

**Ralf W. Dieter**  
**Chairman of the Board of Management**  
**Dürr AG**

**28th annual general meeting**  
**of Dürr Aktiengesellschaft**

**Bietigheim-Bissingen, May 5, 2017**

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

## **Chart 2: Welcome**

Dear shareholders, shareholder and media representatives, employees and guests,

I would like to wish you a warm welcome to the 28th annual general meeting of Dürr AG. A special welcome also goes to our anchor shareholder, the Dürr family, represented by Heide and Heinz Dürr, Nicole Dürr and Prof. Dr. Alexandra Dürr on the Supervisory Board. We are pleased to have you here!

I would also like to welcome you on behalf of my colleague, Ralph Heuwing, who is here today for the 11th and, I'm afraid, the last time. My two new colleagues, Carlo Crosetto and Dr. Jochen Weyrauch, have already had the opportunity to welcome you and introduce themselves.

At previous annual general meetings we were often asked whether a Board of Management consisting of two members was sufficient for Dürr. We have always confirmed that it is, referring to our divisional group structure and to the important role of the five division heads and their finance managers. But Dürr has now reached a size that has made it necessary to expand the Board of Management to three members. We have gained two top-level executives in Mr. Crosetto and Dr. Weyrauch. However, given our sales of € 3.6 billion, it is fair to say that – even with three members – our Board of Management is still lean.

## **Chart 3: Opportunities through change**

Ladies and gentlemen,

I have taken part in 13 Dürr annual general meetings as a member of the Board of Management, and this is the 12th time that I am talking to you from the podium. Our company has changed a great deal in recent years, despite – or maybe because of – the continuity in management. We continue to see change as an opportunity at Dürr – and this goes for the entire management and all employees. With this introduction I would like to begin my speech.

2016 was a year of profound changes, not just of a political nature – just think of Brexit and the US election – but also in our markets. Digitization – also known as Industry 4.0 – has gathered pace. And our customers from the automotive industry

are working on innovative technologies such as electromobility, autonomous driving and connectivity. Given the scale of these developments, I would like to start by saying that such change certainly affects us too, but it does not worry us. Instead, it leads to new opportunities, as I said a moment ago, and I am referring to three areas.

- Firstly, technological opportunities, as Dürr can increase the added value of its machines, systems and services by means of digital transformation.
- Secondly, we have sales opportunities, since automotive technological innovations such as electromobility also lead to investment in new production technology.
- And thirdly, change brings about opportunities in relation to our customers. It is precisely in times of change that we can raise our profile as a reliable partner by combining experience with innovative strength.

#### **Chart 4: Incoming orders / sales**

The high level of incoming orders in 2016 – shown in yellow on the chart – indicates that our customers value cooperation with Dürr. Our order volume rose by 7 % to an all-time high of € 3.7 billion – despite the cancellation of a large order by Ford in Mexico at the end of the year.

Sales – shown as a red line – decreased by 5 % to € 3.57 billion, which was as expected due to project-related invoicing. This is because in 2015, sales had been up around € 200 million on the normal level, as we had generated earnings in paint systems that had failed to arise in 2014 due to customer-induced project delays.

As order intake exceeded sales, orders on hand rose to € 2.6 billion at the end of 2016. The positive trend continued in the first quarter of 2017, reflected in a high order volume and a further increase in the order backlog. So despite political uncertainties, Dürr had a good start to 2017. Further details will be revealed on May 11, when we publish our quarterly figures.

#### **Chart 5: EBIT**

Coming back to 2016. At € 271 million, earnings before interest and taxes, or EBIT, increased slightly – despite the decrease in sales and heightened competitive pressure in automotive plant engineering. Our EBIT margin rose to 7.6 % and

exceeded our target corridor of 7.0 to 7.5 %. Our operating EBIT margin, i.e. before extraordinary effects, increased to as much as 8.0 %. Extraordinary effects were € -15 million and include the purchase price allocation for HOMAG and write-offs of brands no longer needed at HOMAG.

Our net profit, just like EBIT, reached a new all-time high, rising by 12.8 % to € 188 million. We are thus looking at the sixth consecutive record year for Dürr.

### **Chart 6: HOMAG**

Ladies and gentlemen,

The HOMAG Group is also performing well as part of the Dürr Group. Today we can definitely say that the acquisition of the world market leader in woodworking machinery was a very good move! Since the acquisition in 2014, HOMAG has increased its operating EBIT margin from 4.0 to 6.6 % – and rising. Launched after the conclusion of the domination agreement, the FOCUS optimization program is having a positive effect on processes and international cooperation at HOMAG. Other FOCUS initiatives contributing to HOMAG's progress are the service expansion and the innovation drive in the fields of machine development and Industry 4.0. FOCUS is also driving volume growth, which is reflected in the 4 % increase in sales and the 10 % increase in incoming orders for 2016. HOMAG is developing its full potential and is becoming increasingly important as an earnings driver.

### **Chart 7: Financial situation**

Our balance sheet shows that we are a thoroughly healthy company. Our equity rose to € 831 million as a result of the high net profit. The equity ratio increased to almost 25 %, despite the fact that total assets grew by 12 % following the issue of a bonded loan. The bonded loan worth € 300 million issued in April is a new component of our financing. Based on three tranches with terms of 5, 7 and 10 years and an average interest rate of 1.6 %, it provides long-term, cost-efficient financing. Our cash flow of almost € 230 million, and cash and cash equivalents of € 724 million reflect our strong internal funding capabilities and sizeable scope for investment.

## **Chart 8: Employees**

Dürr owes its good performance to its workforce of around 15,000 managers and employees. It makes us proud that our team sees challenges as opportunities, has gained our customers' respect and enjoys working for Dürr. Our most recent global employee survey shows that commitment, team spirit and job satisfaction play a key role at Dürr, and people take great pride in the company.

On behalf of the Board of Management – and I think I can also speak for you, ladies and gentlemen – I would like to thank every single person at Dürr for their contribution to the company's success. It is a good tradition that the division heads attend the annual general meeting, unless of course they have customer commitments. Today I would like to thank Pekka Paasivaara, Dr. Hans Schumacher and Manfred Weil: you and your teams have done an excellent job in a tough market environment. Thank you very much!

## **Chart 9: Stock**

In 2016, in a stock market climate marked by uncertainty, Dürr stock achieved a performance of 6.3 %. Since the beginning of 2017 we have seen another stock price increase of around 20 % – the blue line in the chart. Almost three quarters of our analysts give Dürr stock a "Buy" rating, mainly based on the following factors: HOMAG's potential, strong service business, our technological expertise, and Dürr's good international reach.

## **Chart 10: Dividend**

To allow you, our shareholders, to participate in Dürr's success, we are proposing a dividend of € 2.10 per share for 2016. This is the seventh consecutive rise and a 13.5 % increase over the previous year. The total payout of € 72.7 million is the highest level in company history – another record for our books. At 38.7 % of net profit, the payout ratio is at the top end of Dürr's usual range of 30 to 40 %. We believe our proposal not only satisfies your interest for an attractive dividend but also addresses the need to further strengthen Dürr's economic substance. Voting will take place later under agenda item 2.

The other agenda items refer to the formal approval of the Supervisory Board and the Board of Management, the election of the auditor and topics of the Supervisory Board – Mr. Eberhardt will tell you more about this. On another note: we would like to invite you once again to join us on a tour of the premises. If you would like to take part, please meet at the information desk straight after the annual general meeting.

### **Chart 11: Electromobility**

Ladies and gentlemen,

I said it at the outset: the automotive industry is working hard to develop innovative and sustainable forms of mobility. The keywords are electromobility, autonomous driving and connectivity. It is particularly the trend toward electromobility that offers Dürr new market opportunities:

- It leads to new carmakers entering the market and requiring production technology, which increases our customer base.
- Factories in which conventional cars are built must be upgraded to support electric cars, and this generates demand in the modernization business.
- Furthermore, new concepts for process automation are possible in final assembly technology. Since electric cars have a simpler powertrain and fewer components, their assembly can be automated more easily – this allows us to differentiate ourselves from the competition.

We are currently demonstrating this differentiation in the construction of a highly innovative assembly plant for electric cars at Tesla in the United States. We have also received an order from a new e-mobility producer in China for the construction of a paint shop.

Of course, the growth market for electric cars will be consolidated. Not every company that wants to participate in it will establish itself. But some will, and this means new business for Dürr.

### **Chart 12: Automotive production**

Regardless of the question of electric or combustion engines, the automotive industry is a growth industry. For the period between 2016 and 2021, an average increase in worldwide production of 3.3 % is predicted per year, and annual production volumes

are likely to reach almost 109 million units by 2021 – a good 16 million cars more than in 2016. This increase requires additional production systems, as delivered by Dürr. That's why we want to continue to grow at least at the same pace as the automotive industry.

### **Chart 13: Strategy**

This brings us to the Dürr strategy. The four blue areas in the chart have been part of our strategy for a long time. The element in the middle, however, is new: digital@DÜRR. It stands for the consistent digitization of the products, services and factories we deliver, and that of our internal processes. After the general debate, we will show you a film about digital@DÜRR, which explains the subject very well.

### **Chart 14: R&D expenditure**

digital@DÜRR is the dominant theme in our innovation management. That's why we have formed the Technology Council mentioned by Mr. Eberhardt and explained by Prof. Dr. Hanselka earlier on. It consists of a group of experts who advise the Board of Management in questions of digitization and new technologies. I am delighted that we could enlist a top-class chairman for the Technology Council in Prof. Dr. Hanselka. The three other council members are also eminent experts and personalities: Ulrich Dietz, founder and CEO of software company GFT, Dr. Eberhard Veit, who was the long-time head of automation specialist Festo, as well as another experienced R&D manager from the automotive industry whom we know but can't name yet.

digital@DÜRR was also a key factor in the 9 % increase of our research and development spending in 2016, which means we exceeded the € 100 million threshold for the first time. An important basic project of our digital innovation strategy was the definition of an IoT framework. In simple terms, this refers to a modular system with software for networking machines and computers in Dürr production systems as well as for networking Dürr and its customers. We have developed this modular system together with our strategic partner, Software AG in Darmstadt. It is used by the different divisions of the Group – this avoids duplicating work, makes the complex topic of digitization manageable, and ensures that every customer receives digital solutions with tried-and-tested components.

### **Chart 15: iTAC.IoT.Suite**

One example of this type of solution is our new iTAC.IoT.Suite for digitizing factories. This state-of-the-art software combines Dürr's shop floor know-how with the expertise of the iTAC software house, acquired at the end of 2015. The iTAC.IoT.Suite is the brain of the smart factory: it plans orders, sends commands to machines, determines material requirements and measures energy consumption. Using big-data analysis, it processes large amounts of machine data, and can aggregate data from different factories through cloud connectivity. There will be further applications to complement the iTAC.IoT.Suite, for example for the simulation and detailed planning of production processes. For this purpose, we acquired DUALIS GmbH at the end of 2016, which is another small, but highly specialized software company.

### **Chart 16: HOMAG software**

HOMAG uses a new, integrated software platform for networked furniture production. In the furniture studio, you can now customize your dream kitchen with the help of HOMAG's "Designer 3D" design program. The graphic order entry is based on the "Configurator 3D" software, which also transmits the data to the furniture factory. There, the "ControllingMES" manufacturing execution system controls production. The subsequent logistics processes are also digitally controlled and made transparent. This is Industry 4.0 in practice!

### **Chart 17: Robots**

Being a mechanical and plant engineering firm, we work on the optimal interplay of software and machines. One example of this is the new painting robot, which is the first product of its kind to use seven instead of six rotary motion axes. Its great range of motion saves money, especially in interior painting. The new robot is equipped with sensors and an intelligent smart control system; the operating information is transmitted to the Dürr Service Cloud and then evaluated in the Dürr Performance Management Center. You will be shown a short film about this later as well.

### **Chart 18: Service**

Digitization is also becoming increasingly important in the strategy field of service. We support customers with our smart service approach, for example in analyzing



operating data. This enables machines to be serviced predictively, i.e. as soon as a need for maintenance has been identified, rather than at fixed intervals.

The service business is of great importance to Dürr: good service allows us to increase the availability of our systems, which enhances customer satisfaction. At the same time, this business makes an important contribution to our consolidated earnings, thanks to its margin quality. With the CustomerExcellence@Dürr optimization program launched in 2013, we successfully laid the groundwork for further growth in service: in 2016 we managed to increase sales in this field by 11 % to almost € 1 billion. This means our service sales today are almost at the same level as the Dürr's Group total sales in 2009!

### **Chart 19: Efficiency**

Let's take a look at the strategy field of efficiency, which is about making our internal processes as efficient as possible. Here, the focus is also on digitization. I have a remarkable statement from the McKinsey management consultancy on this, and I quote: "Many companies are seeking to develop a digital strategy. Instead, they should try to integrate digital into all aspects of their business activities", end of quote. This practical integration is exactly what is happening at Dürr: our sales management is just as digitized as the regular customer satisfaction surveys. We make customer offers visual through 3D system models. Robots and systems are commissioned virtually on the computer prior to delivery. Databases enable worldwide access to knowledge, and our locations are digitally networked so we can process orders collaboratively. Service engineers have online access to machines at the customer's site, and a smart tablet has replaced the previous 150 paper files of system documentation. These examples illustrate what digitization means: simplification, time savings, transparency and flexibility.

### **Chart 20: Globalization / locations**

To complete the strategy section, let's look at the field of globalization. Dürr has invested € 143 million in its network of locations since 2012. Most recently, two new campus facilities have been opened in the United States and Shanghai, modeled on the location where we are now. This "campus triad" of North America/Asia/Europe completes the expansion of our international locations network for the time being.

## **Chart 21: Regions**

Investing in our locations has enabled us to take advantage of market opportunities in all regions around the world. This led to a balanced distribution of incoming orders in 2016. Thanks to our strong presence in North America, we benefited from the boom in demand there and increased our orders by 45 % to over € 1 billion. This compensated for the decline in China, where the paint systems business decreased following the high levels of spending in the previous years. In Europe we increased our orders by 16 % to € 1.7 billion.

## **Chart 22: Ecoclean**

Before we come to the outlook, I would like to briefly talk about our portfolio. As announced, we sold the Dürr Ecoclean Group, which specializes in industrial cleaning technology and generates sales of around € 200 million, to the Chinese SBS Group at the end of March. We thus generated cash of over € 100 million and a book gain of around € 23 million in the first quarter of 2017. The Ecoclean sale was the result of a continuous portfolio analysis. As part of this process, we also look at new acquisitions. In 2016 we made small supplementary acquisitions: the DUALIS software house mentioned earlier and in environmental technology. In view of the positive development of HOMAG, in particular, we are prepared to make further larger acquisitions, especially since we have the necessary funds. This can only happen, however, if a favorable opportunity presents itself and it is a good match – from the purchase price through to the corporate culture and the potential for enhancing value. If this is not the case, we will not make any acquisitions but will instead think about using our existing funds in a different way.

## **Chart 23: Outlook**

Ladies and gentlemen,

As mentioned at the outset, Dürr had a good start to 2017. By and large, we remain confident for the year as a whole, despite the fact that the political uncertainties and competitive pressure in the automotive business have not lessened. World automotive production is expected to achieve a solid increase of 3 % in the current year, and we anticipate a fairly stable investment volume from our customers. In Europe and North America, we have a strong project pipeline, but given the recent

trade and tax announcements made by the US government, we still can't predict how investment conditions will evolve. Likewise, the long-term effects of Brexit are still unknown, but so far we have hardly noticed any difference, especially since we only invoice around 3 % of our sales in pounds sterling. China is driving electromobility on a political level, while several new manufacturers are forming there and developing investment plans for factories. However, whether or not some of these plans are actually implemented remains to be seen.

The world market for woodworking machinery is expected to grow by around 3 %, just like the automotive industry. China is particularly important for HOMAG. This country accounts for over 40 % of worldwide furniture sales, and the need for automated HOMAG production lines is increasing as a result of the industrialization of local furniture production.

What are our Group targets for 2017?

We expect incoming orders of € 3.3 to 3.7 billion, which is similar to last year, despite the fact that Dürr Ecoclean is no longer part of Dürr since its sale at the end of March. We aim to achieve sales of between € 3.4 and 3.6 billion again in 2017, also taking into account the absence of the Ecoclean business.

We currently expect our EBIT margin to range between 7.5 and 8.25 %. Our EBIT includes the extraordinary income of around € 23 million from the Ecoclean sale. Based on a consistent tax rate of 27 to 28 %, we anticipate a slight increase in our net profit – this could result in another dividend rise.

I have saved one important point until the end, and that is to thank my long-term colleague on the Board of Management, Ralph Heuwing. My dear Ralph, since you started in 2007, we have shared a vision of how to develop Dürr. It has given me great pleasure to put this vision into practice together with you – be it harmonizing the IT system, expanding into emerging countries or taking over HOMAG. For a CFO it is particularly important that success is also expressed in figures. So here is a brief summary of what we have achieved together at Dürr: sales have risen by a factor of 2.4 since 2007, the EBIT margin has doubled and the return on investment has increased from 16 to 41 %. And for our shareholders: the share price has risen by over 400 % since Mr. Heuwing joined.

Ralph, you have been an excellent colleague and made a lasting impact. For this I would like to thank you on behalf of all employees. I wish you all the best for the future!

Ladies and gentlemen,

As mentioned at the beginning, the Supervisory Board has not only ensured continuity but also injected new impetus with the appointment of Mr. Crosetto and Dr. Weyrauch. In a volatile environment, Dürr stands for stability and is a reliable partner to its customers. Dürr is in a better international position than its industry peers, has an excellent team and is in good financial health. Megatrends such as electromobility and Industry 4.0 will define our business over the next few years and present an opportunity for Dürr. Our customers measure us on how efficiently we can support them in digitizing their production. Thanks to our digital@DÜRR strategy, we have the right answers for this challenge!

I would like to thank you sincerely for placing your trust in us. We will continue to do everything we can to reinforce this trust.

Thank you for your attention.