Agility matters.

2010 ANNUAL REPORT

DÜRR

Key figures (IFRS)

(CONTINUING OPERATIONS)

1.1

		2010	2009	2008	2010/2009 CHANGE IN %
Incoming orders	€ million	1,642.2	1,184.7	1,464.0	38.6
Orders on hand (Dec. 31)	€ million	1,359.1	1,002.4	925.0	35.6
Sales revenues	€ million	1,261.4	1,077.6	1,602.8	17.1
of which abroad	%	79.6	83.2	81.6	
EBIT	€ million	33.7	5.7	72.7	491.2
EBT	€ million	12.5	−12.2	46.4	–
Net profit/loss	€ million	7.1	−25.7	33.7	–
Cash flow from operating activities	€ million	55.4	95.4	30.9	−41.9
Cash flow from investing activities	€ million	−19.5	−25.8	−2.6	–
Cash flow from financing activities	€ million	105.1	−51.3	−96.1	–
Free cash flow	€ million	22.9	63.7	−14.5	−64.1
Equity (with non-controlling interests) (Dec. 31)	€ million	319.4	301.4	341.4	6.0
Net financial status[1] (Dec. 31)	€ million	23.6	3.0	−34.4	686.7
Net working capital (Dec. 31)	€ million	27.3	57.4	151.8	−52.4
Employees (Dec. 31)		5,915	5,712	6,143	3.6
of which abroad	%	50.4	48.0	50.2	
Gearing (Dec. 31)	%	−8.0	−1.0	9.2	
Equity ratio (Dec. 31)	%	26.3	31.1	31.4	
EBIT margin	%	2.7	0.5	4.5	
ROCE	%	9.4	1.6	16.8	
EVA	€ million	−5.3	−24.8	20.0	
Dürr stock (ISIN: DE0005565204)					
High[2]	€	24.51	17.89	33.89	
Low[2]	€	14.17	7.14	9.99	
Close[2]	€	23.87	17.00	12.25	
Number of shares (weighted average)		17,300,520	17,300,520	16,535,752	
Earnings per share	€	0.37	−1.55	1.81	
Dividend per share	€	0.30[3]	0.00	0.70	

[1] Without financial leases
[2] Xetra
[3] Dividend proposal for the annual general meeting

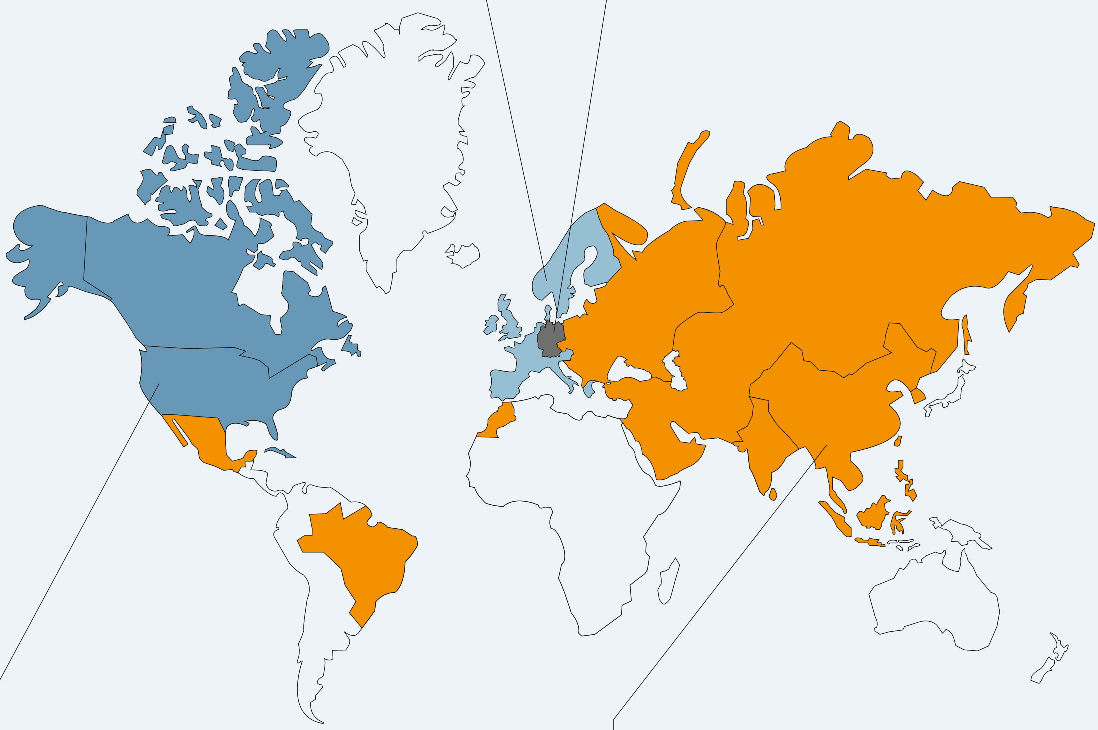
Great significance of emerging markets

DÜRR HAS RESPONDED TO THE REGIONAL SHIFT IN DEMAND

1.2

WESTERN EUROPE[1]	2010	2005	Δ
Employees (Dec. 31)	854	1,078	−20.8 %
Incoming orders (€ million)	201.4	406.1	−50.4 %

GERMANY	2010	2005	Δ
Employees (Dec. 31)	2,931	3,205	−8.5 %
Incoming orders (€ million)	249.1	249.3	0.0 %



NORTH AMERICA	2010	2005	Δ
Employees (Dec. 31)	466	822	−43.3 %
Incoming orders (€ million)	172.9	218.5	−20.9 %

EMERGING MARKETS	2010	2005	Δ
Employees (Dec. 31)	1,613	860	+87.6 %
Incoming orders (€ million)	991.7	327.8	+202.5 %

[1] ex Germany

Others 2010: 51 employees, € 27.1 million of incoming orders (2005: 27 employees, € 15.2 million of incoming orders)

Cover picture

The rotor of an aircraft turbine, which has been balanced using Dürr Technology. With the Schenck brand, we are the world market leader in balancing technology. Our machines are used to balance anything that rotates, from an electric armature weighing just a few grams to a 350-ton power station turbine rotor. Precise diagnosis of unbalance is the first step to optimum balancing. For this purpose, our machines are equipped with high-precision measuring technology.

Agility matters.

The dynamic with which markets have switched from recession to growth is impressive. In order to benefit from increasingly rapid change, it is important to identify trends early on and proactively respond to them. Dürr's ability to adapt to challenges is reflected not only in our economic turnaround but also in the market shares which we gained in 2009 and 2010. The basis of this success is the agility that defines our thinking and action, whether in the consistent expansion of our position in the emerging markets, the development of innovative and energy-saving technologies or the establishment of new areas of business. Find out more about Dürr's agility from page 16 of this annual report.

»Agility matters.«

GLOSSARY REFERENCE —— P. 200

INTERNET REFERENCE —— WWW

PAGE REFERENCE —— P. 45

Letter from the Board of Management

RALPH HEUWING (44)

CFO

- Clean Technology Systems
- Finance/Controlling
- Investor Relations
- Risk Management
- Legal Affairs/Patents
- Information Technology
- Global Sourcing
- Dürr Consulting

RALF W. DIETER (49)

CEO

- Paint and Assembly Systems
- Measuring and Process Systems
- Corporate Communications
- Human Ressources (Employee Affairs Director)
- Research and Development
- Quality Management
- Internal Auditing
- Corporate Compliance

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

Dürr achieved its goals in the past year – in its operating performance, strategic development, and long-term refinancing – and in doing so has laid the foundations that should not only enable us to benefit from the favorable current market situation but also to operate successfully and create value in the mid and long term.

Incoming orders grew more strongly in 2010 than we had planned, with an increase of 39 %. Here, we were able to capitalize on our excellent position in China, which we continued to expand also during the crisis. Over a third of our orders in 2010 came from China, where the automobile industry responded to the boom in demand by investing heavily in capacity expansion. In the paint systems business we managed to win by far the greater share of the orders awarded. This was mainly thanks to our new, energy-efficient technologies and the reputation for reliable project execution that Dürr enjoys worldwide. The Group's machinery business picked up strongly in the second half of the year; here, too, our capacities are well employed again.

The strong demand in 2010 was attributable only to a small extent to temporary backlog effects. In fact, the automobile industry's investment pipeline is still well filled, not only in China but also in Brazil and other growth markets. Many OEMs are generating record earnings and high cash flows again. So they have the resources to expand their position in the emerging markets and to modernize existing plants in the established markets. Our service business benefited from the latter, returning to its pre-crisis level at the end of 2010 after an unexpectedly sharp downturn in 2009.

We managed to increase our sales revenues and earnings in 2010 more strongly than we had forecast. Our EBIT of € 33.7 million is encouraging but not enough and is therefore only a first step in the direction of an adequate return on sales of 5 to 6 %. During the crisis we deliberately took on poorer-margin orders in order to be able to hold on to our highly skilled workforce, but also to expand our market position, creating a base for future service business.

Over the past five years, we have worked hard to optimize our processes within the Group. This has enabled us to improve our cost structures and reduce risks – especially in the complex plant engineering business. Our efforts paid off in 2010: Despite the considerable number of large projects, no significant problems were encountered in order execution. On some keenly priced orders, we were even able to realize margin improvements in the course of the projects – thanks to our rigorous project and procurement management and the international cooperation within the Group.

Dürr has a lean administrative organization; we have expanded our operating capacities in the emerging markets and downsized in the USA and in Europe. The division of labor within the international network is efficient thanks to standardized processes and IT systems. With a total of almost 3,000 employees and broad competence in execution, engineering, and sourcing, our foreign locations are efficient local partners for our customers. The central locations in Germany provide support in innovation, basic engineering, and project management.

We have also widened Dürr's strategic horizons, entering new areas of business with long-term growth potential. One example is glueing technology, where we command a strong position with the acquisition of Rickert and Kleinmichel. As a complement to conventional welding, glueing is an important manufacturing process for the advancement of lightweight construction concepts in the design of vehicle bodies.

Energy efficiency is another area of business that we are developing with a view to long-term growth. To meet the growing global demand for energy, energy recovery from industrial processes will gain considerably in importance – not least because of the ever increasing cost of primary energy. We will therefore be further expanding the activities in heat recovery stemming from our business in exhaust-air purification technology. We will also be broadening our portfolio of process technologies by acquiring smallish companies with innovative, energy efficiency-related technologies. The organizational framework for this is the Clean Technology Systems division that we set up at the beginning of 2011.

The funding we need to build up our new areas of activity and to expand our core business has been provided by our innovative bond issue in 2010. We placed Dürr's new € 225 million bond as a proprietary issue directly with asset managers, smaller institutional investors, and a large number of private investors. This enabled us not only to create a broad and stable investor base but also to save high transaction costs. In marketing the bond, we benefited from the market recognition Dürr enjoys and our reputation as a sound company. This is also reflected in the effective interest rate of 6.83 %, with which we have fared better than comparable corporate bond issuers.

We started off the year 2011 with a record order backlog of € 1.36 billion. In the first quarter, demand continued on seamlessly from the high level in 2010. Our target for the full year is sales growth of around 15 % and an EBIT margin of 3.5 to 4 %. We have reason to be confident: Dürr is excellently positioned in the emerging markets and has a technologically leading product portfolio. Our most important customer group, the automobile industry, will probably increase its production by 6 to 7 % p.a. in the coming years.

We see the dividend of 30 cents per share for 2010 that we are proposing to the annual general meeting as a token of our confidence. We will be striving to increase the dividend payments further in the coming years in line with our performance.

We wish to thank all our shareholders and bondholders for the confidence they have placed in Dürr, our employees for the energy and dedication with which they coped with the heavy workload in 2010, and all our customers and business associates for the good and trustful cooperation.

Sincerely,

RALF W. DIETER // CEO

RALPH HEUWING // CFO

Bietigheim-Bissingen, March 22, 2011

Report of the Supervisory Board

DR.-ING. E. H. HEINZ DÜRR

In 2010, Dürr recovered quickly from the effects of the world economic crisis, with the Group benefiting from its strong position in the growth markets. In the years to come, countries such as India, Brazil, Russia and especially China will continue to play an important role for Dürr. The Group will therefore continue its proven strategy and further expand its local presence in the emerging markets but without neglecting the conventional markets. The Supervisory Board will support the Board of Management in following this path in the same way as with the development of new areas of business, which will ensure future growth. Here, Dürr has also made good progress, for example with the acquisitions in glueing technology which were secured last year. Another area of business which offers great potential for Dürr are technologies that enhance the energy efficiency of production processes – an area in which Dürr is able to fully leverage its long-term engineering expertise. The Supervisory Board will support the development of these activities in the coming years.

The Supervisory Board advised the Board of Management extensively in 2010 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 the development and strategic prospects of the business, about company planning and any activities requiring consent. The Supervisory Board adopted its resolutions after thorough review based on written decision-making materials and after carefully weighing up the opportunities and risks.

The Supervisory Board closely monitored the Board of Management's conduct of the company's affairs; it confirms that the Board of Management always acted lawfully, diligently and economically. The Board of Management regularly consulted the Compliance and Legal Department as well as Controlling, and actively used the risk management system, whether in operational, financial or other matters. The Board of Management immediately informed the Supervisory Board of any risks that occurred, enabling the Supervisory Board to advise 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. The Chairman of the Supervisory Board also had regular discussions with the Board of Management and informed all members of the Supervisory Board of their outcome. In addition, 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 2010. Margins and capacity utilization as well as the steady improvement of sales and earnings throughout the year were followed particularly closely by the Supervisory Board. In view of the volume of business, which has been growing rapidly on the back of economic recovery, the Supervisory Board was informed on a regular basis about the development of net working capital, cash flow and net financial debt. The Supervisory Board was actively involved in the planning of the Group's refinancing and carefully followed each individual step.

The central focus of the first meeting held on March 16, 2010, was the analysis of the 2009 annual financial statements; the agenda for the annual general meeting on April 30, 2010, was also discussed and approved. Based on the personnel report, which is prepared on a six-monthly basis, the Board of Management provided key figures on the workforce structure. At the meeting on April 30, 2010, the Board of Management presented the development of incoming orders in the medium term. During the discussion, particular emphasis was placed on the increase in service business and smaller orders since the beginning of 2010. Another key topic was the competitive and purchasing situation in China. The focus of the third meeting held on August 4, 2010, was the upcoming bond issue in September. After receiving a detailed explanation of the placement concept, the Supervisory Board authorized the Board of Management to go ahead with the issue. Another point on the agenda was the discussion of the personnel report for the first half of 2010. At the meeting on October 6, 2010, the Board of Management talked about the successful bond placement and further refinancing plans. Following the careful consideration of the arguments, the Supervisory Board authorized the Board of Management to increase the bond in the fourth quarter of 2010. The Dürr Group's future strategy was another focus of the meeting. For this purpose, the Board of Management as well as the heads of the six business units presented their plans and discussed them in detail with the Supervisory Board. The Board of Management and the Supervisory Board agreed to strengthen and expand the core business as well as increase the company's activities in the area of environmental and energy efficiency technology. In this context, the Board of Management presented the Group structure which has been in place since the beginning of 2011 and now includes a third division, Clean Technology Systems. At the final meeting of the year held on December 15, 2010, the Supervisory Board approved the company planning for the year 2011 and acknowledged the planning for 2012 and 2013, as well as the outlook for 2014. The further development of the internal control system, internal revision and corporate compliance as well as the risk management and risk situation of the Group were also discussed at length. Finally, the Chairman of the Supervisory Board and the Chairman of the Board of Management signed the current declaration of compliance pursuant to Sec. 161 of the German Stock Corporation Act on December 15, 2010. More detailed information on Dürr's corporate governance can be found in the management report (pages 51 to 57).

The Supervisory Board performed its duties with diligence not only at the meetings but also outside. On May 12, 2010, it gave its approval by written resolution for the acquisition of the glueing technology specialist Helmuth Rickert GmbH and its subsidiary I.N.T. Rickert GmbH.

MANAGEMENT BOARD CONTRACTS

At the meeting held on March 16, 2010, the Supervisory Board reappointed Ralf Dieter as the Chairman of the Board of Management for an additional period of five years at the recommendation of the Personnel Committee, commencing on January 1, 2011, and ending on December 31, 2015.

Since 2010, the compensation paid to Mr. Dieter and Mr. Heuwing has been based on the requirements set out in the German Act on the Appropriateness of Management Board Compensation (VorstAG). As a result, both employment contracts now include long- and short-term incentives. In addition, a deductible applies in connection with D&O (directors' and officers') liability insurance policies in case of liabilities, in accordance with the German Act on the Appropriateness of Management Board Compensation. During the reporting period, the Supervisory Board also made two amendments concerning the allocation of responsibilities within the Board of Management. Additional information on the allocation of responsibilities and compensation of the Board of Management can be found in the corporate governance report (pages 51 to 57).

CHANGES IN THE SUPERVISORY BOARD

On April 30, 2010, Dr. Günter Fenneberg and Professor Dr. Klaus Wucherer were elected as members of the Supervisory Board by the annual general meeting, having been appointed by court as members of the Supervisory Board already with effect from October 27, 2009. They took over from the long-term members Professor Dr. Holger Hanselka and Dr. Hans Michael Schmidt-Dencker, who resigned with effect from October 17 and 21, 2009, respectively. Guido Lesch was appointed to the Supervisory Board by court as an employee representative with effect from May 9, 2010. Mr. Lesch is the second authorized representative of the trade union IG Metall's administrative office in Völklingen; he took over from Günter Lorenz, who was the first authorized representative of IG Metall's administrative office in Darmstadt before leaving the Supervisory Board due to retirement. The Supervisory Board would like to thank Professor Dr. Hanselka, Mr. Lorenz and Dr. Schmidt-Dencker for their constructive work and commitment in the interest of the company.

WORK OF THE COMMITTEES

The Supervisory Board formed four committees, which are structured as shown in item 40 of the notes to the consolidated financial statements. The Personnel Committee, which also acts as the Executive Committee, met twice during the reporting period. Its primary focus was the implementation of the German Act on the Appropriateness of Management Board Compensation in the contracts of the members of the Board of Management, and the reappointment of Mr. Dieter for an additional five-year period. The Audit Committee, which also convened twice, examined the quarterly, annual and consolidated financial statements, proposed to the plenum the key points for the external audit and monitored compliance with capital market regulations. In accordance with the German Accounting Law Modernization Act (BilMoG), 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 Group's compliance organization and the financial reporting process. The audit results were presented to the Supervisory Board at the December meeting and formed the basis of the plenary discussion. The Audit Committee once again reported to the Supervisory Board at the meeting held on March 23, 2011, with additional reports planned for the second and fourth quarters of 2011. The Nominating Committee did not convene in 2010 and, as in previous years, a meeting of the Mediation Committee was not required.

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, 2010, 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 23, 2011. 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 on March 21, 2011. 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 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 30 cents per share for 2010. In addition, he commented in detail on the key points of the audit (presentation and valuation of inventories, valuation of construction contracts, review of the invoice release process, presentation of the new financing structure, valuation of derivatives).

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, 2010. 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 unappropriated profit.

The Supervisory Board has 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 2010. The auditors have 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 2010, as well as the shareholders for the confidence they have placed in the company.

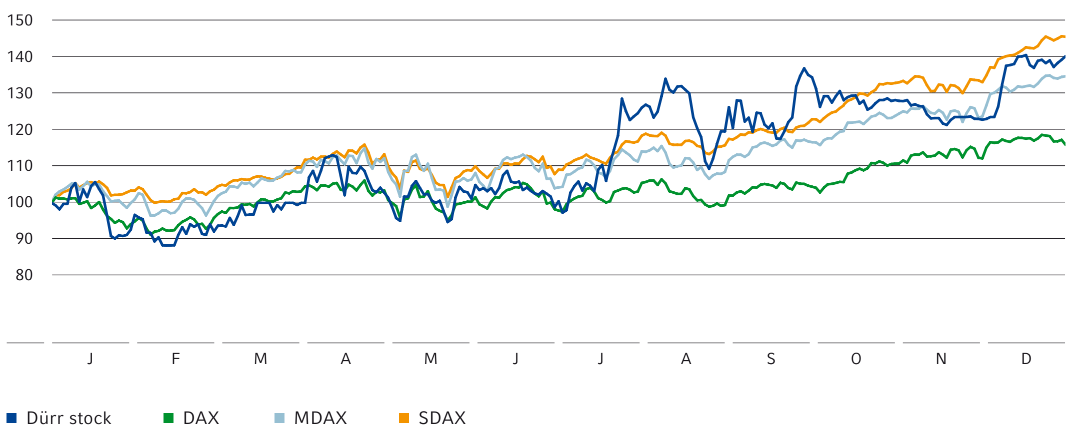
DR.-ING. E. H. HEINZ DÜRR // CHAIRMAN OF THE SUPERVISORY BOARD

Bietigheim-Bissingen, March 23, 2011

Dürr on the capital market
Dürr stock up 40 %; successful bond issue

PRICE TREND OF DÜRR STOCK IN XETRA TRADING 2010 1.3

compared with development of the DAX, MDAX, and SDAX (indexed values) in %



Our investor relations work has two main goals. The first is to ensure that the Dürr stock is appropriately valued, and the second is to give the capital markets and the public a realistic, authentic picture of our company. Awareness of the Dürr brand and our reputation with investors as a dependable issuer contributed decisively last year to our being able to place our new bond quickly and at favorable terms. Another basis for the bond's success was our open, up-to-date, and continuous capital market communication, which promotes visibility, transparency, and confidence. Dürr stock was at the average level of its peer group in respect to all the usual valuation ratios (price to earnings, enterprise value to EBIT, enterprise value to sales, and price to book value) at the end of 2010, despite below-average liquidity due to relatively low free float.

The generally buoyant trend on the financial and capital markets that began in the second half of 2009 strengthened in 2010. A sideways movement in the first half was followed by a significant upward trend in the rest of the year. This was supported by an increasingly visible economic recovery and good corporate earnings development in many cases. There was also a high level of free liquidity and growing risk tolerance among investors. Above all, dynamic growth in the emerging markets had an accelerating effect. In view of historically low yields on high-quality government bonds, investors turned increasingly back to the stock markets in the course of the year. Expectations of rising inflation rates also played a role in that.

DÜRR STOCK UP 40 %

Dürr stock advanced by 40 % in 2010, after a 39 % plus for shareholders in the preceding year. The two largest German stock indices – the DAX and the MDAX – registered smaller increases of 16 % and 35 %, respectively. The SDAX index showed a somewhat better performance of +46 %.

One factor crucially responsible for Dürr stock's persistently positive performance in 2009 and 2010 was our strong presence in the emerging markets and the resulting strategic prospects. Dynamic business in the emerging markets caused new orders to increase sharply and led to a high level of orders on hand of € 1.36 billion at the end of 2010. Dürr's sales and earnings development usually follows order intake at a time lag of four to five quarters. Accordingly, analysts expect earnings to rise significantly in 2011 and 2012. A current overview of consensus estimates is presented on the investor relations pages of our website, **WWW.DURR.COM.**

WWW

We achieved Group net profit of € 7.1 million in 2010. The Board of Management and the Supervisory Board will therefore propose a dividend payment of € 0.30 per share to the annual general meeting. After the severe economic crisis, we intend this proposal as a signal of confidence for 2011 and the following years. We are aiming for our usual dividend payout ratio of 30 to 40 % of net profit for 2011.

The total return for our shareholders in 2010 is above average at 42 %. If development in 2009 is included, the return amounts to 81 %.

SDAX RANKING KEPT

Dürr stock is represented in the Deutsche Börse's Prime Standard segment and is traded on all of Germany's stock exchanges. More than 90 % of its trading volume is handled via the XETRA electronic trading system. We returned to the SDAX small cap index in January 2007, and our rankings there did not change much last year. At the end of 2010, we ranked 84th in free-float market capitalization and 83rd in stock exchange turnover (preceding year: 79th and 81st, respectively). The average euro trading volume of Dürr stock increased by 72 % versus 2009. By comparison, total turnover in euros on the German stock exchanges rose by 16 % in 2010.

KEY FIGURES FOR DÜRR STOCK 1.4

	2010	2009	2008
Earnings per share, Group (€)	0.37	–1.55	2.57
Earnings per share, continuing operations (€)	0.37	–1.55	1.81
Book value per share at December 31 (€)	18.46	17.42	19.73
Cash flow per share, continuing operations (€)	3.20	5.51	1.87
Dividend per share (€)	0.30[1]	0.00	0.70
High (€)	24.51	17.89	33.89
Low (€)	14.17	7.14	9.99
Close (€)	23.87	17.00	12.25
Average daily trading volume (shares)	22,821	22,053	25,661
Market capitalization at December 31 (€ m)	413.0	294.1	211.9
Number of shares (weighted average)	17,300,520	17,300,520	16,535,752

[1] Dividend proposed to the annual general meeting

MOSTLY BUY RECOMMENDATIONS

The number of analysts who cover our stock increased from ten to eleven in 2010. While two banks ended their coverage due to downsizing of their research departments, we gained three new ones: Close Brothers Seydler, Bankhaus B. Metzler, and Macquarie Capital. Eight analysts gave our stock a "buy" recommendation, while two put it at "hold," and one at "sell". We thus achieved a significantly better overall rating than the average of listed companies in Germany's engineering sector.

CAPITAL MARKET COMMUNICATION STRENGTHENED FURTHER

We held one day-long event for analysts and investors in Bietigheim-Bissingen and four conference calls in 2010. The Board of Management presented Dürr at twelve roadshows in Europe and the United States and at nine capital market conferences. During the one-week roadshow for our bond issue, we visited all the major financial centers in Germany and Austria. During the year, we conducted far more than 100 one-on-one talks with institutional investors and participated in several events for private investors.

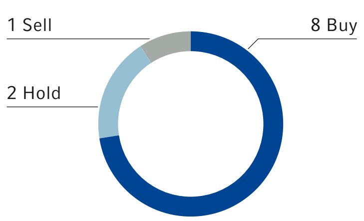
WWW

In redesigning our website (**WWW.DURR.COM**), we have expanded the investor relations pages and added new technical features. Shareholders and journalists will find clearly prepared and arranged information there including, for example, the company's outlook, Excel files to download, and our disclosures regarding corporate governance.

DÜRR ANNUAL REPORT HONORED TWICE

We received two awards for our transparent capital market communication in 2010. In the Best Annual Report competition conducted by German periodical Manager Magazin in cooperation with the University of Münster, we placed third in the SDAX category for the third time since 2007. The 2009 Dürr report ranked 30th in the general evaluation of all indices and was thus among the top 20 % of 160 annual reports. We won another prize in the United States; our report took the gold in the business services category of the Vision Award conferred by the League of American Communications Professionals (LACP). The Vision Award, which receives about 4,000 entries every year, is recognized as the most important design competition for annual reports and corporate communication.

ANALYST RECOMMENDATIONS (DECEMBER 31, 2010) **1.5**



- Berenberg Bank
- BHF-Bank
- Commerzbank
- Close Brothers Seydler
- Deutsche Bank
- DZ Bank
- Landesbank Baden-Württemberg
- Macquarie Capital
- Bankhaus B. Metzler
- Solventis Wertpapierhandelsbank
- Viscardi

back content search < >

DÜRR FAMILY AS STABLE MAJORITY SHAREHOLDER

Our largest shareholder is Heinz Dürr GmbH. Together with Heinz und Heide Dürr Stiftung GmbH, it holds 31.5 % of Dürr AG's capital (December 31, 2010). Investment firm ATON GmbH reduced its stake in the fourth quarter of 2010 from 25.5 % to just under 20 % and further reduced its stake to less than 10 % by the middle of February 2011. As a result of ATON's sales, our free float increased to 53.5 % in the middle of February 2011, and that will improve our ranking in the SDAX. Harris Associates, a US investment fund company, continues to hold a 7.9 % interest in Dürr, and Süd-Kapital-Beteiligungsgesellschaft holds 5.0 % of our shares. The two members of Dürr AG's Board of Management, Ralf Dieter and Ralph Heuwing, hold interests that together account for 1.3 % of Dürr stock.

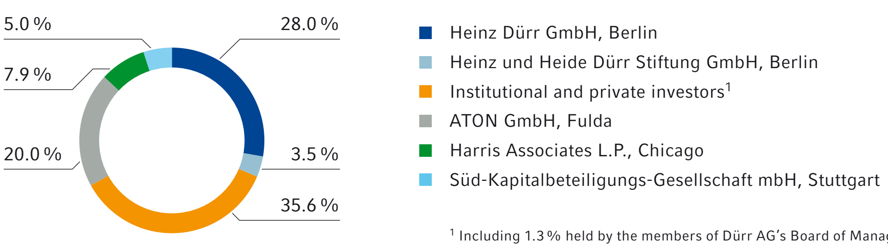
SUCCESSFUL BOND ISSUE LOWERS COSTS

We floated a new corporate bond (WKN code: A1EWGX) in September 2010, using an innovative issuing concept. The amount of the bond, which is due to mature in 2015, was initially € 150 million and the issuing price 100 %. We marketed it on our own without a rating primarily to private investors, asset managers, and relatively small institutional investors. By taking this approach, we were able to reduce transaction costs significantly compared with conventional issues. The same is true of the coupon, which is 7.25 % and thus lower than those of bonds from comparable companies. We have employed € 100 million of the issue proceeds for early redemption of our significantly more expensive existing bond issued in 2004 (coupon: 9.75 %) at the end of October 2010. We are using the remaining funds from the issue to finance operations.

After the great success of the first tranche, we tapped the issue in December 2010 for another € 75 million. The issue price of the second tranche was 104.90 %. The effective interest rate for the total bond amount of € 225 million thus comes to 6.83 %. The proceeds of the tap issue are being used primarily to expand business in environmental and energy technologies and to reduce the cash line from our syndicated loan.

The Dürr bond is quoted on the Börse Stuttgart's new Bondm segment and in regulated unofficial trading on nearly all German stock exchanges. Both tranches of the bond were placed within a few hours; the price has performed well since then – evidence of investors' confidence in Dürr. The bond was quoting at € 107.50 at the end of 2010.

SHAREHOLDER STRUCTURE (DECEMBER 31, 2010) 1.6



[1] Including 1.3 % held by the members of Dürr AG's Board of Management

back content search < >

// LOCAL STRENGTH

Penetrating growth markets

Unperturbed by the global financial crisis, we have expanded our presence in China considerably. This has enabled us to benefit from the strong increase in automobile production capacity and secure a high market share.

For us, too, China, with its dynamic growth, is the most important single market in the world. At last count, 36 % of all new orders we received came from China. Dürr is building more than half of the automotive paint shops which were ordered for plants in Shanghai, Nanjing and other Chinese cities in 2010. Our strong local presence as well as innovative technologies and reliable order execution form the basis of our position as a market leader.

DÜRR: GERMAN QUALITY SUPPLIER AS A CHINESE PLAYER

We have almost 1,000 regular employees and external staff working at our four Chinese locations – far more than any other supplier in the industry. Even in the midst of the financial crisis, we expanded our capacities because we always believed in the opportunities the Chinese market has to offer. During the massive upturn in 2010, we were able to expand our leading position in China and systematically establish ourselves in the market. As a result, we managed to double the volume of incoming orders within a year: from € 274 million in 2009 to € 590 million.

An important basis of this success is the strong local presence we have established with our long-standing employees. We work primarily with local professionals, also at management level. And it pays off: Customers have come to trust us and see us as a local player. They associate the name Dürr with German state-of-the-art technology and reliability. They know that we meet deadlines, even if they are tight, and that investments in our energy-efficient technologies will be money well spent. That is why they will often choose Dürr's products over others, even if it means paying a higher price. In addition, our customers appreciate the fact that Dürr continues to provide the full range of services even when commissioning has been completed: from spare part purchase to modernization, optimization and capacity increase.

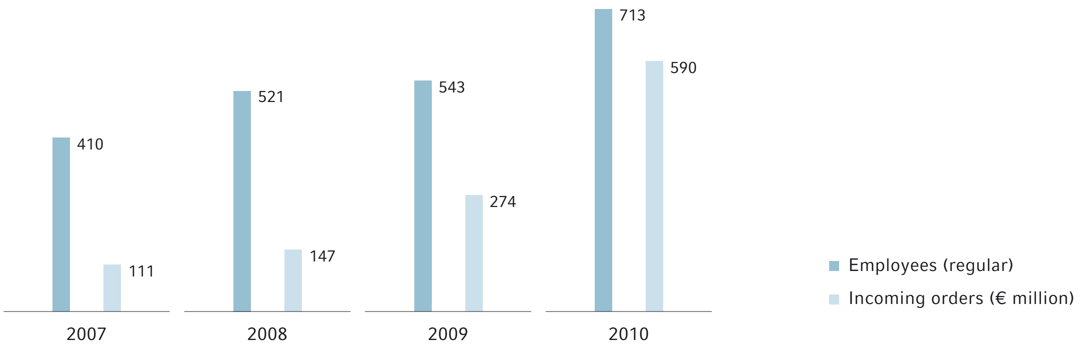
The numerous orders we won in China last year form the basis of a continuously strong market position. They ensure that we are well positioned to further expand our after-sales business and secure follow-up projects.

China is the most populated country in the world and the largest automobile market with 14 million units produced in 2010. Despite the dynamic growth in the last few years, the market potential is far from being fully exploited. Production is expected to rise to 21 million automobiles per year by 2015. The relatively low per-capita income in China of US$ 7,500 in 2010 is an indication that there is significant scope for growth. A look at other countries shows that automobile sales, and especially first-time purchases, surge when per-capita income reaches US$ 6,000. Forecasts predict that China will replace the USA as the world's largest economic power by 2025, if not before.

INNOVATIVE TECHNOLOGIES AND EFFICIENT ORGANIZATION

Aside from a strong team of employees, our cutting-edge products are another crucial factor for success. Innovative products such as the paint atomizer *Eco***Bell3** strengthen the competitiveness of our customers – whether through increased flexibility, lower material consumption or easier handling. China has also seen a growing demand in products that save energy and resources. Our energy-saving paint booth system *Eco***DryScrubber** has sold better in the Chinese market than anywhere else.

STAFF AND INCOMING ORDERS IN CHINA 2007–2010



GRACE WU, PURCHASING
DÜRR PAINTSHOP SYSTEMS ENGINEERING
When constructing a paint shop we can source up to 70 % of the value added locally in China. We have achieved this high level of local content by building up and developing a reliable base of suppliers over the years. We systematically round out the existing pool of suppliers so we're in a position to deliver whatever the customer needs wherever the customer is.

ZHANG XIAOJUN, VICE PRESIDENT SALES
DÜRR PAINTSHOP SYSTEMS ENGINEERING
We keep in close contact with our customers. At the beginning of 2009, when the automobile industry cut back its investments even in China, we still flew the flag, held numerous talks, and presented new technologies. This helped us reinforce our reputation as a reliable partner for solutions – which was an important foundation for the high order intake in 2010.

YI JU, SALES CLEANING SYSTEMS
SCHENCK SHANGHAI MACHINERY
There's a lot of growth potential for Dürr in China in cleaning systems. We've had our own operation here since 2005 and pursue a strict localization strategy. We offer technologies tailored to the needs of the Chinese market and are close to our customers. We've also set up a showroom here where we can demonstrate the added value our machines offer to the customer.

KANG YURONG, HEAD OF HUMAN RESOURCES
SCHENCK SHANGHAI MACHINERY
With around 1,000 employees, Dürr has a stronger presence in China than any other supplier. To maintain that edge, we're positioning ourselves as an attractive employer. Besides compensation, we're drawing on Dürr's typical strengths: market and technology leadership, career support, employee recognition and a dedicated corporate culture.

We have built an extremely efficient organization in Shanghai. Unlike other comparable companies, we do not just offer sales and service but also cover all essential competencies in terms of mechanical and plant engineering – from **ENGINEERING**, purchasing and project management through to assembly, commissioning and site management. As a result, our locations are able to execute large parts of their projects independently and with high local content. At the same time, they receive comprehensive support from Dürr's international Group network. When we constructed a paint shop for Changan Ford in Chongqing, for example, the staff involved in the project were not just Chinese employees but also colleagues from Germany, India, Mexico and South Korea. This division of labor within the Group helps to avoid capacity problems, even when a number of orders have to be processed at the same time – and our customers appreciate that. The standardized IT structure we have built within the Group supports the efficient global division of responsibilities when dealing with large projects.

LOCAL DESIGN IMPROVES COMPETITIVENESS

Under the keyword of "local design", we tailor our product development specifically to the requirements of the Chinese market. More and more often, we develop products not only for but also in China and manufacture them at one of our four production facilities. This improves our competitiveness against local suppliers. Balancing technology is a prime example of successful local design. Our subsidiary, Schenck Shanghai Machinery, recently developed machines for balancing electrical armatures and brake disks. Both products combine top quality with competitive prices, thereby strengthening our position as a market leader in China.

CONTRACTS FOR COMPLETE PAINT SHOPS IN CHINA 2010

○ Location

● Cities

SHANXI
- Changzhi
- 35 units per hour
- Final acceptance: 12/2012

CHERY
- Dalian
- 58 units per hour
- Final acceptance: 11/2011

SHANGHAI GENERAL MOTORS
- Yantai
- 62 units per hour
- Final acceptance: 12/2012

SHANGHAI VOLKSWAGEN
- Yizheng
- 62 units per hour
- Final acceptance: 12/2012

SHANGHAI VOLKSWAGEN
- Nanjing
- 60 units per hour
- Final acceptance: 12/2011

FIAT GAC
- Changsha
- 62 units per hour
- Final acceptance: 12/2011

CHERY
- Wuhu
- 72 units per hour
- Final acceptance: 12/2012

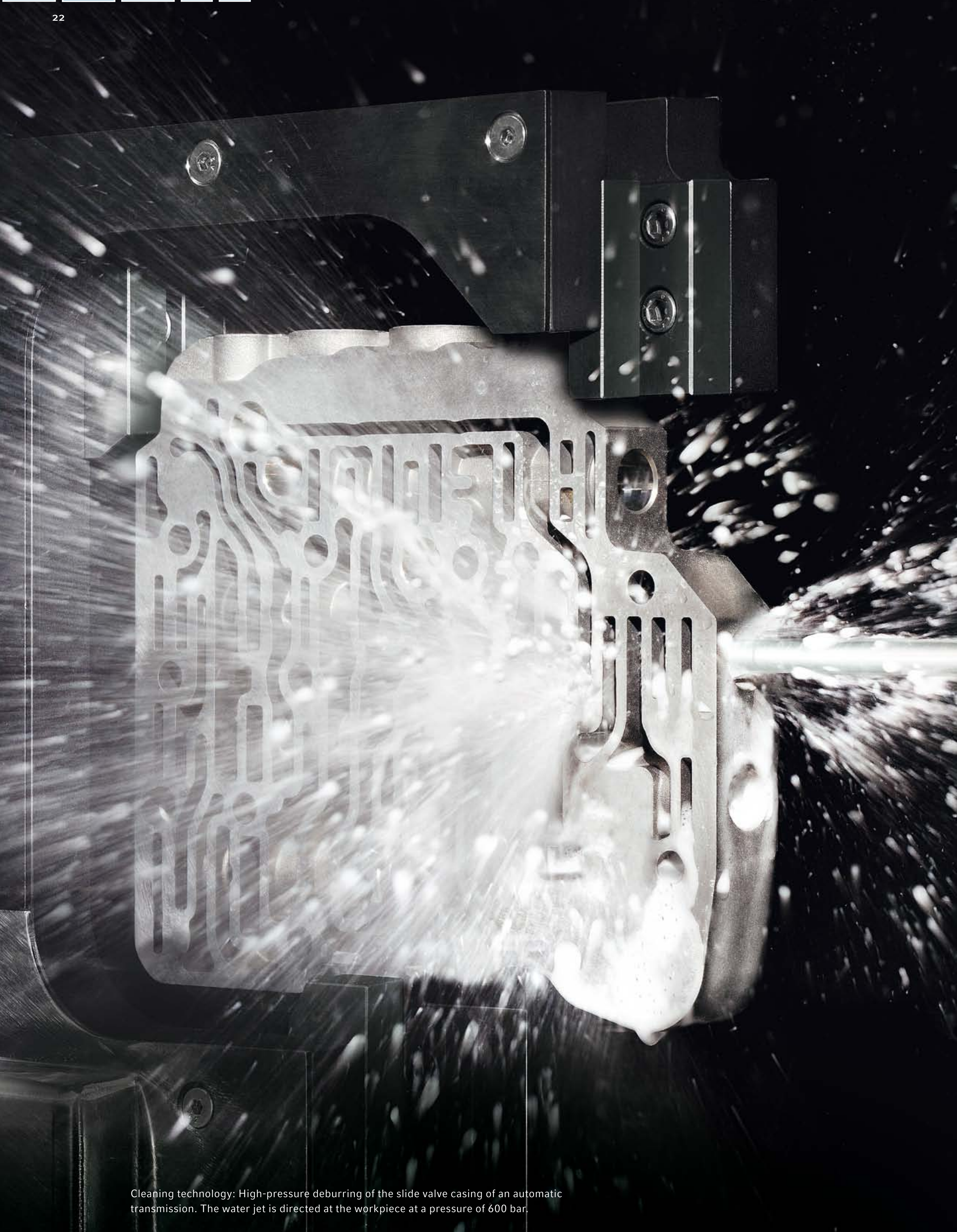
P. 200

Top coat application by Dürr robots at Chinese automaker Chery.

Our success is the result of long-term commitment; local presence has always been part of our corporate philosophy. We have owned and operated companies in China for more than 25 years. Thanks to this long-term local connection, we know our customers and suppliers very well and understand the market, including legal requirements, logistical processes or – and this is particularly important in China – negotiating style and business etiquette.

BUILDING ON OUR STRENGTHS

From marketing, sales and service to purchasing, manufacture and project management as well as product development – our value added in China has reached the highest level of localization. But we do not intend to stop there. Instead, we plan to expand our position further and increasingly export machines and components from China. That way, our Chinese resources will also help to increase Dürr's competitiveness in other countries. We are currently building a new 15,000 square meter manufacturing center for paint systems in Shanghai. It comes with a showroom, in which we will be able to demonstrate our technologies to our customers. Operations are due to commence as early as the end of 2011. In addition, we are planning a new location for balancing and cleaning systems – also in Shanghai – with more than 20,000 square meters. We will, of course, continue to rely on local Dürr experts whilst planning to increase our workforce – including external staff – to over 1,200 employees in the medium term.



Cleaning technology: High-pressure deburring of the slide valve casing of an automatic transmission. The water jet is directed at the workpiece at a pressure of 600 bar.

// LESS IS MORE

Identifying trends

The automobile industry is vigorously pushing ahead with the development of new engines that save fuel and reduce CO_2 emissions. We are capitalizing on this trend to expand further in balancing and cleaning technology.

Automotive engine and transmission design is in a process of unparalleled innovation. More performance with less fuel consumption – that is the motto under which our customers are bringing new downsized drive units to market in rapid succession. We are actively supporting this innovation trend with custom-tailored manufacturing technologies for new-generation drive concepts, such as balancing and correction systems for turbochargers or cleaning machines for economical engines.

DOWNSIZING: SMALLER, MORE INTRICATE ASSEMBLIES

DOWNSIZING is making many components in automotive power trains smaller and increasingly intricate – from engine blocks, crankshafts and camshafts through to gearboxes and air intake systems. It is also leading to the greater use of components such as turbochargers or fuel injection systems to increase performance despite the smaller cubic capacity of the downsized engines. These changes in the design and use of components call for custom-tailored manufacturing systems. Dürr is setting standards here as an innovative plant and equipment supplier for the automotive industry.

CUSTOM-TAILORED TECHNOLOGY, GROWING DEMAND

Example: crankshaft balancing. Today, crankshafts are not only smaller than they used to be; they are also exposed to higher strains and stresses because they have to extract the maximum performance from each engine type. Our Balancing and Assembly Products business unit has developed the solution to meet these challenges. The new CENO **BALANCING SYSTEM** was designed for small to mid-sized crankshafts and features an energy-efficient drive concept. The compact system also requires less floor space and can be retooled flexibly and quickly for different types of crankshafts.

With machines like CENO we are responding not only to the downsizing trend but also to the strong demand for economical small cars in emerging markets such as India and China. Designed for one hundred percent functionality and reduced to the technologically essential, our systems are supporting many up-and-coming automobile manufacturers there. A good example is Chinese automaker Great Wall Motors in Baoding. But Tata Motors in India also relies on technology from Schenck RoTec for balancing the crankshafts for its subcompact Nano.

There is also demand for innovative balancing technology for turbochargers, which are now being used not only on diesel engines but by almost all OEMs on gasoline engines, too. The turbocharger is a must for the new, smaller engines as it plays a crucial role in increasing performance and efficiency. The balancing of turbochargers places extremely exacting demands: Since the turbochargers have to reach very high speeds of up to 300,000 rpm, the admissible unbalance tolerance is often less than one micrometer. We catered for these demands with the acquisition of the French technology specialist Datatechnic. Datatechnic specializes in the correction of unbalance in turbochargers and ideally complements our measuring technology know-how. Schenck RoTec now offers the entire technology for the measuring and correction of unbalance from one source. Today, all the leading turbocharger manufacturers put their faith in this expertise. This also presents new opportunities for Dürr for the future: Around 30 million turbochargers are currently produced per year worldwide and it is estimated that this will grow at an average annual rate of 10 % over the next years.

ROBOT-BASED CLEANING PROCESSES

The cleaning technology business is also benefiting from the buoyant demand for turbochargers. Our Cleaning and Filtration Systems business unit develops custom-tailored systems for the precision cleaning of turbocharger components. Moreover, downsized components such as engine blocks, cylinder heads or slide valves require a completely new cleaning technology. While in the past one cleaning cycle was mostly sufficient to remove the chips, systems with more than one cleaning cycle are needed today to remove even the smallest machining particles. If this is not done, damage can be caused to the engine – a critical situation for any automaker.

Besides multi-cycle cleaning processes, plant flexibility is also an absolute must today. Each workpiece has its own specific cleanliness requirements, so a machine supplied by Dürr Ecoclean must be able to run through different cleaning programs. For instance, we recently supplied a system that cleans up to 60 different types of fuel injection pumps. We achieve this flexibility through robotics: Using robots, workpieces of different sizes and geometries can be gripped and positioned optimally in relation to the spray nozzles for the cleaning fluid. Our best-selling product is the *Eco*CFlex robot system. We recently launched another innovative version of this system that combines pre-cleaning, high-pressure deburring, and precision cleaning through ultrasonic technology.

With UCM AG of Switzerland, we acquired a small, highly versatile company at the end of 2009. As a precision cleaning specialist, UCM gives us access to new sectors such as medical devices and precision optics. At the same time, with its intimate knowledge of and experience with small workpieces and tight cleanliness tolerances, the company is supporting us in the development of new systems for downsized components.

P. 200

130 million

Downsizing and production flexibility are currently the two main drivers for investment in automotive engine manufacture. In these two areas, we booked orders worth € 130 million in 2010. That is thanks not only to the quality of our individual products but also to our competence in equipping entire engine and transmission lines. Here, Dürr Ecoclean acts as system supplier, integrating its cleaning and filtration systems with machining equipment from other manufacturers. The central element is our automation technology that links up the separate machining stations.

Energy-saving painting process: Dürr's engineers, Bertram Benning (Sales, left) and Dietmar Wieland (R&D), discuss the layout of the green paint shop.

// GREEN TECHNOLOGY

Setting standards

Demand for energy-efficient manufacturing systems is on the advance globally. Dürr is currently building the world's most environment-friendly and low-consumption paint shops in China.

»We look at all stages of the process to reduce energy and paint consumption.«

Jochen Röckle, Project Manager paint systems

For us, energy and resource efficiency is not just a trendy catchphrase. We began to focus on this issue years ago and consciously develop technologies that enable the automobile industry to produce on a sustainable basis. The green paint shops that we are currently realizing in China for two German automobile manufacturers are testimony to the pioneering role we play in this field.

The painting process is the most energy intensive part of the value chain in automobile production. It usually accounts for up to 70 % of the total energy consumed in the production of a car body. As a rule of thumb: The total annual energy consumption of a large series-production paint shop is roughly equivalent to the electric power consumed per 100,000 population in Germany.

TWO-THIRDS LESS ENERGY CONSUMPTION

The less energy, resources and materials a paint shop requires, the more cost efficiently our customers can produce. Moreover, optimizing consumption makes an important contribution towards sustainability in automobile production. The green paint shops we are currently constructing set new standards in this respect. Their energy consumption is expected to be as low as around 500 kilowatt-hours per car body. That is a third of the level customary just ten years ago. Emissions of volatile organic compounds are expected to be around 70 % lower than ten years ago, while fresh water consumption and effluent are expected to be reduced by approximately 60 % each. To achieve these targets, we explored all possibilities for reductions at every stage of the painting process. The upshot is an optimized overall system with some 20 improvements that are interrelated to some extent. We describe the main elements below.

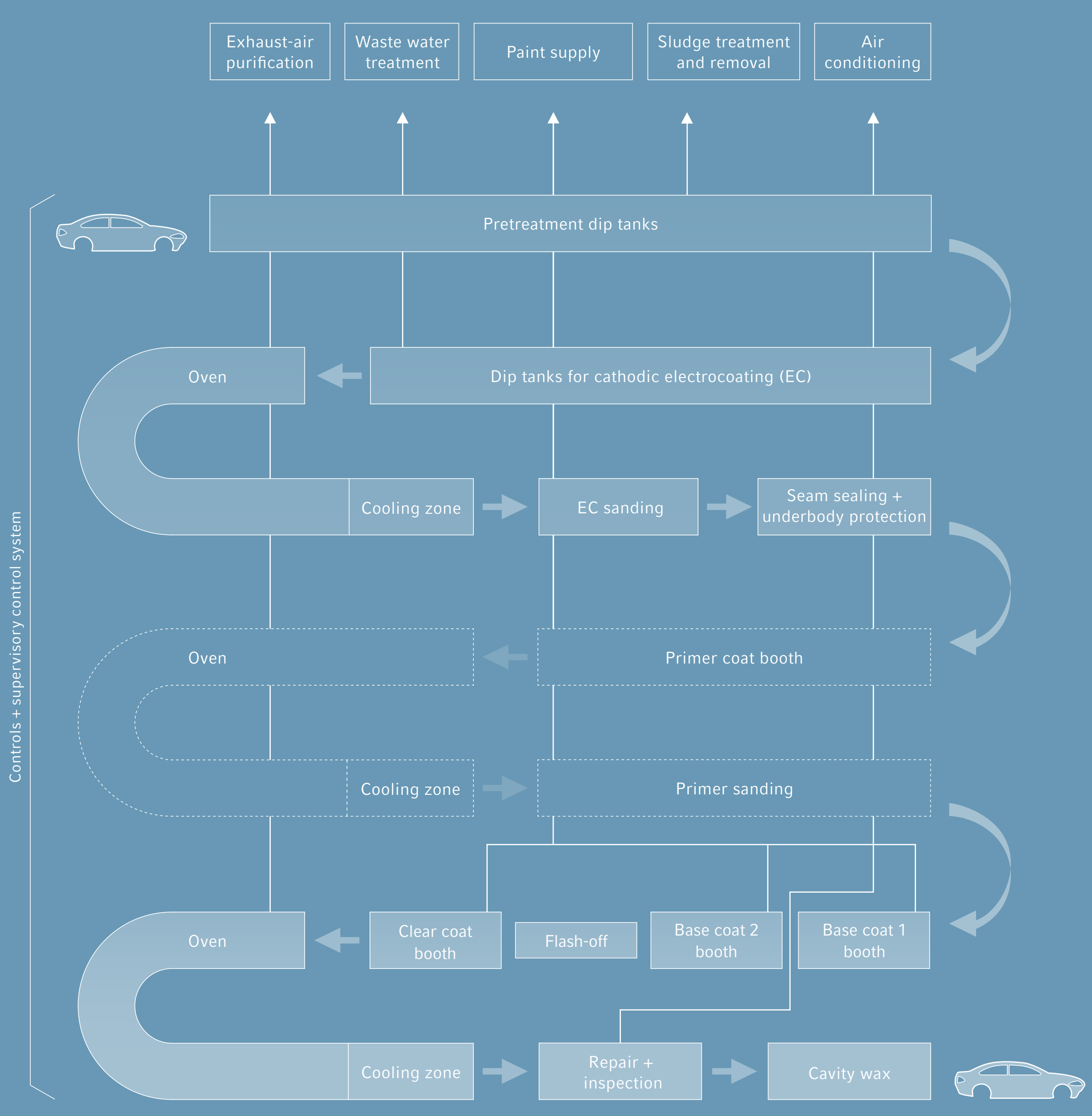
ENERGY-SAVING ECODRYSCRUBBER SPRAY BOOTHS

The heart of our green paint shop concept is the optimization of the spray booths. In the past, they required large amounts of energy because a continuous supply of fresh air had to be brought to the right temperature and humidified in order to create the optimum conditions for paint application. With our new ***Eco*DryScrubber** spray booth system this is different: With this technology the air in the booth does not have to be constantly replaced but can be recirculated. This enables the amount of energy consumed in the spray booths to be reduced by up to 60 %.

Recirculation is possible because the air in the painting booth does not come into contact with water and therefore does not absorb too much moisture. This is because the ***Eco*DryScrubber** does not separate the surplus paint particles – the so-called overspray – with water, as had been customary in the past, but uses a special limestone powder and dry filters. As a result, the humidity of the air in the booth remains unchanged. Another advantage: Since less fresh air needs to be conditioned, as described above, water consumption for controlling the climate in the booth is reduced by over 80 %.

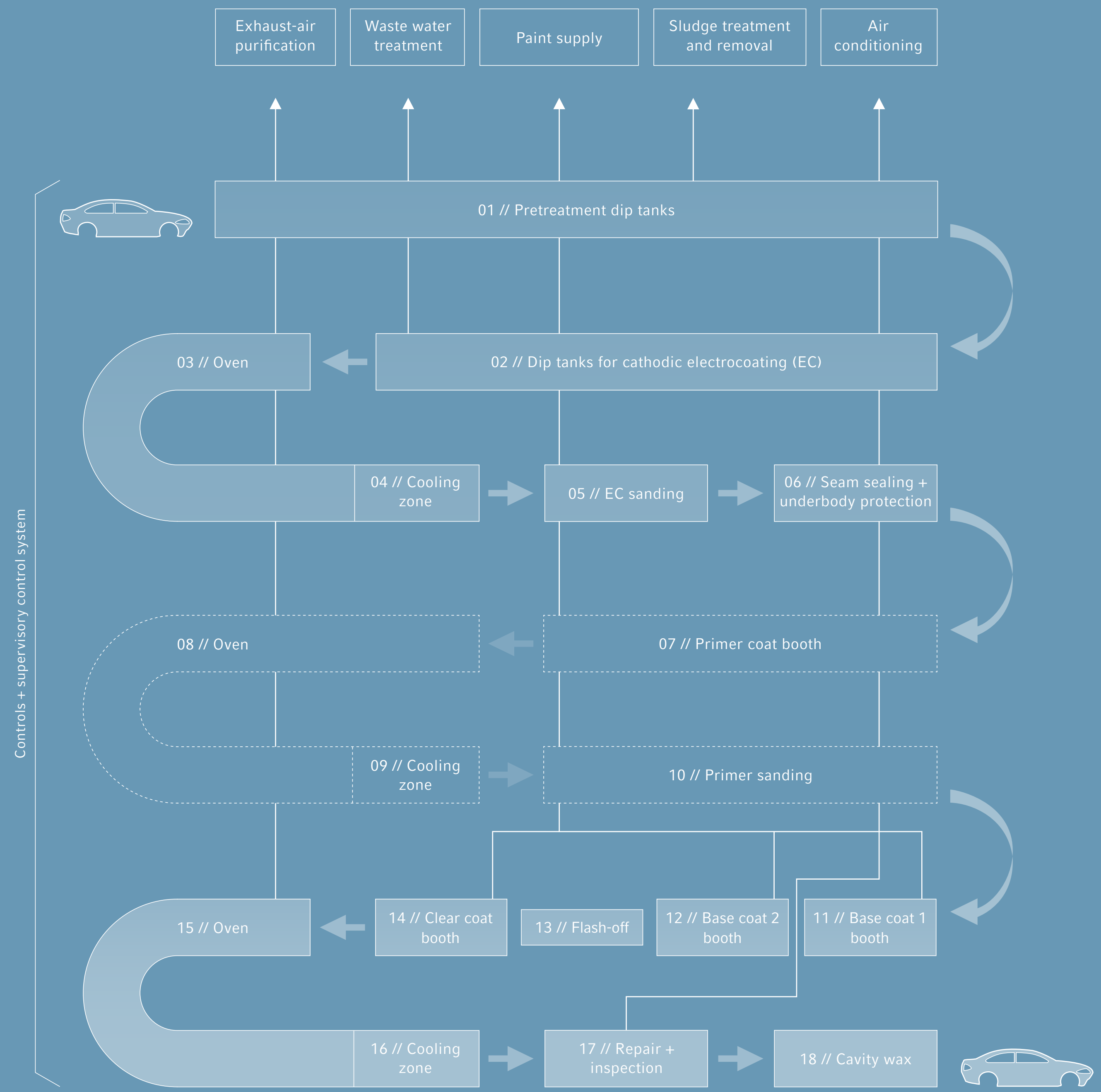
Please open

GREEN PAINT SHOP: THE PAINTING PROCESS AT A GLANCE



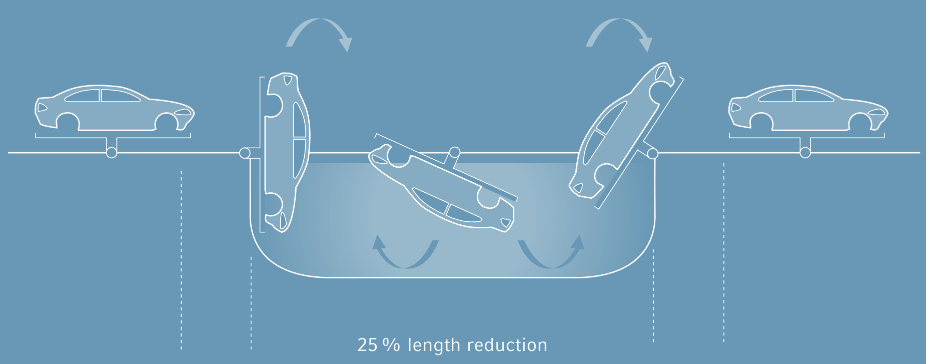
The priming section – shown with dotted lines in the picture – is completely dispensed with in the green paint shop. The functions of the primer coat – to level out any unevenness and to protect against chipping and ultraviolet radiation – are performed by the base coat.

GREEN PAINT SHOP: THE PAINTING PROCESS AT A GLANCE

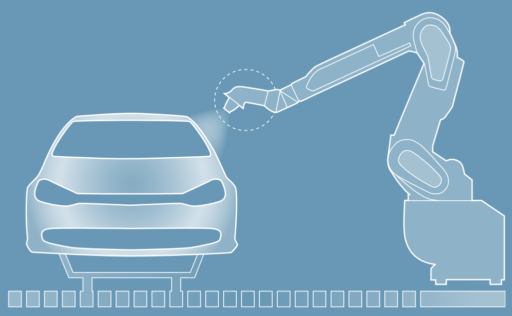


The priming section – shown with dotted lines in the picture – is completely dispensed with in the green paint shop. The functions of the primer coat – to level out any unevenness and to protect against chipping and ultraviolet radiation – are performed by the base coat.

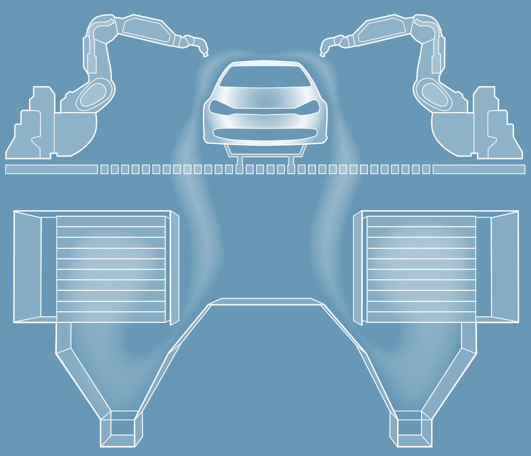
01 & 02 // RODIP
The dip tanks used in the RoDip rotational painting process are approximately 25 % shorter than in conventional processes. This not only saves water but also reduces the energy required to heat the tanks and operate the circulation pumps. Also, fewer chemicals have to be added.



11, 12 & 14 // ECOBELL3
The electrostatic high-rotation atomizer ***Eco*Bell3** lowers paint consumption as it offers better transfer efficiency than pneumatic atomizers. In addition, it reduces energy consumption as less downdraft air is required in the paint booth.



11, 12, & 14 // ECODRYSCRUBBER
The ***Eco*DryScrubber** paint booth system reduces the energy required to operate the booth by up to 60 % as less fresh air needs to be conditioned.



LESS NATURAL GAS NEEDED FOR EXHAUST-AIR PURIFICATION

Since the *Eco***DryScrubber** requires less fresh air, there is less exhaust-air that is contaminated with solvents. The exhaust-air that still arises is first concentrated. The harmful substances it contains are then burnt off in our *Ecopure* TAR purification system. This thermal exhaust-air cleaning system employs the new TARCOM V burner system, which requires less natural gas and reduces nitrogen oxide emissions. The waste heat from the combustion of the contaminants is put to efficient use for heating the body dryers and for generating hot water.

ECOBELL3 SAVES MATERIAL AND ENERGY

Our **APPLICATION TECHNOLOGY** for automated spray painting also makes an important contribution towards saving material and energy. A good example is the new *Eco***Bell3** high-rotation atomizer for electrostatic paint application. The paint droplets become electrostaticly charged under high tension of up to 100,000 volts as they leave the atomizer and are attracted to the earthed body shell. In our green paint shop concept we are using this process not only for the first base coat but also for the second base coat, for which pneumatic atomizers were often used previously. This switch pays off: Electrostatic atomization with the *Eco***Bell3** is far more efficient than pneumatic spray painting. This enables paint savings of about 50 % to be achieved with the second base coat.

Further potential for savings can be realized in the door recess painting process. In the green paint shop, this operation is performed by painting robots equipped with *Eco***Bell3** high-rotation atomizers. Here, paint consumption is reduced by 30 % compared to conventional pneumatic spray painting.

Use of the more efficient *Eco***Bell3** throughout the painting process also saves energy: A downdraft has to be created in each spray booth in order to remove the overspray from the booth. Since the electrostatic *Eco***Bell3** produces less overspray than pneumatic atomizers, less downdraft air is required. The paint shop operator therefore requires less energy to produce the downdraft.

A further contribution towards saving material is made by the *Eco***LCC** color changer. It reduces paint loss on color changes from previously 40 to 50 milliliters to less than 10 milliliters. The *Eco***LCC** also reduces the consumption of the – partly solvent-containing – flushing fluid needed to clean the paint lines: The new technology enables savings of 50 to 100 milliliters of cleaning fluid per flushing operation. That is equivalent to up to 33 tons a year!

NEW APPLICATIONS FOR THERMAL WHEELS

Another core element of the green paint shop is the greater use of **THERMAL WHEELS**, with which the warm exhaust-air can be used for heating fresh air, which reduces the amount of natural gas consumed. We are installing thermal wheels throughout the green paint shops. They preheat the air at the workstations for seam sealing, sanding, and cavity filling. Thermal wheels are also used to precondition the fresh air supply for the spray booths.

SHORTER PROCESSES

Shortening the painting process also has positive effects on the green paint shop's ecobalance. With the so-called primerless painting process, the primer coat is dispensed with altogether. The functions of this coat – to level out unevennesses and to protect against chipping and ultraviolet radiation – are performed by the base coat. This does away with the need for primer booths and primer dryers, and the energy required to operate them.

SPACE-SAVING RODIP TECHNOLOGY

At the **PRETREATMENT** and **CATHODIC DIP-COATING** stations we use our space-saving RoDip process. This reduces the length of the tanks in which the car bodies are cleaned, degreased and treated with an anti-corrosive coating. This not only saves water but also reduces the energy needed for heating the tanks and for operating the circulation pumps. Also, fewer chemicals have to be added.

Energy efficiency is one of the key drivers in product development not only in painting technology but also in all other technologies. More information on this subject can be found in the chapters **STRATEGY, RESEARCH & DEVELOPMENT** and **SUSTAINABILITY** in the management report.

P. 200

P. 58 P. 87 P. 94

»Our customers count on Dürr when it comes to energy and the environment.«

Six questions to Ralf Dieter, CEO of Dürr AG

How important is energy efficiency and sustainability in automobile production?
RALF DIETER // Energy efficiency has become tremendously important. Today, nobody makes an investment decision for a production technology without exactly analyzing its energy consumption first. After all, energy consumption has become one of the most important levers in cost optimization. There is hardly an industry more committed to sustainability than the automobile industry. In this context, the sustainability of production processes also has high priority.

What does the growing interest in green technologies mean for Dürr?
RALF DIETER // A great opportunity. Optimizing the energy and material consumption of our products became a key priority in our R&D work years ago, and this now works in our favor. Even during the economic crisis, we did not cut corners, which is why we are well prepared for the surge in demand for green technologies.

Does this only apply to painting technology?
RALF DIETER // No, it doesn't. Our aim to offer energy-efficient solutions is one of the key drivers of innovation in all of our business units. For example, in BALANCING TECHNOLOGY: CENO, our new machine which balances small crankshafts, uses a mere 5 % of the energy that was required for the same process 15 years ago.

Around 60 % of new orders are coming from the emerging markets. Are they concerned with energy saving and green technologies?
RALF DIETER // These markets have also seen a growing demand in energy-efficient solutions, especially China but also India, to an increasing extent. This is due to a number of reasons: cost reduction, increasing ecological awareness and the economical use of the scarce commodity that is energy. German companies are said to be particularly competent in this field. Our customers count on Dürr when it comes to energy and the environment.

What role will energy efficiency play for Dürr in the future?
RALF DIETER // Energy has to be used more efficiently in order to cover the growing worldwide demand at reasonable cost. The result is an increasing demand in machines and plants that require less primary energy and allow for energy recovery. With this in mind, we are developing even more economical production processes. In addition, we have set up a new division, Clean Technology Systems, to develop the business area of energy efficiency in breadth.

What exactly is the task of this division?
RALF DIETER // The primary focus of Clean Technology Systems since the beginning of 2011 has been our environmental systems business with exhaust-air purification systems, which we plan to expand further. The second focus is heat recovery. In this area, we will continue to develop several technologies. Here, we are not focused on short-term success but the long-term development of future-oriented business areas.

P. 200

Glazing in final assembly: A robot grips the windshield and positions it, after a thin line of adhesive has been applied to the edges of the glass.

// THINKING AHEAD

Developing business areas

In times of change, new markets and new opportunities emerge. Dürr knows its strengths and is investing in profitable niches and diversifying into related activities such as glueing technology. In this way, we are laying the foundations for future growth.

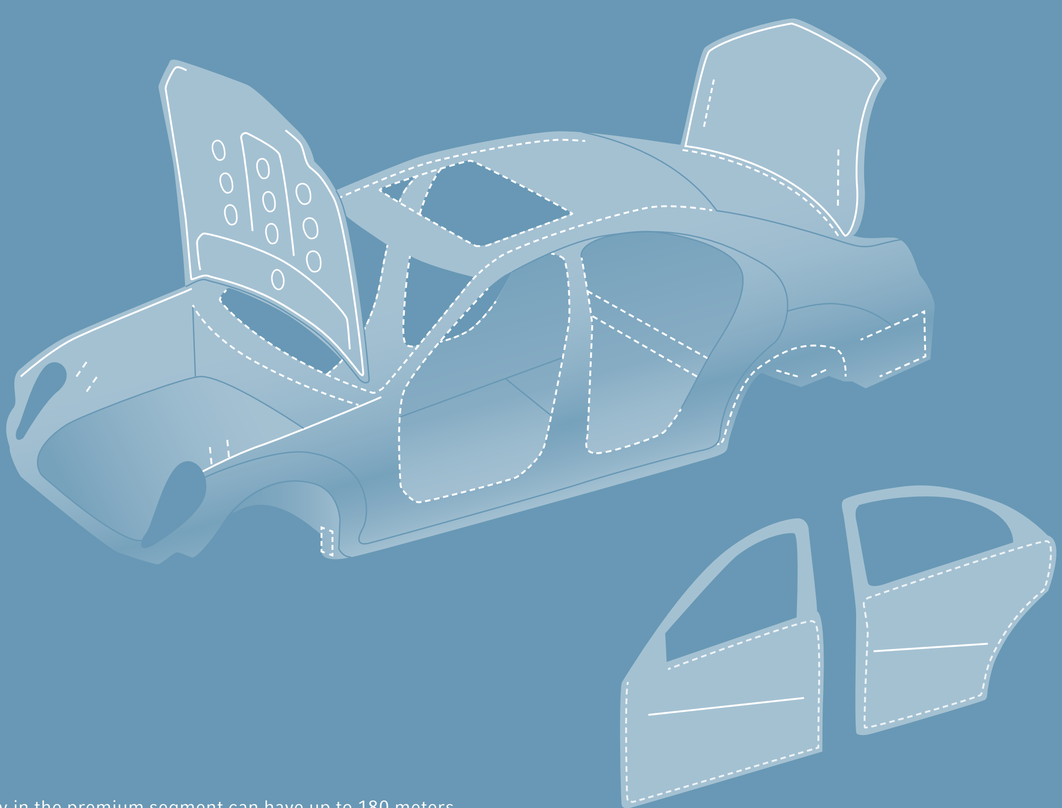
Extracting the optimum from each technology, that is the philosophy guiding us at Dürr. That includes a constant quest for new applications for our products. For instance, we are leveraging our know-how in **APPLICATION TECHNOLOGY** to expand into the growth market of **GLUEING TECHNOLOGY** – supported also by strategic acquisitions. Balancing technology for power station turbines is another example of our focused penetration of profitable niches.

GROWING MARKET VOLUME IN GLUEING TECHNOLOGY

The global market for glueing technology in the automotive industry is currently worth about € 180 million a year. That figure will continue growing in the coming years because glueing is being used more and more frequently in the body shop and in final assembly. Our aim is to more than treble our business volume from € 15 million to around € 50 million by the year 2015.

GLUEING TECHNOLOGY IN THE BODY-IN-WHITE PROCESS

Structural adhesive
Anti-flutter adhesive



A car body in the premium segment can have up to 180 meters of glued seams, while small and mid-sized cars have between 20 and 60 meters. Most of the seams consist of structural adhesive. It is used, for instance, for spot-weld bonding of longitudinal and cross members, pillar connections and wheel arches. Anti-flutter adhesive bonding is used to reinforce doors, hoods and other components.

P. 200

Responding to the trend in energy efficiency

We laid the foundation stone for another new field of activity in 2010. The new Clean Technology Systems division will be focusing on innovative solutions for improving energy efficiency in production processes. Foremost on the agenda is energy recovery from industrial waste heat. For more details see pages 60 and 61 of the management report.

Glueing technology is coming to replace welding increasingly in the body-in-white process. This is because glueing the vehicle panels increases the structural strength and rigidity of the body. This improves crash safety and driving comfort. There are also cost benefits if the conventional spot welding is replaced by spot-weld bonding. With this combined technique the panels are first glued and then welded. On a mid-sized car this can dispense with half of the previous 5,000 spot welds, reducing production costs per body by up to 70 euros.

Glueing technology is also ideal for fuel-saving **LIGHTWEIGHT AUTOMOBILE CONSTRUCTION**. For lightweight construction increasing use is being made of new materials or compound materials that cannot be welded, such as plastics and fiber composites. Here, glueing makes an important contribution towards weight reduction: Experience shows that for each kilogram of adhesive that is used for bonding new materials the body's weight can be reduced by about 25 kilograms. The use of new materials also gives the automobile industry greater scope for product design.

However, glueing is on the advance not only in the body shop but also in final assembly. Window glueing is common practice; cockpits, spare wheel compartments, and roof reinforcement and insulation panels are also glued.

Our know-how in the related field of **APPLICATION TECHNOLOGY** was the basis for building up the glueing business. In 2010, we then acquired two smallish German specialist firms whose products complement our technology spectrum in ideal fashion: Klaus Kleinmichel GmbH in Bernried is a specialist in glueing for final assembly, while Helmuth Rickert GmbH in Wolfsburg (now Dürr Systems Wolfsburg GmbH) specializes in body shop glueing. Both companies had excellent technologies but were too small to operate internationally. Under the Dürr roof we are now marketing their glueing solutions worldwide and with new customers. Successfully: In 2010 we already received larger orders from China, Germany, and Mexico. The acquisitions turned us into a full-line supplier in glueing technology within a short space of time. They also saved us about two years of own R&D that would have been needed to develop the acquired technologies ourselves.

We plan to penetrate other sectors outside the automobile industry with our glueing technology portfolio. There is potential, for instance, in the manufacture of solar cells, packaging, pressure vessels, and household appliances.

P. 200

back content search < >

Vacuum tunnel in which power station turbines are balanced.

MARKET LEADER IN BALANCING TECHNOLOGY FOR POWER STATION TURBINES

Another attractive niche in which we are a market leader is balancing technology for power station turbines. This business is booming at present, especially in emerging markets such as China, India, and Russia where strong economic growth is boosting the demand for energy. In these countries many well-known power station specialists are constructing plants for producing and servicing turbines and generators. Our subsidiary Schenck RoTec supplies the balancing systems they require. Demand is also picking up in the USA because the power generating infrastructure there is relatively old and needs modernizing. Schenck RoTec delivered its biggest ever balancing machine for turbines weighing 350 tons to Alstom in Chattanooga (USA) in 2009. Generally, there is a trend towards large turbines and therefore large balancing machines measuring over 25 meters in length. In addition to the Alstom Chattanooga contract, we recently also installed two large-scale balancing machines for Shanghai Electric (China) and Doosan Heavy Industries (South Korea).

As in its other areas of activity, Schenck RoTec is the top global player in turbine balancing technology. Our strong position is built not only on expertise but also on reliability. As turbines cost somewhere in the double-digit million euros, our customers seek a dependable partner for the balancing process. And the better balanced a turbine is the less oscillation and wear occurs when the rotor blades are running at maximum speed in later operation. Our employees know every facet of the complex machinery. And it's not only the know-how. Customers also value the fact that they get the complete balancing system as a one-stop package from Schenck RoTec – from the ENGINEERING through to all the technologies required.

P. 200

back content search < >

Group management report 2010

Dürr at a glance: Organization and activities

PROFILE

Dürr is a leading mechanical and plant engineering group that generates a good 80 % of its sales revenues in business with automobile manufacturers and their suppliers. Other areas in which our production technology is employed include, in particular, aircraft and machinery construction, the chemical, pharmaceutical, and electrical industries, and the energy sector. About half of our business is assigned to plant engineering, and half to mechanical engineering. Dürr is a distinctively international group. With 48 locations in 21 countries, we are strongly represented in the emerging markets[1] in addition to North America and Western Europe. The emerging markets accounted for 60 % of our order intake and 27.3 % of our workforce in 2010. About half of our employees work at the Group's central locations in Germany.

GROUP STRUCTURE: HOLDING COMPANY, DIVISIONS, AND BUSINESS UNITS

As a management holding company, Dürr AG performs Group-wide functions, and its registered place of business is Stuttgart. Until the end of 2010, we organized our operating activities into two divisions: Paint and Assembly Systems as well as Measuring and Process Systems. They also formed the reporting segments in that year required by International Financial Reporting Standards (IFRSs). Altogether, six business units were subsumed by the two divisions in 2010.

A third division, Clean Technology Systems, has existed since the beginning of 2011. It comprises, on the one hand, our environmental technology business (Environmental and Energy Systems business unit), which was previously assigned to the Paint and Assembly Systems division. On the other hand, we are further expanding activities in the area of energy-efficient production processes (Energy Technology Systems business unit) under the new Clean Technology Systems division. You will find a detailed description of the new Group structure in the chapter on **EVENTS SUBSEQUENT TO THE REPORTING DATE**. We present further information concerning expansion in the business area of energy-efficient production processes in the chapter on **STRATEGY**.

P. 107
P. 58

GROUP STRUCTURE IN 2010 2.1

MANAGEMENT HOLDING COMPANY	DIVISIONS*	BUSINESS UNITS

// Dürr AG	// Paint and Assembly Systems	// Paint and Final Assembly Systems
		// Application Technology
		// Environmental and Energy Systems
		// Aircraft and Technology Systems

	// Measuring and Process Systems	// Balancing and Assembly Products // Cleaning and Filtration Systems

* 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 automobile industry. As a systems partner, we assume all the tasks of project execution, from layout and detailed planning to system startup. In the area of paint systems, we offer hardware and software solutions for all process stages. Our core products include systems for PRETREATMENT and CATHODIC DIP-COATING that clean and pretreat the vehicle body and coat it to protect against corrosion. In addition, there are spraying booths for the application of primer, base, and clear coats, DRYING OVENS and conveyor systems, and the related control and SUPERVISORY CONTROL SYSTEMS. Including the Application Technology business unit, we are the world's only systems supplier that develops and delivers paint systems and APPLICATION TECHNOLOGY from a single source. With a world market share between 40 % and 50 %, we are the largest supplier among competitors; companies from Germany and Japan occupy second and third place. In addition, there are significantly smaller suppliers from Italy, the United States, China, and Japan, which operate regionally.

P. 200
P. 200

Application Technology primarily offers solutions for the automated spray application of paint. Its most important products are the *Eco***Bell3** high-speed rotating atomizers, which we introduced in the beginning of 2010, and the *Eco***RP** painting robot series. Other hardware and software solutions from the Application Technology business unit serve the functions of paint supply, quality assurance, and process control and evaluation. With a world market share of over 50 %, we are clearly at the top among competitors. Our most important competitors are manufacturers of standard robots. Besides paint application technology, we operate in two related business areas, which we intend to expand further in the future. They are SEALING applications in automotive paint shops (for example, seam sealing and underbody protection) and GLUEING TECHNOLOGY for joining processes in automobile final assembly and body construction.

P. 200

Environmental and Energy Systems realizes systems for the removal of pollutants in industrial exhaust-air. Originally specialized in exhaust-air purification for automotive paint shops, this business unit now generates about 80 % of its sales revenues in other sectors including especially the chemical and pharmaceutical industries, but also woodworking and carbon fiber production. Our product range embraces all current methods of exhaust-air purification; in most cases, we install thermal equipment in which the pollutants are incinerated. Increasingly often, we are outfitting our equipment with systems for recovering energy. On the one hand, they allow more efficient utilization of the primary energy employed in thermal exhaust-air purification. On the other, they render the energy released during the incineration process usable. We have a market share of 40 % to 50 % in exhaust-air purification technology for automotive paint shops. Outside the automotive industry, the competitive environment is more fragmented, but we are also among the world's leading suppliers there with a market share of about 12 %.

Aircraft and Technology Systems supplies the aircraft industry with paint and assembly technologies. The business unit was established in 2008 to systematically expand the aircraft business, which had been somewhat sporadic before. We see opportunities here especially because the aircraft industry is increasingly consolidating its supplier base and awarding larger order packages to systems partners. Furthermore, proven technologies from highly automated automobile production are finding more and more frequent application in aircraft production. Our core com-

P. 200

petencies are the development and construction of TURNKEY plants for painting, positioning, and joining preassembled aircraft components. Because of consolidation on the supplier side, the competitive environment is changing; the market shares of all suppliers are still in the single-digit percentage range. Dürr is also one of the world's leading companies in this area. Besides aircraft production technology, Dürr Consulting is also at home in the Aircraft and Technology Systems business unit. It renders services related to all aspects of planning and optimizing production processes.

P. 200
P. 200

Balancing and Assembly Products has two main pillars: Machines and systems for diagnosing unbalances and balancing workpieces as well as assembly, testing, and filling products for automobile final assembly. In the area of balancing technology, we supply a large number of industries and are the clear leader with a world market share of about 40 %. The greatest potential is now presented by business in BALANCING SYSTEMS for turbines, generators, crankshafts, and turbochargers and for general mechanical engineering and the aviation industry. We are likewise the leading supplier internationally in the area of assembly, testing, and FILLING SYSTEMS with market shares between 25 % and 30 %. Among the most important products are test stands for wheel geometry, brakes and electronics, "marriage stations" (in which vehicle body and powertrain are joined), and systems for filling vehicles with necessary operating media (for example, air-conditioning refrigerant, transmission fluid, and brake fluid).

Cleaning and Filtration Systems is the only globally operating supplier of industrial cleaning systems, filtration systems, and automation technology used to link machining centers and cleaning stations. We are also the market leader in this business area, with a world market share of about 30 %. In addition to product business with stand-alone equipment, we also undertake as a systems supplier to outfit complete engine and transmission production lines. Our international reach allows us to outfit a customer's automobile factories in different countries with uniform technology (common tooling). Among our core products at present are the *Eco*CFlex robot-based cleaning machine, the *Eco*CTrans transfer cleaning system, the *Eco*CMax single-chamber cleaning system, and the *Eco*CBase compact cleaning machine.

WIDE RANGE OF SERVICES

We offer our customers a wide range of services in all business units. That includes planning, remodeling, modernizing, optimizing, and relocating plants and machinery, software updates, training, repairs, and parts exchange. Due to the rapid rise of automobile production, we generated 28.7 % of consolidated sales revenues in 2010 in service business (previous year: 24.4 %). As of December 31, 2010, there were about 770 employees working in services, or 13 % of the Group's workforce (December 31, 2009: about 780). Each national company has its own service manager who coordinates and develops service activities. We maintain 50 "antennas" worldwide, which are small service centers usually located on or adjacent to customers' production premises.

Besides the Balancing and Assembly Products and the Cleaning and Filtration Systems business units, **Schenck Technologie- und Industriepark GmbH** (TIP) is another part of the Measuring and Process Systems division. A real estate service company, TIP markets office, production, and warehouse space in Darmstadt, the location of Schenck's headquarters. The space for rent amounts to 134,000 m² on 105,000 m² of land, of which offices account for 53 %.

ACTIVITIES AND CUSTOMER GROUPS 2.2

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)

Application Technology	// Mechanical engineering	// Products for automated spray painting
		// Sealing technology
		// Glueing technology
		// Services
			// Automobile manufacturers
			// Automotive suppliers
			// General industry (e. g. construction equipment and farm machinery)

Environmental and Energy Systems[1]	// Plant engineering	// Exhaust-air purification systems
		// Energy management and consulting
		// Services
			// Chemical industry
			// Automobile manufacturers (paint shops)
			// Carbon fiber production
			// Pharmaceutical industry
			// Printing / coating
			// Automotive suppliers (paint shops)
			// Woodworking

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

MEASURING AND PROCESS SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS

Balancing and Assembly Products	// Mechanical engineering	// Balancing and diagnostic systems
		// Testing, assembly, and filling products for vehicle final assembly
		// Services
			// Automobile manufacturers
			// Automotive suppliers
			// Electrical engineering / electronics
			// Turbines / power stations
			// Mechanical engineering
			// Aerospace industry

Cleaning and Filtration Systems	// Mechanical engineering	// Industrial cleaning systems
		// Automation technology (workpiece handling and linking of machining centers)
		// Filtration systems
		// Services
			// Automobile manufacturers
			// Automotive suppliers
			// Electrical engineering / electronics
			// Mechanical engineering
			// Aerospace industry
			// Medical and laboratory equipment

[1] Part of the new Clean Technology Systems division since January 1, 2011

ACQUISITIONS 2.3

	First consolidated	Sales revenues in 2010	Number of employees when first consolidated	Purchase price (including goodwill)	Goodwill
UCM AG[1]	January 1, 2010	€ 3.1 million	18	€ 4.2 million	€ 1.6 million
Klaus Kleinmichel[2]	January 25, 2010	–[3]	28	€ 2.5 million	€ 1.6 million
Helmuth Rickert GmbH	July 30, 2010	€ 4.3 million	29	€ 5.4 million	€ 3.4 million

[1] UCM AG was acquired in December 2009 and first consolidated in January 2010.
[2] Acquisition of the assets from the insolvent estate of Klaus Kleinmichel GmbH
[3] The acquired assets were completely integrated into Dürr Systems GmbH; separate reporting of sales revenues is therefore not possible.

LEGAL STRUCTURE

Dürr AG directly holds 100 % interests in Dürr Systems GmbH, Carl Schenck AG, Dürr International GmbH, and Dürr IT Service GmbH. The first three of these companies in turn hold interests, directly or indirectly, in all the other 51 Group companies. With few exceptions, those are 100 % interests, as presented in the overview under **ITEM 42** in the notes to the consolidated financial statements. As the ultimate holding company, Dürr AG has entered into profit/loss transfer agreements with Carl Schenck AG, Dürr Systems GmbH, and Dürr International GmbH. The members of the Boards of Management of Dürr AG and Carl Schenck AG and the managing directors of Dürr Systems GmbH are represented in the supervisory boards of all material foreign companies.

P. 195

ACQUISITIONS

P. 200

In the Application Technology business unit, we made two acquisitions in the area of **GLUEING TECHNOLOGY** last year. We acquired the assets of Klaus Kleinmichel GmbH (Bernried) and consolidated the company for the first time as of January 25, 2010. Helmuth Rickert GmbH (Wolfsburg), which now operates as Dürr Systems Wolfsburg GmbH, has been included in the scope of consolidation since July 30, 2010. While Rickert focuses on glueing technology for vehicle body construction, Kleinmichel’s products are mainly used in automobile final assembly. With their technological competencies, the two new Group companies are an important basis for expanding our activities in the growth field of glueing technology worldwide. Further information is presented in the chapter on **STRATEGY**.

S. 58

In the Cleaning and Filtration Systems business unit, UCM AG, a Swiss firm, was acquired in December 2009. However, for organizational reasons, it has only been consolidated since January 1, 2010. UCM specializes in systems for **ULTRAFINE CLEANING** of workpieces, a business area with customers from fast-growing industries such as medical technology and precision optics.

P. 200

Further information concerning our acquisitions is contained in **ITEM 17** in the notes to the consolidated financial statements.

P. 146

BUSINESS PROCESSES/PROCESS ADVANTAGES

Planning, engineering and design, and order execution are our most important business processes, especially in plant engineering. Professional project management is the basis for smooth order execution. Dürr’s project managers perform the overarching function of coordinating all

PROCESSES IN PLANT ENGINEERING 2.4

PROJECT INQUIRY FROM CUSTOMER	PLANNING PHASE		ORDER INTAKE	DELIVERY ORDER					
	Planning	Bid		Technical analysis	Design	Manufacture	Installation	Startup	Final acceptance

units involved in a project and bearing overall responsibility for meeting deadlines and budget targets. Executing a large-scale project takes 12 to 24 months in plant engineering, and in most cases two to six months in mechanical engineering.

Our business processes are being optimized continuously. We have harmonized and coordinated workflows in the bid phase, order execution, service, and overhead worldwide. This is indispensable since our strongly international business demands smooth cooperation among all facilities located abroad. We have developed uniform methods and tools to avoid interface problems and duplication of work. Process harmonization has been accompanied by the implementation of an **ERP SYSTEM** integrated throughout the Group, which is now largely completed. It depicts our business processes on the IT side, creates transparency, and automates workflows.

P. 200

CUSTOMER RELATIONS

Our clientele includes all major automobile manufacturers worldwide and many of their parts suppliers. Close relationships exist with those companies because we have been active in this market for a long time and because our line of business requires continuous coordination between customer and supplier. Above all, our sales force maintains constant contact with the customers. Larger projects require a conception and planning phase, sometimes extending over several years, in which we are involved as a supplier. In addition, large automobile factories continuously need service and upgrading. We also cooperate closely with customers in product development. We thus obtain feedback that helps us take new requirements of large-scale serial production into account.

Close project cooperation with our customers also characterizes business in other sectors, such as the chemical, pharmaceutical, and aircraft industries. We are broadening our customer base in the aircraft sector, after having almost exclusively supplied Airbus factories in the past. We have acquired many new customers since 2008, ranging from Embraer, Lockheed Martin, and Bombardier to RUAG, Spirit, and Mubadala Strata. We are also establishing business contacts with Chinese and Russian aircraft manufacturers.

SUPPLIER RELATIONS

Our supplier pool includes over 10,000 companies. The majority of those are parts and components suppliers and contract manufacturers. We enter into international framework agreements for the procurement of key product groups such as pumps and fittings. To that end, we choose especially capable partners, with whom we establish long-term business relationships. Such preferred suppliers offer dependability and international reach, which is particularly advantageous when the needs of several Group companies are being bundled. Further information is presented in the chapter on **PURCHASING**.

P. 93

FEATURES OF OUR BUSINESS MODEL

Dürr's core competence as an engineering group lies in planning and realizing production processes and the machinery and systems that they require. Our own vertical depth of production is comparatively low. It is about 20 % in plant engineering and about 30 % in mechanical engineering. In both cases, we primarily undertake assembly activities. Dürr's capital intensity and fixed cost base are therefore relatively low, which positively affects our **RETURN ON CAPITAL EMPLOYED** and enables us to react more flexibly to fluctuations in orders.

P. 201

Our comparatively low need of capital and prefinancing results in a lower need of liquidity than exists in the case of parts suppliers or dedicated machinery manufacturers. In plant engineering, our **NET WORKING CAPITAL (NWC)** tends to be below zero. In mechanical engineering, we need on average about 65 days to convert our NWC into sales revenues (days working capital).

P. 201

P. 201

The low **ASSET INTENSITY** of our business entails low need of capital expenditure. The expertise of our employees is more important than our tangible assets. This business model allows us to expand to new regions and related business fields at comparatively low cost. In particular, our experience and broad knowledge base are a competitive advantage in opening up business fields with high technological entry barriers.

Our purchasing volume amounts to 44 % of sales revenues. Nevertheless, we are able to limit the effects of fluctuating raw material prices in plant engineering by negotiating fixed procurement prices for the most important materials shortly after order intake. That gives us costing certainty over the entire life of the project. In mechanical engineering, we purchase primarily semi-finished goods, whose prices are usually less volatile than raw material prices.

Our currency risk is also relatively low. Mainly worth mentioning are translation effects arising from the conversion of foreign currency items into euros. Export-related transaction effects play a lesser role, since a large part of our value addition and purchasing takes place in the countries where orders are executed.

Most of our projects have a lead time of several months, and larger projects may even take one to two years. That results in good visibility regarding the future development of orders and sales revenues.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

The Group's largest business location is the Dürr Campus in Bietigheim-Bissingen. Over 1,500 employees work in this modern office, technology, and assembly complex, which opened in 2009. The Dürr Campus serves as the hub of the Paint and Assembly Systems division's international activities and as the center of competence for **APPLICATION TECHNOLOGY**. It houses the world's largest development facility for paint technology and a new educational facility for customers and employees. Our center of competence for balancing technology is in Darmstadt, while Monschau is the main location for **INDUSTRIAL CLEANING SYSTEMS**. Shanghai is by far our largest business site abroad with about 1,000 employees (of whom approximately 270 are external staff). We are building a new center for manufacturing and product demonstration there and expanding capacities in engineering and purchasing. Additional capacities and competencies have also been established in the other emerging market locations of Chennai (India), Querétaro (Mexico), and São Paulo (Brazil) since 2006. We employ about 460 persons in the United States, with emphasis in the Detroit area, after having significantly reduced capacities there in recent years.

P. 200

P. 200

Cooperation among Group companies on cross-border systems projects in plant engineering is clearly organized in our international network. Project leadership for large-scale orders in the Paint and Assembly Systems division is always in the Bietigheim-Bissingen system center. The foreign companies are responsible for sales and service locally and support order execution, for example, in engineering, purchasing, and manufacturing. In mechanical engineering, our activities are also controlled and supported largely from the main business locations in Germany.

REPORT ON RELATIONSHIPS WITH ASSOCIATED ENTERPRISES

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 has no knowledge of any pool arrangements between shareholders of Dürr AG.
- **Shareholdings that exceed 10 %:** Heinz Dürr GmbH holds 28.1 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung GmbH, the Dürr family controls 31.6 % of the shares (as of February 2011).
- **Shares conferring special rights:** There are no shares of Dürr AG that confer special rights.
- **Voting right control of any employee stock ownership plan where the control rights are not exercised directly by the employees:** 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 forth 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.
- **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 of 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 provided by Section 20 (1) of the articles of incorporation.
- **Powers of the Board of Management to issue or buy back shares:** Information on this point may be found in ITEM 23 in the notes to the consolidated financial statements.

P. 159

- **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.

PRINCIPAL DÜRR LOCATIONS

GERMANY

- Bernried[1,2]
- Bietigheim-Bissingen[1,2]
- Braunschweig
- Darmstadt[1,2]
- Filderstadt[1,2]
- Grenzach-Wyhlen[1,2]
- Monschau[1,2]
- Ochtrup[1]
- Püttlingen[1,2]
- Stollberg[1,2]
- Wolfsburg[1,2]

EUROPE

- Zistersdorf[1] (A)
- Rheineck[1,2] (CH)
- Oslavany-Padochov[1] (CZ)
- Madrid[2] (E)
- San Sebastián[2] (E)
- Valladolid (E)
- Viladecans[2] (E)
- Cergy-Pontoise[1] (F)
- Guyancourt[2] (F)
- Loué[1,2] (F)
- Uxegney[1,2] (F)
- Warwick[1,2] (GB)
- Beinasco[1,2] (I)
- Novegro di Segrate[2] (I)
- Paderno Dugnano (I)
- Rodano[1,2] (I)
- Rotterdam (NL)
- Radom[1,2] (PL)
- Moscow (RUS)
- St. Petersburg (RUS)
- Bratislava (SK)
- Istanbul (TR)

AMERICAS

- São Paulo[1,2] (BR)
- Querétaro[1,2] (MEX)
- Auburn Hills[1,2] Michigan (USA)
- Bowling Green[1] Ohio (USA)
- Deer Park[1] New York (USA)
- Plymouth[1,2] Michigan (USA)
- Wixom[1] Michigan (USA)

ASIA, AFRICA

- Beijing (CN)
- Shanghai[1,2] (CN)
- Chennai[1,2] (IND)
- Delhi[1,2] (IND)
- Osaka[1] (J)
- Yokohama[2] (J)
- Seoul[2] (ROK)
- Port Elizabeth[2] (ZA)

[1] Production or assembly location [2] Engineering location The other locations mainly perform sales and service functions.

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.

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 natural person (except those members of the Dürr family who were direct or indirect shareholders of Dürr AG when 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, (ii) one or more persons acting in concert in the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act (except the above-mentioned members of the Dürr family or their legal heirs) attain controlling influence over Dürr AG, or (iii) the relevant prerequisites arising from the terms of the corporate bond are fulfilled. 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.

S. 51

Company-specific leading indicators

Owing to the cyclical nature of our business we use a range of leading indicators for our forward planning. We distinguish between four types of indicators. The first group contains the general leading indicators such as money supply, the IFO business sentiment index, freight rates, commodity prices, and interest rate yield curves. These indicators enable us to draw conclusions about future economic growth and automobile sales.

The second group of indicators looks at capital spending in the automobile industry and international automobile production and registration statistics and forecasts. To interpret these trends we conduct a regular exchange with automotive analysts who closely monitor developments at the automobile manufacturers and their suppliers and in the markets. For each percentage point increase in the forecast for world automobile production we can reckon with two to three additional system orders in an aggregate volume of about € 100 million alone in the paint systems business. An increase of that magnitude indicates additional orders in most other business units, too.

The third leading indicator is the investment projects that are in the pipeline. Our internal sales database MPCR (Monthly Project and Contract Report) tracks the investment projects we can identify in the market and evaluates our chances of winning orders. Our MPCR system enables us to react to market developments early on because it generally takes about six to twelve months from the first request for quotation until orders are awarded. The margins on all projects are recorded in the MPCR system, too, which enables us to assess future profitability.

The fourth group of indicators comprises order intake and order backlog. Given the long execution times of our projects these two measures are a good basis for assessing capacity utilization and the development of sales revenues in the following quarters. Incoming orders and orders on hand are continuously monitored and analyzed by our controlling organization.

Economic and legal factors of influence

Our business is reliant to a large extent on investment behavior in the automobile industry. These investment decisions are based on revenue and earnings performance, current production and capacity utilization levels, as well as long-term sales expectations and strategic goals.

P. 200

The emerging markets, especially the BRIC COUNTRIES, are very important for our business. The automobile manufacturers will continue to expand their capacities there in order to capitalize on the dynamic growth of these markets and to defend or win market share. In North America, but in Western Europe, too, the focus is on investment in modernization to make existing auto plants more flexible, productive, and energy-efficient.

P. 181

Exchange rate movements have an only minor impact on our sales revenues and earnings. This is indicated by the sensitivity analysis in ITEM 38 in the notes to the consolidated financial statements.

The pace of growth of the world economy is an important factor of influence for our business. Past experience shows that for each percentage point increase in world GDP growth the rate of growth in global automobile production increases by two to three percentage points. This in turn creates additional demand for five to six auto plants worldwide. Based on an average market share of 40 % for Dürr, this translates into an additional business potential of around € 200 million alone on the plant engineering side.

On the cost side, the development of wages and salaries is a factor of considerable importance for Dürr. Cost increases usually arise as a result of collectively bargained pay agreements and the adjustment of salaries to general market developments. For each percentage point higher increase in wages and salaries than assumed in our budget planning, the additional burden on Dürr's earnings before tax is € 3.5 million. Given a materials expense ratio of 44 %, the cost of materials is also an important factor of influence on our performance. However, unforeseen cost increases have a limited impact on our earnings because we fix the prices of important materials for the entire project period when we place the orders.

S. 78

The highly international character of our business means we have to consider a great many different legal requirements and tax rules. This includes product safety and product liability laws, building, environment and employment regulations, as well as foreign trade and patent law. When selecting the applicable law governing contracts we review whether, and to what extent, unjustified warranty claims can be excluded and what scope we have on our part for claiming damages. Within the framework of our cash pooling (see the chapter on FINANCIAL DEVELOPMENT), for instance, it has to be borne in mind that some countries impose exchange controls.

P. 200

The growing level of environmental regulation has a considerable influence on our product strategy. This applies both in the paint systems business and in cleaning and balancing technology. In exhaust-air technology, stricter emission control regulations mean that factories require more and smaller exhaust-air purification systems. The same applies in the FILLING TECHNOLOGY business where the use of environment-friendly refrigerants in air-conditioning systems for instance makes it necessary to develop new processes.

Corporate governance report

The Board of Management and the Supervisory Board of Dürr AG are committed to a responsible management and control of the company. We believe that transparent corporate governance will create value in the long term. In addition, it is essential to merit the trust that investors, financial markets, business partners and customers as well as employees and the general public place in us. We carefully monitor any changes in corporate governance with a view to continuously optimizing our system. In 2010, we placed particular focus on the further development of our internal control system with regard to the requirements of the German Accounting Law Modernization Act (BilMoG).

CORPORATE GOVERNANCE CODE LARGELY IMPLEMENTED

We have carefully studied the latest version of the German Corporate Governance Code, which was published on July 2, 2010. The following excerpt from our declaration of compliance shows in which points and for which reasons we do not comply with the recommendations of the Code. The full declaration, signed by the Chairman of the Supervisory Board and the Chairman of the Board of Management on December 15, 2010, is published on our website at **WWW.DURR.COM/EN/INVESTOR/CORPORATE-GOVERNANCE.** For the period from December 16, 2009, to July 1, 2010, it relates to the Code in the version published on June 18, 2009 ("2009 version"), and for the period from July 2, 2010, onwards to the version published on the same day ("2010 version").

WWW

The current declaration of compliance now only contains two deviations from the recommendations of the Code, as opposed to three in the previous year. The compensation of Supervisory Board members is now reported individually; this came into effect in 2009. We also apply most of the Code's suggestions.

EXCERPT FROM THE DECLARATION OF COMPLIANCE AS OF DECEMBER 15, 2010

D&O insurance deductibles

(Item 3.8, paragraphs 2 and 3 [2009 and 2010 versions])

A D&O insurance policy without deductibles (group insurance) existed and continues to exist for members of the Supervisory Board. It is not planned to introduce deductibles for members of the Supervisory Board because Dürr does not believe that the already high dedication and responsibility with which supervisory board members observe their duties can be improved 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).

Age limit for members of the Supervisory Board and objectives for the composition of the Supervisory Board

(Item 5.4.1, sentence 2 [2009 version] and Item 5.4.1, paragraphs 2 and 3 [2010 version])

No provision has been made for a limit on the age of members of the Supervisory Board as recommended in Item 5.4.1, sentence 2 of the Code (2009 version) 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 to obtain 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.

The recommendations in Item 5.4.1, paragraphs 2 and 3 of the Code (2010 version) 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 to obtain 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 shareholders on the election of supervisory board members are due to be resolved upon. Then it will also consider other criteria besides those set forth in Item 5.4.1, paragraph 2 of the Code (2010 version). At the time of issuing this declaration the Supervisory Board has one female member and members with well established international experience.

OTHER INFORMATION ON CORPORATE GOVERNANCE AT DÜRR[1]

Board of Management and Supervisory Board

The Board of Management is the executive organ of Dürr AG. It conducts the company's business, formulates 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 reports to the Supervisory Board on a regular and comprehensive basis about business performance, strategy, and risks. The rules of procedure formulated by the Supervisory Board regulate the individual responsibilities, the manner in which resolutions are passed, and other aspects of the Board of Management's activities.

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. Particularly urgent resolutions can be taken by written circulatory vote. This occurred once in 2010: to approve the acquisition of Helmuth Rickert GmbH and its subsidiary I.N.T. Rickert GmbH in May. The Supervisory Board is elected every five years. The next regular election of the shareholder representatives will be held at the next annual general meeting on May 6, 2011; the regular election of the employee representatives will be on April 6, 2011. If a member of the Supervisory Board resigns before the end of his/her term of office and there is no elected substitute member, a successor will be appointed by court. Shareholder representatives appointed by court must stand for election at the following annual general meeting.

The Supervisory Board of Dürr AG has created four committees from its midst. They prepare regulations and topics on which the chairmen of the committees then report to the Supervisory Board plenum.

- 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 the financial reporting, risk management, internal control system, and internal auditing. In addition, it oversees the Board of Management's compliance with internal and external rules and regulations. The committee reviews the consolidated financial statements and the annual financial statements, and conducts the groundwork for the corresponding resolutions by the Supervisory Board plenum.

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

- 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 by the annual general meeting. Under the keyword of diversity, it ensures that the Supervisory Board includes female members as well as people with international experience.

With the exception of the Nominating Committee, which consists of 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 a platform for a general debate between shareholders, the Board of Management, and the Supervisory Board. In addition, shareholders are able to exercise their voting rights at this meeting. An agenda, which is drawn up prior to the meeting, outlines the motions on which resolutions are to be passed, for instance on the appropriation of profit or on capital measures. The meeting is presided over by the Chairman of the Supervisory Board.

Transparency

In order to meet the information needs of the capital and financial markets, we provide comprehensive, consistent and timely external communication. We inform about the development of our business in the annual report, in the quarterly and six-monthly reports, in press releases and ad-hoc announcements, as well as through press conferences and conference calls. All announcements, reports and presentations are published on our website at WWW.DURR.COM. Our Investor Relations and Press department is available to answer any questions.

Financial reporting and independent audit

We prepare our consolidated financial statements to International Financial Reporting Standards (IFRSs). The independent auditor is appointed by the annual general meeting on the basis of a proposal put forward by the Supervisory Board. For several years, it has been Ernst & Young GmbH. 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, it is agreed that the auditor will inform the Chairman of the Supervisory Board immediately of all matters relevant for the work of the Supervisory Board that come to its notice 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.

Board of Management and Supervisory Board procedures at Dürr

The Board of Management of Dürr AG consists of two members. This increases the speed and effectiveness of the communication, consultation and decision-taking processes. The Board of Management works closely with the management of the divisions and business units; at holding level it is supported by Dürr AG's corporate departments.

The Chairman of the Board of Management, Ralf Dieter, manages the operating business in consultation with the heads of the divisions and business units. He oversees the sales functions and represents Dürr at the decision-taking level of customers. The Chief Financial Officer, Ralph Heuwing, is also closely involved in operating decisions.

REPORTED TRANSACTIONS IN DÜRR SHARES IN 2010 — 2.6

Purchaser/seller	Off-exchange purchase of shares	Purchase of shares in XETRA	Off-exchange sale of shares	Prolongation securities loan (borrower) off-exchange	Price per share in €	Number of shares	Transaction volume in €
Heinz Dürr GmbH	Jan. 7, 2010				16.626	17,000	282,642.00
Heinz Dürr GmbH			Jan. 26, 2010		15.00	40,000	600,000.00
Heide Dürr	Jan. 26, 2010				15.00	40,000	600,000.00
Heinz Dürr GmbH			Apr. 6, 2010		17.00	120,000	2,040,000.00
Heinz Dürr GmbH	May 25, 2010				16.91	57,000	963,870.00
Heinz Dürr GmbH				June 22, 2010		600,000	
Dr. Günter Fenneberg		Dec. 28, 2010			23.34	215	5,018.10
Dr. Günter Fenneberg		Dec. 28, 2010			23.35	3,049	71,194.15
Heinz Dürr GmbH			Dec. 29, 2010		23.60	50,000	1,180,000.00
Dr. Günter Fenneberg		Dec. 30, 2010			23.70	736	17,443.20

At Group level, Dürr has three international management teams: The top management team (Dürr Management Board) consists of the Board of Management and various top management representatives of the Group. Below the Dürr Management Board are the Senior Executive Group, which mainly consists of the chief executive officers of the operating companies, and the broader Senior Management Group.

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. It has issued rules of procedure for the Board of Management containing 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. Any items on which a written resolution is to be passed are distributed to the members of the Supervisory Board 14 days prior to the meeting; this is followed by a detailed dossier along with the motion one week before the meeting at the latest. On the day of the meeting, preliminary talks are 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, owns 31.6 % of the shares of Dürr AG (as of February 2011) through the company Heinz Dürr GmbH and the Heinz und Heide Dürr Stiftung GmbH foundation. ATON GmbH, which is represented on the Supervisory Board by Dr. Günter Fenneberg, held less than 10 % of the shares as of the middle of February 2011. Other members of the Supervisory Board own 0.13 % of the shares. The members of the Board of Management of Dürr AG hold a total of 1.3 % of the shares of Dürr AG, with 0.4 % owned by Ralf Dieter and 0.9 % by Ralph Heuwing. Securities transactions that have to be reported pursuant to Section 15a of the German Securities Trading Act (WpHG) are published on our website at WWW.DURR.COM as soon as the company is notified.

WWW

COMPENSATION REPORT

In addition to the following information on the compensation paid to the Board of Management and the Supervisory Board, we also refer to the corresponding disclosures in ITEM 40 in the notes to the consolidated financial statements, which we expressly incorporate as part of this report.

P. 187

Sideline activities

The members of the Board of Management do not carry out any sideline activities other than those listed in ITEM 40 in the notes to the consolidated financial statements. Moreover, they hold no significant stakes in other companies. No members of the Board of Management or the Supervisory Board received any loans or advances from Dürr AG in 2010.

P. 187

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 draws up proposals for the Supervisory Board plenum. The Supervisory Board discusses the committee's proposals in detail and passes its resolutions on that basis. Important criteria for determining the appropriateness of the compensation are the tasks of the Board of Management as a whole as well as of the respective member, the personal performance of the members of the Board of Management, the economic situation, and the company's performance and outlook. The Supervisory Board also takes account of salary trends at other companies when determining the level of compensation.

In 2006, the annual general meeting resolved not to disclose the Board of Management's compensation individually. This so-called opting-out resolution is binding for a period of five years, and will therefore expire in 2011. In 2010, the total compensation of the members of the Board of Management amounted to € 2,251 thousand (2009: € 1,602 thousand). € 811 thousand was paid as pensions to former members of the Board of Management (2009: € 803 thousand).

The Personnel Committee and the Supervisory Board plenum have carefully examined the German Act on the Appropriateness of Management Board Compensation (VorstAG), which came into force in August 2009. In March 2010, the contracts of Ralf Dieter and Ralph Heuwing were amended to comply with the requirements of the VorstAG. Both employment contracts now also include long-term and short-term incentives, as well as a deductible in connection with D&O (directors' and officers') liability insurance. The new compensation system was first applied to the contracts of both members of the Board of Management in 2010.

BOARD OF MANAGEMENT COMPENSATION 2010 (BASED ON THE NEW COMPENSATION SYSTEM) 2.7

	NON-PERFORMANCE-RELATED		PERFORMANCE-RELATED			PENSION BENEFITS	
€ thousand	Fixed salary	Non-cash benefits	LTI	STI	Special bonus	Employer-financed contribution	**Total**
2010	700	44	276[1]	350	730	151	2,251

[1] accrued amount, based on the stock price as of December 31, 2010

BOARD OF MANAGEMENT COMPENSATION 2009 (BASED ON THE OLD COMPENSATION SYSTEM) 2.8

	NON-PERFORMANCE-RELATED		PERFORMANCE-RELATED	PENSION BENEFITS	
€ thousand	Fixed salary	Non-cash benefits	Bonus	Employer-financed contribution	**Total**
2009	700	43	639	220	1,602

The compensation for the members of the Board of Management comprises performance-related and non-performance-related components. The non-performance-related compensation consists of a fixed annual salary payable in equal monthly installments, and non-cash benefits consisting in the main of the use of company cars on which taxes have been paid by the company.

The performance-related compensation consists of the long-term and short-term incentives; special bonuses may also be paid. Under the short-term incentive (STI) scheme, the members of the Board of Management receive an agreed proportion of the Group's earnings before tax in each fiscal year; there is a cap on the amount payable under the STI scheme. The long-term incentives (LTI) are linked to the performance of Dürr's share price and the Group's average EBIT margin within an LTI period of three years. As part of the LTI scheme, a certain number of virtual Dürr shares, so-called performance share units, are issued every year. In 2010, the members of the Board of Management received a total of 46,500 performance share units. 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 annual general meeting of Dürr AG after the three-year LTI period. The EBIT multiplier is based on the Group's average EBIT margin during the three-year LTI period. As is the case with the short-term incentives, there is also a cap on the amount payable under the LTI scheme.

Apart from the Board of Management, the other 16 members of the top management team (Dürr Management Board) are also entitled to join the LTI scheme. An essential requirement for members to join the scheme is the purchase of an individually defined number of Dürr shares using their own funds; these shares must be held for the entire duration of the scheme.

The Supervisory Board can agree targets with the members of the Board of Management for the further strategic development of the company and pay an additional bonus if these have been successfully implemented. A special bonus may also be paid to a member of the Board of Management for exceptional performance and achievements. Ralf Dieter received a special bonus for 2010 for the Group's order successes, and Ralph Heuwing was paid a special bonus for the successful bond issue.

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

The contracts of employment of the members of the Board of Management are concluded initially for three years upon joining the Board. When renewing the contracts of employment, the statutorily permitted extension to a total of five years is mostly chosen. The contracts of employment of both members of the Board of Management have a term of five years.

In March 2010, the Supervisory Board appointed Mr. Dieter, whose contract ended on December 31, 2010, as the Chairman of the Board of Management for an additional period of five years. Mr. Dieter's new contract of employment began on January 1, 2011, and ends on December 31, 2015. The contract with Mr. Heuwing ends on May 13, 2012.

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 an option either to remain with the company or terminate their employment. In the latter case, the members of the Board of Management have the right to retire from office 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 the payment of a maximum of three years' compensation, as set out

RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT SINCE JANUARY 1, 2011 2.9

	RALF DIETER (CHAIRMAN)	RALPH HEUWING (CHIEF FINANCIAL OFFICER)
// Divisional/operative responsibilities	// Paint and Assembly Systems // Measuring and Process Systems	// Clean Technology Systems // Dürr Consulting

// Corporate functions	// Corporate Communications
	// Human Resources (Employee Affairs Director)
	// Research & Development
	// Quality Management
	// Internal Auditing
	// Corporate Compliance
		// Financial/Controlling
		// Investor Relations
		// Risk Management
		// Legal Affairs/Patents
		// Information Technology
		// Global Sourcing

in the German Corporate Governance Code. However, the period for which the payment is made must not exceed the remaining term of the employment contract.

Compensation system for the Supervisory Board

The compensation paid to the members of the Supervisory Board is regulated in Article 15 of the articles of incorporation of Dürr AG, the text of which can be found on our website 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.

WWW

In 2010, the total compensation of the Supervisory Board amounted to € 394 thousand (2009: € 358 thousand). For an overview of the compensation of individual members of the Supervisory Board please see ITEM 40 in the notes to the consolidated financial statements. The members of the Supervisory Board receive an annual fixed remuneration of € 15,000 and an attendance fee of € 500 for each meeting attended in addition to reimbursement for their expenses. Furthermore, they receive variable compensation equal to 0.4 ‰ of reported consolidated earnings before taxes. This variable compensation may not exceed € 25,000. 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 € 7,500; 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 receive 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. The same applies to members of the committees.

P. 187

Performance-related compensation for other employees

For non-tariff employees, the compensation comprises a basic annual salary and a performance-related bonus. The amount of the bonus is linked, on the one hand, to the extent to which the employee achieves agreed personal performance targets, on the other, to Group earnings. In most cases, the bonus is between 5 % and 10 % of the basic salary. For employees in Germany covered by the collectively bargained tariff agreement, there is also a profit-sharing scheme, which is subject to Group earnings exceeding a defined value. There was no profit-sharing bonus in 2010 and 2009.

Strategy

GROWTH AND OPTIMIZATION

We took our corporate strategy further forward in 2010 under the heading "Dürr 2015". Growth and optimization will remain the cornerstones of our strategy going forward. However, we have added a further initiative to the strategy section "growth": the creation of a new energy efficiency business segment. We will be continuing to pursue the performance targets we have communicated to the capital market. We aim to increase sales revenues at an average rate of 5 to 10 % in the coming years and target an EBIT margin of about 6 % and a ROCE of about 22 % by the year 2013. In our core business with the automotive industry, we want to grow at an annual rate of 6 % to 7 % in line with the growth in automobile production.

P. 201

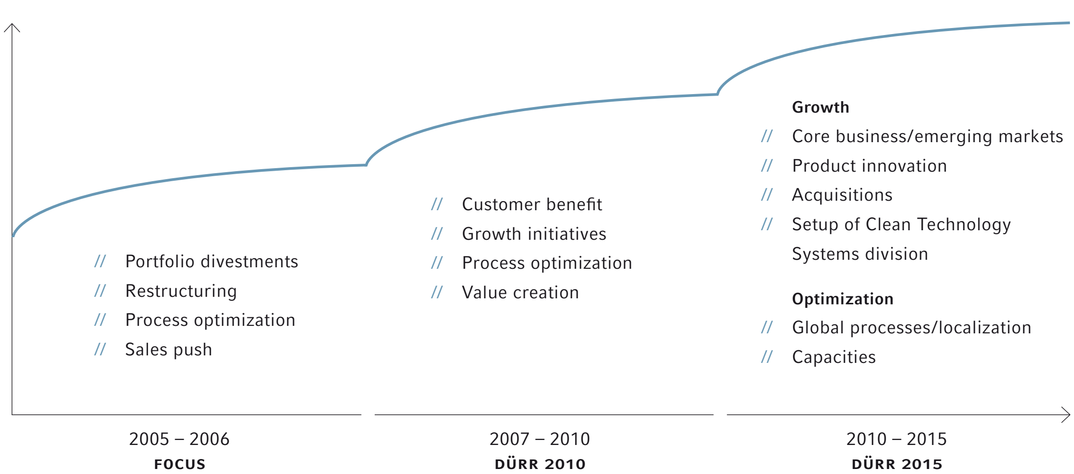
GROWTH

We are focusing on three drivers to achieve our growth targets: expansion of our core business in the emerging markets, the development of new areas of business, and innovations.

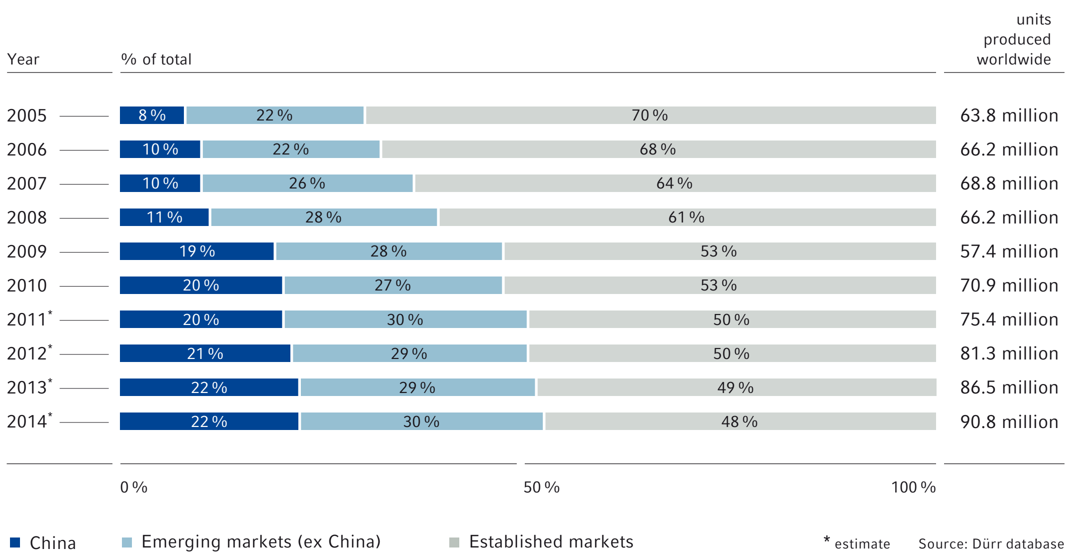
Expanding the core business in the emerging markets

The emerging markets have acquired still greater importance for Dürr since the economic crisis. Markets such as China, India, and Brazil were affected only briefly by the crisis, particularly as they had no debt problems. Demographic growth and the still low automobile penetration rates in these countries also promise enormous growth potential. In China, the most populated country in the world, GDP grew in 2009 and 2010 by 8.7 % and 10.0 %, respectively. Similar growth rates are likely in the coming years.

DEVELOPMENT OF OUR STRATEGIC FOCUSES 2.10



GLOBAL LIGHT VEHICLE PRODUCTION BY REGION 2.11



Against this backdrop, we are systematically expanding our leading competitive position in China and other emerging markets. We plan that by 2013, over 30 % of our workforce will be employed in the emerging markets. We already raised the level from 14.3 % to 27.3 % between 2005 and 2010. Over that period the number of regular employees in China increased from less than 350 to 713; by 2013, we expect to have well over 800 employees there. Including hired external labor, we already employ almost 1,000 people in China today.

P. 200

We also intend to further increase local content in the emerging markets, especially in the areas of ENGINEERING, purchasing, and production. This will be driven both by local growth and by exports to established markets. Our target is for half of the Group's incoming orders and sales to come from the emerging markets on a long-term basis. We are already very well positioned in these markets in paint systems and balancing technology, which provides us with a good basis for capitalizing on future growth. In cleaning, environmental, testing and filling technology and in aircraft assembly we will be further expanding our local presence in the emerging markets.

Acquisitions/Development of new areas of business

We are systematically developing new areas of activity that are related to our core business and offer good potential for profitable growth. We are concentrating on high-tech niches where our aim is to achieve market leadership. In our efforts to expand into new areas of business an important role is played by smallish bolt-on acquisitions that round out our technology portfolio.

Turbocharger balancing equipment/ ultrafine cleaning technology

In 2009 – in the midst of the economic crisis – we made two acquisitions: the French company Datatechnic, which specializes in turbocharger balancing equipment, and the Swiss ultrafine cleaning technology specialist UCM.

Glueing technology

P. 200

In 2010, we laid the foundations for expanding into the **GLUEING TECHNOLOGY** business with two technology acquisitions. The two specialized companies, Klaus Kleinmichel and Helmuth Rickert, complement our expertise in this segment ideally, so we are now able to offer a full-line portfolio covering all glueing applications in automobile production. Glueing technology is a very promising business segment. Glueing is replacing conventional joining techniques in the body shop because it offers advantages in terms of rigidity and cost, in particular in lightweight construction. Moreover, with the ever broader mix of materials, the automotive industry is increasingly using materials that cannot be welded and therefore have to be glued – such as plastics and composites. Our customers are using glueing technology more and more for quality reasons in the final assembly process, too, for instance for the fitting of windows and the windscreen. Glueing is also on the advance in other industries, for instance in the manufacture of solar panels and electrical and electronic components.

Clean Technology Systems

By building up the new business segment of energy efficiency we are creating the basis for further long-term growth. This unit will focus primarily on processes for utilizing energy from industrial waste heat. There are three arguments for pursuing this new business:

1. Long expertise: Through our successful activities in exhaust-air purification over the years we have accumulated experience and technological know-how in recovering energy from industrial exhaust air.
2. Existing core competences: With our global resources in engineering and project management we have the relevant core competences to build up the energy efficiency activities. We are also backed by our global sales and service network which has access to target industries such as the chemicals, pharmaceuticals, paper, and energy industries.
3. Market growth: Rising energy prices and the growing trend towards resource conservation mean that high growth rates are expected in future for technologies that improve energy efficiency. This applies in the developed countries as well as the emerging markets.

In Germany, the industrial processes in the chemicals, paper, glass, steel, metallurgical and cement industries alone generate an annual 20,000 gigawatt-hours (GWh) of waste heat that can in principle be recovered and utilized; worldwide, it is in the region of 325,000 GWh/a. For comparison: Germany's total annual consumption of electric power is approximately 500,000 GWh.

The organizational framework for building up the new business activities has been put in place with the creation of a third division, Clean Technology Systems, as from January 1, 2011. This new division groups together all our energy efficiency activities and increases the transparency of our growth targets and progress in this area.

Clean Technology Systems consists of two business units:

- Environmental and Energy Systems, which was previously part of the Paint and Assembly Systems division, will continue to pursue its core business of exhaust-air purification. It will also build up new activities in the area of waste heat recovery and utilization.
- The new Energy Technology Systems business unit was set up on January 1, 2011. A team of experts is currently reviewing business opportunities for technologies for increasing the energy efficiency of industrial processes.

Going forward, further small acquisitions are planned in order to expand our position in the new areas of business. The focus is on technologies that can be used in automobile production as well as in other industries.

We have the resources to finance the proposed acquisitions. This includes in particular the proceeds from the second tranche (€ 79 million including premium) of our new corporate bond which we intend to use primarily for acquisition purposes. We also have authorized capital at our disposal for equity financing if necessary. We have applied for a purpose-tied R&D loan from the European Investment Bank (EIB) and are also in negotiations with the banks on a renewal of the syndicated loan that is due to expire in June 2011. However, we do not expect to draw on the EIB loan or cash credit line of the syndicated loan – assuming they are granted – in 2011. No other financing measures are planned for 2011 and 2012. Further information can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.

P. 108

Product innovations

Our innovative strength has been a major factor enabling us to win market share both during and after the economic crisis. Building on our technology leadership continues to be a top priority on Dürr's strategy agenda. Consequently, we will be increasing our R&D spend in future. We have considerably larger R&D budgets and capacities than smaller competitors, and can therefore bring new technologies to market faster. Some recent examples are described in the chapter on **RESEARCH AND DEVELOPMENT**.

S. 87

P. 200

The focus of our innovation management is on optimizing the **TOTAL COST OF OWNERSHIP** for the customer, which means concentrating not only on the capital cost of buying our machines and systems but above all on the total costs they cause over their entire life cycle. Increasing the flexibility and optimizing the energy efficiency of our products is an aspect that is acquiring ever greater importance.

We are keeping a close watch on the development of alternative drive concepts in the automobile industry and examining what opportunities this presents for Dürr as a supplier of manufacturing technologies. In our view, efficient automation concepts will be needed in future for the series production of new drive units. We have therefore intensified our R&D efforts in this area over the last two years. We aim to establish ourselves as a supplier of equipment for assembly lines for electric vehicle batteries. The chances are good: We have received a first order for a battery assembly line from a German automobile manufacturer; and there are concrete requests for quotations from other automakers, too.

OPTIMIZATION

Our aim is to tap new cost reduction and earnings enhancement potential on a continuous basis. We are therefore striving to optimize our business processes also in phases of high capacity utilization. Currently, the focus is on further expanding our position in the emerging markets. In order to position ourselves optimally in these markets, we are pushing the globalization of our processes and especially localization. On the one hand, localization means local design, in other words developing standardized, low-cost products specially tailored to the needs of the local market for simple, reliable manufacturing technologies. On the other hand, we are increasing the level of local content in the growth markets.

P. 200

Localization strengthens our competitiveness, especially in relation to local players. At the same time, we can tap cost advantages for the Group as a whole by deploying the ENGINEERING, purchasing and production capacities in the emerging markets increasingly also for projects in Europe and North America. Our balancing technology activities in China are an example. This unit develops special machines for the Chinese market, for instance for balancing armatures and brake disks, but we are also exporting standard balancing machines from China for the world market.

Board of Management's overall assessment of business development in 2010

We achieved the targets we set for 2010 and comfortably exceeded them in some cases. That holds for our market and technology position as well as our financial targets. In many regions we were able to further expand our market leadership, benefiting here above all from our strong local presence in the growth markets. We consolidated our leading technological position with the successful launch of innovative products. All in all, we have emerged strengthened from the financial and economic crisis.

Demand in the automobile industry developed much better in 2010 than had been foreseeable at the beginning of the year. Against this backdrop, incoming orders, worth € 1,642.2 million, were considerably above our original expectations. The first quarter marked the low point for sales revenues and earnings, after which they improved continuously from quarter to quarter. For the full year, sales revenues came to € 1,261.4 million, which was not only an improvement year over year (+17.1 %) but was also above our budget target for 2010. Owing to the strong revival of business, personnel and material expenses were higher than expected, with increases of 2.8 % and 32.6 %, respectively. EBIT came to € 33.7 million; we therefore achieved a substantial improvement in earnings as we had forecast (2009: € 5.7 million).

The financial result weakened slightly in 2010. Although net financial debt was lower on average than in 2009, we incurred higher commitment fees as well as the costs for the adjustment of our syndicated loan agreement in 2009 that are spread over the term of the loan. In addition, there were one-off expenses of € 0.7 million for the early redemption of our old bond issued in 2004 and income from investments was down, too. With lower tax expense in 2010, we achieved earnings after tax of € 7.1 million after a loss of € 25.7 million in 2009. We therefore exceeded our target of at least a "black zero".

P. 201

As expected, cash flow from operating activities did not match the previous year's level but, at € 55.4 million, was well into positive territory and above budget. Owing to the growth in business volume the reduction in **NET WORKING CAPITAL** was lower than in 2009. Nonetheless, we generated a **FREE CASH FLOW** of € 22.9 million, so our net financial position increased to € +23.6 million at the end of the year and was therefore better than had been anticipated. Our liquidity was well above budget at € 252.3 million as of December 31, 2010. This was bolstered, on the one hand, by the net proceeds of € 226.7 million from our corporate bond issued in autumn 2010 and, secondly, we again booked exceptionally high customer prepayments at the end of the year. Capital expenditure on property, plant and equipment and intangible assets amounted to € 22.2 million, which was lower than in 2009 but was slightly above budget. Capital expenditure on property, plant and equipment was unchanged, while the expenditure on acquisitions, which is more difficult to forecast, was lower than the year before.

ACHIEVEMENT OF TARGETS IN 2010 AND TARGETS FOR 2011

2.12

	TARGET 2010	ACTUAL 2010	TARGET 2011
// Sales revenues	> € 1,150 million	€ 1,261.4 million	+15 %
// Incoming orders	> € 1,185 million	€ 1,642.2 million	+5 %
// EBIT	Substantial improvement (2009: € 5.7 million)	€ 33.7 million	3.5 to 4 % EBIT margin
// Financial result	Small change (2009: € −17.9 million)	€ −21.2 million	Improvement by € 4 to 5 million
// Tax expense	Decrease (2009: € 13.5 million)	€ 5.4 million	Effective tax rate around 30 %
// Earnings after tax	Black zero (2009: € −25.7 million)	€ 7.1 million	Substantial improvement
// Operating cash flow	Decrease (2009: € 95 million)	€ 55.4 million	Slight decrease
// Net financial status (December 31)	Deterioration (2009: € +3.0 million)	€ +23.6 million	Small net financial debt
// Liquidity (December 31)	€ 80 million	€ 252.3 million	Decrease
// Capital expenditure[1]	€ 20 million	€ 22.2 million	Increase

[1] on property, plant and equipment and intangible assets

MATERIAL EVENTS AFFECTING BUSINESS DEVELOPMENT

The recovery of the world economy and the growth in automobile production, which, at 23.5 %, was much stronger than the growth of the economy as a whole, had a strong impact on our business performance in 2010. The automobile industry invested in new plant and equipment especially in China, India, and Brazil. We benefited in special measure as we have a particularly strong presence in these markets. However, demand also improved in Western Europe and North America. While order intake was already at a high level at the beginning of the year in our plant engineering business, the machinery business did not pick up significantly until the second half of the year.

Economy and industry environment

2010: STRONG RECOVERY OF THE WORLD ECONOMY

After the steep downturn in 2009 the world, economy has rebounded more strongly and faster than expected, with appreciable support for the growth coming from the economic stimulus programs launched by various governments and the generous supply of liquidity to the markets. The pace of the recovery slackened somewhat in the second half of 2010, initially in the USA, then in China and Japan, and finally in Europe. Reasons for this were, firstly, the expiry of the government support measures and, secondly, many companies had finished rebuilding their stocks.

In 2010, economic performance was again strongest in the emerging markets, led by China and India. The countries in the Eurozone and North America, on the other hand, lagged behind; Germany benefited more than others from its strong export bias. Exchange rates remained volatile, although the movements were not so pronounced as in 2009. The euro trended weaker at the height of the European debt crisis but managed to gain ground afterwards and closed the year back at a level of 1.33 US dollars. Short-term interest rates, which can be influenced more easily by the central banks, remained low in 2010. In the case of longer-term rates, however, the cycle appears to have reversed. Sentiment on the capital markets was cheerful, especially in the second half of the year.

AUTOMOBILE INDUSTRY IN THE FAST LANE

P. 200

Demand in the automobile markets developed much better than expected in 2010; market experts had to raise their forecasts a number of times in the course of the year. While a world production of 63.2 million **LIGHT VEHICLES** had been initially forecast for 2010, the actual figure was 70.9 million units, an increase of 23.5 % versus 2009. In China and India, where production had already picked up strongly in 2009, the upward trend continued at an astonishingly strong pace since both countries were hardly affected by the financial and sovereign debt crisis. China

GDP GROWTH 2.13

year-over-year change in %	2010	2009	2008
World	4.7	−0.9	3.0
Germany	3.5	−4.7	1.2
Eurozone	1.7	−4.1	0.6
Russia	4.0	−7.9	5.6
USA	2.8	−2.6	0.4
China	10.0	8.7	9.6
India	9.8	5.8	7.3
Japan	3.4	−6.3	−1.2
Brazil	7.5	−0.2	5.1

Source: OECD 12/2010; Deutsche Bank 12/2010 is now the world's biggest automobile market by far, with a production of 14.0 million light vehicles. There was a strong rebound in North America, too, due to base effects. Overall, the automobile industry grew faster than the economy as a whole; it also benefited from the improved level of capacity utilization and the cost reductions implemented in the previous years. Earnings at some OEMs already reached new peaks again in 2010. The automobile industry's actual production and sales figures and targets, and the development of the liquidity and earnings situation at OEMs are important indicators for future investment and capital spending activity in the industry. This is the driver not only for our new plant and machinery business; it also affects our service business. As automobile sales are expected to continue rising over the longer term now the economic crisis is over, the positive trend in our incoming orders should persist.

STRONG RECOVERY ALSO IN THE AIRCRAFT INDUSTRY

Like the automobile industry, the aircraft industry has also recovered quickly after the crisis. In 2010, the world's airlines already regained the revenue levels of the peak year 2008, with industry revenues rising to 565 billion US dollars, an increase of 17 % versus 2009. The strong cost reductions in the previous years and improved capacity utilization coupled with moderate kerosene prices caused earnings, too, to rebound to even higher levels than before the crisis. Against this backdrop and in anticipation of rising demand, many airlines began to step up their investment activity again in 2010. Consequently, order intake at our customers in the aircraft industry revived strongly. Boeing almost doubled its incoming orders to 530 aircraft, although this was still well short of the 1,413 orders booked in the boom year 2007. Airbus increased its order intake in 2010 to 574 aircraft (2009: 310). The number of aircraft delivered – 462 at Boeing and 510 at Airbus – was slightly lower than new orders, so there was a further increase in order backlog at both manufacturers.

PRODUCTION OF LIGHT VEHICLES 2.14

million units	2010	2009	2008
World	70.9	57.4	66.2
Western Europe	13.8	12.3	15.2
Germany	5.4	4.8	5.5
Eastern Europe	5.6	4.6	6.2
Russia	1.3	0.8	1.6
North America (incl. Mexico)	12.0	8.6	12.6
USA	7.7	5.8	8.5
South America	4.2	3.2	3.4
Brazil	3.4	3.0	2.9
Asia	33.2	26.4	26.3
China	14.0	10.8	7.5
Japan	8.8	7.7	10.4
India	3.0	2.3	2.0

Sources: PwC 01/2011, own estimates

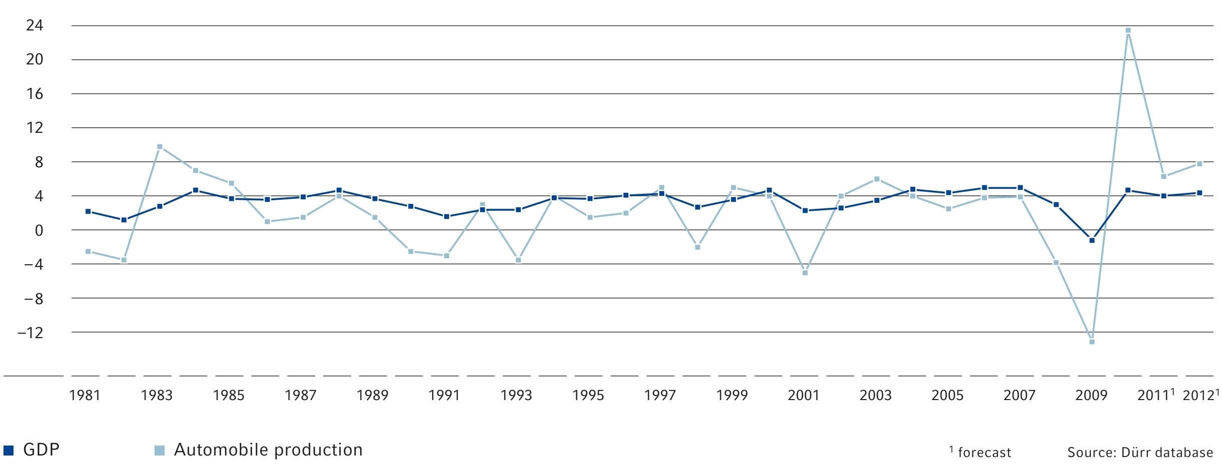
The growing demand for new aircraft and the good earnings situation should have a positive effect on aircraft manufacturers' spending and investment activity in 2011. Furthermore, manufacturers in China and Russia want to tap the growth potential in their huge home markets and catch up on the established players. Rising levels of investment can therefore also be expected at these manufacturers.

IMPROVED DEMAND IN THE MECHANICAL AND PLANT ENGINEERING INDUSTRY
After the sharp slump in 2009, demand in the mechanical and plant engineering industry also picked up appreciably in 2010. Investment in plant and machinery rose strongly in almost all regions of the world, with Germany registering a double-digit percentage increase in the second half of the year. According to figures published by the German plant and mechanical engineering industry association (Verband des Deutschen Maschinen- und Anlagenbaus - VDMA), new orders at its member firms were up 36 % in 2010. We see this strong revival as a positive signal for the further development of demand in our business with general industry.

Many German suppliers are benefiting especially from their strong position in environmental engineering and regenerative energy. After the industry had still faced capacity problems to some extent in the first half of 2010, the earnings situation improved appreciably in the further course of the year. However, in contrast to the automobile industry, earnings are still well below earlier peak levels.

WORLD AUTOMOBILE PRODUCTION AND WORLD GDP 2.15

year-over-year change in %



¹ forecast

Source: Dürr database

Business development

All the business figures in this management report are fully comparable. EBIT stands for earnings before interest, income taxes and income from investments. The charts and tables contain IFRS figures for the years 2008 to 2010. The accounting and valuation policies have remained largely unchanged since 2004. We have merely adjusted them to the respectively prevailing legal requirements. The introduction of IAS 23 led to changes in the interest result in 2009 and 2010 as borrowing costs incurred in connection with long-term construction contracts are now recognized in the cost of sales. The main restructuring measures within the Group were completed in 2010. We therefore no longer report restructuring costs as a separate item but include them under other expense items in line with customary industry practice. We have adjusted the corresponding figures for 2008 and 2009; a reconciliation statement is shown in **ITEM 13** in the notes to the consolidated financial statements. Changes in the International Financial Reporting Standards had no material effect on the presentation of the company's position. The IFRS regulations provide for comparatively few options; their utilization has no material influence on Dürr's net assets, financial position and results of operations. There are options, for instance, with regard to the reporting of items such as inventories or property, plant and equipment, which are of minor importance at Dürr. In the case of important items in the statements of financial position, we make use of options in such a way that maximum continuity in their measurement is assured. Financial instruments, for instance, are reported as far as possible at amortized cost, not at fair market value. In 2010, there were no changes in the options applied, so the different reporting periods are fully comparable.

P. 141

INCOMING ORDERS RECOVER ACROSS THE BOARD

Incoming orders were up 38.6 % to € 1,642.2 million in 2010, which was back to the pre-crisis level. This was again slightly better than the German plant and mechanical engineering industry average, where orders were up 36 % in 2010. Our plant engineering business benefited to a considerable extent from the demand boom in China and other emerging markets[1]. The service business and the more standardized machinery business developed nicely after a weak start. Our capacities were well utilized at the end of 2010.

The high order intake was driven by growth in virtually all regions of the world. € 991.7 million, or 60.4 %, of the orders came from emerging markets. That was 63 % more than in 2009. We doubled our order intake in Brazil, India, and China. China was by far the biggest single market, accounting for 36 % of the Group's incoming orders. Business also revived in North America, where orders were up 47 %. Growth was lowest in Europe, where orders were up 5 %. Order intake in Germany matched the previous year's level, which had been marked by a large order from Porsche.

ORDER BACKLOG AT A HIGH LEVEL

At € 1,359.1 million, orders on hand at the end of 2010 were well above the year-earlier level (December 31, 2009: € 1,002.4 million). Additionally, we had received letters of intent, which are firm order commitments, from customers in the three-digit million euros as of the reporting date. Moreover, most of the regular, short-term replacement parts and service business, worth

[1] Mexico, Brazil, Eastern Europe, Asia ex Japan

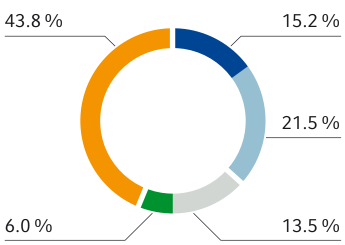
in the region of € 360 million, is not included in orders on hand. If these two components are also taken into account, our sales target of € 1.45 billion for 2011 looks comfortably within reach.

Our reach of orders is 12.9 months on a calculational basis, which is higher than a year earlier (December 31, 2009: 11.2 months). However, there are business-related differences between the divisions. Owing to the longer-term nature of the plant engineering business, order backlog at Paint and Assembly Systems is equivalent to 14.1 months (December 31, 2009: 13.7 months). At Measuring and Process Systems, where the focus is on mechanical engineering, the reach of orders rose to 9.8 months (December 31, 2009: 5.1 months) as a result of the high order intake in the second half of the year.

SALES ABOVE EXPECTATIONS

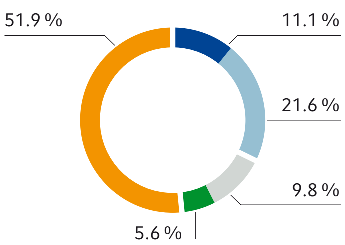
Owing to the strong demand sales revenues were up 17 % in 2010, which was much higher than expected. Viewed by quarter, the contributions to our full-year sales of € 1,261.4 million differed. The first quarter marked the low point, with sales of € 230.3 million. Thereafter, sales rose continuously from quarter to quarter, reaching € 406.9 million in the fourth quarter, which was an increase of 53.8 % year over year. The rising levels of new orders in the service and machinery business fed through quickly in higher sales revenues as order execution times in both these segments are short. Revenues in the service business were up 37.5 % to € 362.0 million, which

CONSOLIDATED INCOMING ORDERS BY REGION 2.16



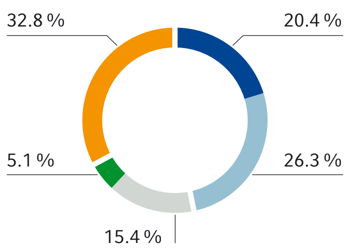
€ million	**2010**	2009	2008
Germany	249.1	254.7	232.2
Rest of Europe	353.6	319.0	593.0
North and Central America	221.4	150.7	220.4
South America	98.1	45.2	77.9
Asia/Africa/Australia	720.0	415.1	340.5
Total	**1,642.2**	**1,184.7**	**1,464.0**

CONSOLIDATED ORDER BACKLOG BY REGION (DECEMBER 31) 2.17



€ million	**2010**	2009	2008
Germany	150.6	159.6	84.3
Rest of Europe	293.4	272.2	328.5
North and Central America	133.5	103.0	178.7
South America	75.8	37.9	45.6
Asia/Africa/Australia	705.8	429.7	287.9
Total	**1,359.1**	**1,002.4**	**925.0**

CONSOLIDATED SALES BY REGION 2.18



€ million	2010	2009	2008
Germany	257.1	180.7	294.9
Rest of Europe	332.0	358.5	615.4
North and Central America	194.4	222.0	323.7
South America	64.7	57.4	48.1
Asia/Africa/Australia	413.2	259.0	320.7
Total	**1,261.4**	**1,077.6**	**1,602.8**

was almost back to the pre-crisis level. The service business's contribution to Group sales was above average at 28.7 % - reflecting the rapid recovery and shorter order execution times in this business.

Looking at the distribution of sales by region, the high relative weight of Asia stands out. With growth of 60 %, this region accounted for one-third of Group sales in 2010. Business in the emerging markets contributed 52 % (2009: 49 %), with the greater part coming from the **BRIC COUNTRIES**. While sales in Europe were up 9 %, sales in North America were down – a result of the low order intake in 2009 and early 2010.

P. 200

GROSS PROFIT IMPROVED IN ABSOLUTE TERMS

The cost of sales, mainly consisting of material and personnel costs, rose more strongly than sales revenues in 2010. As a result, the gross margin, which is the difference between sales and the cost of sales expressed as a percentage of sales, sank to 18.8 % (2009: 19.6 %). The second half of the year especially was affected by the billing of poorer-margin orders which we had taken on in the face of tough competition in 2009. At just under 18 %, the gross margin was therefore lower in the second half than in the first half. The strong growth in the higher-margin service business had a positive effect on gross profit. All in all, gross profit was up € 26.4 million to € 237.2 million on the back of the growth in sales.

HIGHER MATERIAL COSTS

Consolidated material costs[1], which are charged in full to the cost of sales, rose more strongly than sales by 32.6 % to € 558.8 million. This is mainly a reflection of the poorer margins on orders taken on in 2009. There were also higher raw material and procurement prices which we were not able to offset entirely through better purchasing conditions and benefits from our international sourcing network. The materials expense ratio was 44.3 % (2009: 39.1 %). The greater part of the cost of materials represents bought-in components and work performed by subcontractors. More information on our materials sourcing can be found in the **PURCHASING** chapter.

P. 93

SLIGHTLY HIGHER SELLING AND ADMINISTRATIVE EXPENSES

Selling expenses increased by 1.8 % to € 98.5 million in 2010. This was due, among other things, to the sales-intensive fourth quarter when we booked exceptionally high new orders worth € 540 million. Selling expenses included marketing expenses of € 3.6 million (2009: € 3.3 million), approximately one-third of which represented personnel expenses. Administrative expenses were

[1] Consolidated material costs comprise the cost of raw materials and supplies, bought-in components, and work performed by subcontractors.

STATEMENTS OF INCOME AND PROFITABILITY RATIOS 2.19

		2010	2009	2008
Sales revenues	€ million	1,261.4	1,077.6	1,602.8
Gross profit	€ million	237.2	210.8	287.1
Overhead costs	€ million	–204.3	–202.5	–211.0
EBITDA	€ million	51.7	25.6	87.1
EBIT	€ million	33.7	5.7	72.7
Financial result	€ million	–21.2	–17.9	–26.3
EBT	€ million	12.5	–12.2	46.4
Income taxes	€ million	–5.4	–13.5	–12.7
Earnings after tax	€ million	7.1	–25.7	33.7
Earnings per share	€	0.37	–1.55	1.81
Gross margin	%	18.8	19.6	17.9
EBITDA margin	%	4.1	2.4	5.4
EBIT margin	%	2.7	0.5	4.5
EBT margin	%	1.0	–1.1	2.9
Return on sales (after tax)	%	0.6	–2.4	2.1
Interest coverage		1.6	0.3	2.5
Effective tax rate	%	43.3	–	27.3
Return on equity	%	2.2	–8.5	9.9
Return on investment	%	2.5	–0.5	6.2

unchanged at € 79.9 million despite pay increases. Owing to the strong growth in sales, the ratio of selling and administrative expenses to sales fell to 14.1 % from 16.4 % in 2009. R&D spending was held at the previous year's level (€ 25.8 million after € 25.9 million in 2009).

The balance of other operating income and expenses was € 0.8 million and had little impact on our earnings. In 2009, one-off expenses of € 3.3 million for the completion of and relocation to the Dürr Campus in Bietigheim-Bissingen had led to a negative balance of € –2.5 million. Currency translation resulted in a loss of € –0.8 million in 2010 (2009: € –0.7 million). For further details please see ITEM 12 in the notes to the consolidated financial statements.

P. 141

Set against the net restructuring costs of € 0.2 million there was income of € 1.1 million from the reversal of impairment losses, resulting on balance in net income of € 0.9 million (2009: net expense of € 15.8 million). This is spread over different items in the statements of income.

STRONG IMPROVEMENT IN EBIT

Set against the higher gross profit, there was only a moderate increase in overhead costs, resulting in a strong improvement in EBIT: from € 5.7 million to € 33.7 million. EBITDA improved on a similar scale, reaching € 51.7 million (2009: € 25.6 million). As in the previous years, no impairment losses had to be recognized in goodwill on the basis of the yearly impairment test.

EMPLOYEE-RELATED FIGURES AND PERFORMANCE INDICATORS 2.20

	2010	2009	2008
Employees (December 31)	5,915	5,712	6,143
Employees (annual average)	5,776	5,885	6,060
Personnel expenses (€ million)	345.7	336.4	377.1
Personnel expense ratio (%)	27.4	31.2	23.5
Personnel expenses per employee (annual average) (€)	59,850	57,200	62,200
Sales per employee (annual average) (€)	218,400	183,100	264,500

PERSONNEL EXPENSES UP SLIGHTLY

The number of regular Group employees increased by 3.6 % to 5,915 as of the end of 2010. On a comparable basis, in other words adjusted for acquisition-related first-time consolidations, the increase was 2.3 %. Owing to the strong growth in sales, the ratio of personnel expenses to sales fell to 27.4 % (2009: 31.2 %). In absolute terms, personnel expenses, which are subsumed in all the categories of operating costs in the statements of income, rose by 2.8 % to € 345.7 million. Driving factors were significant pay increases in the emerging markets and performance-linked bonuses for employees, while the higher proportion of employees in the emerging markets had a dampening effect.

FINANCIAL RESULT WEAKENS SLIGHTLY

Although net financial debt was lower on average than in 2009, the financial result was down € 3.3 million to € -21.2 million. This was mainly due to higher commitment fees for our syndicated loan and the costs for the adjustment of the loan agreement in 2009 that are spread over the term of the loan. In addition, there were one-off expenses of € 0.7 million for the early redemption of our old bond issued in 2004 (for further details see the chapter on **FINANCIAL DEVELOPMENT**) and income from investments was down, too (€ 0.5 million after € 1.0 million in 2009). The interest expense of € 23.9 million (2009: € 21.1 million) mainly consists of the interest on the bond and loans; it also includes interest-related expenses of € 5.0 million (2009: € 4.0 million).

P. 78

EARNINGS AFTER TAX ALSO POSITIVE

Earnings before taxes were up € 24.7 million to € 12.5 million. The strong decline in tax expense from € 13.5 million to € 5.4 million was mainly due to two factors. Whereas in 2009, the write-down on deferred taxes had resulted in an exceptional charge of € 7.9 million, in 2010, due to the much better earnings outlook, we capitalized € 5.3 million of unrecognized deferred tax assets. In Germany, earnings just broke even at the operating level but were subject to minimum taxation. On the bottom line, the Group's earnings after tax were clearly positive at € 7.1 million after a loss of € 25.7 million in 2009. This translates into earnings per share of € 0.37 (2009: € –1.55). In 2010, there was again no difference between the net result from continuing operations and the net result of the Group.

In view of the strong improvement in Group earnings, we propose a dividend of € 0.30 per share for 2010. Based on the 17,300,520 outstanding shares, this represents a total dividend payment of € 5.2 million. Our dividend proposal is intended as a token of our confidence for 2011 and beyond. Dürr AG's remaining net retained profit of € 66.5 million after the dividend payment is to be carried forward.

ANNUAL FINANCIAL STATEMENTS OF DÜRR AG

WWW

The stand-alone statutory annual financial statements of Dürr AG are published on our website at **WWW.DURR.COM/INVESTOR/FINANCIALREPORTS.** Dürr AG's earnings were clearly positive in 2010, while in 2009, they had been influenced by special effects. Income from profit and loss transfer agreements includes earnings distributions by foreign subsidiaries.

STATEMENTS OF FINANCIAL POSITION, DÜRR AG

STAND-ALONE STATUTORY FINANCIAL STATEMENTS (HGB) 2.21

€ million	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Fixed assets		
Intangible assets	0.9	1.1
Property, plant and equipment	0.1	0.1
Financial assets	489.9	490.2
	490.9	**491.4**
Current assets		
Work in progress	0	5.4
Prepayments paid	0	1.2
Prepayments received	0	−5.2
Receivables and other assets	99.2	41.8
Cash and cash equivalents	138.9	21.6
Prepaid expenses, sundry items	0.8	1.7
	238.9	**66.5**
Total assets	**729.8**	**557.9**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	44.3	44.3
Capital reserve	200.5	200.5
Net retained profit	71.7	42.6
	316.5	**287.4**
Liabilities		
Provisions	7.9	19.1
Liabilities	401.8	251.4
Deferred income	3.6	0
	413.3	**270.5**
Total equity and liabilities	**729.8**	**557.9**

STATEMENTS OF INCOME, DÜRR AG

STAND-ALONE STATUTORY FINANCIAL STATEMENTS (HGB) 2.22

€ million	2010	2009
Income from profit and loss transfer agreements	49.2	21.4
Income from investments	0.0	58.0
Expenses from profit and loss transfer agreements	0.0	–19.1
Net income from investments	**49.2**	**60.3**
Changes in inventory	–5.4	–1.0
Other operating income and expenses	12.8	49.7
Cost of purchased services	–2.8	–45.2
Personnel expenses	–6.8	–5.4
Depreciation and amortization (including financial assets)	–0.3	–0.3
Interest result	–17.2	–17.2
Profit from ordinary activities	**29.5**	**40.9**
Extraordinary items	0.0	–0.6
Taxes	–0.4	–5.7
Net income	**29.1**	**34.6**
Profit brought forward from the previous year	42.6	8.0
Net retained profit	**71.7**	**42.6**

DIVISIONS

EBIT at both divisions was clearly positive in 2010. While demand at Paint and Assembly Systems was buoyant from the start of the year, at Measuring and Process Systems business and capacity utilization did not pick up until the second half of the year.

Corporate Center EBIT (Dürr AG including consolidation effects) was negative to the tune of € –3.0 million in 2010 (2009: € -7.3 million). This was due to expenses that could not be reallocated to the subsidiaries. Currency translation had a positive effect, with net gains of € 0.4 million. In 2009, Corporate Center EBIT had been affected by one-off expenses for the Campus relocation project. At € 0.3 million, Corporate Center capital expenditure fell to a normal level in 2010. In 2009, it had included transaction costs incurred in connection with the syndicated loan and subsequent adjustments to the loan agreement. These costs have to be capitalized and recognized as capital expenditure under IFRS rules, and are subject to regular amortization charged to the Corporate Center. In the Corporate Center there are no external orders or sales revenues.

Paint and Assembly Systems

The buoyant order intake at Paint and Assembly Systems, which had begun in the second half of 2009, continued throughout 2010. The increase of 25 % in new orders was driven above all by the dynamic growth of the automobile industry in the emerging markets. We received seven large orders for the construction of **TURNKEY** paint shops alone from the boom market China. Other system orders were won in India and Brazil. We benefited from our broad customer base, which includes not only the big automakers but also many aspiring local OEMs in the emerging markets.

P. 200

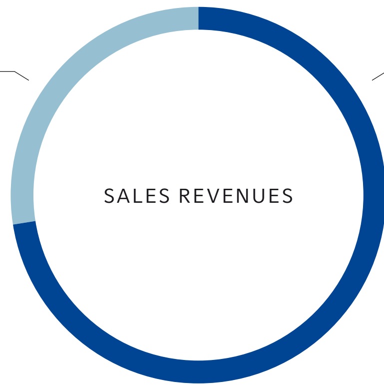
Business in painting robots and **APPLICATION TECHNOLOGY** also picked up strongly and here, too, we booked several large orders from Asia. At Aircraft and Technology Systems we received large orders for assembly systems from Airbus, Embraer, and Spirit. Business in energy and environmental systems also revived strongly in the second half of the year after a modest performance in the first two quarters.

P. 200

DIVISIONS: EMPLOYEES, SALES AND INCOMING ORDERS (CONSOLIDATED)

27.3 %

Measuring and Process Systems
€ 344.7 million

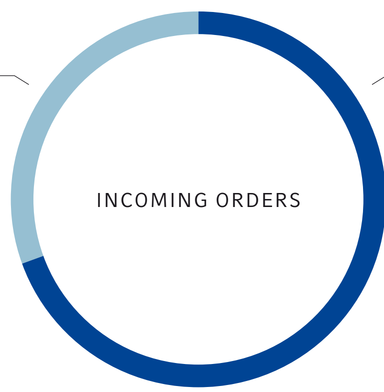


72.7 %

Paint and Assembly Systems
€ 916.7 million

30.2 %

Measuring and Process Systems
€ 496.4 million



69.8 %

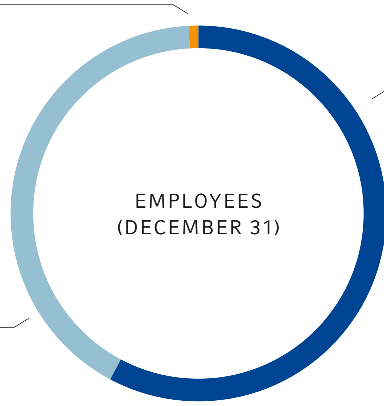
Paint and Assembly Systems
€ 1,145.8 million

0.8 %

Corporate Center
47

57.9 %

Paint and Assembly Systems
3,424



41.3 %

Measuring and Process Systems
2,444

EBIT 2.24

€ million	2010	2009	2008
Paint and Assembly Systems	27.7	2.3	48.6
Measuring and Process Systems	9.0	10.7	30.8
Corporate Center / consolidation	−3.0	−7.3	−6.7
Total	**33.7**	**5.7**	**72.7**

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS 2.25

€ million	2010	2009	2008
Paint and Assembly Systems	11.9	12.5	10.6
Measuring and Process Systems	10.0	10.1	8.4
Corporate Center / consolidation	0.3	4.1	5.3
Total	**22.2**	**26.7**	**24.3**

DEPRECIATION AND AMORTIZATION (INCL. IMPAIRMENT LOSSES AND REVERSALS) 2.26

€ million	2010	2009	2008
Paint and Assembly Systems	10.9	11.1	10.7
Measuring and Process Systems	6.8	8.4	1.4
Corporate Center / consolidation	4.2	3.1	2.3
Total	**21.9**	**22.6**	**14.4**

In contrast to incoming orders, sales revenues at Paint and Assembly Systems were still below the 2008 level. However, they were up 21.8 % on the weak 2009 level. Together with higher capacity utilization, this led to a strong improvement in EBIT.

Capital expenditure at Paint and Assembly Systems was lower than the year before, although the acquisition of the glueing specialists Rickert and Kleinmichel cost € 6.8 million (excluding cash and cash equivalents of € 1.1 million at the two acquired companies). In 2009, the division's capital spending had included expenditures for the energy concept at the Dürr Campus in Bietigheim-Bissingen. The growth of 4.3 % in the number of employees is due to the expansion of our capacities in the emerging markets, especially in the second half of the year.

Measuring and Process Systems

With a strong jump of 83.4 %, Measuring and Process Systems increased its incoming orders to almost € 500 million in 2010. This was mainly on the back of the dynamic development of demand in the second half of the year. After the weak performance in 2009, Cleaning and Filtration Systems benefited from the growing use of economical DOWNSIZED engines in the automobile industry for which it requires a new generation of more flexible, high-precision manufacturing and cleaning systems. The business unit received orders worth € 60 million alone from General Motors for engine plants in North America. Balancing and Assembly Products also increased its order intake substantially in 2010.

P. 200

KEY FIGURES PAINT AND ASSEMBLY SYSTEMS 2.27

€ million	2010	2009	2008
Incoming orders	1,145.7	914.1	1,028.0
Sales revenues	916.7	752.7	1,191.6
Cost of materials (consolidated)	428.5	304.7	603.0
EBITDA	38.6	13.4	59.3
EBIT	27.7	2.3	48.6
Capital expenditure	11.9	12.5	10.6
Employees (December 31)	3,424	3,283	3,595

KEY FIGURES MEASURING AND PROCESS SYSTEMS 2.28

€ million	2010	2009	2008
Incoming orders	496.4	270.6	436.0
Sales revenues	344.7	324.9	411.2
Cost of materials (consolidated)	141.0	131.4	186.0
EBITDA	15.8	19.1	37.1
EBIT	9.0	10.7	30.8
Capital expenditure	10.0	10.1	8.4
Employees (December 31)	2,444	2,381	2,499

KEY FIGURES SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK 2.29

€ million	2010	2009	2008
External revenues	12.5	14.0	16.3
External rental income	6.3	6.9	8.5

Sales revenues at Measuring and Process Systems still developed sluggishly in the first half of the year. However, as incoming orders picked up, they gathered pace and we were able to close the year with sales revenues up 6.1 % to € 344.7 million. The division's EBIT was well into positive territory at € 9.0 million. Balancing and Assembly Products just about held its high earnings level of the past years, while at Cleaning and Filtration Systems, EBIT only broke even in the fourth quarter.

Measuring and Process Systems hired additional personnel in response to the strong demand; at year-end, it had 2.6 % more employees than at the end of 2009. Capital expenditure included higher investments in property, plant and equipment at Schenck Technologie- und Industriepark GmbH. In 2009, the acquisition of Datatechnic S.A.S., which specializes in **BALANCING SYSTEMS** for turbochargers, had led to a considerable increase in intangible assets.

P. 200

Schenck Technologie- und Industriepark GmbH
Revenues at Schenck Technologie- und Industriepark GmbH were down in 2010 as we discontinued some low-margin services and property letting business. EBIT, which was again positive, included one-off income of € 0.7 million. However, it would still have been positive without this effect.

Financial development

FUNDING AND LIQUIDITY MANAGEMENT

Our centralized funding and liquidity management pursues three principal objectives: income and cost optimization, transparency, and risk control. A special priority is to assure sufficient liquidity so that the company is able to meet its payment obligations at all times (for more information, please see the RISK REPORT chapter). Risk control encompasses all financial risks that could threaten the company's existence.

P. 97

Our chief source of funds are the cash flows from our operating activities. In most cases, the debt needed within the Group is raised by Dürr AG and distributed to the companies as required. Liquidity management is also organized by Dürr AG through a cash pool with the principal Group companies. Surplus cash is taken over from Group companies and made available to other Group companies. Countries where there are exchange controls are an exception. In this case, our companies mainly cover their capital requirements locally. Group Treasury carefully controls the investment of cash and cash equivalents. We only use banks of prime standing and employ a limit system to control the individual counterparty risks. Our cash and cash equivalents amounted to € 252.3 million as of December 31, 2010, after € 103.9 million as of the previous year's reporting date. The strong increase is mainly due to the corporate bond which we placed in two tranches in September and December 2010.

P. 201
P. 201

A central focus of our funding and liquidity management is to optimize NET WORKING CAPITAL. This releases cash and optimizes financial ratios such as our balance sheet structure and our RETURN ON CAPITAL EMPLOYED. In all our working capital optimization measures we ensure that our operating business is not impaired. Responsibility for net working capital management lies with the divisions and business units. Dürr AG, as Group holding company, formulates targets and monitors performance.

FUNDING

The most important component of our debt financing is our € 225 million corporate bond. It falls due in September 2015 and carries an effective interest rate of 6.83 %. It replaces a € 100 million bond, issued in 2004 with a coupon of 9.75 %, which we redeemed prematurely at par in October 2010. Besides the corporate bond, we also have a cash credit line of currently € 80 million under our syndicated loan facility (December 31, 2009: € 180 million). Additionally, we have bilateral credit lines at our disposal on a fairly small scale, as well as liabilities under finance leases and liabilities in relation to associated companies that are accounted for using the equity method. The credit facilities can be drawn in different currencies and for different terms. We also employ money and capital market instruments, and make selective use of off-balance sheet financing instruments, such as accounts receivable financing programs and operating leases.

FINANCIAL LIABILITIES (DECEMBER 31) 2.30

€ million	2010	2009	2008
Bond	225.6	98.1	96.9
Liabilities to banks (syndicated loan and bilateral credit facilities)	2.0	1.7	20.8
Liabilities to associated companies accounted for according to the equity method	1.1	1.1	1.1
Liabilities under finance leases	3.6	3.1	3.8
Total	**232.3**	**104.0**	**122.6**
of which due within one year	1.8	1.3	18.8

The cash credit line under the syndicated loan facility was not drawn as of the reporting date; the average amount drawn in 2010 was only € 7.4 million. € 2.0 million was drawn under bilateral credit lines as of the end of the reporting period. Our guarantee line under the syndicated loan facility amounted to € 150 million as of December 31, 2010 (December 31, 2009: € 220 million); € 102.6 million of this was drawn as of the reporting date (December 31, 2009: € 112.0 million). We have additional guarantee lines at our disposal with credit insurers in the amount of € 150.0 million (December 31, 2009: € 186.6 million); € 113.0 million was drawn as of the reporting date (December 31, 2009: € 86.3 million).

We complied with the financial covenants of the syndicated loan as of the year-end 2010 reporting date. The syndicated loan carries interest at the refinancing rate for the respective currency and maturity (EURIBOR, LIBOR) plus a fixed spread. Shares in subsidiaries and second-tier companies and additional non-current and current assets are pledged as security for the syndicated loan facility. The syndicated loan facility is due to expire on June 30, 2011. The negotiations with the banking consortium on a renewal or new credit agreement are progressing well and should be brought to a conclusion at the latest in the early part of the second quarter of 2011. Detailed information on the syndicated loan and the corporate bond can be found in **ITEM 27** in the notes to the consolidated financial statements.

P. 166

CASH FLOW CLEARLY POSITIVE

At € 55.4 million, **cash flow from operating activities** (operating cash flow) was well into positive territory, but did not match the previous year's exceptionally high level (€ 95.4 million). While it benefited from the strong improvement in earnings, the € 31.9 million of funds released from net working capital was lower than in 2009 (€ 94.9 million). However, it needs to be borne in mind that the previous year's decline in net working capital was due to the sharply reduced volume of business. In 2010, the high prepayments we received from customers at the end of the year had a positive effect on net working capital. The item "Other" includes, among other things, VAT payments and cash outflows for restructurings.

CASH FLOW 2.31

€ million	2010	2009	2008
Earnings before income taxes	12.5	−12.2	46.4
Depreciation and amortization	18.0	19.9	14.4
Interest result	21.7	18.9	29.3
Income taxes paid	−17.4	−16.3	−11.9
Change in provisions	−8.3	−15.4	−2.4
Change in net working capital	31.9	94.9	−22.3
Other	−3.0	5.6	−22.6
Cash flow from operating activities	**55.4**	**95.4**	**30.9**
Interest paid (net)	−17.7	−14.3	−26.3
Capital expenditure	−14.8	−17.4	−19.1
Free cash flow	**22.9**	**63.7**	**−14.5**
Other cash flows	−2.3	−26.4	41.9
Decrease (+), increase (–) in net financial status	+20.6	+37.4	+27.4

Cash flow from investing activities amounted to € −19.5 million in 2010 (2009: € −25.8 million). In addition to maintenance and expansion capital expenditures, it was also influenced by our acquisitions in **GLUEING TECHNOLOGY** (Kleinmichel, Rickert).

P. 200

Cash flow from financing activities was clearly positive at € 105.1 million (2009: € −51.3 million). This was chiefly due to the issuance of our corporate bond, which provided us with net proceeds of € 226.7 million. There were cash outflows for the redemption of the old bond (€ 100.0 million) and interest payments (€ 19.1 million).

Free cash flow indicates the remaining cash flow available for dividend payments and share buybacks, and for reducing net financial debt. In addition to the cash flow from operating activities, this includes interest received and capital expenditures (included in cash flow from investing activities) as well as interest paid (included in cash flow from financing activities). Our **FREE CASH FLOW** amounted to € 22.9 million in 2010. The biggest items under "Other cash flows" were cash outflows for acquisitions (€ 6.8 million) and finance lease payments. The high free cash flow enabled us to further improve our **NET FINANCIAL STATUS**; at the end of 2010, we had a net cash position of € +23.6 million.

P. 201

P. 201

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

EBIT, operating cash flow, free cash flow, and **ROCE** (EBIT to capital employed) are the key performance benchmarks for the divisions and business units at Dürr. All these performance indicators developed better than expected in 2010 (for further details please see the **BOARD OF MANAGEMENT'S OVERALL ASSESSMENT**): EBIT increased from € 5.7 million to € 33.7 million, while ROCE improved from 1.6 % to 9.4 %. Operating cash flow and free cash flow were both down at € 55.4 million (2009: € 95.4 million) and € 22.9 million (2009: € 63.7 million), respectively, but in view of

P. 201

P. 63

COMPANY VALUE 2.32

		2010	2009	2008
Capital employed (December 31)	€ million	356.7	356.3	432.1
ROCE	%	9.4	1.6	16.8
NOPAT	€ million	23.6	4.0	52.8
Weighted average cost of capital (WACC)	%	8.10	8.08	7.58
EVA	€ million	−5.3	−24.8	20.0

the strong growth in the volume of business in 2010 were still very satisfactory. Stripping out the changes in net working capital in the two reporting periods, operating cash flow and free cash flow were higher in 2010 than in 2009.

In spite of the higher volume of business, capital employed, in other words the amount of capital tied up in the business, was unchanged year over year at € 356.7 million as of December 31, 2010. In terms of earnings, we see 2010 as a transitional year. After the sharp economic downturn EBIT recovered strongly but was not yet back to the pre-crisis level. We were therefore not yet able to generate positive Economic Value Added (EVA) in 2010. EVA measures the value that a company creates or destroys in a fiscal year and is calculated on the basis of the following formula:

EVA = NOPAT – (WACC x 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

$$\text{WACC}^1 = \left(\text{equity as \% of total capital} \times \text{cost of equity}\right) + \left(\text{debt as \% of total capital} \times \text{cost of debt}\right) \times \left(1 - \text{tax rate}\right)$$

$$\left(88.58\,\% \times 8.76\,\%\right) + \left(11.42\,\% \times 4.20\,\%\right) \times \left(1 - 29.83\,\%\right) = 8.10\,\%$$

Cost of equity = risk-free rate (3.0 %) + risk premium (5.0 %) x beta factor (1.15) = 8.76 %

ROCE in the Paint and Assembly Systems division improved strongly to 28.2 % (2009: 4.8 %), while at Measuring and Process Systems it was 3.5 % (2009: 4.4 %). Both divisions saw strong improvements especially in the fourth quarter of 2010: in the final quarter, Paint and Assembly Systems achieved an annualized ROCE of 50.8 % and for Measuring and Process Systems it was 11.9 %. The difference in the two divisions' rates of return is mainly due to the strong earnings improvement and the low level of capital employed at Paint and Assembly Systems. Paint and Assembly Systems also generated positive EVA in 2010. ROCE and capital employed are also calculated and analyzed for all six business units in order to optimize the management and control of the businesses and the allocation of resources.

[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. By contrast, in the literature, the company's weighted arithmetical average cost of equity and debt is normally used to calculate WACC for valuation purposes.

FINANCIAL POSITION 2.33

		2010	2009	2008
Net financial status (December 31)	€ million	23.6	3.0	−34.4
Net financial debt to EBITDA		–	–	0.4
Gearing (December 31)	%	−8.0	−1.0	9.2
Net working capital (December 31)	€ million	27.3	57.4	151.8
Days working capital	days	7.8	19.2	34.1
Days sales outstanding	days	112.2	108.9	100.3
Equity assets ratio (December 31)	%	69.1	66.6	77.0
Asset coverage (December 31)	%	140.1	111.0	122.4
Asset intensity (December 31)	%	38.0	46.8	40.8
Cash ratio (December 31)	%	44.4	22.3	15.5
Quick ratio (December 31)	%	113.3	91.7	96.8
Equity ratio (December 31)	%	26.3	31.1	31.4
Total assets (December 31)	€ million	1,216.5	968.1	1,088.0

FINANCIAL POSITION: NET FINANCIAL STATUS FURTHER IMPROVED

The higher volume of business, the strong increase in prepayments received, and the issuance of our corporate bond caused the balance sheet to expand by € 248.4 million, or 25.7 %, to € 1,216.5 million as of December 31, 2010. On the assets side, the main increases were in trade receivables (€ +68.7 million) and in cash and cash equivalents (€ +148.4 million). The latter was affected by the proceeds from the new corporate bond and the redemption of the old bond issued in 2004. There was a reduction of € 30.1 million in **NET WORKING CAPITAL** to € 27.3 million, as the prepayments received included in trade payables rose more strongly than inventories and trade receivables. On the reporting date, net working capital was equivalent to only 2.2 % of sales (December 31, 2009: 5.3 %). Days working capital, which indicates the average time it takes to convert working capital into sales revenues reached a new low of eight days. On the other hand, the strong growth in receivables caused average days sales outstanding to rise to 112 days.

P. 201

Goodwill resulting from acquisitions amounted to € 281.7 million as of the reporting date, equivalent to 60.9 % of non-current assets. The slight increase of € 10.4 million versus the end of 2009 is mostly attributable to the Kleinmichel and Rickert acquisitions and the first-time consolidation of UCM. Further information on intangible assets can be found in **ITEM 17** in the notes to the consolidated financial statements. By comparison, machinery, buildings and other tangible non-current assets are of less importance at Dürr.

P. 146

Equity increased by € 18.0 million to € 319.4 million as of the end of 2010. This was mainly due to the net profit for the year of € 7.1 million and the currency translation gains of € 14.4 million which are recognized not through profit or loss but directly in equity. Owing to the growth of the balance sheet, the equity ratio, which stood at 26.3 % as of the reporting date, was below the previous year's level (December 31, 2009: 31.1 %).

Trade payables increased by € 108.8 million to € 439.7 million as of December 31, 2010. This was mostly due to the strong growth of prepayments from customers shown as liabilities and included in this item (€ +72.7 million). They reached an exceptionally high level of € 273.2 million as of the reporting date. However, this figure will come down in the first half of 2011 with the execution of several large orders. Set against the prepayments from customers shown as liabilities there are future receivables from construction contracts on the assets side. Consequently, it is misleading to view these prepayments in isolation. The difference between future receivables

NON-CURRENT AND CURRENT ASSETS (DECEMBER 31) 2.34

€ million	2010	as % of total assets	2009	2008
Intangible assets	316.1	26.0	308.2	302.1
Property, plant and equipment	91.2	7.5	88.8	89.0
Other non-current assets	55.0	4.5	55.6	52.4
Non-current assets	**462.3**	**38.0**	**452.6**	**443.5**
Inventories	73.8	6.1	62.5	77.9
Trade receivables	392.0	32.2	323.3	443.8
Cash and cash equivalents	252.3	20.7	103.9	84.4
Other current assets	36.0	3.0	25.8	38.4
Current assets	**754.1**	**62.0**	**515.5**	**644.5**

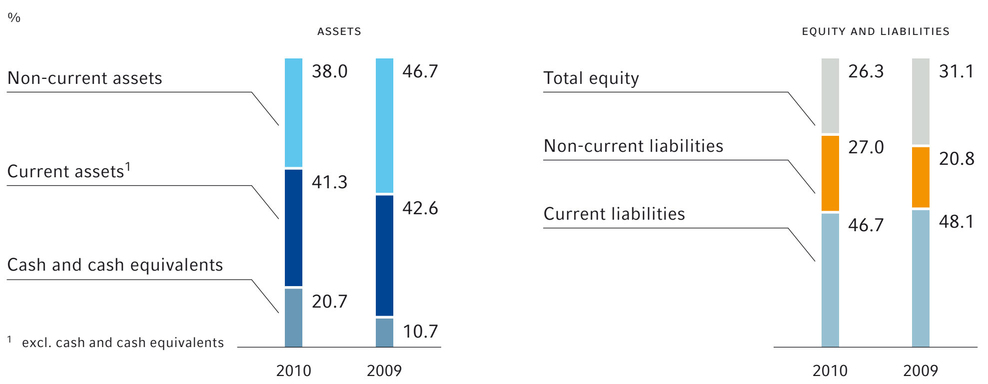
EQUITY (DECEMBER 31) 2.35

€ million	2010	as % of total assets	2009	2008
Subscribed capital	44.3	3.6	44.3	44.3
Other equity	268.9	22.1	250.6	290.0
Equity attributable to shareholders	313.2	25.7	294.9	334.3
Non-controlling interest	6.2	0.5	6.5	7.1
Total equity	**319.4**	**26.3**	**301.4**	**341.4**

CURRENT AND NON-CURRENT LIABILITIES (DECEMBER 31) 2.36

€ million	2010	as % of total assets	2009	2008
Financial liabilities (incl. bond)	232.3	19.1	104.0	122.6
Provisions (incl. pensions)	103.6	8.5	107.5	117.5
Trade payables	439.6	36.1	330.9	372.2
of which prepayments received	273.2	22.5	200.5	157.3
Income tax liabilities	2.7	0.2	7.9	15.7
Other liabilities (incl. deferred taxes, deferred income)	118.9	9.8	116.4	118.6
Total	**897.1**	**73.7**	**666.7**	**746.6**

ASSET AND CAPITAL STRUCTURE (DECEMBER 31) 2.37



from construction contracts and customer prepayments was € –51.5 million as of December 31, 2010. This amount, which represents customers' pre-financing of contracts, will lead to future cash outflows. A further analysis of the future receivables from construction contracts and the prepayments received from customers can be found in **ITEM 20** in the notes to the consolidated financial statements.

P. 155

CARRYING AMOUNTS LARGELY CORRESPOND TO FAIR VALUE

We generally report assets and liabilities at amortized cost on the basis of lower-of-cost-or-market tests. Long-term construction contracts are reported according to the percentage-of-completion (POC) method. Derivative financial instruments, available-for-sale financial assets, and cash and cash equivalents are measured at their fair value. Explanatory comments on the measurement of the carrying amounts of financial instruments can be found in **ITEM 6** in the notes to the consolidated financial statements. On the equity and liabilities side, there are two instances where the reported carrying amounts of liabilities are lower than their fair value: the bond and the liabilities under finance leases. The aggregate difference amounts to € 17.0 million (December 31, 2009: € 7.6 million; **ITEM 32** in the notes to the consolidated financial statements). On the assets side, the carrying amounts correspond to fair value.

P. 129
P. 170

CAPITAL EXPENDITURE LOWER THAN IN 2009

As our own manufacturing input is low, we generally have less need to invest in property, plant and equipment. The expansion of capacities in the emerging markets is not all that capital-intensive either because the main focus of the expenditures is on recruitment and the training and coaching of new employees.

At € 11.2 million, our capital expenditure on property, plant and equipment in 2010 was on a level with the previous years. Investment in intangible assets declined in 2010 by € 3.9 million to € 11.0 million. A fairly large part of this was attributable to the goodwill capitalized in connection with the Rickert and Kleinmichel acquisitions. In 2009, the expenditure on intangible assets

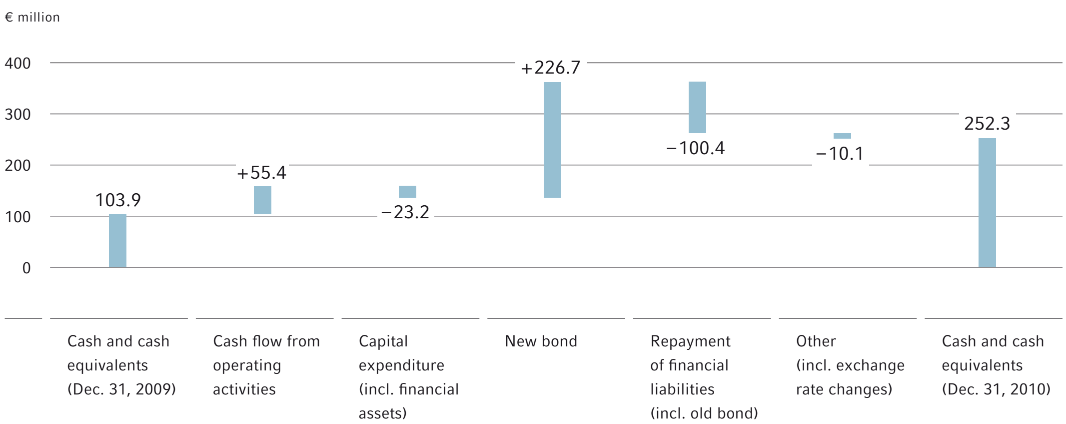
back content search < >

CAPITAL EXPENDITURE[1] 2.38

€ million	2010	2009	2008
Investment in property, plant and equipment	11.2	11.8	10.8
Investment in intangible assets	11.0	14.9	13.5
Investment in financial assets	1.0	5.3	0.0
Depreciation and amortization[2]	21.9	22.6	14.4

[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

DEVELOPMENT OF LIQUIDITY 2.39



had included the costs incurred for the adjustment of the syndicated loan agreement. However, most of these costs were already capitalized in that year. Investment in software licenses and other rights was on the previous year's level in 2010. Depreciation and amortization amounted to € 21.9 million (2009: € 22.6 million); this puts the Group's reinvestment ratio at 98.6 % (2009: 84.6 %).

LIQUIDITY

Cash and cash equivalents increased by € 148.4 million to € 252.3 million as of December 31, 2010, mainly due to the high operating cash flow and the proceeds from the new corporate bond. **FREE CASH FLOW**, cash and cash equivalents, and the credit and guarantee lines at our disposal should be sufficient to cover our financing requirements in 2011 without difficulty. In 2011, our payment obligations under operating leases amount to € 19.6 million; in addition, there are obligations of € 0.8 million under finance leases, and other financial commitments (such as purchasing contracts) amounting to € 5.0 million. No obligations on financial debt will fall due in 2011.

P. 201

back content search < >

OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Overall, off-balance sheet financing instruments and obligations changed only marginally in 2010. Our future minimum payment obligations under operating leases amounted to € 121.1 million at the end of 2010, which was slightly lower than at the end of 2009 (€ 127.9 million). A list can be found in ITEM 37 in the notes to the consolidated financial statements. We make selective use of accounts receivable financing (forfaiting, factoring, negotiation) to reduce capital employed. At the end of 2010, our factoring volume amounted to € 12.1 million, while negotiations reached a volume of € 13.0 million (previous year: € 11.9 million and € 0 million, respectively). As in 2009, no forfaiting transactions were conducted. The off-balance sheet obligations also include liabilities of € 9.9 million arising from other continuing obligations (December 31, 2009: € 16.4 million).

P. 180

Some off-balance sheet financing instruments reduce total assets and improve certain capital ratios. The aggregate volume is in reasonable relation to our business volume. Operating leases are by far the largest off-balance sheet financing position. If we had purchased the leased assets, total assets would have been about 10 % higher and the equity ratio would have been about 2.4 percentage points lower as of December 31, 2010. This would also have changed our earnings composition, with an increase in EBIT and a deterioration of the interest result by roughly the same amount.

The guarantees drawn in the amount of € 262.2 million as of December 31, 2010 (December 31, 2009: € 182.1 million), mainly consist of credit guarantees and do not represent off-balance sheet financing instruments.

Research and development

R&D OBJECTIVES

All R&D activities within the Dürr Group reflect our dedication to three overriding objectives, i.e. to develop earnings potentials, to create unique selling propositions, and to ensure an early identification of technology trends holding a promise of future growth.

R&D KEY FIGURES

Expenditures on R&D in 2010, at € 25.8 million, were on par with the prior year. The R&D ratio declined from 2.4 % to 2.0 % as a result of strong sales growth. However, only a small portion of this actual expense is reflected in the "Research and development costs" line item; by far the major part is recognized in cost of sales since it was incurred for specific R&D services associated with individual customer orders. Another € 3.6 million (prior year: € 2.5 million) was capitalized as intangible assets and is thus likewise not recognized in R&D costs. Capitalized R&D expenses were almost equivalent to amortizations. For further information please refer to **ITEM 7** in the notes to the consolidated financial statements.

P. 140

As per December 31, 2010, 162 people were employed in the Group's R&D departments (December 31, 2009: 157). This corresponds to 2.7 % of our overall staff complement (December 31, 2009: 2.7 %). To this figure one may add many more employees working on development projects in the context of customer orders. The most development-intensive business unit is Application Technology, with an R&D ratio of 4.5 % and 11 % of the workforce employed in R&D. On a Group-wide basis, a total of 36 new developments were completed and were presented at 60 trade shows worldwide. With 48 patent families newly applied for in the period under review (prior year: 48), the Group now holds more than 580 patent families. Our Application Technology business unit accounts for most of the patents and patent families filed, followed by Paint and Final Assembly Systems. Since 2001, we have been presenting the Heinz Dürr Innovation Award to employee teams noted for developing outstanding innovations. We were among the five finalists for the 2010 Innovation Award of the German Economy in the category "Large Enterprises" – a testament to Dürr's innovative strength.

We cooperate with nearly 50 scientific institutions in Germany and close to 20 more such establishments abroad. Particularly close relations are maintained with the Universities of Darmstadt and Stuttgart, as well as with several Fraunhofer Institutes in Germany. For reasons of competition we

R&D KEY FIGURES 2.40

		2010	2009	2008
R&D expenditure	€ million	25.8	25.9	25.5
Paint and Assembly Systems	€ million	20.3	20.5	19.9
Measuring and Process Systems	€ million	5.5	5.4	5.6
R&D ratio	%	2.0	2.4	1.6
Paint and Assembly Systems	%	2.2	2.7	1.7
Measuring and Process Systems	%	1.6	1.6	1.3
R&D cost capitalized	€ million	3.6	2.5	3.1
Amortization of R&D cost capitalized	€ million	−3.3	−3.3	−2.9
R&D employees (December 31)		162	157	152

do not publish any information on specific subjects of cooperation. In 2010, we purchased research services valued at € 2.8 million (prior year: € 1.5 million). Public subsidies in an amount of € 0.4 million (prior year: € 0.2 million) were granted.

R&D ORIENTATION

Our R&D work is geared mainly to address new developments, strategies and requirements of the automotive industry. The following fields of innovation are particularly important at present:

- Flexibility: The proliferation of models and variants marketed by carmakers gives rise to an intense demand for flexible manufacturing systems.
- Localization for emerging markets: Especially in emerging markets with their strong car sales, the automotive industry needs adapted production equipment enabling it to produce low-cost entry-level models in an economically efficient manner.
- Energy efficiency and conservation of resources: Energy and material-efficient processes are increasingly in demand with a view to cutting operating costs, CO_2 emissions and the consumption of raw materials in automotive manufacturing.
- Optimization of per-unit costs: The quest for reductions in per-unit costs in manufacturing is one of the main investment drivers in the automotive industry. Achieving this goal calls for comprehensive total cost approaches which, in addition to investment costs, will also cut the costs of materials, energy, maintenance and personnel.
- Modularized manufacturing: In an effort to reduce vehicle assembly times, carmakers are increasingly purchasing prefabricated modules. Tiered suppliers are thus faced with a growing need for flexible equipment.
- Alternative drives: In engine technology, the automotive industry is relying on low-consumption, low-emission units – from fuel-saving internal combustion engines through hybrid solutions to electric motors. To this end, appropriate manufacturing and assembly systems are needed.

P. 200

- Lightweight construction: **LIGHTWEIGHT BODY DESIGNS** for improved fuel efficiency require new materials such as high-strength steels, aluminum, magnesium, titanium or synthetic fiber composites. These materials, in turn, impose a need for special production processes. One example is glueing, the technology employed to join non-weldable materials and material combinations.
- Advanced driver assistance systems: Intelligent driver assistance equipment such as emergency brake assist and lane departure warning systems will increasingly become a standard feature of modern cars. In order to ensure their trouble-free operation, the automotive industry needs appropriate testing technologies.

R&D RESULTS

Paint and Final Assembly Systems

In the area of paint systems, our energy-saving ***Eco*****DryScrubber** paint booth system successfully introduced in carmakers´ plants was refined for use by tiered suppliers. Design changes on the filter technology now make it possible to paint instrument panels, axles, plastic add-on parts and other components as well. A trial installation embodying the modified system has already been supplied to Japan.

P. 200

Our *Eco*EMOS SUPERVISORY CONTROL software was equipped with the additional functions “Energy“ and ”Visual Management“. “Energy” monitors the energy consumption of production equipment in real time and generates the associated performance data, thus addressing growing demand for energy-efficient manufacturing processes. During breaks and downtimes, for instance, the system can cut plant activity levels and, hence, energy consumption automatically. The “Visual Management” feature analyzes the causes of equipment downtimes in vehicle final assembly. The operator is thus provided with information on how to optimize the line. Based on this capability, the production start-up of new assembly lines can be accelerated by up to 10 %.

Application Technology

As in previous years, our Application Technology business unit turned out several new developments and thereby contributed in a major way to Dürr’s technology leadership. One key innovation was the *Eco***Pump9** paint dosing pump. Aside from its compact design, the unit distinguishes itself particularly by its sparing use of paint. In tests conducted at our Development Center, we were able to reduce the paint loss associated with pump flushing by a further 25 %. Moreover, the flushing cycle was made 10 % faster, with attendant productivity gains. Another top innovation progressed to the marketability stage in 2010 is the *Eco***RP L 153** robot for interior spray painting applications on light commercial vehicles. This so-called “swing-arm” painting robot enters the interior of the car body through the tailgate opening. It possesses two additional axes of movement enabling the robot arm to swivel into the correct position. Thanks to this feature, *Eco***RP L 153** can even access hard-to-reach surface areas easily. It is also highly flexible, given its capability to paint car bodies of different lengths within a single line.

Environmental and Energy Systems

P. 200

In the field of exhaust-air purification we expanded our heat recovery and energy saving concepts, e.g. by fitting our equipment with THERMAL WHEELS or heat exchangers, depending on the purification method employed. The purified hot air can thus be utilized for heating process air or water. Another pace-setting R&D effort consisted in the adaptation of our equipment to new emission standards. Determined to meet even the most exacting NO_x emission limits, we have developed standard Selective Catalytic Reduction (SCR) modules for use in our exhaust-air purification equipment. In these modules, a reductant such as ammonia or urea is initially spray-injected into the off-gas at temperatures of up to 390 °C. In a next step, the nitrogen oxides can then be converted, through the agency of a catalyst, into water or harmless molecular nitrogen. With a view to improving the recovery of energy from industrial waste heat, we have embarked on a research project investigating the use of micro gas turbines.

Aircraft and Technology Systems

P. 200

Our Aircraft and Technology Systems business unit expanded its range of solutions for positioning large components in aircraft assembly environments. Our new, flexible *Eco***Positioner** technology meets the most exacting positioning demands, e.g. by providing a synchronous movement of multiple positioning units with millimeter precision, as required in handling wings, fuselage shells and other components. This performance is ensured by Dürr’s proven *Eco***RPC** control software developed jointly with colleagues from APPLICATION TECHNOLOGY for use in aircraft assembly. This control software incorporates a so-called compensation model which cancels out interferences – e.g. mechanical resilience effects – in order to achieve absolute positioning accuracy.

A second R&D focus lay in the further development of our FASTplant modular assembly system. We had previously used this system, designed originally for use on automotive assembly lines, in aircraft wing assembly operations. Following appropriate refinement it can now also be employed in the flow production of aircraft turbines, where it provides enhanced flexibility and optimum access for assembly personnel.

Balancing and Assembly Products

P. 200

In balancing technology we presented the new CENTRIO **SPIN TEST STAND** for material and strength testing of rotors. Noise-optimized components, effective insulation and the encapsulation of acoustic emission sources have yielded a comprehensive noise-suppression design. But CENTRIO is also an exceedingly energy-efficient system. Thanks to its special servo motors, the energy needed to accelerate the specimen can be recovered under braking and returned into the electrical mains system.

In cooperation with the Technical Universities of Aachen and Saarbrücken we developed a roller test stand for trucks which helps to save fuel and cut CO_2 emissions. Named x-wheel truck *d*, this high-accuracy system measures the vehicle's wheel/chassis alignment by means of a laser. Truck axles can then be adjusted to minimize rolling drag. Fuel consumption is thus reduced by up to 3 %, with an attendant decrease in emissions.

P. 200

As a market leader in the field of **FILLING TECHNOLOGY**, we launched a new system for charging automotive air conditioning systems with the new R1234yf cryogenic fluid during final vehicle assembly. R1234yf contains no greenhouse gas and has been the sole approved cryogenic fluid since early 2011 for all vehicles to be newly certified in the EU. Since R1234yf is readily inflammable, we developed a comprehensive safety concept for the charging process in cooperation with TÜV Rheinland. Our solution was highly successful and has been deemed safe enough even for use outside explosion-protected zones. This makes the system much easier to integrate into existing manufacturing environments.

Cleaning and Filtration Systems

One of our most important innovations in part cleaning technology is the environmentally beneficial *Eco*CSteam process. It relies on the removal of dirt particles from the workpiece by a combination of hot steam and compressed air. In order to ensure the correct spraying angle and distance, the high-pressure nozzles are moved into the required position by robots. With its freely movable nozzles, the system was originally designed for cleaning very large parts, such as wind power station components, but meanwhile we have realized an *Eco*CSteam system for cleaning motorcycle parts as well.

More flexibility in reconditioning coolants is provided by our new versatile ***Eco*CFlow** filtration system. Thanks to its modular design, this equipment can be converted to accommodate different – i.e. vacuum, pressure or gravity-based – filtration processes. This is a genuine first, since until today each system supported only one of these methods. Thanks to its conversion capability, the system can filter fluids carrying different chips and particles, whether aluminum, steel or cast iron. Our customers will thus be able to respond to market requirements flexibly and at low cost.

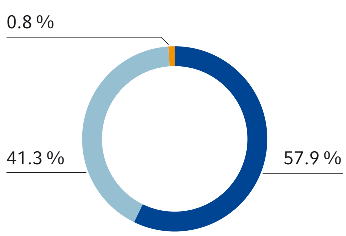
Employees

In 2010, the workforce increased by 3.6 % to 5,915 (December 31, 2009: 5,712). This figure includes 74 employees from the acquired companies Kleinmichel, Rickert and UCM, which were consolidated for the first time in 2010. On a comparable basis, i.e. excluding the acquisitions, the number of employees increased by 2.3 %. For comparison: In the previous year, we had reduced the number of regular employees by 7 % against the background of the economic crisis. In 2010, we only increased the number of employees in the emerging markets, not taking into account the acquisitions. Following a significant increase of 16.5 %, the number of employees in the emerging markets reached 1,613, which corresponds to as much as 27.3 % of the Group's workforce. The majority of new hires were brought on board in the booming Chinese market, where the number of employees rose by just under a third to 713. In Brazil, the number also increased by a third, in India by 3 % and in Mexico by 13 %. Outside the emerging markets, the workforce remained practically unchanged at 4,302 (December 31, 2009: 4,328). In Germany, the number of employees was reduced by 38 to 2,931 as of the end of 2010.

TRAINING AND PERSONNEL DEVELOPMENT

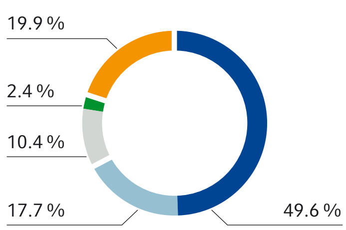
The qualification and the commitment of our employees are crucial to Dürr's success. For this reason, we once again offered a comprehensive training program in 2010. The 755 group and individual training events, which were held at a number of different locations, were attended by 5,062 participants (2009: 632 training events; 3,487 participants). In Germany, we also implemented targeted training measures in the first half of 2010, when short-time working was still in place. The training budget per employee was around € 450. Courses in the areas of SAP applica-

EMPLOYEES BY DIVISION (DECEMBER 31) 2.41



	2010	2009	2008
Paint and Assembly Systems	3,424	3,283	3,595
Measuring and Process Systems	2,444	2,381	2,499
Corporate Center	47	48	49
Total	**5,915**	**5,712**	**6,143**

EMPLOYEES BY REGION (DECEMBER 31) 2.42



	2010	2009	2008
Germany	2,931	2,969	3,059
Rest of Europe	1,045	1,051	1,177
North and Central America	616	598	826
South America	143	112	121
Asia/Africa/Australia	1,180	982	960
Total	**5,915**	**5,712**	**6,143**

tion, construction software and languages were particularly in demand. In the key area of project management, we redesigned the training module "Managing international projects" and implemented it successfully. Our college programs in paint systems, application technology and balancing systems were also very popular. As part of the programs, Dürr specialists held presentations on current work-related topics and shared the latest insights with their colleagues from other departments and business units. We focus on the principle "training by employees for employees" not just in the context of college events. This ensures a strong practical orientation, helps to spread knowledge and lowers the cost of external instructors. Employees wishing to share their specialist knowledge with colleagues can attend a course in basic teaching skills and obtain a certificate as a "Dürr Special Trainer". There are currently 86 employees working as special trainers within the Group (2009: 73).

As part of Dürr's Leadership Skills Model, which was introduced in 2008, we implemented a number of skill enhancement measures together with the participants. They included coaching for personal development, method training and international management courses. In addition, we have redesigned the health care program for our managers.

VOCATIONAL TRAINING AND UNIVERSITY MARKETING

Across the Group, 82 apprentices and 47 students from vocational training academies were given a taste of working life in 2010. At Dürr, apprentices can train to become industrial clerks ("Industriekaufmann"), industrial mechanics, mechatronics engineers or draftsmen. Students from vocational training academies are given the opportunity to undergo their practical training in the areas of industry, mechatronics, mechanical engineering, electrical engineering and electronics, or industrial engineering. We also send all of our students to one of Dürr's foreign locations for three to five months.

In 2010, 19 bachelor's and master's theses were completed in cooperation with Dürr. We provided opportunities for 74 interns – nine of whom were based abroad – to gain an insight into the world of mechanical and plant engineering; another 26 student trainees supported us on a regular basis or through project-related work.

In order to attract talented graduates, we gave presentations at a number of university career fairs. In seeking to recruit well-qualified graduates, we successfully focus on aspects such as remuneration, career opportunities and technology leadership. In addition, we increasingly promote work-life balance, e.g. by offering flexible working hours, long-term working accounts or places at daycare centers for employees' children. The "Top Automotive Employers" award, which we received in 2010, confirms this approach (for more information see the chapter on SUSTAINABILITY).

P. 94

Purchasing

In line with the sales uptrend, our materials usage rose once again in 2010, attaining a value of € 558.8 million. This figure accounts for 44.3 % of sales (previous year: 39.1 %). The prices of raw materials that are most important to Dürr – mainly steel, stainless steel and copper – increased markedly in the course of 2010 as the overall economy recovered. Nevertheless, we managed to cap the price increases for externally sourced components, semifinished products and services. This was facilitated by the obtainability of favorable purchase prices in the first half of 2010 since most suppliers were working at less than full capacity. Other means of optimizing procurement costs were likewise employed. They included framework agreements, inter-project volume bundling of externally sourced parts, intense international purchasing coordination, and the increasingly significant use of cost advantages in emerging markets.

Like other companies, we found that many suppliers were insufficiently prepared for the upswing and the associated demand growth. Yet despite vendor-side bottlenecks, e.g. in plastics supplies, we were able to meet our obligations towards customers fully at all times.

Procurement in the booming Chinese market plays a particularly important role for us at present. Our purchasing organization there cooperates tightly with colleagues in Germany. In order to ensure adequate supplier availability, we continue to develop proven partners while continuously evaluating new vendors. Moreover, Dürr is systematically expanding its supplier base at new automotive manufacturing venues in China.

As part of our global sourcing approach, we increasingly export components from China, Mexico and other lower-cost procurement markets to the countries in which we are realizing our projects. In doing so, we proceed on the total cost and risk consideration principle. This means that supplies to a given project site will be made by the national company which compares most favorably in the total cost assessment. The responsibility for our worldwide purchasing activities rests with the Global Sourcing Board, whose members include the heads of purchasing of the individual business units. The Paint and Assembly Systems division additionally maintains a Global Sourcing Committee; its international members examine pooling opportunities at weekly intervals and handle the international coordination and approval of major contract awards and framework agreements. The purchasing departments of our three mechanical engineering business units (Application Technology, Balancing and Assembly Products, Cleaning and Filtration Systems) likewise cooperate closely in sourcing key groups of goods. Strategic and operational support to the national Dürr companies is provided, where necessary, by the Coordination International Purchasing (CIP) team based in Bietigheim-Bissingen.

The expansion of our procurement infrastructure has been continued. We have also pressed ahead with the roll-out of our international supplier relations management system. Numerous employees were trained in the purchasing applications of our new **ERP SYSTEM**. Worldwide, Dürr uses a harmonized supplier evaluation system to ensure a Group-wide comparability of ratings. In managing supplier risks, we rely on a system developed in-house which nevertheless takes into account the experience gathered by other companies from our industry. Apart from a supplier watchlist, the system comprises a checklist of risk assessment criteria and a financial analysis developed specifically for Dürr.

P. 200

Sustainability

Dürr is committed to the principles of sustainable management. We exercise fairness and respect in dealing with co-workers, suppliers and business partners, undertake to promote the protection of the environment and the conservation of resources, and actively embrace our organization's social responsibility. Our employees pledge to comply with the law and to adhere strictly to ethical standards.

In early 2011, we adopted our first Code of Conduct for the Group – a document which supports our employees by providing them with ethical guidelines for their actions. The Code of Conduct gives an orientation for employee behavior vis-à-vis business partners and co-workers, as well as with regard to the handling of confidential data, inside information or third-party property, to quote but some examples.

DÜRR HONORED AS "TOP EMPLOYER" ONCE AGAIN

As an engineering group Dürr depends quite particularly on the expertise, commitment and experience of its workforce. This prompts us to organize a systematic transfer of knowledge and to support our employees via tailor-made skill enhancement and personality development schemes (for further information please refer to the **EMPLOYEES** chapter). In addition, our organization provides an attractive and motivating work environment for its personnel. This policy is exemplified in the modern Dürr Campus at Bietigheim-Bissingen, where inter-employee cooperation is fostered by an open, communication-promoting design. We are currently erecting a new production and office building in China in which the principles of this transparent Campus architecture will likewise be enshrined.

P. 91

In our effort to attract competent professionals and high-potential junior employees, we are continually striving to raise our profile as an innovation-driven technology company in which employees work in an independent and self-reliant manner in an international setting, and with due regard being given to work-life balance standards. Key input on these criteria is gathered regularly via employee surveys. Employees from all Dürr sites in Germany were last given the opportunity to give us their feedback in February 2011.

Our attractiveness as an employer was again confirmed by a very recent distinction awarded to our company. In the renowned "Top Automotive Employers 2010/2011" competition carried out

PERSONNEL KEY FIGURES (GROUP) 2.43

	2010	2009
Number of employees (December 31)	5,915	5,712
of which apprentices and vocational college students (December 31)	129	117
Proportion of female employees (December 31) (%)	17	17
Part-time employees (December 31)	166	165
Average length of service (years)	12	12
Absenteeism rate (%)	2.5	2.5
Employee turnover (%)	6.7	7.7
Number of accidents per 1,000 employees (Germany)	10.2	8.8

ENVIRONMENTAL KEY FIGURES 2.44

	2010	2009
Number of sites	48	46
of which ISO 9001 quality management certified	38	39
of which ISO 14001 environmental management certified	17	19
Consumption		
Electricity (MWh)	28,110	34,772
Gas/oil/district heating (MWh)	41,685	47,606
Water (m^3)	76,876	84,618
Waste water (m^3)	68,204	84,556
Waste (t)	2,893	2,998
of which recycled (t)	2,208	1,871
Emissions		
CO_2 (t)	28,991	33,411[1]
of which attributable to Dürr vehicle pool (t)	2,336	2,350
SO_2 (t)	15	21
NO_x (t)	24	28

[1] In our 2009 annual report we had disclosed 31,061 metric tons of CO_2 emissions. This figure – unlike the one given in the present report – did not yet include the CO_2 output of our vehicle pool.

across Germany among tiered suppliers and equipment manufacturers serving the automotive industry, Dürr finished 5th among the 25 companies which reached the finals in October 2010. In three of the six categories assessed, we attained the highest score. Apart from innovation management, these included the ratings on work-life balance and remuneration. In three further categories – career opportunities, training & development and corporate culture – Dürr likewise performed well. We had already come in 8th among 34 finalists in the "Top Employer for Engineers" ranking in the previous year.

The high level of satisfaction and loyalty prevailing among Dürr employees is confirmed by the classic set of key personnel figures. The average length of service within the Group is very high at around 12 years (previous year: 12 years). Absenteeism in the year under review was at 3.2 % (previous year: 3.1 %) in Germany versus 2.5 % (previous year: 2.5 %) throughout the Group. Employee turnover, i.e. the percentage of staff members leaving the organization, was at 5.7 % across our domestic sites and 6.7 % at the Group-wide level in 2010 (previous year: 4.2 % and 7.7 %, respectively).

P. 200

Key performance parameters systematically determined and analyzed for each of our sites include energy requirement, water consumption and waste levels. As our average MANUFACTURING DEPTH is very low at only around 25 %, Dürr produces fewer emissions than other industrial enterprises of its size. In the more production-intensive mechanical engineering segment, assembly processes involving low energy, waste and emission levels are likewise an important objective. A total of 17 Group sites are certified in accordance with the globally recognized ISO 14001 environmental management standard.

In the context of new building or renovation projects, we attach great importance to sustainability and energy efficiency. The Dürr Campus at Bietigheim is a showcase example – based on our innovative energy management approach designated "Campus Energy 21", it embodies the use of diverse advanced methods such as deep geothermal energy exploitation, geothermal heat exchange technology and photovoltaics. In addition, "Campus Energy 21" stands for an energy-saving design relying on effective insulation, concrete core activation for room temperature management, and daylight and motion-controlled lighting. In 2010, the Dürr Campus contributed in a major way to the 12 % decrease in fuel consumption and 19 % electric power savings achieved over the previous year on a Group-wide basis.

www

Since 2008, we have been participating in the Carbon Disclosure Project. This online database for investors (**WWW.CDPROJECT.NET**) publishes information on the carbon footprint of listed companies as well as business opportunities involving sustainable products.

ENERGY-OPTIMIZED PROCESSES FOR OUR CUSTOMERS – THE GREEN PAINT SHOP

Reducing the input of energy and materials in manufacturing has become a major innovation-driving objective for our customers. We have adapted to this situation by systematically developing and launching energy and resource-efficient machinery and equipment.

In 2010, two German carmakers operating in China commissioned us to build so-called "green paint shops". Having analyzed the entire painting workflow, Dürr bundled together many resource-optimized technologies – from the ***Eco*****DryScrubber** paint booth system, which consumes up to 60 % less energy, through shorter dip-painting tanks requiring less water to heat recovery systems plus the ***Eco*****LCC** color changer, which cuts the consumption of paint and flushing fluid. The sum total of these individual measures yields substantial performance gains, so that painting a car in our green paint shops is estimated to require up to two-thirds less energy than was the case ten years ago. The system has the capability to cut volatile organic compound (VOC) emissions by as much as 70 %, whereas its water consumption and waste water output can be up to 60 % lower. As a result, we view the green paint shop as a ground-breaking step towards tomorrow's painting technology.

EDUCATION AND SCIENCE

Our social commitment is reflected first and foremost in our support of schools, colleges/universities and research associations. Dürr is a member of Stifterverband für die Deutsche Wissenschaft (Endowment Association for Germany's Sciences and Humanities) and a sponsor of various universities. A number of our employees teach at higher education establishments in Germany and abroad. We also support several institutions promoting international business and educational exchange schemes. These include the American Academy in Berlin, the American Chamber of Commerce in Frankfurt/Main, and the German-French Chamber of Commerce in Paris.

Risk report

Risks are a basic component of any entrepreneurial endeavor. Our opportunity and risk management observes three principles. First, the opportunities must clearly outweigh the risks in every business activity that we undertake. Second, purely speculative transactions of any kind are strictly prohibited. Third, our actions must comply not only with prevailing laws but also with ethical and moral standards.

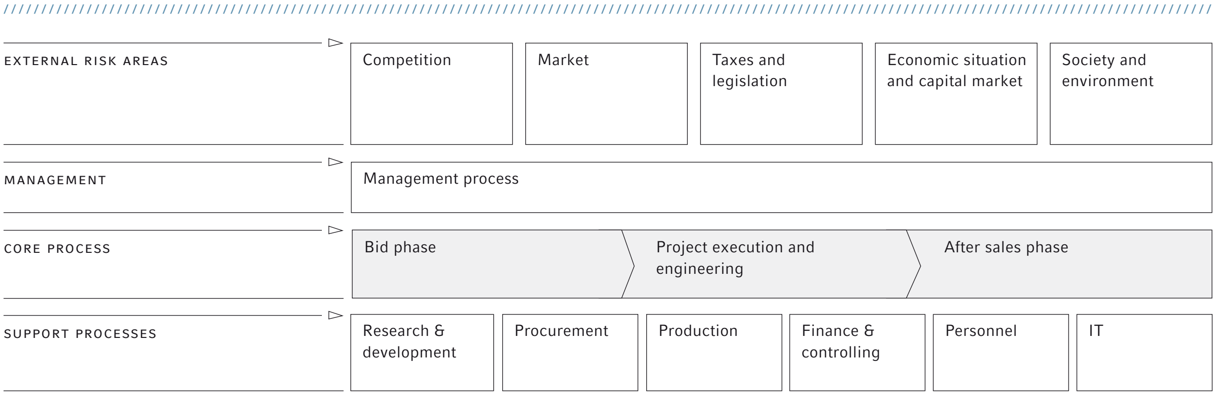
Our risk management is standardized and applied Group-wide. This ensures that all risks are analyzed and evaluated systematically, uniformly, and across the Group. The risk transparency thus achieved helps us select appropriate controls and countermeasures. Corresponding instruments are in place at every management level in the Group.

STANDARD RISK MANAGEMENT PROCESS

The standard risk management cycle at Dürr starts every half-year and consists of nine steps. The centerpiece is the risk inventory conducted by the management of the operating units. Specific risks are identified and classified into 15 defined risk fields (**CHART 2.45**) and evaluated with the aid of risk structure spreadsheets. Specific risks are evaluated in three steps. We first calculate the maximum effect a risk can have on Group EBIT. We call this the gross exposure. We then assess the risk's probability of occurrence and the effectiveness of possible countermeasures. The EBIT risk goes down, the less likely it is to occur and the more effective the countermeasures are. This analysis yields a net risk figure, which we also call the actual risk potential. By adding all the individual risk potentials, we arrive at the Group's overall risk. This may then be segmented according to specific risks in the business units and aggregate risks at the Group level.

The result of the semiannual risk management cycle is the Group risk report, which offers an overview of all specific risks and the overall risk situation in the Group. The risk report is first discussed in the various executive bodies and in the Board of Management. The Audit Committee of the Supervisory Board then performs its analysis and presents the results to the Supervisory Board in plenary session.

DÜRR'S RISK FIELDS 2.45



Urgent risks are immediately communicated to the Board of Management and heads of the business units. Risk managers at the Group and business unit levels (heads of the respective Controlling departments) are responsible for carrying out the standard risk process. The Internal Auditing department and the risk managers of all the national companies are also closely involved. In general, the systematization of risk management has positively influenced the risk culture in the Group. Sensitivity to possible dangers has risen in recent years, and the emergence of risks prompts faster and more open communication and countermeasures.

OPERATING RISK MANAGEMENT IN ORDER EXECUTION

Order execution is the most important process at Dürr. We meet operating risks in this area with special tools and functions:

- **Project controlling** continuously examines in detail whether original planning and actual project progress coincide. We can thus immediately counteract divergences from the time schedule, from the delivery and performance targets, or from the cost and revenue estimates.
- **Project managers** direct the order execution process particularly with a view to quality, deadlines, and budgets. They communicate with project controlling on a regular basis.
- All projects in the Group are executed according to the standards of the **Dürr project management manual**. Other tools that make the status and risks of projects transparent include **opportunity-risk checklists**, the project management software **"Dürr Projects"**, and our Group-wide **ERP SYSTEM**, which ensures that processes are integrated. P. 200
- We operate the **Project Management Center of Excellence** (Bietigheim-Bissingen) as an internal services and training department for project management. It develops Group-wide standards and communicates them in training sessions to project managers.
- Together with project controlling and project management, **change and claim management** monitors modifications in ongoing projects made by customers and claims any resulting additional costs. It also reviews any warranty claims that arise.

GUIDELINE FOR FINANCIAL RISK MANAGEMENT

We have a special guideline for dealing with currency, interest rate, and liquidity risks. The top corporate body in this area is the Financial Risk Committee, which consists of the Chief Financial Officer, the heads of Group Controlling and Group Treasury, and the financial officers of the business units. This body discusses strategic financial policy matters and prepares the relevant resolutions for the Board of Management.

CURRENCY RISKS

In the case of projects exposed to currency risks, we hedge the portion of sales revenues in excess of the costs incurred in local currency as soon as the order is received. Separate hedging transactions (micro hedges) are usually entered into for each individual project. In low-volume standard machine and spare part business, we also enter into macro hedges for several projects to keep transaction costs down. Currency risks are countered on a centralized basis, with Group Treasury at Dürr AG usually responsible for hedging transactions.

INTEREST RATE RISKS

In the framework of interest rate risk management, we monitor all interest-bearing and interest-sensitive balance sheet items. Interest rate analyses are performed regularly in an effort to identify risks ahead of time. The Group Treasury department is responsible for external funding, investment of free cash, and hedging interest rate risks; exceptions require approval by the Chief Financial Officer.

LIQUIDITY RISKS

In managing the company, we pay special attention to generating cash from operating business. However, even in phases with negative cash flows – for example, on rising need of **NET WORKING CAPITAL** – sufficient funds are available through our external funding activities. For more information on Group financing, please turn to the chapter on **FINANCIAL DEVELOPMENT**. As part of our cash pooling system, we cover the liquidity needs of individual companies with surplus liquidity from other Group subsidiaries. That avoids additional borrowing and reduces the amount of interest paid. Both cash pooling and external liquidity procurement are managed by Group Treasury.

P. 201
P. 78

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

We understand the internal control system/risk management system (ICS/RMS) for the accounting process as encompassing all regulations, measures, and processes that ensure with sufficient certainty as a 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 International Financial Reporting Standards (IFRSS). The Board of Management has overall responsibility for the ICS/RMS. In that framework, it has set up a fixed management and reporting organization that covers all of the Group's organizational and legal units. The Internal Auditing department of Dürr AG monitors the ICS/RMS.

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

1. Dürr AG's accounting guideline governs the accounting process of individual companies and the consolidation process at the Group level. It is continuously updated by the Group Accounting department and takes consideration of all IFRS rules relevant for Dürr.

2. Our ERP system and management reporting tool automatically check accounting processes and assess whether individual items are recorded in the correct positions on the balance sheet.

3. As part of a multi-stage validation process, we carry out samplings, plausibility checks, and other control measures. Altogether, this includes five parts of the corporate structure: operating companies, divisions, business units, Group Controlling, and Group Accounting. The results of all material control measures are systematically documented, summarized by Dürr AG, and passed on to the Audit Committee of the Supervisory Board. After careful examination of the documentation, the committee chairperson reports in detail to the Supervisory Board in plenary session.

Since the employees in the financial departments regularly receive training in the Group companies and in international workshops, they are able at all times to meet the demands placed upon them. Our training measures relate to the applicable accounting standards and reporting rules and use of the relevant software tools.

To minimize risk, we continuously work on key topics that are crucial for the quality of our accounting. Accounting of construction contracts according to the percentage-of-completion method (PoC) is the key area of focus. It requires, among other things, estimates of the contract's total expected costs and sales revenues. Other important topics are the impairment test for goodwill and the reliability of qualitative statements in the management report and the corporate governance report.

OVERALL RISK SITUATION

With the global economic crisis receding, the Dürr Group's risk situation improved further in 2010. The results of our Group risk reports document that. Compared with the risk inventory for the first half of 2010, the Group's net risk decreased by a good 10 % in the second half of the year. Compared with the peak of the crisis in the first half of 2009, net risk fell by almost 40 % by the end of 2010.

INDIVIDUAL RISKS

Risks resulting from the economic crisis

Most of the risks directly connected with the economic crisis diminished in 2010. Sales revenues, order intake, and earnings improved significantly.

Underutilization at several of our business locations in 2009 gave way to good utilization thanks to strong order intake and capacity reduction in North America and France. The risk of losses on receivables due to customers' economic problems decreased significantly and amounted to less than € 1 million at the end of 2010. Many automobile manufacturers achieved high profits and cash flow as a result of cost-cutting measures taken by them during the crisis.

Because of high competitive pressure, incoming orders in 2009 showed lower margins than usual. We limited the impact of that on earnings by means of tight project management, successes in purchasing, and cost reductions in order execution. The majority of the burdens that nevertheless arose found expression in the gross margin of the second half of 2010. However, some burdens may still be expected in the first half of 2011.

General economic risks and the capital market

The world economy developed robustly overall following the crisis. Forecasts for 2011 and 2012 are also predominantly positive. However, various risk factors could impede the recovery's progress. In particular, those include the continuing high unemployment rate in the United States and the unsolved problems on the US real estate market. In China and to some extent in other emerging markets, there are inflation risks and the danger of an overheating of real estate prices. The sovereign debt crisis in Europe and related volatility of the euro are also not over yet.

In general, cyclical economic downturns affect our earnings relatively late, because our business is largely determined by the automotive industry's long-term capital investment plans. Moreover, there is usually a time lag of 12 to 18 months between order intake and sales revenues. Our balanced international presence also puts us in a better position to compensate for regional fluctuations in demand.

The risk of a hostile takeover of Dürr AG is low, since the Dürr family, which founded the company, is the largest shareholder with a stake of 31.6 % and usually has a voting majority at the annual general meeting. Information pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) on change-of-control clauses in connection with our corporate bond may be found in the chapter on ORGANIZATION AND ACTIVITIES.

P. 39

Law, taxes, and IFRSS

As our business is spread worldwide, the risk exists that we may not sufficiently comply with the legal norms of individual countries. To prevent that, we cooperate closely with experts in the various national legal systems. 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 burdens.

In 2011, the German tax authorities are conducting audits of Dürr AG and its material German subsidiaries for the years 2005 to 2009. This could result in additional tax payments, but we see no indication of that at present. The usual risks of additional payments due to tax audits also exist for our companies abroad.

According to current announcements, the International Accounting Standards Board (IASB) is expected to adopt two changes in the IFRSS in 2011 that might appreciably affect our figures in the coming years:

- The IASB proposes to have lessees capitalize all assets from leases in the future. That would cause total assets to increase, and corresponding financial obligations would have to be shown on the liabilities side. Unless countermeasures are taken, that could reduce our equity ratio. If all operating lease assets were capitalized (nominal value of future minimum payments as of December 31, 2010: € 121.1 million), the equity ratio would amount to 23.9 %. Previously reported debt ratios would worsen accordingly. However, reclassifying the interest portion of lease expenses would improve operating profit by the amount by which net interest then worsened.
- The second proposed change involves recognition of sales revenues. The IASB intends that the accounting of construction contracts by the percentage-of-completion method no longer be allowed in the future. Instead, sales revenues and income would only be posted when the contractually agreed goods have been delivered or the ordered services have been rendered. In Dürr's case, the new rule could have the result that recognition of sales revenues will run a less steady course. To prevent this, we are preparing appropriate adjustments in future delivery contracts. Their objective is that an entire plant, e.g. a paint shop, will no longer pass to customers in a single step, but instead individual plant sections will be handed over and invoiced successively.

Market/industry

The capital investment cycles of the large automobile producers depend heavily on their business success in addition to the general economic trend. To offset fluctuations in demand, we maintain regular contacts with all major producers, even in phases of reduced capital investment. The risk of dependence on individual customers has decreased appreciably in recent years. Our five largest customers still accounted for 55 % of sales revenues in 2004, but only for 43 % in 2010 (previous year: 44 %). An important contributing factor is that we are generating more sales revenues in the emerging markets and working together with up-and-coming automobile manufacturers there, which broadens our customer base. Moreover, the top-five group is made up of different customers each year.

We counter price pressure in our markets with a number of measures.

- Reducing per-unit costs: We develop products that enable our customers to attain lower per-unit costs in the manufacturing process. Building on that, we focus on pitching the overall cost advantages of our systems in the long term, in contrast to a dedicated capital investment cost analysis.
- Design 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.
- LeanLine and Low-Cost Line: We develop attractively priced basic products under these banners, making us competitive among companies with lower investment budgets.
- Cost optimization: We constantly adjust our costs to realizable prices and to sales revenues. Lowering procurement costs plays the most important role in that, but personnel and overhead costs are also regularly analyzed.

We counter the risk of losses on receivables by precisely monitoring payments received from customers without an investment grade rating. In critical cases, we gather information and adopt counterparty risk limits and release rules. Most major automotive groups have investment grade ratings, however.

Strategic risks
Shifting the emphasis of our business from the established markets to the emerging markets naturally poses risks:

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

  As personnel turnover is relatively high in countries like China or India, there is a risk that employees with specific expertise will leave the company. We are therefore stepping up personnel development in the emerging markets, creating incentives by means of additional social benefits, and cultivating an integrative corporate culture.

  We regard Dürr's risk of product and brand piracy as manageable, even in the emerging markets. Our core products are produced exclusively in Germany. Moreover, so much process expertise, experience, and specialized knowledge go into them that they are very difficult to reverse-engineer in comparable quality. Further protection measures include patents and long-term service contracts providing for the exchange of components for improved successor products. Also, the fact that many Dürr products set quality standards and our customers do not want to take any risks in that respect protects us from product piracy.

  We frequently come up against local low-cost suppliers in the emerging markets. To remain competitive in that situation, we maintain our technological lead through product innovation. In addition, we are increasing the level of localization. That includes local design, which means developing standardized low-cost products to cover the needs of customers in the local context. We are also increasing the amount of value added locally in the emerging markets.

In the dynamic Chinese market, we must ensure that expansion of our capacities keeps pace with the rapid growth of our business. We are therefore increasing the regular workforce there and the number of external employees. Moreover, we are now establishing a new, larger manufacturing site in Shanghai.

- In the **established markets**, reduced demand could lead to persistent erosion of volume and prices. We have therefore constantly adjusted our capacities and costs to the market situation in the past two years, particularly in France and the United States. The lower business volume could furthermore lead to impairments on tangible assets of our companies there. We have reacted by combining several locations to reduce tangible assets. We estimate the described risks in the established markets as low, since the economic environment and automobile production figures have stabilized.

P. 200

The worldwide division of labor within the Group, as for example in ENGINEERING and production, opens up cost and utilization advantages for us. However, it also poses the risk of coordination and communication problems. We have therefore largely harmonized our business processes and IT infrastructure, and we promote exchange of ideas and experience among employees by means of international workshops.

P. 200

When developing new business areas through acquisition, such as GLUEING TECHNOLOGY and ULTRAFINE CLEANING technology, the risk exists that we have incorrectly assessed target markets in respect to customer needs or the required input of resources. However, we believe this risk is manageable, since we only enter segments directly adjacent to our core business. Also, we always conduct thorough analyses of our target markets ahead of time. When acquiring a company, we conduct careful due diligence tests and develop integration plans to curb acquisition risks.

Strategic expansion of business in aircraft production technology poses specific risks. The major aircraft manufacturers have very long capital investment cycles and award fewer individual projects than the automobile industry. To ensure sustained utilization despite that, we therefore systematically pursue new customers. Recently, for example, we received our first orders from Embraer, Lockheed Martin, and Bombardier, and we are expanding our contacts with Russian and Chinese aircraft producers. Because of the complexity of aircraft development, technical changes may arise, especially in the case of large-scale projects, even after contracts have been awarded. We counter this risk by means of systematic change and CLAIM MANAGEMENT, which ensures that additional costs are charged to the customer.

P. 200

At present, we see no signs that changes in our customers' products might lead to material disadvantages for Dürr. It appears from today's perspective that the automobile industry in most cases is going to rely in the long term on efficient internal combustion engines in addition to hybrid and electric drives. Good prospects for our business in cleaning and balancing technology therefore continue to exist in this area. In body shell production, we see no fundamental move away from aluminum and steel as input materials despite the well-advanced trend toward light construction, which would have considerable effects on our paint technology business. Colored sheet metal is not likely to succeed in mass production because its use entails considerable disadvantages in processing and logistics. Plastics and composites, which find their way into body shell production in the context of light construction, must be painted just as the traditional materials. Moreover, the use of such non-weldable materials presents opportunities for expansion of glueing technology in body shell production.

R&D and product liability risks

Innovations can fail to win the desired acceptance among customers. We minimize the risk of that by precisely analyzing market needs, integrating pilot customers, and only developing products for customers that offer a quick RETURN ON INVESTMENT. That also lowers the risk of impairment losses on capitalized development costs.

P. 201

We meet the risk of violating third-party industrial property rights by carefully watching patent registrations. Product liability cases are a rarity in our business. Nevertheless, we have product liability insurance and orient ourselves exactly to occupational safety regulations in our product development work.

Competitive risks

No exceptional competitive risks exist at present. No mergers of competitors are on the horizon, and we are not aware of any competing products that would threaten our market position. We see no appreciable disadvantages that would favor domestic competitors in China or in other major markets. We tend to benefit from a weakening of the euro against the US dollar and the Chinese yuan. A relatively stronger yen means an advantage in competition with Japanese companies.

Operating risks

The possibility exists of underestimating costs, especially in the case of long-term projects. We have therefore set up a Global Proposal Assurance department that reviews project cost estimates before bids are submitted. The greatest risk in the bid phase is that estimated purchasing prices may rise in the time between bid submission and order receipt. That risk ceases to exist once the order is received, since we then agree with our suppliers on mostly fixed prices for the entire duration of the project.

In the case of long-term, large-scale projects, additional costs can occur if we do not meet our deadlines or other agreed parameters. The technical and logistical complexity of a project can also present risks. This is particularly the case in the emerging markets, where there are more imponderables. That is why we have taken the special requirements of the growth markets into account in our execution strategy. This includes close supplier monitoring, contract and CLAIM MANAGEMENT, and regular project reviews.

P. 200

Procurement risks

We counter procurement risks by entering into framework agreements with first-line suppliers, pooling procurement volumes, and operating a materials-planning system. As a result of the economic upturn, the utilization rates of many suppliers have improved. That tends to drive up procurement prices, which fell during the crisis and in some cases significantly. On the other hand, the insolvency risk on the side of suppliers has decreased considerably. In the emerging markets, the possibility exists that some suppliers are not meeting our quality and availability requirements. We therefore regularly review the progress of orders in the case of critical suppliers, and we are deliberately enlarging our supplier pool. To protect our intellectual property, we do not give any sophisticated designs to contract producers in the emerging markets. Because of our broad supplier base, no dependent relationships exist with respect to individual companies. We only enter into framework agreements covering large volumes with preferred suppliers that have good credit ratings.

Personnel risks

To protect against losses of expertise, we avoid bundling specialized knowledge in the hands of individual employees. To support the transfer of knowledge, we rely on documentation, internal training, mentoring programs, and other tools. The risk of losing knowledge through a loss of personnel in Germany is relatively low, since the average length of service is exceptionally high at more than 14 years. In the emerging markets, however, we are exposed to greater personnel turnover risk.

We counter utilization risks by employing external temporary workers in certain areas. That is the case, for example, in the areas of production and relatively simple design work.

The declining number of students graduating with scientific and engineering degrees could lead to a lack of specialist personnel in Germany. We counter this risk with a three-pronged strategy. First, persons with expertise are encouraged to stay with the Group by means of long-term career planning. Second, we use professional recruiting methods to position ourselves favorably with jobseekers and university graduates. Third, trainees, students at vocational training academies, and apprentices are offered permanent employment whenever possible.

IT risks

Like all other companies, we are also exposed to IT risks such as data loss and computer viruses. We therefore protect our IT infrastructure with up-to-date firewall and antivirus software. Moreover, our new, universally implemented ERP SYSTEM offers higher security standards than the old systems. Back-up servers, redundant data lines, and uninterruptable power supplies reduce the danger of productivity losses or even total breakdowns. We regard our risk of hacker attacks and data theft as normal for the industry.

P. 200

Environmental and production risks

We rate the environmental and occupational safety risks at our production and development sites as comparatively low. One contributing factor is our low vertical depth of production. Another is that we use substances harmful to health or the environment only to a limited extent, for example, to perform tests in the areas of cleaning and paint technology. When using hazardous materials, we adhere not only to the statutory regulations, but also to the internal guidelines and standards of the relevant certification systems.

Legal risks

The most important legal risk to our business is the assertion of warranty claims. Before we make contractual commitments, for example, regarding the performance of a system, we carefully weigh up possible liability-law consequences. We exclude claims that we cannot fulfill. Patent disputes are also possible in our business. We are currently not involved in any extraordinary legal disputes. None of the pending cases exceed a claim value in the low single-digit million euros figure.

Currency, interest rate, and liquidity risks

P. 181

We explain currency, interest rate, and liquidity risks in detail in ITEM 38 of the notes to the consolidated financial statements. To avoid duplication, we provide only a cursory description of them in the management report.

The risks mainly worth mentioning in the currency area are those of translation, which can occur when we convert foreign currency items into euros. We regard such risks as a normal part of doing business and as comparatively low. Transaction risk, which can arise when products are exported, may be deemed even lower. We purchase most of the goods we need locally in the respective national currency, or we produce them locally. We are hardly exposed to risks of interest rate changes, since our fixed-interest bond accounts for almost all of our financial debt.

No unusual liquidity or debt risks are discernible from today's perspective. The cash credit line in the amount of € 80 million that the syndicated loan provides us was unused as of December 31, 2010. We furthermore had liquid funds in the amount of € 252.3 million at our disposal.

With the corporate bond issued in September and December 2010, we put our external funding completely on a long-term basis. Since the bond does not have to be refinanced until September 2015, we are not subject to any financing pressure. The issuing agreement of our bond imposes the usual limitations and obligations on Dürr as issuer. If we do not comply with them, it could result in the bond plus accrued interest being called due. The full terms and conditions of the bond may be viewed at **WWW.DURR.COM.**

WWW

Our syndicated loan contract provides that we must comply with certain financial covenants. The financial covenants, which are determined quarterly, are subject to a rolling 12-month calculation period. Early termination of our syndicated loan by the bank syndicate is only possible if we do not comply with the covenants and a two-thirds majority of the participating banks vote to call.

Our syndicated loan matures on June 30, 2011. We are now engaged in constructive negotiations with the banks concerning a follow-on contract, which we expect to complete early in the second quarter of 2011 at the latest. We are seeking a reduced cash line of € 50 million and an increased guarantee facility of € 180 million. If, contrary to expectations, the negotiations do not come to a result, the risk exists that we will have to refrain from accepting orders due to a lack of guarantee commitments. Our bond, however, provides us with sufficient financial reserves.

OVERALL ASSESSMENT OF THE RISK SITUATION

There are no discernible risks from today's perspective that could jeopardize the Group's continued existence. Instead, the overall risk profile has fallen significantly since the depths of the recession in mid-2009. The most important individual risk – in terms of probability of occurrence and amount of damage – is posed by possible problems in order execution. Procurement risks have gained in importance again in line with the general economic recovery.

RATINGS

We have purposefully not had our creditworthiness rated by Standard & Poor's or Moody's since September 2010. We believe the ratings of the two agencies are too strongly geared to the past and do not sufficiently take account of our future prospects. By waiving the ratings, we also save a considerable amount of time and money. We offer investors interested in Dürr a broad range of information in the framework of our investor relations work.

Events subsequent to the reporting date

NEW DIVISION SET UP

We set up a new division called Clean Technology Systems on January 1, 2011. The Group therefore has three divisions now instead of the previous two. Clean Technology Systems will be included as a reportable segment in Dürr AG's consolidated financial statements as from the first quarter of 2011. The new division, which organizationally is assigned to the area of responsibility of CFO Ralph Heuwing, bundles together our business in environmental and energy efficiency technologies. It consists of two business units:

- Environmental and Energy Systems will continue to pursue our existing business in exhaust-air purification systems. This business unit was part of the Paint and Assembly Systems division until December 31, 2010. To ensure full comparability, we will be adjusting the business figures for Paint and Assembly Systems for 2010 retroactively as from the first quarter of 2011. Environmental and Energy Systems achieved sales revenues of € 68 million with 180 employees in 2010.
- Energy Technology Systems is a new business unit that will be building up Dürr's energy efficiency activities. We intend to make smallish acquisitions in this promising technology sector and take their business forward under the roof of Energy Technology Systems.

P. 58

Detailed information on the expansion in environmental and energy efficiency technologies can be found in the **STRATEGY** chapter. As **TABLE 2.46** shows, we now have a total of seven business units assigned to three divisions.

No other 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 fiscal year and March 8, 2011.

GROUP STRUCTURE SINCE JANUARY 1, 2011 — 2.46

MANAGEMENT HOLDING COMPANY	DIVISIONS[1]	BUSINESS UNITS

// Dürr AG	// Paint and Assembly Systems	// Paint and Final Assembly Systems
		// Application Technology
		// Aircraft and Technology Systems

	// Measuring and Process Systems	// Balancing and Assembly Products // Cleaning and Filtration Systems
	// Clean Technology Systems	// Environmental and Energy Systems // Energy Technology Systems

[1] reportable segments

Report on expected future development

OPPORTUNITIES

Opportunities management system

Opportunities management at Dürr is based on the market assessments of the business units. In dialog with customers, suppliers and business associates, they analyze what new opportunities there are for their technologies in the short, medium and long term. Our customers' product innovations also form an important platform for us to push the development of our business. New products often require innovative production processes, which allow us to implement our know-how. The Group's R&D departments play a key role in our opportunities management. They investigate future trends in production technology and assess what contribution Dürr can make. Dürr has a specialist eMobility team dedicated to the topic of electro-mobility and the business opportunities that this offers our Group. We also work closely with universities and research institutions to explore how Dürr can apply the latest scientific findings to future products. Finally, we also monitor how new legal regulations such as emission control standards create a need for new production technologies.

As the holding company, Dürr AG supports the business units' opportunities management work in two ways. Firstly, it analyzes and defines new business opportunities together with the heads of the business units within the framework of the yearly strategy review and, secondly, it provides funding.

Group-wide opportunities

Growth in the emerging markets: The demand for individual mobility is on the rise in the emerging markets. The automobile industry will require considerable additional production capacity locally to meet this growing demand. Experts estimate that alone in China production capacity for LIGHT VEHICLES will increase by about 1.5 million units a year through to 2015.

P. 200

Recovery of the US market: We already witnessed a first upturn in demand in the US market in 2010, especially for plant and equipment for engine production. We expect the positive trend to accelerate further. There are three main drivers:

- rising automobile sales in the USA as the economy picks up,
- investment by foreign automakers in order to win market share,
- investment by US manufacturers to defend their home market

Expansion of the service business: All major automakers and numerous suppliers have been using our products for many years. This broad installed base offers a good platform for our service activities, be it modernization and energy optimization or our replacements business.

Environmental protection and energy efficiency: Energy prices and environmental standards are set to continue rising in the long term. We therefore expect increased investment in sustainable and energy-saving production processes.

Development of power-train technology: The accelerating trend toward the development of still more economical combustion engines is generating demand for innovative cleaning and balancing technologies. Electro-mobility also provides us with opportunities, for instance as a supplier for automated battery assembly lines.

Aspiring local players in the automobile industry: Aspiring local OEMs, especially in the emerging markets, are pursuing ambitious expansion plans. These manufacturers will need additional production capacities irrespective of the volume development in the market as a whole.

P. 200

New areas of business: We will be systematically expanding our new areas of business (glueing, ULTRAFINE CLEANING, energy efficiency and battery assembly technology) – through further acquisitions and by leveraging Dürr's global sales and service network.

Opportunities within the business units

Paint and Final Assembly Systems will continue to pursue its localization strategy in the emerging markets and tap further cost-reduction potential. Thanks to our strong local presence we will continue to benefit from the high demand in China and other Asian countries. We were able to win the bulk of the large paint shop orders awarded in China already in 2009 and 2010. This provides an important platform for securing follow-on orders and service contracts. Additional opportunities will be presented by a comeback of the US market. The sales potential for energy-efficient paint systems such as the ***Eco*****DryScrubber** spray booth system is still far from exhausted, too. Besides new projects, the focus here is also on conversions and revamps.

P. 200

Application Technology will be building up and internationalizing the GLUEING TECHNOLOGY business. There is further growth potential still in SEALING technology, too. We also want to increase our penetration of the market for plastics painting technology in China and intensify our business with Japanese automakers in South-east Asia. The global marketing of our new generation ***Eco*****Bell3** atomizers promises considerable potential as well.

P. 200

Aircraft and Technology Systems aims to expand its business with aircraft manufacturers in the BRIC COUNTRIES and other emerging markets. Our expertise in the assembly and painting of carbon fiber reinforced plastic (CFRP) aircraft components also provides good opportunities.

Balancing and Assembly Products intends to further expand its balancing technology business in Asia. There is potential for growth in the service business by broadening the portfolio. In testing equipment, the focus is on expansion in Asia and in the commercial vehicles industry. In final assembly products we see potential above all in modernizations.

Cleaning and Filtration Systems is benefiting from the rapid pace of innovation in engine development and the associated need for advanced production systems. The Asia business is to be pushed, too. The business unit's global reach is to be leveraged more strongly in the service business.

Environmental and Energy Systems will be broadening its portfolio of energy recovery solutions – also through technology acquisitions. In exhaust-air purification technology, further growth is expected in the focus sectors of chemicals and pharmaceuticals. Opportunities are also presented by the growing demand in China, South Korea, Brazil, and India as well as the Middle East.

Energy Technology Systems will be building up our energy efficiency activities. Technology acquisitions are planned in this new area of business.

OUTLOOK

Emerging markets remain on growth path

The world economy will probably grow by about 4 % p.a. in 2011 and 2012. Central banks are continuing to support the markets with a generous supply of liquidity. Central bank rates are still relatively low, although there have been first rate hikes in China and other countries. The leading indicators should signal a further recovery in the coming months; unemployment has already peaked in most countries.

The emerging economies are likely to see the strongest growth again in 2011, especially China, but also India and Brazil. These countries were affected only marginally by the financial crisis and have moderate levels of sovereign debt. In the USA, the upswing should consolidate despite high public and private debt. Modest growth is forecast for Europe as the austerity course pursued by many governments is dampening economic momentum.

Automobile production: Strong growth also in 2011 and 2012

After world automobile production was up 23.5 % in 2010 due to base effects, the growth will probably settle at 6 to 7 % in 2011. Experts expect similar rates of growth in automobile sales. It needs to be borne in mind that various government support programs for the automobile industry in Europe and China will be expiring in 2011. Nonetheless, automobile production should reach a new record level of about 75 million units this year. The main drivers will be China, Brazil, India, and Eastern Europe, where double-digit rates of growth are again likely. In the USA, the world's second largest market, automobile production is expected to rise by 8 %, while growth in Western Europe is likely to be less strong. The growth differentials between the emerging markets and the established markets will probably persist over the longer term.

GDP GROWTH FORECAST 2.47

year-over-year change in %	2012	2011
World	4.2	4.0
Eurozone	1.4	1.2
USA	3.4	3.2
China	8.4	8.7
India	8.5	8.2
Brazil	4.6	4.5
Japan	1.9	0.8

Source: Deutsche Bank 01/2011

Most studies expect automobile production to grow again by 7 to 8 % in 2012. Beyond 2013, long-term trend growth will probably be around 5 %. However, that would be higher than assumed in the past.

At the beginning of 2010, automakers lifted the strict spending and investment squeeze they imposed during the crisis. This was mainly due, firstly, to the strong market recovery and, secondly, to the sharp earnings rebound at many OEMs. For 2011 and 2012, we expect a marked rise in capital spending in the automobile industry, which should support our continued growth. A substantial part of the investment will probably be in modernizing and optimizing existing plants to increase productivity in view of rising production levels.

Aircraft industry on the ascent

The aircraft industry, where the investment cycles are more long term, should see an upswing phase in 2011 and 2012. Most airlines increased their revenues and earnings strongly in 2010. The volumes of passenger and freight traffic, which are closely linked to the general economic trend, could grow by over 5 % p.a. in the coming years. As a result of higher capacity utilization, investment in new aircraft should increase, too, especially as many projects were shelved during the crisis.

The key investment motive for aircraft manufacturers is to increase production efficiency and to launch new models on schedule. Other drivers are the use of innovative materials, such as carbon fiber reinforced plastics (CFRP), efforts to reduce fuel consumption, and the globalization of production. In the coming years, we expect growing investment by Chinese and Russian aircraft manufacturers, who will be competing with the established players. We should benefit thanks to our global reach.

Significant growth in environmental technology business targeted

The automobile industry will remain our biggest market by far. Given the extensive orders we received from the industry in 2010, it will also account for over 80 % of our sales revenues in 2011 and 2012. However, in the long term, the importance of other customer groups, such as aircraft manufacturers and general industry, will increase.

We also plan to expand our business in environmental technology considerably. We are diversifying into new areas of application, such as heat recovery and the generation of electric power from waste heat from production processes. We will also be leveraging our know-how in automation technology to establish ourselves as a supplier of assembly lines for electric vehicle batteries. We received a first order for a battery assembly line from a German automobile manufacturer in 2010. However, these new areas of business will only make small contributions to Group sales and earnings in the next two years.

New orders, sales revenues, earnings

We take a positive view of our business prospects in 2011 and 2012. We expect continued high demand for new plants especially in the automobile industry's strategically important markets, in other words in Asia, Eastern Europe, and South America. In North America, we expect investment above all in revamp and optimization projects at existing plants, but various customers are planning new plants there, too. The main investment motives in the automobile industry are growing capacity requirements, productivity and efficiency improvements, reducing energy costs, and the trend towards economical drive concepts. We will continue to benefit in the medium and long term from the economic momentum in the emerging markets. Over half of our incoming orders and sales revenues will probably come from these markets in 2011 and 2012. The importance of Western Europe for our business will continue to decline, while the North American market should gain more weight again.

For Group sales, our target is an average long-term growth rate of 5 to 10 % p.a. This will depend on our new areas of business being expanded as planned. We aim to increase sales by at least 15 % to around € 1.45 billion in 2011. This is supported by our high order backlog and the continued strong demand among our customers. All business units should contribute to the sales growth.

After the exceptionally high order intake in 2010, we expect growth of about 5 % in incoming orders to € 1,720 million in 2011. That means order intake would still exceed sales, so order backlog should rise to around € 1.6 billion at the end of 2011.

The upward trend in earnings will probably continue in 2011. The higher capacity utilization and volume and cost degression effects should result in a significant EBIT improvement and an EBIT margin of 3.5 to 4 %. Margins on orders in the plant engineering business have picked up appreciably since mid-2010. The financial result should improve by € 4 to 5 million in 2011 because interest expense will decline despite the higher bond volume. This is due to the much better conditions of our new bond than those of the high-yield bond issued in 2004, which we redeemed in October 2010. Tax expense will rise in absolute terms, after declining in 2010, due to the capitalization of deferred tax assets. The effective tax rate should settle at around 30 % in 2011. Consequently, there will be a further marked improvement in earnings after tax. The dividend for 2011 is to be between 30 % and 40 % of Group net profit, in line with our distribution policy, and should also rise significantly.

For 2012, we plant to increase sales by about 10 %. Operating profit is expected to rise further. At the EBIT level we want to reach a margin of 4.5 to 5 %, supported by cost degression effects as well as higher margins in the project business. While the financial result should improve slightly in 2012, tax expense will rise less than proportionally owing to the further use of existing loss carryforwards. We therefore expect a significant increase in Group net profit for the year, which should also be reflected in the dividend. In 2013, we then want to achieve the margin targets we formulated in our corporate strategy: 6 % EBIT margin and 22 % **ROCE**.

P. 201

Divisions

All divisions should develop well in 2011 and 2012 and increase their earnings considerably. Paint and Assembly Systems is benefiting from the strong demand from the automobile industry, a high order backlog, and better pricing. At Measuring and Process Systems, the expected turnaround at Cleaning and Filtration Systems should have a positive impact on earnings. The Clean Technology Systems division expects continued buoyant demand from the chemical and pharmaceutical industry, providing a platform for further growth of the environmental technology business.

Cash flow

P. 201

P. 201

We expect operating cash flow to be lower but still clearly positive in 2011. **FREE CASH FLOW** will probably be slightly negative. Higher revenues and earnings are likely to be offset by growth in **NET WORKING CAPITAL**. This is mainly due to the fact that many plant engineering projects will be reaching an advanced stage of execution, which is usually associated with higher net working capital requirements. Business volumes will pick up on the mechanical engineering side, which means that we will have to prefinance more inventories again. We expect an appreciable increase in operating cash flow and free cash flow in 2012 on the back of rising revenues and earnings.

Capital expenditure

Capital expenditure on property, plant and equipment in 2011 and 2012 should be in the region of € 10 to 15 million in each case (without acquisitions) and be mostly on replacements. Further small acquisitions are planned to strengthen the core business and build up the new energy efficiency activities. The scale of the proposed acquisitions will probably be in excess of € 10 million p.a.

Liquidity, equity, and financing

From today's vantage point, we expect our net financial position at the end of 2011 to dip slightly below the zero mark (December 31, 2010: € +23.6 million). We aim for an improvement by year-end 2012. Our liquidity, which rose to € 252.3 million as of December 31, 2010, as a result of the proceeds from the new corporate bond, will probably also be in excess of € 200 million as of the end-2011 and end-2012 reporting dates. The expected payments from financial liabilities and derivative financial instruments can be found in **ITEM 38** in the notes to the consolidated financial statements. Equity should increase in absolute terms, and the equity ratio ought to move back toward the target level of 30 % again.

P. 181

It should be possible for the proposed acquisitions and the expansion of the environmental systems business to be financed from cash flow or cash and cash equivalents. No further bond issues are planned in 2011 and 2012. We intend to use the syndicated loan facility only for balancing out fluctuations in net working capital. We would only consider a capital increase if the acquisition volume in the energy efficiency business should exceed a mid double-digit million euro sum.

Purchasing

The procurement prices relevant for us will probably continue to pick up after the low in 2009 and the rise in 2010. As a result, our cost of materials is likely to increase in 2011 and 2012. We are countering the rise in prices by exploiting cost advantages in the sourcing markets of Eastern Europe and Asia. Our aim is to keep the cost of materials from rising more strongly than sales revenues.

Employees

We expect the number of employees to increase by about 150 in 2011. Personnel expenses will probably rise by up to 10 % p.a. in 2011 and 2012; this will be mainly due to rising wage levels in the emerging markets. We will continue to expand the number of employees in the emerging markets; their share of the Group's total workforce is expected to reach the 30 % mark by the end of 2012 (December 31, 2010: 27.3 %). In the established markets, the number of employees will remain at the present level or decline slightly.

R&D

We plan to increase our R&D spending moderately in the coming years. From today's vantage point, we expect a slight increase in the number of R&D employees. The main focuses of our R&D will continue to be:

- reducing costs per unit in the automobile industry
- new service products
- broadening the product portfolio for the emerging markets
- environmental technology and energy efficiency.

SUMMARY OF EXPECTED DEVELOPMENT

We also expect a positive development of the Dürr Group in the next two years provided the favorable economic situation continues. The visibility of our business has improved considerably thanks to the high order backlog, the letters of intent received, and the extensive investment projects in the pipeline among our customers. Against this backdrop and in view of the continued strong demand, especially in the emerging markets, double-digit rates of growth in sales revenues are likely in 2011 and 2012. We expect earnings to rise more strongly than sales, and are aiming for EBIT margins of 3.5 to 4 % in 2011 and 4.5 to 5 % in 2012. Our policy will be for our shareholders to participate in the company's performance through higher dividends.

Bietigheim-Bissingen, March 8, 2011

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER   RALPH HEUWING

Consolidated financial statements 2010

Independent auditors' report

We have issued the following opinion on the consolidated financial statements and the group management report:

"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 2010. 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 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, March 8, 2011

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

SKIRK // WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

HUMMEL // WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

3.1

€ k	NOTE	2010	2009
Sales revenues	(7)	1,261,379	1,077,632
Cost of sales	(8)	−1,024,217	−866,842*
Gross profit on sales		**237,162**	**210,790***
Selling expenses	(9)	−98,540	−96,773*
General and administrative expenses	(10)	−79,922	−79,896*
Research and development costs		−25,790	−25,852*
Other operating income	(12)	27,215	72,132
Other operating expenses	(12)	−26,442	−74,675
Earnings before investment income, interest and similar income, interest and similar expenses, and income taxes		**33,683**	**5,726**
Profit from entities accounted for using the equity method	(14)	548	985
Interest and similar income	(15)	2,137	2,208
Interest and similar expenses	(15)	−23,867	−21,145
Earnings before income taxes		**12,501**	**−12,226**
Income taxes	(16)	−5,418	−13,514
Profit/loss of the Dürr Group		**7,083**	**−25,740**
Attributable to:			
Non-controlling interests		762	1,142
Shareholders of Dürr Aktiengesellschaft		**6,321**	**−26,882**
Earnings per share in € (basic and diluted)		0.37	−1.55

* The presentation has changed compared to the 2009 consolidated financial statements because the gain or loss on restructuring/onerous contracts and impairment losses/reversals of impairment losses are now allocated to various expense items instead of being reported in a separate item. For more information, see note 13 in the notes to the consolidated financial statements.

Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

3.2

€ k	NOTE	2010	2009
Profit/loss of the Dürr Group		**7,083**	**−25,740**
Components of other comprehensive income			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(23)	−253	707
Gains/losses from changes in the fair value of available-for-sale securities	(23)	–	7
Reclassifications from currency translation through profit or loss	(23)	−140	–
Currency translation reserve of foreign subsidiaries	(23)	12,457	3,500
Currency translation reserve of foreign entities accounted for using the equity method	(23)	2,037	−585
Actuarial gains/losses from defined benefit plans and similar obligations	(23)	−1,497	−4,745
Deferred taxes recognized on components of other comprehensive income	(23)	379	83
Other comprehensive income, net of tax	**(23)**	**12,983**	**−1,033**
Total comprehensive income for the year, net of tax		**20,066**	**−26,773**
Attributable to:			
Non-controlling interests		764	1,103
Shareholders of Dürr Aktiengesellschaft		**19,302**	**−27,876**

Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2010

3.3

€ k	NOTE	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Goodwill	(17, 41)	281,702	271,264
Other intangible assets	(17, 41)	34,440	36,978
Property, plant and equipment	(17, 41)	91,199	88,851
Investment property	(17, 41)	23,134	20,475
Investments in entities accounted for using the equity method	(18, 41)	11,912	9,636
Other financial assets	(41)	457	4,510
Trade receivables	(20)	1,321	2,592
Income tax receivables	(16)	100	101
Sundry financial assets	(21)	2,955	5,214
Other assets	(22)	103	74
Deferred taxes	(16)	7,909	5,336
Prepaid expenses		7,099	7,625
Non-current assets		**462,331**	**452,656**
Inventories and prepayments	(19)	73,761	62,511
Trade receivables	(20)	391,950	323,277
Income tax receivables	(16)	5,750	4,562
Sundry financial assets	(21)	11,671	9,641
Other assets	(22)	15,581	8,669
Cash and cash equivalents		252,308	103,897
Prepaid expenses		3,113	2,932
Current assets		**754,134**	**515,489**
Total assets Dürr Group		**1,216,465**	**968,145**
EQUITY AND LIABILITIES			
Subscribed capital	(23)	44,289	44,289
Capital reserve	(23)	200,186	200,186
Revenue reserves	(23)	97,533	92,237
Other comprehensive income	(23)	−28,838	−41,797
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		**313,170**	**294,915**
Non-controlling interests	(24)	6,231	6,488
Total equity		**319,401**	**301,403**
Provisions for post-employment benefit obligations	(25)	55,894	55,144
Other provisions	(26)	7,745	6,295
Bond	(27)	225,639	98,141
Other financial liabilities	(27)	4,906	4,483
Sundry financial liabilities	(29)	9,522	5,875
Income tax liabilities	(30)	163	126
Other liabilities	(30)	3,774	7,440
Deferred taxes	(16)	20,006	22,880
Deferred income		573	748
Non-current liabilities		**328,222**	**201,132**
Other provisions	(26)	39,983	46,063
Trade payables	(28)	439,680	330,850
Financial liabilities	(27)	1,768	1,333
Sundry financial liabilities	(29)	17,545	21,878
Income tax liabilities	(30)	2,527	7,733
Other liabilities	(30)	66,758	57,052
Deferred income		581	701
Current liabilities		**568,842**	**465,610**
Total equity and liabilities Dürr Group		**1,216,465**	**968,145**

Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

3.4

€ k	NOTE	2010	2009
	(33)		
Earnings before income taxes		12,501	−12,226
Income taxes paid		−17,381	−16,274
Net interest		21,730	18,937
Profit from entities accounted for using the equity method		−548	−985
Dividends from entities accounted for using the equity method		441	3,816
Amortization and depreciation of non-current assets		18,012	19,857
Net gain on the disposal of non-current assets		−46	−36
Other non-cash income and expenses		−170	−19
Changes in operating assets and liabilities			
Inventories		−7,361	15,776
Trade receivables		−49,064	126,231
Other receivables and assets		−5,649	14,252
Provisions		−8,261	−15,361
Trade payables		88,280	−47,152
Other liabilities (other than bank)		2,589	−8,113
Other assets and liabilities		301	−3,303
Cash flow from operating activities		**55,374**	**95,400**
Purchase of intangible assets		−5,348	−5,552
Purchase of property, plant and equipment		−9,444	−11,837
Purchase of entities accounted for using the equity method		−12	−13
Purchase of other financial assets		−104	−4,156
Proceeds from the sale of non-current assets		929	1,110
Acquisitions, net of cash acquired		−6,840	−6,832
Interest received		1,360	1,486
Cash flow from investing activities		**−19,459**	**−25,794**
Change in current bank liabilities and other financing activities		−121	−18,546
Repayment of non-current financial liabilities		−290	−2,152
Repayment of bond		−100,000	–
Bond issue		226,721	–
Payment of finance lease liabilities		−1,249	−885
Borrowing of financial liabilities due to entities accounted for using the equity method		9	–
Dividends paid to the shareholders of Dürr Aktiengesellschaft		–	−12,110
Dividends paid to non-controlling interests		−894	−1,827
Interest paid		−19,072	−15,739
Cash flow from financing activities		**105,104**	**−51,259**
Effects of exchange rate changes		7,334	1,165
Changes in cash and cash equivalents related to changes in the consolidated group		58	–
Change in cash and cash equivalents		148,411	19,512
Cash and cash equivalents			
At the beginning of the period		103,897	84,385
At the end of the period		252,308	103,897

Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

€ k	Subscribed capital	Capital reserve	Revenue reserves	Unrealized gains/losses from cash flow hedges
	(23)	(23)	(23)	(23)
January 1, 2009	**44,289**	**200,186**	**130,557**	**−805**
Loss for the year	–	–	−26,882	–
Other comprehensive income	–	–	–	501
Total comprehensive income, net of tax	**–**	**–**	**−26,882**	**501**
Dividends	–	–	−12,110	–
Put option non-controlling interests	–	–	651	–
Other changes	–	–	21	–
December 31, 2009	**44,289**	**200,186**	**92,237**	**−304**
Profit for the year	–	–	6,321	–
Other comprehensive income	–	–	–	−195
Total comprehensive income, net of tax	**–**	**–**	**6,321**	**−195**
Dividends	–	–	–	–
Put option non-controlling interests	–	–	−1,047	–
Other changes	–	–	22	–
December 31, 2010	**44,289**	**200,186**	**97,533**	**−499**

3.5

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 share-holders of Dürr Aktien-gesellschaft	Non-controlling interests	**Total equity**
(23)		(23)	(23)	(23)		(24)	
−18	**822**	**−6,668**	**−34,113**	**−40,782**	**334,250**	**7,119**	**341,369**
–	–	–	–	–	−26,882	1,142	−25,740
7	–	−4,417	2,915	−994	−994	−39	−1,033
7	**–**	**−4,417**	**2,915**	**−994**	**−27,876**	**1,103**	**−26,773**
–	–	–	–	–	−12,110	−1,827	−13,937
–	–	–	–	–	651	93	744
–	−21	–	–	−21	–	–	–
−11	**801**	**−11,085**	**−31,198**	**−41,797**	**294,915**	**6,488**	**301,403**
–	–	–	–	–	6,321	762	7,083
–	–	−1,178	14,354	12,981	12,981	2	12,983
–	**–**	**−1,178**	**14,354**	**12,981**	**19,302**	**764**	**20,066**
–	–	–	–	–	–	−894	−894
–	–	–	–	–	−1,047	−127	−1,174
–	−22	–	–	−22	–	–	–
−11	**779**	**−12,263**	**−16,844**	**−28,838**	**313,170**	**6,231**	**319,401**

Notes to the consolidated financial statements for the 2010 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. Dürr specializes in mechanical and plant engineering and is one of the global market leaders in almost all of its fields of business. It generates some 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. In the 2010 reporting period, Dürr served the market with two divisions. The Paint and Assembly Systems division offers production and paint finishing technology, mainly for automotive bodyshells. The machines and systems produced by the Measuring and Process Systems division are used in engine and drive construction as well as in final assembly.

Accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) 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 reporting periods beginning on January 1, 2010.

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

The Group adopted the following new and revised standards and interpretations in the reporting period for the first time

Amendments to International Accounting Standard (IAS) 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations". The International Accounting Standards Board (IASB) published these two revised standards in January 2008. The main changes concern the cost of a business combination, the full goodwill method, accounting for business combinations achieved in stages, accounting for changes in investments in subsidiaries without the loss of control and the scope of IFRS 3. The revised versions of IAS 27 and IFRS 3 become effective for reporting periods beginning on or after July 1, 2009. The standards introduce changes in the accounting for business combinations that will impact the amount of goodwill recognized, the profit or loss reported in the period in which a business combination occurs, and future profit or loss. In accordance with the changes, the incidental costs incurred in the course of acquisitions are recognized in profit or loss. This correspondingly reduces the amount of goodwill.

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

Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards": Additional exemptions for first-time adopters.

IFRS 2 "Share-based Payment": The amendments concern transactions in which a subsidiary receives goods or services from a supplier or employees that are paid for by the parent company or another group company.

IAS 39 "Financial Instruments: Recognition and Measurement": Definition of the principles for the treatment of hedges in two special situations.

International Financial Reporting Interpretations Committee (IFRIC) 17 "Distributions of Non-cash Assets to Owners": This interpretation deals with the recognition and measurement of an obligation arising from a distribution of non-cash assets; the distribution is to be measured at fair value on the date when the distribution is no longer at the discretion of the entity.

IFRIC 18 "Transfers of Assets from Customers": This interpretation is of particular relevance in the public utilities sector. IFRIC 18 clarifies the IFRS regulations for agreements in which an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network or provide them with ongoing access to a supply of goods or services.

Annual Improvements Project: On April 16, 2009, the IASB issued the second final omnibus standard with changes to existing IFRSs in the course of its annual improvements project. The 2007 – 2009 annual improvements project included minor amendments to a total of twelve standards. The amendments are applicable for reporting periods beginning on or after January 1, 2010. One exception are the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, which are effective for reporting periods beginning on or after July 1, 2009. The most notable changes are listed below. Their application did not, however, have a material effect on the Company's consolidated financial statements:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": The amendment clarifies that the disclosures required by standards other than IFRS 5 are relevant only if they provide for special disclosures in respect of non-current assets held for sale or discontinued operations.
- IFRS 8 "Operating Segments": Disclosures on segment assets are required only if they are included in reporting for internal purposes.
- IAS 7 "Statement of Cash Flows": The amendment clarifies that only expenditures that result in a recognized asset are eligible for classification as investing activities.
- IAS 36 "Impairment of Assets": The amendment concerns the level at which the impairment test is performed on goodwill.
- IAS 38 "Intangible Assets": The amendment clarifies whether intangible assets acquired in a business combination are separable. In future, it will be sufficient if an intangible asset is separable together with a related contract, identifiable asset or liability. In addition, the measurement methods for intangible assets acquired in a business combination were clarified or supplemented.
- IAS 39 "Financial Instruments: Recognition and Measurement": This amendment clarifies that changes in fair value recognized in equity from a cash flow hedge of a forecast transaction that results in the recognition of a financial instrument (for example, forecast transactions in foreign currency) and recognized financial instruments must be reclassified to the statement of income (reclassification adjustments) when the hedged transaction affects profit or loss.

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

IAS 24 "Related Party Disclosures": The IASB published the revised IAS 24 in November 2009. It was revised initially to simplify disclosure requirements for state-controlled entities. In addition, the definition of related parties was reworked completely. The revised standard will become effective for reporting periods beginning on or after January 1, 2011. The amended standard affects the definition of persons and entities related to the reporting entity and the presentation of the relationships in the consolidated financial statements.

The following standards and interpretations adopted by the EU in the comitology procedures have not yet entered into effect and will have no effects, or no material effects, on the consolidated financial statements

IAS 32 "Financial Instruments: Presentation": The amendment clarifies the classification of rights issues as equity or liabilities.

IFRS 1 "First-time Adoption of International Financial Reporting Standards": The amendments contain exemptions for first-time adopters.

Amendment to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": In November 2009, the IFRIC published an amendment to IFRIC 14 that is relevant for entities required to make prepayments on a minimum funding requirement relating to their pension plans.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": The interpretation contains guidance on the treatment of such transactions, which are also referred to as "debt for equity swaps". It illustrates the requirements of IFRSs when an entity renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments issued by the entity to extinguish all or part of the financial liability.

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

IFRS 7 "Financial Instruments: Disclosures": In October 2010, the IASB published the amendments to IFRS 7 on the disclosure requirements when derecognizing financial assets. The amended standard is effective for those reporting periods beginning on or after July 1, 2011, and will have no effects, or no material 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 in particular. In accordance with IFRS 9, a new, less complex approach is used for the classification and measurement of financial assets. As a result, there are only two options for classification of financial assets compared to the four previously used. In October 2010, the IASB published an amendment adding a section on financial liabilities to IFRS 9. IFRS 9 will become effective as of January 1, 2013. Consistent with requests by the G20, however, early adoption for reporting periods ending in or after 2009 is permitted. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

Annual improvements project: In May 2010, the IASB issued the third final omnibus standard with changes to existing IFRSs in the course of its annual improvements project. The 2007 – 2010 annual improvements project included minor amendments to a total of six standards and one interpretation. The amendments are applicable for reporting periods beginning on or after January 1, 2011. One exception are the amendments to IFRS 3 and IAS 27, which are effective for reporting periods beginning on or after July 1, 2010. 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": Amendments to accounting policies in the year of first-time adoption as well as the option of using the revaluation as a basis for deemed cost and to use the deemed cost as a basis for business activities subject to regulation.
- IFRS 3 "Business Combinations": The amendments relate to transitional provisions for contingent consideration in connection with business combinations prior to the introduction of the amendments to IFRS 3 made in 2009. In addition the number of measurement options for non-controlling interests is reduced and inconsistencies relating to share-based payment commitments have been eliminated.
- IFRS 7 "Financial Instruments: Disclosures": The IASB clarified that the qualitative disclosures on risks in connection with financial instruments are intended to support and explain the respective quantitative disclosures.

- IAS 1 "Presentation of Financial Statements": An entity may disclose the individual components of equity in an analysis of other comprehensive income in the statement of changes in equity or in the notes to the financial statements.
- IAS 27 "Consolidated and Separate Financial Statements": Transitional provisions for changes as a consequence of the amendments to IAS 27.
- IAS 34 "Interim Financial Reporting": Development of guidelines to illustrate the implementation of the disclosure requirements of IAS 34 on significant events and transactions and extended disclosure requirements.
- IFRIC 13 "Customer Loyalty Programmes": The amendment clarifies that the amount of discounts and incentives that are granted to customers not participating in a loyalty program must be taken into account in determining the fair value of award credits on the basis of the value of possible awards.

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 thousands of euro (€ thousand or € k), unless stated otherwise.

All assets and liabilities are measured at historical or amortized cost. An exception to the rule are derivative financial instruments, liabilities from a put option held by non-controlling interests and financial assets classified as available for sale 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.

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, 2010, 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 pro rata 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 fewer than 100 % of the shares are purchased, IFRS 3 provides for a choice between the purchased/partial 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 individually.

Entities over which the Group 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 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, 2010, contain all domestic 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:

CONSOLIDATED GROUP 3.6

	Dec. 31, 2010	Dec. 31, 2009
Number of fully consolidated entities		
Germany	11	9
Other countries	41	42
	52	**51**

	Dec. 31, 2010	Dec. 31, 2009
Number of entities accounted for using the equity method		
Germany	3	3
Other countries	1	1
	4	**4**

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

4. Changes in the consolidated group

UCM AG, Rheineck, Switzerland, was consolidated for the first time effective January 1, 2010. UCM Holding AG, Rheineck, Switzerland, was merged into UCM AG, effective June 21, 2010.

The acquisition of Helmuth Rickert GmbH with registered offices in Wolfsburg, Germany, was executed on July 30, 2010, and the company was consolidated for the first time. Following execution of the purchase agreement, the company was renamed Dürr Systems Wolfsburg GmbH.

Dürr IT Service GmbH with registered offices in Stuttgart, Germany, was founded on December 2, 2010. The purpose of the company is to render services in the field of information technology and related areas.

Dürr Canada Corp., Halifax, Nova Scotia, Canada, was deconsolidated as of December 31, 2010.

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". The functional currency is the local currency for all foreign subsidiaries of the Group, 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 note 12.

SIGNIFICANT EXCHANGE RATES 3.7

	CLOSING RATE		AVERAGE RATE	
(in relation to one euro)	**Dec. 31, 2010**	Dec. 31, 2009	**2010**	2009
US dollar	1.3282	1.4303	1.3213	1.3955
Pound sterling	0.8630	0.8932	0.8575	0.8907
Indian rupee	59.6528	66.8570	60.4041	67.4647
Czech koruna	25.1760	26.4110	25.2987	26.4944
Brazilian real	2.2102	2.4994	2.3237	2.7626
Chinese renminbi yuan	8.7697	9.7660	8.9329	9.5279
Korean won	1,507.2414	1,675.1088	1,531.2611	1,770.8065
Polish zloty	3.9675	4.1320	3.9922	4.3516
Mexican peso	16.4480	18.6376	16.6861	18.8839
Japanese yen	108.5936	132.5913	115.2189	130.4779
Moroccan dirham	11.1637	11.3098	11.1476	11.2516

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. Hidden reserves disclosed in the course of business combinations are accounted for in euro as these were only recorded by entities whose local currency is the euro.

6. Accounting policies

Intangible assets

Intangible assets comprise goodwill, franchises, industrial rights and similar rights as well as capitalized development costs and capitalized transaction costs. 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.

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 in the statement of income under research and development costs.

USEFUL LIFE OF INTANGIBLE ASSETS (ESTIMATED) 3.8

years	
Franchises, industrial rights and similar rights	2 to 10
Transaction costs	2 to 5
Capitalized development costs	3 to 8

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.

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED) 3.9

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

Further comments on the property, plant and equipment as reported in the statement of financial position can be found in note 17.

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 ongoing repairs and maintenance are expensed immediately.

Investment property

Investment property is measured initially at depreciated 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 depreciated 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.

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.

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.

Lease payments on operating leases are recorded as an expense in the statement of income over the term of the lease.

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/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 the 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.

To date, the Group has not 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 and interest/currency swaps in order to hedge against interest and 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 – 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.

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 38.

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.

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. Valuation allowances 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.

Long-term construction contracts

Dürr generates most of its sales revenues from long-term 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 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 the 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

Receivables are carried at the lower of amortized cost or net realizable value. The Group assesses the recoverability of its receivables by referring to a number of factors. Should any issues arise which would impinge on the ability of certain customers to meet their financial obligations, Dürr posts a specific valuation allowance to write down the net receivable to the reasonably expected recoverable amount. Impairment losses on trade receivables are posted via allowance accounts. Receivables are derecognized as soon as they become uncollectible.

The assessment of the separate accounts receivable as overdue or in default is made by management. For all other customers, the Group records bad debt allowances on a portfolio basis depending on the days past due, current business circumstances 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.

Cash and cash equivalents

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.

Other comprehensive income

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 at fair value.

Borrowing costs

Borrowing costs include interest and similar expenses, other finance costs and the transaction cost of liabilities.

Accounted for under 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.

Transaction costs incurred in connection with the syndicated loan are shown in the consolidated statement of financial position as other intangible assets and amortized over the term of the syndicated loan.

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 from long-term construction contracts are recognized in cost of sales.

Provisions for post-employment benefit obligations

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.

The majority of the Group's post-employment benefit systems is based on defined benefit plans which guarantee the beneficiary a monthly old-age pension for life. These benefit plans are funded by the companies and by the employees.

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.

In order to avoid closing date fluctuations in the measurement parameters being recognized in profit or loss, since the 2005 reporting period Dürr has used the "SORIE" method to measure the IAS 19 (revised) benefit obligations instead of the alternative "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 plan assets in accordance with the criteria of IAS 19 (revised).

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 obligation. 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 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 primary 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 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 recognition and measurement differences between the carrying amounts for IFRSs 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 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 transactions

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.

OVERVIEW OF SELECTED MEASUREMENT METHODS 3.10

BALANCE SHEET ITEM	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
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 2010 and 2009 reporting periods.

EARNINGS PER SHARE 3.11

		2010	2009
Profit/loss attributable to the shareholders of Dürr AG	€ k	6,321	−26,882
Number of shares outstanding (weighted average)	thousands	17,300.5	17,300.5
Earnings per share (basic and diluted)	€	0.37	−1.55

Use of judgments and estimates

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.

Judgments

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:

Operating lease commitments – Group as lessor

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.

Operating lease commitments – Group as lessee

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.

Consolidation of special purpose entities

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.

Estimates and assumptions

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.

Cost and estimated earnings in excess of billings from construction contracts

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 refined regularly.

Impairment of goodwill

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 four years (prior period: three 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, 2010, was € 281,702 thousand (prior period: € 271,264 thousand). Please refer to note 17 for further details.

Income taxes

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 (prior period: three 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 16 for further details.

Pensions and other post-employment benefits

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 corporate 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 € 55,894 thousand as of December 31, 2010 (prior period: € 55,144 thousand). Please refer to note 25 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, 2010, was € 15,198 thousand (prior period: € 13,812 thousand).

Put option of non-controlling interests for shares held in CPM S.p.A.

In the course of consolidating CPM S.p.A. in full for the first time in 2007, a put option of the non-controlling interests for the shares held by them was 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. This requires an estimate to be made regarding the future revenues of CPM S.p.A. The fair value of the option came to € 6,824 thousand as of December 31, 2010 (prior period: € 5,650 thousand).

Share-based payment transactions

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 the Group'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 38) as well as for contingent liabilities and sundry 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

SALES REVENUES 3.12

€ k	2010	2009
Contract revenues	811,104	763,201
Revenues from services	361,975	263,292
Other sales revenues	88,300	51,139
	1,261,379	**1,077,632**

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 2010 reporting period, it amounted to € 1,024,217 thousand (prior period: € 866,842 thousand), which corresponds to a gross margin of 18.8 % (prior period: 19.6 %). In the reporting period, cost of sales additionally includes finance costs of € 178 thousand (prior period: € 682 thousand), which were recognized on account of IAS 23 "Borrowing Costs". For further details, please refer to note 34.

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. In the 2010 reporting period, selling expenses came to € 98,540 thousand (prior period: € 96,773 thousand).

10. General and administrative expenses

General and 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. In the 2010 reporting period, they came to € 79,922 thousand (prior period: € 79,896 thousand).

11. Personnel expenses

The expense items of the statement of income contain the following personnel expenses:

PERSONNEL EXPENSES 3.13

€ k	2010	2009
Wages and salaries	285,808	275,268
Social security contributions	59,891	61,145
	345,699	**336,413**
of which post-employment benefits	5,993	6,320

Personnel expenses include flat-rate refunds from the Federal Employment Agency in Germany of € 518 thousand (prior period: € 506 thousand). These refunds were made for the social security expenses payable by Dürr with respect to the government-subsidized reduced working hours at various German companies. In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" these refunds are disclosed net of the associated costs.

12. Other operating income and expenses

OTHER OPERATING INCOME AND EXPENSES 3.14

€ k	2010	2009
Other operating income		
Exchange rate gains	16,517	21,790
Income from allocation of expenses for Campus construction project	2,767	45,248
Adjustment of contingent purchase price for UCM AG	1,206	–
Reversal of provisions	877	7
Insurance claims	647	126
Gains on disposal of non-current assets	176	477
Sundry	5,025	4,484
	27,215	**72,132**
Other operating expenses		
Exchange rate losses	17,287	22,482
Expenses for Campus construction project	2,830	48,524
Cost of litigation	1,208	247
Adjustment of contingent purchase price for Dürr Systems Wolfsburg GmbH	1,046	–
Expenses for training facility	758	769
Losses on disposal of non-current assets	130	441
Write-down of other current assets	12	39
Sundry	3,171	2,173
	26,442	**74,675**

13. Effects arising from restructuring/onerous contracts and impairment losses/reversals of impairment losses

Significant restructuring measures were completed in the 2010 reporting period. Dürr has decided to adapt the presentation in the statement of income to industry practice and disclose the effects from restructuring measures/onerous contracts and impairment losses/reversal of impairment losses in functional costs instead of presenting them separately.

In the following table, the prior-year figures for the effects from restructuring measures/onerous contracts and from impairment losses/reversal of impairment losses disclosed in functional costs are reconciled to the presentation in the 2009 annual report.

RECONCILIATION OF THE STATEMENT OF INCOME 2009 3.15

€ k	Statement of income (as reported in 2010)	Expenses from restructuring/ onerous contracts	Expenses from impairment losses/reversal of impairment losses	Statement of income (as reported in 2009)
Sales revenues (2009)	1,077,632	–	–	1,077,632
Cost of sales (2009)	−866,842	9,008	1,290	−856,544
Gross profit (2009)	**210,790**	**9,008**	**1,290**	**221,088**
Selling expenses (2009)	−96,773	3,325	–	−93,448
General and administrative expenses (2009)	−79,896	1,838	73	−77,985
Research and development costs (2009)	−25,852	163	84	−25,605
Other operating income (2009)	72,132	–	–	72,132
Other operating expenses (2009)	−74,675	–	–	−74,675
(2009)	**5,726**	**14,334**	**1,447**	**21,507**
Gain or loss on restructuring/onerous contracts (2009)	–	−14,334	–	−14,334
Impairment losses/reversal of impairment losses (2009)	–	–	−1,447	−1,447
EBIT (2009)	**5,726**	**–**	**–**	**5,726**

Effects from restructuring/ onerous contracts

Restructuring expenses in the reporting year amounted to € –150 thousand (prior period: € –14,334 thousand). Of the expenses in the reporting period of € 5,796 thousand, further capacity adjustments were primarily made in the USA and in France. Of this amount, expenses of € 2,855 thousand are attributable to measures already implemented in the reporting period (prior period: € 6,206 thousand). This was partially offset in the statement of income by income of € 3,896 thousand from the reversal of liabilities for capacity adjustments no longer required. In addition, € 1,750 thousand of the liability for labor law litigation recognized in the prior period was reversed following an out-of-court settlement.

Income of € 2,246 thousand is attributable to the Paint and Assembly Systems division and expenses of € 2,396 thousand are attributable to the Measuring and Process Systems division.

On account of the overall economic situation, it was decided in the prior reporting period to carry out various restructuring measures concerning both divisions. Expenses of € 15,944 thousand were incurred in the 2009 reporting period for the measures. They were partly offset in particular by the reversal of a provision for potential losses amounting to € 1,391 thousand at Schenck Technologie- und Industriepark GmbH as a result of a considerably improved rental situation.

DEVELOPMENT OF LIABILITIES FOR RESTRUCTURING MEASURES 3.16

€ k	Paint and Assembly Systems	Measuring and Process Systems	Dürr Group
As of January 1, 2009	**4,851**	**4,923**	**9,774**
Exchange difference	–	–2	–2
Utilization	–3,351	–478	–3,829
Reversals	–72	–1,538	–1,610
Additions	8,907	831	9,738
As of December 31, 2009	**10,335**	**3,736**	**14,071**
Exchange difference	15	6	21
Utilization	–4,624	–465	–5,089
Reversals	–4,250	–1,396	–5,646
Additions	905	2,036	2,941
As of December 31, 2010	**2,381**	**3,917**	**6,298**

Effects from impairment losses/reversal of impairment losses

In the prior reporting period, Dürr Ecoclean S.A.S., Loué, France, recognized an impairment loss of € 1,240 thousand on real estate on account of a poor market position and a low level of capacity utilization. In so doing, it determined the real estate's market value by reference to a market price analysis of comparable commercial real estate in the region. The recovery in the economic situation and the associated restructuring of production led to an increase in capacity utilization and continued use of the real estate. This means that the reason for the impairment loss on the real estate no longer applied. On account of this, the impairment loss was reversed by € 1,186 thousand to recognize the real estate at fair value. The value in use was used as fair value for this purpose.

The other reversals of impairment losses totaling € 21 thousand (prior period: € 0 thousand) related to property, plant and equipment in Poland. Of the reversals of impairment losses totaling € 1,207 thousand, in the reporting period € 1,186 thousand is accounted for by the Measuring and Process Systems division and € 21 thousand by the Paint and Assembly Systems division.

In the 2010 reporting period, impairment losses of € 126 thousand were recognized (prior period: € 1,447 thousand). These relate to various items of property, plant and equipment in Germany. The other impairment losses totaling € 207 thousand recognized in the prior reporting period concern various items of property, plant and equipment in Germany and the USA. Of the impairment losses, € 89 thousand is accounted for by the Paint and Assembly Systems division (prior period: € 84 thousand) and € 37 thousand by the Measuring and Process Systems division (prior period: € 1,363 thousand).

The expenses from restructuring/onerous contracts and impairment losses/reversal of impairment losses recorded in the statement of income are allocated to functional costs as follows:

EFFECTS FROM RESTRUCTURING/ONEROUS CONTRACTS AND IMPAIRMENT LOSSES/REVERSAL OF IMPAIRMENT LOSSES 3.17

	2010			2009		
€ k	**Effects from restructuring/onerous contracts**	**Impairment losses/ reversals**	**Total**	Effects from restructuring/onerous contracts	Impairment losses/ reversals	Total
Cost of sales	151	1,191	1,342	–9,008	–1,290	–10,298
Selling expenses	321	–	321	–3,325	–	–3,325
General and administrative expenses	–834	–21	–855	–1,838	–73	–1,911
Research and development costs	212	–89	123	–163	–84	–247
	–150	**1,081**	**931**	**–14,334**	**–1,447**	**–15,781**

14. Profit from entities accounted for using the equity method

The profit from entities accounted for using the equity method amounted to € 548 thousand (prior period: € 985 thousand). This disclosure comprises the profit shares from entities accounted for using the equity method. Currency effects were recorded in other comprehensive income.

15. Net interest

NET INTEREST 3.18

€ k	**2010**	2009
Interest and similar income	2,137	2,208
Interest and similar expenses	–23,867	–21,145
of which from:		
Amortization of transaction costs, premium, discount from a bond issue and from a syndicated loan	–5,035	–4,014
Non-recurring effects from the early redemption of the bond	–723	–
Interest expenses from finance leases	–345	–310
Other interest expenses	–17,764	–16,821
Net interest	**–21,730**	**–18,937**
of which from financial instruments under the measurement categories in accordance with IAS 39:		
Loans and receivables measured at amortized cost	2,123	2,187
Available-for-sale financial assets	14	21
Financial liabilities measured at amortized cost	–23,539	–21,051

Other interest expenses also comprise the net interest expense of € 506 thousand (prior period: € 245 thousand) from the interest/currency swaps accounted for at fair value. For details of the Group's financing structure, please refer to note 27.

In the reporting period, interest expenses were reduced by finance costs of € 178 thousand (prior period: € 682 thousand) relating to long-term construction contracts recognized under IAS 23 "Borrowing Costs". Such finance costs are now included in cost of sales. The interest rate used for the 2010 reporting period is 11.10 % (prior period: 11.23 %). For further details, please refer to note 34.

16. 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 29.9 % (prior period: 29.9 %).

COMPOSITION OF INCOME TAX EXPENSE 3.19

€ k	2010	2009
Current income taxes		
Income tax expense for the reporting period in Germany	255	3,649
Income tax expense for the reporting period in other countries	12,143	8,717
Adjustment for prior periods	−1,227	−2,114
Total current income taxes	**11,171**	**10,252**
Deferred income taxes		
Deferred tax expense/income (–) in Germany	−6,186	518
Deferred tax expense/income (–) in other countries	−921	2,853
Adjustment for prior periods	1,354	−109
Total deferred income taxes	**−5,753**	**3,262**
Total income tax expense	**5,418**	**13,514**

Pursuant to IAS 12 "Income Taxes", a deferred tax asset should be recognized for the carryforward of 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 determining the possibilities for utilizing tax losses, Dürr uses a four-year (prior period: three-year) planning horizon and takes into account the minimum taxation in Germany. The extension of the planning horizon caused a € 3,351 thousand increase in deferred tax assets from tax loss and interest loss carryforwards, that was recorded as income in 2010. The change in write-downs on tax loss and interest loss carryforwards comes to € −124 thousand in Germany (prior period: € 3,792 thousand). In addition, there were further changes in write-downs of deferred tax assets of € 940 thousand (prior period: € 4,072 thousand) mainly at the US subsidiaries. In other tax jurisdictions, deferred tax assets were again not recognized on unused tax losses due to the accumulated losses of the past three years.

The following table shows the reconciliation of theoretical income tax expense to the current income tax expense reported. The reconciliation is based on an overall tax rate in Germany of 29.9 % (prior period: 29.9 %).

RECONCILIATION OF THE INCOME TAX EXPENSE 3.20

€ k	2010	2009
Earnings before income taxes	**12,501**	**–12,226**
Theoretical income tax expense/income (–) in Germany of 29.9 %	3,738	–3,656
Adjustments of current and deferred income tax incurred in prior periods	127	–2,223
Non-deductible operating expenses	3,055	4,602
Foreign tax rate differential	185	–181
Unrecognized deferred tax assets especially on unused tax losses	5,054	7,242
Change in tax rates	–672	–
Change in write-downs on deferred tax assets	816	7,864
Subsequent recognition of deferred taxes especially on unused tax losses	–5,589	–
Zero-rated income	–1,262	–680
Other	–34	546
Current income tax expense of the Dürr Group	**5,418**	**13,514**

DEFERRED TAX ASSETS AND LIABILITIES 3.21

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
€ k	2010	2009	2010	2009
Deferred tax assets				
Accounting for intangible assets	3,697	1,782	–1,915	–1,476
Revaluation of land and buildings	271	96	–175	678
Revaluation of financial assets	123	1,370	1,247	–49
Bad debt allowances	283	397	114	209
Interest/currency transactions	545	1,026	423	68
Long-term construction contracts	5,075	3,216	–1,859	–1,594
Post-employment benefits	6,608	8,032	1,103	–1,372
Restructuring and provisions not recognized for tax purposes	1,790	1,313	–477	136
Interest and tax loss carryforwards	22,676	16,635	–6,041	8,088
Total deferred tax assets before write-downs	**41,068**	**33,867**		
Write-downs	–19,081	–18,265	816	7,864
Total deferred tax assets	**21,987**	**15,602**		
Netting	–14,078	–10,266		
Net deferred tax assets	**7,909**	**5,336**		
Deferred tax liabilities				
Accounting for intangible assets	–831	–557	274	–429
Capitalized development costs	–3,221	–2,994	227	–334
Tax-deductible impairment of goodwill	–12,766	–10,914	1,852	1,353
Revaluation of land and buildings	–10,573	–12,038	–1,465	151
Revaluation of financial assets	–	–2,630	–2,630	269
Long-term construction contracts	–5,151	–2,244	2,907	–11,090
Amortization of costs related to bonds and syndicated loans	–1,542	–1,769	–227	358
Total deferred tax liabilities	**–34,084**	**–33,146**		
Netting	14,078	10,266		
Net deferred tax liabilities	**–20,006**	**–22,880**		
Currency effects reported in equity			73	432
Deferred tax expense/income (–)			**–5,753**	**3,262**

The currency effects of € 73 thousand (prior period: € 432 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2010 reporting period, deferred taxes of € 379 thousand were recognized directly in other comprehensive income (prior period: € 83 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.

Unused tax losses for which no deferred tax assets were recognized came to € 190,432 thousand (prior period: € 200,367 thousand). The decrease is primarily attributable to tax losses subsequently capitalized in Germany. Of these, unused tax losses of € 1,934 thousand (prior period: € 695 thousand) will expire within the next five years and € 96,781 thousand (prior period: € 81,239 thousand) within the next 20 years. At present, the remaining unused tax losses do not expire.

As of December 31, 2010, the distributable reserves of foreign subsidiaries amounted to around € 68,541 thousand (prior period: € 71,754 thousand). As Dürr AG intends to reinvest these gains for an indefinite period of time, no tax implications from potential distributions or dividend payments of foreign subsidiaries were considered in the consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

17. 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 consolidated statement of changes in non-current assets in the Group in note 41.

The item franchises, industrial rights and similar rights includes capitalized transaction costs of € 2,178 thousand (prior period: € 5,886 thousand) from the financing of the Group. These are amortized over the term of the respective loan agreements using the straight-line method.

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.

Amortization and depreciation is shown in the statement of income under the following functional costs:

AMORTIZATION AND DEPRECIATION 3.22

	2010			2009		
€ k	**Intangible assets**	**Property, plant and equipment**	**Total amortization and depreciation**	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	1,061	6,894	7,955	789	6,503	7,292
Selling expenses	159	548	707	198	566	764
General and administrative expenses	3,234	2,880	6,114	2,931	2,997	5,928
Research and development costs	3,701	574	4,275	3,658	705	4,363
Other operating expenses	2	40	42	7	56	63
Interest and similar expenses	3,922	–	3,922	2,790	–	2,790
	12,079	**10,936**	**23,015**	**10,373**	**10,827**	**21,200**

In the prior reporting period, Dürr Ecoclean S.A.S., Loué, France, recognized an impairment loss of € 1,240 thousand on real estate on account of a poor market position and a low level of capacity utilization. In so doing, it determined the real estate's market value by reference to a market price analysis of comparable commercial real estate in the region. The recovery in the economic situation and the associated restructuring of production led to an increase in capacity utilization and continued used of the real estate. This means that the reason for the impairment loss on the real estate no longer applied. On account of this, the impairment loss was reversed by € 1,186 thousand to recognize the real estate at fair value. The other reversals of impairment losses totaling € 21 thousand related to property, plant and equipment in Poland. The impairment losses of € 126 thousand related to various items of property, plant and equipment in Germany to recognize them at fair value. The fair value is determined on the basis of the value in use and at the level of the cash-generating unit.

Impairment losses of € 1,447 thousand were recognized in the 2009 reporting period, of which € 1,240 thousand is attributable to land and a building at Dürr Ecoclean S.A.S. in France. The other impairment losses of € 207 thousand related to various non-current assets in Germany and the USA.

Impairment test for goodwill

The goodwill acquired from business combinations was allocated to the cash-generating units for impairment testing. Dürr has defined the business units within the Paint and Assembly Systems and Measuring and Process Systems divisions as the 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 (prior period: three years). The extension of the planning horizon did not lead to any impairment of goodwill. In the reporting period, the pre-tax discount rate for the cash flow forecast ranged from 10.61 % to 10.90 % (prior period: 10.49 % to 10.74 %). 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 subsidiaries' and business units' bottom-up planning. 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

Price increases in raw materials are determined from the forecast price indices of the countries from which the raw materials are procured by the respective subsidiaries.

Increase in payroll costs

In the four-year plan, the German subsidiaries have assumed salary increases averaging 2.5 % p.a. from 2011 onwards (prior period: 2.5 % and 3.5 % p.a.). The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

Sensitivity analysis of goodwill

Despite the economic recovery in the automotive and automotive supply industry, Dürr carried out sensitivity analyses to examine, with regard to impairment of goodwill in the business units, the impact of a 10 % reduction in the projected EBIT in all planning periods from 2011 compared to the approved corporate projections, the impact of an increase in the discount rate of another 0.5 percentage points and the impact of a decrease in the growth rate to 1.0 %.

The sensitivity analyses revealed that, from today's perspective, no impairment loss needed to be recognized in five of six business units even under these assumptions. Only in the Balancing and Assembly Products business unit, the sensitivity analysis carried out applying the above parameters would have given rise to the need to recognize an impairment loss. In this business unit, the impairment test revealed that the value of the business exceeded the carrying amount by € 7,628 thousand. Assuming that the planned EBIT were to fall 4.5 % short of budget in all budgeting years from 2011, or that the discount rate were 0.29 percentage points higher or the growth rate only 1.15 %, the recoverable amount for the Balancing and Assembly Products business unit would be equal to the carrying amount in each case.

The table below shows the development of goodwill, broken down by division and business unit.

DEVELOPMENT OF GOODWILL 3.23

€ k	Carrying amount as of Jan. 1, 2009	Exchange difference	Additions	Carrying amount as of Dec. 31, 2009	Exchange difference	Changes in the consolidated group	Additions	Disposals	Carrying amount as of Dec. 31, 2010
Paint and Final Assembly Systems	88,120	363	–	88,483	1,333	–	–	–	89,816
Application Technology	57,135	221	–	57,356	420	–	4,973	–	62,749
Environmental and Energy Systems	5,180	−118	–	5,062	389	–	–	–	5,451
Aircraft and Technology Systems	7,563	–	–	7,563	–	–	–	–	7,563
Paint and Assembly Systems	**157,998**	**466**	**–**	**158,464**	**2,142**	**–**	**4,973**	**–**	**165,579**
Balancing and Assembly Products	93,102	−191	5,316	98,227	629	–	–	−242	98,614
Cleaning and Filtration Systems	14,874	−301	–	14,573	1,311	1,625	–	–	17,509
Measuring and Process Systems	**107,976**	**−492**	**5,316**	**112,800**	**1,940**	**1,625**	**–**	**−242**	**116,123**
Dürr Group	**265,974**	**−26**	**5,316**	**271,264**	**4,082**	**1,625**	**4,973**	**−242**	**281,702**

The change in goodwill from changes in the consolidated group and additions are explained below.

Acquisitions

2010 reporting period

UCM AG: UCM AG, Rheineck, Switzerland, was consolidated for the first time as of January 1, 2010. Dürr had purchased all of the shares in the company under a share purchase agreement dated December 9, 2009. UCM AG specializes in equipment for the precision cleaning of workpieces. This enables Dürr to supplement its portfolio in a segment that serves growth industries such as medical equipment and precision optics.

Purchase accounting for UCM AG was performed in accordance with IFRS 3 "Business Combinations". 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 UCM AG of € 4,156 thousand breaks down into a basic price of € 2,240 thousand that was settled in cash and two basic installments depending on operating results (earnings before interest, tax, depreciation and amortization – EBITDA) in the 2010 and 2011 reporting periods. The two basic installments increase or decrease in relation to the deviation in forecast EBITDA from EBITDA pursuant to the financial statements. Aggregate changes in the two basic installments may not exceed € 672 thousand (cap). The highest purchase price amounts to € 4,635 thousand, the lowest purchase price to € 3,291 thousand. If the actual aggregate EBITDA for the 2010 and 2011 reporting periods totals at least € 1,441 thousand, the second basic installment will be increased by an additional € 269 thousand. A liability of € 1,916 thousand was recognized as of the purchase date for the contingent portion of the purchase price on the basis of the current planning. Goodwill amounting to € 1,625 thousand reflects the technology and cost synergies in the precision cleaning technology and the positive earnings prospects of UCM AG.

On account of the net profit of UCM AG as of December 31, 2010, and the budgeting for the 2011 reporting period, Dürr has adjusted the commitment to pay the second purchase price installment. The fair value of the liability was reduced by € 952 thousand to € 964 thousand through profit or loss.

Kleinmichel: As of January 25, 2010, assets were acquired from the liquidation assets of Klaus Kleinmichel GmbH, Bernried, Germany, under an asset deal. Kleinmichel specializes in glueing technology for the final assembly work in the automobile industry and for general industrial applications. Purchase accounting for the assets acquired was performed in accordance with IFRS 3 “Business Combinations”. The purchase price of the assets amounted to € 2,500 thousand and was settled in cash. The goodwill of € 1,603 thousand reflects technology and cost synergies in glueing technology.

Klaus Kleinmichel GmbH did not generate any sales revenues in 2010 prior to its insolvency in January. As the assets acquired are fully merged in the financial statements of the acquiring entity, Dürr Systems GmbH, Stuttgart, Germany, it is impossible to disclose separately the earnings and sales revenues since the acquisition date.

Helmuth Rickert GmbH: Under a share purchase agreement signed on May 27, 2010, Dürr acquired all the shares in Helmuth Rickert GmbH, Wolfsburg, Germany, as of July 30, 2010. Prior to execution of the share purchase agreement, its subsidiary I.N.T.-Rickert GmbH, likewise with registered offices in Wolfsburg, was merged into Helmuth Rickert GmbH. In Germany, Rickert is one of the leading providers of products for glueing for bodywork parts. Through the acquisition of Rickert, Dürr is expanding its activities in the field of glueing technology.

Purchase accounting for Helmuth Rickert GmbH (renamed Dürr Systems Wolfsburg GmbH following execution of the share purchase agreement) was performed in accordance with IFRS 3 “Business Combinations”. 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 Helmuth Rickert GmbH of € 5,400 thousand breaks down into a basic price of € 5,400 thousand that was settled in cash and a portion dependent upon the average operative result (earnings before interest and tax – EBIT – in accordance with German commercial law) reported in the 2010 to 2014 reporting periods. The earnings-related portion of the purchase price may not exceed € 1,200 thousand. This means that the highest purchase price amounts to € 6,600 thousand, the lowest purchase price to € 5,400 thousand. As of the acquisition date, a liability of € 0 thousand was recognized for the contingent portion of the purchase price, because as of the acquisition date the budgeted EBIT in accordance with German commercial law for the 2010 to 2014 reporting periods was not able to offset the net loss for the year 2010 under German commercial law. Goodwill amounting to € 3,370 thousand reflects the technology and cost synergies in the glueing technology as well as synergies in the sales activities and the positive earnings prospects of Helmuth Rickert GmbH.

As of December 31, 2010, the key indicators of Dürr Systems Wolfsburg GmbH imply that the forecasts made as of first-time consolidation will be exceeded and that the contingent installment of the purchase price will probably be higher than anticipated at the acquisition date. For this reason, a sundry financial liability of € 1,046 thousand was recognized through profit or loss, which reflects the discounted fair value of the liability.

The acquisition-related costs of the entities acquired totaled € 263 thousand. Of this amount, € 208 thousand was recorded as expense in the 2010 reporting period and € 55 thousand in the 2009 reporting period.

The contribution of UCM AG and Dürr Systems Wolfsburg GmbH (formerly: Helmuth Rickert GmbH) to earnings after taxes from the date of first-time consolidation to December 31, 2010 totals € 610 thousand; the sales revenues with external parties included in that period amount to € 6,269 thousand.

If Dürr Systems Wolfsburg GmbH (formerly: Helmuth Rickert GmbH) had been included in the consolidated group as of January 1, 2010, group sales revenues for the 2010 reporting period would have amounted to € 1,265,632 thousand and the Group's profit for the period would have been € 5,624 thousand.

The acquired net assets and goodwill from the UCM AG, Helmuth Rickert GmbH and Kleinmichel acquisitions break down as follows:

GOODWILL OF ACQUISITIONS 2010 3.24

€ k	
Purchase price for the acquisitions	12,056
Fair value of net assets	–5,458
Goodwill	**6,598**

The total purchase price was allocated to the assets acquired and liabilities assumed as follows:

PURCHASE PRICE ALLOCATION OF ACQUISITIONS 2010 3.25

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	8	2,997	3,005
Property, plant and equipment	2,420	–55	2,365
Deferred tax assets	–	234	234
Inventories	1,460	–425	1,035
Receivables and other assets	4,389	–518	3,871
Cash and cash equivalents	1,119	–1	1,118
Non-current liabilities	–869	–166	–1,035
Deferred tax liabilities	–255	–615	–870
Current liabilities	–4,976	711	–4,265
Net assets	**3,296**	**2,162**	**5,458**

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 were recognized in the course of the purchase price allocation. A developed property belonging to

Helmuth Rickert GmbH and a building on third-party land as well as a building owned by UCM AG were measured at fair value. Trade receivables and trade payables were adjusted on account of the transition made to carrying amounts determined using the percentage of completion method under IAS 11 "Construction Contracts". In addition, a write-down was recorded on the inventories acquired. No contingent liabilities were recognized upon first-time consolidation.

The useful lives of the intangible assets acquired break down as follows:

USEFUL LIVES OF THE INTANGIBLE ASSETS FROM ACQUISITIONS 2010 3.26

	Fair value (€ k)	Useful life (years)
Technological know-how	1,557	8
Customer relationships	1,440	10
	2,997	

The goodwill is allocated to the Cleaning and Filtration Systems, and Application Technology business units; € 1,603 thousand of this amount is tax deductible.

A comparison of the statement of financial position and the statement of income was not performed as the change in the consolidated group is not material. As of December 31, 2010, the entities consolidated for the first time, UCM AG and Dürr Systems Wolfsburg GmbH, only make up 0.5 % of total assets and sales revenues.

2009 reporting period

Datatechnic S.A.S.: On April 2, 2009, 100 % of the shares in Datatechnic S.A.S., Uxegney, France, were acquired. Datatechnic S.A.S. is a leading manufacturer of balancing machines for turbochargers.

Purchase accounting for Datatechnic S.A.S. was performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations". The profit or loss of the acquired entity was included in the consolidated financial statements as of the date of acquisition. Datatechnic S.A.S.'s contribution to earnings after taxes from the date of acquisition to December 31, 2009, totals € 566 thousand; the sales revenues with external parties included in that period amount to € 964 thousand. If Datatechnic S.A.S. had been included in the consolidated group as of January 1, 2009, group sales revenues for the 2009 reporting period would have amounted to € 1,079,580 thousand and the Group's loss for the period would have been € 25,114 thousand.

The net assets and goodwill of Datatechnic S.A.S. acquired are determined as follows:

GOODWILL OF DATATECHNIC S.A.S. 3.27

€ k	April 2, 2009
Purchase price for the acquisition	7,000
Costs directly attributable to the acquisition	142
Total purchase price	**7,142**
Fair value of net assets	−1,826
Goodwill	**5,316**

The total purchase price was allocated to the assets acquired and liabilities assumed as follows:

PURCHASE PRICE ALLOCATION FOR DATATECHNIC S.A.S. 3.28

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	7	1,364	1,371
Property, plant and equipment	270	–11	259
Deferred tax assets	–	157	157
Inventories	2,240	–1,946	294
Receivables and other assets	1,951	1,305	3,256
Cash and cash equivalents	310	–	310
Non-current liabilities	–10	–	–10
Deferred tax liabilities	–	–598	–598
Current liabilities	–4,485	1,272	–3,213
Net assets	**283**	**1,543**	**1,826**

The carrying amounts after acquisition corresponded to fair value as of the date of acquisition. The gross contractual value of the acquired receivables and other assets approximated their fair value. The adjustments mainly relate to intangible assets, where a ban on competition and customer relationships were recognized in the course of the purchase price allocation. Inventories and 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 cost of the shares amounted to € 7,142 thousand; the purchase price was paid in cash. Goodwill amounting to € 5,316 thousand reflects the technology and cost synergies between the balancing and correction technology and the positive earnings prospects of Datatechnic S.A.S. The goodwill was allocated to the Balancing and Assembly Products business unit.

USEFUL LIFE OF INTANGIBLE ASSETS ACQUIRED OF DATATECHNIC S.A.S. 3.29

	Fair value (€ k)	Useful life (years)
Ban on competition	249	5
Customer relationships	1,115	10
	1,364	

Land and buildings

One building in the United Kingdom and one (prior period: two) in Germany were capitalized as finance leases in the reporting period. Dürr does not have legal title to these buildings. The depreciation recorded on these buildings is included in the depreciation of property, plant and equipment.

In the 2010 reporting period, the finance lease for a building in Germany was terminated early and the building was acquired by Schenck Technologie- und Industriepark GmbH. The building is accounted for as investment property.

At the Darmstadt location, a heating water distribution grid for heating the technology and industrial estate was recognized as a finance lease in land and buildings. The term of the finance lease ends on December 31, 2020. When the contract ends, the heating water distribution grid including all installed components and equipment will become the property of Schenck Technologie- und Industriepark GmbH.

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.

PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS 3.30

€ k	Dec. 31, 2010	Dec. 31, 2009
Historical cost	5,108	17,032
Accumulated depreciation and impairment losses	– 1,607	– 9,635
Net carrying amount	**3,501**	**7,397**

For the syndicated loan, the total mortgages of selected Dürr entities recorded in the land register were provided as collateral. As of December 31, 2010, the carrying amount of the assets totaled € 65,228 thousand (prior period: € 63,529 thousand).

Investment property

Dürr distinguishes between property that is largely owner-occupied and property that is 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, Germany. In the 2010 reporting period, these properties generated rental income of € 2,628 thousand (prior period: € 2,583 thousand). The future rental income based on the existing agreements breaks down as follows:

FUTURE RENTAL INCOME 3.31

€ k	Dec. 31, 2010	Dec. 31, 2009
Less than one year	2,511	2,481
Between one and five years	1,980	3,481
More than five years	37	182
	4,528	**6,144**

Directly attributable expenditure amounted to € 1,481 thousand (prior period: € 1,478 thousand). Of this amount, € 105 thousand (prior period: € 119 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 2010 reporting period, the composition of these properties changed on account of changes to own and third-party use. The fair value comes to some € 25,880 thousand as of December 31, 2010, taking into account additions due to subsequent expenditure (prior period: € 23,540 thousand). An internal calculation prepared on 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 € 36,139 thousand as of January 1, 2010, and € 39,160 thousand as of December 31, 2010. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 15,664 thousand as of January 1, 2010, to € 16,026 thousand as of December 31, 2010.

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.

INVESTMENT PROPERTY 3.32

€ k	2010	2009
As of January 1	**20,475**	**21,019**
Additions of buildings from change in use	2,724	–
Additions from subsequent expenditure	1,240	258
Disposals from change in use	–822	–
Disposals from acquisition costs	–156	–20
Reclassifications	35	–
Depreciation	–768	–800
Disposals of depreciation from change in use	274	–
Disposals from accumulated depreciation and impairment losses	132	18
As of December 31	**23,134**	**20,475**

18. Investments in entities accounted for using the equity method

ASSOCIATES 3.33

€ k	2010	2009
Total assets	87,173	86,763
Non-current assets	52,240	51,388
Current assets	34,933	35,375
Non-current liabilities	25,321	22,118
Current liabilities	37,054	38,545
Sales revenues	29,102	28,006
Profit for the period	2,175	2,252

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.

JOINT VENTURES (SHARE IN PROFIT) 3.34

€ k	2010	2009
Total assets	33	1,865
Current assets	33	1,865
Current liabilities	9	1,270
Sales revenues	488	6,499
Loss for the period	–334	–128

The share of profit from joint ventures accounted for using the equity method amounted to € 491 thousand (prior period: € 6,801 thousand) and losses totaled € 824 thousand (prior period: € 6,928 thousand). Contingent liabilities for joint ventures break down as follows:

CONTINGENT LIABILITIES FOR JOINT VENTURES 3.35

€ k	2010	2009
Guarantees for joint ventures	3,069	3,069
Assumption of joint and several liability by the venturer	–1,705	–1,705
As of December 31	**1,364**	**1,364**

For additional information about the consolidated entities, please refer to notes 3 and 4.

19. Inventories and prepayments

INVENTORIES AND PREPAYMENTS 3.36

€ k	Dec. 31, 2010	Dec. 31, 2009
Materials and supplies	48,381	44,339
less write-downs	–7,655	–6,728
Work in process from small series production	12,645	8,896
less write-downs	–792	–763
Finished goods	7,575	8,013
less write-downs	–1,072	–872
Prepayments	14,679	9,626
	73,761	**62,511**

Materials and supplies of € 45,046 thousand (prior period: € 41,253 thousand) were measured at average cost and € 3,335 thousand (prior period: € 3,086 thousand) using the FIFO method (first in, first out). On aggregate, write-downs increased to € 9,519 thousand (prior period: € 8,363 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the reporting period of € 5,745 thousand (prior period: € 4,868 thousand) were recognized in profit or loss.

20. Trade receivables

TRADE RECEIVABLES 3.37

	DEC. 31, 2010			DEC. 31, 2009		
€ k	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	209,269	209,269	–	139,127	139,127	–
Trade receivables due from third parties	183,492	182,171	1,321	186,475	183,883	2,592
Trade receivables due from entities accounted for using the equity method	510	510	–	267	267	–
	393,271	**391,950**	**1,321**	**325,869**	**323,277**	**2,592**

The table below shows an ageing analysis of the recognized trade receivables that are not impaired.

AGEING ANALYSIS OF TRADE RECEIVABLES 3.38

€ 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, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Neither past due nor impaired at the end of the reporting period	209,269	139,127	139,873	141,634	510	267
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	26,472	27,176	–	–
between 3 and 6 months	–	–	5,959	9,076	–	–
between 6 and 9 months	–	–	1,851	1,856	–	–
between 9 and 12 months	–	–	1,066	1,595	–	–
more than 12 months	–	–	4,829	3,336	–	–
Total	–	–	40,177	43,039	–	–
Net receivables on which specific bad debt allowances have been recognized	–	–	3,442	1,802	–	–
Net carrying amount	**209,269**	**139,127**	**183,492**	**186,475**	**510**	**267**

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.

In the 2010 reporting period, financial assets with a carrying amount of € 2,343 thousand (prior period: € 0 thousand) were renegotiated, as they would have otherwise been impaired or past due.

Bad debt allowances on trade receivables due from third parties and due from entities accounted for using the equity method developed as follows:

CHANGES IN BAD DEBT ALLOWANCES 3.39

€ k	**2010**	2009
As of January 1	**7,720**	**8,816**
Exchange difference	162	59
Utilization	−916	−1,616
Reversals	−1,118	−1,926
Increases (impairment charge)	2,899	2,387
As of December 31	**8,747**	**7,720**

Receivables of € 1,013 thousand (prior period: € 2,361 thousand) were derecognized in the 2010 reporting period; € 916 thousand (prior period: € 1,616 thousand) thereof had already been written down in the prior period. The remaining € 97 thousand (prior period: € 745 thousand) was derecognized through profit or loss in the 2010 reporting period.

COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS 3.40

	DEC. 31, 2010			DEC. 31, 2009		
€ k	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs and estimated earnings	700,936	700,936	–	516,586	516,586	–
less billings	491,667	491,667	–	377,459	377,459	–
Costs and estimated earnings in excess of billings	**209,269**	**209,269**	**–**	**139,127**	**139,127**	**–**
Liabilities						
Costs and estimated earnings	552,547	552,547	–	485,001	485,001	–
less billings	813,320	813,320	–	674,902	674,902	–
Billings in excess of costs on uncompleted contracts	**260,773**	**260,773**	**–**	**189,901**	**189,901**	–
Total						
Costs and estimated earnings	1,253,483	1,253,483	–	1,001,587	1,001,587	–
less billings	1,304,987	1,304,987	–	1,052,361	1,052,361	–
Billings in excess of costs on uncompleted contracts	**51,504**	**51,504**	**–**	**50,774**	**50,774**	**–**

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 28.

21. Sundry financial assets

SUNDRY FINANCIAL ASSETS 3.41

	DEC. 31, 2010			DEC. 31, 2009		
€ k	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	2,061	1,985	76	4,647	2,258	2,389
Rent deposits and other collateral provided	3,974	1,561	2,413	4,414	1,962	2,452
Remaining sundry financial assets	8,591	8,125	466	5,794	5,421	373
	14,626	**11,671**	**2,955**	**14,855**	**9,641**	**5,214**

Remaining sundry financial assets include balances at suppliers of € 1,176 thousand (prior period: € 737 thousand) and receivables from employees totaling € 1,770 thousand (prior period: € 1,737 thousand).

No contractual terms and conditions were renegotiated in the 2010 and 2009 reporting periods where the sundry financial assets would otherwise have been impaired or past due.

For the disclosures required by IFRS 7, please refer to note 32.

AGEING ANALYSIS OF SUNDRY FINANCIAL ASSETS 3.42

€ k	Dec. 31, 2010	Dec. 31, 2009
Neither past due nor impaired at the end of the reporting period	14,626	14,462
Not impaired at the end of the reporting period, but past due by		
less than 3 months	–	–
between 3 and 6 months	–	–
between 6 and 9 months	–	74
between 9 and 12 months	–	–
more than 12 months	–	319
Total	–	393
Net financial assets on which specific bad debt allowances have been recognized	–	–
Net carrying amount	**14,626**	**14,855**

There are no indications that debtors will not meet their payment obligations with respect to the sundry financial assets that are neither past due nor impaired. Impairment of sundry financial assets developed as follows:

MOVEMENTS IN THE ALLOWANCE FOR IMPAIRMENT OF SUNDRY FINANCIAL ASSETS 3.43

€ k	2010	2009
As of January 1	**393**	**319**
Exchange difference	5	–
Utilization	–266	–
Increases (impairment charge)	–	74
As of December 31	**132**	**393**

In the reporting period, € 0 thousand (prior period: € 74 thousand) was added to the provision for impairment of sundry financial assets with effect on profit or loss.

22. Other assets

OTHER ASSETS 3.44

	DEC. 31, 2010			DEC. 31, 2009		
€ k	Total	Current	Non-current	Total	Current	Non-current
Other assets	15,684	15,581	103	8,743	8,669	74
	15,684	**15,581**	**103**	**8,743**	**8,669**	**74**

Other assets mainly contain tax assets, which do not relate to income taxes, of € 15,143 thousand (prior period: € 8,280 thousand).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

23. Equity attributable to shareholders of Dürr Aktiengesellschaft

Subscribed capital

As of December 31, 2010, 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.

Authorization of the Board of Management to acquire and sell treasury shares

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.

The annual general meeting additionally authorized the Board of Management to sell, with the 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.

The above authorization replaced the identically worded authorization by the annual general meeting on April 30, 2009, that would have expired on October 30, 2010.

Authorized capital (Dürr AG)

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).

Conditional capital (Dürr AG)

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, bearer-denominated 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 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).

Capital reserve (Dürr AG)

The capital reserve includes share premiums and was unchanged as of December 31, 2010, 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 [“Aktiengesetz”: German Stock Corporations Act].

Revenue reserves

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 € 97,533 thousand as of December 31, 2010 (prior period: € 92,237 thousand). The change was essentially due to the transfer of the profit for the period. In accordance with Sec. 268 No. 8 HGB, an amount of € 1,047 thousand (prior period: € 931 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].

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 2010 reporting period, Dürr AG did not distribute any dividend to its shareholders from the net retained profit recorded in 2009. On account of the results of operations in the 2010 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that a dividend of € 0.30 per share be distributed. This proposal will be put forward to the annual general meeting.

Other comprehensive income

The table below presents the development of 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".

OTHER COMPREHENSIVE INCOME 3.45

	2010			2009		
€ k	**Before tax**	**Tax effects**	**Net**	Before tax	Tax effects	Net
Net gains/losses (–) from derivatives used to hedge cash flows	–253	58	–195	707	–206	501
Gains/losses from changes in the fair value of available-for-sale securities	–	–	–	7	–	7
Reclassifications from currency translation through profit or loss	–140	–	–140	–	–	–
Difference arising from foreign currency translation	12,457	–	12,457	3,500	–	3,500
Difference arising from foreign currency translation of entities accounted for using the equity method	2,037	–	2,037	–585	–	–585
Change in net actuarial gains and losses from defined benefit plans and similar obligations	–1,497	321	–1,176	–4,745	289	–4,456
Change in other comprehensive income	**12,604**	**379**	**12,983**	**–1,116**	**83**	**–1,033**

The increase in currency-related components of other comprehensive income is essentially attributable to the fluctuation of the euro against the US dollar, the Chinese renminbi yuan, the Brazilian real and the Japanese yen.

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 is net financial status divided by the total of equity less net financial status. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. At –8.0 % (prior period: –1.0 %), the ratio at the end of the 2010 reporting period was significantly lower than the threshold given because the Group had net financial assets instead of net financial debt, as was the case in the prior period.

GEARING RATIO 3.46

€ k	**Dec. 31, 2010**	Dec. 31, 2009
Cash and cash equivalents	252,308	103,897
Bond	–225,639	–98,141
Financial liabilities due to entities accounted for using the equity method	–1,090	–1,081
Liabilities to banks	–1,990	–1,652
Net financial status [1]	**23,589**	**3,023**
Equity [2]	319,401	301,403
Equity less net financial status [3] = [2] – [1]	295,812	298,380
Gearing ratio (–[1] / [3] x 100 (%))	**–8.0 %**	**–1.0 %**

The equity is included in the calculation of a total net worth covenant, stipulated by the agreement on the syndicated loan. The total net worth covenant may not fall below a certain value. This covenant was always complied with in the 2010 and 2009 reporting periods.

24. 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 four entities (prior period: four) in which there were non-controlling interests.

BREAKDOWN OF THE NON-CONTROLLING INTERESTS 3.47

€ k	Dec. 31, 2010	Dec. 31, 2009
Olpidürr S.p.A., Novegro di Segrate, Italy	1,997	2,445
Verind S.p.A., Rodano, Italy	4,208	4,021
CPM S.p.A., Beinasco, Italy	–	–
Stimas Engineering S.r.l., Paderno Dugnano, Italy	26	22
	6,231	**6,488**

In accordance with IAS 32 "Financial Instruments: Presentation", the put option of the non-controlling interests in CPM S.p.A. was measured at fair value and presented in sundry financial liabilities. Accordingly, it is assumed that Dürr has acquired all non-controlling interests and there are therefore no longer any non-controlling interests in that entity.

25. 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) in line with the respective tariff group for which the Company recorded contributions of € 753 thousand (prior period: € 753 thousand) as an expense. In addition, Dürr paid contributions of € 15,172 thousand (prior period: € 15,398 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 € 1,250 thousand (prior period: € 996 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 around € 335 thousand (prior period: € 358 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.

In addition, 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.

At the German Dürr subsidiaries, those workers who were employed at the locations 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 actual contributions plus an element that is dependent on years of service.

The 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 and 2006.

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS 3.48

€ k	**Dec. 31, 2010**	Dec. 31, 2009
Changes in the present value of defined benefit obligations		
Defined benefit obligation at the beginning of the year	78,063	71,378
Changes in the consolidated group	1,410	71
Exchange differences	1,733	–260
Service cost	2,038	2,293
Interest cost	4,192	4,300
Actuarial gains and losses	1,962	5,135
Benefits paid	–4,962	–4,707
Curtailments	–	–118
Other	40	–29
Defined benefit obligation at the end of the year	**84,476**	**78,063**

CHANGE IN PLAN ASSETS 3.49

€ k	**Dec. 31, 2010**	Dec. 31, 2009
Change in plan assets		
Fair value of plan assets at the beginning of the year	23,032	20,043
Changes in the consolidated group	1,148	89
Exchange differences	1,264	–230
Expected return on plan assets	1,242	885
Actuarial gains and losses	463	390
Employer contributions	1,566	614
Plan participant contributions	88	–
Benefits paid	–1,147	–1,007
Plan assets from employer's pension liability insurance	1,073	2,248
Fair value of plan assets at the end of the year	**28,729**	**23,032**
Funded status*	55,747	55,031

* Difference between the defined benefit obligation and the plan assets

FUNDED STATUS 3.50

€ k	Dec. 31, 2010	Dec. 31, 2009
Present value of funded obligations	58,497	53,276
Plan assets at fair value	28,729	23,032
Defined benefit obligation in excess of plan assets	29,768	30,244
Present value of non-funded obligations	25,979	24,787
Funded status*	55,747	55,031

* Difference between the defined benefit obligation and the plan assets

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED BY ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS 3.51

€ k	Dec. 31, 2010	Dec. 31, 2009
Prepaid expenses	147	113
Provisions for post-employment benefit obligations	55,894	55,144
	55,747	**55,031**
Other comprehensive income (including exchange differences)	–12,844	–10,564

As of December 31, 2010, 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:

COMPOSITION OF PLAN ASSETS 3.52

€ k	Dec. 31, 2010	Dec. 31, 2009
Shares	7,057	6,254
Fixed-interest securities	20,891	16,434
Real estate	436	291
Other	345	53
	28,729	**23,032**

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 accumulation of capital is to be achieved above all by equity investments. Fixed-interest securities intended to secure ongoing interest receivables are an equally important part of the investment portfolio. The planned long-term return on plan assets for the main benefit plans in the USA ranges between 6.25 % and 7.50 %. Depending on the investment strategy, stocks account for 5 % and 63 % of the portfolio, respectively.

For the 2011 reporting period, employer contributions to the plans of € 1,040 thousand are expected.

COMPOSITION OF THE NET PENSION COST 3.53

€ k	2010	2009
Service cost	2,038	2,293
Interest cost	4,192	4,300
Expected return on plan assets	–1,242	–885
Curtailments	–	–118
Other	–164	–
	4,824	**5,590**

In the 2010 reporting period, the actual return on plan assets totaled € 1,705 thousand (prior period: € 1,275 thousand).

The net periodic pension cost is contained in the following items of the statement of income:

NET PENSION COST IN THE STATEMENT OF INCOME 3.54

€ k	2010	2009
Cost of sales	581	637
Selling expenses	279	221
General and administrative expenses	3,927	4,669
Research and development costs	15	15
Other operating expenses	22	48
	4,824	**5,590**

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.

AVERAGES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS 3.55

	2010			2009		
%	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	5.00	5.00	4.55	5.25	5.65	4.62
Long-term salary increases	2.80	–	2.72	3.00	–	2.85

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 2010 reporting period (prior period: 2.00 %).

AVERAGES USED FOR CALCULATING PENSION COST 3.56

	2010			2009		
%	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	5.25	5.65	4.62	5.90	6.15	5.42
Expected long-term return on plan assets	5.25	7.27	6.06	5.90	7.36	6.23
Long-term salary increases	3.00	–	2.85	3.50	–	3.00

The average figures are calculated on the basis of the weighted average of the defined benefit obligation or the plan assets.

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.

AMOUNTS FOR THE CURRENT AND PREVIOUS REPORTING PERIODS 3.57

€ k	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Defined benefit obligation	84,476	78,063	71,378	71,180	81,848
Plan assets at fair value	28,729	23,032	20,043	21,609	21,185
Surplus/deficit (–)	−55,747	−55,031	−51,335	−49,571	−60,663
Experience adjustments on post-employment benefit obligations	−632	107	348	2,611	1,416
Experience adjustments on plan assets	446	907	−2,192	244	158

26. Other provisions

OTHER PROVISIONS 3.58

	DEC. 31, 2010			DEC. 31, 2009		
€ k	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	34,354	31,093	3,261	38,217	36,680	1,537
Personnel provisions	10,825	6,488	4,337	10,691	6,045	4,646
Sundry provisions	2,549	2,402	147	3,450	3,338	112
	47,728	**39,983**	**7,745**	**52,358**	**46,063**	**6,295**

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. The personnel provisions mainly contain provisions for long-service awards and obligations for phased retirement. Sundry provisions relate to various identifiable specific risks and contingent 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.

CHANGES IN OTHER PROVISIONS IN THE REPORTING PERIOD 3.59

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2010	**38,217**	**10,691**	**3,450**
Changes in the consolidated group	885	–	56
Exchange difference	1,098	21	114
Utilization	−29,246	−3,381	−2,140
Reversals	−3,547	−36	−848
Additions	26,947	3,530	1,917
As of December 31, 2010	**34,354**	**10,825**	**2,549**

27. Bond and other financial liabilities

All interest-bearing liabilities of the Group are shown under the item bonds and other financial liabilities.

FINANCIAL LIABILITIES 3.60

€ k	Total	Short-term	Total	Medium-term	Long-term
Bond	225,639	–	225,639	225,639	–
(2009)	(98,141)	(–)	(98,141)	(98,141)	(–)
Liabilities to banks	1,990	1,110	880	880	–
(2009)	(1,652)	(483)	(1,169)	(1,106)	(63)
Financial liabilities due to entities accounted for using the equity method	1,090	170	920	–	920
(2009)	(1,081)	(161)	(920)	(–)	(920)
Liabilities from finance leases	3,594	488	3,106	2,183	923
(2009)	(3,083)	(689)	(2,394)	(2,203)	(191)
December 31, 2010	**232,313**	**1,768**	**230,545**	**228,702**	**1,843**
(December 31, 2009)	**(103,957)**	**(1,333)**	**(102,624)**	**(101,450)**	**(1,174)**

Those liabilities with a residual term of between one and five years are disclosed as medium-term; otherwise as short- or long-term.

In September 2010, Dürr AG issued a fixed-interest corporate bond with a total volume of € 150,000 thousand, a coupon of 7.25 % and a term of five years at a rate of 100 %. Maturing on September 28, 2015, the bond serves the long-term financing of the Group and replaces the bond issued in 2004 with a remaining amount of € 100,000 thousand and a coupon of 9.75 %. The remaining € 100,000 thousand of the 2004 bond was terminated early on September 29, 2010, and repaid on October 29, 2010, at a rate of 100 % plus accrued interest of € 2,817 thousand.

The special effects caused by the early repayment of € 723 thousand from the recognition through profit and loss of the transaction costs that had not been amortized by October 29, 2010, were recognized as interest expense in the statement of income (please refer to note 15).

The corporate bond issued in September 2010 was increased by € 75,000 thousand to € 225,000 thousand on December 6, 2010. The issue price was 104.9 %. The issue price and the coupon of 7.25 % give rise to a return of 6.0 %. The term of the increase similarly ends on September 28, 2015.

In September 2008, Dürr AG entered into a new syndicated loan agreement of € 440,000 thousand with a syndicate of banks. The lead banks are Baden-Württembergische Bank, Commerzbank, UniCredit (previously: Bayerische Hypo- und Vereinsbank) and Deutsche Bank. A total of seven banks are included in the syndicate. The multi-currency syndicated loan, comprising a revolving cash line of € 200,000 thousand and a bank guarantee line of € 240,000 thousand, originally had a term of three years (until September 2011). On account of the economic crisis, an adjustment of the financial covenants to the changed economic conditions was agreed with the syndicate of banks on two occasions in the 2009 reporting year. In addition, the cash line and the bank guarantee line were both cut by € 20,000 thousand. In the 2010 reporting period, the cash inflow from the refinancing of the bond and a lower level of financing required permitted cutting the cash line by a further € 100,000 thousand to the current € 80,000 thousand and the bank guarantee line by a further € 70,000 thousand to the current € 150,000 thousand. As of December 31, 2010, the total line of credit therefore amounts to € 230,000 thousand. The cash line can be utilized during its term as needed to meet financing requirements throughout the year. The bank guarantee line is in place to enable Dürr to offer guarantees and warranties for prepayments received from customers and other obligations. The incidental costs associated with the agreement are distributed over its term.

At the end of the reporting period, € 0 thousand (prior period: € 0 thousand) of the cash line and € 102,574 thousand (prior period: € 112,001 thousand) of the bank guarantee line had been utilized. Premature termination by the bank syndicate is possible if the financial covenants or other terms of the loan are infringed and with a two-third majority of the lending banks. Based on the calculations of the Board of Management, the agreed financial covenants were complied with as of the reporting date. Depending on the currency, the interest is based on the refinancing rate with the same maturity (EURIBOR or LIBOR) plus a set margin.

The negotiations with the syndicate of banks on extending the syndicated loan until June 30, 2014, are running according to plan and have made great progress. The talks are expected to be concluded and the loan agreement signed by no later than the end of April 2011.

Following the successful completion of the due diligence for a loan to finance research and development expenses extended by the European Investment Bank (EIB), Dürr is currently negotiating an agreement for a loan of € 40,000 thousand with a repayment structure and a term until June 30, 2014. The negotiations on the loan agreement with EIB will be finalized within the scope of the loan agreement negotiations with the syndicate of banks.

Shares in subsidiaries had been pledged as collateral for the syndicated loan facility as of December 31, 2010. In connection with the adjustment of the financial covenants, further collateral was provided in the 2009 reporting period in the form of current and non-current assets with a carrying amount of € 153,075 thousand as of December 31, 2010 (prior period: € 198,662 thousand).

Besides the syndicated loan facility, the Group has bilateral cash lines of credit of € 14,502 thousand in place for working capital, bank guarantees of € 223,000 thousand as well as smaller credit lines with various banks and insurance firms.

CREDIT LINES AND BANK GUARANTEES 3.61

€ k	**Dec. 31, 2010**	Dec. 31, 2009
Total amount of lines of credit and bank guarantees	467,542	597,306
Total amount of credit lines/guarantees utilized	264,164	199,689
of which due within one year	188,092	172,584
of which due in more than one year	74,978	27,105

Most liabilities to banks are payable in euro. The weighted average interest rate for current liabilities to banks was 6.58 % in the 2010 reporting period (prior period: 4.77 %). Non-current liabilities to banks have terms of up to five years and interest is charged every three or six months (ranging from 0.9 % to 4.5 % p.a.). The weighted average interest rate for non-current liabilities to banks of € 880 thousand (prior period: € 1,169 thousand) came to 1.61 % (prior period: 3.54 %).

28. Trade payables

TRADE PAYABLES 3.62

€ k	Total	Short-term	Total	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (resulting from small series production)	12,435	12,435	–	–	–
(2009)	(10,558)	(10,558)	(–)	(–)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	260,773	260,773	–	–	–
(2009)	(189,901)	(189,901)	(–)	(–)	(–)
Trade payables	166,472	166,472	–	–	–
(2009)	(130,391)	(130,391)	(–)	(–)	(–)
December 31, 2010	**439,680**	**439,680**	**–**	**–**	**–**
(December 31, 2009)	**(330,850)**	**(330,850)**	**(–)**	**(–)**	**(–)**

Those liabilities with a remaining term of between one and five years are disclosed as medium-term; all others as short- or long-term.

29. Sundry financial liabilities

SUNDRY FINANCIAL LIABILITIES 3.63

€ k	Total	Short-term	Total	Medium-term	Long-term
Derivative financial liabilities	2,319	2,018	301	301	–
(2009)	(921)	(913)	(8)	(8)	(–)
Liabilities from interest cut-off	5,250	5,250	–	–	–
(2009)	(5,725)	(5,725)	(–)	(–)	(–)
Liabilities from a put option	6,824	–	6,824	6,824	–
(2009)	(5,650)	(–)	(5,650)	(5,650)	(–)
Liabilities from factoring progress billings	3,981	3,981	–	–	–
(2009)	(6,145)	(6,145)	(–)	(–)	(–)
Remaining sundry financial liabilities	8,693	6,296	2,397	2,243	154
(2009)	(9,312)	(9,095)	(217)	(96)	(121)
December 31, 2010	**27,067**	**17,545**	**9,522**	**9,368**	**154**
(December 31, 2009)	**(27,753)**	**(21,878)**	**(5,875)**	**(5,754)**	**(121)**

Those liabilities with a remaining term of between one and five years are disclosed as medium-term; all others as short- or long-term.

The liabilities from a put option relate to the non-controlling interests in CPM S.p.A.

The obligation to pay the second purchase price installment for UCM AG contained in sundry financial liabilities came to € 964 thousand as of December 31, 2010 (prior period: € 1,916 thousand). The obligation is based on the audited 2010 financial statements and UCM AG's approved planning for the 2011 reporting period. The € 1,206 thousand adjustment to the purchase price in profit or loss was disclosed in other operating income in the statement of income. The currency effects arising of € 254 thousand were recorded in other comprehensive income.

Sundry financial liabilities also contain the obligation to pay the contingent purchase price installment for Dürr Systems Wolfsburg GmbH of € 1,046 thousand. The adjustment was made through profit or loss in other operating expenses.

For the disclosures required by IFRS 7, please refer to note 32.

30. Tax liabilities and other liabilities

TAX LIABILITIES AND OTHER LIABILITIES 3.64

€ k	Total	Short-term	Total	Medium-term	Long-term
Tax liabilities	2,690	2,527	163	163	–
(2009)	(7,859)	(7,733)	(126)	(126)	(–)
Other liabilities	70,532	66,758	3,774	3,774	–
(2009)	(64,492)	(57,052)	(7,440)	(7,440)	(–)
December 31, 2010	**73,222**	**69,285**	**3,937**	**3,937**	**–**
(December 31, 2009)	**(72,351)**	**(64,785)**	**(7,566)**	**(7,566)**	**(–)**

Those liabilities with a remaining term of between one and five years are disclosed as medium-term; all others as short- or long-term.

Other liabilities include the following material items: tax liabilities not relating to income taxes of € 19,300 thousand (prior period: € 14,510 thousand), liabilities relating to social security of € 3,681 thousand (prior period: € 3,447 thousand), liabilities to employees of € 40,225 thousand (prior period: € 31,475 thousand). There are also obligations from restructuring measures of € 6,298 thousand (prior period: € 14,071 thousand), which are explained in note 13.

31. Share-based payment transactions

A share-based long-term incentive ("LTI") program was introduced for members of the Board of Management in the 2010 reporting period. A first tranche with a term from January 1, 2010, to December 31, 2012, was launched in 2010. The respective payment will be made upon expiry of the contractual term; early, pro rata payment is possible only if certain conditions are met when a member of the Board of Management leaves the Group.

Under this program, the entitled parties receive phantom Dürr shares. As of December 31, 2010, 46,500 phantom shares had been issued. At the end of the term of the incentive program, the benefits accrued are settled in cash.

The remuneration is based on an average share price and the average EBIT margin over the term. The phantom shares are multiplied by the latter figure. The EBIT multiplier is equal to the target achievement of the EBIT margin. Payment is capped at a maximum amount in each case.

In contrast to the entitlements from the LTI, the participants in the incentive program are obliged to maintain their own individually agreed investment in Dürr shares at all times.

The amount recognized in other liabilities through profit or loss as of December 31, 2010, came to € 276 thousand and is included in administrative expenses.

32. 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 classification of financial instruments pursuant to IAS 39, pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below.

MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount Dec. 31, 2010	AMOUNT RECOGNIZED AT Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	252,308	–	252,308	–	–
Costs and estimated earnings in excess of billings[1]	209,269	–	–	–	–
Trade receivables due from third parties	183,492	–	183,492	–	–
Trade receivables due from entities accounted for using the equity method	510	–	510	–	–
Sundry primary financial instruments					
Sundry financial assets	12,565	–	12,565	–	–
Held-to-maturity investments	28	–	28	–	–
Available-for-sale financial assets	429	102	–	327	–
Derivative financial assets					
Derivatives without hedging relationship	33	–	–	–	33
Derivatives with hedging relationship	2,028	–	–	1,955	73
Liabilities					
Trade payables	166,472	–	166,472	–	–
Sundry primary financial liabilities	17,924	–	17,924	–	–
Bond	225,639	–	225,639	–	–
Liabilities to banks	1,990	–	1,990	–	–
Financial liabilities due to entities accounted for using the equity method	1,090	–	1,090	–	–
Liabilities from finance leases	3,594	–	3,594	–	–
Liabilities from a put option	6,824	–	–	6,824	–
Derivative financial liabilities					
Derivatives without hedging relationship	338	–	–	–	338
Derivatives with hedging relationship	1,981	–	–	1,740	241
of which combined by measurement category in accordance with IAS 39:					
Held-for-trading financial assets	33	–	–	–	33
Loans and receivables	658,144	–	448,875	–	–
Held-to-maturity investments	28	–	28	–	–
Available-for-sale financial assets	429	102	–	327	–
Financial liabilities at fair value	7,162	–	–	6,824	338
Financial liabilities measured at amortized cost	416,709	–	416,709	–	–

3.65

€ k	Carrying amount Dec. 31, 2009	Amount recognized at: Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	103,897	–	103,897	–	–
Costs and estimated earnings in excess of billings[1]	139,127	–	–	–	–
Trade receivables due from third parties	186,475	–	186,475	–	–
Trade receivables due from entities accounted for using the equity method	267	–	267	–	–
Sundry primary financial instruments					
Sundry financial assets	10,208	–	10,208	–	–
Held-to-maturity investments	29	–	29	–	–
Available-for-sale financial assets	325	2	–	323	–
Derivative financial assets					
Derivatives without hedging relationship	606	–	–	–	606
Derivatives with hedging relationship	4,041	–	–	4,022	19
Liabilities					
Trade payables	130,391	–	130,391	–	–
Sundry primary financial liabilities	21,182	–	21,182	–	–
Bond	98,141	–	98,141	–	–
Liabilities to banks	1,652	–	1,652	–	–
Financial liabilities due to entities accounted for using the equity method	1,081	–	1,081	–	–
Liabilities from finance leases	3,083	–	3,083	–	–
Liabilities from a put option	5,650	–	–	5,650	–
Derivative financial liabilities					
Derivatives without hedging relationship	121	–	–	–	121
Derivatives with hedging relationship	800	–	–	578	222
of which combined by measurement category in accordance with IAS 39:					
Held-for-trading financial assets	606	–	–	–	606
Loans and receivables	439,974	–	300,847	–	–
Held-to-maturity investments	29	–	29	–	–
Available-for-sale financial assets	325	2	–	323	–
Financial liabilities at fair value	5,771	–	–	5,650	121
Financial liabilities measured at amortized cost	255,530	–	255,530	–	–

[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:

ALLOCATION TO THE FAIR VALUE HIERARCHY 3.66

		FAIR VALUE HIERARCHY		
€ k	Dec. 31, 2010	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	327	327	–	–
Derivatives with hedging relationship	1,955	–	1,955	–
Assets at fair value – through profit or loss				
Derivatives without hedging relationship	33	–	33	–
Derivatives with hedging relationship	73	–	73	–
Liabilities at fair value – not through profit or loss				
Liabilities from a put option	6,824	–	–	6,824
Derivatives with hedging relationship	1,740	–	1,740	–
Liabilities at fair value – through profit or loss				
Derivatives without hedging relationship	338	–	338	–
Derivatives with hedging relationship	241	–	241	–

		FAIR VALUE HIERARCHY		
€ k	Dec. 31, 2009	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	323	323	–	–
Derivatives with hedging relationship	4,022	–	4,022	–
Assets at fair value – through profit or loss				
Derivatives without hedging relationship	606	–	606	–
Derivatives with hedging relationship	19	–	19	–
Liabilities at fair value – not through profit or loss				
Liabilities from a put option	5,650	–	–	5,650
Derivatives with hedging relationship	578	–	578	–
Liabilities at fair value – through profit or loss				
Derivatives without hedging relationship	121	–	121	–
Derivatives with hedging relationship	222	–	222	–

No reclassifications were made between the fair value hierarchies in the 2010 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2010, gave rise to the following total gains and losses:

TOTAL GAINS AND LOSSES ON ASSETS 3.67

€ k	2010	2009
Recognized in profit or loss		
Derivative financial instruments	110	893
Recognized in other comprehensive income		
Available-for-sale financial assets	–	7
Derivative financial instruments	1,210	2,794

TOTAL GAINS AND LOSSES ON LIABILITIES 3.68

€ k	2010	2009
Recognized in profit or loss		
Derivative financial instruments	−592	−208
Recognized in other comprehensive income		
Derivative financial instruments	−1,301	−397
Liabilities from a put option	−1,174	744

DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY 3.69

€ k	2010	2009
As of January 1	**5,650**	**6,394**
Change in fair value	1,174	−744
As of December 31	**6,824**	**5,650**

Assuming that the equity and cumulated earnings before taxes of CPM S.p.A. were 10 % higher (lower) at the next possible exercise date, the gain/loss on the put option disclosed as level 3 would have been € 490 thousand (prior period: € 380 thousand) lower (higher).

Fair values of financial instruments carried at amortized cost

The following table 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).

FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED 3.70

	DEC. 31, 2010		DEC. 31, 2009	
€ k	**Fair value**	**Carrying amount**	Fair value	Carrying amount
Assets				
Cash and cash equivalents	252,308	252,308	103,897	103,897
Costs and estimated earnings in excess of billings	209,269	209,269	139,127	139,127
Trade receivables due from third parties	183,492	183,492	186,475	186,475
Trade receivables due from entities accounted for using the equity method	510	510	267	267
Sundry primary financial instruments				
Sundry financial assets	12,565	12,565	10,208	10,208
Held-to-maturity investments	28	28	29	29
Liabilities				
Trade payables	166,472	166,472	130,391	130,391
Sundry primary financial liabilities	17,924	17,924	21,182	21,182
Bond	241,875	225,639	105,090	98,141
Liabilities to banks	1,990	1,990	1,652	1,652
Financial liabilities due to entities accounted for using the equity method	1,090	1,090	1,081	1,081
Liabilities from finance leases	4,368	3,594	3,768	3,083
of which combined by measurement category in accordance with IAS 39:				
Loans and receivables	658,144	658,144	439,974	439,974
Held-to-maturity investments	28	28	29	29
Financial liabilities measured at amortized cost	433,719	416,709	263,164	255,530

Cash and cash equivalents, trade receivables, other receivables, trade payables, other 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.

It was not possible to determine the fair values of equity interests measured at cost because market prices were not available as no active markets exist. These are interests in three 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.

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, 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, 2010, the bond was quoted at € 107.50 which is equal to a market value of € 241,875 thousand. In the prior period, the bond issued in 2004 was quoted at € 105.09. This corresponded to a market value of € 105,090 thousand.

Net gains and losses by measurement category

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY 3.71

		FROM SUBSEQUENT MEASUREMENT				
€ k	From interest	At fair value	Currency translation	Impairment	From disposals	**Net gain or loss**
Held-for-trading financial assets	–	1,624	–	–	–	1,624
(2009)	(–)	(1,372)	(–)	(–)	(–)	(1,372)
Loans and receivables	2,123	–	−2,363	−1,757	−97	−2,094
(2009)	(2,187)	(–)	(−2)	(−459)	(−745)	(981)
Available-for-sale financial assets	14	–	–	–	–	14
(2009)	(21)	(–)	(–)	(–)	(–)	(21)
Financial liabilities at fair value through profit or loss	–	−68	–	–	–	−68
(2009)	(–)	(−1,399)	(–)	(–)	(–)	(−1,399)
Financial liabilities measured at amortized cost	−23,867	–	−85	–	–	−23,952
(2009)	(−21,145)	(–)	(1,285)	(–)	(–)	(−19,860)
2010	**−21,730**	**1,556**	**−2,448**	**−1,757**	**−97**	**−24,476**
(2009)	**(−18,937)**	**(−27)**	**(1,283)**	**(−459)**	**(−745)**	**(−18,885)**

An amount of € 0 thousand was recognized directly in equity from measurement of available-for-sale securities (prior period: € 7 thousand).

At the end of the reporting period, financial assets of € 10,544 thousand (prior period: € 661 thousand) were pledged as collateral for prepayments received, factoring as well as for non-current liabilities to banks. In addition, financial assets of € 87,847 thousand (prior period: € 135,133 thousand) from selected Dürr entities worldwide were pledged as collateral in connection with the syndicated loan.

33. Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows how the cash and cash equivalents of the Group changed in the reporting period as a result of cash received and paid. In accordance with IAS 7 "Statement of Cash Flows", a distinction is made 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. Cash amounting to € 61,604 thousand (prior period: € 49,495 thousand) is restricted due to legal requirements in some Asian countries.

The cash flow from investing activities and financing activities is determined on the basis of payments made or received. The cash flow from operating activities is derived indirectly from the earnings before taxes. When performing these calculations, changes in items of the statement of financial position considered in connection with ordinary activities are adjusted for effects from currency translation and changes in the consolidated group. There are therefore differences compared to changes in the relevant items in the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 3,922 thousand (prior period: € 2,790 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 € 12,077 thousand (prior period: € 11,929 thousand) and € 13,044 thousand (prior period: € 0 thousand) respectively at the end of the reporting period.

The cash outflow from business combinations less cash received of € 6,840 thousand disclosed in cash flow from investing activities break down into a purchase price payment in connection with an asset deal for Kleinmichel of € 2,500 thousand and the payment of the first purchase price installment for Helmuth Rickert GmbH of € 5,400 thousand. This was offset by the receipt of Helmuth Rickert GmbH's cash of € 1,060 thousand. For further details on business combinations, please refer to note 17.

OTHER NOTES

34. 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 consolidated financial statement data is presented by division. The presentation of segments is to provide 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, 2010, the Dürr Group consists of a management holding company (Dürr AG) and two divisions differentiated by product and service range, each with global responsibility for their products and results. Transactions between the divisions are carried out at arm's length. The Corporate Center essentially consists of Dürr AG.

Paint and Assembly Systems division

Paint and Assembly Systems develops and builds paint shops and final assembly lines for the automotive industry. The portfolio also includes exhaust cleaning systems for various industries as well as assembly and finishing systems for aircraft construction.

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 or the aerospace industry.

Management monitors the EBIT (earnings before investment income, interest and taxes) of its two divisions separately for the purpose of making decisions about resource allocation, evaluating operating segment performance and assessing the segments' development. 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.

SEGMENT REPORTING

3.72

€ k	Paint and Assembly Systems	Measuring and Process Systems	Total segments	Reconciliation	Total Dürr Group
2010					
External sales revenues	916,669	344,710	1,261,379	–	1,261,379
Sales revenues with other divisions	1,263	8,685	9,948	–9,948	–
Total sales revenues	**917,932**	**353,395**	**1,271,327**	**–9,948**	**1,261,379**
EBIT	27,699	9,044	36,743	–3,060	33,683
Profit/loss from entities accounted for using the equity method	–159	707	548	–	548
Amortization and depreciation	–10,831	–7,921	–18,752	–4,263	–23,015
Impairment losses	–89	–37	–126	–	–126
Reversal of impairment losses	21	1,186	1,207	–	1,207
Other non-cash income and expenses	–1,033	1,202	169	1	170
Effects from restructuring/onerous contracts	2,246	–2,396	–150	–	–150
Capital expenditures on intangible assets	7,885	2,789	10,674	332	11,006
Capital expenditures on property, plant and equipment	3,997	7,167	11,164	1	11,165
Investments in entities accounted for using the equity method	159	11,753	11,912	–	11,912
Assets (as of Dec. 31)	557,509	408,729	966,238	–27,752	938,486
Liabilities (as of Dec. 31)	474,699	160,962	635,661	5,348	641,009
Employees (as of Dec. 31)	3,424	2,444	5,868	47	5,915

€ k	Paint and Assembly Systems	Measuring and Process Systems	Total segments	Reconciliation	Total Dürr Group
2009					
External sales revenues	752,688	324,944	1,077,632	–	1,077,632
Sales revenues with other divisions	722	13,285	14,007	–14,007	–
Total sales revenues	**753,410**	**338,229**	**1,091,639**	**–14,007**	**1,077,632**
EBIT	2,319	10,697	13,016	–7,290	5,726
Profit/loss from entities accounted for using the equity method	–113	1,098	985	–	985
Amortization and depreciation	–11,004	–7,075	–18,079	–3,121	–21,200
Impairment losses	–84	–1,363	–1,447	–	–1,447
Reversal of impairment losses	–	–	–	–	–
Other non-cash income and expenses	183	–81	102	–83	19
Effects from restructuring/onerous contracts	–12,217	–2,117	–14,334	–	–14,334
Capital expenditures on intangible assets	3,053	7,772	10,825	4,040	14,865
Capital expenditures on property, plant and equipment	9,500	2,281	11,781	56	11,837
Investments in entities accounted for using the equity method	393	9,243	9,636	–	9,636
Assets (as of Dec. 31)	492,902	373,480	866,382	–21,769	844,613
Liabilities (as of Dec. 31)	392,382	128,899	521,281	7,872	529,153
Employees (as of Dec. 31)	3,283	2,381	5,664	48	5,712

The number of employees, amortization and depreciation, capital expenditures and non-cash income and expenses reported in the reconciliation column relate to the Corporate Center.

RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP 3.73

€ k	2010	2009
EBIT of the segments	36,743	13,016
EBIT of the Corporate Center	–3,163	–6,134
Borrowing costs recognized pursuant to IAS 23	–178	–682
Elimination of consolidation entries	281	–474
EBIT of the Dürr Group	**33,683**	**5,726**
Profit from entities accounted for using the equity method	548	985
Interest and similar income	2,137	2,208
Interest and similar expenses	–23,867	–21,145
Earnings before income taxes	**12,501**	**–12,226**
Income taxes	–5,418	–13,514
Profit/loss of the Dürr Group	**7,083**	**–25,740**
Segment assets	966,238	866,382
Assets of the Corporate Center	495,710	499,971
Elimination of consolidation entries	–523,462	–521,740
Cash and cash equivalents	252,308	103,897
Income tax receivables	5,850	4,663
Investments in entities accounted for using the equity method	11,912	9,636
Deferred tax assets	7,909	5,336
Total assets of the Dürr Group	**1,216,465**	**968,145**
Segment liabilities	635,661	521,281
Liabilities of the Corporate Center	18,237	18,060
Elimination of consolidation entries	–12,889	–10,188
Bond	225,639	98,141
Liabilities to banks	1,990	1,652
Liabilities from finance leases	3,594	3,083
Income tax liabilities	2,690	7,859
Other taxes	2,136	3,974
Deferred tax liabilities	20,006	22,880
Total liabilities of the Dürr Group*	**897,064**	**666,742**

* 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 long-term 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. 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.

REGIONAL SEGMENTATION 3.74

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2010						
External sales revenues	257,081	331,972	194,436	64,706	413,184	1,261,379
Capital expenditures on property, plant and equipment	6,306	973	2,216	219	1,451	11,165
Non-current assets (as of Dec. 31)	217,310	135,539	79,213	9,919	7,605	449,586
Employees (as of Dec. 31)	2,931	1,045	616	143	1,180	5,915

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2009						
External sales revenues	180,688	358,530	221,987	57,408	259,019	1,077,632
Capital expenditures on property, plant and equipment	9,725	828	628	27	629	11,837
Non-current assets (as of Dec. 31)	213,511	130,549	75,431	9,094	6,345	434,930
Employees (as of Dec. 31)	2,969	1,051	598	112	982	5,712

In the 2010 reporting period, 16.0 % of external sales revenues was generated with one customer compared to 16.8 % in the prior period. These are attributable to the divisions Paint and Assembly Systems and Measuring and Process Systems. The second- and third-largest customers accounted for 8.5 % (prior period: 11.0 %) and 8.0 % (prior period: 6.3 %) respectively and were also attributable to both divisions. Entities that are known to be under common control are considered together as one customer.

In the 2010 reporting period, sales revenues in China came to € 282,455 thousand (prior period: € 114,079 thousand) and in the USA to € 132,742 thousand (prior period: € 142,882 thousand).

35. Related-party transactions

Dr.-Ing. E. h. Heinz Dürr is chairman of the Supervisory Board of Dürr AG and was chairman of the supervisory board of Dürr Systems GmbH until March 15, 2010. He received remuneration of € 71 thousand (prior period: € 69 thousand) for these duties. Dr.-Ing. E. h. Heinz Dürr was also a member of the administrative board of Landesbank Baden-Württemberg until November 8, 2010. Expenses of € 221 thousand (prior period: € 255 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. In addition, Heinz Dürr GmbH cross-charged expenses of € 29 thousand including VAT to Dürr AG for advisory services purchased on behalf of the latter relating to legal issues. For his former activity as general manager, Dr.-Ing. E. h. Heinz Dürr also received benefits from the pension commitment (of April 2, 1978, supplemented December 21, 1988) of € 229 thousand (prior period: € 229 thousand).

Mr. Joachim Schielke is a member of Dürr AG's Supervisory Board and of the management board of Landesbank Baden-Württemberg as well as chairman of the management board of Baden-Württembergische Bank. From the current business relationship, a balance of € 27,990 thousand (prior period: € 5,397 thousand) and liability from utilization of the cash line of the syndicated loan of € 0 thousand (prior period: € 0 thousand) were held at Baden-Württembergische Bank at the end of the reporting period. Transactions with Baden-Württembergische Bank resulted in interest expenses of € 1,552 thousand in the reporting period (prior period: € 1,609 thousand). The warranties and guarantees issued by Baden-Württembergische Bank on behalf of Dürr amounted to € 25,335 thousand at the end of the reporting period (prior period: € 13,869 thousand).

For further information about members of the Supervisory Board of Dürr AG, please refer to note 40.

The forward exchange transactions and interest hedges are mainly processed by Baden-Württembergische Bank and Deutsche Bank AG. For details of the forward exchange transactions and interest hedges, please refer to note 38.

In the 2010 reporting period, there were intercompany transactions between Dürr and its associates of € 5,563 thousand (prior period: € 4,328 thousand). As of December 31, 2010, outstanding receivables from associates totaled € 555 thousand (prior period: € 319 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.

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. Respite has been granted for no more than five years as of conclusion of the agreement for the outstanding amount repayable of the loan of € 3,108 thousand (prior period: € 3,108 thousand). The Board of Management has pledged the shares purchased to Heinz Dürr GmbH as collateral for the loan.

36. Contingent liabilities

CONTINGENT LIABILITIES 3.75

€ k	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities from warranties, guarantees, notes and check guarantees	281	1,961
Other	14,380	15,288
	14,661	**17,249**

Other contingent liabilities include contingent liabilities of € 12,207 thousand (prior period: € 12,207 thousand) relating to the disposal of the Measuring and Process Technologies business unit in Australia in the 2005 reporting period.

The sundry other contingent liabilities mainly pertain to contingent liabilities in connection with pending tax proceedings in Brazil. The Company assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

37. Other financial obligations

OTHER FINANCIAL OBLIGATIONS 3.76

€ k	Dec. 31, 2010	Dec. 31, 2009
Future minimum payments for operating leases	121,062	127,863
Future minimum payments for finance leases	4,756	4,042
Sundry financial obligations	9,859	16,440
	135,677	**148,345**

Rent and lease agreements (operating leases)

Besides liabilities, provisions and contingent liabilities, the Group 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.

NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES 3.77

€ k	Dec. 31, 2010	Dec. 31, 2009
Less than one year	19,625	18,777
Between one and five years	45,257	47,868
More than five years	56,180	61,218
	121,062	**127,863**

In the 2010 reporting period, expenses of € 23,546 thousand (prior period: € 21,872 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:

NOMINAL VALUES OF FINANCE LEASES 3.78

	DEC. 31, 2010			DEC. 31, 2009		
€ k	**Minimum lease payments**	**Interest contained in the lease payments**	**Liabilities from finance leases**	Minimum lease payments	Interest contained in the lease payments	Liabilities from finance leases
Less than one year	762	274	488	943	254	689
Between one and five years	2,892	709	2,183	2,871	668	2,203
More than five years	1,102	179	923	228	37	191
	4,756	**1,162**	**3,594**	**4,042**	**959**	**3,083**

Sundry financial obligations

The sundry financial obligations that do not result from rental and lease agreements are listed below.

NOMINAL VALUE OF SUNDRY FINANCIAL OBLIGATIONS 3.79

€ k	2011	2012	2013	2014	2015	Thereafter	**Total**
Liabilities from other continuous obligations	4,973	574	539	539	539	2,695	**9,859**

38. Risk management and derivative financial instruments

The Group operates in countries in which there are political and commercial 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 above all 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.

Credit risk

The credit risk relates to the possibility that business partners may fail to perform their obligation with primary and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for all new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses letters of credit, trade credit insurance and guarantees by the federal government to further limit the risk of default.

As Dürr does not conclude any general netting agreements with its customers, the sum of the financial assets reported in the statement of financial position (including derivative financial instruments with a positive market value) also represents the maximum credit risk. For a presentation of the figures, please refer to note 32. At the end of the reporting period, there were no significant agreements that would mitigate the maximum credit risk (such as netting agreements, guarantees).

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, 2010, 51.0 % (prior period: 51.9 %) of the trade receivables were due from seven (prior period: seven) customers. The total receivables disclosed contain allowances for doubtful debts of € 8,747 thousand (prior period: € 7,720 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.

Liquidity risk

The liquidity risk is the risk that the Group may not be in a position in the future to meet its obligations, 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. For additional information, please refer to note 29.

The syndicated loan agreement, which was changed twice in the 2009 reporting period to reflect the changed economic conditions, can be terminated prematurely by the syndicate of banks in the event of non-compliance with certain financial covenants. The financial covenants include certain targets such as net financial debt/assets, total net worth and an absolute earnings measure (EBITDA). In the 2010 reporting period, the financial covenants applicable 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 27.

The table below shows the contractually agreed (undiscounted) interest and principal payments for primary and derivative financial liabilities.

INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES 3.80

€ k	Carrying amount Dec. 31, 2010	CASH FLOWS 2011	2012	2013	2014	From 2015 onwards
Primary financial liabilities						
Trade payables	166,472	166,472	–	–	–	–
Sundry financial liabilities	17,924	15,527	1,149	18	7	1,223
Bond	225,639	16,313	16,313	16,313	16,313	237,234
Liabilities to banks	1,990	1,137	317	291	266	68
Financial liabilities due to entities accounted for using the equity method	1,090	218	48	48	48	1,098
Liabilities from finance leases	3,594	762	735	765	732	1,763
Liability from a put option	6,824	–	–	7,123	–	–
Derivative financial liabilities						
Forward exchange contracts without hedging relationship	338	338	–	–	–	–
Forward exchange contracts with hedging relationship	1,981	1,680	301	–	–	–

€ k	Carrying amount Dec. 31, 2009	CASH FLOWS 2010	2011	2012	2013	From 2014 onwards
Primary financial liabilities						
Trade payables	130,391	130,391	–	–	–	–
Sundry financial liabilities	21,182	20,965	31	15	16	155
Bond	98,141	9,750	104,875	–	–	–
Liabilities to banks	1,652	530	323	314	287	315
Financial liabilities due to entities accounted for using the equity method	1,081	209	48	48	47	1,113
Liabilities from finance leases	3,083	943	921	840	653	685
Liability from a put option	5,650	–	–	–	6,085	–
Derivative financial liabilities						
Forward exchange contracts without hedging relationship	121	121	–	–	–	–
Forward exchange contracts with hedging relationship	800	792	8	–	–	–

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 41 months (prior period: 36 months).

In addition, there are foreign currency risks arising from loans denominated in foreign currency that are issued to group entities for financing purposes. These were hedged by forward exchange contracts and interest and currency swaps. The terms range between one month and seven 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 enters into financial instruments are relevant risk variables.

Material primary 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. Intercompany loans which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges, with the exception of the interest/currency swaps described above.

The sensitivity analyses for currency risks refer to the currency pairs that are most relevant for Dürr: EUR/USD, EUR/MXN, EUR/GBP, EUR/MAD, EUR/KRW, EUR/CHF, EUR/CZK, EUR/CNY as well as USD/CNY and USD/KRW. The average volatility of the individual currencies in 2010 was taken as the basis for the calculation. Assuming that the euro had appreciated by 10 %, 10 %, 6 %, 2 %, 8 %, 9 %, 4 % and 10 % respectively against the US dollar, Mexican peso, pound sterling, Moroccan dirham, Korean won, Swiss franc, Czech koruna and Chinese renminbi yuan and the US dollar had risen by 2 % against the Chinese renminbi yuan and against the Korean won by 6 % at the same time, Dürr's profit would have been € 0.8 million higher (prior period: € 3.1 million lower). Had the euro and US dollar weakened to the same extent as described above, profit would have been € 0.9 million lower (prior period: € 1.0 million lower).

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 hedge reserve in equity and the fair value of the hedges. The following sensitivity analyses were carried out in relation to this: If the euro had risen by 10 %, 8 %, and 4 % respectively against the US dollar, Korean won and Czech koruna, and the US dollar had increased against the Korean won by 6 % at the same time, the hedge reserve in equity would have been € 10.3 million lower (prior period: € 4.5 million lower). Had the euro or the US dollar fallen by the same amount, the hedge reserve in equity would have been € 3.4 million higher (prior period: € 4.3 million lower).

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 and the successful bond financing, Dürr has cash subject to fluctuation in interest rates as of December 31, 2010. A hypothetical change in these interest rates of 100 base points or one percentage point per year would have caused a € 1,210 thousand increase in interest income.

In addition, Dürr has exposure to interest rate risks from interest/currency swaps that are reported as cash flow hedges. The interest/currency swaps are carried at fair value and changes in their market value are recognized directly in equity. This risk is presented in a sensitivity analysis in accordance with IFRS 7, based on assumptions concerning changes in the EUR and USD yield curves. The table below shows the changes in the hedge reserve under equity that would result from a hypothetical change in the market value of the interest/currency swaps.

SENSITIVITY ANALYSIS OF INTEREST RATE/CURRENCY SWAPS 3.81

Change in interest rates (in base points) EUR	Change in interest rates (in base points) USD	**Change in equity as of Dec. 31, 2010 (€ k)**	Change in equity as of Dec. 31, 2009 (€ k)
+0	+100	148	408
+0	−100	−150	−418
+100	+0	−150	−439
−100	+0	152	450

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, 2010, Dürr did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

For the price risk of the put option disclosed as level 3 financial instrument, please refer to note 32.

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 fair 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.

SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

3.82

€ k	NOMINAL VALUE 2010	NOMINAL VALUE 2009	POSITIVE MARKET VALUE 2010	POSITIVE MARKET VALUE 2009	NEGATIVE MARKET VALUE 2010	NEGATIVE MARKET VALUE 2009
Interest/currency swaps in connection with cash flow hedges	27,127	27,127	661	2,341	–	–
Foreign exchange forward contracts	157,723	141,161	1,400	2,306	2,319	921
of which in connection with cash flow hedges	111,280	61,748	1,294	1,681	1,740	578
of which in connection with fair value hedges	12,870	43,169	73	19	241	222
of which without hedging relationship	33,573	36,244	33	606	338	121

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. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows based on current market parameters.

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges and interest/currency swaps 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 (forward exchange contracts) or other operating income and expenses (interest/currency swap) in the statement of income.

In the 2010 reporting period, an unrealized loss was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € –453 thousand recognized in equity (prior period: € 24 thousand). A gain of € 200 thousand from the interest/currency swaps and the foreign exchange loans (prior period: € 683 thousand) was recognized directly in equity.

In addition, € 1,063 thousand (prior period; € 1,935 thousand) was reclassified due to the realization of hedged items in the course of 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. The effect on earnings (before income taxes) expected for the following reporting period from the amounts recognized in other comprehensive income at the end of the reporting period came to € 191 thousand. In the 2012 and 2013 reporting periods, effects on earnings are expected to total € 30 thousand and € 0 thousand, respectively.

A loss of € 5 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: loss of € 464 thousand). Measuring the hedged items as of the reporting date gave rise to income in the same amount.

There were no material effects on earnings from ineffective hedges in the 2010 and 2009 reporting periods.

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.

39. 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
- Schenck Atis GmbH, Darmstadt

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

40. Other notes

Subsequent events

New division established

As of January 1, 2011, Dürr established the new Clean Technology Systems division. This means that the Group now has three divisions instead of two. Clean Technology Systems will be included as a reporting segment in the consolidated financial statements of Dürr AG as of the first quarter of 2011. The new division bundles our business with environmental and energy efficiency technology. Hence, two business units have been allocated to it:

- Environmental and Energy Systems remains responsible for our business with exhaust scrubbing plants. Until December 31, 2010, this business unit was allocated to the Paint and Assembly Systems division. In order to ensure full comparability, as of the first quarter of 2011, Dürr will restate the comparative figures of Paint and Assembly Systems for the year 2010.
- Energy Technology Systems is a new business unit that is being built up for Dürr's activities in the area of energy efficiency. Minor acquisitions are being planned in this promising technology sector. Their business will be developed as part of Energy Technology Systems.

There were no other 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 reporting period and March 8, 2011.

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 15, 2010, and made accessible to the shareholders on the internet.

Average headcount

AVERAGE HEADCOUNT DURING THE YEAR 3.83

	2010	2009
Wage earners	2,162	2,230
Salaried employees	3,292	3,308
Interns/trainees/apprentices	322	347
	5,776	**5,885**

As of December 31, 2010, Dürr had 5,915 employees (prior period: 5,712).

Fees of the auditors of the consolidated financial statements

The audit fees of the auditors of the consolidated financial statements recorded as an expense for the reporting period break down as follows:

AUDITORS' FEES 3.84

€ k	2010	2009
Audit of the financial statements	689	677
Other attest services	184	28
Tax advisory services	201	21
Other services	161	207
	1,235	**933**

Authorization for issue and publication of the consolidated financial statements as of December 31, 2010

The consolidated financial statements and group management report of Dürr AG prepared by the Board of Management as of December 31, 2010, were authorized at the meeting of the Board of Management on March 8, 2011, for issue to the Supervisory Board and are to be published on March 24, 2011.

MEMBERS OF THE BOARD OF MANAGEMENT

RALF W. DIETER
Chairman
Chairman of the management board of
Carl Schenck AG (until January 31, 2010)

- Corporate Communications, Human Resources (Employee Affairs Director), Research and Development, Quality Management, Internal Audit, Corporate Compliance (since January 1, 2011)
- Paint and Assembly Systems
- Measuring and Process Systems

■ Carl Schenck AG, Darmstadt* (since February 3, 2010, Chairman)
■ Körber AG, Hamburg (since April 29, 2010)

□ Dürr, Inc., Plymouth, USA* (Chairman)
□ Olpidürr S.p.A., Novegro di Segrate, Italy* (until January 1, 2010)

RALPH HEUWING

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents, Information Technology, Global Sourcing
- Clean Technology Systems (since January 1, 2011)
- Dürr Consulting

■ Carl Schenck AG, Darmstadt* (Chairman until February 3, 2010)
■ MCH Management Capital Holding AG, Munich

□ Dürr, Inc., Plymouth, USA*
□ Dürr India Pvt. Ltd., Chennai, India*

In the reporting period, total remuneration of the Board of Management amounted to € 2,251 thousand (prior period: € 1,602 thousand). This breaks down into short-term benefits of € 1,824 thousand (prior period: € 1,382 thousand), expenses in connection with the share-based incentive program of € 276 thousand and the addition to the pension provisions for this group of persons of € 151 thousand (prior period: € 220 thousand).

The former members of the Board of Management received remuneration of € 811 thousand in the 2010 reporting period (prior period: € 803 thousand). Pension provisions for this group of persons amounted to € 13,055 thousand as of December 31, 2010 (prior period: € 12,861 thousand).

● Offices held by members of the Board of Management
■ Membership in statutory supervisory boards
□ Membership in comparable domestic and foreign control bodies (of business entities)
* Group boards

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. E.H. HEINZ DÜRR[1,4,5]
Entrepreneur, Berlin
Chairman

- Dürr Systems GmbH, Stuttgart (Chairman and member until March 15, 2010)
- ADC Krone GmbH, Berlin (Chairman and member until March 4, 2010)

- □ Landesbank Baden-Württemberg, Stuttgart (Member of the administrative board until November 8, 2010)

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)
- MVV Energie AG, Mannheim (until March 12, 2010)

- □ LTS Lohmann Therapy Systems Corp., West Caldwell, New Jersey, USA (Chairman)

HAYO RAICH[1,3,4]
Chairman of the Group Works Council of Dürr AG, Stuttgart
Deputy Chairman

- Dürr Systems GmbH, Stuttgart (Deputy Chairman)

MIRKO BECKER[3]
Full-time member of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site

DR. DR. ALEXANDRA DÜRR[5]
Senior physician at the Neurogenetic Clinic of Département de Génétique, Hôpital de la Salpêtrière, Paris, France

BENNO EBERL[1,3]
Trade Union Secretary of IG Metall administrative offices, Stuttgart

- ThyssenKrupp Elevator AG, Essen (Deputy Chairman)
- Alcatel-Lucent AG, Stuttgart (Deputy Chairman)
- Alcatel-Lucent Holding GmbH, Stuttgart

DR. GÜNTER FENNEBERG
Chairman of the management of Schmidt-Seeger GmbH, Beilngries (until January 31, 2011)

- □ Sommer Fassadensysteme – Stahlbau – Sicherheitstechnik GmbH & Co. KG, Döhlau

THOMAS HOHMANN[3]
Head of personnel at Dürr Systems GmbH, Stuttgart

ERICH HORST[2,3,4]
Chairman of the Works Council of Dürr Ecoclean GmbH, Filderstadt, at the Monschau facility
Deputy Chairman of the Group Works Council of Dürr AG, Stuttgart

GUIDO LESCH[2,3]
(since May 9, 2010)

Second Authorized Representative of IG Metall administrative offices, Völklingen

- Saarschmiede GmbH Freiformschmiede, Völklingen

GÜNTER LORENZ[2,3]
(until May 8, 2010)

Former Principal Authorized Representative of IG Metall administrative offices, Darmstadt

JOACHIM SCHIELKE[2]
Chairman of the management board of Baden-Württembergische Bank, Stuttgart
Member of the management board of Landesbank Baden-Württemberg, Stuttgart

- Paul Hartmann AG, Heidenheim an der Brenz
- ICS Informatik Consulting Systems AG, Stuttgart
- Wüstenrot & Württembergische AG, Stuttgart

- □ Allgaier Werke GmbH, Uhingen
- □ Behr Verwaltung GmbH, Stuttgart
- □ Berthold Leibinger GmbH, Ditzingen (Member of the supervisory board, member of the administrative board)
- □ BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart (Chairman)
- □ Kaufland Stiftung & Co. KG, Neckarsulm
- □ LBBW Equity Partners GmbH & Co. KG, Munich (until December 21, 2010)
- □ LBBW Equity Partners Verwaltungs-GmbH, Munich (until December 21, 2010)
- □ LHI Leasing GmbH, Munich (Chairman)
- □ Lidl Stiftung & Co. KG, Neckarsulm
- □ MKB Mittelrheinische Bank GmbH, Koblenz (Chairman)
- □ MMV Leasing GmbH, Koblenz (Chairman of the advisory board)
- □ Trumpf GmbH & Co. KG, Ditzingen (Member of the administrative board)

PROF. DR.-ING. DR.-ING. E.H. KLAUS WUCHERER
General manager of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH, Erlangen

- Heitec AG, Erlangen (since August 9, 2010)
- Infineon Technologies AG, Neubiberg (Chairman and member until February 17, 2011)
- 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 domestic 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.

REMUNERATION OF THE SUPERVISORY BOARD IN 2010 **3.85**

€	Basic remuneration	Attendance fees	Remuneration for membership in committees	Variable remuneration	**Total**
Dr.-Ing. E.h. Heinz Dürr[1] Chairman	46,000.00	2,800.00	7,500.00	15,001.20	71,301.20
Prof. Dr. Norbert Loos Deputy Chairman	22,500.00	2,500.00	20,000.00	7,500.60	52,500.60
Hayo Raich*[2,3] Deputy Chairman	25,500.00	3,700.00	5,000.00	7,500.60	41,700.60
Mirko Becker*[3]	15,000.00	2,500.00	–	5,000.40	22,500.40
Dr. Dr. Alexandra Dürr	15,000.00	2,500.00	–	5,000.40	22,500.40
Benno Eberl*[3]	15,000.00	2,500.00	5,000.00	5,000.40	27,500.40
Dr. Günter Fenneberg	15,000.00	2,500.00	–	5,000.40	22,500.40
Thomas Hohmann*	15,000.00	2,500.00	–	5,000.40	22,500.40
Erich Horst*[3]	15,000.00	2,500.00	7,500.00	5,000.40	30,000.40
Guido Lesch*[3] (since May 9, 2010)	10,000.00	1,500.00	5,000.00	3,333.60	19,833.60
Günter Lorenz*[3] (until May 8, 2010)	5,000.00	1,000.00	2,500.00	1,666.80	10,166.80
Joachim Schielke	15,000.00	2,500.00	7,500.00	5,000.40	30,000.40
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	15,000.00	2,000.00	–	5,000.40	22,000.40
Total	**229,000.00**	**31,000.00**	**60,000.00**	**75,006.00**	**395,006.00**

* Employee representative
[1] Also member of the supervisory board of Dürr Systems GmbH (until March 15, 2010)
[2] Also member of the supervisory board of Dürr Systems GmbH
[3] These employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.

Total remuneration of the Supervisory Board amounted to € 358 thousand in the prior period.

41. Statement of changes in non-current assets

INTANGIBLE ASSETS 3.86

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2009	**265,974**	**69,853**	**24,111**	**629**	**360,567**
Exchange difference	−26	253	−137	56	146
Changes in the consolidated group	–	1,371	–	–	1,371
Additions	5,316	5,073	2,457	2,019	14,865
Disposals	–	−4,999	−548	−21	−5,568
Reclassifications	–	1,478	–	−469	1,009
Accumulated cost as of December 31, 2009	**271,264**	**73,029**	**25,883**	**2,214**	**372,390**
Exchange difference	4,082	1,202	526	69	5,879
Changes in the consolidated group	1,625	1,528	967	–	4,120
Additions	4,973	1,996	3,557	480	11,006
Disposals	−242	−863	−323	–	−1,428
Reclassifications	–	2,413	–	−2,135	278
Accumulated cost as of December 31, 2010	**281,702**	**79,305**	**30,610**	**628**	**392,245**
Accumulated amortization as of January 1, 2009	**–**	**49,314**	**9,148**	**–**	**58,462**
Exchange difference	–	215	−101	–	114
Amortization	–	7,116	3,257	–	10,373
Disposals	–	−4,990	−233	–	−5,223
Reclassifications	–	422	–	–	422
Accumulated amortization as of December 31, 2009	**–**	**52,077**	**12,071**	**–**	**64,148**
Exchange difference	–	673	335	–	1,008
Amortization	–	8,751	3,328	–	12,079
Disposals	–	−812	−322	–	−1,134
Reclassifications	–	2	–	–	2
Accumulated amortization as of December 31, 2010	**–**	**60,691**	**15,412**	**–**	**76,103**
Net carrying amount as of December 31, 2010	**281,702**	**18,614**	**15,198**	**628**	**316,142**
Net carrying amount as of December 31, 2009	271,264	20,952	13,812	2,214	308,242
Net carrying amount as of January 1, 2009	265,974	20,539	14,963	629	302,105

PROPERTY, PLANT AND EQUIPMENT

3.87

€ 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, 2009	**118,006**	**35,901**	**36,629**	**69,235**	**673**	**260,444**
Exchange difference	765	–	95	215	–2	1,073
Changes in the consolidated group	–	–	177	82	–	259
Additions	3,264	258	1,579	5,874	862	11,837
Disposals	–453	–20	–3,895	–14,724	–	–19,092
Reclassifications	490	–	–5,161	4,298	–636	–1,009
Accumulated cost as of December 31, 2009	**122,072**	**36,139**	**29,424**	**64,980**	**897**	**253,512**
Exchange difference	2,391	–	996	2,137	13	5,537
Changes in the consolidated group	2,199	–	26	99	–	2,324
Additions	2,538	1,240	3,351	3,484	552	11,165
Disposals	–696	–156	–2,145	–3,684	–	–6,681
Reclassifications	–1,857	1,937	–328	733	–763	–278
Accumulated cost as of December 31, 2010	**126,647**	**39,160**	**31,324**	**67,749**	**699**	**265,579**
Accumulated depreciation as of January 1, 2009	**51,416**	**14,882**	**28,986**	**55,136**	**–**	**150,420**
Exchange difference	87	–	81	109	–	277
Depreciation	3,603	800	1,872	4,552	–	10,827
Impairment losses	1,249	–	143	55	–	1,447
Disposals	–455	–18	–3,595	–14,295	–	–18,363
Reclassifications	75	–	–4,003	3,506	–	–422
Accumulated depreciation as of December 31, 2009	**55,975**	**15,664**	**23,484**	**49,063**	**–**	**144,186**
Exchange difference	928	–	726	1,650	–	3,304
Depreciation	3,205	768	2,058	4,905	–	10,936
Impairment losses	–	–	90	36	–	126
Reversal of impairment losses	–1,207	–	–	–	–	–1,207
Disposals	–585	–132	–2,058	–3,322	–	–6,097
Reclassifications	274	–274	–293	291	–	–2
Accumulated depreciation as of December 31, 2010	**58,590**	**16,026**	**24,007**	**52,623**	**–**	**151,246**
Net carrying amount as of December 31, 2010	**68,057**	**23,134**	**7,317**	**15,126**	**699**	**114,333**
Net carrying amount as of December 31, 2009	66,097	20,475	5,940	15,917	897	109,326
Net carrying amount as of January 1, 2009	66,590	21,019	7,643	14,099	673	110,024

FINANCIAL ASSETS

3.88

€ k	Shares in affiliates	Investments in entities accounted for using the equity method	Other investments	Long-term securities	Dürr Group
Accumulated cost as of January 1, 2009	**–**	**13,040**	**29**	**340**	**13,409**
Exchange difference	–	−586	–	5	−581
Additions	4,156	1,111	–	7	5,274
Disposals	–	−3,929	–	–	−3,929
Accumulated cost as of December 31, 2009	**4,156**	**9,636**	**29**	**352**	**14,173**
Exchange difference	–	2,157	–	4	2,161
Changes in the consolidated group	−4,156	–	–	–	−4,156
Additions	–	846	100	4	950
Disposals	–	−727	–	−5	−732
Accumulated cost as of December 31, 2010	**–**	**11,912**	**129**	**355**	**12,396**
Accumulated impairment as of January 1, 2009	**–**	**–**	**27**	**–**	**27**
Accumulated impairment as of December 31, 2009	**–**	**–**	**27**	**–**	**27**
Accumulated impairment as of December 31, 2010	**–**	**–**	**27**	**–**	**27**
Net carrying amount as of December 31, 2010	**–**	**11,912**	**102**	**355**	**12,369**
Net carrying amount as of December 31, 2009	4,156	9,636	2	352	14,146
Net carrying amount as of January 1, 2009	–	13,040	2	340	13,382

42. List of group shareholdings

LIST OF GROUP SHAREHOLDINGS 3.89

Name and location	Share of capital in %
Germany	
Dürr Systems GmbH, Stuttgart[1,2]	100
Dürr Ecoclean GmbH, Filderstadt[1,2]	100
Dürr International GmbH, Stuttgart[1,2]	100
Dürr Somac GmbH, Stollberg[1,2]	100
Carl Schenck AG, Darmstadt[1,2]	100
Schenck RoTec GmbH, Darmstadt[1,2]	100
Schenck Atis GmbH, Darmstadt[1,2]	100
Schenck Technologie- und Industriepark GmbH, Darmstadt[1,2]	100
Dürr Assembly Products GmbH, Püttlingen[1,2]	100
Dürr Systems Wolfsburg GmbH, Wolfsburg[2]	100
Dürr IT Service GmbH, Stuttgart[2]	100
Dürr EES GmbH, Stuttgart[4]	100
Prime Contractor Consortium FAL China, Stuttgart[3]	50
Dürr GmbH & Co. Campus KG, Pullach im Isartal[3]	100
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt[4]	100
Dürr EDAG Aircraft Systems GmbH, Fulda[3]	50
Other EU countries	
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria[2]	100
Dürr Ltd., Warwick/UK[2]	100
Schenck Ltd., Warwick/UK[2]	100
Schenck Test Automation Ltd., Warwick/UK[2]	100
Dürr Ecoclean S.A.S., Loué/France[2]	100
Dürr Systems S.A.S., Guyancourt/France[2]	100
Schenck S.A.S., Cergy-Pontoise/France[2]	100
Datatechnic S.A.S., Uxegney/France[2]	100
Dürr Systems Spain S.A., San Sebastián/Spain[2]	100
Olpidürr S.p.A., Novegro di Segrate/Italy[2]	65
Verind S.p.A., Rodano/Italy[2]	50
CPM S.p.A., Beinasco/Italy[2]	51
Schenck Italia S.r.l., Paderno Dugnano/Italy[2]	100
Stimas Engineering S.r.l., Turin/Italy[2]	51
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands[2]	100
Dürr Poland Sp. z o.o., Radom/Poland[2]	100
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic[2]	100
Dürr Systems Slovakia spol. s r.o., Bratislava/Slovakia[2]	100
Other European countries	
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland[2]	100
UCM AG, Rheineck/Switzerland[2]	100
Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi, Istanbul/Turkey[2]	100
OOO Dürr Systems RUS, Moscow/Russia[2]	100

Name and location	Share of capital in %
North America/Central America	
Dürr Inc., Plymouth, Michigan/USA[2]	100
Dürr Systems Inc., Plymouth, Michigan/USA[2]	100
Dürr Ecoclean Inc., Auburn Hills, Michigan/USA[2]	100
Schenck Corporation, Deer Park, New York/USA[2]	100
Schenck RoTec Corporation, Auburn Hills, Michigan/USA[2]	100
Schenck Trebel Corporation, Deer Park, New York/USA[2]	100
Dürr Systems Canada Inc., Windsor, Ontario/Canada[2]	100
Dürr de México, S.A. de C.V., Querétaro/Mexico[2]	100
South America	
Dürr Brasil Ltda., São Paulo/Brazil[2]	100
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina[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 Ltd., Noida/India[2]	100
Dürr Korea Inc., Seoul/South Korea[2]	100
Schenck Shanghai Machinery Corporation Ltd., Shanghai/China[2]	99
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/China[2]	100
Dürr Japan K.K., Yokohama/Japan[2]	100
Nagahama Seisakusho Ltd., Osaka/Japan[3]	50
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

Bietigheim-Bissingen, March 8, 2011

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 8, 2011

Ten-year summary Dürr Group[1]

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Incoming orders	€ million	1,642.2	1,184.7	1,464.0	1,781.5	1,459.8	1,216.9	1,387.4	2,356.2	2,346.7	2,063.2
Sales revenues	€ million	1,261.4	1,077.6	1,602.8	1,476.6	1,361.2	1,400.6	1,725.8	2,264.5	2,082.1	2,196.2
Gross profit on sales	€ million	237.2	210.8	287.1	240.0	220.2	220.2	240.6	365.4	381.2	427.2
Overhead costs (incl. R&D costs)	€ million	−204.3	−202.5	−211.0	−203.3	−198.9	−211.5	−207.9	−321.3	−323.7	−355.7
Restructuring costs (incl. impairment losses/reversal of impairment losses)	€ million	–[2]	–[2]	–[2]	1.0	−5.9	−73.8	−6.8	−25.6	–	–
EBITDA	€ million	51.7	25.6	87.1	73.5	52.7	−18.8	50.2	48.4	89.1	127.8
EBIT	€ million	33.7	5.7	72.7	55.7	33.1	−70.3	29.0	17.9	55.1	83.7
Financial result	€ million	−21.2	−17.9	−26.3	−21.0	−18.3	−36.3	−24.5	−20.5	−25.2	−35.7
EBT	€ million	12.5	−12.2	46.4	34.8	14.8	−106.6	4.5	−6.9	22.6	39.8
Income taxes	€ million	−5.4	−13.5	−12.7	−13.6	−6.6	+2.1	−5.6	−24.1	−9.4	−19.7
Net profit/loss	€ million	7.1	−25.7	33.7	21.2	8.2	−104.5	−1.1	−31.1	13.3	20.1
Profit/loss share of Dürr AG shareholders	€ million	6.3	−26.9	29.9	20.9	7.8	−104.6	−0.1	−31.3	12.0	20.0
Stock											
Earnings per share	€	0.37	−1.55	1.81	1.33	0.50	−7.26	0.00	−2.19	0.84	1.40
Dividend per share	€	0.30[3]	0.00	0.70	0.40	0.00	0.00	0.00	0.00	0.80	1.10
Book value per share (Dec. 31)	€	18.46	17.42	19.73	16.35	15.62	17.22	15.58	15.41	18.92	21.08
Operating cash flow per share	€	3.20	5.51	1.87	5.46	−0.63	−10.25	−8.08	3.95	13.89	13.18
Closing price[4] (Dec. 31)	€	23.87	17.00	12.25	26.60	20.99	20.30	15.11	19.30	16.00	24.30
Number of shares (weighted average)	thousand	17,301	17,301	16,536	15,728	15,728	14,400	14,298	14,298	14,298	14,298
Market capitalization (Dec. 31)	€ million	413	294	212	418	330	319	216	276	229	347
Income statement											
Gross margin	%	18.8	19.6	17.9	16.3	16.2	15.7	13.9	16.1	18.3	19.5
EBITDA margin	%	4.1	2.4	5.4	5.0	3.9	−1.3	2.9	2.1	4.3	5.8
EBIT margin	%	2.7	0.5	4.5	3.8	2.4	−5.0	1.7	0.8	2.6	3.8
EBT margin	%	1.0	−1.1	2.9	2.4	1.1	−7.6	0.3	−0.3	1.1	1.8
Interest coverage		1.6	0.3	2.5	2.4	1.6	−2.0	1.2	0.9	2.1	2.3
Tax rate	%	43.3	–	27.3	39.0	44.7	–	124.8	–	41.3	49.5
Cashflow											
Operating cash flow	€ million	55.4	95.4	30.9	85.9	−9.8	−147.6	−115.5	56.4	198.7	188.4
Free cash flow	€ million	22.9	63.7	−14.5	40.6	−46.5	−206.1	−150.9	–	–	–
Capital expenditure (property, plant & equipment and intangible assets)	€ million	22.2	26.7	24.3	26.5	18.0	26.0	27.4	16.6	29.4	40.4
Decrease (+) / increase (–) in net financial debt[5]	€ million	+20.6	+37.4	+27.4	+34.7	−11.6	+157.9	−145.8	26.1	166.7	5.1

4.1

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Balance sheet											
Non-current assets (Dec. 31)	€ million	462.3	452.6	443.5	424.2	447.1	484.9	560.9	569.1	604.9	646.1
Current assets (Dec. 31)	€ million	754.1	515.5	644.5	650.6	592.9	704.3	874.9	1,096.7	1,185.4	1,191.9
of which cash and cash equivalents (Dec. 31)	€ million	252.3	103.9	84.4	147.5	101.5	124.7	46.4	199.9	230.7	149.8
Equity (with non-controlling interests) (Dec. 31)	€ million	319.4	301.4	341.4	257.1	245.7	248.1	222.7	220.4	270.5	301.4
Non-current liabilities (Dec. 31)	€ million	328.2	201.1	201.3	305.0	321.7	324.6	339.2	261.5	390.5	457.3
of which pension obligations (Dec. 31)	€ million	55.9	55.1	52.2	50.0	60.7	67.8	53.6	53.6	53.1	51.7
Current liabilities (Dec. 31)	€ million	568.8	465.6	545.4	512.7	472.7	616.5	873.8	1,183.9	1,129.3	1,077.0
Financial liabilities (Dec. 31)	€ million	232.3	104.0	122.6	214.6	210.3	217.9	298.5	296.8	353.8	439.6
Total assets (Dec. 31)	€ million	1,216.5	968.1	1,088.0	1,074.8	1,040.1	1,189.1	1,435.8	1,665.8	1,790.3	1,835.7
Net financial status[5] (Dec. 31)	€ million	23.6	3.0	−34.4	−61.8	−96.5	−84.9	−242.8	−97.0	−123.1	−289.8
Net financial debt[5]/EBITDA		–[6]	–[6]	0.4	0.8	1.8	−4.5	4.8	2.0	1.4	2.3
Gearing (Dec. 31)	%	−8.0	−1.0	9.2	19.4	28.2	25.5	52.2	30.6	31.3	49.0
Net working capital (Dec. 31)	€ million	27.3	57.4	151.8	128.9	154.7	171.5	120.5	109.1	139.9	334.9
Days working capital	days	7.8	19.2	34.1	31.4	40.9	44.1	25.1	17.3	24.2	54.9
Days sales outstanding	days	112.2	108.9	100.3	99.5	108.5	123.2	117.5	–	–	–
Equity assets ratio (Dec. 31)	%	69.1	66.6	77.0	60.6	55.0	51.2	39.7	38.7	44.7	46.6
Asset coverage (Dec. 31)	%	140.1	111.0	122.4	132.5	126.9	118.1	100.2	84.7	109.3	117.4
Asset intensity (Dec. 31)	%	38.0	46.8	40.8	39.5	43.0	40.8	39.1	34.2	33.8	35.2
Cash ratio (Dec. 31)	%	44.4	22.3	15.5	28.8	21.5	20.3	5.8	16.9	20.4	13.9
Quick ratio (Dec. 31)	%	113.3	91.7	96.8	107.8	107.9	98.0	70.0	–	–	–
Equity ratio (Dec. 31)	%	26.3	31.1	31.4	23.9	23.6	20.9	15.5	13.2	15.1	16.4
Return on equity	%	2.2	−8.5	9.9	8.2	3.3	−42.1	−0.5	−14.1	4.9	6.7
Capital employed (CE) (Dec. 31)	€ million	356.7	356.3	432.1	378.8	420.1	–	–	–	–	–
ROCE	%	9.4	1.6	16.8	14.7	7.9	–	–	–	–	–
Weighted average cost of capital (WACC)	%	8.10	8.08	7.58	7.41	6.66	–	–	–	–	–
Economic value added (EVA)	€ million	−5.3	−24.8	20.0	5.9	−9.7	–	–	–	–	–
Employees/R&D											
Employees (Dec. 31)		5,915	5,712	6,143	5,936	5,650	5,992	6,240	12,747	12,902	12,675
Cost per employee (year average)	€	−59,850	−57,200	−62,200	−63,500	−61,000	−62,600	−61,200	−46,949	−51,274	−51,541
Sales per employee (year average)	€	218,300	183,100	264,500	254,200	237,500	230,000	265,200	174,771	164,987	174,840
R&D ratio	%	2.0	2.4	1.6	1.4	1.6	1.5	1.2	1.5	1.7	1.7
R&D employees (Dec. 31)		162	157	152	158	157	121	101	209	–	–

2003–2010: IFRS figures 2001–2002: US-GAAP figures

1 In 2005, we sold a number of business operations. The figures for 2004 to 2010 refer to the continuing operations and are fully comparable, whereas the figures for 2001 to 2003 also include the sold operations.
2 In 2010, the major restructuring measures within the Group were completed. As a result, the restructuring costs are no longer presented as a separate item, but included in other expense items. The presentation of income statement items for 2009 and 2008 was adjusted accordingly.
3 Dividend proposal for the annual general meeting
4 XETRA
5 Without finance leases
6 In 2010 and 2009, the Group 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 unbalances. Any unbalance 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

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
Systems that dispense materials essential for vehicle operation (e.g. brake fluid, air-conditioning refrigerant) in the final assembly stage of production.

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.

I

Industrial cleaning systems
Cleaning systems remove contaminants from workpieces that arise during the machining process.

L

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 CO_2 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 power train, chassis, and body in vehicle final assembly.

P

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.

Spin test stand
System designed to carry out material and strength tests on rotors. The rotor under test is accelerated to a high rotational speed in order to examine its behaviour at high centrifugal loads.

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.

Thermal wheel
Heat exchange device in which warm exhaust air is utilized to heat cold incoming air. The exhaust-air and incoming air streams pass through the motor-driven thermal wheel in a counter-current flow regime. The rotating thermal wheel absorbs heat from the exhaust-air flow by means of a storage mass (consisting, e.g., of an aluminium alloy) and then releases it to heat the cold incoming air.

Total Cost of Ownership
A method in which all costs associated with a machine or plant are estimated. This includes the cost of acquisition as well as usage-related costs, e.g. for energy consumption, maintenance and spare parts.

Transfer line integrated cleaning systems
Cleaning systems (with a high throughput rate) wherein the workpieces pass through several treatment stations, such as cleaning and drying.

Turnkey
Complete construction of a plant by a single general contractor.

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 and non-current liabilities cover non-current assets.

$$\frac{\text{equity + non-current liabilities}}{\text{non-current assets}} \times 100\ (\%)$$

Asset intensity
A ratio that indicates the relative weight of non-current assets in total assets. High capital intensity means high fixed costs, high levels of capital tied up in material assets, and thus less flexibility.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100\ (\%)$$

E

Equity assets ratio
A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100\ (\%)$$

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.

$$\frac{\text{earnings before tax + net interest expense}}{\text{net interest expense}}$$

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.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100\ (\%)$$

$$\frac{\text{cash and cash equivalents + short-term trade receivables}}{\text{current liabilities}} \times 100\ (\%)$$

N

Net financial status
This represents the balance of the financial liabilities reported in the balance sheet after deducting cash and cash equivalents. If a company's cash and cash equivalents exceed its financial liabilities it is de facto debt free.

financial liabilities − cash and cash equivalents

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.

inventories + trade receivables − trade payables

NOPAT (Net Operating Profit After Taxes)
NOPAT is operating profit (EBIT) less the company´s typical taxes. It is used to calculate other performance indicators such as "Economic Value Added" (see page 81).

EBIT − company´s typical taxes

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.

$$\frac{\text{earnings after taxes + interest expense}}{\text{total assets}} \times 100\ (\%)$$

W

WACC (Weighted Average Cost of Capital)
The weighted average cost of capital reflects the opportunity cost of the capital invested taking the company's financing structure into account, in other words what minimum rate of return the company has to earn to justify an investment.

$$\left(\frac{\text{equity}}{\text{total capital}} \times \text{cost of equity in \%}\right) + \left(1 - \text{tax rate}\right) \times \left(\frac{\text{debt}}{\text{total capital}} \times \text{cost of debt in \%}\right)$$

Index of charts and tables

Index

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 2011

05/03/2011	Interim report on the first quarter of 2011
05/06/2011	Annual general meeting, Bietigheim-Bissingen
08/05/2011	Interim financial report on the first half of 2011
11/03/2011	Interim report on the first nine months of 2011

CONTACT

Please contact us for further information

Dürr AG
Corporate Communications & Investor Relations
Carl-Benz-Strasse 34
74321 Bietigheim-Bissingen
Germany
Phone +49 7142 78-1785
Fax +49 7142 78-1716
corpcom@durr.com
www.durr.com

Published by: Dürr AG, Carl-Benz-Strasse 34, 74321 Bietigheim-Bissingen, Germany
The English translation of our 2010 annual report is based on the German version.
The German version shall prevail.

Design: 3st kommunikation, Mainz, Germany • Setting: Knecht GmbH, Ockenheim, Germany •
Printing: Societätsdruck, Mörfelden-Walldorf, Germany

Milestones 2010

01 // Acquisition in the glueing technology segment
With the acquisition of Klaus Kleinmichel GmbH we strengthen our position in glueing technology for automotive final assembly.

02 // Team awards
For the ninth time, Supervisory Board Chairman Heinz Dürr honors five employee teams for outstanding innovations. The award winners include the chassis test stand x-wheel that was specially developed for use in China and other emerging markets.

02 // Exhaust air purification in mini format
With the *Ecopure* CTO Dürr launches an innovative compact system for thermal exhaust air purification. The smallest version of this turnkey system fits inside a standard freight container.

03 // 800 visitors to Dürr's innovation show
At Dürr's Open House event all the business units display their latest innovations. We witness a record attendance with around 800 guests at the Dürr Campus in Bietigheim-Bissingen.

04 // A further award for the *Eco*DryScrubber
Our energy-saving ***Eco*DryScrubber** paint booth system wins the high-profile PACE Award in the USA, its third distinction within the space of a year.

05 // Rickert rounds out glueing technology portfolio
We round out our portfolio in glueing technology with another acquisition: Helmuth Rickert GmbH supplies equipment mainly for the automotive body-in-white process, where glueing is increasingly replacing welding.

06 // Large aircraft project successfully completed
We commission two 600-meter wing assembly lines at Lockheed Martin in the USA. With this project we transfer our proven FAS*tplant* automotive assembly system successfully to aircraft manufacture.

07 // Dürr hosts Südwestmetall conference The member companies of Südwestmetall, the metalworking industry employers' association of south-western Germany, hold their annual conference at Dürr. The 500 guests in Bietigheim include Minister-President of the State of Baden-Württemberg Stefan Mappus.

07 // US ambassador visits Dürr
On a tour of the Dürr Campus in Bietigheim US Ambassador Philip D. Murphy takes a first-hand look at the quality of German engineering. His conclusion: "That's exactly how people in the US perceive a successful German industrial company."

09 // € 150 million bond issue
The first tranche of our corporate bond is placed among private and institutional investors within a few hours. The issue is almost four times oversubscribed.

12 // A further paint shop order in China
Chinese automaker Chery places an order with us for a paint shop in Wuhu. It is the seventh large paint systems order from China in 2010.

11 // New Intranet
DÜRRnet goes live. Through the new Intranet all Group employees can access information, network, and communicate with one another more swiftly.

09 // Energy-efficient spin test stand
Schenck RoTec unveils the new CENTRIO spin test stand. CENTRIO guarantees high-precision material and strength testing and is extremely energy saving.

11 // Strong demand for engine production technology
Dürr wins a large order from General Motors for equipping another engine production line in the USA. In 2010, we receive orders worth over € 60 million for US engine plants from General Motors alone.

12 // New website goes live
The Dürr Group's new website goes live with a modern, user-friendly and interactive design. Check it out for yourself at WWW.DURR.COM.

10 // Dürr rated one of the top employers
Dürr comes fifth out of 25 companies in the final ranking in the high-profile "Top Employers Automotive 2010/2011" contest, which rates parts and equipment suppliers to the automotive industry in Germany.

12 // Foundation-laying ceremony in China
Work starts on our new production center in Shanghai which is due to be completed at the end of 2011. It will double the production area and include showrooms for our products as well as offices for engineering staff.

12 // Bond successfully reopened
The second tranche of our bond is also placed within a few hours. With a total issuance of € 225 million we are fully financed until 2015 and on better conditions than before.


www.durr.com
DÜRR
Technologies · Systems · Solutions