

**Ralf W. Dieter**

**CEO**

**Dürr AG**

**31st annual general meeting  
of Dürr Aktiengesellschaft**

**Bietigheim-Bissingen, May 28, 2020**

**Subject to change – please check against delivery.**

## **Chart 1: Welcome**

My dear shareholders, shareholder representatives, journalists and guests on screens. Together with my colleagues on the Board of Management, I would like to extend a warm welcome to you.

During these coronavirus times, many things that were previously thought impossible are becoming reality, for example holding an entire annual general meeting season virtually. The legislator was quick to establish the legal framework for this, and that was the right thing to do in view of the extent of the pandemic.

I would particularly like to welcome our principal shareholder, Heinz Dürr, and his wife Heide, who are following our annual general meeting on screen. My dear Heide and Mr. Dürr, many greetings to Berlin!

And to all other participants: Thank you for your understanding that we have opted for a virtual annual general meeting. This scenario takes some getting used to for us as well: While we normally have a good 700 people coming to our annual general meeting, today it is only myself, sitting here with Mr. Streibich, Mr. Bezler, and my colleagues on the Board of Management, Dr. Jochen Weyrauch and Pekka Passivaara, surrounded by a few members of staff, who are organizing everything. But I very much hope that this remains the exception and we will be able to hold a face-to-face meeting again next year.

We have done our utmost to ensure optimal conditions for you to follow us on screen. You were given the opportunity to send in your questions in advance, we will answer these later with the usual care and attention. We also ensured that voting rights can be exercised. Votes could be cast via a proxy or through postal voting; alternatively, you, our valued shareholders, can today cast your vote online using the electronic voting tool until just before voting takes place.

## **Chart 2: Disclaimer**

### **Chart 3: Incoming orders, sales**

Given the hiatus brought on by the coronavirus pandemic, the previous financial year seems even longer ago than it normally does in May. We will therefore keep the 2019 review brief. The Dürr Group delivered a solid performance in 2019 despite the difficult conditions – just think of the trade conflicts, the economic downturn and the decline in automotive production. Incoming orders rose by 3.7% and exceeded the € 4 billion mark for the first time. Sales also reached an all-time high of € 3.92 billion after a 1.3% increase. The reasons for these increases are threefold:

- Firstly, we were able to grow our automotive business, even though production in this industry dropped by 5% worldwide. One success factor was the high level of investment in production technology for electric cars, where incoming orders increased by 44% to almost € 400 million. This confirms what we said last year: Electromobility is an opportunity for us!
- The second reason for the increases was that we achieved our growth targets in environmental technology business. Last year I talked to you about the acquisition of Megtec/Universal. This purchase has paid off: We have significantly broadened our market access and increased our incoming orders to almost € 450 million.
- The third growth driver was service: Sales in this high-margin business grew by almost 8% to over € 1.1 billion.

### **Chart 4: Earnings**

Let's have a look at our earnings: Like many mechanical engineering firms, we had to revise our forecasts in the course of the year in view of the economic downturn. We adjusted the operating EBIT margin – i.e. before extraordinary effects – from up to 7.5% to up to 6.5%. The main reason for this was the market contraction for the HOMAG Group, which, following a phase of exceptionally high investments, was faced with falling demand and cost pressure. Measuring and Process Systems also saw its earnings drop, partly due to high R&D spending. By contrast, operating earnings in environmental technology and painting technology increased – thanks, in

part, to the success of the FOCUS 2.0 optimization program. For the year as a whole, we achieved an operating EBIT margin of 6.7%, which is higher than that forecast during the year, and which was based on our good performance in the second half of the year.

#### **Chart 5: Measures to safeguard the company's future**

We have addressed the earnings situation at HOMAG by implementing a set of measures to increase efficiency. HOMAG is thus continuing its optimization path mapped out in 2014, reducing excess structural capacity and improving its processes in the long term. These measures are set to generate savings of around € 20 million from 2021 and to help HOMAG achieve an EBIT margin of over 9% from 2023 as a powerhouse for the Group. That said, we don't yet know what implications the economic effects of the coronavirus pandemic will have on our long-term margin targets.

We consider the optimizations at HOMAG as future-proofing measures. This shows what it's all about: sustained improvement rather than a short-term focus on earnings. We see the associated extraordinary expenses, which came to € 37 million at HOMAG in 2019, as an investment in the future. In total, extraordinary expenses of € 67 million were incurred for purchase price allocation effects and optimizations, resulting in an EBIT margin after extraordinary expenses of 5.0%.

We are also applying the concept of future-proofing measures in the other parts of our Group. At the beginning of 2020, we eliminated the sources of losses in the application and environmental technology segments by implementing selective structural measures. Although this was not triggered by coronavirus, the cost pressure resulting from this crisis has highlighted how important it is to eliminate inefficiencies in future-proofing our position.

#### **Chart 6: Balance sheet**

The balance sheet shows that we are well prepared for the coronavirus crisis. At the end of 2019, our equity exceeded € 1 billion for the first time, while our net financial debt, at € 99 million, was satisfactory, especially given that it

included leasing liabilities of around € 100 million for the first time due to the new accounting rules. As at the end of March, our net financial status stood at € -65 million after another slight improvement. This solid net financial status is down to our good cash flows: In 2019 our operating surplus reached € 172 million and was thus slightly higher than forecast. We then upped our game once more to achieve € 69 million in the first quarter.

#### **Chart 7: Available funds of € 1.8 billion**

Total liquidity stood at € 857 million at the end of March, a 45% increase over the previous year's figure. We have as much as € 950 million in unused debt financing. This is made up of a syndicated loan of € 500 million and a recently arranged loan of € 100 million. Added to that is a second syndicated loan of € 350 million, which serves as a fallback for our upcoming refinancing. Financial liabilities of € 350 million will fall due in 2021. If the crisis makes it difficult to arrange a long-term follow-up refinancing deal at favorable terms, the credit line with a term of two years will be available as a bridging loan. It will buy us some time to secure an adequate refinancing arrangement.

In total, our free funds are therefore at an all-time high of € 1.8 billion. Thanks to this comfortable buffer, I can assure you that Dürr is able to withstand a phase of declining income and get through this crisis safely!

#### **Chart 8: Sustainable financing**

In the financial market, Dürr stands for creditworthiness and sustainability alike. In 2019 we were the world's first company to issue a Schuldschein loan, where the interest rate is linked to our sustainability performance. This means that the interest rate increases or decreases depending on the development of our sustainability rating. The latest rating published by EcoVadis in February 2020 showed that we had improved further and were once again among the top 25% of all companies rated.

The Schuldschein loan of € 200 million offers us favorable terms, at an interest rate of 0.84%. When arranging the syndicated loan in 2019, we also benefited from the low level of interest pre-coronavirus. The loan includes a

cash credit line of € 500 million, the interest rate of which is also linked to our sustainability rating. In March of this year, we secured another sustainability-linked Schuldschein loan worth € 115 million – at an interest rate of 0.9%, which would no longer be achievable in the current climate.

We have ensured our liquidity and are a pioneer in sustainability-oriented financing. You could call this a characteristic Swabian combination of risk minimization and innovative spirit. From August onward, our new CFO, Dietmar Heinrich, will take care of these issues. I am currently doing this on an interim basis and, together with my colleagues, I look forward to welcoming Mr. Heinrich on board.

### **Chart 9: Employees**

Aside from liquidity, our employees also play an important part. They have adapted perfectly to the coronavirus restrictions, are supporting customers even when working from home, and are doing their utmost to ensure that we can take advantage of our opportunities again after the pandemic. Our sites in China are leading the way right now; they are already in post-coronavirus mode and are making up for lost sales. Internally, this is an important signal: Business continues, and once the crisis is over we will bring in any orders that are currently being postponed. The situation is challenging, but we can count on the support of a dedicated team – be it in the plants, at home or increasingly back on site. For this I would like to extend my warmest thanks to everyone in the Group!

### **Chart 10: Stock**

Let's take a look at our stock: 2019 was marked by a sideways movement of the share price and a performance – including dividend – of 2.8%. After a positive trend between last October and mid-February of this year, the coronavirus outbreak led to a decrease, from which we are slowly recovering. With a current share price of a good € 21, almost all analysts are seeing an upward potential; the average target price stands at just under € 26, while the highest target price is up to € 39.

**Chart 11: Dividend**

The proposed dividend of € 0.8 per share is based on our 2019 net gains. Since this figure was below the level of 2018, we propose adjusting the dividend accordingly. At Dürr there will be no subsequent dividend cut, neither partial nor total, as a result of coronavirus. We are committed to the dividend proposed in March and are thus demonstrating our confidence that we will emerge well from this crisis.

**Chart 12: Agenda item 7**

In addition to the proposed dividend that will be put to the vote later on, the agenda mostly contains regular items such as appointments and formal approvals. I will only talk briefly about point 7, which is on the agenda because of the German Act Implementing the Second Shareholder Rights Directive ('ARUG II'). Here we propose an amendment to the articles of incorporation in line with the new conditions of participation in annual general meetings following ARUG II.

**Chart 13: Strategy**

Ladies and gentlemen,

The economy had to react quickly to the coronavirus crisis and take measures to protect business and employees. But this crisis will also pass, when the focus will turn once again to our sustainable position for the future. For this we have developed the new mid-term strategy, which came into effect at the beginning of 2020.

Through this mid-term strategy we want to increase profitability and achieve an EBIT margin of at least 8%. In parallel, we are targeting an organic increase in sales of 2 to 3% per year as well as a return on capital employed of at least 25%. These targets are based on a healthy economic environment, which is currently a long way off due to the pandemic. Nevertheless, rather than burying our heads in the sand, we will continue to focus on our goals. To achieve them, we rely on excellence in the strategic fields presented here.

### **Chart 14: digital@DÜRR**

Under the keyword digital@DÜRR, the digital transformation is at the heart of our strategy. In the digitalization age, we want to secure our leading market positions and be the first choice for customers aiming to optimize their production. This is where we have a key advantage over our competitors in the software industry: We combine digital know-how with expert knowledge of production processes – also known as shop-floor competence. This enables us to develop applications that are perfectly tailored to the requirements in customers' plants.

One of our digital flagships is Advanced Analytics, the first market-ready application that uses artificial intelligence to optimize painting processes. Advanced Analytics is being used by one German OEM where – and I can say this without exaggeration – it is causing a great deal of excitement. The software identifies sources of errors, predicts maintenance needs and recognizes correlations through machine learning. Artificial intelligence is one of the most important aspects in digitalization. Our strong position here is also reflected in the study conducted by RWTH Aachen University, which has given us a top ranking in the use of artificial intelligence.

### **Chart 15: ADAMOS**

I could tell you about similar digital innovations at Schenck and HOMAG. Since this would go beyond the scope of this meeting, I will, instead, limit myself to two other components of digital@Dürr:

1. The digital transformation goes hand in hand with an internal transformation at Dürr: Instead of departmental boundaries, we rely on collaboration and create freedom for developers. Examples include our Digital Factories made up of staff from different areas as well as agile working methods and hackathons. This is what makes us, as an employer, attractive to digital experts and it is how we promote innovation.
2. Digitalization is a mammoth task, which we are approaching through collaborations such as the ADAMOS network we co-founded. ADAMOS has established itself as a cooperation platform in the mechanical

engineering industry, and it facilitates regular exchange on digital issues and joint app development. Aside from IoT technology, ADAMOS also offers digital advice and connectivity solutions such as the ADAMOS HUB for networking machines from different manufacturers. The attractiveness of ADAMOS is reflected in the fact that it has recently gained as a co-owner PriceWaterhouseCoopers Germany – a real heavyweight of the consulting world.

### **Chart 16: Global presence**

Let's move on to the other strategic fields grouped around digital@DÜRR. The 'global presence' field defines how we can utilize our worldwide Group network in the best possible way. Central measures include the further localization of our products, the division of labor between our sites in terms of engineering, procurement and production, and the establishment of globally responsible competence centers for special technologies.

### **Chart 17: Innovation**

The next strategic field – innovation – is part of Dürr's DNA. Our innovation management addresses two of our customers' overarching goals, namely sustainability and efficiency in production, be it through lower emissions and consumption or through flexible and scalable factories. You can see some innovation examples here:

- Our new 'paint shop of the future' concept offers maximum flexibility. Instead of rigid painting lines, it relies on single boxes, which are accessed individually using automated guided vehicles. This concept is generating keen interest among our automotive customers.
- HOMAG has developed a similar, freely controllable transport system: TransBot is a key component of the digitally controlled material flow in furniture factories.
- We also offer innovative production solutions for the eletromobility megatrend, for example the eTEN0 balancing system for electric motors, robot application technology for manufacturing battery modules, and a technology for coating lithium-ion-battery electrodes.

**Chart 18: Innovation award**

We are particularly proud of the **EcoPaintJet** robot paint system for two-tone painting without overspray, which was introduced last year. This totally innovative method, which is attracting a great deal of attention from customers, has recently received the 'Deutscher Innovationspreis' innovation award in the 'Large Enterprises' category – no mean feat and a great testament to our developers.

**Chart 19: Efficiency**

The strategic field of 'efficiency' includes all initiatives that improve our processes and increase the organization's efficiency. The key approaches include synergies in corporate functions, consolidating smaller companies and combining activities at larger sites. There is also a focus on our employees: By using efficient methods such as lean management, a work environment that increases performance, new digital processes and a high level of autonomy, we enable them to achieve better results with less effort.

**Chart 20: Service**

The strategic importance of the 'life cycle services' field is twofold: service both generates attractive margins and strengthens customer loyalty. In order for service to account for up to 30% of sales, we are developing a range for the entire life cycle of our plants and are using digitalization: The digital analysis of machine data enables us to offer customers tailor-made optimization proposals, plus we are developing digital retrofit concepts for existing plants.

**Chart 21: Sustainability**

Through the new mid-term strategy, we have firmly established sustainability as a guiding principle for the first time. Sustainability is becoming more and more important for our business success, since customers are increasingly assessing us based on how much our production technology will advance them on their path toward climate-neutral production. In addition, our trustworthiness as an employer, partner on the capital market and public

stakeholder requires us to act with responsibility, transparency and sustainability. We are aware of our responsibility: Led by my colleague Dr. Jochen Weyrauch, we are realigning our sustainability activities and implementing a sustainability organization with a clear strategy.

## **Chart 22: Acquisitions**

Another integral part of our strategic agenda, acquisitions help us secure growth potential and technology access. We will continue on this path even in the current situation, and we have already taken action twice in 2020:

- By acquiring the special software company Techno-Step, we have rounded off our digital portfolio for painting technology. We are thus better able also to digitally interconnect third-party systems and older robots.
- A larger transaction was the acquisition of all the shares in the sales joint venture HOMAG China Golden Field. HOMAG thus has the strongest sales and service team in China and can benefit from the expected recovery in the furniture industry.

Ladies and gentlemen,

Allow me briefly to address our departing Supervisory Board Chairman. Mr. Streibich, we regret that you are leaving but we understand your decision, since we know how much Software AG, where you are hoping to take over as Chairman of the Supervisory Board, means to you. At Dürr, you were the right Supervisory Board Chairman at the right time: With your knowledge of the IT industry, you have provided invaluable impetus for our journey into the digital age and you have been actively involved. For this I would like to thank you sincerely, and I wish you all the best in your new position.

At the same time, I would be happy – without pre-empting the Supervisory Board's decision – if Mr. Federer was elected as the successor. He has considerable industry experience and, as current Chairman of the Audit Committee, knows our company inside out.

## **Chart 23: Q1**

Ladies and gentlemen,

In the first quarter, it was mainly our business in China that was affected by the coronavirus outbreak. The 11% decline in Group sales was primarily due to the lockdown there. Our orders are telling a different story: Despite coronavirus, we received two large orders from manufacturers of battery-powered vehicles in China. The fact that our incoming orders nonetheless dropped by 24% resulted in particular from the last-minute delay of a large order in Europe; we had expected this order in March and now anticipate receiving it during the course of the year.

Our earnings were impacted by many customer plants being idle or underutilized. As a result, demand in spare parts and service business declined, which, combined with the lower sales, led to operating EBIT of € 32.6 million. Extraordinary expenses, amounting to € 9.7 million, were attributable to purchase price allocation effects as well as to future-proofing measures in environmental and application technology. Adjusted for extraordinary expenses, EBIT in the first quarter stood at € 22.9 million.

We are delighted that we had a high level of order backlog worth € 2.7 billion at the end of March, and that we recorded no major cancellations despite coronavirus. Another essential factor, as mentioned before, is the positive cash flow in the first quarter and free funds at an all-time high of € 1.8 billion. I would like to reiterate that we are in a robust position and will overcome the upheaval caused by coronavirus – partly because we are adjusting our costs to the decline in business volume, for example by reducing working hours, external staff, expenditure and investment. These measures will become increasingly effective as the year progresses.

## **Chart 24: Outlook**

Coronavirus has hit our business increasingly hard in the second quarter. We anticipate a significant decline in sales and incoming orders and cannot rule out the possibility of a loss and negative cash flow. That said, the second

quarter should mark the lowest point, before we expect a slow recovery in the second half of the year. Given the volatile situation, we are currently unable to provide an accurate annual forecast, but we will do so as soon as possible.

Despite the recession in the wake of coronavirus, we do see opportunities after the crisis, when many investments currently on hold will proceed. China is demonstrating that there are opportunities after coronavirus. I have already mentioned the e-mobility projects and the renewed vigor of our Chinese sites. Plus car sales in China were, in some respects, better in April than expected. Wealthy customers are in a buying mood again, while the number of those purchasing their first car is increasing because it is easier to keep a distance in a car than it is in a full subway. This is a classic case of an opportunity arising from a crisis.

There is also reason to be optimistic at HOMAG: The pre-coronavirus phase was marked by muted investment activity in the furniture industry. There are many reasons to believe that the investment backlog will be cleared after the pandemic, especially in China.

## Chart 25: Closing remarks

Ladies and gentlemen,

We are strong enough to overcome this crisis – thanks to our high level of cash and cash equivalents, efficiency enhancements and a great, flexible team. We are carefully navigating through the crisis and are aligning the Dürr Group to ensure that we will benefit from the major trends of the future:

- In terms of **sustainability**, we are a key partner for energy-efficient and climate-neutral manufacturing processes.
- **Electromobility** is generating additional demand for our technology.
- And the **digital transformation** – which is at the heart of our strategy – is an opportunity: We combine production know-how and digital expertise and make our customers' factories intelligent.

I would like to thank you for your attention and look forward to seeing you again here in Bietigheim next year. Stay healthy!