

- Check against delivery -

**"ahead"**

**Statement**

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**Annual Press Conference 2022**

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Good morning Ladies and Gentlemen,

I would also like to welcome you to this year's Annual Press Conference. We know that you have a lot to do in these turbulent times - and that now there are practical video formats for corporate reporting. That's why we're all the more gratified that you've come along in person to Ditzingen today!

In the following, I'd like to present to you the figures for the fiscal year 2021/22, which lasted until June 30, 2022. As I did last year, I'd like to begin briefly with the Covid-19 statistics of TRUMPF SE & Co. KG – the official name of our company ever since February 9, 2022. Then I'll be talking about sales, incoming orders, earnings, and return on investment. Finally, you'll be hearing some statements on current developments - such as the increase in gas and electricity prices - as well as on our expectations regarding the economy. Afterwards, as usual, there should be plenty of time for your questions.

I.

But first, a word about the motto of this year's annual report. We want it to come across as a positive description of where TRUMPF is – despite all the disconcerting news. Being "ahead" – in the technological as well as the entrepreneurial sense – has always been part of our self-image. This fall, however, it's especially true. In two months' time, and especially from the spring of 2023 onward, we'll be marking TRUMPF's 100th anniversary with various communicative measures.

So it does give us a certain satisfaction to be able to present you with "good to very good" figures this year - without losing sight of the immense challenges that lie ahead of us at the start of the anniversary year. More on that later.

Incidentally, the penguin cover of our Annual Report is taken from the "Genesis" volume by perhaps the most famous nature photographer of our time, the Brazilian Sebastião Salgado. The photo could be seen as

representing that proverbial 'leap into cold water' that's needed when investing in new technologies. And that might just be what family-owned companies stand for. TRUMPF has been one since 1923.

However, our choice of this particular photographer also represents the increased importance of sustainability and the protection of natural resources in our industry, on a global scale - in production, as well as in the products at the customer. Here, too, it's important to be "ahead". I'll come back to that again later in connection with TRUMPF's climate measures.

## II.

Let's start with a quick look at TRUMPF's Covid-19 statistics. This is the third time since October 2020 that I've addressed this topic at an annual press conference - despite a noticeable improvement in the situation this fall as compared to the first two years of the pandemic.

For the past fiscal year as well, it can be said by way of introduction that the spread of Covid-19 in the TRUMPF Group was, all in all, very manageable. As of the reporting date of June 30, 2022, the company recorded 3,958 Covid infections worldwide, 822 of which were in Ditzingen. Compared to the lower values in the previous year, these can be attributed to the increased infections abroad as well as advanced test diagnostics and systematic recording.

We currently don't record cases of Covid – and we expect the situation to ease still further, in line with the general trend in many countries. However, we are currently adapting internal measures such as a possible mask requirement, distance rules, participant numbers, and so forth, all of which goes without saying.

## III.

Ladies and gentlemen, this brings me to the business figures, and the preliminary statement that TRUMPF has succeeded in realizing a

satisfactory fiscal year. Let's first take a look at the sales revenues of the TRUMPF Group:

Despite the tense global supply chains as well as the pandemic-related restrictions, we recorded an increase in sales of 20.5 percent in the fiscal year 2021/22 as compared to the previous year. As a result, TRUMPF sales revenues lay at 4.2 billion euros - the first time ever in the company's history that TRUMPF has exceeded the revenue threshold of 4 billion euros.

This is good news, but it also has to be put into perspective - because despite this double-digit increase, sales did not rise at the same rate as the order intake. In the fiscal year 2021/22, the latter increased much more significantly to 5.6 billion euros. This corresponds to an increase of 42.1 percent compared to the previous year - twice as high as the increase in sales.

This means that we have achieved the highest order intake in the company's history. Nevertheless, the difference in relation to sales amounts to well over one billion euros, which is an expression of the situation – namely, that they are only able to process customer orders slowly, primarily as a result of a lack of individual parts due to strained global supply chains and limited logistics capacities. For some months now, the Ukraine war has added to the uncertainty regarding raw material and energy costs, leading to a noticeable slowdown in new orders; more on that later.

#### IV.

Following Group sales and the order intake for TRUMPF as a whole, let's take a brief look at our business divisions and business fields in terms of their individual sales:

The sales at our largest business division, Machine Tools, rose by 12.2 percent to 2.3 billion euros. The expected sales revenue from the planning could thus not quite be achieved. The reasons are obvious here as well: In some cases, machines could not be delivered due to missing components. Or there were delays in delivery, and consequently also cancellations by customers. As a result, the growth in sales of machine tools lagged behind the high order intake, as just mentioned. And it can already be foreseen that rising material and energy costs could perpetuate this trend.

The Laser Technology Business Division, on the other hand, achieved sales revenues of 1.6 billion euros, 21.7 percent higher than in the previous year. Our solutions for future fields such as solar technology or battery technology for electromobility underwent an especially positive development. TRUMPF lasers are increasingly being used in the production of solar modules and for welding battery cells. In other words, we are demonstrably benefiting from the transformation in the mobility and energy sector.

In addition to the two major business divisions, Machine Tools and Laser Technology, as in the previous year I would also like to highlight two particularly successful individual business fields. First of all, the Electronics Division, located at TRUMPF Hüttinger in Freiburg and Warsaw, grew to achieve sales of 344 million euros, corresponding to a 20 percent increase over the previous year.

TRUMPF Hüttinger's growth clearly resulted from the two global megatrends of digitalization and climate neutrality, especially in China. In addition, new business fields such as inverters for energy storage solutions contributed to the company's success. The industry has a high demand for semiconductor chips that are produced in perfect quality. Or for solar cells that achieve the highest energy efficiency thanks to TRUMPF Hüttinger technology.

In addition to electronics, I would also like to mention this year the separately reported EUV business segment, which technically belongs to laser technology – that is, the high-power lasers for our customer ASML. This customer supplies the systems for worldwide chip production, including shipments to the three largest chip manufacturers in the world: TSMC, Samsung, and Intel.

Following a slight decline in the previous year, sales revenues at our EUV business rose by 81.6 percent to 795 million euros in the period under review - significantly exceeding our budgeted sales.

EUV was therefore not only able to significantly increase its share of Group sales in the past fiscal year - for the first time, the Netherlands was also TRUMPF's strongest individual market in terms of sales in the fiscal year 2021/22. This top position is largely due to the strong growth of the EUV business field with our client ASML.

#### IV.

This takes us straight to sales revenues by region. During the period under review, the TRUMPF Group's sales share shifted - away from Asia and in favor of Europe and North America. For example, the Netherlands, mentioned just now, was TRUMPF's strongest single market in terms of sales for the first time, with sales of 838 million euros in the fiscal year 2021/22.

Behind it, the USA with 656 million euros became TRUMPF's second strongest market. Germany, with sales revenues of 589 million euros, ranked only third. The largest single Asian market, China, lagged behind its strong growth of the previous year, coming in fourth with sales revenues of 575 million euros.

We also recorded high growth in the major Western European markets of Italy (+31 percent), Austria (+13 percent), Spain (+18 percent) and the United Kingdom (+30 percent).

When looking at Eastern Europe, let me just say a few words about Russia and Ukraine "due to current events". As a result of Putin's war of aggression, sales in Ukraine and Russia fell by 34 percent and 28 percent respectively, and bear in mind that this happened in just the four months from March to June 2022. This figure will be even more drastic at next year's annual press conference – indeed, there may be no sales revenues to report at all.

It's important to note here that even before the war, the Russian market accounted for less than 1 percent of TRUMPF Group sales - about 35 million euros. Already at the beginning of March, we immediately ended our business relations with Russia. We also stopped the delivery of spare parts as well as the construction of a new branch office in Moscow - but continued to pay our employees, and have not formally closed the location yet.

Whether we will be able to maintain this in view of the current partial mobilization of reservists and Putin's threatening gestures is questionable, not to say doubtful.

Let's now take a look at the Americas. As indicated, sales in North America increased strongly. This applies in particular to the US, where we achieved growth of 35 percent. We were also able to increase our sales revenues in Canada and Mexico compared to the previous year. Last but not least, we recorded strong growth in South America - in Brazil, our largest market there, sales increased by 42 percent.

The Asian markets were unable to keep pace with the high growth rates in Europe and America over the past fiscal year - largely because of the pandemic. In China, despite difficult conditions as a result of the Covid measures there, we managed to increase sales revenues to 575 million euros. However, with sales growth of 9.6 percent, we fell significantly short of the strong growth of previous years.

Sales in the other Asian markets also rose only slightly overall. While Japan remained almost constant compared to the previous year at around 115 million euros, we had to report a drop in sales in the single-digit percentage range in South Korea. India, on the other hand, developed positively - with sales growth of 96 percent.

So what do these figures mean for the shift in the TRUMPF Group's sales share? You can see it in this graphic: Germany's share of TRUMPF's total sales decreased further, as mentioned, and was only 13.9 percent after 16.5 percent in the previous year.

This figure is relevant in that more than half of our more than 16,550 employees worldwide are still based in Germany. The share of Europe excluding Germany in our sales was now 42 percent thanks to the Netherlands. The share of the American markets increased to 19.4 percent. Asia's share of sales was down on the previous year at 24.2 percent.

#### V.

Ladies and gentlemen: After the regional development, I now come to the most important key figure, the operating earnings before interest and taxes of the TRUMPF Group. At 468 million euros, EBIT in the fiscal year 2021/22 was almost 100 million euros higher than the previous year, corresponding to an increase of 26.8 percent. This is a great success for the TRUMPF workforce, especially under the difficult conditions of disrupted supply chains. Our employees will benefit from this in this year's profit sharing.

The EBIT margin rose from 10.5 percent in the previous year to 11.1 percent in the financial year under review. The increase in earnings was driven by high sales growth, particularly in the EUV business segment, as well as by cutting non-personnel costs such as canceled air travel, trade fair booths, et cetera.

In addition to strong rising material prices in the second half of the year, the expiration of Covid measures and especially the elimination of short-time work had a dampening effect on an additional increase in returns that TRUMPF could have realized with sales growth of around 20 percent.

## VI.

This brings me to our investments, and the development of employee numbers. I'll start with research and development expenditure – our investment in the future:

At 448 million euros, research and development expenditure was again significantly above the previous year's level of 382 million euros (+17 percent). In relation to increased sales, the development cost ratio fell slightly to 10.6 percent, compared to 10.9 percent in the previous year. It remains at a very high level, however - well above the industry average. The number of our R&D employees increased by 14 percent to 2,623.

In other words, TRUMPF is and will remain a very strong research company. In this context, I would like to mention our activities in the fields of photonics and quantum technology, headed by my brother, which are also the subject of the magazine section in the new annual report. We made significant progress in both fields during the period under review. For example, the company Q.ANT, based in Möhringen, now has 60 employees and, after just two years, has made a name for itself here in the European research-economy network.

Not only employees in the R&D area but also the global number of employees - coming back to the parent company - also increased significantly over the past fiscal year. As of June 30, 2022, we employed 16,554 people. New jobs were created in the growth fields of EUV and electronics in particular, underlining our family-owned

company's claim to contributing toward value creation and employment in future fields with innovations, even in difficult times. Of the more than 16,500 employees worldwide, 8,417 were working in Germany at the end of the fiscal year, 4,894 of them here at the headquarters in Ditzingen with Gerlingen. That's 10.7 percent more than in the previous year!

Almost one third of TRUMPF employees worldwide work here in Ditzingen, and almost half in Baden-Württemberg – and this despite the fact that Germany's share of sales has decreased to less than 14 percent, as we just saw. Even if there is no direct causal connection, it's certainly a sign of how important our home location is to us.

In the year under review, 521 young people completed a training course at TRUMPF or a co-op work-study program, including completely new study courses such as cybersecurity. As usual, the trainee ratio was over 3 percent. To give a concrete example: in view of the overall increase in jobs at TRUMPF, this means that in Ditzingen alone, we have 40 more trainees this year than last year.

## VII.

Other investments increased by 50.1 percent to 218 million euros compared to the previous year's level (145 million euros). Property, plant and equipment accounted for 200 million euros, and intangible assets for 18 million euros. Plots and building extensions made up 30.8 percent of the total investment sum. Technical equipment and machinery accounted for 25.3 percent, and factory and office equipment for 35.7 percent.

The following should be added to the acquisitions and divestments of TRUMPF:

In July 2021, we increased our existing stake in the Dresden-based software company ZIGPOS from 25.1 percent to 51.3 percent. The

objective here is to intensify cooperation through the joint implementation of further products based on the omlox localization standard. ZIGPOS already supplies software components for TRUMPF's Track & Trace indoor localization system.

In August 2021, we agreed on a strategic partnership with STARMATIK S.r.l., an Italian-based company specializing in robot automation for press brakes. In this context, TRUMPF acquired a 25.1 percent stake in STARMATIK, which supplies specific modular solutions for TRUMPF's Smart Factory solutions that take into account the trend toward automation.

At the turn of the year 2021/22, to strengthen our Additive Manufacturing division, we acquired the share of SISMA S.p.A., also in Italy, in the joint venture TRUMPF SISMA S.r.l. and thus increased our share from 55 percent to 100 percent. We will moreover be continuing SISMA's Laser Metal Fusion business.

At the beginning of 2022, we were able to acquire an 80 percent stake in Active Fiber Systems GmbH (AFS), a company based in Jena that specializes in ultrashort pulse fiber laser systems. TRUMPF expects the majority shareholding to generate synergy effects in research and further development of the existing ultrashort pulse laser portfolio, resulting in business expansion in this area.

Last but not least, in May 2022 we acquired the remaining 49 percent of the Indian software developer TRUMPF Metamation Private Limited, which specializes in the development of software applications and control solutions.

## VIII.

Ladies and Gentlemen: sustainability is a core concern for us. Regardless of the restrictions on supply chains or due to the pandemic, we have taken further steps in our production and purchasing

processes that go beyond TRUMPF's balance sheet climate neutrality that was already achieved two years ago. Against this backdrop, an integrated climate strategy was also adopted in the fiscal year before last; it is aligned with the 1.5 degree reduction path of the Paris Climate Agreement.

Our contribution can be quantified in concrete terms: TRUMPF emits around 75,000 tonnes of CO<sub>2</sub> per year. Two-thirds of that amount are electricity that we have already replaced worldwide with green power. One third is direct emissions from our plants, or about 25,000 tonnes.

TRUMPF is now investing 80 million euros by 2030 to not only compensate for these emissions with certificates, as is common in the industry, but also to reduce them by almost 50 percent in real terms compared to the 2018/19 fiscal year – that is, to prevent them from occurring in the first place!

Our measures must be seen in the context of a multi-year strategy, which we have divided into three strategic areas for action - Locations, Products, and Supply Chain. As mentioned, emissions at all TRUMPF locations worldwide will be reduced by more than half by 2030. We are also working hard to reduce emissions in the upstream and downstream value chain. This includes the purchase of goods and services, and also what amounts to an especially large lever for a highly innovative company: the product use of TRUMPF machines by our customers, who are using less and less electricity.

To put it more succinctly, we can say that we save a total of 20,000 tonnes of CO<sub>2</sub> per year in the "Locations" strategic area for action, in terms of electricity and direct emissions from heating processes, for example. In the "Products" strategic area for action, however, there is a potential saving of a further 4 million tonnes of CO<sub>2</sub> in the energy efficiency of the new machines that we will be launching on the market in the future. This is where we are focusing our attention: we are

contributing to climate protection not through a general renunciation of growth, but through intelligent, efficient technologies and processes.

## IX.

So much, Ladies and Gentlemen, for the key company figures for the fiscal year, which you can see in the background once again at a glance. However, this brings me to the outlook, where there is definitely cause for concern.

Thus, in view of the "triple" crisis factors with which you are all familiar - the consequences of the pandemic, the disrupted supply chains, and the rise in energy prices and raw material prices due to the Russian war of aggression in Ukraine - we do not expect to be able to achieve the same high growth in order intake and sales in the current fiscal year to June 30, 2023 as we did in the past fiscal year.

The same applies to the return on investment. This is because we will only be able to account for many cost increases for materials, transport services, energy, and possibly sharply rising wage costs in the current fiscal year. Up to June 30, 2022, these did not have such a significant impact. We cannot be more specific right now.

In view of the increasing geopolitical uncertainties - in addition to the war in Ukraine, the situation in Iran, the tensions between the USA and China, but also the drifting apart of the EU - I am also pensive about the overall economic development.

At the same time as the war in Ukraine, the Chinese side is threatening Taiwan with a military strike. The fact that this news is particularly worrying for us - as a supplier of large chip producers based in Taiwan - does not need to be mentioned separately...

It should be noted here that the tensions between the USA and China have not yet had any direct impact on TRUMPF. For example, we only

supply our partner ASML for EUV so TRUMPF is not directly affected by the supply restrictions for EUV. My brother can elaborate on this later. ASML has never been allowed to supply EUV systems, to which we contribute together with ZEISS, to China. These go almost exclusively to Taiwan, Korea, the US and, in the future, also to the EU.

However, a restriction on EUV could hypothetically increase pressure on China to further develop its own lithography equipment.

Above and beyond EUV, the keyword "decoupling" is also a major topic for TRUMPF with regard to machine tools, laser technology and electronics.

Unlike automotive manufacturers, for example, TRUMPF is less dependent on China in terms of product sales and the supply of preliminary products - but it is very dependent on China when you look at the entire value chain, including Tier 2 and Tier 3 suppliers.

Numerous connectors, cables and electronic components for controls, sensors and drives come from China. This means that deliveries would quickly cease and our production be severely affected if China were to close its borders. The best proof for this mechanism was the shutdown in Shanghai.

China also represents a big sales market for our machine tools and lasers, which we can only do without under serious consequences. Especially since we as national economy are already in a highly fragile situation at the moment in terms of raw materials policy by withdrawing from Russia. Further bottlenecks would be an additional threat to the economy.

X.

Ladies and Gentlemen: that said, we already see a restraint in demand in some markets when we look at the first three months of the current fiscal year between June and September. In analogy with the forecasts of the major economic research institutes, which warn of a recession

and damage to Germany's industrial structure, but also of the VDMA, we register the danger of a decline in production in our industry.

Thus, the VDMA expects a noticeably weaker order situation in the coming months. Above all, the uncertain costs of electricity and gas are significantly restricting the earnings and investment power of companies.

My husband recently said this at a VDMA press conference, and he can expand on it in a moment during the Q&A session.

In individual cases, these costs even pose an existential threat to companies, which is why I would like to add that everything that is available in terms of power plant capacities in Germany must also be and stay connected to the grid, to support grid stability.

We at TRUMPF are also feeling the effects of the gas shortage and recent price increases. TRUMPF is not a gas-intensive company comparable to the chemical, paper, glass or cement industries. We need gas primarily to heat our production and office buildings, and only to a limited extent for the manufacturing process itself, such as in the laser clean rooms. But it is also crucial for the production of our EUV lasers. Here, we cannot afford power outages. We compelling need a stable voltage – that is no interruption of the power supply.

In contrast to the industries mentioned, the share of energy in our total operating costs is much lower and lies between one and two percent. Nevertheless, we are seeing at least a doubling of gas and electricity prices since last year, which will put an additional strain on our earnings in what is already a difficult economic period. We are talking about a double-digit-million euro amount in terms of energy price increases for the German sites alone.

The TRUMPF Managing Board has therefore a long time ago decided on measures to reduce gas and electricity consumption. Starting in

May, gas consumption at the headquarters in Ditzingen was reduced by more than half during the summer months. The main measures were the use of new heat pumps, the reduction of system running times and dehumidification in the air-conditioning systems, especially in the offices, as well as system optimization (for example, lowering setpoints). TRUMPF is currently examining further measures for the more heating-intensive winter months.

## XI.

Despite this, we are doing our utmost to usher in the anniversary year of 2023 in January successfully and full of optimism – and also this week, with new products at one of our leading trade fairs, the EuroBlech in Hanover.

Nevertheless, from many personal conversations, we are fully aware of the current monetary as well as mental burden being placed on our employees, and it is to them that I'd like to say the following: We expressly support the state relief measures, including a price brake from spring onwards, as well as the decision to use all forms of electricity generation, including the continued operation of nuclear power plants at least until spring.

Thank you for your attention.

We now look forward to your questions – the session will be hosted by Mr. Möller.