produced assets	741	1,468
4. Total operating performance	486,453	439,117
5. Other operating income	9,356	10,616
6. Material cost	223,227	206,673
7. Personnel costs	106,570	93,939
8. Depreciation on intangible assets and property, plant and equipment	8,609	8,409
9. Other operating costs	56,841	48,398
<b>10. Operating result</b>	<b>100,562</b>	<b>92,314</b>
11. Financial result and investment earnings	10,207	3,848
12. Taxes on income	27,678	23,586
<b>13. Result after taxes</b>	<b>83,091</b>	<b>72,576</b>
14. Other taxes	193	265
<b>15. Net income</b>	<b>82,898</b>	<b>72,311</b>
16. Profit carried over from previous year	73,050	71,785
<b>17. Balance sheet profit</b>	<b>155,948</b>	<b>144,096</b>

# PROPOSAL ON THE APPROPRIATION OF PROFITS

## RESOLUTION ON APPROPRIATION OF BALANCE SHEET PROFIT FOR THE 2023 BUSINESS YEAR

In accordance with Section 16 (3) of the Articles of Association of Maschinenfabrik Berthold HERMLE AG, the Management Board and the Supervisory Board resolved on 26 April 2024 to allocate €m 40 from the result of the 2023 business year to the revenue reserves.

The Management Board and the Supervisory Board propose to appropriate the balance sheet profit of the 2023 business year of € 115,947,722.89 as follows:

Distribution of a dividend of € 15.00 per ordinary share (€ 0.80 + € 14.20 bonus) Security identification number 605 280 / ISIN DE0006052806 for 4,000,000 ordinary shares for the 2023 business year:	€ 60,000,000.00
Distribution of a dividend of € 15.05 per preference share (€ 0.85 + € 14.20 bonus) Security identification number 605 283 / ISIN DE0006052830 for 1,000,000 preference shares for the 2023 business year:	€ 15,050,000.00
To be carried forward to new account:	€ 40,897,722.89
<b>Balance sheet profit</b>	<b>€ 115,947,722.89</b>

The dividend is due for payment on the third business day following the resolution of the shareholders' meeting, i.e. on Monday, 8 July 2024.

Insofar as Maschinenfabrik Berthold HERMLE AG holds its treasury shares at the time at which a resolution is adopted at the shareholders' meeting, these shall not be eligible for a dividend pursuant to the German Stock Corporation Act. The partial amount attributable to individual share certificates will likewise be carried forward to a new account.

Gosheim, 26 April 2024  
Maschinenfabrik Berthold HERMLE AG

Günther Beck      Franz-Xaver Bernhard      Benedikt Hermle





# HERMLE WORLDWIDE

## HERMLE SUBSIDIARIES

**HPV HERMLE Vertriebs GmbH**  
Gosheim, Germany  
[www.hermle.de](http://www.hermle.de)

**HERMLE Machine (Shanghai) Co., Ltd.**  
Shanghai, China  
[www.hermle.de](http://www.hermle.de)

**HLS HERMLE Systemtechnik GmbH**  
Gosheim, Germany  
[www.hermle.de](http://www.hermle.de)

**HERMLE Nederland B.V.**  
Horst, Netherlands  
[www.hermle-nederland.nl](http://www.hermle-nederland.nl)

**HERMLE Maschinenbau GmbH**  
Ottobrunn, Germany  
[www.hermle-generativ-fertigen.de](http://www.hermle-generativ-fertigen.de)

**HERMLE SEA Co., Ltd.**  
Chonburi, Thailand  
[www.hermle-sea.com](http://www.hermle-sea.com)

**HERMLE (Schweiz) AG**  
Neuhausen am Rheinfall, Switzerland  
[www.hermle-schweiz.ch](http://www.hermle-schweiz.ch)

**HERMLE South East Europe S.R.L.**  
Medias, Romania  
[www.hermle.ro](http://www.hermle.ro)

**HERMLE USA Inc.**  
Franklin/WI, USA  
[www.hermleusa.net](http://www.hermleusa.net)

**HERMLE France S.A.S.**  
Paris, France  
[www.hermle.fr](http://www.hermle.fr)

**HERMLE México S. DE R.L. DE C.V.**  
Querétaro, Mexico  
[www.hermle.mx](http://www.hermle.mx)

**HERMLE WWE AG**  
Neuhausen am Rheinfall, Switzerland  
[www.hermle.de](http://www.hermle.de)

**HERMLE Italia S.r.l.**  
Rodano, Italy  
[www.hermle-italia.it](http://www.hermle-italia.it)

## HERMLE BRANCHES

**HERMLE Österreich**  
Branch Vöcklabruck, Austria  
[www.hermle-austria.at](http://www.hermle-austria.at)

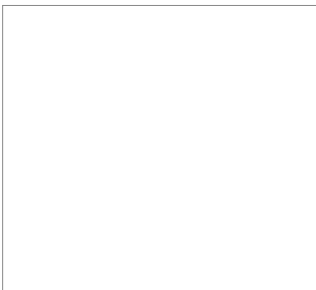
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Branch Warsaw, Poland  
[www.hermle.pl](http://www.hermle.pl)

**HERMLE Česká Republika,  
Organizacni slozka,**  
Branch Prague, Czech Republic  
[www.hermle.cz](http://www.hermle.cz)

## HERMLE REPRESENTATIVE OFFICES

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