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DMG MORI QUALIFIED PRODUCTS

117th Annual General Meeting

Speech of the Chairman
of the Executive Board

Christian Thönes

10th May 2019
Town hall Bielefeld

DMG MORI
AKTIENGESELLSCHAFT

Check against delivery.

Check against delivery

Speech given at the 117th Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT on 10th May 2019

My dear ladies and gentlemen,

I would like to warmly welcome you to the 117th Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT personally and on behalf of my colleagues on the Executive Board. We are delighted to be here in the Bielefeld Stadthalle to present our financial year 2018 with many new record highs to you.

DMG MORI is a strong company. With a great team. Our heart beats for DMG MORI. With passion, trust and transparency, we work to develop further our innovations. To make products better. Create something new.

Thus, my dear shareholders, we have achieved a lot in 2018:

1. historical record highs in order intake, sales revenues, EBIT and free cash flow,
2. significant advances in our future topics,
3. a high level of satisfaction for our customers, employees and owners.

All this is only possible with strong partners. They are the key to our success. Our special thanks therefore go to our customers, business partners and suppliers, and above all to you, our shareholders. Your trust in us is the basis of our strategic decisions. On behalf of the entire Executive Board, I would therefore like to take this opportunity to extend

our warmest thanks to you and to the entire team at DMG MORI! The success of DMG MORI is the success of a strong and stable team. It is only through the great support and enthusiasm of our employees that we are able to achieve our goals with dynamic and excellence and actively advance our future topics.

As part of "Global One Company", with clearly aligned sales and service structures worldwide, we manage the home market Germany and 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 other parts of Asia. Together we serve more than 100,000 customers in 42 different industries in 79 countries. More than 12,000 employees work at our "Global One Company". With 157 sales and service locations – including 14 production plants – we are present worldwide.

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

The key figures 2018 prove: DMG MORI is successfully on course!

- Order intake was higher than the 2017 record figure.
- Sales revenues reached a new all-time best.
- EBIT likewise rose to a historic high.
- The EBIT margin of 8.2% was clearly above the previous year.
- In free cash flow, too, we achieved a record figure.

Worldwide machine tool consumption rose in 2018 by +8.5% (April forecast 2018: +5.9%). These provisional figures of the German Machine Tool Builders' Association (VDW) and the British economic research institute, Oxford Economics, of October 2018, however, have not taken currency effects or the possible effects of geopolitical uncertainties into account. Adjusted for currency effects, worldwide machine tool consumption rose in euro terms by +5.2% and therefore gave the first indications of slowing momentum (April forecast 2018: +6.1%).

2018 was a very good year for DMG MORI. Due to the good development, we were able to raise our forecasts during the year – and even to outperform them at the end of the year. Dear shareholders, let me now talk in detail about financial year 2018.

Order Intake

Order intake rose to € 2,975.6 million and, even after the 2017 record figure, it was possible to increase it once again by +8% (previous year: € 2,754.8 million). We thus achieved the best financial year ever in order intake.

In **Germany** orders were € 882.6 million (previous year: € 825.7 million). In the rest of **Europe**, business grew to € 1,324.0 million (previous year: € 1,248.9 million). In **America** orders totalled € 238.0 million (previous year: € 209.3 million). In **Asia** order intake rose to € 531.0 million (previous year: € 470.9 million). China accounted for € 279.1 million of this (previous year: € 245.9 million).

Sales Revenues

Sales revenues of € 2,655.1 million reached a new all-time best. They rose by € 306.6 million or +13% (previous year: € 2,348.5 million). International sales revenues increased by +12% to € 1,833.6 million. Domestic sales revenues went up +15% to € 821.5 million. The export share amounted to 69% (previous year: 70%).

Segmental Reporting

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

The "**Machine Tools**" segment includes the group's new machines business. Sales revenues grew to € 1,454.2 million (previous year: € 1,289.4 million) and, as in the previous year, achieved a share of **55%**.

The "**Industrial Services**" segment likewise had a share the same as in the previous year of **45%**. Sales revenues were € 1,200.7 million (previous year: € 1,058.8 million).

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

Order Backlog

As at 31 December 2018, the **order backlog** within the group amounted to € 1,609.9 million. This results in an order backlog in "Machine Tools" of a calculated production workload averaging about seven months.

Results of Operations 2018

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

The **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 from financial year 2016. Instead, DMG MORI GmbH undertakes to pay a compensation amount ("**guaranteed dividend**") of € 1.17 gross per share, or € 1.03 net – after corporate income tax and before personal income tax – to all outside shareholders for each full financial year.

Share Performance

At the start of the 2018 stock market year, the DMG MORI share was quoted at € 45.40 (2 Jan. 2018) and closed the year on 28 December 2018 at € 43.10. The share is currently quoted at € 44.05 (7 May 2019).

Market capitalization in the reporting period amounted to € 3.40 billion (reporting date: 28 Dec. 2018).

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. Under the domination and profit transfer agreement, the earnings after tax of € 99.3 million are transferred to DMG MORI GmbH (previous year: € 89.9 million).

My dear shareholders, under **agenda item 4** we are asking you today to revoke the **existing authorized capital**, to create **new authorized capital** and to agree to a corresponding change in the articles of association. The currently available authorized capital will expire on 15 May 2019. We would like to be able to continue in the future to respond fast and flexibly to business opportunities. If a strategic option should entail a need for financing, we can quickly take advantage by using the authorized capital. At present there are no specific plans. Further details regarding item 4 can be found in the Executive Board's report, which is available for you to view today and which has also been published in the Internet with the invitation to the 117th Annual General Meeting.

My dear shareholders, you will find further details of the financial year 2018 in the Annual Report, which has been made available for you at the information stand in the foyer. 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 management and group management report. All the reports are generally accessible in the internet.

The following contains some explanations of the consolidated financial statements 2018:

Net Worth and Financial Position

- The **balance sheet total** increased as at 31 December 2018 by € 199.2 million to € 2,440.5 million (previous year: € 2,241.3 million).
- The **free cash flow** improved by +8% to achieve a record figure of € 154.2 million (previous year: € 142.4 million).
- **Equity** rose 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 the rise in the balance sheet total following the growth in sales revenues. This change is also due, amongst others, to the rise in inventories to ensure materials supply and the planned sales revenues in the first quarter of 2019.
- Net financial liabilities amount to € 152.7 million (previous year: € 316.9 million).

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 prepared the introduction of a new global ERP system to harmonize and optimize systems and processes. Depreciation of fixed assets totalled € 63.7 million.

- A key focus of our investments was the extensive modernization and expansion of **FAMOT** in Pleszew, Poland. In the reporting period the assembly halls, covering a total area of 6,900 m², were put into operation with integrated spindle assembly and the logistics area was completely modernized. Of special importance was the integrated digitization of the plant: from planning and preparatory work to production and monitoring to service. The key element of the digital factory at FAMOT is the open manufacturing service bus from ISTOS, which forms the basis for integrated digitization. This enables us to make our processes even more efficient, even more secure and even faster. By mid-2019, we will have increased the size of FAMOT, especially the assembly, production and logistic areas, by a total of 22,000 m².

As you can see, DMG MORI has continued to develop positively throughout the reporting year – not just on the balance sheet, 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.

Our **employees** give 100% to DMG MORI. That is why we do the same for them. We take our responsibility seriously. Together we want to become even better. Our special thanks at this point go to our employees. For their high commitment and their fantastic performance. They ensure our power of innovation and thus the entire success of our "Global One Company". Our employees are our biggest asset! We are proud of that!

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).

As "Global ONE Company" with all our cultural diversity we have one goal: to be successful long-term through perfection and precision. Success based on trust, transparency and passion. Values that set the corporate culture of DMG MORI apart and that we live actively.

Trends 2018

Dynamic and excellence: that is the DNA of DMG MORI. In financial year 2018, together with DMG MORI COMPANY LIMITED we presented a total of 10 world premieres. At international trade fairs and at our traditional Open House exhibitions we displayed the entire range of our innovations expertise from our five strategic future topics: Automation, Digitization, ADDITIVE MANUFACTURING and Technology Excellence as well as DMG MORI Qualified Products (DMQP). Our research and development costs of € 57.9 million were higher than those of the previous year (+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 49 well-established standard automation products and customer-specific, fully integrated solutions. Already today, almost 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 significantly. With CELOS, ISTOS, WERKBLiQ and ADAMOS, DMG MORI has an integrated digitization strategy: "Integrated Digitization" from planning and preparatory work to production and monitoring to service.
- **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 for fully integrated digital workflows – from planning to production preparation to monitoring. DMG MORI thus offers state-of-the-art software solutions that are intuitive to operate, for more efficiency along the entire length of the value chain.

- **ISTOS:** ISTOS is the connecting link between machines and production processes. Automatically optimized planning, monitoring and feedback are what forms the foundation of digitized production – across process boundaries. The new microservice architecture makes ISTOS products the perfect entry into "smart" production.
- **WERKBLiQ:** WERKBLiQ offers a cross-manufacturer platform that interconnects the maintenance process along the entire length of the value chain. Individual dashboards display all the important information and key figures. In this way the entire maintenance and service process is digitized and speeded up.
- **ADAMOS:** ADAMOS stands for Adaptive Manufacturing Open Solutions. Together with the world market leaders Dürr, Software AG, ZEISS and ASM DMG MORI has established an open, cross-manufacturer IoT platform as a global industry standard – from machine builders for machine builders, their suppliers and customers. More partners have joined during the reporting year.
- We have consistently digitized our **FAMOT** production plant in Poland throughout. The entire value chain is now fully networked for the first time using modular products from ISTOS, DMG MORI Software Solutions and WERKBLiQ. We presented this open connectivity and intelligent workflows and processes to an expert audience at the Grand Opening on 8 October. The FAMOT "Digital Factory" acts as a model worldwide for our customers and suppliers, and is also setting new standards at DMG MORI. We are setting a good example and are convincing, both internally and externally, with the brilliance of our

digital showcase factory. FAMOT is the "prototype". In the future, we intend to completely digitize our other DMG MORI production plants, step by step.

- One important future topic 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* 2nd generation and the LASERTEC 12 *SLM* for unequalled precision and productivity.

A strategic 30% investment in **INTECH** has allowed DMG MORI to further increase its position in ADDITIVE MANUFACTURING. The Indian company specializes in software solutions associated with additive manufacturing, including artificial intelligence. The new OPTOMET software automatically calculates the optimum process parameters – integrated and across processes.

- We are specifically targeting the leading sectors of Aerospace, Automotive, Die & Mold, and Medical with our **technology excellence**. In the Technology Excellence Centers our experts become actively involved in customers' development processes at an early stage. The goal is to achieve integrated turnkey solutions across all processes. Improving precision, quality and efficiency is a main focus for DMG MORI. To the benefit of our customers.
- Integrated manufacturing solutions with certified machine periphery and innovative technology accessories – all these are offered by DMG MORI in its DMQP range. DMQP stands for **DMG MORI Qualified Products**. The global concept plus the close cooperation with innovative DMQP partners promises the perfect synergy of machine and accessories for top performance and quality.

In addition to our five strategic future topics – Automation, Digitization, ADDITIVE MANUFACTURING and Technology Excellence, as well as DMG MORI Qualified Products (DMQP) – we are focusing on **quality** and **service, employees, Global One Business Excellence** and **sustainability**. These are other important pillars of our strategy.

- "**First Quality**" is being driven ahead by us with numerous measures. For example, since 2018, all motor spindles in the MASTER series enjoy a 36-month warranty period – without limitation of hours.

- **"Customer First"**: Through excellence we will increase service satisfaction long-term. Our "Customer First" program aims to meet our customers' high expectations over the entire life cycle of our products with an excellent performance. At the same time, we will continue to optimize service quality and efficiency through structural measures, a continuous process of improvement and through our digital service concepts. Our goal: to be the number 1 worldwide also in services for our customers and partners!
- **GLOBE** stands for Global One Business Excellence. Excellence in integration, innovation and performance – this has the highest priority at DMG MORI. To grow even closer together as "Global One Company", we are driving the harmonization of systems and processes, such as central IT infrastructures and a global ERP system.
- As a leader in innovations, we also think further ahead as regards **sustainability**: DMG MORI is the sustainable and global innovator in the manufacturing industry. The higher the productivity, the better the sustainability balance sheet. A low error rate saves our customers not only materials but also energy – and thus also protects the environment. Through numerous social projects and initiatives, we are also showing how we live up to our corporate responsibility. Sustainably and consistently: from our products and production sites to our suppliers, customers and employees. The **Sustainability Report 2018** gives you an exciting insight into all our activities to do with "Corporate Social Responsibility". Your personal copy is waiting for you at the information booth in the foyer.

Financial Year 2019

My dear shareholders, let us now look forward. The worldwide machine tool market is expected to grow by only +2.3% according to the latest April forecast from German Machine Tool Builders' Association (VDW) and the British Economic Research Institute Oxford Economics (October forecast: +3.6%). Thus, the general trend of an overall economic decline has also reached the machine tool industry.

Now to the figures for the 1st quarter and the forecast 2019:

DMG MORI has started the financial year 2019 as planned. **Order intake** in the first quarter was stable at the high level of the two last quarters in 2018. As expected, with € 708.3 million it was below the record level of the previous year (-14%; € 821.8 million) which was marked by various major projects.

Sales revenues rose to € 629.2 million and were +8% above the previous year's figure (€ 581.8 million). Hence, the good development of the previous quarters is continuing.

On 31 March 2019 the **order backlog** amounted to € 1,688.8 million (31 Dec. 2018: € 1,609.9 million). A good basis for the current financial year! Targeted measures to increase efficiency and productivity are in place to convert the order backlog into sales revenues and to shorten the delivery times.

We achieved record figures in **earnings** in the first three months: EBITDA amounted to € 73.3 million (+34%; previous year: € 54.6 million). EBIT rose significantly by +23% to € 50.4 million (previous year: € 41.0 million). The EBIT margin improved to 8.0% (+1%; previous year: 7.0%). The EBT rose by +22% to € 49.2 million (previous year: € 40.3 million). The group reports EAT as at 31 March 2019 of € 34.7 million (+23%; previous year: € 28.3 million). In line with our motto "Dynamic . Excellence", we thus further enhanced the quality of earnings. The free cash flow of € 31.5 million is also significantly above the previous year's quarter (+142%; € 13.0 million).

The current financial year is marked by the **EMO** – the biggest machine tool trade fair worldwide. We are aiming our new developments at this industry highlight in Hanover. From 16 to 21 September we will be the largest exhibitor in Hanover, displaying a variety of innovations and new technology, automation as well as digitization solutions over an area of 10,000 m². A must for all technology enthusiasts – and I hope for you, too, dear shareholders. Come and visit us! You are cordially invited.

My dear shareholders,

Before us lies a challenging year with changing market conditions. As "Global One Company" we are prepared: with our experienced management team and our outstanding combination of dynamic and excellence. The confidence in our team is high! We have stable structures, a TOP management and transparency throughout the company. DMG MORI is well-positioned for the future: technologically, structurally and culturally. And we will continue to give full power!

Together with you, our customers, suppliers and partners, we intend to achieve our ambitious goals for 2019. Today, we are once again confirming our forecasts for the whole year – despite weakening economic dynamics. We intend to achieve order intake of around € 2.6 billion and sales revenues of around € 2.65 billion. EBIT is expected to amount to around € 200 million and the free cash flow to be around € 150 million.

As you can see, for the future we have set high targets for ourselves. With trust, transparency and passion, we will reach these ambitious targets. As "**Global One Company**" together with DMG MORI COMPANY LIMITED we are actively advancing the implementation of our motto "**Dynamic . Excellence**": for maximum quality and stability as well as the 100% satisfaction of our customers, partners and employees.

Taking a proactive approach and implementing sustainable measures for the future, as a leading manufacturer worldwide of machine tools and a provider of integrated technology, automation and digitization solutions, this is an absolute must for DMG MORI.

My dear shareholders, your trust in us and in our work is both an incentive and an obligation for us. We are continuing to give full power for the success of your company. Future is what we shape today. We would be delighted if you were to continue to accompany DMG MORI into the future.

Thank you very much for your attention!

Christian Thönes
Chairman of the Executive Board

Bielefeld, 10 May 2019

DMG MORI

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Company Profile // DMG MORI

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 2.6 billion and more than 7,500 employees. As “Global One Company” – together with DMG MORI COMPANY LIMITED – we reach sales revenues of more than € 3.8 billion.

Our integrated technology and automation solutions cover turning and milling machines, as well as Advanced Technologies, ULTRASONIC, LASERTEC and ADDITIVE MANUFACTURING. With our CELOS apps, exclusive Technology Cycles and Powertools, we offer an easy, fast and scalable entry into digital production. The modular ISTOS and WERKBLIQ products further facilitate consistent digitization of the entire process chain: from the planning and preparatory work to production and monitoring to service. The open, manufacturer-independent ADAMOS IoT platform rounds off the product range for a digital factory.

Our technology excellence is bundled within the main sectors of “Aerospace”, “Automotive”, “Die & Mold”, and “Medical”. Our partner program “DMG MORI Qualified Products” (DMQP) allows us to offer perfectly matched peripheral products from a single source. Our customer-focused services covering the entire life cycle of a machine tool include training, repair, maintenance and spare parts service.

More than 12,000 employees work for the “Global One Company”. With 157 sales and service locations – thereof 14 production plants – we are present worldwide and deliver to more than 100,000 customers from 42 industries in 79 countries.

Forward-looking statements:

This publication 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.

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