

# ANNUAL GENERAL MEETING

Jungheinrich Aktiengesellschaft, Hamburg, Germany  
17 April 2018

# DRIVE

JUNGHEINRICH 4.0

## MANUSCRIPT OF THE SPEECH DELIVERED BY

HANS-GEORG FREY  
Chairman of the Board of Management  
– Check against delivery –



Dear Lange and Wolf families,  
esteemed shareholders,  
shareholder representatives and guests,  
ladies and gentlemen,

I am delighted to welcome you to today's Annual General Meeting for the 2017 financial year. We have good news for you: the 2017 financial year was a good year for Jungheinrich. As a result, your dividend will once again be increasing. In addition, we are celebrating our company's 65th anniversary in 2018. After all, "65 years of Jungheinrich" is a special growth story. It all started with a handful of employees and a small production site here in Hamburg, a bit like a "start-up". Today, we are a leading solutions provider for the intralogistics sector.

The basis of this development was created by our company's founder, Dr Friedrich Jungheinrich, with his entrepreneurial courage. Today, we are still putting what are said to be his legendary words, "go for it!", into practice. He showed absolute determination and drive in moving his company forward. His goal was to use innovation to make the work in the warehouse easier and more efficient. And it is this special drive that forms the cornerstone of the company's success story and endures to this day. This is one of the reasons why we have chosen the topic of "drive" as the motto for our Annual Report.

This motto refers to all of the different meanings of drive. First, the inner drive of our more than 16,000 employees worldwide. Second, the drive that can be seen on the outside - through our products and solutions that are changing the world. One good idea that arose 65 years ago has thus turned into what is now an international group. From the hand pallet truck

named after the German word for ant, “Ameise”, to the reach truck and narrow-aisle trucks with a lifting height of up to 18 metres; from manual devices to fully automated warehouse systems, including digital solutions; from the early days of electromobility in 1953 to the company's own comprehensive production of electric trucks with electronic control units, batteries and chargers. All of these were developed on the solid foundation of values of a family business.

## **Business development**

Let's start by taking a look at the figures for 2017. A dividend of 50 cents per preferred share represents an increase of 14 per cent and is the highest dividend paid out since the company went public, with a payout ratio of 28 per cent. This means that the total dividend distribution has increased by a factor of 2.5 within 10 years. Ladies and gentlemen, as you can see, shares in Jungheinrich are a solid investment!

If we take a look at the market, we can see that the global market for material handling equipment has risen by 18 per cent over the past year, with our core market of Europe growing by 12 per cent. This means that Europe currently accounts for 34 per cent of the global market volume for material handling equipment and was already overtaken by Asia a few years ago, with a current global market share of 41 per cent. The worldwide increase in demand in the Warehousing Equipment product segment comes to 17 per cent and the global market volume for battery-powered counterbalanced forklift trucks is up by 14 per cent. These are both areas that are particularly important to us. As an electrical specialist, we are benefiting from the trend towards electric drive technology, which plays to one of Jungheinrich's strengths.

This positive market development is also reflected in all of Jungheinrich's key figures for 2017. Incoming orders and production both rose by 13 per cent to 123,000 and 120,000 units respectively. Net sales increased by 11 per cent to 3.4 billion euros – driven first and foremost by new truck business, with growth of 19 per cent to 2.1 billion euros in net sales. Developments in the strategically important "Logistics Systems" division are particularly encouraging, with net sales up by 32 per cent to 581 million euros. In addition to the general positive development, two major orders had a special effect in this respect. EBIT amounted to 259 million euros after growing by 10 per cent, while EBT rose by as much as 13 per cent to 243 million euros. The 18 per cent increase in net income to 182 million euros is especially encouraging. This development is based, among other things, on the lower tax rate of 25 per cent.

Nevertheless, ladies and gentlemen, these are yesterday's figures. It is now time to focus on 2018, and we are taking an optimistic view towards the 2018 financial year. The figures for January and February show further growth and prove that we are still on track. Production rose by 8 per cent to 19,600 units, while net sales increased by 16 per cent year on year to 562 million euros, driven in particular by the disproportionately high production of large trucks and the processing of project orders. We increased the value of our incoming orders by 6 per cent to 584 million euros and also achieved a 6 per cent increase in our incoming orders in terms of quantity to 20,800 units.

We expect the exceptional dynamics seen over the last few years, in which we achieved double-digit growth rates, to normalize in 2018. In addition, we must remain vigilant, because the forecasts suggest that economic growth has slowed slightly. In our core European market,

growth in 2018 is tipped to be lower than in the previous year. As far as the current financial year is concerned, we expect to see incoming orders of between 3.75 billion and 3.85 billion euros and net sales of 3.6 billion to 3.7 billion euros. We estimate that EBIT will be between 270 million and 280 million euros.

## **65 years of Jungheinrich**

Ladies and gentlemen, it goes without saying that 65 years of Jungheinrich is more than just a number. Rather, I would like to explain to you how this sort of positive development can be achieved. We are firmly convinced that this is only possible with a very special type of drive, for example by picking up on trends early on, thanks to our flair for development, listening to our customers and our courage in implementing the right structures. At Jungheinrich, this special drive comes from over 16,000 employees and their innovative strength, problem-solving skills, clear customer focus and dedication. It is with this drive that we are forging ahead with our concept for the future “Jungheinrich 4.0” together. Let me give you three examples.

First of all: automation. It is not just in our industry that day-to-day working life is being shaped by the trend towards automation – driven by increasing e-commerce and online business, among other factors. Our customers are faced with enormous challenges with regard to automation, digitalisation and interconnectivity. With the motto “ordered today, delivered today”, which summarises what our customers expect of us, we have to facilitate the very fast and efficient handling of complex logistics processes as a solutions provider for the intralogistics sector. Jungheinrich picked up on this trend towards automation early on and is even one of the forces driving it. We have been building automated

trucks since 1962 – for more than six decades. This is an approach that we have been pursuing consistently ever since. This means that today, we are a mechanical engineer, logistics systems provider and software developer all in one.

In concrete terms, our solutions for automation include automated guided vehicles. As I have already mentioned, Jungheinrich developed the first driverless truck back in 1962. Today, for example, we have the EZS 350a, an automated tow tractor. This device works very precisely using laser navigation and can transport a trailer load of up to five tonnes – on a fully automated basis. It is used mainly in the automotive industry and offers the highest levels of efficiency and process security. Or take, for example, our STC 2B1A stacker crane – our latest world premiere that we unveiled a few weeks ago at the LogiMAT trade fair in Stuttgart. It is the most powerful stacker crane in its class and requires up to 25 per cent less energy than its competitors. This allows our customers to achieve increased handling performance with reduced operating costs.

Secondly: digitalisation. At Jungheinrich, we are not just focussed on forklift trucks. We think holistically, keeping on top of everything, and have now mastered the entire warehouse. In terms of achieving holistic warehouse development, it is important to offer not only individual, singular digitalised products, but also consistent, well-thought-out and tailor-made 4.0 solutions that are a perfect fit for each and every one of our customers. Think of the warehouse system like an orchestra: various components that are brought together perfectly by a conductor to create a harmonious melody. This is what the Warehouse Management System, or WMS for short, does in the warehouse. We also call it the "brain of the warehouse". Our WMS has just received the "2018 best

factory software" award. It administers, manages and optimises all internal material flows in the warehouse. The big advantage of our system is that it can be connected to any ERP system implemented by the customer. We have an interface software package, which we call the logistics interface, to achieve this.

Jungheinrich is the only company in its industry to offer comprehensive and optimally interconnected solutions. We plan, develop and implement fully automated warehouses and also assume responsibility for service.

Third: energy efficiency. Jungheinrich is an electrical specialist – and has been since 1953. We produced over 120,000 trucks last year and around 95 per cent of them are electric. No other competitor produces such a high proportion of electric trucks. Today, there are already more than one million electric Jungheinrich trucks operating in warehouses across the globe.

The question of efficiency is crucial. Who has the most energy-efficient truck? It bothered me that almost every competitor simply claimed that its trucks were the most efficient. How is a customer supposed to know who is right? This is why we prove it – with a guarantee! With our 2Shifts1Charge warranty, we promise our customers that our trucks can operate for two shifts with just one charge, making them the most energy-efficient. If not, the customer gets a second battery free of charge. To this day, for three years now, none of our competitors has provided this sort of warranty. I'd say that's proof enough.

And what about the future? Lithium-ion battery technology will increasingly play a key role in our e-mobility strategy. We launched the

first forklift truck ready for series production featuring lithium-ion battery technology back in 2011. In 2017, we had already sold 5,000 trucks with lithium-ion batteries and secured the biggest order in the company's history, namely for more than 1,000 trucks featuring lithium-ion battery technology in one fell swoop. In 2018, we are aiming to sell at least 10,000 trucks with lithium-ion battery technology. Here, we are also convinced that we offer the best technology, which is why we will be providing our customers with a satisfaction guarantee. Jungheinrich is living up to its name as a driver of innovation in the industry.

We have energy expertise that is unique to the industry, because we develop and build lithium-ion batteries ourselves at our own production site in Norderstedt, as well as producing perfectly suited charging and battery management systems.

One significant development is that we are developing completely new truck designs with lithium-ion technology. We showcased the ETV 216i as another world premiere at the LogiMAT in Stuttgart. It is the first reach truck with a lithium-ion battery permanently installed inside the unit. The ETV 216i no longer requires any battery changes and is the most compact and powerful truck in its class. This is a milestone in our truck development.

All of the named examples of products and solutions are the result of our research and development expenditure. We increased this expenditure again in 2017, most recently by 24 per cent to 77 million euros. We now have 538 employees in research and development, which corresponds to an increase of 17.5 per cent. We are firmly convinced that research

and development will play a key role in Jungheinrich's sustainable and profitable orientation for the future.

## **Our responsibility as a family business**

Ladies and gentlemen, Jungheinrich is a family business. This is what distinguishes us and our actions from our peers. To set it out in clear terms, we want to achieve sustainable growth and robust operations based on a long-term strategy and with a considerable focus on values. We have set out our goal of achieving long-term and profitable growth in our 2020 strategy – we want to achieve four billion euros in net sales in 2020. Obviously, there is also a plan in place for the period after 2020, when we wish to continue to grow profitably. As a family business, however, we not only pay attention to the company's figures, but also to our special responsibility towards our business partners, society and, most importantly of course, our employees.

Since 2010, we have created more than 6,000 secure and high-quality jobs. While we had 10,000 jobs back in 2010, this figure has since risen to more than 16,000 jobs today! We train a large number of young people every year in order to achieve this; last year, we had 446 trainees and apprentices worldwide in 18 different apprenticeships. We have received numerous awards as a top employer for our efforts in the field of HR. Our special responsibility is also reflected in the Dr Friedrich Jungheinrich-Foundation, which aims to support young talented engineers around the world. We also work closely with a large number of charitable organisations and projects, such as the medical aid organisation "action medeor". There are so many things to report on in

this area and I recommend that you read our CSR Report for more information.

Yet if we want to ensure, ladies and gentlemen, that businesses, and of course family businesses in particular, can achieve positive development and continue with their commitments, we need the right overall conditions in Germany. Nearly 60 per cent of all employees in Germany earn a living at a family-owned business. Family businesses like us are the backbone of the economy and society. We not only retain jobs, but we create new ones, too. We want to continue to focus our development and production in Germany – but without operating exclusively in Germany, of course. This is why it is important that policymakers create sensible overall conditions and provide business-oriented approaches, be it the urgent expansion of infrastructure and digitalisation, or implementing more flexible labour market legislation. Ladies and gentlemen, we must not erase past accomplishments by taking a short-sighted view. We appeal to the government to create sensible and sustainable economic and industrial policies for Germany as a business location.

If for no other reason, this action needs to be taken because the environment for German companies is becoming increasingly difficult around the world. Populism in Europe and in the US, Brexit, conflict in the Ukraine and in Korea, as well as numerous other topics make our day-to-day business more difficult. The debate surrounding duties and trade wars is particularly critical and poses a threat to free trade, which has been proven to contribute to prosperity for everyone.

That is why, as a family business, we are driven to stand up for free trade.

## Close

Ladies and gentlemen, let me condense “65 years of Jungheinrich” into two elements: A) We are a top 2 company in our industry in Europe, and in some markets, we are even the market leader. B) We have strong organic growth; over the last four years, we have achieved an increase of 50 per cent in net sales and have recruited 37 per cent more employees.

We are a company with more than 16,000 employees on five continents, with net sales of more than 3.4 billion euros, and we have 39 direct sales companies around the world and partner companies in a further 80 countries. We develop and produce innovation milestones in the intralogistics sector, such as the ETV 216i reach truck or the new STC stacker crane. And our goal is very clear: we will continue to write this success story for future generations by achieving solid, sustainable and profitable growth!

“65 years of Jungheinrich” is the result of a very special drive – a drive that comes from the inside, thanks to our employees. A drive that can be felt on the outside – with innovative products and intelligent solutions that are changing the world. And this special drive is what sets us apart from the competition.

65 years of Jungheinrich is a success story and the work of a fantastic team. We wish to extend our thanks to everyone who has worked towards it and who is continuing to make top-quality contributions – no matter what their function is or where they are based in the world. We would also like to thank the Supervisory Board for its constructive and

committed support of our work. In addition, I would like to thank you, our shareholders, for your loyalty and the trust that you have placed in us, and I extend my very special thanks to our family shareholders, the Lange and Wolf families.

In keeping with the occasion, I would like to thank Mr Franz Günter Wolf personally and on behalf of the entire workforce. He has been personally involved with Jungheinrich for almost 50 years now. He has been on the Supervisory Board for 28 years, since Jungheinrich was established as a stock corporation, making him the longest serving member of the Supervisory Board. He has played a major role in shaping the history and fortunes of the company and, together with both his family and the Lange family, he has always stood by the company and its workforce, even in difficult times such as 2009. He has always thought ahead and left the lion's share of profit to the company. I would like to thank him for the confidence he has shown in the team and for keeping us in check. I know that he will keep in touch with us and hope that he will go on to enjoy many years of good health. We will also do everything we can to position Jungheinrich successfully for the future.

Ladies and gentlemen, we look forward to your continued loyalty. Thank you and enjoy the rest of your day!