115th Annual General Meeting of Shareholders

Speech of the Chairman of the Executive Board
Christian Thönes

5 May 2017
Town hall Bielefeld

Check against delivery.
Dear shareholders, my dear ladies and gentlemen,

I would like to warmly welcome you – also on behalf of my colleagues on the Executive Board – to the 115th Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT

Just over a year ago, the Supervisory Board appointed me to the position of chairman of the Executive Board. **Since then we have achieved a lot, kept things moving and created a lot of positive energy and spirit within our group.** The trust and loyalty you placed in us, dear shareholders, lends credence to our work. I would like to express our thanks for this. I would also like to thank our employees for their contribution and good work. It is only through their dedicated commitment, their experience and strengths, that we have been able to implement a large number of measures successfully.

However, now after one year, it is important for me to say that the entire management of DMG MORI stands for consistency and stability. Together we have successfully set the course for the future and used the past financial year to focus on our core business of machine tools and services.

And our performance proves us right. This is evident in the key figures on our business development 2016.
I am proud to say that despite the challenging market environment, DMG MORI has held up well. According to information from the German Machine Tool Builders’ Association (VDW), the worldwide consumption of machine tools fell in 2016 to € 67.7 billion (previous year: € 69.8 billion).

In contrast to the sector, which showed a decline of 3%, we were able to increase order intake continuously over the course of the year: Over the whole year order intake rose by 4% to € 2.37 billion (previous year: € 2.28 billion). **Thus DMG MORI achieved the highest order intake so far in its 146 years of company history.** We have worked hard to achieve this record figure – and at the same time made clear progress in every strategic area. We have consistently kept our focus on the core business and thus **successfully set the course for the future.** This includes measures for a new sales and service organization worldwide, further developing the product portfolio and optimizing production capacity as well as the sale of those companies that are not part of core business operations. I am certain that from this basis we have set your company up for stronger growth with a more forward-looking approach.

For us as members of the Executive Board, we wish to convey this important message: we believe the increase in the interest of DMG MORI COMPANY LIMITED in DMG MORI AKTIENGESELLSCHAFT at the beginning of April 2016 to 76.03% and the conclusion of the domination and profit transfer agreement is an opportunity to benefit from one another’s strengths. **We don’t want to do everything differently, we simply want to become better — and we are becoming better!** We have already implemented many steps swiftly and successfully; the following is a summary of just a few of the main measures taken:
• We have realigned the structure of our **sales and services** worldwide.

• We have changed the focus of our site in **Shanghai**. As part of a change in the utilization concept, we have stopped assembly of entry level machines and have combined sales, service and applications technology under one roof. At the DMG MORI COMPANY LIMITED production plant in Tianjin machine tools will continue to be produced locally. Through these measures we are strengthening our future sustainability on the Chinese market.

• In the machine tools core business we have replaced the ECOLINE series with the **new CLX and CMX series**. These are attractive basic machines – fitted with numerous options for the entire spectrum of technological performance and with the full control know-how of DMG MORI.

• In our core Services business we have created additional benefits for our customers with the **"Customer First" strategy**. The new "Smart Pricing" concept with our **5 service promises** offers our customers a high quality of service at a fair price. This includes, for instance, an exclusive best price guarantee for spare or wear parts, free-of-charge shipping for orders placed through our online shop, and customer-driven service charges with transparent flat rate charges.

• In the course of the **realignment** we reviewed business areas outside our core business. Thus, we have sold our shares in GILDEMEISTER energy storage GmbH and in DMG MORI Microset GmbH to strategic investors.
Dear shareholders, these measures all reflect our focus on the core business of machines tools and services. Therefore, under agenda item 7 of today’s Annual General Meeting – the resolution on amending the business purpose of the company – the Executive Board and the Supervisory Board are proposing that the wording of the articles of association be amended accordingly.

Dear shareholders, let me now talk in more detail about financial year 2016. You can find further specifics in the annual report, copies of which are available for you from the information stand in the foyer. Explanatory notes, in accordance with section 289 paragraphs 4 and 5, and in accordance with section 315 paragraph 4 of the German Commercial Code (HGB), have been set out for you by the Executive Board in the management and group management report. All the reports are generally accessible in the internet.

Report on financial year 2016 of the DMG MORI group

Despite the challenges of the realignment and the downwards trend on the worldwide market for machine tools, we were able to increase order intake: it grew increasingly positive over the course of the year. After orders in the third quarter had already surpassed the level reached in the previous four quarters by 12%, order intake rose in the fourth quarter of 2016 to € 610.3 million — an increase of 13% (previous year’s quarter: € 540.8 million). Over the whole year order intake rose to € 2,369.9 million (previous year: € 2,282.8 million). Thus DMG MORI achieved the highest order intake so far in its 146 years of company history.
In Germany orders were € 763.0 million (previous year: € 785.0 million). In the rest of Europe, business grew to € 1,045.6 million (previous year: € 901.4 million). In the Americas orders totaled € 183.5 million (previous year: € 165.5 million). In Asia we recorded order intake of € 376.6 million (previous year: € 426.7 million); of which China accounted for € 175.9 million (previous year: € 227.2 million).

Sales revenues

Sales revenues of € 2,265.7 million were slightly below the previous year (€ 2,304.7 million). International sales revenues were € 1,528.6 million. Domestic sales revenues amounted to € 737.1 million. The export share was 67% as in the previous year.

Segment Reporting 2016

The business activities in our "Machine Tools" and "Industrial Services" segments performed as follows:

The "Machine Tools" segment is our core segment and includes the group’s new machines business. Sales revenues totaled € 1,244.5 million (previous year: € 1,264.5 million) and achieved a share of 55% as in the previous year.

The "Industrial Services" segment likewise had a share the same as the previous year at 45%. Sales revenues were € 1,021.0 million (previous year: € 1,040.0 million).

"Corporate Services" contributed a share of less than 1% to sales revenues.
Order backlog

As of 31 December 2016 the order backlog within the group amounted to € 937.5 million. The order backlog in "Machine Tools" gives rise to a calculated production capacity averaging about 4.5 months.

Results of Operations 2016

The results of operations for DMG MORI in financial year 2016 were as follows: EBITDA was € 169.7 million (previous year: € 243.1 million), EBIT reached € 104.0 million (previous year: € 185.9 million) and EBT amounted to € 94.1 million. The previous year’s figure of € 217.3 million includes the one-off revenue item (€ 37.8 million) from the sale of shares in DMG MORI COMPANY LIMITED. The earnings development of 2016 was essentially marked by effects amounting to € 77.8 million, notably due to the realignment measures that were implemented. Adjusted for these expenses the EBT was € 171.9 million. The group reports annual profit for the year as at 31 December 2016 of € 47.5 million (previous year: € 159.6 million).

Earnings per share amount to € 0.57 (previous year: € 1.90). Due to the domination and profit transfer agreement, DMG MORI AKTIENGESELLSCHAFT no longer distributes a dividend as from financial year 2016. Instead, DMG MORI GmbH undertakes to pay a compensation amount ("guaranteed dividend") of € 1.17 gross or € 1.03 net – after corporation tax and before personal income tax – per share to all outside shareholders.
Share performance

During the reporting year our share gained further in value, going up 17% and thus performing better than the MDAX (up 10%). The share started the stock market year 2016 at €37.05 (4 January 2016) and finished the year on 30 December 2016 at €43.16. As of 19 December 2016 the share has switched to the SDAX. At the start of 2017, the share price was €43.78 (2 January 2017). At present the share is quoted at €50.58 (4 May 2017).

Market capitalization rose in the year under report by 13% to €3.4 billion (reporting date: 30 December 2016) – the highest figure in our company's history.

My dear ladies and gentlemen, let me now turn briefly to DMG MORI AKTIENGESELLSCHAFT:

DMG MORI AKTIENGESELLSCHAFT has management and holding functions. Earnings depend essentially on income from domestic subsidiaries. Due to the domination and profit transfer agreement, the annual profit of €41.1 million is transferred to DMG MORI GmbH (previous year: €47.1 million).
The following contains some explanations of the consolidated financial statements 2016:

- The **balance sheet total** rose to €2,339.2 million (previous year: €2,283.9 million).

- Under **assets, fixed assets** rose by €6.8 million to €749.5 million (previous year: €742.7 million). **Long-term trade debtors and other long-term assets** amounted to €84.0 million (previous year: €103.7 million). **Current receivables and other assets** rose by 34.2% to €487.4 million (previous year: €363.1 million).

  At the end of the reporting period, **cash and cash equivalents** amounted to €396.7 million (previous year: €552.1 million). This corresponds to 17.0% of the balance sheet total (previous year: 24.2%).

- Under **equity and liabilities**, the **equity** decreased by €169.8 million to €1,187.7 million (previous year: €1,357.5 million). The **equity ratio** was 50.8% (previous year: 59.4%). The decline was essentially due to taking over the remaining shares in DMG MORI Europe AG from DMG MORI COMPANY LIMITED.

- The surplus funds amounted to €342.1 million (previous year: €500.3 million).

- The **free cash flow** of €42.5 million was higher than that of the previous year (€32.0 million).

- **Investment in plant, property and equipment, and in intangible assets** of €88.1 million was less than that of the previous year as planned (€130.6 million). Depreciation of fixed assets – adjusted for effects from the realignment – amounted to €57.3 million (previous year: €57.2 million).
The main focus of investments was completing our major projects:

- In **Moscow** we opened our new **Technology and Solutions Center** on 23 May. Since 30 September, our production site in Ulyanovsk is the first international machine tool builder to officially hold the status of "Russian manufacturer". This simplifies access to the Russian market for machine tools for us.

- We have further strengthened our market presence in **Asia**, too. In South Korea, the fifth largest market for machine tools worldwide, a new **Technology and Solutions Center** was opened in Seoul on 9 November.

- At the **Bielefeld** site we have updated our 3,400m² **Technology and Solutions Center** and turned the focus to innovative solutions for the digital transition. In doing so we are emphasizing the importance of the Bielefeld site.

- In the field of **Advanced Technologies** we were able to complete the expansion of our **ULTRASONIC site in Idar-Oberstein**.

- In addition, we have commenced the expansion and modernization projects in mechanical production and logistics at **our production sites in Seebach** and **Pleszew** (Poland).

Following the conclusion of these major projects, we have significantly reduced our investment budget for financial year 2017.
Employees

On 31 December 2016, the group had 7,282 employees, of whom 318 were trainees (previous year: 7,462 employees). The number of employees fell by 180. At year-end 4,099 employees (56%) worked at our domestic companies and 3,183 employees (44%) at our international companies.

The personnel expenses ratio was 25.3% (previous year: 23.2%). Personnel expenses amounted to € 572.0 million (previous year: € 545.5 million); this includes an effect from the realignment of € 17.2 million. Without this effect the personnel expenses ratio would be 24.5%.

My dear ladies and gentlemen, you have heard how wide-ranging our realignment is and how resolutely we have implemented our measures. Our expectations of our dedicated and motivated employees are correspondingly high. **Thanks to our first-class employees we are building first-class machines.** Our employees are creative and bring about innovations. At this point I would like to say a big thank you once again to our entire team of workers. A fantastic team that makes us proud!
Research & Development 2016

Together with DMG MORI COMPANY LIMITED we have demonstrated our innovative capacity at 73 national and international trade fairs and open house exhibitions. And thereby set the standard. Our research and development costs of € 46.8 million were slightly above those of the previous year (€ 45.9 million).

In summary, I can say that 2016 was the year of setting the course for DMG MORI – 2017 will be the year of innovations. In the current financial year we intend to present 18 world premieres together with DMG MORI COMPANY LIMITED.

I will elaborate more fully on the main focus of our research and development work in the following report on the current fiscal year.

Financial year 2017

To be well-positioned for the individual markets and their associated challenges, we have realigned our sales and services structure worldwide. Since January, DMG MORI AKTIENGESELLSCHAFT manages the home market of Germany, the EMEA region (Europe, the Middle East and Africa) and the Indian and Chinese markets. DMG MORI COMPANY LIMITED is responsible for its home market of Japan, the USA and the remaining regions in Asia and the Americas. This geographic breakdown of regions and responsibilities ensures fast decisions that are appropriate for the respective market and is primarily intended to serve one target group: our customers!
We have got off to a good start in the current financial year. The largest trade fair for the industry in India – the IMTEX in Bangalore – was successful. At our traditional open house in Pfronten we achieved record results with order intake of more than €200 million. This year DMG MORI presented more than 80 high-tech exhibits, including four world premieres. More than 9,000 international trade visitors came to gather information on important highlights emerging from the fields of automation, digitization, ADDITIVE MANUFACTURING and technological excellence.

I will now continue with the main areas of research & development at DMG MORI:

- One core development topic is automation. Our goal is to make it possible for every DMG MORI machine to be equipped with automation in future. The intelligent combination of machine and automation solutions is therefore a key development focus at our production sites. In Pfronten this focus is being placed on standard automation solutions in pallet handling; whereas in Seebach and Bielefeld we are focusing on workpiece handling. GILDEMEISTER Drehmaschinen GmbH is taking over the assembly and delivery of the Robo2Go – a robot cell for standard automation for the universal turning machine. We will offer flexible manufacturing cells across all locations. These measures allow us to reduce interfaces and value creation stages. The most important thing is: Our customers will receive machines with automation solutions that have been perfectly coordinated with each other and already tested in the supply plants. As a consequence of this customer-focused realignment, at the start of the year we sold the shares in DMG MORI Systems GmbH to a strategic investor.
• With innovative software solutions we are shaping the future for Industry 4.0. We have already prepared our machine tools for the digitization with our app-based control and operating software CELOS. In fact, today we are already supporting networked intelligent production with 26 apps. Some 10,000 DMG MORI machines have already been fitted with CELOS and in the marketplace more than 100 machines from our range of products speak CELOS. The number is constantly growing.

• Digitization will only be successful if digital products and solutions offer added value to customers. Our 26 exclusive DMG MORI technology cycles enable fast and easy shop floor programming. Demand from our customers is so high that we have already been able to achieve order intake for technology cycles in the double-digit millions.

• When preparing the work, our DMG MORI Powertools simplify automatic program generation.

• Through establishing the start-up ISTOS at the start of 2017, we are strengthening our expertise in digitization. The majority investment in ISTOS of 85% allows us to purposefully create an open structure for further partners. Thus we offer scope for digital alliances.

• DMG MORI is specifically strengthening its future technologies in ADDITIVE MANUFACTURING: With powder bed selective laser melting we are now bundling the most important generative production processes for metallic materials under one roof. For this purpose we acquired 50.1% of REALIZER GmbH at the start of the year. This strategic acquisition is the ideal complement to our Advanced
Technologies. In addition to the ULTRASONIC and LASERTEC technologies, through SAUER GmbH we have already gained access to extensive know-how in laser metal deposition with powder nozzle. With these two additive manufacturing technologies our customers can produce complex, metallic components from powder.

- We continue to work intensely on our "First Quality Strategy". As "Global One Company", with DMG MORI COMPONENTS we are combining quality, precision and robustness. Together we benefit from the groupwide standardization of components – and our customers from our global quality campaign.

- We are targeting fast-growing markets with comprehensive technology solutions. We have combined our expertise according to the product range and strengths of our supply plants. In our Technology Excellence Centers of "Aerospace", "Die & Mold", "Medical", and "Automotive" we are working out integrated technological solutions across all manufacturing processes.

We are driving innovations forward in their entirety with our technology and software solutions, and are setting milestones in the machine tools sector. In the future more will be required than simply developing high-tech machines. In the future DMG MORI will also stand for software expertise, digital production and automation.
Now to the figures for the first quarter 2017 and the forecast 2017:

The global economy has stabilized despite political insecurities and gained momentum at the beginning of the year. Global consumption of machine tools according to the most recent forecast (April 2017) by VDW and Oxford Economics, is to grow by 3.2% this year.

At the start of 2017, our order intake showed a markedly improved trend compared to the previous year. **Order intake** rose by 17% in the **first quarter 2017** to € 693.9 million (previous year: € 591.6 million). At this, we reached the highest quarterly value in the company’s history. In a direct comparison with the previous year – thus adjusted for the effects from the realignment, as among others, the changed sales and service structure in Asia and America – we even recorded a plus of 24%. This record figure in the first quarter proves: Our measures are making an impact!

**Sales revenues** in the first quarter reached € 533.9 million and were thereby slightly below the value in the previous year of € 541.4 million. Adjusted for effects from the realignment, sales revenues are 4% higher than the comparable value of the previous year.

Our key earnings figures also performed extremely satisfactorily: In the first quarter of 2017 **EBITDA** rose by 15% to € 48.7 million (previous year: € 42.4 million). **EBIT** grew by 23% to € 34.3 million (previous year: € 28.0 million). **EBT** even rose by 28% and at € 33.0 million reached the highest value that we have ever achieved in the first quarter of any year (previous year: € 25.8 million). As of 31 March 2017, the group reports **earnings after taxes** of € 22.8 million (previous year: € 18.1 million).

Dear shareholders and owners, even the earnings performance shows that we have set the course for the future correctly!
We expect a further boost to come from the main trade fairs and open house exhibitions in the second quarter of 2017: At the **Open House in Bielefeld**, from 9 to 12 May, we will display technologies with future growth, will provide an insight into digital production and will present our new **ADDITIVE MANUFACTURING** assembly with **LASERTEC 30 SLM**. We are delighted to invite you to visit us next week!

From 15 to 19 May the Metalloobrabotka will take place in Moscow. **DMG MORI** is presenting integrated technology solutions for the Russian market in the form of 11 high-tech exhibits.

The year 2017 is marked for us by the **EMO** – the largest machine tools trade fair worldwide. At this industry highlight in Hanover – from 18 to 23 September we will present eight world premieres and numerous innovations from the fields of automation, digitization and **ADDITIVE MANUFACTURING**. We are also delighted to invite you to join us there. Do come and visit us!

**Dear shareholders,**

**The positive development of order intake continued at the beginning of the year 2017** – and that has given us positive encouragement. However, the global economy continues to be marked by various global insecurities. **At present, we confirm our forecast:** As before, we are planning around € 2.3 billion in **order intake** and around € 2.25 billion in **sales revenues**. **EBT** shall amount to around € 130 million. Furthermore, we expect a **free cash flow** of around € 40 million.

Depending on a sustainable market recovery, we will check at midyear whether we can revise our forecast upwards for the financial year.
Our figures show that the market environment is gaining in momentum, we have set up a good foundation and have an optimistic view of the future. Our goal is clear: We intend to continue building upon our market position as a leading supplier worldwide of premium solutions for the manufacturing industry. We intend to be permanently in the lead with our innovations and also with our technology and service excellence. We intend to further strengthen our close and loyal cooperation with our customers and business partners through solid partnerships. And we intend to constantly inspire our customers. Every day. That is what we are working on. With our full commitment. **Our goal: to be the number 1 worldwide for our customers and partners!**

In an ever-increasingly competitive environment, this is an ambitious goal, but we have a steady basis and excellent employees. Even if many challenges stand in our way, the year will still offer many new opportunities. We see very clear opportunities in automation, digitization and in ADDITIVE MANUFACTURING – supported by our "First Quality Strategy" and our technology and service excellence. I am certain that more than ever before we will benefit from the cultural diversity of our "Global One Company". With the courage to forge new paths and with creative entrepreneurship, together we will direct DMG MORI towards becoming even more innovative and customer-focused.

I am convinced that we will be successful long-term through our continuing to grow together with DMG MORI COMPANY LIMITED and our new customer-focused direction. As "Global One Company" we are quite diversified. With a total of 157 international sales and service locations and 14 production plants worldwide, we have a strong global presence, a high degree of innovative capacity and technological
expertise. DMG MORI is a fantastic company that I am deeply attached to. To be able to play a role in ensuring that this group and its people enjoy a successful future is both the motivation and the driving force behind those of us on the Executive Board.

In the name of the entire Executive Board I would like to thank you, dear owners, once again for the trust placed in us. We will be delighted if you choose to continue along this path with DMG MORI!

Thank you for your kind attention.

Christian Thönes
Chairman of the Executive Board
5 May 2017