

AUTOMATION DIGITIZATION ADDITIVE MANUFACTURING

EXCELLENCE

dynamic

TECHNOLOGY EXCELLENCE

DMG MORI QUALIFIED PRODUCTS

# ANNUAL PRESS CONFERENCE

for the financial year 2019

Speech of the Chairman  
of the Executive Board  
Christian Thönes

**DMG MORI**  
AKTIENGESELLSCHAFT

10 March 2020, Bielefeld

– Check against delivery –

**Speech on the occasion of the  
Annual Press Conference of DMG MORI AKTIENGESELLSCHAFT  
for the financial year 2019**

on 10 March 2020, 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 here at the Bielefeld headquarters.

**2019 was a very successful year for DMG MORI with new record figures – despite a difficult market environment.** As "Global One Company", we have dynamically advanced our future fields – especially Automation, Digitization and Additive Manufacturing. The wide range of innovations at the EMO in Hanover was impressive. At the world's most important trade fair for machine tools, we were the largest exhibitor, showing 45 high-tech machines, 29 automations and more than 30 digital solutions on over 10,000 m<sup>2</sup>. **In short: DMG MORI is still on course and strategically well positioned for the future.**

**DMG MORI is a fascinating company:** As part of the "Global One Company", we serve over 100,000 customers from 42 industries in 79 countries. A total of over 12,000 employees work in our Group. With 154 sales and service locations – including 14 production plants – we are present worldwide.

We have a stable foundation and continue to provide orientation ahead. Because there is no doubt: 2020 is even more challenging than 2019. **However, we are currently using the time to continue implementing our successful strategy.**

**Financial year 2019**

Let's start with a look at the past financial year: In 2019, we achieved record figures for sales revenues, EBIT and free cash flow.

Worldwide machine tool consumption continuously lost momentum in the past year. According to preliminary figures by the German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics, global consumption fell by -2.8% to € 72.1 billion. There are several reasons for this decline:

- global economic downturn,
- geopolitical uncertainties,
- structural change in the industry.

All this influenced the demand for capital goods. In addition, there is the increasing worldwide spread of the coronavirus, of which the extent, duration and negative consequences for the economy and industry as a whole are not yet foreseeable.

**The key figures of DMG MORI in detail:**

**2019 was a very good year. DMG MORI has fulfilled its forecasts – and this with increasing economic headwind.** Compared to the industry, DMG MORI has held up well.

**Order Intake**

While the machine tool industry had to accept in part significantly higher losses, our order intake developed better and reached € 2,563.1 million as planned (previous year: € 2,975.6 million).

In **Germany**, orders amounted to € 714.8 million (previous year: € 882.6 million). In the **EMEA** region, they amounted to € 1,222.3 million (previous year: € 1,324.0 million). In the **USA**, order intake reached € 213.5 million (previous year: € 238.0 million). In **Asia**, orders amounted to € 411.5 million (previous year: € 531.0 million), of which € 223.3 million were attributable to China (previous year: € 279.1 million).

## Sales revenues

Sales revenues rose to € 2,701.5 million, a new record in the company's history. They increased by +2% compared to the previous year (€ 2,655.1 million). Foreign sales increased by +5% to € 1,932.3 million. Domestic sales amounted to € 769.2 million.

## Order backlog

On 31 December 2019, the order backlog in the Group amounted to € 1,197.4 million. This results in an average calculated range of about five months for "Machine Tools".

## Earnings

### We also improved earnings and achieved new records:

- **EBITDA** increased by +7% to € 299.8 million (previous year: € 280.8 million).
- **EBIT** improved by +2% to € 221.7 million (previous year: € 217.1 million).
- As in the previous year, the **EBIT margin** was 8.2%.
- **EBT** rose by +2% to € 219.1 million (previous year: € 214.8 million).
- **EAT** improved by +3% to € 154.4 million at 31 December 2019 (previous year: € 149.5 million).

In addition to the good earnings situation, the financial situation also continued to develop positively. Free cash flow rose by +9% to the record level of € 168.8 million (previous year: € 154.2 million).

**Earnings per share** amounted to € 1.93 (previous year: € 1.88). Due to the domination and profit transfer agreement, DMG MORI AKTIENGESELLSCHAFT has not paid a dividend since the financial year 2016. Instead, DMG MORI GmbH has undertaken to pay a compensation ("**guaranteed dividend**") of € 1.17 gross per share to the outside shareholders for each full financial year.

**Below are some notes to the 2019 annual financial statements of DMG MORI AKTIENGESELLSCHAFT:****Net assets and financial position**

The **balance sheet total** increased by € 29.1 million to € 2,469.6 million as of 31 December 2019 (previous year: € 2,440.5 million).

**Equity** increased by € 83.7 million to € 1,281.4 million (previous year: € 1,197.7 million). The **equity ratio** thus rose by 2.8 percentage points to 51.9% despite the increase in total assets (previous year: 49.1%).

The addition to **financial assets** amounted to € 45.1 million and resulted primarily from the participations in TULIP and Pragati (previous year: € 8.8 million).

**Investments**

In the past year, we again invested significantly in the future of DMG MORI. **Investments** in property, plant and equipment as well as intangible assets amounted to € 110.0 million (previous year: € 81.9 million).

The scheduled increase is mainly attributable to the expansion of our production and logistics capacities as well as the ERP project "GLOBE".

- In FAMOT, our Polish production and supplier plant, we completed a 6,100 m<sup>2</sup>, energy-efficient XXL production hall.
- At DECKEL MAHO Pfronten, we are expanding and modernizing the assembly and logistics area. A highlight will be the flow assembly with driverless transport systems (AGVs).
- At GILDEMEISTER in Bielefeld, we have introduced a synchronized flow assembly for Robo2Go 2<sup>nd</sup> generation and the CTX beta TC series – for considerable shorter lead times and even more transparent assembly progress.

You see: DMG MORI keeps investments at a high level even in challenging times.

With dynamic and excellence, we are actively driving forward our future fields. Expenditure for research and development in 2019 amounted to € 57.4 million (previous year: € 57.9 million). We are optimizing existing and proven products and services for excellence in the long term. This makes us a strong, stable and sustainable partner for our customers, suppliers and employees.

**In doing so, we are consistently evolving from a machine builder to an integrated solution provider in the manufacturing environment.** The machine is still the focus of our attention. In addition, automation and digitization are further gaining in importance. With us, customers receive everything from a single source: high-precision and efficient machines, integrated automation and digitization solutions as well as comprehensive service for the manufacturing of the future.

Our **dynamic structure** is reflected in digital units and numerous start-ups in which we have participated in recent years. They are aligning the production plants and sales and service companies of DMG MORI even more to digitization. Through the satellite structure and uniform orientation, we are accelerating this path. The following applies: We first test our solutions internally, then we sell them externally to our customers.

## Future fields

**Automation** is the key to flexible production systems. We offer our customers 52 automation solutions. In the future, automation solutions will be available for almost every DMG MORI machine. Three examples for our high innovative strength:

- our modular building block system **WH Flex**
- the driverless transport system **PH-AGV**
- our **Robo2Go Vision** with an innovative 3D camera system

**Digitization is the topic of the future – and I am deeply convinced that it represents a huge opportunity for DMG MORI.**

**With "Integrated Digitization" we offer our customers digital products and solutions along the entire value chain.** Connectivity is a fundamental prerequisite for digital production. With **DMG MORI Connectivity**, we offer the complete networking of DMG MORI machines and selected third-party products.

Additional DMG MORI initiatives in the area of digitization:

- We upgrade the approximately 20,000 **CELOS** machines on the market with a CELOS update.
- We have successfully placed our new customer portal "**my DMG MORI**". It is our digital face to the customer. Within a few weeks, 4,000 customers with over 20,000 machines have already registered. By the end of 2020, we plan to have around 25,000 customers on the platform.
- With an upgrade to our service and maintenance platform **WERKBLiQ**, we make it possible to integrate third-party products at any time.
- **ADAMOS** is also developing successfully and currently has 30 partners. We will soon open an ADAMOS App Store.

Since September we are strategic partner of the US software provider **TULIP**. The innovative production solutions from TULIP allow customers an easy entry into the digitization of production processes. Users can create their own APPs in a very short time – without any programming knowledge. In our European production plants, there are already over 100 TULIP workstations and more than 20 self-developed APPs in daily use, including spindle assembly at DECKEL MAHO Pfronten.

There is no alternative to our future field of **Additive Manufacturing**. The manufacture of complex components using powder nozzle and powder bed technology offers new possibilities for production, for example individual, complex geometries as well as lightweight structures already from batch size 1.

We bundle our **technological excellence** in "Technology Excellence Centers" for the important leading industries "Aerospace", "Automotive", "Die & Mold" and "Medical". Our experts are thus involved in the customer's development processes from an early stage. The goal: cross-process, integrated turnkey solutions.

We are also pursuing the motto "everything from a single source" with our DMQP program, which we have strengthened further in 2019. DMQP stands for **DMG MORI Qualified Products** and is a seal of quality. It combines the expertise of more than 100 partners who offer perfectly matched peripheral equipment and accessories for our machine tools.

With our "**First Quality**" strategy, we drive numerous initiatives along the entire value chain to satisfy every customer 100%. Example: DMG MORI Components. They are developed by our highly qualified designers on the basis of decades of experience.

We also want to be the No. 1 for our customers when it comes to **service**. With numerous measures, such as "my DMG MORI", we have achieved a lot in 2019.

With **GLOBE (Global One Business Excellence)** we are currently introducing a uniform ERP system. Centralized, harmonized IT structures are a great opportunity to grow together even more strongly into a "Global One Company".

Our **employees** are the most important key factor to our success. On 31 December 2019, the Group had 7,245 employees, including 347 trainees (previous year: 7,503 employees, including 396 trainees). The trainee ratio at our German production plants was 10%, which was again above the industry average. The number of employees decreased by 258, primarily due to the sale of major business activities of Energy Solutions to a strategic investor. At € 592.4 million, personnel expenses were down on the previous year (€ 595.9 million). The personnel ratio improved slightly to 21.9% (previous year: 22.3%).



**As an attractive employer with a modern corporate culture, trust, transparency and passion are important to us.** We stand for diversity and openness and offer stability – especially in turbulent times. This is important to us. By the way: In 2019, renowned German business magazines once again honored the quality of our training as well as our career opportunities and highlighted DMG MORI as a "company with a future".

**Health and safety of our employees have the highest priority at DMG MORI.** We are currently dealing intensively with the increasingly global spread of the coronavirus. Our duty of care as an employer is something we take very seriously. We are continuously informing our employees and have already taken numerous steps to protect their health.

With respect to **sustainability** we have a clear goal: DMG MORI will be CO<sub>2</sub>-neutral in 2020. Our automation and digitization solutions ensure highly efficient usage of our machine tools around the clock. We also support society with numerous social projects and initiatives.

## **Outlook for the 2020 financial year**

2020 is a challenging year. The market environment will become noticeably more difficult. According to official association forecasts, global machine tool consumption will continue to decline at € 71.7 billion (-0.6%). This is particularly true for Germany (-14.5%), but also for the whole of Europe (-4.4%). In view of the existing global uncertainties, it cannot be ruled out that these forecasts will be adjusted during the year. In addition, there is the increasingly global spread of the coronavirus, of which the extent, duration and negative consequences for the economy and industry as a whole cannot be foreseen yet. Reliable statements on the influence on the business development of DMG MORI are therefore difficult to quantify completely.

**Against this background and the sale of Energy Solutions in 2019, we expect order intake and sales revenues of around € 1.8 - 2.0 billion for fiscal 2020. EBIT is expected to be around € 80 - 100 million and free cash flow around € 10 - 30 million.**

This year we also celebrate our 150<sup>th</sup> anniversary. In December 2020, DECKEL MAHO Pfronten will have existed for 100 years.

**As a "Global One Company", we are very well positioned for the future in technological, structural and cultural terms. We have a stable foundation, a strong management team and a unique combination of dynamic and excellence. We are now using the time intensively to further implement our successful strategy and position ourselves for the future.**

Thank you very much for your attention!

Bielefeld, 10 March 2020

Christian Thönes  
Chairman of the Executive Board

**Forward-looking statements**

This quarterly release contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors that could cause the actual circumstances including the results of operations, financial position and net worth of DMG MORI AKTIENGESELLSCHAFT to differ materially from or be more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a range of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results expressed, expected, anticipated, intended, planned, aimed at, estimated, projected or implied in these statements. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

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There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This release refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this release to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporation Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.