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Dürr AG

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of Dürr Aktiengesellschaft

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My dear shareholders, shareholder representatives, journalists, and guests. I am delighted to welcome you to today's annual general meeting of Dürr AG. At Dürr, we attach great importance to holding this annual meeting with you in person. We are therefore all the more pleased that so many of you have come to Bietigheim-Bissingen today. Together with Dietmar Heinrich, my colleague on the Board of Management, I would like to extend a very warm welcome to you. The same goes to those who are joining us online – a warm welcome to you as well.

As Mr. Federer said, this is Dürr AG's first annual general meeting without Heinz Dürr. Our company owes an immense debt of gratitude to this extraordinary man, who passed away on November 27. When we received the news of his passing, people throughout the Group paused to remember the moments they shared with Heinz Dürr. Their thoughts were with his family, who always supported Heinz Dürr in his dedication to the company and who will now continue this commitment in his spirit while maintaining close ties with the company. I have the utmost respect for the sense of responsibility and integrity with which the Dürr family has continued to stand united behind our company since November 27. A strong sign of this close connection is that Heinz Dürr's wife, Heide Dürr, is here today, as is their daughter Alexandra, who has been an active member of the Supervisory Board since 2006. Heide and Alexandra Dürr, on behalf of all our employees, I would like to thank you for your commitment and for being here today.

Heinz Dürr

Heinz Dürr embodied many things for the people within the company: promoter, visionary, anchor of stability, and role model. On November 27, a long-time employee wrote: "The mere presence of Heinz Dürr gave me the feeling that there was someone who had everything under control." That sentence sums it up perfectly: Heinz Dürr gave the employees a sense of security and confidence, empowering them through his own strength.

After joining the business in 1957 at the age of 24, he firmly focused "the company", as he liked to call it, on business with the emerging automotive industry. In the 1950s and 1960s, Heinz Dürr wrote his own chapter in the history of the German economic miracle by transforming his parents' metalworking company into an internationally active mechanical and plant engineering firm. He accomplished this together with "his people”: down-to-earth – often Swabian – apprentices, workers, technicians, clerks, secretaries, and engineers who grew up at Dürr and in turn made the company great.

Heinz Dürr was not a gray eminence, but an approachable entrepreneur. He did not rely on yes-men but on individuals who knew their own minds and embraced the work ethic he exemplified. This gave rise to a type of manager and employee that still characterizes Dürr today: hard-working, upright, modest, but also cosmopolitan and able to think big.

In the 1980s and 1990s, Heinz Dürr was at the helm of AEG and Deutsche Bahn. As one of Germany's most prominent business leaders, he moved through the media jungle and across the political stage with his characteristic composure. Even during this time, his heart was always beating for his own company. Heinz Dürr chaired over 100 Supervisory Board meetings and 24 annual general meetings. He was enthusiastic about innovation, listened, gave advice, and visited sites. He was a regular presence at Dürr in Zuffenhausen and later in Bietigheim, especially on days when lentils with *spätzle* (egg noodles) were served in the canteen – just as it will be today, in keeping with tradition.

We are grateful that we were able to celebrate Heinz Dürr's 90th birthday here in Bietigheim-Bissingen just last September. Hundreds of employees lined up and sang Happy Birthday. It was clear to see that Heinz Dürr was more pleased about this than any speech of praise. A few weeks later, we realized that it had also been a farewell between him and the staff. It is sad that “HD”, as he was known, is no longer with us.

At the same time, we feel how firmly he embedded his optimism in the DNA of our company. We therefore look back with gratitude, but we also look to the future with great confidence: Heinz Dürr's entrepreneurial spirit lives on in the Dürr Group and gives us self-confidence for the era that follows this extraordinary business figure.

Sales/order intake

It is not easy to move on now to my report about the company. But knowing Heinz Dürr, he would have urged me to do so with a resolute “Come on, let’s keep going”, because for him, it was always about the company, its success, and its future.

So, let’s dive into the figures for 2023. The key message here is that the Dürr Group achieved its operating targets in 2023, with all five divisions reporting profitable growth.

Sales rose by 7% to an all-time high of €4.63 billion. We benefited from the easing of supply chains, the end of the pandemic, and the acquisition of automation specialist BBS Automation, which I will address later.

At €4.62 billion, order intake was more or less on a par with sales. The decline of just under 8% compared to the peak of 2022 was within the expected range and resulted primarily from the significant market downturn at HOMAG, following record-level investments by the woodworking industry in 2021 and 2022.

Automotive business

In our business with the automotive industry, we were able to repeat the high order level of 2022 while benefiting from our good strategic positioning: Many automakers are investing heavily in production technology for electric vehicles as well as in energy-saving and climate-friendly manufacturing processes. And these are the two trends – e-mobility and sustainability – with which we have aligned our product range. Therefore, in the automotive business, we are not only pleased with the outcome of 2023 but also confident about 2024 and the years to come.

Sustainable car production

Let's take a closer look at sustainability as an investment motive. While energy efficiency and emission reduction used to be of secondary importance when it came to investments in the automotive industry, they now play a major role. This is because manufacturers want to reduce their resource consumption and are working toward decarbonizing their factories.

Almost 50% of the energy required to produce a car is used for painting. Consequently, energy optimization of the painting process is the key to improving the energy balance of car factories. We are pioneers in the development of ultra-energy-efficient painting technology, and innovation has already enabled us to reduce energy consumption by two thirds over the past 15 years.

Two current projects show that we are a key partner for the climate-oriented transformation of car production:

- In a project for a European customer, we will soon be completing the construction of the first CO_2-free paint shop. We have installed ultra-energy-efficient technologies there and designed the plant to run entirely on green electricity and without fossil fuels.

- The strategic partnership agreed with Mercedes in 2023 goes even further. Over the course of several years, we will convert three major paint shops using sustainable technologies. The fact that Mercedes is relying on Dürr on its way to CO_2-free painting underlines our excellent position in climate-friendly processes and order execution.

Earnings

It was important to me to illustrate the growing significance of sustainability for customers' investment behavior in the context of the automotive order intake. Now let's have a look at our earnings.

Our most important earnings indicator is the EBIT margin before extraordinary effects. It improved significantly last year: from 5.4% to 6.1%. We therefore achieved our margin target of over 6% – a success that was driven by improvements in all divisions. I use the word “success” deliberately because in the challenging economic environment of 2023, the margin expansion was not a given but the result of profitability-oriented sales efforts, professional order execution, and our focus on cost reduction, efficiency, and the profitable service business.

On the right you can see that earnings after tax decreased despite the higher operating earnings. This had nothing to do with our day-to-day business but resulted from a significant increase in extraordinary expenses. As reported, order intake at HOMAG decreased significantly last year, namely by 18%. This decline in orders is having a significant impact on capacity utilization, sales, and earnings in the current year. Therefore, we took the decision last fall to make capacity adjustments at HOMAG – not only to prevent losses there in 2024, but also to increase the company's earnings resilience in the long term, reduce fixed costs, and enable HOMAG to achieve its targeted EBIT margin of 10% before extraordinary effects. In specific terms, around 600 jobs will be cut at HOMAG, for which around €50 million was set aside in 2023 – and this essentially explains the decline in earnings after tax.

Given the decline in orders, I was recently asked whether the purchase of HOMAG ten years ago was the right decision. Even though I wasn't here at the time, my answer is a resounding yes! HOMAG is an outstanding mechanical engineering firm and market leader, not only in the field of furniture production but also in production technology for climate-friendly timber houses. Timber house construction is an up-and-coming market with great growth potential that we will be hearing a lot more about. Moreover, HOMAG has consistently made the highest contribution to operating earnings in the Group recently, with €130 million in 2023, i.e. nearly half of our EBIT before extraordinary effects. The ongoing reduction in fixed costs will make HOMAG even more profitable than before, despite the weakness in 2024. There is no doubt about it: With HOMAG, Dürr is a stronger and more valuable company, and we are very pleased to have this powerhouse in our portfolio.

Cash flow

We were also pleased with the free cash flow, which reached nearly €130 million, the highest level since 2016, despite rising capital expenditure. This was due not only to the improvement in operating earnings but also to consistent net working capital management, which focused on reducing inventories under the successful leadership of my colleague Dietmar Heinrich.

You can see a significant increase in net financial debt as a result of the acquisition of BBS Automation. It was something we were willing to accept, as the acquisition of BBS Automation allowed us to establish ourselves directly as one of the top three global suppliers of production automation in the targeted markets. In addition, our leverage remains within a reasonable range. Nevertheless, we are working successfully on reducing our net financial debt – by generating further positive free cash flow, but also through smaller divestments outside our core business. We are currently selling the Danish filling technology specialist Agramkow. It is an efficient company but operates outside our strategic focus, and its sale will reduce the Group's complexity.

Share

Let's move on to the share and the dividend. The performance of the Dürr share was down 30% last year, which is unsatisfactory. This was partly due to the general skepticism toward shares in the mechanical and plant engineering sector, but also to the temporarily slower sales of electric cars and the profit warning we issued in October as a result of the market weakness at HOMAG. We are not concerned about e-mobility: Our order intake in this sector was high, and e-mobility will prevail in the long term despite slower vehicle sales. I am also confident about HOMAG, as the measures outlined above will strengthen its resilience to fluctuations in demand. At the same time, we expect the profitable growth we saw in 2023 to continue in all other divisions. We have thus also set the right course in terms of how the Dürr share is perceived on the capital market.

In line with this, the share price has risen by nearly 20% since the beginning of the year, and most analysts see further potential; the average price target currently stands at €28.77. We believe that the figures published three days ago for the first quarter confirm this confident assessment; the figures, which I will show you later, received mostly positive feedback in the capital market.

Dividend

For 2023, we are proposing a stable dividend of 70 cents per share, despite the higher extraordinary expenses and the corresponding decline in Group earnings. The proposal reflects our confidence in our future business prospects and takes into account the improvement in operating earnings and the high free cash flow in 2023. We thus remain true to our principle of paying our shareholders an attractive dividend based on the success of our operating business.

Employees

This business success is based on the dedication of the 20,000-plus employees, who support our company and ensure our strong reputation with customers. To enable them to deliver top performance on a daily basis, we value respect, openness, and entrepreneurial freedom – following Heinz Dürr's example. The good operating performance in the past year and, therefore, the dividend are the result of our employees' commitment – I think this deserves a big round of applause.

Agenda

You can vote on the dividend later under agenda item 2. As the agenda is very concise, I won't delve further into it at this point, especially since Mr. Federer will inform you about it later. All that remains for me to say is that we would like to invite you on a tour of the premises again after the annual general meeting. If you would like to take part, we would ask you to meet at the information desk straight after the meeting.

Sustainability: Ecology

Earlier on, I told you about the opportunities involving sustainable production technology. Our focus on sustainability is also becoming increasingly important on the capital market and is helping us to attract new investors. As much as 50% of our free-float shares are already held by sustainability-focused investment firms. And just in April, we issued another very successful green Schuldschein loan, raising €350 million.

As a supplier of sustainable technologies, we are only credible if we do not engage in greenwashing but act in a genuinely sustainable manner. That is what we do: In 2023, we were ranked among the top 1% of all companies in the EcoVadis sustainability rating and made it into the top 10% of our industry in the ISS ranking. This was based on many specific improvement measures, for example:

- fully converting our sites to green electricity
- reducing direct greenhouse gas emissions by 28% compared to 2022
- lowering energy intensity by 8% measured against sales
- and making taxonomy-aligned investments of €47 million, for instance in sustainable buildings.

Sustainability: Society

Sustainability also means taking on social responsibility. One focus last year was on human rights due diligence as defined by the German Supply Chain Due Diligence Act. This Act comes not only with an unwieldly name but also with a great deal of bureaucracy. Don’t get me wrong: I fully support the rationale behind the Act, i.e. the comprehensive protection of human rights in the supply chain; you can also see our commitment in this area reflected in our ESG ratings. But I would like to see the law implemented in a way that is more closely aligned with the practical realities in companies.

That said, we naturally comply with the Act and are committed to responsible supply chains. We were also able to reduce the number of accidents at work and to record an even higher level of satisfaction in the Group-wide employee survey than four years ago, when the results were already very good and significantly better than in comparable companies. We are really proud of this.

Our corporate values, developed under the motto "One Vision", have been instilled in the workforce through workshops involving thousands of employees. Diversity is also more than just a buzzword for us: We are serious about promoting women in mechanical and plant engineering and have asked our employees about inclusion and discrimination in order to derive measures for the integration of everyone within the company.

In light of recent events, we – and I personally – have publicly taken a stance against xenophobia. I would like to reiterate our position: There are people from over 60 nations working for Dürr in Germany. They all contribute to our success and thus to the economic strength of this country. Therefore, the idea that there is no place for people from abroad is simply unrealistic and completely unacceptable. What truly has no place according to the German Basic Law are xenophobia and discrimination.

Strategy: Overview

Let's take a look at our strategy. From a strategic perspective, we classify our business into two blocks: the established business, which includes our traditional core business, and the growth business, which comprises future-oriented business areas with above-average growth potential. I have already addressed some of the major contributors to the established business when discussing the good level of orders in the automotive business and the resilience measures at HOMAG. Now let's turn our attention to the growth business, where we made great progress in 2023, particularly in automation and battery production technology.

Strategy: Automation

Automation is a key competence at Dürr. Almost everything we offer our customers is related to this, and automation will become even more important in the future. This is because the quality and quantity requirements for an increasing number of products can only be met by using automated manufacturing processes. Furthermore, automation helps alleviate labor shortages and enables production volumes to be shifted back to high-wage countries through reshoring strategies.

Automation is a technology of the future, which is why expanding our activities in this field is a crucial part of our strategy. In 2023, we took a significant step in this direction and established our Production Automation Systems business unit as one of the world's three leading suppliers in its markets through the acquisition of BBS Automation.

BBS Automation has an international production and engineering network and an efficient cost structure. With sales of €300 million and 1,600 employees, it is the cornerstone of our automation business and, together with the Teamtechnik Group, forms an efficient competence center. You are all familiar with the products manufactured using BBS Automation and Teamtechnik systems: from electric toothbrushes, vaccination syringes, and infusion sets through to insulin pens and nasal sprays. This business in medical care products has great potential, as the global population is growing and aging and medical care is improving in more and more countries.

The second major business field comprises automation solutions for the assembly and testing of electric motors. This is also a growth market, as e-mobility is the future and new plants are needed for manufacturing power trains. Here, we cover the entire value chain: from assembly systems for stators, rotors, and the motor itself through to test systems for the finished electric power train.

Production Automation Systems currently generates sales of just under €500 million; with market growth averaging 9% per year, this figure is set to reach over €800 million by 2030.

Strategy: Battery

The second growth business in which we have confidently invested is battery manufacturing technology. Here, we are positioning ourselves as a technology supplier for electrode production and see great potential in the rapidly growing demand for batteries for electric cars, wireless electronic devices, and electricity storage systems.

To expand our range of technologies, we acquired the French mechanical engineering company Ingecal in 2023. Specializing in calendering technology, it is highly regarded by European automotive and battery manufacturers. In the calendering process, cathode and anode material is pressed onto the electrode foils using two steel rollers. The process is not only suitable for wet coating, which is commonly used today, but it also holds significant future potential, as we are already working on the dry coating of electrode foils using powder instead of liquid material, known as slurry. If we achieve the technological breakthrough, we will be able to offer battery manufacturers a process of unbeatable efficiency, since dry coating requires up to 40% less energy, 20% less processing time, and virtually no toxic solvents.

Alongside the development of dry coating, we are pushing ahead with the marketing of our wet coating technology. In 2030, the battery business is expected to generate sales of €300 to €500 million, compared to around €100 million currently.

Strategy: 2030

Here you can see the strategic targets for the Group: By 2030, sales are set to increase to over €6 billion, with the growth businesses making a disproportionately high contribution, while the focus in the established business is on margin optimization.

In the automotive business, we have coined the term “value before volume” to reflect this. We concentrate on projects that contribute to our profitability targets and leave low-margin orders to the competition. We therefore accept that the share of automotive business in sales will decrease. What counts is our target of an EBIT margin before extraordinary effects of 8%, along with high cash flow in order to be able to invest and create value for our shareholders.

Q1

The figures for the first quarter show that we are on the right track with our earnings-oriented value-before-volume strategy. Having passed up some automotive orders in the third and fourth quarters due to insufficient margins, we have recently been able to fill our order book with more attractive projects. At €1.5 billion, order intake in the first quarter therefore slightly exceeded the previous year's record again.

Sales also increased, despite the anticipated decline at HOMAG due to the weak order intake in the previous year. At 4.9%, the EBIT margin before extraordinary effects was also up on the previous year's figure, mainly due to the good earnings in painting robot business and in environmental technology.

Outlook

Despite the difficult economic and geopolitical environment, we are generally confident about 2024 as a whole. Thanks to the strong order intake in the first quarter, we are on track to achieve our full-year target of €4.6 to €5.0 billion. Sales are expected to increase over the course of the year, which is supported by the high order backlog of over €4.5 billion at the end of March and the project mix in plant engineering. As a result of this and the full-year consolidation of BBS Automation, Group sales are expected to increase to between €4.7 and €5.0 billion despite anticipated losses of up to 15% at HOMAG.

In terms of EBIT before extraordinary effects, we expect further margin growth in four out of five divisions following last year's rise. The exception is HOMAG, where the cyclical weakness in demand and sales is having a significant adverse effect on earnings. As a result of the latter, we will not quite reach the previous year's figure of 6.1% for the Group EBIT margin before extraordinary effects and are targeting a corridor of 4.5% to 6.0%. An increase in earnings after tax is possible due to lower extraordinary expenses, with the specific target range set between €90 and €150 million.

Free cash flow is expected to be in positive territory again in 2024, reaching up to €50 million. The forecast is below the reported figure for 2023, as we expect an outflow of around €50 million for the resilience measures at HOMAG. The free cash flow of €25 million in the first quarter is a good start.

Conclusion

This brings us to the end of the outlook. Given the political and economic environment in which we are operating, we must acknowledge that normality no longer exists, at least if we understand this to mean a state without crises, uncertainty, and pressure to transform. Adaptability and flexibility in navigating the changing landscape are needed more than ever. I firmly believe that policymakers need to provide much better support to businesses in this situation, for example in terms of reducing bureaucracy, energy costs, and offering investment incentives. But first and foremost, it is crucial for us to adapt to the current challenges ourselves.

At Dürr, we are doing this on many levels: In product development, we are focusing on sustainability, thus meeting our customers' needs. In sales, we are concentrating on high-margin projects with technological differentiation potential and the prospect of follow-up business in service. Given the shortage of skilled workers, it is more important than ever to convince well-trained people to be part of our company. This is why we continuously invest in a participatory corporate culture, a common set of values, and the integration of everyone within the company.

At the same time, we are taking decisive action to increase the EBIT margin before extraordinary effects to the target level of at least 8%. At HOMAG, we are reducing fixed costs, internationalizing value creation, and expanding our service business. We are shaping the portfolio of the entire Group with the aim of reducing complexity and focusing even more strongly on our strategic core business. The sale of Agramkow mentioned at the beginning shows that divestments are an option for us to position the Group in a more focused way and to allocate capital optimally.

Our investments in the growth businesses of automation, battery production, and timber house construction are investments in the future in the truest sense of the word. We are strengthening business areas that offer good long-term growth and earnings prospects since they are geared toward the major challenges of our time: e-mobility, climate protection, sustainable construction, and labor shortages.

Heinz Dürr has left us with a piece of advice that consists of just two words, namely: “Stay curious!” This sums up what matters for Dürr: being innovative, identifying market needs, and capturing value-creating business. That is exactly what we do – for our customers and employees and for you, our shareholders.

Thank you very much.