

TURNING  
MILLING  
ULTRASONIC  
LASERTEC  
ADDITIVE MANUFACTURING  
AUTOMATION  
TECHNOLOGY EXCELLENCE

DIGITIZATION  
CELOS  
ADAMOS

SERVICES  
DMG MORI QUALIFIED PRODUCTS

# BALANCE SHEET PRESS CONFERENCE

for the financial year 2017

Speech of the Chairman of the Executive Board  
Christian Thönes

13 March 2018  
Bielefeld

**DMG MORI**  
AKTIENGESELLSCHAFT

- Check against delivery -

**Speech at the  
Balance Sheet Press Conference of DMG MORI AKTIENGESELLSCHAFT  
for financial year 2017**

**on 13 March 2018, 11:00 a.m. in Bielefeld**

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Dear Ladies and Gentlemen,

welcome to this year's balance sheet press conference of DMG MORI AKTIENGESELLSCHAFT.

- The figures we are presenting to you today speak for themselves:  
On the one hand, we achieved record figures for significant performance indicators. On the other hand we pushed forward important future topics. Let's start with a review of financial year 2017, and then move on to the outlook for 2018.

Following this, I look forward to your questions and an open dialog.

## **Financial Year 2017**

**DMG MORI has the power to dynamically shape the future.** We proved this in financial year 2017. The high demand for our machine tools and technology solutions continued. In the whole year, the **order intake** increased by +16% to € 2,754.8 million (previous year: € 2,369.9 million). **DMG MORI thus achieved the highest order intake in the company's 147-year history.** The global consumption of machine tools rose by +4.5%. DMG MORI has therefore grown faster than the market. That's a good sign. Contrary to the VDW and Oxford Economics forecasts, we also recorded significant growth in Germany. Thanks to the positive economic environment and the sustainably good order situation, we

were able to raise our targets during the year – and even exceeded all our forecasts. We have worked very hard for this.

I would therefore like to take this opportunity to thank our employees for the exceptional work they have done. It's only thanks to their outstanding commitment, their experience and strengths that we were able to reach this success.

### **Order Intake**

**Order intake** rose to € 2,754.8 million and, after the previous year's record figure (€ 2,369.9 million), we were once again able to increase it significantly by +16%. This made financial year 2017 our best year ever, also with regard to order intake. Adjusted for the effects from the realignment – such as, amongst others, the changed sales and service structure in Asia and America – order intake even increased by 23%.

In **Germany** order intake amounted to € 825.7 million (previous year: € 763.0 million). In the rest of **Europe**, order intake increased to € 1,248.5 million (previous year: € 1,045.6 million). In **America**, order intake totaled € 209.3 million (previous year: € 183.6 million). In **Asia**, we recorded an order intake of € 470.9 million (previous year: € 376.5 million), of which € 245.9 million is attributable to China (+40%; previous year: € 175.9 million).

### **Sales Revenues**

**Sales revenues** increased to € 2,348.5 million and thus reached a new record high. They increased by € 82.8 million or 4% compared to the previous year (€ 2,265.7 million). International sales revenues rose by 7% to € 1,636.4 million. Domestic sales revenues amounted to € 712.1 million. The export ratio rose to 70% (previous year: 67%).

### **Order Backlog**

On 31 December 2017, the **order backlog** of the group amounted to € 1,309.1 million; the order backlog in "Machine Tools" thus arithmetically covers a 6-month workload on average.

## 2017 Results of Operations

In financial year 2017, the results of operations of DMG MORI developed positively: **EBITDA** increased by 49% to € 252.9 million (previous year: € 169.7 million). **EBIT** increased by 73% to € 180.1 million (previous year: € 104.0 million) and **EBT** rose by +87% to € 176.4 million (previous year: € 94.1 million). In the previous year, EBT was particularly negatively impacted by the effects of the implemented realignment measures in the amount of € 77.8 million. As of 31 December 2017, the group reported EAT of € 118.4 million – an increase of +149% (previous year: € 47.5 million). In addition to the good results of operations, our financial situation also developed positively: **Free cash flow** rose by € 99.9 million to the record figure of € 142.4 million (+235%; previous year: € 42.5 million).

**Earnings per share** were € 1.49 (previous year: € 0.57). Due to the domination and profit transfer agreement, DMG MORI AKTIENGESELLSCHAFT no longer distributes a dividend as from financial year 2017. Instead, DMG MORI GmbH undertakes to pay a compensation amount (“**guaranteed dividend**“) of € 1.17 gross per share to all outside shareholders for each full financial year.

## Share Price Performance

In the reporting year, our share slightly gained in value (+5%). In the stock market year 2017, it was initially quoted at € 43.77 (02.01.2017) and closed at a price of € 46.02 on 29 December 2017. Currently, the share price is € 45.85.

**Market capitalization** in the reporting year rose by 7% to € 3.63 billion – its highest value in the 147-year history of the company.

**The following provides some selected explanatory notes to the annual financial statements 2017 of the DMG MORI group:**

### **Net Worth and Financial Position**

As of 31 December 2017, the **balance sheet total** decreased by € 97.9 million to € 2,241.3 million (previous year: € 2,339.2 million). **Free cash flow** rose by € 99.9 million to a record high of € 142.4 million (+235%; previous year: € 42.5 million).

### **Equity**

The **equity ratio** increased to 52.0% (previous year: 50.8%). **Equity** decreased by € 23.1 million to € 1,164.6 million (previous year: € 1,187.7 million). The decrease is primarily due to the sale of the shares in the sales and service companies in Asia (except China and India) and America, which led to a decrease in minority shares in equity.

### **Investments**

Investments in property, plant and equipment and in intangible assets amounted to € 39.7 million (previous year: € 88.1 million). Thus, we were able to reduce investments as scheduled. Depreciation of fixed assets amounted to € 72.8 million (previous year: € 65.7 million).

At the core of the investments where the expansion and modernization of our production sites:

- On 30 May, we started construction of an around 7,000 m<sup>2</sup> assembly hall in **Pleszew (Poland)**. By 2019, we plan to expand the production site by more than 22,000 m<sup>2</sup> in the assembly, production and logistics areas in particular. Furthermore, we put a state-of-the-art induction hardening shop into operation at this site.
- In **Pfronten**, we fundamentally overhauled the basic machine assembly in the duoBLOCK series and horizontal processing centers, and completed the expansion and optimization of the wheel tool magazine assembly.

- In **Seebach**, we further optimized the logistics area and expanded it by constructing a new shipping facility. In addition, we have reorganized preparatory table installation which enabled us to reduce processing times by more than 10%.
- At our **Shanghai** site, we celebrated the grand opening of the new Technology Center on 8 November. We present more than 20 demo machines on an area of around 1,700 m<sup>2</sup> and focus on our technology excellence in the key industries of “Aerospace” and “Automotive” as well as digitization and automation solutions.

## Employees

On 31 December 2017, the group had 7,101 employees, including 359 apprentices (previous year: 7,282 employees, including 318 apprentices). The number of employees decreased by 181. The personnel quota improved to 23.3% (previous year: 25.3%). Employee expenses decreased by € 21.3 million to € 550.7 million (previous year: € 572.0 million).

DMG MORI is proud to live diversity culture. This empowers our employees to support international group projects. At DMG MORI, all employees and job applicants are held in high esteem irrespective of their nationality or ethnic origin, gender, age or religion. The Executive Board emphasizes this equal opportunity through the DMG MORI Code of Conduct.

I would like to take this opportunity to once more thank all the employees of our “Global One Company” for their immense commitment.

## 2017 Research and Development

Together with DMG MORI COMPANY LIMITED, we as a “Global One Company” presented 15 world premieres at 42 national and international trade fairs, as well as at open house exhibitions, thus demonstrating our capacity for innovation. At € 50.4 million, expenses for research and development were around 7.7% above the previous year’s figure (€ 46.8 million).

**For DMG MORI, 2017 was the “year of innovations”.** It was significantly marked by the EMO, the world’s largest machine tool trade fair. As the largest exhibitor, we showed the future of manufacturing technologies on an area of 10,000 m<sup>2</sup>, exhibiting a “digital factory” as well as the latest trends from our five strategic future topics: Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence as well as DMG MORI Qualified Products (DMQP).

- **Automation** is an important pillar for our future strategy which has high growth potential. Every fourth new machine by DMG MORI already uses an automation solution. In November 2017, we strengthened our automation expertise in a joint venture with **HEITEC**. In future, every machine is to be optionally equipped with automation. This will be based on the building kit approach. In future, DMG MORI HEITEC will use modular, compatible solutions to provide a consistent automation concept, particularly for small to medium-sized companies. Automation is a key element of digital production.

Automated machine tools are a fixed component of future-oriented manufacturing. Therefore, the development of the “**Digital Twin**” is of key importance. We use it to accelerate and stabilize all customer processes – from development to installation through to services – and to ensure flexible and stable processes.

- **Digitization** is changing our world both quickly and radically. The switch to digitization requires fundamental further development which can only be achieved globally and jointly – in a strong partnership and on equal footing.

Digital products and technologies are increasingly becoming a differentiating competitive factor. In addition, the performance of machines and systems depends more and more on software.

- At the start of 2017, DMG MORI expanded its digitization expertise with the start-up **ISTOS**. The presentation of the joint venture **ADAMOS** (ADaptive Manufacturing Open Solutions) in September was a special milestone. Together with the world market leaders Dürr, Software AG, ZEISS and ASM PT we founded a strategic alliance for the future topic of the Industrial Internet of Things (IIoT). ADAMOS will set new standards for Industrie 4.0 globally and as such is a key component of our “**Path of Digitization**”. The partners not only contribute their in-depth industry knowledge and innovative IT expertise but also add their present solutions. This includes the partners’ digital marketplaces and a broad APP portfolio. The merging of machine construction and information technology is opening up new business models which we are realizing together with CELOS and ADAMOS. We offer a comprehensive, simple digitization solution – from machine tool builders for machine tool builders, their suppliers and customers. DMG MORI will devote all of its energies to continuing its pioneering work in this area.
- In financial year 2017, DMG MORI acquired **WERKBLIQ** GmbH as a further milestone in its digitization strategy. WERKBLIQ offers a cross-manufacturer platform where all those involved in the maintenance process can be linked to one another. This digitizes the entire maintenance and repair process and speeds it up considerably.
- Digitization can only be successful if digital products and solutions offer the customer added value. Our 26 exclusive **DMG MORI technology cycles** allow for quick and simple shop floor programming. Our customers are already buying our technology cycles in the double-digit million range.



- In February 2017, we strengthened our **ADDITIVE MANUFACTURING** portfolio with a majority holding in **REALIZER** GmbH. Our holding is currently 75.1%. With the “Selective Laser Melting” (SLM) technology, which applies layer upon layer of powdery material and melts it using a laser, we offer our customers entirely new areas of application. DMG MORI consistently covers the process chain and bundles the most important generative manufacturing processes under one roof. This makes us a full-service provider – both in the additive manufacturing of metal components and in the subsequent machining.
- We are addressing growth sectors with our **Technology Excellence**. In the “Technology Excellence Centers” for the key industries of Aerospace, Automotive, Die & Mold and Medical, our experts become involved in the customers’ development processes early on. We aim to provide comprehensive turnkey solutions across all processes. DMG MORI therefore focuses on improvements in the areas of precision, quality and efficiency – for the benefit of our customers.
- A comprehensive manufacturing solution from a single source at a fair price – this is what DMG MORI offers its customers as part of its DMQP initiative. DMQP stands for **DMG MORI Qualified Products**. The global concept and the close cooperation with certified DMQP partners promises a perfect synergy of machine and accessories for the highest technology expertise.
- After the realignment in 2016 and the innovation offensive in 2017, our focus in 2018 is more strongly on **quality** and **service** in addition to the five strategic future topics. Now more than ever, DMG MORI aims for quality without compromise. For this aim, we are driving our “First Quality” offensive forward with numerous measures. For example, since January 2018, we have been offering a 36-month warranty period for all motor spindles of the “MASTER” series, without any restriction on hours. As part of the “Customer First” program we are striving for an increase in customer satisfaction in the service area. As a worldwide leading manufacturer of machine tools, we also want to become service champion for our customers – with excellence.

## **Outlook for financial year 2018**

The world economy continues to be marked by global uncertainties. According to current forecasts from the VDW and the British economic research institute Oxford Economics, world machine tool consumption should see slower growth of +3.6% in 2018 (previous year: +4.5%). However, it is still difficult to make reliable forecasts due to the continuing global uncertainties.

Dynamics and excellence in technology, services and quality will shape the current financial year. We intend to dynamically promote our future topics and sustainably optimize our existing achievements. **Our motto for 2018 is therefore “Dynamic . Excellence”.**

**Innovative power, dynamics and excellence: That is the DNA of DMG MORI.**

One thing is clear: All our dynamic excellence would be impossible without DMG MORI's most important pillar: our employees. They are the face of DMG MORI and represent the interface to our customers. Only thanks to their engagement, expertise and strengths are we able to implement our objective to provide premium products and our goals. On behalf of the entire Executive Board, I wish to thank our team in particular.

We will dynamically push forward our five strategic future topics Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products (DMQP).

We had a successful start into the current financial year: Our traditional Open House exhibition in Pfronten was a complete success: At this industry highlight at the beginning of the year we have once again reached record figures.

In order to optimize key innovation areas, for instance digitization in the production and logistics processes, as well as the “First Quality” strategy, we are strengthening our Executive Board team: effective 15 May 2018, Michael Horn (46) will assume executive responsibility for production, logistics and quality. We are delighted to have Michael Horn join us and have won a strong personality for our Executive Board. At present Mr. Horn is a member of the Executive Board of Körber AG, Hamburg.

**On our current business development:**

At the beginning of 2018, order intake remained at the high level of the previous year. As a result of the successful Open House exhibition in Pfronten, we are expecting order intake of around € 700 million in the first quarter 2018 (previous year: € 693.9 million). For the whole year, we are planning an order intake of around € 2.5 billion and sales revenues of around € 2.45 billion. EBIT is expected to amount to around € 180 million and free cash flow to around € 100 million.

We will work very hard to implement our objective to provide premium products and services. Fully committed. Every day. We intend to dynamically promote our future topics and sustainably optimize our existing achievements. Our employees are fully committed to taking these new paths. We promote pioneering spirit and creative entrepreneurship. This makes DMG MORI an attractive employer. Our commitment brings dividends: “Focus Money” has honored DMG MORI in the survey “Top Careers Opportunities” in the areas of development opportunities, employee loyalty and sustainability: DMG MORI was awarded 1<sup>st</sup> place with 100 out of 100 points. This makes us proud!

The market environment remains challenging, but DMG MORI is perfectly positioned for it. Moreover, thanks to the further integration with DMG MORI COMPANY LIMITED to a “Global One Company”, we were able to create more streamlined structures that permit us to react flexibly to changes. Our goal is clear: We want to be number 1 for our customers worldwide with our machines,

technologies and services. We want to inspire our customers. For this, we will actively shape the future together with our customers and partners. We share our knowledge, profit from mutual strengths and create the manufacturing plant of the future. Real and digital. Global and together. All this means for DMG MORI: Progress for the benefit of future generations.

DMG MORI will become faster, more focused and customer-oriented. We can thus make use of the strengths and synergy potentials of our “Global One Company” even more effectively. This was also an area that we focused on. We have achieved a lot. This is mainly the result of a convincing team effort. And this is also something that we are very passionate about and committed to as an Executive Board. To ensure a successful common future for this great company and its employees. This is what drives and motivates us.

Thank you very much for listening! I look forward to your questions.

Bielefeld, 13 March 2018

Christian Thönes

Chairman of the Executive Board

### **Forward-looking statements**

This publication contains forward-looking statements, which are based on current estimates of the management of future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, which could lead to the actual future circumstances including the assets, liabilities, financial position and profit or loss of DMG MORI AKTIENGESELLSCHAFT differing materially from or being more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may result in forward-looking statements estimates or forecasts becoming inaccurate. If uncertainties or unforeseeable events occur, or if the assumptions on which these statements are based prove to be incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. Forward-looking statements must not be construed as a guarantee or assurance of future developments or events contained therein.

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