

# DMG MORI

AKTIENGESELLSCHAFT

## DMG MORI

CO<sub>2</sub> neutral

DIGITIZATION

AUTOMATION

ADDITIVE MANUFACTURING

DMQP

SUSTAINABILITY

FIRST QUALITY

SERVICE EXCELLENCE

TECHNOLOGY EXCELLENCE

GLOBE

EMPLOYEES

# 120<sup>TH</sup> ANNUAL GENERAL MEETING

Speech of the Chairman of the Executive Board Christian Thönes

6<sup>th</sup> May 2022

Check against delivery.



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**Speech on the 120<sup>th</sup> Annual General Meeting  
of DMG MORI AKTIENGESELLSCHAFT on 6<sup>th</sup> May 2022**

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Dear Ladies and Gentlemen,

I am very pleased to welcome you to the 120<sup>th</sup> Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT. A warm welcome – also on behalf of my colleagues on the Executive Board. Today we look back together on 2021 – a year full of challenges: The corona pandemic became more severe once again. Global supply and material shortages, high raw material and transport costs, rising inflation – these are just a few items on a long list that DMG MORI was also confronted with.

In short: **challenging, but successful – that was 2021 for DMG MORI.** In the second corona year, we again demonstrated financial strength, resilience, innovative power and team spirit. We have once again succeeded in adapting DMG MORI to the difficult overall conditions with a high degree of flexibility as well as strict cost and personnel management, while at the same time laying important foundations for the future.

**Our strategic fit of automation, digitization and sustainability is more suitable than ever.** 2021 has shown: DMG MORI has the people and the courage to actively tackle changes! Changes are opportunities. We pull new strength from them and, above all, we pull together! This is what characterizes us. This is what makes us so successful.

As part of the “Global One Company” with clearly organized sales and service structures worldwide, we manage the home market Germany, the EMEA region (Europe, Middle East, Africa) as well as the markets China and India. Through DMG MORI COMPANY LIMITED, we are also close to our customers in Japan, North and South America and other parts of Asia. Together, we have a global footprint with 16 production plants and 111 sales and service locations worldwide. Every day, more than 12,000 employees work for our more than 100,000 customers from 55 industries in 87 countries.

Therefore, at this point – also on behalf of the Supervisory Board and the entire Executive Board – first of all a heartfelt thank you to our great employees for their outstanding commitment. They are our greatest asset! The Annual Report 2021 therefore exemplifies some of our highly qualified employees. We are proud of what they all accomplish every day! It is precisely this spirit that makes DMG MORI a special company. The close cohesion is based on **TOP values: Trust, Openness and Passion.**

Now to the development of the industry and our key figures:

The global market for machine tools was on course for recovery in 2021. This development was impacted by the ongoing pandemic, material availability and supply shortages, rising inflation as well as high raw material and transport costs. According to preliminary data from the German Machine Tool Builders' Association (Verein Deutscher Werkzeugmaschinenfabriken) and the British economic research institute Oxford Economics, global consumption in 2021 rose significantly by +18.7% to € 69.9 billion (2020: € 58.9 billion) but remained below the pre-corona level of 2019 (-6.8%; € 72.9 billion).

DMG MORI was able to further raise the market shares of the global market volume. **Order intake** grew by +57% to € 2,517.2 million (previous year: € 1,599.4 million). New machine business in particular increased significantly by +71%. Overall, the core business with machine tools and services was even +5% above the high pre-corona level of 2019 (€ 2,401.8 million).

**Sales revenues** rose by +12% to € 2,052.9 million (previous year: € 1,831.3 million) despite difficult material supply, increasing logistics shortages as well as high raw material and transport costs.

The **order backlog** grew to € 1,208.9 million as of 31 December 2021 due to the good development of order intake (31 Dec. 2020: € 852.2 million). This results in an average order backlog of around seven months for “Machine Tools” – a good basis for the current financial year.

The **results of operations** also developed successfully despite difficult market and general conditions. With consistent measures we have significantly improved our results and sustainably optimized our cost structure further.

- **EBITDA** enhanced by +22% to € 190.8 million (previous year: € 156.7 million).
- **EBIT** increased by +52% to € 123.8 million (previous year: € 81.7 million).
- The **EBIT margin** improved to 6.0% (previous year: 4.5%).
- **EBT** grew by +62% to € 121.6 million (previous year: € 74.9 million).
- **EAT** amounted to € 85.6 million (+64%; previous year: € 52.1 million).
- **Free cash flow** rose to an all-time high of € 179.9 million (previous year: € 15.7 million).

The **balance sheet total** increased to € 2,556.0 million as of 31 December 2021 (previous year: € 2,191.5 million).

**Net working capital** amounted to € 301.6 million and could thus be improved by € 105.5 million (previous year: € 407.1 million). In particular, this was due to the increase in advance payments received to € 348.8 million (previous year: € 156.6 million). Cash and cash equivalents (**cash surplus**) amounted to € 241.9 million (previous year: € 123.5 million). DMG MORI has sufficient financial resources available.

**Equity** grew to € 1,401.8 million (+11%; previous year: € 1,259.5 million). Due to the increased balance sheet total, the **equity ratio** was 54.8% (previous year: 57.5%).

You can see: DMG MORI's business development improved continuously over the course of the year. **We raised our forecasts several times – and even slightly exceeded them in the end.**

The DMG MORI **share** started the stock market year 2021 at a price of € 41.35 (4 Jan. 2021). It closed with € 42.15 as of 31 December 2021. The share displayed a stable development over the year and has proven itself a solid investment. Our share is currently quoted at € 41.80 (5 May 2022).

**Market capitalization** amounted to € 3.32 billion on 30 December 2021.

**Earnings per share** amounted to € 1.07 (previous year: € 0.66). 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.

Let me turn to the separate financial statements of

**DMG MORI AKTIENGESELLSCHAFT:**

DMG MORI AKTIENGESELLSCHAFT has management and holding functions. Earnings depend essentially on income from domestic subsidiaries. Under the domination and profit transfer agreement, the earnings after tax of € 29.3 million are transferred to DMG MORI GmbH (previous year: € 27.1 million). My dear shareholders, you will find further details of the financial year 2021 in the Annual Report. Explanatory notes in accordance with section 289(4) and (5) and in accordance with section 315(4) of the German Commercial Code (HGB) have been set out for you by the Executive Board in the combined business and group business report. All reports are generally accessible on the internet.

Besides, our financial reports are completely digital this year. Following our basic understanding of holistic sustainability and digitization, we are offering interactive e-papers as well as digital highlights as HTML version for the first time.

**Innovations**

Dear Ladies and Gentlemen, DMG MORI has become even more innovative, digital and resilient. **Holistic sustainability in machine tool manufacturing** – from raw material through production to recycling – as well as a unique future architecture for networked solutions consisting of machine, automation and digitization – with this, DMG MORI is setting standards across all industries. Here applies: the machine is and remains our core! Integrated automation solutions and digital innovations extend our core business with machine tools.

We are keeping our research and development budget stable at a high level. Expenses amounted to € 72.9 million in 2021 (previous year: € 66.7 million). In the reporting year, together with DMG MORI COMPANY LIMITED, we presented 26 innovations – thereof 7 world premieres, 3 automation solutions, 15 digital innovations including 6 technology cycles and 1 DMG MORI Components. DMG MORI offers holistic, integrated solutions from a single source – at all times in focus: our customers!

We innovate and open up completely new business areas. We are investing in new production plants and increasing our global presence. In 2021, our **investments** in property, plant and equipment and intangible assets amounted to € 77.3 million (previous year: € 80.0 million). Here are three focus areas:

1. At DECKEL MAHO in Pfronten, we started the construction of a **state-of-the-art automated logistics center**, which will start operation on 1 July 2022. On an area of 8,400 m<sup>2</sup>, four logistics warehouses previously located externally are bundled centrally at the Pfronten site, thus ensuring an optimized and sustainable supply of materials for production.
2. We continued to invest in our ERP project “**GLOBE – Global One Business Excellence**” for the standardization and optimization of systems and processes. At the Bielefeld site, we have already reached a key milestone for the group-wide introduction of SAP S/4HANA in January 2022 with the GO-LIVE of the two production plants GILDEMEISTER Drehmaschinen and DMG MORI Additive.

3. Another highlight is the new production plant **DMG MORI Manufacturing Solutions** in Pinghu near Shanghai. The ground breaking ceremony for the highly automated and fully digitized, approximately 41,000 m<sup>2</sup> production plant for 5-axis milling machines took place in December 2021. The centerpiece will be a continuous flow assembly line with a driverless transport system. The opening is planned for 2023. **Made in China for China** – this is how we serve the world's largest market for machine tools with high demand for high-tech machines.

Investments in financial assets amounted to € 11.8 million (previous year: € 1.2 million) and mainly resulted from the capital increase of TULIP Interfaces Inc. in which DMG MORI participated in July 2021. Investments thus totaled € 89.1 million (previous year: € 81.2 million).

Ladies and Gentlemen, DMG MORI has been advancing five important future fields already since 2017 that still remain up-to-date and are firmly anchored in our corporate strategy. With **dynamic and excellence**, we are actively pushing our strategic fit of automation, digitization and sustainability as well as Additive Manufacturing and DMG MORI Qualified Products (DMQP). We are consistently developing further into a holistic, sustainable solution provider in the manufacturing environment. At the same time, we are optimizing five other strategically important pillars for excellence: “First Quality”, service and technology excellence, the ERP project “GLOBE” and our highly qualified employees.



**Future fields**

**Automation** is the key to more efficiency, more productivity, even faster amortization – and thus to greater competitiveness of our customers. Our innovative automation portfolio with 57 products for 159 different machine models includes machine-specific, universal and scalable solutions up to DMG MORI central control computer technology for workpiece, pallet and tool management. Machine, automation and technology – everything from a single source.

**Digitization** is one of our strategically most important future fields, in which we have been consistently investing for years. The corona pandemic has also significantly raised awareness for digitization among our customers. DMG MORI is regarded as an “enabler”, as a digital pioneer in machine tool manufacturing. With digital offerings along the customer’s entire value chain, we create added value and strengthen our customer relationships. The decisive, sustainable success factor is continuous, data-based interaction with the customer. In 2021, we have thus implemented a completely digital business model. With **PAYZR (Pay with Zero Risk)** we successfully entered the “Subscription Economy” – the world of Software-as-a-Service and Equipment-as-a-Service. Our customers receive exactly what they need in these demanding times of digital reorientation and future orientation. They benefit from fast innovation cycles without risk – with maximum planning security, cost and price transparency and full flexibility. Subscription & All-In instead of investment and purchase.

**Sustainability** and technology leadership are in harmony at DMG MORI. We have already achieved a lot – and created our own “**DMG MORI GREEN ECONOMY**”. Our manufacturing solutions are high-quality, durable, recyclable and maximally efficient – for example through technology

integration as well as comprehensive automation and digitization solutions – this preserves resources, the climate and the environment. The trend towards sustainability is a huge opportunity for DMG MORI.

For us, resource-efficient machine manufacturing is already a lived reality today. Through our climate triple “Avoid – Reduce – Compensate”, DMG MORI has both a CO<sub>2</sub>-neutral “**Company Carbon Footprint**” and a climate-neutral “**Product Carbon Footprint**”. This includes direct and indirect emissions from our own value creation as well as indirect emissions from upstream processes along the supply chain (scope 1, 2 and 3 upstream). All machines delivered since January 2021 are produced completely climate-neutral. DMG MORI has been awarded the Platinum Medal in the Sustainability Rating by the internationally renowned institute **EcoVadis**. This means that we are among the **TOP 1%** of over 35,000 companies evaluated worldwide.

Dear Ladies and Gentlemen, the resource efficiency of our high-precision machine tools is already high per se. The use of integrated automation and end-to-end digitization solutions makes our machines even more efficient and thus even more sustainable. In this way, we make a decisive contribution to improving the lives of generations.

With the **DMQPs** (DMG MORI Qualified Products), together with over 120 DMQP technology partners worldwide, we currently offer our customers more than 4,000 DMQPs for the perfect synergy of machine, machine components, peripherals and accessories – all from a single source.

From our machines, our customers expect efficiency, accuracy, reliability, durability. In short: excellent quality. With our “**First Quality**” strategy, we thus drive numerous initiatives along the entire value chain to satisfy every customer 100%.

**Service excellence** is a top priority at DMG MORI and more than 1,500 experts work on it day after day. We bundle our know-how in 17 Technology Excellence Centers. Over 800 application engineers are involved in our customers' development processes from an early stage. With our online customer portal **my DMG MORI** we enable digital, direct access to our service experts and digitize all service processes. We thus achieved up to 70% faster response times in the reporting year. More than 30,000 customers with over 140,000 machines are already registered with *my DMG MORI*.

As of 31 December 2021, the group had 6,821 **employees**, including 225 trainees (previous year: 6,672 employees, including 279 trainees). Personnel expenses amounted to € 522.7 million (previous year: € 486.9 million). The personnel ratio improved to 25.1% (previous year: 26.9%). Together with DMG MORI COMPANY LIMITED, over 12,000 employees are engaged every day. DMG MORI is proud to live a diversity culture. At DMG MORI, all employees and applicants are valued regardless of nationality or ethical background, gender, age or religion. As an attractive employer, DMG MORI focuses on diversity and equal opportunities, flexible and innovative working environments as well as training and personnel development. As a “**Leading Employer 2022**”, DMG MORI is among the **TOP 1%** of a total of 160,000 evaluated companies in Germany.

The training quota in our German production plants was nearly 10%, once again above the industry average. DMG MORI offers young people attractive, international and state-of-the-art training right from the start – the foundation for sustainable success.

**Forecast for the financial year 2022**

Dear shareholders, 2022 will again be marked by major challenges, in particular due to the war in Ukraine of which the duration, extent and global economic impact can hardly be estimated. Furthermore, there are the ongoing corona pandemic, more difficult material supply, increasing logistics shortages as well as high raw material, transportation and energy costs and rising inflation.

We strongly condemn the war of the Russian government against the Ukraine. Already at the end of February, DMG MORI had immediately stopped all sales and service activities in Russia as well as the production in Ulyanovsk. This also included all deliveries of machines, spare parts, components and services to Russia. We all hope that the war will come to an end and will also solve the renewed challenges with courage and professional foresight.

DMG MORI is a stable and reliable partner even under difficult external conditions. Because:

1. We have a strong foundation and resilient supply chains.
2. We innovate and invest.
3. We have great employees and a clear strategic plan for the future.

**All in all: Our strategic fit is absolutely right. We are well positioned and on course! This is also shown by the strong start to the financial year 2022. DMG MORI achieved record figures in the 1<sup>st</sup> quarter and all-time high levels for order intake, EBIT, EBIT margin and free cash flow.**

**On the 1<sup>st</sup> quarter of 2022 in detail:**

**Order intake** rose to a new record of € 861.6 million (+46%; previous year: € 589.8 million). The new machines business in particular contributed to this all-time high with an increase of 50%.

**Sales revenues** increased by +33% to € 561.0 million (previous year: € 421.6 million) despite continuing difficulties in the supply of materials and high logistics shortages. As in the previous year, the export ratio was 68%. Pressure on global supply chains intensified further in the 1<sup>st</sup> quarter 2022. Thanks to a stable, long-standing network of partners and suppliers, DMG MORI was able to secure the material supply in the production plants.

As of 31 March 2022, **order backlog** amounted to € 1,467.9 million (31 Dec. 2021: € 1,208.9 million). We counter longer delivery times with targeted measures, such as the expansion and optimization of assembly, logistics and production capacities.

The **results of operations** also developed very successfully despite more difficult market and general conditions. The consistent and sustainable optimization of our cost structure is paying off: **EBIT** rose by +374% to the record level of € 55.9 million (previous year: € 11.8 million). The **EBIT margin** reached an all-time high at 10.0% (previous year: 2.8%).

The **financial position** also developed very positively: **free cash flow** grew by +40% to € 55.4 million, thus reaching a new high in the 1<sup>st</sup> quarter (previous year: € 39.6 million).

For 2022, we continue to plan order intake of around € 2.5 billion. Sales revenues are estimated to be around € 2.3 billion. We expect EBIT of around € 180 million. Free cash flow is to be around € 130 million. Our forecasts are subject to the condition that the global market and general conditions do not change significantly due to the war in Ukraine and the lockdown due to corona in parts of China.



As you can see: DMG MORI is keeping up a high speed – both operationally and strategically – and is continuing to align itself for a strong future. We are strengthening our global presence with new production plants. Integrated automation and end-to-end digitization solutions extend our core business with machine tools. We are further expanding the digital subscription business model PAYZR for Software-as-a-Service and Equipment-as-a-Service.

Our traditional Open House in Pfronten will soon take place for the first time for two weeks from 9-21 May – live and digitally. We expect over 5,000 visitors at this industry highlight to get informed about our latest technological developments.

Progress through sustainable technology – this is what DMG MORI stands for. We want to be the most attractive global machine tool manufacturer with digitized and sustainable products! We strengthen our customers – in manufacturing and digitization! This is our vision-mission statement.

With our global footprint, extensive service offerings and digitization solutions, we offer everything integrated, consistent and sustainable from a single source – worldwide! With our TOP values, an excellent team, our esteemed customers and strong partners, we will continue our growth course! With our stable ownership structure and above all the unique combination of dynamic and excellence at DMG MORI, we will also be successful in 2022! Dear owners, on behalf of the entire Executive Board, I would like to thank you for your trust, support and reliability! Thank you very much for your attention!

Christian Thönes

Chairman of the Executive Board

6<sup>th</sup> May 2022

## Forward-looking statements:

This release contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on management's current expectations and certain assumptions. They are subject to risks, uncertainties and other factors, as well as to the development in the Ukraine or the effects of the corona crisis, 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 Tokyo, 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.