

**Ralf W. Dieter**  
**Chairman of the Board of Management**  
**Dürr AG**

**27th annual general meeting**  
**of Dürr Aktiengesellschaft**

**Bietigheim-Bissingen, May 4, 2016**

**Subject to change – please check against delivery.**

## **Chart 2: Welcome**

Dear shareholders, shareholder and media representatives, colleagues, guests and friends of our company.

Together with my colleague Ralph Heuwing, I am delighted to welcome you to the 27th annual general meeting of Dürr AG. A warm welcome from me also goes to the Dürr family, which, as our anchor shareholder, makes an important contribution toward our stability and independence.

Ladies and gentlemen, the film you have just seen is a good introduction to my report, as it features two important topics: the Industry 4.0 megatrend and the HOMAG Group, whose acquisition in 2014 was the largest in our company's history. Both Industry 4.0 and HOMAG offer great opportunities. More about this later.

## **Chart 3: Incoming orders, sales, earnings**

I would like to begin with the message that 2015 was another record year for Dürr in terms of incoming orders, sales and earnings. I know this is not the most original start to my speech, as we also looked back on record years at the last four annual general meetings. Nevertheless, we are pleased about this latest record year, as it underlines the sustainability of our successful development. Since the end of the 2008/2009 economic crisis we have grown year on year, because we consistently follow a clear strategy and make sustainable investments in the further development of Dürr while putting our customers' needs first in all our activities.

Let's take a look at the figures: Our order intake, shown in green in the chart, rose by 24 % to almost € 3.5 billion in 2015. Orders reached or exceeded the expected level in all divisions. The HOMAG Group, whose incoming orders exceeded the € 1 billion mark for the first time in its over-60-year company history, made a significant contribution to this.

In terms of sales – the red line – we achieved an even bigger increase of 46 %, thanks to the work of all five divisions. In total, consolidated sales reached a record level of almost € 3.8 billion and thus exceeded our € 3.5 billion target. The main reason for this was the dynamic sales performance in paint shop systems, where earnings reached € 1.4 billion and were thus around € 200 million above the normal

level, as we were able to eliminate the effects of customer-induced project delays that had arisen in 2014. HOMAG contributed just over € 1 billion of sales and – as with incoming orders – achieved a new company record. I don't think HOMAG could have had a better start in the Dürr Group.

Earnings before interest and taxes, or EBIT, marked in blue, increased by 21 % to € 268 million – also an all-time high. We must bear in mind that the HOMAG acquisition led to extraordinary expenses of € 27 million, primarily for the accounting-related purchase price allocation. Our operating EBIT, i.e. before extraordinary expenses, reached almost € 300 million.

At 7.1 %, the EBIT margin was within the target range, while the operating margin stood at 7.8 %. We are happy with this given the mounting competition, especially in plant engineering business in the automotive industry. But we are not going to lose any sleep over this. Competition is part of it and makes us more determined to become even better.

#### **Chart 4: Employees**

We currently have almost 15,000 people working for Dürr. Mr. Heuwing, the heads of the divisions and I often travel to our foreign sites where we have met many employees personally. The expertise of our workforce deserves great respect, not only from us but also from our customers. We know that we can rely on our managers and employees. For this we would like to thank them sincerely. The heads of the divisions, who all did a fantastic job again in 2015, are here today: Ralf-Michael Fuchs, Pekka Paasivaara, Hans Schumacher and Manfred Weil. Many thanks to you as well as to your employees.

#### **Chart 5: Regions**

This picture shows the balanced regional distribution of our business and demonstrates our excellent global reach. In 2015 we took advantage not only of the investment boom in North America but also of the high demand in China and Europe. China, North America and Europe (excluding Germany) each accounted for 20 to 30 % of the business, another 15 % was generated in Germany.

We are sometimes asked whether Dürr is focusing too much on China. Our figures show that this is not the case. In fact, our strength lies in taking advantage of opportunities all over the world. And in view of the great and sustainable potential of the Chinese market, whether we are focusing too much on China should not be in question. It is our responsibility to make every effort to exploit this potential in the long term. That's why Dürr is investing more than ever in China – I will elaborate on this in the context of our strategy.

### **Chart 6: Capital expenditure**

What goes for China also goes for the Group as a whole: in 2015 our capital expenditure on property, plant and equipment and on intangible assets reached an all-time high of over € 100 million. We are thus laying the foundation for Dürr's continued success.

### **Chart 7: HOMAG**

The acquisition of HOMAG in October 2014 was another future-oriented investment. As shown earlier, business in machinery and systems for woodworking has since performed well. The integration of HOMAG has now been completed and the FOCUS optimization program is progressing well. Important optimization initiatives include a worldwide business unit structure, product standardization, the implementation of consistent processes and IT systems as well as the reorientation of the project business with end-to-end production lines. FOCUS also enables HOMAG to lay the foundation for more rapid growth in the key markets of the United States and China as well as in service.

HOMAG accounts for around 30 % of our business and makes us somewhat less dependent on the investment cycles in the automotive industry, although – and I would like to stress this point – the automotive business will always remain a key business for Dürr. HOMAG is the world market leader and still has a lot of potential for profitable growth. The ongoing optimization puts us in a good position to maximize this potential. Adjusted for extraordinary expenses, HOMAG already recorded EBIT of € 63 million and a margin of 6.1 % in 2015. By 2020 sales revenues are to increase to € 1.25 billion with an EBIT margin of between 8 and 10 %. This will make

HOMAG one of our most important earnings generators in the Dürr Group in the near future in addition to the paint systems business.

In this context, I would like to briefly pay tribute to the special dedication of my colleague, Ralph Heuwing. After the acquisition, he temporarily assumed the position of CEO at HOMAG – in addition to his role as Dürr CFO – and initiated the FOCUS optimization program. Ralph, I would like to thank you for this.

### **Chart 8: Balance sheet**

Let's look at the balance sheet: At the end of 2015 our cash and cash equivalents were at a comfortable level and considerably above our financial liabilities. On balance, we achieved a positive net financial status of almost € 130 million. Our positive cash flow from operating activities, which stood at € 173 million in 2015, is important for our high level of liquidity. At 23.9 %, our equity ratio was just slightly below the previous year's figure, which is due to an accounting-related extraordinary effect following the HOMAG acquisition.

### **Chart 9: Financing**

At the end of March we completed a favorable financing transaction, which is not yet reflected in the balance sheet figures shown here. A bonded loan worth € 300 million further increased our cash and cash equivalents. The average interest rate is only 1.6 %, although parts of the bonded loan have a term of 10 years. This favorable financing agreement increases our scope for further acquisitions and our general corporate financing.

### **Chart 10: Stock**

This brings us to the Dürr stock, which traversed a volatile stock market environment in 2015. In mid-April, the share price, shown here in blue, reached an all-time high of almost € 110, and then dropped to € 58 as a result of the brief lull in automotive sales in China and general skepticism toward automotive stocks. In the fourth quarter, the share price once again rose to its early 2015 level. In 2016 the share price initially dropped to around € 50 in February, as our business outlook was seen as conservative, but since then it has risen by more than 35 % to € 68 yesterday.

### **Chart 11: Analysts**

My dear shareholders, the development of the Dürr share price in 2015 was highly volatile and the result was not satisfactory. But it hardly reflects the reality within the company. If we broaden our view and look back over the last five years, the Dürr share price has increased almost sixfold – this makes it the highest-performing share in the DAX and MDAX indices. The majority of our analysts see further potential, as shown by the average target price which currently stands at € 80.05. My colleague Ralph Heuwing and I strongly believe in the continued potential of the Group, which is why we bought an additional 18,000 Dürr shares in February.

### **Chart 12: Dividend**

Let's move on to the dividend for 2015. We are proposing to increase the payout for the sixth time in a row. We want to raise the dividend by 12.1 % compared to the previous year, which is equivalent to € 1.85 per share. By comparison: consolidated net profit increased by 10.8 % to 167 million in 2015. We are proposing a total payout of € 64 million – an all-time high. This corresponds to a payout ratio of 38 % of consolidated net profit, which is at the top end of Dürr's usual range of 30 to 40 %.

The voting on the dividend will take place later under agenda item 2. Another item on the agenda that I would like to address briefly is the authorization to acquire treasury shares under item 7. We are asking for your approval on this as the previous authorization has expired. As usual, this is an anticipatory resolution.

### **Chart 13: Strategic overview**

Before we go on, a quick logistical point: once again, we are offering you a short tour of the premises after the annual general meeting. If you would like to take part, please register at the information desk after the annual general meeting. You will be met there.

Ladies and gentlemen, this brings us to the "Dürr 2020" strategy. Many of you will be familiar with this chart, as we already used it at previous annual general meetings. This goes to show that strategy at Dürr has a lot to do with continuity; we implement our plans consistently and with a long-term view.

## **Chart 14: Globalization – China**

This goes, for example, for the expansion of our global reach – most of all in China. As mentioned earlier, we are investing there because we believe in the potential of the Chinese market. However, doubt regarding China is rife in the media because economic growth is no longer hitting double-digit figures; it is down to ‘only’ 6 to 7 %. But this type of comparison fails to take into account one important factor: absolute growth. For example, in 2007 the growth rate of the Chinese economy reached 14 % and was therefore twice as high as in 2015. But absolute growth was only \$ 800 billion, while in 2015 it exceeded 1,000 billion, which is a full 25 % more than in 2007.

China is set to remain the biggest market for the automotive and furniture industries in the long term. We expect Chinese automotive production to grow by more than 1.5 million units per year in 2016 and 2017. In addition, the trend toward electromobility is creating demand for additional factories – 2015 saw as many as 300,000 electric cars built in China. Opportunities for Dürr also lie in the transformation of the Chinese economy based on the model of increased domestic consumption. Our technologies are used to produce basic consumer goods, which are also popular in China: cars for personal mobility and furniture for a comfortable home.

## **Chart 15: Globalization/investments 1**

Here you can see two large investment projects of Dürr in China: on the left the mechanical engineering site in Shanghai-Baoshan, which opened in 2013, and on the right the plans for the new Dürr campus in Shanghai-Qingpu, which is due to be completed by 2017. This will give Dürr in Shanghai a total of 109,000 m<sup>2</sup> in office and production space. Here in Bietigheim we have 91,000 m<sup>2</sup>.

## **Chart 16: Globalization/investments 2**

A few weeks ago, we moved into another new site in the United States. The campus in Southfield combines our activities in the Detroit area, which were previously spread over three sites, and comes just at the right time, as business in North America is booming.

### **Chart 17: Service 1**

The next strategic field is the expansion of the service business. Last year I told you about the CustomerExcellence@Dürr optimization project launched for that purpose. The project has shown positive results: in 2015 service-related sales rose by 40 % to almost € 900 million - also thanks to HOMAG. There is great potential for further growth as our installed base has increased substantially and is growing every day as a result of the high level of incoming orders in the last few years.

### **Chart 18: Service 2**

The modernization business also offers potential and accounts for almost 30 % of our order intake, which is twice as high as in 2008. Many of our systems and machines are showing signs of age and must be modernized or even replaced. We are well positioned in the modernization business: we offer innovative products with short amortization periods, which can be easily upgraded. In addition we have special expertise in carrying out complex and time-critical modifications.

### **Chart 19: SGM upgrade**

We proved this in 2015 with a large upgrade worth more than € 30 million in Shanghai, where we dismantled large parts of a 17-year-old paint shop and installed new equipment. At just seven weeks, the deadline scheduled for this project was extremely tight. But in fact, we managed it in only six weeks! This upgrade has raised our profile in the market for further modernization projects. And there will be more and more in the next few years, also in China.

### **Chart 20: Industry 4.0**

Ladies and gentlemen, let's move on to the strategy field of innovation and the megatrend mentioned at the beginning: Industry 4.0. Industry 4.0 is the biggest technological challenge that production companies have faced for decades. But it also offers one of the greatest opportunities. According to experts, digitization, networking and data analysis can lead to efficiency gains of up to 30 %.

A lot of the technologies involved in Industry 4.0 have already been implemented at Dürr. Our platform is the smart factory. We are working on this as part of our Digital@Dürr strategy, which consists of three pillars:



1. Smart products: We are developing intelligent products, which are self-regulating and detect different production tasks.
2. Smart services: We are using the Internet to analyze and maintain customers' equipment online.
3. Smart processes: We are optimizing our order execution process through intelligent software and simulation.

### **Chart 21: Smart process**

One example of smart process simulation is the virtual tours of model paint shops – as shown here. This enables us to show customers how individual processes take place long before construction begins. This way we can deal with questions early on and make improvements to the layout.

### **Chart 22: HRC**

One of Dürr's smart innovations is human-robot collaboration in final vehicle assembly. In 2015 we presented a collaborative system for glueing in fuel tanks, whereby humans and robots no longer act separately but work hand-in-hand using their individual strengths. Our engineers have combined expertise from the areas of robotics and sensors as well as control and application technology.

### **Chart 23: iTAC**

An efficient manufacturing execution system (MES) is a key technology for every digital smart factory. This software links the individual items of equipment, collects their data and thus enables big data analysis, allowing factory operators to enhance production efficiency. Due to the critical importance of MES technology for Industry 4.0, Dürr invested heavily at the end of 2015 and acquired iTAC Software AG, one of the leading providers in this field. More than 150 factories worldwide are already controlled using iTAC's software, for example those of automotive suppliers and electronics companies. iTAC is a key element of our Digital@Dürr activities. The company can accelerate its growth with Dürr as a strong partner, while we can use the iTAC software platform to modernize our in-house MES solution, **EcoEMOS**, thus pressing ahead with the digitization of our systems.

### **Chart 24: Efficiency**

Ladies and gentlemen, continuous efficiency gains and optimization are also part of the "Dürr 2020" strategy. This applies to operational processes and structures as well as to the composition of the business portfolio. We keep a constant eye on how we can create added value through acquisitions and partnerships but also through divestments, and on what strategic options exist for our activities.

### **Chart 25: Ecoclean**

A few weeks ago we decided to find a partner or a buyer for the cleaning technology business of Dürr Ecoclean. Following its successful restructuring in the last few years, Dürr Ecoclean achieved an EBIT margin of 6 % with sales of € 200 million in 2015. As the market leader, Dürr Ecoclean must drive the consolidation of the fragmented market environment to achieve further growth. This requires heavy investment, which is why we are looking for a partner. Investing in Dürr Ecoclean ourselves is not an option as we want to position the Group more broadly as part of "Dürr 2020".

### **Chart 26: Acquisition strategy**

The acquisition of HOMAG was a successful step in this direction. This will be followed by further acquisitions. The criteria for this are clear: target companies for Dürr include mechanical and plant engineering firms which have a leading market and technology position, operate in niche markets, and require no restructuring but instead have the potential to maximize earnings. However, we will not rush into anything but only invest if it is the right match – both in terms of purchase price and company structure.

### **Chart 27: Outlook**

We are now coming to the outlook for 2016. I can't say anything yet about the first quarter as it will be another eight days before the figures are published. What I can say with some degree of understatement, however, is that we had a respectable first quarter, and that includes incoming orders.

All in all, we expect incoming orders worth between € 3.3 and 3.6 billion for 2016 as a whole. According to forecasts, worldwide automotive production is set to increase by

4 % per year in the next two years. On this basis we expect an investment volume in the automotive industry for 2016 that is on a par with 2015. This should be boosted, in particular, by business in North America, China and Europe. While the volume generated through the construction of new plants is decreasing slightly, modernization business continues to grow. In addition, there are signs of increasing investments in assembly and painting technology for electric cars. At HOMAG we mainly anticipate increases in fully automated systems business.

Sales are set to drop slightly to between € 3.4 and 3.6 billion in 2016. Strictly speaking, this is a normalization rather than a decline, as last year's sales included delayed revenues of € 200 million, which had been scheduled for 2014, as mentioned earlier.

We are once again targeting an EBIT margin of 7.0 to 7.5 %. Our aim is to achieve absolute EBIT on a par with 2015, despite lower sales – not least because the expenses arising from the purchase price allocation for HOMAG will be 50 % lower, dropping to around €9 million.

We expect earnings after taxes to rise again slightly in 2016. One reason for this is the decline in the extraordinary expenses included in interest result and income tax expense arising from the domination and profit and loss transfer agreement with HOMAG. Cash flow is expected to increase again, as are equity and equity ratio.

### **Chart 28: Poland**

Ladies and gentlemen, one reason for our positive outlook is our ability to execute even complex projects reliably. The next few days will see the production start of the largest Dürr paint shop ever built at Volkswagen in Poland. 7,500 tons of steel, 640 meters of oven and 89 robots are just three of the parameters of this unrivaled project. We look forward to showing you a film on this straight after my presentation.

This brings me to the end: 2015 was the 120th year of Dürr's history – and it was an extremely successful year. In 2016 we will continue working on the long-term success of your company. We will leverage our service and modernization business and continue to impress our customers through performance and innovation. We are at the forefront of the most important technology trend: Industry 4.0. HOMAG will pursue its successful optimization strategy and further boost its earnings. We have a



solid balance sheet with a high level of cash and cash equivalents. On this basis, we will continue investing in Dürr's future and seize new opportunities for creating value and profitable growth.

I would like to thank you sincerely for the trust you have placed in Dürr. We will make every effort to ensure that 2016 will be a good year for the company and for you as shareholders.

Thank you