

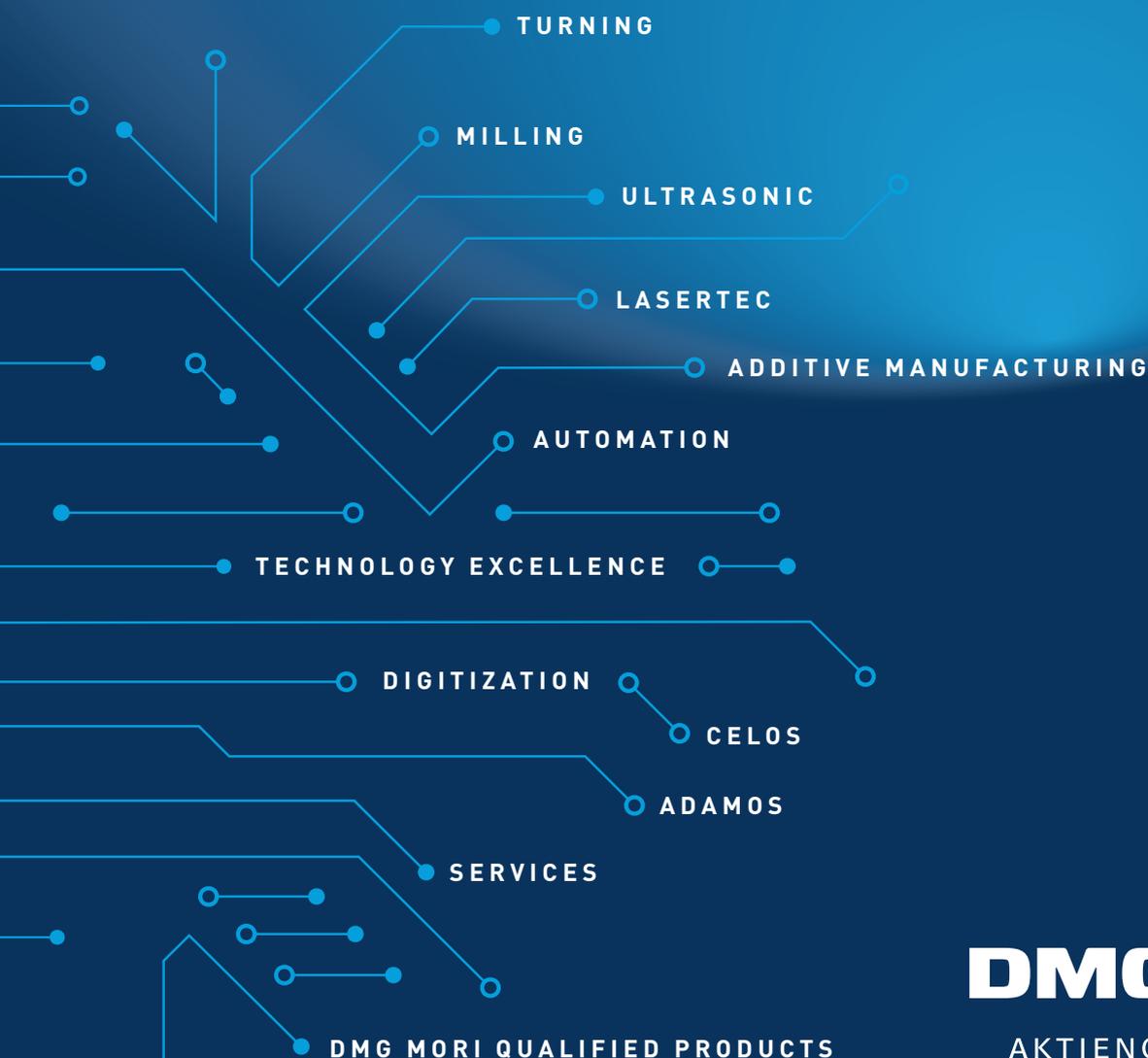
# 116<sup>th</sup>

## Annual General Meeting of Shareholders

Speech of the Chairman of the Executive Board  
Christian Thönes

4 May 2018  
Town hall Bielefeld

Check against delivery.



**DMG MORI**  
AKTIENGESELLSCHAFT

**Check against delivery****Speech at the 116<sup>th</sup> Annual General Meeting  
of DMG MORI AKTIENGESELLSCHAFT on 4 May 2018**

My dear ladies and gentlemen,

I would like to warmly welcome you to the 116<sup>th</sup> Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT, also on behalf of my colleagues on the Executive Board. We are delighted to present our financial year 2017 to you here in the Bielefeld Stadthalle.

First of all, the most important thing: Dear Shareholders, the trust you place in us, is for us recognition of our work. Your trust in us, and in the strategic decisions we take, is important to us and strengthens our commitment. Many thanks for this! The success of your company is the success of a strong team: Our employees dedicate themselves for your company. They are the face of DMG MORI and the interface to our customers. It is only through their outstanding efforts, their experience and strengths, that we are able to realize our premium products and services. On behalf of the entire Executive Board, I would therefore like to thank all our employees.

**DMG MORI has the power to shape the future dynamically.** We have demonstrated this in financial year 2017. Our success speaks for itself: We have achieved record figures in order intake, sales revenues and free cash flow. In addition, we have actively pushed forward important future areas.

Over the whole year order intake rose by 16% to € 2.75 billion (previous year: € 2.37 billion). **Hence DMG MORI achieved the highest order intake so far in its 147 years of company history.** Machine tool consumption worldwide rose by 5.6%. Thus DMG MORI has outperformed the market. That is a good sign! Due to the sustained good order situation, we were able to raise our goals for the whole year – and even beat all our forecasts. We worked hard to achieve that. This development shows: **By concentrating on the core business and further developing future strategic areas,** DMG MORI has successfully selected and implemented the right measures. I am certain that we have set your company up for even stronger growth on this basis and with a more forward-looking approach.

Dear shareholders, let me now talk in more detail about financial year 2017. You can find further specifics in the annual report, copies of which are available for you from the information desk 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 management and group management report. All the reports are generally accessible in the internet.

### **Report on financial year 2017 of the DMG MORI group**

Order intake rose to € 2.75 billion and, following the previous year's record figure (€ 2.37 billion), we were once again able to increase it considerably by 16%. We thus achieved the best financial year ever for order intake. Adjusted for the effects of the restructuring, including the changes to the sales and service organization in Asia and America, the rise in order intake was even as much as 23%.

In **Germany** order intake was € 825.7 million (previous year: € 763.0 million). In the rest of **Europe**, the business grew to € 1,248.5 million (previous year: € 1,045.6 million). In **America** orders totaled € 209.3 million (previous year: € 183.6 million). In **Asia** we recorded order intake of € 470.9 million (previous year: € 376.5 million). Of this € 245.9 million is attributable to China (up 40%, previous year: € 175.9 million).

### **Sales revenues**

Sales revenues rose by 4% to € 2,348.5 million and also reached a new record high (previous year: € 2,265.7 million). Adjusted for restructuring effects, sales revenues grew 9% compared with the previous year. International sales revenues were € 1,636.4 million. Domestic sales revenues amounted to € 712.1 million. The export ratio rose to 70% (previous year: 67%).

### **Segment Reporting 2017**

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 amounted to € 1,289.4 million (previous year: € 1,244.3 million) and, as in the previous year, achieved a share of **55%**.

The "**Industrial Services**" segment likewise had a share as in the previous year of 45%. Sales revenues were € 1,058.8 million (previous year: € 1,021.2 million).

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

**Order backlog**

As at 31 December 2017 the order backlog within the group amounted to € 1,309.1 million. The order backlog in "Machine Tools" gives rise to a calculated production workload averaging about six months.

**Results of Operations 2017**

The results of operations for DMG MORI in financial year 2017 followed a positive trend. **EBITDA** improved by 49% to € 252.9 million (previous year: € 169.7 million). **EBIT** increased by 73% to € 180.1 million (previous year: € 104.0 million) and **EBT** rose 87% to € 176.4 million (previous year: € 94.1million). In the previous year, EBT was negatively impacted by the restructuring measures implemented in an amount of € 77.8 million. The group reports **EAT** of € 118.4 million as at 31 December 2017, an increase of 149% (previous year: € 47.5 million). In addition to the excellent results of operations, the changes in the financial position were also positive. **Free cash flow** improved by € 99.9 million to the record figure of € 142.4 million (up 235%; previous year: € 42.5 million).

**Earnings per share** amounted to € 1.49 (previous year: € 0.57). 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, or € 1.03 net after corporate income tax and before personal income tax, to all outside shareholders for each full financial year.

**Share performance**

Our share gained slightly in value in the reporting period. At the start of the 2017 stock market year, the share was quoted at € 43.77 (2 Jan. 2017) and it closed the year on 29 December 2017 at € 46.02. The share is currently quoted at € 48.45 (3 May 2018).

**Market capitalization** rose in the reporting period by 7% to € 3.63 billion (reporting date: 29 Dec. 2017) – also a record 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. The earnings depend essentially on income from domestic subsidiaries. Under the domination and profit transfer agreement, the earnings after tax of € 89.9 million are transferred to DMG MORI GmbH (previous year: € 41.1 million).

**The following contains some explanations of the consolidated financial statements 2017:**

- The **total assets** decreased as at 31 December 2017 by € 97.9 million to € 2,241.3 million (previous year: € 2,339.2 million).
- **Free cash flow** improved by € 99.9 million to the record figure of € 142.4 million (up 235%; previous year: € 42.5 million).
- The **equity ratio** increased to 52% (previous year: 50,8%).
- The surplus funds amounted to € 316.9 million (Previous year: € 342.1 million).

- **Investments in property, plant and equipment, and in intangible assets** amounted to € 39.7 million (previous year: € 88.1 million). This made it possible to reduce investments according to plan. Depreciation of fixed assets totaled € 72.8 million (previous year: € 65.7 million).

The focus of our investments was placed on expanding and modernizing our production sites:

- In **Pleszew (Poland)** we broke ground on 30 May to start construction of an assembly hall of approximately 7,000m<sup>2</sup>. By 2019, we plan to expand the production site by more than 22,000m<sup>2</sup>, especially in the assembly, production and logistics areas.
- In **Pfronten**, we overhauled the basic machine assembly in the duoBLOCK series and horizontal processing centers, and completed the expansion and optimization of the wheel tool magazine assembly.
- In **Seebach** we have expanded the shipping area. In addition, we have reorganized the table pre-assembly in the DMU series, which has enabled us to cut throughput times by more than 20%.
- At our **Shanghai** site we celebrated the grand opening of our new Technology Center on 8 November. We can now present more than 20 demo machines over an area of about 1,700m<sup>2</sup>. The focus here is on our technological excellence in the key industries of aerospace, automotive, digital technology and automation solutions.

## Employees

On 31 December 2017, the group employed 7,101 employees, of whom 359 were trainees (previous year: 7,282 employees, of whom 318 were trainees). The number of employees has decreased by 181.

The employee expenses ratio improved to 23.3% (previous year: 25.3%). Employee expenses fell by € 21.3 million to € 550.7 million (previous year: € 572.0 million).

**Thanks to our first-class employees, we build first-class machines and sell first-class integrated technology solutions.** Our employees are creative and bring about innovations. At this point I would therefore once again like express my warmest thanks to all our employees. A fantastic team!

## Research & Development 2017

Together with DMG MORI COMPANY LIMITED, as "Global One Company" we have presented 15 world premieres at 42 national and international trade fairs and at open house exhibitions. Our research and development costs of € 50.4 million were about 7.7% above those of the previous year (€ 46.8 million).

**In summary, I can say that 2017 was "the year of innovations" for DMG MORI.** The year was marked for us by the EMO, the largest machine tools trade fair in the world. As the biggest exhibitor covering an area of 10,000 m<sup>2</sup>, we displayed the future of manufacturing technologies in a "digital factory" as well as the latest trends from our **five strategic future fields: automation, digital technology, ADDITIVE MANUFACTURING and technological excellence, as well as DMG MORI Qualified Products (DMQPs).** As "Global One Company" we achieved record order intake at the EMO of approximately € 300 million.

- An important pillar for our future strategy with high growth potential is automation. One in four new machines from DMG MORI already has an automation solution. In November 2017 we strengthened our automation expertise in a joint venture with HEITEC. In future, it will be possible to fit every machine with automation as an option. This will be based on a modular system. DMG MORI HEITEC will use modular, compatible solutions to provide an integrated automation concept in the future, in particular for small and medium-sized companies. Automation is a key element for digital production.

Automated machine tools are a firm component of forward-looking production. Therefore the development of the "**digital twin**" is of key importance. We use it to accelerate and stabilize all customer processes – from development and installation through to services – and to ensure flexible and stable processes.

- Progressive **digitization** is changing our world quickly and decisively. We are all affected. It is redefining the future of production. Today innovation and digitization are inextricably linked. This transformation calls for a fundamental evolution that can only be achieved globally and jointly – in a strong partnership of equals. Digital products and technologies will increasingly become the determining competitive factor. In addition, software will more strongly influence the performance of machines and systems. Network capability, transparent access to information in real time and consistent digitization solutions: these are the requirements that will increasingly characterize machine building.
- **DMG MORI is actively shaping digitization:** At the beginning of 2017, we expanded our digitization expertise with the start-up ISTOS. A special milestone in September was the presentation of the joint venture **ADAMOS** (ADaptive Manufacturing Open Solutions). Together with the world market leaders Dürr, Software AG, ZEISS and ASM PT, we have established a strategic alliance for the future area of the Industrial Internet of Things (IIoT). ADAMOS should set new standards worldwide for Industrie 4.0 and is therefore an essential part of our "**Path of Digitization**". The partners contribute not only their in-depth industry knowledge and innovative IT expertise but also their existing solutions. This includes the partners' digital marketplaces and a broad APP portfolio. The merging of machine

building and information technology opens up new business models, which we are realizing with CELOS and ADAMOS. With the open and scalable platform ADAMOS, we are offering a comprehensive, simple digitization strategy – from machine builders for machine builders, their suppliers and customers. DMG MORI has 153,000 customers worldwide. This is our biggest asset. And all these customers can benefit from our digitization strategy. DMG MORI will devote all its energies to continuing its pioneering work in this area.

- As of April 2018, the **CELOS Version 5.0** – with 10 new APPS – is available. The focus of the updates is on an end-to-end digital workflow. A total of 26 APPS support networked, intelligent production. We create the basis for open systems with the *CELOSconnector*. Through “open connectivity”, CELOS is now also compatible with external products, machines in other technological areas and manual workplaces. More than 10,000 of the DMG MORI machines delivered have already been fitted with CELOS.
- As a further milestone in its digital strategy, DMG MORI took over **WERKBLiQ** GmbH in financial year 2017. WERKBLiQ offers a non-proprietary platform, where all those involved in the maintenance process can be linked to one another. This digitizes the entire maintenance and repair process and speeds it up considerably.
- Digitization will only be successful if digital products and solutions offer the customer added value. Our 30 exclusive **DMG MORI technology cycles** enable quick and simple shopfloor programming. As digital assistants for programming on the machine, they increase quality, productivity, transparency and process reliability in

manufacturing, and also ensure a time-saving of up to 60%. Our customers are already buying our technology cycles in the double-digit million range.

- In February 2017 we strengthened our **ADDITIVE MANUFACTURING** portfolio with a majority shareholding in **REALIZER** GmbH. At present our holding is 75.1%. With selective laser melting technology (SLM), where material in powder form is deposited layer by layer and then melted by laser, we are offering our customers completely new areas of application. DMG MORI covers the process chain end-to-end and bundles the most important generative production processes under one roof. This makes us a full-service provider – both in the additive manufacturing of metal components and in the subsequent machining.
- We are addressing growth markets with our “**Technology Excellence**”. In the Technology Excellence Centers for the key industries of Aerospace, Automotive, Die & Mold and Medical, our experts are involved in our customers’ development processes at an early stage. We aim to provide comprehensive turnkey solutions across all processes. DMG MORI therefore focuses on improvements in the areas of precision, quality and efficiency.
- A comprehensive manufacturing solution from a single source at a fair price – this is what DMG MORI offers its customers with its DMQP initiative. **DMQP stands for DMG MORI Qualified Products.** The global concept and the close cooperation with certified DMQP partners promise a perfect synergy of machine and accessories for technology expertise and quality at the highest level.

- Following the restructuring in 2016 and the innovations offensive in 2017, in **2018** our focus is more strongly on **enhancing quality and service**, as well as on our **five strategic future fields**. Now more than ever DMG MORI is aiming for quality without compromise. To achieve this, we are driving our "First Quality" offensive forward with numerous measures. For example, since January 2018 we have been offering a 36-month warranty period on all motor spindles in the MASTER series – with unlimited hours. As part of our "Customer First" program we are striving to increase customer satisfaction in the service area. As a leading manufacturer worldwide of machine tools, we also want to become the service champion for our customers. DMG MORI delivers to customers in 79 countries operating in 42 different industries. All industries in which the highest precision, uncompromising quality and innovative technology solutions are in high demand. And thus DMG MORI!

**Sustainability management**

In its **Sustainability Report 2017**, DMG MORI provides extensive information for the first time on its approaches and measures in the area of corporate social responsibility. DMG MORI is conscious of its responsibility towards the environment. We use renewable, recyclable and recycled materials to a large extent in our products and services; we embrace a culture of appreciation and make a positive contribution to solving the global challenges of our times.

The Sustainability Report 2017, which has been prepared for the first time, is enclosed with the annual report as a separate booklet. It provides a detailed and comprehensive sustainability balance sheet. You can obtain your personal copy upon request. See for yourself what we are doing!

**Financial year 2018**

Dynamics and excellence in technology, service and quality will shape the current financial year. **Hence our motto for 2018 is "Dynamic . Excellence"**. We will use our dynamic to push forward in our five strategic future areas: Automation, Digitization, ADDITIVE MANUFACTURING, Technological Excellence and DMG MORI Qualified Products (DMQPs). We will sustainably optimize our current and proven achievements for excellence.

**Innovative power, dynamics and excellence: that is the DNA of DMG MORI.**

In order to optimize key innovation areas, for instance digitization in the production and logistics processes, as well as the “First Quality” strategy, we are strengthening our Executive Board team: effective 15 May 2018, Michael Horn (46) will assume executive responsibility for production, logistics and quality. We are delighted to have Michael Horn join us and have won a strong personality for our Executive Board.

**Now to the figures for the first quarter and the forecast 2018**

The world economy is expected to grow by 4.0% in 2018 despite the political uncertainties, such as the crisis in Syria and the trade conflict between the USA and China. According to the latest forecast (April 2018) from the German Machine Tool Builders' Association (VDW) and Oxford Economics, global consumption of machine tools should grow by 5.9% this year (previous year: 5.6%).

DMG MORI AKTIENGESELLSCHAFT has started successfully into the financial year 2018 with **record figures in order intake, sales revenues, earnings and free cash flow**. Our historical highest figures in the first quarter show: at the moment we have the wind in our sails! For the full year we are confident, however, there are many geopolitical uncertainties at present.

**Order intake** rose in the first quarter by 18% to € 821.8 million (previous year: € 693.9 million). Thus, for the first time orders in a quarter were more than € 800 million. Our traditional Open House Exhibition in Pfronten was a complete success. At this industry highlight at the beginning of the year, we once again achieved record figures. The current good market situation as well as various major projects, likewise contributed to the record figures in order intake.

On 31 March 2018 the **order backlog** amounted to € 1,541.9 million (31 Dec. 2017: € 1,309.1 million). The high order backlog and the very high capacity utilization at the production plants have led to long delivery times at present. We are specifically counteracting this development with stronger flexibility measures and sound business relationships to our partners and suppliers.

**Sales revenues** rose to € 581.8 million and were thus 9% above the previous year's figure (€ 533.9 million).

We also achieved record figures in **earnings** in the first three months: **EBITDA** amounted to € 54.6 million (up 12%; previous year: € 48.7 million). **EBIT** increased by 20% to € 41.0 million (previous year: € 34.3 million). **EBT** rose 22% to € 40.3 million (previous year: € 33.0 million). The group reports **EAT** as at 31 March 2018 of € 28.3 million (up 24%; previous year: € 22.8 million).

In addition to the good results of operations, both the financial position and the net worth also developed positively: The **free cash flow** improved by € 130.6 million to € 13.0 million (up 111%; previous year: € -117.6 million). Thus for the first time in the company's 148-year history, the free cash flow is already positive in the first quarter.

We will be demonstrating our innovative capacity this year at important trade fairs and open house exhibitions.

From 14 to 18 May, the **Metalloobrabotka** takes place in Moscow. DMG MORI is presenting integrated technology solutions for the Russian market by way of seven high-tech exhibits.

From 12 to 15 June, at the **Open House Exhibition in Bielefeld**, we are exhibiting future-proof technologies and providing insights into digital production. We are delighted to invite you. Come and visit us!

We expect a further boost to come from the **AMB**, which takes place from 18 to 22 September in Stuttgart. At this international trade fair for machine tools, DMG MORI will present highlights from the areas of Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products (DMQPs).

**Dear shareholders,**

DMG MORI AKTIENGESELLSCHAFT has started successfully into the financial year 2018 with record figures in order intake, sales revenues, earnings and free cash flow. Based on the general conditions and the good order situation in the first three months, we are raising our forecast for order intake for the whole year by € 200 million: We are now planning order intake of around € 2.7 billion. Sales revenues should remain unchanged at about € 2.45 billion. We continue to expect EBIT of around € 180 million and are assuming a positive free cash flow of around € 100 million.

All of this shows that DMG MORI – your company – is today more successful than ever. And I am certain: we are pursuing the right future trends! Sustainably. That is why today we are leading the way. We will continue to work hard to realize our premium products and services. Fully committed. Day after day. The goal: **we dynamically promote our future topics and optimize our existing achievements for excellence. DMG MORI is evolving and improving: technologically, structurally and culturally.** Our employees are committed to exploring our new horizons with us. Flat hierarchies encourage a pioneering spirit and creative entrepreneurship. This makes DMG MORI an attractive employer. We manage talents, not hierarchies. And our commitment is paying off: “FOCUS Money” has singled out DMG MORI in its "Top career opportunities" study for development opportunities, employee loyalty and sustainability. DMG MORI took 1<sup>st</sup> place with 100 out of 100 points. We are proud of this!

The market environment remains challenging but DMG MORI is excellently positioned. Moreover, through further integration with DMG MORI COMPANY LIMITED into a "Global One Company", we have created leaner structures, which allow us to respond more flexibly to changes. Our goal is clear: With our machines, technologies and services we want to be the number 1 worldwide for our customers. And we want to inspire our customers! That is why we are actively shaping the future together with our customers and partners. We are sharing our knowledge, benefiting from our mutual strengths, and creating the factory of the future. Real and digital. Globally and jointly. For DMG MORI this means **progress for the benefit of future generations.**

DMG MORI will become more agile, more focused and customer-oriented. This will allow us to use the strengths and synergy potentials of our "Global One Company" even more effectively. We've also worked hard on this too. We have achieved a lot. This is primarily the result of a convincing team effort. And this is also something that we as Executive Board are working for with passion, endurance and farsightedness. Working for a successful common future for this great company and its employees. That is what drives and motivates us.

On behalf of the entire Executive Board I would like to once again thank you, dear owners, for the trust you have placed in us. We will be delighted to have you accompany DMG MORI into the future. It is good to know that you are on our side!

Thank you very much for your attention.

**Christian Thönes**

Chairman of the Executive Board

4 May 2018

## **Company Profile //**

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 2.3 billion and more than 7,000 employees. As “Global One Company” – together with the DMG MORI COMPANY LIMITED – we reached sales revenues of more than € 3.3 billion.

The range of products includes turning and milling machines as well as Advanced Technologies, such as ULTRASONIC, LASERTEC and ADDITIVE MANUFACTURING, plus automation and integrated technology solutions. Our technology excellence is bundled within the main sectors of „Aerospace“, “Automotive“, “Die & Mold“, and “Medical“.

With our APP-based control and operating environment CELOS as well as exclusive technology cycles and Powertools, we are actively shaping Industrie 4.0. More than 10,000 DMG MORI machines fitted with CELOS have been supplied so far. In addition, DMG MORI is offering its customers and suppliers an integrated digitization strategy with the open, digital platform ADAMOS.

Our customer-focused services covering the entire life cycle of a machine tool include training, maintenance, repair, and a replacement parts service. Our partner program “DMG MORI Qualified Products” (DMQP) allows us to offer perfectly matched peripheral products from one source. With more than 12,000 employees the “Global One Company” is present worldwide at 157 sales and service locations – thereof 14 production plant. DMG MORI supplies customers from 42 different industrial sectors 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 AKTIEN-GESELLSCHAFT 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 publication refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this publication 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.