

- Check Against Delivery -

**„in the field“**

## **Statement**

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**Annual Press Conference 2021**

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Good morning, Ladies and Gentlemen,

I too would like to welcome you to this year's Annual Press Conference.

We are delighted to see you face to face here in Ditzingen, something that is by no means the norm – not only in view of coronavirus, but also due to the increase in digital formats. And especially as the Blechexpo opens in Stuttgart this evening and the VDMA's machine construction summit is taking place in Berlin. Our thanks in advance.

Today I am presenting you with the figures for fiscal year 2020/21, which, as you know, lasted until June 30, 2021. As I did last year, I would like to start with the TRUMPF Group's coronavirus statistics before moving on to sales revenues, the order intake, earnings, and return on investment.

A further section will focus on the development of individual markets at TRUMPF, as well as the number of employees and investments made by our company.

I would then like to offer a first view of the current fiscal year 2021/22, which will continue until the end of June next year, and present our new 'Alliance for Jobs 2025', which we have just successfully negotiated and which we are convinced will once again mark a milestone for modern working at TRUMPF. There should be enough room for your questions afterwards, as Mr. Möller just mentioned.

Before I come to the first key figures, however, a word about the motto of this year's Annual General Meeting – namely the phrase 'in the field', which, although it can also be translated from the German as 'outside', has nothing to do with being excluded in the sense of Wolfgang Borchert's well-known 1947 drama 'The Man Outside'. Instead, it refers to our global sales and service staff, who have really done an incredible job over the past year. And who were symbolically 'out' on the road with our customers under difficult

conditions, facing entry bans, visa bureaucracy, long quarantine times, and severely limited amenities in hotels and guest houses.

Of course, Purchasing, our central functions, and Production were also immensely important, and I don't want to forget them. However, we generally only talk about our field service very rarely, even though it is doubly important for TRUMPF in economic terms as well. Because Sales sells the first machine, they say. But Service sells the second.

During the particularly critical coronavirus months, our field service employees pretty much bailed us out, while at the same time there was debate in Germany, not infrequently with almost unbearable ferocity, about everything from the right to work from home to statutory quotas for companies.

This is why our new annual report that you have in front of you is dedicated to our employees in the field: out there, but very much in our TRUMPF team.

## II.

Well, Ladies and Gentlemen, that's enough about our motto 'in the field'. Now, in keeping with the theme, let's start with TRUMPF's coronavirus statistics before moving on to the business figures.

First, it is crucial to say that the spread of coronavirus in the TRUMPF Group was manageable, all things considered. In the period from July 1, 2020 to June 30, 2021 there were **877 positive coronavirus cases** and **1,852 people in quarantine** throughout the TRUMPF Group.

Here in Ditzingen, there were 114 infections and 160 quarantine cases during the same period – and this despite the fact that around one third of all TRUMPF employees worldwide work at the site. In other words, most of the infections did not relate to Ditzingen, but to our foreign companies in countries such as the US.

**We currently have 29 coronavirus cases in the TRUMPF Group, of which 8 are in Ditzingen and 13 in Germany.**

Here, too, we encounter this theme of being 'out' or 'in the field', because in the past fiscal year, quarantine cases were often 'technical quarantines' of employees who were either on a foreign assignment or returning from one, which in retrospect was a logistical challenge for us. After all, TRUMPF has around 50,000 machines in use at customers' sites worldwide that require maintenance, not to mention new installations.

For many months, it required a great deal of effort to send out service technicians within Europe or to Asia or North America, as they usually had to spend two weeks in quarantine on arrival and departure.

The fact that we came through the pandemic well overall was also due to our strict coronavirus governance. The immediate establishment of a central crisis unit that coordinated local crisis teams is worthy of mention. But most importantly, TRUMPF's health center has been conducting very consistent and broad-based testing for coronavirus right from the start – including as a preventive measure in suspected cases, even without any noticeable symptoms.

Shortly before the end of the fiscal year, we also started vaccinating. As of June 30, 2021, **435 employees had been vaccinated in the company** – to date, there have been a total of **1,191 first and second vaccinations**. And we are doing everything in our power to ensure that this figure rises even higher, which is something I am personally calling for in various internal communications formats.

For external guests, but now also when our employees enter the company restaurant, we rely on what is known in Germany as the '3G rule', under which you must either be vaccinated, have recovered from the illness, or have recently tested negative. To my knowledge, we are one of the first companies to have defined this standard for its own employees.

## III.

This brings me to the business figures and the preliminary statement that TRUMPF as a Group has succeeded in achieving a very satisfactory fiscal year in terms of sales revenues and the order intake. But also as regards earnings and return on investment. Let's first take a look at the TRUMPF Group's **sales revenues** in the year under review:

- Despite the year-round restrictions that were imposed due to coronavirus and difficulties within the supply chains that had been looming for some time, we not only matched the previous year's **sales revenues**, but actually increased them **by 0.5 percent to 3.50 billion euros**. And please note that this is compared to fiscal year 2019/20, which was affected by coronavirus in the period between March and June 2020! There was not a single coronavirus-free month in fiscal year 2020/21!
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- The second key figure for the fiscal year, which looks to the future, is even more positive than sales revenues: With an **order intake of 3.9 billion euros**, TRUMPF was able to significantly exceed both the previous year's and the pre-crisis level in fiscal year 2020/21 with an **increase of 19.7 percent!**
- We bumped up against the 4 billion euro mark for the first time ever – the highest order intake in the company's almost 100-year history. We see this as a strong basis for fiscal year 2021/22, irrespective of the supply chain issues to be addressed shortly.

## IV.

Before looking at earnings and the return on investment, let us now briefly take a look at our business divisions and business fields from a sales revenue perspective.

- Sales revenues in **Machine Tools**, our largest business division, decreased slightly by **3.9 percent** to **2.04 billion euros** due to coronavirus. The declines affected all markets equally; we did not see any regional hotspots in this respect and attribute this to temporary production delays and a momentary reluctance to invest on the part of some customers, depending on the pandemic phases in Europe or the US, for example.
- The **Laser Technology business division**, on the other hand, achieved sales revenues of **1.3 billion euros**, a **10.4 percent** rise on the previous year. We attribute this growth to the surge in demand in the electronics, photovoltaics and electromobility sectors, particularly in China. For example, TRUMPF lasers are used in the production of solar modules and for welding battery cells.
- Besides our two major business divisions, Machine Tools and Laser Technology, I will refer here to **individual business fields** separately. First up is the **Electronics** business field based at TRUMPF Hüttinger in Freiburg and Warsaw, which grew to **sales revenues of 286 million euros**, an **increase of 24 percent** on the previous year.
- Among the reasons for this success was the rapidly growing solar business in China, for which we supply components. TRUMPF also increased its market share in the semiconductor sector and grew strongly in microelectronics applications for displays for mobile applications, such as laptops.
- In addition to Electronics, this year I would also like to mention the **EUV** business field, in other words the high-power lasers for our customer ASML, which is reported separately but technically belongs to Laser Technology. ASML then supplies the finished systems to companies such as TSMC in Taiwan for chip production, which is currently the subject of heated debate.

- In the business field in question, we were unfortunately not quite able to replicate our performance in the previous year, achieving only **437 million euros in sales revenues**, which corresponds to a **drop of 5 percent** from the 460 million euros in 2019/20. Nevertheless, EUV again contributed a notable share to Group sales in the year under review and has established itself as a permanent fixture in our portfolio with a double-digit return on investment too!

#### IV.

After the business divisions and business fields, let us now turn to **sales revenues by region**, which we have illustrated in each case with background portraits of our field service employees. And here the picture is a familiar one as far as the leading positions are concerned.

- In **Germany**, our strongest single market, sales revenues fell from 612 million euros in the previous year to **579 million euros**, representing a **drop of 5.3 percent**. We believe this was mainly due to declines in the automotive business and in the supply sectors, but above all to a general reluctance to spend during the coronavirus pandemic.
- The other markets in **Europe** developed along very different lines for TRUMPF: As mentioned, growth was driven in part by sales revenues from our EUV business field in the **Netherlands**. At 461 million euros, the Netherlands thereby advanced to become the fourth strongest TRUMPF market after Germany, China and the US.
- Sales revenues in most other **European markets** were in decline or stagnant. We also associate this with sometimes drastic coronavirus measures, which affected our production and distribution. Overall, sales revenues in **Europe excluding Germany** fell by **4.6 percent** to **just under 1.4 billion euros**.

- Let's now take a look at the **American continent. North America** also performed weakly during the coronavirus pandemic, with sales revenues in the year under review falling by a total of **5.1 percent** due to currency effects.
- However, in our third-largest single market, the **US**, we recorded only a moderate **decline of 1.8 percent to 485 million euros** – and the US is now also very much back on track.
- In **South America**, sales revenues were down even more sharply for TRUMPF with a **drop of 11 percent**, which was predominantly due to the company's weak business performance in Brazil.
- Let us now look at the **Asian markets**, which performed quite differently and are largely responsible for an upturn in demand! In this part of the world, TRUMPF sales revenues rose by an impressive **18.7 percent to 948 million euros**.
- Sales revenues in **China**, our largest Asian market, recorded a **significant increase of no less than 51 percent to 525 million euros** compared with 348 million euros in the previous year. The main reason for this, as mentioned, was the earlier ramp-up of industrial production after coronavirus, combined with increased demand for electronics and laser applications, for example for battery cell production.
- **Japan**, traditionally a highly volatile mechanical engineering market, unfortunately recorded another significant decline of **minus 23 percent to 114 million euros**.
- We also recorded declines in **India** to 17 million euros, a **hefty drop of 34 percent**, which we explain in particular by the difficult situation caused by coronavirus. It should be noted, however, that India as a whole is not yet an important market for TRUMPF.



- Just like China, **South Korea** on the other hand managed to grow again, although at a much slower pace, with a **rise of 6 percent to 142 million euros**.

So, if we look at these figures – i.e. a drop in sales revenues in Europe, specifically in Germany, on the one hand, and a massive increase in sales revenues in China on the other – what does this now mean in terms of the shift in the TRUMPF Group's revenue split? You can see it in this chart:

- **Germany's share of TRUMPF's total sales revenues** has been falling steadily for years and now stands at **16.5 percent**, down from 19 percent in 2019 and 17 percent in 2020.
- **Europe excluding Germany** still accounted for **38.1 percent** of our sales revenues.
- The **share of the American continent** also fell again slightly from 19 to **17.9 percent**.
- Thanks to China, **Asia's share** of the TRUMPF Group's sales revenues has now risen to **27 percent**, up from 23 percent the previous year, with China as an individual market only about 50 million euros behind Germany – a figure whose symbolic value could hardly be greater in view of the economic policy debates. Especially in view of the fact that **Germany's revenue share** of less than 17 percent still stands in contrast to **more than 50 percent** of TRUMPF's **worldwide jobs**.

V.

Ladies and Gentlemen, after looking at our regional performance, I would now like to turn to the most important key figure, the **TRUMPF Group's operating earnings before interest and taxes, namely its EBIT**.

- In the fiscal year 2020/21, this increased very significantly by **19.5 percent** to **370 million euros** compared to 309 million euros in the previous year. We were even able to exceed our pre-pandemic level of 349 million euros in fiscal year 2018/19, which is truly a great success for the entire TRUMPF workforce, and one that can be clearly stated as such on a day like this!
- In the year under review, the Group's **EBIT margin** was a pleasing **10.5 percent** compared with 8.9 percent in the previous year.
- This strong return on investment is mainly due to an increase in productivity, a change in our product mix, and consistent savings in non-personnel costs.
- Investments in buildings decreased by a quarter compared with the previous year. But savings on trade shows, flights, overnight stays, and external consulting services also helped us increase profitability. And also, the scaling back of flexible capacities.
- This did not affect our investments in areas such as sustainability as part of our climate protection strategy. I'll get to that in a moment.

## VI.

This brings me to our investments and headcount development, starting with **research and development spending**, our investment in the future:

- **TRUMPF's expenditure on R&D** rose again by 1.4 percent to **382 million** after a slight decline in the previous year. This means that the **R&D ratio** as a percentage of sales revenues has once again increased slightly to **10.9 percent**, which is still at a very high level and well above the 3-percent average for the mechanical engineering sector. Companies such as TRUMPF or ZEISS are an exception here in terms of R&D applications.

- The global number of **TRUMPF employees** increased by **3.1 percent** to **14,767**; we have since welcomed our 15,000th employee to TRUMPF.
- Of the almost 14,800 employees at the end of the 2020/21 fiscal year, **7,602 worked in Germany**, which corresponds to an **increase of 2.2 percent** and, as mentioned, accounts for more than half – with 4,400 here at our headquarters in Ditzingen and Gerlingen.
- In other words, more than a **third of TRUMPF's global workforce** works here in Ditzingen, and just under half in Baden-Württemberg. Although, as we have just seen, Germany's share of sales revenues has now fallen to less than 17 percent. Even if there is no direct causal connection, it is a symbol of how important our home location is to us – and where we are growing in terms of capacity even though other markets are developing more dynamically! But: We have a concentration of development expertise in Germany, which is one of the advantages of the location.
- In the year under review, **517 young people also completed a training course at TRUMPF** or a co-op work-study program. At **3.6 percent**, the **training ratio** was exactly the same as in the previous year – we continue to train above demand. TRUMPF continues to take its socio-political responsibility as a family-run company very seriously in this field as well.
- And one more word about coronavirus and the presence of our workforce. We are, which will not surprise you, a production site of the manufacturing industry. That's why 'only' around **40 percent of employees** at the Ditzingen site were working from home on average during the year — or, to state it in correct terms: They worked on a mobile basis.

- TRUMPF has also been making use of the short-time working scheme in that time. The **short-time working rate** averaged **30 percent** between July and September 2020. However, in the last quarter of 2020 it was only at 18 percent, as we had already started to ramp up our production capacities again. **Since January 2021, we have no longer used the government tool of short-time working.**
- A further distinction must be made over the course of the fiscal year: While virtually all central functions and parts of the production of the Machine Tool and Laser Technology business divisions went into short-time working, there was no short-time working in the EUV business field in Ditzingen or in Electronics in Freiburg, which is part of Laser Technology. In these areas, work continued at full capacity – although with enhanced safety precautions in place, of course.

## VII.

I would now like to move on to **investments** in the year under review, the reduction in which I already referred to when presenting the return on investment.

- We have scaled back investments by around a quarter to **145 million euros** compared with 194 million euros in the previous year. Tangible assets accounted for 142 million euros.

The following can be added to TRUMPF's **acquisitions** and **divestments**:

- Under a contract dated March 18, 2021, we acquired the Spanish software provider Lantek. Lantek develops, implements and maintains software around the world for sheet metal and metalworking with variable cutting technologies.
- Effective July 16, 2020, we sold our majority stake in BeSpoon SAS, to semiconductor manufacturer STMicroelectronics as part of a partnership in the field of UWB positioning technology. In return, we founded our own company, TRUMPF Tracking Technologies here in

Ditzingen.

- And even though we only announced the official launch a few weeks ago, meaning that the topic does not belong in the past fiscal year, I would like to take this opportunity to mention our activities in photonics and quantum technology – for example the longstanding preparations for the production of a quantum chip by our spin-off Q.ANT. More about that next year.

## VIII.

Ladies and gentlemen: **Sustainability** is a core concern for us as a family-run company, and not just since **climate protection** became the focus of public interest.

In addition to the social responsibility that TRUMPF has been practicing for decades with projects for education and social engagement, the economical use of resources and consistent reduction of greenhouse gas emissions have resulted in ambitious initiatives in recent years.

In its capacity as a processor of metal pre-products, TRUMPF's sustainability efforts cover issues such as **transparency within the supply chain** and how to maximize this, as well as compliance with international human rights standards.

Despite the restrictions imposed by coronavirus, we have taken decisive steps in all production processes, reaching for new targets now that we have achieved our previous goal of carbon-neutral production.

In light of this, an **integrated climate strategy** aligned with the Paris Agreement's 1.5 degree reduction path was adopted in the last fiscal year for the first time.

This means that our CO<sub>2</sub> reduction measures support the signatory countries'

goal of limiting global warming to 1.5 degrees. Our contribution is quantifiable in this respect. For example, TRUMPF **plans to invest almost 80 million euros in climate protection by 2030.**

Not everything we do in this area can be summed up in other words on an annual basis, but must be seen in the context of a multi-year strategy, the cornerstones of which I will only touch on here:

- **Emissions** at all TRUMPF sites worldwide will be approximately halved by 2030 – which equates to a saving of 2,000 tons of CO<sub>2</sub> per year.
- We are continuing our commitment to **energy efficiency** and aim to realize annual savings of 1.5 percent for electricity and 3 percent for natural gas and heating oil. This corresponds to a good 130 gigawatt hours by 2030. We are investing over 40 million euros on this alone.
- By 2027, all suitable rooftops at TRUMPF sites should be equipped with **solar cells**. The photovoltaic systems will generate around 15 gigawatt hours per year from 2027 onwards, enabling TRUMPF to cover 10 percent of its electricity consumption itself.
- The TRUMPF Group has been purchasing **100 percent green electricity** for 2 years now. The quality of green electricity is continuously increasing, with TRUMPF signing direct contracts with renewable energy producers such as wind farms in the future.
- We will offset any emissions that cannot be completely eliminated by 2030 by supporting **climate protection projects**. The climate protection projects in question have all been awarded the Gold Standard or comparable certifications. To be clear about this: Carbon offsetting is a temporary solution that TRUMPF would like to avoid altogether in the long term.
- And: We are working hard to achieve a 14 percent reduction in emissions in our upstream and downstream value chain by 2030. This

includes the purchase of goods and services and – this is where we have considerable leverage – **product use** by our customers, not to mention the transportation of our products to customers and our business travel.

#### IX.

So much, Ladies and Gentlemen, for the **key figures for the fiscal year**, which you can see **summarized** once again in the background. With the exception of investments, all parameters are gratifyingly pointing upwards.

This brings me as usual to the **outlook**. And this is ambivalent, which is partly due to the coronavirus pandemic, the course of which remains not entirely predictable despite all the progress that has been made, but has mainly to do with increasing **bottlenecks in the supply chain**:

- We can assume that our order intake and sales revenues will continue to develop positively over the course of the fiscal year.  
The positive trend in our **order intake** has continued in the first three months of the new fiscal year. At **1,235 billion** euros, our cumulative order intake is **54 percent** up on the previous year and **13 percent** higher than planned.
- The cumulative increase in **sales revenues** of **964 million euros** is somewhat weaker, but still very impressive and almost **27 percent** higher than in the previous year.
- Even though there is a delay between order intake and sales and we are **9 lower than planned** in terms of sales revenues, this is in line with seasonal expectations. After all, July and August in particular are traditional vacation months...
- However, similarly to in the automotive industry, whether we will be able to fully convert our high order intake of almost 4 billion euros into

sales revenues depends on the **situation with raw materials and upstream products** – and is therefore very vague.

- Apart from the above-mentioned **material bottlenecks in the supply chain, for example when it comes to chips and industrial PCs**, we do not consider a precise forecast to be reliable, not least because of the **situation on the energy market** with regard to transport costs and capacities as well as **inflation**.
- For the current fiscal year, which runs until June 30, 2022, we nevertheless expect, in the best-case scenario, to see bottom-line **growth in sales in the double-digit percentage range** and an **EBIT margin at a comparable level to the past fiscal year**.

As I said, it is still too early to be too optimistic, especially since coronavirus and the situation with the chips show us every day that things can change abruptly.

Positive **interplay between policymakers and business** is all the more important when it comes to further burdens on industry. What companies do not need in this current situation are greater burdens and more regulation, from the legal right to home-based working to liabilities in the supply chain for the actions of third parties.

And the EU plans now on track to increase CO<sub>2</sub> targets also pose a major challenge for European industry in competition with state-subsidized competitors in China, with the semiconductor industry currently seeing a repeat of precisely the same pattern we saw years ago in the solar module sector, where there are virtually no serious competitors left outside China.

## XI.

From TRUMPF's point of view, perhaps the most important thing besides our good figures is something I have saved for last – and our Chief Human Resources Officer Oliver Maassen can add to my few remarks right away in the



Q&A session. This is about our **new 'Alliance for Jobs 2025'**, in other words, how we will work at TRUMPF over the next four years, effective January 1, 2022. You are the first to be informed about this after our employees last Thursday.

So what is this Alliance all about?

If you look at the first alliances since 1997, you know that TRUMPF has always been a pioneer in our industry when it comes to work-life balance.

Long before coronavirus, we had mobile working – and to a greater extent than Mr. Heil's draft law in Berlin recently provided for.

The debate about the relationship between mobile working and on-site presence has gained momentum across Germany in recent months. At TRUMPF, however, we did not go down the path of other companies and communicate an arbitrary percentage for the next few months right at the beginning of the pandemic.

Instead, we took the time to come up with something really well thought-out that would actually fit our specific requirements at TRUMPF. These requirements vary hugely in practice when you consider clean rooms in Laser Technology on the one hand versus many office activities on the other, to take any pair of opposites. Our even our field service staff, to return to our motto of 'in the field'.

With this new Alliance, we are moving from an attendance culture to a results culture. We are creating the greatest possible flexibility for departments and teams without any specific percentage or hourly targets, so that they can shape the relationship between office-based and mobile working according to their work requirements and tasks. Managers will assume responsibility for the concrete form this will take.

In the new alliance, we are also saying goodbye to the so-called "alliance hours". Up to now, all employees covered by collective agreements have worked a certain number of alliance hours to safeguard employment. We will

now gradually reduce these to zero hours by 2024. In doing so, we are collectively responding to an important concern on the part of the workforce.

We will gradually melt away the hours starting in 2022 so that all areas that already have the hours firmly scheduled in their time and production models can easily accommodate the change. We are thus giving Production the necessary time to restructure accordingly.

Following the expiry in July 2024 of the employment protection that is currently firmly agreed, we have agreed that in the event of a crisis we will sit down with the Works Council to discuss any measures required. We then have various options available to us for crisis management, such as our new 'economy account' with paid-in overtime; some instruments can also be used via the collective agreement.

Also to be highlighted in the new alliance, however, is a 'shared working time account', which is the really new idea that we remunerate the overtime worked by our employees and the participation in what has been achieved in a different way:

- In future, half of every hour of overtime will be used to build up security for employees in the event of fluctuations in the business cycle.
- The second half will be given to employees for their own use, either through compensatory time off or cash payments.

In this way, we will reduce bureaucracy and simplify the 'jungle' of time accounts and, in addition to securing employment in the business cycle account, create maximum flexibility for employees in using the overtime they have worked.

And: From now on, all employees not covered by collective bargaining agreements will, without exception, benefit from trust-based working hours, as is already the case at present for heads of department and managing directors.

As a final point, we agreed on some construction measures to safeguard the site in Ditzingen. This not only includes so-called Production Area 4, the construction site in the direction of the agricultural land you may know... There is also the construction of the new Customer Center diagonally across from here, as well as a new state-of-the-art training center.

As I said, these are just a few key points. Thank you for your attention. We will now be happy to accept questions, which Mr. Möller will moderate.