DÜRR GROUP.

PRESS RELEASE

<u>Business figures for the first nine months of 2019</u>

Dürr Group with higher order intake, sales and EBIT, full-year operating targets confirmed, efficiency enhancement measures initiated at HOMAG

- **Substantially positive cash flow in the third quarter**
- **Growth with environmental technology for sustainable production processes**
- **HOMAG adjusting structures and production capacities**

Bietigheim-Bissingen, November 6, 2019 – Despite more challenging market conditions, the Dürr Group is confirming its full-year targets for order intake, sales and operating EBIT after the first nine months of 2019. Order intake rose by 3.9% to € 2,859.5 million and sales by 5.1% to € 2,874.1 million in the first nine months of 2019. At € 154.1 million, EBIT was also slightly up on the previous year (€ 153.3 million, up 0.5%), reaching the highest figure for the year in the third quarter (€ 58.9 million, up 13.6% over the previous year). Business performance in the first nine months of the year was characterized by growth in environmental technology and stable business with the automotive industry. At HOMAG, order intake from the furniture industry dropped by 12.8% due to weaker demand. In response to the structural surplus capacities in Germany, the world market leader for woodworking machinery is implementing a package of measures aimed at enhancing its efficiency. Set to generate annual savings of € 15 million by 2021 at the latest, these measures include adjustments to production capacities in Germany among other things.

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Says Ralf W. Dieter, CEO of Dürr AG: “At the end of the first nine months, we are on track at the operating level and firmly assume that we will be able to reach our full-year operating targets for 2019 despite the considerable political and macroeconomic uncertainties. The profitable growth in environmental technology shows that the acquisition of Megtec/Universal a year ago was a step in the right direction. We expect a strong fourth quarter, particularly in automotive business not least because of demand on the part of new producers in the e-mobility segment.”

In the first nine months, the Group registered sharp growth in new orders in the Americas (up 62%). Two big-ticket orders for the delivery of painting technology for electric vehicles were received in this region in the third quarter. Orders in China fell short of the previous year by 13% in the first nine months but should pick up again in the final quarter.

The Clean Technology Systems division’s environmental technology business expanded sharply worldwide. The fact that order intake in this segment more than doubled (up 118.6%) was due to the acquisition of the Megtec/Universal Group in October 2018 and rising demand for exhaust-air purification systems for clean production processes. The Paint and Final Assembly Systems division reported an 8.7% increase in new orders. Order intake in the Measuring and Process Systems division (balancing, testing and filling technology) climbed by 7.3% despite a decline in business with balancing technology for components for internal-combustion engines. All in all, however, production technology for internal-combustion engines accounts for only 1% of the Dürr Group’s sales. The Group’s service business continued on its growth trajectory, expanding by 12.0% and contributing 28.3% to total sales (previous year: 26.6%).

EBIT for the first nine months of 2019 (€ 154.1 million) included extraordinary effects of € -17.4 million, which mainly comprised purchase price allocation effects for acquisitions completed in earlier years. In the same period of 2018, extraordinary effects had amounted to € -28.6 million due to the discontinuation of micro gas turbine business. The EBIT margin for the first nine months of 2019 came to 5.4% (previous year: 5.6%), widening to 5.9% in the third quarter (previous year: 5.3%). Before extraordinary effects, the Dürr Group posted EBIT of € 171.5 million and an

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EBIT margin of 6.0% in the first nine months (previous year: € 181.9 million and 6.7%, respectively). At € 102.1 million, earnings after tax were more or less on the previous year´s level (€ 103.5 million), coming to € 38.4 million in the third quarter, up 8.8% on the previous year (€ 35.3 million). The sharp rise in capital expenditure to € 76.8 million (up 48.2%) chiefly reflects the initial application of the new accounting guidance for leases (IFRS 16).

Cash flow from operating activities was good in the third quarter and, at € 51.6 million, was substantially higher than in the previous year (€ 28.0 million). At € -61.3 million, cash flow from operating activities was negative in the first nine months, although the full-year figure is expected to be positive. Says CFO Carlo Crosetto: "We want to further accelerate the cash flow development in the fourth quarter and, as things currently stand, expect to be able to report positive cash flow of € 50 to 100 million from operating activities in 2019 as a whole. This will be based on higher incoming payments, particularly in automotive business, and a reduction in inventories."

The Dürr Group had 16,534 employees on September 30, 2019. Since the beginning of 2019, the workforce has increased by 1.4% and, hence, less quickly than sales (up 5.1%). 8,273 people, equivalent to half of the workforce, are employed in Germany.

Measures for enhancing efficiency at HOMAG

The HOMAG Group is stepping up its optimization efforts in order to achieve its EBIT margin target of 8 to 10% in the medium term. A package of efficiency enhancing and structural adjustment measures is to unleash annual savings of € 15 million by 2021 at the latest. This will entail non-recurring expenses of € 40 million, of which around € 37 million will be arising in 2019. The key aspect involves steps to scale back production capacities in Germany. In this connection, HOMAG will be discontinuing production at its Hemmoor site in the German state of Lower Saxony. Looking forward, the products manufactured at that site for the automation of furniture production will be handled by other plants in Germany and Poland. Further measures aimed at eliminating duplicate structures at HOMAG include the merger

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of the Automation and Systems (project business) business units and the centralization of spare parts logistics in Germany.

Roughly 150 out of 200 jobs will be cut in Hemmoor as a result of the discontinuation of production at that site. Altogether, 350 out of the German number of 4,100 jobs at HOMAG will be eliminated by 2020. A transfer company offering retraining options is to be set up for the employees in Hemmoor. In addition, the package of measures includes early retirement arrangements and the freezing of job vacancies. “The structural adjustments in Germany cannot be avoided. On the one hand, HOMAG has structural overcapacities in Germany and, on the other, we must increase our headcount in expanding foreign markets to be competitive there,” says Pekka Paasivaara, CEO of HOMAG Group AG and a member of Dürr AG’s Board of Management. “We want to minimize hardship for the employees concerned as far as possible in consultation with the employee representatives.”

In the previous years, HOMAG was able to fully utilize its domestic German capacities due to the extraordinarily strong demand in the furniture industry. Currently, however, HOMAG is experiencing weaker demand, a situation which is expected to continue in 2020 as well. HOMAG has 6,615 employees worldwide. 63% of its workforce is based in Germany, whereas HOMAG generates 80% of its sales outside Germany.

Outlook for the Dürr Group

In addition to the extraordinary expense in connection with the package of measures for HOMAG, the Dürr Group faces an impairment of a further € 6 million in connection with a pending legal dispute in 2019. At 6.0 to 6.5% for 2019, the Dürr Group’s forecast for its operating EBIT margin before extraordinary effects is unchanged and should be readily achievable. Similarly, the Group should be able to achieve its likewise unchanged full-year targets for order intake (€ 3.8 to 4.1 billion) and sales (€ 3.9 to 4.1 billion).

The forecast for EBIT after extraordinary effects has been adjusted for 2019 to allow for the extraordinary effects arising from the HOMAG measures and the impairment. The EBIT margin is now expected to be in a range of 4.4 to 4.9% instead of the

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previously projected figure of 5.5 to 6.0%. Earnings after tax should now reach € 115 to 130 million, down from the previous forecast of € 145 to 160 million.

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KEY FIGURES for the Dürr Group (IFRS)						
€ m	**9M 2019**	**9M 2018**	**Δ**	**Q3 2019**	**Q3 2018**	**Δ**
Order intake	2,859.5	2,753.2	3.9%	938.6	798.2	17.6%
Orders on hand (September 30)	2,590.3	2,465.4	5.1%	2,590.3	2,465.4	5.1%
Sales	2,874.1	2,734.1	5.1%	993.7	984.5	0.9%
Gross profit	626.0	602.4	3.9%	211.9	198.3	6.9%
Research and development costs	84.7	88.6	-4.4%	26.4	27.3	-3.4%
EBITDA (earnings before financial result, taxes, depreciation and amortization)	237.6	223.0	6.6%	87.2	82.1	6.2%
EBIT (earnings before financial result and taxes)	154.1	153.3	0.5%	58.9	51.9	13.6%
EBIT before extraordinary effects[1]	171.5	181.9	-5.7%	64.6	69.2	-6.6%
Earnings after tax	102.1	103.5	-1.3%	38.4	35.3	8.8%
Gross margin (%)	21.8	22.0	-0.3 pp	21.3	20.1	1.2 pp
EBIT margin (%)	5.4	5.6	-0.2 pp	5.9	5.3	0.7 pp
EBIT margin (%) before extraordinary effects[1]	6.0	6.7	-0.7 pp	6.5	7.0	-0.5 pp
Cash flow from operating activities	-61.3	-31.1	-97.3%	51.6	28.0	84.4%
Free cash flow	-158.1	-95.0	-66.4%	23.4	11.8	98.1%
Capital spending (net of acquisitions)	76.8	51.8	48.2%	29.3	17.5	67.4%
Total assets (September 30)	3,821.2	3,568.7	7.1%	3,821.2	3,568.7	7.1%
Equity (incl. non-controlling interests) (September, 30)	1,031.1	920.5	12.0%	1,031.1	920.5	12.0%
Equity ratio (September 30) (%)	27.0	25.8	1.2 pp	27.0	25.8	1.2 pp
ROCE (return on capital employed, annualized) (%)	15.4	21.2	-5.9 pp	17.6	21.5	-3.9 pp
Net financial status[2] (September 30)	-293.5	-30.3	-869.9%	-293.5	-30.3	-869.9%
Net working capital (September 30)	648.8	502.1	29.2%	648.8	502.1	29.2%
Employees (September 30)	16,534	15,461	6.9%	16,534	15,461	6.9%

[1] Extraordinary effects in 9M 2019: € -17.4 million (including purchase price allocation effects of € -14.8 million), 9M 2018: € -28.6 million

[2] IFRS 16 “Leases”, which has been applied since the beginning of 2019, has reduced net financial status by around € 100 million.

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Key figures for the divisions (IFRS)						
€ m	**9M 2019**	**9M 2018**	**Δ**	**Q3 2019**	**Q3 2018**	**Δ**
Paint and Final Assembly Systems						
Order intake	831.9	765.4	8.7%	243.4	187.9	29.5%
Sales	924.6	878.5	5.2%	319.9	311.2	2.8%
EBIT	39.9	38.9	2.5%	15.3	14.0	9.4%
Employees (September 30)	3,594	3,447	4.3%	3,594	3,447	4.3%
Application Technology						
Order intake	456.1	486.4	-6.2%	151.1	141.2	7.0%
Sales	427.2	472.1	-9.5%	155.5	174.1	-10.7%
EBIT	44.0	48.0	-8.3%	16.3	17.4	-6.3%
Employees (September 30)	2,306	2,230	3.4%	2,306	2,230	3.4%
Clean Technology Systems						
Order intake	334.1	152.8	118.6%	126.0	36.3	246.8%
Sales	271.9	119.9	126.7%	91.6	54.9	66.7%
EBIT	4.4	-14.2	130.7%	3.7	-11.7	131.8%
Employees (September 30)	1,425	612	132.8%	1,425	612	132.8%
Measuring and Process Systems						
Order intake	330.2	307.7	7.3%	101.6	93.2	9.0%
Sales	293.5	326.1	-10.0%	106.6	112.6	-5.3%
EBIT	24.2	37.9	-36.3%	11.4	14.1	-19.2%
Employees (September 30)	2,326	2,325	0.0%	2,326	2,325	0.0%
Woodworking Machinery and Systems						
Order intake	907.3	1,040.9	-12.8%	316.5	339.6	-6.8%
Sales	956.8	937.3	2.1%	320.1	331.6	-3.5%
EBIT	52.0	58.7	-11.3%	17.0	21.5	-21.0%
Employees (September 30)	6,615	6,605	0.2%	6,615	6,605	0.2%

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Pictures for this press release can be found here.

The Dürr Group is one of the world's leading mechanical and plant engineering firms with extensive expertise in automation and digitization/Industry 4.0. Its products, systems and services enable highly efficient manufacturing processes in different industries. The Dürr Group supplies sectors like the automotive industry, mechanical engineering, chemical, pharmaceutical and woodworking industries. It generated sales of € 3.87 billion in 2018. In October 2018, the Dürr Group acquired the industrial environmental technology business of US-based company Babcock & Wilcox, comprising the Megtec and Universal brands. Since then, it has had around 16,500 employees and 108 business locations in 32 countries. The Group operates in the market with five divisions:

- ***Paint and Final Assembly Systems:*** *paint shops and final assembly systems for the automotive industry*
- ***Application Technology:*** *robot technologies for the automated application of paint, sealants and adhesives*
- ***Clean Technology Systems:*** *air pollution control, noise abatement systems and battery coating lines*
- ***Measuring and Process Systems:*** *balancing equipment as well as assembly, testing and filling technology*
- ***Woodworking Machinery and Systems:*** *machinery and equipment for the woodworking industry*

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