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Dürr AG

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This is an English translation
of a speech in German.

Chart 1: Welcome

Mr. Chairman, members of the Supervisory Board, shareholder and media representatives, guests and friends of our company, I wish to welcome you to Dürr AG's 20th annual general meeting, also on behalf of my fellow Board of Management member Ralph Heuwing and all our co-workers.

Chart 2: Agenda

I have three topics to address for you today:

1. A look back at 2008, which was a record year for Dürr.
2. Business development in the first quarter of 2009 and measures we are taking to counteract the economic downswing.
3. The outlook for 2009 from today's perspective. This is the most difficult part for me in view of the constantly changing forecasts of respected prognosticators, who seem to be correcting themselves all the time.

Chart 3: Best year of the past decade

2008 was Dürr's most successful year of the past decade. We largely achieved our goals and significantly improved key business figures. In the process, we were able to build especially on the following strengths:

1. Our worldwide presence, especially in the growth markets of Brazil, Russia, India, China, and Mexico.
2. A very solid financial position.
3. Our innovating power and leading market positions in almost all business areas.

4. The commitment and motivation of our more than 6,000 employees, who have decisively contributed to Dürr's regaining its former strength since 2005. Speaking for Mr. Heuwing and myself, I sincerely thank all our employees worldwide.

What did we accomplish in 2008 in detail?

Sales increased by 8.5% to €1.6 billion, which was within our target range of 5 to 10% growth. The sales plus would have come to 14%, if we had not selectively reduced the previously unprofitable business in final assembly conveyor systems to product areas that offer adequate margins. We have remained true to our principle that earnings have priority over sales at any price.

That a consistent orientation in favor of profit is the right path is shown by earnings before interest and taxes, or EBIT for short. They rose by 30% to €73 million and were entirely due to operating business, i.e., included no special income items. That gives us a return on sales of 4.5%, compared with 3.8% last year. A return of 5% would have been possible, but earnings were burdened by the last round of operating losses in final assembly conveyor systems and by deliberately accepted start-up losses in the aircraft business.

Consolidated net income also developed favorably, more than doubling to €46 million, thanks partly to good operating performance and partly to resolving a provision for tax expense. We want you, our shareholders, to take part in this earnings improvement and are pro-

posing a dividend of EUR 0.70 per share, which represents a conservative payout ratio of 26%. Measured by reference to the closing share price on 31 December 2008, the 70 cent payout results in an attractive dividend yield of 5.7%.

Dürr's capital structure also continued to improve. Its equity ratio reached the highest level in 10 years at 31.4% at the end of 2008, and thus surpassed the 30% target set by our "Dürr 2010" strategy two years sooner than planned. Net financial debt amounted to €34 million, which was also the best result in 10 years.

On the other hand, a different picture emerges regarding new orders, which fell by 18% in 2008. Apart from the reduction of assembly conveyor systems business, the main reason was that in December the automobile industry postponed capital investment projects negotiated with Dürr and worth €200 million in view of the severe economic downswing. However, these projects have not been completely cancelled, and the orders are to be placed in 2009 and 2010.

So much for the overview regarding the most important figures for 2008. Above all, the improvements in earnings and capital structure are – combined with suitable measures – essential prerequisites, to withstand a downswing such as we are now undergoing. Let me now consider some aspects of the 2008 results in more detail.

Chart 4: Well balanced regional business split

First, as to regional development. Dürr has 45 business locations in

20 countries. Half of the workforce is employed outside Germany, and almost one-fourth in the strategically important growth markets of Asia and Eastern Europe and in Mexico and Brazil, where we have strongly expanded our position, for example, in engineering, production, and purchasing. That puts us in a good position because the automobile industry is shifting its capital investments increasingly to emerging market countries. Almost 50% of our new orders in 2008 came from growth markets, an impressive figure compared with the average of German engineering firms. In contrast, Germany accounted for only 16% of new orders, and North America for 10%.

The situation is similar in respect to sales revenue, with growth markets contributing 43%. All in all, our sales were well distributed among the different world regions.

Chart 5: Significant earnings increase

A look at the income statement reveals an increase of the gross margin from 16.3% to 17.8%. That underscores that the earnings increase comes primarily from improvements in operating business. The fact that administrative and selling expenses rose by 1.2% and hence significantly less than sales revenue is also proof of our efficiency.

I have already mentioned the increases of EBIT and net income. On the other hand, a more detailed explanation is required for the financial result, which seems at first glance to have developed worse than in the preceding year. However, the € -26.3 million includes one-off expenditures of € 9.4 million incurred by redeeming half of our corporate bond

early and discharging our syndicated loan from 2004. Adjusted for this extraordinary expense, the financial result improved by 20%.

Chart 6 Refinancing

That brings me to an important success story in 2008: Early refinancing of the group at better terms. We executed this project in three stages:

1. An almost 10% capital increase in June, which brought in about €44 million.
2. Signing a new syndicated loan for €440 million in September.
3. Early redemption of 50%, or €100 million, of our bond.

My colleague Mr. Heuwing and his team were able to wrap this refinancing package up in early September, before the financial crisis critically worsened. It offers us substantial advantages:

- Lower interest expense from 2009 onward, since 50% of the bond interest is eliminated.
- More flexibility and greater financial maneuvering room.
- Assured financing until into the second half of 2011.

Particularly the aspect of assured financing cannot be overestimated in times like these. Together with an equity ratio of 31.4%, it is a powerful argument in contract negotiations with customers. In view of the large number of suppliers in distress, our customers greatly value having financially stable partners who reliably meet their delivery obligations on a long-term basis.

Let me now briefly discuss two motions before the meeting that will be voted on later. In agenda item 6, we propose to create new authorized capital. After the capital increase in June 2008, we want to restore Dürr's authorized capital to the maximum amount. That will ensure our ability to act whenever necessary, even though no capital increase is currently planned. The authorization to purchase the company's own shares proposed in agenda item 7 involves, as in the previous year, a purely anticipatory resolution that is likewise not tied to any concrete plans.

Chart 7: Dürr is creating value

Back to the numbers now. We again managed in 2008 to achieve significant positive cash flow from operating activities. The fact that it was, at € 31 million, lower than in the previous year is due to the above-mentioned postponement of orders in the fourth quarter and resulting absence of expected prepayments.

As you see on line 5, cash and cash equivalents declined significantly, which was solely due to the above-mentioned partial bond redemption. The return on capital employed (ROCE) also improved further. At almost 17%, the return on capital exceeds the costs of capital. That means Dürr again created value in 2008.

Chart 8: Dürr stock

Development on the stock exchanges was very unfavorable, as was the performance of Dürr stock. It was unable to resist the strong downward tide, which especially affected automotive stocks. Having

outperformed the comparison indexes until June, the stock declined in the second half and finished the year with a minus of 53.9%. In March 2009, it reached a low of €7.14, a level at which Dürr was only worth €124 million on the stock exchange. That is only slightly more than the value of individual business units of the Group. That again shows that the capital market is being driven more by fear than by fundamental valuation, which is another cause of the financial crisis, in my opinion.

An upward movement began in March. Yesterday, the stock price was at €14.00, but that still does not adequately reflect our positive prospects for the longer term.

Chart 9: Shareholder structure

Our shareholder structure did not change greatly in 2008. The Heinz Dürr family is still the largest shareholder, with a 42% stake, followed by investors ATON and Harris, which each increased their holdings. My Board of Management colleague Ralph Heuwing and I also bought stock and own a total of 1.3% of Dürr.

Chart 10: Campus

Let us take a brief look at the new Dürr campus in Bietigheim, to which we will completely move our Stuttgart activities just nine weeks from now. The Dürr campus is a modern, efficient, and functional development, training, and office complex for about 1,500 employees that will improve communication, shorten paths, and raise productivity and will make customer service even better. And, we have leased the campus, not invested in land and buildings, so we can use our funds for operat-

ing business and further innovation. Of course, the next annual meeting will be held at the campus.

Chart 11: First quarter 2009

Now to business development in 2009. There is good news and bad news. In the first few months, Dürr, too, was unable to disconnect from the financial and economic crisis. The automobile industry did not award any large capex projects in the first quarter, since it was struggling with severely declining demand.

That also found expression in our figures for the first quarter. New orders fell by almost 60%, but from a very high baseline above €500 million last year, and were thus in line with the German plant and mechanical engineering industry overall. Sales revenue declined by 13% due to construction delays in some ongoing projects for which customers were responsible. Nevertheless, we achieved clearly positive EBIT of €4.8 million in the first quarter of 2009. Our cash position and net financial debt also developed solidly in view of the market situation, and the equity ratio rose further to 32.2%.

Chart 12: Action plan I

Despite this robust development we are also directly affected by the downswing, and must counteract it with measures that I will outline for you now.

We have used the group-wide FOCUS program since 2005 to make Dürr a lean and more flexible enterprise. And we only moderately in-

creased our workforce, capital spending, and fixed costs in the upswing phase. On this basis, we are in a position to react quickly to the order decline and lower our capacities in 2009 by 15 to 20% without larger restructuring.

Concrete measures include:

- Cutting about 270 jobs in France and the United States.
- Reducing temporary jobs from 550 to about 100.
- Reducing overtime accounts.
- Hiring freezes and utilizing natural attrition.

Beginning in May, we will also make more use of short-time work in Germany to bridge over temporary utilization deficits, without having to part with highly skilled regular personnel.

Chart 13: Action plan II

To ensure optimal utilization of regular personnel, we are performing more services ourselves that we used to outsource, for example, in design, assembly, and production. We are also coordinating capacity utilization worldwide by moving work packages from more heavily utilized locations to group companies with free capacities. In the process, we are benefiting from the worldwide implementation of a uniform IT platform that allows work on a project from different locations simultaneously.

Ensuring liquidity is also a top priority for Dürr, so we are reducing the amount of tied-up capital through strict management of inventories and

receivables. All expenditures are also subject to tight controls, and savings opportunities are utilized in all areas.

We have lowered not only our costs in the past months, but also external risks. For example, our accounts receivable from Chrysler and General Motors have been consistently reduced, and the potential default risk lowered to about €10 million.

Chart 14: Marketing and product offensive

Besides reactive measures to reduce spending, we are also countering the downswing proactively with a targeted marketing and product offensive. Especially in the current situation, reducing production costs is a high priority for our customers. We are addressing that by marketing innovative products and services that contribute to more productivity and lower unit costs. So we will further increase our spending on innovation in order to expand our leading technological edge.

We intend to win more market share in all business units this year, also. Conditions are right for that. For one thing, our customers have confidence in us because, in contrast to some competitors, we are financially stable and have proved our power to perform in the execution of many projects. For another, we have made many new products and services ready for the market in the last 24 month, and they are exactly geared to customer needs in the current market environment. I will now briefly introduce some of these new products to you.

Chart 15: DryScrubber

The first is the EcoDryScrubber, an innovative paint booth concept that does not require fresh air to be fed in and processed constantly because the air in the booth can be recirculated. The EcoDryScrubber can thus lower energy costs in the overall painting process by up to 30%! That means savings per vehicle of up to € 15, which is a very interesting amount for the automobile industry, as our customers' great interest shows.

Chart 16: EcoPurgeLCC

Another example of innovation is the color changer *EcoPurgeLCC*, which makes it possible to change from one color to another in the painting process in less than 10 seconds. Paint loss, though unavoidable in changing colors, is reduced by over 80%, and savings of € 1 per painted vehicle are achieved. Considerable amounts thus quickly accumulate in large production runs, and that with minimal investment costs.

Chart 17: RTO

In environmental technology, we are helping to cut operating costs by minimizing the use of primary energy to heat exhaust-air purification systems. An example is our new regenerative thermal oxidizer (RTO) with integrated evaporation tower. Instead of burning costly natural gas, it uses the energy created by burning hydrocarbons contained in exhaust gases.

Chart 18: Energy audit

Reducing energy consumption also forms the main thrust of our service offensive. A new service with great demand potential, for example, is the energy audit, in which we systematically examine our customers' production processes for energy-saving opportunities.

Chart 19: EcoCJet

In the area of cleaning technology, our focus is on machines used to clean components for fuel-efficient engines. A good example is our new *EcoCJet* system, which uses a special water flooding process. Since this version works with only 15 bars of pressure, energy needs and CO₂ emissions are reduced by 70% compared with the predecessor model. The energy savings alone will already pay for the system in at most four years.

We are taking innovative paths not only in developing products, but also in cultivating new regions and market segments. Let me mention three examples of current initiatives.

Chart 20: Japan / Parker

Last year, we further expanded our position with Japanese automakers and successfully wrapped up projects for Toyota, Honda, and Nissan. We have considerable potential for growth in Japanese business. It only accounts for 5% of our sales revenue at present, although the Japanese produce about 25% of all autos worldwide. To develop this potential better, we entered into a cooperative agreement with Parker Engineering, Japan's third-largest painting systems producer,

at the end of 2008. That decisively improves our access to the Japanese automobile industry.

Chart 21 Balancing technology / Datatechnic

The second example of how we are generating growth in core business is from the area of balancing technology. In the beginning of April, we acquired Datatechnic, a French mechanical engineering firm. By acquiring this niche supplier, we now have the leading range of solutions for the turbocharger industry, from measuring imbalances to correcting them. Turbocharger production will increase worldwide by 40% in the period to 2013, and we will benefit from that with high market shares.

Chart 22: Aircraft business

The third example of developing new market segments is our business expansion in the area of painting and assembly technologies for the aircraft industry. We presented this part of the "Dürr 2010" strategy last year and can report significant progress today. The Aircraft and Technology Systems business unit, founded in spring 2008, has attracted the interest of new customers like Boeing, Bombardier, and Lockheed. Just a few days ago, we signed a large framework contract with Airbus for the delivery of 57 painting booths.

Chart 23: Pipeline

Now on to our outlook. The measures, innovations, and growth initiatives presented above underscore our intention to emerge from the downswing strengthened.

We expect that the automobile industry will continue to carry out strategic investment projects even in difficult times, and we have listed a large part of them in this chart. If you consider only projects that are relevant for Dürr and for which orders now seem likely to be placed by the end of 2010, the total is over €2 billion. In many talks with customers, we have received clear signals that some of the orders will be placed in 2009, e.g., in the United States, Eastern Europe, and China.

China in particular plays an increasingly important role for the automotive industry and thus for Dürr also. VW announced only a few days ago to invest € 1.6 billion in China until 2010, covering different steps of the automotive value added chain. Despite the global economic downturn experts expect unit sales in China to grow by 6 to 8% in 2009 and even 11 to 12% in 2010. Beyond our automotive activities will be strengthening our business with the aircraft industry, too. There are also several projects to be awarded soon in this sector.

Chart 24: Outlook 2009

As I said, we now expect many orders to be placed despite a significant general decline in capital spending, since otherwise our customers would have to call important strategic goals into question, e.g., regarding market entries, the launch of efficient car models or market share gains in the growing compact segment. The Dürr team is highly motivated to win a good share of those orders. Assuming success in that, we now expect only a moderate decline of business volume by 10 to 15% in 2009.

So much for the outlook. Before I come to the end of my comments, I would now like to congratulate you, Dr. Dürr, on a special milestone. Today's annual meeting is the 20th that you have led as Chairman of Dürr's Supervisory Board. I think there are not many supervisory board chairpersons in Germany who have performed this function for such a long time. Please accept my heartfelt congratulations and gratitude for your support, constructive criticism, and commitment to the well-being of our company through all these years.

I sincerely wish to thank you, our shareholders, the Supervisory Board, and bank representatives, for the confidence you had in us again in 2008. Dürr will emerge from the crisis strengthened and afterwards will resume its profitable growth of the past years. To accomplish that, my colleague Ralph Heuwing and I, as well as all members of the Dürr staff, are counting on your trust again in 2009.

Thank you very much. Now I would be glad to discuss your questions and comments.