

AUTOMATION DIGITIZATION ADDITIVE MANUFACTURING

dynamic

# EXCELLENCE

TECHNOLOGY EXCELLENCE DMG MORI QUALIFIED PRODUCTS

## ANNUAL PRESS CONFERENCE

for the financial year 2018

Speech of the Chairman  
of the Executive Board  
Christian Thönes

**DMG MORI**  
AKTIENGESELLSCHAFT

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- Check against delivery -

**Speech at the  
Annual Press Conference of DMG MORI AKTIENGESELLSCHAFT  
for financial year 2018**

**on 12 March 2019, 11:00 a.m. in Bielefeld**

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Dear Ladies and Gentlemen,

welcome to this year's annual press conference of DMG MORI AKTIENGESELLSCHAFT at our Bielefeld headquarters.

As part of the "Global One Company" with worldwide clear sales and service structures, we are managing the home market Germany, the EMEA region (Europe, Middle East, Africa) as well as the Chinese and Indian markets. Through DMG MORI COMPANY LIMITED, we are also successful in Japan, North and South America and further parts of Asia. Together we serve more than 100,000 customers from 42 industries in 79 countries. More than 12,000 employees work for our "Global One Company". With 157 sales and service locations – thereof 14 production plants – we are present worldwide.

DMG MORI can look back on a very successful and eventful financial year 2018. In addition to record figures for order intake, sales revenues, EBIT and free cash flow, we achieved a lot and have shown our innovative power. As "Global One Company", we actively lived our motto "**Dynamic . Excellence**": We dynamically advanced our future areas and optimized our excellence in existing and established areas: DMG MORI is the sustainable and global innovator in the manufacturing industry.

The figures we are presenting today show: DMG MORI is further on track!

- Order intake was above the record figure of 2017.
- Sales revenues reached a new record high.
- EBIT also increased to a historical high.
- Free cash flow also rose to a record value.

Let us now start with a review of financial year 2018. Then follows the outlook 2019.

## **Financial year 2018**

In 2018, global machine tool consumption rose by +8.5% (April forecast: +5.9%). However, these provisional figures of the German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics from October 2018 did not take into account currency effects and possible consequences of geopolitical uncertainties. Adjusted for currency effects, the global consumption of machine tools went up by +5.2% on a euro basis, and thus showed initial tendencies towards decreasing dynamics (April forecast: +6.1%).

### **Now for the key figures of DMG MORI in detail:**

2018 was a very good year for us. Given the good development, we were able to raise our forecasts during the year – and we even exceeded them at the end of the year.

#### **Order intake**

**Order intake** rose to € 2,975.6 million and, after the record value 2017, we were able to once again increase it by +8% (previous year: € 2,754.8 million). Thus, with regard to order intake, we achieved our best business year so far.

In **Germany** order intake amounted to € 882.6 million (previous year: € 825.7 million). In the rest of **Europe**, order intake increased to € 1,324.0 million (previous year: € 1,248.9 million). In **America**, order intake totaled € 238.0 million (previous year: € 209.3 million). In **Asia**, we recorded an order intake of € 531.0 million (previous year: € 470.9 million), of which € 279.1 million is attributable to China (previous year: € 245.9 million).

## Sales Revenues

At € 2,655.1 million, **sales revenues** increased to a new record high. They increased by € 306.6 million or +13% (previous year: € 2,348.5 million). International sales revenues rose by +12% to € 1,833.6 million. Domestic sales revenues increased by +15% to € 821.5 million. The export ratio amounted to 69% (previous year: 70%).

## Order Backlog

On 31 December 2018, the **order backlog** of the group amounted to € 1,609.9 million; the order backlog in “Machine Tools” thus arithmetically covers a 7-month workload on average.

## Results of Operations 2018

**In financial year 2018, the results of operations of DMG MORI developed positively:** **EBITDA** went up by +11% to € 280.8 million (previous year: € 252.9 million). **EBIT** increased by +21% to € 217.1 million (previous year: € 180.1 million). At 8.2% the **EBIT margin** exceeded the previous year's level (7.7%). **EBT** rose by +22% to € 214.8 million (previous year: € 176.4 million). The group reports **EAT** of € 149.5 million as of 31 December 2018 (previous year: € 118.4 million). In addition to the good results of operations, the financial position also developed positively: **Free cash flow** improved to the record figure of € 154.2 million (previous year: € 142.4 million).

**Earnings per share** were € 1.88 (previous year: € 1.49). 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 per share to all outside shareholders for each full financial year.

## Share price performance

In the stock market year 2018, the DMG MORI share was initially quoted at € 45.40 (2 January 2018) and closed at the price of € 43.10 (-5%) as of 28 December 2018. It thus developed better than the SDAX (-20%). Currently, the share price is € 42.85.

**Market capitalization** amounted to € 3.40 billion in the reporting year.

**The following provides some explanatory notes to the annual financial statements 2018 of the DMG MORI group:**

## **Net Worth and Financial Position**

As of 31 December 2018, the **balance sheet total** increased by € 199.2 million to € 2,440.5 million (previous year: € 2,241.3 million). **Free cash flow** improved by +8% to € 154.2 million and thus reached a record high (previous year: € 142.4 million).

## **Equity**

**Equity** increased by € 33.1 million to € 1,197.7 million (previous year: € 1,164.6 million). The **equity ratio** decreased to 49.1% (previous year: 52.0%). The reason for this is that the balance sheet total rose as a result of the growth in sales revenues. This change results among others from the increased inventories to ensure the supply of materials and planned sales in the first quarter of 2019.

## **Investments**

Investments in property, plant and equipment and in intangible assets amounted to € 81.9 million (previous year: € 39.7 million). Thus, the volume of investments will be at the level of earlier financial years. This now planned increase compared to the previous year is due primarily to the extension of our production capacities, the strengthening of Digitization, and our project “GLOBE – Global One Business Excellence”: We promoted the introduction of a new global ERP system to harmonize and optimize systems and processes. Depreciation of fixed assets amounted to € 63.7 million.

- One focus of our investments was the comprehensive modernization and expansion of **FAMOT** in Pleszew (Poland). In the reporting year the assembly halls with a total area of 6,900 m<sup>2</sup> with integrated spindle assembly were put into operation and the logistics area was completely modernized. The integrated digitization of the plant is of particular significance: from planning and preparatory work to production and monitoring to service. The core element of the digital factory at FAMOT is the open manufacturing service bus from ISTOS, which allows the integration of different factory-specific applications. This in turn enables us to make our processes even

more efficient, faster and safer. By mid-2019, we will enlarge FAMOT, particularly the areas assembly, manufacture and logistics by a total of 22,000 m<sup>2</sup>.

You see: DMG MORI continued to see a positive development during the reporting year – not only financially, but also technologically, structurally and culturally:

- **technologically:** Dynamically, we advanced our innovation strategy for our future topics. We focused on optimization of production for excellence – among others with new assembly and logistics areas as well as ultramodern technology and solution centers.
- **structurally:** Through the appointment of Dr. Masahiko Mori as the new Chairman of the Supervisory Board and Michael Horn as an additional Member of the Executive Board, we have sustainably strengthened our position to actively shape the future together with our customers and partners.
- **culturally:** As “Global One Company”, we live a modern company culture and commit ourselves to clear values. We further consolidated our open feedback culture in 2018 through a group-wide employee satisfaction analysis. DMG MORI is an attractive employer. Cultural diversity and equal opportunities as well as an appreciative approach are important to us. The health and satisfaction of our employees has also high priority.

## Trends 2018

**Dynamic and excellence: That is the DNA of DMG MORI.** In financial year 2018, we presented a total of 10 world premieres together with DMG MORI COMPANY LIMITED. At international trade fairs and at our traditional Open House exhibitions we presented the whole range of our innovation competence from our five strategic future topics: Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence as well as DMG MORI Qualified Products (DMQP). At € 57.9 million, expenses for research and development were above the previous year's figure (+15%; € 50.4 million).

- **Automation** is the key to flexible production systems. We have continuously expanded our automation portfolio at all locations. With modern pallet and robot-supported workpiece handling, we enable our customers optimum productivity. The DMG MORI portfolio comprises 48 well-established standard automation products and customer-specific, fully integrated solutions. Already today, each of our machine tools can be automated. The Robo2Go can be used intuitively thanks to the app-based control via CELOS – without any knowledge of programming robots – and increases the efficiency of machine tools at low cost. DMG MORI HEITEC has added further options to its modular automation system. Customers receive an individual, end-to-end solution that can be installed up to 60% faster using the “Digital Twin”.
- **Digitization** is changing our world quickly and radically. With CELOS, ISTOS, WERKBLiQ and ADAMOS, DMG MORI now has a consistent digitization strategy – “Integrated Digitization” for customers and suppliers.
- **CELOS:** The new CELOS Version 5.0 has been available since April 2018. It enables a step-by-step entry into networked production. A total of 27 CELOS apps provide support and make digital workflows fully consistent – from planning to preparation in production to monitoring. Thus DMG MORI offers highly modern, intuitive to operate software solutions for more efficiency along the entire value chain.
- **ISTOS:** ISTOS is the link between machine and production processes. Automatically optimized planning, monitoring and feedback are the basis for digitized production – across process boundaries. Thanks to the new microservice architecture, ISTOS products are the perfect entry into “smart” production.
- **WERKBLiQ:** WERKBLiQ offers a cross-manufacturer platform that links the maintenance process over the entire value chain. Individual dashboards show all important information and key figures. This is how the entire maintenance and servicing process is digitized and accelerated.

- **ADAMOS:** ADAMOS stands for Adaptive Manufacturing Open Solutions. Together with the world market leaders Dürr, Software AG, ZEISS and ASM DMG MORI establishes the open, non-proprietary IoT platform as global standard for the industry – from machine builders for machine builders, their suppliers and customers. In the reporting year additional partners have been added.
- At our polish production facility **FAMOT**, we digitized the entire value chain consistently with modular ISTOS products, DMG MORI Software Solutions and WERKBLiQ for the first time and presented it to the expert audience at the Grand Opening on 8 October. The FAMOT “Digital Factory” has global model character for our customers and suppliers and also sets new standards at DMG MORI.
- One important future area is **ADDITIVE MANUFACTURING**. We see further growth potential in the manufacture of complex 3D components using powder nozzle and powder bed technology. At the start of 2018, we increased our majority holding in REALIZER GmbH to 75.1%, and further expanded assembly at the headquarters in Bielefeld. 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 additive process chains 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. Innovations include the LASERTEC 30 *SLM* 2<sup>nd</sup> generation and the LASERTEC 12 *SLM* for unequalled precision and productivity.

With a strategic 30% share in **INTECH**, DMG MORI further expanded its position in ADDITIVE MANUFACTURING: The Indian company specializes in associated software solutions – including artificial intelligence. The new OPTOMET software automatically calculates optimal process parameters: “First time right” – meaning get it right in hours rather than months.

- With our **technology excellence**, we specifically process the main sectors of Aerospace, Automotive, Die & Mold and Medical. In the “Technology Excellence Centers”, our experts become involved in the customer’s development processes at an early stage. The aim: cross-process, integrated turnkey solutions. DMG MORI is focusing on improvements in the areas of precision, quality and efficiency – for the benefit of our customers.
- An integrated manufacturing solution from a single source at reasonable prices – this is what DMG MORI offers with the DMQP initiative. DMQP stands for **DMG MORI Qualified Products**. The global concept and the close collaboration with certified DMQP partners promises an ideal synergy of machine and accessory for the highest technological expertise. Cutting, handling, measuring, monitoring, materials: These are our five categories for perfectly coordinated accessories.
- In addition to our five strategic future topics – Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products (DMQP) – we are focusing on **Quality** and **Service, Employees, Global One Business Excellence** and **Sustainability**. These are further important pillars of our strategy.
- **“First Quality”** – we drive this with numerous measures: For example, since 2018 we have been offering a 36-month warranty period for all motor spindles of the “MASTER” series – without any restriction on hours.
- **“Customer First”**: At DMG MORI, the increase of our customers’ service satisfaction is a top priority. As a worldwide leading manufacturer of machine tools, we also want to become the service champion with excellence for our customers in the future!
- Our **employees** give 100% support to DMG MORI. That’s why we do the same for them. We take our responsibility seriously. Together, we want to become even better. At this point, we want to express our special thanks to our employees. For their high commitment and great performance. They ensure our innovative power and thus safeguard the overall success of our “Global One Company”. Our employees are our biggest asset! We are proud of our team.

On 31 December 2018, the group had 7,503 employees, including 396 apprentices (previous year: 7,101 employees, including 359 apprentices). The training ratio in our German production plants amounted to 10%, and was thus again above the industry average. The number of employees increased by 402. The personnel ratio decreased to 22.3% (previous year: 23.3%). Employee expenses totaled € 595.9 million (previous year: € 550.7 million).

The diversity culture lived at DMG MORI empowers our employees to support international group projects. This cultural exchange promotes personnel diversity and increases performance.

- **GLOBE** stands for Global One Business Excellence. Excellence in integration, innovation and performance – we apply these principles in our “Global One Company”. Every day. The harmonization of systems and processes forms the basis for this.
- As innovation leader, we also think further in terms of **sustainability**: DMG MORI is the sustainable and global innovator in the manufacturing industry: Our integrated automation and digitization solutions guarantee the efficient and productive use of our plants around the clock – seven days a week. The higher the productivity, the better the sustainability balance. The low error rate enables our customers to save both materials and energy – and thus to protect the environment. With numerous social projects and initiatives, we also show that we live corporate social responsibility. Sustainable and consistent: from our products and production plants to our suppliers, customers and employees.

## **Outlook for financial year 2019**

Global machine tool consumption is expected to grow at a much slower pace in 2019. Excluding global currency effects, VDW and Oxford Economics forecast an increase of +3.6% (previous year: +8.5%). The trend of decreasing dynamics is thus continuing. In view of the existing geopolitical uncertainties, it cannot be ruled out that these forecasts will be adjusted.

The current financial year is significantly impacted by the **EMO** – the world's largest machine tool trade fair. We are focusing our new developments on this industry highlight in Hanover. From 16 to 21 September we are presenting – as the largest exhibitor – a wide range of innovations and new technology, automation and digitization solutions on 10,000 m<sup>2</sup>.

As “Global One Company”, we are prepared for changing market conditions. We have great trust in our team! We have stable structures, a TOP management and transparency across the company. Thus DMG MORI is well-positioned for the future – technologically, structurally and culturally.

### **On our current business development:**

DMG MORI started financial year 2019 as planned. Order intake was below the record level of the previous year. In the first quarter of 2019, we expect order intake of around € 670 million (previous year: € 821.8 million). For the year as a whole, we are planning an order intake of around € 2.6 billion. Sales revenues in the first quarter of 2019 are expected to be around € 620 million, exceeding the previous year's level (€ 581.8 million). For the full year, we plan sales revenues of around € 2.65 billion. EBIT for the first quarter is expected to be about € 50 million (previous year: € 41.0 million). EBIT for the full year should reach around € 200 million and we expect free cash flow of around € 150 million.

As a worldwide leading manufacturer of machine tools and supplier of integrated technology, automation and digitization solutions, we will continue to further expand our market position also in the future. Above all, we have one thing in mind with our ambitious goals: the satisfaction of our customers and employees! As "**Global One Company**", together with DMG MORI COMPANY LIMITED, we are advancing the implementation of our motto "**Dynamic . Excellence**".

Thank you very much for listening!

We are now looking forward to the discussion with you.

Bielefeld, 12 March 2019

Christian Thönes  
Chairman of the Executive Board

# DMG MORI

AKTIENGESELLSCHAFT

## 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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