



LEADING IN PRODUCTION EFFICIENCY

2012

ANNUAL REPORT

Setting new standards

1.1 / Key figures (IFRS)¹

		2012	2011	2010	2012/2011 CHANGE IN %
Incoming orders	€ million	2,596.8	2,684.9	1,642.2	-3.3
Orders on hand (Dec. 31)	€ million	2,316.8	2,142.7	1,359.1	8.1
Sales revenues	€ million	2,399.8	1,922.0	1,261.4	24.9
of which abroad	%	86.5	85.4	79.6	1.1 ppts
EBIT	€ million	176.9	106.5	36.6	66.1
EBT	€ million	147.7	85.8	12.5	72.1
Net profit	€ million	111.4	64.3	7.1	73.3
Cash flow from operating activities	€ million	117.6	127.9	55.4	-8.1
Cash flow from investing activities	€ million	-23.4	-62.6	-19.5	
Cash flow from financing activities	€ million	-43.6	-24.2	105.1	
Free cash flow	€ million	65.9	91.8	22.9	-28.2
Equity (with non-controlling interests) (Dec. 31)	€ million	432.1	364.3	319.4	18.6
Net financial status (Dec. 31)	€ million	96.7	51.8	23.6	86.7
Net working capital (Dec. 31)	€ million	98.6	32.6	27.3	202.5
Employees (Dec. 31)		7,652	6,823	5,915	12.2
of which abroad	%	55.4	54.2	50.4	1.2 ppts
Gearing (Dec. 31)	%	-28.8	-16.6	-8.0	
Equity ratio (Dec. 31)	%	23.9	21.9	26.3	2.0 ppts
EBIT margin	%	7.4	5.5	2.9	1.9 ppts
ROCE	%	43.9	28.4	10.3	15.5 ppts
EVA	€ million	97.3	45.9	-3.2	112.0
Dürr stock (ISIN: DE0005565204)					
High ²	€	69.76	35.50	24.51	
Low ²	€	33.75	20.68	14.17	
Close ²	€	67.50	34.00	23.87	
Number of shares		17,300,520	17,300,520	17,300,520	
Earnings per share	€	6.20	3.58	0.37	73.2
Dividend per share	€	2.25 ³	1.20	0.30	87.5

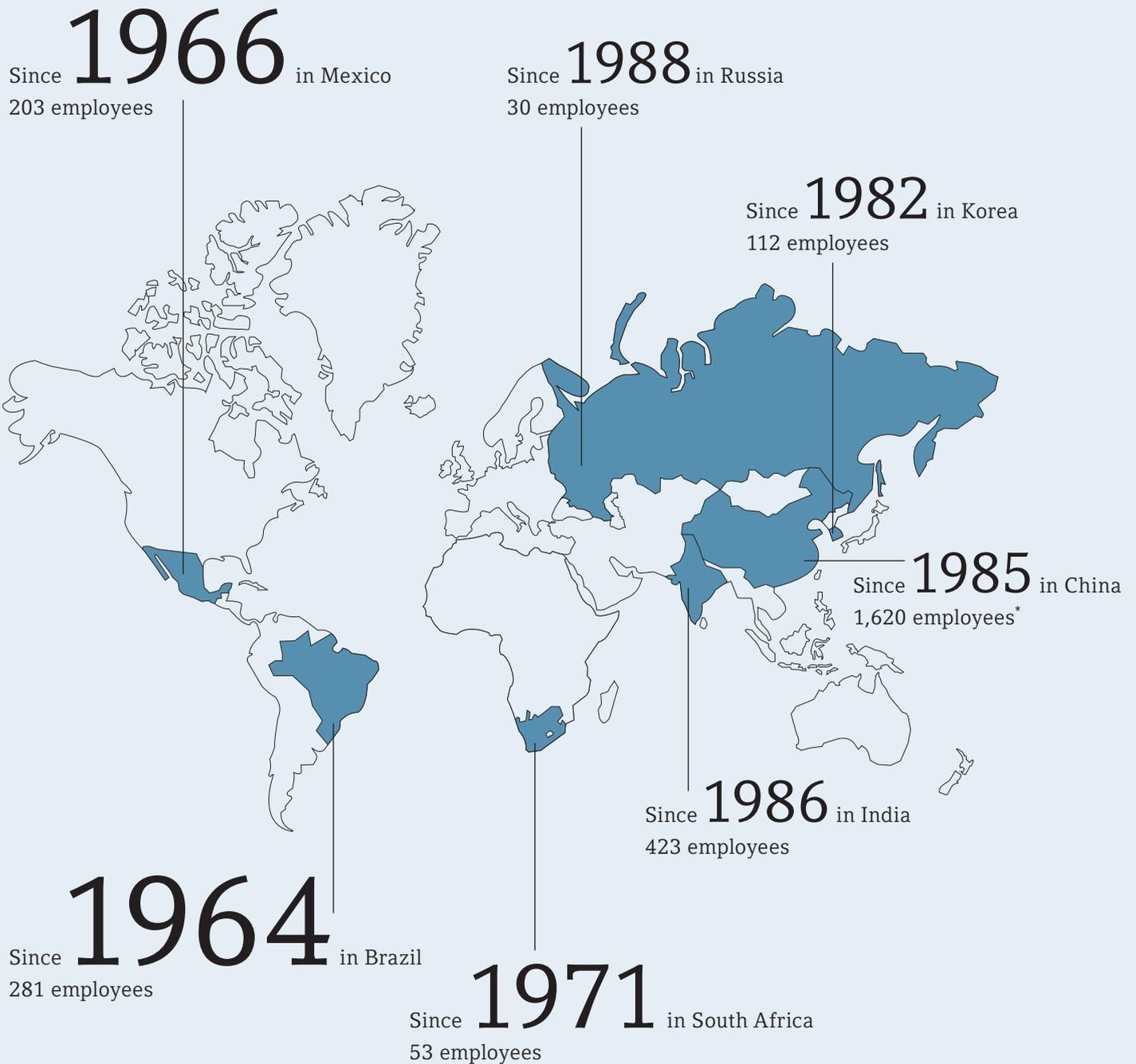
¹ The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted.

² XETRA

³ Dividend proposal for the annual general meeting

Minor variances may occur in the computation of sums and percentages in this report due to rounding.

1.2 / New markets accessed early



*including approx. 400 external workers



2012 /

Setting new standards

2012 was a successful year for Dürr. We exceeded our sales and earnings targets, leveraged our global presence and continued to invest in the sustainability of our sites.

Our success is based on the trust that customers place in Dürr. We want to prove that this trust is as justified as ever by helping our customers make their production processes even more efficient – with reliable order execution, dedicated service and high-performance technologies. Find out how we drive innovation, penetrate new markets and turn young people into experts in their fields of work starting on page 16 of this annual report, which is guided by the motto “Setting new standards.”



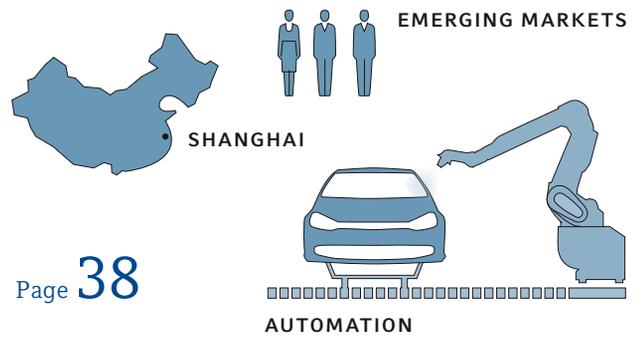
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Letter from the Board of Management

**DEAR SHAREHOLDERS,
CUSTOMERS, BUSINESS ASSOCIATES,
AND EMPLOYEES,**

A year ago, we formulated our objectives for the year 2012 with a mixture of optimism and commercial prudence. Our targets for incoming orders and sales were at least € 2 billion each and our EBIT margin was targeted to reach 5.5 to 6.0 %.

Twelve months later, we are pleased to note that we clearly exceeded these targets. 2012 was the most successful and probably one of the most exciting years in Dürr's history. Despite the turmoil on the capital markets, it became clearer from month to month that the high investment propensity of the automotive industry would continue unabated. The Dürr team did its utmost to generate orders from the numerous project inquiries we received from our customers. Our teams tirelessly planned, calculated, constructed and designed so as to provide the most efficient solutions for our customers' various production targets. We spent a great deal of time traveling, to speak to clients, executives and employees. In fact, Dürr staff members traveled a total of 43 million miles by air to meet customers in Shanghai, Detroit, São Paulo and Istanbul, as well as Puebla, Bangkok, Chennai, Port Elizabeth, St. Petersburg and Tokyo. These efforts certainly paid off: in 2012, customers across the globe placed orders with Dürr worth € 2.6 billion; as a result, we almost matched the all-time high we had recorded the previous year.

What counts above all for our customers is that we execute their orders reliably. After all, they entrust projects to us that are mission-critical for their success. We take this responsibility very seriously. In 2012, the number of projects we executed in parallel came to an absolute record. Again, the Dürr team delivered a top performance, met time schedules, instructed subcontractors, coordinated events on building sites and sometimes even accomplished the impossible. The two of us and the heads of the business units received a great deal of positive feedback on the commitment of Dürr's employees. We would like to pass on this praise, because without the dedication of our workforce, the record level of sales amounting to € 2.4 billion would not have been possible. Please accept our sincere thanks for your immense efforts!

We have worked hard on improving the efficiency and quality of our order execution process. We have implemented business processes, systems and structures, and looked for improvements everywhere, investing a great deal in doing so. A total of about € 20 million has flowed into Group-wide IT optimization in recent years. This has certainly proven to be worthwhile: thanks to uniform software and highly efficient technologies, our locations are coordinating their activities better with one another, sharing the work on large-scale orders. As a result, we



RALF W. DIETER (51)
CEO

- / Paint and Assembly Systems
- / Application Technology
- / Measuring and Process Systems

- / Corporate Communications
- / Human Resources
(Employee Affairs Director)
- / Research & Development
- / Quality Management
- / Internal Auditing
- / Corporate Compliance

RALPH HEUWING (46)
CFO

- / Clean Technology Systems
- / Dürr Consulting

- / Finance/Controlling
- / Investor Relations
- / Risk Management
- / Legal Affairs/Patents
- / Information Technology
- / Global Sourcing

are making more effective use of the capacities and skills in the Group, boosting our productivity in the process. Such a far-reaching level of IT integration as at Dürr cannot be taken for granted in the field of mechanical and plant engineering. Our IT system was extremely valuable to us in 2012, and we will continue to benefit from it in the future.

What is on the agenda for 2013 and beyond? At the end of February, we discussed this question intensively with executives from the Group as a whole at the Dürr Senior Management Meeting in Berlin. What we felt was an unconditional will to continue with our success stories of 2011 and 2012 and to achieve even more. After all, Dürr has many opportunities. Thanks to heavy investments in R&D, our innovation pipeline is abundantly filled. In emerging markets like China and Brazil, production growth in the automotive industry is accelerating. While the BRIC markets have not reached their zenith yet by far, a new growth market is maturing in Southeast Asia, with a population of half a billion amid rising affluence. In Europe and North America, where many car factories have meanwhile aged, the level of demand in the modernization business is growing. We plan to extend our service business across the globe; our growing base of plant installations provides an excellent starting point in this regard. We are also opening up a highly promising market with our new activities in the field of energy efficiency technology. More and more companies want to reduce their energy consumption. With our technologies for efficient use of thermal energy, we can provide them with effective support.

Following the robust growth of the past three years, for 2013 we have set ourselves targets of € 2.4 to € 2.6 billion for sales and € 2.3 to € 2.5 billion for incoming orders. The quality of earnings continues to enjoy top priority. Our EBIT margin is to continue from its high level of 2012 (7.4 %) and reach 7.0 to 7.5 %. The high ROCE of just under 44 % in 2012 underscores the strength of our business model: even when faced with high business volumes, Dürr only requires a moderate capital input, generating extensive cash flow from the operating business. We anticipate increasing cash flows over the next several years. This will give us leeway for targeted acquisitions – either to extend our energy efficiency portfolio or to augment our core business.

We believe Dürr is on a good track: the numerous process improvements in recent years are evidently bearing fruit. In China, Brazil and Mexico but also in Germany, we will become even more efficient thanks to extension work and the establishment of new locations. We plan to make use of our newly founded company in Thailand as well as the strong base of Dürr in China and Korea to develop the Southeast Asian growth market.

If you wish to find out more about our Southeast Asian strategy, we recommend that you read the article **ON THE UP** on page 24 of this report. The article **GETTING AHEAD** (page 32), introducing a junior project manager at Dürr as well as our trainee program, provides an exciting insight into the international plant construction business. From page 16 on, the heads of the six business units present innovations that have set new benchmarks in terms of production efficiency.

The good performance of Dürr's stock shows that the equities market has identified the potential that Dürr holds in store. In 2012, our shareholders made price gains of just under 100 %. In addition, there will be an attractive dividend payout: at the annual general meeting, the Board of Management and the Supervisory Board will propose a dividend of € 2.25 per share – in other words, 88 % more than the previous year. We had the opportunity to exchange views with investors in the course of many meetings in 2012. In doing so, we received sound assessments and valuable ideas – and we therefore plan to continue seeking this dialog in future. We wish to thank all shareholders for the trust and confidence they have placed in us. The same applies to our customers and business associates who rely on our products and services.

Sincerely,



RALF W. DIETER / CEO



RALPH HEUWING / CFO

Bietigheim-Bissingen, March 12, 2013

Report of the Supervisory Board

In 2012, Dürr achieved new record sales and earnings. The Group showed that it is capable of sustaining reasonable returns. That is important not only for its continued ability to pay dividends but also for the strategic development of the business. The earnings generated allow the Group to make the necessary investments to strengthen its position in the emerging markets even further, as well as to pursue its innovation strategy and to intensify its business in energy-efficient technologies. Another focus is on service, where Dürr has good possibilities for expansion thanks to its large installed base. The Board of Management is stepping up efforts to drive these strategic initiatives. At the same time, it manages the operating business in an economic environment that remains volatile. It is supported by the Supervisory Board in a constructive and critical way when making decisions and taking measures.

The Supervisory Board advised the Board of Management extensively in 2012 and performed all the tasks assigned to it by law and by the articles of incorporation. The Board of Management informed the Supervisory Board in a timely and comprehensive manner about business development and strategic projects, as well as company planning and any activities requiring consent. All resolutions adopted by the Supervisory Board were preceded by a thorough review based on written decision-making materials.

The Supervisory Board closely monitored the Board of Management's conduct of the company's affairs and confirms that the Board of Management always acted lawfully, diligently and economically. In operational, financial or other matters the Board of Management actively used the risk management system and regularly consulted the Compliance and Legal Department as well as Controlling and Internal Auditing. The Supervisory Board was immediately informed of any risks and supported the Board of Management effectively regarding the further development of the risk control and monitoring system.

The Supervisory Board held five regular meetings during the reporting period. In addition, the Chairman of the Supervisory Board had numerous discussions with the Board of Management and informed the members of the Supervisory Board of their outcome. The Supervisory Board Chairman supported the Board of Management in representing the company and with regard to political contacts.

MAIN FOCUSES OF THE MEETINGS

The Group's business development and financial position were discussed in detail at all the meetings held in 2012. The Board of Management provided regular information about the regional distribution of incoming orders as well as the development of sales, EBIT, return, cash flow, net financial status, and net working capital. In light of the high volume of business, the Supervisory Board was provided with regular updates on the workforce and facility expansion in Germany and the emerging markets.

The focus of the meeting held on March 14, 2012, was the review of the 2011 annual financial statements and the agenda for the annual general meeting on April 27, 2012. Further topics included the development of global automobile production, the aircraft production technology business as well as financial asset management. In light of the expansion of business in Southeast Asia, the Board of Management provided details on the formation of Dürr (Thailand) Co., Ltd. One of the topics addressed during the discussion of the first personnel report of 2012 was the age and remuneration structure within the Group.



DR.-ING. E. H. HEINZ DÜRR

At the meeting held on April 27, the results of the first quarter of 2012 were analyzed. Another topic was the high capacity utilization in China, acquisition plans in the area of energy efficiency technology and the capacity expansion at Dürr Brasil.

The agenda of the 100th Supervisory Board meeting of Dürr AG, held on August 3, included the offloading of pension obligations in the USA. The Board of Management also provided information on investment plans of the automotive industry and the new environmental technology business field VAM-RTO (removal of ventilation air methane from coal mines). The focus of the discussion of the risk report was the order execution process, while the main topics discussed as part of the second personnel report were further training and the development of junior staff.

At the meeting held in Shanghai on October 13, the Board of Management confirmed the business forecast for the full year 2012 that was raised in June. Further key points were the regional market development, the service business and the improved conditions for the syndicated loan. In its status report on the new business field of energy efficiency, the Board of Management provided details about the investment in heat pump specialist Thermea.

The main point on the agenda of the meeting held on December 12 was the corporate strategy. Besides the Board of Management, the heads of the business units also explained their goals and initiatives. The Supervisory Board then approved the company planning for 2013, acknowledged the planning for 2014 to 2016, and discussed the second risk report of the year. The Chairmen of the Board of Management and the Supervisory Board signed the new declaration of compliance on corporate governance at Dürr; further information on this topic can be found in the management report (pages 56 to 63).

CHANGES IN THE SUPERVISORY BOARD

At the annual general meeting on April 27, 2012, Klaus Eberhardt was elected to the Supervisory Board as a shareholder representative. Mr. Eberhardt replaced Joachim Schielke, who resigned from office with effect from the end of the annual general meeting. Dr. Dr. Alexandra Dürr was elected by the Supervisory Board as the successor to Mr. Schielke on the Audit Committee. The Supervisory Board would like to thank Mr. Schielke for his loyal service that has benefited the company for eleven years.

WORK OF THE COMMITTEES

The Personnel Committee, which is also the Executive Committee, met three times during 2012. Chaired by Dr. Heinz Dürr, it primarily dealt with questions relating to Management Board compensation, which is described in detail in the compensation report on page 60. The Nominating Committee, also chaired by Dr. Dürr, met once in order to draw up a proposal for the replacement of Mr. Schielke. The Committee recommended to the Supervisory Board on March 14, 2012, that Mr. Eberhardt be nominated for election at the annual general meeting.

The Audit Committee, chaired by Professor Dr. Norbert Loos, convened three times. It analyzed the quarterly, annual and consolidated financial statements, dealt with accounting matters and the offloading of pension obligations as proposed by the Board of Management, as well as with corporate financing, financial asset management and tax issues. It also proposed to the plenum the key points for the external audit and monitored compliance with capital market regulations.

The Audit Committee reviewed and confirmed the efficiency of the internal control system, the risk management system and the internal auditing system; it also reviewed the compliance organization and the financial reporting process. The audit results were presented to the Supervisory Board on December 12, 2012, and discussed in plenary session. The Audit Committee submitted additional reports at the meetings on March 14 and August 3, 2012. As in previous years, a meeting of the Mediation Committee was not required.

EFFICIENCY AUDIT COMPLETED

In 2012, the Supervisory Board reviewed the efficiency of its work as part of a self-evaluation. The efficiency of the Supervisory Board was rated good overall. The points for improvement were reviewed by the Chairman, discussed in plenary session and – where appropriate – taken into account for the procedures of the Supervisory Board.

AUDIT AND RATIFICATION OF THE ANNUAL FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft examined the annual financial statements, the consolidated financial statements, the management report and the Group management report for Dürr AG prepared by the Board of Management for the period ended December 31, 2012, and issued an unqualified auditors' certificate. The annual financial statements, consolidated financial statements, management report and Group management report were submitted to the members of the Supervisory Board in good time. They were discussed in detail with the Board of Management and reviewed at the Supervisory Board meeting held to approve the financial statements on March 12, 2013. The same applies to the auditors' reports, which were also submitted in due time. The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting held on the same day. They reported on their audit and were available for further explanations and discussions. At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Professor Dr. Loos, commented in detail on the audit documents, reported on the preliminary talks with the auditors, and elaborated on the proposal to pay a dividend of € 2.25 per share for 2012. In addition, he commented on the key points of the audit, including the accounting treatment of change orders in view of the POC method and the selection process for new suppliers.

On the basis of the documents presented to it and the reports of the Audit Committee and the auditors, the Supervisory Board examined and accepted the annual financial statements, the consolidated financial statements, the management report and the Group management report. The Supervisory Board's own review found no cause for objection. The Supervisory

Board approves the results of the audits of both sets of financial statements, agrees with the Board of Management in its assessment of the situation of the Group and Dürr AG, and approves the annual financial statements and the consolidated financial statements prepared for the period ended December 31, 2012. The annual financial statements are thereby ratified. In light of the Audit Committee's recommendation and its own review, the Supervisory Board approves the Board of Management's proposal on the use of net retained profit.

The Supervisory Board examined the report prepared by the Board of Management pursuant to Sec. 312 of the German Stock Corporation Act concerning relationships with associated enterprises (dependent company report) for 2012. The auditors issued the following unqualified certificate pursuant to Sec. 313 (3) of the German Stock Corporation Act: "After examination and assessment in accordance with our professional duties, we confirm that:

1. the factual information given in the report is correct,
2. the consideration paid by the company in connection with transactions mentioned in the report was not unduly high."

The Supervisory Board concurs with this audit result. According to the final result of the examination by the Supervisory Board, there are no objections to be raised against the declaration by the Board of Management at the end of the dependent company report.

The Supervisory Board thanks the Board of Management, the employee representatives, and all employees for their dedication in 2012, as well as the shareholders for the confidence they have placed in the company.

NEW SUPERVISORY BOARD CHAIR

At the annual general meeting on April 27, 2012, I announced that I was considering stepping down as Chairman of the Dürr AG Supervisory Board with effect from the annual general meeting 2013, and resign from the Supervisory Board. I can now confirm this decision. At 80 years of age it is now time to hand this important role over to a younger person.

Mr. Klaus Eberhardt, who was elected to the Supervisory Board at last year's annual general meeting, has agreed to put himself forward as Supervisory Board Chairman.

At the annual general meeting on April 26, 2013, Dr. Herbert Müller will stand as candidate for the seat that will become available on the Supervisory Board. Dr. Müller was Chairman of the Board of Management of Ernst & Young Wirtschaftsprüfungsgesellschaft until April 2011 and is putting himself forward as a candidate following the recommendation of the Nominating Committee and the proposal of the Supervisory Board in plenary session. Based on his expertise, Dr. Müller is expected to take over as Chairman of the Audit Committee after a period of familiarization.

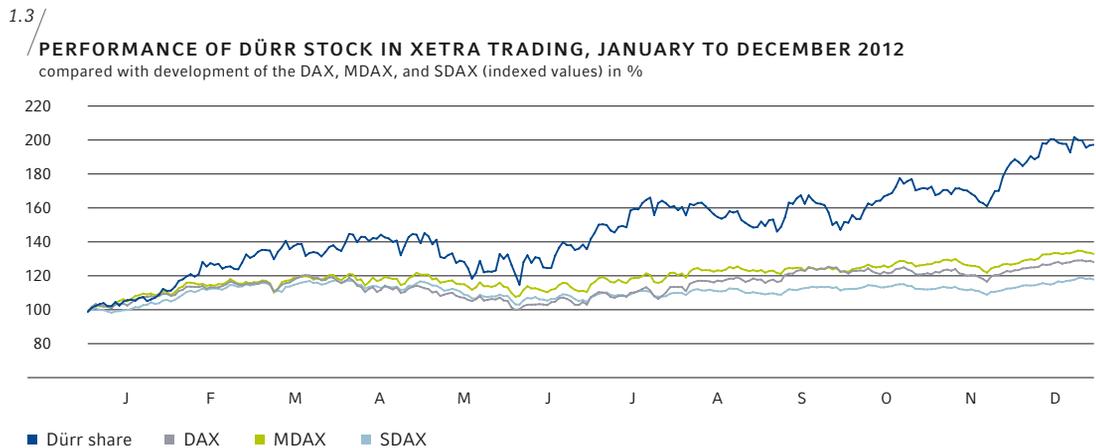
I would like to thank you for the trust that you have placed in me over the past years. As a shareholder and representative of the founder family, I will continue to remain in very close contact with the Dürr company, the Board of Management and all employees. This is all the more possible now that the Supervisory Board has appointed me honorary chairman for life at today's meeting.

DR.-ING. E. H. HEINZ DÜRR / CHAIRMAN OF THE SUPERVISORY BOARD

Bietigheim-Bissingen, March 12, 2013

Dürr on the capital market

Stock price up twofold



Our investor relations activities aim at ensuring that Dürr stock is appropriately valued. To this end, we attach importance to timely, transparent and sustained communications with the capital market and place particular focus on explaining even complex matters in such a way that they can be readily understood. We create confidence and the basis for long-term investments in Dürr stock by means of reliable and ongoing investor relations.

RALLY IN THE EQUITIES MARKETS IN THE SECOND HALF OF THE YEAR

Up until mid-2012, the capital markets were dominated by nervousness and uncertainty. Only when it became clear that the European Central Bank would be intervening to prevent any further escalation of the European debt crisis was investors' confidence restored. Other central banks emitted positive signals by providing ample liquidity. Bond yields – including those in the Southern European countries – receded substantially. As a result, investors turned to equities to a greater extent in the second half of 2012 despite many companies' worsening business and earnings outlooks.

DÜRR STOCK AMONG THE TOP PERFORMERS AGAIN IN 2012

After rising by 40 % in each of the previous three years, Dürr stock advanced by 98.5 % in 2012. We raised our earnings guidance substantially in June 2012, something which additionally boosted the stock. On balance, our stock was one of the top five performers in the DAX, MDAX, SDAX and TecDAX in 2012. The DAX and MDAX rose by 29 % and 34 %, respectively, in 2012. The indices in other countries did not perform as well as in Germany, with the US Dow Jones Index closing only 7 % up in 2012.

The price of Dürr stock has quadrupled since the beginning of 2010, spurred by the continuous improvement in our earnings in tandem with many investors' expectation of a growing steadiness in Dürr's cash flow and earnings. Investors are acknowledging our above-average position in the emerging markets, with the majority expecting us to continue benefiting from expanding production output and increasing process automation in the automobile industry. This is suggested by the forecast of annual average production growth of over 5 % over the next few years. By comparison, automobile output has widened by an annual average of only 2 % in the past 13 years.

Looking ahead to 2013, analysts also project rising sales and earnings. This can be seen in the current consensus estimates, which have been published in the Investor Relations section of WWW.DURR.COM.



PROPOSED DIVIDEND: € 2.25 PER SHARE

We want our shareholders to have their fair share of the rise in earnings in 2012. Accordingly, the Board of Management and the Supervisory Board will be proposing an increase in the dividend per share from € 1.20 in the previous year to € 2.25. Assuming that this proposal is accepted at the annual general meeting, we will be distributing a total of € 38.9 million, equivalent to 35 % of consolidated net profit, i.e. precisely in the middle of the range of 30 to 40 % which we strive for with our dividend policy.

ADMISSION TO THE MDAX AND THE FAZ INDEX IN SPRING 2012

On March 19, 2012, Dürr stock advanced from the SDAX to the MDAX, Deutsche Börse's benchmark midcap index. This additionally heightened interest in our company on the capital market and in the media. The admission to the MDAX reflected the substantial increase in free-float market capitalization as well as trading volumes, which continued to rise after the inclusion of the stock in this index. In the joint SDAX/MDAX ranking comprising 100 companies, Dürr advanced to 38th place in market capitalization at the end of 2012 (end of 2011: 49th), rising from 52nd to 31st place in trading volumes. Dürr was also included in German daily Frankfurter Allgemeine Zeitung's FAZ-Index on May 7, 2012, for the first time. This index comprises the 100 most capitalized stocks traded on the Frankfurt stock exchange.

Average trading volumes for Dürr stock widened by 60 % over the previous year to over 100,000 shares a day; by contrast, total trading volumes in the German stock exchanges contracted by 23 % in 2012. A member of the Deutsche Börse's high-quality Prime Standard, the stock is traded on all German stock exchanges. More than 90 % of trading volumes are accounted for by the electronic XETRA trading system.

1.4 / KEY FIGURES FOR DÜRR STOCK

	2012	2011	2010
Earnings per share €	6.20	3.58	0.37
Book value per share (Dec. 31) €	24.49	21.06	18.46
Cash flow per share €	6.80	7.39	3.20
Dividend per share €	2.25 ¹	1.20	0.30
High €	69.76	35.50	24.51
Low €	33.75	20.68	14.17
Closing price €	67.50	34.00	23.87
Average daily trading volume (shares)	103,972	65,108	22,821
Market capitalization (Dec. 31) € million	1,167.8	588.2	413.0
Number of shares	17,300,520	17,300,520	17,300,520

¹ Dividend proposed to the annual general meeting

DÜRR ANNUAL REPORT AGAIN RATED ONE OF THE BEST IN GERMANY

Dürr regularly performs well in various IR competitions. In Manager Magazin’s “Best Annual Reports” rankings, we achieved 4th place in 2012 in the MDAX category and 8th place in the overall evaluation of all 160 annual reports from the DAX, MDAX, SDAX and TecDAX. In the previous year, we had ranked top in the SDAX segment.

In the competition for the 2012 German Investor Relations Prize, which was organized jointly by Thomson Reuters Extel Surveys, business weekly Wirtschaftswoche and the German Investor Relations Association (D.I.R.K.), we ranked at the top of the middle field in the MDAX segment. Here as well, we had ranked top in the SDAX segment in the previous year. The BIRD 2012 survey, which was conducted by business weekly Börse Online to assess the quality of investor relations activities, ranked us second in the MDAX segment and 9th in the overall cross-index evaluation.

MOSTLY BUY RECOMMENDATIONS

In 2012, the number of analysts covering our stock rose from 13 to 17, a fact which additionally reflects its mounting appeal. The following research companies added our stock to their coverage: Baader Bank, Bankhaus Lampe, Hauck & Aufhäuser, HSBC Trinkaus and Montega. At the end of 2012, 59 % of the analyst recommendations rated the stock a “Buy”, 35 % a “Hold” and only one a “Sell”.

Measured in terms of analysts’ consensus estimates, our stock was more favorably valued than other German mechanical engineering stocks at the end of 2012 despite the sharp gains it had achieved. All standard valuation metrics (price/earnings, enterprise value/EBIT, enterprise value/sales, price/book) were a good 10 % down on the peer group.

INVESTOR BASE BROADENED

Improvements in trading volumes and market capitalization together with the admission to the MDAX have attracted the interest of new investor groups in our stock. These include institutional investors from the United States, many of whom had previously ignored Dürr stock as our market capitalization was below the threshold of US\$ 1 billion.

In response to the heightened investor demand, we have intensified our investor relations activities substantially. In 2012, Dürr’s Board of Management attended 18 capital market conferences and 20 roadshows throughout Europe and the United States in addition to holding regular telephone



1.5 / ANALYST RECOMMENDATIONS (DECEMBER 31, 2012)



conferences. All told, we conducted around 250 one-on-ones with institutional investors. In October, we presented Dürr’s Chinese business and its strategy for the emerging markets to analysts in Shanghai.

2012 saw the publication of Dürr’s first sustainability report, which explains how we harmonize successful business activities with responsibility for the environment, our employees and society in general. We are steadily broadening our web content for investors, analysts and journalists. Among other things, even more financial data is available for downloading in the form of Excel spreadsheets. At the same time, the online price chart offers additional information and possibilities for utilization.

SHAREHOLDER STRUCTURE: 70 % FREE FLOAT

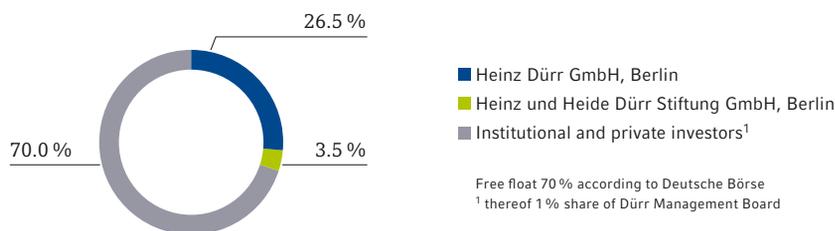
With a share of 26.5 % of Dürr AG’s subscribed capital (December 31, 2012), Heinz Dürr GmbH remains our largest shareholder. Together with the interests held by Heinz und Heide Dürr Stiftung, just under 30 % of the stock is attributable to the Dürr family (December 31, 2012). The family plans to retain at least 25.1 % of the subscribed capital as the anchor shareholder. As of December 31, 2012, no other investor held more than 3 % of the voting rights. The Dürr AG Board of Management accounted for 1 % of the subscribed capital. According to the calculations of Deutsche Börse, 70 % of Dürr’s stock was free float.

DÜRR BOND WITH A YIELD OF 3.2 %

At the beginning of 2012, the price of our corporate bond with a volume of € 225 million stood at € 108.5, rising to € 110.3 at the end of December. Accordingly, the yield dropped from 4.1 % to 3.2 % over the course of the year, reflecting investors’ growing confidence in our creditworthiness. When the bond was issued in September 2010, the yield stood at 7.25 %. The bond expires in September 2015 at the latest, although we may call and redeem it at any time from September 2014 onwards.

Average trading volumes in the Dürr bond came to a nominal € 216,300 per day in 2012, equivalent to a decline of 10 % over the previous year. It is listed in the Bondm segment of the Stuttgart stock exchange. With a weighting of 10 %, it is one of the most important papers in the Bondm index, which comprises all bonds issued by small or mid-size corporates in the Stuttgart Bondm segment with a remaining period until maturity of at least twelve months.

1.6 / SHAREHOLDER STRUCTURE (DECEMBER 31, 2012)





*Jürgen Berkowitsch
Product Development Application Technology*

01 /

More efficient – measurably

“Leading in Production Efficiency” is Dürr’s claim: our ambition is to increase our customers’ production efficiency by means of innovative solutions. This is the benchmark against which every new Dürr product has to be measured. On the next few pages we will show you how our innovations are opening up a range of potentials for efficiency.

p. 16 – 23 /

PHOTOGRAPHY
Marcus Pietrek



400 °C

SOLAR OVEN

Automotive bodies have to be dried after being painted. This normally involves high energy costs. Not so with our solar oven. High-performance collectors are integrated in the plant technology on the roof of the paint shop to generate the necessary process heat.



» Our customers are focusing increasingly on the use of renewable energy in their production processes. To generate the required oven temperature of up to 220 °C, we rely on special high-performance Fresnel collectors which enable a level of up to 400 °C. At sunny locations this allows around one-third of a paint shop's heat requirement to be generated – and don't forget that this is efficient in terms of emissions as no CO₂ is produced. «

MANFRED WEIL, HEAD OF PAINT AND FINAL ASSEMBLY SYSTEMS



<0.1 mm

ECOPOSITIONER

In aircraft assembly over 40-meter-long components are joined, for example, fuselage sections and wings. To ensure that this takes place with maximum precision, the components have to be exactly positioned relative to each other in advance. Ideally using Dürr's **EcoPositioner**, which significantly exceeds the industry-specified positioning precision of 0.1 millimeter.

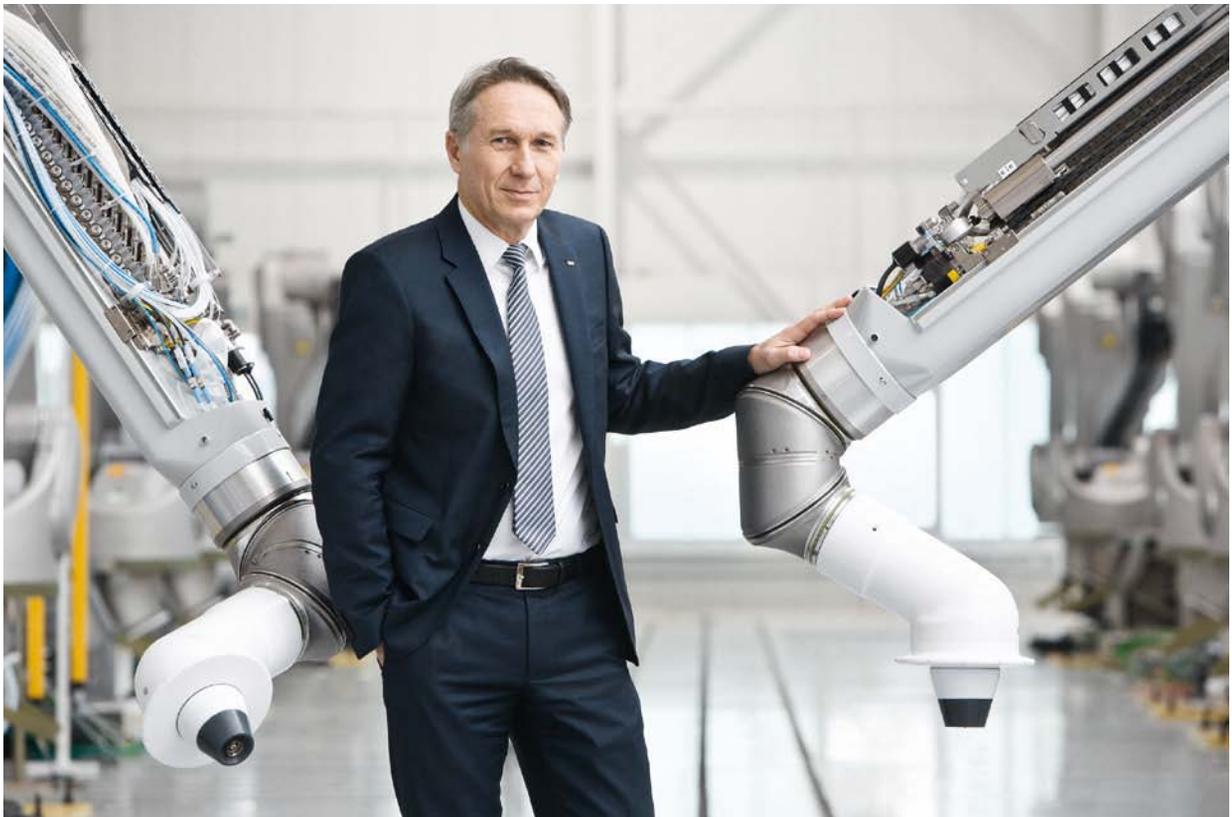
» Thanks to its flexibility, the **EcoPositioner** ensures greater efficiency in aircraft construction. Its modular design makes the technology suitable for all applications involving component positioning, irrespective of size, arrangement, weight and geometry. For one major order that we are currently working on, the customer has purchased over 100 **EcoPositioner** units – which is proof of the performance capability of our technology. «

DR. UWE SIEWERT, HEAD OF AIRCRAFT AND TECHNOLOGY SYSTEMS

10 ml

ECOLCC2

Flexible painting means changing from one paint color to another within just a few seconds – and with the least possible waste of paint. The **EcoLCC** color changer in the arm of the painting robot takes care of this. Not only is it fast, it also saves more paint than conventional systems.



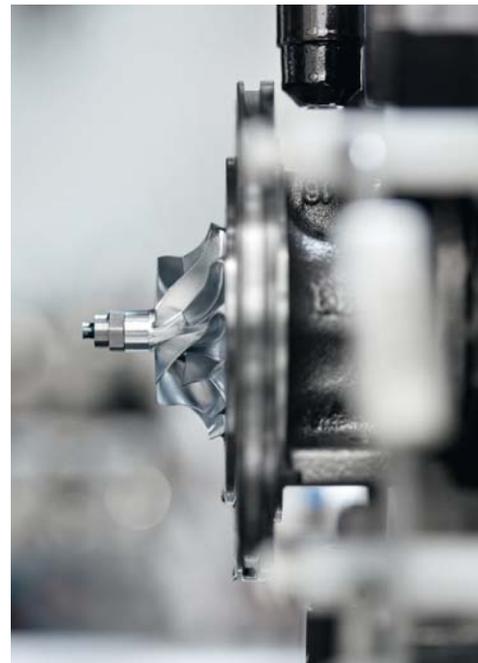
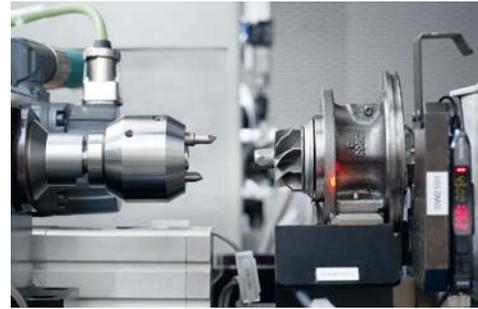
*» The **EcoLCC** is extremely efficient in terms of material since we have reduced the unavoidable paint loss to a minimum: from 45 milliliters to about 10 milliliters per color change. Furthermore, the color change lasts only 10 seconds instead of 13. This means our customers can increase body throughput for top coat application by 5 % and reduce the energy consumption per painted body by 5 %. The new servomotor-equipped **EcoLCC** generation is more compact, lighter and even more precise than its predecessor version. «*

DR. HANS SCHUMACHER, HEAD OF APPLICATION TECHNOLOGY

270,000 rpm

XENTO

High-speed balancing is an essential prerequisite for turbocharger quality. The new Xento machine model from Schenck RoTec balances components, for example the core assembly, at up to 270,000 rpm. This means that the foundation for a long service life and low-noise operation of the turbocharger is laid right back at the production stage.



»Xento not only improves our customers' products, but also increases the efficiency of their production processes. Take the issue of noise emissions, for instance: an innovative design enabled us to achieve an approx. 50 % reduction in the loud noise which naturally occurs at high test speeds. This means that additional, cost-intensive noise abatement measures can be omitted.«

DR. RALF-MICHAEL FUCHS, HEAD OF MEASURING AND PROCESS SYSTEMS

3 min

ECOCLAB

Engine and gearbox components have to be carefully cleaned during the manufacturing process. Failure to do so can result in quality shortcomings. To be on the safe side, workpiece cleanliness is randomly inspected. Until now this has been carried out by an external lab, i. e. separately from the production process. Dürr now offers a time-saving alternative with its **EcoCLab**.



»If too many residual particles are found during the external lab inspection, the workpieces which have completed the manufacturing process in the meantime have to go through the cleaning process again. Our **EcoCLab** compact lab ensures greater process efficiency since it is directly integrated in the production line. For example, a cleanliness analysis of the hydraulic oil chamber of a cylinder crankcase takes about three minutes. In the past, it took a whole day to get the results. «

WILLIAM BELL, HEAD OF CLEANING AND FILTRATION SYSTEMS, USA



18 %

ORC
Organic Rankine Cycle (ORC) is a key technology for decentralized electricity generation from waste heat. Thanks to its efficiency and flexibility, ORC technology is able to utilize thermal energy with a temperature between 90 and 600°C which previously went unused.



» Our ORC systems are particularly energy-efficient because they employ high-temperature technology. As a result, they are able to convert up to 18 % of the heat energy into electricity. Low-temperature systems, by contrast, achieve only about 10 %. Furthermore, our systems also allow the residual heat to be used, for example in local heating systems or drying processes. «

JOACHIM KAUFMANN, HEAD OF CLEAN TECHNOLOGY SYSTEMS



In Thailand – its capital Bangkok is shown here – the number of cars built each year has already reached 2.5 million.

02

On the up

The BRIC markets and Mexico are some of the key sales regions of the automotive sector and will continue to record more than proportionate growth. At the same time, new markets are developing – particularly Southeast Asia. Incomes there are rising, and consequently more and more people aspire to have a car of their own. Japanese automakers have long been active in Southeast Asia, and Western manufacturers are now also upping their involvement. Dürr brings its decade-long experience to bear in assisting in the construction of local plants.

P. 24 – 29

PHOTOGRAPHY
(PEOPLE)

Rupert Warren &
Marcus Pietrek

TEXT
Heimo Fischer

Banging hammers, humming motors, screeching saws. Steel framework and masonry walls reach into the skies. For now, Dürr's new industrial complex in Shanghai is still a gigantic construction site. In just a few months, however, the first employees will be moving into their new offices and production buildings. Here in the Baoshan district, Dürr is consolidating all three units of its mechanical engineering operations, which until now have been spread throughout the greater Shanghai region. The plot, whose production and office floor space is larger than four soccer pitches, is being designed to accommodate up to 1,000 employees.

The new site will have several roles. As in the past, Dürr will develop and manufacture production technology for balancing, testing, assembling and cleaning for customers in China. However, things won't stop there. "In future, we will place greater emphasis on building machines for other growth countries," declares Peter Legner, the manager with responsibility for mechanical engineering operations in China, with pride in his voice. The new building in Baoshan will make the Shanghai site the central base for developing markets which are intended to contribute to the Group's future growth. Pre-eminent among these is Southeast Asia.

THE WIND IS CHANGING

In once poor countries such as Malaysia, Vietnam, Indonesia, Thailand and the Philippines, Dürr achieves around 1 % of its sales. More than this was hardly possible in the past because the Western carmakers, Dürr's largest customer group, only slowly established presences in Southeast Asia. However, all indications are that the wind is changing. The mood in Southeast Asia is upbeat. Overall, more than half a billion people live in this region, which extends from the southern border of China to the coast of Australia.

In Vietnam, according to the International Monetary Fund, per capita income rose by 5.6 % in 2012. In Thailand, growth exceed-



Peter Legner heads up Dürr's mechanical engineering business in China.

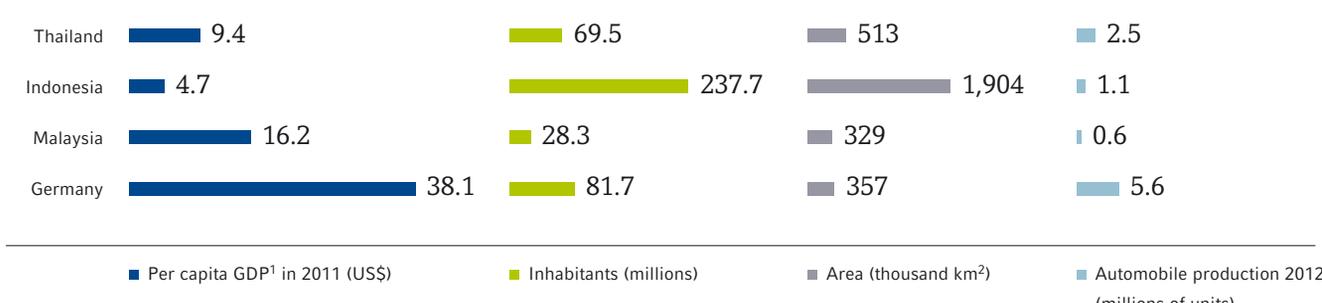
ed 6 %, as it did in Indonesia, whose population of almost 240 million makes it Southeast Asia's largest country. "This is where the greatest action will be in the next few years," predicts Legner. He is currently a frequent visitor to the region's countries where he meets with automakers and suppliers and explains his highly advanced machines for balancing turbochargers, fans, electric armatures and brake disks.

Legner senses the growing momentum in the countries of Southeast Asia. The states themselves are doing a great deal to drive their growth. As long ago as the late 1960s ten countries from the region joined together in the ASEAN organization, which is constantly growing in importance. Following the EU model, this community is set on dismantling trade barriers, despite the differences between its members. This brings benefits not only for the people there, but also for companies that invest in these countries. They can then source raw materials or bought-in parts from all ASEAN states without any restrictions as a result of import duties or other trade barriers.



Dürr will be moving to its new mechanical engineering site in Shanghai Baoshan in mid-2013.

COMPARISON OF SOUTHEAST ASIA AND GERMANY



CAR OWNERSHIP ASPIRATIONS

Average incomes of people in Southeast Asia are rising – good news for the automotive industry. Experience shows that the number of vehicle purchases increases as soon as annual income exceeds US\$ 5,000.

Sources: IMF, PwC
¹ Gross domestic product
² Cars and light commercial vehicles

NEW COMPANY IN BANGKOK

The growing prosperity is enabling more and more people to achieve their aspiration for individual mobility by buying their own car. An important growth driver is the region’s young population. Experts estimate that light vehicle production in Southeast Asia will rise from the current figure of 4.2 million units to 6.1 million in 2017 – 45 % up. The region will then have caught up with the traditional automotive market of Germany.

The Japanese automotive sector has long had a strong presence in Southeast Asia. Growing numbers of manufacturers from the West are now following on, drawing up plans to build new plants or expand existing production capacities in the region. Dürr has always been there to support them with the development of new markets, and now Southeast Asia is no exception. The Group recently commissioned a new paint shop in Thailand for US automaker Ford. “We assist our customers from the automotive industry in establishing local production facilities,” says CEO Ralf W. Dieter.

To that end, Dürr opened a subsidiary last year in the Thai capital Bangkok. The team initially consisting of approx. ten people is due to be rapidly expanded over the next few months. The engineers assist locally with handling orders and look after service.

The team is headed up by Bernard Condrau. This Swiss-born manager and mechanical engineer has run Dürr's Korean subsidiary for five years. Last year, he also took on responsibility for Thailand. Condrau was an obvious choice as his wife is Thai, he speaks the language, and he is extremely well acquainted with the cultures in Southeast Asia.

Europeans have to be familiar with customs if they are to win orders for their production systems from automakers operating there. Apart from the Japanese corporations themselves, local plants manufacturing under license from them dominate the Southeast Asian market. They have large market shares. In the Philippines and in Thailand, Japanese carmakers have 90 % of the market. "The Japanese manufacturers purchase their paint shops mostly from Japanese suppliers with whom they have long-standing business ties," explains Condrau.

He has no intention of simply accepting the status quo. Instead, he has a strategy of small steps to woo the Japanese automakers. His plan is initially to deliver smallish orders in exemplary fashion with the aid of the international Dürr network. As the Japanese manufacturers' confidence in Dürr grows, so the size of the orders will grow with it. "In five years we intend to have a whole range of Japanese customers." The partnership with Tokyo-based paint shop manufacturer Parker Engineering, in



Bernard Condrau focuses on quality in order execution.

which Dürr has a 10 % holding, also helps in this. The company has traditionally enjoyed excellent contacts with Japanese carmakers. These connections facilitate access to potential customers.

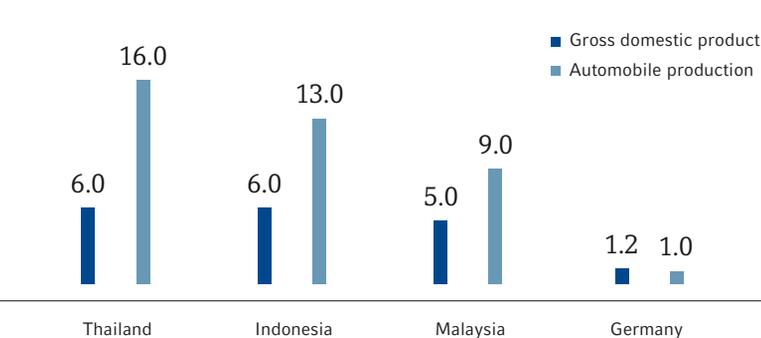
At the same time, US and European automakers are also expanding their production facilities in Southeast Asia. They, too, recognize the region's growth potential and wish to increase their market shares there. Dürr has had business dealings with them for decades – a sound basis for jointly tackling projects in Southeast Asia, too.

AFRICA ALSO ON THE MOVE

Special products, such as those manufactured by Dürr, are also an attractive proposition in other regions of the world where the automotive industry plans to grow. This includes Africa. For many years the continent was regarded as the poorhouse of the world – with no chance of prosperity. Since then, however, a number of countries have achieved rising growth rates. Political and economic stability is increasing. Ever more people are living in African cities, and the relevant governments are investing in infrastructure. As a consequence, the road network and the volume of traffic are growing.



EXPECTED AVERAGE GROWTH BY 2017



Sources: IMF, PwC

Over the next few years, the automotive industry will benefit from the rise in GDP in the emerging markets. There is room for expansion in terms of demand. In Thailand there are only 80 cars per 1,000 inhabitants – while in Germany the corresponding figure is over 500.



Top: Automobile demand is growing in Southeast Asia. Many people are planning to move from two wheels to a car.

Bottom: Durr has had a presence in South Africa since 1971.

The automotive industry’s hope is that populous countries such as Kenya or Nigeria in particular will become attractive sales markets in the long term. In countries with a pronounced Western influence, such as South Africa, on the other hand, European manufacturers have long had a presence, as has Dürr. The automotive industry’s gaze has also increasingly been turning towards North African countries such as Morocco. Dürr recently built a paint shop in Tangier where Renault manufactures budget mid-range vehicles. This was an ambitious project as a great deal of equipment had to be sourced from abroad. Dürr has experience with such challenges. Since the early 1960s, the Group has repeatedly established operations in markets far from home.

Some analysts are drawing parallels between Africa and Latin American countries such as Brazil, which succeeded in achieving economic stability following the crises of the 1990s. Today Brazil is one of Dürr’s key markets, especially as many customers are driving investment projects there. “That’s why we greatly expanded our organization in São Paulo,” says CEO Dieter. Dürr’s plant in the Mexican town of Querétaro is also bursting at the seams. For that reason Dürr is building a new site there in order to continue on its expansion course.

„We target all growth markets.“

The emerging markets offer good prospects for Dürr, also in the long term. In the following interview, CEO Ralf W. Dieter talks about the capacity expansion in China, Mexico and Brazil as well as cash flow expectations, opportunities for acquisitions and the energy efficiency technology business.

DÜRR HAS BENEFITED IMMENSELY IN RECENT YEARS FROM THE ROBUST DEMAND IN CHINA. HOW LONG IS THIS TREND LIKELY TO CONTINUE?

Ralf W. Dieter / Market growth in China is no temporary trend but a long-term development. Experts believe that automobile production there will grow by an average of just around 10 % in the coming years. For 2017, 26 million units are anticipated, 10 million more than in 2012. To build these vehicles, the automotive industry needs state-of-the-art production systems – from balancing machines all the way through to paint shops.

HOW DO YOU ENSURE THAT DÜRR CAN ACTUALLY KEEP PACE WITH THE HIGH EXPANSION RATES OF ITS CUSTOMERS IN THE EMERGING MARKETS?

/ We anticipated the growing importance of the emerging markets at an early stage and have always invested in good time in recent years. At present, we are in the process of building new locations in China and Mexico, and we have also enlarged our operations in Brazil. And here at home, in Bietigheim-Bissingen, we are expanding assembly capacities for the robot business. All in all, we make an investment of just under € 50 million. We will also invest a great deal in training and further development of our workforce of about 2,500 employees in the emerging markets.

THE BIGGEST EXPANSION PROJECT IS THE NEW LOCATION IN SHANGHAI BAOSHAN FOR DÜRR'S MECHANICAL ENGINEERING BUSINESS. WHAT ARE YOUR OBJECTIVES IN THIS REGARD?

/ We are engaged in the mechanical engineering business at three different locations in Shanghai today. We anticipate that the geographical consolidation will yield efficiency gains in production, engineering, sales, and other fields of activity. The new facility in Baoshan is designed for growth and underscores the confidence we also have in our business in China and Southeast Asia in the long run.

DÜRR HAS COMFORTABLE LIQUIDITY AND SOLID CASH FLOWS AT ITS DISPOSAL. HOW DO YOU PLAN TO USE THESE FREE RESOURCES?

/ The good liquidity is encouraging. Thanks to its asset light business model, Dürr generates extensive funds from operating activities even amid rising business volumes and only needs a low level of capital employed to this end. In the next several years, we anticipate substantially higher cash flows than in the past. This will open up scope for us to expand our business operations through acquisitions and to develop new growth areas. For one thing, further technology acquisitions in the field of energy efficiency



Ralf W. Dieter, CEO Dürr AG

are on the agenda. For another, we also want to carry out additional acquisitions in our other divisions. Thanks to its international sales, production and service network, Dürr can open up new markets for companies operating on a regional scale at short notice. We delivered proof of this with our acquisitions in the field of glueing technology, for instance. This value-enhancing model is capable of being repeated.

LET US TAKE ANOTHER LOOK AT THE GROWTH MARKETS. YOU ALREADY MENTIONED SOUTHEAST ASIA. WHAT OTHER MARKETS ARE YOU TARGETING?

/ Well, we target all growth markets. Take Brazil, for example, a country in which the automotive industry is beginning to invest heavily in additional production capacities. This is why we intensified the process of strategic expansion at Dürr Brasil. In 2012, we enlarged our workforce by 51 % to just under 300, and established additional competences in São Paulo. We extended the range of services available, invested in training of our staff and thus prepared for the growing number of investment projects

of our customers. We've had a subsidiary in Brazil since 1964 and know the market well.

HOW IS THE NEW AREA OF ENERGY EFFICIENCY COMING ALONG?

/ In terms of supply security and sustainability, energy-efficient technologies are just as important as renewable energies. This is why we are intensifying the establishment of our product range associated with the exploitation of heat and waste heat. The marketing drive for energy efficiency products that has just been launched is likewise gaining momentum. Last year, we received a number of orders for ORC technology, which generates electricity from waste heat. While we are still at the initial stage in the field of energy efficiency, in the medium to long term it holds immense growth potential in store, which we plan to develop and exploit systematically.



Linas Zaliukas

03 /

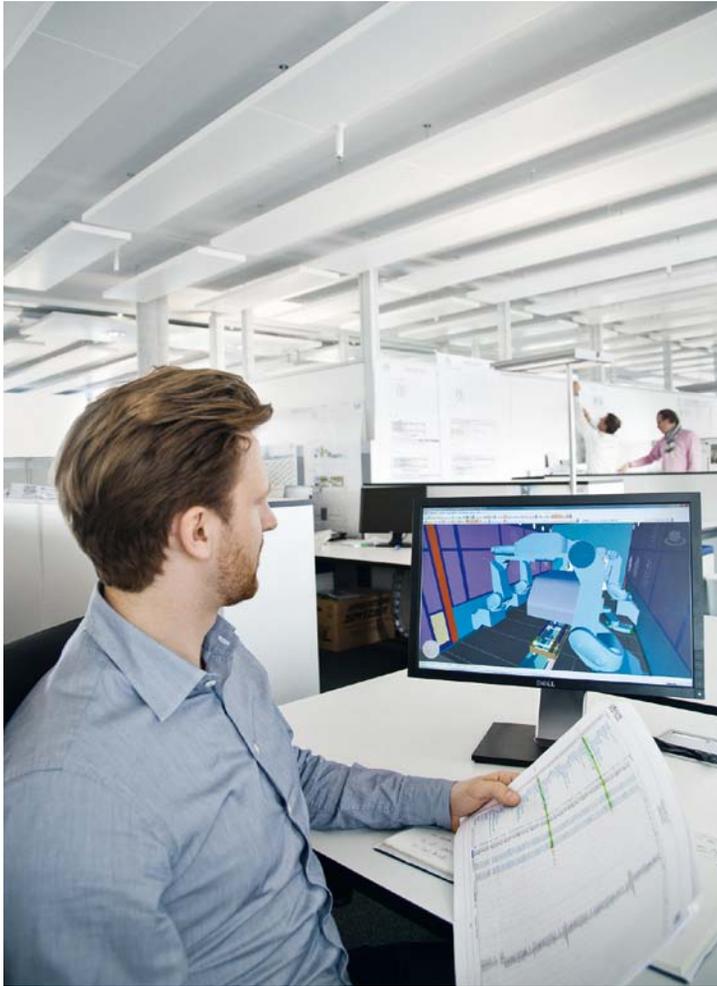
Getting ahead

An engineering group operating on an international scale needs gifted personnel. This is why Dürr runs an in-house, 15-month trainee program for the company's junior talent. Employees who have completed the program, like business engineer Linas Zaliukas, can take on responsibilities at an early stage. His opportunities for an attractive career are good – plus he gets to travel widely across the globe.

p. 32 – 37

PHOTOGRAPHY
Marcus Pietrek

TEXT
Heimo Fischer



» *The Group is growing worldwide and needs experienced staff.* «

To the uninitiated, it looks like an entertaining computer game. Yet Linas Zaliukas is clearly in an earnest frame of mind as he takes us on a tour of the computer model of the paint shop. "Here's the **PRETREATMENT** line," he explains briefly. One mouse click moves the viewer on through a tunnel to the cathodic dip-coating tank, then there's a detour to the mezzanine floor, before the guided tour continues on to the paint booth, where robots spray-paint the cars with colored enamel.



Right now, a 3D view of the complete layout of the finished plant is only available on the computer. In fact, it will still be several months before 62 car bodies per hour will be moving on conveyors through the steel tunnels in Ningbo in eastern China, where Dürr is building a paint shop for the VW Group and its Chinese partner company. Zaliukas, aged 30, is part of the team that is responsible for the smooth implementation of the large-scale project – either from here, sitting at his computer in Bietigheim-Bissingen, or directly on the building site located 200 kilometers south of Shanghai.

MULTIFACETED

According to his business card, Zaliukas' job title is "Project Manager Mechanical Systems." What lies behind this designation is a job with many different facets. On some days, Zaliukas takes care of customers and discusses their wishes with the company's own technicians. At other times, he keeps track of delivery dates and monitors compliance with arrangements made. And time and again, he and his colleagues make sure that everything runs according to plan on the building site with its many and various trades involved.

It is the kind of position in which talented young professionals undergo their first trial by fire. Demanding, exciting, varied and sometimes even hectic. Keeping the big picture in mind is important, but so is not losing track of the small details. Zaliukas interrupts his computer tour and points to a print-out of the paint shop that he has pinned to the wall behind his work station. "Here, where the anchor plates are die-cast



Linas Zaliukas talks to his colleague Joachim Denzinger

into the building's support columns, is where the steel structure for the paint booths will be attached." If anything is out of position, there will be problems. Zaliukas' job is to make sure it will not come to that.

When he was still studying for his degree, the business engineer rarely came into contact with construction technologies. At the time, his special subjects were automation and energy technology. Today, he is required to quickly get a grasp of new and different subject areas. But he does not mind – on the contrary: "To me, that is one of the most appealing aspects of my job."

Dürr needs well-trained all-rounders who can quickly adapt to new situations. "Linas Zaliukas has exactly what it takes," confirms Paul Eckert, the Head of Human Resources Development. He hired him for a trainee position in 2010. Critical factors in his decision were not only that the candidate came with a good academic record, but also that he already had practical work experience and spent some time abroad.

When he was still a student, Zaliukas completed a six-month internship with an automobile manufacturer in Detroit. Moreover, with his family hailing from Lithuania, intercultural competence was pretty much a given. When he was a small child, his grandparents taught him the language and folklore of their Baltic country.

MANY NATIONALITIES, ONE COMMON GOAL

Having an understanding of different cultures is very useful in ensuring success when working on foreign assignments for an international company. Construction of a paint shop such as the one Dürr is building in Ningbo involves not only Chinese and German nationals: colleagues from India, Mexico, the UK or the United States often play a part as well. The subsidiaries in the various countries share their workload across continents. "In Ningbo, many of the components come from our production facilities in Shanghai, others from Dürr subsidiaries in Korea and Poland. The painting robots, on the other hand, come from Germany," explains Zaliukas.

TRAINEE PROGRAM PROJECT MANAGEMENT

15 months

**TRAINEES AT DÜRR**

Dürr conducts a trainee program designed to help junior talent prepare for managerial positions. The program runs for 15 months, and it is provided in the areas of Project Management, Engineering and Finance/Controlling. Candidates are required to show an interest in intercultural cooperation, be prepared to take on responsibility, and have a very good engineering or business management degree. Good English-language skills, experience in foreign countries and relevant practical experience and internships round off the requirements profile.

Participants will work in at least four different areas of the company; for example, in paint shop construction, robot technology and aircraft assembly technology. Also included will be work stints in Procurement, Engineering, and Controlling. Dürr trainees will spend three to five months abroad, often working on a major construction site. This allows them to learn about the operational side of the business by starting at the bottom. In parallel, Dürr provides them with methodological competences, through training courses in international teamwork, negotiating skills, project management and employee leadership, etc. And speaking of leadership: every trainee has his or her own mentor who is a member of the company's top management and will assist the trainee with active support and advice.

21 graduates have completed the trainee program since 2006. Most of them were trained in project management. Dürr thereby ensures that there are highly qualified newcomers ready to enter this extraordinarily important field of work. Other trainees started working in international purchasing, sales and marketing or accounting following completion of the program. In October 2013, six trainees will start their program at Dürr – more than ever before. One of the places has been reserved for management training in the area of human resources, which will be offered for the first time.

The newspaper *Süddeutsche Zeitung* and the Ludwig-Maximilians-University of Munich awarded Dürr the "Ausgezeichnetes und faires Trainee-Programm" ("Excellent and Fair Trainee Program") quality hallmark. The award certificate made special mention of the fact that trainees working for Dürr are employed under a permanent contract and receive the same salary as regular employees right from the start, and that Dürr offers graduates an exceptional variety of career choices and opportunities for further training and education.

Over recent years, Dürr has invested millions of euros in an effort to standardize products, business processes and software used in its operations across the globe. When it comes to IT integration, the Group is today seen as a pioneer in the mechanical and plant engineering sector. Comprehensive standardization provides the basis for international cooperation at Dürr. The human factor remains critical, however, because the projects teams made up of members from different countries need to be properly organized. This is also part of Linas Zaliukas' job.

Seven to eight months are required to install a paint shop, and commissioning the new facility takes another three to four months. Zaliukas frequently attends to matters directly on site. He had returned from China just a few days before we met, and in another 20 days he will be flying back there again. He usually stays there for two to three weeks, and sometimes his stay is extended at short notice. It is his second large project in China: until the end of 2011, he was deployed on a construction site in Nanjing, where today the VW Passat destined for the Chinese market passes through the painting lines from Dürr.

Since 1985, when Dürr took the leap into the People's Republic, the Chinese employees have acquired a high degree of specialized skills and knowledge. An up-and-coming colleague like Linas Zaliukas can learn a great deal from them today. And being familiar with the cultural and social habits of the country stands him in good stead. But that is not all, according to Zaliukas: "Social skills are even more important." He also mentions that, just as in Germany, one encounters a great variety of different characters in China. Some of them can be very open when dealing with colleagues from abroad, while others tend to be a little bit more reserved initially. He thinks this is just something one needs to adapt to and goes on to describe how he picked up these skills during his trainee program, which included a three-month stint on a construction site in China. To begin with, the local colleagues had only entrusted him with small jobs, and he had to prove to them that as a trainee he was not a burden to them, but that he could be of real help. It worked: "After a few weeks, I was fully integrated into the team." He then acquired additional skills in theoretical courses. Communication, rhetoric and the art of persuasion are part of the syllabus for Dürr trainees.

And, of course, he continues to consult with more experienced colleagues whenever a problem calls for a solution and time is short. "This job cannot be done in lone-wolf fashion – it requires a team effort," confirms Human Resources Development specialist Eckert. Dürr has been able to hold on to greater numbers of experienced staff compared with other companies. On average, Dürr employees in Germany stay with the company for 15 years.

ACTING LIKE ENTREPRENEURS

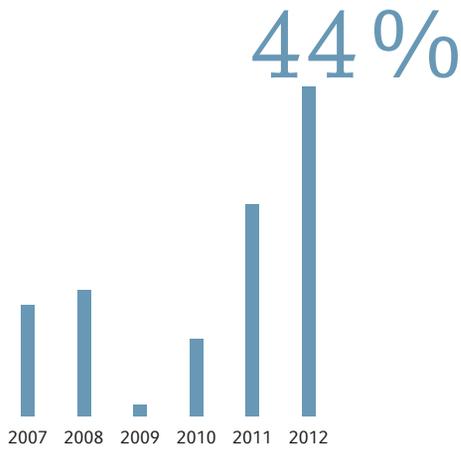
Dürr's junior executives must face up to new challenges time and again. Which is precisely what is intended: after all, they are supposed to learn how to make their own decisions, and take responsibility for them – they are to become entrepreneurs within their enterprise. Anyone able to do that can look forward to a rewarding career. "The Group is growing worldwide and needs ex-

perienced staff," says Eckert. "Middle-level executives receive an attractive remuneration package. We also assist them in developing their managerial, specialized functional and methodological competences further through our ongoing personnel development process."

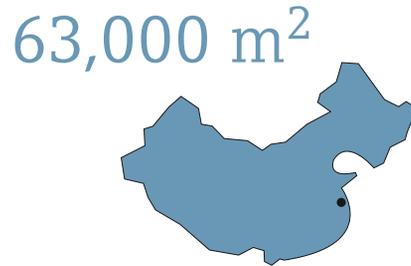
The opportunity to take on responsibility at an early stage was an important reason for Zaliukas to opt for a career with a mid-sized company rather than a large corporation. When he was studying in Karlsruhe, he wrote his final thesis while working in a major corporation. In doing so, he gained an insight that would shape his future career: "The kind of red tape found in large conglomerates just doesn't suit me. Here at Dürr, the hierarchical structures tend to be more flat, and decision-making paths shorter as a result." He believes that there is also a great team spirit, rather than a dog-eat-dog mentality. "People don't build their own little empires here; they share their skills and knowledge. That makes working together easier and more enjoyable."

He likes the fact that there are many facets to his job, and that he gets to travel frequently. "Even when I submitted my application, my wish was to be doing this very job." Of course, the birth of his son did change his outlook somewhat. His wife is an interpreter, currently on parental leave. Soon she will return to work. Dürr does a great deal to ensure a good balance between employees' professional and private lives. "For example, we have places at a day-care center near the company's head office in Bietigheim-Bissingen," says Eckert. Flexible working hours, home office set-ups and part-time work models are all part of the repertoire.

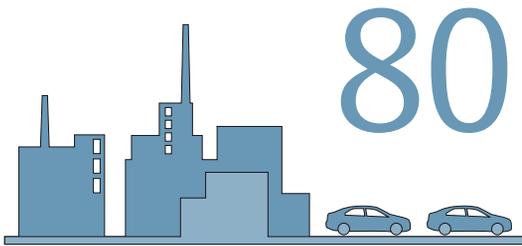
Linas Zaliukas does not know yet where his next assignment for Dürr will take him. One thing is already clear to him today, however: "There's no way I would want to miss out on the international aspect and the variety I have in this job." And he feels certain that his wish will be fulfilled while he is working with Dürr.



ROCE / Our return on capital employed increased to 44 % in 2012 – a very high figure by international comparison that underlines the sustainability of our business model: a low level of capital employed through a focus on engineering and project management.



SHANGHAI / In mid-2013, we are due to move into our new mechanical engineering facility in Shanghai, where we already opened an additional plant engineering site at the beginning of 2012. In total, we will soon have an area of more than 63,000 m² available in Shanghai, housing 1,220 employees and a further 400 external staff. This provides a good basis for further growth in China and Southeast Asia.

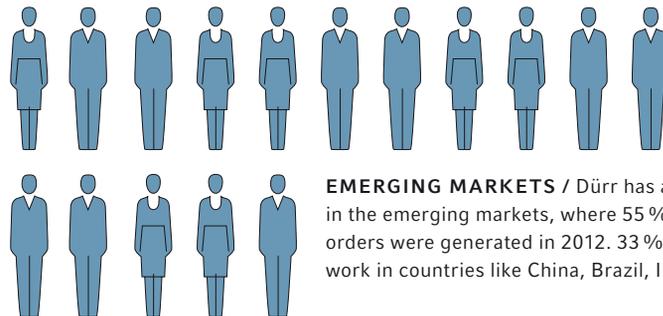


PRODUCTION GROWTH / Between 2012 and 2017, the world's automobile production is forecast to rise by 23 million units. Accounting for around 17 million, the emerging markets will require approx. 80 additional automobile factories.

€ 37 million

INNOVATION / Our innovations pipeline is strong. In 2012, we invested € 37 million directly in research and development – 26 % more than in the previous year. Taking into account order-related development costs, our R&D budget was considerably higher.

33 %



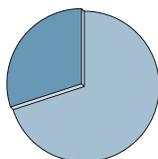
EMERGING MARKETS / Dürr has a strong presence in the emerging markets, where 55 % of our incoming orders were generated in 2012. 33 % of our employees work in countries like China, Brazil, India and Mexico.

04

Potential

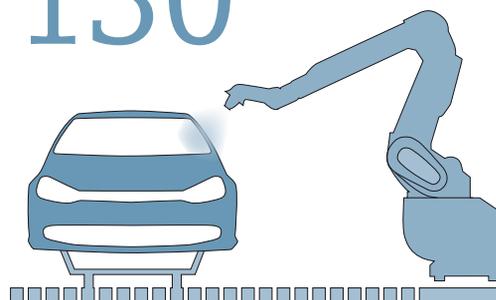
2012 was a successful year. Our markets will continue to offer attractive potential in the future: from an increase in automobile production in the emerging markets to the growing modernization business and expansion in energy efficiency.

30 %

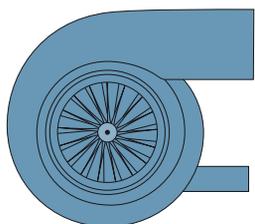


ENERGY EFFICIENCY / Up to 30% of the energy consumed by German industry could be saved – by energy management, system upgrades and new investments. Our technologies are key to improving energy efficiency. They include ORC and Compact Power Systems, which generate electricity from heat, the environmentally friendly Thermana heat pumps, and our heat storage and heat exchanger solutions.

130



AUTOMATION / Up to 130 robots are used in a large automobile paint shop. The trend toward fully automatic exterior and interior painting is accelerating. Over the past three years alone, the number of Dürr robots installed worldwide has risen from 4,400 to 7,300.



2/3

DOWNSIZING / The automobile industry needs more and more turbochargers to increase the performance of low-consumption downsizing engines. In 2012, the global production of turbochargers increased to around 24 million units. At least two-thirds of those were balanced using Schenck systems.

20 years

MODERNIZATION / The market for modernizing automobile factories is growing. Around 250 paint shops worldwide are over 20 years old, increasing the need for modernization investment in order to boost production efficiency. We will continue to grow this business.

2012 /

Group management report

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GROUP MANAGEMENT REPORT
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Group management report

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Dürr at a glance: Organization and activities

PROFILE

Dürr is a mechanical and plant engineering group and a worldwide leader. In line with our corporate slogan “Leading in Production Efficiency”, our ambition is to help our customers achieve greater production efficiency. We generate a good 80 % of our sales revenues from production technology for automobile manufacturers and their suppliers. The other sectors in which we operate include aircraft and machinery construction, the chemical, pharmaceutical and electrical industries, and the energy sector. About half of our business is attributable to plant engineering, and half to mechanical engineering. The Dürr Group is positioned globally: We operate facilities at 51 locations in 23 countries; besides our activities in North America and Western Europe, we are strongly represented in the emerging markets¹. They accounted for 55 % of our order intake in the year under review and 33 % of the workforce. 45 % of our employees work in Germany.

GROUP STRUCTURE: HOLDING COMPANY, DIVISIONS AND BUSINESS UNITS

Dürr AG performs Group-wide functions as a management holding company. These include, for example, financing, Group controlling and accounting, as well as legal affairs, internal auditing, corporate communication, and human resources management. Group-wide information technology is managed by our subsidiary Dürr IT Service GmbH.

Our operating activities are organized into four divisions, which also form reporting segments as defined by IFRS:

- Paint and Assembly Systems
- Application Technology
- Measuring and Process Systems
- Clean Technology Systems

The four divisions are further organized into a total of six business units. An overview of the Group’s structure is presented in table 2.1. One organizational change was implemented in the Clean Technology Systems division at the end of 2012: The previously separate Environmental and Energy Systems and Energy Technology Systems business units were merged to form the new Clean Technology Systems business unit with a single management team in order to achieve synergies in development, sales, and international presence.

2.1 / GROUP STRUCTURE

MANAGEMENT HOLDING COMPANY	DIVISIONS ¹	BUSINESS UNITS
/ Dürr AG	/ Paint and Assembly Systems	/ Paint and Final Assembly Systems / Aircraft and Technology Systems
	/ Application Technology	/ Application Technology
	/ Measuring and Process Systems	/ Balancing and Assembly Products / Cleaning and Filtration Systems
	/ Clean Technology Systems	/ Clean Technology Systems

¹ Reporting segments

¹ Asia (excluding Japan), Mexico, Brazil, and Eastern Europe

BUSINESS UNITS AND MARKET POSITIONS

Paint and Final Assembly Systems plans and builds turnkey paint shops and final assembly lines for the automotive industry. As a systems partner, we assume all the tasks of project execution, from layout planning to system start-up. In the area of paint systems, we offer hardware and software solutions for all process stages. Our core products include our RoDip systems, in which the vehicle body shells emerging from the body shop are cleaned, pretreated, and coated to protect them against corrosion. Other important products include spray booths for the application of primer, base, and clear coats using the energy-efficient **EcoDryScrubber PAINT SEPARATION SYSTEM, OVENS** and conveyor systems, and the related control and **SUPERVISORY CONTROL SYSTEMS** under the **EcoEMOS** brand name. Together with our sister division Application Technology, this makes us the world's only system supplier that develops and delivers paint systems and **APPLICATION TECHNOLOGY** from a single source. We lead the field over the competition with a global market share of around 50 %, followed by two companies from Japan and Germany.



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Aircraft and Technology Systems operates in the field of paint and assembly systems for aircraft construction. The business unit was established in 2008 to develop this previously peripheral activity into a full-fledged business field. One reason we see good growth opportunities is that the aircraft industry is consolidating its supplier base and is increasingly placing larger order packages with systems partners. Another is that proven technologies from the field of highly automated automotive production are more and more frequently finding application in aircraft production. Our core competences are the development and construction of turnkey plants for painting aircraft and for positioning and joining preassembled aircraft components. In the relevant aircraft business, we are also among the leading companies worldwide. Since the competitive environment is relatively fragmented, the market shares of all suppliers are in the single-digit percentage range. Besides aircraft production technology, Dürr Consulting also belongs to the Aircraft and Technology Systems business unit. It advises customers from different sectors on planning and optimizing production processes.



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Application Technology generates about 85 % of its sales from hardware and software solutions for the automated spray application of paint. Its most important products are the **EcoBell3 HIGH-SPEED ROTATING ATOMIZER** and the **EcoRP** painting robot family. Other product solutions, for example, are used for paint supply, quality assurance, and process control and evaluation. With a global market share of over 50 %, we are the largest supplier. The core business of our three most important competitors, each with a market share of about 15 %, is the manufacture of industrial robots. Besides paint application technology, we are targeting expansion in two related business fields: **SEALING** technology and **GLUEING TECHNOLOGY**. Sealing applications are employed in automobile paint shops in seam sealing, underbody protection, and injection of insulating materials. Glueing technology is used to join components during body-in-white production and final assembly. It complements and is increasingly replacing welding since new combinations of non-weldable materials are being used with the trend towards **LIGHTWEIGHT DESIGN**. During final assembly, glueing technology is used, for instance, for bonding windows, glass roofs, and cockpits.



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Balancing and Assembly Products is active in two areas: **BALANCING AND DIAGNOSTIC SYSTEMS**, on the one hand, and assembly, **TEST** and **FILLING SYSTEMS** products, on the other. Our Schenck-branded balancing systems are used in many different industries; with a market share of about 40 % we are the world's largest and most broad-based supplier. The two next-largest competitors combined have a total market share of 25 %. The major products include balancing systems for crankshafts and turbochargers and also for general mechanical engineering, the energy sector, and the aviation industry. With regard to assembly, testing, and filling systems, the automotive industry is our main customer group. With market shares of 25 to 30 % each, these three areas lead the world market. With reference to filling technology, we also supply systems for the automated filling of household appliances and heat pumps with refrigerants via the Agramkow Group. In **TESTING TECHNOLOGY**, demand focuses on test stands for wheel geometry, brakes, and electronics. In assembly technology, the key area is **MARRIAGE** stations, in which the vehicle body and drive train are joined.

Cleaning and Filtration Systems is the world market leader in **INDUSTRIAL CLEANING TECHNOLOGY**, with a share of about 30 %. Our main competitors are medium-sized companies that operate mostly in their respective home markets. Apart from cleaning systems that remove dirt particles left in workpieces after machining, our product range also includes **FILTRATION SYSTEMS** and automation technology for linking different stations in manufacturing processes. Our international reach enables us to equip a customer's automobile factories in different countries with uniform technology. Major products include the **EcoCFlex** robotic cleaning system and the **EcoCBase** compact cleaning system.



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Clean Technology Systems supplies environmental technology and products to enhance energy efficiency in production processes. In environmental engineering, Dürr is known for its exhaust-air purification systems, which remove solvents and other pollutants from air flows. Originally specializing in exhaust-air purification for automobile paint shops, we now generate around 80 % of our sales from sectors such as the chemical and pharmaceutical industries, but also printing, wood-working, and carbon fiber production. In the automotive industry, we have a market share of between 40 and 50 %, while in the fragmented non-automotive sector our share of about 15 % also makes us one of the major suppliers. Thermal exhaust-air purification systems, which incinerate pollutants, play an especially important role. Increasingly often, we are equipping these with energy-efficient systems for recovering process heat. This focus on sustainable processes forms the link to our second arm, energy efficiency. We have been building up a broader technology portfolio in this business field relating to the efficient use of heat, cold, and electricity since early 2011. We are doing this by means of in-house developments, but also small-scale technology acquisitions. Our product range currently covers energy efficiency solutions such as Organic Rankine Cycle (ORC) systems and Compact Power Systems (CPS) for electricity generation, together with **HEAT EXCHANGERS**, latent heat accumulators, and heat pumps. Other processes will follow so that we can support a broad customer base in optimizing their energy consumption.



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EXTENSIVE RANGE OF SERVICES

The quality of our service is an important feature in setting ourselves apart from the competition. Our range of services includes planning, remodeling, modernizing, optimizing, and relocating plants and machinery, as well as software updates, training, repairs, and replacement parts. In 2012 service-related sales grew by 13.8 % to € 506.9 million. As a proportion of consolidated sales, however, it fell to 21.1 % (2011: 23.2 %) since new machinery and plant business grew even more dynamically at 28.2 %. Prospects in the service business field are good: As a result of strong new business, our installed base, and thus the demand for after-sales services, is growing constantly. From 2013 onwards, the proportion of services in our consolidated sales should rise again. Figures in excess of 25 % are expected in the medium term. At the end of 2012, the services area had 982 employees, or 13 % of the Group's workforce (December 31, 2011: 860 employees / 13 %). Each national company has its own national service manager who coordinates service activities. Worldwide, we operate 51 service bases – termed "antennas" – located on, or in the immediate vicinity of, customers' premises.



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TIP: TECHNOLOGY AND INDUSTRY PARK IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP) is part of the Measuring and Process Systems division, but is not run as a business unit in its own right. As a real estate service provider, it markets offices and also production and warehouse space in Darmstadt, where Schenck is headquartered. The space for rent amounts to 134,000 m² on 105,000 m² of land, of which offices account for 53 %.

LEGAL STRUCTURE

Each of the following companies is wholly owned by Dürr AG: Dürr Systems GmbH, Dürr International GmbH, Dürr IT Service GmbH, and Carl Schenck AG. The first three of these companies have entered into profit and loss transfer agreements with Dürr AG. The profit and loss transfer agreement between Dürr AG and Carl Schenck AG was rescinded with effect from year's end 2012 for reasons of fiscal optimization and is to be replaced – subject to this being agreed at the 2013 annual general meeting – by a control agreement. Dürr Systems GmbH, Dürr International GmbH,

2.2/

ACTIVITIES AND CUSTOMER GROUPS

PAINT AND ASSEMBLY SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS
Paint and Final Assembly Systems	/ Plant engineering	/ Complete paint shops / Individual painting process stations / Services / Final assembly systems	/ Automobile manufacturers / Automotive suppliers / General industry (e.g. construction equipment and farm machinery)
Aircraft and Technology Systems	/ Plant engineering	/ Assembly and paint systems for aircraft production / Services	/ Aircraft manufacturers / Aircraft industry suppliers
	/ Consulting	/ Consulting	/ Automobile manufacturers / Automotive suppliers / General industry

APPLICATION TECHNOLOGY DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS
Application Technology	/ Mechanical engineering	/ Products for automated spray painting / Sealing technology / Glueing technology / Services	/ Automobile manufacturers / Automotive suppliers / General industry (e.g. construction equipment, farm machinery and wind power)

MEASURING AND PROCESS SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS
Balancing and Assembly Products	/ Mechanical engineering	/ Balancing and diagnostic systems / Assembly technology for final vehicle assembly / Testing technology for final vehicle assembly / Filling technology / Services	/ Automobile manufacturers / Automotive suppliers / Electrical/electronic engineering / Turbines/power stations / Mechanical engineering / Aerospace industry / Household appliance industry
Cleaning and Filtration Systems	/ Mechanical engineering	/ Industrial cleaning systems / Automation technology (workpiece handling, linking of machining centers) / Filtration systems / Services	/ Automobile manufacturers / Automotive suppliers / Electrical/electronic engineering / Mechanical engineering / Aerospace industry / Medical and laboratory equipment

CLEAN TECHNOLOGY SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS
Clean Technology Systems	/ Plant engineering / Component business	/ Exhaust-air purification systems / Energy management and consulting / Services / Energy efficiency technologies (electricity generation from heat, heat storage systems, heat exchangers, heat pumps)	/ Chemical industry / Pharmaceutical industry / Carbon fiber production / Printing/coating / Automobile manufacturers (paint shops) / Automotive suppliers (paint shops) / Woodworking / Operators of decentralized power plants (CHP plants, biogas systems, stationary combustion engines) / Process industry / Energy sector / General industry

and Carl Schenck AG hold direct or indirect interests in all the other 54 Group companies. In most cases, those are 100 % interests, as presented in the overview under **ITEM 43** in the notes to the consolidated financial statements. The members of the Boards of Management of Dürr AG and Carl Schenck AG and the managing directors of Dürr Systems GmbH are represented on the supervisory boards of all material foreign companies.

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ACQUISITIONS AND SHAREHOLDING PURCHASES

As part of the “Dürr 2015” strategy, we purchased shareholdings in three smaller companies in 2012. All three operate in the field of heat use and complement the technology portfolio of the Clean Technology Systems division.

- In January 2012, we purchased 15 % of the shares of HeatMatrix Group B.V. (Netherlands). HeatMatrix develops innovative plastic **HEAT EXCHANGERS**, which are especially suitable for heat recovery from flue gases.
- March 2012 saw us increase our shareholding in LaTherm GmbH from 8.2 % to 29.2 %. LaTherm specializes in mobile latent heat accumulators, which enable heat to be extracted from waste heat, stored and then reused independently of time and location.
- In October 2012, we acquired 26.9 % of the shares in Thermea Energiesysteme GmbH. This shareholding was increased to 27.5 % in December 2012 by way of a capital increase. Thermea is one of the world’s first suppliers of large-scale heat pumps to work with the natural refrigerant CO₂. Our contractual agreements with the other shareholders grant us control of the company.

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Further information concerning our acquisitions is presented in table 2.3, the chapter on **STRATEGY**, and under **ITEM 18** in the notes to the consolidated financial statements. Dürr Cyplan Ltd., in which we acquired a 50 % holding in 2011, was fully consolidated for the first time with effect from November 21, 2012, since Dürr has a controlling interest in the company.

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2.3 /

SHAREHOLDING PURCHASES

	Shareholding	Consolidation type	Included in the consolidated financial statements since	Established	No. of employees ¹	Purchase price	Goodwill ²
HeatMatrix Group B.V.							
Clean Technology Systems	15.0 %	Financial investment	Jan. 30, 2012	2008	4	€ 0.4 million	€ 0.0 million
LaTherm GmbH							
Clean Technology Systems	29.2 %	At equity	March 22, 2012 ³	2007	7	€ 0.4 million	€ 0.0 million
Thermea Energiesysteme GmbH							
Clean Technology Systems	27.5 %	Fully consolidated ⁴	Oct. 24, 2012	2008	23	€ 2.1 million	€ 1.6 million

¹ At time of first consolidation or acquisition of holding

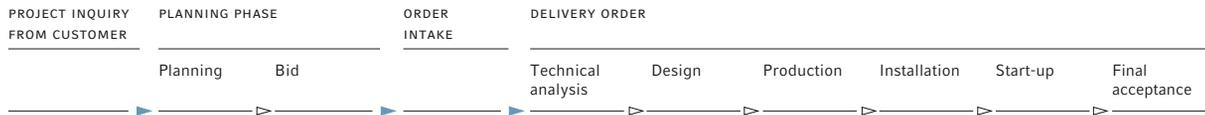
² Included in purchase price

³ LaTherm GmbH has been consolidated as an associated company at equity since the increase in the holding to 29.2 %. Previously there was an 8.2 % holding in LaTherm, which was accounted for in the other financial investments.

⁴ The company is fully consolidated since Dürr has a controlling interest.

2.4 /

PROCESSES IN PLANT ENGINEERING



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BUSINESS PROCESSES/PROCESS ADVANTAGES

Planning, **ENGINEERING** and design, and order execution are our most important business processes. Professional project management is the key to smooth order execution in plant engineering. Dürr project managers guide in-house teams but also numerous suppliers – and both across international borders. Furthermore, they bear overall responsibility for meeting deadlines, quality standards, budgets, and project cash flows. As a rule, executing a large project takes 15 to 24 months in plant engineering and usually two to twelve months in mechanical engineering.

Smooth cooperation between various departments and facilities within the Group is critical to the success of large orders. We have established the necessary systems to cope with this: The processes in the planning phase, order execution, purchasing, service, and administration have been standardized worldwide. Uniform methods and tools help avoid interface problems, duplication of work, and errors. Another benefit is our **ERP SYSTEM**, which we have implemented Group-wide; this regulates the business processes and makes them transparent on the IT side. It reduces interfaces, automates workflows, and allows optimal international distribution of work packages to those locations with the most free capacity.



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At present, the emphasis in process optimization is on supporting growing business locations in the emerging markets as effectively as possible. Apart from IT integration, the focus is on the secondment of specialists from Western countries, training of foreign employees in Germany, and international knowledge transfer. We are also adapting the global production, engineering, and purchasing network to take even greater account of the requirements in high-demand markets such as China, Brazil, India or Mexico.

CUSTOMER RELATIONS

Our customer base in the automotive industry is relatively concentrated in light of the small number of automakers. Market penetration is correspondingly high: All major automobile manufacturers worldwide and many of their parts suppliers use Dürr technology in their factories. We maintain close contacts with these companies because our technically sophisticated business is geared to the long term and requires constant coordination with customers. Major projects have long lead times, during which we can advise our customers. Once a production line has been commissioned, we enter into a long-term service relationship with the operator and take responsibility for spare parts deliveries, modifications, and upgrades. We also work closely with our customers in product development so that we can make sure our innovations match their requirements as closely as possible.

Business with other sectors, such as the chemical, pharmaceutical, and aircraft construction industries, is likewise characterized by close cooperation with customers during projects. We are constantly enlarging our market base in aircraft business. After having worked almost exclusively for one European aircraft manufacturer in the past, we have acquired over 15 manufacturers and component suppliers as new customers since 2008.

SUPPLIER RELATIONS

Our worldwide supplier pool includes over 10,000 companies, most of which are parts and component suppliers and contract manufacturers. It also includes engineering consultancies, logistics companies, and other service providers. We enter into international framework agreements for the procurement of key product groups such as pumps, drives, and fittings. To that end, we cooperate with highly capable preferred suppliers, with whom we maintain long-term business relationships. The ability to deliver internationally is an important criterion when selecting partners for framework agreements. It allows the needs of several Group companies to be pooled, thereby enabling economies of scale to be achieved. Further information is presented in the **PROCUREMENT** chapter.

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FEATURES OF OUR BUSINESS MODEL

Our core competences are the planning and engineering of production processes and the assembly of the necessary machinery and equipment. Our proportion of in-house production is relatively low and mainly comprises high-tech core products and selected standard components. The vertical depth of production is about 30 % in mechanical engineering, and about 20 % in plant engineering. Dürr's capital tie-up and fixed cost base are therefore comparatively low. That positively affects our return on capital employed and enables us to respond more flexibly to cyclical fluctuations of orders.

In plant engineering, we need at most a low, or at times even a negative, **NET WORKING CAPITAL**. This means that inventories and receivables in current assets are set against trade payables of the same or slightly higher amount. In mechanical engineering, we need on average about 90 days to convert our net working capital into sales revenues (days working capital). In the Group as a whole, the days working capital at the end of 2012 was 15 days, i.e. better than the target corridor of 20 to 25 days.

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The low **ASSET INTENSITY** of our business entails a likewise relatively low need for capital expenditure. The expertise of our employees is much more important than our tangible assets. We can therefore grow with manageable capital expenditure, for example by expanding into new market regions or high-tech related business fields.

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In line with our low vertical depth of production, the Group's consolidated material costs are 46.8 % of sales (including purchased services). We mainly calculate our bids on the basis of current material costs, taking account of price fluctuations on the procurement market. In mechanical engineering, we mainly purchase components and assemblies. Their prices are usually less volatile than raw material prices and are fixed for the medium term in framework agreements.

Our currency risk is comparatively low because of the Group's international presence. Translation effects arising from the conversion of foreign currency items into euros are the main factor to consider. Transaction effects, which occur in the export business, play a less important role: Our export ratio is low in most cases as the bulk of our added value and purchasing takes place in the countries where the orders are executed.

Our projects generally have a lead time of several months, while as much as one to two years must be allowed for planning and preparation with large orders. We therefore have a relatively good picture of our future sales, capacity utilization, and income situation.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

The Group's 51 locations guarantee that we are close to our customers throughout the world. Our activities in the high-demand emerging markets, for example in Shanghai (China), São Paulo (Brazil), Querétaro (Mexico), and Chennai and Delhi (India), are taking on ever greater importance. Over 2,100 permanent employees already work for Dürr at these five locations.

The locations in Germany play a leading role. With 1,812 employees, the Dürr Campus in Bietigheim-Bissingen – the Group headquarters – is the hub for the international business of the Paint and Assembly Systems, Application Technology, and Clean Technology Systems divisions. Darmstadt (495 employees) manages the activities of Measuring and Process Systems and is our center of competence for **BALANCING TECHNOLOGY**.



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In the US, we have reorganized our site structure in recent years and have grouped activities together. As of December 31, 2012, there were 647 employees at the five US locations centered on the Greater Detroit region.

We are adjusting our capacities to the increased business volume by means of extensions and new buildings:

- In May 2013, we will complete an additional production building on the Dürr Campus in Bietigheim-Bissingen, which is mainly intended for robot assembly operations.
- In Shanghai, we increased the workforce size from 271 to 1,221 people between the end of 2005 and the end of 2012; to this can be added at present about 400 external leased production staff. An additional plant engineering production center was opened in Shanghai Qingpu at the beginning of 2012. We will move into a further new building in Shanghai Baoshan in mid-2013. This will house all the mechanical engineering operations, which are currently still spread across three locations in Shanghai, on approx. 30,000 m² of production and office space. Once the Baoshan location has been completed, we will have some 63,000 m² of space in total in Shanghai – almost as much as in Bietigheim-Bissingen.
- In São Paulo, the number of employees has risen from 83 to 281 since the end of 2005. We have greatly expanded our competences, created additional spaces, and built test and training centers for customers.
- A new, significantly enlarged production and office complex is scheduled for completion at the Querétaro location by mid-2013. Since 2005 the workforce there has grown from 64 to 203 employees.

Total expenditure on expansion measures within the Group is expected to reach about € 50 million in 2012 and 2013 and will mainly take the form of leasing and rental expenditure.

Group guidelines, process standards, and a consistent IT architecture clearly determine in the Dürr network how Group companies cooperate on cross-border systems projects in plant engineering. The System Center in Bietigheim-Bissingen always assumes the task of project leadership in connection with large orders in the Paint and Assembly Systems division. Companies based in foreign countries are responsible for local sales and service, and they support system execution, for example, in **ENGINEERING**, purchasing, and production. Our international activities in mechanical engineering are also largely directed and supported by the principal German business locations.



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2.5 / PRINCIPAL DÜRR SITES



GERMANY	EUROPE	AMERICA	ASIA, AFRICA
■ Bernried ^{1,2}	■ Zistersdorf ¹ (A)	■ Warwick ^{1,2} (GB)	■ São Paulo ^{1,2} (BR)
■ Bietigheim-Bissingen ^{1,2}	■ Rheineck ^{1,2} (CH)	■ Beinasco ^{1,2} (I)	■ Querétaro ^{1,2} (MEX)
■ Braunschweig	■ Oslavany-Padochov ¹ (CZ)	■ Novogro di Segrate ² (I)	■ Auburn Hills ^{1,2} , Michigan (USA)
■ Darmstadt ^{1,2}	■ Sonderborg ^{1,2} (DK)	■ Paderno Dugnano (I)	■ Bowling Green ¹ , Ohio (USA)
■ Filderstadt ^{1,2}	■ Madrid ² (E)	■ Rodano ^{1,2} (I)	■ Deer Park ¹ , New York (USA)
■ Grenzach-Wyhlen ^{1,2}	■ San Sebastián ² (E)	■ Rotterdam (NL)	■ Plymouth ^{1,2} , Michigan (USA)
■ Monschau ^{1,2}	■ Valladolid (E)	■ Radom ^{1,2} (PL)	■ Wixom ¹ , Michigan (USA)
■ Ochtrup ¹	■ Viladecans ² (E)	■ Moscow (RUS)	
■ Ottendorf-Okrilla ^{1,2}	■ Cergy-Pontoise ¹ (F)	■ St. Petersburg (RUS)	
■ Püttlingen ^{1,2}	■ Guyancourt ² (F)	■ Bratislava (SK)	
■ Stollberg ^{1,2}	■ Loué ^{1,2} (F)	■ Istanbul (TR)	
■ Wolfsburg ^{1,2}	■ Uxegney ^{1,2} (F)		

¹ Production or assembly site

² Engineering site

The other sites mainly perform sales and service functions.

**REPORT ON RELATIONSHIPS WITH ASSOCIATED ENTERPRISES
(DEPENDENCY REPORT)**

In conformity with Section 312 of the German Stock Corporation Act, the Board of Management of Dürr AG has prepared a report on relationships with associated enterprises, in which it makes the following concluding declaration: "Our company and the enterprises associated with our company received fair and reasonable consideration in each transaction listed in the report on relationships with associated enterprises. This assessment is based on circumstances known to us at the time the events to be reported took place."

**DISCLOSURES PURSUANT TO SECTIONS 289 (4) AND 315 (4) OF THE GERMAN
COMMERCIAL CODE (HGB)**

- **Structure of subscribed capital:** Dürr AG's subscribed capital is divided into 17,300,520 bearer common shares with full voting rights. The rights and obligations arising from the ownership of common shares are regulated in the German Stock Corporation Act.
- **Restrictions on voting rights/transfer of shares and related agreements:** The Board of Management is aware of no pool agreements among the shareholders of Dürr AG. Legal voting right limitations exist pursuant to Section 28 s. 1 (breach of disclosure obligations) of the German Securities Trading Act and Section 71b (rights arising from own shares) and Section 136 (1) (voting right exclusion in the case of certain conflicts of interest) of the German Stock Corporation Act.
- **Shareholdings that exceed 10 %:** Heinz Dürr GmbH holds 26.5 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung GmbH (3.47 %), the Dürr family controls 29.97 % of the shares (as of December 31, 2012).
- **Shares conferring special rights:** There are no shares in Dürr AG that confer special rights.
- **Voting right control of any employee stock ownership plan where the control rights are not directly exercised:** There are no employee stock ownership plans where the control rights are not exercised directly by the employees.
- **Rules governing the appointment and replacement of members of the Board of Management:** The applicable statutory rules are set out in Sections 84 and 85 of the German Stock Corporation Act and in Section 31 of the German Co-determination Act. Dürr AG's articles of incorporation do not contain any provisions that diverge from the statutory rules. Article 6 (1) of the articles of incorporation states additionally that the Board of Management consists of at least two members and that the appointment of deputy members of the Board of Management is admissible. Article 6 (2) states that the Supervisory Board may appoint one member of the Board of Management to be the chair of the Board of Management and another member of the Board of Management to be the deputy chair.
- **Rules governing amendment of the articles of incorporation:** Section 179 of the German Stock Corporation Act requires the approval of the annual general meeting for amendments to the articles of incorporation. If it is not a matter of changing the corporate purpose of the company, a simple majority of the capital stock represented in the voting is sufficient as stated by Article 20 (1) of the articles of incorporation. Pursuant to Article 4 (4) and Article 5 of the articles of incorporation, the Supervisory Board is authorized, upon utilization of the conditional or authorized capital, to amend the wording of the articles of incorporation to reflect the extent of the utilization.

- **Powers of the Board of Management to issue or buy back shares:** Information on this point may be found in **ITEM 25** in the notes to the consolidated financial statements.
- **Agreements in the event of a change of control following a takeover bid:** Section 5 of the terms of our corporate bond provides that the bondholders have the right to demand early redemption of their bonds by Dürr AG in case of a change of control. The redemption amount in that case will be 101 % of the face value plus accrued and unpaid interest up to the redemption date. A change of control occurs when one or more persons acting in concert have become the legal or economic owner of more than 50 % of the common shares of Dürr AG. Such covenants are customary practice and are included in comparable form in the terms of the bonds of other issuers. They serve to protect the interests of the bondholders.

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The terms of our syndicated loan stipulate that, in the event of a change of control, no additional cash drawings or applications for guarantees may be made. In addition, all credit commitments may be called by the majority banks so that the entire syndicated loan would have to be repaid. The agent representing the interests of the banking syndicate must be informed about a change of control immediately after it becomes known. A change of control is deemed to take place if (i) Dürr AG becomes a directly or indirectly dependent enterprise of a different person apart from those members of the Dürr family who were direct or indirect shareholders of Dürr AG when the amended version of the loan agreement was signed or of a company that is not controlled by the above-mentioned members of the Dürr family or their legal heirs or (ii) one or more persons acting in concert within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act (apart from the above-mentioned members of the Dürr family or their legal heirs) attain controlling influence over Dürr AG. A dependent enterprise in the sense intended here is an enterprise on which a different person directly or indirectly exerts a controlling influence or more than 50 % of whose shares are held directly or indirectly by a different person. Controlling influence in this sense means the ability to direct the affairs of Dürr AG or to control the composition of the Board of Management or the Supervisory Board of Dürr AG (to the extent that it is determined by the shareholders).

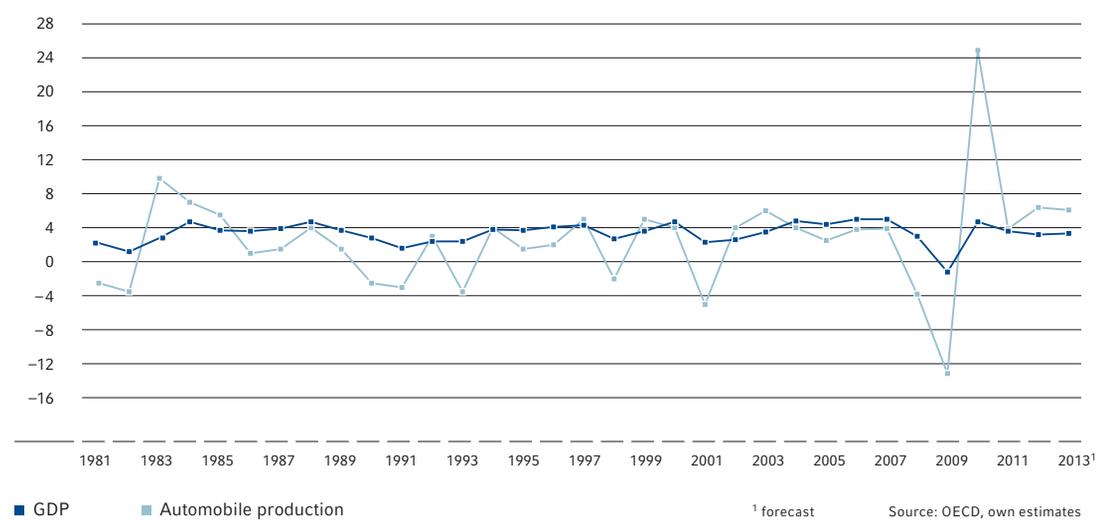
- **Agreements providing for compensation in the event of takeover bids:** In the event of a takeover, members of the Board of Management have the option to remain with the company or to leave it and receive severance compensation. Details of this are contained in the **CORPORATE GOVERNANCE** chapter of this report. There are no other agreements in this regard.

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Company-specific leading indicators

2.6 /

CHANGE IN AUTOMOBILE PRODUCTION AND GROSS DOMESTIC PRODUCT (GLOBAL)



We use various leading indicators of relevance for mechanical and plant engineering to steer the company. Four indicator types can be distinguished:

- The first category comprises leading economic indicators such as money supply, freight rates, commodity prices, yield curve structures, purchasing manager indices and business confidence barometers. These are supplemented by research reports and statistics issued by supranational institutions such as the IMF and the OECD. This intelligence helps us to estimate future general macroeconomic trends as well as trends in individual regions and sectors.
- The second group of indicators is used to assess future business potential in the automobile industry and entails the capital spending plans of OEMs and component suppliers, statistics and forecasts on automobile production and sales as well as estimates by automobile analysts. We generally adjust our business expectations to allow for any changes in forecast automobile production. To provide an example: If the growth forecast for global automobile production rises by one percentage point, we can expect to receive two or three additional paint system contracts with a combined value of around € 150 million assuming an unchanged share of the market. Such increases in forecasts point to rising order receipts in most of the other business units as well. Multi-year comparisons of capital spending plans and production statistics in the automobile industry are also used as indicators. Analysis of historical production and sales fluctuations provides an indication of future performance.
- Our third leading indicator entails specific capital spending projects planned by our customers. This information is stored in our CRM system and supplemented with an assessment of the prospects of receiving a contract for the project. Generally speaking, there is an interval of six to twelve months between the preliminary inquiry and the award of the contract by the customer. The quantity and total volume of the planned projects are important indicators. In product business, the quoting period for offers is a reliable indicator. If the average quoting period grows longer, meaning that customers take more time to make an investment decision, this points to weaker demand.
- The fourth group of indicators is made up of the Group's order receipts and orders on hand. Given the long turn-around times of many projects, both figures provide a reliable basis for estimating capacity utilization and sales revenues in the following quarters.

Economic and legal determinants

Sales of our systems, products and services hinge materially on capital spending in the automobile and other industries. Capital spending decisions by our customers are based on an analysis of income, earnings, production and capacity utilization as well as their long-term sales forecasts and strategic goals.

The emerging markets, which account for 55 % of our order intake, have a particularly important bearing on our business performance. Demand in these markets is being driven by two factors: continued expansion of automobile production capacities and OEMs' battle for market share. In North America, the automobile market is growing more quickly than expected, spurring demand for plant extensions and modernization. In Germany, flexibility, productivity and energy efficiency are the main factors driving OEM capital spending, particularly in connection with the modernization of existing factories. In the other Western European countries, the industry is likely to continue capping capital spending due to muted economic conditions, although specific projects for enhancing production efficiency are likely in these regions as well.

One important criterion for our business performance is the rate of global economic growth. Over the past six years, global automobile production has on average grown 1.3 times more quickly than global gross domestic product. This figure was lower at the beginning of the 2000s as the emerging markets accounted for a smaller proportion of global automobile production. Looking ahead over the next four years, global automobile production is likely to grow by around 20 million units. In purely notional terms, this will necessitate an additional 80 to 100 automobile factories.

In addition to the construction of new automobile plants, the modernization of existing facilities is increasingly driving demand. To our knowledge, around half of the roughly 470 automobile factories around the world are older than 20 years. However, production facilities must as a general rule undergo extensive modernization after 20 years at the latest, unless this has already been done incrementally. The technological enhancements to our products over the past few years have heightened the economic viability of modernization projects.

Trends in wages and salaries are of crucial importance for us as 19.9 % of our sales goes towards personnel costs (€ 476.4 million). We expect total wage and salary costs across the Group to rise by around 10 % in 2013. For one thing, this is due to an increase in average employee numbers of an estimated 6 % in 2013. For another, wages and salaries are growing more quickly in the emerging markets than in the established markets. The cost of materials, which accounts for 46.8 % of sales revenues, also impacts business performance. The effects of fluctuation in exchange rates on sales revenues and earnings are within reasonable limits, as the sensitivity analysis in **ITEM 39** in the notes to the consolidated financial statements shows.

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Legal and tax matters may exert an appreciable influence on our business. Examples include product safety and liability legislation, construction, environment and employment requirements as well as foreign trade and intellectual property law. Restrictions to the cross-border transfer of cash impact our cash-pooling system (see **FINANCIAL DEVELOPMENT**). We must maintain cash in countries in which participation in the cash pooling system is not possible.

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Environmental rules are becoming more stringent in the emerging markets in particular. In response to this, customers are increasingly investing in low-consumption and low-emission machinery and equipment. Consequently, sustainability is becoming an increasingly important factor for our sales revenues and earnings. As we have been factoring this into our product development activities for years, Dürr products are more material-efficient and generate fewer emissions than many peer products. We estimate that the volume of orders which we received in 2012 as a result of this advantage has a value in the three-digit million euro range. Accordingly, business in sustainable technologies is making a significant contribution to our earnings in the current year. Our commitment to supporting our customers with efficient technologies is reflected in our corporate slogan "Leading in Production Efficiency."

Corporate governance report

Dürr is committed to the principles and goals of good corporate governance. We believe that we can only create value in the long term if the company is managed and monitored in accordance with the relevant regulations and commitments. Good corporate governance creates transparency and helps to reinforce the trust that investors, business partners and customers as well as employees and the general public place in us. We see corporate governance as a practice-oriented system which we continually adapt to changing requirements. The focus of this process in 2012 was to further develop our compliance management system, and to raise awareness of the system among managers and employees. Additional information on this topic can be found in the **SUSTAINABILITY** chapter and the **RISK REPORT**.



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CORPORATE GOVERNANCE CODE: ADJUSTMENTS CONSIDERED

The new version of the German Corporate Governance Code (published on June 15, 2012) contains some material adjustments, for example in connection with the independence and compensation of Supervisory Board members. We have carefully examined the current wording of the Code and expressly welcome the clarification recently added to the preamble stating that justified deviations from the recommendations of the Code may be in the interest of good corporate governance.

The declaration of compliance, which was signed by the Chairmen of the Supervisory Board and the Board of Management on December 12, 2012, shows in which points and for which reasons we deviate from the recommendations of the Code. The declaration refers to the old version of the Code for the period between December 17, 2011, and June 14, 2012, and to the new version from June 15, 2012, onwards. The full text can be found at WWW.DURR.COM/EN/INVESTOR/CORPORATE-GOVERNANCE/.



www

Our declaration of compliance contains three deviations from the recommendations of the Code; the relevant excerpt can be found below. We apply most of the Code's suggestions.

EXCERPT FROM THE DECLARATION OF COMPLIANCE AS OF DECEMBER 12, 2012

D&O insurance deductibles

(Item 3.8, Paragraphs 2 and 3 of the 2010 and 2012 versions)

A D&O insurance policy without deductibles (group insurance) existed and continues to exist for members of the Supervisory Board. Accordingly, Item 3.8, Paragraph 3 in connection with Paragraph 2 of the Code was not and continues not to be observed. It is not planned to introduce any deductibles for members of the Supervisory Board because Dürr AG does not believe that the already high dedication and responsibility with which Supervisory Board members observe their duties can be improved any further by an agreement providing for deductibles. Another consideration is that it would be unreasonably costly for the six employee representatives on the Supervisory Board of Dürr AG, which has an equal number of members representing employees and shareholders respectively, to take out personal insurance policies at their own expense to cover the residual risk (in the amount of the deductibles).

Objectives for the composition of the Supervisory Board, age limit for members of the Supervisory Board

(Item 5.4.1, Paragraphs 2 and 3 of the 2010 and 2012 versions)

The recommendations in Item 5.4.1, Paragraphs 2 and 3 of the Code are not complied with. The Supervisory Board is of the opinion that specifying and publishing concrete objectives for its composition, and their regular adjustment, involves a not inconsiderable amount of work which does

not appear justified in view of the Supervisory Board's size and the further increased workload placed on the Board by new statutory requirements. Furthermore, setting rigid objectives would exclude opportunities for obtaining excellently qualified persons to serve on the Supervisory Board who do not fit into the predefined framework. The Supervisory Board will therefore deliberate on the desired composition of the Board only when its proposals to the general meeting of the shareholders on the election of Supervisory Board members are due to be resolved upon. At the same time, it will also consider other criteria besides those set forth in Item 5.4.1, Paragraph 2 of the Code. As of the date on which this declaration is issued, the Supervisory Board has one female member and several members with well-established international experience.

No provision has been made for a limit on the age of members of the Supervisory Board as recommended in Item 5.4.1, Paragraph 2 of the Code because Dürr AG believes that the effectiveness of Supervisory Board members does not depend on whether an inflexible age limit has been reached. Furthermore, Dürr AG does not intend to set a rigid age limit in the future because that would deprive the company of opportunities for obtaining excellently qualified persons to serve on its Supervisory Board who have already passed the age limit or will pass it during the time of their appointment.

**Variable remuneration of the members of the Supervisory Board
(Item 5.4.6 Paragraph 2, Sentence 2 of the 2012 version)**

The system of tying the variable remuneration paid to members of the Supervisory Board to consolidated earnings before tax (EBT) has proven itself. Dürr does not wish to follow the general trend of converting variable remuneration components into fixed remuneration. Dürr believes that it has a suitable variable remuneration system which awards the successful work of the previous year in connection with a cap providing for a reasonable maximum on the amount of the variable remuneration payable. Accordingly, Item 5.4.6, Paragraph 2 Sentence 2 of the Code (2012 version) was not observed and has not been observed since June 15, 2012.

OTHER INFORMATION ON CORPORATE GOVERNANCE AT DÜRR¹

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As the executive organ of Dürr AG, the Board of Management conducts the company's business, defines the strategy, and implements it in consultation with the Supervisory Board. It must always act in the company's best interest and in compliance with its business policies. The Board of Management informs the Supervisory Board on a regular and comprehensive basis of business performance, strategy, and risks. Its work is carried out on the basis of the rules of procedure formulated by the Supervisory Board, regulating the Management Board's individual responsibilities, the manner in which resolutions are passed, and other aspects.

The Supervisory Board of Dürr AG advises and supervises the Board of Management. In accordance with the German Co-determination Act, it consists of twelve members with an equal number of shareholder and employee representatives. The six shareholder representatives are elected by the shareholders at the annual general meeting, and the six employee representatives are elected by the employees of Dürr's locations in Germany. The chairman has the casting vote in the event of a tie. Urgent resolutions can be adopted by the Supervisory Board by written circular. This did not occur in 2012.

A new Supervisory Board was elected in 2011, as scheduled every five years. If a member of the Supervisory Board resigns before the end of his/her term of office, a successor will be appointed by court if there is no elected substitute member. Supervisory Board members appointed by court must stand for election at the following annual meeting and/or the following election by the employees.

¹ The full declaration on corporate governance practices can be found at www.durr.com/en/investor/corporate-governance/

The Supervisory Board of Dürr AG has created four committees from its midst. They discuss special topics and prepare resolutions. The chairmen of the committees then inform the Supervisory Board plenum of the results of their work.

- The Personnel Committee, which is also the Executive Committee, is primarily responsible for the appointment of members of the Board of Management and their compensation, and conducts the groundwork for the corresponding resolutions by the Supervisory Board plenum.
- The Audit Committee mainly deals with financial accounting, risk management, the internal control system, and internal auditing. It also oversees the compliance management system, which ensures that internal and external rules and regulations are adhered to. The committee reviews the annual financial statements of the Dürr Group and Dürr AG, and conducts the groundwork for the corresponding resolutions by the Supervisory Board plenum.
- The Mediation Committee convenes if there are differences of opinion within the Supervisory Board regarding the appointment or dismissal of members of the Board of Management. At Dürr, this committee has never had to convene.
- The Nominating Committee proposes suitable candidates to the Supervisory Board for the election of shareholder representatives at the annual general meeting. In the interest of diversity, the committee ensures that female members as well as people with international experience are given due consideration.

With the exception of the Nominating Committee, which has three shareholder representatives, all the committees consist of four members with an equal number of shareholder and employee representatives.

ANNUAL GENERAL MEETING

The annual general meeting provides the shareholders with the opportunity to participate in a general debate with the Board of Management and the Supervisory Board, and to exercise their voting rights. The agenda, which has to be circulated by the company in time for the meeting, outlines the motions on which resolutions are to be passed, for instance on the appropriation of profit or on capital measures. The annual general meeting is presided over by the Chairman of the Supervisory Board. He informs the shareholders of the activities of the Supervisory Board and its committees in the previous year.

TRANSPARENCY

Our external communication provides the public with comprehensive, consistent and up-to-date information on Dürr. Figures and explanations relating to the development of our business can be found in the annual report, in the quarterly and six-monthly reports, as well as in press releases and ad-hoc announcements; particularly important news items are announced at press and telephone conferences. All announcements, reports and presentations are available for download at www.durr.com. Any questions will be answered by our Investor Relations and Press department.



FINANCIAL ACCOUNTING AND INDEPENDENT AUDIT

We have prepared our consolidated financial statements to International Financial Reporting Standards (IFRS) since 2003. For several years now, the independent audit has been carried out by Ernst & Young GmbH. The company is appointed by the annual general meeting on the basis of a proposal put forward by the Supervisory Board. It audits the consolidated financial statements prepared by the Board of Management before they are reviewed and approved by the Supervisory Board and then published at the latest 90 days after the balance sheet date. In accordance with item 7.2.3 of the Corporate Governance Code, the auditor will inform the Chairman of the Supervisory Board

2.7 /

RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	RALF W. DIETER (CHAIRMAN)	RALPH HEUWING (CHIEF FINANCIAL OFFICER)
/ Divisional/operative responsibilities	<ul style="list-style-type: none"> / Paint and Assembly Systems / Application Technology / Measuring and Process Systems 	<ul style="list-style-type: none"> / Clean Technology Systems / Dürr Consulting
/ Corporate functions	<ul style="list-style-type: none"> / Corporate Communications / Human Resources (Employee Affairs Director) / Research & Development / Quality Management / Internal Auditing / Corporate Compliance 	<ul style="list-style-type: none"> / Finance/Controlling / Investor Relations / Risk Management / Legal Affairs/Patents / Information Technology / Global Sourcing

immediately of all matters relevant for the work of the Supervisory Board that come to its attention in the course of the audit. The auditor is also required to notify the Supervisory Board if it encounters any deviations from the declaration of compliance according to Section 161 of the German Stock Corporation Act (AktG). Before the letter of engagement is issued, the auditor gives a pledge of its independence to the Supervisory Board.

PERFORMANCE INDICATORS, CONTROL SYSTEM, INSIDER REGISTER

EBIT, operating cash flow, **FREE CASH FLOW** and **ROCE** are our key indicators for corporate management. Our 2012 figures as well as information on the calculation can be found in the **FINANCIAL DEVELOPMENT** chapter.

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We have established a comprehensive risk management system carefully adapted to the 15 specific risk fields of the Dürr Group. It also comprises the internal control system for the accounting process. More detailed information on this topic can be found in the **RISK REPORT**.

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The insider register, which must be created in accordance with Section 15b of the German Securities Trading Act (WpHG), is updated and examined for completeness on a regular basis. The listed individuals have been informed about any legal obligations and sanctions.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD PROCEDURES AT DÜRR

The Board of Management of Dürr AG consists of two members. This ensures fast and efficient communication, consultation and decision-taking processes. The Board of Management works closely with the management of the divisions and business units as well as the corporate departments of Dürr AG.

The Chairman of the Board of Management, Ralf W. Dieter, manages several corporate functions as well as three divisions, Paint and Assembly Systems, Application Technology und Measuring and Process Systems, in close consultation with the heads of the business units. He heads up the sales operation and represents Dürr at the decision-taking level of customers. Chief Financial Officer Ralph Heuwing is responsible for financial matters and other corporate functions, and is also in charge of the Clean Technology Systems division. Table 2.7 offers a complete overview of the responsibilities within the Board of Management.

2.8 /

REPORTED TRANSACTIONS IN DÜRR SHARES IN 2012

Purchaser/seller	Purchase of shares XETRA	Sale of shares XETRA	Off-exchange sale of shares	Price per share ¹ in €	Number of shares	Transaction volume in €
Ralph Heuwing		Mar. 14, 2012		47.51	30,300	1,435,284.12
Ralph Heuwing	May 23, 2012			40.72	1,400	57,009.40
Heide Dürr			Jul. 9, 2012	51.50	25,000	1,287,500.00
Ralph Heuwing		Aug. 3, 2012		55.40	21,200	1,174,480.00

¹rounded

At Group level, Dürr has two international management teams: the top management team (Dürr Management Board) consists of the Board of Management, the heads and financial officers of the business units as well as other managers. The broader Senior Management Group consists of the chief executive officers and managers of the Group companies and Dürr AG.

CONTROL

In accordance with Article 6 of Dürr AG's articles of incorporation, the Supervisory Board determines the number of members of the Board of Management and their appointment. The rules of procedure which the Supervisory Board has issued for the Board of Management contain a list of transactions requiring its approval and an allocation of responsibilities. At Supervisory Board meetings, the Board of Management provides written and oral statements on the individual items of the agenda and answers any questions. The motions for the Supervisory Board, along with a detailed dossier, are distributed to the members in writing at least one week prior to the meeting. On the day of the meeting, preliminary talks are usually first held separately between the shareholder representatives and between the employee representatives. The Board of Management is available to provide any explanations that might be needed. The Chairman of the Supervisory Board has regular consultations with the Board of Management also outside the meetings.

SHAREHOLDINGS AND DIRECTORS' DEALINGS

The Chairman of the Supervisory Board, Heinz Dürr, is the majority shareholder of Heinz Dürr GmbH, which owns 29.97 % of the shares of Dürr AG (December 31, 2012) together with Heinz und Heide Dürr Stiftung GmbH. Other members of the Supervisory Board own 0.1 % of the shares. The members of the Board of Management of Dürr AG hold a total of 1.0 % of the shares of Dürr AG, with 0.4 % owned by Ralf W. Dieter and 0.6 % by Ralph Heuwing. Securities transactions that have to be reported pursuant to Section 15a of the German Securities Trading Act (WpHG) are published at www.durr.com as soon as the company is notified. Table 2.8 contains an overview of the directors' dealings in 2012. The proceeds from the two sales transactions made by Chief Financial Officer Ralph Heuwing were mainly used to repay a loan granted by Heinz Dürr GmbH for purchasing shares.

 [WWW](http://www.durr.com)
COMPENSATION REPORT
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Apart from the following information, **ITEM 41** in the notes to the consolidated financial statements contains further details on the compensation paid to the Board of Management and the Supervisory Board. They form an integral part of this compensation report.

SIDELINE ACTIVITIES
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The members of the Board of Management hold no significant stakes in other companies and do not carry out any sideline activities other than those listed in **ITEM 41** in the notes to the consolidated financial statements.

COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT

The Supervisory Board Personnel Committee reviews the compensation system for the Board of Management at regular intervals and prepares recommendations for its further development where necessary. The Supervisory Board considers these proposals carefully and passes its resolutions on that basis. The appropriateness of the Board of Management's compensation is assessed using several criteria, including the tasks of the Board of Management as a whole as well as of the respective members, the personal performance of the members of the Board of Management, the economic situation as well as the company's long-term success and outlook. The Supervisory Board also takes into account the development of management board compensation in other companies.

In 2010, the Supervisory Board adapted the compensation system for the Board of Management based on the provisions of the German Act on the Appropriateness of Management Board Compensation (VorstAG). As a result, the contracts of both members of the Board of Management now include performance-related long-term and short-term incentives. Also agreed is a deductible that applies in connection with D&O (directors' and officers' liability insurance) policies in case of liabilities, as required under the German Act on the Appropriateness of Management Board Compensation. The Supervisory Board did not make any changes to the compensation system for the Board of Management during the reporting period.

Total compensation expense for the Board of Management in 2012 was € 7,355 thousand (2011: € 4,560 thousand). € 836 thousand was paid as pensions to former members of the Board of Management (2011: € 928 thousand).

The compensation for the members of the Board of Management consists of performance-related and non-performance-related components. The non-performance-related component is made up of a fixed annual salary payable in equal monthly installments, plus other benefits. These include the use of company cars and term life insurance contributions, both of which are subject to tax payable by Dürr.

The performance-related component consists of the long-term and short-term incentives; special bonuses may also be paid. The short-term incentive (STI) scheme consists of an agreed proportion of the Group's earnings before tax (EBT) in each fiscal year; there is a cap on the amount payable under the STI scheme. The compensation payable under the long-term incentive (LTI) scheme is based on the performance of Dürr's share price and the Group's average EBIT margin for the three-year LTI period. For the rolling LTI scheme a certain number of virtual Dürr shares are issued every year, known as performance share units. In 2012, Ralf W. Dieter received 25,000 and Ralph Heuwing 21,500 performance share units (2011: 25,000 and 21,500). The amount payable at the end of the three-year LTI period is calculated by multiplying the number of performance share units by a share price multiplier and an EBIT multiplier. The share price multiplier corresponds to the average closing price of the Dürr share in the last 20 trading days prior to the first annual general meeting after the three-year LTI period. The EBIT multiplier is calculated on the basis of the average EBIT margin achieved by the Group during the three-year LTI period. EBIT multiplier, share price multiplier and LTI payments are capped. During the term of the LTI scheme, the participants must hold a certain number of Dürr shares purchased with their own funds.

The LTI expenses shown in table 2.9 include the accrued liabilities for LTI tranches on a pro-rata basis between 2010 and 2012. The accrued liabilities are linked to two factors: the average closing price of the Dürr share in the last 20 trading days in December of the relevant year as well as the planned average EBIT margin for the relevant LTI periods. The actual LTI payments may differ from the accrued liabilities, depending on the further development of the share price and EBIT.

The final payment from the first LTI tranche, which was established for the Board of Management in 2010, is due after the 2013 annual general meeting. In 2011, the Board of Management received a down-payment of € 325 thousand on this tranche, which will be offset against the upcoming final payment from the first tranche. An additional down-payment of € 560 thousand made in 2012 will be offset against the final payment from the second tranche, which is due at a later date. The third LTI tranche for the Board of Management was established in 2012, with a term from January 1, 2012, to December 31, 2014.

2.9 / COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2012

€	NON-PERFORMANCE RELATED		PERFORMANCE RELATED		Compensation expense without pension benefits	Expenses for pension benefits ²	Total expense ³	Paid in 2012
	Basic compensation	Other compensation ¹	Long-term compensation expense (LTI)	Short-term (STI)				
Ralf W. Dieter	550,000.00	57,049.31	1,904,985.73	1,000,000.00	3,512,035.04	150,000.00	3,662,035.04	2,107,049.31
Ralph Heuwing	425,455.44	24,948.19	2,215,099.68	900,000.00	3,565,503.31	127,500.00	3,693,003.31	1,735,403.63
Total	975,455.44	81,997.50	4,120,085.41	1,900,000.00	7,077,538.35	277,500.00	7,355,038.35	3,842,452.94

¹ Payment in kind, insurance contributions, etc.

² Service cost recorded in 2012

³ Dürr has capped STI and LTI payments since 2010 in line with the German Act on the Appropriateness of Management Board Compensation (VorStAG). Payments are capped at € 1.0 million (STI) and € 1.5 million (LTI) p.a. for Mr. Dieter, and at € 0.9 million (STI) and € 1.5 million (LTI) p.a. for Mr. Heuwing. The expense shown in the "long-term compensation expense (LTI)" column consists of the additions to the accrued liabilities for the current LTI tranches. In previous years, this expense was below the cap. For this reason, the accrued liabilities had to be increased as a result of the good earnings and share price development. The additions to the accrued LTI liabilities for Mr. Heuwing exceeded those for Mr. Dieter in 2012, as the accrued liabilities for Mr. Dieter in previous years had been higher.

2.10 / COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2011

€	NON-PERFORMANCE RELATED		PERFORMANCE RELATED		Compensation expense without pension benefits	Expenses for pension benefits ²	Total expense	Paid in 2011
	Basic compensation	Other compensation ¹	Long-term compensation expense (LTI)	Short-term (STI)				
Ralf W. Dieter	500,000.00	49,968.28	862,706.77	938,965.50	2,351,640.55	105,000.00	2,456,640.55	1,594,968.28
Ralph Heuwing	375,000.00	23,144.26	741,207.82	881,034.50	2,020,386.58	82,500.00	2,102,886.58	1,373,144.26
Total	875,000.00	73,112.54	1,603,914.59	1,820,000.00	4,372,027.13	187,500.00	4,559,527.13	2,968,112.54

¹ Payment in kind, insurance contributions, etc.

² Service cost recorded in 2011

Down-payments can also be made under the STI scheme. These will then be offset against the final STI payment, which is due after the approval of the consolidated financial statements for the relevant year. In 2012, the Board of Management received an STI down-payment of € 1,500 thousand (2011: € 1,175 thousand).

Apart from the Board of Management, the other 16 members of the Group's top management team (Dürr Management Board) are also entitled to join the LTI scheme. For this purpose, they must purchase an individually defined number of Dürr shares, which must be held for the entire duration of their participation in the scheme.

The Supervisory Board has the option to agree targets with the members of the Board of Management for the further strategic development of the Group, and pay an additional bonus if these have been successfully implemented. A special bonus may also be paid for exceptional performance and successful achievements by a member of the Board of Management.

A further component of the compensation is the employer-financed pension contribution, which is paid into our "VORaB" scheme ("Vorsorge aus Bruttogehalt"). VORaB is a defined benefit company pension plan in the form of deferred compensation guaranteed through a reinsurance scheme. In addition, both members of the Board of Management are covered by accident and term life insurance policies.

The contracts of the members of the Board of Management are initially concluded for a period of three years upon joining the Board. When the contracts are due for renewal, they are usually extended by a total period of five years as permitted by law. The contracts of employment of both members of the Board of Management have a term of five years. Ralf W. Dieter's contract ends on December 31, 2015. In May 2011, the Supervisory Board extended Ralph Heuwing's contract of employment, which was due to end on May 14, 2012, by another five years, until May 14, 2017.

In the event of a change of control, i.e. a takeover through the acquisition of more than 50 % of the voting rights in Dürr AG, both members of the Board of Management have the option to remain with the company. Alternatively, they may exercise their right to voluntary resignation, which allows them to resign and terminate their contract of employment within five months from the date on which the takeover is announced. Any member exercising this right is entitled to a maximum of three years' compensation, as set out in the German Corporate Governance Code. However, the period for which the payment is made may not exceed the remaining term of the employment contract.

COMPENSATION SYSTEM FOR THE SUPERVISORY BOARD

The compensation paid to the Supervisory Board is regulated in Article 15 of Dürr AG's articles of incorporation, the text of which can be found at www.durr.com under the heading Investor Relations/Corporate Governance/Articles of Incorporation. The compensation system can only be adjusted by an amendment of the articles of incorporation by the annual general meeting.



Total compensation paid to the members of the Supervisory Board in 2012 was € 986 thousand (2011: € 999 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **ITEM 41** in the notes to the consolidated financial statements. In addition to reimbursement of their expenses, the members of the Supervisory Board receive an annual fixed remuneration of € 20,000 and an attendance fee of € 1,000 for each meeting attended. As is the case with all employees based in Germany, the members of the Supervisory Board are also entitled to variable compensation. This generally amounts to 0.4 ‰ of the consolidated earnings before taxes but may not exceed € 35,000. The fixed remuneration is payable at the end of each fiscal year. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each Deputy Chairman receives one and a half times the total compensation paid to a regular member. The members of the Audit Committee receive an annual remuneration of € 9,000; the chairman of this committee receives two times that amount. The remuneration paid to the members of the Personnel Committee is € 5,000 per year; the chairman receives one and a half times that amount. The members of the Nominating Committee are entitled to a remuneration of € 2,500 per meeting, the chairman receiving one and a half times that amount. Supervisory Board members serving on the Supervisory Board only for a part of the fiscal year are remunerated pro rata temporis.



PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Non-tariff employees receive a performance-related bonus in addition to their basic annual salary. This amount is linked to Group earnings and the level of achievement of personal performance targets. In most cases, the bonus is between 5 % and 10 % of the basic salary, but the variable component is higher for managers. Tariff employees in Germany also receive a profit-sharing bonus, which is subject to Group earnings exceeding a certain value pre-agreed to with the Works Council. The profit-sharing bonus is € 2,000 for 2012; added to that is a special bonus of € 500 for increased workload. All full-time tariff employees based in Germany are entitled to these two payments.

Strategy



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“DÜRR 2015”: GROWTH, OPTIMIZATION, NEW AREAS OF BUSINESS

With an EBIT margin of 7.4 %, we exceeded our strategic goal of 6 % in 2012. ROCE also reached a very high 43.9 %. This has prompted us to revise our goals:

- An EBIT margin of 7.0 to 7.5 % is being targeted for 2013.
- ROCE is to come to between 25 and 30 % on a sustained basis, a very high level by international standards.

Looking ahead over the next few years, we continue to seek average top-line growth of 5 to 10 %. Between 2010 and 2012, we achieved substantially greater growth rates as we benefited from catching-up effects in the wake of the 2008/2009 crisis, something which, moving forward, will by its very nature not continue.

The “Dürr 2015” strategy, with which we want to achieve these targets, picks up where the successful “Dürr 2010” strategy left off but additionally focuses on a number of new aspects. Its main elements are growth, optimization and the establishment of new areas of business. The specific measures allocated to these three elements are described below.

GROWTH

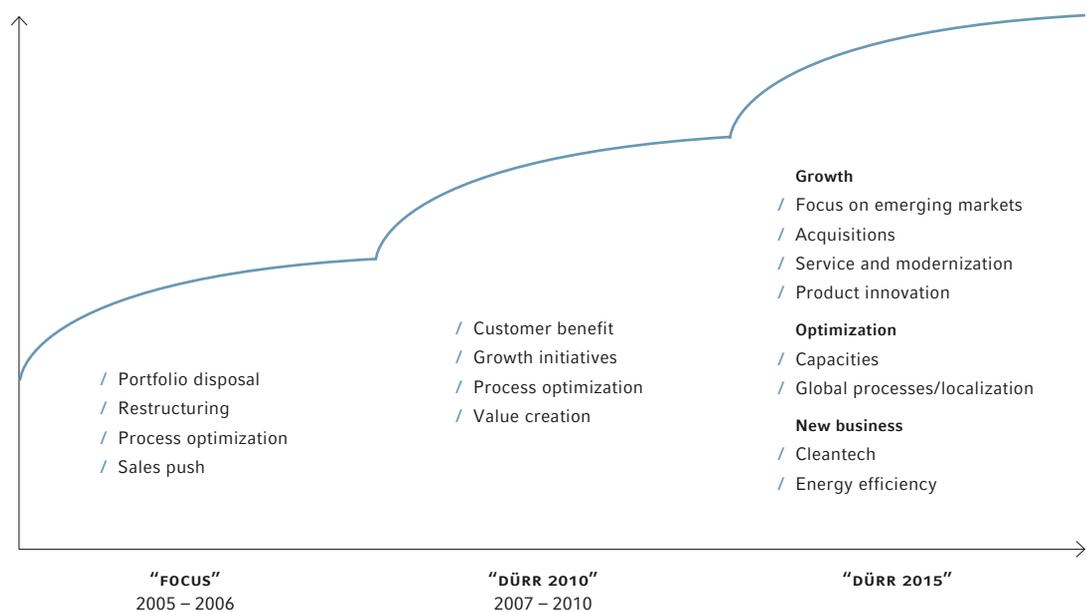
We are concentrating on four aspects to achieve profitable growth:

1. EXPANSION OF CORE BUSINESS IN THE EMERGING MARKETS

The emerging markets offer sustained good opportunities for growth. Gross domestic product will continue to expand sharply in countries such as China, India and Brazil, accompanied by favorable prospects for automobile sales. Automobile density is still very low, while growing prosperity is

2.11 /

DEVELOPMENT OF OUR STRATEGIC FOCUSES 2005 TO 2015



strengthening the desire for individual mobility. Global automobile production is expected to grow by around 23 million units from 2012 through 2017, with the emerging markets likely to account for around three-quarters of this.

We are well positioned to derive above-average benefits from the growth potential of the emerging markets. 33 % of our workforce is employed in these regions and we have been an established fixture in the local markets for years, offering a broad range of services. We will be continuing to improve this strong position by building up additional capacity and skills and aligning the Group’s entire structures even more systematically towards satisfying the requirements of the emerging markets (see section on “Optimization”).

In addition to the well-developed BRIC markets plus Mexico, we will be turning our attention to the future growth markets of Southeast Asia and – on a long-term basis – Africa. In 2012, we established a new subsidiary in Thailand, and we are currently planning to start up a new site in South Africa.



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2. BUY-AND-BUILD ACQUISITIONS

Since 2009, we have completed various acquisitions in order to enter new areas of business characterized by good prospects of profitable growth. We will be continuing on this course; information on acquisition finance can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.



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Our acquisition strategy is based on the following principles:

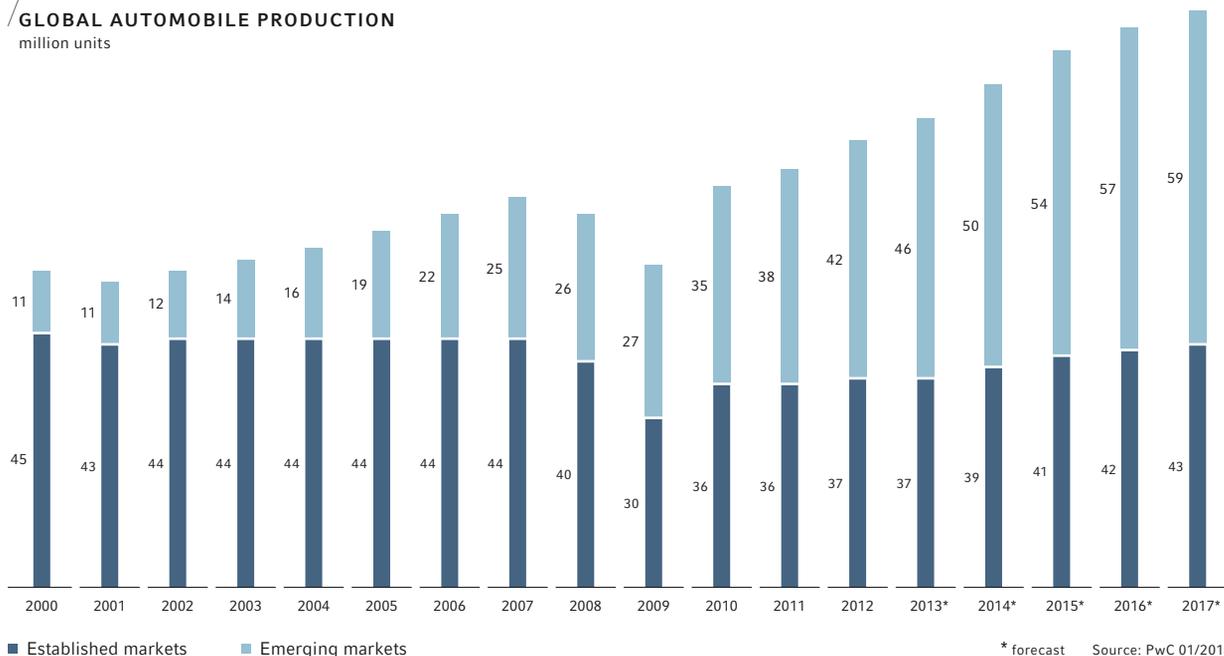
- We concentrate on areas related to our core business to tap synergistic effects arising from existing activities and skills, e.g. in development, **ENGINEERING**, procurement, sales and service.
- We tend to acquire smallish companies which we develop in accordance with the “buy-and-build” principle. In building this business, we make use of the Group’s international sales and service platform.
- We enter technologically sophisticated niches in which we strive for international market leadership as in our core business.



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GLOBAL AUTOMOBILE PRODUCTION
million units



* forecast Source: PwC 01/2013

To date, we have completed acquisitions in the following areas:



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- **Balancing technology for turbochargers:** In mid-2009, we acquired French company Datatechnic, which specializes in **BALANCING TECHNOLOGY** for turbochargers and forms part of the Balancing and Assembly Products business unit. The lead company of this business unit, Schenck Rotec (Darmstadt), is driving product development in conjunction with Datatechnic. Among other things, new-generation machinery has been developed for balancing turbine wheels, compressors and the cartridge assemblies of turbochargers.



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- **Ultrafine cleaning systems:** At the end of 2009, the Cleaning and Filtration Systems business unit acquired Swiss niche company UCM, which specializes in **ULTRAFINE CLEANING SYSTEMS**, supplying sectors such as medical technology and high-precision optics, to which we previously had no access. Moreover, UCM and Dürr Ecoclean make use of sales synergies in areas such as fine mechanics and mechanical engineering.



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- **Glueing technology:** Application Technology broadened its range of glueing products with two acquisitions in 2010. With its two new niche operators Kleinmichel and Rickert, it is now able to offer technological solutions for all glueing processes in automobile production. **GLUEING TECHNOLOGY** is seen as having great potential for the future in the body shop and in final assembly as it cuts costs and allows new light-weight materials to be used. Our products are meeting with a favorable response in the automobile industry. Among other things, we received a major order from Volkswagen/Audi in 2012 for the delivery of over 500 glueing systems.

- **Paint systems:** In May 2011, our Paint and Final Assembly Systems business unit acquired 10 % of the shares in our Japanese partner Parker Engineering. Together, we want to expand our paint system business with the Japanese automobile industry particularly in the high-growth Southeast Asian market, which is dominated by Japanese OEMs.



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- **Filling systems:** In May 2011, we also acquired a 55 % stake in Danish filling system specialist Agramkow. As a result, we are now the world's largest supplier of this technology. Whereas our company Dürr Somac is the global market leader for the automobile industry, Agramkow is the number 1 supplier of **FILLING SYSTEMS** for household devices and heat pumps. Synergistic benefits can be harnessed particularly in procurement, research and development and in the companies' international presence.



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The section entitled "New areas of business: Clean Technology Systems" in this chapter provides details of our acquisitions in the energy efficiency area. More details can also be found in the chapter entitled **ORGANIZATION AND ACTIVITIES**.

3. SERVICE AND MODERNIZATION

Spurred by the large volume of business over the last three years, our installed base has been substantially broadened. For example, the number of Dürr robots in the market rose from just under 4,400 at the end of 2009 to 7,300 at the end of 2012. The other segments have also seen heavy growth in installations.

The installed base has also widened our potential for after-sales services, providing solid foundations for expanding business in modernization, replacements parts and other services. We want service business to contribute more than 25 % to sales revenues by 2015, up from 21.1 % in 2012. The decline over the previous year (23.2 %) is due to the disproportionately strong growth in new equipment and machinery.

2.13 /

INCREASED WORKFORCE IN THE EMERGING MARKETS

	Dec. 31, 2012	Dec. 31, 2005
China	1,221	271
Brazil	281	83
Mexico	203	64
India	423	148
Eastern Europe/other emerging markets	386	294
Total	2,514	860

Additional service potential is particularly strong in the emerging markets. In China, our largest market, service currently only accounts for 5 % of our sales revenues, while India with around 12 % is also below the Group average.

We also see good prospects for growth in the modernization of automobile factories. In the established markets of North America and Western Europe in particular, our customers are increasingly planning modernization projects to boost the efficiency of older plants. What is more, existing production capacities in the United States must be enlarged to accommodate strong demand for motor vehicles. Product innovations which we have launched over the past few years have improved the business case for modernization spending.

4. FOCUS ON PRODUCT INNOVATION

Dürr is a technology-centric company. We owe our market leadership to our ability to steadily develop innovations which help our customers to achieve greater efficiency in their production activities. In 2012, we increased our research and development spending by 26 % and, looking forward over the next few years, are planning further additions. Our R&D capacities are substantially greater than those of our peers, allowing us to develop new technologies more quickly and thus helping us to maintain and extend our lead over the competition. The chapter entitled **RESEARCH AND DEVELOPMENT** contains information on current R&D trends and innovations.

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OPTIMIZATION

The requirements made of us in our international market environment are constantly changing. We address these changes by continuously optimizing business processes and adjusting the regional distribution of capacity. In this way, we are able to repeatedly tap cost-cutting and earnings potential.

1. CAPACITY OPTIMIZATION

In managing our regional capacities, we factor in current demand and also long-term market volume. Over the last few years, we have substantially expanded our capacities in the emerging markets and currently employ 33 % of our workforce there, up from only 14 % at the end of 2005. Last year, we increased our headcount particularly in Brazil (+51 %). Looking forward, Southeast Asia will be playing an increasingly important role. A summary of extensions to existing facilities and the construction of new ones can be found in the chapter entitled **ORGANIZATION AND ACTIVITIES**.

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2. GLOBAL PROCESSES/LOCALIZATION

Over the last few years, we have implemented uniform global processes, thus enhancing the efficiency of international order execution. At the same time, we are continuing to focus on localizing products and increasing local content.

Product localization: With our local-design approach, we develop machinery and equipment specifically oriented to the requirements of the emerging markets, e.g. with respect to complexity, automation and operation. In some countries such as China, for example, we are already developing products locally.

Local value added: As our companies in the emerging markets are increasingly growing in importance, we are systematically broadening their skills. Unlike other mechanical and plant engineering companies, we do not only operate sales, service and production branches but are also locally well positioned in terms of **ENGINEERING** and project/site management. Our resources in the emerging markets also provide assistance with project execution in other parts of the world, helping us to achieve cost advantages.



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NEW AREAS OF BUSINESS: CLEAN TECHNOLOGY SYSTEMS

Established at the beginning of 2011, our Clean Technology Systems division pools our activities in environmental and energy efficiency technology, a sector with great potential for the future growing globally in importance. Looking forward over the next few years, we will be expanding this business substantially and turning it into a new business mainstay for the Group. We are targeting sales revenues of at least € 200 million for 2015. The prospects of achieving this are favorable:

- Our customers are increasingly focusing on energy consumption in production. For this reason, demand for energy-efficient technology is growing all the time, especially as amortization periods become shorter the higher energy prices climb.
- The implementation of energy-saving processes improves the sustainability of production activities, an image factor which is becoming more and more important in the automobile industry in particular.
- There is mounting realization worldwide that the link between economic growth and energy consumption must be severed. This can only be achieved by using less energy in production processes.
- In Germany, it is becoming increasingly clear that the change in energy policy cannot be implemented solely by means of renewable energies. At the same time, energy consumption must be lowered by adopting more efficient technologies.

Dürr is ideally positioned to benefit from the global trend in favor of heightened energy efficiency. In addition to expertise in exhausts and waste heat, we have experience in engineering and project management. With our global presence, we are able to tap the fast-growing market potential for energy-efficient technologies; this also applies to China and other emerging markets.

We are broadening our product portfolio both organically and by means of acquisitions so that we can support our customers in their efforts to improve the energy efficiency of their processes regardless of their industry and size. To this end, we are concentrating on different technologies for harnessing heat and waste heat:

- **Organic Rankine Cycle (ORC):** ORC is a vaporization process in which electricity is generated from waste heat. These facilities can be fitted to sources of waste heat such as cogeneration plants, biogas plants, combustion engines and thermal exhaust-air purification systems. We gained access to ORC technology through the acquisition of a 50 % stake in start-up company Cyplan Ltd. in 2011.
- **Compact Power System (CPS):** We offer micro gas turbines for generating power, heat or refrigeration through gas combustion. This process generates substantially fewer emissions than conventional combustion engines. In addition, micro gas turbines permit a substantially more flexible fuel mix, thus widening the range of potential applications. The technology can be used in paint shops just as effectively as in heating plants, sewage treatment plants and in the production of electricity from lean gas.
- **Heat pumps:** Following the acquisition of a stake in Thermea Energiesysteme GmbH (27.5 %, October 2012), we now have access to innovative heat pump technology. Thermea is one of the first suppliers of large heat pumps working with CO₂, which is an environmentally friendly refrigerant. This technology can be used, for example, in the process and food industry, in drying processes, at data centers, in building installation technology and for generating local and district heat.
- **Heat exchange:** Via our partner HeatMatrix, in which we acquired a 15 % interest in January 2012, we offer corrosion-resistant **HEAT EXCHANGERS** made from high-temperature plastic. These systems can be used for recovering heat from flue gas, in industrial drying processes or in steam boilers, for example.
- **Heat storage:** Our partner LaTherm develops and markets mobile heat accumulators to recover and store waste heat from industrial processes and cogeneration plants for use in other places. We hold a 29 % interest in LaTherm.



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Our activities in exhaust-air purification technology provide the platform for expansion into the energy efficiency business, providing sales, engineering, project management and marketing resources, for example.

EXHAUST-AIR PURIFICATION TECHNOLOGY: POTENTIAL IN THE EMERGING MARKETS AND NEW AREAS OF APPLICATION

Exhaust-air purification technology also offers good opportunities for growth: for one, we are continuing to reinforce our position in the emerging markets, where increasingly more stringent emission guidelines are being implemented. For another, we are developing applications for new uses. One example is **VAM-RTO** technology, in which our systems burn methane gas in the ventilation air of pit coal mines (**VAM**: Ventilation Air Methane). This technology offers several advantages: Methane, which is extremely harmful to the climate, can be rendered harmless by means of controlled combustion. If a steam turbine is connected, electricity can be generated from the process heat for use in mine operations or for feeding into the grid. In many countries, proceeds can also be generated from emissions certificates.

Board of Management's overall assessment of business development in 2012

We consider the company's business performance in 2012 to be favorable. New highs were achieved in both sales and earnings, while order intake fell only slightly short of the previous year's record level. In response to our strong performance in the first half of the year, we substantially raised our original targets for all three parameters at the end of June 2012. In fact, we were even able to exceed these higher targets, as table 2.14 shows.

In 2012, we benefited from the fact that many customers invested to a greater and more consistent extent than expected at the beginning of the year. Modernization spending increased across the automobile industry. After a moderate start to the year, extension spending in China came close to the previous year's high level as automotive OEMs want to defend market share and participate in the long-term market growth.

At € 2,596.8 million, order intake exceeded our original target by just under € 600 million, placing us well above pre-2011 levels once again. Sales revenues rose by 24.9 % to € 2,399.8 million, substantially exceeding the initial forecast of at least € 2 billion. Costs generally remained in line with

2.14 / GROUP TARGET ACHIEVEMENT IN 2012

	2011 ACTUAL	2012 TARGET (JANUARY 2012 FORECAST)	2012 TARGET (JUNE 2012 FORECAST)	2012 ACTUAL
/ Sales revenues	€ 1,922.0 million	> € 2,000 million	€ 2,300 million	€ 2,399.8 million
/ Incoming orders	€ 2,684.9 million	> € 2,000 million	€ 2,500 million	€ 2,596.8 million
/ Orders on hand (Dec. 31)	€ 2,142.7 million	> € 2,100 million	> € 2,100 million	€ 2,316.8 million
/ EBIT margin	5.5 %	5.5 to 6 %	6.5 to 7 %	7.4 %
/ Financial result	€ -20.7 million	Slightly weaker	Weaker	€ -29.2 million
/ Tax rate	25.1 %	Approx. 25 %	Approx. 25 %	24.6 %
/ Earnings after tax	€ 64.3 million	+15 %	> +50 %	€ 111.4 million
/ Operating cash flow	€ 127.9 million	Slightly weaker	Slightly weaker	€ 117.6 million
/ Free cash flow	€ 91.8 million	Slightly weaker	Slightly weaker	€ 65.9 million
/ Net financial status (Dec. 31)	€ +51.8 million	Slightly positive	Slightly positive (0 to € +50 million)	€ +96.7 million
/ Liquidity (Dec. 31)	€ 298.6 million	Decline	Decline (> € 200 million)	€ 349.3 million
/ Capital expenditure ¹	€ 23.4 million	Slight increase	Slight increase	€ 32.5 million

¹ on property, plant and equipment and intangible assets (excluding acquisitions)

2.15 /

TARGET ACHIEVEMENTS OF THE DIVISIONS IN 2012

	SALES (€ MILLION)		ORDER INTAKE (€ MILLION)		EBIT MARGIN (%)	
	2012 target	2012 act.	2012 target	2012 act.	2012 target	2012 act.
Paint and Assembly Systems	900	1,125.2	950	1,326.1	4 to 5	6.6
Application Technology	440	531.2	400	556.6	7 to 8	9.9
Measuring and Process Systems	570	647.9	550	600.6	5 to 6	8.9
Clean Technology Systems	90	95.5	100	113.5	5 to 6	4.0

forecasts, with staff costs (+18 %), the cost of materials (+19 %) and overheads (+17 %) all rising more slowly than sales. The increase in EBIT to € 176.9 million is due to economies of scale in fixed costs and the higher gross profit. At 7.4 %, the EBIT margin was encouraging, exceeding the target of 5.5 to 6.0 % which we had set at the beginning of the year.

The financial result was weaker than initially expected. This was mainly due to low interest on investments and non-recurring expense of € 6.5 million arising from the impairment of transaction costs for the syndicated loan and the lower discount rate on long-term work accounts. At 24.6 %, the effective tax rate was less than the previous year's already low figure as we were able to recognize additional deferred income tax assets on existing unused tax losses. As a result, earnings after tax rose by 73.3 % – and hence substantially more sharply than expected – to € 111.4 million.

As expected, the net cash inflow of € 117.6 million from operating activities fell slightly short of the previous year's high level. The sharp rise in earnings and revenues was accompanied by additions to **NET WORKING CAPITAL** as a result of the increased volume of business. At € 65.9 million, **FREE CASH FLOW** was very satisfactory despite greater capital expenditure and interest expense. **NET FINANCIAL STATUS** rose to € 96.7 million (December 31, 2012), marking the sixth consecutive increase and thus demonstrating the sustainability of our deleveraging policy. Cash and cash equivalents stood at € 349.3 million as of the reporting date and – like net financial status – thus exceeded our expectations. Capital expenditure (excluding acquisitions) was increased sharply to € 32.5 million and was used, among other things, to expand facilities and capacity in the light of enlarged order volumes.

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DIVISIONS

Three out of the four divisions substantially exceeded their sales and earnings targets in 2012. At 6.6 %, Paint and Assembly Systems achieved an unexpectedly high EBIT margin after the previous year's increase to 4.6 %. Application Technology also posted a substantially higher EBIT margin of 9.9 % (2011: 7.6 %). The same thing applies to Measuring and Process Systems (8.9 %, up from 5.7 % in the previous year). In this division, the high-margin Balancing and Assembly Products business unit contributed the bulk of earnings, while earnings in the Cleaning and Filtration Systems business unit also continued to improve. Earnings in the Clean Technology Systems division fell short of the target as start-up costs had arisen in the energy efficiency business in the first quarter in particular. In the other three divisions, functional costs were more or less in line with forecasts. The targets for the divisions for 2013 and 2014 can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.

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KEY PERFORMANCE INDICATORS: ACTUAL PERFORMANCE VERSUS TARGET

Group management is guided by four key performance indicators:

- EBIT
- Operating cash flow (cash flow from operating activities)
- Free cash flow
- ROCE (EBIT to capital employed).



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As table 2.14 shows, we exceeded our EBIT margin target and achieved the goal for cash flow from operating activities. **FREE CASH** flow is also at a satisfactory level. We had not formulated any specific goal for the return on capital employed after it came to 28.4 % in the previous year, thus substantially topping the forecast. In 2012, **ROCE** came to 43.9 %, a top figure by international standards and substantially in excess of the cost of capital.

MATERIAL EVENTS AFFECTING BUSINESS DEVELOPMENT

As in the previous year, our business performance was spurred by two general factors: strong automobile demand and, mirroring this, heavy capital spending in the automobile industry. There were no singular events materially impacting the Group's business performance and its results of operations, financial position and net assets.

Economy and industry environment

2012: HEIGHTENED ECONOMIC UNCERTAINTIES

In 2012, global economic growth slowed from quarter to quarter. On balance, the global economy expanded by 2.9 %, a decline of 0.9 percentage points over the previous year. Economic growth increasingly came under pressure from the debt crisis in the Eurozone, where output contracted by 0.5 %. Although Germany was able to assert itself more effectively than many of its European neighbors in these challenging conditions, it still only grew by a paltry 0.8 %. The United States proved to be more robust, with gross domestic product (GDP) widening by 2.2 % and a number of leading indicators pointing to a continuation of the positive trend this year as well. After the March 2011 earthquake catastrophe, the Japanese economy expanded by 1.6 % as a result of base-line effects. Most of the emerging markets - particularly China - experienced weaker expansion in 2012 but achieved impressive growth rates in the second half of the year.

In the course of the year, the euro depreciated somewhat against the other main currencies, spurring European exports slightly. Short-term interest rates, which are influenced heavily by the central banks, remained low. Yields on longer-dated bonds declined worldwide. Even the bonds issued by Southern European countries were trading at higher prices again as the consolidation measures taken by the governments and the clear position adopted by the European Central Bank reinforced investor confidence. Capital markets were in good condition in the second half of the year in particular.

2.16 /

GDP GROWTH

year on year, %	2012	2011	2010
World	2.9	3.8	5.1
Germany	0.8	3.0	3.6
Eurozone	-0.5	1.4	1.9
Russia	4.0	4.3	4.0
United States	2.2	1.8	3.0
China	7.7	9.3	10.3
India	4.6	7.9	10.0
Japan	1.6	-0.5	4.5
Brazil	1.0	2.7	7.5

Source: Deutsche Bank 12/2012

2.17 /

AVERAGE EXCHANGE RATES

€ 1 equals	2012	2011	2010
USD	1.2927	1.3983	1.3213
GBP	0.8115	0.8694	0.8575
JPY	103.5000	111.2300	115.2189
CNY	8.1462	9.0204	8.9329

Source: Commerzbank

2.18 /

PRODUCTION OF LIGHT VEHICLES

Million units	2012	2011	2010
World	79.0	74.6	71.5
Western Europe	12.4	13.6	13.3
Germany	5.6	5.8	5.5
Eastern Europe	6.9	6.3	5.6
Russia	2.1	1.8	1.3
North America (incl. Mexico)	15.4	13.1	11.9
United States	10.1	8.5	7.6
South America	4.3	4.2	4.2
Brazil	3.2	3.1	3.1
Asia	38.2	34.9	34.0
China	16.4	15.3	14.4
Japan	9.1	7.9	9.0
India	3.5	3.5	3.0

Sources: PwC 01/2013, own estimates

SURPRISINGLY STRONG GROWTH IN PRODUCTION IN THE AUTOMOBILE INDUSTRY

Global automobile sales grew substantially more sharply than the economy as a whole in 2012. Production of passenger and light commercial vehicles rose by 5.9 % to 79 million units (2011: +4.3 %). At 7.2 %, growth in China was up on the previous year (+6.3 %). Automobile production climbed sharply by double-digit rates in Southeast Asia and Russia. The positive trend also continued in North America, with output rising by 17.6 % (2011: +10.1 %).

Driven by heavy demand, the capacity utilization of automobile factories remained high in 2012 with the exception of Western Europe. This resulted in rising income and cash flows on the part of many OEMs. Japanese OEMs recorded a substantial increase in earnings after the earthquake catastrophe of 2011.

FURTHER GROWTH IN AVIATION AND THE AIRCRAFT INDUSTRY

In the aviation industry, passenger volumes rose by around 5 % in 2012 and thus more quickly than the global economy again. Despite persistent heavy cost pressure, many airlines retained their high capital spending budgets as they require additional aircraft to meet the rising aviation volumes. The aircraft industry also benefited from this, with Airbus increasing its deliveries from 525 to 588 aircraft and Boeing from 483 to 601 aircraft. New orders were even higher than deliveries for both producers. Aircraft builders from China and Russia continued on their expansion course in 2012. Our strong international presence is serving us well in developing business with these customers.

WEAKER DEMAND IN MECHANICAL AND PLANT ENGINEERING

In contrast to the strong previous year, order receipts in the German capital goods industry contracted by around 2 % in 2012, with capital spending declining in Europe in particular. Even so, many producers of capital goods were able to improve their earnings as their sales were boosted by amply filled order books. The German Mechanical and Plant Engineering Association (VDMA) recorded a 2 % increase in production output in 2012; at € 196 billion, this figure returned to the record 2008 level for the first time.

Business development

IFRS AND REPORTING PRACTICES

The following charts and tables generally contain IFRS figures for the years from 2010 through 2012. There have been no material changes in accounting and measurement methods since 2004; adjustments have only been made to allow for any amendments to legal requirements. EBIT is defined as earnings before interest, income taxes and income from investments. The treatment of the interest portions in pension provisions was adjusted in the previous year in the light of customary industry practice. Accordingly, they have no longer been reported within operating expenses since 2011 and are now presented within interest result. This report applies the new reporting practice to all of the three years presented. This has resulted in an increase of € 3.0 million in EBIT in 2010, € 2.5 million in 2011 and € 2.8 million in the year under review. At the same time, the interest result dropped by an equivalent amount in all three periods.

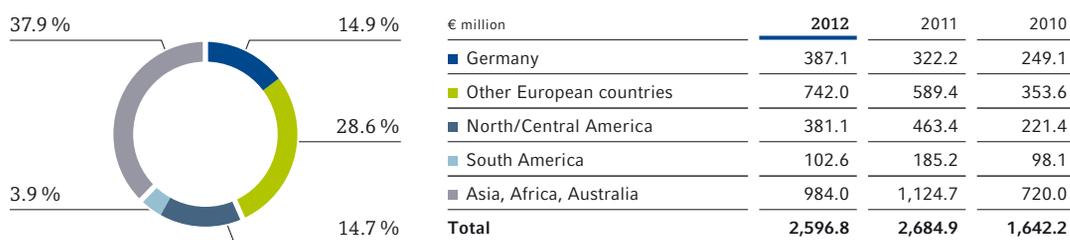
Amendments to the IFRS did not have any material impact on the presentation of the economic position in 2012. Relatively few reporting options are available under the IFRS and their utilization impacts Dürr's net assets, financial position and results of operations only minimally. Options exist, for example, in connection with items such as inventories or property, plant and equipment, which are of subordinate importance for Dürr. In the case of important balance-sheet items, we exercise options in such a way that the greatest possible measurement continuity is preserved. For example, financial instruments are measured at amortized cost as far as possible rather than at fair values. As there were no changes in any of the options applied in 2012, the periods 2010, 2011 and 2012 are mutually fully comparable.

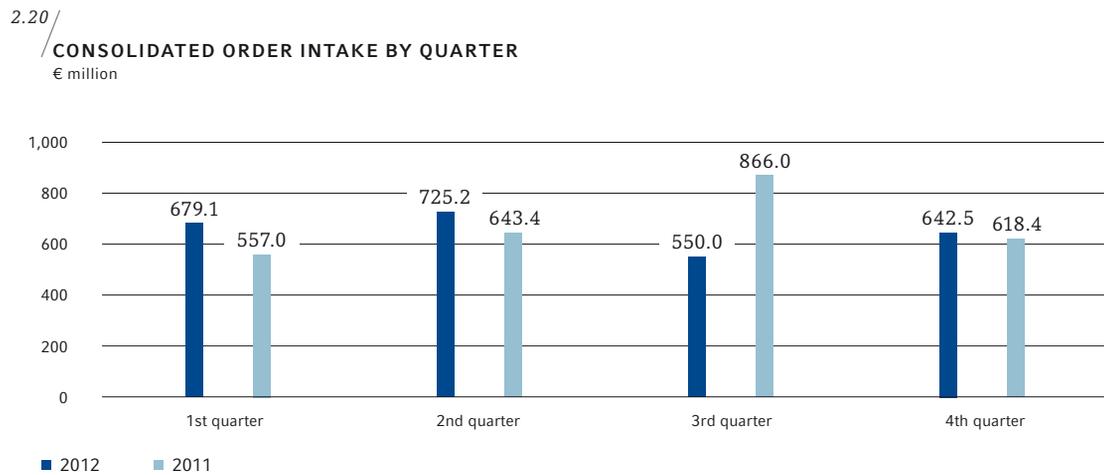
The use of accounting measures exerted virtually no influence on the presentation of the results of operations. Moreover, it is inconsistent in many cases with our commitment to continuity and cross-period transparency.

INCOMING ORDERS ALMOST UNCHANGED OVER THE PREVIOUS YEAR

At € 2,596.8, order intake again reached a very high level in 2012, declining by only 3.3 % compared with the previous year's record figure. 2011 had seen extraordinarily strong growth in orders as many customers executed capital expenditure projects which they had postponed during the 2008/2009 economic crisis. The heavy order intake in 2012 was primarily underpinned by the automobile industry again. Although it did not spend quite as much on capacity extensions, it stepped up modernization spending at older plants. With our amply filled order books, we mostly operated at 100 % capacity utilization or more despite the recruitment of over 800 additional employees worldwide in the course of the year.

2.19 / CONSOLIDATED ORDER INTAKE BY SALES REGION





We received orders worth € 1,421.3 million from the emerging markets (Mexico, Brazil, Eastern Europe, Asia excluding Japan), i.e. roughly 19 % down on 2011. This translates into a share of 55 % of Group order intake. In the previous year, the emerging markets had accounted for 65 % (€ 1,755.9 million) of new orders thanks to numerous major contracts. Momentum in the emerging markets has recently been accelerating again after temporarily slowing in the first half of 2012, prompting us to assume that the volume of orders placed by our customers will increase in 2013. Order intake in North and South America dropped by 25 % compared with 2011 but widened by 26 % in Europe (excluding Germany). Among other things, we were awarded contracts for major paint system projects in France, Spain and Turkey. In Germany, where we received a large-scale contract for the construction of an energy-efficient paint shop as well as numerous modernization contracts, order intake rose by 20 %.

The first half of 2012 was characterized by a broad regional distribution of order receipts. In the third and fourth quarters, incoming orders chiefly originated from the emerging markets again, particularly from China.

ORDER BACKLOG IN EXCESS OF € 2.3 BILLION

In 2012, order intake again exceeded sales despite growth in the latter of just under 25 %. Consequently, the order backlog rose to a high of € 2,316.8 million (December 31, 2011: € 2,142.7 million) at the end of the year. Of this, Asia, where we had recorded particularly strong order intake in the previous years, accounted for roughly half.

Most of our service business, which expanded to € 506.9 million in 2012, is not included in the order backlog as it entails mostly short-term contracts. Viewed together, order backlog and short-term service business should be sufficient to ensure that the sales target of € 2.4 to 2.6 billion for 2013 can be easily achieved.

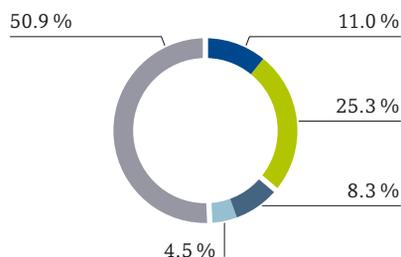
The order backlog is sufficient to ensure capacity utilization for a notional 11.6 months. This figure was slightly higher at the end of 2011 (13.4 months) as the sales base was smaller. There are discernible differences between the divisions: In Paint and Assembly Systems with its focus on plant engineering, the figure of 15.4 months is customarily the highest (December 31, 2011: 17.2 months). At 9.9 months, the reach of orders in the Application Technology division is also ample (December 31, 2011: 12.1 months). Measuring and Process Systems achieves a figure of 6.7 months (December 31, 2011: 9.0 months) and Clean Technology Systems 9.2 months (December 31, 2011: 8.4 months).

STRONG GROWTH OF 25% IN SALES

Spurred by the high order intake in 2011 and 2012, sales revenues rose by 24.9 % to a new record of € 2,399.8 million. After entering the year on a strong note, sales revenues continued to expand in the course of the year, reaching their highest level in the fourth quarter. Dürr's final quarter is customarily strong as a greater volume of projects is invoiced at the end of the year.

2.21 /

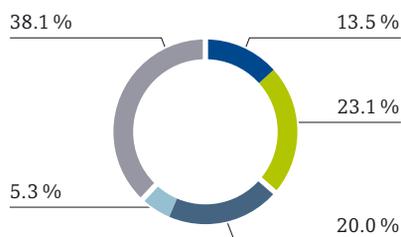
CONSOLIDATED ORDER BACKLOG BY SALES REGION (DECEMBER 31)



€ million	2012	2011	2010
Germany	255.1	191.4	150.6
Other European countries	585.1	405.9	293.4
North/Central America	193.2	293.2	133.5
South America	104.7	134.2	75.8
Asia, Africa, Australia	1,178.7	1,118.0	705.8
Total	2,316.8	2,142.7	1,359.1

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CONSOLIDATED SALES REVENUES BY SALES REGION

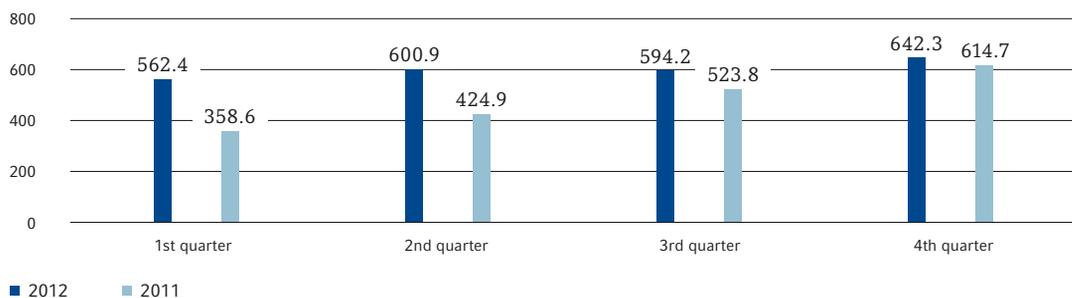


€ million	2012	2011	2010
Germany	325.0	281.5	257.1
Other European countries	555.4	476.5	332.0
North/Central America	478.5	303.5	194.4
South America	127.4	127.4	64.7
Asia, Africa, Australia	913.5	733.1	413.2
Total	2,399.8	1,922.0	1,261.4

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CONSOLIDATED SALES REVENUES BY QUARTER

€ million



Given the system-based nature of our plant engineering business, it is effectively impossible to break down the top-line increase by volume growth and price effects. In this line of business, prices are made up of current production and overhead costs plus a margin.

Sales from service business climbed by 13.8 % to € 506.9 million in 2012, accounting for 21.1 % of consolidated sales. Looking ahead over the next few years, we will be striving for a proportion of 25 to 30 % again, underpinned by our broad installed base and the gains in market share which we have achieved over the past few years.

The region contributing the greatest sales revenues in 2012 was Asia once more. Together with Africa and Australia, it achieved a share of 38.1 %, 24.6 % more than in the previous year.

2.24 /

INCOME STATEMENT AND PROFITABILITY RATIOS

		2012	2011	2010
Sales revenues	€ million	2,399.8	1,922.0	1,261.4
Gross profit	€ million	437.8	331.4	237.5
Overhead costs ¹	€ million	-262.9	-225.5	-201.6
EBITDA	€ million	205.4	127.1	54.6
EBIT	€ million	176.9	106.5	36.6
Financial result	€ million	-29.2	-20.7	-24.1
EBT	€ million	147.7	85.8	12.5
Income taxes	€ million	-36.3	-21.6	-5.4
Earnings after taxes	€ million	111.4	64.3	7.1
Earnings per share	€	6.20	3.58	0.37
Gross margin	%	18.2	17.2	18.8
EBITDA margin	%	8.6	6.6	4.3
EBIT margin	%	7.4	5.5	2.9
EBT margin	%	6.2	4.5	1.0
Return on sales after taxes	%	4.6	3.3	0.6
Interest coverage		6.0	5.0	1.5
Effective tax rate	%	24.6	25.1	43.3
Return on equity	%	25.8	17.6	2.2
Return on investment	%	8.0	5.5	2.9

¹ Selling, administrative and R&D expenses



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We generated 58.1 % of our consolidated sales in the emerging markets, particularly the **BRIC** nations and Mexico (2011: 58.6 %). At 57.7 %, the greatest growth rate was recorded in North America, although we also achieved gratifying growth in Europe (excluding Germany) and in Germany of 16.6 % and 15.5 % respectively.

WIDER GROSS MARGIN

Total costs, i.e. the cost of sales as well as selling, administrative and R&D costs plus other operating expenses, came to € 2,247.4 million in 2012. This translates into an increase of 22.1 % over the previous year (€ 1,841.3 million), meaning that they did not grow as quickly as sales. The cost of sales of € 1,962.0 million, which includes all acquisition and production costs for our products and services, climbed by 23.3 % and, hence, also at a disproportionately low rate relative to sales. This is reflected in the gross margin, i.e. the difference between sales and the cost of sales relative to sales, which widened to 18.2 % (2011: 17.2 %). In this connection, it should be noted that the sales mix continued to shift in favor of new plant engineering business and away from service business in 2012. In the second half of 2012, contracts with wider margins were invoiced, something which also spurred the gross margin. Consolidated gross profit climbed by € 106.4 million to € 437.8 million.

DISPROPORTIONATELY SLOW INCREASE IN THE COST OF MATERIALS RELATIVE TO SALES

Consolidated cost of materials¹ came to € 1,123.0 million. This translates into an increase of 19.1 % over the previous year, meaning that they did not grow as quickly as sales. The main reason for this was the fact that more projects were in phases with a higher insourcing level and lower supplier input. What is more, we widened the share of internal sourcing by boosting efficiency, achieving greater capacity utilization and extending capacity. The ratio of consolidated cost of materials to sales contracted from 49.1 % to 46.8 %. The consolidated cost of materials is recorded fully within the cost of sales and chiefly comprises externally sourced components and orders placed with third-party contractors. Further details can be found in the **PROCUREMENT** chapter.



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¹ Consolidated cost of materials is made up of the cost of raw materials, supplies and consumables as well as work performed by sub-contractors.

2.25

OVERHEAD 2012

	Employees	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	849	-123.7	-88.0	-1.1	-34.6
(2011)	755	-107.2	-75.3	-2.6	-29.3
Administrative	759	-102.0	-66.9	-4.4	-30.7
(2011)	683	-88.7	-52.9	-3.4	-32.4
R&D	199	-37.2	-16.4	-7.2	-13.6
(2011)	180	-29.5	-15.2	-4.6	-9.7

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PERSONNEL-RELATED FIGURES AND PERFORMANCE INDICATORS

	2012	2011	2010
Employees (Dec. 31)	7,652	6,823	5,915
Employees (annual average)	7,337	6,423	5,776
Personnel expense (€ million)	-476.4	-402.6	-342.7
Personnel expense ratio (%)	19.9	20.9	27.2
Personnel expense per employee (annual average) (€)	-64,900	-62,700	-59,300
Sales per employee (annual average) (€)	327,100	299,200	218,400

The second largest block in the cost of sales is personnel expense, which rose from € 259.2 million to € 304.4 million, i.e. substantially more slowly than sales, thus testifying to our heightened productivity.

MODERATE INCREASE IN OVERHEAD COSTS

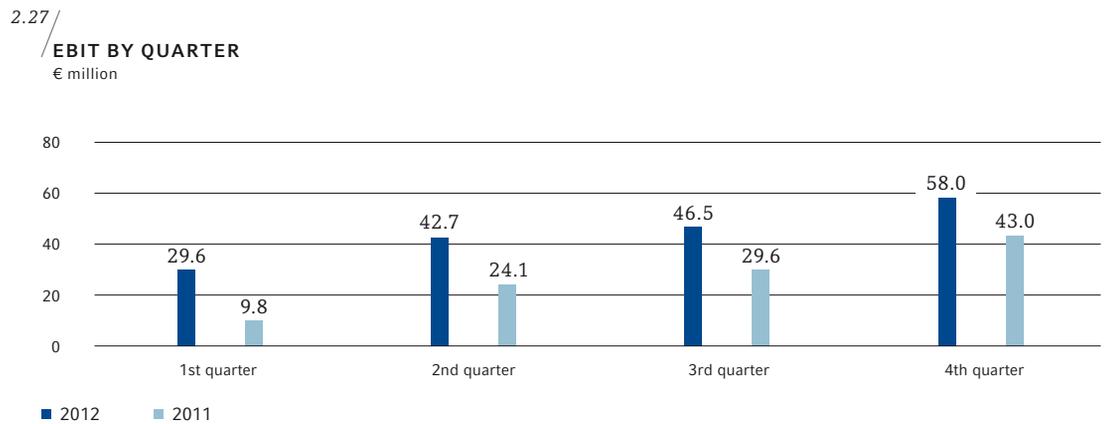
Selling costs climbed by a moderate 15.4 % to € 123.7 million in 2012. This item includes marketing expense of € 6.7 million (2011: € 4.5 million), of which roughly one third comprises personnel expense. At 0.3 % of sales revenues, Dürr's marketing expenses are very low as our customer base – particularly in the plant engineering segment – is highly concentrated and long-standing contacts are maintained with customers. One reason for the increase in marketing expense in 2012 was the Open House event held in Bietigheim-Bissingen, which takes place every two years. In addition, we produced digital versions of the product presentations for the first time in 2012, placing them in a "Virtual Open House."

In 2012, we continued our innovation course, raising R&D spending by 26.1 % to € 37.2 million, i.e. at a slightly higher rate than our top-line growth.

Overhead costs (including research and development) rose from € 225.4 million to € 262.9 million as a result of new recruiting and salary hikes. However, as this increase of 16.6 % was substantially lower than the growth in sales, the ratio of overhead costs to sales contracted to 11.0 % (2011: 11.7 %).

As of the end of 2012, the Group workforce stood at 7,652, up 12.2 % on the previous year's reporting date. This was primarily due to the high volume of business; in addition, 30 employees joined the Group as a result of the full consolidation of Thermea Energiesysteme GmbH and Dürr Cyplan Ltd. The annual average headcount rose by 14.2 % to 7,337.

Total personnel expense, which is spread across all operating expense items in the statements of income, climbed by 18.3 % to € 476.4 million. In addition to new recruitments, this was driven by



rising wages and salaries as well as performance-tied bonuses. At the same time, the effect of the increase in costs was lessened by productivity gains and the greater proportion of employees in the emerging markets. The personnel expense ratio dropped to 19.9 % (2011: 20.9 %) as personnel expense did not grow as quickly as sales. Sales per employee reached a very high annual average of € 327.1 thousand.

The balance of other operating income and expenses came to a mere € 2.0 million (2011: € 0.6 million) and therefore exerted only minimum influence on our earnings. Further information can be found in **ITEM 13** in the notes to the consolidated financial statements.

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EBIT AT A HIGH LEVEL

Spurred by the high gross profit and the moderate overhead costs, EBIT rose by 66.1 % and reached a very good figure of € 176.9 million (2011: € 106.5 million). At 7.4 %, the EBIT margin also achieved a high level, exceeding the long-term target of 6 % which we had formulated in 2007. The margin improved steadily in the course of the year and reached 9.0 % in the fourth quarter. EBITDA tracked EBIT, rising to € 205.4 million (2011: € 127.1 million). As in the previous years, goodwill impairment testing did not reveal any evidence of impairment.

FINANCIAL RESULT UNDER PRESSURE FROM NON-RECURRING EXPENSES

The financial result includes cash interest expenses of € 22.6 million primarily incurred in connection with our corporate bond. The financial result deteriorated by € 8.5 million over the previous year to € -29.2 million, chiefly as a result of non-recurring effects.

- This item includes interest expense of € 2.1 million for the acquisition of our corporate headquarters in Bietigheim-Bissingen (Dürr Campus) and the absorption of the related financing. This transaction was executed in the fourth quarter of 2011, prior to which we had leased the Dürr Campus. On balance, however, the acquisition of the Campus ultimately has a positive effect on earnings as the improvement in EBIT caused by the elimination of lease expense for the Campus is greater than the strain on the financial result due to additional interest expense.

- Interest income dropped by € 1.3 million over the previous year on account of the low interest rate level, although cash and cash equivalents increased.
- Thanks to our improved credit status, we were able to agree on more favorable terms for our syndicated loan with the creditor banks and for the loan commitment provided by the European Investment Bank. Consequently, we had to prematurely write off deferred transaction costs of € 3.0 million for the syndicated loan in accordance with IFRS. In addition to more favorable conditions and the release of collateral, it is now possible to prolong the term of the syndicated loan by one year until June 2015 without incurring any additional costs. Further information can be found in **ITEM 28** in the notes to the consolidated financial statements.
- Given the low prevailing interest rates, it was necessary to reduce the interest rate used for calculating the provisions for long-term working-time accounts. This resulted in non-recurring expense of € 3.4 million.

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EARNINGS AFTER TAXES ABOVE € 100 MILLION FOR THE FIRST TIME

Earnings before taxes came to € 147.7 million, up from € 85.8 million in the previous year. Despite the higher earnings, the effective tax rate dropped to 24.6 % compared with the previous year. With our improved earnings outlook and the utilization of tax loss carry-forwards following the termination of the profit and loss transfer agreement with Carl Schenck AG, we were able to capitalize deferred tax assets in Germany. After tax expense of € 36.3 million (2011: € 21.6 million), net income for the year came to € 111.4 million (2011: € 64.3 million), thus entering triple-digit territory for the first time. Net of non-controlling interests, earnings per share rose to € 6.20 (2011: € 3.58).

On the strength of the company's strong earnings, we are proposing a dividend of € 2.25 per share for 2012, i.e. 87.5 % more than the previous year (€ 1.20). On the basis of 17,300,520 shares outstanding, this translates into a total payout of € 38.9 million, equivalent to a payout ratio of 35 % of consolidated earnings after taxes (2011: 32 %), i.e. precisely in the middle of the range of 30 to 40 % which we strive for with our long-term dividend policy. Dürr AG's remaining net retained profit of € 74.1 million (2011: € 56.2 million) is to be carried forward.

DÜRR AG'S ANNUAL FINANCIAL STATEMENTS

Dürr AG's earnings improved substantially in 2012. This was chiefly due to the earnings performance achieved by Dürr Systems GmbH and Carl Schenck AG in Germany. The individual financial statements of Dürr AG, Dürr Systems GmbH and Carl Schenck AG have been prepared in accordance with the German Commercial Code (HGB). Dürr AG's full individual financial statements can be found at WWW.DURR.COM/INVESTOR/FINANCIAL-REPORTS/.

 [WWW](http://WWW.DURR.COM/INVESTOR/FINANCIAL-REPORTS/)

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DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT (HGB)

€ million	2012	2011
Income from profit and loss transfer agreements	91.3	34.4
Investment income	91.3	34.4
Other operating income and expenses	4.0	1.4
Personnel expenses	-13.3	-10.2
Depreciation and amortization (including financial assets)	-0.4	-0.4
Interest result	-13.1	-13.0
Profit from ordinary activities	68.5	12.2
Taxes	11.7	-1.7
Net income	56.8	10.5
Profit brought forward from the previous year	56.2	66.5
Net retained profit	113.0	77.0

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DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – STATEMENT OF FINANCIAL POSITION (HGB)

€ million	Dec. 31, 2012	Dec. 31, 2011
ASSETS		
Fixed assets		
Intangible assets	0.5	0.7
Property, plant and equipment	0.1	0.2
Financial assets	484.4	470.7
	485.0	471.6
Current assets		
Receivables and other assets	146.1	122.2
Securities	4.0	-
Cash and cash equivalents	196.7	142.0
Prepaid expenses, sundry items	1.1	0.9
	347.9	265.1
Total assets	832.9	736.7
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	44.3	44.3
Capital reserve	200.5	200.5
Net retained profit	113.0	77.0
	357.8	321.7
Liabilities		
Provisions	17.7	9.8
Liabilities	455.3	402.4
Deferred income	2.1	2.9
	475.1	415.0
Total equity and liabilities	832.9	736.7

DIVISIONS

Earnings in the individual divisions were generally encouraging in 2012. Paint and Assembly Systems, Application Technology and Measuring and Process Systems all posted sharp gains. Earnings in the Clean Technology Systems division came under pressure from the start-up costs for the new energy efficiency business. Order intake and sales revenues were roughly equal in all four divisions, meaning that continued high capacity utilization can be expected.

Corporate Center EBIT came to € –10.8 million, compared with € –1.4 million in the previous year. This decline was due to rising expenditure, which was not fully charged to the subsidiaries. Corporate Center earnings include consolidation effects of € –3.0 million (2011: € 2.0 million). The Corporate Center comprises Dürr AG and also Dürr IT Service GmbH, which was established at the end of 2010. This company pools the Group's IT activities, which had previously been based in the operating companies. Since this transition, IT spending, which comprises software licenses among other things, has been recorded within the Corporate Center and no longer at the division level.

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EBIT BY DIVISION

€ million	2012	2011	2010
Paint and Assembly Systems	73.9	40.5	13.8
Application Technology	52.4	31.1	11.6
Measuring and Process Systems	57.6	31.4	10.3
Clean Technology Systems	3.8	4.9	3.5
Corporate Center/consolidation	-10.8	-1.4	-2.6
Total	176.9	106.5	36.6

2.31 /

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND ON INTANGIBLE ASSETS¹

€ million	2012	2011	2010
Paint and Assembly Systems	10.0	4.9	2.6
Application Technology	4.3	4.0	3.4
Measuring and Process Systems	5.7	8.6	10.0
Clean Technology Systems	1.8	0.5	0.3
Corporate Center/consolidation	10.7	5.4	0.3
Total	32.5	23.4	16.6

¹ Without acquisitions

2.32 /

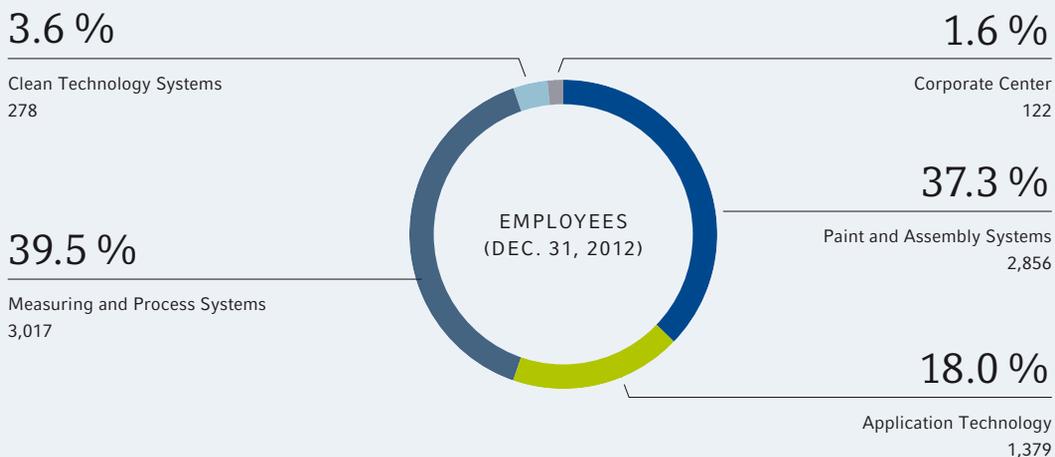
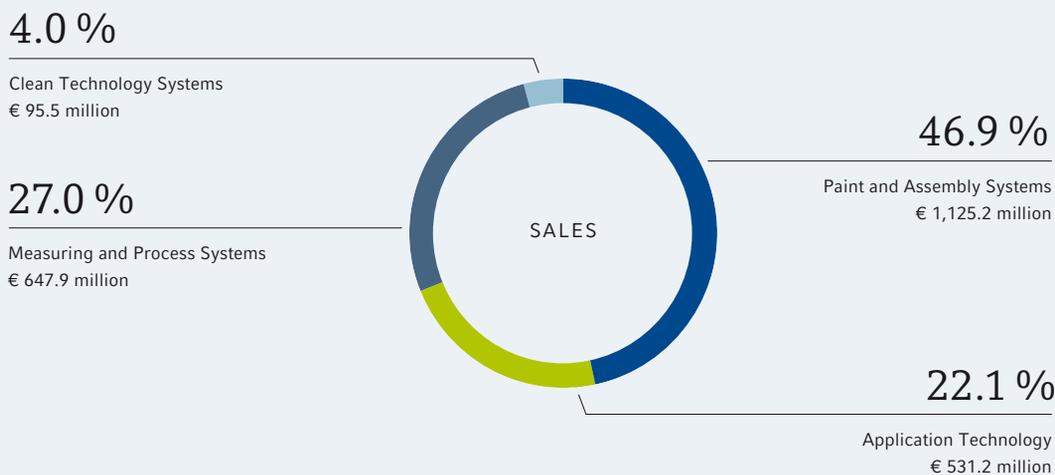
DEPRECIATION AND AMORTIZATION (INCL. IMPAIRMENT LOSSES AND REVERSALS)¹

€ million	2012	2011	2010
Paint and Assembly Systems	-4.6	-3.7	-5.3
Application Technology	-7.1	-4.7	-5.0
Measuring and Process Systems	-10.6	-9.1	-6.8
Clean Technology Systems	-0.5	-0.4	-0.6
Corporate Center/consolidation	-5.7	-2.7	-0.3
Total	-28.5	-20.6	-18.0

¹ Amortization taken into account in the interest result is not included.

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DIVISIONS: SALES, INCOMING ORDERS, EMPLOYEES



2.34 /

PAINT AND ASSEMBLY SYSTEMS – KEY FIGURES

€ million	2012	2011	2010	2009
Incoming orders	1,326.1	1,340.4	753.1	615.8
Sales revenues	1,125.2	878.7	582.0	494.1
Cost of materials (consolidated)	-619.9	-511.9	-270.7	-200.5
EBITDA	78.5	44.2	19.1	2.7
EBIT	73.9	40.5	13.8	-3.0
Capital expenditure	10.0	4.9	2.6	5.8
Employees (Dec. 31)	2,856	2,524	2,183	2,114

Paint and Assembly Systems

Paint and Assembly Systems performed consistently well in 2012. The division's order intake remained at the extraordinarily high level reported in the previous year. In fact, paint shop orders were up slightly. Major contracts came from China and the United States, as well as France, Spain, Turkey and Germany, for example. Order receipts in the area of aircraft production technology returned to normal after a Russian aircraft constructor had placed a large-scale order in the previous year. From the third quarter onwards, Paint and Assembly Systems increasingly received orders from the emerging markets again, which accounted for 59 % of full-year orders (2011: 75 %).

Sales rose by 28.1 % to € 1,125.2 million. We increased our headcount by 13.2 % to accommodate the large volume of business. Order backlog rose as incoming orders exceeded revenues. The gross margin widened to 13.0 % (2011: 12.0 %). The good quality of order execution, high capacity utilization and moderate growth in overhead costs caused the EBIT margin to widen to 6.6 %. Capital expenditure in the Paint and Assembly Systems division increased by € 5.1 million to € 10.0 million and was primarily used for capacity extensions.

Application Technology

Sales revenues and earnings in the Application Technology division continued to grow in 2012. Order intake contracted by 4.2 % over the very strong previous year. However, the automobile industry is still planning many capital spending projects, e.g. for automation of vehicle interior painting. Unlike Paint and Assembly Systems, Application Technology is dominated by smaller contracts in the mid-single-digit millions.

2.35 /

APPLICATION TECHNOLOGY – KEY FIGURES

€ million	2012	2011	2010	2009
Incoming orders	556.6	580.8	314.1	240.6
Sales revenues	531.2	406.8	267.2	203.9
Cost of materials (consolidated)	-241.2	-198.9	-128.4	-82.3
EBITDA	59.4	35.8	16.6	7.7
EBIT	52.4	31.1	11.6	3.0
Capital expenditure	4.3	4.0	3.4	6.3
Employees (Dec. 31)	1,379	1,203	1,061	998

2.36 /

MEASURING AND PROCESS SYSTEMS – KEY FIGURES

€ million	2012	2011	2010	2009
Incoming orders	600.6	662.7	496.4	270.6
Sales revenues	647.9	550.4	344.7	324.9
Cost of materials (consolidated)	-253.3	-225.8	-141.0	-131.4
EBITDA	68.2	40.5	17.1	19.1
EBIT	57.6	31.4	10.3	10.7
Capital expenditure	5.7	8.6	10.0	4.7
Employees (Dec. 31)	3,017	2,790	2,444	2,381

Despite the 30.6 % increase in sales, the book-to-bill ratio remained above 1. As a rule, we achieve higher margins in high-tech business with robots and application products than in the paint shop systems business (Paint and Final Assembly Systems). The high capacity utilization in 2012 helped the EBIT margin in the Application Technology division to reach a strong figure of 9.9 %. The headcount rose by 14.6 %.

Measuring and Process Systems

Following on from the very high figure in the previous year, incoming orders in the Measuring and Process Systems division contracted by 9.4 % in 2012. Orders in the Balancing and Assembly Products business unit rose again by 6.5 %, thus repeating the growth achieved in 2010 and 2011. Cleaning and Filtration Systems turned down a number of large orders in the interests of better-quality margins, recording a decline in order intake due to baseline effects.

Sales for Measuring and Process Systems rose by 17.7 %. In this connection, sales revenues for Balancing and Assembly Products increased more sharply than those for Cleaning and Filtration Systems. Balancing and Assembly Products achieved strong earnings growth thanks to high capacity utilization, something that was reflected in the correspondingly wide EBIT margin. Cleaning and Filtration Systems also posted positive EBIT after barely breaking even in the previous year. All told, the EBIT margin achieved by the Measuring and Process Systems division rose to 8.9 %. Since the beginning of the year, the workforce had widened by 8.1 % to 3,017 and, hence, at a substantially more moderate pace than sales revenues. Schenck Technologie- und Industriepark (TIP) increased its external sales revenues to € 14.5 million, accompanied by a satisfactory EBIT margin.

2.37 /

SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK – KEY FIGURES

€ million	2012	2011	2010	2009
External sales revenues	14.5	13.0	12.5	14.0
External rental income	6.9	6.5	6.3	6.9

2.38 /

/ CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES

€ million	2012	2011	2010	2009
Incoming orders	113.5	101.0	78.6	57.7
Sales revenues	95.5	86.1	67.5	54.6
Cost of materials (consolidated)	-54.7	-48.0	-33.6	-23.1
EBITDA	4.3	5.3	4.1	2.9
EBIT	3.8	4.9	3.5	2.2
Capital expenditure	1.8	0.5	0.3	0.5
Employees (Dec. 31)	278	205	180	171

Clean Technology Systems

The figures for the Clean Technology Systems division, which was established at the beginning of 2011, currently still chiefly comprise our activities in exhaust-air purification technology. Of the companies in which we have invested in the energy efficiency technology area since 2011, two have been fully consolidated to date: Thermea Energiesysteme GmbH and Dürr Cyplan Ltd. However, they are still making only a small contribution to sales revenues and earnings. Detailed information on these two companies and our other energy efficiency activities can be found in the **STRATEGY** chapter.



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Order receipts for exhaust-air purification technology rose again by 12.4 %, materially underpinned by business in industries such as chemicals, pharmaceuticals and carbon-fiber production. We were also able to successfully market our technologies in new areas. One example is our vAM-RTO business in which we supply exhaust-air purification systems to operators of pit coal mines. The energy-efficient vAM-RTO systems burn methane gas, which is found in mine exhausts and is harmful to the climate.

Despite a 10.9 % increase in sales, the book-to-bill ratio came to 1.19. EBIT stood at € 3.8 million, down from € 4.9 million in the previous year. This was due to non-recurring costs which had arisen in the first quarter in particular in connection with the establishment of the energy efficiency business and expansion in the emerging markets. Compared with the end of 2011, employee numbers rose by 73 to 278, with 30 employees joining the Group as a result of the first-time full consolidation of Thermea and Dürr Cyplan.

Financial development

FUNDING AND LIQUIDITY MANAGEMENT

Our centralized funding and liquidity management focuses on three objectives: income and cost optimization, transparency as well as control of all financial risks that might endanger the Group's existence as a going concern. We assign particular importance to ensuring adequate liquidity reserves so as to be able to meet our payment obligations at all times (see also the **RISK REPORT**).



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Cash flows from our operating activities are our key source of funding. As a rule, debt finance is raised by Dürr AG and made available to the Group companies as required. Dürr AG is also responsible for liquidity management, organizing a cash pooling system in which – to the extent legally possible – all cash and cash equivalents of the Group are concentrated. In countries subject to statutory restrictions on capital flows (for instance China, India, South Korea), our companies obtain their funding locally.

Group Treasury controls investments of cash and cash equivalents. We only commission banks with good credit standing and use a limit system to reduce the risks with individual counterparties. Cash and cash equivalents were at a very high level at the end of 2012, at € 349.3 million or 19.3 % of total assets (December 31, 2011: € 298.6 million/18.0 %).

An element of funding and liquidity management is the optimization of internal funding through an active net working capital management system. It contributes toward freeing up cash and cash equivalents and improving key figures and ratios like the balance sheet structure and return on capital employed. Net working capital management is the task of the divisions and business units, taking into account the requirements of the operating business. Dürr AG, as the Group holding company, lays down the relevant parameters and monitors the level of target achievement.

FUNDING

Our debt financing essentially consists of four elements:

- Our corporate bond, issued in 2010, has a volume of € 225 million, matures in September 2015 and has an effective interest rate of 6.83 %. An option for early redemption exists as of September 2014.
- The syndicated loan negotiated in 2011 is structured into a cash credit line of € 50 million and a guarantee line of € 180 million. It matures in June 2014 but can be renewed by one year.
- In June 2011, we received approval from the European Investment Bank (EIB) for a special purpose loan of € 40 million, which we can use to fund research and development projects. If we use the loan funds by the end of 2013, repayment will be made in various stages until 2017.
- When purchasing the Dürr Campus in Bietigheim-Bissingen at the end of 2011, we took over the associated financing arrangement of € 45.8 million. The bullet and annuity loans run until September 30, 2024, but may be repaid earlier subject to an early repayment penalty.

2.39

FINANCIAL LIABILITIES (DECEMBER 31)

€ million	2012	2011	2010
Bond	225.4	225.5	225.6
Liabilities to banks	56.5	57.2	2.0
Liabilities to associated companies accounted for according to the equity method	0.0	0.0	1.1
Liabilities under finance leases	4.2	3.5	3.6
Total	286.1	286.2	232.3
of which due within one year	14.8	13.3	1.8

In addition, we have bilateral credit facilities on a smaller scale, as well as finance lease liabilities. Besides to money market and capital market instruments, we also use off-balance sheet financing instruments on a small scale, such as accounts receivable financing and operating leases.

We did not use the cash credit line of the syndicated loan facility as of the 2012 reporting date or intra-year. The EIB loan has not been drawn to date either. We generally use the guarantee facilities to provide surety bonds for prepayments received from customers. Of the guarantee line under the syndicated loan facility (€ 180 million), € 64.4 million had been drawn as of the reporting date (December 31, 2011: € 125.8 million). Additional guarantee lines with a volume of € 250 million (December 31, 2011: € 223.0 million) exist with credit insurers; the level of utilization at the end of the year amounted to € 142.8 million (December 31, 2011: € 211.9 million).

We complied with the financial covenants for the syndicated loan and the EIB loan approval as of the 2012 reporting date. In both cases, interest represents the (EURIBOR) refinancing rate with matching maturities plus a variable margin for which the ratio of net financial debt to earnings (adjusted total net debt to EBITDAR) is decisive. In view of our improved credit status, we managed to adjust the lending terms with the syndicate banks in our favor in 2012. Among other things, it is now possible to prolong the term to maturity until June 2015 without incurring any additional costs. Moreover, the remaining items of collateral from fixed and current assets have been released, which means that only shares in subsidiaries are pledged as collateral at present. Further particulars on debt financing are available in **ITEM 28** in the notes to the consolidated financial statements.

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CASH FLOW SHARPLY IMPROVED IN THE COURSE OF THE YEAR

In 2012, cash flow from operating activities reached a high level of € 117.6 million even though it did not match the previous year's good value, as expected. After amounting to € -64.6 million in the first half of 2012, it was up by € 182.2 million in the second half of the year. The sharp increase in earnings and revenues was mainly responsible for the good cash flow. It more or less compensated for growth in **NET WORKING CAPITAL** (€ +69.1 million) resulting from the immense surge in the volume of business. The change in provisions (€ -17.2 million) is attributable in particular to the off-loading of pension obligations. This measure enabled us to reduce our interest and longevity risks.

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Cash flow from investing activities amounted to € -23.4 million (2011: € -62.6 million). In addition to regular capital expenditure on maintenance, it reflects expansion investments in the emerging markets and Germany as well as outflows of funds for the investments in HeatMatrix, LaTherm and Thermea. While fixed-term deposits were reduced, investments were made in financial assets (including bonds).

Cash flow from financing activities amounted to € -43.6 million (2011: € -24.2 million). Key influencing factors in this regard were interest payments as well as the dividend payout for 2011.

2.40 /

CASH FLOW

€ million	2012	2011	2010
Earnings before income taxes	147.7	85.8	12.5
Depreciation and amortization	28.5	20.6	18.0
Interest result	29.6	21.3	24.7
Income tax payments	-21.3	-14.3	-17.4
Change in provisions	-17.2	0.6	-11.2
Change in net working capital	-69.1	-2.3	31.9
Other	19.4	16.2	-3.1
Cash flow from operating activities	117.6	127.9	55.4
Interest payments (net)	-20.3	-16.5	-17.7
Capital expenditure	-31.4	-19.6	-14.8
Free cash flow	65.9	91.8	22.9
Other cash flows	-21.0	-63.6	-2.3
Change in net financial status	+44.9	+28.2	+20.6

Free cash flow amounted to € 65.9 million in 2012 (2011: € 91.8 million). This key figure shows what means are available for dividend payout, stock redemptions, acquisitions and improvement in the **NET FINANCIAL STATUS**. In addition to the cash flow from operating activities, **FREE CASH FLOW** also includes interest income and capital expenditure (included in the cash flow from investing activities) as well as interest expenditure (included in the cash flow from financing activities). The other cash flows (€ -21.0 million) in table 2.40 comprise outflows for acquisitions of holdings, finance leases and the dividend payout. The bottom line shows an improvement in the net financial status by € 44.9 million at the end of 2012, to reach € 96.7 million.



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PERFORMANCE INDICATORS: EBIT, OPERATING CASH FLOW, FREE CASH FLOW, ROCE

In our corporate planning and control process, we mainly focus on **EBIT**, **ROCE** (EBIT to capital employed), operating cash flow (cash flow from operating activities) and free cash flow. The first two key figures mentioned reached higher values in 2012 than originally expected, with our operating cash flow and free cash flow remaining at a satisfactory level.



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Particularly due to the higher **NET WORKING CAPITAL**, the volume of **CAPITAL EMPLOYED**, i.e. capital tied down, was up by € 27.8 million, to reach € 402.6 million. Due to the significant **EBIT** increase, we achieved a clearly positive economic value added (EVA) of € 97.3 million. EVA reflects the value that a company creates or destroys in a financial year and is calculated as follows:



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EVA = NOPAT – (WACC × capital employed)

- NOPAT = Net Operating Profit After Taxes/EBIT after fictitious taxes
- WACC = Weighted Average Cost of Capital
- Capital Employed: Capital employed includes all assets except cash and cash equivalents less non-interest-bearing liabilities.

$$\text{WACC}^1 = \left(\text{Share of equity} \times \text{cost of equity} \right) + \left(\text{share of debt} \times \text{cost of debt} \right) \times \left(1 - \text{tax rate} \right)$$

$$\left(78.33\% \times 7.53\% \right) + \left(21.67\% \times 4.47\% \right) \times \left(1 - 29.50\% \right) = 6.58\%$$

Cost of equity = risk-free interest (2.40 %) + risk premium (6.00 %) × beta factor (0.855) = 7.53 %

¹ In accordance with IAS 36, WACC is calculated on the basis of the parameters of our peer group, in other words not taking Dürr Group's capital structure into account. In contrast, according to the literature, a company's weighted arithmetical average cost of equity and debt is normally used to calculate WACC for valuation purposes.

2.41

PERFORMANCE INDICATORS

		2012	2011	2010
EBIT	€ million	176.9	106.5	36.6
Operating cash flow	€ million	117.6	127.9	55.4
Free cash flow	€ million	65.9	91.8	22.9
ROCE	%	43.9	28.4	10.3

2.42

VALUE ADDED

		2012	2011	2010
Capital employed (Dec. 31)	€ million	402.6	374.8	356.7
ROCE	%	43.9	28.4	10.3
NOPAT	€ million	123.8	74.6	25.6
Weighted average cost of capital (WACC)	%	6.58	7.64	8.10
EVA	€ million	97.3	45.9	-3.2

2.43

ROCE BY DIVISION

%	2012	2011	2010
Paint and Assembly Systems ¹	>100	>100	>100
Application Technology	47.8	30.6	11.4
Measuring and Process Systems	18.0	9.2	3.7
Clean Technology Systems	18.4	>100	61.1

¹negative capital employed

The Application Technology and Measuring and Process Systems divisions considerably improved their ROCE in fiscal 2012 (table 2.43). No ROCE can be calculated for the Paint and Assembly Systems division since the capital employed was negative. The difference in yields between the divisions is attributable above all to the fact that the volume of capital tied down in plant construction is generally lower than in the field of mechanical engineering. ROCE and capital employed are analyzed on a regular basis both in the Group and the various divisions with a view to optimizing business management and the allocation of resources.

FINANCIAL POSITION: EQUITY SUBSTANTIALLY HIGHER

Total assets were up by 8.8 % as of December 31, 2012, to reach € 1,807.7 million – a moderate expansion in relation to the sharp increase in the volume of business. On the assets side, trade receivables and inventories increased by a total of € 89.2 million. In contrast, on the liabilities side, trade payables only rose by € 23.2 million. As regards non-current assets, the higher level of financial assets was responsible for an increase by € 22.9 million.

Net working capital (NWC) has grown since end-2011 – adjusted for currency effects and first-time consolidations – by € 69.1 million, to € 98.6 million. It only accounted for 4.1 % of sales as of the reporting date (December 31, 2011: 1.7 %). The number of days working capital came to 14.8 as of the reporting date, an improvement on our target corridor of 20 to 25 days. Since receivables rose by a disproportionately low rate in relation to sales, the number of **DAYS SALES OUTSTANDING** dropped to 104.3.

2.44 /

BALANCE SHEET KEY FIGURES

		2012	2011	2010
Net financial status (Dec. 31)	€ million	96.7	51.8	23.6
Net financial liabilities to EBITDA		-	-	-
Gearing (Dec. 31)	%	-28.8	-16.6	-8.0
Net working capital (NWC) (Dec. 31)	€ million	98.6	32.6	27.3
Days working capital	days	14.8	6.1	7.8
Inventory turnover	days	21.7	23.3	21.1
Days sales outstanding	days	104.3	117.2	112.2
Equity assets ratio (Dec. 31)	%	78.3	68.9	69.1
Asset coverage (Dec. 31)	%	151.2	144.8	140.1
Asset intensity (Dec. 31)	%	30.5	31.8	38.0
Current assets to total assets (Dec. 31)	%	69.5	68.2	62.0
Degree of asset depreciation (Dec. 31)	%	48.4	48.8	56.9
Depreciation expense ratio	%	4.2	3.3	4.2
Cash ratio (Dec. 31)	%	35.9	33.4	44.4
Quick ratio (Dec. 31)	%	107.3	103.3	113.3
Equity ratio (Dec. 31)	%	23.9	21.9	26.3
Total assets (Dec. 31)	€ million	1,807.7	1,661.0	1,216.5

The goodwill arising from corporate acquisitions amounted to € 288.2 million as of the reporting date, or 52.2 % of non-current assets. The main reason for the slight increase in comparison with December 31, 2011 (€ 284.5 million), was the capitalization of goodwill of € 4.7 million in connection with the acquisition of the holding in Thermea and the first-time consolidation of Dürr Cyplan. Further information on intangible assets is provided in **ITEM 18** in the notes to the consolidated financial statements. Machinery, buildings and other assets classified as property, plant and equipment are of comparatively minor importance at Dürr.

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Equity as of the end of 2012 increased by € 67.8 million to € 432.1 million. This improvement was mainly attributable to the high net profit; opposing effects were caused by the dividend payment for 2011 (€ 20.8 million) and the lower interest rate calculated for pension provisions year-on-year. Despite the higher level of total assets, the equity ratio saw a marked increase as of December 31, 2012, to 23.9 % (December 31, 2011: 21.9 %). We anticipate a further increase in 2013 and 2014.

Non-current liabilities only reflected minor changes in relation to December 31, 2011. Trade payables remained the single largest item on the liabilities side, totaling € 740.9 million. The level of prepayments by customers included under this head grew by a further € 39.5 million, to reach € 486.3 million. Provisions remained practically unchanged at € 113.5 million despite the expansion of business (December 31, 2011: € 110.3 million). Relief for pension provisions was provided by the offloading of pension obligations, while the lower interest rate calculated for pensions had the opposite effect.

Our assets side includes future receivables from construction contracts that correspond directly to the prepayments reported under liabilities. Accordingly, the prepayments reflected as liabilities should not be considered separately. A more meaningful figure is the balance of future receivables from construction contracts and prepayments received. It reflects the amount by which orders are pre-financed by customers. As of December 31, the negative balance (including small series production) declined to € -109.2 million (December 31, 2011: € -126.1 million). Information on the structure of future receivables from construction contracts and the prepayments received is provided in **ITEM 21** in the notes to the consolidated financial statements.

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2.45

NON-CURRENT AND CURRENT ASSETS (DECEMBER 31)

€ million	2012	in % of total assets	2011	2010
Intangible assets	326.3	18.0	326.7	316.1
Property, plant and equipment	152.3	8.4	144.9	91.2
Other non-current assets	73.3	4.1	57.4	55.0
Non-current assets	551.9	30.5	529.0	462.3
Inventories	144.5	8.0	124.5	73.8
Trade receivables	694.6	38.5	625.6	392.0
Cash and cash equivalents	349.3	19.3	298.6	252.3
Other current assets	67.4	3.7	83.3	36.0
Current assets	1,255.8	69.5	1,132.0	754.1

2.46

EQUITY (DECEMBER 31)

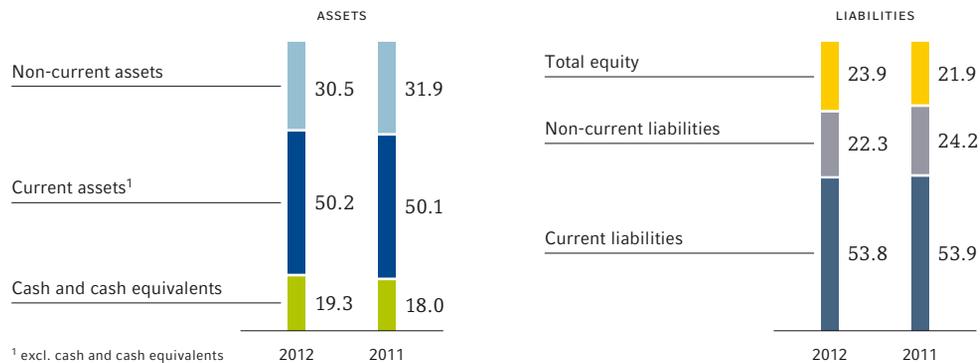
€ million	2012	in % of total assets	2011	2010
Subscribed capital	44.3	2.5	44.3	44.3
Other equity	379.5	21.0	314.6	268.9
Equity attributable to shareholders	423.8	23.5	358.9	313.2
Non-controlling interest	8.3	0.4	5.4	6.2
Total equity	432.1	23.9	364.3	319.4

2.47

CURRENT AND NON-CURRENT LIABILITIES (DECEMBER 31)

€ million	2012	in % of total assets	2011	2010
Financial liabilities (incl. bond)	286.1	15.8	286.2	232.3
Provisions (incl. pensions)	113.5	6.3	110.3	103.6
Trade payables	740.9	41.0	717.7	439.6
Of which prepayments received	486.3	26.9	446.8	273.2
Income tax liabilities	19.0	1.0	8.9	2.7
Other liabilities (incl. deferred taxes, deferred income)	216.1	12.0	173.6	118.9
Total	1,375.6	76.1	1,296.7	897.1

2.48 /
ASSET AND CAPITAL STRUCTURE (DECEMBER 31)
 %



HIDDEN RESERVES

We generally report assets and liabilities at amortized cost of acquisition or production on the basis of lower-of-cost-or-market tests. Customer-specific construction contracts are reported in accordance with the percentage-of-completion (POC) method. Derivative financial instruments, financial assets available for sale, financial assets held for trading as well as obligations arising from put options, and liabilities from contingent purchase installments are measured at their fair value. Explanatory notes on determining the carrying amount of financial instruments are provided in **ITEM 33** in the notes to the consolidated financial statements. For the most part, the carrying amounts on the asset side and on the equity and liabilities side correspond to fair value.

On the assets side, other intangible assets with a determinable period of use, which mainly comprise rights, concessions and software created in-house, are depreciated to reflect their expected useful life. Generally, no hidden reserves can be created in this item. Property, plant and equipment can contain hidden reserves, primarily in land and buildings. Schenck Technologie- und Industriepark GmbH (TIP) in Darmstadt is worthy of mention in this regard; in our assessment, its fair value exceeds the carrying amount by several million euros. Valuation reserves in financial assets can only be created in the case of bonds held to maturity. In 2012, this was not the case. Non-current assets include € 15.5 million in deferred taxes that have been capitalized. The total tax loss carry-forwards not capitalized as yet and which are expected to be used amount to approximately € 100 million (2011: € 110 million) and represent a hidden asset. On a notional basis, these loss carry-forwards represent hidden reserves worth roughly € 30 million. Uncapitalized R&D costs are included under R&D expenditure. They also concern the expenditure for patents amounting to € 3.8 million (2011: € 2.9 million). As there are over 3,400 individual patents, their exact value is difficult to quantify.

On the equity and liabilities side, there are three instances in which the reported carrying amounts of liabilities are lower than their fair values: the Dürr bond, the liabilities under finance leases and the loan in connection with the Campus financing. The aggregate difference amounts to € 28.1 million (December 31, 2011: € 19.3 million; **ITEM 33** in the notes to the consolidated financial statements) and thus accounts for 1.6 % of total assets.

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2.49

CAPITAL EXPENDITURE¹, DEPRECIATION AND AMORTIZATION²

€ million	2012	2011	2010
Investment in property, plant and equipment	23.5	13.6	11.1
Investment in intangible assets	9.0	9.8	5.5
Equity investments	2.9	13.7	12.2
Depreciation and amortization	28.5	20.6	18.0

¹ According to IFRS rules, the capital expenditures in this overview deviate from the figures in the statements of cash flows.

² Including impairment losses and reversals. Amortization taken into account in the interest result is not included.

CAPITAL EXPENDITURE UP ONCE AGAIN

In principle, our capex investment needs (excluding acquisitions) are relatively low on account of the low proportion of our own manufacturing input. As a rule, the primary focus is on investments in maintenance, which generally reach roughly € 20 million per annum. In 2012, there was substantial additional capital expenditure in the construction of new production capacities. Their share of capital expenditure (excluding acquisitions) amounting to € 32.5 million (2011: € 23.4 million) reached roughly 40 %.

Total capital expenditure including acquisitions came to € 35.4 million, down on the previous year's figure (€ 37.1 million) by 4.6 %. Whereas investments in property, plant and equipment increased by 72.8 % to € 23.5 million, investments in intangible assets declined slightly to € 9.0 million. Equity investments were in decline in 2012. However, we continue to pursue our objective of also growing our organization by making acquisitions. With € 28.5 million in depreciation and amortization (2011: € 20.6 million), the reinvestment rate amounted to 114.0 % (2011: 113.6 %).

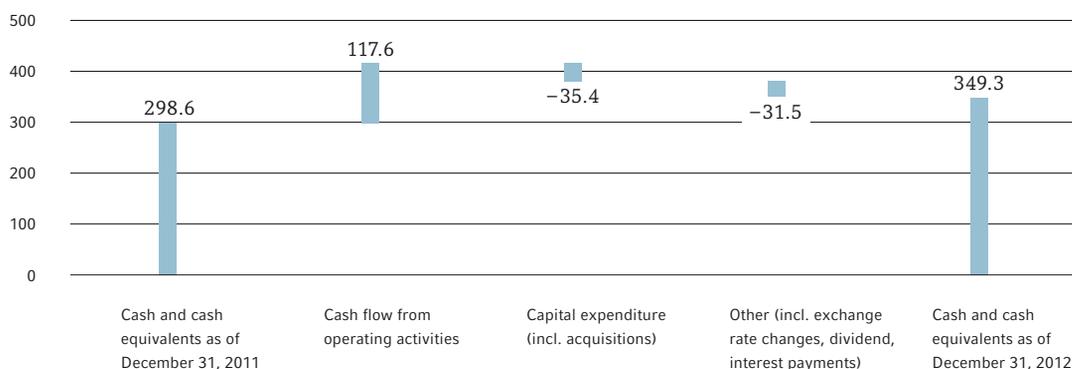
The cash flow from operating activities covered the level of expenditure on investments, dividend, and interest payments in 2012 quite comfortably. Accordingly, as of the reporting date, the **NET FINANCIAL STATUS** improved by € 44.9 million to € 96.7 million. The level of cash and cash equivalents increased once again, reaching € 349.3 million; non-current investments such as bonds or



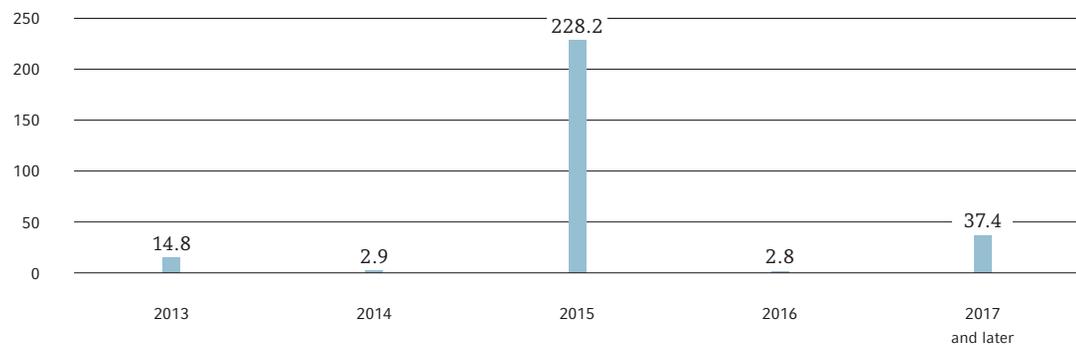
2.50

DEVELOPMENT OF LIQUIDITY

€ million



2.51 /
MATURITY STRUCTURE OF FINANCIAL LIABILITIES
 € million



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fixed-term deposits are not included here. For 2013, we expect the **FREE CASH FLOW** alone to cover our financing needs for our operating activities with ease. In addition, we have our cash and cash equivalents as well as our credit and guarantee lines available for financing purposes. Payment obligations from operating leases amount to € 21.2 million in 2013. A sum of € 0.9 million is due from finance leases and a further € 10.4 million from other financial obligations. The volume of financial debt maturing in 2013 amounts to as little as € 14.8 million.

OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Our off-balance sheet financing instruments and obligations include operating leases, accounts receivable financing, and liabilities in respect of continuing contractual obligations. Their volume increased slightly in 2012 since we partly financed the location and capacity expansion via operating leases. As of December 31, 2012, the future minimum payments under operating leases, at € 110.9 million, were higher than on the previous year's reporting date (€ 72.0 million); further information is provided in **ITEM 38** in the notes to the consolidated financial statements. We make selective use of accounts receivable financing (forfeiting, factoring, negotiation) to reduce the level of **CAPITAL EMPLOYED**. At the end of 2012, it reached a volume of € 21.9 million (December 31, 2011: € 20.5 million). Liabilities from other continuing contractual obligations amounted to € 15.3 million (December 31, 2011: € 9.7 million); no other off-balance sheet obligations existed.



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Off-balance sheet financing instruments reduce the volume of total assets and improve certain key capital ratios. Their volume is reasonable at Dürr in relation to the business volume. Operating leases are the single biggest off-balance sheet financing item. If we did not use the existing off-balance sheet financing instruments, total assets would be about 8 % higher and the equity ratio would decline by about two percentage points. There would also be changes in the earnings structure, with **EBIT** rising by about the same amount by which the interest result would deteriorate. Accordingly, the effects on earnings before taxes are confined to a very limited degree.

Research and development

R&D OBJECTIVES

Our technological leadership is founded on research and development (R&D), which is a major factor in enabling us to set ourselves apart from our competitors. The Group's R&D activities take their focus from our corporate slogan "Leading in Production Efficiency." The key objective of these activities is to develop solutions which help to make our customers' production processes more efficient. In addition to this, our innovations are intended to have unique technical selling propositions and to be suitable for use globally.

R&D KEY FIGURES AND EMPLOYEES

Fiscal 2012 saw us apply ourselves even more rigorously to innovation, increasing our direct R&D costs by 26.1 % to € 37.2 million. Because of the almost parallel growth in sales and direct R&D costs, the R&D ratio rose only slightly to 1.6 %. When examining our R&D performance, account should also be taken of development work performed under customer contracts. Related expenditure is recognized in cost of sales and exceeds the direct R&D costs. A further € 3.1 million (2011: € 2.7 million) was capitalized as intangible assets and is thus likewise not reflected in direct R&D costs. Amortization of capitalized development costs increased significantly because we valued some prototypes and demonstration systems more cautiously. For further information, refer to **ITEM 11** of the notes to the consolidated financial statements.

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Around 70 % of our R&D resources are dedicated to the development of new solutions; the focuses in fiscal 2012 included energy efficiency, paint booth, robot and atomizer technology. The remaining 30 % goes towards the continuation, standardization and modularization of existing products. Management of individual R&D projects is the responsibility of the respective business units. Apart from the R&D departments, Sales, **ENGINEERING** and Purchasing are all closely involved. This approach ensures that customer needs and design requirements are precisely addressed and that the requisite supplier and manufacturing structures are in place. The "R&D/Technology" coordinating team oversees R&D activities within the Group and ensures that R&D results are accessible to all the business units.

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2.52 /

R&D KEY FIGURES

		2012	2011	2010
R&D ratio	%	1.6	1.5	2.0
Paint and Assembly Systems	%	0.8	0.9	1.3
Application Technology	%	3.6	3.4	4.6
Measuring and Process Systems	%	1.2	1.3	1.6
Clean Technology Systems	%	1.2	1.2	0.9
Capitalized development costs	€ million	3.1	2.7	3.1
Amortization of capitalized development costs	€ million	-6.1	-4.0	-3.3
R&D employees (Dec. 31)		199	180	162
R&D personnel costs	€ million	16.4	15.2	13.3

2.53 /
R&D EMPLOYEES 2012

	Group	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems
Total	199	21	136	40	2
% of workforce	2.6	0.7	9.9	1.3	0.7

We have also increased the number of staff in the R&D departments: from 180 employees at the end of 2011 to the current figure of 199, representing 2.6 % of the total workforce (December 31, 2011: 2.6 %). Their number is augmented by numerous other engineers and technicians developing customer-specific solutions under contracts. The high-tech sectors of our Application Technology division account for the most development-intensive work. Here, the R&D ratio is 3.6 %, and 9.9 % of the division's workforce are R&D employees (2011: 3.4 % / 10.6 %)

In the course of 2012, 34 new developments were progressed to the marketability stage and presented at 74 trade shows and industry conferences (2011: 42/49). By far the most important innovation show was our own Open House, which took place in May on the Dürr Campus in Bietigheim-Bissingen, where we presented 13 innovations and welcomed over 800 visitors from 29 countries.

By the end of 2012, our portfolio of patent families had grown to 612 (2011: 598), including 28 new applications filed during the year under review. Of the more than 3,400 individual patents, around half are assigned to the Application Technology division. The costs for protecting our intellectual property came to € 3.8 million in 2012.

Since 2001, we have fostered the innovation culture at Dürr with the Heinz Dürr Innovation Award. The prize rewards teams of employees who develop exceptional product or process innovations.

We cooperate with around 60 scientific institutions and external development partners. Close ties are maintained with the universities of Aachen, Darmstadt and Stuttgart, and with a number of Fraunhofer Institutes in Germany. For competitive reasons we do not disclose any details of the content of these R&D cooperations. In fiscal 2012, expenditure on externally sourced R&D services came to € 5.2 million (2011: € 3.8 million). Research grants and subsidies to the sum of € 2.7 million (2011: € 0.7 million) were received from the public sector. The major portion of this was for our activities in energy efficiency technology.

R&D ORIENTATION

Our main customer group, the automotive industry, offers extensive model ranges with graduated equipment levels designed to appeal to different groups of buyers. This diverse product spectrum has to be manufactured efficiently and – a more and more important factor – as sustainably as possible. This fundamental challenge for our customers drives the main focuses of our R&D work.

- **Increased flexibility:** Increased flexibility of production is the direct answer to the growing diversity of models and versions within the automotive industry. As carmakers keep expanding their vehicle ranges, manufacturing systems must become more flexible.
- **Optimization of per-unit cost:** Cutting the costs of production per vehicle is a key aspect of the investment decisions facing our customers. In the interests of total cost optimization, we are targeting developments of products and services which offer benefits for all types of costs, i.e. investment, material, energy, maintenance and personnel costs.

- **Automation:** In many production areas, automation is the key to higher efficiency and quality. We are therefore working on automating further process stages. A good example is the interior painting of vehicles with the aid of robots, a task which until recently was primarily performed manually.
- **Production technology for emerging markets:** In the emerging markets, too, the trend is towards automation. Apart from high-end solutions, however, there is also often a demand there for basic equipment versions which allow low-cost entry-level models to be manufactured economically for the local market.
- **Energy efficiency and conservation of resources:** Cost and sustainability considerations are increasingly prompting our customers to look for energy and material-efficient production processes causing low pollutant emissions.
- **New materials/lightweight automotive design:** We are developing the appropriate production processes for use with the new materials. The major driver in this field is **LIGHTWEIGHT AUTOMOTIVE DESIGN**: The use of new materials – for instance carbon fiber and magnesium – allows for weight to be saved and fuel consumption to be lowered. However, many new materials cannot be welded. As a result, alternative joining methods such as adhesive bonding must be devised.  P. 222
- **Fuel-efficient drives:** Engine technology is the main area for innovation in the automotive industry. Irrespective of whether fuel-efficient internal combustion engines or hybrid and electric drives are involved, each of these systems requires the corresponding production and assembly technology.
- **Driver assistance systems:** For safety reasons, cars are increasingly being equipped with intelligent driver assistance features such as distance control, brake assist and lane departure warning systems. Additional **END-OF-LINE** testing equipment is therefore required to verify the performance of such systems.  P. 222
- **Rapid market launch/digital factory:** The cost effectiveness of new automotive models depends on how quickly they can be brought to market. We are therefore shortening the planning and construction times of automotive plants with the aid of a “digital factory”, i.e. simulating, optimizing and commissioning production lines virtually in advance.
- **Modularization:** Many manufacturers are modularizing their production operations in order to reduce the work hours per vehicle. This involves transferring major production volumes to their suppliers, from whom they then purchase complete vehicle modules for final assembly. Accordingly, we are developing special production technology to meet the demands of suppliers, for example plastic paint systems.

R&D RESULTS

Paint and Final Assembly Systems

One important innovation from fiscal 2012 is **EcoReBooth**, the compact paint booth concept. The system is based on the energy-saving **EcoDryScrubber** technology, which removes excess wet paint particles from the booth atmosphere. Unlike conventional paint booths, the **EcoReBooth** is no longer connected to a central recirculation air system, but has its own recirculation system. Each **EcoReBooth** can therefore be operated as a standalone unit; the space requirements in the paint shop are also reduced.

In the conveying technology field, we have further developed our **FASmotion** product range. These are independently powered mobile carrier systems which convey, for instance, automotive bodies or aircraft turbines in the production plant. An optimized control platform means that the **FASmotion** carriers can now be adapted even better to the specific requirements of various application fields.

Aircraft and Technology Systems

In aircraft production technology, we have expanded our expertise in the handling of components made of carbon fiber-reinforced plastics (CFRP). One quality-critical aspect is that the steel assembly jigs and the CFRP components held in them expand to different degrees in the event of temperature fluctuations. To prevent this, the production buildings are normally air-conditioned, but this is energy-intensive and expensive. Our **EcoJig-TC** is simpler and involves the use of temperature compensation: we use CFRP elements at certain locations in the steel jigs which ensure that the jig expands in exactly the same way as the CFRP component inside it.

If a precision fit is to be achieved when joining aircraft parts, e.g. fuselage sections or tail plane components, they have to be exactly positioned relative to each other in advance. This involves a laser tracker first scanning the components in the assembly station. A computer program evaluates the measurement data and forwards it to the system control unit. We have developed new interface software, **EcoMVI**, for this transfer process. This significantly accelerates the assembly process, simplifies monitoring of the measurement sequences and contributes to quality assurance by logging and archiving the measurement results.

Application Technology

In the paint application technology field, we have launched the second generation of the **EcoLCC** color changer. Like its predecessor, it is mounted directly on the arm of the painting robot and can switch among a maximum of 36 colors within seconds, with minimal paint losses of only some 10 to 15 milliliters per color change. A new feature is that the **EcoLCC2** works with substantially smaller paint valves, as a result of which it is more compact and can be mounted more flexibly on the robot arm. The caddy which connects the requisite paint valve with the paint channel leading to the atomizer is operated by means of a servomotor. This saves additional space and ensures more precise docking. The compact design reduces the weight of the **EcoLCC2**, which in turn increases the robot's output. Furthermore, the **EcoLCC2** is easier to maintain than its predecessor.



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Application Technology has launched the **EcoGun Sealing IDS** for use in **SEALING** processes such as for weld seals, underbody protection and spraying sound-insulating mats. The compact unit combines the dosing system and the applicator, with which the sealant is applied, in a single assembly. Apart from its flexibility of use, the key benefits of the **EcoGun Sealing IDS** are its low weight and reduced maintenance requirement.



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Balancing and Assembly Products

A new service product for **BALANCING TECHNOLOGY** involves remote system diagnostics using the system's "fingerprint." Before we dispatch a new balancing system, we determine its ideal vibration image, i.e. its "fingerprint." If a problem occurs during operation at a later stage, another vibration image can be generated on the customer's premises and compared with the ideal values previously archived. Based on the discrepancy highlighted and using remote diagnostics, we can in many cases quickly identify the machine component which is in need of repair.

The automotive industry is increasingly focusing on the development of smaller engines in order to cut fuel consumption. Turbochargers ensure that such downsized engines deliver greater power. We are developing the relevant technology for balancing turbochargers during manufacture and reconditioning. The **TBcomfort** and **TBsonio** system twin-pack launched in 2012 is aimed at customers who recondition used turbochargers. While **TBcomfort** eliminates the initial unbalance, **TBsonio** is then responsible for the high-speed balancing of the turbocharger. At the end of this two-stage process, the quality of the reconditioned turbocharger matches that of a new product.

In the automotive final assembly technology field we have further developed our portfolio in the areas of virtual **ENGINEERING** and virtual commissioning. In virtual engineering we design our assembly systems using **KINEMATIC MODELS** which visualize the system workflow as a 3D computer simulation. This allows checks to be carried out as to whether all the components interact smoothly and the assembly process runs collision-free and with precise timing. In the subsequent virtual commissioning the control software is linked to the system's kinematic model. Checks verify whether the control commands are correct and are carried out properly. The benefits of virtual engineering and virtual commissioning are obvious: virtual inspection of the system during the design phase enables any problems to be identified and resolved at an early stage. The customer takes delivery of a pretested system which can quickly be put into operation. Furthermore, the customer's staff can be trained early on, which further shortens the system's start-up phase.



Cleaning and Filtration Systems

In **INDUSTRIAL CLEANING TECHNOLOGY** we have launched fast, low-cost and reliable cleanliness testing with the **EcoCLab**. This compact mobile laboratory enables the residual soiling on a workpiece after the cleaning process to be measured, immediately analyzed and documented directly during the production process. The customer can therefore monitor the effectiveness of his cleaning processes on site significantly faster and reduce the risk of reworking being necessary. Previously, cleanliness testing was only possible in an external laboratory, separate from the production process.



Clean Technology Systems

We have introduced an innovation in exhaust-air purification technology which is as environment-friendly as it is energy-efficient. The **VAM-RTO** system allows climate-damaging methane gas to be effectively removed from ventilation air extracted from coal mines. In the **VAM-RTO** process (**VAM**: Ventilation Air Methane) the methane, which is released from the seams during coal mining and is extracted as mine gas, is burned at around 1,000°C. When it is connected to a steam turbine, electricity can be generated from the process heat to power mine operations or to feed into the grid. In many countries the operators can also generate revenue from emissions certificates.

In the field of energy efficiency technology we have developed new applications for our technologies for electricity generation from thermal energy. The Organic Rankine Cycle (**ORC**) process, which turns waste heat into electricity, can now also be used in combined-heat-and-power (**CHP**) plants. Our high-temperature **ORC** system developed for this purpose delivers leftover heat after the power generation process with a temperature of up to 90°C, which can be used, for instance, in drying processes or local heating systems.

A new application field for our Compact Power System (**CPS**) is to supply office buildings and industrial plants with electricity, heat and cooling on the basis of a micro gas turbine. We have also made the system usable for greenhouses where, in addition to heat and electricity, **CO₂** is also required as a fertilizer. A further option is the use of low-calorific gases, such as those which are generated in biomass systems, as a fuel for the Compact Power System.

Procurement

Against the background of the large business volume, the consolidated material costs, i.e. the orders previously placed with suppliers that are posted as expenditure in the year under review, totaled € 1,123 million or 46.8 % of sales (2011: € 942.8 million/49.1 %). Compared with 2011, this represented a rise of 19.1 %, which is therefore lower than the rate of increase in sales. The main reason for this is that more projects were in the process of execution with a higher insourcing level and lower supplier input. Furthermore, we increased our in-house production level by means of efficiency enhancements and by higher utilization and expansion of capacities.

Apart from services such as manufacturing and design, we mainly buy finished and semi-finished products; we have a relatively low demand for unprocessed raw materials. The prices of both bought-in parts and steel remained relatively stable compared with the previous year. In China, in particular, the price of stainless steel declined slightly, though the price of copper, by contrast, continued to rise on the world market.

Thanks to the expertise of our international procurement organization, we were able to ensure the availability of suppliers and material. The supplier market is split into two groups: With component manufacturers, who service other sectors in addition to the automotive industry, the delivery times mostly shortened since demand fell in some branches of business. We also benefited in this sector from our high order volumes. **ENGINEERING** and manufacturing service providers, by contrast, who mainly service mechanical and plant engineering requirements in the automotive industry, were working at high capacity. Here we had to increase our coordination efforts in order to cover our requirements. In its very first year, our new production plant in Shanghai Qingpu played a significant role in meeting the high demand from customers.



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We use a range of tools to optimize procurement costs. International framework agreements and pooling demands across different projects allow us to increase the order volume placed with individual suppliers. This enables us to achieve price benefits through economies of scale. Further economies of scale come from rigorous product standardization and the attendant use of many identical parts. Our international Total Cost and Risk Consideration system also keeps procurement costs down. For international system projects, we deliver from the national companies which enable the lowest-cost solution when viewed overall. In addition to international capacities, we also take account of project-specific requirements, such as customs duties, local supplier levels, and legal restrictions.

We have further optimized the procurement tools and processes used. One example is our international supplier relationship management tool, which provides details of all supplier data throughout the Group. We have also expanded our internationally standardized supplier assessment process. In dealing with the high volume of procurement in China, we benefited from paying greater attention to expediting and from the new, improved logistics operations in Qingpu.

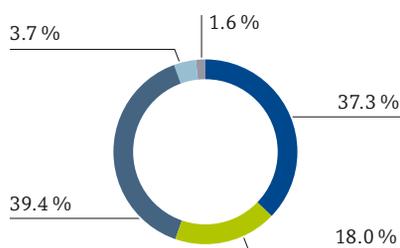
Worldwide purchasing control is the responsibility of the Global Sourcing Board (GSB), composed of the heads of purchasing of the business units. In our Paint and Assembly Systems, Application Technology, and Clean Technology Systems divisions, the members of the Global Sourcing Committee (GSC) evaluate international bundling opportunities and approve major contract awards and master agreements. The three mechanical engineering business units (Application Technology, Balancing and Assembly Products, Cleaning and Filtration Systems) also cooperate on the procurement of key commodities. Dürr Group companies receive strategic and operational support from the Coordination International Purchasing (CIP) team in Bietigheim-Bissingen.

Employees

In view of the sustained high business volume, 829 additional employees joined the Group during the reporting period. We gained 30 employees as a result of the first-time full consolidation of Thermea Energiesysteme GmbH and Dürr Cyplan Ltd. As of December 31, 2012, 7,652 people were employed by Dürr. Our regular workforce grew by 12.2 % versus the end of the previous year. We increased the number of external workers to around 1,400, thus providing sufficient capacity with maximum flexibility.

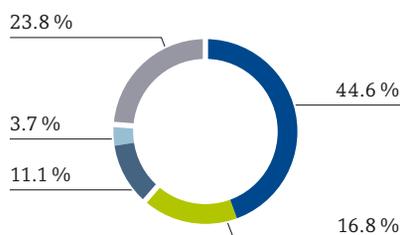
The emerging markets accounted for 49 % of the workforce growth. We now have 2,514 employees there, which corresponds to 33 % of the regular workforce (December 31, 2011: 2,105/31 %). The increase in the number of employees in the emerging markets reached 19.4 %, outstripping that of the Group’s workforce as a whole. Most employees – i.e. 3,412, or 44.6 % of the Group’s total workforce – were based in Germany, where 284 new employees joined us last year. In second place was China with 1,221 employees, or 16.0 % of the workforce, and an increase of 215 people. Taking into account external staff, the headcount in China now exceeds 1,600. Brazil saw a marked increase in the number of Dürr employees – from 186 to 281 – reflecting the country’s market growth. Further information can be found in charts 2.54 and 2.55.

2.54 / EMPLOYEES BY DIVISION (DECEMBER 31)



	2012	2011	2010
■ Paint and Assembly Systems	2,856	2,524	2,183
■ Application Technology	1,379	1,203	1,061
■ Measuring and Process Systems	3,017	2,790	2,444
■ Clean Technology Systems	278	205	180
■ Corporate Center	122	101	47
Total	7,652	6,823	5,915

2.55 / EMPLOYEES BY REGION (DECEMBER 31)



	2012	2011	2010
■ Germany	3,412	3,128	2,931
■ Other European countries	1,282	1,176	1,045
■ North/Central America	850	768	616
■ South America	281	186	143
■ Asia, Africa, Australia	1,827	1,565	1,180
Total	7,652	6,823	5,915

TRAINING AND PERSONNEL DEVELOPMENT

1,086 group and individual training events were held in 2012, which is more than ever before (2011: 933). The number of participants in Germany increased to 6,737 from 5,215 in 2011. Almost 80 % of our employees based in Germany took part in a training event, which is considerably above the average participation rate in German companies overall (43 %). At € 650, the training budget per employee in Germany was also at a high level. The effectiveness of our training is measured by a special feedback software program.

One particular feature at Dürr is the large number of internal training events. Two-thirds of all training events are held by experienced employees for other colleagues. This reflects the high level of specialization of our business, ensures a strong practice-oriented approach and lowers costs. Dürr experts wishing to offer internal training can acquire basic teaching skills by attending a course to qualify as a Dürr Special Trainer. At the end of 2012, we had 81 internal, certified Special Trainers.

Software training remained the focus of further education at Dürr in 2012. Intercultural workshops and language training also played an important part. Aside from English, other languages in demand were Chinese, Portuguese, Russian and Spanish. Further focus areas were commercial and technical training courses, project management training and numerous introductory events for new employees. We informed our employees of compliance matters at a number of international training events and with the help of our Dürr intranet.

Particular emphasis was placed on communicating our Group values and standards internationally in 2012. We offered an increasing number of corporate training events on Group-wide topics such as project management, sales communication and employee management. These were attended by almost 400 employees.

The interest in our training programs held as part of Dürr's Leadership Skills Model was very high, with 332 people attending (2011: 221). This was partly due to the new set-up, such as the leadership workshop for graduates or the dialog forum used by managers and representatives from community interest groups, e.g. churches and associations, to exchange views and information. 2013 will see the introduction of a closed circle feedback system for the management, based on which we will develop individual training measures.

PERSONNEL AND UNIVERSITY MARKETING

The demand of businesses for qualified employees slowed down a little compared to the boom year of 2011. As a result, we were generally able to fill any positions that became available without any problems. We benefited from the favorable perception Dürr has in the media, which is based on our positive business results and the very good development of our share price.

When it comes to competing for professionals and talented newcomers, target group-specific personnel marketing is playing an increasingly important role. For this reason, we have developed online and printed material for potential applicants and stepped up university sponsorship activities. We were present at 25 graduate career fairs – a considerable increase on the previous year (2011: 16). A new approach to our employer branding strategy is the Dürr Challenge, which will be launched in 2013: we will send one team of students each to Shanghai, São Paulo and Detroit with the task of producing a report on working life over there.

For more and more employees, finding a balance between work and family life is high on the agenda. We have responded to this trend by offering preventive health care, sport and stress management as well as flexible working hours and part-time employment. We also support employees with children by providing holiday clubs and places at day care centers – with further expansions planned for 2013.

Other aspects that play a major part in our positive image as an employer are good social benefits, international career opportunities and an attractive compensation package including a profit-sharing scheme. For 2012, all full-time employees in Germany covered by the collective agreement will receive a profit-sharing bonus of € 2,000 and a special bonus of € 500. Non-tariff employees receive a performance-related bonus, which is linked to the performance of the company and the achievement of individual targets. Further information on the development and working environment of our employees can be found in the **SUSTAINABILITY** chapter.



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VOCATIONAL TRAINING

In 2012, we prepared 83 trainees for future careers, e.g. as industrial clerks (“Industriekaufmann”), industrial mechanics, mechatronics engineers, shipping and warehousing clerks or as technical product design specialists. 58 students from cooperative state universities completed their practical training in the subjects of automation technology, electrical engineering and electronics, information technology, mechatronics, mechanical engineering, industrial engineering or business studies. As we place great emphasis on an international approach, each cooperative state university student will spend three to five months at one of our foreign locations. We offer most apprentices and students from cooperative state universities permanent employment as soon as they have completed their training.

In 2012, 50 students wrote their bachelor’s or master’s theses at Dürr, and a further 55 student employees supported us on a regular basis. 109 young people worked for us as interns, gaining insight into the area of mechanical and plant engineering; twelve of them were offered work experience at one of our foreign locations. 63 % of the students who worked for Dürr in 2012 and were nearing their final exams were offered permanent employment once they had completed their studies.

Sustainability

Sustainability, to us, means that business activities must be consistent with protection of the environment and conservation of resources. We also actively exercise our social responsibility and ensure respectful and fair conduct towards all stakeholders. Apart from our employees, suppliers, and customers, these also include investors, the media, and groups from society with whom we interact. We also require our business partners to be guided by the principles of sustainability.

DÜRR CODE OF CONDUCT



www

In 2011, we set out our sustainability policies in a comprehensive Code of Conduct (www.durr.com/en/company/sustainability/). This assists our staff in conducting themselves correctly, in both legal and ethical terms, and embodying the values of our company. Specific issues covered include dealing with third-party property, confidential data, insider knowledge, gifts, and invitations. The Dürr Code stresses the principle of legality and condemns illegal business practices, such as corruption and fraud. It also addresses in detail fair labor and vendor issues as well as interpersonal respect. For our suppliers, we have summarized the relevant passages of the Code of Conduct in a separate set of rules.

In 2012, we embedded the compliance principles even more securely in the consciousness of our workforce and optimized the compliance organization.

- The Compliance Management System has been defined in an organizational instruction effective throughout the Group.
- The central body within our Compliance Management System is the Corporate Compliance Board. This consists of the Group Corporate Compliance Officer, the Head of Internal Auditing, and other managers. The Board conducts regular monitoring for indications of compliance violations and examines methods of refining the compliance rules.
- The Corporate Compliance Officer is notified of any potential compliance violations. He analyzes them in the event of justified suspicion and reports to the CEO and to the Corporate Compliance Board. The Compliance Officer is the point of contact for all employees.
- An information service will be made available on the Group-wide intranet for selected compliance risk areas, such as supplier relations.
- The Dürr Code of Conduct is available to employees in their respective national language. Following its publication, we launched an ongoing, broad-based training program throughout the Group. Employees can also access information via the intranet.

PERSONNEL



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For us as an **ENGINEERING** company, the expertise and experience of our workforce are especially important. We therefore specifically promote the development of measures to enhance professional and personal skills. To ensure that we can continue to recruit further qualified professionals and junior staff, we are sharpening our profile as an international technology company which supports innovativeness, self-starters, and a work/life balance.

2.56 /

PERSONNEL KEY FIGURES (GROUP)

	2012	2011	2010
Number of employees (Dec. 31)	7,652	6,823	5,915
of whom apprentices and students at cooperative state universities (Dec. 31)	141	130	129
Proportion of female employees (Dec. 31) (%)	17	17	17
Part-time employees (Dec. 31)	179	170	166
Average length of service (years)	10	11	12
Absenteeism rate (%)	1.9	2.1	2.5
Employee turnover (%)	4.6	6.0	6.7
Number of accidents per 1,000 employees (Germany)	12.9	14.4	10.2

Several awards underline Dürr's attractiveness as an employer:

- In the prestigious "Top Automotive Employers 2012/13" we were ranked 6th out of 22 companies in the finals. This confirmed the excellent result from the 2010/11 ranking. The assessment was based on six criteria, including innovation management, career opportunities, and corporate culture.
- We were awarded the "Excellent and Fair Trainee Program" quality seal by the University of Munich and Süddeutsche Zeitung. This scheme highlights high-quality trainee programs and therefore acts as a useful guide for university graduates.
- We have joined the German government's "Family Success Factor" network. By doing so, we commit to a family-friendly personnel policy.
- Under the "Fair Company" initiative, we undertake not to employ university graduates as interns, but rather to offer them fixed jobs with an appropriate salary. Only school and university students are employed as interns at Dürr.

Feedback from our employees is very important to us. Valuable results are provided by the regular online staff surveys carried out for us by an external service partner. In the last two surveys (2008 and 2011), we received better ratings than other companies in our industry for criteria such as visibility of own work results, co-workers, management, supervisors, and corporate culture. The next staff survey is scheduled for 2013. For the first time, all sites worldwide will be included.

In 2012, we took on more than 800 new staff so that our employees are able to carry out their tasks under good working conditions, even when there is a high volume of business. At a number of sites the working conditions have been further enhanced by means of new premises and building upgrades.

Classic key personnel figures attest to the high degree of loyalty and satisfaction among the workforce. The average length of service at Dürr in Germany – at 15 years, despite the many new staff – is extremely high. Employee turnover, i.e. the percentage of staff leaving the company overall, fell further from an already low base. In Germany the rate in 2012 was 3.1 % (2011: 4.7 %), globally 4.6 % (2011: 6.0 %). Absenteeism due to illness fell to 1.9 % (2011: 2.1 %) across the Group as a whole, while it remained unchanged in Germany at 3.0 %.

2.57

ENVIRONMENTAL KEY FIGURES

	2012	2011	2010
Number of sites	51	49	48
of which ISO 9001 quality management certified	39	39	38
of which ISO 14001 ¹ environmental management certified	20	20	17
Consumption			
Electricity (MWh)	32,489	28,833	28,110
Gas/oil/district heat (MWh)	40,342	42,025	41,685
Water (m ³)	113,174	92,636	76,876
Waste water output (m ³)	110,328	90,705	68,204
Waste (t)			
of which recycled (t)	3,028	2,716	2,208
Emissions			
CO ₂ (t)	32,597	30,675	30,075
of which attributable to Dürr vehicle fleet (t)	3,520	3,495	3,420
SO ₂ (t)	17	15	15
NO _x (t)	27	25	24

¹ Sites used by several Dürr companies sometimes have multiple environmental certificates to ISO 14001.

ENVIRONMENT AND COMPANY SITES

Compared with other similar industrial companies, our activities leave a small ecological footprint. Consumption rates and levels of waste and emissions are relatively low. This is a result of the low vertical depth of production and the production technologies used. Hazardous materials are used only to a moderate extent.

Waste such as steel, plastics, paper, electrical equipment, and wood is sent for recycling, which enabled us to save 129 tons of greenhouse gases in Bietigheim-Bissingen. Waste disposal company ALBA awarded us its climate protection certificate for this at the end of 2012.

As table 2.57 shows, our consumption and emissions rose slightly in 2012 with the exception of the gas/oil/district heating item – though they increased by less than the rate of increase in sales.

In new buildings, such as the new production facilities in China and Mexico, and in building upgrades we set great store by using energy-saving techniques. The Dürr Campus in Bietigheim-Bissingen is a showcase example. The "Campus Energy 21" sustainable building and operating concept combines processes such as deep geothermal energy, combined-heat-and-power, photovoltaics, geothermal heat exchange, concrete core activation, exterior building insulation, and sensor-controlled lighting. Compared with a conventional energy supply system, we achieve savings of about 40 % as a result.



Since 2008, we have participated in the international Carbon Disclosure Project (www.cdproject.net). In this database for investors, companies listed on the stock exchange publish emissions and consumption data and report on products helping to protect our climate and the associated business opportunities.

CONSUMPTION-OPTIMIZED PRODUCTS

Our customers are increasingly focusing on reducing material and energy consumption in their production operations. We support this sustainable approach by constantly working on developing new energy and consumption-efficient machinery and plants and further developing existing systems. For current examples from all our business units, please refer to the **RESEARCH AND DEVELOPMENT** chapter of this report.



In our Clean Technology Systems division, we are developing business relating to energy-efficient technologies into a new arm for the Group. This involves establishing a broad-based portfolio of products for the utilization of heat and waste heat. Examples include ORC technology and micro gas turbines – both methods of generating electricity from thermal energy – and latent heat accumulators, **HEAT EXCHANGERS**, and heat pumps. We are working on opening up further markets and application fields for these technologies.



SOCIAL COMMITMENT

In 2012, we made donations for charitable purposes of € 511,000 (2011: € 406,000) in Germany. Our social commitment is focused on promoting education and local community projects.

Promoting education starts at the pre-school stage where we are a cooperation partner in conjunction with the Heinz und Heide Dürr Stiftung – and with staff donations – for a children's day care center in Bietigheim-Bissingen. Fifteen places are reserved for the children of employees to assist their parents in achieving a work/life balance. This provision is to be expanded in future to match demand.

Cooperation agreements are in place with various schools, under which we offer internships, career consulting services, and job applicant training schemes. We have taken on roles as educational mentors at grammar schools in Bietigheim-Bissingen and Sachsenheim. 2012 saw us award the Dürr MINT Prize to school graduates from Bissingen Secondary School for the first time. MINT is an acronym for the subjects needed in order to take up engineering trades and professions: math, IT, natural sciences, and technology.

We support the START Foundation, which offers grants to children from ethnic minorities. For many years, the company and its employees have been donating regularly to a Stuttgart school for children with learning difficulties. We are supporting five students at the universities of Stuttgart and Darmstadt via the All-German Grants Initiative. Our filling technology company Dürr Somac also awards a scholarship in conjunction with the Technical University of Freiberg. We are a permanent member of the scholarship selection committee at the University of Stuttgart. Several employees teach at universities. We also provide financial support to various institutions, including the Donors' Association for the Promotion of Humanities and Sciences in Germany, the University of Mannheim, and the WHU – Otto Beisheim School of Management in Vallendar.

As the largest employer in Bietigheim-Bissingen, we contribute to the community life of the town by supporting cultural events, youth activities at sports clubs, and the Red Cross. Dürr stages musical and theatrical performances and hosts exhibitions for the public on the Dürr Campus under the slogan "Experiencing Culture." These also give employees an opportunity to showcase their creative talents.

Our foreign companies also make similar commitments. Since being founded nine years ago, the Dürr Systems Employee Charity Committee in Plymouth (USA) has raised and distributed about US\$ 145,000. In the UK, Dürr took on the role of patron for local and national fundraising events and, together with our employees, we donated to a hospital and to cancer research. Dürr Brasil supports an orphanage, while, among other things, Dürr de México provides funding for disabled children to attend school.

Risk report

In weighing the opportunities and risks involved in our business, we rely on three elementary principles for guidance:

1. Opportunities must clearly outweigh risks in every business activity.
2. Purely speculative transactions are prohibited.
3. Our actions must always comply with prevailing laws as well as with ethical and moral standards.

We have an open and transparent risk culture in place at Dürr: we promote sound risk awareness on the part of our employees and encourage them to address dangers and problems at an early stage. In recent years, the risk management system has established itself as an integral and acknowledged element of our business processes. It is based on standardized methods and is applied in all Group companies. As a result, we are able to analyze and evaluate risks Group-wide in a uniform manner. In addition, we acquire a high level of risk transparency that stands us in good stead in selecting suitable control and counteractive measures. Risk management is established at all levels of the Group – from the Supervisory Board and Board of Management all the way through to the departments of individual local companies.

RISK MANAGEMENT PROCESS

The standard risk cycle at Dürr consists of nine modules and begins afresh every six months. The central module is the risk inventory taken by the management of the operating units. In the process, the individual risks are identified, evaluated and consolidated, i.e. classified into 15 risk fields specific to Dürr (chart 2.58). The risk fields cover our management, core and support processes as well as external risk areas.

The risk managers evaluate individual risks for each risk field; in doing so, they use the Risk Management Manual and the Group's risk structure spreadsheets for guidance. The evaluation process is divided up into three stages:

- First of all, the potential damage or loss is calculated, i.e. the maximum effect a risk can have on Group EBIT in the next 24 months. The potential loss or damage of each individual risk is assigned to one of four categories: low (up to € 5 million), medium (€ 5 to € 10 million), high (€ 10 to € 20 million), existential threat (> € 20 million).
- In the second stage, the probability of the individual risk's occurrence is estimated. Again, the following categories apply: low (approx. 5 %), medium (approx. 15 %), high (approx. 40 %), and very high (approx. 60 %).
- Finally, the effectiveness of possible countermeasures is examined and evaluated with a risk-reducing factor.

The EBIT risk goes down the more, the less likely it is to occur and the more effective the countermeasures are. The bottom line is a net risk figure, which we also call the actual risk potential. The sum of all the individual risk potentials corresponds to the Group's overall risk. In the process, portfolio effects are not taken into account. The overall risk may be segmented into specific risks in the business units on the one hand and aggregate risks at the Group level on the other.

We summarize the results of the semi-annual risk cycle in the Group risk report, which provides information on all individual risks and on the Group's overall risk situation. The risk report is initially discussed in the various executive bodies and by the Board of Management. After that, the Audit Committee carries out its analysis and the chairman then presents its conclusions to the Supervisory Board.

Urgent risks are reported ad hoc to the Board of Management and heads of the business units. The risk managers of the Group and of the business units are responsible for the standard risk cycle;

these are the heads of the respective Controlling departments. The Internal Auditing department and the risk managers of the national companies are closely integrated into the process.

GUIDELINE FOR FINANCIAL RISK MANAGEMENT

A special guideline governs how to deal with currency, interest rate, and liquidity risks. The top corporate body in this area is the Financial Risk Committee consisting of the Chief Financial Officer, the heads of Group Controlling and Group Treasury as well as the financial officers of the business units. This body discusses strategic financial policy issues and prepares the relevant resolutions for the Board of Management.

HEDGING CURRENCY RISKS

If a project involves currency risks, we hedge the portion of sales that exceeds the costs in the relevant currency on receipt of the order placed. In principle, we agree on a separate (micro) hedge for each individual project. In the standard machinery and spares business characterized by smaller-scale order volumes, we also use macro hedges for multiple orders to reduce the transaction effort and expense. As a rule, Group Treasury of Dürr AG is responsible for hedging transactions, which uses a Group-wide treasury management system to this end.

HEDGING INTEREST RATE RISKS

Our interest rate risk management covers all interest-bearing and interest-sensitive balance sheet items. Regular interest rate analyses enable us to identify risks at an early stage and to simulate their effects. As a rule, Group Treasury is responsible for borrowing, investments and interest rate hedging; from a defined scale upward, exceptions must be submitted to the Chief Financial Officer for approval.

HEDGING LIQUIDITY RISKS

To cover our liquidity requirements, in managing our operating business we pay particular attention to cash flow. In the event of temporary negative cash flows – such as in phases in which higher **NET WORKING CAPITAL** is required – our external funding ensures that we have adequate liquidity leeway. Please also refer to the chapter on **FINANCIAL DEVELOPMENT** in this regard. With the aid of an international cash pooling system, we can cover the liquidity needs of individual companies with surpluses generated by other subsidiaries without having to take out loans and cause interest expenditure. Certain national companies cannot participate in the cash pooling system since national legislation restricts the transfer of capital. Group Treasury is responsible for managing cash pooling and external liquidity procurement.

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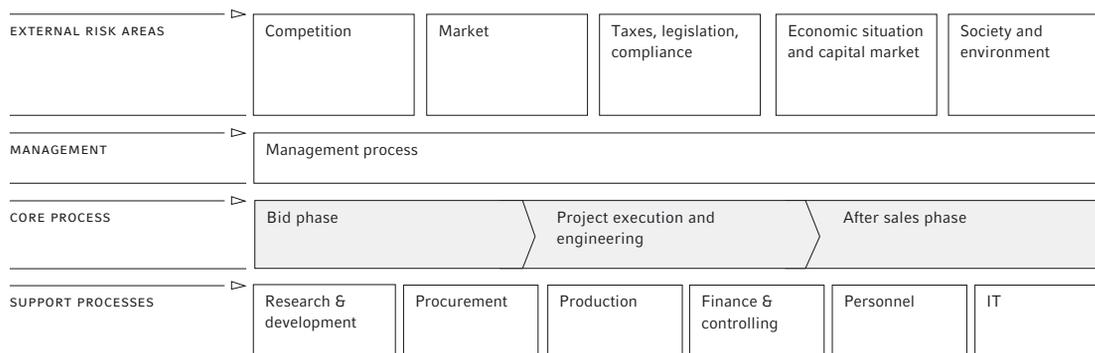
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HEDGING INVESTMENT RISKS

Our guideline for financial asset management contains effective provisions to mitigate risks when investing liquid funds. Among other things, it defines the permissible asset classes, the requirements relating to issuer credit ratings and how to deal with cluster risks.

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DÜRR'S RISK FIELDS



KEY FEATURES OF THE INTERNAL CONTROL SYSTEM/RISK MANAGEMENT SYSTEM FOR THE ACCOUNTING PROCESS

The internal control system/risk management system (ICS/RMS) for the accounting process comprises all regulations, measures, and processes that ensure with sufficient certainty as part of the risk management system that the financial reporting is reliable and check that the financial statements of the Group and Group companies are produced in accordance with IFRS. The Board of Management has overall responsibility for the ICS/RMS. It has set up a fixed management and reporting organization for the ICS/RMS that covers all of the Group's organizational and legal units. Monitoring of the ICS/RMS is the task of the Internal Auditing department of Dürr AG.

The following control and security routines are central to the ICS/RMS for the accounting process:

- Dürr AG's accounting guideline governs both the accounting process of individual companies and consolidation at the Group level. The guideline is continuously updated by the Group Accounting department and takes consideration of all IFRS rules relevant for Dürr.
- Our global **ERP SYSTEM** and management reporting tool automatically check accounting processes and determine whether particular facts are recorded under the right items in the balance sheet.
- In a multi-stage validation process, we carry out samplings, plausibility checks, and other control measures. Five parts of the corporate structure participate in this: the operating companies, divisions, business units, Group Controlling and Group Accounting. The results of all material control measures are systematically documented, recorded by Dürr AG, and submitted to the Audit Committee of the Supervisory Board. After careful examination of the documentation, the committee chairman reports his findings in detail to the Supervisory Board.
- All material Group companies document their own internal controls with which they ensure reliable and factually correct financial reporting. The relevant documentations are made available to Group Accounting. The Internal Auditing department verifies the effectiveness of the documented measures and instruments.



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The employees in the financial departments regularly continue their professional education in training programs so as to meet the demands placed on them. The training measures cover the applicable accounting standards and reporting rules as well as the use of the relevant software tools.

To minimize risks and ensure high quality of our annual financial statements, we deal carefully with central topics relating to accounting. In doing so, we pay particular attention to accounting for construction contracts according to the percentage of completion (POC) method. Among other things, this method calls for an estimate of the expected total costs and revenues associated with orders. Other important topics are the impairment test for goodwill and the reliability of qualitative statements in the management report and the corporate governance report.

EVALUATION OF THE OVERALL RISK SITUATION BY THE BOARD OF MANAGEMENT

From today's perspective, we assess the Group's overall risk situation as well manageable. No risks are discernible at present that, either individually or in combination with other risks, could impair our net assets, financial position and results of operations on a sustained basis. No risks that could jeopardize the continued existence of the Group as a going concern are discernible either.

Owing to the sharp rise in the volume of business, our absolute net risk potential has grown since the end of 2011. On the other hand, the increase of 19 % was considerably lower than our growth in sales. The percentage share of sales accounted for by the net risk potential has declined to a marked degree. Two-thirds of the net risk potential are attributable to the business units, and one-third relates to Group-wide risks.

With a 27 % share of the Group's net risk potential, the "Project Execution/Engineering" sector is by far the most important risk field at Dürr. As expected, this area along with the "Market" risk field made the largest contribution to the increase in the net risk potential in 2012. In both fields, the risk potential is closely tied to sales trends. For instance, a high volume of business means that more large-scale projects are executed in parallel and with a high level of capacity utilization, which may lead to capacity bottlenecks and delays. We counteract this by hiring additional staff, using our flexible time model and relying on effective Group-wide capacity management.

INDIVIDUAL RISKS

ECONOMIC RISKS

As in the past, the overall economic environment reflects numerous risks. Above all, the EU sovereign debt crisis and the recession in Western Europe are worthy of mention here, alongside the immense national debt in the US and Japan.

Owing to our global positioning, we assess Dürr as having above-average resilience to economic risks. The large volume of orders on hand largely protects the level of capacity utilization and sales for 2013. Thanks to our strong position in the emerging markets, we are able to offset the economic weakness in Western Europe quite well. In fiscal 2012, we once again generated over half of our order receipts in the emerging markets. Regular scenario analyses to simulate economically induced business downturns underscore our robustness: even if sales happen to decline by approx. 20 % in 2013, EBIT of over € 60 million and net profit clearly in positive territory are realistic.

In general, our mechanical engineering business, in which smaller-scale order volumes predominate, reacts earlier to cyclical weaknesses than late-cycle plant construction. The plant construction business is shaped to a significant degree by long-term investment plans of the automotive industry; in addition, as a rule, a period of twelve to 18 months elapses between order receipts and sales. Thanks to our well-balanced international presence, we can generally compensate for temporary regional fluctuations in demand.

CAPITAL MARKET

There is still a risk that the European sovereign debt crisis will impair the stability of the capital market. However, the negative consequences for Dürr would be limited since we are not planning any capital market transactions in the short term.

The risk of a hostile takeover of Dürr AG is relatively low. The founder family Dürr, whose shares are held by Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung GmbH, is the largest shareholder with a stake of 29.97 % (December 31, 2012) and therefore has a strong voting position at the annual general meeting. We provide information on the change-of-control clauses in connection with our corporate bond pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) in the chapter **ORGANIZATION AND ACTIVITIES**.

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OPERATING RISKS: BID PHASE

We face a risk of underestimating the necessary costs for successful project execution when calculating long-term projects. For that reason, such calculations are reviewed by the centralized Global Proposal Assurance department before bids go out to customers.

OPERATING RISKS: PROJECT EXECUTION/ENGINEERING

Additional costs may be incurred particularly in the case of large-scale projects if we do not meet our deadlines or other agreed parameters. This risk has risen in tandem with sales growth: at present, we are executing numerous large-scale orders in parallel, which might lead to capacity bottlenecks. To mitigate this risk, we have enlarged our workforce and hired additional external staff. Moreover, thanks to standardized products, business processes and IT structures, we are in a position to distribute work packages, for instance in the engineering sector, to our locations across the globe, depending on the availability of capacity.



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The technical and logistical complexity of a project can also lead to risks. This is particularly the case in the emerging markets, where there are more imponderables. We have therefore developed special risk management mechanisms for order execution in fast-growing markets. These include the integration of the Bietigheim-Bissingen System Center, close supplier monitoring, contract and **CLAIM MANAGEMENT**, and regular project reviews.

LAWS AND TAXES

We operate with a global reach and are therefore required to observe a number of different legal standards. To guard against the risk of unknowing legal violations, we consult experts in the law of each nation. Changes in the legal operating environment can increase our costs and reduce our sales opportunities. At present, however, we are not aware of any new tax or legislative plans that could entail considerable disadvantages.

In 2012, the German tax authorities continued their audits for the years 2005 to 2009 at all key German subsidiaries and extended them to include the year 2010. We set up appropriate provisions to take account of identifiable back taxes falling due. We expect the tax audits in Germany to be concluded by the end of 2013. The external tax audits being conducted at various foreign companies suggest no need of additional tax payments at present.

In view of strained public-sector budgets, tax increases cannot be ruled out altogether. If necessary, we would respond by enlisting the services of external professional support, for which additional costs would need to be calculated.

MARKET

Most carmakers are able to cope quite well with the feeble demand in Europe since they manufacture and sell their products throughout the world. Only a smaller number of carmakers focusing on Western Europe for their sales are confronted with major problems. The situation for us is as follows: due to the high proportion of business in the emerging markets, we are relatively independent of the Western European market. Moreover, passenger car sales and the investment behavior of our customers in Western Europe do not run in parallel; in 2012, we received a number of large-scale orders for factory modernizations from Spain and France in spite of the crisis.

The number of carmakers throughout the world is limited. This is why we have relatively few large-scale customers, which may lead to certain dependency risks. In 2012, 44 % of our sales were accounted for by the five biggest customers (2011: 42 %), with the single biggest customer contributing just under 12 % to Group sales. The group of the five biggest customers consists of different companies from one year to the next.

We counter price pressure in our markets by several means:

- **Reducing per-unit costs:** We develop products in a targeted manner, lowering per-unit costs for customers in the course of production. In this way, we can encourage our customers to shift their focus from pure investment costs to the **LIFECYCLE COST** advantages that higher-priced equipment offers in the long term versus less efficient solutions with lower procurement costs.
- **Designing to budget:** Given a rough set of specifications and a target budget, we conceive plants that deliver on our customer's budget ideas and meet our margin requirements.
- **Localization:** For the emerging markets, we develop basic products locally that are adapted to the needs there and to the local pricing structures. That makes us competitive, even for customers with small capital investment budgets.



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We assess the risk of losses on receivables as well manageable. After all, our volume of receivables is low since we receive high prepayments from customers as a rule. High receivables exist above all in relation to carmakers with a good earnings and liquidity situation. Moreover, the ratings of many producers have improved again since the crisis of 2008/2009, and most producers have investment grade ratings. In the case of customers without an investment grade rating, we monitor incoming payments carefully.

STRATEGIC RISKS

Emerging markets

Since 2005, we have shifted the focus of our business step by step to the emerging markets. This poses specific risks:

- Disadvantages may arise in the emerging markets, due to cultural and language barriers, insufficient knowledge of suppliers, customers and market customs, and specific legal and political parameters.

In some emerging market countries like China and India, personnel turnover is higher than in Germany. To be able to retain efficient, top-quality staff, we have developed an intensive personnel development program, offer career opportunities, attractive remuneration and social benefits, and cultivate an integrative corporate culture. Our status as market leader also boosts the loyalty of our employees and their level of identification with our company. A comparison with competitors therefore shows that staff fluctuation at Dürr is at a low level.

We rate the risks arising from product and brand piracy as manageable, also in the emerging markets. Our core products are developed exclusively in Germany and call for such process expertise, experience and specialized knowledge that they are hardly capable of being copied without significant losses in quality. Moreover, we rely on patents and long-term service contracts that provide for the exchange of components for improved original products. Another factor contributing to the protection of our business is that many of our technologies are critical to the quality of the end products, with customers not being prepared to take the risks of using inferior copies.

In the emerging markets, we need to assert ourselves against individual suppliers with local cost structures. In doing so, we rely on a combination of technology and cost leadership. We maintain our technological lead by means of continual product innovation. We adjust our costs to market levels by local product development (local design) and local value added.

In China, but also in Brazil and other emerging markets, we need to adjust our capacities to the growing volume of business, otherwise we may be faced with risks of capacity bottlenecks. To prevent this, we increased the size of our workforce in the emerging markets by 19.4 % in 2012.

- In the **established markets**, especially in Western Europe, the market volume for new plant construction has decreased in recent years. We have adjusted our capacities accordingly but cannot rule out altogether that the lower business volume will lead to impairment charges on the assets of our local companies or to restructuring expenses. A risk-mitigating factor is that the market volume for the modernization of existing plants in Europe and the US is growing. In the US, increasing automobile sales generate demand for the supply we provide.

New business fields

When entering new business fields like **GLUEING TECHNOLOGY** and energy efficiency technology, there is a risk that we may incorrectly assess customer needs, the required input of resources or the demand and competitive situation. We rate this risk as manageable: we only develop segments directly adjacent to our core business; also, we always perform thorough analyses ahead of time. Acquisitions are only made once reliable due diligence findings and integration plans are available.

Energy efficiency technology is a young market that is still in its formative phase. In response to growing demand, many new suppliers are positioning themselves in this market – including large-scale companies of note. At the same time, the market is influenced by government measures to steer its development, including incentive programs, subsidies, and emissions regulations. Against this backdrop, uncertainties exist about the future structure of competition and demand and the potential for implementing different types of technology in the area of energy efficiency.

Strategic expansion of our activities in aircraft production technology (Aircraft and Technology Systems) entails specific risks. The investment cycles are longer than in the automotive industry, fewer individual projects are awarded and the number of customers is lower. To extend our market



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base, we have acquired over 15 new customers since 2008. As aircraft development is a protracted and complex process, technical changes may be necessary even after a contract award, especially for large-scale projects. We counter this risk by means of a systematic change and **CLAIM MANAGEMENT** system.

CUSTOMERS/PRODUCTS

At present, we are not aware of any innovations planned by our customers that could lead to material disadvantages for us. We expect that the automobile industry will predominantly continue to use combustion engines in the long term in addition to hybrid and electric drives. A breakthrough of electrical mobility in the mass market is not foreseeable as yet; instead, the industry is investing heavily in the development of fuel-efficient combustion engines. This opens up good opportunities in this field for our business in cleaning and balancing technology.

In body shell production, aluminum and steel will continue to predominate as input materials. For this reason, from today's perspective we do not perceive any serious substitution risks in our painting technology business. On the other hand, the automotive industry is increasingly using plastics and compound input materials for fuel-efficient, lightweight motor vehicles. Since these new materials need to be painted as well, we are developing special products for painting plastic parts. Plastic and compound input materials cannot be welded but need to be glued. This is fueling the level of demand for **GLUEING TECHNOLOGY**.



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R&D AND PRODUCT LIABILITY RISKS

To take precautions against technical risks and lack of acceptance of innovations, we precisely analyze market needs, integrate pilot customers in the innovation process and develop products with a quick **RETURN ON INVESTMENT** for such customers. We also test new products with regard to different operating scenarios and possible operating errors. This also reduces the risk of facing impairment charges on capitalized development costs.



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We carefully watch the patent registrations of relevance to us to ensure that our new products do not violate any third-party intellectual property rights. Even though product liability cases rarely occur in our business, we take out product liability insurance and take care that our products meet the occupational safety regulations in force.

COMPETITIVE RISKS

In 2011, the Japanese competitor Taikisha acquired a majority interest in Geico, a smaller Italian paint systems builder, to improve its market access in Europe. In the same year, German plant engineering firm Eisenmann took over Hightec, a Chinese company, which chiefly supplies plastic painting technology for general industrial applications. Given our high efficiency and performance in the fields of technology, order execution, and service, we are convinced that we will not lose any market share on the back of this market consolidation.

We have no indications of any further business combinations between competitors at present. Rival products that might significantly threaten our market position are not discernible. Neither in China nor in any other key markets do any significant disadvantages exist for us that could favor local competitors. A weakening of the euro in relation to the US dollar, Chinese renminbi, and Japanese yen tends to be positive for our business.

PROCUREMENT RISKS

Risks in the field of procurement, which is especially important owing to our high procurement volume, declined in the course of 2012. We have noticed a return to higher availability among suppliers, intermediate products, parts from component suppliers and external production capacities. This has resulted from the expansion of our supplier base in the emerging markets but has also been due to the general economic slowdown. The risk of price increases has also declined, while the insolvency risk on the supplier side remains negligible.

We counter availability and price risks in the field of procurement by means of framework agreements with preferred suppliers, by bundling procurement volumes and using a materials planning

system. As we have a wide supplier base, we are not dependent on individual companies. Framework agreements governing higher volumes are only entered into with preferred suppliers with a good credit standing.

In the emerging markets, it cannot be ruled out that specific suppliers do not meet our quality and deadline requirements. We therefore monitor the progress of order execution when dealing with critical suppliers on a regular basis. To protect our intellectual property rights, we do not farm out any sophisticated construction work to contractors in the emerging markets.

PERSONNEL RISKS

Many fields of activity at Dürr are highly specialized and call for sound expertise. We protect ourselves against any loss of expertise by not bundling specialized knowledge with individual employees but spreading this expertise further. To this end, we promote the internal knowledge transfer by means of documentation, training and mentoring programs, and our Group-wide intranet. In the emerging markets, we are exposed to higher risks of employee turnover than in Germany, where the average period of service is at an extremely high level of 15 years and the turnover rate is comparatively low at 3.1 %. The average age of employees in Germany is 44 years; the average for newly employed staff is 36 years. This reduces the risk of excessive ageing of the workforce on a sustained basis.

We counter risks of capacity bottlenecks by employing external temporary workers. This is the case in production and simpler design work, for example.

In 2012, we managed to adequately fill most vacant positions. The number of job applications increased again year-on-year. In Germany, the number of graduates in natural sciences and technical courses of study do not fully meet the economic demand. At Dürr, we counter this risk with a three-pronged strategy: experts are to be tied to the company by long-term career planning; we have a professional personnel and university marketing system in place on the labor and college graduate market; trainees, students at cooperative state universities and apprentices are given permanent jobs wherever possible.

IT RISKS

IT risks, especially as regards data loss, hacking and virus attacks, have risen appreciably in recent years. This is due to the growing importance of IT for business processes and applies both in terms of frequency and potential loss or damage. We counter these risks by providing an IT security organization, IT security directives as well as a robust IT infrastructure with modern firewalls and anti-virus programs. Backup servers, redundant data lines, and uninterruptible power supply systems reduce the danger of productivity losses or even total outages. We rate our risk of hacker attacks and data theft to which we are exposed as normal for the industry in which we operate.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY RISKS

Our production and development locations are exposed to relatively low environmental and occupational safety risks. The vertical production depth at Dürr is low, most of our production sites feature state-of-the-art equipment, and various older factories are being replaced by new facilities. We only use substances harmful to health or the environment to a limited extent. Their use, for instance in tests performed in the area of cleaning and paint technology, is subject to statutory regulations, internal guidelines, and the parameters laid down by the relevant certification systems.

LEGAL RISKS

Our most important legal risk is the assertion of warranty claims. If we fail to meet deadlines or any other contractual obligations, this may give rise to contractual penalties. Before we make binding commitments, for example on the availability of a system, possible liability-related consequences are carefully analyzed. We rule out any claims that we cannot fulfill. Patent disputes may also arise in our business. We are not involved in any extraordinary legal disputes at present. None of the pending cases exceeds a claim value in the low single-digit millions of euros.



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CURRENCY, INTEREST RATE, AND LIQUIDITY RISKS

Currency, interest rate, and liquidity risks are explained in detail in **ITEM 39** of the notes to the consolidated financial statements. Accordingly, we merely provide a cursory overview below.

Our most important currency risk is the translation risk that arises when translating items in foreign currencies into euros. This risk is relatively low at Dürr. Transaction risks, which can arise when products are exported, are of lesser significance since most of the goods required are produced locally or purchased in national currency. Risks of interest rate fluctuations do not play a major role either since almost all our financial debt is attributable to our fixed-interest bond and long-term Campus financing.

There are no extraordinary liquidity or debt risks at present. The cash credit line of € 50 million available under our syndicated loan, and the loan commitment from the European Investment Bank (EIB) for € 40 million were unused as of December 31, 2012; our liquidity position is at a comfortable level of € 349.3 million.



www

We have long-term external financing arrangements in place and do not need to engage in any refinancing transactions in the short term. Our corporate bond of September 2010 does not mature until 2015. Its terms and conditions can be viewed at www.durr.com; they contain the usual limitations and obligations prevailing on the market. If we do not comply with these, this could result in the bond plus accrued interest being called due for immediate payment.

The contract concerning our syndicated loan provides that we must comply with certain key financials. These so-called financial covenants are determined on a quarterly basis, subject to a rolling 12-month calculation period. Should we fail to meet these covenants, the syndicate of banks may call the loan due for immediate repayment if the participating banks voting in favor have a two-thirds majority. The EIB loan commitment, to which the same covenants apply, can likewise be terminated early in the event of non-compliance.

In accordance with our guideline for financial asset management, we hold no government bonds whose timely redemption is uncertain. For this reason, there is no increased risk of impairment charges on our financial assets or financial investments.

RATINGS

We have not had ratings prepared since September 2010. The price trend – and, therefore, the yield – of our corporate bond indicates that investors appreciate our credit standing to a considerable degree. From today's perspective, it therefore appears realistic that we will be able to place future bond issues subject to more favorable terms and conditions.

Events subsequent to the reporting date

No events that materially affected, or could materially affect the net assets, financial position and results of operations of the Group occurred between the beginning of the current financial year and March 1, 2013.

Report on expected future development

OPPORTUNITIES

OPPORTUNITIES MANAGEMENT SYSTEM

Like the risk management system, the opportunities management system is based on a bottom-up process. The business units play the central role in this regard. They collect market information via the Group companies and exchange views with customers, suppliers, business associates and market observers on new requirements and trends. This information is consolidated to form clusters of opportunities and evaluated accordingly. As a next step, opportunity clusters with sustainable business potential are discussed during strategy meetings and workshops with the Board of Management of Dürr AG. After approval by the Board of Management, they are included in the relevant strategies of the business units and in Group strategy. Moreover, budget targets are identified and the necessary funding is provided.

New business opportunities for Dürr frequently go hand in hand with product and process innovations of the automotive industry. This is why we are engaged in close dialog with our customers so that we can be integrated into their innovation processes in good time. **LIGHTWEIGHT AUTOMOTIVE CONSTRUCTION** is a good example; we identified the trend in the direction of deploying new materials (for instance plastics, glass and carbon fiber) at an early stage and, with our **GLUEING TECHNOLOGY**, we established a suitable product range for joining the new input materials.

Identifying opportunities at business unit level is a continual process that is driven by the heads of the business units. A key role is also assigned to the R&D departments. They look for new options and efficiency potentials in production technology and study what contribution Dürr can make in each case. Where opportunities hold the promise of substantial strategic importance, we form interdisciplinary teams for potential analysis, organizational establishment and – where necessary – acquisition processes. Depending on the complexity and available resources, we also draw on the expertise of business consultancy firms.

Cooperation with universities and research institutions constitutes a further element of our opportunities management system. In this context, studies are carried out on how new scientific findings can be integrated into our products. In addition, we carefully monitor whether any legal regulations, for instance in the field of emissions protection, may call for new production technologies to be developed. Alongside product-related opportunities, we also evaluate potentials unfolding in individual regions, with specific customers or new business models. Opportunities through process optimization measures are likewise subjected to analyses.

STRATEGIC OPPORTUNITIES

- **Southeast Asia – market with a good future:** In Southeast Asia – one of the most important future markets of the automotive industry – we are systematically extending our position. In February 2012, we established a local company in Thailand via which we are intensifying our market development. Our 10 % stake in the Japanese paint systems engineer Parker Engineering provides us with better access to the Japanese automotive industry, which predominates in terms of market share in Southeast Asia.
- **New business fields:** To open up additional market opportunities in our core business operations, we have made various acquisitions in niche markets with a promising future since 2009. These include **GLUEING TECHNOLOGY**, **ULTRA-FINE CLEANING TECHNOLOGY**, **BALANCING TECHNOLOGY** for turbochargers and **FILLING TECHNOLOGY**. In the field of energy efficiency technology – again, with the aid of technology acquisitions – we are establishing a product portfolio for heat and waste heat recovery. In all cases, we make use of our global network to expand on an international scale.



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- **Sustainable production:** Energy prices will continue to rise and environmental standards will become increasingly stricter across the globe. Accordingly, the need for sustainable and energy-saving production processes is growing. This trend shapes our business development throughout our Group and triggers extensive capex investments.
- **Growth in the emerging markets:** Production growth in the automotive industry continues to open up good growth opportunities for us. From 2013 through 2016, experts anticipate that global production will increase by 16 million units. Three-quarters of this growth is likely to be accounted for by the emerging markets, in which we have a strong presence. In China, the world's biggest automobile market, light-vehicle production is expected to grow by an average of 10 % per annum, to reach roughly 26 million units by 2017. Against this backdrop, we have enlarged our workforce in the emerging markets and are investing in the extension of our site infrastructure.
- **Additional potential in the service business:** There are good opportunities for further expanding our business in the field of services. Thanks to the numerous plants we have supplied in recent years, our installed base has expanded. Accordingly, the need for spares, plant modernizations and other services will increase in the future. We are leveraging this potential with a tightly-knit network of service support points and new service products.
- **Further development in drive technology:** The automotive industry is intensively developing fuel-efficient internal combustion engines. Special cleaning and balancing technology is required for the production of such **DOWNSIZING** power trains.
- **Emerging producers in the automotive industry:** Carmakers from China and other emerging markets want to expand not only in their domestic markets but also across the globe. To do so, they need additional production capacities and competitive production technologies.



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OPPORTUNITIES IN THE BUSINESS UNITS

- **Paint and Final Assembly Systems** perceives further cost reduction potential by continuing the course of localization in the emerging markets. The immense installed base provides good opportunities for extending the service business. In regional terms, growth opportunities are available in Southeast Asia and the US in particular.
- **Aircraft and Technology Systems** has additional business potential thanks to its broadened customer base. Emerging markets like China and Russia provide opportunities as local aircraft producers are entering the world market and need modern production technology to this end. New business opportunities also arise thanks to the ongoing automation and the use of carbon fiber reinforced plastic (CFRP) components in aircraft production.
- **Application Technology** sees market opportunities in full automation of the painting process, particularly for the vehicle interior. Additional potential is offered by the ongoing substitution of older painting machines by more flexible robots. Growth opportunities also exist in plastic painting technology for the Chinese market and in business with Japanese carmakers. Outside the field of paint application technology, Application Technology will continue its expansion track in **SEALING** technology and the newly developed field of **GLUEING TECHNOLOGY**.
- **Balancing and Assembly Products** plans to intensify the balancing technology business in China, Japan, and Southeast Asia. The business unit generates incentives for investment among customers thanks to the reduced energy consumption of its plants. The Asian business is also to be extended in the field of **TEST SYSTEMS**, for instance by boosting local production and a stronger service presence. Growth opportunities in the field of test systems are unfolding for increasingly common advanced driver assistance systems. In the field of **FILLING TECHNOLOGY**, additional synergies are to be leveraged between the automotive and appliances sectors. The regional expansion of business is targeted at China, India and the future growth markets of Southeast Asia, Mexico as well as North and South Africa.



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- **Cleaning and Filtration Systems** benefits from the high innovation rate of the automotive industry in the field of drive technology and from the increasing requirements of customers from various industry segments for cleaning quality of parts. The new product line organization represents the basis for more intensive market development in general industry. In regional terms, business with China yields the highest growth potentials. Sales and service are to be extended on a global scale.
- **Clean Technology Systems** perceives good opportunities for further expanding its business with exhaust-air purification technology for chemicals and pharmaceuticals companies. This applies in particular to countries with an increasing level of regulation within the scope of environmental law, such as China, India, Mexico, Brazil and the Arabian states. The new ventilation air methane (VAM-RTO) business field, in which we provide facilities to burn methane gas harmful to the climate in waste air of coal mines, is also promising. Moreover, considerable potential is provided by energy efficiency technology, a field in which we are laying the foundations for future growth with a wide product portfolio for heat recovery.

OUTLOOK

EMERGING MARKETS REMAIN ON GROWTH TRACK

Economic researchers expect the world economy to grow by 3.1 % in 2013, slightly more than in 2012. As Western Europe continues to suffer on account of the sovereign debt crisis, a further GDP decline is anticipated in the Eurozone. A GDP increase of 5.5 % has been forecast for the emerging markets in 2013, after growth had turned out slightly lower at 4.7 % in 2012. In China, aggregate economic output should once again increase by more than 8 % in each of 2013 and 2014, especially since the new government plans to adopt measures to stimulate domestic demand. In the US, a relatively stable economic trend is anticipated. Against the backdrop of high government debt, the Japanese economy is likely to continue to see only moderate growth.

For 2014, as the economic development gathers momentum, world economic growth of about 4 % is expected. A decisive factor in this direction is likely to be the dynamic trends in the emerging markets; revitalization in the US should also generate positive impetus.

AUTOMOBILE PRODUCTION: CONSTANT UPWARD TREND

According to PricewaterhouseCoopers (PwC), global automobile production will grow by 5.1 % in 2013, outperforming world economic growth considerably. The forecast indicates that the production volume is likely to rise by 7 % in 2014 to reach 89 million units. In both years, double-digit growth rates are expected in China. US production is likely to grow by about 5 % in 2013 after recording a surprisingly sharp surge of just under 19 % in 2012. In Western Europe, automotive production will only decline slightly following the downturn of 2012, with growth rates anticipated for 2014 from a low basis. There is substantial evidence to suggest that the growth differences between the emerging and the established automotive markets will remain in place in the long term, and that the weights will continue to shift in favor of the emerging markets.

2.59 / GDP GROWTH FORECASTS

Change year-on-year in %	2014	2013
World	3.9	3.1
Eurozone	1.1	-0.3
USA	2.9	1.9
China	8.9	8.2
India	7.1	6.8
Brazil	4.2	3.5
Japan	0.3	0.2

Source: Deutsche Bank 12/2012

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PRODUCTION OF PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES IN MILLIONS OF UNITS

(change year-on-year)

Region	2011	2012	2013 ¹	2014 ¹	2015 ¹	2016 ¹	2017 ¹	CAGR ² 2012–2017
North America	13.1 (10.1 %)	15.4 (17.6 %)	15.8 (2.6 %)	16.2 (2.5 %)	17.1 (5.6 %)	17.5 (2.3 %)	17.9 (2.3 %)	3.1 %
Mercosur	4.2 (0.0 %)	4.3 (2.4 %)	4.6 (7.0 %)	5.0 (8.7 %)	5.3 (6.0 %)	5.9 (11.3 %)	6.3 (6.8 %)	7.9 %
Western Europe	13.6 (2.3 %)	12.4 (-8.8 %)	12.2 (-1.6 %)	12.8 (4.9 %)	13.8 (7.8 %)	14.4 (4.3 %)	14.8 (2.8 %)	3.6 %
Eastern Europe	6.3 (12.5 %)	6.9 (9.5 %)	7.2 (4.3 %)	7.7 (6.9 %)	8.0 (3.9 %)	8.3 (3.8 %)	8.5 (2.4 %)	4.3 %
Asia	34.9 (2.6 %)	38.2 (9.5 %)	41.2 (7.9 %)	45.0 (9.2 %)	48.1 (6.9 %)	50.1 (4.2 %)	52.0 (3.8 %)	6.4 %
thereof China	15.3 (6.3 %)	16.4 (7.2 %)	18.9 (15.2 %)	21.4 (13.2 %)	23.5 (9.8 %)	25.2 (7.2 %)	26.2 (4.0 %)	9.8 %
Others	2.5 (0.0 %)	1.8 (-28.0 %)	2.0 (11.1 %)	2.2 (10.0 %)	2.5 (13.6 %)	2.6 (4.0 %)	2.7 (3.8 %)	8.4 %
Total	74.6 (4.3 %)	79.0 (5.9 %)	83.0 (5.1 %)	88.9 (7.1 %)	94.8 (6.6 %)	98.8 (4.2 %)	102.2 (3.4 %)	5.3 %

¹ Forecast² CAGR = compound annual growth rate

Source: PwC 01/2013, own estimates

AVIATION INDUSTRY LIKEWISE ON THE ASCENT

The International Air Transport Association (IATA) expects passenger numbers in the aviation sector to increase by an average of 5 % per annum until 2016 (2012: +5 %), while the transport volume is to rise by 3 % per annum. Despite the pressure on margins, many airlines are likely to continue to invest in new aircraft in view of their high capacity utilization, especially since a large number of acquisitions were deferred during the crisis years 2008/2009. Capital expenditure by airlines should develop more or less in line with the trend in passenger numbers and the transport volume.

We anticipate an increasing volume of business in the aircraft segment for 2013 and 2014. Key investment motives of aircraft producers are efficiency enhancements, the timely introduction of new models and a reduction in the level of kerosene consumption. Additional factors are globalization of production and the use of new materials like carbon fibers.

SALES REMAIN FOCUSED ON AUTOMOTIVE BUSINESS

While we also anticipate high capital expenditure by carmakers in 2013 and 2014, the peak level of 2011 shaped by pent-up demand effects is unlikely to be reached. The automotive industry remains by far our most important sales market; in 2013 and 2014, it is expected to account for roughly 80 % of sales. In the long term, other customer groups such as aircraft producers and general industry will become increasingly important. We also plan to strongly expand our business with environmental technology and energy-efficient technologies; for 2015, the Clean Technology Systems division has targeted a sales volume of over € 200 million (2012: € 95.5 million).

INCOMING ORDERS, SALES, COSTS

Our business outlook presupposes that the economies in the BRIC states will continue to develop positively and that an economic stabilization will occur in the industrialized countries in 2013, followed by acceleration in 2014. Moreover, we assume that our customers will maintain a high level of capital expenditure in future.

We assess our business prospects as positive for 2013 and 2014, even though the economic uncertainties still exist to this day. Capex spending by carmakers on new plants (greenfield projects) is likely to reach a constant, high level thanks to generally favorable sales forecasts. Considering the age structure of the existing factories, capital expenditure on spares and modernization (brownfield projects) is expected to grow. The key capex investment motives of the automotive industry are growing capacity needs, productivity and efficiency increases, reduced energy costs and competition in the field of power train technology.

Thanks to our strong position in the emerging markets, we should continue to benefit more than average from the high market dynamics prevailing there. We expect the emerging markets to contribute 55 to 60 % to incoming orders and sales of the Group in 2013 and 2014. The importance of Western Europe will see a declining tendency, while the US market should become more important again.

In the long run, we aim to generate sustainable sales growth in the Group of 5 to 10 % per annum. This presupposes that the extension of our new business fields will proceed according to schedule and that we will also grow through acquisitions. On the basis of the high order backlog and ongoing robust demand of our customers, from today's perspective sales ranging from € 2.4 to 2.6 billion are anticipated for 2013 (2012: € 2.4 billion). In 2014, it should be possible to achieve sales between € 2.3 and 2.6 billion.

The volume of incoming orders is likely to decline slightly after the two extraordinarily strong preceding years. For 2013, we expect a level ranging from € 2.3 to 2.5 billion; in 2014, the order volume should increase again slightly. At the end of 2013 and 2014, orders on hand should amount to at least € 2.0 billion.

On the costs side, personnel and materials remain the largest items. We expect personnel costs to increase by roughly 10 % in 2013 on account of the rising level of wages in the emerging markets and a higher average headcount. In 2014, the average size of the workforce is hardly likely to increase

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GROUP OUTLOOK

	ACTUAL 2012	TARGET 2013
/ Sales revenues	€ 2,399.8 million	€ 2,400 to € 2,600 million
/ Incoming orders	€ 2,596.8 million	€ 2,300 to € 2,500 million
/ Orders on hand (Dec. 31)	€ 2,316.8 million	>€ 2,000 million
/ EBIT margin	7.4 %	7.0 to 7.5 %
/ Financial result	€ -29.2 million	substantial improvement
/ Tax rate	24.6 %	approx. 25 %
/ Earnings after tax	€ 111.4 million	slight increase
/ Operating cash flow	€ 117.6 million	>€ 120 million
/ Free cash flow	€ 65.9 million	>€ 70 million
/ Net financial status (Dec. 31)	€ 96.7 million	>€ 100 million
/ Liquidity (Dec. 31)	€ 349.3 million	>€ 250 million
/ Capital expenditure ¹	€ 32.5 million	€ 35 to € 40 million

¹ on property, plant and equipment and intangible assets (excl. acquisitions)

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OUTLOOK BY DIVISION

	SALES REVENUES (€ MILLION)		INCOMING ORDERS (€ MILLION)		EBIT MARGIN (%)	
	2013e	2014e	2013e	2014e	2013e	2014e
Paint and Assembly Systems	1,200–1,350	1,100–1,400	1,100–1,300	1,050–1,350	6–7	5.5–7
Application Technology	500–580	450–600	450–550	450–600	10–11	9–12
Measuring and Process Systems	550–600	500–630	500–600	480–630	8–9	7.5–10
Clean Technology Systems	130–150	120–160	120–140	130–160	3.5–5	3–6

any further, with personnel costs likely to rise by approx. 5 %. The cost of materials should increase slightly, if at all, after having risen at a disproportionately low level in relation to sales in 2012.

A key criterion in this regard is that we will increase our own performance through the additional personnel and production capacities and lower our outsourcing expenses accordingly. Moreover, in principle our aim is not to allow the cost of materials to grow stronger than sales. To take advantage of price benefits, we will increasingly use procurement markets in Eastern Europe and Asia.

SLIGHT INCREASE IN EARNINGS EXPECTED FOR 2013

Earnings in 2013 are expected to grow roughly in tandem with sales. Our Group target is an EBIT margin ranging from 7.0 to 7.5 %. The high capacity utilization and the good quality of orders on hand provide the basis for this; in addition, we expect a higher proportion of sales attributable to services. The financial result is expected to improve substantially in 2013 since the negative non-recurring effects of 2012 will no longer apply. Tax expenses are likely to rise in parallel with earnings; by taking advantage of tax loss carry-forwards, the tax rate should remain at approx. 25 %. As a result, our after-tax earnings should continue to grow. In accordance with our dividend policy, the dividend payout for fiscal 2013 is to range from 30 to 40 % of Group net profit and should also increase.

In 2014, we plan to continue our high earnings level. From today's perspective, an EBIT margin ranging from 6.0 to 8.0 % appears to be realistic; we will affirm this forecast more specifically in due course. In 2014, the financial result should improve slightly in line with the positive cash flow, while we assume that our tax rate will rise. Accordingly, our after-tax earnings might turn out slightly lower than in 2013 or just match the same level.

DIVISIONS

Most divisions plan to generate higher sales and earnings in 2013. The trend in the subsequent year is difficult to assess at this time. From today's perspective, we do not anticipate any major changes in relation to 2013 in terms of incoming orders, sales, and earnings.

CASH FLOW

The operating cash flow should rise in 2013 since the level of **NET WORKING CAPITAL** is expected to return to normal after being increased in 2012. The **FREE CASH FLOW** should also increase appreciably in parallel. In 2014, the operating cash flow and free cash flow will probably remain at the high level of fiscal 2013.

We assume that the cash flow is certain to cover the operating financing needs (investments, interest payments, etc.) and the dividend payments in 2013 and 2014. Moreover, in funding our acquisitions, we will have access to cash and cash equivalents and unused credit lines amounting to € 90 million.

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CAPITAL EXPENDITURE

In 2013, we plan to invest € 35 to 40 million in property, plant and equipment and in intangible assets (excluding acquisitions). Of this sum, just over 50 % will presumably be accounted for by replacements. The remaining funds are likely to flow into extension investments in China, Brazil, Mexico, and Germany. As a result, we will adjust our capacities to the sustained increase in demand and continue the strategic expansion of our position in the emerging markets. The largest capital investment project is the construction of the new location for Measuring and Process Systems in Shanghai, which we will occupy in mid-2013. The additional capacities are expected to be fully utilized soon since we will increase the proportion of our own production. Accordingly, we do not perceive any risks of idle capacity utilization. In 2014, capital expenditure should be considerably below € 30 million, with roughly 80 % being accounted for by the procurement of replacements.

For 2013 and 2014, we plan to make additional technology acquisitions to reinforce our core business and extend the energy efficiency activities of our Clean Technology Systems division. The volume of planned acquisitions cannot be specified as yet but should considerably exceed the average acquisition sum of the past several years (€ 12 million).

LIQUIDITY, EQUITY AND FINANCING

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From today's perspective, the **NET FINANCIAL STATUS** should amount to more than € 100 million at the end of 2013; for the end of 2014, we currently anticipate € 100 to 150 million. In both cases, possible major acquisitions have not been taken into account. The level of cash and cash equivalents should amount to over € 250 million on both reporting dates. Information on the expected cash outflows from financial liabilities and derivative financial instruments can be found in **ITEM 39** in the notes to the consolidated financial statements. We expect further growth in equity, and the equity ratio should clearly exceed 25 % at the end of 2014.

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The planned acquisitions and the expansion in energy efficiency technology should be financed predominantly from cash flows as well as cash and cash equivalents. We do not plan to place a bond issue for 2013 from today's perspective. We will be able to redeem the bond outstanding from the year 2010 prematurely as of September 2014. We may exercise this right, depending on the prevailing circumstances. We plan to use the syndicated loan, if at all, to compensate for temporary fluctuations in **NET WORKING CAPITAL** or in case of an exceptionally large acquisition. No capital increase is planned from today's perspective.

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EMPLOYEES

The number of employees is to rise once again by roughly 5 % by the end of 2013. The focus in this context is on the emerging markets; at the end of 2013, about 35 % of the Group's workforce is to be employed there (December 31, 2012: 33 %). In the established markets, the size of the workforce will increase marginally, if at all.

RESEARCH & DEVELOPMENT

According to our strategy, we will further increase both our R&D expenditure and the number of R&D staff members in the coming years. Increases ranging from 5 to 10 % are planned.

The following topics are of key interest in the field of product development:

- Unit cost reduction in automobile production,
- Environmental technology, sustainability and energy efficiency,
- New service products,
- Extension of the product range for the emerging markets,
- Increased flexibility and modularization of production facilities.

For competitive reasons, we do not publish any information on specific innovation projects. The overarching objective of our R&D work remains being able to differentiate ourselves from competitors through innovation and developing technologies that justify a pricing premium. Further information on R&D strategy can be found in the **RESEARCH AND DEVELOPMENT** chapter.



SUMMARY OF EXPECTED DEVELOPMENT

Over the next two years, we expect the Group to develop positively if the economy develops as assumed. Project inquiries from our customers remain at a good level, with high investments planned in new automotive factories particularly in the emerging markets. Moreover, capital expenditure on maintenance and modernization is increasing on account of the age structure of the existing factories. Against this backdrop and in view of the high level of orders on hand, the visibility of the future course of business is good. For 2013, we anticipate slightly higher sales and earnings levels than in the year under review. The EBIT margin is to reach 7.0 to 7.5 %, and in the subsequent year this level is to be maintained if possible. We plan to enable our shareholders to participate in the success of Dürr by means of higher dividends.

Bietigheim-Bissingen, March 1, 2013

Dürr Aktiengesellschaft

The Board of Management



RALF W. DIETER



RALPH HEUWING

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CONSOLIDATED FINANCIAL
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Audit opinion

We have audited the consolidated financial statements prepared by Dürr Aktiengesellschaft, Stuttgart, comprising the statement of income, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Stuttgart, 1 March 2013

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft



SKIRK / WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]



HUMMEL / WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

3.1 / Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

€ k	NOTE	2012	2011
Sales revenues	(7)	2,399,830	1,921,987
Cost of sales	(8)	-1,962,040	-1,590,584
Gross profit on sales		437,790	331,403
Selling expenses	(9)	-123,683	-107,232
General administrative expenses	(10)	-102,013	-88,738
Research and development costs	(11)	-37,218	-29,504
Other operating income	(13)	24,453	25,782
Other operating expenses	(13)	-22,433	-25,217
Earnings before investment income, interest and income taxes		176,896	106,494
Profit from entities accounted for using the equity method	(15)	452	580
Other investment income		23	-
Interest and similar income	(16)	4,278	5,542
Interest and similar expenses	(16)	-33,919	-26,807
Earnings before income taxes		147,730	85,809
Income taxes	(17)	-36,345	-21,552
Profit of the Dürr Group		111,385	64,257
Attributable to:			
Non-controlling interests		4,190	2,407
Shareholders of Dürr Aktiengesellschaft		107,195	61,850
Earnings per share in € (basic and diluted)		6.20	3.58

3.2 / Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

€ k	NOTE	2012	2011
Profit of the Dürr Group		111,385	64,257
Components of other comprehensive income			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(24)	7,593	-4,612
Gains/losses from changes in the fair value of available-for-sale securities	(24)	31	11
Reclassifications from currency translation reserve through profit or loss	(24)	-	451
Currency translation reserve of foreign subsidiaries	(24)	-2,517	1,791
Currency translation reserve of foreign entities accounted for using the equity method	(24)	-1,573	989
Actuarial gains/losses from defined benefit plans and similar obligations	(24)	-17,838	-2,741
Deferred taxes recognized on components of other comprehensive income	(24)	2,102	1,372
Other comprehensive income, net of tax	(24)	-12,202	-2,739
Total comprehensive income of the year, net of tax		99,183	61,518
Attributable to:			
Non-controlling interests		4,095	2,401
Shareholders of Dürr Aktiengesellschaft		95,088	59,117

3.3 / Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2012

€k	NOTE	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Goodwill	(18, 42)	288,159	284,482
Other intangible assets	(18, 42)	38,114	42,177
Property, plant and equipment	(18, 42)	152,311	144,879
Investment property	(18, 42)	23,178	22,333
Investments in entities accounted for using the equity method	(19, 42)	13,419	17,207
Other financial assets	(19, 42)	14,213	2,629
Trade receivables	(21)	371	191
Income tax receivables	(17)	66	76
Sundry financial assets	(22)	3,154	3,343
Other assets	(23)	100	215
Deferred taxes	(17)	15,475	9,644
Prepaid expenses		3,377	1,835
Non-current assets		551,937	529,011
Inventories and prepayments	(20)	144,528	124,471
Trade receivables	(21)	694,608	625,644
Income tax receivables	(17)	5,863	7,576
Sundry financial assets	(22)	35,857	50,174
Other assets	(23)	22,234	22,244
Cash and cash equivalents		349,282	298,561
Prepaid expenses		3,396	3,360
Current assets		1,255,768	1,132,030
Total assets Dürr Group		1,807,705	1,661,041
EQUITY AND LIABILITIES			
Subscribed capital	(24)	44,289	44,289
Capital reserves	(24)	200,186	200,186
Revenue reserves	(24)	223,073	146,003
Other comprehensive income	(24)	-43,720	-31,592
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		423,828	358,886
Non-controlling interests	(25)	8,254	5,434
Total equity		432,082	364,320
Provisions for post-employment benefit obligations	(26)	53,480	57,779
Other provisions	(27)	6,728	6,654
Trade payables	(29)	16,744	6,394
Bond	(28)	225,379	225,511
Other financial liabilities	(28)	45,876	47,331
Sundry financial liabilities	(30)	13,876	26,162
Income tax liabilities	(31)	117	220
Other liabilities	(31)	4,804	4,507
Deferred taxes	(17)	35,381	26,921
Deferred income		260	425
Non-current liabilities		402,645	401,904
Other provisions	(27)	53,253	45,902
Trade payables	(29)	724,166	711,327
Financial liabilities	(28)	14,807	13,322
Sundry financial liabilities	(30)	52,716	27,363
Income tax liabilities	(31)	18,835	8,728
Other liabilities	(31)	108,933	87,907
Deferred income		268	268
Current liabilities		972,978	894,817
Total equity and liabilities Dürr Group		1,807,705	1,661,041

3.4 / Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

€ k	NOTE	2012	2011
	(34)		
Earnings before income taxes		147,730	85,809
Income taxes paid		-21,326	-14,317
Net interest		29,641	21,265
Profit from entities accounted for using the equity method		-452	-580
Amortization and depreciation of non-current assets		28,538	20,615
Net gain/loss on the disposal of non-current assets		386	252
Other non-cash income and expenses		-1	-1,317
Changes in operating assets and liabilities			
Inventories		-20,479	-43,192
Trade receivables		-76,284	-224,716
Other receivables and assets		-3,229	-6,051
Provisions		-17,172	638
Trade payables		27,628	265,603
Other liabilities (other than bank)		24,431	24,722
Other assets and liabilities		-1,787	-833
Cash flow from operating activities		117,624	127,898
Purchase of intangible assets		-9,029	-6,251
Purchase of property, plant and equipment		-22,409	-13,383
Purchase of entities accounted for using the equity method		-425	-2,502
Purchase of other financial assets		-12,151	-2,211
Proceeds from the sale of non-current assets		1,359	891
Acquisitions, net of cash acquired		-1,684	-6,816
Investments in time deposits		18,154	-35,950
Interest received		2,803	3,648
Cash flow from investing activities		-23,382	-62,574
Change in current bank liabilities and other financing activities		2,897	4,267
Repayment of non-current financial liabilities		-2,317	-1,249
Payments of finance lease liabilities		-343	-470
Cash received from transactions with non-controlling interests		1,503	-
Cash paid for transactions with non-controlling interests		-250	-
Dividends paid to the shareholders of Dürr Aktiengesellschaft		-20,760	-5,190
Dividends paid to non-controlling interests		-1,276	-1,398
Interest paid		-23,066	-20,116
Cash flow from financing activities		-43,612	-24,156
Effects of exchange rate changes		87	5,085
Changes in cash and cash equivalents related to changes in the consolidated group		4	-
Change in cash and cash equivalents		50,721	46,253
Cash and cash equivalents			
At the beginning of the period		298,561	252,308
At the end of the period		349,282	298,561

3.5 / Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

€ k	Subscribed capital	Capital reserve	Revenue reserves	Unrealized gains/losses from cash flow hedges
	(24)	(24)	(24)	(24)
January 1, 2011	44,289	200,186	97,533	-499
Profit for the year	-	-	61,850	-
Other comprehensive income	-	-	-	-3,250
Total comprehensive income, net of tax	-	-	61,850	-3,250
Dividends	-	-	-5,190	-
Put options non-controlling interests	-	-	-8,211	-
Other changes	-	-	21	-
December 31, 2011	44,289	200,186	146,003	-3,749
Profit for the year	-	-	107,195	-
Other comprehensive income	-	-	-	5,426
Total comprehensive income, net of tax	-	-	107,195	5,426
Dividends	-	-	-20,760	-
Put options non-controlling interests	-	-	-9,136	-
Other changes	-	-	-229	-
December 31, 2012	44,289	200,186	223,073	1,677

OTHER COMPREHENSIVE INCOME

	Unrealized gains/losses from available-for-sale securities	Changes related to the consolidated group/reclassifications	Unrealized actuarial gains/losses	Currency translation	Other comprehensive income	Total equity attributable to the shareholders of Dürr Aktiengesellschaft	Non-controlling interests	Total equity
	(24)		(24)	(24)	(24)		(25)	
	-11	779	-12,263	-16,844	-28,838	313,170	6,231	319,401
	-	-	-	-	-	61,850	2,407	64,257
	11	-	-2,728	3,234	-2,733	-2,733	-6	-2,739
	11	-	-2,728	3,234	-2,733	59,117	2,401	61,518
	-	-	-	-	-	-5,190	-1,398	-6,588
	-	-	-	-	-	-8,211	-6,146	-14,357
	-	-21	-	-	-21	-	4,346	4,346
	-	758	-14,991	-13,610	-31,592	358,886	5,434	364,320
	-	-	-	-	-	107,195	4,190	111,385
	23	-	-13,523	-4,033	-12,107	-12,107	-95	-12,202
	23	-	-13,523	-4,033	-12,107	95,088	4,095	99,183
	-	-	-	-	-	-20,760	-1,276	-22,036
	-	-	-	-	-	-9,136	-2,817	-11,953
	-	-21	-	-	-21	-250	2,818	2,568
	23	737	-28,514	-17,643	-43,720	423,828	8,254	432,082

Notes to the consolidated financial statements for the 2012 reporting period

BASIS OF PRESENTATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company Dürr Aktiengesellschaft ("Dürr AG" or the "Company") has its registered offices in Stuttgart, Germany. Its headquarters for operations are located at Carl-Benz-Strasse 34 in 74321 Bietigheim-Bissingen, Germany. The Dürr Group ("Dürr" or the "Group") consists of Dürr AG and its subsidiaries. The Dürr Group specializes in mechanical and plant engineering and is one of the global market leaders in almost all of its fields of business. It generates more than 80 % of sales revenues with the automotive industry, but also acts as supplier of production technology for other industries including the aviation, mechanical engineering, energy as well as the chemical and pharmaceutical industries. Dürr serves the market with four divisions: the Paint and Assembly Systems division offers production and paint finishing technology, mainly for automotive bodyshells, but also for aircraft. Application Technology produces products and systems for automated painting applications as well as sealing and glueing technology. The machines and systems produced by the Measuring and Process Systems division are used in engine and drive construction as well as final assembly. The Clean Technology Systems division manufactures plant and equipment for purifying exhaust gases produced by industrial processes and develops technologies for improving the energy efficiency of production processes.

Accounting policies The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) at the end of the reporting period, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The accounting policies used generally correspond to the policies applied in the prior period. In addition the Group has applied the new and/or revised standards that are effective for the 2012 reporting period.

The changes in accounting policies result from the adoption of the following new or revised standards.

The following new or revised standards, which were adopted for first time in the reporting period had no effect or no material effect on the consolidated financial statements

Amendment to IFRS 1 "First-Time Adoption of International Financial Reporting Standards": The amendments relate to hyperinflation and the removal of fixed dates for first-time adopters. The amended standard became effective for reporting periods beginning on or after July 1, 2011.

IFRS 7 "Financial Instruments: Disclosures": In October 2010, the International Accounting Standards Board (IASB) published the amendments to IFRS 7 on the disclosure requirements when derecognizing financial assets. The amended standard became effective for reporting periods beginning on or after July 1, 2011.

Amendment to IAS 12 "Income Taxes": The amendment to IAS 12 specifies the assessment criteria for deferred taxes in distinguishing between the tax system that applies for assets currently in use and those that are to be sold. The standard became effective for reporting periods beginning on or after January 1, 2012.

The following new or revised standards and interpretations adopted by the EU in the comitology procedures have not yet entered into effect

Amendment to IFRS 7 "Financial Instruments: Disclosures": The amendment contains supplementary mandatory disclosures on all financial assets and financial liabilities which are offset pursuant to IAS 32 "Financial Instruments: Presentation". In addition, disclosures are required on all financial instruments which are subject to enforceable master netting agreements or similar agreements. The amended standard is mandatory for reporting periods beginning on or after January 1, 2013, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IFRS 10 "Consolidated Financial Statements": IFRS 10 introduces a uniform concept of control to be used in determining which entities should be included in the consolidated financial statements. IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and Standing Interpretations Committee (SIC) 12 "Consolidation – Special Purpose Entities". According to the EU, the standard is mandatory for those reporting periods beginning on or after January 1, 2014, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IFRS 11 "Joint Arrangements": IFRS 11 governs the financial reporting by parties to a joint arrangement. It replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly controlled Entities – Non-monetary Contributions by Venturers". According to the EU, the standard is mandatory for those reporting periods beginning on or after January 1, 2014, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities": IFRS 12 governs the disclosures required for reporting on the interests held by the reporting entity in subsidiaries, joint arrangements, associates, and structured entities that were previously contained in a number of other standards (IAS 27, IAS 28 and IAS 31) and expands them. According to the EU, the standard is mandatory for those reporting periods beginning on or after January 1, 2014, and it results in extended disclosure requirements.

IFRS 13 "Fair Value Measurement": This standard establishes guidance on fair value measurement when this is required or permitted by another standard. The standard is effective for reporting periods beginning on or after January 1, 2013, and is not expected to have any material effects on the consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements": The changes relate to the presentation of other comprehensive income. In the future, the items of other comprehensive income are to be classified into two different categories depending on whether they can be reclassified to profit or loss in a later period or not. The standard is mandatory for reporting periods beginning on or after July 1, 2012, and has an impact on the presentation of comprehensive income.

Amendments to IAS 19 "Employee Benefits": The amendments to IAS 19 revoke the corridor approach to deferring actuarial gains and losses and govern the accounting for changes in pension obligations through profit or loss and other comprehensive income. The method of accounting for termination benefits has also been amended. This amendment also affects the recognition and measurement for phased retirement arrangements. The amended standard will become effective for reporting periods beginning on or after January 1, 2013. The effects on various items of the statement of income, other comprehensive income and provisions are not expected to be material.

Amendment to IAS 27 "Consolidated and Separate Financial Statements": Due to the fact that the accounting standards for consolidated financial statements were all shifted to IFRS 10, the amended IAS 27 now contains the standards on accounting for shares in subsidiaries, joint ventures and associates in the separate financial statements. In this regard, IAS 27 was renamed "Separate Financial Statements". According to the EU, the amended standard is mandatory for reporting periods beginning on or after January 1, 2014, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

Amendment to IAS 28 "Investments in Associates": This standard was renamed "Investments in Associates and Joint Ventures". The amended IAS 28 now incorporates SIC 13 "Jointly controlled Entities – Non-monetary Contributions by Venturers" and clarifies other issues as well. According to the EU, the amended standard is mandatory for reporting periods beginning on or after January 1, 2014, and is expected to have no effects, or no material effects, on the consolidated financial statements.

Amendment to IAS 32 "Financial Instruments: Presentation": The addition clarifies some details related to the offsetting of financial assets and financial liabilities. The amended standard is mandatory for reporting periods beginning on or after January 1, 2014, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

International Financial Reporting Interpretations Committee (IFRIC) 20 "Stripping Costs in the Production Phase of a Surface Mine": The interpretation is mandatory for reporting periods beginning on or after January 1, 2013, and will have no effects on the consolidated financial statements.

Standards and interpretations which have not yet entered into force and have not yet been adopted by the EU in the comitology procedures

Amendment to IFRS 1 "First-Time Adoption of International Financial Reporting Standards": The amendments relate to exemptions for first-time adopters concerning retrospective measurement of government grants. The amended standard is mandatory for reporting periods beginning on or after January 1, 2013, and will have no effects on the consolidated financial statements.

IFRS 9 "Financial Instruments": In November 2009, the IASB published the new standard IFRS 9 on the classification and measurement of financial assets. Publication of IFRS 9 brings to a close the first stage of a three-part project by the IASB to reform accounting for financial instruments, including IAS 39 "Financial Instruments: Recognition and Measurement". In accordance with IFRS 9, a new, less complex approach is used for the classification and measurement of financial assets. In October 2010, the IASB published an amendment adding a section on financial liabilities to IFRS 9. IFRS 9 is mandatory for all reporting periods beginning on or after January 1, 2015. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

Amendments to the transitional provisions for IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities": These define the date of first-time adoption and the applicable wording of IFRS 3 "Business Combinations" and IAS 27 "Separate Financial Statements" when applying IFRSs retrospectively. They also provide for exemptions in IFRS 11 and IFRS 12. The amendments are mandatory for those reporting periods beginning on or after January 1, 2013, and are not expected to have any effects, or no material effects, on the consolidated financial statements.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" relating to exemptions from the duty to consolidate for investment entities. The amendments are mandatory for those reporting periods beginning on or after January 1, 2014, and are not expected to have any effects, or no material effects, on the consolidated financial statements.

Annual improvements project: In May 2012, the IASB issued the fourth final omnibus standard with changes to existing IFRSs in the course of its annual improvements project. The 2009 – 2011 annual improvements project included minor amendments to a total of five standards. The amendments are applicable for reporting periods beginning on or after January 1, 2013. The most notable changes are listed below. Their application will not, however, have a material effect on the Company's consolidated financial statements:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": The amendments contain clarifications on the repeated application of IFRS 1 and borrowing costs.
- IAS 1 "Presentation of Financial Statements": The amendment clarifies the difference between additional comparative information that may be presented and minimum comparative information that is required.
- IAS 16 "Property, Plant and Equipment": Clarification that servicing equipment and large spare parts are classified as property, plant and equipment where they meet the recognition criteria for property, plant and equipment.
- IAS 32 "Financial Instruments: Presentation": Clarification that income taxes on distributions to shareholders are accounted for pursuant to the provisions of IAS 12 "Income Taxes".
- IAS 34 "Interim Financial Reporting": The amendment clarifies the regulations of IAS 34 with regard to segment information to be disclosed as total assets and total liabilities for the reportable segments.

The Group decided not to early adopt standards and IFRIC interpretations which have already been issued but have not yet become effective. Generally speaking, Dürr intends to adopt all standards when they become effective.

The requirements of the standards applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations and cash flows of the Group.

The reporting period of Dürr is the calendar year. The consolidated financial statements are prepared in euros; all amounts are presented in thousands of euro (€ thousand or € k), unless stated otherwise.

As a rule, assets and liabilities are measured at historical or amortized cost. Exceptions to this rule are derivative financial instruments, liabilities from a put option held by non-controlling interests, liabilities from contingent purchase price installments, obligations from share-based compensation and financial assets classified as available-for-sale and held-for-trading which are measured at fair value.

Assets and liabilities are treated as current if they are realized or settled within twelve months of the end of the reporting period. Those liabilities with a remaining term of between one and five years are disclosed as medium term and those with a remaining term of more than five years as long-term.

2. BASIS OF CONSOLIDATION

The consolidated financial statements of Dürr are based on the IFRS financial statements of Dürr AG and the consolidated subsidiaries and entities accounted for using the equity method as of December 31, 2012, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, capital consolidation is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired

against proportionate equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date taking hidden reserves and encumbrances into account. Any remaining debit difference is shown as goodwill. When the entity is removed from consolidation, the goodwill is released to profit or loss. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100 % of the shares are purchased, IFRS 3 provides for a choice between the purchased goodwill method and the full goodwill method, in which the entire goodwill on the acquired entity is recognized, including that part attributable to non-controlling interests. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition.

Entities over which Dürr exercises significant influence (associates) are accounted for using the equity method; this is generally the case with a share of voting rights ranging from 20 % to 50 %. The equity method is also applied for joint ventures in which Dürr together with other venturers undertakes an economic activity which is subject to joint control. Any goodwill is disclosed under investments in entities accounted for using the equity method. All other investments are accounted for at cost because market values are not available and fair values cannot be reliably determined by other means.

Intragroup sales revenues, other operating income and expenses and all intragroup receivables, liabilities and provisions and end-of-year adjustments (prepaid expenses and deferred income) are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

3. CONSOLIDATED GROUP

Besides Dürr AG, the consolidated financial statements as of December 31, 2012, contain all German and foreign entities which Dürr AG can control directly or indirectly (control concept). The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. Joint ventures and associates are included in the consolidated financial statements using the equity method from the date on which joint control or the possibility of significant influence existed.

The table below shows the number of entities included in the consolidated group besides Dürr AG as the parent:

3.6 /

NUMBER OF FULLY CONSOLIDATED ENTITIES

	<u>Dec. 31, 2012</u>	Dec. 31, 2011
Germany	13	12
Other countries	47	45
	60	57

The consolidated financial statements contain ten entities (prior period: eight) which have non-controlling interests.

3.7 /

NUMBER OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

	<u>Dec. 31, 2012</u>	Dec. 31, 2011
Germany	3	2
Other countries	1	2
	4	4

4. CHANGES IN THE CONSOLIDATED GROUP

On February 22, 2012, Dürr founded the entity Dürr (Thailand) Co., Ltd., based in Bangkok, Thailand.

Under a share purchase agreement signed on September 11, 2012, Dürr acquired 26.9 % of the shares in Thermea Energiesysteme GmbH based in Freital, Germany, as of October 24, 2012. Subsequent to the acquisition, the shareholding in Thermea Energiesysteme was increased by 0.6 percentage points to 27.5 % as part of a capital increase. Pursuant to the provisions of an agreement, Dürr has the power to control and therefore includes Thermea Energiesysteme GmbH in the consolidated financial statements as a fully consolidated entity.

Effective November 21, 2012, Dürr concluded an agreement with Dürr Cyplan Ltd., based in Aldermaston, UK, on the assumption of operational management. This means that Dürr has the power to control and includes Dürr Cyplan Ltd. in the consolidated financial statements as a fully consolidated entity.

Following the acquisition of a further 21 % of the shares in LaTherm GmbH, based in Dortmund, Germany, on March 22, 2012, Dürr now holds 29.2 % of the shares in the entity. LaTherm GmbH has therefore been included in the consolidated financial statements as an associate using the equity method. The entity was previously accounted for in other financial assets.

5. CURRENCY TRANSLATION

Financial statements denominated in the foreign currency of the subsidiaries included in the consolidation are translated to the euro on the basis of the functional currency concept pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates". For the majority of foreign subsidiaries in the Group, the functional currency is the local currency, since these entities operate independently from a financial, economic and organizational viewpoint. According to this concept, assets and liabilities are thus translated at the closing rates, while income and expenses are generally translated at average rates. Any currency translation differences are recorded without effect on profit or loss in other comprehensive income.

In the separate financial statements of Dürr AG and its subsidiaries, receivables and liabilities in a currency other than the euro are measured at the historical rate; current transactions are translated at the current exchange rate. Any exchange rate gains and losses at the end of the reporting period are included in the statement of income. For actual figures of the exchange rate gains and losses recognized in profit or loss, please refer to notes 8 and 13.

3.8

SIGNIFICANT EXCHANGE RATES

(in relation to one euro)	CLOSING RATE		AVERAGE RATE	
	Dec. 31, 2012	Dec. 31, 2011	2012	2011
US dollar	1.3186	1.2932	1.2927	1.3983
Chinese renminbi	8.2150	8.1435	8.1462	9.0204
Brazilian real	2.6997	2.4137	2.5323	2.3346
Mexican peso	17.2055	18.0725	16.9444	17.4096
Indian rupee	72.4609	68.5855	68.9773	65.4636
Pound sterling	0.8158	0.8367	0.8115	0.8694
Korean won	1,402.4625	1,499.5924	1,446.2669	1,544.8886
Danish krone	7.4605	7.4340	7.4450	7.4494
Japanese yen	113.6500	100.0700	103.5000	111.2300

In the separate financial statements of the foreign subsidiaries, goodwill is translated at the rate prevailing at the end of the Group's reporting period. Applying the transitional ruling of IAS 21.59, goodwill that already existed as of January 1, 2005, and is not accounted for in the separate financial statements of the subsidiaries is still accounted for at the historical exchange rate (at the date of acquisition) at the end of the Group's reporting period. The hidden reserves identified in acquisitions are generally accounted for using the functional currency of the acquired entity.

6. RECOGNITION AND MEASUREMENT POLICIES

Intangible assets Intangible assets comprise goodwill, franchises, brand names, industrial rights and similar rights as well as capitalized development costs, capitalized transaction costs from financing activities and purchased technological know-how. Purchased and internally generated intangible assets are recognized pursuant to IAS 38 "Intangible Assets" if, in addition to other criteria, it is probable that a future economic benefit will flow to the entity from the use of the asset, and the cost of the asset can be reliably determined.

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they have an indefinite useful life. If this is not the case, the estimated useful life is changed from indefinite to finite in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired.

In the Group, development costs are only recognized as internally generated intangible assets if the conditions set forth in IAS 38 are satisfied. These include the following criteria:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale
- The probability of a future economic benefit arising from the use of the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Cost is the sum of all directly attributable expenditure incurred from the date when the intangible asset first meets the recognition criteria. Development costs which do not meet these criteria as well as research costs are expensed immediately. Amortization of capitalized development costs is disclosed under research and development costs in the statement of income.

3.9 / USEFUL LIFE OF INTANGIBLE ASSETS (ESTIMATED)

years	
Transaction costs	2 to 5
Capitalized development costs	3 to 10
Technological know-how	8
Franchises, industrial rights and similar rights	2 to 14
Customer relationships	8 to 10
Brand names	Indefinite

Property, plant and equipment Property, plant and equipment are accounted for at cost less straight-line depreciation over their useful life. Cost comprises all production costs that are directly attributable to the production process.

3.10

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED)

years	
IT hardware	3 to 5
Furniture and fixtures	2 to 20
Machines and equipment	2 to 21
Buildings and leasehold improvements	4 to 50
Land	Indefinite

The cost of property, plant and equipment includes major expenditures and replacements which extend useful lives or increase capacity. The historical cost of assets that are either sold or scrapped is derecognized, as is the accumulated depreciation. Any gains or losses from derecognition are determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit or loss as other operating income or expenses in the period in which the item is derecognized. Costs of on-going repairs and maintenance are expensed immediately.

Investment property Investment property is measured initially at amortized cost, including transaction costs. The carrying amount contains the costs for investments to replace an existing investment property at the time these costs are incurred, provided the recognition criteria are satisfied, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at amortized cost.

Investment property is derecognized when it is sold or retired from active use and no future economic benefit is expected upon its disposal. Gains or losses arising from the retirement or disposal of investment property are recognized in the year of retirement or disposal.

Properties are allocated to investment property if a change in use has occurred which is substantiated by their being occupied by another party after the end of owner-occupation or the inception of an operating lease with another party.

Impairment test All intangible assets with an indefinite useful life, intangible assets which are not yet ready for use and goodwill are tested for impairment at the end of each reporting period. Other intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that an asset may be impaired, i.e., that the carrying amount of an asset may not be recoverable. Investment property that is largely rented to third parties is also subjected to an annual impairment test.

An impairment loss is recognized if the recoverable amount of the asset falls short of its carrying amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount recoverable from the disposal of an asset at market conditions less costs to sell. Value in use is the fair value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit to which the asset belongs. As regards goodwill acquired in business combinations, the relevant cash-generating units correspond to the business units of the Dürr Group based on internal reporting structures. To determine the estimated cash flows of each cash-generating unit, basic assumptions have to be made. These include assumptions regarding financial planning and the interest rates used for discounting.

Impairment losses recognized in prior periods are reversed against profit or loss if they cease to exist or have decreased. The increase in value or the reduction of an impairment loss of an asset is, however, only recognized to the extent that it does not exceed the carrying amount that would have existed if the regular amortization or depreciation had been recorded and no impairment losses had been recognized. Impairments on goodwill may not be reversed.

Other comments on intangible assets and property, plant and equipment are to be found in note 18.

Government Grants In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", government grants are only recorded if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. Grants that relate to an investment are deducted from the carrying amount of the subsidized asset. Grants related to income are recognized as deferred income and released in the correct period.

Leases The entities in the Dürr Group are lessees of land, buildings, office and operating equipment. The majority of leases are classified as operating leases. Lease payments on operating leases are recorded as an expense in the statement of income over the term of the lease.

Assets leased under finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest over the period on the remaining balance of the lease liability. Finance charges are taken to profit or loss immediately. A liability is also established at that time for the same amount. The leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Investments in entities accounted for using the equity method

Entities over which Dürr either has significant influence or in which Dürr together with other venturers undertakes an economic activity which is subject to joint control are recorded as investments in entities accounted for using the equity method. The Group's share of profits and losses is shown in the consolidated statement of financial position as a change in the carrying amount and recognized in the consolidated statement of income under "profit or loss from entities accounted for using the equity method". Where there has been a change recognized directly in the equity of the entity accounted for using the equity method, the Group also recognizes its share of the change directly in equity in proportion to its shareholding and discloses this in the statement of changes in equity. Dividends received are deducted from the carrying amount.

Financial instruments A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Pursuant to IAS 39, financial instruments are classified in the following categories:

- Financial assets held for trading
- Held-to-maturity investments
- Loans and receivables originated by the entity
- Available-for-sale financial assets
- Financial liabilities measured at amortized cost
- Financial liabilities at fair value through profit or loss

Purchases or sales of financial assets are recognized using trade date accounting.

Financial assets

Financial assets with fixed or determinable payments and fixed maturity that the entity intends and has the ability to hold to maturity other than loans and receivables originated by the entity pursuant to IAS 39 are classified as held-to-maturity investments. Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price

or dealer's margins are classified as financial assets held for trading. All other financial assets apart from loans and receivables originated by the entity pursuant to IAS 39 are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets. This does not apply if they are due within one year of the end of the reporting period. Financial assets held for trading are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if management intends to sell them within twelve months of the end of the reporting period.

When a financial asset is recognized initially, it is measured at cost. This comprises the fair value of the consideration and – with the exception of financial assets held for trading – the transaction costs.

Changes in the fair value of held-for-trading financial assets are recorded in profit or loss. The fair value of a financial instrument is the amount that can be generated from the asset in an arm's length transaction between knowledgeable and willing parties under current market conditions.

Held-to-maturity investments are measured at amortized cost using the effective interest method. If it is more likely than not that the financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. If an impairment loss recorded in a prior period decreases and the decrease in the impairment loss (or reversal) can be objectively related to an event occurring after the impairment loss, the reversal is recognized in profit or loss. A reversal of an impairment loss cannot, however, exceed the carrying amount that would have been recognized without the impairment loss.

Loans and receivables originated by an entity and not held for trading are measured at the lower of amortized cost or net realizable value at the end of the reporting period.

Available-for-sale financial assets are recognized at fair value. Unrealized gains and losses are disclosed in other comprehensive income, net of a tax portion. The reserve is released to profit or loss either upon disposal or if the assets are impaired.

To date, Dürr has not made use of the option to designate financial assets upon initial recognition as financial assets at fair value through profit or loss.

Financial liabilities

Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. They include, for example, trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

After initial measurement, financial liabilities carried at amortized cost are subsequently measured at amortized cost using the effective interest method. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading. Derivatives are deemed to be held for trading unless they are designated and effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Dürr has not yet made use of the option to designate financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

Derivative financial instruments and hedge accounting

Dürr uses derivative financial instruments such as forward exchange contracts in order to hedge against currency risks.

Derivative financial instruments are measured at fair value on initial recognition and in subsequent periods. Recognition of these changes – whether in profit or loss or directly in equity (hedge reserve) – depends on whether the derivative financial instrument is part of an effective hedge in accordance with IAS 39. Changes in fair value are recognized in profit or loss unless the special criteria of IAS 39 for hedge accounting are satisfied.

Depending on the nature of the hedged item, hedging instruments are designated as follows:

- Fair value hedges if they hedge exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment that could affect profit or loss;
- Cash flow hedges if they hedge exposure to variability in cash flows that is attributable to a recognized asset or liability or a forecast transaction and could affect profit or loss; or
- Hedge of a net investment in a foreign operation. These are treated like a cash flow hedge.

Fair value hedge accounting

In the case of fair value hedges, the carrying amount of a hedged item is adjusted through profit or loss by the profit or loss that is attributable to the hedged exposure. In addition, the derivative financial instrument is remeasured at its fair value; gains or losses arising as a result are also recognized in profit or loss. In a perfect hedge, the fluctuation in fair value recognized in profit or loss for the hedged item practically offsets that of the hedging instrument. For fair value hedges which relate to hedged items carried at amortized cost, the adjustments of the carrying amount are released to profit or loss over their term until maturity. Every adjustment of the carrying amount of a hedged financial instrument is released to profit or loss using the effective interest method. The amount can be released as soon as an adjustment is made. It is released at the latest when the hedged item ceases to be adjusted for the changes in fair value that are attributable to the hedged exposure. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of income.

If an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in its fair value that is attributable to the hedged risk is recognized as an asset or liability in the profit or loss of the period. The changes in fair value of the hedging instrument are also recognized in the profit or loss of the period. However, this does not apply if foreign exchange exposure is hedged, as that is treated as a cash flow hedge. Hedge accounting is discontinued when the hedging instrument is settled prematurely or matures or no longer qualifies for hedge accounting.

Cash flow hedge accounting

In the case of cash flow hedges, the effective portion of the gain or loss on a hedging instrument is recognized directly in equity. The ineffective portion is recognized in profit or loss. Amounts that are recognized directly in equity are reclassified to profit or loss in the period in which the hedged item affects the net profit or loss for the period. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction is no longer expected to occur, any amounts previously taken to equity are reclassified to the net profit or loss for the period. When the hedge is settled prematurely or matures, the amounts previously disclosed remain a separate item in equity until the forecast transaction occurs. The same applies if the hedging instrument is exercised without replacement or rollover, or if the criteria for cash flow hedge accounting are no longer in place. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss. Further explanations on derivative financial instruments are given in note 39.

Other financial assets

The marketable securities disclosed under other financial assets include securities classified as available for sale, which are measured at market value at the end of the reporting period, and securities classified as held to maturity, which are measured at amortized cost using the effective interest method.

Inventories and prepayments

Inventories of materials and supplies, work in process from small series production and finished goods are carried at the lower of cost or net realizable value at the end of the reporting period. As a rule, an average is used or a figure determined using the first in, first out (FIFO) method. Write-downs are recorded for obsolete and slow-moving inventories.

Costs of conversion comprise direct materials costs, direct labor costs as well as all production-related overheads and depreciation. The overhead markups are determined on the basis of average capacity utilization. Borrowing costs are not included unless they relate to qualifying assets.

Customer-specific construction contracts

Dürr generates most of its sales revenues from customer-specific construction contracts. Contract revenues are generally disclosed using the percentage of completion method (POC method) pursuant to IAS 11 "Construction Contracts". This involves recognizing sales revenues and the planned margin in line with the degree to which the contract has been completed. The degree of completion is calculated on the basis of the costs incurred relative to the total estimated costs. This ensures that both sales revenues and the associated costs, and therefore the profit or loss from the contract, are recognized in the period in which they are incurred. The zero profit method (ZP method) is used in instances where estimated costs to complete cannot be reliably determined, but it is probable that the costs incurred will be reimbursed. With the zero profit method, sales revenues and the associated costs are realized in equal amounts until the contract is completed. The result is thus not recognized in profit or loss until the contract is completed.

Other sales revenues are recognized when the significant risks and rewards of ownership have been transferred pursuant to IAS 18 "Revenue". This is usually the date on which the goods or merchandise are delivered or services rendered.

Progress billings issued to customers and cash received from customers are deducted without effect on income from cost and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of cost and estimated earnings.

To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they are reported under receivables together with the corresponding estimated earnings as "cost and estimated earnings in excess of billings on uncompleted contracts". The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Cost and estimated earnings in excess of billings on uncompleted contracts includes directly allocable costs (materials and labor costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

Also included in cost and estimated earnings in excess of billings on uncompleted contracts are amounts that Dürr seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is probable and they can be reliably estimated. No profits are reported on these accumulated costs. Pending change orders involve the use of estimates. Therefore, it is possible that adjustments to the estimated recoverable amounts of recorded pending change orders will be made in the future.

The POC method and ZP method are based on estimates. Due to the uncertainties prevailing in this respect, estimates of the expenses required for completion, including expenses for contractual penalties and warranties, may have to be adjusted subsequently. Such adjustments to costs and income are recognized in the period in which the adjustments are determined. Provisions for onerous contracts are recognized in the period in which losses are identified.

Trade receivables and other non-derivative financial assets	<p>Receivables and other non-derivative financial assets are carried at the lower of amortized cost or net realizable value. The Group assesses their recoverability by referring to a number of factors. Should any issues arise which would impinge on the ability of certain debtors to meet their financial obligations, Dürr posts a specific valuation allowance to write down the net asset to the recoverable amount that can be reasonably expected. Impairments are recognized using valuation allowances. Receivables and other non-derivative financial assets are derecognized as soon as they become uncollectible.</p> <p>Management makes an estimate to deem whether separate accounts receivable are overdue or in default. For all other debtors, the Group records bad debt allowances on a portfolio basis for all receivables and non-derivative financial instruments depending on the days past due, the current business environment and past experience. A central monitoring and local collection management system counters the risk of bad debts. This system includes regular credit ratings, the conclusion of credit insurance policies and – particularly in the export business – issuing letters of credit.</p>
Cash and cash equivalents	<p>Cash and cash equivalents include cash, demand deposits and other short-term, highly liquid financial assets with an original term to maturity of less than three months. They are recognized at face value.</p>
Other comprehensive income	<p>This item presents changes in equity other than those arising from capital transactions with owners (e.g., capital increases or distributions). These include exchange differences, accumulated actuarial gains and losses from the measurement of pensions and similar obligations as well as unrealized gains and losses from the measurement of available-for-sale securities and derivative financial instruments measured at fair value.</p>
Borrowing costs	<p>Borrowing costs include interest and similar expenses, other finance costs and the cost of liabilities. Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, borrowing costs incurred in connection with the issue of a bond are deducted from the bond on the liabilities’ side of the consolidated statement of financial position. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond.</p> <p>Transaction costs incurred in connection with the syndicated loan were shown in the consolidated statement of financial position as other intangible assets and amortized over the term of the syndicated loan. Transaction costs associated with the loan approved by the European Investment Bank were reported under other assets in the consolidated statement of financial position. In the event of utilization of the loan, these transaction costs would have been offset against the principal paid out and released over the remaining term of the loan using the effective interest method.</p> <p>Pursuant to IAS 23 “Borrowing Costs”, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Adoption of the standard means that finance costs incurred for customer-specific construction contracts are recognized in cost of sales.</p>
Provisions for post-employment benefit obligations	<p>The Group’s post-employment benefits include defined contribution plans and defined benefit plans. In the case of defined contribution plans, Dürr pays contributions to state or private pension companies either on a voluntary basis or based on statutory or contractual provisions. No further payment obligations arise for Dürr following the payment of contributions.</p> <p>The post-employment benefit systems based on defined benefit plans guarantee the beneficiary a monthly old-age pension. These benefit plans are funded by the group entities and by the employees.</p> <p>In accordance with IAS 19 “Employee Benefits”, provisions for pension obligations are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Pension provisions are calculated taking into account development assumptions (e.g., salary developments) for those factors which affect the amount of the benefit.</p>

In order to avoid the recognition of income and expenses in profit or loss arising from closing date fluctuations in the parameters used to measure pension provisions, Dürr has applied the *SORIE* method to measure its pension obligations instead of the alternative allowed corridor method. According to the *SORIE* method, actuarial gains and losses are recorded directly in equity net of deferred taxes. Provisions for pension obligations covered by the employer's pension liability insurance are offset against the related fund assets pursuant to the criteria of IAS 19 taking account of the asset ceiling pursuant to IAS 19.58(b). The interest expense arising from measuring pension obligations as well as the expected income from plan assets are presented under net interest.

Other provisions Other provisions are recorded pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and can be reliably determined. These are uncertain liabilities recognized on the basis of a best estimate of the amount needed to settle the obligations. If the amount of the provision can only be determined within a range, the most probable figure is used. If there is no difference in the level of probability, the weighted average is taken. Provisions with a residual term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.

Liabilities At the inception of the lease, liabilities from finance leases are carried at the lower of fair value of the leased asset or the present value of the minimum lease payments (we refer to the explanations on leases). Trade payables and other non-derivative financial liabilities are recorded at amortized cost. Other liabilities are recorded at the settlement amount. Liabilities for restructuring are recognized to the extent that a detailed formal plan has been prepared and communicated to the parties concerned. Liabilities that do not lead to an outflow of resources in the following year are discounted at market interest rates as of the end of the reporting period.

Deferred taxes Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 "Income Taxes". This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS accounting profit nor the taxable profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from investments in subsidiaries or associates, and interests in joint ventures, unless the parent can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future. Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

Deferred taxes are measured taking into account the respective local income tax rates which are expected to apply in the individual countries at the time of realization based on tax laws that have been enacted or substantively enacted. Deferred tax assets are reversed if it is more probable that the tax benefit will be forfeited than that it will be utilized.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity by the same taxation authority. Deferred taxes are recorded as tax income or expense in the statement of income unless they relate to items recorded in other comprehensive income; in this case, the deferred taxes are also recorded in other comprehensive income.

Share-based payment The share-based payment transactions pursuant to IFRS 2 "Share-based Payment" cover remuneration systems that are settled in cash. Until they are settled, obligations arising from cash-settled payment transactions are measured at fair value and presented in other liabilities. The liabilities are remeasured at each reporting date up to and including the settlement date with changes in fair value recognized in personnel expenses in the statement of income.

Research and non-capitalizable development costs

Research and non-capitalizable development costs are recorded with an effect on income on the date they are incurred.

Contingent liabilities

Contingent liabilities are disclosed for possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities can arise from a present obligation that results from past events but is not recognized because

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

3.11 /

OVERVIEW OF SELECTED MEASUREMENT METHODS

Item in the statement of financial position	Measurement method
Goodwill	Cost applying the impairment-only approach
Other intangible assets	
of indefinite useful life	Cost applying the impairment-only approach
of finite useful life	(Amortized) cost
Property, plant and equipment	(Amortized) cost
Financial assets	
held to maturity	(Amortized) cost (effective interest method)
available for sale	At fair value recognized in equity
held for trading	At fair value recognized in profit or loss
Inventories	Lower of cost or net realizable value
Costs and estimated earnings in excess of billings	Percentage of completion method/zero profit method
Trade receivables	(Amortized) cost
Cash and cash equivalents	Nominal value
Provisions	
Provisions for post-employment benefit obligations	Settlement value (projected unit credit method)
Other provisions	Settlement value
Financial liabilities	(Amortized) cost/fair value
Trade payables	(Amortized) cost
Other liabilities	Settlement value

Other measurement methods may apply in the event of impairment.

Earnings per share

Earnings per share is determined pursuant to IAS 33 "Earnings per Share". Earnings per share is calculated as the profit share of the shareholders of Dürr AG divided by the weighted average number of shares issued. The calculation is presented in the table below. There were no dilutive effects in the 2012 and 2011 reporting periods.

3.12 /

EARNINGS PER SHARE

		2012	2011
Profit attributable to the shareholders of Dürr AG	€ k	107,195	61,850
Number of shares issued (weighted average)	thousands	17,300.5	17,300.5
Earnings per share (basic and diluted)	€	6.20	3.58

Use of judgments and estimates	<p>The preparation of the consolidated financial statements pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual figures may diverge from these estimates.</p>
Judgments	<p>In the process of applying the accounting policies, management has made the following judgments which have a significant effect on the amounts recognized in the financial statements:</p> <p>Operating lease commitments – Group as lessor</p> <p>The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.</p> <p>Operating lease commitments – Group as lessee</p> <p>The Group has entered into lease agreements for real estate. The Group has determined that the special purpose entities which are the lessors of the real estate retain all the significant risks and rewards of ownership of these.</p> <p>Consolidation of special purpose entities</p> <p>In some cases, special purpose entities are used to lease production and office premises. Dürr has no influence on the financing or business policies of any of these special purpose entities. The opportunities and risk structures of the special purpose entities are such that they cannot be included in the consolidated group.</p>
Estimates and assumptions	<p>The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.</p> <p>Cost and estimated earnings in excess of billings</p> <p>Customized construction contracts make up a large part of Dürr's business. Revenues and costs relating to construction contracts are generally recognized using the percentage of completion method (POC). A precise assessment of the degree of completion is essential in this respect. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly.</p> <p>Impairment of goodwill</p> <p>The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. To do this, management is required to make an estimate of the expected future cash flows from the cash-generating units. Dürr uses a planning horizon of five years. In addition, it is necessary to choose a suitable discount rate in order to calculate the present value of these cash flows. The carrying amount of goodwill as of December 31, 2012, was € 288,159 thousand (prior period: € 284,482 thousand). Please refer to note 18 for further details.</p> <p>Income taxes</p> <p>Dürr operates in a large number of countries and is consequently subject to different tax jurisdictions. The anticipated current and deferred income taxes have to be determined for each taxable entity. Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors such as future taxable profit in the planning periods and profit actually generated in the past. Dürr uses a planning horizon of four years. The actual amounts may differ from the estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Please refer to note 17 for further details.</p>

Pensions and other post-employment benefit plans

The cost of defined benefit plans is determined using actuarial calculations. This involves making assumptions about discount rates, the expected return on plan assets, future salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest bonds. The expected long-term return on plan assets is determined by reference to historical long-term yields and the portfolio structure. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Pension provisions amounted to € 53,480 thousand as of December 31, 2012 (prior period: € 57,779 thousand). Please refer to note 26 for further details.

Development costs

Development costs are capitalized in accordance with the accounting policy presented in note 6. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, interest rates to be applied and the expected period of benefits. The carrying amount of capitalized development costs as of December 31, 2012, was € 11,768 thousand (prior period: € 14,439 thousand).

Put option for shares held by non-controlling interests

In the course of the first-time full consolidation of CPM S.p.A. in the 2007 reporting period, Agramkow Fluid Systems A/S in the 2011 reporting period and Thermea Energiesysteme GmbH in the 2012 reporting period, put options for the shares held by non-controlling interests were measured at fair value in accordance with IAS 32 and recognized under sundry financial liabilities. The fair value is calculated at the end of each reporting period. In the case of CPM S.p.A, this requires an estimate to be made regarding the future sales revenues. The fair value of the options to shares in Agramkow Fluid Systems A/S is determined at the higher of the fair value measured using the discounted cash flow method and an extrapolation of the purchase price paid for the acquisition of the first 55 % interest. The higher of the business value determined using a multiplier method and a proportionate fixed price is definitive for the option relating to Thermea Energiesysteme GmbH.

Call options for shares held by non-controlling interests

As part of the purchase of Thermea Energiesysteme GmbH, a call option exercisable at any time was concluded covering additional shares held by non-controlling interests. Pursuant to IAS 39, the call option is treated as a financial asset in a similar way as a derivative based on a share in a subsidiary. The exercise price for the call option is capped. As of December 31, 2012, the fair value of the call option was € 0 thousand. In the event that the proportionate business value of Thermea Energiesysteme GmbH exceeds the capped exercise price in the future the value of the financial asset will be adjusted through profit or loss.

Share-based payment

The measurement of cash-settled share-based payment transactions is based on the anticipated share price at the end of the contractual term and an average earnings ratio over the duration of the program. Historical share prices are used to determine the fair value. The average earnings ratio used is based on Dürr's internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made.

Estimates and assumptions are also required for the recognition and measurement of bad debt allowances (cf. note 39) as well as for contingent liabilities and other provisions; the same applies to determining the fair value of long-lived items of property, plant and equipment and intangible assets.

NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

7. SALES REVENUES

3.13 /

SALES REVENUES

€ k	2012	2011
Contract revenues	1,703,205	1,339,826
Revenues from services	506,930	445,446
Other sales revenues	189,695	136,715
	2,399,830	1,921,987

8. COST OF SALES

Cost of sales includes all costs of purchase and costs of conversion incurred in the sale of goods and services. In the 2012 reporting period, the cost of sales amounted to € 1,962,040 thousand (prior period: € 1,590,584 thousand), which corresponds to a gross margin of 18.2 % (prior period: 17.2 %). The exchange rate gains arising from sales of € 9,921 thousand (prior period: € 7,430 thousand) and exchange rate losses arising from sales of € 13,242 thousand (prior period: € 6,047 thousand) have been included in the cost of sales. Cost of sales does not contain any finance costs recognized on account of IAS 23 "Borrowing Costs". For further details, please refer to note 35. However, the cost of sales includes depreciation and amortization of non-current assets of € 15,543 thousand (prior period: € 11,621 thousand).

9. SELLING EXPENSES

Selling expenses comprise all direct selling costs and overheads. These generally include all personnel expenses, cost of materials, depreciation and amortization as well as other costs relating to sales. In addition, selling expenses include bad debt expenses relating to trade receivables.

3.14 /

SELLING EXPENSES

€ k	2012	2011
Personnel expenses	88,010	75,309
Amortization, depreciation and impairment of non-current assets	1,086	987
Write-downs of receivables	650	1,621
Additions and releases of bad debt allowances on trade receivables	510	-81
Other selling expenses	33,427	29,396
	123,683	107,232

For information about write-downs and impairments of receivables, please refer to note 21.

10. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise personnel expenses and non-personnel expenses of the central administrative functions, which are not attributable to contract processing, production, sales or research and development.

3.15 /	ADMINISTRATIVE EXPENSES	
€k	2012	2011
Personnel expenses	66,891	52,870
Amortization, depreciation and impairment of non-current assets	4,402	3,437
Other administrative expenses	30,720	32,431
	102,013	88,738

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs include all the costs of those activities undertaken to gain new scientific or technical knowledge and understanding or to improve products and manufacturing processes. They comprise both personnel expenses and non-personnel expenses. Research and development costs are reduced by those development expenses that qualify for recognition as assets. The amortization expense recognized under research and development costs includes the amortization of development costs recognized as assets.

3.16 /	RESEARCH AND DEVELOPMENT COSTS	
€k	2012	2011
Personnel expenses	16,446	15,173
Amortization, depreciation and impairment of non-current assets	7,234	4,609
Capitalized development costs	-3,072	-2,655
Other research and development costs	16,610	12,377
	37,218	29,504

Of the total amount reported as depreciation and amortization of non-current assets, an amount of € 6,111 thousand (prior period: € 4,025 thousand) is attributable to capitalized development costs.

12. PERSONNEL EXPENSES

The statement of income contains the following personnel expenses:

3.17 /	PERSONNEL EXPENSES	
€k	2012	2011
Wages and salaries	401,011	337,176
Social security contributions	75,432	65,423
	476,443	402,599
of which post-employment benefits	5,165	4,466

Personnel expenses include flat-rate refunds from the Federal Employment Agency in Germany of € 430 thousand (prior period: € 484 thousand). These refunds were made for filling positions made vacant by individual workers released under phased retirement schemes at various German entities. In the prior period, the amount also included refunds for the social security expenses

payable by Dürr with respect to the government-subsidized reduced working hours scheme. In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", these refunds are disclosed net of the associated costs. Reference is also made to note 13.

13. OTHER OPERATING INCOME AND EXPENSES

3.18/

OTHER OPERATING INCOME AND EXPENSES

€ k	2012	2011
Other operating income		
Exchange rate gains	15,832	19,477
Adjustment of contingent purchase price installments for UCM AG and Dürr Systems Wolfsburg GmbH	–	1,318
Reversal of provisions	1,331	683
Rental and lease income	673	682
Government grants	2,330	956
Insurance claims	258	105
Gains on disposal of non-current assets	104	58
Sundry	3,925	2,503
	24,453	25,782
Other operating expenses		
Exchange rate losses	15,635	17,575
Cost of litigation	380	2,487
Expenses for training facility	682	878
Factoring	388	487
Expenses relating to the settlement of pensions of former employees	1,064	–
Losses on disposal of non-current assets	490	310
Sundry	3,794	3,480
	22,433	25,217

Apart from the reversal of provisions recognized in prior years and the expenses from the settlement of pensions of former employees, there are no other material income or expense items relating to other periods.

14. GOVERNMENT GRANTS

Government grants of € 2,386 thousand were received in the 2012 reporting period to subsidize expenditures of the Group (prior period: € 1,296 thousand). The grants include subsidies for cost-intensive innovations and reimbursements from the Federal Employment Agency (see note 12).

In addition, government grants reduced the historical cost of assets by € 292 thousand (prior period: € 56 thousand). Conditions are attached to the government grants. At present, it can be assumed that these conditions will be met.

15. PROFIT FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

The profit from entities accounted for using the equity method amounted to € 452 thousand (prior period: € 580 thousand). This disclosure comprises the profit shares from entities accounted for using the equity method. Currency effects were recorded in other comprehensive income.

16. NET INTEREST

3.19 /

NET INTEREST

€k	2012	2011
Interest and similar income	4,278	5,542
of which from:		
Expected return on plan assets	1,315	1,557
Other interest income	2,963	3,985
Interest and similar expenses	-33,919	-26,807
of which from:		
Nominal interest expenses on corporate bond	-16,313	-16,313
Amortization of transaction costs, premium from a bond issue and from a syndicated loan	-717	-1,704
Non-recurring effects from adjustment of the syndicated loan from 2011 and the EIB's loan commitment	-3,041	-
Non-recurring effects from early redemption of the syndicated loan from 2008	-	-981
Interest expenses from finance leases	-400	-290
Interest cost from the measurement of pension obligations	-4,143	-4,089
Reduction in the discount rate used for measuring liabilities from lifetime accounts	-3,433	-
Other interest expenses	-5,872	-3,430
Net interest	-29,641	-21,265

In the reporting period, interest expenses were not reduced by finance costs relating to customer-specific construction contracts in accordance with IAS 23 "Borrowing Costs" (prior period: € 0 thousand) as the contracts could be financed without drawing on overdraft facilities. For further details, please refer to note 35.

17. INCOME TAXES

The income taxes relate to the German corporate income tax, including a solidarity surcharge, trade tax on income and comparable taxes levied at foreign subsidiaries.

Deferred taxes in Germany are computed using a tax rate of 29.5 % (prior period: 29.5 %).

3.20 /

COMPOSITION OF INCOME TAX EXPENSE

€k	2012	2011
Current income taxes		
Income tax expense for the reporting period – Germany	7,110	666
Income tax expense for the reporting period – other countries	26,172	16,717
Adjustment for prior periods	-1,837	125
Total current taxes	31,445	17,508
Deferred taxes		
Deferred tax expense/income (–) Germany	5,292	1,227
Deferred tax expense/income (–) other countries	-392	2,496
Adjustment for prior periods	-	321
Total deferred taxes	4,900	4,044
Total income tax expense	36,345	21,552

The following table shows the reconciliation of theoretical income tax expense to the total income tax expense reported. The reconciliation is based on an overall tax rate in Germany of 29.5 % (prior period: 29.5 %).

3.21

RECONCILIATION OF THE INCOME TAX EXPENSE

€ k	2012	2011
Earnings before income taxes	147,730	85,809
Theoretical income tax expense in Germany of 29.5 % (prior period: 29.5 %)	43,580	25,314
Adjustments of current and deferred income tax incurred in prior periods	-1,837	446
Non-deductible operating expenses	7,557	6,924
Foreign tax rate differential	-581	-53
Unrecognized deferred tax assets especially on unused tax losses	-58	360
Change in tax rates	-	2,670
Change in write-downs on deferred tax assets	-4,572	-5,346
Subsequent recognition of deferred taxes in particular on unused tax losses	-6,831	-8,452
Zero-rated income	-682	-500
Other	-231	189
Total income tax expense of the Dürr Group	36,345	21,552

In Germany, unused tax losses amount to € 83,184 thousand for corporate income tax purposes plus the solidarity surcharge as of December 31, 2012 (prior period: € 112,723 thousand). Unused tax losses for trade tax purposes amount to € 59,483 thousand (prior period: € 26,030 thousand) and deductible interest expenses carried forward amount to € 5,969 thousand (prior period: € 24,696 thousand).

Pursuant to IAS 12 "Income Taxes", a deferred tax asset should be recognized on unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In calculating the possibilities for utilizing tax losses, Dürr uses a four-year planning horizon and takes into account the minimum taxation rule applicable in certain countries. The profit and loss transfer agreement between Dürr AG and Carl Schenck AG which had been in place since fiscal 2008 was terminated with effect as of midnight on December 31, 2012. This meant that Dürr recorded a non-recurring effect in the reporting period from the first-time recognition of deferred tax assets on unused tax losses of € 6,831 thousand and from changes in write-downs of loss and interest carryforwards of € 5,181 thousand in Germany. In some tax jurisdictions, deferred tax assets were again not recognized on unused tax losses due to the accumulated losses of the past three years.

In sum, unused tax losses amounted to € 252,943 thousand (previous year: € 293,236 thousand). Unused tax losses for which no deferred tax assets were recognized came to € 167,950 thousand (prior period: € 176,187 thousand). The decrease was primarily attributable to tax losses subsequently capitalized in Germany. Unused tax losses of € 1,038 thousand (prior period: € 1,185 thousand) will expire within the next five years and € 87,454 thousand (prior period: € 98,476 thousand) within the next 20 years. At present, the remaining unused tax losses do not expire.

DEFERRED TAX ASSETS AND LIABILITIES

€ k	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
	Dec. 31, 2012	Dec. 31, 2011	2012	2011
Deferred tax assets				
Accounting for intangible assets	2,153	2,883	730	814
Revaluation of land and buildings	154	204	50	67
Revaluation of financial assets	66	61	-13	62
Bad debt allowances	338	416	78	-133
Interest/currency transactions	80	1,464	-783	-2,281
Customer-specific construction contracts	26,387	11,522	-14,865	-6,447
Post-employment benefits	7,035	6,618	3,860	-20
Provisions not recognized for tax purposes	4,189	3,283	-906	-1,493
Interest and tax loss carryforwards	23,124	32,713	9,589	-10,037
Total deferred tax assets before write-downs	63,526	59,164		
Write-downs	-9,163	-13,735	-4,572	-5,346
Total deferred tax assets	54,363	45,429		
Netting	-38,888	-35,785		
Net deferred tax assets	15,475	9,644		
Deferred tax liabilities				
Accounting for intangible assets	-3,124	-3,002	122	2,171
Capitalized development costs	-2,757	-2,947	-190	-274
Tax-deductible impairment of goodwill	-14,287	-13,985	302	1,219
Revaluation of land and buildings	-10,688	-10,992	-304	419
Measurement of shares in subsidiaries	-5,342	-3,607	1,735	3,607
Customer-specific construction contracts	-37,566	-26,460	11,106	21,309
Amortization of costs related to the bond and the syndicated loan	-505	-1,713	-1,208	171
Total deferred tax liabilities	-74,269	-62,706		
Netting	38,888	35,785		
Net deferred tax liabilities	-35,381	-26,921		
Currency effects reported in equity			169	236
Deferred tax expense			4,900	4,044

The currency effects of € 169 thousand (prior period: € 236 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2012 reporting period, deferred taxes of € 2,102 thousand were recognized directly in other comprehensive income (prior period: € 1,372 thousand).

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The income taxes and withholding taxes on distributable profits from subsidiaries are reported under deferred tax liabilities if it can be assumed that these profits will be subject to the corresponding taxation, or if there is a plan not to reinvest these profits for the long-term. No deferred tax liabilities were recognized on the accumulated profits of subsidiaries of € 67,351 thousand (prior period: € 51,540 thousand) as it is intended to reinvest these profits for an indefinite period.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details regarding the changes in the Group's intangible assets and property, plant and equipment are presented in the statement of changes in non-current assets in note 42.

In the prior period, the item franchises, industrial rights and similar rights included capitalized transaction costs of € 2,834 thousand from the financing of the Group. These were written off in full in the 2012 reporting period. € 850 thousand pertained to amortization and € 1,984 thousand to impairment losses. Further details can be found in note 28.

There were no indications on the reporting date that the brand names Agramkow and Thermea, which have an indefinite term and are recognized under intangible assets at € 2,170 thousand (prior period: brand name Agramkow: € 1,658 thousand), are impaired. Dürr intends to continue using these brand names in the future.

Prepayments relate exclusively to franchises, industrial rights and similar rights, transaction costs as well as property, plant and equipment. Property, plant and equipment are recognized as assets under construction if costs for own or third-party work have already been incurred for their manufacture but they have not been completed by the end of the reporting period.

As of December 31, 2012, there were contractual obligations for the purchase of property, plant and equipment for € 4,200 thousand (prior year: € 479 thousand). Most of these relate to obligations in connection with expanding the Bietigheim-Bissingen site.

Amortization and depreciation is shown in the statement of income under the following functional costs:

3.23

AMORTIZATION AND DEPRECIATION

€ k	2012			2011		
	Intangible assets	Property, plant and equipment	Total amortization and depreciation	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	-6,338	-9,205	-15,543	-4,480	-7,141	-11,621
Selling expenses	-193	-893	-1,086	-176	-811	-987
General administrative expenses	-1,267	-3,135	-4,402	-965	-2,467	-3,432
Research and development costs	-6,281	-953	-7,234	-4,125	-484	-4,609
Other operating expenses	-	-32	-32	-	-32	-32
Interest and similar expenses	-850	-	-850	-1,832	-	-1,832
	-14,929	-14,218	-29,147	-11,578	-10,935	-22,513

Impairment losses and reversals of impairment losses are shown in the statement of income under the following functional costs:

3.24 /
IMPAIRMENT LOSSES/REVERSALS

€ k	2012			2011		
	Intangible assets	Property, plant and equipment	Total impairment losses/reversals	Intangible assets	Property, plant and equipment	Total impairment losses/reversals
Cost of sales	–	–	–	–	71	71
Selling expenses	–	–	–	–	–	–
General administrative expenses	–	–	–	–	–5	–5
Research and development costs	–	–	–	–	–	–
Other operating expenses	–	–	–	–	–	–
Interest and similar expenses	–1,984	–	–1,984	–981	–	–981
	–1,984	–	–1,984	–981	66	–915

In the 2012 reporting period, impairment losses of € 1,984 thousand (prior period: € 986 thousand) and reversals of impairment losses of € 0 thousand (prior period: € 71 thousand) were recorded. The impairment losses on intangible assets of € 1,984 thousand relate to transaction costs for the syndicated loan from 2011 as material contractual terms were amended.

In the 2011 reporting period, an impairment loss of € 71 thousand was reversed on a building in Poland.

Impairment test for goodwill

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. Dürr has identified the business units within its divisions as cash-generating units. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all business units.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the business units exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. In the reporting period, the pre-tax discount rate for the cash flow forecast ranged from 8.63 % to 8.91 % (prior period: 10.16 % to 10.33 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (prior period: 1.5 %) based on the long-term growth rate of the business units.

Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and business units. They are based on the figures determined in the previous reporting period taking anticipated price and cost developments as well as efficiency increases into account.

Cost of capital (discount rate)

The cost of capital is the weighted average cost of debt and equity before tax. When calculating the cost of equity, a beta factor is taken into account, which is derived from capital market data and the capital structure of Dürr's benchmark companies. Cost of debt is based on a base interest rate for government bonds and a markup derived from the credit rating of benchmark companies.

Increase in the price of raw materials

The increase in the price of upstream products and raw materials purchased by Dürr is primarily derived from the expected increase in the prices of those commodities needed to manufacture the goods or materials. These, in turn, are determined from the forecast price indices of the countries from which the upstream products and raw materials are procured by the respective group entities.

Increase in payroll costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.6 % p.a. (prior period: 2.9 %) from 2013 onwards. The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

**Sensitivity analysis
of goodwill**

Independent of the current economic state of the automobile industry and the expectations for the future, Dürr conducted sensitivity analyses of the recoverability of the goodwill carried in its business units. The impact of the following scenarios were calculated:

- A fall of 10 % in EBIT in all years within the planning horizon beginning in 2013 (in comparison to the figures projected in the business plans)
- Increase of 0.5 percentage points in the discount rate
- A decrease in the rate of growth for the terminal value to 1.0 %

The sensitivity analyses revealed that, from today's perspective, no impairment loss would need to be recognized on goodwill in any of the business units even under these assumptions.

Development of goodwill

As of the end of the 2012 reporting period, the Environmental and Energy Systems and the Energy Technology Systems business units were merged into the Clean Technology Systems business unit in the division of the same name. The table below shows the development of goodwill, broken down by business unit and division.

3.25 /

DEVELOPMENT OF GOODWILL

€ k	Carrying amount as of Jan. 1, 2011	Exchange difference	Additions	Carrying amount as of Dec. 31, 2011	Exchange difference	Additions	Carrying amount as of Dec. 31, 2012
Paint and Final Assembly Systems	89,816	134	–	89,950	–250	–	89,700
Aircraft and Technology Systems	7,563	–	–	7,563	–	–	7,563
Paint and Assembly Systems	97,379	134	–	97,513	–250	–	97,263
Application Technology	62,749	–23	–	62,726	–208	–	62,518
Application Technology	62,749	–23	–	62,726	–208	–	62,518
Balancing and Assembly Products	98,614	243	1,859	100,716	–182	–	100,534
Cleaning and Filtration Systems	17,509	420	–	17,929	–259	–	17,670
Measuring and Process Systems	116,123	663	1,859	118,645	–441	–	118,204
Clean Technology Systems	5,451	147	–	5,598	–108	4,684	10,174
Clean Technology Systems	5,451	147	–	5,598	–108	4,684	10,174
Dürr Group	281,702	921	1,859	284,482	–1,007	4,684	288,159

The changes in goodwill from acquisitions are explained below.

Acquisitions 2012 reporting period

Thermea Energiesysteme GmbH: Under a share purchase agreement signed on September 11, 2012, Dürr acquired 26.9 % of the shares in Thermea Energiesysteme GmbH based in Freital, Germany, as of October 24, 2012. Subsequent to the acquisition, the shareholding in Thermea Energiesysteme was increased by 0.6 percentage points to 27.5 % as part of a capital increase. Pursuant to the provisions of an agreement, Dürr has the power to control the entity and includes Thermea Energiesysteme GmbH in the consolidated financial statements as a fully consolidated entity.

Thermea is one of the first providers worldwide to supply large-scale heat pumps that use the naturally occurring coolant CO₂. The technologies provided by Thermea add to the range of products offered by the Clean Technology Systems division founded at the beginning of 2011 in which business with energy efficiency technology is being expanded. Purchase accounting for Thermea Energiesysteme GmbH was performed in accordance with IFRS 3 "Business Combinations" using the purchased goodwill method. The profit or loss of the acquired entity is included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price of the shares in Thermea Energiesysteme GmbH amounted to € 2,135 thousand and was settled in cash. The acquisition-related costs of the purchased entity came to € 45 thousand and were expensed in the 2012 reporting period.

The net assets and goodwill acquired in the business combination with Thermea as of October 24, 2012, is presented below:

3.26 /

GOODWILL FROM THE ACQUISITION OF THERMEA IN 2012

€k	
Purchase price for the acquisition	2,135
Fair value of net assets	-1,973
Non-controlling interest measured at fair value	1,442
Goodwill	1,604

Goodwill of € 1,604 thousand reflects technology, cost and sales synergies in the field of heat pumps and the earnings prospects of Thermea Energiesysteme GmbH. It has been allocated to the Clean Technology Systems business unit and is not tax deductible.

As part of the acquisition, a put option relating to additional shares held by non-controlling interests was recognized as a financial liability. The counter-entry was revenue reserves which were offset against the proportionate non-controlling interests in equity of € 1,442 thousand. In subsequent periods, the option will be measured at fair value. The changes in fair value will be reported directly in equity.

Dürr Cyplan Ltd.: Effective as of November 21, 2012, Dürr gained control of Dürr Cyplan Ltd. as part of an agreement to assume operational management. 50 % of the shares in Dürr Cyplan Ltd. are held by Dürr. The entity has its registered offices in Aldermaston, UK, and its operating activities are based in Bietigheim-Bissingen. It had previously been included as an associate in the consolidated financial statements using the equity method. Dürr Cyplan Ltd. develops ORC (Organic Rankine Cycle) plants that generate electricity from waste heat and render previously unused potential thermal energy usable in an efficient and cost-effective manner.

First-time full consolidation of Dürr Cyplan Ltd. was performed pursuant to IFRS 3 "Business Combinations" using the purchased goodwill method as the acquisition method of accounting. The profit or loss of the acquired entity was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for the shares in Dürr Cyplan Ltd. came to € 3,542 thousand in the 2011 reporting period. It broke down into a basic price of € 2,000 thousand that was paid in cash and four installments of € 500 thousand each, depending on the unit sales of ORC plants. A liability of € 1,520 thousand was recognized as of the acquisition date for the contingent portion of the purchase price. The acquisition-related costs for the entity that has been accounted for using the equity method since acquisition amounted to € 22 thousand in the 2011 reporting period and are included in the acquisition costs. The agreement on operational management did not impact the cost of the shares.

The net assets and goodwill acquired and the goodwill resulting from first-time full consolidation of Dürr Cyplan Ltd. as of November 21, 2012, breaks down as follows:

3.27 /

FAIR VALUE OF THE NET ASSETS OF CYPLAN IN 2012

€ k	
Fair value of net assets	246
of which attributable to Dürr	373
of which attributable to non-controlling interests	-127

3.28 /

GOODWILL FROM THE FIRST-TIME FULL CONSOLIDATION OF CYPLAN IN 2012

€ k	
Fair value of the shares	3,453
Share in fair value of net assets allocable to Dürr	-373
Goodwill	3,080

Goodwill amounting to € 3,080 thousand reflects technology, cost and sales synergies and the positive earnings prospects of Dürr Cyplan Ltd. It has been allocated to the Clean Technology Systems business unit and is not tax deductible.

The purchase price for Thermea Energiesysteme GmbH and the fair value of Dürr Cyplan Ltd. were allocated to the assets acquired and liabilities assumed as follows:

3.29 /

ALLOCATION OF THE PURCHASE PRICE FOR THERMEA AND THE FAIR VALUE OF THE CYPLAN SHARES IN 2012

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Start-up and business expansion costs	139	-139	-
Intangible assets	241	3,891	4,132
Property, plant and equipment	1,461	-255	1,206
Inventories and prepayments	389	-	389
Receivables and other assets	1,138	-	1,138
Cash and cash equivalents	685	-	685
Non-current liabilities	-1,334	-	-1,334
Deferred tax liabilities	-2	-1,075	-1,077
Current liabilities	-3,945	1,025	-2,920
Net assets	-1,228	3,447	2,219

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The adjustments mainly relate to intangible assets, as technological know-how as well as patents, industrial rights and the Thermea brand name were recognized as assets in the course of the purchase price allocation. No contingent liabilities were recognized in the purchase accounting.

The useful lives of the intangible assets acquired break down as follows:

3.30 /
/ **USEFUL LIFE OF INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS/PURCHASE ACCOUNTING IN 2012**

	Fair value (€ k)	Useful life (years)
Technological know-how	887	8
Patents and industrial rights	2,733	8 to 14
Brand name	512	Indefinite
	4,132	

The intangible assets acquired in the business combination were measured using an income approach. The fair value of technological know-how was measured using the relief from royalty method and the fair value of patents, industrial rights and the brand name was measured using the discounted cash flow method. The other assets and liabilities were measured in accordance with the accounting policies explained in note 6.

The earnings contributed by Thermea Energiesysteme GmbH and Dürr Cyplan Ltd. as of the date of acquisition and first-time consolidation, respectively, until December 31, 2012, break down as follows:

3.31 /
/ **EARNINGS CONTRIBUTION FROM ACQUISITIONS/FIRST-TIME CONSOLIDATIONS IN 2012**

€ k	
Sales revenues	448
Earnings before investment income, interest and income taxes	-323
Earnings before income taxes	-363
Loss for the period	-345

If Thermea Energiesysteme GmbH and Dürr Cyplan Ltd. had been included in the consolidated group as of January 1, 2012, group sales revenues for the 2012 reporting period would have amounted to € 2,400,559 thousand and the Group's profit for the period would have been € 109,223 thousand.

A comparison of the statement of financial position and the statement of income was not performed as the change in the consolidated group was not material. As of December 31, 2012, the share of the entities consolidated for the first time, Thermea Energiesysteme GmbH and Dürr Cyplan Ltd., in total assets and revenue amounted to only 0.28 % and 0.02 %, respectively.

2011 reporting period

Agramkow Fluid Systems A/S: On May 24, 2011, Dürr acquired 55 % of the shares in Agramkow Fluid Systems A/S, based in Sønderborg, Denmark. The acquisition of Agramkow Fluid Systems A/S and its subsidiaries has given Dürr access to new customers in the filling technology industry. Agramkow is the global leader in plant and equipment for filling household appliances and heat pumps with coolant.

Purchase accounting for Agramkow Fluid Systems A/S and its subsidiaries was performed in accordance with IFRS 3 "Business Combinations" using the purchased goodwill method. The profit or loss of the acquired entities was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for Agramkow Fluid Systems A/S and its subsidiaries amounted to € 8,186 thousand of which € 7,170 thousand was settled in cash with a financial liability of € 1,016 thousand being recorded for the outstanding purchase installment. The acquisition-related costs of the entities acquired totaled € 214 thousand. Of this amount, € 118 thousand was expensed in the 2011 reporting period and € 96 thousand in the 2010 reporting period.

The net assets and goodwill acquired in the business combination with the Agramkow entities as of May 24, 2011 is presented below:

3.32

GOODWILL FROM THE ACQUISITION OF AGRAMKOW IN 2011

€ k		
Total purchase price for the acquisition	8,186	
less assets attributable to former shareholders	-1,016	
Purchase price		7,170
Fair value of net assets	10,673	
of which attributable to former shareholders	-1,016	
Fair value of net assets less assets attributable to former shareholders	9,657	
Fair value of net assets less assets attributable to former shareholders	-9,657	
Non-controlling interest measured at fair value	4,346	
Share in fair value of net assets attributable to Dürr		-5,311
Goodwill		1,859

Goodwill amounting to € 1,859 thousand reflects technology, cost and sales synergies in filling technology and the positive earnings prospects of the Agramkow entities. It has been allocated to the Balancing and Assembly Products business unit and is not tax deductible.

The total purchase price was allocated to the assets acquired and liabilities assumed as follows:

3.33

PURCHASE PRICE ALLOCATION FOR THE AGRAMKOW ACQUISITION IN 2011

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	934	10,118	11,052
Property, plant and equipment	479	-36	443
Inventories and prepayments	4,363	44	4,407
Receivables and other assets	2,816	1,662	4,478
Cash and cash equivalents	3,575	-3,221	354
Non-current liabilities	-71	-	-71
Deferred tax liabilities	-	-2,753	-2,753
Current liabilities	-10,014	2,777	-7,237
Net assets	2,082	8,591	10,673

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The adjustments mainly relate to intangible assets, where technological know-how and customer relationships and the Agramkow brand name were recognized in the course of the purchase price allocation. Trade receivables and payables were adjusted on account of the transition made to carrying amounts determined using the percentage of completion method under IAS 11 "Construction Contracts". The cash and cash equivalents attributable to the former shareholders of Agramkow Fluid Systems A/S were reclassified. No contingent liabilities were recognized in the purchase accounting.

The useful lives of the intangible assets acquired break down as follows:

3.34 / **USEFUL LIVES OF THE INTANGIBLE ASSETS ACQUIRED IN THE BUSINESS COMBINATION WITH AGRAMKOW IN 2011**

	Fair value (€ k)	Useful life (years)
Technological know-how	1,411	8
Customer relationships	7,049	8
Brand name	1,658	Indefinite
	10,118	

The intangible assets acquired in the business combination were measured using an income approach. The fair value of technological know-how and the brand name was measured using the relief from royalty method and the fair value of customer relationships was measured using the multi-period excess earnings method. The other assets and liabilities were measured in accordance with the accounting policies explained in note 6.

In the course of the business combination, a put option held by the non-controlling interests was recorded as a financial liability. The counter-entry was revenue reserves which were offset against non-controlling interests in equity of € 4,346 thousand. The option will be measured at fair value in subsequent periods. The changes in fair value will be reported directly in equity.

The earnings contributed by Agramkow Fluid Systems A/S and its subsidiaries until December 31, 2011, are summarized as follows:

3.35 / **EARNINGS CONTRIBUTED BY THE AGRAMKOW GROUP SINCE THE DATE OF FIRST-TIME CONSOLIDATION**

€ k	
Sales revenues	18,213
Earnings before investment income, interest and income taxes	2,800
Earnings before income taxes	2,728
Profit for the period	2,049

If Agramkow Fluid Systems A/S and its subsidiaries had been included in the consolidated group as of January 1, 2011, group sales revenues for the 2011 reporting period would have amounted to € 1,929,293 thousand and the Group's profit for the period would have been € 64,663 thousand.

Land and buildings In the 2012 reporting period, Dürr purchased further land and buildings at the Bietigheim-Bissingen site that served to expand capacities. In this connection, Dürr is currently building another production hall.

In the prior period, Dürr acquired the general partner share in Dürr GmbH & Co. Campus KG, a limited partnership which leases property to Dürr Group entities at the Bietigheim-Bissingen site. Due to the fact that the entity does not pursue any active operations of its own, the acquisition did not qualify as a business combination under the terms of IFRS 3 "Business Combinations". As a result, Dürr acquired the land and buildings and the associated liabilities. The acquisition costs of the land and the buildings completed in 2009 amounted to € 51,353 thousand. At the same time, Dürr acquired liabilities to banks of € 46,572 thousand. The buildings were previously leased under an operating lease.

In the reporting year, a building in the UK and a heating water distribution grid in Germany were recognized as finance lease assets in land and buildings. Dürr is not the legal owner of the building or the heating water distribution grid. The depreciation recorded on these properties is included in the depreciation of property, plant and equipment.

In the 2012 reporting period, a new finance lease agreement was concluded for the building in the UK. This resulted in the acquisition costs of the land and buildings increasing by € 967 thousand.

The table below shows cost and accumulated depreciation and impairment losses for these properties which are reported as finance leases under property, plant and equipment.

3.36

PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS

€ k	Dec. 31, 2012	Dec. 31, 2011
Historical cost	6,342	5,300
Accumulated depreciation and impairment losses	-2,535	-2,195
Net carrying amount	3,807	3,105

In the prior period, total mortgages of selected Dürr entities totaling € 63,956 thousand were pledged as collateral in connection with the syndicated loan.

Investment property Dürr distinguishes between property that is largely owner-occupied and property that is mostly let to third parties. A property is considered to be largely used by third parties if more than 90 % of it is let to third parties. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt. In the 2012 reporting period, these properties generated rental income of € 3,427 thousand (prior period: € 3,070 thousand). The future rental income based on the existing agreements breaks down as follows:

3.37

FUTURE RENTAL INCOME

€ k	Dec. 31, 2012	Dec. 31, 2011
Less than one year	3,162	2,851
Between one and five years	3,632	3,557
More than five years	1,410	1,141
	8,204	7,549

Directly attributable expenditure amounted to € 1,921 thousand (prior period: € 1,764 thousand). Of this amount, € 96 thousand (prior period: € 94 thousand) is attributable to vacant property.

Buildings are depreciated using the straight-line method of depreciation over their useful life ranging between 20 and 50 years.

In the 2012 reporting period, the composition of these properties changed slightly on account of changes to own and third-party use. The fair value came to some € 29,050 thousand as of December 31, 2012, taking into account additions due to subsequent expenditure (prior period: € 26,800 thousand). An internal calculation prepared on an annual basis is used to determine the fair value of the investment properties; no valuer was consulted in determining the values. Fair value is calculated using capitalized income from the cash-generating unit based on market rents adjusted by risk mark-downs customary for the region. A vacancy rate of 15 % (prior period: 15 %) and a property yield of 7.5 % (7.5 %) was used in the calculation. The accumulated cost of land and buildings came to € 39,832 thousand as of January 1, 2012, and € 42,796 thousand as of December 31, 2012. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 17,499 thousand as of January 1, 2012, to € 19,618 thousand as of December 31, 2012.

The table below presents a reconciliation of the development of the carrying amount of the investment property belonging to the Measuring and Process Systems division from the beginning to the end of the reporting period.

3.38 /

INVESTMENT PROPERTY

€ k	2012	2011
As of January 1	22,333	23,134
Additions of buildings from change in use	2,918	1,359
Additions from subsequent expenditure	80	155
Disposals from change in use	–	–757
Disposals from acquisition costs	–104	–85
Reclassifications	70	–
Depreciation	–852	–839
Change in depreciation from change in use	–1,371	–696
Disposals from accumulated depreciation and impairment losses	104	62
As of December 31	23,178	22,333

19. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

Investments in entities accounted for using the equity method

The investments in entities accounted for using the equity method increased through the purchase of an additional 21 % of the shares in LaTherm GmbH, based in Dortmund, Germany, by € 400 thousand. This involved reclassification of all shares in the entity to the statement of financial position item "Investments in other entities accounted for using the equity method". Prior to the purchase of additional shares, the shares in LaTherm GmbH of € 355 thousand were disclosed under other financial assets. On account of the reclassification of the shares in Dürr Cyplan Ltd. to shares in affiliates, the investments in entities accounted for using the equity method fell by € 3,453 thousand.

Due to the acquisition of 50 % of the shares in Cyplan Ltd., investments in entities accounted for using the equity method rose by € 3,542 thousand in the prior period. By contrast, the acquisition of the general partner's share in Dürr GmbH & Co. Campus KG by Dürr led to a fall of € 333 thousand in this item.

3.39

ASSOCIATES

€ k	2012	2011
Total assets	41,469	46,226
Non-current assets	5,665	5,556
Current assets	35,804	40,670
Non-current liabilities	7,556	10,956
Current liabilities	8,460	7,893
Sales revenues	40,434	34,419
Profit for the period	878	2,408

In the above table, the figures for Dürr Cyplan Ltd. are included in sales revenues and the profit for the period until full consolidation. Dürr Cyplan Ltd. is not included in total assets, assets or liabilities as it was accounted for as a fully consolidated entity as of the end of the reporting period on December 31, 2012.

The end of the reporting period of one associate is September 30; it is included using the equity method on the basis of the figures contained in the financial statements from that date. Significant effects that occurred between that date and December 31 are considered.

3.40

JOINT VENTURES (SHARE IN PROFIT)

€ k	2012	2011
Total assets	33	29
Non-current assets	-	-
Current assets	33	29
Non-current liabilities	-	-
Current liabilities	7	4
Sales revenues	-	-
Profit for the period	2	-

The share of profit from joint ventures accounted for using the equity method amounted to € 2 thousand (prior period: € 0 thousand) and losses totaled € 0 thousand (prior period: € 0 thousand). Contingent liabilities for joint ventures break down as follows:

3.41

CONTINGENT LIABILITIES FOR JOINT VENTURES

€ k	2012	2011
Guarantees for joint ventures	314	314
Assumption of joint and several liability by the venturer	-	-
As of December 31	314	314

For additional information about the consolidated entities, please refer to notes 3 and 4.

3.42 /
Other financial assets / OTHER FINANCIAL ASSETS

€k	Dec. 31, 2012	Dec. 31, 2011
Other investments	2,356	2,313
Securities classified as non-current assets	11,255	316
Other loans	602	–
	14,213	2,629

On January 30, 2012, Dürr purchased 15 % of the shares in HeatMatrix Group B.V., based in Rotterdam, Netherlands. This meant that other financial assets increased by € 400 thousand while this item fell by € 355 thousand on account of the reclassification of the shares in LaTherm GmbH.

Securities classified as non-current assets mainly comprise corporate bonds that are held to maturity. The carrying amount of these securities came to € 10,908 thousand (prior period: € 0 thousand). As part of its investment strategy, Dürr invests its free liquidity in higher interest-bearing securities from German issuers in order to improve its net interest.

In the prior period, the acquisition of a 10 % investment in Parker Engineering Co., Ltd., based in Tokyo, Japan, increased other financial assets by € 1,956 thousand.

20. INVENTORIES AND PREPAYMENTS

3.43 /
INVENTORIES AND PREPAYMENTS

€k	Dec. 31, 2012	Dec. 31, 2011
Materials and supplies	87,939	79,663
less write-downs	– 10,214	– 8,711
Work in process from small series production	28,833	24,023
less write-downs	– 830	– 904
Finished goods	9,566	7,685
less write-downs	– 2,310	– 652
Prepayments	31,544	23,367
	144,528	124,471

Materials and supplies of € 79,569 thousand (prior period: € 71,764 thousand) were measured at average cost and € 8,370 thousand (prior period: € 7,899 thousand) using the FIFO method (first in, first out). On aggregate, write-downs increased to € 13,354 thousand (prior period: € 10,267 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the reporting period of € 9,383 thousand (prior period: € 5,503 thousand) were recognized in profit or loss.

21. TRADE RECEIVABLES

3.44

TRADE RECEIVABLES

€ k	DEC. 31, 2012			DEC. 31, 2011		
	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	349,163	349,163	–	297,567	297,567	–
Trade receivables due from third parties	345,654	345,283	371	327,822	327,631	191
Trade receivables due from entities accounted for using the equity method	162	162	–	446	446	–
	694,979	694,608	371	625,835	625,644	191

The table below shows an ageing analysis of the recognized trade receivables that are not impaired:

3.45

AGEING ANALYSIS OF TRADE RECEIVABLES

€ k	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS		TRADE RECEIVABLES DUE FROM THIRD PARTIES		TRADE RECEIVABLES DUE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Neither past due nor impaired at the end of the reporting period	349,163	297,567	228,176	252,233	162	446
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	72,571	44,039	–	–
between 3 and 6 months	–	–	30,594	16,730	–	–
between 6 and 9 months	–	–	4,941	3,633	–	–
between 9 and 12 months	–	–	1,342	4,501	–	–
more than 12 months	–	–	5,729	5,352	–	–
Total	–	–	115,177	74,255	–	–
Net receivables on which specific bad debt allowances have been recognized	–	–	2,301	1,334	–	–
Net carrying amount	349,163	297,567	345,654	327,822	162	446

With respect to the trade receivables that were neither impaired nor past due, there was no indication at the end of the reporting period that the debtors would not meet their payment obligations.

Bad debt allowances on trade receivables due from third parties and due from entities accounted for using the equity method developed as follows:

3.46 /

CHANGES IN BAD DEBT ALLOWANCES

€k	2012	2011
As of January 1	7,203	8,747
Exchange difference	-26	61
Utilization	-502	-1,524
Unused amounts reversed	-2,312	-1,524
Increases (impairment charge)	2,822	1,443
As of December 31	7,185	7,203

Receivables of € 650 thousand (prior period: € 1,621 thousand) were derecognized in the 2012 reporting period; € 502 thousand (prior period: € 1,524 thousand) thereof had already been written down in the prior period. The remaining € 148 thousand (prior period: € 97 thousand) was derecognized through profit or loss in the 2012 reporting period.

3.47 /

COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

€k	DEC. 31, 2012			DEC. 31, 2011		
	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs and estimated earnings	1,221,846	1,221,846	-	936,769	936,769	-
Less billings	872,683	872,683	-	639,202	639,202	-
Costs and estimated earnings in excess of billings	349,163	349,163	-	297,567	297,567	-
Liabilities						
Costs and estimated earnings	1,200,637	1,200,637	-	1,221,887	1,221,887	-
Less billings	1,654,782	1,640,012	14,770	1,650,102	1,645,407	4,695
Billings in excess of costs on uncompleted contracts	454,145	439,375	14,770	428,215	423,520	4,695
Total						
Costs and estimated earnings	2,422,483	2,422,483	-	2,158,656	2,158,656	-
Less billings	2,527,465	2,512,695	14,770	2,289,304	2,284,609	4,695
Billings in excess of costs on uncompleted contracts	104,982	90,212	14,770	130,648	125,953	4,695

These amounts are offset on a contract basis and are included in either cost and estimated earnings in excess of billings (assets) or billings in excess of cost and estimated earnings (liabilities). Please also refer to note 29.

22. SUNDRY FINANCIAL ASSETS

3.48/

SUNDRY FINANCIAL ASSETS

€ k	DEC. 31, 2012			DEC. 31, 2011		
	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	3,196	2,944	252	1,679	1,526	153
Rent deposits and other collateral provided	4,588	1,867	2,721	4,564	1,663	2,901
Time deposits	13,777	13,777	–	35,950	35,950	–
Held-for-trading financial assets	4,023	4,023	–	10	10	–
Remaining sundry financial assets	13,427	13,246	181	11,314	11,025	289
	39,011	35,857	3,154	53,517	50,174	3,343

Remaining sundry financial assets include balances at suppliers of € 3,699 thousand (prior period: € 1,303 thousand) and receivables from employees totaling € 2,108 thousand (prior period: € 1,860 thousand).

For the disclosures required by IFRS 7, please refer to note 33.

Of the gross amount of sundry financial assets of € 39,144 thousand (prior period: € 53,651 thousand), € 39,011 thousand (prior period: € 53,517 thousand) was neither past due or impaired on the reporting date. For these assets, there is no indication that the debtors will not be able to meet their payment obligations. Impairment of sundry financial assets developed as follows:

3.49/

MOVEMENTS IN THE PROVISIONS FOR IMPAIRMENT OF SUNDRY FINANCIAL ASSETS

€ k	2012	2011
As of January 1	134	132
Exchange difference	3	2
Unused amounts reversed	–4	–
As of December 31	133	134

23. OTHER ASSETS

3.50/

OTHER ASSETS

€ k	DEC. 31, 2012			DEC. 31, 2011		
	Total	Current	Non-current	Total	Current	Non-current
Other assets	22,334	22,234	100	22,459	22,244	215
	22,334	22,234	100	22,459	22,244	215

Other assets mainly contain tax assets, which do not relate to income taxes, of € 22,128 thousand (prior period: € 20,719 thousand). In the prior period, this item included transaction costs of € 632 thousand associated with the loan commitment from the European Investment Bank.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

24. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

Subscribed capital (Dürr AG)	<p>As of December 31, 2012, the capital stock of Dürr AG came to € 44,289 thousand (prior period: € 44,289 thousand) and was made up of 17,300,520 shares (prior period: 17,300,520 shares). Each share represents € 2.56 of the subscribed capital and is made out to the bearer. The shares issued were fully paid in at the end of the reporting period.</p> <p>Authorization of the Board of Management to acquire and sell treasury shares</p> <p>The annual general meeting on April 30, 2010, authorized the Board of Management to purchase no-par value bearer shares of Dürr AG once or several times until April 29, 2015. The purchases, whether for one or more purposes, may be transacted through the stock exchange or through a public tender addressed to all shareholders. The number of shares purchased in this way may not at any time exceed 10 % of the capital stock. The authorization may not be used for the purpose of trading with treasury shares. In the event of the shares being purchased through the stock exchange, the consideration for the purchase of the shares may not deviate more than 5 % from the stock exchange price. In the event of a public tender addressed to all shareholders, the purchase price may be up to 20 % above the stock exchange price but may not be lower than the stock exchange price.</p> <p>The annual general meeting on April 30, 2010, additionally authorized the Board of Management to sell, subject to approval of the Supervisory Board, the shares purchased on the basis of the above or an earlier authorization through the stock exchange or a public tender addressed to all shareholders. In specified cases, the shares may be sold in a different manner, thus excluding the subscription right of the shareholders. Finally, the Board of Management is authorized, with the approval of the Supervisory Board, to withdraw all or part of the shares purchased without a capital decrease with no further resolution of the annual general meeting being necessary.</p>
Authorized capital (Dürr AG)	<p>The annual general meeting on April 30, 2009, authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times in the period up to April 30, 2014, by up to € 22,145 thousand by issuing up to 8,650,260 no-par value shares made out to the bearer (authorized capital).</p>
Conditional capital (Dürr AG)	<p>The annual general meeting on April 30, 2010, authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until April 29, 2015, convertible bonds, warrant-linked bonds, participation rights or income bonds or combinations of these instruments with or without fixed maturity with a total nominal value of up to € 221,447 thousand. For this purpose, the capital stock capital has been conditionally increased by a maximum of € 22,145 thousand by issue of up to 8,650,260 new no-par value bearer shares in the form of common stock (conditional capital).</p>
Capital reserve (Dürr AG)	<p>The capital reserve includes share premiums and was unchanged as of December 31, 2012, compared to the end of the prior period at € 200,186 thousand. The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG [“Aktengesetz“: German Stock Corporations Act].</p>
Revenue reserves	<p>Revenue reserves contain the profits generated in the past by the entities included in the consolidated financial statements that have not been distributed. They totaled € 223,073 thousand as of December 31, 2012 (prior period: € 146,003 thousand). The change is chiefly owing to the addition of the net profit for the year, the recognition and measurement of options allocable to non-controlling interests and the distribution of the dividend for the 2011 reporting period. In accordance with Sec. 268 (8) HGB, an amount of € 1,099 thousand (prior period: € 895 thousand) of the revenue reserves is subject to restrictions on distribution because assets were recognized at fair value in the separate financial statements of Dürr AG prepared in accordance with the BilMoG [“Bilanzrechtsmodernisierungsgesetz“: German Accounting Law Modernization Act].</p>

Dividends In accordance with the AktG, the distributable dividend is measured based on net retained profit as reported by Dürr AG in its separate financial statements prepared in accordance with the provisions of the HGB. In the 2012 reporting period, Dürr AG distributed a dividend to its shareholders of € 1.20 per share (prior period: € 0.30) from the net retained profit recorded in 2011, making for a total distribution of € 20,760 thousand (prior period: € 5,190 thousand). On account of the results of operations in the 2012 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that a dividend of € 2.25 per share be distributed.

Other comprehensive income The table below presents the changes in other comprehensive income and the associated tax effects from components of other comprehensive income, taking into account the changes in the item "Non-controlling interests".

3.51

OTHER COMPREHENSIVE INCOME

€ k	2012			2011		
	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Net gains/losses (-) from derivatives used to hedge cash flows	7,593	-2,167	5,426	-4,612	1,362	-3,250
Gains/losses from changes in the fair value of available-for-sale securities	31	-8	23	11	-	11
Reclassification from currency translation through profit or loss	-	-	-	451	-	451
Difference arising from currency translation	-2,517	-	-2,517	1,791	-	1,791
Difference arising from currency translation of entities accounted for using the equity method	-1,573	-	-1,573	989	-	989
Change in net actuarial gains and losses from defined benefit plans and similar obligations	-17,838	4,277	-13,561	-2,741	10	-2,731
Change in other comprehensive income	-14,304	2,102	-12,202	-4,111	1,372	-2,739

The decrease in currency-related components of other comprehensive income is essentially attributable to the fluctuation of the euro against the US dollar, the Japanese yen, the Brazilian real and the Korean won.

The change in other comprehensive income arising from net actuarial gains and losses from defined benefit obligations contains € 2,015 thousand from the financing of the German pension plans and the associated asset ceiling. For additional information, please refer to note 26.

Disclosures on capital management

The primary objective of capital management is to support business operations, ensure a healthy capital ratio and increase business value.

Dürr monitors capital on a monthly basis using a gearing ratio, which reflects the ratio of net debt to equity and is defined internally as the ratio of net financial status to equity less the net financial status. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. At -28.8 % (prior period: -16.6 %), the ratio at the end of the 2012 reporting period was significantly lower than the threshold given because, as was also the case in the prior period, the Group carried net financial assets rather than net financial debt.

3.52/

GEARING RATIO

€k	Dec. 31, 2012	Dec. 31, 2011
Cash and cash equivalents	349,282	298,561
Time deposits and other short-term securities	17,800	35,960
Held-to-maturity securities and other loans	11,510	–
Bond	–225,379	–225,511
Liabilities to banks	–56,473	–57,201
Net financial status [1]	96,740	51,809
Equity [2]	432,082	364,320
Equity less net financial status [3] = [2] – [1]	335,342	312,511
Gearing Ratio $(-[1]/[3] \times 100 (\%))$	–28.8 %	–16.6 %

Equity is factored into the calculation of the total net worth covenant, stipulated by the agreements governing the syndicated loan and the loan commitments from the European Investment Bank (EIB). The total net worth covenant may not fall below a certain value. This covenant was always complied with on each measurement date in the 2012 and 2011 reporting periods.

25. NON-CONTROLLING INTERESTS

Non-controlling interests contain adjustment items from the purchase accounting for capital attributable to non-controlling interests required to be consolidated and the profits and losses attributable to them. The consolidated financial statements contain ten entities (prior period: eight) in which there were non-controlling interests.

3.53/

BREAKDOWN OF THE NON-CONTROLLING INTERESTS

€k	Dec. 31, 2012	Dec. 31, 2011
Agramkow Fluid Systems A/S, Sønderborg/Denmark	–	–
Agramkow do Brasil Ltda., Indaiatuba/Brazil	–	–
Agramkow Asia Pacific Pte. Ltd., Singapore/Singapore	–	–
CPM S.p.A., Beinasco/Italy	–	–
CPM Automation d.o.o. Beograd, Belgrade/Serbia	–	–
Stimas Engineering S.r.l., Turin/Italy	30	26
Dürr Cyplan Ltd., Aldermaston/UK	–127	–
Olpidürr S.p.A., Novegro di Segrate/Italy	2,249	1,981
Thermea Energiesysteme GmbH, Freital/Germany	2,601	–
Verind S.p.A., Rodano/Italy	3,501	3,427
	8,254	5,434

In accordance with IAS 32 “Financial Instruments: Presentation”, the put options held by the non-controlling interests in CPM S.p.A., Agramkow Fluid Systems A/S and in Thermea Energiesysteme GmbH were measured at fair value. The options are recognized under sundry financial liabilities. Changes are posted directly to the revenue reserves without affecting income. The non-controlling interests in the three entities and their respective subsidiaries have been offset against the revenue reserves. Consequently, they are reported under “Non-controlling interests” at a lower level or not at all.

26. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

Defined contribution plans The post-employment benefits available to the employees of Dürr's German subsidiaries include a life insurance program (BZV) or a company pension (DAZU) in line with the respective tariff group for which the Group recorded contributions of € 790 thousand (prior period: € 784 thousand) as an expense. In addition, Dürr paid contributions of € 17,730 thousand (prior period: € 16,210 thousand) to the German statutory pension scheme, which also constitutes a defined contribution plan. The US subsidiaries contribute to external pension funds for trade union employees. In the reporting period, pension expenses for these employees amounted to € 2,846 thousand (prior period: € 1,549 thousand).

In addition, Dürr's US subsidiaries have a "401(k)" profit-sharing plan for certain employees. Profit-sharing is based on the number of years' service and the employees' remuneration. The Group's contribution is discretionary and is determined annually by management. In the reporting period, expenses came to € 545 thousand (prior period: € 297 thousand).

Defined benefit plans Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

At the German Dürr subsidiaries, those workers who were employed at the sites in Filderstadt and Wyhlen and at the Schenck entities at the time their entities were acquired were entitled to post-employment benefits. These are based on years of service. The payments provided for by the pension plan comprise fixed contributions plus an element that is dependent on years of service.

In the 2012 reporting period, employer's pension liability insurance with a fair value of € 14,416 thousand was acquired to reduce interest and longevity risk at the German Dürr subsidiaries.

Employees of Dürr's German subsidiaries are offered deferred compensation. Under these plans, Dürr employees are entitled to convert certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligation, Dürr has taken out employer's pension liability insurance for the life of the beneficiaries. Dürr has the exclusive right to the respective benefits. The amount of post-employment benefits equals the benefit paid out under the employer's pension liability insurance concluded by Dürr, which consists of a guaranteed pension and the divisible surplus allocated by the insurance company. Dürr reports the benefit obligation net of plan assets from the employer's pension liability insurance, with actuarial gains and losses potentially giving rise to a surplus or deficit.

Several US subsidiaries of Dürr have pension plans covering all non-union employees at these subsidiaries. Future pension payments are based on the average salaries earned and length of service before the benefit obligations were frozen in 2003.

There was a joint pension plan at two of Dürr's US subsidiaries that was frozen and closed to new entrants at the end of 2006. This plan was settled in full by non-recurring capital payments and the purchase of insurance type products to the benefit of the participants in the plans as of the end of the 2012 reporting period. The cash outflow necessary for settlement in excess of the plan assets likewise used came to € 8,866 thousand. The expenses recorded in the 2012 reporting period came to € 1,676 thousand.

A multi-employer plan is in place at one of Dürr's US subsidiaries. In addition to Dürr, other metal-processing companies are members of the plan which is structured as a defined benefit plan. The plan is accounted for as a defined contribution plan as it is not possible to allocate the share of

obligations and plans assets to the individual member companies. Potential future increases in contributions from unfunded obligations will not have a significant effect on the Dürr Group.

3.54 /

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€k	Dec. 31, 2012	Dec. 31, 2011
Changes in the present value of defined benefit obligations		
Defined benefit obligation at the beginning of the year	88,522	84,476
Exchange difference	-58	647
Contributions by plan participants	100	762
Current service cost	2,030	2,251
Interest cost	4,143	4,089
Actuarial gains and losses	19,195	1,557
Benefits paid	-5,093	-5,698
Settlements	-16,505	-
Other	25	438
Defined benefit obligation at the end of the year	92,359	88,522

3.55 /

CHANGE IN PLAN ASSETS

€k	Dec. 31, 2012	Dec. 31, 2011
Change in plan assets		
Fair value of plan assets at the beginning of the year	30,743	28,729
Exchange difference	-32	425
Expected return on plan assets	1,315	1,557
Actuarial gains and losses	3,392	-1,188
Employer contributions	16,233	1,399
Contributions by plan participants	685	762
Benefits paid	-2,508	-1,561
Plan assets from employer's pension liability insurance	204	620
Settlements	-9,138	-
Fair value of plan assets at the end of the year	40,894	30,743
Effect of the asset ceiling pursuant to IAS 19.58(b)	2,015	-
Funded status ¹	53,480	57,779

3.56 /

FUNDED STATUS

€k	Dec. 31, 2012	Dec. 31, 2011
Present value of funded benefit obligations	87,154	61,268
Plan assets at fair value	40,894	30,743
Plan assets taking into account the asset ceiling pursuant to IAS 19.58(b)	38,879	30,743
Defined benefit obligation in excess of plan assets	48,275	30,525
Present value of non-funded benefit obligations	5,205	27,254
Funded status ¹	53,480	57,779

¹ Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling pursuant to IAS 19.58(b)

3.57

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED BY ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

€ k	Dec. 31, 2012	Dec. 31, 2011
Pension provisions	53,480	57,779
Other comprehensive income (including differences from currency translation)	-33,561	-16,111

As of December 31, 2012, the plan assets were invested in various portfolios consisting mostly of fixed-interest securities and shares. At the end of the reporting period, the fair value of plan assets breaks down as follows:

3.58

COMPOSITION OF PLAN ASSETS

€ k	Dec. 31, 2012	Dec. 31, 2011
Shares	2,647	1,326
Fixed-interest securities	37,025	28,430
Real estate	722	570
Other	500	417
	40,894	30,743

The plan assets of the German entities mainly consist of employer's pension liability insurance policies which cover the pension entitlements acquired. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities (including government bonds and mortgage bonds). When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers.

Total return expected on plan assets is generally calculated on the basis of the market prices at this point in time. These apply for the period of time over which the obligation is settled. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest income on the other. This leads to slightly greater volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term growth in plan assets should be achieved primarily by means of fixed-interest securities which will also secure ongoing interest income. Equity instruments also make up a share of the investment portfolio. For the other material pension plan in the USA, the portion of equity instruments in the investment portfolio came to 5.6 % (prior period: 2 % for both US plans).

For the 2013 reporting period, employer contributions to the plans of € 810 thousand are expected.

3.59

COMPOSITION OF THE NET PENSION COST

€ k	2012	2011
Current service cost	2,030	2,251
Interest cost	4,143	4,089
Expected return on plan assets	-1,315	-1,557
Other	-196	-166
	4,662	4,617

In the 2012 reporting period, the actual return on plan assets totaled € 4,707 thousand (prior period: € 369 thousand).

Total comprehensive income included € 2,015 thousand from the asset ceiling pursuant to IAS 19.58(b) leading to a decrease in equity.

The net periodic pension cost is contained in the following items of the statement of income:

3.60/

NET PENSION COST IN THE STATEMENT OF INCOME

€k	2012	2011
Cost of sales	479	478
Selling expenses	141	182
General administrative expenses	1,213	1,415
Research and development costs	1	10
Interest and similar income	-1,315	-1,557
Interest and similar expenses	4,143	4,089
	4,662	4,617

The cut-off date for the measurement of benefit obligations and plan assets is December 31; the measurement date for pension cost is January 1.

3.61/

AVERAGE RATES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS

%	2012			2011		
	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	3.25	5.00	3.53	5.00	4.35	4.35
Long-term salary increases	3.00	-	2.91	3.00	-	2.59

Future pension increases, which have a significant impact on the defined benefit obligations as of the end of the reporting period came to 2.00 % in the 2012 reporting period (prior period: 2.00 %).

3.62/

AVERAGE RATES USED FOR CALCULATING PENSION COST

%	2012			2011		
	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	5.00	4.35	4.35	5.00	5.00	4.55
Expected long-term return on plan assets	5.00	6.55	4.07	5.00	7.03	4.28
Long-term salary increases	3.00	-	2.59	2.80	-	2.72

The average rates are calculated on the basis of the weighted average of the defined benefit obligation. The expected long-term return on plan assets is based on historical and projected returns and volatilities of the individual categories of the portfolio, taking the customary benchmarks into account.

3.63

AMOUNTS FOR THE CURRENT AND PREVIOUS REPORTING PERIODS

€ k	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Defined benefit obligation	92,359	88,522	84,476	78,063	71,378
Plan assets at fair value	40,894	30,743	28,729	23,032	20,043
Effect of the asset ceiling pursuant to IAS 19.58(b)	2,015	–	–	–	–
Surplus/deficit (–)	–53,480	–57,779	–55,747	–55,031	–51,335
Experience adjustments on defined benefit obligations	950	–1,409	–632	107	348
Experience adjustments on plan assets	1,284	1,147	446	907	–2,192

Sensitivity analyses The future funded status of the plans and the related amount of pension provisions depends, among other factors, on the future development of the discount factor, particularly in Germany. The share of pension provisions (funded status) accounted for by entities based in Germany is 81 %. A hypothetical increase of 0.25 % in the discount factor used to calculate the defined benefit obligations of German-based entities would lead to a decrease of € 1,787 thousand (prior period: € 2,392 thousand) in the funded status. A decrease of 0.25 % in the discount factor would lead to a rise of € 1,873 thousand in the funded status of the plans (prior year: € 1,234 thousand).

27. OTHER PROVISIONS

3.64

OTHER PROVISIONS

€ k	DEC. 31, 2012			DEC. 31, 2011		
	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	48,251	46,354	1,897	42,348	39,767	2,581
Personnel provisions	9,091	4,648	4,443	8,488	4,543	3,945
Sundry provisions	2,639	2,251	388	1,720	1,592	128
	59,981	53,253	6,728	52,556	45,902	6,654

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 75 % of the contract-related provisions relate to provisions for warranties and subsequent expenditure. The personnel provisions mainly contain provisions for long-service awards and obligations for phased retirement schemes. Sundry provisions relate to various identifiable specific risks and uncertain liabilities.

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years.

3.65

CHANGES IN OTHER PROVISIONS IN THE REPORTING PERIOD

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2012	42,348	8,488	1,720
Changes in the consolidated group	35	–	83
Exchange difference	–470	21	–9
Utilization	–22,053	–3,241	–844
Reversal	–9,573	–28	–367
Additions	37,964	3,851	2,056
As of December 31, 2012	48,251	9,091	2,639

28. BOND AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under the item, "Bond and other financial liabilities".

3.66 / FINANCIAL LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Bond	225,379	–	225,379	225,379	–
(2011)	(225,511)	(–)	(225,511)	(225,511)	(–)
Liabilities to banks	56,473	14,228	42,245	8,523	33,722
(2011)	(57,201)	(12,715)	(44,486)	(9,004)	(35,482)
Finance lease liabilities	4,210	579	3,631	2,354	1,277
(2011)	(3,452)	(607)	(2,845)	(2,087)	(758)
December 31, 2012	286,062	14,807	271,255	236,256	34,999
(December 31, 2011)	(286,164)	(13,322)	(272,842)	(236,602)	(36,240)

Long-term liabilities to banks are due in up to twelve years. € 42,245 thousand (prior period: € 44,486 thousand) of these liabilities are payable in euros. The weighted average interest rate is 4.58 % p.a. (prior period: 4.56 % p.a.).

Current liabilities to banks of € 14,228 thousand (prior period: € 12,715 thousand) as of December 31, 2012, are repayable mainly in Brazilian real. The weighted average interest rate for liabilities denominated in Brazilian real was 12.10 % p.a. (prior period: 15.97 % p.a.).

Financing of the Group

The agreement on a syndicated loan signed on March 31, 2011, was adjusted effective as of September 5, 2012. As Dürr's credit-rating continued to improve as a result of the positive development of business, it was possible to arrange more favorable terms for the loan agreement with the syndicate of banks. In addition, it was agreed that the maturity of the syndicated loan can be extended by one year to June 30, 2015, at Dürr's request. The existing collateral consisting of non-current and current assets was released. The syndicate of banks comprises Baden-Württembergische Bank, Commerzbank AG, Deutsche Bank AG, UniCredit Bank AG and KfW IPEX-Bank GmbH.

The total line of credit continues to amount to € 230,000 thousand. It consists of a cash facility of € 50,000 thousand and a guarantee facility of € 180,000 thousand. Premature termination of the syndicated loan is possible if the agreed-upon financial covenants or other terms of the loan are infringed and a two-third majority of the lending banks vote in favor of termination. Interest is payable at the matching refinancing rate plus a variable margin.

The adjustment to the contractual terms of the syndicated loan gave rise to an impairment loss of € 1,984 thousand on the remaining transaction costs recognized as assets and the transaction costs of € 358 thousand immediately recognized in profit or loss in the reporting period.

On June 22, 2011 an agreement was signed with the European Investment Bank (EIB) on a loan of € 40,000 thousand to finance development and research work. Dürr has been granted the option of drawing on the loan in a number of tranches on or before December 31, 2013. The term is based on the syndicated loan and the corporate bond issued by Dürr. Effective as of December 21, 2012, the EIB also released the above collateral. Premature termination of the loan commitment by the EIB is possible if the financial covenants or other terms of the loan are infringed upon.

Based on the calculations of the Board of Management, the agreed financial covenants for the syndicated loan and the loan offered by the EIB were complied with on all the specified measurement dates.

At the end of the reporting period, € 0 thousand (prior period: € 0 thousand) of the cash line of the syndicated loan and € 64,426 thousand (prior period: € 125,474 thousand) of the bank guarantee facility had been utilized. The EIB loan had not been drawn on by the reporting date.

Following the release of the collateral, shares in subsidiaries are pledged as collateral for the syndicated loan facility and the loan approved by the EIB as of the end of the reporting period. In the prior period, further collateral had been provided by placing charges on current and non-current assets with a carrying amount of € 150,369 thousand as of December 31, 2011.

In the prior period, the Group's non-current liabilities to banks rose on November 30, 2011, due to the assumption of the real estate financing extended to Dürr GmbH & Co. Campus KG. The finance breaks down into a fixed term and an annuity loan expiring on September 30, 2024. The average effective interest rate is 4.58 %. The carrying amount of the loans came to € 43,896 thousand as of December 31, 2012 (prior period: € 45,769 thousand).

In addition, Dürr has bilateral cash lines of credit of € 17,764 thousand in place for working capital, bank guarantees of € 452,198 thousand as well as smaller credit lines with various banks and insurance firms.

3.67 / CREDIT LINES AND BANK GUARANTEES

€ k	Dec. 31, 2012	Dec. 31, 2011
Total amount of lines of credit and bank guarantees	781,120	730,387
Total amount of credit lines/guarantees utilized	348,100	489,302
of which due within one year	277,737	347,928
of which due in more than one year	70,363	141,374

In the 2010 reporting period, Dürr AG issued a fixed-interest corporate bond with a volume of € 225,000 thousand, a coupon of 7.25 % and a term of five years ending on September 28, 2015. The purpose of the bond is to serve the long-term financing of the Group. As of the fourth year following issue, Dürr AG is entitled to terminate the corporate bond in its entirety but not in part.

29. TRADE PAYABLES

3.68 / TRADE PAYABLES

€ k	Total	Current	Total	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (from small series production)	32,198	32,071	127	127	–
(2011)	(18,592)	(18,592)	(–)	(–)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	454,145	439,375	14,770	14,770	–
(2011)	(428,215)	(423,520)	(4,695)	(4,695)	(–)
Trade payables	254,553	252,706	1,847	804	1,043
(2011)	(270,914)	(269,215)	(1,699)	(1,072)	(627)
Trade payables due to entities accounted for using the equity method	14	14	–	–	–
(2011)	(–)	(–)	(–)	(–)	(–)
December 31, 2012	740,910	724,166	16,744	15,701	1,043
(December 31, 2011)	(717,721)	(711,327)	(6,394)	(5,767)	(627)

30. SUNDRY FINANCIAL LIABILITIES

3.69/

SUNDRY FINANCIAL LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Derivative financial liabilities	1,983	1,825	158	158	–
(2011)	(11,312)	(10,687)	(625)	(625)	(–)
Liabilities from interest cut-off	4,583	4,583	–	–	–
(2011)	(4,577)	(4,577)	(–)	(–)	(–)
Obligations from put options	33,134	23,821	9,313	9,313	–
(2011)	(21,181)	(–)	(21,181)	(21,181)	(–)
Liabilities from factoring of progress billings	10,173	10,173	–	–	–
(2011)	(3,817)	(3,817)	(–)	(–)	(–)
Contingent purchase price installments	2,171	472	1,699	1,699	–
(2011)	(2,287)	(227)	(2,060)	(1,702)	(358)
Remaining sundry financial liabilities	14,548	11,842	2,706	132	2,574
(2011)	(10,351)	(8,055)	(2,296)	(245)	(2,051)
December 31, 2012	66,592	52,716	13,876	11,302	2,574
(December 31, 2011)	(53,525)	(27,363)	(26,162)	(23,753)	(2,409)

The obligations from put options relate to the non-controlling interests in CPM S.p.A., Agramkow Fluid Systems A/S and Thermea Energiesysteme GmbH.

The liabilities from contingent purchase price installments include obligations carried for Dürr Systems Wolfsburg GmbH of € 512 thousand (prior period: € 478 thousand) and Dürr Cyplan Ltd. of € 1,659 thousand (prior period: € 1,582 thousand).

For the disclosures required by IFRS 7, please refer to note 33.

31. INCOME TAX LIABILITIES AND OTHER LIABILITIES

3.70/

INCOME TAX LIABILITIES AND OTHER LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Income tax liabilities	18,952	18,835	117	117	–
(2011)	(8,948)	(8,728)	(220)	(220)	(–)
Other liabilities	113,737	108,933	4,804	4,804	–
(2011)	(92,414)	(87,907)	(4,507)	(4,507)	(–)
December 31, 2012	132,689	127,768	4,921	4,921	–
(December 31, 2011)	(101,362)	(96,635)	(4,727)	(4,727)	(–)

Other liabilities include the following material items: tax liabilities not relating to income taxes of € 32,864 thousand (prior period: € 29,350 thousand), liabilities relating to social security of € 6,070 thousand (prior period: € 4,074 thousand), liabilities to employees of € 72,915 thousand (prior period: € 55,348 thousand). Moreover, the item also includes obligations for restructuring measures of € 1,232 thousand (prior period: € 2,468 thousand). The decrease can be explained primarily by the utilization of liabilities recognized in prior periods.

32. SHARE-BASED PAYMENT

A share-based long-term incentive (“LT1”) program was introduced for members of the Board of Management in the 2010 reporting period. In the 2011 reporting period, the program was expanded to allow additional managers from top management to participate. The program takes the form of tranches that are issued every year and have a term of three years each. A further tranche with a term from January 1, 2012, to December 31, 2014, was launched in the 2012 reporting period. The payments will be made upon expiry of the contractual term in each case after the following annual general meeting; early, pro rata payment is possible only if certain conditions are met upon exit from the Dürr Group. The Supervisory Board is entitled to grant down-payments from the LT1 to members of the Board of Management. If the down-payment exceeds the amount due for payment upon expiry of the tranche, the respective member of the Board of Management is obliged to pay back the difference.

Under this program, the entitled parties receive an individually fixed number of phantom Dürr shares (performance share units). As of December 31, 2012, 155,000 phantom shares had been issued (prior period: 103,250 shares). At the end of the term of the incentive program, the benefits accrued are settled in cash.

The settlement is calculated on the number of phantom shares, the rounded share price on the closing date and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. Payment is capped at a maximum amount in each case.

In contrast to the entitlements from the LT1, the participants in the incentive program are obliged to maintain their own individually agreed investment in Dürr shares at all times.

In the 2012 reporting period, expenses of € 4,647 thousand (prior period: € 1,749 thousand) were recorded under administrative expenses for the LT1 program. Members of the Board of Management received down-payments of € 325 thousand on the first tranche of the LT1 in 2011. In the 2012 reporting period, a further down-payment was made to the benefit of the Board of Management of € 560 thousand on the second tranche of the LT1. The amounts reported under other liabilities as of December 31, 2012, came to € 5,776 thousand (prior period: € 1,700 thousand).

33. OTHER NOTES ON FINANCIAL INSTRUMENTS

Measurement of financial instruments by category

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below.

3.71/

MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2012	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	349,282	–	349,282	–	–
Costs and estimated earnings in excess of billings ¹	349,163	–	–	–	–
Trade receivables due from third parties	345,654	–	345,654	–	–
Trade receivables due from entities accounted for using the equity method	162	–	162	–	–
Other non-derivative financial instruments					
Sundry financial assets	32,394	–	32,394	–	–
Held-for-trading financial assets	4,023	–	–	–	4,023
Held-to-maturity investments	10,908	–	10,908	–	–
Available-for-sale financial assets	2,703	2,356	–	347	–
Derivative financial assets					
Derivatives not used for hedging	247	–	–	–	247
Derivatives used for hedging	2,949	–	–	2,678	271
Liabilities					
Trade payables	254,553	–	254,553	–	–
Trade payables due to entities accounted for using the equity method	14	–	14	–	–
Sundry non-derivative financial liabilities	29,304	–	29,304	–	–
Bond	225,379	–	225,379	–	–
Liabilities to banks	56,473	–	56,473	–	–
Finance lease liabilities	4,210	–	4,210	–	–
Obligations from put options	33,134	–	–	33,134	–
Contingent purchase price installments	2,171	–	–	–	2,171
Derivative financial liabilities					
Derivatives not used for hedging	173	–	–	–	173
Derivatives used for hedging	1,810	–	–	1,567	243
Of which combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	4,270	–	–	–	4,270
Loans and receivables	1,076,655	–	727,492	–	–
Held-to-maturity investments	10,908	–	10,908	–	–
Available-for-sale financial assets	2,703	2,356	–	347	–
Financial liabilities at fair value	35,478	–	–	33,134	2,344
Financial liabilities measured at amortized cost	569,933	–	569,933	–	–

¹ Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.

Notes

€ k	Carrying amount as of Dec. 31, 2011	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	298,561	–	298,561	–	–
Costs and estimated earnings in excess of billings ¹	297,567	–	–	–	–
Trade receivables due from third parties	327,822	–	327,822	–	–
Trade receivables due from entities accounted for using the equity method	446	–	446	–	–
Other non-derivative financial instruments					
Sundry financial assets	51,828	–	51,828	–	–
Held-for-trading financial assets	10	–	–	–	10
Held-to-maturity investments	–	–	–	–	–
Available-for-sale financial assets	2,629	2,313	–	316	–
Derivative financial assets					
Derivatives not used for hedging	195	–	–	–	195
Derivatives used for hedging	1,484	–	–	1,298	186
Liabilities					
Trade payables	270,914	–	270,914	–	–
Trade payables due to entities accounted for using the equity method	–	–	–	–	–
Sundry non-derivative financial liabilities	18,745	–	18,745	–	–
Bond	225,511	–	225,511	–	–
Liabilities to banks	57,201	–	57,201	–	–
Finance lease liabilities	3,452	–	3,452	–	–
Obligations from put options	21,181	–	–	21,181	–
Contingent purchase price installments	2,287	–	–	–	2,287
Derivative financial liabilities					
Derivatives not used for hedging	377	–	–	–	377
Derivatives used for hedging	10,935	–	–	10,479	456
Of which combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	205	–	–	–	205
Loans and receivables	976,224	–	678,657	–	–
Held-to-maturity investments	–	–	–	–	–
Available-for-sale financial assets	2,629	2,313	–	316	–
Financial liabilities at fair value	23,845	–	–	21,181	2,664
Financial liabilities measured at amortized cost	575,823	–	575,823	–	–

¹ Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.

In order to make the fair value measurement of financial instruments comparable, a fair value hierarchy has been introduced in IFRSs with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs that are not based on observable market data (level 3)

The financial instruments measured at fair value by Dürr break down as follows according to the fair value hierarchy:

3.72/

ALLOCATION TO THE FAIR VALUE HIERARCHY

€ k	Dec. 31, 2012	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	347	347	–	–
Derivatives used for hedging	2,678	–	2,678	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	247	–	247	–
Derivatives used for hedging	271	–	271	–
Held-for-trading financial assets	4,023	4,023	–	–
Liabilities at fair value – not through profit or loss				
Obligations from put options	33,134	–	–	33,134
Derivatives used for hedging	1,567	–	1,567	–
Liabilities at fair value – through profit or loss				
Derivatives not used for hedging	173	–	173	–
Derivatives used for hedging	243	–	243	–
Contingent purchase price installments	2,171	–	–	2,171

€ k	Dec. 31, 2011	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	316	316	–	–
Derivatives used for hedging	1,298	–	1,298	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	195	–	195	–
Derivatives used for hedging	186	–	186	–
Held-for-trading financial assets	10	10	–	–
Liabilities at fair value – not through profit or loss				
Obligations from put options	21,181	–	–	21,181
Derivatives used for hedging	10,479	–	10,479	–
Liabilities at fair value – through profit or loss				
Derivatives not used for hedging	377	–	377	–
Derivatives used for hedging	456	–	456	–
Contingent purchase price installments	2,287	–	–	2,287

No reclassifications were made between the fair value hierarchies in the 2012 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2012, gave rise to the following total gains and losses:

3.73 /

TOTAL GAINS AND LOSSES ON ASSETS

€ k	2012	2011
Recognized in profit or loss		
Held-for-trading financial assets	28	–
Derivative financial instruments	57	248
Recognized in other comprehensive income		
Available-for-sale financial assets	31	– 11
Derivative financial instruments	347	1,124

3.74 /

TOTAL GAINS AND LOSSES ON LIABILITIES

€ k	2012	2011
Recognized in profit or loss		
Derivative financial instruments	119	– 570
Contingent purchase price installments	– 111	1,256
Recognized in other comprehensive income		
Derivative financial instruments	124	– 10,215
Contingent purchase price installments (currency translation reserve)	–	– 13
Obligations from put options	– 11,953	– 3,215

3.75 /

DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY

€ k	2012	2011
As of January 1	23,468	8,834
Additions	238	12,662
Disposals	– 227	–
Change in fair value	11,826	1,972
As of December 31	35,305	23,468

Assuming that the parameters (equity, cumulative earnings before income tax and free cash flow) were 10 % higher (lower) on the soonest possible exercise date, the gain/loss on the put options for CPM S.p.A. and for Agramkow Fluid Systems A/S and their respective subsidiaries, classified to level 3 of the fair value hierarchy, would have been € 2,822 thousand (prior year: € 1,922 thousand) lower (higher).

The level 3 contingent purchase price installments arising from the acquisition of Dürr Systems Wolfsburg GmbH would have been € 31 thousand higher (lower) in the event of deviation from the individual goals of +10 % (– 10 %).

The contingent purchase price installments associated with the acquisition of Dürr Cyplan Ltd. classified to level 3 of the fair value hierarchy would be € 387 thousand lower if the terms of the contract were met one year earlier than expected. Furthermore, this would involve a cash outflow of € 500 thousand. If the terms of the contract had been fulfilled one year later than expected, the contingent purchase price installments would be reduced by € 110 thousand.

The put option in connection with the acquisition of Thermea Energiesysteme GmbH would not change if the planned EBIT of the entity increases (falls) by 10 % over the next three years. Under such circumstances, the call option (currently € 0 thousand) would also remain unchanged as the proportionate business value of Thermea Energiesysteme GmbH does not exceed the capped exercise price on account of a 10 % variation in EBIT.

Fair values of financial instruments carried at amortized cost

The table below shows the fair value of the financial assets and liabilities carried at cost or amortized cost. The fair value of financial instruments not carried at amortized cost approximates their carrying amount (with the exception of available-for-sale financial assets measured at cost because their fair value cannot be determined reliably).

3.76/

FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED

€ k	DEC. 31, 2012		DEC. 31, 2011	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and cash equivalents	349,282	349,282	298,561	298,561
Costs and estimated earnings in excess of billings	349,163	349,163	297,567	297,567
Trade receivables due from third parties	345,654	345,654	327,822	327,822
Trade receivables due from entities accounted for using the equity method	162	162	446	446
Other non-derivative financial instruments				
Sundry financial assets	32,394	32,394	51,828	51,828
Held-to-maturity investments	10,872	10,908	–	–
Liabilities				
Trade payables	254,553	254,553	270,914	270,914
Trade payables due to entities accounted for using the equity method	14	14	–	–
Sundry non-derivative financial liabilities	29,304	29,304	18,745	18,745
Bond	248,625	225,379	244,125	225,511
Liabilities to banks	59,937	56,473	57,201	57,201
Finance lease liabilities	5,526	4,210	4,168	3,452
Of which combined by measurement category in accordance with IAS 39				
Loans and receivables	727,492	727,492	678,657	678,657
Held-to-maturity investments	10,872	10,908	–	–
Financial liabilities measured at amortized cost	597,959	569,933	595,153	575,823

Cash and cash equivalents, trade receivables, other receivables, trade payables, sundry non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of the held-to-maturity investments is equal to the nominal value multiplied by the quoted price of the respective financial instrument at measurement date.

It was not possible to determine the fair values of equity interests measured at cost of € 2,356 thousand because market prices were not available as no active markets exist. These are interests in four non-listed entities where the estimated future cash flows were not discounted because they could not be determined reliably. It was assumed that their fair value approximates their carrying amount. At present, Dürr does not have any plans to sell these equity interests.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with comparable due date and credit rating. With the exception of the bond and a Campus financing loan, the fair value of liabilities approximates the carrying amount.

The fair value of the bond is equal to the nominal value multiplied by the quoted price at the end of the reporting period. As of December 31, 2012, the bond was quoted at € 110.50 (prior period: € 108.50) which is equal to a market value of € 248,625 thousand (prior period: € 244,125 thousand). The fair value of the Campus loan is determined by discounting the cash flows from the fixed interest loan with the current market interest rate for a comparable mortgage.

3.77 /
Net gains and losses
by measurement category

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

€ k	From interest	FROM SUBSEQUENT MEASUREMENT			From disposals	Net gain or loss
		At fair value	Currency translation	Impairment		
Held-for-trading financial assets	28	761	–	–	–	789
(2011)	(–)	(367)	(–)	(–)	(–)	(367)
Loans and receivables	2,922	–	–7,411	–500	–148	–5,137
(2011)	(3,985)	(–)	(7,109)	(89)	(–97)	(11,086)
Held-to-maturity investments	13	–	–	–	–	13
(2011)	(–)	(–)	(–)	(–)	(–)	(–)
Financial liabilities at fair value through profit or loss	–111	–741	–	–	–	–852
(2011)	(–62)	(1,205)	(–)	(–)	(–)	(1,143)
Financial liabilities measured at amortized cost	–26,232	–	21	–	–	–26,211
(2011)	(–22,656)	(–)	(–29)	(–)	(–)	(–22,685)
2012	–23,380	20	–7,390	–500	–148	–31,398
(2011)	(–18,733)	(1,572)	(7,080)	(89)	(–97)	(–10,089)

An amount of € 31 thousand was recognized directly in equity from the measurement of available-for-sale securities (prior period: € 11 thousand) and € 0 thousand was offset against equity from the currency translation of a contingent purchase price installment (prior year: € –13 thousand).

At the end of the reporting period, financial assets of € 9,056 thousand (prior period: € 8,419 thousand) were pledged as collateral for prepayments received, factoring as well as for non-current liabilities to banks. In the prior period, financial assets of € 86,413 thousand from selected Dürr entities worldwide were pledged as collateral in connection with the syndicated loan.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the reporting period as a result of cash received and paid and thus provides information on the sources and use of cash and cash equivalents. The consolidated statement of cash flows prepared in accordance with IAS 7 “Statement of Cash Flows” makes a distinction between the cash flows from operating, investing and financing activities.

The cash and cash equivalents presented in the statement of cash flows contain all cash and cash equivalents shown in the statement of financial position, i.e., cash in hand, checks and bank balances, with an original term to maturity of less than three months. The change in cash and cash equivalents from changes of the consolidated group disclosed in the statement of cash flows of € 4 thousand arises from the first-time consolidation of Dürr Cyplan Ltd. The availability of cash of € 98,783 thousand (prior period: € 119,681 thousand) is restricted due to the restrictions on capital transfers in some Asian countries.

The cash flow from operating activities is derived indirectly from the profit of the Group for the year. The statement of cash flows takes earnings before tax as its point of departure and deducts income tax payments, net interest income as well as non-cash items, such as depreciation and amortization of non-current assets, the profit from entities accounted for using the equity method and the net gain or loss on the disposal of property, plant and equipment. To derive the cash flow from operating activities, changes in the items of the statement of financial position that result from operating activities are then considered. Effects from foreign currency translation and changes in the consolidation group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows therefore do not match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 2,834 thousand (prior period: € 2,813 thousand) lower because that amount is already included in the net interest.

The cash flow from operating activities contains effects from factoring and the negotiation of drafts and documentary credits of € 17,099 thousand (prior period: € 20,463 thousand) and € 4,824 thousand (prior period: € 0 thousand) respectively at the end of the reporting period.

The cash flow from investing activities is derived from actual cash flows. This relates mainly to the cash outflows for investments made in non-current assets and business combinations. Cash inflows arise from the disposal of non-current assets and interest received.

The cash outflows of € 1,684 thousand (prior period: € 6,816 thousand) related to business combinations reported under the cash flow from investing activities include the cash component of the price paid for Thermea Energiesysteme GmbH shares of € 2,135 thousand less the cash and cash equivalents obtained in the combination of € 681 thousand and the final purchase price installment for UCM AG of € 230 thousand. In the prior period, this disclosure included the purchase price for Agramkow Fluid Systems A/S and its subsidiaries paid in cash of € 7,170 thousand. Cash of € 354 thousand was received from the Agramkow entities. For further details on business combinations, please refer to note 18.

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and distributions to shareholders and non-controlling interests, interest paid for the bond and other financing activities. It also includes the payments made to settle liabilities under the terms of finance leases and other non-current loans. The line item, "Change in current bank liabilities and other financing activities", contains cash inflows and outflows from current accounts.

The conclusion of a finance lease agreement in the UK gave rise to an increase in additions to non-current assets on the date of signing of the agreement with a simultaneous increase in finance leases liabilities. As the extension of the agreement did not involve any cash outflow, the increase in assets and liabilities was not disclosed in the consolidated statement of cash flows. In the course of taking over the general partner's share in Dürr GmbH & Co. Campus KG, Dürr recorded additions of land and building, liabilities to banks and various other assets and liabilities in the prior period. Due to the fact that no cash flows were associated with these additions to the Group, they do not appear in the consolidated statement of cash flows.

The Group has unused credit lines and bank guarantees of € 433,020 thousand (prior period: € 241,085 thousand). For more information on the financing of the Group, please refer to note 28. A breakdown by division of the Dürr Group of the cash flows from operating activities, investing activities and financing activities can be found in note 35.

A more detailed explanation of the statement of cash flows can be found in the section on "Financial development" in the management report.

OTHER NOTES

35. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The presentation of segments provides details on the results of operations, net assets and financial position of individual activities.

The reporting is based on the divisions of the Group. As of December 31, 2012, the Dürr Group consisted of the Corporate Center and four divisions differentiated by product and service range, each with global responsibility for their products and results. The Corporate Center comprises Dürr AG, as the management holding company, Dürr IT Service GmbH, which performs IT services throughout the Group, and Dürr GmbH & Co. Campus KG, which leases real estate to group entities at the site in Bietigheim-Bissingen. Transactions between the divisions are carried out at arm's length.

Paint and Assembly Systems division Paint and Assembly Systems develops and builds paint shops and final assembly lines for the automotive industry. The division's portfolio also includes assembly and finishing systems for aircraft construction.

Application Technology division Application Technology develops and manufactures products and systems for automated painting applications, such as painting robots, feather cleaners and materials supply. Other activities include sealing technology for seams in bodywork and glueing technology for bodywork and final assembly of vehicles.

Measuring and Process Systems division Measuring and Process Systems offers balancing and diagnosis technology, testing, filling and assembly technologies as well as industrial cleaning and filtration technology. Besides the automotive industry, the division serves industries such as mechanical engineering, the electrical engineering industry and the aerospace industry.

Clean Technology Systems division The Clean Technology Systems division consists of Dürr's solutions for waste air purification. Moreover, the division develops and distributes equipment to generate electricity from the waste heat from industrial processes and other technologies aimed at improving the energy efficiency of production processes.

Management monitors the EBIT (earnings before investment income, interest and income taxes) of its four divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance. As the basis for segment reporting in accordance with IFRS 8 is the same as is used internally (management approach), the level of EBIT determined may differ from the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

3.78 /
SEGMENT REPORTING

€ k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Total segments	Recon- ciliation	Total Dürr Group
2012							
External sales revenues	1,125,202	531,209	647,889	95,483	2,399,783	47	2,399,830
Sales revenues with other divisions	2,598	2,686	12,940	572	18,796	-18,796	-
Total sales revenues	1,127,800	533,895	660,829	96,055	2,418,579	-18,749	2,399,830
EBIT	73,898	52,374	57,621	3,792	187,685	-10,789	176,896
Profit from entities accounted for using the equity method	2	-	1,012	-562	452	-	452
Cash flow from operating activities	21,005	38,722	68,254	-14,689	113,292	4,332	117,624
Cash flow from investing activities	-4,781	-3,280	-4,374	-3,868	-16,303	-7,079	-23,382
Cash flow from financing activities	-32,762	-26,837	-55,065	13,625	-101,039	57,427	-43,612
Depreciation and amortization	-4,586	-7,063	-10,553	-462	-22,664	-6,483	-29,147
Impairment of intangible assets and property, plant and equipment	-	-	-	-	-	-1,984	-1,984
Reversals of impairment losses	-	-	-	-	-	-	-
Other non-cash income and expenses	2	-4	2	-	-	1	1
Effects from restructuring/ onerous contracts	-300	-131	321	-55	-165	-	-165
Additions to intangible assets	1,513	723	980	6,134	9,350	4,363	13,713
Additions to property, plant and equipment	8,484	3,598	4,673	401	17,156	6,312	23,468
Investments in entities accounted for using the equity method	51	-	12,769	599	13,419	-	13,419
Assets (as of Dec. 31)	459,283	313,965	552,094	59,640	1,384,982	9,308	1,394,290
Liabilities (as of Dec. 31)	527,127	202,274	269,492	35,736	1,034,629	599	1,035,228
Employees (as of Dec. 31)	2,856	1,379	3,017	278	7,530	122	7,652

€ k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Total segments	Recon- ciliation	Total Dürr Group
2011							
External sales revenues	878,660	406,804	550,369	86,149	1,921,982	5	1,921,987
Sales revenues with other divisions	2,684	6,325	12,463	907	22,379	-22,379	-
Total sales revenues	881,344	413,129	562,832	87,056	1,944,361	-22,374	1,921,987
EBIT	40,469	31,061	31,399	4,929	107,858	-1,364	106,494
Profit from entities accounted for using the equity method	104	79	565	-168	580	-	580
Cash flow from operating activities	116,601	24,596	-24,253	10,611	127,555	343	127,898
Cash flow from investing activities	1,284	-199	-13,015	-2,870	-14,800	-47,774	-62,574
Cash flow from financing activities	-71,870	-28,510	32,414	-7,507	-75,473	51,317	-24,156
Depreciation and amortization	-3,809	-4,709	-9,086	-359	-17,963	-4,550	-22,513
Impairment of intangible assets and property, plant and equipment	-	-5	-	-	-5	-981	-986
Reversals of impairment losses	71	-	-	-	71	-	71
Other non-cash income and expenses	-10	585	749	-1	1,323	-6	1,317
Effects from restructuring/ onerous contracts	380	79	-560	-	-101	-	-101
Additions to intangible assets	609	1,972	3,530	283	6,394	5,260	11,654
Additions to property, plant and equipment	4,269	2,058	6,946	197	13,470	51,469	64,939
Investments in entities accounted for using the equity method	24	-	13,324	3,859	17,207	-	17,207
Assets (as of Dec. 31)	395,800	290,890	551,932	37,070	1,275,692	16,325	1,292,017
Liabilities (as of Dec. 31)	511,935	190,404	235,394	38,696	976,429	-1,741	974,688
Employees (as of Dec. 31)	2,524	1,203	2,790	205	6,722	101	6,823

The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.

3.79 /

RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€k	2012	2011
EBIT of the segments	187,685	107,858
EBIT of the Corporate Center	-7,764	-3,326
Borrowing costs recognized pursuant to IAS 23	-	-
Elimination of consolidation entries	-3,025	1,962
EBIT of the Dürr Group	176,896	106,494
Profit from entities accounted for using the equity method	452	580
Other investment income	23	-
Interest and similar income	4,278	5,542
Interest and similar expenses	-33,919	-26,807
Earnings before income taxes	147,730	85,809
Income taxes	-36,345	-21,552
Profit of the Dürr Group	111,385	64,257
Segment assets	1,384,982	1,275,692
Assets of the Corporate Center	537,204	534,767
Elimination of consolidation entries	-527,896	-518,442
Cash and cash equivalents	349,282	298,561
Time deposits and other short-term securities	17,800	35,960
Held-to-maturity securities and other loans	11,510	-
Income tax receivables	5,929	7,652
Investments in entities accounted for using the equity method	13,419	17,207
Deferred tax assets	15,475	9,644
Total assets of the Dürr Group	1,807,705	1,661,041
Segment liabilities	1,034,629	976,429
Liabilities of the Corporate Center	33,052	32,707
Elimination of consolidation entries	-32,453	-34,448
Bond	225,379	225,511
Liabilities to banks	56,473	57,201
Finance lease liabilities	4,210	3,452
Income tax liabilities	18,952	8,948
Deferred tax liabilities	35,381	26,921
Total liabilities of the Dürr Group¹	1,375,623	1,296,721

¹ Consolidated total assets less total equity

Pursuant to IAS 23 "Borrowing Costs", borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. In Dürr's financial statements, this means that finance costs that are attributable to customer-specific construction contracts in accordance with IAS 11 "Construction Contracts" are recognized in cost of sales. Since the EBIT is the basis used internally for management purposes without taking into account finance costs, borrowing costs are not included in segment profit or loss.

Sales revenues are generally allocated to regions based on the location of the project or delivery locations, respectively. The Group's assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33, they include all non-current assets of the Group except for financial instruments and deferred tax assets.

3.80

REGIONAL SEGMENTATION

€k	Germany	Other European countries	North/Central America	South America	Asia/Africa/Australia	Dürr Group
2012						
External sales revenues	324,975	555,366	478,515	127,441	913,533	2,399,830
Additions to property, plant and equipment	13,507	3,886	1,160	1,735	3,180	23,468
Non-current assets (as of Dec. 31)	273,592	147,133	75,557	10,457	11,885	518,624
Employees (as of Dec. 31)	3,412	1,282	850	281	1,827	7,652

€k	Germany	Other European countries	North/Central America	South America	Asia/Africa/Australia	Dürr Group
2011						
External sales revenues	281,495	476,529	303,441	127,383	733,139	1,921,987
Additions to property, plant and equipment	56,303	2,508	2,938	1,093	2,097	64,939
Non-current assets (as of Dec. 31)	266,598	147,649	79,910	10,051	8,781	512,989
Employees (as of Dec. 31)	3,128	1,176	768	186	1,565	6,823

In the 2012 reporting period, sales revenues in China came to € 730,988 thousand (prior period: € 577,380 thousand) and in the USA to € 312,459 thousand (prior period: € 211,350 thousand).

In the 2012 reporting period, 11.7 % of consolidated net sales revenues were generated with one customer compared to 14.8 % in the prior period. These sales revenues were spread over all divisions. The second and third-largest customers accounted for 9.3 % (prior period: 8.5 %) and 8.3 % (prior period: 7.7 %) respectively and were also attributable to all divisions. Entities that are known to be under common control are considered together as one customer.

36. RELATED PARTY TRANSACTIONS

Related parties comprise members of the Supervisory Board and the Board of Management.

Dr.-Ing. E. h. Heinz Dürr is chairman of the Supervisory Board of Dürr AG. The remuneration paid for this activity amounted to € 184 thousand (prior period: € 182 thousand). Expenses of € 211 thousand (prior period: € 269 thousand) were payable to Heinz Dürr GmbH, Berlin, of which Dr.-Ing. E. h. Heinz Dürr is general manager, for reimbursement of office and travel expenses relating to supervisory board activities and for cost reimbursements for the Dürr office in the German capital, Berlin. € 24 thousand including VAT was invoiced to Heinz Dürr GmbH for IT services. For his former activity as general manager, Dr.-Ing. E. h. Heinz Dürr received pension benefits from the pension commitment (of April 2, 1978, supplemented December 21, 1988) of € 235 thousand (prior period: € 233 thousand).

The members of the Board of Management purchased shares in Dürr AG from Heinz Dürr GmbH, Berlin in prior periods. To finance part of the purchase price, Heinz Dürr GmbH granted the members of the Board of Management an on-call loan at market conditions; the remaining purchase price was financed privately by the members of the Board of Management. On March 14 and August 3, 2012, CFO Ralph Heuwing sold 51,500 shares. Part of the proceeds was used to repay the loan granted to Mr. Ralph Heuwing by Heinz Dürr GmbH. In the 2012 reporting period, Ralf Dieter likewise repaid in full the loan granted to him by Heinz Dürr GmbH. The outstanding repayment amount of the loans thus came to € 0 thousand as of December 31, 2012 (prior period: € 3,172 thousand). An appropriate amount of the shares acquired were pledged to Heinz Dürr GmbH as collateral for the loan.

Some members of the Supervisory Board of Dürr AG hold high-ranking positions in other entities. Transactions between these entities and Dürr are carried out at arm's length.

For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to note 41.

Related parties also comprise joint ventures and associates of the Dürr Group.

In the 2012 reporting period, there were intercompany transactions between Dürr and its joint ventures and associates of € 1,906 thousand (prior period: € 5,766 thousand). As of December 31, 2012, outstanding receivables from joint ventures and associates totaled € 162 thousand (prior period: € 446 thousand) and were current.

The Board of Management confirms that all the related party transactions described above were carried out at arm's length conditions.

37. CONTINGENT LIABILITIES

3.81 / CONTINGENT LIABILITIES	Dec. 31, 2012	Dec. 31, 2011
€k		
Contingent liabilities from warranties, guarantees, notes and check guarantees	25	113
Other	11,313	14,285
	11,338	14,398

Other contingent liabilities mainly pertain to contingent liabilities in connection with pending tax proceedings in Brazil. Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

38. OTHER FINANCIAL OBLIGATIONS

3.82 / OTHER FINANCIAL OBLIGATIONS	Dec. 31, 2012	Dec. 31, 2011
€k		
Future minimum payments for operating leases	110,883	72,005
Future minimum payments for finance leases	5,904	4,409
Sundry financial obligations	15,279	9,667
	132,066	86,081

The rise in future minimum payments for operating lease agreements is primarily due to capacity increases in China.

Rent and lease agreements (operating leases)

Besides liabilities, provisions and contingent liabilities, Dürr has other financial obligations, in particular from rental and lease agreements for buildings, furniture and fixtures, office space and vehicles. Future minimum lease payments up to the first contractually agreed termination date are as follows:

3.83/

NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES

€ k	Dec. 31, 2012	Dec. 31, 2011
Less than one year	21,212	16,664
Between one and five years	46,359	29,892
More than five years	43,312	25,449
	110,883	72,005

In the 2012 reporting period, expenses of € 23,078 thousand (prior period: € 24,305 thousand) were recorded in the statement of income for operating leases.

Finance leases

The Group has entered into finance leases for various items of property, plant and equipment. Future minimum lease payments relating to these are reconciled to the liabilities below:

3.84/

NOMINAL VALUES OF FINANCE LEASES

€ k	DEC. 31, 2012			DEC. 31, 2011		
	Minimum payments	Interest contained in the lease payments	Finance lease liabilities	Minimum payments	Interest contained in the lease payments	Finance lease liabilities
Less than one year	919	340	579	870	263	607
Between one and five years	3,380	1,026	2,354	2,662	575	2,087
More than five years	1,605	328	1,277	877	119	758
	5,904	1,694	4,210	4,409	957	3,452

Sundry financial obligations

The other financial obligations that do not result from rental and lease agreements are listed below.

3.85/

NOMINAL VALUE OF SUNDRY FINANCIAL OBLIGATIONS

€ k	2013	2014	2015	2016	2017	Thereafter	Total
Liabilities from other continuous obligations	10,391	748	690	690	690	2,070	15,279

39. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates in countries in which there are political and economic risks. These risks did not have any effects on the Group in the reporting period. Dürr may be involved in lawsuits, including product liability, in the ordinary course of business. There are no such matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. Dürr is generally exposed to financial risks. These include mainly credit risks, liquidity risks and exposure to interest rate changes or currency risks. The regulations for a group-wide risk policy are set forth in the Group guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the management report.

Credit risk The credit risk relates to the possibility that business partners may fail to live up to their obligation with non-derivative and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses letters of credit and trade credit insurance to further limit the risk of default.

3.86 /

RECEIVABLES SECURED AGAINST DEFAULT

€k	Dec. 31, 2012	Dec. 31, 2011
Letters of credit	4,220	12,899
Credit insurance policies	12,304	3,099
	16,524	15,998

In connection with the investment of cash and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the banks fail to meet their obligations. Dürr manages the resulting risk position by diversifying its portfolio and selecting its counterparties carefully. No cash and cash equivalents or derivative financial assets were past due or impaired due to credit defaults.

Dependence on few customers

The development of Dürr hinges on the willingness of the automotive industry to invest. A significant portion of the Group's sales revenues is generated with a limited number of customers because the number of manufacturers on the worldwide market for automobiles is comparatively small. The majority of the Group's receivables are due from automobile manufacturers. Generally these receivables are not secured by bank guarantees or other collateral. As of December 31, 2012, 51.4 % (prior period: 52.7 %) of the trade receivables were due from nine (prior period: seven) customers. The total receivables disclosed contain bad debt allowances for doubtful debts of € 7,185 thousand (prior period: € 7,203 thousand). Owing to its customers' group structure with international subsidiaries, Dürr does not see any concentration of credit risks from its business relations with individual debtors or groups of debtors despite the fact that its business is concentrated on a relatively small number of customers. The level of diversity displayed among the Group's customers is high compared to other automotive suppliers.

Liquidity risk The liquidity risk is the risk that the Group may not be in a position to meet its obligations in the future, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. The situation is monitored and managed by means of a liquidity plan with a planning horizon of 18 months, coupled with a short-term liquidity forecast.

In addition, use of cross-border cash pooling structures has improved the structure of the statement of financial position through liquidity pooling, reduced the volume of borrowed funds and thus helped to enhance the financial result. At the same time, the liquidity situation has become more transparent. Moreover, excess liquidity at individual entities within the Group can be used to finance the cash needs of other group entities internally.

The syndicated loan agreement, which expires on June 30, 2014, and has an extension option until June 30, 2015, and the loan commitment of the European Investment Bank (EIB) can be terminated prematurely by the banking syndicate and the EIB respectively, if certain financial covenants are not complied with. The financial covenants include certain targets such as total net worth, the gearing ratio and the interest coverage. In the 2012 reporting period, the financial covenants were complied with as of each cut-off date. The financial covenants are calculated for a rolling period of twelve months. For additional information, please refer to note 28.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

3.87

INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

€ k	Carrying amount as of Dec. 31, 2012	CASH FLOWS				
		2013	2014	2015	2016	From 2017 onwards
Non-derivative financial liabilities						
Trade payables	254,553	252,706	783	21	–	1,043
Trade payables due to entities accounted for using the equity method	14	14	–	–	–	–
Sundry financial liabilities	29,304	26,598	130	1	–	2,575
Bond	225,379	16,313	16,313	237,234	–	–
Liabilities to banks	56,473	16,693	4,194	3,995	3,927	47,526
Finance lease liabilities	4,210	919	899	858	798	2,430
Obligations from put options	33,134	23,821	–	9,384	–	–
Contingent purchase price installments	2,171	500	–	1,127	500	500
Derivative financial liabilities						
Forward exchange contracts not used for hedging	173	168	5	–	–	–
Forward exchange contracts used for hedging	1,810	1,657	153	–	–	–

€ k	Carrying amount as of Dec. 31, 2011	CASH FLOWS				
		2012	2013	2014	2015	From 2016 onwards
Non-derivative financial liabilities						
Trade payables	270,914	269,215	1,048	24	–	627
Trade payables due to entities accounted for using the equity method	–	–	–	–	–	–
Sundry financial liabilities	18,745	16,449	223	31	4	2,712
Bond	225,511	16,313	16,313	16,313	237,234	–
Liabilities to banks	57,201	16,707	6,183	6,249	6,146	44,602
Finance lease liabilities	3,452	870	832	796	733	1,178
Obligations from put options	21,181	–	23,109	–	–	–
Contingent purchase price installments	2,287	227	500	–	1,099	1,000
Derivative financial liabilities						
Forward exchange contracts not used for hedging	377	377	–	–	–	–
Forward exchange contracts used for hedging	10,935	10,310	625	–	–	–

Foreign currency risk Currency risks exist in particular where receivables or liabilities are carried or will arise in the ordinary course of business in a currency other than the functional currency of the entity. Foreign exchange risks are hedged where they affect the cash flows of the Group. Foreign exchange risks that do not affect the cash flows of the Group (i.e., the risks from translating the items from the statement of financial position of foreign operations to the euro, the Group's reporting currency), however, are generally not hedged. Forward exchange transactions are entered into to hedge exchange rate fluctuations from cash flows relating to forecast purchase and sales transactions with original terms of up to 39 months (prior period: 29 months).

Regarding the presentation of market risks, IFRS 7 "Financial Instruments: Disclosures" requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variables. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. The presentation is based on the assumption that the portfolio at the end of the reporting period was representative for the whole year. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which Dürr holds financial instruments are relevant risk variables.

Material non-derivative monetary financial instruments which constitute currency risks for Dürr are cash, trade receivables and payables as well as intercompany receivables and liabilities that are denominated in different functional currencies. Non-derivative financial instruments which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges. In the process, both the change in the non-derivative financial instrument and the change in the value of the derivative financial instrument are posted through profit and loss. In addition, Dürr is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the currency reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are most relevant for Dürr. This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, in the value of the euro against the US dollar, the Chinese renminbi and the pound sterling as well as an appreciation and depreciation of the US dollar to the Korean won and the Mexican peso.

3.88 /
IMPACT ON THE STATEMENT OF INCOME AND EQUITY

€ k	DEC. 31, 2012		DEC. 31, 2011	
	Impact on the statement of income	Impact on the currency reserve in equity	Impact on the statement of income	Impact on the currency reserve in equity
EUR/USD				
EUR +10 %	130	2,369	-728	7,993
EUR -10 %	-158	-2,896	890	-9,769
EUR/CNY				
EUR +10 %	-1,656	31	-1,133	-
EUR -10 %	2,025	-38	1,385	-
EUR/GBP				
EUR +10 %	619	-1,191	-186	-
EUR -10 %	-756	1,456	227	-
USD/KRW				
USD +10 %	376	-42	826	-1,638
USD -10 %	-605	52	-1,009	1,627
USD/MXN				
USD +10 %	-849	-18	190	-1,648
USD -10 %	1,038	21	-232	2,018

Interest rate risk Interest rate risks are due to fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

On account of the growing volume of business, Dürr has cash subject to fluctuation in interest rates as of December 31, 2012. A hypothetical increase in these interest rates of 25 base points per year would have caused a € 644 thousand (prior period: € 553 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a € 644 thousand (prior period: € 553 thousand) decrease in interest income.

Other price risks In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variable on the price of financial instruments. The main risk variables include stock market prices and indices.

As of December 31, 2012, Dürr did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

Please refer to note 33 for more information on the price risk of the put options disclosed as a level 3 financial instrument, the liabilities from contingent purchase price installments and the call option.

Use of derivative financial instruments

Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates, interest rates or cash flows and the change in fair value of receivables and liabilities. Dürr is exposed to a replacement risk in the event of non-performance by counterparties (banks) relating to the financial instruments described below. All financial derivatives as well as the hedged transactions are subject to regular internal control and measurement in accordance with the directive of the Board of Management. Derivative financial instruments are only entered into to hedge the operating business.

At the inception of the hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are formally documented. This documentation contains identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged item's cash flows that is attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Depending on their market value at the end of the reporting period, derivative financial instruments are reported under sundry financial assets (positive market value) or sundry financial liabilities (negative market value) respectively.

3.89

SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

€ k	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Forward exchange contracts	172,197	256,042	3,196	1,679	1,983	11,312
of which in connection with cash flow hedges	103,565	182,098	2,678	1,298	1,567	10,479
of which in connection with fair value hedges	27,910	21,659	271	186	243	456
of which not used for hedging	40,722	52,286	247	195	173	377

**Accounting and
disclosure of derivative
financial instruments and
hedge accounting**

The fair value of the financial instruments was estimated using the following methods and assumptions: The fair values of the forward exchange contracts were estimated at the present value of cash flows on the basis of the difference between the contractually agreed forward exchange rates and the forward rate prevailing at the end of the reporting period.

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly in other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded in other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales or other operating income and expenses in the statement of income.

In the 2012 reporting period, an unrealized gain was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € 7,593 thousand recognized in equity (prior period: € -4,612 thousand).

In addition, € 2,252 thousand (prior period: € 2,540 thousand) was reclassified in the reporting period from other comprehensive income to profit or loss and disclosed in sales revenues and cost of sales in the statement of income, thus increasing profit. Of this figure, € 3,978 thousand (prior period: € 2,540 thousand) is attributable to the realization of hedged transactions in the course of the year. € -1,726 thousand (prior period: € 0 thousand) was attributable to forward exchange contracts accounted for as hedges concluded to hedge anticipated future transactions which were reversed on account of the hedged transaction ceasing to exist.

The effect on earnings (before taxes) expected for 2013 from the amounts recognized in other comprehensive income at the end of the reporting period came to € 1,616 thousand. In the 2014 and 2015 reporting periods, accumulated effects on earnings are expected to total € 938 thousand.

A loss of € 4,189 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: loss of € 4,121 thousand). Measuring the hedged items as of the reporting date gave rise to a gain of approximately the same amount.

In the 2012 and 2011 reporting periods, there were no further material effects on earnings arising from ineffectiveness apart from the effect described above arising from the hedged transactions ceasing to exist in 2012.

The changes in the fair value of all derivative financial instruments that do not meet the requirements for hedge accounting in accordance with IAS 39 are recognized in profit or loss at the end of the reporting period.

40. ADDITIONAL DISCLOSURE REQUIREMENTS

Exemption pursuant to Sec. 264 (3) HGB With reference to Sec. 264 (3) HGB [“Handelsgesetzbuch“: German Commercial Code], the financial statements of the following German subsidiaries are not published:

- Dürr Systems GmbH, Stuttgart
- Dürr International GmbH, Stuttgart
- Dürr Somac GmbH, Stollberg
- Carl Schenck AG, Darmstadt
- Dürr Ecoclean GmbH, Filderstadt
- Schenck RoTec GmbH, Darmstadt
- Schenck Technologie und Industriepark GmbH, Darmstadt
- Dürr Assembly Products GmbH, Püttlingen
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

With reference to Sec. 264 (3) HGB, the following German subsidiaries do not prepare, or have audited, notes to the financial statements or a management report:

- Carl Schenck AG, Darmstadt
- Dürr Somac GmbH, Stollberg
- Dürr Assembly Products GmbH, Püttlingen
- Dürr International GmbH, Stuttgart
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

41. OTHER NOTES

Subsequent events There were no events which have had or could have a significant effect on the net assets, financial position and results of operations of the Group in the period since the beginning of the current reporting period and March 1, 2013.

Declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG The declaration of compliance prescribed by Sec. 161 AktG [“Aktiengesetz“: German Stock Corporations Act] was submitted by the Board of Management and the Supervisory Board of Dürr AG in Bietigheim-Bissingen on December 12, 2012, and made accessible to the shareholders on the internet. For additional information, we refer to the group management report.

Headcount The headcount of employees in the Dürr Group breaks down as of December 31, 2012, and as an average over the 2012 reporting period as follows:

3.90 /

EMPLOYEES AS OF THE END OF THE REPORTING PERIOD

	Dec. 31, 2012	Dec. 31, 2011
Wage earners	2,909	2,582
Salaried employees	4,388	3,915
Employees without interns, trainees and apprentices	7,297	6,497
Interns/trainees/apprentices	355	326
Total employees	7,652	6,823

3.91/

/ AVERAGE HEADCOUNT DURING THE YEAR

	2012	2011
Wage earners	2,792	2,406
Salaried employees	4,206	3,678
Employees without interns, trainees and apprentices	6,998	6,084
Interns/trainees/apprentices	339	339
Total employees	7,337	6,423

**Fees of the auditor
of the consolidated
financial statements**

The audit fees of the auditor of the consolidated financial statements recorded as an expense for the reporting period break down as follows:

3.92/

/ AUDITOR'S FEES

€k	2012	2011
Audit of the financial statements	724	730
Other attest services	27	31
Tax advisory services	21	41
Other services	47	48
	819	850

**Authorization for issue and
publication of the consolidated
financial statements as
of December 31, 2012**

The consolidated financial statements and group management report of Dürr AG prepared by the Board of Management as of December 31, 2012, were authorized at the meeting of the Board of Management on March 1, 2013, for issue to the Supervisory Board and will probably be published in the 2012 annual report on March 13, 2013.

MEMBERS OF THE BOARD OF MANAGEMENT

RALF W. DIETER

Chairman

- Public Relations, Human Resources (Employee Affairs Director), Research and Development, Quality Management, Internal Audit, Corporate Compliance
- Paint and Assembly Systems division
- Application Technology division
- Measuring and Process Systems division

- Carl Schenck AG, Darmstadt* (Chairman)
- Dürr Systems GmbH, Stuttgart* (Chairman)
- Körber AG, Hamburg

- Dürr, Inc., Plymouth, USA* (Chairman)
- Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, China* (Chairman)

RALPH HEUWING

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents, Information Technology, Global Sourcing
- Clean Technology Systems division
- Dürr Consulting

- Carl Schenck AG, Darmstadt*
- Dürr Systems GmbH, Stuttgart*
- MCH Management Capital Holding AG, Munich

- Dürr, Inc., Plymouth, USA*
- Dürr India Pvt. Ltd., Chennai, India*

● Offices held by members of the Board of Management

■ Membership in statutory supervisory boards

□ Membership in comparable German and foreign control bodies (of business entities)

* Group boards

3.93/

COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2012

€	NON-PERFORMANCE RELATED		PERFORMANCE RELATED		Compensation expense without pension benefits	Expenses for pension benefits ²	Total expense ³	Paid out in the reporting period
	Basic compensation	Other compensation ¹	Long-term compensation expense (LTI)	Short-term incentives (STI)				
Ralf W. Dieter	550,000.00	57,049.31	1,904,985.73	1,000,000.00	3,512,035.04	150,000.00	3,662,035.04	2,107,049.31
(2011)	(500,000.00)	(49,968.28)	(862,706.77)	(938,965.50)	(2,351,640.55)	(105,000.00)	(2,456,640.55)	(1,594,968.28)
Ralph Heuwing	425,455.44	24,948.19	2,215,099.68	900,000.00	3,565,503.31	127,500.00	3,693,003.31	1,735,403.63
(2011)	(375,000.00)	(23,144.26)	(741,207.82)	(881,034.50)	(2,020,386.58)	(82,500.00)	(2,102,886.58)	(1,373,144.26)
Total	975,455.44	81,997.50	4,120,085.41	1,900,000.00	7,077,538.35	277,500.00	7,355,038.35	3,842,452.94
(2011)	(875,000.00)	(73,112.54)	(1,603,914.59)	(1,820,000.00)	(4,372,027.13)	(187,500.00)	(4,559,527.13)	(2,968,112.54)

¹ Payments in kind, allowances relating to insurance premiums, etc.

² Current service cost recorded during the reporting period

³ Dürr has capped STI and LTI payments since 2010 in line with the German Act on the Appropriateness of Management Board Compensation (VorstAG). Payments are capped at € 1.0 million (STI) and € 1.5 million (LTI) p.a. for Mr. Dieter, and at € 0.9 million (STI) and € 1.5 million (LTI) p.a. for Mr. Heuwing. The expense shown in the "long-term compensation expense (LTI)" column consists of the additions to the accrued liabilities for the current LTI tranches. In previous years, this expense was below the cap. For this reason, the accrued liabilities had to be increased as a result of the good earnings and share price development. The additions to the accrued LTI liabilities for Mr. Heuwing exceeded those for Mr. Dieter in 2012, as the accrued liabilities for Mr. Dieter in previous years had been higher.

In the 2012 reporting period, the members of the Board of Management received a down-payment on the second tranche of the LTI of € 560 thousand. The down-payment will be offset against the pay-out from the second tranche of the LTI which becomes due for payment after the annual general meeting at which the consolidated financial statements are presented for the 2013 reporting period. In December 2012, the members of the Board of Management received a down-payment of € 1,500 thousand on short-term performance-based benefits for the 2012 reporting period.

In April 2011, the members of the Board of Management received a down-payment on the LTI of € 325 thousand. The down-payment will be offset against the pay-out from the first tranche of the LTI which becomes due for payment after the annual general meeting at which the consolidated financial statements are presented for the 2012 reporting period. In December 2011, the members of the Board of Management received an additional down-payment of € 1,175 thousand on short-term performance-based benefits for the 2011 reporting period.

Measurement of long-term incentives (LTI) is based on the anticipated share price at the end of the contractual term and an average earnings ratio over the duration of the program. Historical share prices are used to determine the fair value. The average earnings ratio used is based on the Company's internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made. This can lead to a change in the final payments from the respective LTI tranches. For more information about the share-based payment, please refer to note 32.

Former members of the Board of Management received pension benefits of € 836 thousand in the 2012 reporting period (prior period: € 928 thousand). Pension provisions for this group of persons amounted to € 4,755 thousand as of December 31, 2012 (prior period: € 8,892 thousand). The fall in pension provisions is mainly attributable to the purchase of employer's pension liability insurance policies.

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. E.H. HEINZ DÜRR^{1, 4, 5}

Entrepreneur, Berlin
Chairman

HAYO RAICH^{1, 3, 4}

Full-time Chairman of the Group
Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council
of Dürr Systems GmbH, Stuttgart, at
the Bietigheim-Bissingen site
Deputy Chairman

- Dürr Systems GmbH, Stuttgart
(Deputy Chairman)

PROF. DR. NORBERT LOOS^{1, 2, 4, 5}

Managing partner of Loos
Beteiligungs-GmbH, Stuttgart
Deputy Chairman

- BHS tabletop AG, Selb (Chairman)
- Hans R. Schmid Holding AG,
Offenburg (Chairman)
- LTS Lohmann Therapie-Systeme AG,
Andernach (Chairman)
- LTS Lohmann Therapy Systems Corp.,
West Caldwell, New Jersey, USA
(Chairman)

STEFAN ALBERT^{3, 4}

Full-time Chairman of the Works Council
of Schenck RoTec GmbH, Darmstadt

- Corporate Pension Fund of
Carl Schenck AG VVaG, Darmstadt

MIRKO BECKER^{2, 3}

Full-time member of the Works Council
of Dürr Systems GmbH, Stuttgart, at the
Bietigheim-Bissingen site

DR. DR. ALEXANDRA DÜRR^{2, 5}

Senior physician at the Neurogenetic Clinic
of Département de Génétique, Hôpital de la
Salpêtrière, Paris, France

KLAUS EBERHARDT

(since April 27, 2012)

Former Chairman of the Board of Management
of Rheinmetall AG, Düsseldorf

- KSPG AG, Neckarsulm (Chairman)
- MTU Aero Engines Holding AG, Munich
(Chairman)
- MTU Aero Engines GmbH, Munich
(Chairman)
- Rheinmetall MAN Military Vehicles GmbH,
München (until December 31, 2012, Chairman)
- Hirschmann Automotive GmbH, Rankweil,
Austria (until December 31, 2012)

THOMAS HOHMANN³

Head of Personnel at Dürr Systems
GmbH, Stuttgart

GUIDO LESCH^{1, 3}

Second Authorized Representative of
IG Metall administrative offices, Völklingen

- Saarschmiede GmbH Freiformschmiede,
Völklingen (Deputy Chairman)

¹ Member of the Executive Committee and Personnel Committee

² Member of the Audit Committee

³ Employee representative

⁴ Member of the Mediation Committee

⁵ Member of the Nomination Committee

■ Membership in statutory supervisory boards

□ Membership in comparable German and foreign control bodies
(of business entities)

JOACHIM SCHIELKE²

(until April 27, 2012)

Former Chairman of the Management Board of Baden-Württembergische Bank, Stuttgart
Former Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

- Paul Hartmann AG, Heidenheim an der Brenz
- ICS Informatik Consulting Systems AG, Stuttgart
- Wüstenrot Holding AG, Ludwigsburg
- Behr Verwaltung GmbH, Stuttgart (until July 31, 2012)
- Berthold Leibinger GmbH, Ditzingen (Member of the Supervisory Board, Member of the Administrative Board)
- Kaufland Stiftung & Co. KG, Neckarsulm
- Lidl Stiftung & Co. KG, Neckarsulm
- MKB Mittelrheinische Bank GmbH, Koblenz (until March 31, 2012, Chairman)
- MMV Leasing GmbH, Koblenz (until March 31, 2012, Chairman of the Advisory Board)
- Trumpf GmbH & Co. KG, Ditzingen (Member of the Administrative Board)

DR. MARTIN SCHWARZ-KOCHER^{2, 3}

General Manager of IMU Institut GmbH, Stuttgart

KARL-HEINZ STREIBICH

Chairman of the Board of Management of Software AG, Darmstadt

- Deutsche Messe AG, Hanover (since January 1, 2013)

PROF. DR.-ING. DR.-ING. E.H.**KLAUS WUCHERER**

General Manager of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH, Erlangen

- FESTO AG & Co. KG, Esslingen (since April 19, 2012)
- HEITEC AG, Erlangen
- LEONI AG, Nuremberg
- SAP AG, Walldorf

¹ Member of the Executive Committee and Personnel Committee

² Member of the Audit Committee

³ Employee representative

⁴ Member of the Mediation Committee

⁵ Member of the Nomination Committee

■ Membership in statutory supervisory boards

□ Membership in comparable German and foreign control bodies (of business entities)

The table below shows a breakdown into components of the remuneration of individual Supervisory Board members in the reporting period.

3.94

COMPENSATION OF THE SUPERVISORY BOARD IN 2012

€	Basic remuneration	Remuneration for committee membership	Attendance fees ³	Variable remuneration	Total
Dr.-Ing. E.h. Heinz Dürr, Chairman	60,000.00	11,250.00	8,000.00	105,000.00	184,250.00
(2011)	(60,000.00)	(11,250.00)	(8,000.00)	(102,970.80)	(182,220.80)
Hayo Raich* ^{1, 2} , Deputy Chairman	33,000.00	5,000.00	8,900.00	52,500.00	99,400.00
(2011)	(33,000.00)	(5,000.00)	(7,900.00)	(51,485.40)	(97,385.40)
Prof. Dr. Norbert Loos, Deputy Chairman	30,000.00	25,500.00	11,000.00	52,500.00	119,000.00
(2011)	(30,000.00)	(25,500.00)	(11,000.00)	(51,485.40)	(117,985.40)
Stefan Albert* ²	20,000.00	–	5,000.00	35,000.00	60,000.00
(since May 6, 2011)	(13,333.33)	(–)	(4,000.00)	(22,882.40)	(40,215.73)
Mirko Becker* ²	20,000.00	9,000.00	8,000.00	35,000.00	72,000.00
(2011)	(20,000.00)	(6,000.00)	(8,000.00)	(34,323.60)	(68,323.60)
Dr. Dr. Alexandra Dürr	20,000.00	8,500.00	7,000.00	35,000.00	70,500.00
(2011)	(20,000.00)	(2,500.00)	(6,000.00)	(34,323.60)	(62,823.60)
Benno Eberl* ²	–	–	–	–	–
(until May 6, 2011)	(8,333.33)	(2,083.33)	(3,000.00)	(14,301.50)	(27,718.16)
Klaus Eberhardt (since April 27, 2012)	13,333.33	–	2,000.00	23,333.33	38,666.66
Dr. Günter Fenneberg	–	–	–	–	–
(until May 6, 2011)	(8,333.33)	(–)	(1,000.00)	(14,301.50)	(23,634.83)
Thomas Hohmann*	20,000.00	–	5,000.00	35,000.00	60,000.00
(2011)	(20,000.00)	(–)	(6,000.00)	(34,323.60)	(60,323.60)
Erich Horst* ²	–	–	–	–	–
(until May 6, 2011)	(8,333.33)	(3,750.00)	(3,000.00)	(14,301.50)	(29,384.83)
Guido Lesch* ²	20,000.00	5,000.00	8,000.00	35,000.00	68,000.00
(2011)	(20,000.00)	(7,083.33)	(8,000.00)	(34,323.60)	(69,406.93)
Joachim Schielke (until April 27, 2012)	6,666.67	3,000.00	3,000.00	11,666.67	24,333.34
(2011)	(20,000.00)	(9,000.00)	(7,000.00)	(34,323.60)	(70,323.60)
Dr. Martin Schwarz-Kocher* ²	20,000.00	9,000.00	8,000.00	35,000.00	72,000.00
(since May 6, 2011)	(13,333.33)	(6,000.00)	(6,000.00)	(22,882.40)	(48,215.73)
Karl-Heinz Streibich	20,000.00	–	4,000.00	35,000.00	59,000.00
(since May 6, 2011)	(13,333.33)	(–)	(4,000.00)	(22,882.40)	(40,215.73)
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	20,000.00	–	4,000.00	35,000.00	59,000.00
(2011)	(20,000.00)	(–)	(6,000.00)	(34,323.60)	(60,323.60)
Total	303,000.00	76,250.00	81,900.00	525,000.00	986,150.00
(2011)	(307,999.98)	(78,166.66)	(88,900.00)	(523,434.90)	(998,501.54)

* Employee representative

¹ Also member of the Supervisory Board of Dürr Systems GmbH² These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.³ For Supervisory Board and committee meetings

42. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

3.95 /
INTANGIBLE ASSETS

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2011	281,702	79,305	30,610	628	392,245
Exchange difference	921	-14	140	-	1,047
Changes in the consolidated group	-	10,118	934	-	11,052
Additions	1,859	6,490	2,655	650	11,654
Disposals	-	-12,596	-867	-139	-13,602
Reclassifications	-	501	-	-466	35
Accumulated cost as of December 31, 2011	284,482	83,804	33,472	673	402,431
Exchange difference	-1,007	-247	-10	1	-1,263
Changes in the consolidated group	-	3,603	529	-	4,132
Additions	4,684	5,821	3,072	136	13,713
Disposals	-	-5,609	-5,847	-	-11,456
Reclassifications	-	685	-	-673	12
Accumulated cost as of December 31, 2012	288,159	88,057	31,216	137	407,569
Accumulated amortization as of January 1, 2011	-	60,691	15,412	-	76,103
Exchange difference	-	30	126	-	156
Amortization for the year	-	7,553	4,025	-	11,578
Impairment losses	-	981	-	-	981
Disposals	-	-12,551	-530	-	-13,081
Reclassifications	-	35	-	-	35
Accumulated amortization as of December 31, 2011	-	56,739	19,033	-	75,772
Exchange difference	-	-189	-11	-	-200
Amortization for the year	-	8,818	6,111	-	14,929
Impairment losses	-	1,984	-	-	1,984
Disposals	-	-5,515	-5,685	-	-11,200
Reclassifications	-	11	-	-	11
Accumulated amortization as of December 31, 2012	-	61,848	19,448	-	81,296
Net carrying amount as of December 31, 2012	288,159	26,209	11,768	137	326,273
Net carrying amount as of December 31, 2011	284,482	27,065	14,439	673	326,659
Net carrying amount as of January 1, 2011	281,702	18,614	15,198	628	316,142

3.96

PROPERTY, PLANT AND EQUIPMENT

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Advance payments and assets under construction	Dürr Group
Accumulated cost as of January 1, 2011	126,647	39,160	31,324	67,749	699	265,579
Exchange difference	65	-	49	138	-33	219
Changes in the consolidated group	4	-	-	439	-	443
Additions	53,370	155	3,079	7,017	1,318	64,939
Disposals	-360	-85	-2,468	-1,647	-	-4,560
Reclassifications	-212	602	29	97	-520	-4
Accumulated cost as of December 31, 2011	179,514	39,832	32,013	73,793	1,464	326,616
Exchange difference	-693	-	-170	-542	-40	-1,445
Changes in the consolidated group	-	-	402	166	638	1,206
Additions	4,881	80	4,794	9,196	4,517	23,468
Disposals	-1,007	-104	-1,646	-7,046	-	-9,803
Reclassifications	-1,657	2,988	26	16	-1,385	-12
Accumulated cost as of December 31, 2012	181,038	42,796	35,419	75,583	5,194	340,030
Accumulated depreciation as of January 1, 2011	58,590	16,026	24,007	52,623	-	151,246
Exchange difference	138	-	19	127	-	284
Depreciation for the year	3,305	839	1,549	5,242	-	10,935
Impairment losses	-	-	3	2	-	5
Reversals of impairment losses	-71	-	-	-	-	-71
Disposals	-295	-62	-1,314	-1,320	-	-2,991
Reclassifications	-401	696	-330	31	-	-4
Accumulated depreciation as of December 31, 2011	61,266	17,499	23,934	56,705	-	159,404
Exchange difference	-251	-	-91	-412	-	-754
Depreciation for the year	4,813	852	2,157	6,396	-	14,218
Disposals	-561	-104	-1,269	-6,382	-	-8,316
Reclassifications	-1,365	1,371	-	-17	-	-11
Accumulated depreciation as of December 31, 2012	63,902	19,618	24,731	56,290	-	164,541
Net carrying amount as of December 31, 2012	117,136	23,178	10,688	19,293	5,194	175,489
Net carrying amount as of December 31, 2011	118,248	22,333	8,079	17,088	1,464	167,212
Net carrying amount as of January 1, 2011	68,057	23,134	7,317	15,126	699	114,333

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FINANCIAL ASSETS

€ k	Investments in entities accounted for using the equity method	Other investments	Securities classified as non-current assets	Other loans	Dürr Group
Accumulated cost as of January 1, 2011	11,912	129	355	–	12,396
Exchange difference	1,006	–	–1	–	1,005
Additions	4,805	2,211	–	–	7,016
Disposals	–516	–	–38	–	–554
Accumulated cost as of December 31, 2011	17,207	2,340	316	–	19,863
Exchange difference	–1,567	–	–	–	–1,567
Changes in the consolidated group	–3,453	–	–	–	–3,453
Additions	1,439	400	11,180	602	13,621
Disposals	–562	–3	–	–	–565
Reclassifications	355	–355	–	–	–
Accumulated cost as of December 31, 2012	13,419	2,382	11,496	602	27,899
Accumulated impairment as of January 1, 2011	–	27	–	–	27
Accumulated impairment as of December 31, 2011	–	27	–	–	27
Amortization	–	–	241	–	241
Disposals	–	–1	–	–	–1
Accumulated impairment as of December 31, 2012	–	26	241	–	267
Net carrying amount as of December 31, 2012	13,419	2,356	11,255	602	27,632
Net carrying amount as of December 31, 2011	17,207	2,313	316	–	19,836
Net carrying amount as of January 1, 2011	11,912	102	355	–	12,369

43. LIST OF GROUP SHAREHOLDINGS

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LIST OF GROUP SHAREHOLDINGS

Name and location	Share of capital (%)
Germany	
Dürr GmbH & Co. Campus KG, Bietigheim-Bissingen ²	100
Carl Schenck AG, Darmstadt ^{1,2}	100
Landwehr Elfte Vermögensverwaltung GmbH, Darmstadt ^{1,2}	100
Schenck RoTec GmbH, Darmstadt ^{1,2}	100
Schenck Technologie- und Industriepark GmbH, Darmstadt ^{1,2}	100
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt ⁵	100
LaTherm GmbH, Dortmund ³	29
Dürr Ecoclean GmbH, Filderstadt ^{1,2}	100
Thermea Energiesysteme GmbH, Freital ²	28
Dürr EDAG Aircraft Systems GmbH, Fulda ³	50
Dürr Assembly Products GmbH, Püttlingen ^{1,2}	100
Dürr Somac GmbH, Stollberg ^{1,2}	100
Dürr EES GmbH, Stuttgart ⁴	100
Dürr International GmbH, Stuttgart ^{1,2}	100
Dürr IT Service GmbH, Stuttgart ^{1,2}	100
Dürr Systems GmbH, Stuttgart ^{1,2}	100
Prime Contractor Consortium FAL China, Stuttgart ³	50
Dürr Systems Wolfsburg GmbH, Wolfsburg ^{1,2}	100
Other EU countries	
Agramkow Fluid Systems A/S, Sønderborg/Denmark ²	55
Carl Schenck Denmark ApS, Sønderborg/Denmark ²	100
Schenck S.A.S., Cergy-Pontoise/France ²	100
Dürr Systems S.A.S., Guyancourt/France ²	100
Dürr Ecoclean S.A.S., Loué/France ²	100
Datatech S.A.S., Uxegney/France ²	100
Dürr Cyplan Ltd., Aldermaston/UK ²	50
Dürr Ltd., Warwick/UK ²	100
Schenck Ltd., Warwick/UK ²	100
CPM S.p.A., Beinasco/Italy ²	51
Olpidürr S.p.A., Novegro di Segrate/Italy ²	65
Schenck Italia S.r.l., Paderno Dugnano/Italy ²	100
Verind S.p.A., Rodano/Italy ²	50
Stimas Engineering S.r.l., Turin/Italy ²	51
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands ²	100
HeatMatrix Group BV, Rotterdam/Netherlands ⁴	15
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria ²	100
Dürr Poland Sp. z o.o., Radom/Poland ²	100
Dürr Systems Slovakia spol. s r.o., Bratislava/Slovakia ²	100
Dürr Systems Spain S.A., San Sebastián/Spain ²	100
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic ²	100
Other European countries	
OOO Dürr Systems RUS, Moscow/Russia ²	100
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland ²	100
UCM AG, Rheineck/Switzerland ²	100
CPM Automation d.o.o. Beograd, Belgrade/Serbia ²	51
Dürr Systems Makine Mühendislik Proje İthalat ve İhracat Ltd. Şirketi, Istanbul/Turkey ²	100

Name and location	Share of capital (%)
North America/Central America	
Dürr Systems Canada Corp., Windsor, Ontario/Canada ²	100
Dürr de México, S.A. de C.V., Querétaro/Mexico ²	100
Dürr Ecoclean Inc., Wixom, Michigan/USA ²	100
Schenck RoTec Corporation, Auburn Hills, Michigan/USA ²	100
Schenck Corporation, Deer Park, New York/USA ²	100
Schenck Trebel Corporation, Deer Park, New York/USA ²	100
Dürr Inc., Plymouth, Michigan/USA ²	100
Dürr Systems Inc., Plymouth, Michigan/USA ²	100
South America	
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina ²	100
Agramkow do Brasil Ltda., Indaiatuba/Brazil ²	55
Dürr Brasil Ltda., São Paulo/Brazil ²	100
Africa/Asia/Australia	
Dürr Systems Maroc sarl au, Tangier/Morocco ²	100
Dürr South Africa (Pty.) Ltd., Port Elizabeth/South Africa ²	100
Dürr India Private Ltd., Chennai/India ²	100
Schenck RoTec India Limited, Noida/India ²	100
Nagahama Seisakusho Ltd., Osaka/Japan ³	50
Parker Engineering Co., Ltd., Tokyo/Japan ⁴	10
Dürr Japan K.K., Yokohama/Japan ²	100
Agramkow Asia Pacific Pte. Ltd., Singapore/Singapore ²	55
Dürr Korea Inc., Seoul/South Korea ²	100
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/China ²	100
Schenck Shanghai Machinery Corporation Ltd., Shanghai/China ²	100
Dürr Thailand Ltd., Bangkok/Thailand ²	100
Dürr Pty. Ltd., Adelaide/Australia ²	100

¹ Profit and loss transfer agreement with the respective parent company

² Fully consolidated entity in the Dürr Group

³ Entity accounted for using the equity method in the Dürr Group

⁴ Non-consolidated entity in the Dürr Group

⁵ Non-consolidated entity in the Dürr Group. Dürr does not have control as it cannot enjoy the economic rewards from the operations of the entity.

Bietigheim-Bissingen, March 1, 2013

Dürr Aktiengesellschaft

The Board of Management



RALF W. DIETER



RALPH HEUWING

Responsibility statement by management

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.



RALF W. DIETER / CEO



RALPH HEUWING / CFO

Bietigheim-Bissingen, March 1, 2013

4.1 / Ten-year summary Dürr Group^{1,2}

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Incoming orders	€ million	2,596.8	2,684.9	1,642.2	1,184.7	1,464.0	1,781.5	1,459.8	1,216.9	1,387.4	2,356.2
Orders on hand	€ million	2,316.8	2,142.7	1,359.1	1,002.4	925.0	1,082.0	805.2	723.5	859.9	1,364.1
Sales revenues	€ million	2,399.8	1,922.0	1,261.4	1,077.6	1,602.8	1,476.6	1,361.2	1,400.6	1,725.8	2,264.5
Gross profit on sales	€ million	437.8	331.4	237.5	210.8	287.1	240.0	220.2	220.2	240.6	365.4
Overhead costs (incl. R&D costs)	€ million	-262.9	-225.5	-201.6	-202.5	-211.0	-203.3	-198.9	-211.5	-207.9	-321.3
Restructuring costs (incl. impairment losses/reversal of impairment losses)	€ million	-3	-3	-3	-3	-3	1.0	-5.9	-73.8	-6.8	-25.6
EBITDA	€ million	205.4	127.1	54.6	25.6	87.1	73.5	52.7	-18.8	50.2	48.4
EBIT	€ million	176.9	106.5	36.6	5.7	72.7	55.7	33.1	-70.3	29.0	17.9
Financial result	€ million	-29.2	-20.7	-24.1	-17.9	-26.3	-21.0	-18.3	-36.3	-24.5	-20.5
EBT	€ million	147.7	85.8	12.5	-12.2	46.4	34.8	14.8	-106.6	4.5	-6.9
Income taxes	€ million	-36.3	-21.6	-5.4	-13.5	-12.7	-13.6	-6.6	2.1	-5.6	-24.1
Net income/loss	€ million	111.4	64.3	7.1	-25.7	33.7	21.2	8.2	-104.5	-1.1	-31.1
Profit/loss attributable to Dürr AG shareholders	€ million	107.2	61.9	6.3	-26.9	29.9	20.9	7.8	-104.6	-0.1	-31.3
Stock											
Earnings per share	€	6.20	3.58	0.37	-1.55	1.81	1.33	0.50	-7.26	0.00	-2.19
Dividend per share	€	2.25 ⁴	1.20	0.30	0.00	0.70	0.40	0.00	0.00	0.00	0.00
Book value per share (Dec. 31)	€	24.49	21.06	18.46	17.42	19.73	16.35	15.62	17.22	15.58	15.41
Operating cash flow per share	€	6.80	7.39	3.20	5.51	1.87	5.46	-0.63	-10.25	-8.08	3.95
Closing price ⁵ (Dec. 31)	€	67.50	34.00	23.87	17.00	12.25	26.60	20.99	20.30	15.11	19.30
Number of shares (weighted average)	thousand	17,301	17,301	17,301	17,301	16,536	15,728	15,728	14,400	14,298	14,298
Market capitalization (Dec. 31)	€ million	1,168	588	413	294	212	418	330	319	216	276
Income statement											
Gross margin	%	18.2	17.2	18.8	19.6	17.9	16.3	16.2	15.7	13.9	16.1
EBITDA margin	%	8.6	6.6	4.3	2.4	5.4	5.0	3.9	-1.3	2.9	2.1
EBIT margin	%	7.4	5.5	2.9	0.5	4.5	3.8	2.4	-5.0	1.7	0.8
EBT margin	%	6.2	4.5	1.0	-1.1	2.9	2.4	1.1	-7.6	0.3	-0.3
Interest coverage		6.0	5.0	1.5	0.3	2.5	2.4	1.6	-2.0	1.2	0.9
Tax rate	%	24.6	25.1	43.3	-	27.3	39.0	44.7	-	124.8	-
Cash flow											
Operating cash flow	€ million	117.6	127.9	55.4	95.4	30.9	85.9	-9.8	-147.6	-115.5	56.4
Free cash flow	€ million	65.9	91.8	22.9	63.7	-14.5	40.6	-46.5	-206.1	-150.9	-
Capital expenditure (property, plant & equipment and intangible assets)	€ million	32.5	23.4	16.6	21.4	24.3	26.5	18.0	26.0	27.4	16.6
Change in net financial status	€ million	44.9	28.2	20.6	37.4	27.4	34.7	-11.6	157.9	-145.8	26.1
Balance sheet											
Non-current assets (Dec. 31)	€ million	551.9	529.0	462.3	452.6	443.5	424.2	447.1	484.9	560.9	569.1
Current assets (Dec. 31)	€ million	1,255.8	1,132.0	754.1	515.5	644.5	650.6	592.9	704.3	874.9	1,096.7
of which cash and cash equivalents (Dec. 31)	€ million	349.3	298.6	252.3	103.9	84.4	147.5	101.5	124.7	46.4	199.9
Equity (with non-controlling interests) (Dec. 31)	€ million	432.1	364.3	319.4	301.4	341.4	257.1	245.7	248.1	222.7	220.4

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Non-current liabilities (Dec. 31)	€ million	402.6	401.9	328.2	201.1	201.3	305.0	321.7	324.6	339.2	261.5
of which pension obligations (Dec. 31)	€ million	53.5	57.8	55.9	55.1	52.2	50.0	60.7	67.8	53.6	53.6
Current liabilities (Dec. 31)	€ million	973.0	894.8	568.8	465.6	545.4	512.7	472.7	616.5	873.8	1,183.9
Financial liabilities (Dec. 31)	€ million	286.1	286.2	232.3	104.0	122.6	214.6	210.3	217.9	298.5	296.8
Total assets (Dec. 31)	€ million	1,807.7	1,661.0	1,216.5	968.1	1,088.0	1,074.8	1,040.1	1,189.1	1,435.8	1,665.8
Net financial status (Dec. 31)	€ million	96.7	51.8	23.6	3.0	-34.4	-61.8	-96.5	-84.9	-242.8	-97.0
Net financial debt/EBITDA		- ⁶	- ⁶	- ⁶	- ⁶	0.4	0.8	1.8	-4.5	4.8	2.0
Gearing (Dec. 31)	%	-28.8	-16.6	-8.0	-1.0	9.2	19.4	28.2	25.5	52.2	30.6
Net working capital (Dec. 31)	€ million	98.6	32.6	27.3	57.4	151.8	128.9	154.7	171.5	120.5	109.1
Days working capital	days	14.8	6.1	7.8	19.2	34.1	31.4	40.9	44.1	25.1	17.3
Days sales outstanding	days	104.3	117.2	112.2	108.9	100.3	99.5	108.5	123.2	117.5	-
Inventory turnover	days	21.7	23.3	21.1	20.9	17.5	14.1	13.4	11.2	12.1	-
Equity assets ratio (Dec. 31)	%	78.3	68.9	69.1	66.6	77.0	60.6	55.0	51.2	39.7	38.7
Degree of asset depreciation (Dec. 31)	%	48.4	48.8	56.9	56.9	57.8	59.4	57.4	58.1	55.2	-
Depreciation expense ratio	%	4.2	3.3	4.1	4.3	3.9	4.6	4.3	5.2	5.8	-
Asset coverage (Dec. 31)	%	151.2	144.8	140.1	111.0	122.4	132.5	126.9	118.1	100.2	84.7
Asset intensity (Dec. 31)	%	30.5	31.8	38.0	46.8	40.8	39.5	43.0	40.8	39.1	34.2
Current assets to total assets (Dec. 31)	%	69.5	68.2	62.0	53.2	59.2	60.5	57.0	59.2	60.9	65.8
Cash ratio (Dec. 31)	%	35.9	33.4	44.4	22.3	15.5	28.8	21.5	20.3	5.8	16.9
Quick ratio (Dec. 31)	%	107.3	103.3	113.3	91.7	96.8	107.8	107.9	98.0	70.0	-
Equity ratio (Dec. 31)	%	23.9	21.9	26.3	31.1	31.4	23.9	23.6	20.9	15.5	13.2
Return on equity	%	25.8	17.6	2.2	-8.5	9.9	8.2	3.3	-42.1	-0.5	-14.1
Capital employed (CE) (Dec. 31)	€ million	402.6	374.8	356.7	356.3	432.1	378.8	420.1	-	-	-
ROCE	%	43.9	28.4	10.3	1.6	16.8	14.7	7.9	-	-	-
Weighted average cost of capital (WACC)	%	6.58	7.64	8.10	8.08	7.58	7.41	6.66	-	-	-
Economic value added (EVA)	€ million	97.3	45.9	-3.2	-24.8	20.0	5.9	-9.7	-	-	-
Employees / R&D											
Employees (Dec. 31)		7,652	6,823	5,915	5,712	6,143	5,936	5,650	5,992	6,240	12,747
Cost per employee (year average)	€	-64,900	-62,700	-59,300	-57,200	-62,200	-63,500	-61,000	-62,600	-61,200	-46,900
Sales per employee (year average)	€	327,100	299,200	218,300	183,100	264,500	254,200	237,500	230,000	265,200	174,800
R&D ratio	%	1.6	1.5	2.0	2.4	1.6	1.4	1.6	1.5	1.2	1.5
R&D employees (Dec. 31)		199	180	162	157	152	158	157	121	101	209
R&D expenditure	€ million	-37.2	-29.5	-25.8	-25.9	-25.5	-20.5	-21.1	-21.1	-20.3	-33.1
R&D cost capitalized	€ million	3.1	2.7	3.6	2.5	3.1	4.7	4.8	4.5	4.4	-
Amortization of R&D cost capitalized	€ million	-6.1	-4.0	-3.3	-3.3	-2.9	-2.8	-1.9	-1.4	-0.7	-

All figures according to IFRS.

¹ In 2005, we sold a number of business operations and implemented a major restructuring program. The figures for 2004 to 2012 refer to the continuing operations and are fully comparable.

² The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted.

³ In 2010, the major restructuring measures within the Group were completed. As a result, restructuring costs are no longer presented as a separate item but are included in other expense items.

The presentation of the income statement items for 2009 and 2008 was adjusted accordingly. No major restructuring costs have been incurred since 2011.

⁴ Dividend to be proposed at the annual general meeting

⁵ XETRA

⁶ Since 2009, the Group has had a positive net financial status.

Glossary

TECHNOLOGY AND PRODUCTS

A

Application technology

General term for all products related to the application of paint and high-viscosity materials, e.g. painting robots, paint atomizers, and color change systems.

B

Balancing and diagnostic systems

Rotating components such as wheels and turbines must be tested for imbalances. Any imbalance is then removed since it would otherwise cause vibrations or oscillations.

BRIC countries

Abbreviation for the emerging markets of Brazil, Russia, India and China.

C

Cathodic dip-coating

Process for applying the first prime coat that protects against corrosion. To coat the interior of the body as well, it is immersed. The coating is applied with the aid of an electronic field. The process is called "cathodic" as the car body serves as the cathode.

Claim management

Claim management deals with customer non-conformances with contractual specifications and provisions, e.g. technical changes and delays. The resulting additional expense is charged to the customer.

D

Downsizing

The development of economical combustion engines that have a smaller cubic capacity but deliver a similar performance as larger engines.

Drying oven

Tunnel-like systems for curing freshly applied coats of paint.

E

End of line

Refers to the terminal line section in final vehicle assembly where fully assembled cars are inspected and prepared for shipping.

Engineering

Development and design of machinery and plants. At Dürr, engineering often involves developing technical solutions that are geared to customers' specific production goals.

ERP System (Enterprise Resource Planning)

Software used to support resource planning within a company. ERP systems should cover all business processes.

F

Filling systems

Equipment designed for filling vehicles with the necessary operating media (e.g. brake fluid, refrigerant) in the course of their final assembly. Filling systems are also employed for charging refrigerators, air conditioners and heat pumps with refrigerant.

Filtration systems (coolant recycling)

Coolants are used in the machining of workpieces. They cool the workpieces and tools, reduce friction and wear, and bind metal chips. A recycling or filtration system cools the used coolant and removes chips and particles from it to make it re-useable in the machining process.

G

Glueing technology

Manufacturing process, in which parts such as the sheetmetal components of a car are joined together by means of adhesives.

H

Heat exchanger

Heat exchangers transfer thermal energy from one medium to another, e.g. from hot water to air.

High-speed rotating atomizer

Atomizers ensure a uniform distribution of the spray jet in paint application processes. High rotation atomizers rely on a bell-shaped disk revolving at up to 70,000 r.p.m. Due to this design, the paint fed to the center of the disk is accelerated and separated into fine threads which dissolve into minuscule droplets as they are propelled off the disk.

I

Industrial cleaning systems

Cleaning systems remove contaminants from workpieces that arise during the machining process.

K

Kinematic model

A kinematic model enables the sequences and movements of a system or machine to be defined and verified in advance on the computer.

L

Lifecycle costs

All costs caused by a product to the customer, from procurement investment through to disposal.

Light vehicles

Cars and light trucks.

Lightweight design

In automotive engineering, lightweight design refers to the practice of building cars with weight minimization in mind. The vehicle's fuel consumption and CO₂ emissions can thus be reduced. Low-weight materials such as magnesium, titanium or synthetic fiber composites are becoming increasingly widespread to save vehicle weight.

M

Manufacturing depth

The value added (content) which the company actually contributes itself in the manufacture of a product or a plant.

Marriage

Joining and bolting together of the power train, chassis, and body in final vehicle assembly.

P

Paint separation system

During painting, some of the sprayed paint does not reach the body surface. These paint particles must be separated from the booth atmosphere so that they do not mix with the subsequent paint colors. In the EcoDryScrubber technology, this separation is performed with the aid of dry filters.

Pretreatment

This is the first stage in the painting process. When it comes from the body shop, the body shell is first cleaned, degreased and in most cases phosphated in preparation for the next coating. The phosphating produces a corrosion-inhibiting conversion layer (nonmetallic crystalline structure) to which subsequent paint layers will bond more effectively.

S

Sealing

Process for sealing welding seams created when car body parts are joined. Sealing also includes the application of an undercoating that protects against rock impact.

Supervisory control system

Centralized computer system for controlling and supervising control of a complete production plant.

T

Test systems

End-of-line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

U

Ultrafine cleaning

Cleaning process that removes contamination down to a single-digit µm (micron) scale.

FINANCIAL

A

Asset coverage

A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100 (\%)$$

Asset intensity

A ratio that indicates the relative weight of non-current assets in total assets. High asset intensity means high fixed costs and high levels of capital tied up.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100 (\%)$$

C

Capital employed

This is the capital used within the enterprise that is not subject to interest payable to external creditors. It is calculated by deducting liabilities from total non-current and current assets. However, all interest-bearing items are excluded.

D

Days sales outstanding

This ratio indicates the average length of time that capital is tied up in receivables in days.

$$\frac{\text{Receivables} \times 360}{\text{Sales revenues}}$$

The same method can be used to calculate the average length of time that capital is tied up in inventories and in net working capital.

E

Equity assets ratio

A ratio that indicates the extent to which shareholders' equity and non-current liabilities cover non-current assets.

$$\frac{\text{equity} + \text{non-current liabilities}}{\text{non-current assets}} \times 100 (\%)$$

F

Free cash flow

Free cash flow is the cash flow from operating activities remaining after deducting capital expenditures and net interest paid and received, and represents the amount of cash that is freely available to pay a dividend and to run off debt.

G

Gearing

This is the ratio of net financial debt to shareholders' equity and net financial debt. The higher the relative weight of net financial debt, the higher the reliance on external lenders. However, a high gearing is not necessarily negative if the interest paid does not reduce profits excessively.

I

Interest coverage

An interest coverage ratio of <1 indicates that the company is not able to meet its interest payments from operating earnings.

$$\frac{\text{earnings before tax} + \text{net interest expense}}{\text{net interest expense}}$$

L

Liquidity ratios: cash ratio and quick ratio

These two liquidity ratios show the degree to which current liabilities are covered by cash and cash equivalents (and other current assets). They serve to measure a company's solvency.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100 (\%)$$

$$\frac{\text{cash and cash equivalents} + \text{short-term trade receivables}}{\text{current liabilities}} \times 100 (\%)$$

N

Net financial status

This represents the balance of the financial liabilities (without financial leases) reported in the balance sheet after deducting liquid funds. If a company's liquid funds exceed its financial liabilities, it is de facto debt free.

$$\text{financial liabilities} - \text{liquid funds}$$

Net working capital (NWC)

This is a measure of the net funding required to finance current assets. Negative NWC is beneficial since it implies that sales are prefinanced by suppliers and customers. At Dürr, the prepayments received from customers are an important factor affecting NWC. The formula shows a simplified calculation.

$$\text{inventories} + \text{trade receivables} - \text{trade payables}$$

R

Return on Capital Employed (ROCE)

This measures the rate of return on the capital tied up in a company's operating assets (for instance in machinery and equipment, inventories, accounts receivable) and is the ratio of earnings before interest and taxes (EBIT) to capital employed.

$$\frac{\text{EBIT}}{\text{capital employed}} \times 100 (\%)$$

Return on Equity (ROE)

This is the rate of return earned on shareholders' equity. It should exceed the rate of return on a comparable investment.

$$\frac{\text{earnings after taxes}}{\text{shareholders' equity}} \times 100 (\%)$$

Return on Investment (ROI)

This ratio serves to measure how efficiently a company employs the total resources at its disposal.

$$\frac{\text{earnings after taxes} + \text{interest expense}}{\text{total assets}} \times 100 (\%)$$

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FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the conviction and assumptions of the Board of Management of Dürr AG, as developed from the information currently available. However, the following factors may affect the success of our strategic and operating measures: geopolitical risks, changes in general economic conditions (especially a prolonged recession), exchange rate fluctuations and changes in interest rates, new products launched by competitors, and a lack of customer acceptance for new Dürr products or services, including growing competitive pressure. Should any of these factors or other imponderable circumstances arise, or should the assumptions underlying the forward-looking statements prove incorrect, actual results may differ from those projected. Dürr AG undertakes no obligation to provide continuous updates of forward-looking statements and information. Such statements and information are based upon the circumstances as of the date of their publication.

/ Financial calendar 2013

03/13/2013

/ Publication of the annual financial report 2013

04/26/2013

/ Annual general meeting, Bietigheim-Bissingen

05/07/2013

/ Interim report for the first quarter of 2013

08/01/2013

/ Interim financial report for the first half of 2013

11/06/2013

/ Interim report for the first nine months of 2013, analyst conference

/ Contact

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The German version shall prevail.

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/ Highlights 2012

02

February

STAKE IN HEATMATRIX

We purchase a 15 % shareholding in Dutch company HeatMatrix Group. The start-up company specializes in innovative heat exchangers made of plastics.

03

March

PROMOTION TO MDAX

On March 19, Dürr shares are listed on the German MDAX index. The promotion to an MDAX listing underscores our positive business trend and opens up access to new investors.

NEW MANUFACTURING FACILITY IN CHINA

Our new plant in Shanghai Qingpu starts operation. This triples our plant engineering production capacity in China.



04

April

NEW MEMBER JOINS SUPERVISORY BOARD

Klaus Eberhardt, CEO of Rheinmetall AG, is voted onto the Supervisory Board by a large majority at the annual general meeting.

ROBOT MILESTONE IN CHINA

The order for the seven-thousandth Dürr painting robot is received. The robot in question is installed in Wuhan, China.



05

May

OPEN HOUSE

At our technology fair in Bietigheim-Bissingen, we present a wide range of innovations for greater production efficiency. Among the 800 visitors from around the world is EU Energy Commissioner Günther Oettinger.

06

June

EXPANSION IN SOUTHEAST ASIA

The new company Dürr Thailand Co. Ltd. is officially opened in Bangkok. This is another step in our expansion in the Southeast Asian growth market.

07

July

INNOVATIVE INSPECTION ROBOT

We introduce the EcoInspect robot which carries out contact-free measurements and completeness checks on finished fuselage shells in aircraft assembly.



08

August

VOLKSWAGEN GROUP AWARD

Dürr de México receives one of the coveted Volkswagen Group Awards for its outstanding performance in VW's Puebla plant.

09

September

MINISTERIAL VISITS TO DÜRR

Dr. Nils Schmid, Minister for Finance and Economic Affairs, and Environment Minister Franz Untersteller from the regional government in the German state of Baden-Württemberg visit Dürr to discuss energy-efficient production technology. A few weeks earlier, the state's Minister of the Interior, Reinhold Gall, was a guest in Bietigheim-Bissingen.

10

October

HONOR FOR HEINZ DÜRR

At the meeting of senior mechanical engineering industry representatives in Berlin, the Chairman of Dürr AG's Supervisory Board is awarded the "Preis Deutscher Maschinenbau" (German Mechanical Engineering Prize). The award is in honor of Heinz Dürr's business achievements and his social commitment.

STAKE IN THERMEA

By taking a 27.5 % shareholding in heat pump specialist Thermea, we are expanding our energy efficiency technology offering. Thermea is one of the first companies in the world to offer large-scale heat pumps which use CO₂ as an environment-friendly refrigerant.



11

November

YET AGAIN A LEADING AUTOMOTIVE EMPLOYER

Dürr continues to be one of the best employers among parts and equipment suppliers in the German automotive industry. In the "Top Automotive Employers 2012/13" we are ranked 6th out of 22 finalists.

12

December

HISTORIC SHARE PRICE

On December 10, Dürr shares reach € 69.75, up to then a new all-time high. This means they have doubled in value since the start of the year.



LEADING IN PRODUCTION EFFICIENCY