



LEADING IN PRODUCTION EFFICIENCY

Annual Report 2013

A STRONG BASIS



Key figures (IFRS)

		2013	2012	2011	2013/2012 CHANGE IN %
Incoming orders	€ million	2,387.1	2,596.8	2,684.9	-8.1
Orders on hand (Dec. 31)	€ million	2,150.1	2,316.8	2,142.7	-7.2
Sales revenues	€ million	2,406.9	2,399.8	1,922.0	0.3
of which abroad	%	84.2	86.5	85.4	-2,3 ppts
EBIT	€ million	203.0	176.9	106.5	14.8
EBT	€ million	184.6	147.7	85.8	25.0
Net profit	€ million	140.9	111.4	64.3	26.5
Cash flow from operating activities	€ million	329.1	117.6	127.9	179.8
Cash flow from investing activities	€ million	-111.4	-23.4	-62.6	
Cash flow from financing activities	€ million	-100.9	-43.6	-24.2	
Free cash flow	€ million	261.9	65.9	91.8	297.4
Equity					
(with non-controlling interests) (Dec. 31)	€ million	511.4	432.1	364.3	18.4
Net financial status (Dec. 31)	€ million	280.5	96.7	51.8	190.1
Net working capital (Dec. 31)	€ million	-33.1	98.6	32.6	
Employees (Dec. 31)		8,142	7,652	6,823	6.4
of which abroad	%	54.0	55.4	54.2	-1.4 ppts
Gearing (Dec. 31)	%	-121.5	-28.8	-16.6	
Equity ratio (Dec. 31)	%	25.7	23.9	21.9	1.8 ppts
EBIT margin	%	8.4	7.4	5.5	1.0 ppts
ROCE	%	66.2	43.9	28.4	22.3 ppts
EVA	€ million	121.6	97.3	45.9	25.0
Dürr stock ¹ (ISIN: DE0005565204)					
High ²	€	66.29	34.88	17.75	
Low ²	€	33.73	16.86	10.34	
Close ²	€	64.81	33.75	17.00	
Number of shares		34,601,040	34,601,040	34,601,040	
Earnings per share	€	4.05	3.10	1.79	30.6
Dividend per share	€	1.45 ³	1.13	0.60	28.3

¹ On May 27, 2013, Dürr issued bonus shares in a ratio of 1:1. As a result, the total number of shares doubled to 34,601,040.

For reasons of comparability, the 2012 and 2011 figures for Dürr stock have been adjusted accordingly.

² XETRA

³ Dividend proposal for the annual general meeting

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

Dürr AG

PAINT AND ASSEMBLY SYSTEMS

Paint systems
Final vehicle assembly systems
Aircraft production technology

APPLICATION TECHNOLOGY

Paint application technology
Sealing technology
Glueing technology

MEASURING AND PROCESS SYSTEMS

Balancing technology
Testing technology
Filling technology
Assembly technology
Cleaning technology

CLEAN TECHNOLOGY SYSTEMS

Exhaust-air purification technology
Energy efficiency technology

1.2 SALES REVENUES BY DIVISION

4.4%

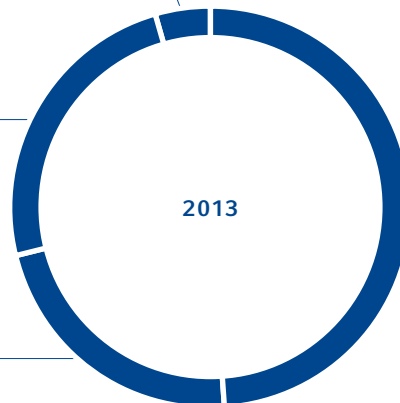
CLEAN TECHNOLOGY SYSTEMS
€106.3 million

24.3%

MEASURING AND PROCESS SYSTEMS
€583.6 million

22.4%

APPLICATION TECHNOLOGY
€540.0 million



48.9%

PAINT AND ASSEMBLY SYSTEMS
€1,176.9 million



COVER PHOTO

After the paint has been applied, the surface quality of the car body is carefully checked under a bright light provided by special lamps.

A STRONG BASIS

Dürr performed well again in 2013. Cash flow and earnings continued to increase, and our share price rose by 92 %. We invested more than ever in our employees, new products and the expansion of our business locations.

We have a strong basis to ensure continued positive development.

Dürr has a solid financial foundation, an innovative approach and experience in dealing with complex projects. The expertise of our employees is appreciated worldwide. Many carmakers rely on Dürr technology and trust in our promise: "Leading in Production Efficiency".

Nothing is more important to Dürr than the trust of our customers. That's why we are doing our best to support them even more: with a global presence, sustainable products and measurable efficiency gains in their plants. Find out more from page 18 onwards.



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A STRONG BASIS

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WWW INTERNET REFERENCE

Letter from the Board of Management

DEAR SHAREHOLDERS,
CUSTOMERS, BUSINESS ASSOCIATES,
AND EMPLOYEES,

The year 2013 was as eventful as the two preceding years. The Dürr team executed a large number of orders in parallel, and new projects were planned in dialog with our customers. At the Group's technology centers, our engineers and technicians intensified the pace of product development – also with regard to a highlight in the calendar for 2014: our Open House innovation exhibition in May, where we expect to welcome over 1,000 customer representatives from all over the world to Bietigheim-Bissingen.

First of all, the last financial year, 2013, was yet another record year in which our earnings, cash flow and net financial status reached all-time highs. We consider 2013 another milestone in the process of the company's ongoing further development. This process was launched in 2005, and we have since paved the way for sustainable corporate success together with our managers and employees. The list ranges from the implementation of worldwide IT systems and the extension of internal cooperation within the Group all the way through to systemization of order execution. Expenditure on R&D doubled in comparison with 2005, and so did the size of the workforce in the Group's innovation departments.

In 2013, Dürr once again benefited from this fundamental work, which is evident not least in the increase in the EBIT margin to 8.4 %. At the same time, the Group's foundations were reinforced even further: at a capex level of € 51.2 million, we invested more money than ever before; since 2012, 13 locations have been newly built or equipped with additional floorspace for product development, manufacturing and engineering. An overview of this can be found in the "Customer proximity" section on page 18 of this report. Thanks to the additional capacities, we are able to cope well with the high volume of business – our sales have increased by over 120 % since 2009. For our customers, the high level of investment means even more quality, speedier delivery as well as additional options and facilities for training courses and product evaluations.



RALF W. DIETER (52)
CEO

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

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

RALPH HEUWING (47)
CFO

- / Clean Technology Systems
- / Dürr Consulting

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

A look at our workforce clearly illustrates Dürr's further development. Since the end of 2011, over 1,300 additional employees have joined our organization. They have contributed new ideas and fresh impetus to the company and have helped to reliably execute the large number of orders placed across the globe. Inducting these new employees into their jobs is an accomplishment for which we owe our experienced managers and colleagues a great deal of appreciation. It fills us with pride to see how all employees in the Group are pulling in the same direction and showing a shared dedication to their projects. Quite often, colleagues from seven or eight nations are involved in single large-scale orders. Their team spirit and determination to impress customers with their performance is evident throughout the company. We wish to cordially thank all our employees for their commitment and dedication!

Dürr has a strong basis. The Group is the market and technology leader, operates with efficient processes and structures and is more strongly represented in the emerging markets than the competition. What additional plans do we have in store for our organization? The primary objective is to optimize our service operations. We are devoting more attention to this project at present than to most others. We have analyzed the status quo of our service operations and defined 43 optimization measures – from speeding up spare part deliveries and expanding our organization, capacities and IT tools all the way through to employee training and complaints management. In the medium term, we plan to increase the proportion of sales accounted for by services from 22 % at present to between 25 and 30 %. The starting position for this is favorable since our installed base has grown in tandem with the increase in the volume of business in recent years.

Our market potential is likewise growing in the modernization business. In North America and Western Europe, in particular, where numerous manufacturing plants are showing their age, we are helping our customers to achieve greater production efficiency through the integration of new technologies. How our teams support the automotive industry in the sophisticated and challenging modernization business can be seen in the "Update" report on page 28.

In the future we will continue to pay special attention to the new business fields which we have developed by means of smaller-scale acquisitions since 2009. Activities such as glueing technology, energy efficiency technology, balancing technology for turbochargers and filling technology for general industry have immense future potential

and are received well by our customers. With the aid of the global Dürr network, we are gradually opening up new markets in this context. We are also planning further acquisitions with a view to rounding off our core business. The high level of liquidity – € 458.5 million at the end of fiscal 2013 – shows that we are well prepared to achieve this.

Sharing the views of the heads of the business units, we have an optimistic outlook for the future. Our target is to raise our sales by up to 5 % per annum, in parallel with the growth in global automobile production. Our earnings should at least maintain the high level recorded in 2013. Dürr is now passing through one of the most exciting and successful phases of its 119-year corporate history. The Group has coped well with the growth of recent years. We will not rest on our laurels, however, but intensify Dürr's development even further. As the Management Board, we will continue to devote ourselves to our unique company with a full sense of commitment. In doing so, we know that we can rely on the backing of our managers and employees alike. We will assign even greater importance to our customer and service orientation and justify Dürr's good reputation on the capital market through our reliable performance.

April 26, 2013, marked a watershed for Dürr: Heinz Dürr retired as Chairman of the Supervisory Board of Dürr AG after 23 years and was followed by Klaus Eberhardt. Heinz Dürr was always passionately committed to the company and was an important advisor to the Board of Management, even in difficult times. On behalf of all managers and employees, we would like to express our deepest thanks for everything he has done for Dürr.

We would also like to thank our customers and business partners for the good collaboration in 2013, and the shareholders of Dürr AG for the trust they have placed in us.

Sincerely,



RALF W. DIETER / CEO



RALPH HEUWING / CFO

Bietigheim-Bissingen, March, 17, 2014

Report of the Supervisory Board

DEAR SHAREHOLDERS,

This report gives me the opportunity to contact you for the first time in my capacity as Chairman of the Supervisory Board of Dürr AG. On April 26, 2013, I was elected by the Supervisory Board as the successor of Heinz Dürr, who had served as the Board's Chairman for 23 years. His work had been shaped by his extraordinary experience, expertise and passionate commitment for the company founded by his grandfather. On behalf of the entire Supervisory Board, I would like to offer my warmest thanks to Heinz Dürr for his outstanding contribution to the continued strategic development of the Dürr Group. At the meeting on March 12, 2013, the Supervisory Board appointed Heinz Dürr Honorary Chairman for life, thereby ensuring that he will continue to be a key figure for the company and its employees.

In 2013, Dürr was able to build on its success of the previous years. Earnings reached an all-time high, net financial status was well into positive territory, and Dürr generated a significant cash inflow from operating activities. The company is benefiting from its innovation strategy and its strong presence in the growth markets. Another key strategic element is the expansion of the service and modernization business, on which the Board of Management is placing great emphasis. Dürr is also increasing its activities in the energy efficiency sector, one of the most important topics of the future. At the same time, Dürr is investing in the expansion of its site network, thus laying the foundation for continuing the successful development of its core business. The Supervisory Board discussed these strategic measures at length with the Board of Management in 2013. The Supervisory Board will continue to take a constructive yet critical approach in supporting the Board of Management.

The Supervisory Board advised the Board of Management extensively in 2013 and performed all tasks assigned to it by law and by the articles of incorporation. The Board of Management informed the Supervisory Board in a timely and comprehensive manner about business development, strategic measures, company planning and any activities requiring consent. The Supervisory Board adopted all resolutions following the thorough review and critical evaluation of the relevant written decision-making materials.

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



KLAUS EBERHARDT

Six regular Supervisory Board meetings were held in 2013. No member attended fewer than four meetings. The Chairman of the Supervisory Board personally met with the Board of Management on a regular basis. The other members of the Supervisory Board were informed of the outcome of their discussions in a timely manner.

KEY TOPICS OF THE MEETINGS

The business performance and financial position of the Group and its segments were analyzed in detail at all 2013 meetings. Special emphasis was placed on the development of key economic figures such as incoming orders, sales, EBIT and EBIT margin, ROCE, net working capital, cash flow and net financial status. In addition, the Board of Management provided regular information on the market volume and projects due to be awarded in the automotive industry.

At the meeting held on March 12, 2013, the Supervisory Board focused on the review of the 2012 annual financial statements. The agenda for the annual general meeting on April 26, 2013, was also addressed. The discussion mainly centered on the proposed issue of bonus shares. Further topics included the competitive situation in paint shop construction and – under the heading “Industry 4.0” – the importance of the ongoing digitization of production processes for Dürr. Personnel development was one of the topics addressed during the discussion of the first personnel report of the year. Following a proposal by the Personnel Committee, the Supervisory Board also decided to

adjust the fixed remuneration component as well as the parameters and upper limit of LTI payments for the Board of Management.

The focus of the meeting immediately preceding the annual general meeting on April 26, 2013, was the analysis of the order backlog as well as cash and cash equivalents. After the annual general meeting, the Supervisory Board held a further meeting in order to elect the Chairman, as mentioned above.

The meeting on July 31, 2013, was initially dominated by HR topics such as the employee survey, remuneration and growing the workforce. In addition, the Board of Management explained the integration plan for Luft- und Thermochnik Bayreuth GmbH (LTB) acquired on July 4. The Supervisory Board had approved the acquisition of LTB's assets by way of circulation. Further topics included the current risk report and the strategic reorientation of the Cleaning and Surface Processing business unit (formerly Cleaning and Filtration Systems). Furthermore, the Supervisory Board agreed to increase the investment framework in 2013 and was informed by Professor Dr. Loos about the meeting of the Audit Committee held prior to the Supervisory Board meeting. Following a proposal by the Audit Committee, the Supervisory Board authorized the offloading of further pension obligations by the Board of Management.

At the meeting on October 2, 2013, the Board of Management reported on the earnings forecast upgrade on September 30 and Dürr's business expectations for the end of the year. Further topics of the meeting were the completion of the new mechanical engineering site in Shanghai Baoshan, the aircraft manufacturing technology business as well as growth initiatives in the service business. Lastly, the Board of Management outlined its strategy in the area of filling technology, following the increase of the investment in the Danish filling system specialist Agramkow to 100 % on October 1. The Supervisory Board had given its approval to this by way of circulation.

One of the key points of the meeting held on December 11, 2013, was the strategy for 2014 to 2017. Presentations were given by the members of the Board of Management as well as the heads of the business units. Based on this, the Supervisory Board approved the company planning for 2014 and acknowledged the planning for 2015 to 2017. In addition, it analyzed the current risk report. The Chairmen of the Board of Management and the Supervisory Board signed the new declaration of compliance on Corporate Governance; more detailed information on this can be found in the management report (pages 69 to 77). To conclude, the Board of Management gave an overview of the pension plans at Dürr in the United States.

CHANGES IN THE SUPERVISORY BOARD

Aside from the election of a new Supervisory Board Chairman as a result of Mr. Dürr's departure, there were further changes to the Board and committees. At the annual general meeting on April 26, 2013, Dr. Herbert Müller was elected to the Supervisory Board as a new shareholder representative. On the same day, I took over from Mr. Dürr as Chairman of the Personnel Committee (pursuant to the articles of incorporation) as well as the Mediation Committee (by operation of law). In addition, the shareholder representatives elected me to succeed Mr. Dürr as Chairman of the Nominating Committee.

In a letter dated February 27, 2014, Professor Dr. Norbert Loos announced his resignation from the Supervisory Board due to age, which will take effect at the end of the annual general meeting on April 30, 2014. Mr. Loos has been a member of the Supervisory Board since 1999 and Chairman of the Audit Committee since 2002, both of which have been heavily shaped by his in-depth knowledge. The Supervisory Board would like to thank Mr. Loos for his valuable contribution and long-term commitment to the Dürr Group. Following a proposal of the Nominating Committee, the Supervisory Board will propose to the annual general meeting that Professor Dr. Holger Hanselka be elected as Mr. Loos's successor. Mr. Hanselka was already a member of Dürr AG's Supervisory Board from 2006 to 2009. His professional situation now allows Mr. Hanselka once again to dedicate time to the Supervisory Board. As an expert in mechanical engineering, he can provide valuable ideas for the further development of the Dürr Group.

WORK OF THE COMMITTEES

The Personnel Committee, which is also the Executive Committee, met once in 2013. It was primarily concerned with issues relating to Management Board compensation; for example, it prepared the resolution for the adjustment of the fixed remuneration component as well as the parameters and upper limits of LTI payments, which was adopted in plenary session on March 12, 2013. Further information on this topic can be found in the compensation report, starting on page 74. In addition, the appointment of Mr. Dürr as Honorary Chairman of the Supervisory Board was based on an initiative of the Executive Committee.

The Nominating Committee convened once during the reporting period. It recommended to the Supervisory Board on March 12, 2013, that Dr. Müller be nominated for election to the Supervisory Board at the annual general meeting.

The Audit Committee held three meetings chaired by Professor Dr. Loos. It analyzed the quarterly, annual and consolidated financial statements and dealt with accounting matters. Further topics included currency hedging, pension obligations and impairment testing. The Audit Committee also proposed the key points for the external audit and monitored compliance with capital market regulations. The Committee reviewed and confirmed the efficiency of the internal control system, the risk management system and the internal auditing system; it also reviewed the compliance management system and the financial reporting process. The audit results were presented to the Supervisory Board on December 11, 2013, and discussed in plenary session. The Audit Committee submitted additional reports at the meetings held on March 12 and July 31, 2013. 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, 2013, 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 17, 2014. The same applies to the auditors' reports, which were also submitted in due time. The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting held on the same day. They reported on their audit and were available for further explanations and discussions. At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Professor Dr. Loos, commented in detail on the audit documents, reported on the preliminary talks with the auditors and elaborated on the proposal to pay a dividend of € 1.45 per share for 2013. In addition, he commented on the key points of the audit: the accounting for construction orders according to the percentage-of-completion method and the use of risk/opportunity check lists when accepting orders.

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, 2013. The annual financial statements are thereby ratified. In light of the Audit Committee's recommendation and its own review, the Supervisory Board approves the Board of Management's proposal on the use of net retained profit.

The Supervisory Board examined the report prepared by the Board of Management pursuant to Sec. 312 of the German Stock Corporation Act concerning relationships with associated enterprises (dependent company report) for the period from January 1 to April 26, 2013. The auditors issued the following unqualified certificate pursuant to Sec. 313 (3) of the German Stock Corporation Act: "After examination and assessment in accordance with our professional duties, we confirm that:

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

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

On behalf of all members of the Supervisory Board, I would like to thank the Board of Management, the heads of the business units, the employee representatives as well as all employees of the Dürr Group for their contribution to Dürr's success in 2013. The Supervisory Board would like to thank the shareholders of Dürr AG for the confidence they have placed in it and in the entire company.

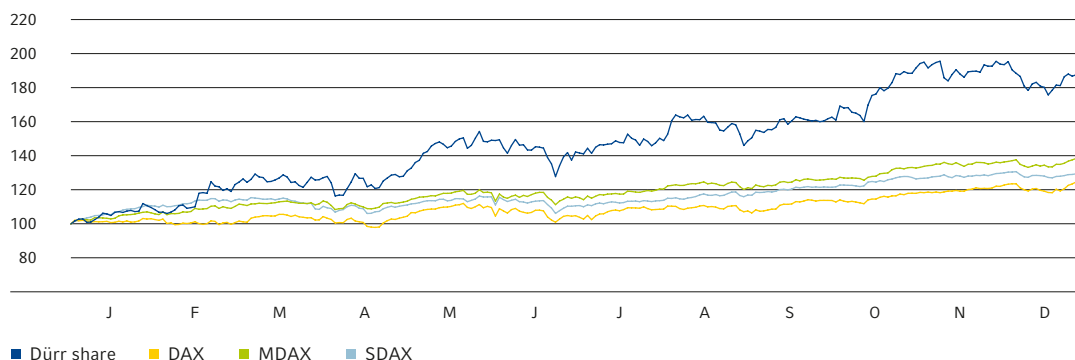


KLAUS EBERHARDT / Chairman of the Supervisory Board

Bietigheim-Bissingen, March 17, 2014

Dürr on the capital market: Stock up almost twofold

1.3 PERFORMANCE OF DÜRR STOCK IN XETRA TRADING, JANUARY – DECEMBER 2013
compared with development of the DAX, MDAX, and SDAX (indexed values)



We pursue professional investor-relations activities to contribute to a fair valuation of Dürr stock. In an effort to justify investors' confidence, we are committed to reliability, immediate and transparent communications and ongoing maintenance of contacts. We attach importance to presenting even complex matters in a readily understandable manner to enhance visibility for our shareholders.

At the end of 2013, all standard valuation metrics (price/earnings, enterprise value/EBIT, enterprise value/sales, price/book) were up slightly on the peer group average for the first time in years, underpinned by the Group's good earnings, its ability to generate high net cash inflows and the expected sustainability and stability of its future business performance.

CONTINUED RALLY IN THE EQUITIES MARKETS IN 2013

Generally speaking, the equities markets were in very good condition in 2013. Although fears of an imminent end to central banks' accommodative monetary policy triggered uncertainty in the second quarter, equities markets continued to benefit from copious liquidity, moderate company valuations as well as low interest rates and the relative lack of appeal of other asset classes. In addition, the leading macroeconomic indicators increasingly brightened in the second half of the year. While this pushed bond yields up slightly, the earnings outlook in the corporate sector improved at the same time. Yields on ten-year German government bonds climbed from their low of 1.5 % to around 2.1 % but were still trading at historically low levels.

DÜRR STOCK ONE OF THE TOP PERFORMERS WITH GAINS OF 92 %

After rising by just under 100 % in the previous year, Dürr stock advanced by 92 % in 2013, reaching a new all-time high of € 68.13 on January 15, 2014. Accordingly, it has risen almost eightfold since the beginning of 2010.

Dürr stock was one of the top ten performers across the DAX, MDAX, SDAX and TecDAX in 2013 again. The DAX and MDAX rose by 26 % and 39 %, respectively, while the indices in other countries largely matched their German counterparts, with the Dow Jones in New York rising by 27 %.

With our increased market capitalization, we were able to reach new investor groups in the United Kingdom and the United States in particular. Many investors trust in the steady development of Dürr's earnings and in our cash generation potential. As well as this, they appreciate our strong position in the emerging markets and assume that we will continue to benefit from expanding production output in the automotive industry.

The issue of bonus shares on a one-for-one basis on May 27, 2013, was also welcomed by market participants. In this way, the total number of shares issued by Dürr AG doubled from 17,300,520 to 34,601,040. There was no change in our shareholders' stake or in the level of equity as the issue of shares was based on a capital increase from company funds. The new shares are dividend-entitled with retroactive effect from January 1, 2013.

Looking ahead to 2014, analysts project a continued moderate rise in sales and earnings. This is reflected in the current consensus estimates in the Investor Relations section of WWW.DURR.COM.



DIVIDEND TO BE INCREASED 28 %

As we also want our shareholders to benefit from the sharp rise in earnings in 2013, the Board of Management and the Supervisory Board will be asking the shareholders to approve a 28 % increase in the dividend per share to € 1.45 (previous year: € 1.13) at the annual general meeting. This will result in a total distribution of € 50.2 million, translating into a payout ratio of 36 % of consolidated net profit, up from 35 % in 2012 and 32 % in 2011. In this way, we are underscoring the continuity of our dividend policy, which aims for a payout ratio of 30 to 40 %.

We advanced further up Deutsche Börse's joint ranking of SDAX and MDAX companies, which covers a total of 100 companies, reaching 27th (2012: 38th; 2011: 49th) position in market capitalization and moving to 28th (2012: 31st; 2011: 52nd) position in trading volumes at the end of 2013.

1.4 KEY FIGURES FOR DÜRR STOCK¹

	2013	2012	2011
Earnings per share €	4.05	3.10	1.79
Book value per share €	14.58	12.25	10.53
Cash flow per share €	9.51	3.40	3.70
Dividend per share €	1.45 ²	1.13	0.60
Payout ratio %	36 ²	35	32
High €	66.29	34.88	17.75
Low €	33.73	16.86	10.34
Close €	64.81	33.75	17.00
Average daily trading volume (shares)	153,000	207,944	130,216
Market capitalization (Dec. 31) € million	2,242.5	1,167.8	588.2
Number of shares	34,601,040	34,601,040	34,601,040

¹ The figures for 2012 and 2011 have been adjusted to reflect the number of shares outstanding as of May 27, 2013.

² Dividend proposed to the annual general meeting

In like-for-like terms, i.e. adjusted for the issue of the bonus shares, daily trading volumes of our stock averaged 153,000 in 2013, a 26 % decline over 2012. However, in euro terms, there was a 45 % increase in daily trading volumes to an average of € 7.48 million. By comparison, XETRA trading volumes (in euros) of all shares traded at the German Stock Exchange remained flat in 2013.

A member of the Deutsche Börse's high-quality Prime Standard segment, Dürr stock is traded in all German stock exchanges. More than 90 % of trading volumes are accounted for by the electronic XETRA trading system. There was a substantial increase in over-the-counter trading on various platforms in 2013 and these figures are not included in the trading volume figures for the German Stock Exchange.

DÜRR ANNUAL REPORT RATED HIGHLY AGAIN

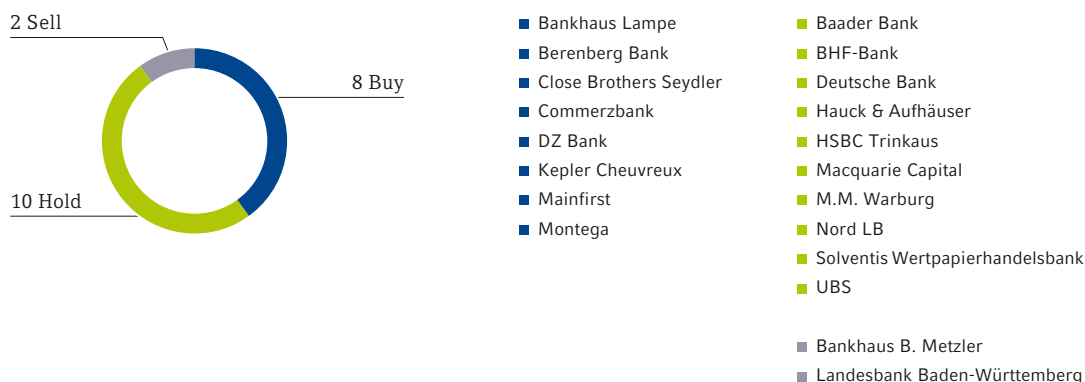
Dürr consistently fares well in Manager Magazin's "Best Annual Report" rankings and was able to defend the previous year's fourth position in the MDAX category in 2013. In the rankings of all 160 DAX, MDAX, SDAX and TecDAX annual reports, we advanced by one position to 7th place.

In the 2013 German Investor Relations Award competition, which was organized jointly by Thomson Reuters Extel Surveys, business weekly Wirtschaftswoche and the German Investor Relations Association (DIRK), we ranked at the top of the middle field in the MDAX segment. The BIRD 2013 survey, in which Börse Online magazine assesses the quality of investor relations activities, confirmed the second position which we had achieved in the MDAX segment in the previous year, placing us in the top ten for the cross-index aggregate evaluation.

ANALYST RATINGS: 90 % "BUY" OR "HOLD"

The stock's outstanding performance over the past few years and the valuation levels which have now been reached have prompted some analysts to approach Dürr stock with somewhat greater caution. That said, 90 % of the ratings are still "Hold" or "Buy" recommendations. In 2013, the number of analysts covering our stock rose from 17 to 20, the new additions being Mainfirst, Nord LB and UBS.

1.5 ANALYST RECOMMENDATIONS (FEBRUARY 28, 2014)



We additionally broadened our investor relations activities in 2013 in response to growing investor interest. Dürr's Board of Management attended 24 capital market conferences and 23 roadshows throughout Europe and the United States in addition to holding several telephone conferences. All told, we conducted more than 300 one-on-ones with institutional investors, a substantial increase over the previous year (250).

Published for the second time in 2013, Dürr's sustainability report explains how we approach our responsibility for the environment, our employees and society. We have expanded the range of information available online to investors. For example, the website at **WWW.DÜRR.COM** now has a separate "Financing/Creditor Relations" section.



SHAREHOLDER STRUCTURE: 71 % FREE FLOAT

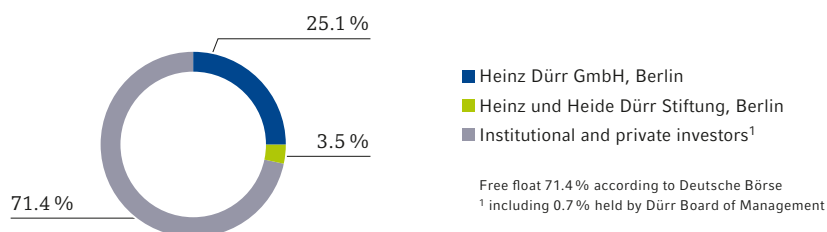
With a share of 25.1 % of Dürr AG's subscribed capital, Heinz Dürr GmbH remains the anchor shareholder. Together with the interests of a further 3.5 % held by Heinz und Heide Dürr Stiftung, 28.6 % of the stock is attributable to the Dürr family (December 31, 2013). The family plans to continue holding a minimum aggregate 25 % of the subscribed capital. Members of the Dürr AG Board of Management accounted for a total of 0.7 % of the subscribed capital. According to Deutsche Börse's calculations, the free float stands at 71 %.

DÜRR BOND: 3.2 % YIELD (DECEMBER 31, 2013)

At the beginning of 2013, the price of our corporate bond with a volume of € 225 million stood at € 110.3, closing the year at € 107.3. With the bond maturing in September 2015, the yield hovered around 3 % in the course of the year, compared with 7.25 % when it was issued in September 2010. Average trading volumes for the bond rose by 60 % to a nominal € 346,100 per day in 2013.

We intend to issue a new bond in 2014. In addition, we consider calling in the bond issued in 2010 at 100 % on September 28, 2014 at the earliest, subject to the notice periods provided for in the bond issue terms.

1.6 SHAREHOLDER STRUCTURE (DECEMBER 31, 2013)

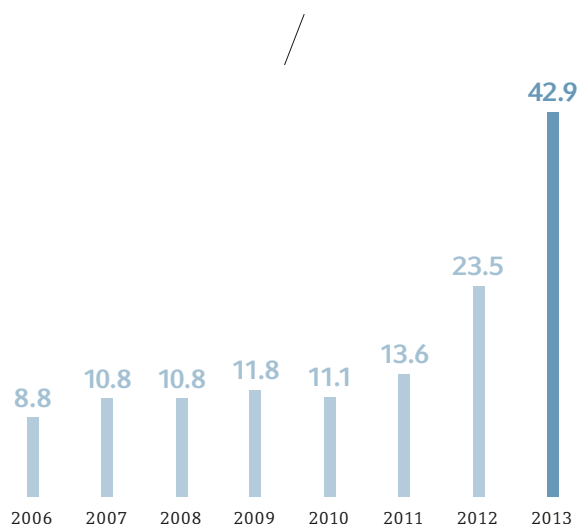




CUSTOMER PROXIMITY

With a sustained level of sales of well over € 2 billion, Dürr has entered a new dimension. We prepared for this in 2012 and 2013 through expanding our site network and creating additional capacity. Thirteen new builds and modifications as well as over 1,300 additional employees provide even more customer focus and productivity around the world.

CAPITAL EXPENDITURE ON PROPERTY PLANT AND EQUIPMENT (€ million)



Our new mechanical engineering site
at Shanghai Baoshan

The focus of our expansion investments has been on the emerging markets. We have opened two new sites in Shanghai, offering additional production and engineering capacity. We have also moved into new premises in Mexico, South Africa, South Korea and Thailand. Our buildings and workforce in Brazil have been substantially increased – just in time for the 50th anniversary of Dürr Brasil.

A new test center is being constructed in Japan in which customers can evaluate Dürr's painting technologies. We have also strengthened our base in Europe. We now have additional space at the Dürr Campus in Bietigheim (Germany) for product testing, robot production and our energy efficiency business. We have expanded our production space in Poland and Switzerland. The competence center in Wolfsburg has been increased to support our expansion in the area of glueing technology. Our long-established UK site has undergone comprehensive modernization.

On the following pages we will show you some of the newly designed sites and introduce some of the Dürr employees based there.







In Shanghai Baoshan we have combined all the mechanical engineering activities of Measuring and Process Systems under one roof. Around 600 employees work at this site, ensuring the success of Schenck and Dürr in China and Southeast Asia. Xiaopin Yuan, application engineer for cleaning systems: "We have an area of more than 20,000 m² as well as state-of-the-art manufacturing systems available for our production. This allows us to supply our customers even faster while offering top quality."



Dürr builds more paint shops in China than anywhere else in the world. That's why we have expanded our production base in Shanghai once more. Our new facility in Shanghai Qingpu rapidly sends ovens, paint booths and other components to customer sites. Our 530 employees in Qingpu are manufacturing more and more products for export to other countries.



More than half a million cars are produced in South Africa every year – and this is set to increase. In Port Elizabeth, the center of the automotive industry, Dürr has over 50 employees. They moved into larger premises in 2013. Archie Gqunta from the logistics department:

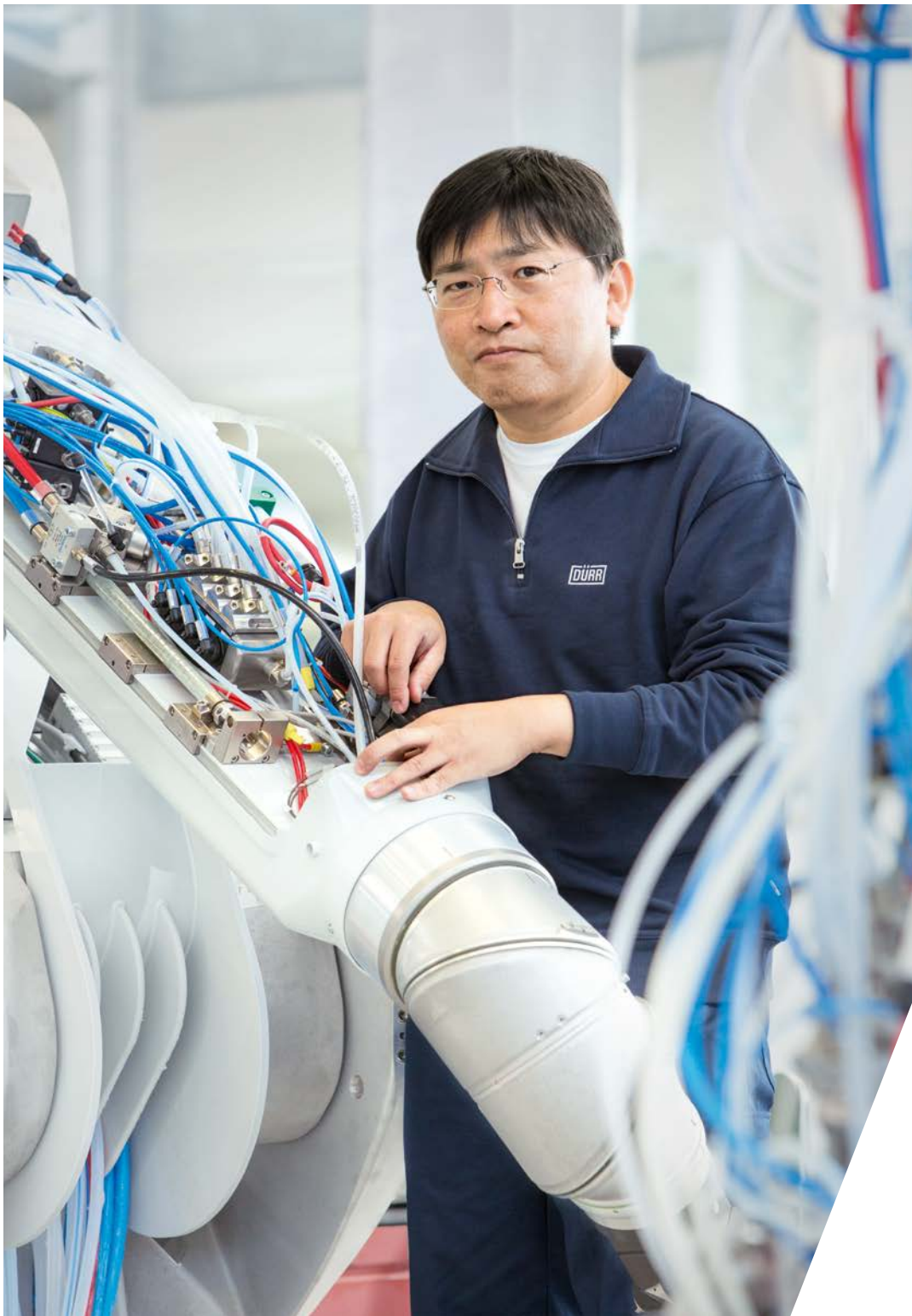
“Together with Dürr colleagues from other countries, we can process our orders from here faster and more efficiently.”



*Every Dürr robot that exists in the world comes from Bietigheim-Bissingen (Germany).
Around 1,300 robots are assembled, programmed and pretested there every year.
In mid-2013 we opened a third workshop for robot assembly to meet the high demand,
delivering within schedule and offering quality "made in Germany".*



The North American automotive market is growing. As a result, OEMs are building new plants and investing in the efficiency of existing facilities. Dürr is supporting them with cutting-edge technology and high-performance sites. In Querétaro (Mexico) we have increased our production and office space by 50 %. Together with over 500 colleagues in the United States, the 220 employees of Dürr de México form a powerful team.



*In May 2014 we will open a test center for paint systems in Tokyo. Test center manager Kenta Musha: "We will use the center to present a number of different key technologies for efficient painting processes, for example, painting robots and the energy-efficient **EcoDryScrubber** spray booth system. Japanese customers can familiarize themselves with our products and test innovative Durr technologies."*



UPDATE

Carmakers do not always need a new factory built from scratch. The automotive industry is increasingly modernizing its legacy paint lines – benefiting from Dürr's specialist expertise and technology. By using high-tech robots, carmakers like Ford in Cologne are not only enhancing the quality of their paint jobs. They can also manufacture a great deal more efficiently.

THE PROJECT

Base coat line modernization

4

4 weeks' conversion

/

5,500

meters of cable

/

48

tons of steel

/

14

control cabinets

/

THE RESULT

1,150

About 1,150 car bodies pass through the modernized
base coat line at Ford in Cologne each day.

/

15

15 Dürr robots ensure the highest surface quality.

/

>70%

Paint saved per color change

/

"The quality is right.
We'd certainly give the job to Dürr again."

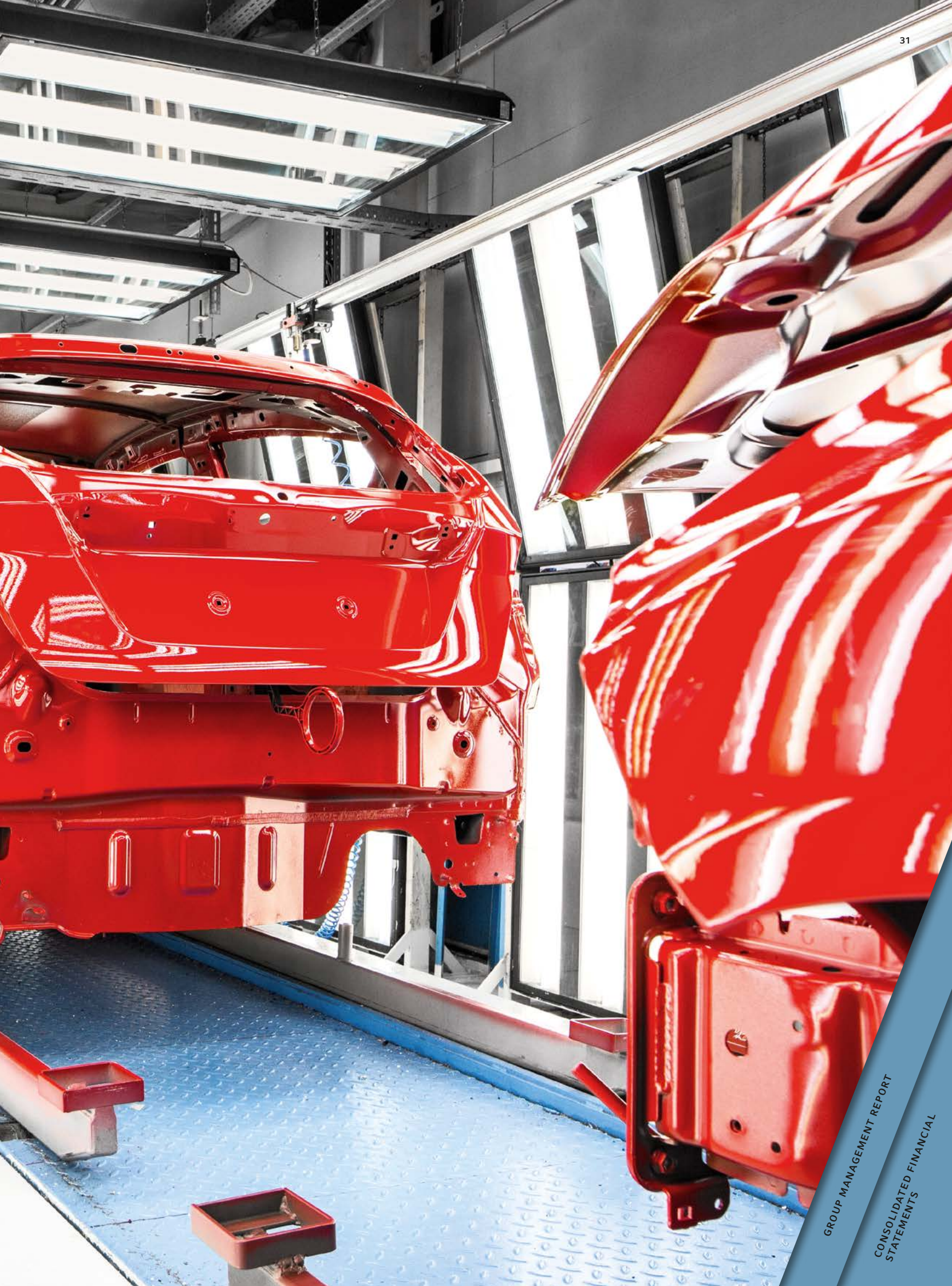
/

TEXT

Heimo Fischer

PHOTOGRAPHY

Marcus Pietrek



The handling robots open the front doors of the car body precisely to the second. Two additional robot arms approach immediately, spraying red paint into the entrance section. Fast. Accurately. Evenly. And soon enough, the car body is already on its way to the next station of the paint line. Within a few hours, it will be leaving the halls of the Cologne factory as a shiny Ford Fiesta.

Rainer Jungblut, head of the paint shop in Cologne, looks satisfied. "The number of rejects is extremely low. This means the quality is great," he says. About 1,150 car bodies per day receive their finish on this paint line before they become "real" cars. Daniel Pejkovski certainly knows his way around this production section. The electrical engineer has been working at Ford for 15 years now; with him as project head, he and his staff planned the installation of the new paint line together with a team fielded by Dürr.

A conversion project for a paint line is a question of trust and confidence. An intervention of this kind is akin to open-heart surgery.

AUTOMATION OVER BACK-BREAKING WORK

Only a year ago, six employees equipped with protective clothing, spray guns and breathing apparatus had to stand here in the paint booth. Last summer they were able to change to other positions in the paint shop. The back-breaking work is now performed by 11 robots shrouded in white protective material in a completely revamped paint shop environment. Five of them open doors and hoods, and six spray an accurately dosed volume of paint onto the specified areas in the interior of the car body. In the preceding section, four other new Dürr robots meanwhile apply the base coat to the exterior of the car body.

The modernization of the paint line at Ford's plants in Cologne was one of the most sophisticated and challenging conversion orders executed by Dürr last year. During the four-week plant shutdown, the legacy systems were to be completely removed, with new booths and a total of 15 robots being installed. This was a genuine challenge – after all, the paint shop had to be back in production again by August 19. A delay of even a few hours would have prevented the factory's scheduled production launch.

The conversion of paint lines is a key trend in the automotive industry. Carmakers are gradually replacing their legacy paint lines with automated lines featuring flexible robots that apply the paint with extremely high accuracy. This is important for door sills, for instance, where Ford has dispensed with the need for primer since the conversion. While this is possible without any loss in quality, the work must be executed with extreme precision. "Manually, you just can't manage that," says Hans-Jörg Stapel, head of the process department at Ford. A robot certainly can. By opting for this method, Ford managed to substantially reduce its consumption of paint and cleaning agents.

Over 50 people were involved in the conversion project, both Dürr's own employees and specialists from partner companies. Daniel Pejkovski says he knows only few companies that can plan and execute a project of this kind. For him there is no doubt: "I'd certainly give the job to Dürr again."



*Daniel Pejkovski from Ford in Cologne, Germany.
He was the main contact for Dürr during the upgrade in the summer of 2013.*

OPEN-HEART SURGERY

A conversion project for a paint line is essentially a question of trust and confidence. An intervention of this kind is akin to open-heart surgery. "Each step needs to be precisely planned and implemented," says Stephan Kochendörfer, Dürr's project manager responsible for the mechanical work carried out in the robot area. Even a small oversight can jeopardize the entire project schedule.

This is why the detailed planning operations were launched within days after the contract had been awarded in January 2013. Many questions went through Stephan Kochendörfer's mind at the time. Will the robots actually fit inside the paint booth? Where are the control cabinets going to be located? How long do the safety distances need to be? At the same time, his colleague Bertram Kempf, responsible for control technology, was already thinking of robot control systems and suitable programs.



Fifteen robots paint the Ford Fiesta on the completely revamped base coat line (top).

The finished bodies gleam in quality control (right).



Dürr is well prepared for projects of this kind. "We use standardized components that can be adjusted to specific customer requests," says Bertram Kempf. This saves time. The paint process desired by the customer is tested at an early stage at the Dürr Technology Center in Bietigheim-Bissingen. In addition, Dürr carries out a virtual commissioning run with the aid of a simulation system. This ensures that all control elements are correctly programmed, electronic interfaces are fully functional and plant visualization is correctly executed. This enables problems to be nipped in the bud.

The modernization of the paint line at Ford's plant in Cologne was one of the most sophisticated and challenging conversion orders executed by Dürr last year.

It was clear at a very early stage that a number of tricky and challenging tasks were in store for the planners in Cologne. Georg Hoppe, responsible for conversion of the paint booths: "We had to raise the low ceiling above the paint line to avoid the robots colliding with it while at work. In addition, we tore down 28 meters of booth walls, installed new walls and relocated workstations along the paint line."

Before installation, the old plant and equipment had to be removed. Yet the passages in Ford's factory halls are narrow and winding, with small staircases along the way. Certainly no place for the impatient. "Our people had to cut tons of old plant and equipment into small pieces, most of them having to be carried away by hand," says Georg Hoppe.

The conversion work was handled by a shift service operating 24/7. Each minute was precious. The few time buffers available were reserved for unforeseen difficulties. One of them was lurking in the underground of the paint hall. It was missing the steel support beams that had been drawn into the old construction blueprints. Continuing the construction work without these supports was out of the question. A race against time began, Stephan Kochendörfer recalls. "We had to get hold of additional steel as quickly as possible."

In other words, even more material was needed. Ten tractor-trailers had already carted huge quantities to the construction site. Dürr used five and a half kilometers of cable, 14 control cabinets and a total of 48 tons of steel in only four weeks. "When I saw all this material stacked up here for the first time, it became clear to me that this was going to be a real challenge," says Bertram Kempf. But that's what projects of this kind are all about. After all, a solution had always been found in the past.

Hoppe, Kempf and Kochendörfer have all been working for Dürr on construction sites across the globe for at least one and a half decades now. A job that challenges them not only mentally but also physically. For instance, while the work at Ford was being carried out, the ventilation in the paint hall had to be switched off. "We had temperatures of up to 35 °C in here", says Bertram Kempf.

Although all three of them certainly felt the heat, literally, they all agree that, in collaboration with the Ford team, this project turned out to be a genuine success story. Rene Wolf, who is in charge of Fiesta production at Ford, concurs: "The level of cooperation with Dürr was exemplary."



PRACTICAL TEST

Vehicle manufacturers have their sights firmly fixed on their goal: to manufacture cost-effectively and, at the same time, sustainably. Dürr developed the **Eco@Paintshop** with that in mind – an optimized paint shop with low energy and material consumption together with high production efficiency and availability. The innovations used in it are tested by the Group in its test centers to ensure they are suitable for series production.



/
less energy
less paint
lower CO₂ emissions



/
less water



< 400 kWh

*The **Eco**Paintshop enables the energy requirement for painting a vehicle body to be reduced to less than 400 kWh. By way of comparison: a conventional paint shop without consumption-reducing optimizations requires about double the energy.*

TEXT

Heimo Fischer

PHOTOGRAPHY

Marcus Pietrek
Sascha Feuster



The body-in-white approaches the dip tank, is immersed head-first and performs a slow-motion somersault. Gray E-coat paint floods the cavities and covers every square centimeter of the metal surface in a protective film. Seconds later the body exits the dip bath front-end-first and heads for the next stop in the painting process.

The RoDip dip-coating process is a classic element of automotive production. In the past five years alone, roughly 30 million cars throughout the world have been protected against corrosion in this way. It is not only because of the quality of the coating that RoDip is rated so highly. Thanks to its compact construction, the system also saves space, water and chemicals.

*Expert discussion:
Jürgen Jost (left) and Jürgen Haas*



But there is always room for improvement, even with a high-quality process like RoDip. Dürr's painting specialists in the Bietigheim-Bissingen technology center are working on this. Their latest coup is the optimization of the electric field which causes the conductive paint particles in the dip bath to adhere better to the body. Instead of applying a voltage to the entire RoDip bath, as hitherto, the latest generation is designed such that a number of individually controllable rectifiers apply the voltage only where the body is located at that particular moment. The process, known as **EcoDC MACS**, lowers energy consumption, enhances quality and system availability – and cuts costs.

RoDip and **EcoDC MACS** are indicative of a product development principle at Dürr: "We wish to offer environment-friendly and efficient technology which is cost-effective for our customers," says Jürgen Jost, Head of R&D Paint Systems. Terms such as sustainability and efficiency are not merely empty words, but principles which are applied to every process stage in the paint shop.



*The RoDip dip-coating process is being optimized
in the Bietigheim-Bissingen technology center.*

The name “**Eco**⊕Paintshop” indicates the ethos underpinning the system and illustrates Dürr’s holistic approach: the entire painting process is constantly examined for potential efficiency improvements and optimized. It is not just a question of material and energy consumption, but also of space requirements, flexibility and ease of maintenance. And – very importantly for the customers – of maximum quality and system availability.

The results speak for themselves. For example, the **Eco**⊕Paintshop requires up to 60 % less water and up to 50 % less paint than a conventional paint shop. Energy consumption and CO₂ emissions can also be more or less halved.

ECODRYSCRUBBER: 60 % ENERGY SAVINGS

The **EcoDryScrubber** makes an important contribution to improving the eco-balance. The spray booth system, in which maneuverable robots spray the bodies with paint, consumes 60 % less energy than its predecessors. Overspray, i.e. paint which does not land on the body, is no longer separated by means of water, but with the aid of limestone powder. The effect of this is that the booth air,

*The **EcoReBooth** paint booth saves both energy and space.*



which requires a costly conditioning process, remains dry and can therefore be used a number of times. "Previously, new atmospheric air constantly had to be brought to a temperature of around 26 °C," declares Jürgen Jost. This impacted on the energy costs.

The **EcoDryScrubber** is also constantly being refined in the Bietigheim technology center. For example, it is at the heart of the new **EcoReBooth** generation of spray booths. It is highly flexible, space-saving and can be installed quickly – which represents a time gain for customers.

The **EcoReBooth** had its première last year at a vehicle manufacturer in Germany. "Finding the first customer is an important milestone," explains Jürgen Jost. Once an automaker opts for a new process, that sends out a signal to the entire sector: the engineering is mature enough to be used in series production.

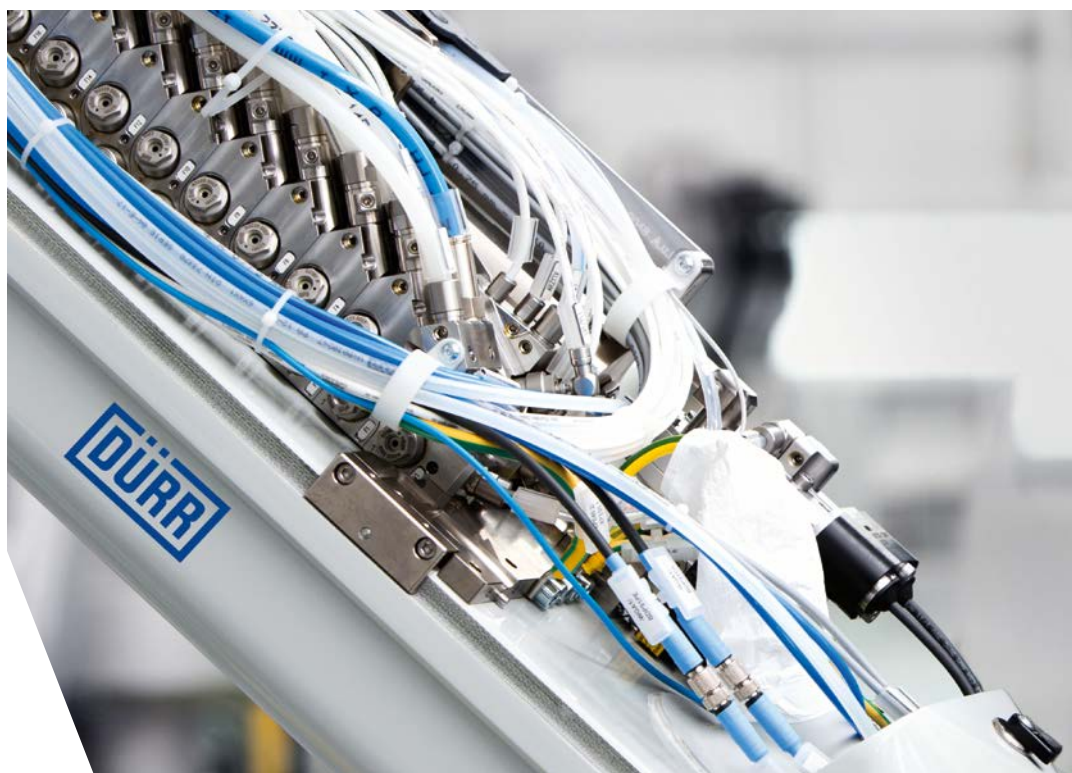
Before this point, however, the automakers test whether the innovation meets their requirements. Dürr provides support for this process in its in-house technology centers. Customers closet themselves away there for weeks on end to rigorously test every aspect of a product. For Dürr, providing customers with the opportunity to exhaustively test new developments and adapt them to their needs delivers an important competitive edge. With 5,600 m² of floorspace, the technology center in Bietigheim-Bissingen is the largest of its type. Dürr operates smaller test centers in Brazil, India and the US. Another is currently under construction in Japan.

Once an automaker opts for a new process, that sends out a signal to the entire sector.

The service is a hit with customers. "Almost 90 % of the work in the test centers is order-related. In other words, we carry it out in conjunction with our customers," says Jürgen Haas, Head of Application Technology Product Development. The premises are bright and inviting, though there are some places to which outsiders have no access – for instance the catacombs, as they are known within the company. This is where Dürr researchers work on the painting technology of tomorrow and beyond.

SUSTAINABILITY IS AT THE TOP OF THE LIST

Manufacturers expect inventiveness from their equipment suppliers. Sustainability is at the top of the wish list. "Our customers are following this topic very closely," says Corinna Wehle, product manager for the **EcoPaintshop**.



*Fast with minimal material loss: the **EcoLCC2** color changer*

Automakers regularly compare the energy and resource efficiency of their plants, often with Dürr's assistance. And they are increasingly investing in order to reduce the consumption figures – and thus the unit costs – of existing lines. In constructing new lines, optimizing consumption is a standard element anyway, and China is no exception. When German premium automaker BMW and its Chinese partner Brilliance were planning their new plant in Shenyang, there were stringent specifications: "The aim was to build the most sustainable, i.e. the most resource- and energy-efficient automotive paint shop in the world," according to Dürr sales expert Bertram Benning, who headed the project from the start of the ideas competition to the award of the order. Dürr turned this requirement into reality. Outcome: a satisfied customer, and last year a follow-up order to expand the paint shop was received.

HIGH-TECH IN THE ROBOT ARM

Resource-friendly technology starts off on a small scale, for example at a color change when one car is to be painted red, and the next one green. The process also has to be completed rapidly. The **EcoLCC 2** color changer in the robot arm takes care of this. The paint hose which leads to the atomizer is cleaned of paint residues in just 10 seconds. A small carriage, with which the hose is connected, docks with the next color valve while the previous valve closes. It is very important that as little paint as possible is lost during the frequent changes. In the past, 45 milliliters was lost each time; now it is 10 at most. "With a daily production rate of 1,000 vehicles per plant, that results in a tangible reduction in unit costs," says Jürgen Haas.

The atomizer which applies the paint is cleaned with solvent and then dried. That sounds simpler than it is. After all, it carries a charge of up to 100,000 volts, which is the only way of ensuring a uniform spray jet. Before the atomizer –

depending on the paint – moves into the cleaning unit, it must be discharged so that the solvent does not ignite. Dürr's **EcoHT Discharge**, which is also integrated in the robot arm, only requires a second to do this. This makes it ten times faster than the previous technology.

New products always start off with a good idea. Dürr regularly runs innovation workshops which are attended not just by R&D staff, but also by colleagues from Marketing, Sales or Commissioning. Their suggestions and questions are welcome. Nothing is out of bounds. "Many a time a seemingly stupid question has generated a great idea," says R&D manager Jost.

The **EcoEnergy** cps process was also the logical conclusion of a good idea. This system heats the powerful oven tunnels in which freshly applied paint cures on the body surface at 100 to 140 °C. The heat for this is supplied by a micro gas turbine, which also produces electricity at the same time. On sites with high insolation levels the system can also be combined with high-temperature solar thermal technology, which saves additional energy.



Dürr's Compact Power System generates heat and electricity using a micro gas turbine. Standing next to it are Corinna Wehle and sales engineer Daniel Barunovic.

Sustainability is at the top of the wish list.

Many an innovation is slumbering peacefully in the Bietigheim technology center, for instance a plasma dryer whose futuristic design is reminiscent of a cross between a submarine and a spaceship. The idea has not yet been developed to the marketability stage. Nonetheless, Jürgen Jost intends to keep the prototype. When asked why, he laughs ambiguously. "We might still use it with something at some point."

5% → 25%

WHEN IT COMES TO THE EMERGING MARKETS, SERVICE-RELATED SALES ARE SIGNIFICANTLY BELOW THE GROUP AVERAGE IN SOME COUNTRIES. IN CHINA, ONLY 5 % OF OUR SALES CURRENTLY COME FROM THE SERVICE BUSINESS, AND THE GROWTH POTENTIAL IS THEREFORE HIGH.

43

INITIATIVES

We are systematically pursuing our aim "Growth in service". In 2013 we analyzed the service business holistically and launched 43 optimization initiatives. Examples include a 24-hour spare parts delivery service, the implementation of new IT systems, comprehensive employee training and the expansion of our service capacities.

5 *new* warehouses

We are setting up five new spare parts warehouses in Brazil, China, Mexico, South Korea, and the United States. This is to ensure that important spare parts will reach the customer faster.

1,030

employees

At the end of 2013, 1,030 employees worked in service across the Group. That is 13 % of the entire workforce. For comparison: in 2005 it was 8 % (461 employees). And we will further expand the Group's service team in the future.

ON AN UPWARD TREND

The service business offers considerable growth potential for Dürr. In 2013 it contributed 22 % to Group sales; this is set to increase to 25 to 30 % in the longer term. Dürr is in a good position: in the last four years, we have delivered more products and systems to our customers than ever before in the same period. This has led to another considerable increase in our installed base.

70

ANTENNAS

Speed is of the essence in the service business. To respond quickly, we operate small, decentralized service bases, also known as antennas, in many automobile plants. So far we have set up around 70 antennas – and the number is still rising.

€ 536

MILLION

IN 2013 SERVICE-RELATED SALES GREW TO € 536 MILLION. AROUND 30 % OF THIS WAS ACCOUNTED FOR BY THE SPARE PARTS BUSINESS, 55 % BY SMALLER MODERNIZATION PROJECTS AND 15 % BY MAINTENANCE, TRAINING AND ASSESSMENTS FOR SYSTEM OPTIMIZATION.

70%

We are developing specific service products which can help our customers enhance their production efficiency.

Energy audits are one example. They show how the energy costs of a production system can be effectively reduced. These audits quickly pay off, for instance in paint shops, as the painting process accounts for around 70 % of the energy consumption in body shell production.

“The expansion of the service business is our most important strategic goal. High service quality plays a key part in ensuring that our customers’ production runs efficiently.”

Ralf W. Dieter

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The Group at a glance

PROFILE

The Dürr Group is a worldwide leader in the field of mechanical and plant engineering. Our corporate slogan "Leading in Production Efficiency" sums it up: Dürr's aim is to use our products, systems and services to measurably increase the efficiency of our customers' production processes. We generate a good 80 % of our sales revenues from production technology for automobile manufacturers and their suppliers. Other sectors in which we operate include aircraft and machinery construction, the chemical, pharmaceutical and electrical industries, and the energy sector. About half of our business is attributable to plant engineering, and half to mechanical engineering. 50 sites in 24 countries ensure that we have a major international reach. Besides our activities in North America and Western Europe, we are also particularly strongly represented in the high-growth emerging markets¹. These accounted for 54 % of our order intake in fiscal 2013 and 34 % of our workforce.

GROUP ORGANIZATIONAL STRUCTURE

Dürr AG performs Group-wide functions as a management holding company. Apart from governance of the divisions and business units, these include, for example, financing, group controlling and accounting as well as legal affairs, internal auditing, corporate communication and human resources management. Together with Dürr IT Service GmbH, which is responsible for information technology throughout the Group, Dürr AG forms the corporate center.

Since fiscal 2011 we have been operating in four divisions, which also form the reportable segments within the meaning of IFRS:

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

The four divisions are further organized into a total of six business units. An overview of the Group's structure is presented in table 2.1.

2.1	GROUP STRUCTURE	
MANAGEMENT-HOLDING COMPANY	DIVISIONS ¹	BUSINESS UNITS
/ Dürr AG	/ Paint and Assembly Systems	/ Paint and Final Assembly Systems / Aircraft and Technology Systems
	/ Application Technology	/ Application Technology
	/ Measuring and Process Systems	/ Balancing and Assembly Products / Cleaning and Surface Processing ²
	/ Clean Technology Systems	/ Clean Technology Systems

¹ Reportable segments

² Following the sale of the filtration systems business on November 30, 2013, the Cleaning and Filtration Systems business unit was renamed Cleaning and Surface Processing with effect from January 1, 2014.

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

BUSINESS UNITS, BUSINESS MARKETS AND MARKET POSITIONS

Paint and Final Assembly Systems plans and builds turnkey paint shops and final assembly lines for the automotive industry. As a systems partner, we take on all the tasks of project execution, from layout planning to system start-up. In the area of paint systems, we offer hardware and software solutions for all process stages. A few key products are of particular importance: Our RoDip dip coating system comes at the start of the painting process. Its job is to clean and pretreat the bodies as they emerge from the body shop and to apply an anti-corrosion coat to them. The body is rotated in the dip bath to ensure maximum quality. Other core products include our spray booths with the energy-efficient **EcoDryScrubber PAINT SEPARATION SYSTEM** for the application of primer, base and clear coats. Fiscal 2013 saw the first installation of a new, more compact version of these spray booths under the name **EcoReBooth**; this is also highly suitable for retrofitting in existing paint shops. As a rule, our scope of supply also covers ovens, conveyor systems as well as control and supervisory control systems under the **EcoEMOS** product brand name. Together with the Application Technology business unit, we are the only systems supplier worldwide to offer paint shop systems and **APPLICATION TECHNOLOGY** from a single source. We lead the field over the competition with a global market share of around 50 %, with companies from Japan and Germany taking second and third places.



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P. 244

Aircraft and Technology Systems offers paint and assembly systems for aircraft construction. We are benefiting from two factors with regard to this business: The aircraft industry is reducing the number of its suppliers and instead placing larger order packages with systems partners. In addition, proven technologies from the field of highly automated automotive production are more and more frequently finding application in aircraft production. Our core competences are the development and construction of turnkey plants for painting aircraft and for positioning and joining pre-assembled aircraft components. In a fragmented competitive environment the market shares of all suppliers are in the middle single-digit percentage range. Apart from aircraft production technology, Dürr Consulting is also part of the Aircraft and Technology Systems business unit. It advises customers from different sectors on planning and optimizing their production operations.



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P. 244

Application Technology generates about 85 % of its sales from hardware and software solutions for the automated spray application of paint. Its most important products are the **EcoBell3 HIGH-SPEED ROTATING ATOMIZER**, the **EcoLCC2** color changer, and the **EcoRP** painting robot family. Other systems are used for paint supply, quality assurance as well as process control and evaluation. With a global market share of over 50 %, we lead the market. Our two most important competitors are manufacturers of industrial robots with market shares of between 10 and 20 %. Besides paint application technology, we are expanding in two related business fields, namely sealing technology and glueing technology. **SEALING** processes are employed in automobile paint shops where they are used for seam sealing, underbody protection and injection of insulating materials. **GLUEING TECHNOLOGY** is used to join components during body-in-white production and final assembly. Glueing is an alternative to welding and is increasingly being used in response to the growing trend in the automotive industry towards the use of new materials. These are reducing vehicle weights and thus fuel consumption, but often they cannot be welded. During final assembly, glueing technology is used, for instance, for bonding windows, glass roofs and cockpits.



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Balancing and Assembly Products offers **BALANCING AND DIAGNOSTIC SYSTEMS** and also assembly, **TEST** and **FILLING TECHNOLOGY** products. Schenck-branded balancing systems are used in various industries, and a market share of about 40 % makes us the world's largest supplier with the broadest range. Our nearest two competitors have market shares of around 15 and 10 %. Our most important products include the XENO, XENTO and XONDO balancing systems for turbochargers and the Centrio series of spin test systems. With regard to assembly, test and filling technology, we mainly supply the automotive industry. We are also the international leader in these areas, with

market shares of 25 to 30 % each. With reference to filling technology, we also supply systems for the automated filling of household appliances and heat pumps with refrigerants via the Agramkow Group. The main products in testing technology are test stands for brakes and electronics, together with the x-wheel truck chassis geometry test stand for trucks and buses. In assembly technology, the key area is **MARRIAGE STATIONS**, in which the vehicle body and drive train are joined.



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Cleaning and Surface Processing is the world market leader in **INDUSTRIAL CLEANING TECHNOLOGY**, with a share of about 30 %. Our systems under the Dürr Ecoclean and ucm brands remove particulate matter which is left in workpieces after machining. The product range also includes surface processing systems (for example activation, decoating, deburring) and automation technology for linking different stations in production processes. The business unit traded under the name Cleaning and Filtration Systems until the end of 2013. Following the sale of the filtration systems business, it was renamed Cleaning and Surface Processing with effect from January 1, 2014. Our main competitors are medium-sized companies operating at a regional level. The key products are the **EcoCFlex** and **EcoCAgile** robot-based cleaning systems, the new **EcoCCore** universal cleaning system and the **EcoCBooster** high-pressure system for surface processing.



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Clean Technology Systems supplies exhaust-air purification technology and products to enhance the energy efficiency of industrial production systems and buildings. Our **Ecopure** line of exhaust-air purification systems is mainly used in the chemical and pharmaceutical industries, but also in sectors such as printing, woodworking and carbon fiber production. The equipping of automotive paint shops accounts for some 25 % of sales. In this segment we have a market share of between 40 and 50 %, while in the fragmented non-automotive sector our share of about 15 % also makes us one of the major suppliers. Our most important process is thermal exhaust-air purification in which solvents and other pollutants in exhaust-air streams are incinerated at up to 1,000 °C. Because of their high energy demand, we frequently equip these exhaust-air purification systems with heat-recovery technologies. This focus on sustainable processes forms the link to our second arm, energy efficiency. We have been building up a technology portfolio in this business field relating to the efficient use of heat, cold and electricity since early 2011. Our product range covers **orc** technology (Organic Rankine Cycle) and the Dürr Compact Power System (micro gas turbine) for electricity generation. To this can be added Thermea-branded large-scale heat pumps as well as heat exchangers. Our energy-efficiency processes can be used in a variety of industries and cover a broad customer base.



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EXTENSIVE RANGE OF SERVICES

Our installed base, i.e. the total number of machines and systems supplied by Dürr in the market, has risen substantially in recent years. Our potential in the after-sales service business has therefore also grown. The quality of our services is an important feature in setting ourselves apart from the competition. We are specifically expanding our service activities against this backdrop. For detailed information, please see the **STRATEGY** chapter.



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Our range of services includes planning, remodeling, upgrading, optimizing and relocating plants and machinery, as well as plant productivity and energy efficiency audits, software updates, training, maintenance, repairs and replacement parts. In fiscal 2013 service-related sales grew by 5.7 % to € 535.6 million, with a slight increase as a proportion of consolidated sales to 22.3 % (2012: 21.1 %). We are expecting further growth in the services field in the years ahead. For 2015 we are targeting a proportion of up to 25 % of consolidated sales. At December 31, 2013, the services area at Dürr had 1,030 employees, which is 4.9 % up on the previous year (982 employees) and represents 13 % of the Group's workforce (December 31, 2012: 13 %). Each national company has its own national service manager who coordinates service activities. Worldwide we operate around 70 service bases – termed “antennas” – at our customers' locations.

2.2 ACTIVITIES AND BUSINESS MARKETS

PAINT AND ASSEMBLY SYSTEMS DIVISION

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

APPLICATION TECHNOLOGY DIVISION

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

MEASURING AND PROCESS SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS
Balancing and Assembly Products	/ Mechanical engineering	/ Balancing and diagnostic systems / Assembly technology for final vehicle assembly / Testing technology for final vehicle assembly / Filling technology / Services	/ Automobile manufacturers / Automotive suppliers / Electrical/electronic engineering / Turbines/power plants / Mechanical engineering / Aerospace industry / Household appliance industry
Cleaning and Surface Processing	/ Mechanical engineering	/ Industrial cleaning systems / Surface processing systems / Automation technology / Services	/ Automobile manufacturers / Automotive suppliers / Electrical/electronic engineering / Mechanical engineering / Aerospace industry / Medical and laboratory equipment

CLEAN TECHNOLOGY SYSTEMS DIVISION

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

TIP: TECHNOLOGY AND INDUSTRY PARK IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP) is part of the Measuring and Process Systems division, but is not a business unit in its own right. As a real estate service provider, it markets offices and also production and warehouse space in Darmstadt, where Schenck is headquartered. The floorspace for rent amounts to 109,900 m² on 105,000 m² of land, of which offices account for 46 %.

LEGAL STRUCTURE

Each of the following companies is wholly owned by Dürr AG: Dürr Systems GmbH, Dürr International GmbH, Dürr IT Service GmbH and Carl Schenck AG. The first three of these companies in turn have entered into profit and loss transfer agreements with Dürr AG. The profit and loss transfer agreement between Dürr AG and Carl Schenck AG was rescinded at year's end 2012 and replaced in 2013 by a control agreement. Dürr Systems GmbH, Dürr International GmbH and Carl Schenck AG hold direct or indirect interests in all the other Group companies. In most cases, those are 100 % interests, as presented in the overview under **ITEM 44** in the notes to the consolidated financial statements. The members of the Boards of Management of Dürr AG and Carl Schenck AG and the managing directors of Dürr Systems GmbH are represented on the supervisory boards of all material foreign companies.

 P. 239**ACQUISITIONS, SHAREHOLDING PURCHASES AND DIVESTMENTS**

As part of the "Dürr 2017" strategy, we purchased the following shareholdings in 2013 to strengthen our core business in the fields of exhaust-air purification technology and **FILLING TECHNOLOGY**:

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- On July 4, 2013, we acquired the assets of Luft- und Thermo-technik Bayreuth GmbH. These assets were initially incorporated in Dürr EES GmbH, with 19.9 % of the shares in this company being sold to a director. The next step was to change the name of Dürr EES GmbH to Luft- und Thermo-technik Bayreuth GmbH (LTB). The purchase price for 80.1 % of the shares was € 9.0 million. LTB is strengthening our market position in exhaust-air purification technology with its good access to, among others, the graphite industry. We expect synergy effects in purchasing, R&D and production, in particular. The former Luft- und Thermo-technik Bayreuth GmbH had filed for insolvency in March 2013 following cost overruns and delays in major projects. In fiscal 2013 the company returned to positive EBIT figures again.
- On October 1, 2013, we acquired the remaining 45 % of the shares in Agramkow Fluid Systems A/S (Denmark) and its subsidiaries Agramkow Asia Pacific Pte. Ltd. (Singapore) and Agramkow do Brasil Ltda. (Brazil). Back in 2011 we took a 55 % shareholding in the company, which is the worldwide leader in systems for filling household appliances and heat pumps with refrigerants. The purchase price was € 24.5 million for the second tranche and € 33.0 million for the entire company. In 2013 Agramkow generated sales of around € 28 million and clearly positive EBIT figures.

Table 2.3 and the **STRATEGY** chapter contain further information on our shareholding purchases. Please refer also to **ITEM 18** in the notes to the consolidated financial statements. You will also find details there of the acquisition of the remaining 50 % of the shares in Dürr EDAG Aircraft Systems GmbH and 49 % of the shares in Shanghai Shenlian Testing Machine Works Co. Ltd. In light of the materiality principle, we have not detailed these two transactions in the management report.

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2.3 SHAREHOLDING PURCHASES/ACQUISITION OF ASSETS

	Shareholding	Consolidation type	Included in the consolidated financial statements since	No. of employees ¹	Purchase price	Goodwill ²
Luft- und Thermochnik Bayreuth GmbH		Fully				
Clean Technology Systems	80.1 % ³	consolidated	July 4, 2013	115	€ 9.0 million	€ 2.1 million
Agramkow Fluid Systems A/S	100.0 %				€ 33.0 million	
Measuring and Process Systems	(2013: 45.0 % 2011: 55.0 %)	Fully consolidated	May 24, 2011	131 (2013) 107 (2011)	(of which € 24.8 million in 2013)	€ 1.9 million (2011)

¹ At time of first consolidation or acquisition of holding² Included in purchase price³ On acquisition of the assets, 19.9 % of the shares were sold to a director of the company.

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We sold the filtration systems business of Dürr Ecoclean Inc. (United States) on November 30, 2013. The automation business of Dürr Ecoclean S.A.S. (France) was also put up for sale on December 20, 2013. Both activities relate to the Cleaning and Surface Processing business unit, which is now concentrating exclusively on its core business of industrial cleaning technology and surface processing systems. The **FILTRATION SYSTEMS** operations were limited to North America and resulted in no synergies with other Dürr sites. In fiscal 2013 the divested filtration systems operations generated sales of € 13.2 million. The proceeds of € 3.5 million from the sale represented a loss of € 1.1 million.



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BUSINESS PROCESSES/PROCESS ADVANTAGES

Planning, **ENGINEERING** and design, and order execution are our most important business processes. Professional project management is the key to smooth order execution in plant engineering. Our project managers guide in-house teams but also numerous suppliers – and both groups across international borders. They also bear overall responsibility for meeting deadlines, quality standards, budgets and project cash flows. Executing a large plant engineering project usually requires 15 to 24 months, and mechanical engineering projects between 2 and 12 months. Smaller remodeling, upgrading and service projects are generally of shorter duration.



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Smooth cooperation between various departments and facilities within the Group is critical to the business success of large orders. We have therefore standardized processes in the planning phase, order execution, purchasing, service and administration worldwide. We also use uniform methods and tools to help avoid interface problems, duplication of work, and errors. Our Group-wide **ERP SYSTEM** regulates the business processes from an IT perspective and makes them transparent. It reduces interfaces and automates processes, and also allows the international exchange of work packages, thus enabling effective management of resources. The process standardizations outlined mean that we can execute more orders simultaneously than before with reduced risk and greater efficiency.

The focus is currently on three goals in terms of process optimization:

- Strengthening our international service organization
- Establishing a system for analyzing customer satisfaction
- Supporting our sites in the emerging markets via the international Group network.

IT support plays a central role in all three goals. We are, for instance, implementing new database systems to analyze the requirement for services in paint shops and to manage customer feedback. We are also strengthening cooperation and knowledge transfer between the sites by expanding IT-based communication. Other measures being implemented in all three areas involve employee training.

2.4 PROCESSES IN PLANT ENGINEERING



CUSTOMER RELATIONS

The characteristic feature of the global automotive market is that it has comparatively few major manufacturers, but these mostly operate worldwide. Our customer base is therefore relatively concentrated. However, we have high market penetration: all major automobile manufacturers worldwide and many of their parts suppliers use Dürr technology in their factories. We maintain close contacts with these customers because our business is complex, geared to the long term and technically advanced, and therefore requires regular coordination. Dürr sees itself not just as a systems supplier, but also as a consultant and planning partner. For that reason, we are sometimes consulted years before an order is placed in the case of major capital spending projects. With regard to plant operation, we support our customers by supplying replacement parts and other services. These include, for example, remodeling of lines and upgrades, for which we are seeing a growing demand. We also work closely with our customers in product development so that we can make sure our innovations match their requirements as closely as possible.

Business with other sectors, such as the chemical, pharmaceutical and aircraft construction industries, is likewise characterized by close cooperation with customers during projects. We are constantly enlarging our customer base in aircraft-related business. After having worked almost exclusively for one European aircraft manufacturer in the past, we have acquired some 20 manufacturers and component suppliers as new customers since 2008.

SUPPLIER RELATIONS

Worldwide we obtain goods, raw materials and services from over 10,000 suppliers. Most of these are parts and component suppliers and contract manufacturers, but we also frequently use the services of engineering and logistics companies. In many cases we enter into international framework agreements with proficient preferred suppliers to secure the procurement of crucial product groups such as pumps, drives and fittings. The ability to deliver internationally is an important criterion when selecting partners for framework agreements, in addition to the capacity for long-term collaboration. This allows the needs of several Group companies to be pooled, thereby enabling economies of scale to be achieved. Further information is presented in the **PROCUREMENT** chapter.

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FEATURES OF OUR BUSINESS MODEL

Our core competences are the planning, engineering and project management of production system construction projects. We have expanded our capacities in response to the significant increase in business volume in recent years. As a result, the vertical depth of production has increased slightly, although at about 29 % across the Group it is still relatively low. In-house production mainly relates to sophisticated core products and selected standard components. In mechanical engineering, the vertical depth of production is around 39 %. In plant engineering, by contrast, it is only about 23 %; here we also receive prepayments and progress payments from our customers. The capital tie-up and fixed cost base are correspondingly low, which has a positive impact on our return on capital employed and enables us to respond more flexibly to cyclical fluctuations of orders.

In plant engineering we need at most a low **NET WORKING CAPITAL (NWC)**, and at times it is even negative. This means that inventories and receivables in current assets are covered by trade payables of the same or slightly higher amount. In mechanical engineering we need on average about 80 days to convert our **NET WORKING CAPITAL** into sales revenues (days working capital). In the Group

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as a whole, the net working capital at year's end 2013 was negative (€ -33.1 million) because we received high one-off down-payments from customers. Normally, we aim for 20 to 25 days working capital.

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The low **ASSET INTENSITY** is also reflected in a relatively low need for capital expenditure. Annual capital expenditure is generally between € 25 and 30 million and usually goes mainly on replacement purchases. As an **ENGINEERING** group, the expertise of our employees is more important than large tangible assets. We can therefore grow with moderate capital expenditure, for example by expanding into new market regions or high-tech related business fields. The purpose of the relatively high investment volume of € 51.2 million (excluding acquisitions) in 2013 was to adjust our capacities to the strong growth in sales of recent years. The next sub-section "Business locations and division of labor within the Group" contains relevant details.

The low vertical depth of production is inevitably accompanied by comparatively high materials costs. In 2013 these represented 42.9 % of sales (including purchased services). We generally calculate our quotations on the basis of current material costs, taking account of price fluctuations on the procurement market. In mechanical engineering we mainly purchase components and assemblies. Their prices are usually less volatile than raw material prices and are fixed for the medium term in framework agreements.

Our currency risk can be classed as moderate. Since we have local added-value and procurement structures in all the key markets, transaction effects from the export of goods generally play a minor role. Translation effects arising from the conversion of foreign currency items into euros have a greater impact.

Our business has a high level of visibility since many projects have planning times of several months, while as much as one to two years must be allowed for planning with large orders. We can therefore predict our future sales, capacity utilization and income situation relatively accurately.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

With a total of 50 locations, we are extremely close to our customers in all the key markets. The focus has shifted more and more to our locations in the emerging markets in recent years since this is where the major part of our business is generated. We now have a total of 2,321 employees in Shanghai (China), São Paulo (Brazil), Querétaro (Mexico), and Chennai and Delhi (India).

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The German locations play a leading role internationally. With 1,941 employees, the Dürr Campus in Bietigheim-Bissingen – the Group headquarters – is the hub for the international business of the Paint and Assembly Systems, Application Technology and Clean Technology Systems divisions. Darmstadt (508 employees) manages the activities of Measuring and Process Systems and is our center of competence for **BALANCING TECHNOLOGY**. In the US we have consolidated our location structure in recent years. As at December 31, 2013, there were 507 employees at the four US facilities we now operate, mainly located in the Greater Detroit region.

Our business volume has increased significantly in the last few years. Whereas the average figure in 2004 to 2008 was around € 1.5 billion, the current figure is about € 2.4 billion. We have substantially increased our capacity in response to this strong growth. Since 2012 13 locations worldwide have been expanded, upgraded or built completely from scratch and taken into service. Against this backdrop, capital expenditure on expansion in 2013 rose to € 34.9 million (2012: € 15.1 million).

- In Shanghai two new locations went into service. In the district of Baoshan we opened a joint location for balancing, cleaning, testing and **FILLING TECHNOLOGY** operations (30,000 m² of floor-space) in September 2013. We had already expanded the plant engineering production capacity in March 2012 with a new plant in Qingpu (15,000 m²). If we also take into account the older engineering location in Shanghai, we now have over 50,000 square meters of floorspace available – almost as much as at the Bietigheim-Bissingen headquarters.
- In Querétaro, Mexico, we replaced our previous plant with a new, larger location in the summer of 2013 (12,300 m²).
- We also moved to a larger site (2,000 m²) in the South African city of Port Elizabeth.
- An additional 6,000 m² building for robot assembly went into service on the Dürr Campus in Bietigheim-Bissingen in mid-2013. We also expanded and upgraded our technology center for tests and product developments in painting technology. In addition, we acquired new premises for environmental and energy-efficiency technology (1,800 m²).
- The location in São Paulo, Brazil, (10,000 m²) was expanded in 2012 to include test and training centers for customers and also additional office and production space.
- With a view to expanding our **GLUEING TECHNOLOGY** operations, we started extension work on the competence center in Wolfsburg in mid-2013. One aspect of this is to more than double the space for production facilities there (2,400 m²).
- In Radom, Poland, which specializes in electrical engineering and conveying technology, we completed the expansion of production capacity at the end of 2013 (6,700 m²).
- In Rheineck, Switzerland, our competence center for **ULTRAFINE CLEANING TECHNOLOGY**, we commissioned a new assembly building in 2013 (1,500 m²).
- Dürr Korea Inc. moved into new and larger office premises (1,500 m²) in Seoul in mid-2012.
- In early 2012 we established Dürr (Thailand) Co., Ltd. in Bangkok to improve our presence in the Southeast Asian growth market. At the beginning of 2013 Dürr Thailand moved into new, more spacious premises.
- Another step towards developing the markets in the Far East came with the new test center for robot and paint shop technology in Tokyo. This is scheduled to open in the second quarter of 2014.
- The Warwick location in the UK underwent a thorough upgrade in 2013.

Guidelines and process standards determine how the Group companies cooperate on cross-border systems projects in plant engineering. Responsibility for project leadership in connection with large orders in the Paint and Assembly Systems division always lies with the System Center in Bietigheim-Bissingen. Our foreign-based companies handle local sales and service, and they support order execution, for example, by providing engineering, purchasing and manufacturing services. Our international activities in mechanical engineering are also directed and supported by the principal German business locations.



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2.5 PRINCIPAL DÜRR LOCATIONS



GERMANY

- Bernried^{1,2}
- Bietigheim-Bissingen^{1,2}
- Braunschweig
- Darmstadt^{1,2}
- Filderstadt^{1,2}
- Goldkronach^{1,2}
- Grenzach-Wyhlen^{1,2}
- Monschau^{1,2}
- Ochtrup¹
- Ottendorf-Okrilla^{1,2}
- Püttlingen^{1,2}
- Stollberg^{1,2}
- Wolfsburg^{1,2}

EUROPE

- Zistersdorf¹ (A)
- Rheineck^{1,2} (CH)
- Oslavany-Padochov¹ (CZ)
- Sønderborg^{1,2} (DK)
- Madrid² (E)
- San Sebastián² (E)
- Viladecans (Barcelona)² (E)
- Guyancourt² (F)
- Jouy-le-Moutier¹ (F)
- Loué^{1,2} (F)
- Uxegney^{1,2} (F)
- Warwick^{1,2} (GB)
- Beinasco^{1,2} (I)
- Novegro di Segrate² (I)
- Paderno Dugnano (I)
- Rodano^{1,2} (I)
- Rotterdam (NL)
- Radom^{1,2} (PL)
- Moscow (RUS)
- Bratislava (SK)
- Istanbul (TR)

AMERICA

- São Paulo^{1,2} (BR)
- Querétaro^{1,2} (MEX)
- Auburn Hills^{1,2}, Michigan (USA)
- Deer Park¹, New York (USA)
- Plymouth^{1,2}, Michigan (USA)
- Wixom¹, Michigan (USA)

ASIA, AFRICA

- Shanghai^{1,2} (CN)
- Chennai^{1,2} (IND)
- Noida (Delhi)^{1,2} (IND)
- Pune (IND)
- Osaka¹ (J)
- Yokohama² (J)
- Seoul² (ROK)
- Singapore (SGP)
- Bangkok (T)
- Port Elizabeth² (ZA)

¹ Production or assembly location² Engineering location

The other locations mainly perform sales and service functions.

REPORT ON RELATIONSHIPS WITH ASSOCIATED ENTERPRISES (DEPENDENCY REPORT)

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

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

- **Structure of subscribed capital:** Dürr AG's subscribed capital is divided into 34,601,040 bearer common shares with full voting rights. The rights and obligations associated with the shares are regulated in the German Stock Corporation Act.
- **Restrictions on voting rights/transfer of shares and related agreements:** The Board of Management is not aware of any agreements by shareholders of Dürr which contain restrictions relating to voting rights or the transfer of shares. Legal voting right limitations exist, for example, pursuant to Section 28 S. 1 (breach of disclosure obligations) of the German Securities Trading Act, Section 71b (rights arising from own shares) and Section 136 (1) (voting right exclusion in the case of certain conflicts of interest) of the German Stock Corporation Act.
- **Shareholdings that exceed 10 %:** Heinz Dürr GmbH holds 25.1 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung (3.5 %), the Dürr family controls 28.6 % of the shares (as at December 31, 2013).
- **Shares conferring special rights:** There are no shares in Dürr AG that confer special rights.
- **Voting right control of any employee stock ownership plan where the control rights are not directly exercised:** There are no employee stock ownership plans where the control rights are not exercised directly by the employees.
- **Rules governing the appointment and replacement of members of the Board of Management:** The applicable statutory rules are set out in Sections 84 and 85 of the German Stock Corporation Act and in Section 31 of the German Co-determination Act. Dürr AG's articles of incorporation do not contain any provisions that diverge from the statutory rules. Article 6 (1) of the articles of incorporation states additionally that the Board of Management consists of at least two members and that the appointment of deputy members of the Board of Management is admissible. Article 6 (2) states that the Supervisory Board may appoint one member of the Board of Management to be the chair of the Board of Management and another member of the Board of Management to be the deputy chair.
- **Rules governing amendment of the articles of incorporation:** Any changes in the articles of incorporation are made by resolutions at the annual general meeting. Unless otherwise mandatorily specified in the German Stock Corporation Act, the resolution is passed in accordance with Article 20 (1) of the articles of incorporation by a simple majority of the votes cast and – where a majority of the capital stock represented in the voting is required – by a simple majority of the capital stock represented in the voting. In accordance with Article 14 (4) of the articles of incorporation, the Supervisory Board is given the power to enact changes in the articles of incorporation which relate only to the wording. Pursuant to Article 4 (4) and Article 5 of the articles of incorporation, the Supervisory Board is authorized upon utilization of the conditional or authorized capital to amend the wording of the articles of incorporation to reflect the extent of the utilization.



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

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

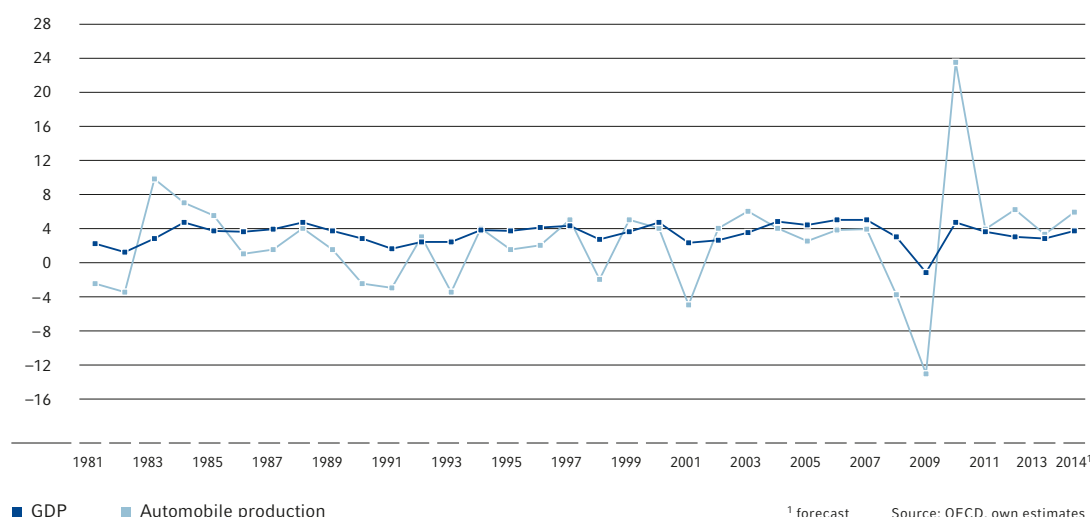


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- **Agreements providing for compensation in the event of takeover bids:** In the event of a takeover, members of the Board of Management have the option to remain with the company or to leave it and receive severance compensation. Details are contained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

Company-specific leading indicators

2.6 CHANGE IN AUTOMOTIVE PRODUCTION AND GROSS DOMESTIC PRODUCT (GLOBAL)
% year-on-year change



We track various leading indicators to steer the company. In this way, we are able to respond at an early stage to macroeconomic trends and any changes in demand in the automotive industry. We distinguish four types of indicators:

- The first group comprises macroeconomic leading indicators such as money supply, commodity prices, purchasing manager indices and business confidence barometers. These are supplemented by research reports and statistics issued by supranational institutions such as the IMF and the OECD. This information helps us to identify macroeconomic trends in good time. We also track interest rates and energy prices closely: as some 70 % of new-vehicle purchases are credit-financed in the Western countries, interest rates are a key determinant of vehicle sales. Energy prices are important as they influence consumer preferences and, hence, car-buying decisions. A case in point is the fact that passenger vehicle sales in the United States are currently benefiting from reduced energy costs.
- The second, more specific group of indicators helps to assess future business potential in the automotive industry and entails the capital spending plans of OEMs and component suppliers, statistics and forecasts on automotive production and sales as well as publications by automotive analysts, such as cash flow and capital spending forecasts for individual automotive OEMs. We generally adjust our business expectations to allow for any changes in automotive production forecasts. For example, if the growth forecast for global automotive production rises by one percentage point, we can expect to receive two or three additional paint system contracts with a combined value of around € 150 million assuming an unchanged share of the market. Increased forecasts generally also point to larger order volumes in most of the other business units.

- The third leading indicator tracks specific capital spending projects planned by our customers. We store information on these in our customer relationship management (CRM) database together with an assessment of the likelihood of our company being awarded a contract. In 2013 the opportunity-weighted market volume which we track remained at a high stable level. In product business, the quoting period for offers is a reliable indicator. An increase in the average quoting period means that customers require more time for their capex decisions, which in turn points to more muted demand.
- The fourth group of indicators is made up of the Group's order receipts and orders on hand. Given the long lead times of many projects, both figures provide a reliable basis for estimating capacity utilization and sales in the following quarters. There is an average delay of four quarters between the receipt of an order and the recognition of sales revenues from it.

External determinants of business performance

The main factors affecting our business performance include capital spending behaviour in the automotive and other industries, capacity utilization at our customers' plants and the utilization of our services. Capital spending decisions by our customers are based on an analysis of their income and earnings as well as production and capacity utilization data. In addition, productivity and margin factors play a decisive role in modernization spending.

Demand in the emerging markets is particularly important for our business performance. On average, these regions have accounted for over half of our order intake in the past five years (2013: 53.9 %). There are two factors which drive demand in the emerging markets: expansion of automotive production capacities and OEMs' battle for market share. In addition, modernization spending is increasing as the oldest production facilities are now showing their age; at the same time, more stringent environmental legislation must be observed, while more efficient technologies have become available. In North America, growing automotive sales are spurring demand for plant expansion; meanwhile, the investment backlog which has arisen over many years in modernization business is now being released. Modernization spending is also growing in Germany and other Western European countries.

In addition to specific sector determinants, a further important criterion for our business performance is the rate of global economic growth. The world's automotive production has on average grown 1.9 times more quickly than global gross domestic product since the economic low in 2009. Looking forward, we expect a stable correlation, too. Experts assume that global automotive production will rise by more than 21 million units in the period from 2013 through 2018. This theoretically equates to requirements for an additional 80 to 100 production plants.

Our modernization business is influenced by the age and productivity of existing automotive production plants as well as the availability of new production technologies. Our customers' current cash flow situation plays a greater role in the timing of modernization spending than it does in the case of greenfield installations with their longer lead times. To our knowledge, around half of the roughly 500 automotive factories around the world are over 20 years old. However, production facilities must as a general rule undergo extensive modernization after 20 years at the latest, unless this has previously been done incrementally. What is more, the technological enhancements to our products over the past few years have heightened the economic viability of modernization projects.

In addition to demand, our value added is also influenced by external factors. Although Dürr has a relatively low real net output ratio and personnel intensity, we closely track the wage and salary trends in the regions in which we have the highest number of employees. In 2013 personnel costs came to € 519.9 million, equivalent to 21.6 % of sales, accompanied by an 8.2 % increase in the average headcount. Wages and salaries are growing more quickly in the emerging markets than in the established markets. Against this backdrop, we expect Group personnel costs to rise by up to

10 % in 2014. Material and sourcing costs, which account for 42.9 % of sales, also impact business performance. However, we are able to respond flexibly to this in plant engineering as the sourcing costs of the materials required are individually negotiated for each major project. The effects of exchange-rate fluctuation on sales and earnings are within reasonable limits, as the sensitivity analysis in **ITEM 40** in the notes to the consolidated financial statements shows.

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Legal and tax matters may exert an appreciable influence on our business. Examples include: product safety and liability legislation; construction, environment and employment regulations; foreign-trade and intellectual property law. With our broad international footprint, we are required to observe a large number of specific national rules and regulations. In this connection, our long-standing presence in most of the markets we address gives us an advantage over less experienced peers.

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Restrictions to the cross-border transfer of capital impact our cash-pooling system (see **FINANCIAL DEVELOPMENT** chapter). We maintain cash holdings and local funding arrangements in countries in which participation in the cash pooling system is not possible.

Environmental legislation is increasing around the world. In response to this, customers are investing in low-consumption and low-emission machinery and equipment to a greater extent. Consequently, business in sustainable technologies is exerting an increasingly stronger influence on our sales and earnings. As we have been factoring the principle of sustainability into our product development activities for years, Dürr products are frequently more efficient and generate fewer emissions than peer products. We estimate that the volume of orders which we received in 2013 as a result of this advantage has a value in the three-digit million euro range. This is reflected in a correspondingly high contribution to earnings from business in sustainable technologies. Environmental legislation has only a relatively minor impact on our own production operations as we primarily concentrate on assembly processes characterized by relatively low emission, consumption and waste levels. Most of our production facilities have been certified for environmental management in accordance with ISO 14001. Further details can be found in the **SUSTAINABILITY** chapter.

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Corporate governance report

Dürr identifies with the principles and goals of good corporate governance. We believe that we can only create value in the long term if the company is managed and controlled sustainably as well as in accordance with the principle of legality and the relevant commitments. Good corporate governance provides the foundation for reinforcing the trust that our stakeholders place in us – from investors, customers and business partners to employees and the general public.

We are constantly adapting Dürr's corporate governance practice to new requirements. In addition, we pay close attention to issues of public debate such as diversity or compensation paid to corporate governance bodies. We follow the regulatory initiatives in this context with a degree of skepticism, as they fail to take account of variations between different companies and industries, call into question the principle of performance and can lead to competitive disadvantages.

CORPORATE GOVERNANCE CODE: ADJUSTMENTS CONSIDERED

The latest version of the German Corporate Governance Code entered into force on June 10, 2013. Apart from some deletions made in an effort to streamline the Code, it mainly contains adjustments in Chapter 4.2 "Board of Management – composition and compensation". It stipulates that the total amount as well as the variable components of the individual Management Board compensation will be capped in future. Furthermore, the Supervisory Board has to take into account the relationship between the compensation of the Board of Management and that of the top management team and the workforce as a whole. To ensure better comparability of Management Board compensation over the course of time and between different companies, it is recommended that information on Management Board compensation be presented in a standardized way using the tables proposed by the Code Commission. Due to the work involved in the changeover, these recommendations will not become effective until 2014. Therefore, we did not take them into consideration in the reporting period.

The declaration of compliance, which was signed by the Chairmen of the Supervisory Board and the Board of Management on December 11, 2013, shows in which points and for which reasons we deviate from the recommendations of the Code. The declaration refers to the old version of the Code for the period between December 13, 2012, and June 9, 2013, and to the new version from June 10, 2013, onwards. The full text can be found at WWW.DURR.COM/INVESTOR/CORPORATE-GOVERNANCE/DECLARATION-ON-CORPORATE-GOVERNANCE/DECLARATION-OF-COMPLIANCE/.



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

EXCERPT FROM THE DECLARATION OF COMPLIANCE AS OF DECEMBER 11, 2013

D&O insurance deductibles (Item 3.8, Paragraphs 2 and 3)

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

Objectives for the composition of the Supervisory Board, age limit for members of the Supervisory Board (Item 5.4.1, Paragraphs 2 and 3)

The recommendations in Item 5.4.1, Paragraphs 2 and 3 of the Code are not complied with. The Supervisory Board is of the opinion that specifying and publishing concrete objectives for its composition, and their regular adjustment, involves a not inconsiderable amount of work which does not appear justified in view of the Supervisory Board's size and the further increased workload placed on the Board by new statutory requirements. Furthermore, setting rigid objectives would exclude opportunities for obtaining excellently qualified persons to serve on the Supervisory Board who do not fit into the predefined framework. The Supervisory Board will therefore deliberate on the desired composition of the Board only when its proposals to the general meeting of the shareholders on the election of Supervisory Board members are due to be resolved upon. At the same time, it will also consider other criteria besides those set forth in Item 5.4.1, Paragraph 2 of the Code. As of the date on which this declaration is issued, the Supervisory Board has one female member and several members with well-established international experience.

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

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

The system of tying the variable remuneration paid to members of the Supervisory Board to consolidated earnings before tax (EBT) has been approved in a resolution passed by the shareholders and is governed by Article 15 (1) of the Articles of Incorporation. It has proven itself. Dürr does not wish to follow the general trend of converting variable remuneration components into fixed remuneration. Dürr believes that it has a suitable variable remuneration system which awards the successful work of the previous year in connection with a cap providing for a reasonable maximum on the amount of the variable remuneration payable.

OTHER INFORMATION ON CORPORATE GOVERNANCE AT DÜRR¹**BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

As the executive body, the Board of Management conducts the company's business, defines the strategy and implements it in consultation with the Supervisory Board. It must always act in the company's best interest and in compliance with its business policies. The Board of Management 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 stipulate the individual responsibilities within the Board of Management, the manner in which resolutions are passed and other aspects.

The Supervisory Board is responsible for advising and supervising the Board of Management. In accordance with the German Co-determination Act, it consists of 12 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 business locations in Germany. The chairman has the casting vote in the event of a tie. Particularly urgent resolutions can be taken by the Supervisory Board by written circulatory vote. This occurred twice in 2013: in June to approve the acquisition of the assets of LTB, and in September to approve the acquisition of the remaining 45 % stake in Agramkow.

¹ The full corporate governance statement can be found at www.durr.com/investor/corporate-governance

A new Supervisory Board was elected in 2011, as scheduled every five years. If a member of the Supervisory Board resigns before the end of his/her term of office, a successor will be appointed by court if no elected substitute member is available. Supervisory Board members appointed by court must be elected at the next election date.

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

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

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

ANNUAL GENERAL MEETING

The annual general meeting is a forum for the general debate between shareholders, Board of Management and Supervisory Board. It also allows shareholders to exercise their voting rights. The motions on which resolutions are to be passed – for instance on the appropriation of profit or on capital measures – are outlined in the agenda, which is drawn up by the company in time for the annual general meeting. The annual general meeting is presided over by the Chairman of the Supervisory Board. He informs the shareholders of the activities of the Supervisory Board and its committees in the previous year.

TRANSPARENCY

As part of our public relations work, we provide comprehensive, consistent and up-to-date information on Dürr. Detailed information and explanations relating to the development of our business can be found in the annual report, in the quarterly and six-monthly reports as well as in press releases and ad-hoc announcements. Important events are announced at press and telephone conferences. All announcements, reports and presentations are also available on our website at www.durr.com. Any questions will be answered by our Corporate Communications and Investor Relations department.



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FINANCIAL ACCOUNTING AND INDEPENDENT AUDIT

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

2.7 RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	RALF W. DIETER (CHAIRMAN)	RALPH HEUWING (CHIEF FINANCIAL OFFICER)
/ Divisional/operative responsibilities	/ Paint and Assembly Systems / Application Technology / 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	/ Finance/Controlling / Investor Relations / Risk Management / Legal Affairs/Patents / Information Technology / Global Sourcing

In accordance with item 7.2.3 of the Corporate Governance Code, the auditor will notify the Chairman of the Supervisory Board immediately of all matters relevant to the work of the Supervisory Board that come to its attention in the course of the audit. The auditor is also required to inform the Supervisory Board of any deviations from the declaration of compliance according to Section 161 of the German Stock Corporation Act (AktG). Prior to receiving the letter of engagement, the auditor gives a pledge of its independence to the Supervisory Board.

PERFORMANCE INDICATORS, CONTROL SYSTEM, INSIDER REGISTER

Our key indicators for corporate management are incoming orders, sales, EBIT and EBIT margin as well as **ROCE**. The **FINANCIAL DEVELOPMENT** chapter provides information on our 2013 figures and on the methods of calculation.

We have implemented a comprehensive risk management system, which includes 15 specific risk fields and provides transparency on the risk situation of the Group. One of the elements of the risk management system is the internal control system for the accounting process. More information on this topic can be found in the **RISK REPORT**.

We have created an insider register in accordance with Section 15b of the German Securities Trading Act (WpHG), which is updated and examined for completeness on a regular basis. All insiders have been informed about the associated legal obligations and sanctions.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD PROCEDURES AT DÜRR

The Board of Management of Dürr AG consists of two members. This enhances efficiency, as communication, consultation and decision-making processes are considerably more streamlined than those of larger boards. Apart from the Board of Management, Dürr also has a qualified and experienced top management team at divisional and business unit level. The heads of these units have global responsibility for their business results and work in close consultation with the Board of Management. The Board of Management is also supported by the corporate departments of Dürr AG.

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

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2.8 DIRECTORS' DEALINGS IN DÜRR SHARES IN 2013

Purchaser/seller	Purchase of shares	Sale of shares	Price per share ¹ in €	Number of shares	Transaction volume in €
Heinz Dürr GmbH		Feb. 20, 2013 ²	83.28	20,658	1,720,466.41
Heinz Dürr GmbH		Feb. 21, 2013 ²	82.23	32,842	2,700,755.30
Heinz Dürr GmbH		Feb. 24, 2013 ²	81.70	8,899	727,054.53
Heinz Dürr GmbH		Feb. 25, 2013 ²	81.44	70,601	5,749,794.86
Heinz Dürr GmbH		Feb. 26, 2013 ²	80.75	60,000	4,845,054.00
Hayo Raich		Mar. 1, 2013 ²	85.25	72	6,138.00
Thomas Hohmann		Mar. 1, 2013 ²	84.66	55	4,656.52
Ralf W. Dieter		Mar. 13, 2013 ²	84.51	15,000	1,267,642.50
Mirko Becker		May 8, 2013 ²	94.15	230	21,654.50
Ralph Heuwing	Jun. 24, 2013 ³		42.72	2,700	115,346.70
Ralf W. Dieter	Jun. 25, 2013 ³		45.85	2,700	123,793.04
Ralf W. Dieter		Nov. 11, 2013 ³	64.24	2,700	173,448.00
Ralph Heuwing		Nov. 13, 2013 ³	63.32	21,080	1,334,785.60
Ralph Heuwing		Nov. 20, 2013 ³	63.72	43,920	2,798,758.08
Thomas Hohmann		Nov. 27, 2013 ³	65.12	1,040	67,720.98
Thomas Hohmann		Nov. 28, 2013 ³	65.52	90	5,897.09

¹ Rounded² Transaction before the issue of bonus shares (May 27, 2013)³ Transaction after the issue of bonus shares (May 27, 2013). As a result of the bonus share issue, the total number of Dürr AG shares doubled to 34,601,040, while the share price was halved.

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

CONTROL

In accordance with Article 6 of Dürr AG's articles of incorporation, the Supervisory Board determines the number of members of the Board of Management and their appointment. The rules of procedure which the Supervisory Board has issued for the Board of Management contain a list of transactions requiring its approval and determine the allocation of responsibilities. At Supervisory Board meetings, the Board of Management provides written and oral statements on the individual items of the agenda and answers any questions. The motions for the Supervisory Board, along with a detailed dossier, are distributed to the members in writing at least one week prior to the meeting. On the day of the meeting, preliminary talks are usually 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

We publish directors' dealings, i.e. securities transactions that have to be reported pursuant to Section 15a of the German Securities Trading Act (WpHG), as soon as the company is notified. An overview of these transactions can be found in table 2.8.

Heinz Dürr retired from the Supervisory Board of Dürr AG on April 26, 2013, having served as its Chairman for 23 years. Mr. Dürr is the CEO of Heinz Dürr GmbH, which, as the anchor shareholder, holds 25.1 % of the shares of Dürr AG and has a 28.6 % holding together with Heinz und Heide Dürr Stiftung (December 31, 2013). As a result, all sales and purchases of Dürr shares by Heinz Dürr GmbH had to be reported according to the German Securities Trading Act until Heinz Dürr's departure from the Supervisory Board.

The members of the Supervisory Board hold a total of 0.01 % of the shares of Dürr AG (December 31, 2013). The Board of Management holds a total of 0.7 % of the shares, with 0.3 % owned by Ralf W. Dieter and 0.4 % by Ralph Heuwing (December 31, 2013). In the course of 2013, the members of the Board of Management reduced their number of shares to ensure an appropriate diversification of their personal investment portfolios (previous total: 1.0 %). Both Mr. Dieter and Mr. Heuwing believe in the good prospects Dürr offers, and they therefore maintain a substantial part of their investments in Dürr shares.

September 2013 saw a change in the shareholder structure at Heinz Dürr GmbH. In the wake of an inheritance arrangement, Heinz Dürr and his wife, Heide Dürr, contributed almost 55 % of the shares held in Heinz Dürr GmbH to the newly founded Dürr-Familienstiftung (Dürr Family Foundation). Dürr-Familienstiftung has thus become the majority shareholder of Heinz Dürr GmbH. The remaining shares continue to be personally held by members of the Heinz Dürr family. Heinz Dürr is the Chairman of the Board of Management and of the Foundation Management Council of Dürr-Familienstiftung. The key purpose of Dürr-Familienstiftung, through its holding in Heinz Dürr GmbH, is to ensure the economic security as well as the continued existence and growth of the Dürr Group. The plan is thus for Heinz Dürr GmbH to retain its holding in Dürr AG (currently 25.1 %) in the long term.

COMPENSATION REPORT



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Apart from the following information, **ITEM 42** in the notes to the consolidated financial statements contains further details on the compensation paid to the Board of Management and the Supervisory Board. They form an integral part of this compensation report.

SIDELINE ACTIVITIES



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The members of the Board of Management do not carry out any sideline activities other than those listed in **ITEM 42** in the notes to the consolidated financial statements. No loan agreements, guarantees or other liabilities exist between the two members of the Board of Management and Dürr AG or its subsidiaries.

REGULAR REVIEW

The Supervisory Board Personnel Committee reviews the compensation system for the Board of Management at regular intervals and prepares recommendations for its further development where necessary. The Supervisory Board examines these proposals carefully and passes its resolutions on that basis. Several criteria are used to assess the appropriateness of the Board of Management's compensation. These include the tasks of the Board of Management as a whole and of its respective members, the members' personal performance, the economic situation as well as the company's long-term success and outlook. Furthermore, the Supervisory Board monitors the development of the Board of Management's compensation in comparison with other companies and with the top management team and the workforce at Dürr.

The current compensation system has been in place since 2010 and is based on the provisions of the German Act on the Appropriateness of Management Board Compensation (VorstAG), which came into force in the same year. As a result, the contracts of both members of the Board of Management include short-term and long-term incentives (performance-related compensation components), payment caps and a deductible that applies in connection with D&O (directors' and officers') liability insurance policies in case of liabilities.

COMPONENTS OF THE COMPENSATION SYSTEM

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

Performance-related compensation is based on long-term and short-term incentives; special bonuses may also be paid. The short-term incentive (STI) scheme consists of an agreed proportion of the Group's earnings before tax (EBT) in each fiscal year; there is a cap on the amount payable under the STI scheme.

The compensation payable under the long-term incentive (LTI) scheme is based on the development of Dürr's share price and the Group's average EBIT margin over a three-year period (LTI period). The LTI scheme operates on a rolling basis; four LTI tranches have been issued since its introduction in 2010. Each year a specified number of virtual Dürr shares are issued, which are known as 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 first annual general meeting after the three-year LTI period. The EBIT multiplier is calculated on the basis of the average EBIT margin achieved by the Group during the three-year LTI period. LTI payments are subject to caps. The same applies to the EBIT multiplier. There is also a cap on the share price multiplier for the LTI tranches of 2010 to 2012, 2011 to 2013 and 2012 to 2014. This was lifted for the 2013 to 2015 tranche due to the development of the share price. During the term of the LTI scheme, the participants must hold a certain number of Dürr shares for the duration, purchased with their own funds.

A further component of the compensation is the employer-financed pension contribution. This is based on the fixed annual salary and STI and is paid into our "VORaB" scheme ("Vorsorge aus Bruttogehalt"). VORaB is a defined benefit company pension plan in the form of deferred compensation guaranteed through a reinsurance scheme. If a member of the Board of Management resigns from office, no further expenses will be incurred under this scheme. Furthermore, the two members of the Board of Management are covered by accident and term life insurance policies.

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

Apart from the Board of Management, the other 15 members of the Group's top management team (Dürr Management Board) are also entitled to join the LTI scheme. For this purpose, they must purchase an individually defined number of Dürr shares, which they must hold for the entire duration of their participation in the scheme.

The compensation system for the Board of Management remained unchanged in the reporting period. However, in view of the positive development of EBIT and share price, the Supervisory Board adjusted some of the parameters of the 2013 to 2015 tranche to reflect the higher performance level. The number of performance share units was reduced to 12,500 for Ralf W. Dieter and to 11,250 for Ralph Heuwing (2012: 25,000 and 21,500). The minimum margin threshold based on which the EBIT multiplier is calculated was raised to 4%. In anticipation of a planned increase in the basic compensation from January 1, 2014, the LTI payment cap was reduced from € 1.5 million per tranche and person to € 1.2 million, starting with the 2013 to 2015 tranche. Following the issue of bonus shares in May 2013, the terms of the LTI scheme were adjusted to the new number and value of the shares. This did not have any economic effects on the scheme. Taking into account the bonus shares, the number of performance share units issued in 2013 was 25,000 for Ralf W. Dieter and 22,500 for Ralph Heuwing.

2.9 COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2013

€	NON-PERFORMANCE-RELATED		PERFORMANCE-RELATED		Compensation expense without pension benefits	Pension benefit expense ²	Total expense	Paid in 2013
	Basic compensation	Other compensation ¹	Long-term compensation expense (LTI)	Short-term (STI)				
Ralf W. Dieter	600,000.00	47,153.18	1,400,000.00	1,000,000.00	3,047,153.18	160,000.00	3,207,153.18	2,972,153.18
Ralph Heuwing	500,000.00	26,784.54	1,400,000.00	900,000.00	2,826,784.54	140,000.00	2,966,784.54	2,776,784.54
Total	1,100,000.00	73,937.72	2,800,000.00	1,900,000.00	5,873,937.72	300,000.00	6,173,937.72	5,748,937.72

¹ Payments in kind, allowances related to insurance premiums etc.² Service cost recorded in 2013**2.10 COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2012**

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

¹ Payments in kind, allowances related to insurance premiums etc.² Service cost recorded in 2012**COMPENSATION FOR 2013**

Total compensation expense for the Board of Management in 2013 was € 6,174 thousand. The decrease on the previous year's amount (€ 7,355 thousand) was the result of the lower cap on the 2013 to 2015 LTI tranche. In addition, unlike the previous year, there was no catch-up effect in the additions to the liabilities for previous tranches. Former members of the Board of Management received pension benefits in the amount of € 926 thousand (2012: € 836 thousand).

The LTI expenses shown in table 2.9 include the amounts recognized as liabilities in 2013 on a pro-rata basis for the current LTI tranches. These figures were linked to two factors: the average closing price of the Dürr share in the last 20 trading days in December 2013 as well as the achieved or planned average EBIT margin for the periods of the three current tranches. The actual LTI payments may differ from the amounts recognized as liabilities, depending on the further development of share price and EBIT; however, they are subject to the caps. The Board of Management received a total payment of € 3,000 thousand from the 2010 to 2012 LTI tranche. € 2,675 thousand of this was paid after the 2013 annual general meeting; a down-payment of € 325 thousand had already been made in 2011. In 2012 the Board of Management received a down-payment of € 560 thousand from the 2011 to 2013 LTI tranche, which will be offset against the 2014 payment. Since the introduction of the LTI scheme has now ended, no down-payments were made on the LTI tranches of 2012 to 2014 and 2013 to 2015.

Down-payments can also be made under the STI scheme. These will then be offset against the STI payment which is due after the approval of the consolidated financial statements for the relevant fiscal year. In 2013, the Board of Management received an STI down-payment of € 1,500 thousand (2012: € 1,500 thousand).

BOARD OF MANAGEMENT CONTRACTS AND CHANGE-OF-CONTROL

The contracts of the members of the Board of Management are initially concluded for a period of three years upon joining the Board. When the contracts are due for renewal, they are usually extended by a total period of five years as permitted by law. The contracts of employment of both members of the Board of Management run for a term of five years. Ralf W. Dieter's contract ends on December 31, 2015, while Ralph Heuwing's contract ends on May 14, 2017.

In the event of a change of control, i.e. a takeover through the acquisition of more than 50 % of the voting rights in Dürr AG, both members of the Board of Management have the option to remain with the company. Alternatively, they may exercise their right to voluntary resignation, which allows them to resign and terminate their contract of employment within five months of the date on which the takeover is announced. Any member exercising this right is entitled to a maximum of three years' compensation, as set out in the German Corporate Governance Code. However, the period for which the payment is made 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 Dürr AG's articles of incorporation, the text of which can be found at www.durr.com under the heading Investor Relations/Corporate Governance/Articles of Incorporation. The compensation system can only be adjusted by an amendment of the articles of incorporation by the annual general meeting.

 [www](http://www.durr.com)

Total compensation paid to the members of the Supervisory Board in 2013 was € 991 thousand (2012: € 986 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **ITEM 42** in the notes to the consolidated financial statements. The members of the Supervisory Board receive a fixed remuneration of € 20,000 per year and an attendance fee of € 1,000 for each meeting attended, plus reimbursement of expenses. As is the case with all employees based in Germany, the members of the Supervisory Board also receive variable compensation. This generally amounts to 0.4 % of the consolidated earnings before taxes but may not exceed € 35,000. The fixed remuneration is payable at the end of each fiscal year. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each deputy chairman receives one and a half times the total compensation paid to a regular member. The members of the Audit Committee receive € 9,000 per year; the chairman of this committee receives two times that amount. The compensation paid to the members of the Personnel Committee is € 5,000 per year; the chairman receives one and a half times that amount. The members of the Nominating Committee are entitled to a compensation of € 2,500 per meeting, the chairman receiving one and a half times that amount. Any members serving on the Supervisory Board or a committee for a part of the fiscal year are remunerated pro rata temporis.

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PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Compensation paid to non-tariff employees comprises a basic annual salary and a performance-related bonus. The bonus is linked to Group earnings and the achievement of personal performance targets. In most cases, the variable component is between 5 % and 10 % of the basic salary, but higher for managers. Tariff employees in Germany receive a profit-sharing bonus, which is subject to Group earnings exceeding a certain value pre-agreed with the Works Council. The profit-sharing bonus for 2013 is € 2,750 (2012: € 2,000, plus a special bonus of € 500). All full-time tariff employees in Germany are entitled to the payment.

Strategy

THE "DÜRR 2017" STRATEGY AND ITS GOALS

Over the last few months, we have continued to enhance Dürr's strategic orientation. The result is the "Dürr 2017" Group strategy. It applies an evolutionary approach to proven strategy elements, adding a number of new aspects. At the core of "Dürr 2017" is the "Leading in Production Efficiency" corporate slogan, which embodies the promise to our customers to provide them with innovative technologies and services allowing them to enhance the efficiency of their production processes. The four strategic fields assembled around this corporate slogan aim to flesh out this promise and to ensure that it can be kept on a sustained basis.

We will be measuring the success of the "Dürr 2017" strategy by reference to the contribution which it makes to our customers' production efficiency. The relevant indicators include, for example, optimization of quality and the consumption of material, energy and other resources as well as factors such as customer satisfaction and follow-up business. In addition, "Dürr 2017" involves three financial indicator targets:

- Sales are to increase to € 2.8 to 3.0 billion by 2017, additionally underpinned by acquisitions.
- The EBIT margin is to at least remain at the high level already achieved.
- ROCE is to stay at the high level of over 30 % on a sustained basis.



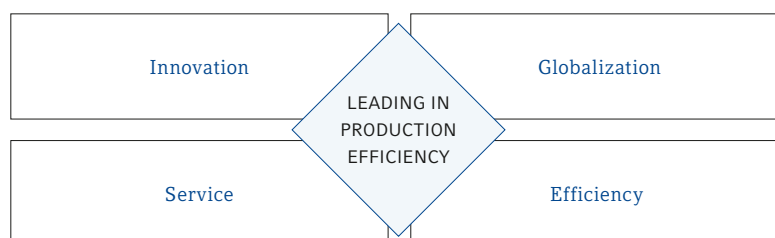
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STRATEGIC FIELD: INNOVATION

Innovative products and services generate demand and preserve the edge which we have over our peers. Our innovation management is heavily customer-centric with a focus on developments allowing our customers' production efficiency to be measurably improved, e.g. in the form of lower unit costs or greater quality.

Our R&D resources are expanding steadily. Since 2007, we have more than doubled direct R&D spending. At the same time, the number of R&D employees has risen by 57.0 % and hence more quickly than growth in the overall workforce. Encouraged by the success of this strategy, we plan to continue extending our R&D budgets and capacities to develop new technologies more quickly and in greater quantities than our peers.

2.11 "DÜRR 2017": FOUR STRATEGIC FIELDS



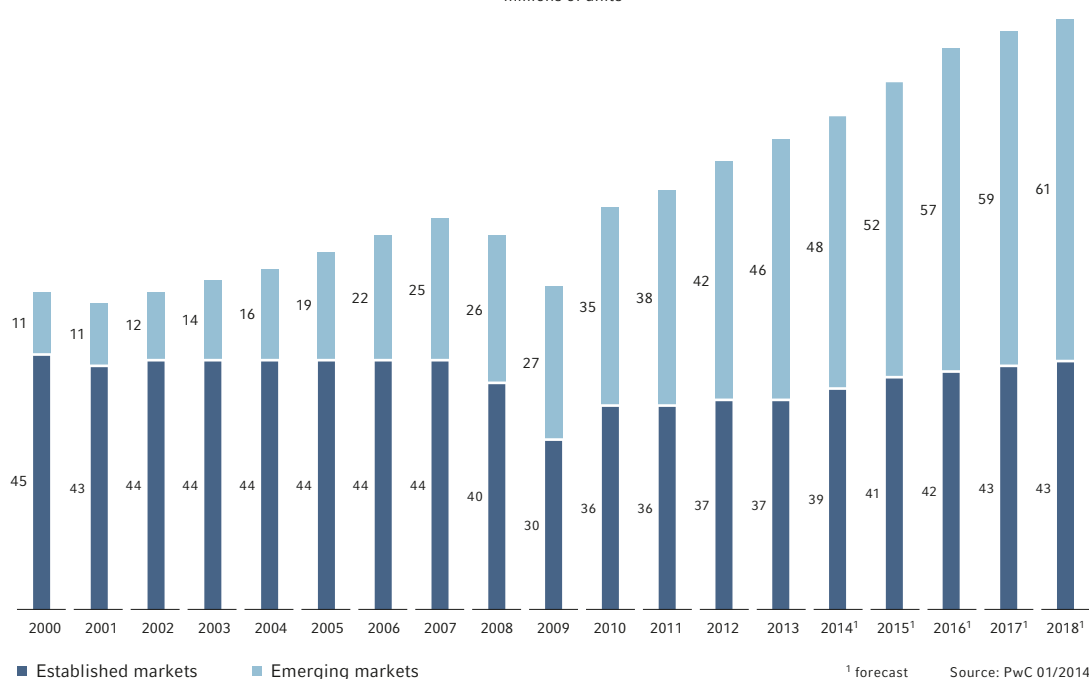
Growth with energy-efficient technologies

An important aspect of innovation as a strategic field is the expansion of business in energy-efficient technologies. Our customers are increasingly attaching importance to the energy efficiency of their production facilities and are seeking sustainable production processes with low primary energy consumption. This prompted us to establish our Clean Technology Systems division in 2011 with a flexible range of products for the efficient use of heat and waste heat. One central product development is the Dürr Compact Power System, which is based on micro gas turbine technology and simultaneously generates heat and electricity for use in industrial processes and large-scale real estate. Organic Rankine Cycle (ORC) technology also boosts the efficiency of decentralized energy supply systems by using the waste heat generated in production processes to produce electricity. Via our investment in Thermea, we are one of the leading vendors of innovative large-scale heat pumps operating with CO₂ as a refrigerant to reduce the environmental impact.

STRATEGIC FIELD: GLOBALIZATION**Worldwide capacities extended**

Dürr has maintained an above-average international presence for decades. After the sharp expansion of our business in the emerging markets (2009 to 2011), we have spent the last two years expanding and modernizing our network of facilities to bring our capacities into line with the greater volume of sales. A total of 13 production, test and **ENGINEERING** centers have been extended or built. The focus has been on the growth regions in the automotive industry. Two new facilities have gone into operation in Shanghai. In collaboration with Dürr Korea, we are using them as a basis for driving our expansion across Southeast Asia where we have had a direct presence since 2012 via our company Dürr (Thailand) Co., Ltd. We have also expanded our capacities in Mexico, Brazil and South Africa. In Tokyo we are building a test center for paint systems, where Japanese automotive OEMs will be able to evaluate our technology. A summary of all spending on facilities can be found in the chapter **THE GROUP AT A GLANCE**.

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2.12 GLOBAL LIGHT VEHICLE PRODUCTION
millions of units

2.13 ADDITIONS TO WORKFORCE IN THE EMERGING MARKETS

	Dec. 31, 2013	Dec. 31, 2005
China	1,356	271
Brazil	335	83
Mexico	219	64
India	411	148
Eastern Europe/other emerging markets	450	294
Total	2,771	860

Focus on emerging markets

The automotive industry, our main market, is continuing to grow. Experts project that global production of **LIGHT VEHICLES** will increase by over 21 million units between 2013 and 2018, equivalent to annual average growth of just under 5 %. By comparison, the average growth rate between 2000 and 2011 stood at 2 % p.a. The bulk of the forecast growth will arise in the emerging markets, where demand is being driven by rising incomes. Annual average production growth of 8.1 % is expected for China, the largest single automotive market, through 2018, with 9.9 % projected for India and 6.6 % for South America.

The automotive industry requires additional production capacity to accommodate the expected growth in production. Accordingly, industry analysts assume that OEMs will be increasing their capital spending over the next few years.

We are well positioned to continue benefiting from the growth of the automotive industry in the emerging markets. At 34 %, a large proportion of our workforce is located in these regions. Our local companies possess all the skills of material importance for our business. End-to-end processes and IT systems permit global cooperation in order execution across the entire Group network. Thanks to a high degree of localization, we are able to supply leading edge products quickly, competitively and in high quality on a local basis.

In addition to the **BRIC NATIONS** and Mexico, we are stepping up efforts to open up the future growth markets of Southeast Asia and Africa. We have national companies in both regions with new locations and have completed reference projects demonstrating our capabilities. In Southeast Asia, we are deriving benefits from our partnership with the Japanese paint shop equipment supplier Parker Engineering, in which we hold a 10 % share. Parker has close contacts with the Japanese automotive industry, which dominates Southeast Asia with market shares of over 90 % in some cases.

Global expansion into new business fields


Globalization as a strategic field also entails opening up new areas of business and broadening them at an international level. The focus is on areas which are related to our core business and offer good prospects of growth. We take a dual-pronged approach to developing new business: we engineer new applications for existing technologies and – where sensible – execute small and mid-size acquisitions to gain access to complementary technologies. The next step involves using our international Group network to develop the new business on a global basis. Over the last few years, we have applied this buy-and-build strategy on several occasions:



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- **Environmental technology:** We strengthened our market position in exhaust-air purification technology by acquiring the assets of Luft- und Thermochnik Bayreuth GmbH (LTB) in 2013. LTB contributes supplementary technologies (washer technology, dust removal) and has good access to new sell-side industries such as graphite.
- **Glueing technology:** We broadened our **GLUEING TECHNOLOGY** activities with the acquisition of the specialist companies Rickert and Kleinmichel in 2010. Glueing car body and component parts offers cost and quality advantages over welding. It plays a crucial role in automotive light-weight engineering in which non-weldable materials such as carbon are used.  P. 244
- **Filling technology:** In this segment, we are expanding beyond the automotive sector into non-automotive industries. We have acquired the Danish Agramkow Group, the leading vendor of **FILLING SYSTEMS** for refrigerators, air-conditioning systems and heat pumps, in two steps (2011 and 2013). Together with Dürr Somac, Agramkow is the number one in the global filling technology market.  P. 244
- **Balancing technology for turbochargers:** In order to carve out a position for ourselves in this growing business, we have pooled our own skills in **BALANCING TECHNOLOGY** with those of niche operator Datatechnik (France), which we acquired in 2009.  P. 244
- **Ultrafine cleaning technology:** With the acquisition of Swiss company UCM AG, we have broadened our range of **ULTRAFINE CLEANING SYSTEMS**. In this segment, we chiefly supply customers in medical technology and precision-optics.  P. 244

STRATEGIC FIELD: SERVICE

Since 2010, we have installed more machinery and systems than in any previous four-year period. With the broadening of our installed base, the potential in service business has also grown. Accordingly, the proportion of service business in total sales is set to widen from a current 22.3 % to up to 25 % in 2015.

To achieve this, we are optimizing our Group-wide service organization. We have defined a total of more than 40 measures, including the implementation of new IT systems for process support, feedback management and the systematic analysis of the installed base. In spare-parts business, decentralized warehouses and optimized processes will help to reduce delivery periods to heighten plant availability for our customers. We are conducting special training for our service staff and extending our service capacities. The latter is particularly the case in the emerging markets, where the proportion of sales accounted for by the service business is substantially less than in the Group as a whole.

Market potential is also growing in brownfield business, i.e. the modernization of existing production facilities. Over 250 automotive paint shops around the world, equivalent to some 50 % of the total number, are over 20 years old. In North America this applies to 75 % and in the European Union to over 60 % of existing facilities, while the volume of modernization work is also rising in China.

Our customers have many reasons for modernizing their legacy facilities. Automation and flexibilization spending help to lower unit costs in markets characterized by high labor costs. Optimization of energy and material consumption renders production more sustainable. In the emerging markets, conversion spending is frequently used to boost unit output. Here as well, growing importance is being attached to heightened flexibility and quality together with a reduced environmental impact. What is more, we have launched technical innovations over the last few years, resulting in efficiency gains and short amortization periods. This makes plant modernization even more lucrative. We support our customers with their capital spending decisions by offering intensive advice and optimization proposals tailored to their specific conditions.

STRATEGIC FIELD: EFFICIENCY

Efficiency is not only the principle driving product development at Dürr but also the benchmark for our internal processes, systems and structures. The main goal is to continuously improve and expand international networking and cooperation within the Group. Efficiency in international cooperation within the Group hinges on four factors, which we are permanently optimizing:

- **Global IT integration:** Worldwide end-to-end IT systems provide access to the same data and permit the exchange of work packages among different Group companies around the world. Since 2006, we have spent around € 30 million on implementing global systems, e.g. for **ENTERPRISE RESOURCE PLANNING**, CAD, cooperation, communications and the management of customer data. We are currently devoting particular attention to expanding our intranet, automating workflows for routine activities and establishing a global database for customer feedback and process optimization.
- **Global technology:** We develop modular products which can be used all around the world and adjusted easily to meet customers' specific requirements. This saves costs, reduces design and cost-accounting risks, speeds up the start-up time and heightens reliability during operations.
- **Global processes:** International order execution calls for uniform Group-wide processes. In line with a best-practice approach, we continuously incorporate new findings and experience in our standard processes.
- **Global knowledge management:** Expertise and experience play a crucial role in our complex business. For this reason, we specifically encourage global sharing of knowledge – for example via our Group-wide intranet as well as in the form of global product and process training.



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Economy and industry environment

ENCOURAGING MACROECONOMIC SIGNALS IN THE SECOND HALF OF 2013

In 2013 global gross domestic product (GDP) grew by 2.8 %, thus falling slightly short of the previous year (source: Deutsche Bank). Although growth of 3.1 % had been expected at the beginning of the year, this forecast had to be scaled back due to the muted momentum in the emerging and developing markets. In China, GDP growth remained steady at 7.8 % in 2013 as a whole, with the leading indicators improving in the second half of the year after a weak start. The other **BRIC COUNTRIES** (Brazil, Russia and India) fell short of expectations. In the Eurozone, the decline in GDP slowed to 0.4 % (2012: 0.6 % decline); the economy brightened marginally after hitting a low in the second quarter. With growth of 0.4 %, Germany performed relatively well. In the United States, upswing forces came to the fore as the year progressed, with GDP expanding by 1.8 %, underpinned by low interest rates and a further decline in energy prices.



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The euro appreciated substantially over the other main currencies in the second half of 2013. However, this barely figured at all in the annual average exchange rates against the US dollar, pound sterling and Chinese renminbi. That said, the euro gained an average of 26 % against the Japanese yen.

2.14 GDP GROWTH

year on year, %	2013	2012	2011
World	2.8	3.0	3.8
Germany	0.4	0.7	3.0
Eurozone	-0.4	-0.6	1.4
Russia	1.5	3.4	4.3
United States	1.8	2.8	1.8
China	7.8	7.8	9.3
India	4.3	4.1	7.9
Japan	1.6	1.4	-0.5
Brazil	2.2	0.9	2.7

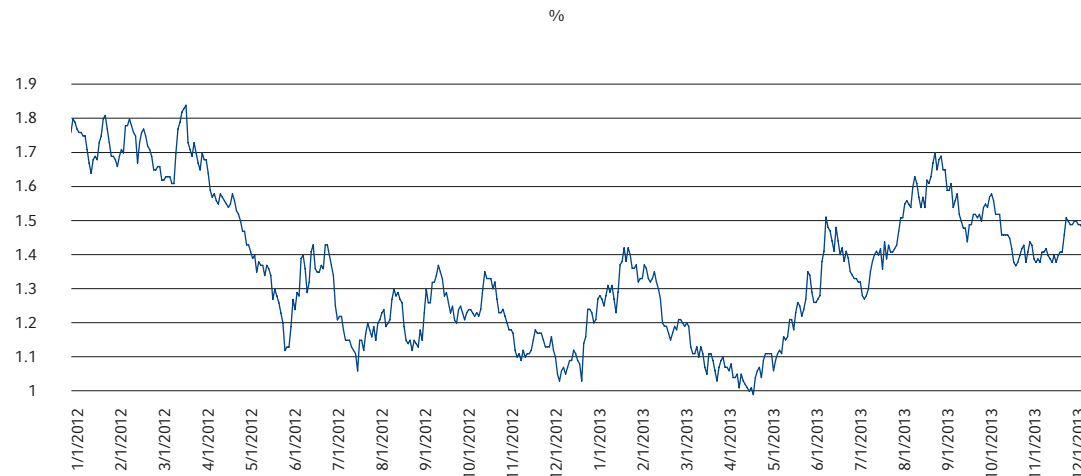
Source: Deutsche Bank 12/2013

2.15 AVERAGE EXCHANGE RATES

1 € equals	2013	2012	2011
USD	1.3301	1.2927	1.3983
GBP	0.8503	0.8115	0.8694
JPY	130.1308	103.5000	111.2300
CNY	8.1691	8.1462	9.0204

Source: Commerzbank

2.16 CURRENT YIELD IN GERMANY IN 2012 AND 2013



Source: Deutsche Bundesbank

Under the influence of the central banks, short-end interest rates remained low in 2013. Yields on longer-dated bonds rose marginally after hitting a low in the first half of the year. In Germany, the current yield on fixed-income bonds climbed from roughly 1 % to 1.5 % in the course of the year. Sentiment remained buoyant in the capital markets particularly in the second half of the year, allowing many companies to raise funding on more favorable terms.

GLOBAL AUTOMOTIVE PRODUCTION UP 4.2 %

In 2013 global light vehicle production rose by 4.2 % to 82.5 million units, thus substantially outpacing global GDP growth (2.8 %). At 12.7 %, growth in China, the world's largest automotive market, was well up on the previous year (8.5 %). The Brazilian automotive market was in good condition (up 9.7 %), while production in India rose by 2.9 % after the previous year's decline. The positive trend in North America continued, with automotive production climbing by a further 5.8 % following the sharp 17.6 % rise in the previous year.

With the exception of Western Europe, strong automotive demand across the industry generally kept capacity utilization high. In China, where numerous local and foreign OEMs have operations, capacity utilization varied from producer to producer. Most of the globally active automotive OEMs generated high earnings and cash flows in 2013, with Japanese producers benefiting from the weak yen.

2.17 PRODUCTION LIGHT VEHICLES

Million units	2013	2012	2011
World	82.5	79.2	74.6
Western Europe	12.4	12.4	13.6
Germany	5.7	5.6	5.8
Eastern Europe	7.1	6.9	6.3
Russia	2.0	2.1	1.8
North America (incl. Mexico)	16.3	15.4	13.1
United States	11.0	10.1	8.5
South America	4.5	4.2	4.2
Brazil	3.4	3.1	3.1
Asia	40.7	38.4	34.9
China	18.7	16.6	15.3
Japan	9.0	9.3	7.9
India	3.5	3.4	3.5

Source: PwC 01/2014, own estimates

FURTHER GROWTH IN AVIATION AND THE AIRCRAFT INDUSTRY

Global air traffic widened by some 6 % in 2013 and thus substantially more quickly than the global economy again (source: IATA), underpinned in particular by a strong second half. Although many airlines are generating only low earnings, sector analysts expect profits and capital expenditure to rise given the high capacity utilization. Aircraft builders Airbus and Boeing recorded brisk order intake in 2013 not least of all due to the Paris Air Show in the summer. Airbus had an order backlog of substantially over 5,000 aircraft for the first time and increased its deliveries to 626 units, up from 588 in the previous year, while Boeing registered 648 deliveries compared with 601 in 2012.

SLIGHTLY WEAKER DEMAND IN MECHANICAL AND PLANT ENGINEERING

Whereas the German capital goods industry as a whole recorded a 3.8 % increase in orders in 2013, order receipts in the mechanical and plant engineering sector were slightly lower than in the previous year. According to figures released by the German Mechanical and Plant Engineering Association (VDMA), production was valued at € 195 billion and thus 0.5 % down on the previous year.

Board of Management's overall assessment of business development in 2013

The Board of Management considers the company's business performance in 2013 to be favorable. The Dürr Group achieved new highs in earnings and cash flow. All performance indicators achieved or exceeded the goals which had been set for 2013. This particularly applies to the EBIT margin, the target corridor for which we had raised on September 30, 2013.

At € 2,387.1 million, order intake came within the forecast range (€ 2.3 to 2.5 billion). We consider this figure to be satisfactory, especially in the light of the challenging market conditions in Europe and India.

Sales came to € 2,406.9 million, thus also achieving the expected range (€ 2.4 to 2.6 billion). Whereas personnel expense rose by 9.1 % and, thus, in line with expectations, we were able to reduce the cost of materials by 8.0 % in the wake of extensions to our internal production capacities. R&D expense rose somewhat more sharply than planned, reflecting our efforts to continue stepping up our course of innovation as part of the "Dürr 2017" strategy. The increase in EBIT to € 203.0 million is chiefly due to the quality of our order execution, which left favorable traces on project margins. The EBIT margin came to a favorable 8.4 %. We had originally forecast a figure of between 7.0 % and 7.5 % but adjusted this upwards to between 7.5 % and 8.0 % at the end of the third quarter.

Net finance expense was also satisfactory after being lowered substantially as planned. This chiefly reflected the absence of non-recurring expenses and the improved terms under our syndicated loan. At 23.7 %, the tax rate was lower than expected; given improved earnings and the upbeat outlook, we were able to recognize deferred income tax assets on existing unused tax loss carry-forwards. As a result, earnings after tax rose by 26.5 % – and hence more sharply than expected – to € 140.9 million.

Cash flow from operating activities rose by 179.8 % to € 329.1 million, thus substantially exceeding our original expectations. This was chiefly driven by the sharp rise in revenues and earnings in tandem with a substantial reduction in **NET WORKING CAPITAL**. At € 261.9 million, **FREE CASH FLOW** was also good despite greater capital expenditure. The **NET FINANCIAL STATUS** improved for the seventh consecutive year, standing at € 280.5 million as of December 31, 2013, despite the fact that we spent more on acquisitions and the dividend payment than in earlier years. Cash and cash equivalents rose to € 458.5 million as of the reporting date, reflecting the extraordinarily high pre-payments and progress payments from customers in the fourth quarter of the year. We increased capital expenditure (net of equity investments) more sharply than originally planned. It reached a record of € 51.2 million as we expanded our network of facilities and widened the proportion of internally-sourced production to accommodate heightened business volumes.

2.18 GROUP TARGET ACHIEVEMENT IN 2013

	2012 ACT.	2013 TARGET (FEBRUARY 2013 FORECAST)	2013 ACT.
/ Sales revenues	€ 2,399.8 million	€ 2,400 to 2,600 million	€ 2,406.9 million
/ Order intake	€ 2,596.8 million	€ 2,300 to 2,500 million	€ 2,387.1 million
/ Orders on hand (Dec. 31)	€ 2,316.8 million	> € 2,000 million	€ 2,150.1 million
/ Personnel expense	€ -476.4 million	Approx. € -525 million	€ -519.9 million
/ Cost of materials	€ -1,123.0 million	Less quickly than growth in sales	€ -1,032.6 million
/ R&D costs	€ -37.2 million	€ -39 to -41 million	€ -43.0 million
/ EBIT margin	7.4 %	7.0 to 7.5 % From September 30, 2013: 7.5 to 8.0 %	8.4 %
/ Net finance expense	€ -29.2 million	Substantial reduction	€ -18.4 million
/ Tax rate	24.6 %	Approx. 25 %	23.7 %
/ Earnings after tax	€ 111.4 million	Slight increase	€ 140.9 million
/ Cash flow from operating activities	€ 117.6 million	> € 120 million	€ 329.1 million
/ Free cash flow	€ 65.9 million	> € 70 million	€ 261.9 million
/ Net financial status (Dec. 31)	€ +96.7 million	> € +100 million	€ +280.5 million
/ Liquidity (Dec. 31)	€ 349.3 million	> € 250 million	€ 458.5 million
/ Capital expenditure*	€ 32.5 million	€ 35 to 40 million	€ 51.2 million

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

KEY PERFORMANCE INDICATORS: ACTUAL PERFORMANCE VERSUS TARGET

The key performance indicators used for managing the company are:

- Order intake
- Sales
- EBIT and EBIT margin
- ROCE (EBIT to capital employed).

In addition, we track cash flow from operating activities and **FREE CASH FLOW** at the Group level in particular.

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As table 2.18 shows, we achieved our targets for order intake and sales. The EBIT margin exceeded the target formulated at the beginning of the year and also the September 2013 upward adjustment. At 66.2 %, **ROCE** was well in excess of the cost of capital as well as the previous year's record figure (43.9 %).

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2.19 TARGET ACHIEVEMENT OF THE DIVISIONS IN 2013

	SALES (€ MILLION)		ORDER INTAKE (€ MILLION)		EBIT MARGIN (%)	
	2013 target	2013 act.	2013 target	2013 act.	2013 target	2013 act.
Paint and Assembly Systems	1,200 to 1,350	1,176.9	1,100 to 1,300	1,124.7	6 to 7	8.4
Application Technology	500 to 580	540.0	450 to 550	567.6	10 to 11	11.0
Measuring and Process Systems	550 to 600	583.6	500 to 600	561.1	8 to 9	7.9
Clean Technology Systems	130 to 150	106.3	120 to 140	133.7	3.5 to 5	5.7

DIVISIONS

Two of the four divisions substantially beat their earnings targets in 2013: Paint and Assembly Systems with an EBIT margin of 8.4 % (2012: 6.7 %) and Clean Technology Systems, in which the EBIT margin widened to 5.7 % (2012: 4.2 %) despite the start-up costs in the energy efficiency segment. Application Technology also achieved growth and, with an EBIT margin of 11.0 % (2012: 10.1 %), hit the top edge of the target corridor. At 7.9 % (2012: 8.9 %), Measuring and Process Systems fell only marginally short of the target range despite the negative EBIT posted by Cleaning and Surface Processing (until the end of 2013: Cleaning and Filtration Systems) in the wake of the re-alignment of this business unit.

Sales achieved the target range in two of the four divisions. Paint and Assembly Systems and Clean Technology Systems lagged somewhat behind the targets due to delays in project execution. Order intake in the Application Technology division exceeded the target, while the other three divisions performed in line with expectations. The 2014 targets for the divisions can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.

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MAIN EVENTS DRIVING BUSINESS PERFORMANCE

There were no individual events in 2013 materially impacting the Dürr Group's results of operations, financial position and net assets. As in the previous year, our business performance was spurred by two general factors: strong automobile demand and, mirroring this, heavy capital spending in the automotive industry.

Business performance

IFRS, DRS 20 AND REPORTING PRACTICE

The charts and tables in this management report generally contain IFRS figures for the years from 2011 through 2013. There have been no material changes in the accounting and measurement methods since 2004; adjustments have been made only to allow for any amendments to legal requirements. EBIT is defined as earnings before interest, income taxes and income from investments. Since the annual financial statements for 2011, we have been reporting the interest portion of pension provisions within net interest expense and no longer under functional costs in line with standard practice in the industry.

Amendments to the IFRS did not have any material impact on the presentation of the company's economic position in 2013. Relatively few reporting options are available under the IFRS and their utilization impacts our net assets, financial position and results of operations only minimally. Reporting options exist, for example, in connection with items such as inventories or property, plant and equipment, which are of subordinate importance for Dürr. In the case of important balance-sheet items, we exercise options in such a way that the greatest possible measurement continuity is preserved. For example, financial instruments are measured at amortized cost as far as possible rather than at fair values. As there were no changes in any of the reporting options which we utilized in 2013, the periods 2011, 2012 and 2013 are mutually comparable in full.

In preparing this management report, we applied the requirements of the new German Accounting Standard 20 (DRS 20) for the first time. DRS 20 includes, for example, modified stipulations affecting the **REPORT ON RISKS, OPPORTUNITIES AND EXPECTED FUTURE DEVELOPMENT** and reporting on financial and non-financial performance indicators. As we had already observed several DRS 20 requirements voluntarily in the previous year, the effects of first-time application are limited in the year under review.

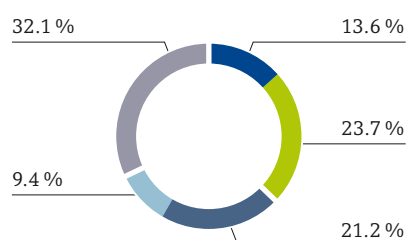
The use of accounting measures exerted virtually no influence on the presentation of the results of operations. Moreover, it is inconsistent in many cases with our commitment to continuity and cross-period transparency.

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ORDER INTAKE IN LINE WITH EXPECTATIONS

Order intake matched expectations in 2013. At € 2,387.1 million, it was roughly in the middle of our target range (€ 2.3 to 2.5 billion) and down 8.1 % on the previous year. The automotive industry, which accounts for the bulk of the orders received, stepped up modernization spending on existing factories. Capacity extension spending returned to normal, thus declining somewhat. Driven by the large volume of orders, we mostly operated at full capacity utilization despite the fact that we have enlarged our workforce by 1,319 since the beginning of 2012.

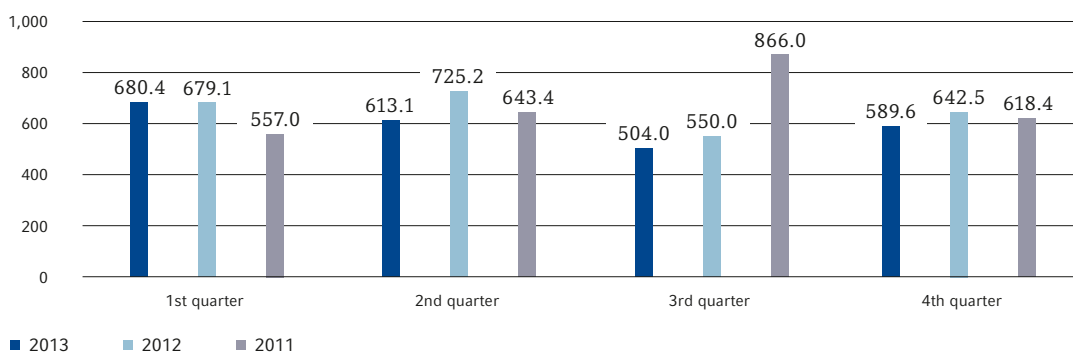
2.20 CONSOLIDATED ORDER INTAKE BY REGION



€ million	2013	2012	2011
Germany	323.1	387.1	322.2
Other European countries	566.3	742.0	589.4
North/Central America	507.1	381.1	463.4
South America	224.9	102.6	185.2
Asia, Africa, Australia	765.7	984.0	1,124.7
Total	2,387.1	2,596.8	2,684.9

2.21 CONSOLIDATED ORDER INTAKE BY QUARTER

€ million



Order intake from the emerging markets (Mexico, Brazil, Eastern Europe, Asia excluding Japan) contracted by 9.5 % over the previous year to € 1,286.5 million. The almost unchanged large proportion of 54 % (2012: 55 %) of these regions in Group order intake testifies to the strong position which we hold in the emerging markets. Orders shrank by 23.6 % to € 651.1 million in China, which is our largest market, also falling appreciably short of the previous years in India and Russia. On the other hand, business in Brazil and Mexico picked up markedly. Following a strong fourth quarter, US order volumes exceeded the previous year. As expected, orders from Germany (down 16.5 %) and other European countries (down 23.7 %) fell short of the high level achieved in previous years. We were awarded major contracts for paint systems in countries such as China, Spain, Italy, Germany, Brazil, Mexico and the United States.

We recorded orders valued at over € 600 million in both the first and second quarters of 2013, with intake in the fourth quarter also coming close to this figure. The substantially lower amount in the third quarter (€ 504.0 million) was not due to weaker demand but scheduling effects on the part of our customers in the award of major contracts. As such fluctuation from one quarter to another is typical of our business, comparisons of individual quarters are not a reliable guide.

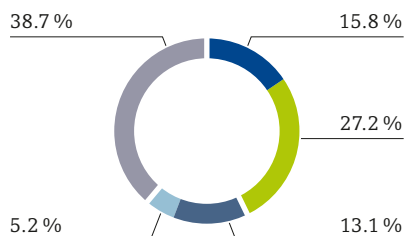
MINOR TOP-LINE GROWTH

At € 2,406.9 million, consolidated sales exceeded the previous year only marginally (up 0.3 %), this being mainly due to delays on the part of customers in the case of a number of projects. At the beginning of the year we had defined a target corridor of € 2.4 to 2.6 billion. Impetus for our sales came from our high order backlog and strong order receipts. After a muted start, sales picked up successively in the course of the year, rising to € 660.8 million in the fourth quarter. Dürr's final quarter is customarily strong as a greater volume of projects are invoiced at the end of the year.

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

Service business rose by 5.7 % in 2013 and thus more quickly than total sales. At € 535.6 million, it widened its share of consolidated sales from 21 % to 22 %. Looking further down the road, we want service business to contribute 25 to 30 % to sales. We are well poised to achieve this given the continued growth in our installed base following the numerous greenfield projects of the last few years. In addition, we are implementing a comprehensive optimization project to lay the foundations for sustained growth in service business.

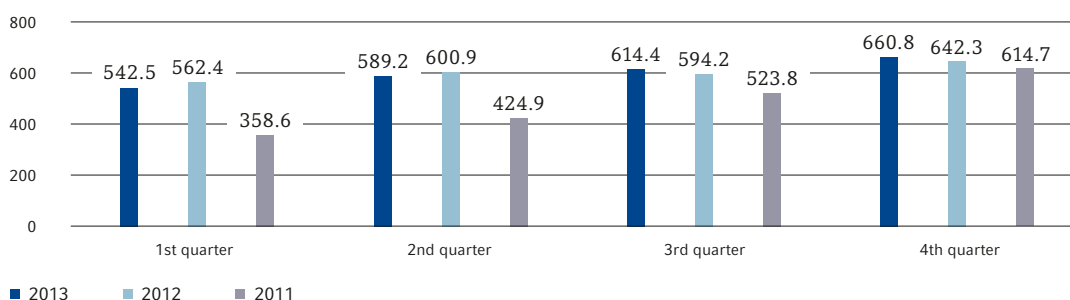
2.22 CONSOLIDATED SALES BY REGION



€ million	2013	2012	2011
Germany	381.2	325.0	281.5
Other European countries	654.2	555.4	476.5
North/Central America	316.7	478.5	303.5
South America	124.1	127.4	127.4
Asia, Africa, Australia	930.7	913.5	733.1
Total	2,406.9	2,399.8	1,922.0

2.23 CONSOLIDATED SALES BY QUARTER

€ million



Thanks to our global presence, sales were spread evenly across the individual regions in 2013. The greatest contribution came from Asia (together with Africa and Australia), where sales rose by 1.9 % to € 930.7 million, equivalent to a share of 38.7 % in the total volume. Once again, the emerging markets contributed substantially over half of all sales (55.4 %, 2012: 58.1 %), underpinned by the **BRIC NATIONS** as well as Turkey and Mexico. Germany accounted for 15.8 % of sales, the rest of Europe 27.2 % and North and South America 18.3 %.



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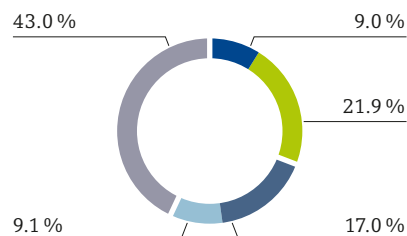
ORDER BACKLOG AT JUST UNDER € 2.2 BILLION

At € 2,150.1 million, we had a high order backlog again at the end of 2013. However, we recorded a decline of 7.2 % over the final day of the previous year (€ 2,316.8 million) which was predominantly due to currency-related factors and an order cancellation. Asia accounts for 43 % of the order backlog, with China particularly conspicuous in this respect.

It should be noted that most of our service business is not included in order backlog due to its short-term nature. If we add short-term service business and order backlog, our 2014 sales target of € 2.4 to 2.5 billion should be well within reach.

At 10.7 months, the notional reach of orders remains ample (December 31, 2012: 11.6 months). As a plant engineering division, Paint and Assembly Systems has the largest reach of orders of 13.3 months (December 31, 2012: 15.4 months), followed by Clean Technology Systems (10.3 months; December 31, 2012: 9.2 months) and Application Technology (9.5 months; December 31, 2012: 9.9 months). The reach is somewhat lower in Measuring and Process Systems (6.7 months; December 31, 2012: 6.7 months) but this is usual in mechanical engineering business.

2.24 CONSOLIDATED ORDER BACKLOG (DECEMBER 31) BY REGION



€ million	2013	2012	2011
Germany	193.8	255.1	191.4
Other European countries	471.4	585.1	405.9
North/Central America	365.8	193.2	293.2
South America	194.3	104.7	134.2
Asia, Africa, Australia	924.8	1,178.7	1,118.0
Total	2,150.1	2,316.8	2,142.7

GROSS MARGIN IN EXCESS OF 2009 PEAK LEVEL

In 2013 total costs (cost of sales, selling, administrative and R&D expenses plus other operating expenses) were down 1.0 % on the previous year, standing at a total of € 2,224.9 (2012: € 2,247.4 million). The cost of sales (€ 1,919.5 million) also contracted by 2.2 % despite the marginal increase in sales. This item includes all acquisition and production costs for our products and services. At 20.2 %, the gross margin, i.e. the difference between sales and the cost of sales relative to sales, exceeded not only the previous year (18.2 %) but also the previous high of 19.6 % achieved in 2009. This reflects moderate cost trends, the quality of our order execution and the disproportionately strong growth in service business. In absolute terms, gross profit climbed by € 49.5 million to € 487.3 million.

2.25 INCOME STATEMENT AND PROFITABILITY RATIOS

		2013	2012	2011
Sales revenues	€ million	2,406.9	2,399.8	1,922.0
Gross profit	€ million	487.3	437.8	331.4
Overhead costs ¹	€ million	-280.7	-262.9	-225.5
EBITDA	€ million	230.4	205.4	127.1
EBIT	€ million	203.0	176.9	106.5
Net finance expense	€ million	-18.4	-29.2	-20.7
EBT	€ million	184.6	147.7	85.8
Income taxes	€ million	-43.7	-36.3	-21.6
Earnings after tax	€ million	140.9	111.4	64.3
Earnings per share ²	€	4.05	3.10	1.79
Gross margin	%	20.2	18.2	17.2
EBITDA margin	%	9.6	8.6	6.6
EBIT margin	%	8.4	7.4	5.5
EBT margin	%	7.7	6.2	4.5
Post-tax return on sales	%	5.9	4.6	3.3
Interest coverage		10.7	6.0	5.0
Tax rate	%	23.7	24.6	25.1
Return on equity	%	27.6	25.8	17.6
Return on investment	%	8.2	8.0	5.5
ROCE	%	66.2	43.9	28.4

¹ Selling, administrative and R&D expenses

² The figures for 2012 and 2011 have been adjusted following the issue of bonus shares on May 27, 2013 (number of shares doubled to 34,601,040).

2.26 OVERHEAD COSTS IN 2013

	Employees	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	887	- 128.2	- 92.9	- 1.6	- 33.7
(2012)	849	- 123.7	- 88.0	- 1.1	- 34.6
Administrative	836	- 109.5	- 68.9	- 4.2	- 36.4
(2012)	759	- 102.0	- 66.9	- 4.4	- 30.7
R&D	248	- 43.0	- 20.6	- 5.2	- 17.2
(2012)	199	- 37.2	- 16.4	- 7.2	- 13.6

COST OF MATERIALS DOWN

The consolidated cost of materials¹ dropped by 8.0 % to € 1,032.6 million despite the slight increase in sales, with its share in sales contracting from 46.8 % to 42.9 %. This success was largely due to the increase in internally-sourced production, as a result of which we were able to scale back external contracting, as well as quantity and bundling effects in purchasing. The cost of materials is fully included in the cost of sales and mainly comprises the sourcing of parts and production services. Further details can be found in the chapter entitled **PROCUREMENT**.

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OVERHEAD COSTS ADJUSTED IN THE LIGHT OF BUSINESS EXPANSION

Selling expenses climbed by 3.6 % to € 128.2 million in 2013. This includes marketing expense of € 5.8 million (2012: € 6.7 million), roughly a third of which entails personnel expense. At 0.3 % of sales, Dürr's marketing expenses are very low as our customer base – particularly in the automotive segment – is highly concentrated and we are very well known. Accordingly, marketing requirements are limited.

Under our "Dürr 2017" strategy, we spent more heavily on research and development (R&D) in 2013 than ever before. As a result, R&D expense climbed by 15.6 % to € 43.0 million. Overhead costs, which include R&D expense as well as selling and administrative expenses, rose from € 262.9 million to € 280.7 million, equivalent to 11.7 % of sales (2012: 11.0 %), due to the growth in the workforce and increased remuneration.

The increase in internally sourced production contributed to a 6.4 % growth in the workforce to 8,142 in 2013. A further factor was the first-time consolidation of Luft- und Thermochnik Bayreuth GmbH (LTB) with its 110 employees. The annual average headcount rose by 8.7 % to 7,973.

Personnel expense, which is spread across all operating expense items in the income statement, climbed by 9.1 % to € 519.9 million. This was materially due to new recruitment as well as higher wages, salaries and performance-related bonuses; on the other hand, productivity effects and the larger proportion of employees in the emerging markets placed a damper on costs. As personnel expense grew more quickly than sales, the personnel expense ratio widened from 19.9 % to 21.6 %. At an annual average of € 302 thousand, sales per employee remained at a high level but dropped by 7.7 % over the previous year due to the greater proportion of internal value added.

Net other operating expense came to € 3.7 million (2012: net other operating income of € 2.0 million) and therefore did not exert any major influence on earnings. This item includes impairments of € 4.5 million arising from the realignment of the Cleaning and Surface Processing business unit as well as a building which was put up for sale. In the previous year, the release of a provision of € 1.5 million had boosted earnings. Further information can be found in **ITEM 13** in the notes to the consolidated financial statements.

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¹ The consolidated cost of materials is made up of the cost of raw materials, supplies and consumables as well as products and services procured from sub-contractors.

2.27 PERSONNEL-RELATED INDICATORS

	2013	2012	2011
Employees (Dec. 31)	8,142	7,652	6,823
Employees (annual average)	7,973	7,337	6,423
Personnel expense (€ million)	-519.9	-476.4	-402.6
Personnel expense ratio (%)	21.6	19.9	20.9
Personnel expense per employee (annual average) (€)	-65,200	-64,900	-62,700
Sales per employee (annual average) (€)	301,900	327,100	299,200

FURTHER INCREASE IN EBIT

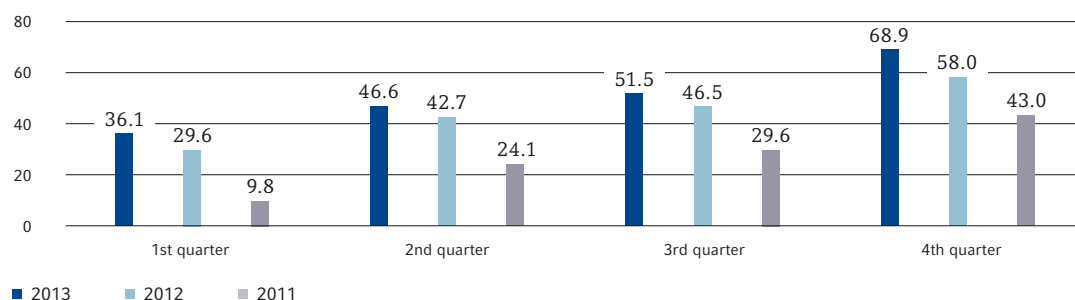
Spurred by the high gross profit, EBIT – our most important earnings indicator in the overall management process – climbed by 14.8 % to € 203.0 million in 2013 (2012: € 176.9 million). The EBIT margin widened from 7.4 % in the previous year to 8.4 %, thus achieving a very encouraging level. In line with sales, the EBIT margin widened steadily in the course of the year, reaching its highest level of 10.4 % in the fourth quarter. EBITDA more or less tracked EBIT, rising to € 230.4 million at the end of 2013 (2012: € 205.4 million). Impairment testing did not provide any evidence of goodwill impairment.

SHARP DECLINE IN NET FINANCE EXPENSE

Net finance expense contracted substantially by € 10.8 million over the previous year to € 18.4 million, reflecting improved terms for our syndicated loan as well as lower interest expense as a result of reduced pension obligations. What is more, exceptional expense had inflated net finance expense in 2012. Net finance expense includes cash interest expenses of € 20.4 million primarily incurred in connection with our corporate bond.

5.9 % POST-TAX RETURN ON SALES

Although earnings before tax rose from € 147.7 million to € 184.6 million, the tax rate once more dropped slightly to 23.7 % in 2013 (2012: 24.6 %). We were able to recognize deferred income tax assets as earnings in the United States were greater than expected and we still had unused tax loss carry-forwards there. After tax expense of € 43.7 million (2012: € 36.3 million), net income significantly increased to € 140.9 million (2012: € 111.4 million). This translates into a post-tax return on sales of 5.9 % (2012: 4.6 %). Net of non-controlling interests, earnings per share rose to € 4.05 (2012: € 3.10; adjusted for the higher number of shares following the May 2013 bonus issue).

2.28 EBIT BY QUARTER
€ million

Given the company's strong earnings, we are proposing a dividend of € 1.45 per share for 2013, i.e. 28.3 % more than in the previous year (€ 1.13), and translating into a total payout of € 50.2 million (2012: € 38.9 million). The resultant payout ratio of 36 % of consolidated earnings after tax (2012: 35 %) is in the top half of the range of 30 to 40 % for which we are aiming with our long-term dividend policy. Dürr AG's remaining net retained profit of € 217.6 million (2012: € 74.1 million) is to be carried forward.

DÜRR AG'S ANNUAL FINANCIAL STATEMENTS

Dürr AG's net income increased more than three-fold in 2013. This was mainly due to fair-value appreciations on the investments in our US companies, whose business outperformed expectations, allowing impairments that had been recognized in earlier years to be reversed. On the other hand, substantially higher income was generated under the profit and loss transfer agreement with Dürr Systems GmbH and due to the matching recognition of profit under the control agreement with Carl Schenk AG. The individual financial statements of Dürr AG, Dürr Systems GmbH and Carl Schenk AG have been prepared in accordance with the German Commercial Code (HGB). Dürr AG's full individual financial statements can be found at WWW.DÜRR.COM/INVESTOR/FINANCIAL-REPORTS/ANNUAL-REPORT.



2.29 DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT (HGB)

€ million	2013	2012
Income/expense under profit and loss transfer agreements	196.0	91.3
Income from investments	32.6	0
Investment income	228.6	91.3
Other operating income and expenses	7.8	4.0
Personnel expenses	- 12.5	- 13.3
Depreciation and amortization (including financial assets)	- 0.3	- 0.4
Net interest expense	- 24.3	- 13.1
Profit from ordinary activities	199.3	68.5
Taxes	5.6	11.7
Net income	193.7	56.8
Profit brought forward from the previous year	74.1	56.2
Net retained profit	267.8	113.0

2.30

DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS –

STATEMENT OF FINANCIAL POSITION (HGB)

€ million	Dec. 31, 2013	Dec. 31, 2012
ASSETS		
Non-current assets		
Intangible assets	0.3	0.5
Property, plant and equipment	0.1	0.1
Financial assets	512.6	484.4
	513.0	485.0
Current assets		
Receivables and other assets	302.2	146.1
Securities	9.9	4.0
Cash and cash equivalents	246.7	196.7
Prepaid expenses, sundry items	1.4	1.1
	560.2	347.9
Total assets	1,073.2	832.9
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	88.6	44.3
Capital reserve	156.2	200.5
Net retained profit	267.8	113.0
	512.5	357.8
Liabilities		
Provisions	17.0	17.7
Liabilities	542.4	455.3
Deferred income	1.3	2.1
	560.7	475.1
Total equity and liabilities	1,073.2	832.9

SEGMENT REPORT: DIVISIONS

In the previous years, the earnings, capital spending and depreciation and amortization expense of Dürr GmbH & Co. Campus KG was reported within the Corporate Center. With effect from May 31, 2013, this company was merged with Dürr Systems GmbH. The earnings contributions from its activities as well as capital spending and depreciation and amortization expense have been allocated to the divisions since 2013. The presentation of earnings, capital spending and depreciation and amortization expense have been duly adjusted for the previous two years.

On a like-for-like basis, Corporate Center EBIT improved to € –7.3 million in 2013 (2012: € –13.3 million). This primarily reflects changes in transfer payments of the divisions. The Corporate Center generates only few external sales; its EBIT includes consolidation effects of € –0.8 million (2012: € –3.0 million). The Corporate Center comprises Dürr AG and also Dürr IT Service GmbH. This company pools the Group's IT activities, which is why IT capital spending is reported within the Corporate Center.

2.31 EBIT BY DIVISION

€ million	2013	2012	2011
Paint and Assembly Systems	98.3	75.2	40.6
Application Technology	59.6	53.4	31.2
Measuring and Process Systems	46.3	57.6	31.4
Clean Technology Systems	6.1	4.0	4.9
Corporate Center/consolidation	–7.3	–13.3	–1.6
Total	203.0	176.9	106.5

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

€ million	2013	2012	2011
Paint and Assembly Systems	12.2	11.3	4.9
Application Technology	16.0	7.1	4.0
Measuring and Process Systems	14.4	5.7	8.6
Clean Technology Systems	5.3	3.7	0.5
Corporate Center/consolidation	3.3	4.7	5.4
Total	51.2	32.5	23.4

¹ Net of acquisitions

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

€ million	2013	2012	2011
Paint and Assembly Systems	–5.8	–5.4	–3.8
Application Technology	–5.0	–7.7	–4.8
Measuring and Process Systems	–10.8	–10.6	–9.1
Clean Technology Systems	–1.5	–0.6	–0.4
Corporate Center/consolidation	–4.3	–4.2	–2.5
Total	–27.4	–28.5	–20.6

¹ Amortization taken into account in net interest expense is not included.

2.34

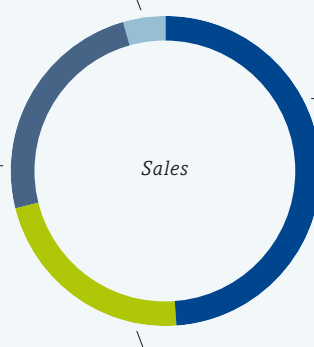
SALES, ORDER INTAKE AND EMPLOYEES (DECEMBER 31, 2013)

BY DIVISION

4.4 %

Clean Technology Systems
€ 106,3 million

24.3 %

Measuring and Process Systems
€ 583,6 million

48.9 %

Paint and Assembly Systems
€ 1.176,9 million

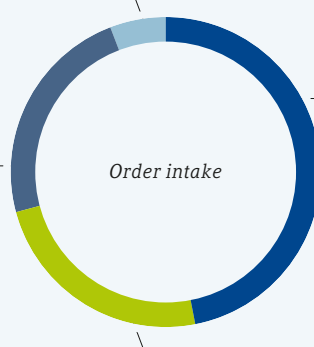
22.4 %

Application Technology
€ 540,0 million

5.6 %

Clean Technology Systems
€ 133,7 million

23.5 %

Measuring and Process Systems
€ 561,1 million

47.1 %

Paint and Assembly Systems
€ 1.124,7 million

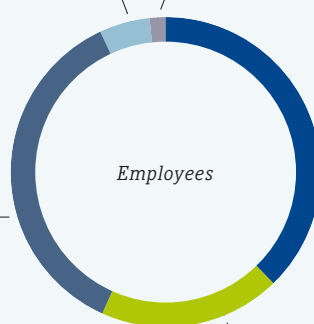
23.8 %

Application Technology
€ 567,6 million

5.2 %

Clean Technology Systems
426

36.4 %

Measuring and Process Systems
2,967

1.6 %

Corporate Center
128

37.8 %

Paint and Assembly Systems
3,075

19.0 %

Application Technology
1,546

2.35 PAINT AND ASSEMBLY SYSTEMS – KEY FIGURES

€ million	2013	2012	2011	2010
Order intake	1,124.7	1,326.1	1,340.4	753.1
Sales revenues	1,176.9	1,125.2	878.7	582.0
Cost of materials (consolidated)	– 602.0	– 619.9	– 511.9	– 270.7
EBITDA	104.1	80.6	44.4	19.1
EBIT	98.3	75.2	40.6	13.8
Capital expenditure	12.2	11.3	4.9	2.6
Employees (December 31)	3,075	2,856	2,524	2,183

Paint and Assembly Systems

After two extraordinarily strong years, order intake in the Paint and Assembly Systems division contracted by 15.2 % in line with expectations but at € 1,124.7 remained at a satisfactory level. One material reason for the decline was the weakness of the European market. In 2013, we were awarded major contracts for the construction of painting and final assembly lines in Brazil, China, Italy, Mexico and the United States. Order intake in the substantially smaller business in aircraft production systems rose significantly. Once again, the emerging markets accounted for more than half of the division's order intake (54.1 %; 2012: 59.2 %).

Sales rose by 4.6 % to € 1,176.9 million, thus exceeding order intake by € 52.2 million. We increased the workforce by 7.7 % to accommodate the consistently high business volumes. Good capacity utilization and efficient order execution caused the gross margin to widen substantially. What is more, EBIT benefited from the moderate growth in overhead costs; based on this the EBIT margin widened from 6.7 % in the previous year to 8.4 %. Capital expenditure in the Paint and Assembly Systems division increased by € 0.9 million to € 12.2 million and was primarily used for capacity extensions.

Application Technology

Order intake, sales and earnings in the Application Technology division continued to grow in 2013. At € 567.6 million, order receipts were up 2.0 %. In addition to new business, we also registered robust demand in modernization business. The largest orders for painting robots and **APPLICATION TECHNOLOGY** came from China, Brazil, Mexico, Spain and the United States.



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Sales were strong in the second half of the year after the billing-related decline in the first half. At € 540.0 million, full-year sales were up 1.7 %. Order intake exceeded sales slightly, with the book-to-bill ratio coming to just under 1.1. As with Paint and Assembly Systems, Application Technology was able to widen its gross margin thanks to high capacity utilization and efficient order execution.

2.36 APPLICATION TECHNOLOGY – KEY FIGURES

€ million	2013	2012	2011	2010
Order intake	567.6	556.6	580.8	314.1
Sales revenues	540.0	531.2	406.8	267.2
Cost of materials (consolidated)	– 211.1	– 241.2	– 198.9	– 128.4
EBITDA	64.6	61.1	35.9	16.6
EBIT	59.6	53.4	31.2	11.6
Capital expenditure	16.0	7.1	4.0	3.4
Employees (December 31)	1,546	1,379	1,203	1,061

With fixed costs remaining moderate, EBIT increased by 11.6 % to € 59.6 million, resulting in an EBIT margin of 11.0 %, up from 10.1 % in the previous year. The headcount rose by 12.1 % to 1,546 as of December 31, 2013. Capital expenditure more than doubled to € 16.0 million, focusing on extensions to the Technology Center in Bietigheim-Bissingen and the construction of a third robot assembly hall at the same site.

Measuring and Process Systems

Within the Measuring and Process Systems division, the Cleaning and Filtration Systems business unit was renamed Cleaning and Surface Processing effective January 1, 2014 following the sale of the US **FILTRATION SYSTEMS** business on November 30, 2013. As part of its realignment, Cleaning and Surface Processing will be focusing on its core business in industrial **CLEANING TECHNOLOGY** and systems for surface processing.

At € 561.1 million, order intake in the Measuring and Process Systems division fell short of the previous year by 6.6 %. Cleaning and Surface Processing came close to reaching the previous year's figure. At Balancing and Assembly Products it became visible that orders from customers in the general mechanical engineering segment failed to reach the previous year's high level.

Division sales contracted by 9.9 % in 2013 as a result of the relatively low order intake in Cleaning and Surface Processing in the previous year. Balancing and Assembly Products' sales were up slightly. The book-to-bill ratio in the Measuring and Process Systems division came to just under 1.

The division's EBIT margin contracted to 7.9 %, down from 8.9 % in the previous year. This was due to a loss in the single-digit millions at the EBIT level in Cleaning and Surface Processing resulting from non-recurring expenses in connection with the reorientation of the business unit. In addition to selling the filtration systems business, we also adjusted our US Cleaning and Surface Processing capacities to allow for the reduced business volumes. In France, the business unit's automation technology activities were put up for sale at the end of 2013 as they no longer form part of strategic core business. On the strength of its reorientation, Cleaning and Surface Processing expects to be able to report a clear profit again from 2014.



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2.37 MEASURING AND PROCESS SYSTEMS – KEY FIGURES

€ million	2013	2012	2011	2010
Order intake	561.1	600.6	662.7	496.4
Sales revenues	583.6	647.9	550.4	344.7
Cost of materials (consolidated)	-211.4	-253.3	-225.8	-141.0
EBITDA	57.2	68.2	40.5	17.1
EBIT	46.3	57.6	31.4	10.3
Capital expenditure	14.4	5.7	8.6	10.0
Employees (December 31)	2,967	3,017	2,790	2,444

2.38 SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK – KEY FIGURES

€ million	2013	2012	2011	2010
External sales	12.0	14.5	13.0	12.5
Of which external rental income	6.1	6.9	6.5	6.3

2.39 CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES

€ million	2013	2012	2011	2010
Order intake	133.7	113.5	101.0	78.6
Sales revenues	106.3	95.5	86.1	67.5
Cost of materials (consolidated)	- 57.2	- 54.7	- 48.0	- 33.6
EBITDA	7.5	4.6	5.3	4.1
EBIT	6.1	4.0	4.9	3.5
Capital expenditure	5.3	3.7	0.5	0.3
Employees (December 31)	426	278	205	180

Measuring and Process Systems stepped up capital spending substantially. The most important project was the construction of a new facility in Shanghai-Baoshan, at which all of the division's Chinese activities are being pooled. We now have efficient and modern production capacities in Baoshan, which should lead to productivity gains.




As planned, Schenck Technologie- und Industriepark (TIP) recorded a decline in external sales to € 12.0 million and in rental income to € 6.1 million in 2013. This was due to a reduction in the leased floor space as we returned one leased building to the lessor. However, earnings were stable, with the EBIT margin again reaching a satisfactory level.

Clean Technology Systems

By far the largest proportion of sales in the Clean Technology Systems division comes from exhaust-air purification technology business. Established in 2011, the energy efficiency activities are still being built up and are therefore generating only small sales and earnings contributions. Within this business field the companies Dürr Cyplan (ORC technology) and Thermea (heat pumps) have been fully consolidated since the end of 2012; the third pillar is micro gas turbine technology. We wrote off our interest in latent heat accumulator start-up LaTherm in the third quarter of 2013 as it filed for insolvency. However, this impairment resulted in only a small charge of € 0.6 million on earnings (including write-off of receivables).

Order intake and revenues in the Clean Technology Systems division exceeded the previous year's figures by 17.8 % and 11.3 %, respectively. As orders exceeded sales by 25.8 %, the order backlog continued to rise in 2013. Environmental technology specialist Luft- und Thermotechnik Bayreuth GmbH, whose assets we acquired from an insolvency estate on July 4, 2013, has since contributed sales of € 8.8 million and EBIT of € 1.2 million. Further information on LTB can be found in the chapters **THE GROUP AT A GLANCE** and **STRATEGY** as well as **ITEM 18** in the notes to the consolidated financial statements.

The EBIT of Clean Technology Systems rose by € 2.1 million to € 6.1 million despite start-up costs in connection with energy efficiency technology. The headcount climbed by 148 over the end of the previous year to 426, including 110 LTB employees.

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Financial development

FUNDING AND LIQUIDITY MANAGEMENT

Our centralized finance and liquidity management pursues three main objectives: earnings and cost optimization, transparency as well as restriction of any and all financial risks that might endanger the Group's status as a going concern. We assign particular importance to ensuring adequate liquidity reserves so as to be able to meet our payment obligations at all times.

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

Group Treasury controls investments of cash and cash equivalents. We collaborate only with banks that have good credit ratings and use a limit system to reduce the risks involved with individual counterparties. The level of cash and cash equivalents increased by 31.3 % in relation to December 31, 2012, to € 458.5 million; their share of total assets amounted to 23.0 % (December 31, 2012: € 349.3 million/19.3 %). Including fixed-term deposits and financial investments, the volume of cash and cash equivalents as at end-2013 amounted to € 547.6 million (December 31, 2012: € 378.4 million).

Within the scope of finance and liquidity management, we optimize our internal funding capabilities by means of an active net working capital management system. This reduces the level of funds tied up and has a positive impact on key financials such as the balance sheet structure and return on capital employed. **NET WORKING CAPITAL** management is the task of the divisions and business units, taking account of the requirements of the operating business. Dürr AG, as the Group holding company, lays down the relevant parameters and monitors the level of target achievement.

For information on the deployment of financial instruments, please refer to the section "Currency, interest and liquidity risks as well as financial instruments for risk mitigation purposes" in the **RISK REPORT**.

FUNDING

Our debt financing essentially comprises three elements:

- Our corporate bond, issued in 2010, has a volume of € 225 million, matures on September 28, 2015 and carries an effective interest rate of 6.83 %. We consider calling in this bond at 100 % on September 28, 2014 at the earliest, subject to the notice periods provided for in the bond issue terms; for further information, please refer to the **REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE** and in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.
- The syndicated loan agreed in 2011 is structured into a cash credit line of € 50 million and a guarantee line of € 180 million. At the end of 2013, we extended its term to maturity by one year, until June 2015, without incurring any additional costs. We plan to raise a new syndicated loan in 2014, for further particulars please also refer to the **REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE** and to the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.
- We took over the financing arrangement for the purchase of the Dürr Campus in Bietigheim-Bissingen at the end of 2011, amounting to € 45.8 million (long-term) and € 1.3 million (short-term). The carrying amount of the loans amounted to € 41.9 million as at December 31, 2013 (December 31, 2012: € 43.9 million). The long-term and annuity loans run until September 30, 2024, but may be repaid earlier subject to a premature repayment penalty.

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2.40 FINANCIAL LIABILITIES (DECEMBER 31)

€ million	2013	2012	2011
Bond	225.2	225.4	225.5
Liabilities to banks	41.9	56.5	57.2
Liabilities to associated companies accounted for according to the equity method	0.0	0.0	0.0
Liabilities under finance leases	4.0	4.2	3.5
Total	271.1	286.1	286.2
of which due within one year	2.5	14.8	13.3

In addition, we have bilateral credit facilities on a smaller scale, as well as finance lease liabilities. Apart from money and capital market instruments, we also use off-balance sheet financing instruments such as operating leases. Unlike the situation in previous years, no accounts receivable programs were used as at the end of 2013.

The cash credit line of the syndicated loan was not utilized in 2013. We generally use guarantee facilities to provide surety bonds for prepayments received from customers. Of the guarantee line under the syndicated loan facility (€ 180 million), € 145.1 million had been drawn as at the reporting date (December 31, 2012: € 64.4 million). In total, at the end of 2013 we had bank credit lines of € 99.0 million and guarantee lines of € 620.5 million at our disposal (December 31, 2012: € 148.9 million and € 632.2 million, respectively).

Until November 25, 2013, we had access to a special-purpose R&D loan amounting to € 40 million granted to us by the European Investment Bank (EIB) in 2011. As we did not require the loan any longer, we terminated the agreement. We did not draw any funds under this loan beforehand either.

In 2013, we complied with the financial covenants relating to the syndicated loan both as at the balance sheet date as well as on all quarterly effective dates. The interest on the loan is the (EURIBOR) refinancing rate with matching maturities plus a variable margin for which the ratio of net financial debt to earnings (adjusted total net debt to EBITDA) is decisive. The lending terms remained unchanged in 2013 after we had already arranged an adjustment with the syndicate banks in our favor in 2012. Further particulars on debt financing are available in **ITEM 29** of the notes to the consolidated financial statements.

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SHARP CASH FLOW IMPROVEMENT

In 2013, **cash flow from operating activities** reached an exceptionally high level of € 329.1 million (2012: € 117.6 million). After € -29.7 million in the first quarter, it steadily improved in the course of the year. This was based on the sharp rise in earnings and revenues; in addition, we received extraordinarily high prepayments and progress payments from customers in the fourth quarter. This caused the level of net working capital to decrease by € 122.6 million after having risen by € 69.1 million in the preceding year. The other items of our cash flow from operating activities do not reflect any major changes on balance, as shown in table 2.41.

Cash flow from investing activities amounted to € -111.4 million in fiscal 2013 (2012: € -23.4 million). The substantially higher investments in property, plant and equipment as well as in holdings were a key influential factor. Moreover, we invested in fixed-term deposits and other financial investment assets (such as bonds), whereas in the previous year, fixed-term deposits had been cancelled.

2.41 CASH FLOW

€ million	2013	2012	2011
Earnings before income taxes	184.6	147.7	85.8
Depreciation and amortization	27.4	28.5	20.6
Interest result	19.0	29.6	21.3
Income tax payments	-35.9	-21.3	-14.3
Change in provisions	12.8	-17.2	0.6
Change in net working capital	122.6	-69.1	-2.3
Other	-1.4	19.4	16.2
Cash flow from operating activities	329.1	117.6	127.9
Interest payments (net)	-16.2	-20.3	-16.5
Investments in property, plant and equipment and intangible assets	-51.0	-31.4	-19.6
Free cash flow	261.9	65.9	91.8
Other cash flows	-78.1	-21.0	-63.6
Change in net financial status	+183.8	+44.9	+28.2

Cash flow from financing activities amounted to € -100.9 million (2012: € -43.6 million). Aside from the fund outflows for interest and the dividend, this includes the payment for the remaining shares in Agramkow Fluid Systems A/S. The reduction of current financial liabilities is likewise taken into account in the cash flow from financing activities.

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Owing to the high cash flow from operating activities, **FREE CASH FLOW** rose to € 261.9 million in 2013 (2012: € 65.9 million). This key figure shows what means are available for dividend payout, stock redemptions, acquisitions and improvement in the **NET FINANCIAL STATUS**. In addition to the cash flow from operating activities, free cash flow also includes interest income and capital expenditure (included in the cash flow from investing activities) as well as interest expenditure (included in the cash flow from financing activities). The other cash flows (€ -78.1 million) in table 2.41 comprise, among other things, outflows for acquisitions of holdings, finance leases and the dividend payout. Thanks to the high free cash flow, the net financial status improved by € 183.8 million as at December 31, 2013, to € 280.5 million.

In assessing the exceptionally high cash flow in 2013, the following facts and circumstances should be taken into account: thanks to the extensive payment receipts from customers in the fourth quarter, the prepayments reported as liabilities at the end of 2013 increased to € 596.8 million. On the other hand, the assets side of our balance sheet includes future receivables from construction contracts that correspond directly to the prepayments reported under liabilities. For this reason, the prepayments reported under liabilities should not be viewed separately. A more meaningful figure is the balance of future receivables from construction contracts and prepayments received. It reflects the amount by which orders are pre-financed by our customers. As at December 31, 2013, the negative balance (including small series production) increased by € 97.3 million year-on-year, to reach € -206.5 million. This additional figure of just under € 100 million exceeds the typical level and, for improved comparability, should be deducted from the free cash flow reported as it will translate into outflows again in the coming months in the wake of orders being executed.

OPERATING PERFORMANCE INDICATORS: INCOMING ORDERS, SALES, EBIT AND ROCE

In controlling our company, the primary focus is on four key financials: incoming orders, sales, EBIT/EBIT margin and **ROCE** (EBIT to **CAPITAL EMPLOYED**). Moreover, we assign a great deal of importance, particularly at Group level, to operating cash flow (cash flow from operating activities) and free cash flow. At the level of the divisions and business units, the focus is on the margins of individual orders and EBIT. Other non-financial performance indicators such as employee satisfaction

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2.42 PERFORMANCE INDICATORS

		2013	2012	2011
Incoming orders	€ million	2,387.1	2,596.8	2,684.9
Sales	€ million	2,406.9	2,399.8	1,922.0
EBIT	€ million	203.0	176.9	106.5
ROCE	%	66.2	43.9	28.4

or key ecological figures are likewise determined within the Group on a regular basis but are not included in our monthly business management. For further particulars, please refer to the chapter on **SUSTAINABILITY**.

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The analysis of incoming orders and the resulting sales is particularly important for managing our capacity utilization in a forward-looking manner. In 2013, both these key figures were within the planned scope. By looking at EBIT and the EBIT margin, we assess the quality of the results of our operating activities; both figures were above our original expectations in the year under review. ROCE provides information on whether we generate an appropriate return on the capital employed for our operating activities. Using this as a basis, our allocation of resources can be effectively controlled. In 2013, ROCE of the Dürr Group, at 66.2 %, was substantially higher year-on-year and also reached an exceptionally high level compared to the industry standard. The decisive factors in this were, firstly, the high EBIT level and, secondly, the extensive prepayments and progress payments made by customers at the end of the year, which caused the capital employed to decline to € 306.4 million in spite of high investments (December 31, 2012: € 402.6 million).

ROCE (in %) is calculated as follows:

$$\frac{\text{EBIT}}{\text{Capital Employed}} \times 100$$

Capital employed is the capital tied down in our operating activities. It takes account of all assets except cash and cash equivalents less non-interest-bearing liabilities.

Due to the sharp EBIT increase, the economic value added (EVA) was clearly positive at € 121.6 million. The EVA reflects the value that a company creates or destroys in a financial year and is calculated as follows:

$$\text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{Capital Employed})$$

- NOPAT = Net Operating Profit After Taxes/EBIT after fictitious taxes
- WACC = Weighted Average Cost of Capital

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

$$\left(82.5 \% \times 7.44 \% \right) + \left(17.5 \% \times 4.53 \% \right) \times \left(1 - 29.50 \% \right) = 6.69 \%$$

$$\text{Cost of equity} = \text{risk-free interest (2.75 \%)} + \text{risk premium (6.00 \%)} \times \text{beta factor (0.781)} = 7.44 \%$$

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

2.43 VALUE ADDED

		2013	2012	2011
Capital employed (Dec. 31)	€ million	306.4	402.6	374.8
ROCE	%	66.2	43.9	28.4
NOPAT	€ million	142.1	123.8	74.6
Weighted average cost of capital (WACC)	%	6.69	6.58	7.64
EVA	€ million	121.6	97.3	45.9

2.44 ROCE BY DIVISION

%	2013	2012	2011
Paint and Assembly Systems ¹	> 100	> 100	> 100
Application Technology	43.2	41.1	25.9
Measuring and Process Systems	16.2	18.0	9.2
Clean Technology Systems	17.1	15.6	> 100

¹ negative capital employed

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In the Application Technology and Clean Technology Systems divisions, due to higher earnings, **ROCE** increased to 43.2 % and 17.1 %, respectively. In view of the decline in earnings, in the Measuring and Process Systems division it declined to 16.2 % but exceeded the cost of capital substantially. It is not feasible to calculate the **ROCE** for the Paint and Assembly Systems division since the **CAPITAL EMPLOYED** was negative. The different **ROCE** levels of the divisions are due to the fact that the capital tied up in plant construction is usually lower than in mechanical engineering.



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SHARP IMPROVEMENT IN KEY BALANCE SHEET FIGURES

As at December 31, 2013, total assets were up by 10.2 %, to reach € 1,991.8 million. The assets side was characterized by a significant increase in cash and cash equivalents, other financial assets and other financial investments (such as bonds and fixed-term deposits). The basis for this was the high level of **FREE CASH FLOW**. The expansion of investments was followed by a surge in property, plant and equipment by 14.1 %, to € 173.8 million. Trade receivables and inventories decreased slightly by a total of € 15.8 million.



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On the liabilities side, the high volume of prepayments from customers (€ 596.8 million) caused the level of trade payables to rise by € 115.9 million at the end of the year. Against this backdrop, **NET WORKING CAPITAL (NWC)** decreased by € 131.7 million in relation to December 31, 2012, to € -33.1 million (adjusted for currency effects and first-time consolidations). The number of days working capital amounted to -4.9 days as at the balance sheet date. Adjusted for the extremely high prepayments at the end of the year (approx. € 100 million), the number of days working capital came to about 10 days, below our target corridor of 20 to 25 days



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At a level of € 287.0 million, goodwill remained more or less constant as at the balance sheet date (December 31, 2012: € 288.2 million); its share of total assets came to 14.4 %. Further information on intangible assets is provided in **ITEM 18** of the notes to the consolidated financial statements. Machinery, buildings and other assets classified as property, plant and equipment are of comparatively minor importance at Dürr.

2.45 KEY BALANCE SHEET FIGURES

		2013	2012	2011
Net financial status (Dec. 31)	€ million	280.5	96.7	51.8
Net financial liabilities to EBITDA		–	–	–
Gearing (Dec. 31)	%	–121.5	–28.8	–16.6
Net working capital (NWC) (Dec. 31)	€ million	–33.1	98.6	32.6
Days working capital	days	–4.9	14.8	6.1
Inventory turnover	days	22.1	21.7	23.3
Days sales outstanding	days	101.1	104.3	117.2
Equity assets ratio (Dec. 31)	%	86.5	78.3	68.9
Asset coverage (Dec. 31)	%	153.3	151.2	144.8
Asset intensity (Dec. 31)	%	29.7	30.5	31.8
Current assets to total assets (Dec. 31)	%	70.3	69.5	68.2
Degree of asset depreciation	%	43.9	48.4	48.8
Depreciation expense ratio	%	4.3	4.2	3.3
Cash ratio (Dec. 31)	%	42.4	35.9	33.4
Quick ratio (Dec. 31)	%	104.5	107.3	103.3
Equity ratio (Dec. 31)	%	25.7	23.9	21.9
Total assets (Dec. 31)	€ million	1,991.8	1,807.7	1,661.0

2.46 NON-CURRENT AND CURRENT ASSETS (DECEMBER 31)

€ million	2013	in % of total assets	2012	2011
Intangible assets	322.0	16.2	326.3	326.7
Property, plant and equipment	173.8	8.7	152.3	144.9
Other non-current assets	95.1	4.8	73.3	57.4
Non-current assets	590.9	29.7	551.9	529.0
Inventories	148.0	7.4	144.5	124.5
Trade receivables	675.7	33.9	694.6	625.6
Cash and cash equivalents	458.5	23.0	349.3	298.6
Other current assets	118.7	6.0	67.4	83.3
Current assets	1,400.9	70.3	1,255.8	1,132.0

2.47 EQUITY (DECEMBER 31)

€ million	2013	in % of total assets	2012	2011
Subscribed capital	88.6	4.4	44.3	44.3
Other equity	415.9	20.9	379.5	314.6
Equity attributable to shareholders	504.5	25.3	423.8	358.9
Non-controlling interest	6.9	0.3	8.3	5.4
Total equity	511.4	25.7	432.1	364.3

The high level of net income resulted in a substantial increase in equity. Compared with December 31, 2012, it was up by 18.4 %, to reach € 511.4 million. The dividend payment for 2012 (€ 38.9 million) and currency translation losses of € 14.1 million had an opposite effect. As the volume of equity increased more sharply than total assets, the equity ratio increased appreciably as at the end of 2013, to 25.7 % (December 31, 2012: 23.9 %).

2.48 CURRENT AND NON-CURRENT LIABILITIES (DECEMBER 31)

€ million	2013	in % of total assets	2012	2011
Financial liabilities (incl. bond)	271.1	13.6	286.1	286.2
Provisions (incl. pensions)	122.8	6.2	113.5	110.3
Trade payables	856.8	43.0	740.9	717.7
Of which prepayments received	596.8	30.0	486.3	446.8
Income tax liabilities	30.7	1.5	19.0	8.9
Other liabilities (incl. deferred taxes, deferred income)	199.0	10.0	216.1	173.6
Total	1,480.4	74.3	1,375.6	1,296.7

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On May 27, 2013, Dürr AG issued bonus shares in a ratio of 1:1. As a result, the total number of shares doubled from 17,300,520 to 34,601,040. A prerequisite for the issue of bonus shares was the doubling of capital stock from € 44,289 thousand to € 88,579 thousand by way of a capital increase from company funds. In the process, open reserves were converted into subscribed capital; the extent of equity and the shareholders' participation did not change as a result. The new shares have been entitled to a dividend with retrospective effect since January 1, 2013. **ITEM 25** of the notes to the consolidated financial statements contains further information on the issuing of bonus shares.

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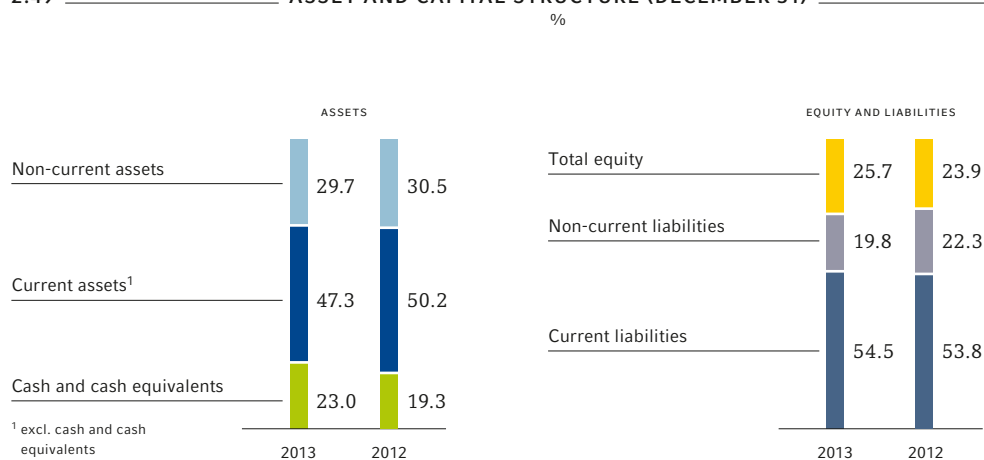
There were no major changes year-on-year with regard to non-current liabilities. The biggest single item in this context is our corporate bond at € 225.2 million. In relation to the total liabilities side, trade payables were the single biggest line item at € 856.8 million. Of this sum, € 596.8 million is accounted for by customer prepayments (December 31, 2012: € 486.3 million). There were two main reasons for the decline in other financial liabilities from € 66.6 million to € 36.0 million, namely dispensing with factoring transactions and the acquisition of the remaining Agramkow shares, which eliminated the obligation arising from the relevant put option. Provisions increased from € 113.5 million to € 122.8 million; the most important factor in this context was the increase in provisions for orders by € 13.1 million. Information on the structure of future receivables from construction contracts and the prepayments received is provided in **ITEM 21** of the notes to the consolidated financial statements.

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HIDDEN RESERVES/FAIR VALUES

We generally report assets and liabilities at amortized cost of acquisition or production on the basis of lower-of-cost-or-market tests. Customer-specific construction contracts are reported in accordance with the percentage-of-completion (POC) method. Derivative financial instruments, financial assets available for sale, financial assets held for trading as well as obligations arising from put options, and liabilities from contingent purchase installments are measured at their fair value. Explanatory notes on determining the carrying amount of financial instruments are provided in **ITEM 34** of the notes to the consolidated financial statements.

On the assets side, other intangible assets with a determinable period of use, which chiefly comprise rights, concessions and capitalized development costs, are depreciated to reflect their expected period of use. Generally, no hidden reserves can be created in this item. Property, plant and equipment can contain hidden reserves, primarily in land and buildings. Schenck Technologie- und Industriepark GmbH (TIP) in Darmstadt is worthy of mention in this regard; in our assessment, its

2.49 ASSET AND CAPITAL STRUCTURE (DECEMBER 31)



fair value exceeds the carrying amount by a double-digit amount in million euros. Valuation reserves in financial assets can only be created in the case of bonds held to maturity. In 2013, this was not the case. Non-current assets include € 23.7 million in deferred taxes that have been capitalized. The total tax loss carry-forwards not capitalized as yet, which are non-forfeitable, amount to approximately € 51 million (2012: € 100 million) and represent a hidden asset. On a notional basis, these loss carry-forwards represent hidden reserves worth roughly € 15 million. Uncapitalized R&D costs are taken into account under R&D expenditure. They also concern the expenditure for patents amounting to € 3.9 million (2012: € 3.8 million). The exact value of these patents is difficult to quantify as there are over 3,700 individual patents. The fair value of all financial assets amortized at cost of acquisition is lower than their carrying amount by € 1.0 million; the difference exists in financial investments held to maturity.

On the equity and liabilities side, the reported carrying amounts of liabilities are below their fair values in three cases, namely the bond, the liabilities from finance leases and the loan earmarked for financing the Campus. In total, the difference amounts to € 20.3 million (December 31, 2012: € 28.1 million; **ITEM 34** of the notes to the consolidated financial statements) and thus only 1.0 % of total assets.

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SUBSTANTIAL INVESTMENTS IN OUR LOCATIONS

In 2013, we raised our level of investments (excluding acquisitions) by 57.5 %, to € 51.2 million (2012: € 32.5 million). The largest proportion was accounted for by investments in property, plant and equipment, which increased by 82.6 %, to € 42.9 million. Within the scope of an investment program launched in the previous year, we have extended or newly built a number of locations and technology centers. In doing so, we are adjusting our capacities to the rising volume of business. Moreover, we have enhanced our internal value added, which is having a positive impact on quality and reliable delivery on schedule. Sophisticated products and components, in particular, are now increasingly being manufactured in-house. A breakdown of the individual location investments can be found in the chapter **THE GROUP AT A GLANCE**. These measures were largely finalized in the year under review; in some cases, follow-up expenditure will still be incurred in fiscal 2014.

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2.50 CAPITAL EXPENDITURE¹, DEPRECIATION AND AMORTIZATION²

€ million	2013	2012	2011
Investments in property, plant and equipment	42.9	23.5	13.6
Investments in intangible assets	8.3	9.0	9.8
Equity investments	34.8	2.9	13.7
Depreciation/amortization	-27.4	-28.5	-20.6

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

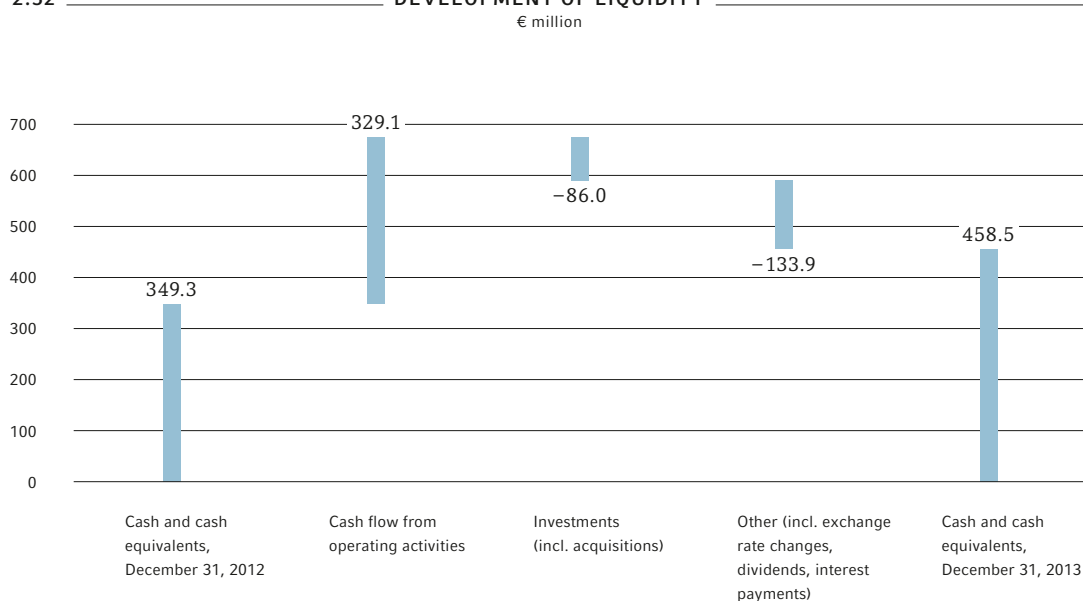
²Including impairment losses and reversals. Amortization taken into account in net interest expense is not included.

**2.51 INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT:
REPLACEMENT AND EXTENSION INVESTMENTS**

€ million	2013	2012	2011
Replacement investments	8.0	8.4	6.7
Extension investments	34.9	15.1	6.9
Investments in property, plant and equipment	42.9	23.5	13.6

Investments in licenses, software and other intangible assets declined from € 9.0 million to € 8.3 million in fiscal 2013. Equity investments were up by € 31.9 million, increasing to € 34.8 million. These were used to acquire the assets of Luft- und Thermotechnik Bayreuth GmbH as well as the remaining 45 % of the shares in Agramkow Fluid Systems A/S.

The extension of our network of locations caused a temporary shift in the structure of investments in property, plant and equipment. As table 2.51 shows, the share of extension investments has grown considerably in relation to replacement investments.

2.52 DEVELOPMENT OF LIQUIDITY

Due to the high operating cash flow, there was a substantial excess cover of expenditure on investments, dividend and interest payments. Accordingly, the **NET FINANCIAL STATUS** at the end of 2013 increased by € 183.8 million, to € 280.5 million. Cash and cash equivalents continued to grow and reached € 458.5 million.



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The cash flow and high volume of financial resource are likely to cover the operating financing needs once again without any difficulty in 2014. Moreover, we have access to our credit and guarantee lines if necessary. Payment obligations from operating leases amount to € 18.7 million in 2014. A sum of € 0.7 million is due from finance leases and a further € 1.4 million from the obligation to acquire property, plant and equipment. The volume of financial debt maturing in 2014 amounts to as little as € 2.5 million.

OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Our off-balance sheet financing instruments and obligations include operating leases and liabilities arising from procurement contracts. We completely dispensed with accounts receivable financing (forfeiting, factoring, negotiation); as at December 31, 2012, their volume had amounted to € 21.9 million.

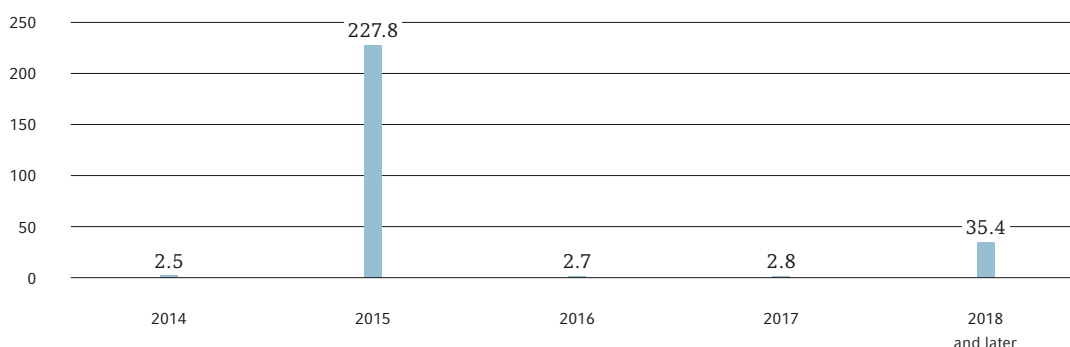
At the end of 2013, future minimum payments arising from operating leases declined to € 97.6 million (December 31, 2012: € 110.9 million). Please read **ITEM 39** of the notes to the consolidated financial statements. Besides procurement contracts, there were no further material off-balance sheet obligations.



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Off-balance sheet financing instruments reduce the volume of total assets and improve certain key capital ratios. Their volume is reasonable at Dürr in relation to the business volume. Operating leases are the single biggest off-balance sheet financing item by far. If we were to dispense with operating leases, our total assets would rise by roughly 5 % and the equity ratio would decline by 1.2 percentage points. The earnings structure would likewise change: EBIT and net interest expense would rise by roughly the same amount. Accordingly, the impact would be confined to pre-tax earnings.

2.53 MATURITY STRUCTURE OF FINANCIAL LIABILITIES
€ million



Research and development

R&D OBJECTIVES

The Dürr slogan "Leading in Production Efficiency" sums it up: we aim to be the leading company in our sector, and our aspiration is to increase the efficiency of our customers' production processes. This aim underpins all our development activities. Innovation is one of the four key points of our "Dürr 2017" strategy. New products, processes and services create investment incentives and help significantly in enabling us to set ourselves apart from the competition thanks to unique engineering propositions.

R&D KEY FIGURES AND EMPLOYEES

In the course of our drive for innovation, we have more than doubled our direct expenditures on research and development (R&D) since 2007. In fiscal 2013 they totaled € 43.0 million, an increase of 15.6 % over the previous year. The R&D ratio rose from 1.6 % in the previous year to 1.8 %. In addition to direct spending on R&D, significant development expenditure occurs in association with customer orders; this expenditure is posted in the sales costs. Another € 3.4 million (2012: € 3.1 million) was capitalized in 2013 as intangible assets; measured against the direct R&D costs, the capitalization rate totals 7.9 %. For supplementary information please refer to **ITEM 11** of the notes to the consolidated financial statements.

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As at December 31, 2013, the Group's R&D departments had 248 employees, or a proportion of 3.0 % of the Group's workforce. Compared with the reference date of the year before (199 employees), that is an increase of 24.6 % in the number of R&D employees, representing a disproportionate rise with reference to the overall workforce. Numerous other engineers and technicians work on customer-specific process and product innovations related to orders. With its high-tech products, Application Technology has the highest R&D input of any division. Its R&D ratio in fiscal 2013 was 3.6 %, and the proportion of R&D employees came to 9.4 % (2012: 3.6 % / 9.9 %).

Some 70 % of our R&D funds is spent on developing new products and processes, with the remaining 30 % being used to optimize, standardize and modularize existing products. The business units manage their R&D projects independently. As a rule, Sales, **ENGINEERING** and Procurement are also involved in addition to the R&D departments. This ensures that customer needs and design requirements are treated with the same degree of importance as the availability of the required suppliers and production capacities. The "R&D/Technology" cross-departmental team coordinates all the R&D activities within the Group, promotes the sharing of experience on crossover technologies, and ensures that all the business units have access to the R&D results.

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2.54 R&D KEY FIGURES

		2013	2012	2011
R&D ratio	%	1.8	1.6	1.5
Paint and Assembly Systems	%	0.9	0.8	0.9
Application Technology	%	3.6	3.6	3.4
Measuring and Process Systems	%	1.8	1.2	1.3
Clean Technology Systems	%	1.6	1.2	1.2
Capitalized R&D costs	€ million	3.4	3.1	2.7
Amortization of capitalized R&D costs	€ million	-3.9	-6.1	-4.0
R&D employees (Dec. 31)		248	199	180
R&D personnel costs	€ million	-20.6	-16.4	-15.2

2.55 R&D EMPLOYEES 2013

	Group	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems
Total	248	26	146	72	4
% of workforce	3.0	0.8	9.4	2.4	0.9

NEW DEVELOPMENTS AND PATENTS

In the course of 2013 we progressed 40 new developments to the marketability stage and presented them at 77 trade shows and industry conferences (2012: 34/74). As at December 31, 2013, our portfolio of patent families had grown to 639 (2012: 612). A good half of our 3,734 individual patents are assigned to the Application Technology division. The costs for protecting our intellectual property came to € 3.9 million (2012: € 3.8 million).

The Heinz Dürr Innovation Award, which has been presented since 2001, underlines the high status which R&D enjoys at Dürr. This award goes to teams of employees who develop exceptional product innovations or process optimizations.

COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

To ensure that Dürr has access to the latest research results, we maintain contacts with over 70 scientific institutions and external development partners. There are close ties in particular with the Universities of Aachen, Darmstadt and Stuttgart and also with various Fraunhofer institutes in Germany. For competitive reasons we do not comment on the content of our R&D collaborative partnerships.

In fiscal 2013 expenditure on buying in external R&D services came to € 20.7 million (2012: € 16.6 million). Of this figure, € 8.0 million was spent by Paint and Assembly Systems; € 4.3 million by Application Technology, € 4.7 million by Measuring and Process Systems, and € 2.0 million by Clean Technology Systems. Funds to the order of € 1.5 million came from the public sector for research purposes (2012: € 1.2 million); this represents 3.4 % of the total R&D costs.

R&D ORIENTATION

A defining feature of the automotive industry is its complex series production with stringent quality standards. A varied model portfolio with a wide range of equipment levels has to be manufactured. In addition to cost optimization, the sustainability of the production processes is becoming an ever greater focus. The broad issues for R&D operations at Dürr are derived from these standards and many other parameters defined by our customers:

- **Increased flexibility:** The growing diversity of models and variants can only be efficiently managed if different vehicles can be produced on a single production line with short cycle times. This calls for flexible production systems with a high level of automation.
- **Optimization of per-unit cost:** The cost effectiveness of a production line is assessed on the basis of unit costs per vehicle. We are therefore constantly optimizing our products in order to reduce capex, material, energy, maintenance and labor costs.
- **Automation:** In many areas of automotive manufacturing, production efficiency and consistently high quality can only be achieved by means of automation. For this reason we are working on automating further process stages. These include, for example, interior painting of vehicles, where manual processes are being replaced by robot solutions.



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- Energy efficiency and conservation of resources: We are targeting the development of systems with low material and energy consumption and intelligent concepts for energy recovery and combined-heat-and-power use. Demand for such systems is growing – for cost reasons, but also out of quality and sustainability considerations.
- Downsizing and lightweight design: In order to reduce fuel consumption and CO₂ emissions, the automotive industry is reducing vehicle weights and is committed to **DOWNSIZING** in terms of engine design. Both impact on our product development: since many **LIGHTWEIGHT DESIGN** materials such as carbon and plastics cannot be welded, the demand for **GLUEING TECHNOLOGY** systems is rising. Complex downsized engines are making new demands on our cleaning and **BALANCING TECHNOLOGY**.
- Driver assistance systems: The automotive industry is incorporating more and more assistance systems into its vehicles, for example adaptive cruise control or brake and lane-keeping assist systems. To test such systems, the industry requires customized **END-OF-LINE** test stands in final assembly.
- Rapid market launch: We are reducing the planning and construction times of automotive plants so that our customers can launch new vehicles faster. The key to this is the “digital factory”, in other words the use of software tools which enable production lines to be simulated, optimized and virtually commissioned in advance.
- Modularization: Vehicle manufacturers are reducing their production input by buying in complete vehicle modules from suppliers. We are therefore developing special production technology to meet supplier demands, for example paint systems for plastic components.

R&D RESULTS

Paint and Final Assembly Systems



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Vehicle bodies pass through long oven tunnels in order to cure freshly applied paint. Heating of the **OVENS** generally entails high energy costs. This is not the case with the more resource-friendly **Eco@Energy** cps Suntec system, which Paint and Final Assembly Systems developed in conjunction with Clean Technology Systems. The process combines a solar thermal system and the Dürr Compact Power System (micro gas turbine), which provides heat and electricity. The operation of the Compact Power System requires a combustion chamber temperature of around 950 °C, which is normally generated using gas or other fuels. The resulting heat is used to heat the ovens. With the **Eco@Energy** cps Suntec, some of this heat is supplied by Fresnel solar collectors installed on the roof of the paint shop. This cuts the fuel requirement by up to 40 %. A further benefit is that, since the Compact Power System also produces electricity in addition to the heat for the oven, plant operators gain greater autonomy in terms of energy supply.

Application Technology

Our **EcoPad** provides a portable tool for mobile service and diagnostic operations with application systems. The tablet enables the use of various Dürr apps which display the relevant information on the screen within seconds, for instance system documentation and operating instructions. To access them the user merely has to scan the QR code affixed to our systems and products. The **EcoPad** with its intuitive user prompts runs under Windows 8 Pro.

In **Ecopaint Supply P**, Application Technology has presented an innovation from the field of special color systems. The automotive industry uses such systems when painting small-series vehicles, e.g. vans and trucks. With special color systems, paint residues must be removed from the paint hose in the event of a color change. This is done using two pigs, i.e. cylindrical bodies which are passed through the hose using compressed air. The new variant of our **Ecopaint Supply P** pig system is suitable for painting lines with up to eight robots and reduces paint loss, cleaning agent consumption and time requirements when changing color. The heart of the system is a distribution module on the robot arm which now only requires one valve and is substantially less complex than its predecessor. This reduces the outlay for control, electrical installation and commissioning, which in turn lowers costs. In addition, the system is easy to operate, and it is therefore especially suitable for use in the emerging markets.

Aircraft and Technology Systems

In the Aircraft and Technology Systems business unit we have once again transferred an efficient process from the automotive industry to aircraft production. In a plant for aircraft fins we installed an assembly line based on the continuous-flow manufacturing principle. In this, the fin moves from one station to the next in a specified cycle time. At each station of the flow line it can be rotated to the ergonomically optimal position and level. All the materials and tools which the workers require are provided at the station. The assembly line is scalable, meaning that it can be expanded while operation is ongoing in the event of an increase in unit quantities.

Balancing and Assembly Products

Buyers of new cars have a huge choice when it comes to selecting rims and tires, with 50 or more combinations not uncommon. Flexible assembly lines, such as those offered by Schenck RoTec, are therefore required for the production of wheel/tire assemblies. The Ventuo tire inflation system, which has an automatic change module with precision inflation rings, is an important innovation. This can be used by our customers to inflate wheels with different rim sizes in any order and in just a matter of seconds. Furthermore, Ventuo is very maintenance-friendly, permits easy integration in existing wheel production lines and ensures major energy savings as a result of reduced compressed-air consumption.

In **TESTING TECHNOLOGY**, R&D focused on adjustment systems for the growing market of driver assistance systems. In the x-DASalign adjustment stand we have launched a new solution which precisely adjusts adaptive cruise control and lane-keeping assist systems in cars to the vehicle's coordinate system. We also offer a precise adjustment system in the form of the x-wheel truck d chassis geometry test stand for trucks and buses, which have to be fitted with adaptive cruise control by 2015 in the European Union.



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With reference to **FILLING TECHNOLOGY** for the automotive industry, we have launched the new CompLine system generation. CompLine is a universal system which can process up to six different media, for example coolant and brake fluid. Since it is equipped with integral filling tanks, it does not need to be connected to a stationary feed system. The system is low-maintenance, user-friendly and robust and can also be produced locally in our plant in Shanghai. This means it is particularly suitable for use in emerging markets such as China, Brazil and India.



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Our subsidiary Agramkow offers the new CEMAC filling system for use in the household appliances industry. This fills air-conditioning systems and refrigerators with refrigerant and was specially developed in China for the Asian market. It is manufactured in Shanghai, ensuring market proximity and competitive costs. CEMAC has only a small footprint, is low-maintenance and easy to operate.

Cleaning and Surface Processing

In the **EcoCBooster** we have a new technology for workpiece treatment using a high-pressure water jet. This is a suitable means of environment-friendly workpiece decoating, deburring and paint removal and is also used in surface activation in automotive and aircraft engine production and in medical technology. The **EcoCBooster** can boost the effect of a water jet in the medium-pressure range five-fold, thereby significantly cutting energy consumption compared with conventional high-pressure systems. In addition, capital expenditures are reduced since the filtration system which removes metal particles from the water and prepares it for the high-pressure pump is less complex.

At the Parts2Clean trade show in Stuttgart we presented a new-generation system for cleaning and degreasing with solvents in the **EcoCCore C/P3**. This can be loaded with batches of workpieces of up to 200 kilograms. That is 30 % more than the previous model, which enables a higher throughput and correspondingly lower unit costs and energy consumption. Other benefits of the **EcoCCore C/P3** include its reduced footprint, flexible use of various cleaning media, simple operation with integrated part visualization, maintenance-friendly construction and attractive design.

Clean Technology Systems

In the field of energy efficiency technology we have refined our basic technologies for use in new application fields. One example is the integration of ORC technology (Organic Rankine Cycle) in geothermal power plants to enable the energy potential of geothermal heat to be exploited more effectively than hitherto. This involves using the thermal energy from surplus hot water to generate electricity in the ORC plant. We have, for instance, refined the **ORC** system's heat transfer process and turbine for this low-temperature application, which is being implemented for the first time in an Indonesian geothermal power plant. Similarly, we have developed new applications for our Compact Power System, which generates electricity, heating and cooling by means of a micro gas turbine. The technology has been adapted for use in breweries and the construction material industry, among others.



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In our R&D activities in exhaust-air purification technology, too, reducing energy consumption is a central issue. For instance, we are developing a new, more efficient solution for exhaust-air purification for roasting processes in the food industry. This involves using **CATALYTIC OXIDATION** to remove nuisance organic compounds. In this process, which is suitable, for example, for coffee, cocoa and cereal roasters, the dust generated during the roasting process is also effectively removed.



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Procurement

Strategic and operational procurement has an especially important role in the Dürr Group. With almost unchanged sales, the consolidated material costs, i.e. the orders placed with suppliers and posted as expenditure in the year under review, fell by € 90.4 million to € 1,032.6 million. One reason for this is that we slightly increased our in-house production and the outsourced volume therefore fell correspondingly. Economies of scale and favorable changes in material prices also had a positive impact.

The focus of our procurement activities is on finished and semi-finished products and on manufacturing and design services. We have a comparatively low demand for unprocessed raw materials. The price level of bought-in parts remained stable overall in 2013. The high capacity utilization and increased labor costs on the supplier side resulted in a moderate price rise for manufacturing and assembly orders. The prices for steel, stainless steel and copper continued to fall by comparison with the previous year.

We use a range of tools to reduce procurement costs. Local purchasing in China and other emerging markets is being systematically expanded. This enables us to enjoy cost benefits and lower logistics expenditure. We are also making greater use of our production and supplier network in China to supply sites in other countries. Further cost benefits are derived from international framework agreements, pooling demands across different projects, and product standardization. The latter enables the use of identical parts and thus provides economies of scale when it comes to procurement.

The expansion of our in-house production capacities played a significant role in enabling us to meet our supply obligations in the year under review. We also developed new manufacturing and systems suppliers with robust processes and a high degree of delivery reliability.

Overall, supplier and material availability was good. However, a high level of coordination continued to be required in connection with commissioning manufacturing, assembly and systems suppliers who mainly assist with mechanical and plant engineering for the automotive industry. Apart from China, this also applies to Europe where the schedules for several projects overlapped. In the event of customer projects with particularly tight schedules we commission flexible suppliers using provisional documentation and then firm up the order later. At peak times this enables us to guarantee supply capacities and fixed price levels at an early stage.

We have further optimized the procurement processes and tools. More intensive use has been made internationally of our supplier relationship management tool, and we are also utilizing the collaboration applications of the Group-wide intranet more. We have hired additional purchasing staff, particularly in China, Germany and South Korea.

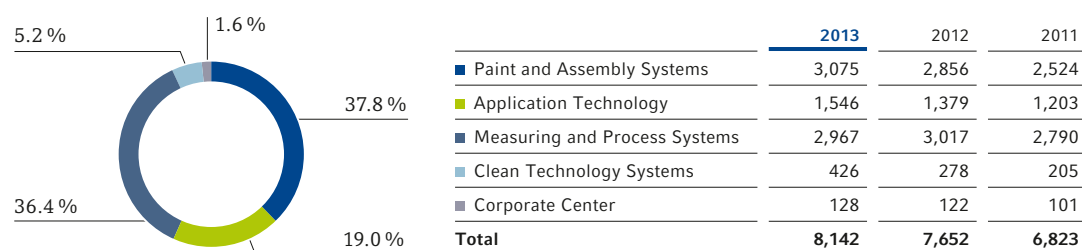
Worldwide purchasing control is the responsibility of the Global Sourcing Board (GSB), which consists of the heads of purchasing of the business units. In our Paint and Assembly Systems, Application Technology, and Clean Technology Systems divisions, the operational Global Sourcing Committee (GSC) approves the award of major orders, international opportunities for pooling, and the conclusion of framework agreements. The three mechanical engineering business units (Application Technology, Balancing and Assembly Products, Cleaning and Surface Processing) also liaise on the procurement of key commodities. Our Coordination International Purchasing (CIP) team in Bietigheim-Bissingen coordinates procurement for international systems projects and supports the national companies strategically and operationally when needed.

Employees

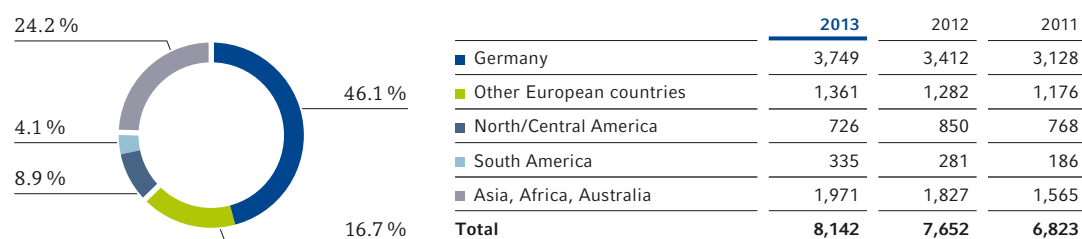
In 2013 the number of employees in the Group rose by 6.4 % to 8,142. The majority of the additional 490 employees were recruited to bring staff levels in line with the growing business volume. As a result of the first-time consolidation of Luft- und Thermotechnik Bayreuth GmbH in July 2013, 115 employees joined the Group. In order to be flexible, we take on external staff to work alongside our regular workforce; at the end of 2013 the number of external workers was around 1,530.

The first-time consolidation of LTB contributed to a rise in the number of employees in Germany to 3,749, equivalent to a 9.9 % increase. The growth rate in the emerging markets was 10.2 %, with 2,771 of our employees working there at the end of 2013. This corresponds to 34.0 % of our regular workforce (December 31, 2012: 2,514/32.9 %). More than 1,800 people were working for Dürr in China at the end of 2013 (incl. external staff), compared to just over 1,600 on the previous year's reporting date. In the same period the number of employees in North America decreased from 850 to 726. While Mexico saw a slight increase, staff levels dropped in the United States as a result of the reduced business volume at Cleaning and Surface Processing and the sale of the filtration systems business. In Brazil we continued our expansion efforts by growing our workforce by 19.2 % to 335 employees.

2.56 EMPLOYEES BY DIVISION (DECEMBER 31)



2.57 EMPLOYEES BY REGION (DECEMBER 31)



TRAINING AND PERSONNEL DEVELOPMENT

We further expanded the training program for our employees in 2013. In Germany the number of training participations rose from 6,737 to 7,032. Around 80 % of our German-based workforce took part in at least one training measure, which is considerably above the average participation rate of German companies (43 %).

At our foreign locations we offered not only locally organized training but also an increasing number of centrally planned events. These cover Group-wide topics such as employee management, project management and sales processes, and are primarily attended by international participants. In 2013, 567 participants came from abroad, which is almost 50 % more than in the previous year (383).

Our employees can now select and book training events by using the new online seminar portal, where they can also leave feedback for performance measurement. At € 650, the training budget per employee reached a high level in Germany.

Software training was most in demand, accounting for 24 % of all participations. In second place were training events of a technical and commercial nature. Our multi-day induction courses for new employees were also well attended. When designing new training formats, the topics of customer dialog and customer satisfaction were a key focus. In addition, we developed a special training program for service employees, which will be introduced in 2014.

Participation in training events held as part of Dürr's Leadership Skills Model increased from 332 attendees in the previous year to 396 in 2013. This leadership training was expanded in view of the requirements of new department heads and team leaders. New training elements included the "Fit for Management" module and the "Management Simulation Game", which explores typical management scenarios. Our newly designed "People Development" personnel development process also focuses on junior managers. The process is aimed at identifying high potential employees and high performers and offering them individual career and development opportunities.

PERSONNEL AND UNIVERSITY MARKETING

In 2013 we generally managed to fill all vacant positions within the Group quite well. This was also the case for Germany, despite a shortage of skilled professionals. Our successful recruitment activities are based on a multi-pronged strategy:

- We have systematically expanded our university marketing activities to target qualified graduates at an early stage. In 2013 we attended 32 graduate career fairs and thus doubled our presence compared to 2011. In addition, we organized colloquia and presentations. Student competitions such as the Dürr Challenge, which was held for the first time in 2013, underline our image as an innovative company. More information on the Dürr Challenge can be found in the **SUSTAINABILITY** chapter.
- We introduce prospective engineers and technicians to Dürr even before they have finished their studies. In the reporting year we had 66 student employees and 113 interns; a further 61 students wrote their master's or bachelor's theses at Dürr.

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- Our attractive employer profile helps us target professional people with work experience. Important elements include our world market leadership, close ties with the automotive industry, high-tech engineering, innovative strength as well as a combination of international focus and SME values such as individual responsibility and flexibility. Added to that are an attractive compensation package, flat hierarchies, good career prospects and the positive image of a globally successful mechanical and plant engineering company. Also in Dürr's favor are various employer awards, which will be discussed in the **SUSTAINABILITY** chapter.
- We offer various training models for the experts and leaders of tomorrow. Apart from the classical vocational training, we also have a cooperative state university program and an international trainee program in place. Once they have completed their training, most apprentices and students are offered permanent employment at Dürr. Our trainees have permanent contracts from the start.

VOCATIONAL TRAINING

In 2013 we trained 75 young people in a number of different areas, e.g. as industrial mechanics, mechatronics specialists, technical product design specialists, industrial clerks ("Industriekaufmann") or shipping and warehousing clerks. In addition, Dürr employed 73 students from cooperative state universities and 8 "Studium Plus" students. They completed their practical training in the subjects of electrical engineering and electronics, mechanical engineering, mechatronics, industrial engineering, computer engineering and business studies. All students spend three to five months at one of our foreign locations to experience the international nature of our company.

Sustainability

Dürr is committed to the principle of sustainability. We are convinced that lasting economic success is only possible if we actively exercise our responsibility towards society, the environment and our employees. Therefore, in addition to financial metrics, we also focus on key performance indicators which provide information on the sustainability of our actions. These include, for instance, employee satisfaction, our locations' consumption and emissions figures, and the contribution of our products to sustainable production processes on our customers' premises. A further essential element of our sustainability strategy is compliance.

COMPLIANCE

For Dürr, compliance with the principle of legality and with ethical and moral standards is crucial. We provide our employees with active support in this regard:

- The Dürr Code of Conduct published in 2011 addresses issues such as how to correctly deal with confidential data, insider knowledge, third-party property, gifts and invitations. It outlaws illegal business practices, emphasizes the right of all employees to fair treatment, and prohibits any kind of discrimination.
- The Code of Conduct is available to our workforce in ten languages and is the subject of training courses and staff meetings throughout the Group. In addition, we offer compliance training courses on specialist topics, such as competition law, sales and purchasing.
- Employees can also find information in the Compliance section of our intranet. We publish a compliance newsletter there, too. This gives information on new legal provisions and their implications for Dürr.
- Trained compliance managers have also been available in all Group companies since 2013 to deal with compliance-related questions from employees. These managers receive assistance, if needed, from Dürr AG's Legal department, which is where the Group's Corporate Compliance Officer is also based. Every employee can, of course, contact the Corporate Compliance Officer directly – and anonymously.

We have established an effective compliance management system, which is set out in a Group-wide organizational instruction. The central body within it is the Corporate Compliance Board. This consists of the Corporate Compliance Officer, the Head of Internal Auditing, the Corporate Risk Manager and other managers. The Board conducts regular monitoring for indications of compliance violations and examines methods of refining the compliance rules. The Corporate Compliance Officer is notified of any compliance violations, analyzes them in the event of justified suspicion, and reports to the CEO and the Corporate Compliance Board.

We also expect suppliers to act in accordance with our Code of Conduct. We have summarized the passages of the Code of Conduct relevant to them in a special Suppliers' Code, which is mentioned in all supplier contracts.

PERSONNEL

Employee recruitment and development

We offer our workforce an environment which encourages performance, creativity and individual development. This includes a broad range of professional and personal development courses and intercultural exchange, but also sporting, health and cultural opportunities as well as childcare options. The **EMPLOYEES** chapter contains detailed information.

2.58 PERSONNEL KEY FIGURES

	2013	2012	2011
Number of employees (Dec. 31)	8,142	7,652	6,823
of whom apprentices and students at cooperative state universities (Dec. 31)	148	141	130
Proportion of female employees (Dec. 31) (%)	17	17	17
Part-time employees (Dec. 31)	198	179	170
Average length of service (years)	10	10	11
Absenteeism rate (%)	2.1	1.9	2.1
Employee turnover (%)	6.0	4.6	6.0
Number of accidents per 1,000 employees (Germany)	13.1	12.9	14.4

We are raising our recognition level among university students and graduates so that we can recruit well qualified specialists for Dürr. The “Dürr Challenge”, which was run for the first time in 2013, is an innovative approach. In this competition we dispatched three teams of students to Detroit, São Paulo and Shanghai. Their remit was to film reports about living and working in these three cities. The large number of applications from students and the positive response in various university magazines are proof of the attractiveness of the Dürr Challenge.

In 2013 we performed better than ever before in a number of employee rankings and certifications. This enhances our positive image in the labor market.

- In the “Germany’s Best Employers 2013” ranking published by the magazine *focus* we achieved first place in the “Large Companies Mechanical and Plant Engineering/Multitechnology” category for the first time (previous year: 7th). In the overall ranking of all 2,000 or so companies under assessment across all industries we moved up to 24th place (previous year: 79th).
- In the “Top Automotive Employers 2012/13” competition of the Top Employers Institute we were ranked 6th out of 22 companies in the final. We received top marks for the criteria of innovation management, remuneration system, corporate culture and work/life balance.
- In the extensive Universum Professional Survey 2013 we made it into the top 100 (81st place) in the “Young Professionals Engineering” category for the first time.
- We were awarded the “Excellent and Fair Trainee Program” quality seal by the University of Munich and *Süddeutsche Zeitung*.
- The “Fair Company” certificate attests to the fact that we treat career starters fairly. We do not employ university graduates as interns, but offer them appropriately salaried positions.

Employee survey

Our employees have a clear understanding of the requirements of their jobs and where there is room for improvement. We therefore regularly ask them for their opinion in surveys. In 2013 for the first time we conducted a Group-wide survey of all Dürr locations. At 78 %, the response rate was very good. The results were also largely positive and were above the average for comparable companies. The respondents gave good to very good ratings in the categories of employer attractiveness, employee commitment, enjoyment at work, internal cooperation and confidence in the company management. They highlighted room for improvement, for example, in strategy communication and workload. We evaluated the survey at Group and national company level, but also at the level of the many hundreds of departments. We received many suggestions for improvements, which will be systematically implemented. The next global employee survey is planned for 2015.

Various key personnel figures attest to the high degree of satisfaction among the workforce and their loyalty to the company. The average length of service in Germany is 14 years, which is very high. Employee turnover, i.e. the number of staff leaving the company as a proportion of the total

workforce, has fallen further in Germany to 2.8 %; absenteeism due to illness, at 3.1 %, is also relatively low. Worldwide employee turnover rose from 4.6 % in the previous year to 6.0 %. The reduction of the Cleaning and Surface Processing workforce in the US is a significant factor in this regard. The rate for absenteeism due to illness for the Group as a whole, at 2.1 %, remained at a low level.

ENVIRONMENT AND COMPANY SITES

Our activities leave a moderate environmental footprint. Although we expanded our production capacities in 2013, the Group's **MANUFACTURING DEPTH**, at 29 %, is still relatively low. Consumption rates and levels of waste and emissions rose slightly as a result of the expansion in production, as tables 2.59 and 2.60 show. To limit this rise, however, we introduced more efficient and lower-emissions production processes in a number of plants. Hazardous materials are used only to a moderate extent on our sites.



2.59 ENVIRONMENTAL KEY FIGURES (ABSOLUTE)

	2013	2012	2011
Number of sites	50	51	49
of which ISO 9001 quality management certified	39	39	39
of which ISO 14001 ¹ environmental management certified	19	20	20
Consumption			
Electricity (MWh)	32,723	32,489	28,833
Gas/oil/district heat (MWh)	42,478	40,342	42,025
Water (m ³)	124,555	113,174	92,636
Waste water output (m ³)	119,663	110,328	90,705
Waste (t)	4,797	4,066	3,509
of which recycled (t)	3,232	3,028	2,716
Emissions			
CO ₂ (t)	33,254	32,597	30,675
of which attributable to Dürr vehicle fleet (t)	3,555	3,520	3,495
SO ₂ (t)	17	17	15
NO _x (t)	27	27	25

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

2.60 ENVIRONMENTAL KEY FIGURES (INDEXED, 2010 = 100, IN RELATION TO SALES)

	2013	2012	2011
Consumption			
Electricity	61.0	60.8	67.3
Gas/oil/district heat	53.4	50.9	66.2
Water	84.9	77.4	79.1
Waste water output	92.0	85.0	87.3
Waste	86.7	73.9	79.6
of which recyclable	76.7	72.1	80.7
Emissions			
CO ₂	58.0	57.0	66.9
of which attributable to Dürr vehicle fleet	54.5	54.1	67.1
SO ₂	59.4	59.6	65.6
NO _x	59.0	59.1	68.4



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In total, 13 sites have been built or expanded since 2012 (see **THE GROUP AT A GLANCE** chapter). In doing so, we set great store by using energy-saving techniques. The role model in this was the Dürr Campus in Bietigheim-Bissingen with its "Campus Energy 21" sustainable energy concept. This combines processes such as photovoltaics, deep geothermal energy, geothermal heat exchange and combined heat and power; compared with a conventional energy supply system, we achieve savings of about 40 % as a result.

Schenck Industry and Technology Park (TIP) in Darmstadt is taking part in a climate protection project organized by its energy supplier: the CO₂ emissions generated by the site's consumption of district heat are offset by a forestation program in Canada. In future we will also offset the emissions from our gas consumption through the project.

We are working on reducing our logistics traffic operations and the resulting emissions. The additional assembly facilities in Bietigheim (Germany) and Radom (Poland) will assist in this regard. As a result of them, delivery traffic to premises further away which we previously rented is now no longer needed. We are reducing travel by staff to internal meetings by using video and audio conferencing systems. In 2013 we installed the Microsoft Lync multimedia online communications system on all computer workstations.



www

Dürr participates in the international Carbon Disclosure Project (**WWW.CDPROJECT.NET**). Companies can input their consumption and emissions figures into this, the largest environmental database in the world and report on climate risks, savings targets and sustainable products.

CONSUMPTION-OPTIMIZED PRODUCTS

We are an important partner to our customers where sustainable production processes are concerned. One of the primary aims of R&D work at Dürr is to reduce our products' energy and material consumption – as indicated in our corporate slogan "Leading in Production Efficiency". The automotive industry is closely following our innovations in this field as processes such as automotive painting are energy-intensive – and the potential savings as a result of new developments are correspondingly large. For current examples of sustainability-related innovations please refer to the **RESEARCH AND DEVELOPMENT** chapter.



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Clean Technology Systems

The Clean Technology Systems division, which was set up in 2011, focuses particularly on the issues of conservation of resources and energy efficiency. In its established exhaust-air purification technology business it develops and sells systems which help protect the environment. Clean Technology Systems is also developing a broad-based portfolio of products for the efficient utilization of heat and waste heat. Its core products are **ORC** technology (Organic Rankine Cycle) and the Dürr Compact Power System (micro gas turbine). Both generate electricity from thermal energy and can be used in combined heat and power systems in industrial plants. Under its Thermea brand, Clean Technology Systems is the technology leader in environment-friendly large-scale heat pumps which work with the natural refrigerant CO₂.



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Awards

Our technologies for sustainable production processes have already won a number of prizes. Two further awards were received in 2013:

- At the Baden-Württemberg Environmental Technology Awards our ORC technology took first place in the Energy Efficiency category. The award was for an innovative system variant which enables combined heat and power to be used for the first time even at low output ranges.
- Peugeot Citroën gave our energy-efficient **EcoDryScrubber** spray booth system its Industrial Equipment Performance Award. The **EcoDryScrubber** reduces energy consumption in spray booths by up to 60 %.

SOCIAL COMMITMENT

In our social commitment we concentrate on four areas, namely education, culture, sport (mass, youth and disabled) and humanitarian aid projects. In 2013 we made donations for charitable purposes of € 690,000 (2012: € 511,000) in Germany alone.

For Dürr, promoting education starts at the pre-school stage. Together with Heinz und Heide Dürr Stiftung, we support a children's day care center in Bietigheim-Bissingen as a cooperation partner. This has places reserved for the children of employees to assist the parents in achieving a work/life balance. Another children's day care center in the form of a public-private partnership is currently being planned. Cooperation agreements are in place with schools under which we offer internships, career consulting services and job applicant training schemes. We have taken on roles as educational mentors at grammar schools in Sachsenheim and Bietigheim-Bissingen. School graduates from Bissingen Secondary School who have performed particularly well in math, IT, natural sciences and technology are awarded the Dürr MINT Prize. In 2013 all the prizewinners had the opportunity to attend a one-day robot programming course at Dürr.

Dürr and its employees have donated for many years to a school for children with learning difficulties. We support the START Foundation, which offers grants to children from ethnic minorities. Dürr is also involved in the All-German Grants Initiative, under which we fund three scholarships per year and sit on the selection committee at the University of Stuttgart. Further scholarships are awarded by Schenck RoTec in Darmstadt (five scholarships p.a.) and Dürr Somac at the Technical University of Freiberg (one scholarship p.a.). Several employees teach at universities. Among the associations and universities for which we provide financial support are the Donors' Association for the Promotion of Humanities and Sciences in Germany and Baden-Württemberg State Cooperative University, Stuttgart.

As the largest employer in Bietigheim-Bissingen, we feel a special commitment to the town and its citizens. We give financial assistance to cultural events, music provision for children, youth activities in sports clubs, and social organizations such as the Civic Foundation. We organize the "Kultur erlebt" (Experiencing culture) scheme to enable employees and their families and friends to attend concert, theater and cabaret performances.

We assisted with natural disasters in 2013. Donations from Dürr were sent to the victims of the typhoon disaster in the Philippines and the flooded areas along the River Elbe. Our foreign companies also make similar commitments. In the last nine years the Dürr Systems Employee Charity Committee in Plymouth in the United States has raised and distributed around US\$ 170,000. Employees of Dürr Ltd. in the UK took part in various charity campaigns, with the money raised going to research into cancer and meningitis. In China Dürr supports the Chengdu Charity Federation, which helps earthquake victims, and the Shanghai Charity Foundation for socially disadvantaged children.

Events subsequent to the reporting date

In a letter dated February 27, 2014, Professor Dr. Norbert Loos informed the company that he would resign from his mandate on the Supervisory Board effective as of the close of the annual general meeting on April 30, 2014, for age reasons.

We intend to issue a new bond in 2014. In addition, we plan to raise a new syndicated loan in 2014. In both cases, we assume that we will be able to obtain more favorable funding conditions than before. As well as this, we consider calling in the bond issued in 2010 (7.25 % coupon, maturing on September 28, 2015) at 100 % on September 28, 2014 at the earliest, subject to the notice periods provided for in the bond issue terms.

As of March 1, 2014, employer's pension liability insurance with a fair value of € 13.7 million was acquired to reduce interest and longevity risks in the case of significant pension obligations at German Dürr companies.

No further events that materially affected, or could materially affect the net assets, financial position and results of operations of the Group occurred between the beginning of the current financial year and March 6, 2014.

Report on risks, opportunities and expected future development

RISKS

The opportunities of our business on the one hand have corresponding risks on the other. We pursue the strategy of controlling and reducing our risks with the aid of an effective risk management system to ensure that the opportunities clearly outweigh the risks involved.

OBJECTIVES OF THE RISK MANAGEMENT SYSTEM

Our risk management system aims, first and foremost, to record, analyze and evaluate risks systematically and in a uniform process throughout the Group. In doing so, we benefit from a high level of risk transparency, on the basis of which we can select and implement effective counter-measures. We document all specific risks of our business to the extent that these are identifiable and specific to an adequate degree. General risks that cannot be assessed concerning their probability of occurrence are not taken into account in quantitative terms. These include natural disasters, for instance.

RISK MANAGEMENT SYSTEM: METHODS AND PROCESSES

The Dürr risk management system is geared to the specific features of our business model. It was introduced in its present form in 2008 and has since been continually adjusted to meet new requirements. No substantial changes were made in 2013. In tandem with the entrenchment of the system within the operating business and decision-making processes, we have also intensified the risk awareness of our employees and management bodies – through communication and by dealing openly with risks. This open risk culture corresponds to our employee concept of the entrepreneur within the enterprise. We want our employees to identify with their tasks, to act independently and to assume responsibility. In turn, they can rest assured that we accept risks as part of our business, provided such risks are acceptable and communicated without delay.

Our risk management system covers all consolidated entities of the Dürr Group. As with risks, the opportunities of our business are likewise systematically recorded and evaluated. The **OPPORTUNITIES REPORT** contains information on this process and on our current opportunity profile.

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Within the scope of our risk management process, all risks are systematically identified within the Group. The central risk management system of which Dürr AG is in charge relaunches the nine-stage process afresh on a half-yearly basis. At the center of this standard risk cycle is the risk inventory taken by the management of the operating units. In the process, the individual risks are identified, evaluated and consolidated, i.e. classified into 15 specific risk fields (chart 2.61). The risk fields cover all management, core and support processes as well as external risk areas.

The risk managers evaluate the individual risks; in doing so, they rely on the risk management manual and the Group's risk structure spreadsheets for guidance. The evaluation process is divided up into three stages:

- First of all, the potential damage or loss is calculated, i.e. the maximum effect a risk can have on Group EBIT within the next 24 months. The potential loss or damage of each individual risk is assigned to one of four categories: low (up to € 5 million), medium (€ 5 to € 10 million), high (€ 10 to € 20 million), existential threat (> € 20 million).
- After that, the probability of the individual risk's occurrence is estimated. This is performed by means of the following categories: low (approx. 5 %), medium (approx. 15 %), high (approx. 40 %), and very high (approx. 60 %).

- In a third step, the effectiveness of possible countermeasures is examined and evaluated with a risk-reducing factor. The effectiveness of the measures is likewise divided up into four categories: high, satisfactory, low and no effectiveness; the latter means that no suitable measures exist.

The lower the probability of occurrence and the higher the effectiveness of the countermeasures adopted, the more the EBIT risk, i.e. the specific potential for loss or damage, will be reduced.

The bottom line is the net risk potential, i.e. the EBIT risk that remains after taking account of the probability of occurrence and the effectiveness of suitable countermeasures. The sum total of all the individual net risk potentials corresponds to the Group's overall risk potential. Portfolio and correlation effects are not taken into account in this regard. The overall risk potential may be segmented into risks in the business units on the one hand and risks at the Group level on the other.

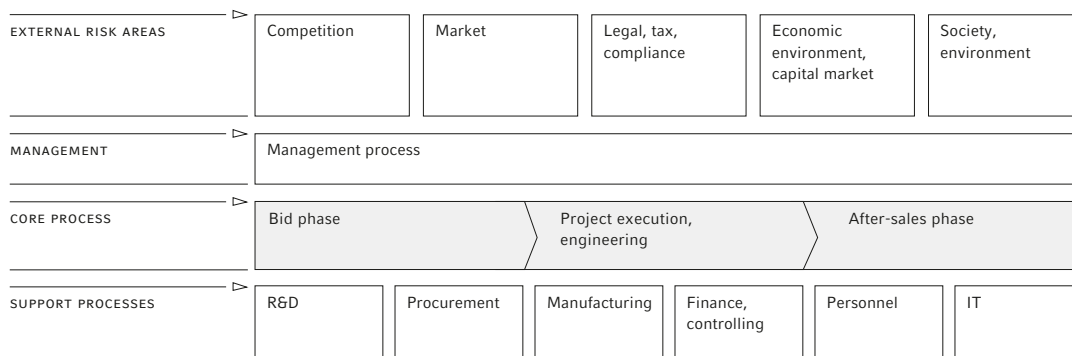
The results of the risk inventory are initially summarized in the decentralized risk reports of the Group companies and business units. Dürr AG's risk management uses the data to prepare the Group risk report, which provides information on all individual risks and the Group's overall risk situation. Following an analysis by the Board of Management and the Dürr Management Board, the Group risk report is discussed by the Audit Committee of the Supervisory Board. Its chairman then presents a statement to the Supervisory Board.

Urgent risks are reported ad hoc to the Board of Management and heads of the business units. The risk managers of the Group, the business units and the subsidiaries are responsible for the standard risk cycle; as a rule, these are the heads of the Controlling departments. The Internal Auditing department is also closely involved in the process.

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

The internal control system/risk management system (ICS/RMS) for the accounting process comprises all regulations, measures and processes that not only ensure with sufficient certainty as part of the risk management system that the financial reporting is reliable but also check that the financial statements of the Group and Group companies are produced in accordance with IFRS. The Board of Management has overall responsibility for the ICS/RMS. It has set up a fixed management and reporting organization for the ICS/RMS that covers all of the Group's organizational and legal units. The Internal Auditing department of Dürr AG is responsible for monitoring the ICS/RMS.

2.61 DÜRR'S RISK FIELDS



The internal control system we have developed is closely aligned with the accounting system within the Dürr Group in terms of content, organization and process. The key instruments, control and security routines of the ICS/RMS for the accounting process are the following:

- Dürr AG's accounting guideline defines the accounting process of individual companies as well as consolidation at the Group level. It is updated on a regular basis by Group Accounting and deals with all IFRS rules and regulations applicable by Dürr. In addition, there are separate, internal accounting standards describing, for example, the processes on reconciliation of intercompany transactions for goods and services delivered.
- In a multi-stage validation process, we carry out samplings, plausibility checks, and other control measures regarding the accounting process at Dürr. Six parts of the corporate structure participate in this: the operating companies, business units, divisions, Group Controlling, Group Accounting and Internal Auditing. The controls relate to the 35 areas prioritized for the Dürr Group, such as reliability, security and appropriateness of the IT systems, completeness of provisions or evaluation of customer-specific manufacturing orders. The results of all material control measures are systematically documented, recorded by Dürr AG's risk management, and submitted to the Audit Committee of the Supervisory Board. After careful examination of the documentation, the committee chairman reports his findings in detail to the Supervisory Board.
- All material Group companies document their own internal controls with which they ensure reliable and factually correct financial reporting. The documentation records are forwarded and submitted to Group Accounting via the Group-wide GCP (Group Company Platform) database. The Internal Auditing department verifies the effectiveness of the documented measures and instruments.
- Our global, seamless **ERP SYSTEM** and the consolidation system automatically check accounting processes and ensure that facts are recorded under the correct balance sheet line items. Additional manual checks are likewise part of the company's risk management.
- Only selected employees are given access authorization to the consolidation system. Only a small group of employees from Group Accounting and Group Controlling at Dürr AG has access to all data. In the case of other users, their access is confined to the data of relevance for their specific activities. Data entered at Group company level must be checked as part of a two-stage process. Initially an inspection is made by the Controlling department of the business unit responsible; the second check is carried out by Group Accounting.
- Commercial processes on which entries in the consolidation system are based are subject to the "four-eyes principle" of double checking. Moreover, clearance for invoices may be given only if an appropriate order was triggered in the Purchasing department. Depending on the invoice amount, clearance is necessary by the department head, management or Board of Management.



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Within the scope of the ICS/RMS, we assign a great deal of importance to enabling the employees of the finance departments to obtain the best qualifications possible for their tasks. We provide a wide range of training courses to enable our staff to intensify their knowledge of accounting standards and rules. Systematic training is also given in using the software tools deployed.

In order to prevent risks and ensure high quality in our financial statements, we closely monitor core topics and new developments in the field of financial accounting and reporting. A central aspect is accounting for construction contracts according to the percentage of completion (POC) method. Among other things, this method calls for a careful estimate of the expected total costs and revenues associated with current orders. Other important topics are the impairment test for goodwill and the reliability of qualitative statements in the management report and the corporate governance report.

2.62 SIGNIFICANCE OF THE 15 RISK FIELDS AT DÜRR¹

1.	Project execution, engineering
2.	Finance, controlling
3.	Market
4.	Economic environment, capital market
5.	Competition
6.	Procurement
7.	Legal, tax, compliance
8.	R&D
9.	Personnel
10.	After-sales phase
11.	Manufacturing
12.	Bid phase
13.	IT
14.	Management process
15.	Society, environment

¹ measured in terms of their share of the overall risk potential

EVALUATION OF THE OVERALL RISK SITUATION BY THE BOARD OF MANAGEMENT

From today's perspective, we assess the overall risk situation of the Group as well under control and largely similar to the situation prevailing at the end of 2012. No risks are discernible at present that, either individually or in combination with other risks, could significantly and sustainably impair our net assets, financial position and results of operations with an adequate level of probability. No risks that could jeopardize the continued existence of the Group as a going concern are currently discernible either.

The overall risk potential of the Group at the end of the 2013 financial year came to approx. 45 % of EBIT generated in the year under review. It represents the sum total of net risk potentials of some 160 individual risks identified, which were assigned to the Group's 15 risk fields. In the net risk potentials, the probability of occurrence of the respective risk and the effectiveness of countermeasures initiated have been taken into account.

With a view to our volume of business, the general economic situation and our conservative approach to risk analysis, we assess the overall risk potential as typical and appropriate for our industry. Compared to the end of 2012, the overall risk potential has only increased negligibly. About two thirds of the total risk potential is attributable to the business units, and one third relates to Group functions.

The most important risk field – in line with our business model – is the “project execution/engineering” sector. The risk potential has declined in this area since 2012 as the capacity utilization and deadline risks in order execution have decreased and we have used operational countermeasures to offset these. In second place in the ranking of risk fields is the “finance/controlling” sector (including currency risks), followed by market risks. A total of 54 % of the total risk potential is accounted for by the three most important risk fields (previous year: 55 %).

INDIVIDUAL RISKS

ECONOMIC RISKS

The general economic environment has improved appreciably in the past several months. In 2013, China generated GDP growth of just under 8 %; in Europe and Japan, the economic outlook is increasingly brighter. On the other hand, economic risks remain due to the unchanged, high level of sovereign debt in Europe and in the US.

We classify Dürr as robust in relation to economic risks. This is essentially due to our global reach and our strong positioning in the emerging markets, which allows us to confine the impact the weak economy in Western Europe has on our company. Other factors are the high volume of orders on hand, which largely protects the level of capacity utilization and sales for 2014. Our further growing installed base and the associated expansion of our service business contribute towards stabilizing our earnings position. We simulate the effects of possible economic downturns in the course of regular scenario analyses.

In the Group's mechanical engineering business, characterized by small-scale order values, economic slumps are mostly discernible at an earlier stage than in the late-cycle plant construction business. This business is influenced more strongly by the long-term investment plans of the automotive industry; in addition, there is generally a period of 12 to 18 months between order receipts and sales. Thanks to our broad international presence and the global division of labor in the Group, temporary fluctuations in demand in specific market regions can mostly be offset.

CAPITAL MARKET

A renewed escalation of the European sovereign debt crisis or of the US budget dispute might impair the stability of the capital markets.

We consider the risk of a hostile takeover of Dürr AG to be relatively low. The founder family Dürr, whose shares are held by Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung, is the biggest shareholder with a stake of 28.6 % and therefore has a strong voting position at the annual general meeting. Just under 55 % of the shares in Heinz Dürr GmbH were contributed to the newly established Dürr-Familienstiftung (Dürr Family Foundation) in September 2013; in doing so, the Dürr family underscored its commitment to the company. We provide information on the change-of-control clauses in connection with our corporate bond pursuant to Sections 289 paragraph 4 and 315 paragraph 4 of the German Commercial Code (HGB) in the chapter **THE GROUP AT A GLANCE**.

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OPERATING RISKS: BID PHASE

When calculating long-term orders in the field of plant construction, it cannot be ruled out that we estimate costs incorrectly, giving rise to margin risks. We prevent this from happening by always obtaining current market prices and having the calculation assumptions verified by the centralized Global Proposal Assurance department before the figures are used to write the offer to the customer.

OPERATING RISKS: PROJECT EXECUTION/ENGINEERING

Possible additional costs in order execution represent some of the key risks in our business. They may arise if we fail to meet deadlines or other commitments owing to capacity bottlenecks or technical problems. The risk of additional costs decreased in 2013 after having risen on account of the robust sales growth back in 2011 and 2012. The key factor for the decline in the year under review was that we adjusted our capacities to the higher volume of business. Moreover, thanks to standardized products, business processes and IT systems, we are in a position to distribute the work in connection with orders in a capacity-oriented manner to our various locations worldwide.

The technical and logistical complexity of projects can also lead to risks. For prevention purposes, we have established special risk management instruments for order execution. These include the integration of the Bietigheim-Bissingen system center, close supplier monitoring, contract and claim management, and regular project reviews.

LAWS AND TAXES

As we operate with a global reach, we need to observe different legal standards. To avoid legal violations, we consult experts in the law of each nation.

Changes in the legal operating environment can increase our costs and reduce our sales opportunities. Should the new German government implement its plans to regulate the use of service agreements and to expand retirement benefits, we would also anticipate additional costs. New trade barriers discernible in some regions of the world could impair our international movement of goods. In addition, we do not foresee any specific tax and legislative projects that might lead to serious disadvantages. On the other hand, tax increases cannot be ruled out on account of the strained budget situation in many countries.

In 2013, the German tax authorities continued the tax audits for the years 2005 to 2010 at all key German Dürr subsidiaries. We set up appropriate provisions to take account of identifiable back taxes falling due. We expect the domestic tax audits to be concluded by the end of 2014. The external tax audits being conducted at various foreign companies suggest no need of additional tax payments at present.

MARKET

The impact of the European sales crisis on the automotive industry varies from manufacturer to manufacturer. While French and Italian producers who sell their vehicles mainly in Europe are particularly affected, automotive groups with a global reach are better able to compensate for the weak European business. We also feel the impact of the crisis as the automotive industry has been curtailing equipment investments in Western Europe for years now. On the other hand, only a relatively small portion of our order intake is attributable to Western Europe (2013: 16.7 %, excluding Germany). Moreover, the low point of the sales crisis appears to have been overcome, as the slight upward trend since September 2013 has shown.

The number of carmakers throughout the world is limited. Accordingly, our customer base is relatively concentrated, which can lead to dependency risks. In 2013, 56.9 % of our sales were accounted for by the ten biggest customers (2012: 60.9 %), with the single biggest customer contributing 13.4 % to Group sales (2012: 11.7 %).

We counter price pressure in our markets by several means:

- Reducing per-unit costs: we develop products with which our customers can lower per-unit costs in the course of production. In this way, we can emphasize to our customers the lifecycle cost advantages that higher-priced equipment offers in the long term versus less efficient solutions at more favorable procurement costs.
- Designing to budget: Given a rough set of specifications and a target budget, we conceive plants that deliver on our customer's budget ideas and meet our margin requirements.
- Localization: For the emerging markets, we develop local products that are adapted to their specific needs and local pricing structures. This makes us competitive even for customers with small capital investment budgets.

As a rule, the risk of losses on receivables is easily manageable. Our volume of receivables is low as we generally receive high prepayments from customers. There are high receivables especially from carmakers with good earnings and cash flows. The majority of our customers from the automotive industry have investment grade ratings. We closely monitor payment receipts from customers without an investment grade rating.

STRATEGIC RISKS

Focusing on emerging markets

The strong focus of our business on the emerging markets entails a number of specific risks:

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

The level of personnel turnover is higher in emerging market countries like China and India than it is in Germany based on the industry average. At Dürr, however, it is at a very low level. We use a targeted personnel development system and attractive career opportunities and remuneration packages to retain efficient, top-quality staff. Our world market leadership is also important for our attractiveness as an employer in the emerging markets. Furthermore, we assign particular importance to a corporate culture that is characterized by appreciation and a sense of community.

Product and brand piracy is more pronounced in the emerging markets than in the established ones. However, we assess the risks for Dürr as manageable. We develop our core technologies exclusively in Germany. They are protected by patents and call for immense process know-how, experience and specialist expertise; accordingly, they are difficult to copy without sustaining quality losses. Another factor contributing to the protection of our business is that many of our customers are highly quality sensitive and not prepared to take the risks of using inferior copies.

We meet the challenge of low-cost competitors in the emerging markets with a combination of technology and cost leadership. We secure our technological lead by means of continual product innovations. We adjust our costs to market levels by local product development (local design) and local value added.

To avoid risks of capacity bottlenecks, we adjust our capacities to the high volume of business in the emerging markets. Since 2005, we have more than tripled the size of our workforce in these markets; in 2013, it grew by a further 275 employees, to a total of 2,771. An overview of our location expansion in the past two years is shown in the chapter **THE GROUP AT A GLANCE**.

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- To avoid the risk of poor capacity utilization in the established markets (Western Europe and North America), we adjusted our capacities above all in 2008 and 2009. In 2013, we once again substantially reduced the size of our workforce in the Cleaning and Surface Processing business unit in the US. The German Group companies play a special role: as lead companies they support the business in all regions of the world; for this reason, we have increased their workforce by 17 % since 2005. We expect the market volume for the modernization of existing plants in Europe and the US to grow in future. In the US, increasing automobile sales generate demand for the products we supply.

STRATEGIC RISKS / NEW BUSINESS FIELDS

When entering new business fields like glueing technology or energy efficiency technology, there is a risk that we may incorrectly assess customer needs, the required input of resources or the demand and competitive situation. We rate this risk as manageable: we only develop segments directly adjacent to our core business, carry out intensive analyses ahead of time and only make acquisitions once reliable due diligence findings and integration plans are available. Moreover, the allocation of capital is subject to a systematic weighing of the returns and risks involved.

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Energy efficiency technology is a young market that is still in its formative phase. Its competitive environment is more fragmented and less transparent than is the case in our core business. At the same time, state control measures such as subsidization programs and emission rules and regulations exert an influence on the market. For this reason, there are uncertainties concerning the future competition and demand structure, as well as the potential of individual technologies to establish themselves on the market. This may lead to an increased risk of impairment of investments and equity interests in companies. In the 2013 financial year, we wrote off our shares in the start-up

company LaTherm specializing in latent heat storage systems after LaTherm had filed for insolvency. This impairment led to a manageable impact on earnings amounting to € 0.6 million (including write-off of receivables).

There are also specific risks concerning the strategic expansion of the aircraft production technology business, both in the execution of orders and in ensuring adequate capacity utilization. Expanding our range of products and services beyond the core competence of positioning technology requires considerable R&D expenses. The investment cycles are longer than in the automotive industry, fewer individual projects are awarded and the number of customers is lower. To extend our market base, we have acquired roughly 20 new customers since 2008.

CUSTOMERS/PRODUCTS

Our customers currently do not show any fundamental developments that might lead to material disadvantages for our company. There is a great deal to suggest that internal combustion engines will remain the standard in automotive drive technology, at least in the medium term. A breakthrough of electrical mobility in the mass market is not foreseeable as yet; instead, the industry is investing heavily in the development of fuel-efficient combustion engines. This opens up good opportunities in this field for our business in **CLEANING** and **BALANCING TECHNOLOGY**.



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Body shell construction will continue to be dominated by aluminum and steel as input materials. For this reason, we do not perceive any serious substitution risks in the painting technology business. However, the automotive industry is increasingly using plastic and composite materials to lower vehicle weight and fuel consumption. These new materials need to be painted as well; for this reason we are developing special products for painting plastic parts. Plastic and compound input materials cannot be welded but need to be glued. This results in growing demand for **GLUEING TECHNOLOGY**.



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R&D AND PRODUCT LIABILITY RISKS

We take precautions against technical risks and inadequate acceptance of innovations by carefully analyzing market needs, involving pilot customers in the innovation process and developing products with a high return on investment for our customers. This also reduces the risk of facing impairment charges on capitalized development costs.

To avoid infringing intellectual property rights of third parties, we constantly monitor all the relevant patent applications filed. While product liability cases rarely occur in our business, we take out product liability insurance nevertheless and ensure that our products meet occupational safety regulations.

COMPETITIVE RISKS

At present, there are no indications of planned mergers between our competitors. We are not aware of any rival products that might significantly threaten our market position either. Neither in China nor in other key markets are domestic competitors systematically given preference over us.

PROCUREMENT RISKS

The risks in the field of procurement have declined slightly year-on-year. The main reason for this is that we have broadened our supplier base in the emerging markets. As a result, the risk of capacity bottlenecks in supplying our construction sites has decreased. However, we cannot rule out that specific suppliers are unable to meet our quality and scheduling requirements. We therefore monitor the progress of order execution when dealing with critical suppliers on a regular basis. To protect our intellectual property rights, we do not farm out any sophisticated design work to contractors.

Owing to the slightly steadying demand, the risk of price increases has declined somewhat. In most countries, the risk of insolvency of suppliers does not play a major role. To protect ourselves against availability and price risks in the field of procurement, we enter into framework agreements with preferred suppliers and pool procurement volumes. We rate the dependency on individual companies as low since we have a broad supplier base. Framework agreements governing higher volumes are only entered into with preferred suppliers with a good credit standing.

PERSONNEL RISKS

Our business features sophisticated technology and is characterized by complex processes in the field of order execution. To protect ourselves against know-how losses, we distribute specialist expertise across a number of knowledge holders. To this end, we promote internal knowledge transfer by means of documentation, training and mentoring programs as well as our Group-wide intranet.

We hire external temporary workers to avoid risks of capacity bottlenecks.

The rise in personnel recruitment was more moderate in 2013 than in the preceding two years. We managed to adequately fill most vacant positions. In Germany, the number of graduates in the so-called MINT subjects (mathematics, IT, natural sciences, technology) does not fully cover the level of demand of the business community. At Dürr, we counter this risk by tying experts to our company with long-term career planning programs. Moreover, we have significantly expanded our personnel and university marketing activities. If possible, we offer apprentices, trainees as well as students at cooperative state universities permanent employment.

IT RISKS

The main risks in the field of IT are data loss, hacking and virus attacks; in recent years they have increased in tandem with the growing deployment of various IT solutions. To protect ourselves, we rely on a Group-wide IT security organization, uniform IT security directives and a robust IT infrastructure comprising state-of-the-art firewall and anti-virus programs. We reduce the danger of productivity losses or even total outages by means of backup servers, redundant data lines and uninterruptible power supply systems. We rate our risk of being exposed to hacker attacks and data theft as normal for the industry in which we operate.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY RISKS

Occupational safety hazards may occur on our building sites in the field of plant construction. For this reason, we have developed a comprehensive health and safety directive including Group-wide security standards. Moreover, we cooperate closely with our customers to ensure a high level of occupational safety on our construction sites. Owing to our low **MANUFACTURING DEPTH**, environmental and occupational safety risks in our production factories are manageable. We have recently built many new production locations or modernized existing factories, equipping them with machinery that meets high security standards. Materials that present health or environmental hazards are only used to a limited extent, e.g. when carrying out tests in cleaning and painting technology. In addition to the statutory rules and regulations in all fields of emission and occupational safety, we also observe internal guidelines and parameters of the relevant certification systems.



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LEGAL RISKS

Our most significant risks are warranty claims and claims for damages from customers in the event of production outages. If we fail to meet our contractual obligations in performing our services, we may be liable to penalties. Before we make binding commitments, for example on the availability of a system, we analyze possible liability-related consequences. We rule out any claims that we cannot fulfill as a matter of principle. Patent disputes are also possible in our business. We are not involved in any extraordinary legal disputes at present. None of the pending cases exceeds a claim value in the single-digit millions of euros.

CURRENCY, INTEREST AND LIQUIDITY RISKS AS WELL AS FINANCIAL INSTRUMENTS FOR RISK MITIGATION PURPOSES

Currency, interest rate and liquidity risks are explained in detail in the notes to the consolidated financial statements. Please also refer to note 40.

The management of currency, interest rate and liquidity risks is defined in a special guideline. The top corporate body is the Financial Risk Committee consisting of the Chief Financial Officer, the heads of Group Controlling and Group Treasury as well as the financial officers of the business units. This body deals with strategic financial policy issues and prepares the relevant resolutions for the Board of Management.

Hedging currency risks

Within the scope of our risk management, we deploy financial derivatives for hedging purposes. The primary focus is on forward exchange transactions to hedge currency effects. The nominal value of the forward exchange contracts in the Group amounted to € 250.9 million as at December 31, 2013 (December 31, 2012: € 172.2 million). In particular, payment flows were hedged in the key currencies listed under **ITEM 40** of the notes to the consolidated financial statements. No financial derivatives were used for interest hedging purposes in fiscal 2013.



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For projects subject to currency risks, we hedge that portion of our sales immediately on receipt of the order that exceeds the costs in the relevant currency. In principle, we enter into a separate (micro) hedge for each individual project. In view of the smaller-scale order volumes prevailing in the standard machinery and spares business, we also use macro hedges for multiple orders to lower the transaction effort and expense. As a rule, hedge transactions are executed by Group Treasury of Dürr AG.

All financial derivatives and their underlying transactions are subject to regular internal control and evaluation. The conclusion of financial derivatives is confined to commercial hedging of the operating transaction in question.

Our most important currency risk is the translation risk that arises when translating items in foreign currencies into euros. Transaction risks, which can arise when products are exported, are of lesser significance since many of the goods required are produced locally or purchased in national currency (natural hedge).

Hedging interest rate risks

We pursue a conservative interest and financing strategy geared to sustainability. Its primary characteristics are long-term interest and financing security, matching maturities and a prohibition of speculation. Our financial debt is primarily accounted for by the fixed-interest bond and long-term Campus financing. For this reason, risks of interest rate changes do not play a major role.

Our interest rate risk management covers all interest-bearing and interest-sensitive balance sheet items. Regular interest analyses enable us to identify risks at an early stage and simulate their impact. Group Treasury is chiefly responsible for borrowing, investment and interest rate hedges; from a defined scale onward, exceptions are required to be submitted to the Chief Financial Officer for approval.

Hedging liquidity risks

Our objective is to cover our liquidity needs as far as possible from our cash flow. We assign a great deal of importance to this in controlling our operating business. In the event of temporary negative cash flows – such as in phases in which higher net working capital is required – our good liquidity position and the credit line of the syndicated loan provide room for maneuver. Further particulars in this regard can be found in the **FINANCIAL DEVELOPMENT** chapter. Thanks to an international cash pooling system, we can make the excess liquidity of individual companies available to other Group subsidiaries. In doing so, we avoid utilizing external loans and incurring interest expenses. Certain national companies do not participate in the cash pooling system since national legislation restricts the transfer of capital. Group Treasury is responsible for managing cash pooling and external liquidity procurement.

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Our liquidity position is very comfortable at € 458.5 million. From today's perspective, there are no extraordinary liquidity and debt risks. The cash credit line of € 50 million provided by our syndicated loan was unused in 2013. We terminated the loan commitment from the European Investment Bank (EIB) for € 40 million on November 25, 2013, as we no longer needed the relevant funds.

In 2014 there are no risks relating to external financing. We extended the term to maturity of our syndicated loan by one year at the end of 2013, until mid-2015. The corporate bond issued in 2010 is also not due until 2015. The terms of the bond can be viewed at www.durr.com; they contain the usual limitations and obligations prevailing on the market. Failure to comply with them could result in the bond plus accrued interest being called due for immediate payment.

 [www](http://www.durr.com)

The contract concerning our syndicated loan provides that we must comply with certain key financials. These so-called financial covenants are determined on a quarterly basis, subject to a rolling 12-month calculation period. In 2013, we complied with the financial covenants at each effective date. Should we fail to meet these covenants, the syndicate of banks may call the loan due for immediate repayment if the participating banks voting in favor have a two-thirds majority.

Hedging investment risks

With the aid of a guideline for financial asset management, we reduce the risks involved in investing liquid funds. For instance, this guideline governs permissible asset classes, credit rating requirements and how to deal with cluster risks. In conformity with the guideline, we do not own any sovereign bonds whose repayment according to schedule is uncertain. For this reason, there is no increased risk of impairment charges on our financial assets or financial investments.

RATINGS

We have not commissioned any ratings since September 2010. The price performance of and return on our bond are reliable indicators for the fact that investors classify our credit standing as high. It therefore appears realistic that we will be able to place future bond issues at more favorable terms.

OPPORTUNITIES

OPPORTUNITIES MANAGEMENT SYSTEM

Like the risk management system, our opportunities management system is based on a bottom-up process. The business units feature at the center of the process: via the Group companies they communicate with customers, suppliers, partners and market observers, and record market information as well as new requirements and trends. This information is consolidated to form clusters of opportunities and evaluated accordingly. Clusters of opportunities that provide sustainable business potential are then analyzed once again on a holistic basis in strategy workshops with the Board of Management. Next, the business units and the Group integrate the relevant activities into their strategies. Moreover, budget targets are identified and the necessary funding and personnel resources are provided.

The identification and evaluation of business opportunities is a continual process controlled by the heads of the business units. Where opportunities hold the promise of substantial strategic importance, we form interdisciplinary teams for potential analysis, organizational establishment and – where necessary – acquisition processes.

Cooperation with universities and research institutes is also part of our opportunities management. In this way, we check how new scientific findings can be utilized for the benefit of our products. In addition, we follow up whether legal rules and regulations, such as in the field of emission protection, call for new production technologies. Alongside product-related opportunities, we also evaluate potential available in individual regions, with specific customers or through new business models and processes.

OPPORTUNITIES POTENTIAL

The following overview shows the key opportunities of the Group as a whole and of our business units. In our business planning activities for 2014 and our strategic planning until 2017, we have realistically taken account of the sales and earnings potential that can be leveraged from the opportunities available. Should we succeed in making better use of the opportunities available than assumed, this could mean that in 2014 our sales could be up to 7 % and our EBIT up to 10 % higher than planned or assumed in terms of our outlook. However, we wish to make clear that the additional potential with regard to sales and EBIT are best case scenario values.

STRATEGIC OPPORTUNITIES

- **Growth in the emerging markets:** The automotive industry will remain a growth segment for years to come, especially in the emerging markets. According to experts, production worldwide is likely to increase by just under 5 % per annum between 2013 and 2018; in China and other emerging markets, growth rates of 8 % and more are anticipated. This will lead to new automobile production plants being built on a regular basis in future. Dürr will be able to benefit from the disproportionately high growth in the emerging markets since we are, in some cases, in a considerably stronger position in these markets than our competitors.
- **Future markets Southeast Asia and Africa:** In Southeast Asia, experts anticipate growth rates for automobile production to average 7.2 % per annum between 2013 and 2018. Additional manufacturing capacities will therefore be required. To participate in the market growth in Southeast Asia, we founded the company Dürr Thailand in 2012. Moreover, we are in the process of improving our access to the Japanese automotive industry, which dominates the market in Southeast Asia. To this end, we are using our 10 % stake in the Japanese paint shop equipment supplier Parker Engineering; in addition, we are establishing a paint test center in Tokyo. We are also expanding our capacities on the African continent, which is increasingly being focused on by the automotive industry.

- **Growing modernization business:** In the mature markets of Western Europe and North America, it is becoming increasingly important to modernize legacy production facilities. The subdued level of investment in the past ten years as well as technological progress are the reasons for this development. We have developed a large number of new products that will facilitate increased production efficiency amid short pay-back times. In China, too, pressure to enhance productivity and new environmental standards are leading to increasing investments in existing automotive production plants. The use of solvent-based paints was recently restricted by legislation; accordingly, older paint shops need to be retooled for the use of water-based paints.
- **Potential in service:** Our installed base has grown immensely in recent years. Against this backdrop, we anticipate that the higher-margin service business will grow disproportionately in relation to Group sales. Potential exists particularly in the emerging markets, where the service share of sales is currently below the Group average. To make use of our opportunities, we are expanding our workforce and organization in the service business and intensifying optimization initiatives. Our plans include accelerating the supply of spare parts and growing our presence in the factories of our customers.
- **New business fields:** In recent years, we have acquired various smaller-scale companies with forward-looking technologies. As a result, we have growth potential in attractive business fields adjacent to our core business. These include **GLUEING TECHNOLOGY**, **ULTRA-FINE CLEANING TECHNOLOGY**, **BALANCING TECHNOLOGY** for turbochargers and **FILLING TECHNOLOGY**. In the field of energy efficiency technology, we are establishing a product portfolio for use of heat and waste heat. We are internationalizing the business with the aid of the global Dürr network in all cases.
- **Sustainable production:** Environmental and sustainability standards adhered to by our customers in their production facilities are becoming increasingly stricter across the globe. Accordingly, there is a growing need for environmentally compatible and energy-efficient production processes. This trend is increasingly shaping our business, triggering extensive investments in sustainable technologies.
- **Emerging producers in the automotive industry:** Carmakers from China and other emerging markets want to expand not only in their domestic markets but also across the globe. To do so, they need additional production capacities and competitive production technologies.
- **Production/performance opportunities:** The increase of our internal value added opens up quality benefits and reduces possible control and reworking costs involving component supplies. We have made targeted investments to enhance the efficiency of our facilities; for this reason, it is frequently more economical to produce components ourselves than to buy them from suppliers. We can also leverage additional cost benefits by increasingly using our broadened production base in China for exports as well.
- **Internal efficiency enhancement:** We are continually optimizing our internal processes, structures and systems. The focus in this context is on international cooperation among our various locations. In doing so, we benefit from additional efficiency potential.



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OPPORTUNITIES IN THE BUSINESS UNITS

- **Paint and Final Assembly Systems** has expanded its expertise and capacities in the emerging markets, giving it competitive benefits, such as the potential for cost reductions. The increased manufacturing capacities in China, Mexico, Poland and Brazil facilitate more internal and local value added, which has a positive impact on quality, costs and reliable delivery on schedule. In Asia and the US, the business unit plans to generate additional growth. Immense potential is available worldwide in the modernization and service business since the installed base has grown immensely in recent years.
- **Aircraft and Technology Systems** is well positioned to expand its business with aircraft manufacturers – especially in the emerging markets. Reference orders placed in Russia, China and Brazil as well as Dürr's international presence constitute a good basis in this regard. The broadening of the technology spectrum for aircraft assembly and the transfer of established processes from the field of automobile production open up opportunities for the business unit to position itself as an international full-range supplier and to benefit from the consolidation process in its competitive environment.
- **Application Technology** sees additional growth potential thanks to the fully automated application of paints. Examples of this are the increasing deployment of robots for interior painting of vehicles and the substitution of older paint machinery by new technologies. Additional opportunities are in store for intensified development of the markets in Japan and Southeast Asia, the expansion of the **GLUEING TECHNOLOGY** and product business and the increased level of insourcing when producing key components.
- **Balancing and Assembly Products** focuses on two opportunity clusters in the field of **BALANCING TECHNOLOGY**: growth in balancing systems for turbochargers and the enhancement of the business unit's market position in the field of standard balancing machinery. In the area of filling systems, the business unit plans to capitalize on its technology lead in handling refrigerants containing CO₂ as well as from market growth in Southeast Asia. The market potential in this region is also growing in the field of **TESTING TECHNOLOGY**; the commercial vehicle sector holds additional opportunities in store, especially through automation of testing procedures.
- **Cleaning and Surface Processing** perceives opportunities in the automotive business through widespread marketing of its new robot-based cleaning systems **EcoCFlex** and **EcoCAgile**. In the service business, the impact and depth of products and services on offer are to be further increased. Moreover, growth potential exists in the new business field of surface cleaning and processing, e.g. with the high-pressure water jet system **EcoCBooster**. In business with general industry, opportunities arise through the expansion of our worldwide presence in service and sales. Optimizations in manufacturing and logistics are expected to reduce delivery times and provide economies of scale.
- **Clean Technology Systems** plans to further expand its business in the field of exhaust-air purification systems in the emerging markets, particularly in China. The integration of Luft- und Thermo-technik Bayreuth GmbH (LTB) opens up access to new customer groups (such as the graphite industry) and technologies (washer technology, dust removal); in addition, synergy potential is available in such fields as manufacturing, sales and product development. In the business field of VAM (Ventilation Air Methane), in which facilities are offered for cleaning and converting methane-laden waste air into electricity, sales activities are to be intensified in China. Good growth opportunities are also available in the medium to long term in the field of energy efficiency technology. In this context, Clean Technology Systems can offer new technologies to benefit from the trends toward decentralized energy generation, sustainable production and cost reductions thanks to energy savings.

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OUTLOOK

POSITIVE ECONOMIC PROSPECTS

Europe's economies appear to have bottomed out, with economic indicators pointing upward again since the second half of 2013. In North America, the constant growth trend is continuing. In China, economic development has stabilized at a high level. Against this backdrop, economy experts anticipate intensified global GDP growth to the tune of 3.7 % in 2014 (2013: 2.8 %). Thanks to the improved macroeconomic outlook, it is assumed that the central banks will gradually curtail their generous money supply made available in recent years.

In 2015, according to current forecasts, global GDP is expected to grow by 4.0 %. In Western Europe, a slight acceleration is anticipated, but the region is likely to remain below its potential in future. Economic research experts believe Germany's constant growth trend will continue. In the emerging markets, a GDP increase of 5.4 % is expected for 2015, i.e. a slight increase year-on-year (2014: 5.3 %). China stands a good chance of raising its GDP growth to exceed 8.0 % again. In the US, the economy is likely to continue gaining momentum in 2015, with a GDP increase of 3.8 % appearing to be realistic. In contrast, the expectations for Japan are subdued owing to its high level of sovereign debt. An overview of growth expectations for 2014 and 2015 is presented in table 2.63.

AUTOMOBILE PRODUCTION: CONSTANT UPWARD TREND

PricewaterhouseCoopers (PwC) expects global light vehicle production to rise by just under 6 % in 2014, outpacing global GDP. The growth rate forecast for 2015, at just under 7 %, is slightly higher once again. In absolute terms, the production volume in 2015 is set to rise to just over 93 million units. Following the surprisingly robust production expansion in 2013, China is expected to achieve double-digit growth rates in 2014 and 2015 as well. While growth in automobile production in the US is likely to decelerate slightly, the growth rates assumed for 2014 and 2015, at 6.4 % and 4.3 %, respectively, exceed GDP forecasts. In Western Europe, automobile production should grow perceptibly again following the sharp decline in recent years; for 2015, PwC anticipates an increase of just under 7 % stemming from a low base value. After the decline in 2013, automobile production in Russia should increase by roughly 10 % again in 2014 and continue to grow in 2015. In India, PwC anticipates growth for 2014 at the previous year's level and a double-digit growth rate for 2015. In Brazil, production growth is likely to be at a high level in both years.

2.63 GROWTH FORECAST FOR GROSS DOMESTIC PRODUCT

Change year-on-year (%)	2013	2014	2015
World	2.8	3.7	4.0
Eurozone	-0.4	1.0	1.4
USA	1.8	3.2	3.8
China	7.8	8.6	8.2
India	4.3	5.5	6.0
Brazil	2.2	1.9	1.7
Japan	1.6	0.7	1.3

Source: Deutsche Bank 12/2013

2.64 LIGHT VEHICLE PRODUCTION IN MILLIONS OF UNITS

change year-on-year

Region	2011	2012	2013	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	CAGR ² 2013–2018
North America	13.1 (10.1 %)	15.4 (17.6 %)	16.3 (5.8 %)	17.0 (4.3 %)	17.6 (3.5 %)	17.9 (1.7 %)	18.6 (3.9 %)	18.5 (–0.5 %)	2.6 %
Mercosur	4.2 (0.0 %)	4.2 (0.0 %)	4.5 (7.1 %)	4.7 (4.4 %)	5.1 (8.5 %)	5.6 (9.8 %)	5.9 (5.4 %)	6.2 (5.1 %)	6.6 %
Western Europe	13.6 (2.3 %)	12.4 (–8.8 %)	12.4 (0.0 %)	13.0 (4.8 %)	13.9 (6.9 %)	14.8 (6.5 %)	15.2 (2.7 %)	15.4 (1.3 %)	4.4 %
Eastern Europe	6.3 (12.5 %)	6.9 (9.5 %)	7.1 (2.9 %)	7.4 (4.2 %)	7.8 (5.4 %)	8.1 (3.8 %)	8.4 (3.7 %)	8.5 (1.2 %)	3.7 %
Asia	34.9 (2.6 %)	38.4 (10.0 %)	40.7 (6.0 %)	43.6 (7.1 %)	46.9 (7.6 %)	50.0 (6.6 %)	52.0 (4.0 %)	53.2 (2.3 %)	5.5 %
thereof China	15.3 (6.3 %)	16.6 (8.5 %)	18.7 (12.7 %)	20.8 (11.2 %)	23.4 (12.5 %)	25.5 (9.0 %)	26.8 (5.1 %)	27.6 (3.0 %)	8.1 %
Others	2.5 (0.0 %)	1.9 (–24.0 %)	1.5 (–21.1 %)	1.7 (13.3 %)	2.0 (17.6 %)	2.1 (5.0 %)	2.1 (0.0 %)	2.3 (9.5 %)	8.9 %
Total	74.6 (4.3 %)	79.2 (6.2 %)	82.5 (4.2 %)	87.4 (5.9 %)	93.3 (6.8 %)	98.5 (5.6 %)	102.2 (3.8 %)	104.1 (1.9 %)	4.8 %

¹ Forecast² CAGR = Compound Annual Growth Rate

PwC 01/2014, own estimates

RISING AIR PASSENGER NUMBERS EXPECTED

According to estimates by the International Air Transport Association (IATA), airline passenger figures will grow by 5.4 % p.a. on average from 2013 through 2017; in contrast, the volume of transport will see only a slight rise. In view of a high degree of capacity utilization and declining kerosene prices, airlines should be able to improve their earnings position. Against this backdrop, higher investments in new aircraft and production facilities can be anticipated.

We expect continual volume growth for our business in the aircraft industry in 2014 and 2015. The essential investment drivers for our customers are efficiency enhancements in production, timely introduction of new models and the reduction of kerosene consumption. An additional factor is that producers from Russia and China are making their debut on the world market, which will call for modern production capacities.

INDUSTRY ASSOCIATION HAS POSITIVE OUTLOOK FOR MECHANICAL AND PLANT ENGINEERING SECTOR

The German mechanical and plant engineering association (Verband Deutscher Maschinen- und Anlagenbau – VDMA) forecasts a production rise of 3 % for 2014. Industry sales are likely to grow by 4 % in Germany, slightly exceeding their all-time high of 2008. For comparison purposes: sales generated by Dürr in 2014 are likely to exceed the level of 2008 by roughly 50 %.

FOCUS REMAINS ON THE AUTOMOTIVE INDUSTRY

The project volume relevant to us in the automotive sector stabilized at a high level in 2013; in 2014 and 2015 it is likely to be in the same order. The automotive industry remains our most important sales market by far. In the next several years, it is expected to account for just over 80 % of sales. We plan to further expand our business in environmental and energy-efficient technologies. For 2015, the Clean Technology Systems division including acquisitions has targeted a sales volume of over € 200 million (2013: € 106.3 million).

SLIGHT RISE IN SALES

Our business outlook for 2014 and 2015 presupposes that the economies of the **BRIC STATES** will develop positively and that economic activity in the industrial countries will become increasingly dynamic.



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The gratifying sales forecasts for the automotive industry indicate that this sector is likely to continue its capex investments in new plants (greenfield projects) at their high level of 2013. Investments in replacements and modernization (brownfield projects) are likely to rise slightly, considering the age structure of existing plants. The most important investment motives of automobile producers are their growing capacity requirements as well as lower unit costs thanks to higher production efficiency.

Within the scope of the "Dürr 2017" strategy, we will pay particular attention to growing our service operations. In the next several years, the service area is expected to outperform the new plant construction business in terms of sales, reaching a share of Group sales of over 25 %. Please refer to the **STRATEGY** chapter for further particulars.



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Thanks to our strong position in the emerging markets, we should continue to benefit from the high market dynamics prevailing in the relevant countries. In 2014 and 2015, the emerging markets are set to contribute at least 50 % to 60 % of the Group's order intake and sales. The Western European market, declining in significance for Dürr in the past few years, is likely to remain stable. North America will continue to be one of our most important sales regions.

In the long run, we aim to generate sustainable organic sales growth of up to 5 % per annum across the Group. A prerequisite for this is that the expansion of our new business fields continues according to schedule. In fiscal 2014, from today's perspective, we anticipate sales ranging between € 2.4 and € 2.5 billion; the high order backlog and robust demand in our markets are good indications of this. Order intake is set to reach € 2.3 to € 2.5 billion in 2014. At the end of 2014, we expect orders on hand to range between € 1.95 and € 2.25 billion.

PARALLEL DEVELOPMENT OF COSTS AND SALES: REALISTIC

We anticipate that our total costs (cost of sales and overheads as well as other operating costs) will rise roughly in parallel with our sales in 2014. Personnel and material costs remain the biggest single line items. We expect personnel costs to increase by roughly 10 % in 2014, primarily on account of the rising level of wages in the emerging markets and a higher average headcount. We will continue to expand our in-house production in 2014; against this backdrop, the cost of materials is expected to remain stable or even decline slightly. Our fundamental objective is not to allow the cost of materials to increase stronger than sales. Accordingly, we will continue to expand our procurement operations in Eastern Europe and Asia to benefit from lower prices.

2.65 GROUP OUTLOOK

	2013	TARGET 2014
/ Incoming orders	€ 2,387.1 million	€ 2,300 to € 2,500 million
/ Orders on hand (Dec. 31)	€ 2,150.1 million	€ 1,950 to € 2,250 million
/ Sales revenues	€ 2,406.9 million	€ 2,400 to € 2,500 million
/ EBIT margin	8.4 %	8.0 to 8.5 %
/ ROCE	66.2 %	30 to 40 %
/ Net finance expense	€ -18.4 million	slightly higher
/ Tax rate	23.7 %	27 to 28 %
/ Earnings after tax	€ 140.9 million	stable
/ Operating cash flow	€ 329.1 million	substantially weaker
/ Free cash flow	€ 261.9 million	slightly negative
/ Net financial status (Dec. 31)	€ +280.5 million	€ +150 to € +250 million
/ Liquidity (Dec. 31)	€ 458.5 million	€ 330 to € 430 million
/ Capital expenditure ¹	€ 51.2 million	€ 40 to € 50 million

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

OPERATING RESULT: SLIGHT INCREASE ANTICIPATED FOR 2014

In 2014, earnings are expected to rise roughly in tandem with sales. Our Group target is an EBIT margin of 8.0 to 8.5 %. The high capacity utilization and good quality of our orders on hand form the basis for this; in addition, the proportion of sales attributable to services is set to rise. Following the substantial reduction in 2013, net finance expense will see a slight, temporary increase; the main factors in this regard are the planned refinancing and associated expenses. Subsequently, the improved financing terms we plan to arrange are likely to result in a substantial reduction of net finance expense. The tax expense should rise gradually as the utilization of tax loss carry-forwards is only possible to a limited degree. For 2014, we consider a tax rate of 27 % to 28 % to be realistic. Accordingly, our earnings after tax are likely to remain more or less constant. In accordance with our long-term dividend policy, the dividend for fiscal 2014 should amount to between 30 % and 40 % of Group net profit.



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ROCE should reach 30 % to 40 % in 2014. Accordingly, we are targeting a very high value by international standards. In 2013, our ROCE increased to 66.2 % as the **CAPITAL EMPLOYED** fell substantially on account of high prepayments and progress payments from customers, whereas the level of EBIT rose.

DIVISIONS

The Application Technology, Measuring and Process Systems, and Clean Technology Systems divisions plan to generate growth in sales and earnings for 2014. Following its exceptionally high earnings of 2013, Paint and Assembly Systems expects a constant EBIT margin at best; sales are likely to reach a similar volume to that of 2013.

2.66 OUTLOOK BY DIVISION

	SALES REVENUES (€ MILLION)		INCOMING ORDERS (€ MILLION)		EBIT MARGIN (%)	
	2013	Target 2014	2013	Target 2014	2013	Target 2014
Paint and Assembly Systems	1,176.9	1,100–1,200	1,124.7	1,050–1,150	8.4	7–8.4
Application Technology	540.0	550–580	567.6	550–600	11.0	11–12
Measuring and Process Systems	583.6	580–630	561.1	560–620	7.9	8–9
Clean Technology Systems	106.3	120–140	133.7	120–150	5.7	5–6

CASH FLOW

The strong cash flow of 2013 benefited from exceptionally high progress payments and prepayments at the end of the year and is unlikely to be matched in 2014. Adjusted for the non-recurring high and partly early payment receipts in the final quarter of 2013, operating cash flow and **FREE CASH FLOW** would likewise reach high levels in 2014. The operating cash flow reported is likely to decline substantially, and free cash flow might turn slightly negative. We assume that the cash flow and high volume of cash and cash equivalents will easily cover both the operating finance needs (investments, interest payments, etc.) and the dividend payment in 2014.

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CAPITAL EXPENDITURE

Due to the expansion of a number of locations, investments in property, plant and equipment as well as intangible assets reached a record level in 2013. In 2014 they will once again exceed the value of 2012 (€ 32.5 million) as expenses will still be incurred for a number of expansion measures. In total, we anticipate investments of up to € 40 to 50 million (excluding acquisitions); these are likely to be divided up roughly in equal shares for location projects/expansion measures on the one hand, and replacements on the other.

We plan to make additional technology acquisitions to reinforce our core business and grow the energy efficiency activities of Clean Technology Systems. The volume of planned acquisitions cannot be specified as yet but should considerably exceed the average acquisition sum of the past several years. The high volume of cash and cash equivalents as well as our cash flow will be available for funding purposes.

LIQUIDITY, EQUITY AND FINANCING

From today's perspective, we anticipate a **NET FINANCIAL STATUS** of € 150 to 250 million as at the 2014 balance sheet date. Possible larger acquisitions have not been taken into account in these figures. The volume of cash and cash equivalents should amount to between € 330 and 430 million at the end of 2014. Information on probable disbursements from financial liabilities and financial derivatives can be found under **ITEM 40** in the notes to the consolidated financial statements. The level of equity is expected to increase again in 2014; accordingly, the equity ratio should exceed 28 % at the end of the year. We intend to use the syndicated loan, if at all, to compensate for temporary fluctuations in **NET WORKING CAPITAL** or for an exceptionally large acquisition.

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We intend to issue a new bond in 2014. In addition, we plan to raise a new syndicated loan in 2014. In both cases, we assume that we will be able to obtain more favorable funding conditions than before. As well as this, we consider calling in the bond issued in 2010 (7.25 % coupon, maturing on September 28, 2015) at 100 % on September 28, 2014 at the earliest, subject to the notice periods provided for in the bond issue terms. At the end of 2013, we extended the current syndicated loan from 2011 by one year, until June 2015, without incurring any additional costs. Accordingly, we are not subject to any time pressure as far as the refinancing is concerned. No capital increase is planned from today's perspective.

EMPLOYEES

The size of the workforce is likely to increase once again in the course of fiscal 2014, namely by approximately 5 %. This growth will predominantly be accounted for by the emerging markets; their share of the total workforce should reach just over 35 % at the end of the year (2013: 34.0 %). In the established markets, the size of the workforce will increase marginally, if at all.

RESEARCH AND DEVELOPMENT, FUTURE PRODUCTS/SERVICES

After having substantially raised our R&D expenditure and the number of R&D employees in recent years, we are planning further growth in the future.

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

- Unit cost reduction in automobile production,
- Environmental technology, sustainability and energy efficiency,
- Increased flexibility and modularization of production facilities.

We expect the share of sales generated by fully automated and highly flexible products and plants to increase in the coming years as these enable our customers to effectively lower their unit costs. In the area of paint systems, we anticipate a further surge in demand for our **EcoPaintshop** concept, which combines different technologies with reduced material and energy requirements. This also includes the new **EcoReBooth** paint booth system, which we installed for the first time on the premises of a German carmaker in 2013. Additional product examples and information on R&D strategy can be found in the **RESEARCH AND DEVELOPMENT** chapter. In service, we foresee growing potential in the plant audit and spares business, among others.

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2015: CONSTANT DEVELOPMENT ANTICIPATED

In 2015, we plan to continue our high earnings level generated in the previous two years. We expect a slightly higher volume of business with a roughly constant EBIT margin. Both operating cash flow and **FREE CASH FLOW** should be clearly positive. We will give a more specific forecast for 2015 in due course.

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SUMMARIZED STATEMENT BY THE BOARD OF MANAGEMENT ON PROJECTED DEVELOPMENTS

Carmakers are planning numerous investment projects; moreover, we have a high order backlog and see additional potential in service business. The automotive industry will remain a growth segment, which is underscored by the production growth forecast, namely 6 % for 2014 and 7 % for 2015. We expect new automobile factories to be built particularly in the emerging markets, where additional production capacities will be required. In addition, the demand for maintenance and modernization investments is rising – especially in the established markets – as numerous car factories are starting to show their age. Against this backdrop, and in view of our high order backlog, we classify the visibility of our course of business for the two coming years as good.

For 2014, we anticipate sales to range from € 2.4 to 2.5 billion. EBIT should rise roughly in parallel with sales; the target for our EBIT margin amounts to 8.0 to 8.5 %. Cash flow is unlikely to match the exceptionally high level of 2013. Nevertheless, on an annual average we aim to achieve a rising and positive **NET FINANCIAL STATUS** (2012: € -14.0 million; 2013: € 60.4 million). At the end of 2014, we expect a decline in the net financial status compared with the exceptionally high value of December 31, 2013. The payout ratio for 2013 will amount to 36 %, subject to the agreement with our dividend proposal. For 2014, the dividend is expected to range from 30 to 40 % of Group net profit and reach the previous year's level at least.



On the whole, we perceive our company as well prepared for the future: Dürr has a strong, above-average presence in the emerging markets. Thanks to seamless business processes and IT structures, Group-wide collaboration in global order execution shows a high level of efficiency. Starting from our large installed base, we plan to extend our service operations at a higher rate than our new plant construction business. In addition, within the scope of the "Dürr 2017" strategy we will maintain our innovation course and thus lay the foundations for ongoing successful development in future.

Bietigheim-Bissingen, March 6, 2014

Dürr Aktiengesellschaft

The Board of Management



RALF W. DIETER



RALPH HEUWING



CONSOLIDATED FINANCIAL STATEMENTS

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Audit opinion

We have audited the consolidated financial statements prepared by Dürr Aktiengesellschaft, Stuttgart, comprising the statement of income, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2013. 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] are 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 6, 2014

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft



SKIRK / Wirtschaftsprüfer
[GERMAN PUBLIC AUDITOR]



HUMMEL / Wirtschaftsprüfer
[GERMAN PUBLIC AUDITOR]

3.1 Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

€ k	NOTE	2013	2012
Sales revenues	(7)	2,406,873	2,399,830
Cost of sales	(8)	– 1,919,524	– 1,962,040
Gross profit on sales		487,349	437,790
Selling expenses	(9)	– 128,209	– 123,683
General administrative expenses	(10)	– 109,488	– 102,013
Research and development costs	(11)	– 42,979	– 37,218
Other operating income	(13)	21,006	24,453
Other operating expenses	(13)	– 24,688	– 22,433
Earnings before investment income, interest and income taxes		202,991	176,896
Profit from entities accounted for using the equity method	(15)	594	452
Other investment income		36	23
Interest and similar income	(16)	3,788	2,963 ¹
Interest and similar expenses	(16)	– 22,830	– 32,604 ¹
Earnings before income taxes		184,579	147,730
Income taxes	(17)	– 43,673	– 36,345
Profit of the Dürr Group		140,906	111,385
Attributable to:			
Non-controlling interests		837	4,190
Shareholders of Dürr Aktiengesellschaft		140,069	107,195
Earnings per share in € (basic and diluted) ²		4.05	3.10

¹ In accordance with IAS 19 (rev. 2011), the interest income on plan assets is netted with the interest expenses from the measurement of pension obligations (see notes 16 and 27 in the notes to the consolidated financial statements).

² The earnings per share relate to the status quo after the issue of bonus shares at a ratio of 1:1 on May 27, 2013 (see note 6 in the notes to the consolidated financial statements).

3.2 Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

€ k	NOTE	2013	2012
Profit of the Dürr Group		140,906	111,385
Items of other comprehensive income that are not reclassified to profit or loss			
Remeasurement of defined benefit plans and similar obligations		1,990	– 17,838
Associated deferred taxes		– 471	4,277
Items of other comprehensive income that may be reclassified subsequently to profit or loss			
Changes in fair value of financial instruments used for hedging purposes recognized in equity		– 1,074	7,593
Gains from changes in the fair value of available-for-sale securities		9	31
Currency translation reserve of foreign subsidiaries		– 11,387	– 2,517
Currency translation reserve of foreign entities accounted for using the equity method		– 2,690	– 1,573
Associated deferred taxes		272	– 2,175
Other comprehensive income, net of tax	(25)	– 13,351	– 12,202
Total comprehensive income, net of tax		127,555	99,183
Attributable to:			
Non-controlling interests		779	4,095
Shareholders of Dürr Aktiengesellschaft		126,776	95,088

3.3 Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2013

€ k	NOTE	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Goodwill	(18, 43)	286,971	288,159
Other intangible assets	(18, 43)	35,063	38,114
Property, plant and equipment	(18, 43)	173,849	152,311
Investment property	(18, 43)	22,245	23,178
Investments in entities accounted for using the equity method	(19, 43)	11,699	13,419
Other financial assets	(19, 43)	30,618	14,213
Trade receivables	(21)	101	371
Income tax receivables	(17)	245	66
Sundry financial assets	(22)	4,004	3,154
Other assets	(23)	198	100
Deferred taxes	(17)	23,687	15,475
Prepaid expenses		2,267	3,377
Non-current assets		590,947	551,937
Inventories and prepayments	(20)	148,014	144,528
Trade receivables	(21)	675,593	694,608
Income tax receivables	(17)	6,755	5,863
Sundry financial assets	(22)	74,197	35,857
Other assets	(23)	18,759	22,234
Cash and cash equivalents		458,513	349,282
Prepaid expenses		4,483	3,396
Assets held for sale	(24)	14,582	–
Current assets		1,400,896	1,255,768
Total assets Dürr Group		1,991,843	1,807,705
EQUITY AND LIABILITIES			
Subscribed capital	(25)	88,579	44,289
Capital reserves	(25)	155,896	200,186
Revenue reserves	(25)	317,059	223,073
Other comprehensive income	(25)	– 57,035	– 43,720
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		504,499	423,828
Non-controlling interests	(26)	6,875	8,254
Total equity		511,374	432,082
Provisions for post-employment benefit obligations	(27)	49,762	53,480
Other provisions	(28)	7,758	6,728
Trade payables	(30)	2,026	16,744
Bond	(29)	225,200	225,379
Other financial liabilities	(29)	43,396	45,876
Sundry financial liabilities	(31)	19,737	13,876
Income tax liabilities	(17, 32)	205	117
Other liabilities	(32)	4,344	4,804
Deferred taxes	(17)	42,246	35,381
Deferred income		120	260
Non-current liabilities		394,794	402,645
Other provisions	(28)	65,296	53,253
Trade payables	(30)	854,772	724,166
Financial liabilities	(29)	2,460	14,807
Sundry financial liabilities	(31)	16,254	52,716
Income tax liabilities	(17, 32)	30,506	18,835
Other liabilities	(32)	107,742	108,933
Deferred income		390	268
Liabilities held for sale	(24)	8,255	–
Current liabilities		1,085,675	972,978
Total equity and liabilities Dürr Group		1,991,843	1,807,705

3.4 Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

€ k	NOTE (35)	2013	2012
Earnings before income taxes		184,579	147,730
Income taxes paid		- 35,864	- 21,326
Net interest		19,042	29,641
Profit from entities accounted for using the equity method		- 594	- 452
Amortization and depreciation of non-current assets		27,379	28,538
Net gain/loss on the disposal of non-current assets		- 261	386
Other non-cash income and expenses		3,986	- 1
Changes in operating assets and liabilities			
Inventories		- 7,672	- 20,479
Trade receivables		- 5,314	- 76,284
Other receivables and assets		6,190	- 3,229
Provisions		12,770	- 17,172
Trade payables		135,625	27,628
Other liabilities (other than bank)		- 10,638	24,431
Other assets and liabilities		- 163	- 1,787
Cash flow from operating activities		329,065	117,624
Purchase of intangible assets		- 8,323	- 9,029
Purchase of property, plant and equipment		- 42,666	- 22,409
Purchase of entities accounted for using the equity method		- 348	- 425
Purchase of other financial assets		- 19,990	- 12,151
Proceeds from the sale of non-current assets		6,054	1,359
Acquisitions, net of cash acquired		- 10,298	- 1,684
Investments in time deposits		- 43,553	18,154
Proceeds from the sale of assets and liabilities classified as held for sale		3,513	-
Interest received		4,194	2,803
Cash flow from investing activities		- 111,417	- 23,382
Change in current bank liabilities and other financing activities		- 12,569	2,897
Repayment of non-current financial liabilities		- 2,146	- 2,317
Payments of finance lease liabilities		- 418	- 343
Cash received from transactions with non-controlling interests		-	1,503
Cash paid for transactions with non-controlling interests		- 24,500	- 250
Dividends paid to the shareholders of Dürr Aktiengesellschaft		- 38,926	- 20,760
Dividends paid to non-controlling interests		- 1,947	- 1,276
Interest paid		- 20,397	- 23,066
Cash flow from financing activities		- 100,903	- 43,612
Effects of exchange rate changes		- 7,587	87
Changes in cash and cash equivalents related to changes in the consolidated group		73	4
Change in cash and cash equivalents		109,231	50,721
Cash and cash equivalents			
At the beginning of the period		349,282	298,561
At the end of the period		458,513	349,282

3.5 Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

€ k	Subscribed capital	Capital reserve	Revenue reserves
	(25)	(25)	(25)
January 1, 2012	44,289	200,186	146,003
Profit for the year	–	–	107,195
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	–	–	107,195
Dividends	–	–	–20,760
Put options non-controlling interests	–	–	–9,136
Other changes	–	–	–229
December 31, 2012	44,289	200,186	223,073
Profit for the year	–	–	140,069
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	–	–	140,069
Increase in capital of Dürr Aktiengesellschaft from company funds	44,290	–44,290	–
Dividends	–	–	–38,926
Put options non-controlling interests	–	–	–6,394
Other changes	–	–	–763
December 31, 2013	88,579	155,896	317,059

OTHER COMPREHENSIVE INCOME									
Items that are not reclassified to profit or loss	Items that may be reclassified subsequently to profit or loss						Total equity attributable to the shareholders of Dürr Aktien-gesellschaft	Non-controlling interests	Total equity
Remeasurement of defined benefit plans	Unrealized gains/losses from cash flow hedges	Unrealized gains/losses from available-for-sale securities	Changes related to the consolidated group/reclassifications	Currency translation	Other comprehensive income				
(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(26)	
- 14,991	- 3,749	-	758	- 13,610	- 31,592	358,886	5,434	364,320	
-	-	-	-	-	-	107,195	4,190	111,385	
- 13,523	5,426	23	-	- 4,033	- 12,107	- 12,107	- 95	- 12,202	
- 13,523	5,426	23	-	- 4,033	- 12,107	95,088	4,095	99,183	
-	-	-	-	-	-	- 20,760	- 1,276	- 22,036	
-	-	-	-	-	-	- 9,136	- 2,817	- 11,953	
-	-	-	- 21	-	- 21	- 250	2,818	2,568	
- 28,514	1,677	23	737	- 17,643	- 43,720	423,828	8,254	432,082	
-	-	-	-	-	-	140,069	837	140,906	
1,575	- 800	7	-	- 14,075	- 13,293	- 13,293	- 58	- 13,351	
1,575	- 800	7	-	- 14,075	- 13,293	126,776	779	127,555	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	- 38,926	- 1,947	- 40,873	
-	-	-	-	-	-	- 6,394	- 1,409	- 7,803	
-	-	-	- 22	-	- 22	- 785	1,198	413	
- 26,939	877	30	715	- 31,718	- 57,035	504,499	6,875	511,374	

Notes to the consolidated financial statements for the 2013 reporting period

BASIS OF PRESENTATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting policies The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (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 the 2013 reporting period.

The change in accounting policies results from the adoption of the following new or revised standards

Amendment to IFRS 7 "Financial Instruments: Disclosures": The amendment contains supplementary mandatory disclosures on all financial assets and financial liabilities which are offset pursuant to International Accounting Standard (IAS) 32 "Financial Instruments: Presentation". In addition, disclosures are required on all financial instruments which are subject to legally enforceable master netting arrangements or similar agreements. The amended standard is effective for reporting periods beginning on or after January 1, 2013. It does not have any effect on the Group's net assets, financial position and result of operations; however, the disclosures in the notes to the financial statements have been expanded. Further comments on IFRS 7 can be found in note 34.

IFRS 13 "Fair Value Measurement": This standard establishes guidance on fair value measurement when this is required or permitted by another standard. The standard is effective for reporting periods beginning on or after January 1, 2013. It does not have a material effect on the Group's net assets, financial position and result of operations; however, the disclosures in the notes to the financial statements have been expanded. Further comments on IFRS 13 can be found under note 34.

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

IAS 19 (rev. 2011) "Employee Benefits": The amendments to IAS 19 revoke the corridor method to deferring actuarial gains and losses and govern the accounting for changes in pension obligations through profit or loss and other comprehensive income. In the past the Dürr Group applied the "SORIE" method to measure its pension obligations instead of the alternative corridor method pursuant to IAS 19 (rev. 2011). The elimination of the corridor method therefore does not have any effect on Dürr. There were immaterial effects on the accounting treatment of the defined benefit obligations for Dürr arising from the mandatory principle of using the same interest rate for calculating the expected return of plan assets as for calculating the defined benefit obligation. Furthermore, IAS 19 (rev. 2011) replaces the interest cost and expected return on plan assets with a net interest amount when reporting. The method of accounting for termination benefits has also been amended. At Dürr, this amendment also affects the recognition and measurement of top-up amounts and severance payments under phased retirement arrangements. A retrospective amendment would have increased the profit of the Dürr Group by € 153 thousand in 2012; total comprehensive income for the year would have increased by € 164 thousand.

Amendments to IAS 36 "Impairment of Assets": The International Accounting Standards Board (IASB) publishes smaller amendments or disclosures required on the recoverable amount for assets or cash-generating units for which an impairment loss was recognized or reversed in the reporting period. The amendments are also intended to eliminate any undesired knock-on effects on the disclosure requirements resulting from the introduction of IFRS 13. The amended standard is mandatory for reporting periods beginning on or after January 1, 2014, and does not have any effect on the net assets, financial position and results of operations of the Group.

Annual improvements project: In May 2012, the IASB issued the fourth final omnibus standard with changes to existing IFRSs in the course of its annual improvements project. The 2009 – 2011 annual improvements project included minor amendments to a total of five standards. These amendments are effective for reporting periods beginning on or after January 1, 2013, and do not have any material effect on the consolidated financial statements of the Company.

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

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

IFRS 10 “Consolidated Financial Statements”: IFRS 10 introduces a uniform concept of control to be used in determining which entities should be included in the consolidated financial statements. IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and Standing Interpretations Committee (SIC)-12 “Consolidation – Special Purpose Entities”. According to the EU the standard is mandatory for those reporting periods beginning on or after January 1, 2014. As of January 1, 2014, there are no amendments to the entities included in the consolidated financial statements and therefore no effect on the net assets, financial position or results of operations of the Group as Dürr continues to exercise control over the previously consolidated companies even after applying the new IFRS 10.

IFRS 11 “Joint Arrangements”: IFRS 11 governs the financial reporting by parties to a joint arrangement. It replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly controlled Entities – Non-monetary Contributions by Venturers”. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. According to the EU the standard is mandatory for those reporting periods beginning on or after January 1, 2014. As Dürr had measured its joint ventures and associates in accordance with the equity method in the past and the application of IFRS 11 does not have any effect on the composition of these companies, the introduction of the standard does not have any effect on the net assets, financial position or results of operations of the Group.

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

Amendments to the transitional provisions for IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”: These define the date of first-time adoption and the applicable wording of IFRS 3 “Business Combinations” and IAS 27 “Separate Financial Statements” when applying IFRS 10 retrospectively. They also provide for exemptions in IFRS 11 and IFRS 12. According to the EU the amendments are mandatory for those reporting periods beginning on or after January 1, 2014, and are not expected to have any effects, or no material effects, on the consolidated financial statements.

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” relating to exemptions from the duty to consolidate for investment entities. The amendments are effective for the first time for reporting periods beginning on or after January 1, 2014. As the new regulations cannot be applied to Dürr, they will not have any effect on the consolidated financial statements.

Amendment to IAS 27 “Consolidated and Separate Financial Statements”: Due to the fact that the accounting standards for consolidated financial statements were all shifted to IFRS 10, IAS 27 now contains the standards on accounting for shares in subsidiaries, joint ventures and associates in the separate financial statements. Accordingly, IAS 27 was renamed “Separate Financial Statements”. According to the EU the standard is mandatory for those reporting periods beginning on or after January 1, 2014. The new regulations are not relevant to the Group and will therefore not have any effect on the net assets, financial position or results of operations of the Group.

Amendment to IAS 28 “Investments in Associates”: This standard was renamed “Investments in Associates and Joint Ventures”. The amended IAS 28 now incorporates SIC-13 “Jointly controlled Entities – Non-monetary Contributions by Venturers” and clarifies other issues as well.

According to the EU the amended standard is mandatory for reporting periods beginning on or after January 1, 2014, and will have no effects, or no material effects, on the consolidated financial statements.

Amendment to IAS 32 "Financial Instruments: Presentation": The amendment clarifies some details related to the offsetting of financial assets and financial liabilities. The amended standard will become effective for reporting periods beginning on or after January 1, 2014. The amendment will not have any effect on the accounting policies used by the Dürr, although it will require additional disclosures.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" regarding novation of derivatives and continuation of hedge accounting. Extensive regulatory changes were introduced to improve the transparency and regulatory oversight of over-the-counter (OTC) derivatives. Companies must therefore transfer derivatives to central counterparties to avoid any risks of default (novation). Pursuant to IAS 39, accounting for derivatives as a hedging instrument was to be ended if the original derivative no longer existed. The IASB added a simplification to IAS 39, according to which the hedge accounting does not have to be ended if the novation of a hedging instrument with a central counterparty satisfied certain criteria. The amended standard will become effective for reporting periods beginning on or after January 1, 2014. Dürr enters into OTC derivatives. However, due to simplifications, the amendment is deemed not to have any effect on the financial statements of the Group.

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

IFRS 9 "Financial Instruments: Hedge Accounting": Following the publication of the guidance on hedge accounting in November 2013, the IASB is continuing with its project work on developing the new IFRS 9 "Financial Instruments". In contrast to existing legislation, the standard, designed as a supplement/amendment to the previously published version of IFRS 9, primarily establishes new provisions on how instruments and risks can be designated, efficiency requirements, amending and termination hedges and, in part, recognizing hedges in the statement of financial position. The standard replaces the International Financial Reporting Interpretations Committee (IFRIC) Interpretation 9 "Reassessment of Embedded Derivatives" and also amends a range of existing standards, including IFRS 7 "Financial Instruments: Disclosures", which regulates the disclosure requirements for financial instruments, and the provisions of previous versions of IFRS 9 published in 2009 and 2010. The standard applies as of its publication date, although it requires the full application of IFRS 9 and establishes extensive transition provisions. Due to the IASB making ongoing amendments to IFRS 9, Dürr has not yet concluded its review of what effects the application of IFRS 9 will have on the consolidated financial statements.

Amendments to IAS 19 "Employee Benefits": The amendment regulates the recognition of employee or third-party contributions to defined benefit plans as a reduction of service cost should these reflect the work performed in the reporting period. The amended standard will become effective for reporting periods beginning on or after July 1, 2014. Dürr has not yet concluded its review of what effects the application of the standard will have on the consolidated financial statements.

IFRIC 21 "Levies": The interpretation clarifies that a liability must be recognized for levies as soon as an activity established by law occurs which triggers a corresponding payment obligation. Furthermore, levies that are triggered when specific thresholds are reached are not accounted for until they are reached. The interpretation is mandatory for those reporting periods beginning on or after January 1, 2014, and will have no effects, or no material effects, on the consolidated financial statements.

Annual improvements project: In December 2013, the IASB issued the final omnibus standards with changes to existing IFRSs in the course of its annual improvements project. The annual improvement projects 2010 – 2012 and 2011 – 2013 resulted in smaller amendments or clarifications being made to seven and four standards, respectively. These amendments are effective for reporting periods beginning on or after July 1, 2014, and will not have any effects, or no material effects, on the consolidated financial statements of the Company.

Annual improvements project 2010 – 2012

- IFRS 2 “Share-based Payment”: The amendment clarifies the definition of vesting conditions and market conditions.
- IFRS 3 “Business Combinations”: By amending this standard and making subsequent changes to other standards, all contingent considerations not classified as equity are subsequently measured at fair value recognizing all resulting effects in profit or loss.
- IFRS 8: “Operating Segments”: Newly included in IFRS 8 was the clarification that the underlying considerations made when merging business segments into reportable segments must be stated and a reconciliation of segment assets to the corresponding accounts in the statement of financial position is only necessary when disclosures on segment assets are regularly reported to the chief operating decision maker.
- IFRS 13 “Measurement at Fair Value”: An amendment to the “Basis for Conclusions” in IFRS 13 clarifies that the IASB, in making the amendments to IFRS 9 and IAS 39 resulting from IFRS 13, did not want to eliminate the possibility of opting out of discounting for current receivables and liabilities in the event of immateriality.
- IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: The amendment clarifies how to determine accumulated impairment as of the measurement date applying the revaluation model pursuant to IAS 16 and IAS 38.
- IAS 24 “Related Party Disclosures”: The amendment broadens the definition of related parties by adding companies that render key management personnel services for the reporting company themselves or via one of their group companies without any other relationship within the meaning of IAS 24 arising between the two companies (management entities).

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- IFRS 1 “First-time Adoption of International Financial Reporting Standards”: The amendment clarifies the meaning of effective date in connection with IFRS 1.
- IFRS 3 “Business Combinations”: The amendment establishes the existing exemption of joint ventures from the scope of IFRS 3.
- IFRS 13 “Fair Value Measurement”: IFRS 13 allows entities managing a group of financial assets and financial liabilities on the basis of their net market risk or risk of default to calculate the fair value of this group in accordance with the standard, as market participants would measure the net risk position on the measurement date (portfolio exception). The suggested amendment clarifies that this exception for determining the fair value relates to all agreements in the scope of IAS 39 “Financial instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, even if these do not satisfy the definition of a financial asset or a financial liability under IAS 32 “Financial Instruments: Presentation”.
- IAS 40 “Investment Property”: The amendment clarifies that the scope of IAS 40 and IFRS 3 “Business Combinations” is independent of each other, i.e., never mutually exclusive.

The Group has not early adopted standards and IFRIC interpretations that had already been issued but not come into effect apart from the amendments to IAS 36 “Impairment of Assets”. Generally speaking, Dürr intends to adopt all standards when they become effective.

In the 2013 reporting period, Dürr early adopted the amendments to IAS 36 as the amendments contain, among other things, corrections to undesired knock-on effects on the disclosure requirements resulting from the introduction of IFRS 13. In order to consistently present the disclosures in the notes, the amendments to IAS 36 were implemented in 2013.

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

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

All assets and liabilities are measured at historical or amortized cost. Exceptions to this rule are derivative financial instruments, liabilities from put options held by non-controlling interests, liabilities from contingent purchase installments, obligations from share-based compensation and financial assets classified as available-for-sale or held-for-trading, purchase options for shares in entities and assets and liabilities held 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. Assets with a remaining term of more than twelve months are disclosed as non-current. Liabilities with a remaining term of between one and five years are disclosed as medium-term and those with a remaining term of more than five years as long-term.

2. BASIS OF CONSOLIDATION

The consolidated financial statements of Dürr are based on the IFRS financial statements of Dürr AG and the consolidated subsidiaries and entities accounted for using the equity method as of December 31, 2013, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, capital consolidation is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against proportionate equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date taking hidden reserves and encumbrances into account. Any remaining debit difference is shown as goodwill. When the entity is removed from consolidation, the goodwill is released to profit or loss. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100 % of the shares are purchased, IFRS 3 provides for a choice between the purchased goodwill method and the full goodwill method. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition.

Entities over which the Company 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, provisions and end-of-year adjustments (prepaid expenses and deferred income) are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

3. CONSOLIDATED GROUP

Besides Dürr AG, the consolidated financial statements as of December 31, 2013, contain all German and foreign entities which Dürr AG can control directly or indirectly (control concept). The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. Dürr holds a majority of the voting rights in the majority of the subsidiaries. Pursuant to the provisions of the agreement, Dürr has the power to control three entities. Joint ventures and associates are included in the consolidated financial statements using the equity method from the date on which joint control or the possibility of significant influence existed.

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

3.6 NUMBER OF FULLY CONSOLIDATED ENTITIES		
	Dec. 31, 2013	Dec. 31, 2012
Germany	14	13
Other countries	48	47
	62	60

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

3.7 NUMBER OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		
	Dec. 31, 2013	Dec. 31, 2012
Germany	2	3
Other countries	2	1
	4	4

4. CHANGES IN THE CONSOLIDATED GROUP

Effective January 1, 2013, the remaining 50 % of the shares in Dürr EDAG Aircraft Systems GmbH, Fulda, Germany, were acquired and fully consolidated for the first time. Following the acquisition, Dürr EDAG Aircraft Systems GmbH was renamed Dürr Parata GmbH and the company's headquarters moved to Stuttgart. The entity was recognized as a joint venture under "Investments in entities accounted for using the equity method" until December 31, 2012.

As of the end of May 31, 2013, Dürr GmbH & Co. Campus KG, Bietigheim-Bissingen, Germany, ceased to exist. Its assets, liabilities and equity accrued to Dürr Systems GmbH, based in Stuttgart, Germany.

Effective July 4, 2013, the previously unconsolidated entity Dürr EES GmbH, based in Stuttgart, Germany was fully consolidated and 19.9 % of the shares sold to non-controlling interests. Subsequently, the entity was renamed Luft- und Thermotechnik Bayreuth GmbH and moved its registered office to Goldkronach.

Effective October 12, 2013, 49 % of the shares in Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, P. R. China, were acquired. The entity is recognized as an associate under "Investments in entities accounted for using the equity method".

On December 27, 2013, the entity Dürr Cleaning France S.A.S., Loué, France, was founded and fully consolidated.

5. CURRENCY TRANSLATION

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

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

3.8 SIGNIFICANT EXCHANGE RATES

in relation to one euro	CLOSING RATE		AVERAGE RATE	
	Dec. 31, 2013	Dec. 31, 2012	2013	2012
US dollar (USD)	1.3768	1.3186	1.3301	1.2927
Chinese renminbi (CNY)	8.3342	8.2150	8.1691	8.1462
Brazilian real (BRL)	3.2518	2.6997	2.8921	2.5323
Mexican peso (MXN)	18.0270	17.2055	17.1239	16.9444
Indian rupee (INR)	85.1004	72.4609	78.3491	68.9773
Pound sterling (GBP)	0.8328	0.8158	0.8503	0.8115
Korean won (KRW)	1,453.3639	1,402.4625	1,454.5862	1,446.2669
Danish krone (DKK)	7.4597	7.4605	7.4578	7.4450
Japanese yen (JPY)	144.5000	113.6500	130.1308	103.5000

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

6. RECOGNITION AND MEASUREMENT POLICIES

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

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they

have an indefinite useful life. If this is not the case, the estimated useful life is changed from indefinite to finite in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired.

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

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

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

3.9 USEFUL LIFE OF INTANGIBLE ASSETS (ESTIMATED)

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

Property, plant and equipment

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

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

years	
IT hardware	3 to 5
Machines and equipment	2 to 21
Furniture and fixtures	2 to 25
Buildings and leasehold improvements	4 to 50
Land	indefinite

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

Investment property

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.

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 amortized cost.

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

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

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

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

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

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

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

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

Investments in entities accounted for using the equity method

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

Financial instruments

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

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

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

Financial assets

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset, liability, unrecognized firm commitment or an identifiable part of such assets, liabilities or firm commitment which 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 forecasted transaction and could affect profit or loss; or
- Hedge of a net investment in a foreign operation. These are treated like a cash flow hedge.

Fair value hedge accounting

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

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

Cash flow hedge accounting

In the case of cash flow hedges, the effective portion of the gain or loss on a hedging instrument is recognized directly in equity. The ineffective portion is recognized in profit or loss. Amounts that are recognized directly in equity are reclassified to profit or loss in the period in which the hedged item affects the net profit or loss for the period. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction is no longer expected to occur, any amounts previously taken to equity are reclassified to the net profit or loss for the period. When the hedge is settled prematurely or matures, the amounts previously disclosed remain a separate item in equity until the forecast transaction occurs. The same applies if the hedging instrument is exercised without replacement or rollover, or if the criteria for cash flow hedge accounting are no longer in place. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss. Further explanations on derivative financial instruments are given in note 40.

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

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

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

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

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

Progress billings issued to customers and cash received from customers are deducted without effect on income from costs and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of costs 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 costs and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Costs 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 costs and estimated earnings in excess of billings on uncompleted contracts are amounts that Dürr seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is probable and they can be reliably estimated. No profits are reported on these accumulated costs. Pending change orders involve the use of estimates. Therefore, it is possible that adjustments to the estimated recoverable amounts of recorded pending change orders will be made in the future.

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

**Trade receivables
and other non-derivative
financial assets**

Receivables and other non-derivative financial assets are carried at the lower of amortized cost or net realizable value. The Group assesses their recoverability by referring to a number of factors. Should any issues arise which would impinge on the ability of certain debtors to meet their financial obligations, Dürr posts a specific valuation allowance to write down the net asset to the recoverable amount that can be reasonably expected. Impairments are recognized using valuation allowances. Receivables and other non-derivative financial assets are derecognized as soon as they become uncollectible.

Management makes an estimate to deem whether separate accounts receivable are overdue or in default. For all other debtors, the Group records bad debt allowances on a portfolio basis for all receivables and non-derivative financial instruments depending on the days past due, the current business environment and past experience. A central monitoring and local collection management system counters the risk of bad debts. This system includes regular credit ratings, the conclusion of credit insurance policies and – particularly in the export business – issuing letters of credit.

**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.

**Non-current assets
and disposal groups
held for sale**

Assets and disposal groups held for sale relate to assets that can be sold in their present condition and whose sale is highly probable. Their carrying amounts must mainly be recovered through a sale transaction rather than through continuing use.

The disposal group can also relate to liabilities that are directly connected to the assets. Assets held for sale and disposal groups are recognized as a separate item in the statement of financial position under current assets. The sale must be expected to qualify within one year from the date of classification.

	<p>Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets held for sale are no longer amortized or depreciated. Instead they are stated at their fair value less costs to sell provided that this is lower than the carrying amount.</p>
Other comprehensive income	<p>This item presents changes in equity other than those arising from capital transactions with owners (e.g., capital increases or distributions). These include exchange differences, accumulated actuarial and experience related gains and losses from the remeasurement of pensions and similar obligations as well as unrealized gains and losses from the measurement of available-for-sale securities and derivative financial instruments measured at fair value.</p>
Borrowing costs	<p>Borrowing costs include interest and similar expenses, other finance costs and the cost of liabilities.</p> <p>Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", borrowing costs incurred in connection with the issue of a bond are deducted from the bond on the liabilities' side of the consolidated statement of financial position. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond.</p> <p>Pursuant to IAS 23 "Borrowing Costs", borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Adoption of the standard means that finance costs incurred for customer-specific construction contracts are recognized in cost of sales.</p>
Provisions for post-employment benefit obligations	<p>The Group's post-employment benefits include defined contribution plans and defined benefit plans. In the case of defined contribution plans, Dürr pays contributions to state or private pension institutions either on a voluntary basis or based on statutory or contractual provisions. No further payment obligations arise for the entities following the payment of contributions.</p> <p>The post-employment benefit systems based on defined benefit plans guarantee the beneficiary a monthly old-age pension or non-recurring payment upon leaving the company. These benefit plans are funded by the entities as well as by the employees.</p> <p>In accordance with IAS 19 "Employee Benefits", provisions for pension obligations are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Pension provisions are calculated taking into account development assumptions (e.g., relating to salary trends or pension increases) for those factors which affect the benefit amount.</p> <p>Defined benefit cost is divided into service cost and net interest, which are recognized in profit or loss, and remeasurements, which are recognized directly in equity after deducting deferred taxes. Pursuant to the criteria of IAS 19, provisions for pension obligations covered by assets held by a long-term benefit fund or by qualifying insurance policies are offset against the related fund assets (plan assets) taking account of the asset ceiling. Assets of an external insurance company or a fund are recognized as plan assets under IAS 19 if these assets can be used exclusively to pay or fund employee benefits and are protected from potential creditors.</p>
Other provisions	<p>Other provisions are recorded pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and can be reliably determined. These are uncertain liabilities recognized on the basis of a best estimate of the amount needed to settle the obligations. If the amount of the provision can only be determined within a range, the most probable figure is used. If there is no difference in the level of probability, the weighted average is taken. Provisions with a residual term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.</p>

Liabilities	<p>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 (please refer to the explanations on leases). Trade payables and other non-derivative financial liabilities are recorded at amortized cost. Other liabilities are recorded at the settlement amount. Liabilities for restructuring are recognized to the extent that a detailed formal plan has been prepared and communicated to the parties concerned. Liabilities that do not lead to an outflow of resources in the following year are discounted at market interest rates as of the end of the reporting period.</p>
Deferred taxes	<p>Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 "Income Taxes". This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS accounting profit nor the taxable profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from investments in subsidiaries or associates, and interests in joint ventures, unless the parent can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future. Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.</p> <p>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.</p> <p>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.</p>
Share-based payment	<p>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.</p>
Research and non-capitalizable development costs	<p>Research and non-capitalizable development costs are recorded with an effect on income on the date they are incurred.</p>
Contingent liabilities	<p>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:</p> <ul style="list-style-type: none"> ▪ it is not probable that an outflow of resources embodying economic benefits will be required to settle this obligation or ▪ the amount of the obligation cannot be measured with sufficient reliability. <p>A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.</p>

3.11 OVERVIEW OF SELECTED MEASUREMENT METHODS

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

Other measurement methods may apply in the event of impairment.

Fair value Pursuant to IFRS 13 “Fair Value Measurement”, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For measuring the fair value of a non-financial asset, IFRS 13 is geared to the highest and best usage of the asset. According to this standard, the highest and best use is the usage of a non-financial asset by market participants which would maximize the value of the asset or group of assets and liabilities (e.g., business operation) in which the assets would be used.

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 2013 and 2012 reporting periods. The number of shares has doubled as a result of issuing bonus shares on May 27, 2013, (see also note 25). The prior-year figure was adjusted accordingly.

3.12 EARNINGS PER SHARE

		2013	2012
Profit attributable to the shareholders of Dürr AG	€k	140,069	107,195
Number of shares issued (weighted average)	thousands	34,601	34,601
Earnings per share (basic and diluted)	€	4.05	3.10

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.

Costs and estimated earnings in excess of billings

Customer-specific 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. A precise assessment of the degree of completion is essential in this respect. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly.

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. 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, 2013, was € 286,971 thousand (prior period: € 288,159 thousand). Please refer to note 18 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. The actual amounts may differ from the estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Please refer to note 17 for further details.

Pensions and other post-employment benefit plans

The cost of defined benefit plans is determined using actuarial calculations. This involves making assumptions about discount rates, 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. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Pension provisions amounted to € 49,762 thousand as of December 31, 2013 (prior period: € 53,480 thousand). Please refer to note 27 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, 2013, was € 11,325 thousand (prior period: € 11,768 thousand).

Put options for shares held by non-controlling interests

In the course of the first-time full consolidation of CPM S.p.A. in the 2007 reporting period, Thermea Energiesysteme GmbH in the 2012 reporting period and Luft- und Thermochnik Bayreuth GmbH in the 2013 reporting period, put options for the shares held by non-controlling interests were measured at fair value in accordance with IAS 32 and recognized under sundry financial liabilities. The fair value is calculated at the end of each reporting period. In the case of CPM S.p.A., this requires an estimate to be made regarding the future earnings. The higher of the business value determined using a multiplier method and a proportionate fixed price is definitive for the option relating to Thermea Energiesysteme GmbH. The value of the option of Luft- und Thermochnik Bayreuth GmbH is determined by taking the average of the past and future results valued with a multiplier less financial liabilities on the exercise date.

Call option for shares held by non-controlling interests

As part of the purchase of Thermea Energiesysteme GmbH, a call option exercisable at any time was concluded covering additional shares held by non-controlling interests. Pursuant to IAS 39, the call option is treated as a financial asset in a similar way to a derivative based on a share in a subsidiary. The exercise price for the call option is capped. The fair value of the call option came to € 0 thousand as of December 31, 2013 (prior period: € 0 thousand). In the event that the proportionate business value of Thermea Energiesysteme GmbH exceeds the capped exercise price in the future the value of the financial asset will be adjusted through profit or loss.

Share-based payment

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

Assets and liabilities held for sale

Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", assets held for sale are stated at their fair value less costs to sell provided that this is lower than the carrying amount. The calculation of the fair value less costs to sell, includes estimates and assumptions by management which are subject to a certain degree of uncertainty. The actual proceeds from the sale may deviate from the assumptions made.

Estimates and assumptions are also required for the recognition and measurement of bad debt allowances (cf. notes 21 and 40) 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

3.13	SALES REVENUES	
€ k	2013	2012
Contract revenues	1,681,816	1,703,205
Revenues from services	535,634	506,930
Other sales revenues	189,423	189,695
	2,406,873	2,399,830

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 2013 reporting period, the cost of sales amounted to € 1,919,524 thousand (prior period: € 1,962,040 thousand), which corresponds to a gross margin of 20.2 % (prior period: 18.2 %). The exchange rate gains arising from sales of € 11,436 thousand (prior period: € 9,921 thousand) and exchange rate losses arising from sales of € 13,520 thousand (prior period: € 13,242 thousand) are included in the cost of sales. The cost of sales contains depreciation and amortization of non-current assets of € 16,336 thousand (prior period: € 15,543 thousand). However, cost of sales does not include any finance costs recognized on account of IAS 23 "Borrowing Costs".

9. SELLING EXPENSES

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

3.14	SELLING EXPENSES	
€ k	2013	2012
Personnel expenses	92,856	88,010
Amortization and depreciation of non-current assets	1,646	1,086
Write-downs of receivables	1,772	650
Additions and releases of bad debt allowances on trade receivables	561	510
Other selling expenses	31,374	33,427
	128,209	123,683

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

10. GENERAL ADMINISTRATIVE EXPENSES

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

3.15 GENERAL ADMINISTRATIVE EXPENSES

€k	2013	2012
Personnel expenses	68,858	66,891
Amortization and depreciation of non-current assets	4,199	4,402
Other administrative expenses	36,431	30,720
	109,488	102,013

11. RESEARCH AND DEVELOPMENT COSTS

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

3.16 RESEARCH AND DEVELOPMENT COSTS

€k	2013	2012
Personnel expenses	20,579	16,446
Amortization and depreciation of non-current assets	5,165	7,234
Capitalized development costs	– 3,446	– 3,072
Other research and development costs	20,681	16,610
	42,979	37,218

Of the total amount reported as depreciation and amortization of non-current assets, an amount of € 3,901 thousand (prior period: € 6,111 thousand) is attributable to capitalized development costs.

12. PERSONNEL EXPENSES

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

3.17 PERSONNEL EXPENSES

€k	2013	2012
Wages and salaries	436,024	401,011
Social security contributions	83,832	75,432
	519,856	476,443
of which post-employment benefits	33,370	29,579

Personnel expenses include flat-rate refunds from the federal employment agency in Germany of € 142 thousand (prior period: € 430 thousand). These refunds were made for filling positions made vacant by individual workers released under phased retirement schemes at various German entities. In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" these refunds are disclosed net of the associated costs. Reference is also made to note 14.

13. OTHER OPERATING INCOME AND EXPENSES

3.18 OTHER OPERATING INCOME AND EXPENSES		
€k	2013	2012
Other operating income		
Exchange rate gains	12,538	15,832
Income from litigation	2,001	–
Government grants	2,462	2,330
Gains on disposal of non-current assets	460	104
Rental and lease income	417	673
Reversal of provisions	153	1,331
Insurance claims	88	258
Adjustment of contingent purchase price installments	17	–
Sundry	2,870	3,925
	21,006	24,453
Other operating expenses		
Exchange rate losses	13,328	15,635
Expenses from the write-down of assets held for sale	4,451	–
Expenses for other local taxes	1,883	596
Expenses for training facility	899	682
Cost of litigation	396	380
Incidental cost of monetary transactions	346	407
Factoring	242	388
Losses on disposal of non-current assets	199	490
Expenses relating to the settlement of pensions of former employees	–	1,064
Sundry	2,944	2,791
	24,688	22,433

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

14. GOVERNMENT GRANTS

Government grants of € 2,606 thousand were received in the 2013 reporting period to subsidize expenditures of the Group (prior period: € 2,386 thousand). The grants include subsidies for cost-intensive innovations and reimbursements from the federal employment agency in Germany (see note 12).

In addition, government grants reduced the historical cost of assets by € 292 thousand in the prior period.

15. PROFIT FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

The profit from entities accounted for using the equity method amounted to € 594 thousand (prior period: € 452 thousand). It contains the share of earnings from the accounting using the equity method as well as impairment losses recognized on investments in entities accounted for using the equity method. The investment in LaTherm GmbH, Dortmund, Germany, included in the consolidated financial statements as an associate using the equity method, was written

down in full by an amount of € 452 thousand as the company filed for insolvency. A loan granted to LaTherm GmbH of € 98 thousand was derecognized through profit or loss in the 2013 reporting period. Currency effects were recorded in other comprehensive income.

16. NET INTEREST

3.19	NET INTEREST	
€ k	2013	2012
Interest and similar income	3,788	2,963
Interest and similar expenses	-22,830	-32,604
of which from:		
Nominal interest expenses on corporate bond	-16,313	-16,313
Amortization of transaction costs, premium from a bond issue and from a syndicated loan	179	-717
Non-recurring effects from adjustment of the syndicated loan from 2011 and the EIB's loan commitment	-	-3,041
Interest expenses from finance leases	-335	-400
Net interest expenses from the measurement of pension obligations	-1,720	-2,828
Reduction in the discount rate used for measuring liabilities from lifetime accounts	-	-3,433
Other interest expenses	-4,641	-5,872
Net interest	-19,042	-29,641

In accordance with the changes regarding IAS 19 (rev. 2011), interest income from plan assets are offset against the interest expenses from the measurement of defined benefit obligations. The prior-year figures have been restated accordingly.

In the 2013 reporting period, interest expenses were not reduced by finance costs relating to long-term construction contracts in accordance with IAS 23 "Borrowing Costs" (prior period: € 0 thousand) as the contracts did not require any external financing.

17. INCOME TAXES

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

Domestic deferred taxes are calculated using a tax rate of 29.5 % (prior period: 29.5 %).

3.20	COMPOSITION OF INCOME TAX EXPENSE	
€ k	2013	2012
Current income taxes		
Income tax expense Germany	15,634	7,110
Income tax expense other countries	32,371	26,172
Adjustment for prior periods	-1,766	-1,837
Total current taxes	46,239	31,445
Deferred taxes		
Deferred tax expense Germany	16,100	5,292
Deferred tax income other countries	-18,666	-392
Total deferred taxes	-2,566	4,900
Total tax expense	43,673	36,345

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

3.21 RECONCILIATION OF THE INCOME TAX EXPENSE

€k	2013	2012
Earnings before income taxes	184,579	147,730
Theoretical income tax expense in Germany of 29.5 % (prior period: 29.5 %)	54,451	43,580
Adjustments of income taxes incurred in prior periods	- 1,766	- 1,837
Non-deductible operating expenses and withholding taxes	7,252	6,854
Foreign tax rate differential	- 1,904	- 581
Unrecognized deferred tax assets especially on unused tax losses	3,607	2,045
Tax losses for which no deferred tax assets were recognized	- 4,968	- 2,103
Change in tax rates	72	-
Change in write-downs on deferred tax assets	- 3,208	- 4,572
Subsequent recognition of deferred taxes in particular on unused tax losses	- 8,700	- 6,831
Zero-rated income	- 1,013	- 682
Other	- 150	472
Total income tax expense of the Dürr Group	43,673	36,345

In Germany, unused tax losses amounted to € 34,031 thousand for corporate income tax purposes plus the solidarity surcharge as of December 31, 2013 (prior period: € 83,184 thousand). Unused tax losses for trade tax purposes amount to € 42,567 thousand (prior period: € 59,483 thousand) and deductible interest expenses carried forward amount to € 0 thousand (prior period: € 5,969 thousand).

Pursuant to IAS 12 "Income Taxes", a deferred tax asset should be recognized on unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In calculating the possibilities for utilizing tax losses, Dürr uses a four-year planning horizon and takes into account the minimum taxation rule applicable in certain countries. In the 2013 reporting period deferred tax assets were recognized on unused tax losses in some tax jurisdictions for the first time as a result of the improved earnings situation. The total value of these deferred taxes amounts to € 11,908 thousand. The profit and loss transfer agreement between Dürr AG and Carl Schenck AG which had been in place since fiscal year 2008 was terminated with effect as of midnight on December 31, 2012. This meant that Dürr recorded a non-recurring effect in the prior period from the first-time recognition of deferred tax assets on unused tax losses of € 6,831 thousand and from changes in write-downs of loss and interest carryforwards of € 5,181 thousand in Germany.

In sum, unused tax losses amounted to € 166,684 thousand (previous year: € 252,943 thousand) as of December 31, 2013. There were also unused tax losses of € 19,601 thousand in segments classified as assets held for sale and for which no deferred tax assets are recognized. Unused tax losses for which no deferred tax assets were recognized came to € 103,620 thousand (prior period € 167,950 thousand). The decrease was primarily attributable to tax losses subsequently capitalized in other countries. Unused tax losses of € 836 thousand (prior period: € 1,038 thousand) will expire within the next five years and € 70,648 thousand (prior period: € 87,454 thousand) within the next 20 years. At present, the remaining unused tax losses do not expire.

3.22 DEFERRED TAX ASSETS AND LIABILITIES

€ k	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
	Dec. 31, 2013	Dec. 31, 2012	2013	2012
Deferred tax assets				
Accounting for intangible assets	1,449	2,153	704	730
Revaluation of land and buildings	372	154	– 218	50
Revaluation of financial assets	–	66	66	– 13
Bad debt allowances	359	338	– 21	78
Interest/currency transactions	57	80	297	– 783
Customer-specific construction contracts	26,193	26,387	194	– 14,865
Post-employment benefits	5,652	7,035	910	3,860
Provisions not recognized for tax purposes	3,816	4,189	373	– 906
Interest and tax loss carryforwards	21,630	23,124	1,494	9,589
Total deferred tax assets before write-downs	59,528	63,526		
Write-downs	– 5,955	– 9,163	– 3,208	– 4,572
Total deferred tax assets	53,573	54,363		
Netting	– 29,886	– 38,888		
Net deferred tax assets	23,687	15,475		
Deferred tax liabilities				
Accounting for intangible assets	– 2,689	– 3,124	– 435	122
Capitalized development costs	– 3,103	– 2,757	346	– 190
Tax-deductible impairment of goodwill	– 14,337	– 14,287	50	302
Revaluation of land and buildings	– 10,344	– 10,688	– 344	– 304
Measurement of shares in subsidiaries	– 6,144	– 5,342	802	1,735
Customer-specific construction contracts	– 35,181	– 37,566	– 2,385	11,106
Amortization of costs related to the bond and the syndicated loan	– 334	– 505	– 171	– 1,208
Total deferred tax liabilities	– 72,132	– 74,269		
Netting	29,886	38,888		
Net deferred tax liabilities	– 42,246	– 35,381		
Currency effects reported in equity			– 1,020	169
Deferred tax expense/income			– 2,566	4,900

The currency effects of € – 1,020 thousand (prior period: € 169 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2013 reporting period, deferred taxes of € – 199 thousand were recognized in other comprehensive income (prior period: € 2,102 thousand).

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The income taxes and withholding taxes on distributable profits from subsidiaries are reported under deferred tax liabilities if it can be assumed that these profits will be subject to the corresponding taxation, or if there is a plan not to reinvest these profits for the long-term. No deferred tax liabilities were recognized on the accumulated profits of subsidiaries of € 111,954 thousand (prior period: € 67,351 thousand) as it is intended to reinvest these profits for an indefinite period.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details regarding the changes in the Group's intangible assets and property, plant and equipment are presented in the statement of changes in non-current assets in note 43.

There were no indications on the reporting date that the brand names Agramkow, Thermea and Luft- und Thermotechnik Bayreuth, which have an indefinite useful life and are recognized under intangible assets at € 2,719 thousand (prior period: brand names Agramkow and Thermea: € 2,170 thousand), are impaired. Dürr intends to continue using these brand names in future.

Prepayments relate exclusively to franchises, industrial rights and similar rights as well as property, plant and equipment. Property, plant and equipment are recognized as assets under construction if costs for own or third-party work have already been incurred for their manufacture but they have not been completed by the end of the reporting period.

As of December 31, 2013, there were contractual obligations for the purchase of property, plant and equipment for € 1,413 thousand (prior period: € 4,200 thousand). Most of these relate to obligations in connection with expanding the German locations.

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

3.23 AMORTIZATION AND DEPRECIATION

€ k	2013			2012		
	Intangible assets	Property, plant and equipment	Total amortization and depreciation	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	- 6,350	- 9,986	- 16,336	- 6,338	- 9,205	- 15,543
Selling expenses	- 464	- 1,182	- 1,646	- 193	- 893	- 1,086
General administrative expenses	- 1,228	- 2,971	- 4,199	- 1,267	- 3,135	- 4,402
Research and development costs	- 4,209	- 956	- 5,165	- 6,281	- 953	- 7,234
Other operating expenses	-	- 33	- 33	-	- 32	- 32
Interest and similar expenses	-	-	-	- 850	-	- 850
	- 12,251	- 15,128	- 27,379	- 14,929	- 14,218	- 29,147

In the 2013 reporting period no impairment losses or reversals on impairment losses on intangible assets and property, plant and equipment were recognized. The impairment losses on intangible assets of € 1,984 thousand in the prior period relate to transaction costs for the syndicated loan from 2011 as material contractual terms were amended and were attributable to the Corporate Center. The impairment losses recognized in the prior period were recognized under interest and similar expenses in the statement of income.

Impairment test for goodwill

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. Dürr has identified the business units within its divisions as cash-generating units. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all business units.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the business units exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. The pre-tax discount rate for

the cash flow forecast ranged from 8.78 % to 9.02 % in the reporting period 2013 (prior period: 8.63 % to 8.91 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (prior period: 1.5 %) based on the long-term growth rate of the business units.

Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and business units. They are based on the figures determined in the previous reporting periods taking anticipated price and cost developments as well as efficiency increases into account.

Cost of capital (discount rate)

The cost of capital is the weighted average cost of debt and equity before tax. When calculating the cost of equity, a beta factor is taken into account, which is derived from capital market data and the capital structure of Dürr's benchmark companies. Cost of debt is based on a base interest rate for government bonds and a markup derived from the credit rating of benchmark companies.

Increase in the price of raw materials

The increase in the price of upstream products and raw materials purchased by Dürr is primarily derived from the expected increase in the prices of those commodities needed to manufacture the goods or materials. These, in turn, are determined from the forecast price indices of the countries from which the upstream products and raw materials are procured by the respective group entities.

Increase in payroll costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.6 % p.a. from 2014 onwards (prior period: 2.6 % p.a.). The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

Sensitivity analysis of goodwill

Independent of the current economic state of the automobile industry and the expectations for the future, Dürr conducted sensitivity analyses of the recoverability of the goodwill carried in its business units. The impact of the following scenarios was calculated:

- Decrease of 10 % in EBIT in all years within the planning horizon beginning in 2014 (in comparison to the figures projected in the business plans)
- Increase of 0.5 percentage points in the discount rate
- Decrease in the rate of growth for the terminal value to 1.0 %

The sensitivity analyses revealed that, from today's perspective, no impairment loss needed to be recognized on goodwill in any of the business units even under these assumptions.

Development of goodwill

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

3.24 DEVELOPMENT OF GOODWILL

€ k	Carrying amount as of Jan. 1, 2012	Exchange difference	Additions	Carrying amount as of Dec. 31, 2012	Exchange difference	Additions	Reclassification to held for sale	Carrying amount as of Dec. 31, 2013
Paint and Final Assembly Systems	89,950	-250	-	89,700	-892	-	-	88,808
Aircraft and Technology Systems	7,563	-	-	7,563	-	-	-	7,563
Paint and Assembly Systems	97,513	-250	-	97,263	-892	-	-	96,371
Application Technology	62,726	-208	-	62,518	-350	-	-	62,168
Application Technology	62,726	-208	-	62,518	-350	-	-	62,168
Balancing and Assembly Products	100,716	-182	-	100,534	-375	-	-	100,159
Cleaning and Filtration Systems	17,929	-259	-	17,670	-597	-	-819	16,254
Measuring and Process Systems	118,645	-441	-	118,204	-972	-	-819	116,413
Clean Technology Systems	5,598	-108	4,684	10,174	-232	2,077	-	12,019
Clean Technology Systems	5,598	-108	4,684	10,174	-232	2,077	-	12,019
Dürr Group	284,482	-1,007	4,684	288,159	-2,446	2,077	-819	286,971

Effective January 1, 2014, the Cleaning and Filtration Systems business unit was renamed Cleaning and Surface Processing.

The fall in goodwill from the reclassification to assets held for sale is attributable to the filtration technology segment of Dürr Ecoclean Inc. in the US that was sold. The change in goodwill from acquisition is explained below.

Acquisitions Dürr EDAG Aircraft Systems GmbH/Dürr Parata GmbH

Effective January 1, 2013, Dürr acquired the remaining 50 % of the shares in Dürr EDAG Aircraft Systems GmbH, Fulda, Germany. Following the acquisition, Dürr EDAG Aircraft Systems GmbH was renamed Dürr Parata GmbH and the company's headquarters moved to Stuttgart. The company was founded, among other things, for the purpose of selling systems in joint projects with EDAG.

First-time full consolidation of Dürr Parata GmbH was performed pursuant to IFRS 3 "Business Combinations" using the purchased goodwill method as the acquisition method of accounting. The profit or loss of the acquired entity was included in the consolidated financial statements as of the date of first-time consolidation.

The acquisition costs for the shares in Dürr Parata GmbH amounted to € 50 thousand and were settled in cash.

Offsetting the fair value of the shares of € 51 thousand against the acquired net assets of € 52 thousand produced a negative difference of € 1 thousand, which was immediately recognized in other operating income through profit or loss.

Dürr EES GmbH/Luft- und Thermotechnik Bayreuth GmbH

On June 6, 2013, an agreement was signed to acquire the assets from the insolvent environmental technology specialist Luft- und Thermotechnik Bayreuth GmbH. Following approval of the federal antitrust office and fulfillment of additional conditions precedent, the acquisition was performed effective July 4, 2013. The assets and related liabilities were transferred to the previously unconsolidated company Dürr EES GmbH, Stuttgart. At the same time, a general manager at the company acquired a 19.9 % shareholding. Subsequently, the entity was renamed Luft- und Thermotechnik Bayreuth GmbH and moved to Goldkronach. The company has been recognized as a fully consolidated company of the Dürr Group since July 4, 2013, and manufactures plant and equipment for purifying exhaust gases as well as air purification. The acquisition allows Dürr to strengthen its market position in the area of waste air purification technology, expand its technology portfolio and increase the depth of added value in the area of Clean Technology Systems.

Purchase accounting for Luft- und Thermotechnik Bayreuth GmbH was performed in accordance with IFRS 3 "Business Combinations" using the purchased goodwill method. The earnings of the entity were included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for the assets and related liabilities of Luft- und Thermotechnik Bayreuth GmbH allocable to Dürr amounted to € 8,982 thousand and was settled in cash. The acquisition-related costs of the purchase of the assets came to € 166 thousand and were recognized as an expense under general administrative expenses.

The goodwill from the first-time consolidation of Luft- und Thermotechnik Bayreuth GmbH and the acquired net assets are as follows:

3.25 GOODWILL FROM THE ACQUISITION OF LUFT- UND THERMOTECHNIK BAYREUTH GMBH 2013		
€ k		
Purchase price attributable to Dürr		8,982
Fair value of net assets	- 7,318	
of which attributable to non-controlling interests	413	
of which attributable to Dürr		- 6,905
Goodwill		2,077

The goodwill of € 2,077 thousand reflects synergies in the areas of research and development, procurement and sales in the waste air purification technology segment and the earnings prospects of Luft- und Thermotechnik Bayreuth GmbH. It has been allocated to the Clean Technology Systems business unit and is tax deductible.

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

3.26 ALLOCATION OF THE PURCHASE PRICE FOR LUFT- UND THERMOTECHNIK BAYREUTH GMBH 2013			
€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	792	2,543	3,335
Property, plant and equipment	2,898	918	3,816
Inventories and prepayments	514	-	514
Receivables and other assets	22	-	22
Cash and cash equivalents	-	-	-
Non-current liabilities	- 21	-	- 21
Current liabilities	- 348	-	- 348
Net assets	3,857	3,461	7,318

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 related to intangible assets, specifically technological know-how and customer relationships, order opportunities and the Luft- und Thermotechnik Bayreuth brand name that had been capitalized in the purchase price allocation process. A plot of land with buildings was also adjusted to the market value. No contingent liabilities were recognized in the purchase accounting.

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

**3.27 USEFUL LIFE OF INTANGIBLE ASSETS ACQUIRED
IN BUSINESS COMBINATIONS IN 2013**

	Fair value (€ k)	Useful life (years)
Technological know-how	1,693	8
Customer relationships	513	8
Order opportunities	580	2.5
Brand name	549	indefinite
	3,335	

The intangible assets acquired in the business combination were measured using an income approach. The fair value of technological know-how and the brand name were measured using the relief from royalty method, the fair value of customer relationships and the order opportunities were measured using the multi-period excess earnings method.

In the course of the business combination of Luft- und Thermotechnik Bayreuth GmbH a put option held by the non-controlling interests was recorded as a sundry financial liability. The counter-entry was revenue reserves which were offset against non-controlling interests in equity of € 413 thousand. In subsequent periods the option will be measured at fair value. The changes in fair value will be reported directly in revenue reserves.

The earnings contributed by the first-time consolidated companies as of the date of first-time consolidation until December 31, 2013, are summarized as follows:

**3.28 EARNINGS CONTRIBUTION FROM ACQUISITION
FROM FIRST-TIME CONSOLIDATION**

€ k	
Sales revenues	8,842
Earnings before investment income, interest and income taxes	1,238
Earnings before income taxes	1,028
Profit for the period	719

If Luft- und Thermotechnik Bayreuth GmbH had been included in the consolidated group as of January 1, 2013, group sales revenues for the 2013 reporting period would have amounted to € 2,415,191 thousand and the Group's profit for the period would have been € 140,543 thousand.

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, 2013, the share of the entities consolidated for the first time, Dürr Parata GmbH und Luft- und Thermotechnik Bayreuth GmbH, in total assets and sales revenues amounted to only 0.19 % and 0.37 %, respectively.

Land and buildings

In the prior period, Dürr acquired various plots of land and buildings at the Bietigheim-Bissingen location. In the 2013 reporting period the buildings that served to expand capacities were completed. A further plot of land with buildings was acquired in Bietigheim-Bissingen. At the Rheineck location in Switzerland an additional building was constructed, again in order to expand capacities. Likewise, a plot of developed land was acquired in Port Elizabeth in South Africa which offers more space than the previous location.

Two developed plots of land in the US and France were classified as held for sale and reclassified as current assets. As part of the sale of the filtration technology segment, an additional plot of land in the US was initially reclassified as held for sale and then sold as of November 30, 2013.

In the reporting period 2013, a building in the UK and a heating water distribution grid in Germany were recognized as finance lease assets in land and buildings. Dürr is not the legal owner of the building or the heating water distribution grid. The depreciation recorded on these properties is included in the depreciation of property, plant and equipment. In the 2012 reporting period, a new finance lease agreement was concluded for the building in the UK. This resulted in the acquisition costs of the land and buildings increasing by € 967 thousand in the prior period.

The table below shows cost and accumulated depreciation and impairment losses for these properties which are reported as finance leases under property, plant and equipment.

3.29 PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS

€ k	Dec. 31, 2013	Dec. 31, 2012
Historical cost	6,258	6,342
Accumulated depreciation and impairment losses	-2,770	-2,535
Net carrying amount	3,488	3,807

Investment property

Dürr distinguishes between property that is largely owner-occupied and property that is mostly let to third parties. A property is considered to be largely used by third parties if more than 90 % of it is let to third parties. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt, Germany. In the 2013 reporting period, these properties generated rental income of € 3,449 thousand (prior period: € 3,427 thousand). The future rental income based on the existing agreements breaks down as follows:

3.30 FUTURE RENTAL INCOME

€ k	Dec. 31, 2013	Dec. 31, 2012
Less than one year	3,169	3,162
Between one and five years	5,253	3,632
More than five years	1,856	1,410
	10,278	8,204

Directly attributable expenditure amounted to € 1,754 thousand (prior period: € 1,921 thousand). Of this amount, € 86 thousand (prior period: € 96 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 2013 reporting period, the composition of these properties changed slightly on account of changes to own and third-party use. The fair value came to € 30,810 thousand as of December 31, 2013, taking into account additions due to subsequent expenditure (prior period: € 29,050 thousand) and is allocated to level 3 in the fair value hierarchy (for more information on the fair-value hierarchy levels please see note 34). An internal calculation prepared on an annual basis is

used to determine the fair value of the investment properties; no valuer was consulted in determining the values. Fair value of the property 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 10 % (prior period: 15 %) and a property yield of 7.5 % (prior period: 7.5 %) was used in the calculation. The accumulated cost of land and buildings came to € 42,796 thousand as of January 1, 2013, and € 42,375 thousand as of December 31, 2013. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 19,618 thousand as of January 1, 2013, to € 20,130 thousand as of December 31, 2013.

The table below presents a reconciliation of the development of the carrying amount of the investment property belonging to the Measuring and Process Systems division from the beginning to the end of the reporting period.

3.31 INVESTMENT PROPERTY		
€ k	2013	2012
As of January 1	23,178	22,333
Additions of buildings from change in use	–	2,918
Additions from subsequent expenditure	243	80
Disposals from change in use	– 584	–
Disposal from acquisition costs	– 80	– 104
Reclassifications	–	70
Depreciation	– 887	– 852
Change in depreciation from change in use	299	– 1,371
Disposals from accumulated depreciation and impairment losses	76	104
As of December 31	22,245	23,178

19. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

Investments in entities accounted for using the equity method

Effective January 1, 2013, the remaining 50 % of the shares in Dürr EDAG Aircraft Systems GmbH, Fulda, Germany, were acquired and fully consolidated for the first time. Following the acquisition, Dürr EDAG Aircraft Systems GmbH was renamed Dürr Parata GmbH and the company's headquarters moved to Stuttgart. The entity was recognized as a joint venture under "Investments in entities accounted for using the equity method" until December 31, 2012.

The investment in LaTherm GmbH, Dortmund, Germany, included in the consolidated financial statements as an associate using the equity method, was written down in full as the company filed for insolvency.

Effective October 12, 2013, 49 % of the shares in Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, P. R. China, were acquired. The entity is recognized as an associate under "Investments in entities accounted for using the equity method".

3.32 ASSOCIATES

€k	2013	2012
Total assets	38,069	41,469
Non-current assets	4,067	5,665
Current assets	34,002	35,804
Non-current liabilities	6,261	7,566
Current liabilities	8,458	8,460
Sales revenues	28,186	40,434
Profit for the year	2,759	878

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.

In the prior period, total assets and current assets of the joint ventures amounted to € 33 thousand, while current liabilities came to € 7 thousand. The share of profit from joint ventures accounted for using the equity method amounted to € 2 thousand, expenses to € 0 thousand. Contingent liabilities for the joint ventures amounted to € 314 thousand.

For further information on the consolidated companies, please refer to notes 3 and 4.

Other financial assets 3.33 OTHER FINANCIAL ASSETS

€k	Dec. 31, 2013	Dec. 31, 2012
Other investments	2,456	2,356
Securities classified as non-current assets	27,711	11,255
Other loans	451	602
	30,618	14,213

Securities classified as non-current assets mainly comprise corporate bonds that are held to maturity. The carrying amount of these securities came to € 27,355 thousand (prior period: € 10,908 thousand). As part of its investment strategy, Dürr invests its free liquidity in higher interest-bearing securities from European issuers in order to improve its net interest.

A loan recognized under other loans was partially written down. The write-down amounted to € 151 thousand and is included in the statement of income under interest and similar expenses.

20. INVENTORIES AND PREPAYMENTS**3.34 INVENTORIES AND PREPAYMENTS**

€k	Dec. 31, 2013	Dec. 31, 2012
Materials and supplies	85,555	87,939
less write-downs	-11,723	-10,214
Work in process from small series production	34,395	28,833
less write-downs	-1,184	-830
Finished goods	12,696	9,566
less write-downs	-3,428	-2,310
Prepayments	31,703	31,544
	148,014	144,528

Materials and supplies of € 76,699 thousand (prior period: € 79,569 thousand) were measured at average cost and € 8,856 thousand (prior period: € 8,370 thousand) using the FIFO method (first in, first out). On aggregate, write-downs on inventories increased to € 16,335 thousand (prior period: € 13,354 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the reporting period 2013 of € 4,976 thousand (prior period: € 9,383 thousand) were recognized in profit or loss.

21. TRADE RECEIVABLES

3.35 TRADE RECEIVABLES

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	357,129	357,129	–	349,163	349,163	–
Trade receivables due from third parties	318,544	318,443	101	345,654	345,283	371
Trade receivables due from entities accounted for using the equity method	21	21	–	162	162	–
	675,694	675,593	101	694,979	694,608	371

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

3.36 AGEING ANALYSIS OF TRADE RECEIVABLES

€ k	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS		TRADE RECEIVABLES DUE FROM THIRD PARTIES		TRADE RECEIVABLES DUE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Neither past due nor impaired at the end of the reporting period	357,129	349,163	237,139	228,176	21	162
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	50,350	72,571	–	–
between 3 and 6 months	–	–	16,053	30,594	–	–
between 6 and 9 months	–	–	4,156	4,941	–	–
between 9 and 12 months	–	–	1,526	1,342	–	–
more than 12 months	–	–	8,671	5,729	–	–
Total	–	–	80,756	115,177	–	–
Net receivables on which specific bad debt allowances have been recognized	–	–	649	2,301	–	–
Net carrying amount	357,129	349,163	318,544	345,654	21	162

With respect to the trade receivables that were neither impaired nor past due, there was no indication at the end of the reporting period that the debtors would not meet their payment obligations.

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

3.37 CHANGES IN BAD DEBT ALLOWANCES

€ k	2013	2012
As of January 1	7,185	7,203
Exchange difference	- 39	- 26
Utilization	- 1,737	- 502
Unused amounts reversed	- 1,403	- 2,312
Increases (impairment charge)	1,964	2,822
Reclassification to held for sale	- 357	-
As of December 31	5,613	7,185

Receivables of € 1,772 thousand (prior period: € 650 thousand) were derecognized in the 2013 reporting period; € 1,737 thousand (prior period: € 502 thousand) thereof had already been written down in the prior period. The remaining € 35 thousand (prior period: € 148 thousand) was derecognized through profit or loss in the 2013 reporting period.

3.38 COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS

AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs and estimated earnings	1,583,275	1,583,275	-	1,221,846	1,221,846	-
Less billings	1,226,146	1,226,146	-	872,683	872,683	-
Costs and estimated earnings in excess of billings	357,129	357,129	-	349,163	349,163	-
Liabilities						
Costs and estimated earnings	1,202,914	1,202,914	-	1,200,637	1,200,637	-
Less billings	1,774,489	1,774,489	-	1,654,782	1,640,012	14,770
Billings in excess of costs on uncompleted contracts	571,575	571,575	-	454,145	439,375	14,770
Total						
Costs and estimated earnings	2,786,189	2,786,189	-	2,422,483	2,422,483	-
Less billings	3,000,635	3,000,635	-	2,527,465	2,512,695	14,770
Billings in excess of costs on uncompleted contracts	214,446	214,446	-	104,982	90,212	14,770

These amounts are offset on a contract basis and are included in either costs and estimated earnings in excess of billings (assets) or billings in excess of costs and estimated earnings (liabilities). Please also refer to note 30.

22. SUNDRY FINANCIAL ASSETS

3.39 SUNDRY FINANCIAL ASSETS

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	3,037	2,701	336	3,196	2,944	252
Rent deposits and other collateral provided	5,557	2,868	2,689	4,588	1,867	2,721
Time deposits	51,300	51,300	–	13,777	13,777	–
Held-for-trading financial assets	10,052	10,052	–	4,023	4,023	–
Remaining sundry financial assets	8,255	7,276	979	13,427	13,246	181
	78,201	74,197	4,004	39,011	35,857	3,154

Remaining sundry financial assets include balances at suppliers of € 3,710 thousand (prior period: € 3,699 thousand) and receivables from employees totaling € 1,861 thousand (prior period: € 2,108 thousand).

For the disclosures required by IFRS 7, please refer to note 34.

Of the gross amount of sundry financial assets of € 78,272 thousand (prior period: € 39,144 thousand), € 78,201 thousand (prior period: € 39,011 thousand) was neither past due nor impaired on the reporting date. For these assets there is no indication that the debtors will not be able to meet their payment obligations. Impairment of sundry financial assets developed as follows:

3.40 MOVEMENTS IN THE PROVISIONS FOR IMPAIRMENT OF SUNDRY FINANCIAL ASSETS

€ k	2013	2012
As of January 1	133	134
Exchange difference	– 9	3
Utilization	– 53	–
Unused amounts reversed	–	– 4
As of December 31	71	133

23. OTHER ASSETS

3.41 OTHER ASSETS

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Total	Current	Non-current	Total	Current	Non-current
Tax refund claims without income taxes	18,957	18,759	198	22,128	22,035	93
Sundry	–	–	–	206	199	7
	18,957	18,759	198	22,334	22,234	100

Of the gross amount of tax refund claims excluding income taxes of € 18,978 thousand (prior period: € 22,128 thousand), € 21 thousand (prior period: € 0 thousand) was written down.

24. ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

On October 23, 2013, the Board of Management resolved to sell the filtration technology segment of Dürr Ecoclean Inc. in the US. This measure was part of the strategy of the Cleaning and Filtration Systems business unit (renamed Cleaning and Surface Processing on January 1, 2014) to concentrate on the core business in industrial cleaning technology. Furthermore, the Filtration Technology business was limited to North America and did not offer any synergies with other Dürr locations. The segment classified as held for sale was sold as of November 30, 2013. The assets sold comprised intangible assets and property, plant and equipment as well as inventories and costs and estimated earnings in excess of billings. Liabilities sold contained billings in excess of costs on uncompleted contracts and, to a small extent, liabilities for other taxes. The selling price amounted to € 3,513 thousand. Not sold were trade receivables and payables with a carrying amount of € 2,058 thousand. Revaluation of assets and liabilities held for sale resulted in an impairment loss of € 1,086 thousand.

Also as part of concentrating on the core business in industrial cleaning technology, the Board of Management resolved on December 20, 2013, to sell the automation segment of Dürr Ecoclean S.A.S. in France. Assets and the related liabilities (disposal group) are classified as held for sale as of this date and accounted for at the lower of their carrying amount and fair value less costs to sell.

Assets held for sale also contain a plot of land with buildings in the US. When reviewing the real estate portfolio, real estate not needed for operating purposes was identified for sale.

The measurement at fair value of assets and liabilities classified as held for sale gave rise to impairments of € 3,365 thousand that was recognized as other operating expenses. Sales talks have been initiated, and a sale is expected in the 2014 reporting period.

3.42 ASSETS AND LIABILITIES HELD FOR SALE

€k	Dec. 31, 2013
Property, plant and equipment	3,078
Inventories and prepayments	709
Receivables and other assets	10,795
Non-current liabilities	- 1,886
Current liabilities	- 6,369
Net assets	6,327

Assets and liabilities sold and classified as held for sale are allocated to the Measuring and Process Systems division.

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

25. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

Subscribed capital (Dürr AG) As of December 31, 2013, the subscribed capital of Dürr AG came to € 88,579 thousand (prior period: € 44,289 thousand) and was made up of 34,601,040 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 outstanding were fully paid in at the end of the reporting period.

On April 26, 2013, the annual general meeting of Dürr AG approved the suggested issuance of bonus shares. By issuing the bonus shares on May 27, 2013, the total number of Dürr AG's shares doubled from 17,300,520 to 34,601,040. The issue of the bonus shares required a doubling of the share capital from € 44,289 thousand to € 88,579 thousand by means of a capital increase from company funds. This involved converting open reserves into subscribed capital. The shareholding of each shareholder remained unchanged. The new shares entitle the holder to profit participation retroactively from January 1, 2013.

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 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 on April 30, 2010, additionally authorized the Board of Management to sell, subject to approval of the Supervisory Board, the shares purchased on the basis of the above 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 its own shares purchased on the basis of the authorization without a capital decrease with no further resolution of the annual general meeting being necessary.

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 against contributions in cash or kind 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, 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 € 442,893 thousand. For this purpose, the subscribed capital has been conditionally increased by a maximum of € 44,289 thousand by issue of up to 17,300,520 new no-par value bearer shares in the form of common stock (conditional capital). Doubling the conditional capital in comparison to the prior period including the number of shares to be issued follows the resolution to double the subscribed capital of Dürr AG (Sec. 218 (1) AktG) ["Aktiengesetz": German Stock Corporations Act] concluded by the annual general meeting on April 26, 2013.

Capital reserve (Dürr AG) The capital reserve includes share premiums and amounted to € 155,896 thousand as of December 31, 2013 (prior period: € 200,186 thousand). Capital reserves of € 44,290 thousand were converted into subscribed capital as part of a capital increase from company funds. The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG.

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 € 317,059 thousand as of December 31, 2013 (prior period: € 223,073 thousand). The change is chiefly owing to the addition of the net profit for the year, the recognition and measurement of options allocable to non-controlling interests and the distribution of the dividend for the 2012 reporting period. In accordance with Sec. 268 No. 8 HGB, an amount of € 1,266 thousand (prior period: € 1,099 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 distribution 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 2013 reporting period, Dürr AG distributed a dividend to its shareholders of € 2.25 per share (prior period: € 1.20) from the net retained profit recorded in 2012. This was based on the previous number of shares of 17,300,520 shares. Converted to the number of shares after issuing the bonus shares on May 27, 2013, i.e., to 34,601,040 shares, produces a dividend of € 1.13 per share. The total amount distributed came to € 38,926 thousand (prior period: € 20,760 thousand). On account of the results of operations in the 2013 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that based on 34,601,040 shares, a dividend of € 1.45 per share be distributed.

Other comprehensive income The table below presents the changes in other comprehensive income and the associated tax effects from components of other comprehensive income, taking into account the changes in the item “Non-controlling interests”.

3.43 OTHER COMPREHENSIVE INCOME						
€ k	2013			2012		
	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Items that are not reclassified to profit or loss						
Remeasurement of defined benefit plans and similar obligations	1,990	-471	1,519	-17,838	4,277	-13,561
Items that may be reclassified subsequently to profit or loss						
Net gain/loss (-) from derivatives used to hedge cash flows	-1,074	274	-800	7,593	-2,167	5,426
Gains from the change in fair value of securities held for sale	9	-2	7	31	-8	23
Difference arising from currency translation	-11,387	-	-11,387	-2,517	-	-2,517
Difference arising from currency translation of entities accounted for using the equity method	-2,690	-	-2,690	-1,573	-	-1,573
Change in other comprehensive income	-13,152	-199	-13,351	-14,304	2,102	-12,202

The decrease in currency-related components of other comprehensive income is essentially attributable to the fluctuation of the euro against the US dollar, the Japanese yen, the Brazilian real and the Indian rupee.

Disclosures on capital management

The change in other comprehensive income arising from the remeasurements from defined benefit plans contains € – 477 thousand (prior period: € – 2,015 thousand) from the asset ceiling. For additional information, please refer to note 27.

The primary objective of capital management is to support business operations, ensure a healthy capital ratio and increase business value.

Dürr monitors its capital on a monthly basis using a gearing ratio, which reflects the ratio of net financial debt to equity and is defined as the ratio of net financial debt to equity and net financial debt. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. At – 121.5 % (prior period: – 28.8 %), the ratio at the end of the 2013 reporting period was significantly lower than the threshold given because, as was also the case in the prior period, the Group carried net financial assets rather than net financial debt.

3.44 GEARING RATIO

€k	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents	– 458,513	– 349,282
Time deposits and other short-term securities	– 61,352	– 17,800
Held-to-maturity securities and other loans	– 27,806	– 11,510
Bond	225,200	225,379
Liabilities to banks	41,932	56,473
Net financial debt	– 280,539	– 96,740
Equity	511,374	432,082
Net financial debt	– 280,539	– 96,740
Equity and net financial debt	230,835	335,342
Net financial debt	– 280,539	– 96,740
Equity and net financial debt	230,835	335,342
Gearing ratio	– 121.5 %	– 28.8 %

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 on each measurement date in the 2013 and 2012 reporting periods.

26. NON-CONTROLLING INTERESTS

Non-controlling interests contain adjustment items from the capital consolidation for equity attributable to non-controlling interests required to be consolidated and the profits and losses attributable to them. The consolidated financial statements contain eight entities (prior period: ten) in which there were non-controlling interests.

3.45 BREAKDOWN OF THE NON-CONTROLLING INTERESTS

€k	Dec. 31, 2013	Dec. 31, 2012
CPM S.p.A., Beinasco/Italy	–	–
CPM Automation d.o.o. Beograd, Belgrade/Serbia	–	–
Stimas Engineering S.r.l., Turin/Italy	35	30
Dürr Cyplan Ltd., Aldermaston/UK	– 639	– 127
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach/Germany	–	–
Olpidürr S.p.A., Novegro di Segrate/Italy	2,284	2,249
Thermea Energiesysteme GmbH, Ottendorf-Okrilla/Germany	1,822	2,601
Verind S.p.A., Rodano/Italy	3,373	3,501
	6,875	8,254

In accordance with IAS 32 "Financial Instruments: Presentation", the put options held by the non-controlling interests in CPM S.p.A., Thermea Energiesysteme GmbH and Luft- und Thermo-technik Bayreuth GmbH were measured at fair value. The options are recognized under sundry financial liabilities. Changes are posted directly to the revenue reserves without affecting income. The non-controlling interests in the three entities and their respective subsidiaries have been offset against the revenue reserves. Consequently, they are reported under "Non-controlling interests" at a lower level or not at all.

On October 1, 2013, the put option relating to shares outstanding in Agramkow Fluid Systems A/S, Sønderborg, Denmark, was exercised. Dürr acquired the remaining 45 % of the shares in Agramkow Fluid Systems A/S and its subsidiaries Agramkow Asia Pacific Pte. Ltd., Singapore, and Agramkow do Brasil Ltda., Indaiatuba, Brazil. This means Dürr has a 100 % shareholding in the three companies. The fair value of the put option amounted to € 24,500 thousand on the exercise date. Beyond the payments made until the exercise date (payment of purchase price to previous shareholders and dividends to non-controlling interests), no other payments are due.

27. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, Dürr pays contributions to state or private insurance institutions. Other than the subsidiary liability of the employer regarding its company pension plans, there are no other legal or constructive obligations for Dürr. The contributions are recognized as a personnel expense when they fall due.

The post-employment benefits available to the employees of Dürr's German subsidiaries include a life insurance program (BZV) or a company pension (DAZU) in line with the respective tariff group for which the Group recorded contributions of € 856 thousand (prior period: € 790 thousand) as an expense. In addition, Dürr paid contributions of € 19,299 thousand (prior period: € 17,730 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 2013 reporting period, pension expenses for these employees amounted to € 2,842 thousand (prior period: € 2,846 thousand). Payments for other defined contribution plans, including state pension systems, amounted to € 7,270 thousand (prior period: € 5,834 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. Dürr's contribution is discretionary and is determined annually by management. In the 2013 reporting period, expenses came to € 666 thousand (prior period: € 545 thousand).

Defined benefit plans

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

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

In connection with the acquisition of the assets and related liabilities of Luft- und Thermo-technik Bayreuth GmbH, Dürr acquired the pension obligations of those employed at the company as of the acquisition date. Since June 6, 2013, Dürr has been addressing the establishment of defined benefit obligations from existing pension obligations by taking into account obligations in the

course of first-time consolidation as well as the further actuarial valuation of the obligations in the future. The pension obligations at Luft- und Thermotechnik Bayreuth GmbH provide for an annual fixed pension upon reaching retirement age, which is reduced proportionately upon leaving the company early.

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. This therefore does not represent any significant actuarial or investment risk for Dürr. 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.

One US subsidiary of Dürr has a pension plan covering all non-union employees at that subsidiary. Future pension payments are based on the average salaries earned and length of service before the benefit obligations were frozen in 2003.

A Dürr subsidiary in the US has an approximate 38 % share in a multi-employer plan which is maintained jointly with other non-affiliated metal-working companies. The defined benefit plan is accounted for as a defined contribution plan as it is not possible to allocate the share of obligations and plans assets to the individual member companies. The beneficiaries of the plan are members of a trade union. The contributions are calculated on the basis of the number of production hours worked by members. The low number of production hours as well as lower returns on fund assets meant there has been a deficit in the past. As of March 31, 2013, unfunded obligations from the plan amounted to € 24,625 thousand. For 2014 Dürr expects contributions of € 1,254 thousand to be made into the pension plan.

Risk management

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees as well as their surviving dependents. Pension plans vary according to local legal, tax and economic conditions and are usually based on employees' length of service as well as their remuneration. In the 2013 reporting period there were obligations in place for 2,272 eligible persons: 1,721 active employees, 134 former employees with vested rights as well as 417 retired employees and surviving dependents.

The defined benefit plans are largely financed via internal provisions which have corresponding qualifying fund assets as plan assets that are offset against the obligations. The fund assets mostly exist in the form of employer's pension liability insurance.

In order to take adequate account of risks associated with pension liabilities, Dürr established the Corporate Pension Committee (CPC) several years ago. This committee convenes on a quarterly basis and assesses all global pension systems within the Dürr Group. Regular participants of the CPC are the Chief Financial Officer of Dürr AG as well as the heads of the group-wide functional areas Human Resources, Accounting & Controlling, Finance and Legal.

Furthermore, no new defined benefit pensions have been granted in Germany for several years to minimize risk and the pension plans have been restructured in such a way that consideration is primarily based on deferred compensation.

In the 2012 reporting period, employer's pension liability insurance with a fair value of € 14,416 thousand was acquired to reduce interest and actuarial risk at German Dürr entities.

There was a joint pension plan at two of Dürr's US subsidiaries that was frozen and closed to new entrants at the end of 2006. This plan was settled in full by non-recurring capital payments and the purchase of insurance type products to the benefit of the participants in the plans as of the end of the 2012 reporting period. The cash outflow necessary for settlement in excess of the plan assets likewise used came to € 8,866 thousand. The expenses recorded in the 2012 reporting period came to € 1,676 thousand.

Development of
pension plans

3.46 CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€ k	Dec. 31, 2013	Dec. 31, 2012
Defined benefit obligation at the beginning of the year	92,359	88,522
Exchange difference	- 515	- 58
Current service cost	2,117	2,030
Past service cost	224	-
Gains and losses arising from settlements	-	1,676
Interest cost	3,012	4,143
Remeasurement of the defined benefit obligation	- 2,706	19,195
thereof actuarial gains and losses from changes in demographic assumptions	- 99	-
thereof actuarial gains and losses from changes in financial assumptions	- 2,899	18,245
thereof experience adjustments	292	950
Contributions by plan participants	845	100
Benefits paid	- 5,278	- 5,093
Settlements	- 111	- 18,181
Changes in the consolidated group	8	-
Reclassification to held for sale	- 1,302	-
Other	- 178	25
Defined benefit obligation at the end of the year	88,475	92,359

3.47 CHANGE IN PLAN ASSETS

€ k	Dec. 31, 2013	Dec. 31, 2012
Fair value of plan assets at the beginning of the year	40,894	30,743
Exchange difference	- 357	- 32
Interest income	1,328	1,315
Remeasurement of plan assets	- 239	3,392
thereof actuarial gains and losses from changes in financial assumptions	- 483	2,108
thereof experience adjustments	244	1,284
Employer contributions	1,123	16,233
Contributions by plan participants	1,340	685
Benefits paid	- 2,819	- 2,508
Payments from settlements	- 108	- 9,138
Other	79	204
Fair value of plan assets at the end of the year	41,241	40,894
Effect of asset ceiling	- 2,528	- 2,015
Plan assets taking account of the asset ceiling	38,713	38,879
Funded status ¹	49,762	53,480

¹ Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.48 FUNDED STATUS

€k	Dec. 31, 2013	Dec. 31, 2012
Present value of funded benefit obligations	78,765	81,530
Plan assets taking account of the asset ceiling	38,713	38,879
Defined benefit obligation in excess of plan assets	40,052	42,651
Present value of non-funded benefit obligations	9,710	10,829
Funded status¹	49,762	53,480

¹ Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

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

€k	Dec. 31, 2013	Dec. 31, 2012
Provisions for post-employment benefit obligations	49,762	53,480
Other comprehensive income (including differences from currency translation)	-30,877	-33,561

At the end of the reporting period, the fair value of plan assets breaks down as follows:

3.50 COMPOSITION OF PLAN ASSETS

€k	Dec. 31, 2013	Dec. 31, 2012
Employer's pension liability insurance	30,797	30,235
Fixed-interest securities	9,247	9,572
Shares	378	527
Real estate	413	296
Other	406	264
	41,241	40,894

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. With the exception of shares and fixed-interest securities, there are no listed prices on an active market.

The fair value of plan assets is generally calculated on the basis of the market expectations prevailing on that date. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest income on the other. This leads to slightly greater volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term growth in plan assets should be achieved primarily by means of fixed-interest securities which will also secure ongoing interest income. Equity instruments also make up a share of the investment portfolio. For the remaining material pension plan in the US, the portion of equity instruments in the investment portfolio came to 4.3 % (prior period: 5.6 %).

The pension expenses for defined benefit pension plans recognized through profit and loss in the statement of income comprise the following items:

3.51 SHARE OF NET PENSION COST RECOGNIZED THROUGH PROFIT OR LOSS

€k	2013	2012
Current service cost	2,117	2,030
Past service cost	224	–
Net interest	1,720	2,828
Other	96	–196
	4,157	4,662

In accordance with the changes regarding IAS 19 (rev. 2011), interest income from plan assets are offset against the interest expenses from the measurement of pension obligations. The prior-year figures have been restated accordingly.

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

3.52 NET PENSION COST IN THE STATEMENT OF INCOME

€k	2013	2012
Cost of sales	861	479
Selling expenses	224	141
General administrative expenses	1,333	1,213
Research and development costs	19	1
Net interest	1,720	2,828
	4,157	4,662

The asset ceiling resulted in a change of € –513 thousand (prior period: € –2,015 thousand) in total comprehensive income. Of this amount, € –477 thousand (prior period: € –2,015 thousand) was recognized in other comprehensive income and € –36 thousand (prior period: € 0 thousand) in the interest result.

The reporting date for the measurement of pension obligations and plan assets is December 31, the measurement date for pension expenses is January 1. In addition to the assumptions on life expectancy based on the biometric 2005 G mortality tables published by Prof. Dr. Klaus Heubeck for the German group companies, the following premises were used as a basis for calculating the defined benefit obligations and the fair value of the plan assets.

3.53 AVERAGE RATES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS

%	2013			2012		
	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	3.50	4.25	3.35	3.25	5.00	3.53
Long-term salary increases	3.50	–	2.63	3.00	–	2.91

The rate of pension progression, which has a significant impact on the defined benefit obligations as of the end of the reporting period came to 2.00 % in the 2013 reporting period (prior period: 2.00 %).

3.54 AVERAGE RATES USED FOR CALCULATING PENSION COST

%	2013			2012		
	Germany	USA	Rest of world	Germany	USA	Rest of world
Discount rate	3.25	5.00	3.53	5.00	4.35	4.35
Long-term salary increases	3.00	–	2.91	3.00	–	2.59

The average rates are calculated on the basis of the weighted average of the pension obligations.

The average duration of the defined benefit obligations as of the end of the 2013 reporting period is 13 years (prior period: 14 years). Employers are expected to make contributions of € 1,084 thousand to plan assets for the 2014 reporting period.

For the coming reporting periods the following payments for defined pension plans are expected.

3.55 EXPECTED BENEFIT PAYMENTS

€ k	2014	2015	2016	2017	2018	2019 to 2023	Total
Expected benefit payments	4,953	4,524	4,713	4,894	5,106	26,914	51,104

Sensitivity analyses

The material actuarial assumptions to determine the provisions for pension obligations globally are the discount rate and, for pension obligations in Germany, also the rate of pension progression. The long-term salary increases and life expectancy, especially in Germany, are immaterial when measuring pension obligations in the Dürr Group.

The sensitivity analyses below in the form of scenario analyses show how the provisions for pension obligations are influenced by potential changes to the respective assumptions.

3.56 SENSITIVITY ANALYSES

€ k	Dec. 31, 2013
Discount rate	
+ 1 percentage point	46,855
– 1 percentage point	54,450
Rate of pension progression	
+ 0.25 percentage points	51,549
– 0.25 percentage points	48,034

There are dependencies between the actuarial assumptions. The sensitivity analyses do not take these dependencies into account.

28. OTHER PROVISIONS**3.57 OTHER PROVISIONS**

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	61,417	59,581	1,836	48,251	46,354	1,897
Personnel provisions	9,778	4,312	5,466	9,091	4,648	4,443
Sundry provisions	1,859	1,403	456	2,639	2,251	388
	73,054	65,296	7,758	59,981	53,253	6,728

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 80 % of the contract-related provisions relate to provisions for warranties and subsequent expenditure. The personnel provisions mainly contain obligations for phased retirement and provisions for long-service awards. Sundry provisions relate to various identifiable specific risks and uncertain liabilities.

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years.

3.58 CHANGES IN OTHER PROVISIONS IN THE 2013 REPORTING PERIOD

€k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2013	48,251	9,091	2,639
Changes in the consolidated group	–	–	533
Exchange difference	– 1,334	– 10	– 11
Utilization	– 21,587	– 2,989	– 1,755
Reversal	– 12,256	– 296	– 671
Additions	48,660	4,021	1,124
Reclassification to held for sale	– 317	– 39	–
As of December 31, 2013	61,417	9,778	1,859

29. BOND AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under the item, “Bond and other financial liabilities”.

3.59 FINANCIAL LIABILITIES

€k	Total	Current	Total	Medium-term	Long-term
Bond	225,200	–	225,200	225,200	–
(2012)	(225,379)	(–)	(225,379)	(225,379)	(–)
Liabilities to banks	41,932	2,058	39,874	9,169	30,705
(2012)	(56,473)	(14,228)	(42,245)	(8,523)	(33,722)
Finance lease liabilities	3,924	402	3,522	1,827	1,695
(2012)	(4,210)	(579)	(3,631)	(2,354)	(1,277)
December 31, 2013	271,056	2,460	268,596	236,196	32,400
(December 31, 2012)	(286,062)	(14,807)	(271,255)	(236,256)	(34,999)

Liabilities to banks are due in up to 11 years. € 41,932 thousand (prior period: € 44,485 thousand) of these liabilities are payable in euros. The weighted average interest rate for liabilities denominated in euro amounted to 4.48 % p.a. (prior period: 4.58 % p.a.). Liabilities to banks denominated in foreign currency in the prior period of € 11,988 thousand were mainly repayable in Brazilian real. The weighted average interest rate for liabilities denominated in Brazilian real was 12.10 % p.a.

Financing of the Group

The agreement on a syndicated loan signed on March 31, 2011, was extended by one year to June 30, 2015, at Dürr's request. The original collateral agreed, consisting of non-current and current assets, was released except for pledging the shares in subsidiaries. The syndicate of banks comprises Baden-Württembergische Bank, Commerzbank AG, Deutsche Bank AG, Uni-Credit Bank AG and KfW IPEX-Bank GmbH.

The total line of credit of the syndicated loan continues to amount to € 230,000 thousand. It consists of a cash facility of € 50,000 thousand and a guarantee facility of € 180,000 thousand. Premature termination of the syndicated loan is possible if the agreed-upon financial covenants or other terms of the loan are infringed and a two-third majority of the lending banks vote in favor of termination. Interest is payable at the matching refinancing rate plus a variable margin.

The adjustment to the contractual terms of the syndicated loan gave rise to an impairment loss of € 1,984 thousand on the remaining transaction costs recognized as assets and the transaction costs of € 358 thousand immediately recognized in profit or loss in the prior period.

Confirmation from the European Investment Bank (EIB) in June 22, 2011, to grant a loan of € 40,000 thousand to finance research and development work was canceled by Dürr on November 25, 2013, as the funds were not needed.

The agreed financial covenants for the syndicated loan and the loan offered by the EIB were complied with on all the specified measurement dates.

At the end of the reporting period, € 145,115 thousand (prior period: € 64,426 thousand) of the bank guarantee facility had been utilized. The cash line of the syndicated loan was not utilized in the 2012 and 2013 reporting periods. Shares in subsidiaries had been pledged as collateral for the syndicated loan facility as of the reporting date.

With regard to the real estate financing for the Dürr Campus in Bietigheim-Bissingen, there are fixed-term and annuity loans in place expiring on September 30, 2024. The average effective interest rate is 4.49 %. The carrying amount of the loans came to € 41,926 thousand as of December 31, 2013 (prior period: € 43,896 thousand).

In addition, Dürr has bilateral cash lines of credit of € 9,128 thousand in place for working capital, bank guarantees of € 440,454 thousand as well as smaller credit lines with various banks and insurance firms.

3.60 CREDIT LINES AND BANK GUARANTEES

€k	Dec. 31, 2013	Dec. 31, 2012
Total amount of lines of credit and bank guarantees	719,480	781,120
Total amount of credit lines/guarantees utilized	416,189	348,100
of which due within one year	248,380	277,737
of which due in more than one year	167,809	70,363

In the 2010 reporting period, Dürr AG issued a fixed-interest corporate bond with a volume of € 225,000 thousand, a coupon of 7.25 % and a term of five years ending on September 28, 2015. The purpose of the bond is to serve the long-term financing of the Group. As of September 28, 2014, Dürr AG is entitled to terminate the corporate bond in its entirety, but not in part.

30. TRADE PAYABLES

3.61 TRADE PAYABLES

€ k	Total	Current	Total	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (from small series production)	25,251	23,818	1,433	1,433	–
(2012)	(32,198)	(32,071)	(127)	(127)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	571,575	571,575	–	–	–
(2012)	(454,145)	(439,375)	(14,770)	(14,770)	(–)
Trade payables	259,969	259,376	593	338	255
(2012)	(254,553)	(252,706)	(1,847)	(804)	(1,043)
Trade payables due to entities accounted for using the equity method	3	3	–	–	–
(2012)	(14)	(14)	(–)	(–)	(–)
December 31, 2013	856,798	854,772	2,026	1,771	255
(December 31, 2012)	(740,910)	(724,166)	(16,744)	(15,701)	(1,043)

31. SUNDRY FINANCIAL LIABILITIES

3.62 SUNDRY FINANCIAL LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Derivative financial liabilities	1,261	1,143	118	109	9
(2012)	(1,983)	(1,825)	(158)	(158)	(–)
Liabilities from interest cut-off	4,309	4,309	–	–	–
(2012)	(4,583)	(4,583)	(–)	(–)	(–)
Obligations from put options	16,497	238	16,259	16,259	–
(2012)	(33,134)	(23,821)	(9,313)	(9,313)	(–)
Liabilities from factoring of progress billings	–	–	–	–	–
(2012)	(10,173)	(10,173)	(–)	(–)	(–)
Contingent purchase price installments	2,108	467	1,641	1,293	348
(2012)	(2,171)	(472)	(1,699)	(1,699)	(–)
Remaining sundry financial liabilities	11,816	10,097	1,719	1,044	675
(2012)	(14,548)	(11,842)	(2,706)	(132)	(2,574)
December 31, 2013	35,991	16,254	19,737	18,705	1,032
(December 31, 2012)	(66,592)	(52,716)	(13,876)	(11,302)	(2,574)

The obligations from put options relate to the non-controlling interests in CPM S.p.A., Thermea Energiesysteme GmbH and Luft- und Thermotechnik Bayreuth GmbH. On October 1, 2013, the put option relating to shares outstanding in Agramkow Fluid Systems A/S, Sønderborg, Denmark, was exercised.

The liabilities from contingent purchase price installments include obligations carried for Dürr Systems Wolfsburg GmbH of € 533 thousand (prior period: € 512 thousand) and Dürr Cyplan Ltd. of € 1,575 thousand (prior period: € 1,659 thousand).

For the disclosures required by IFRS 7, please refer to note 34.

32. INCOME TAX LIABILITIES AND OTHER LIABILITIES

3.63 INCOME TAX LIABILITIES AND OTHER LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Income tax liabilities	30,711	30,506	205	205	–
(2012)	(18,952)	(18,835)	(117)	(117)	(–)
Other liabilities	112,086	107,742	4,344	4,344	–
(2012)	(113,737)	(108,933)	(4,804)	(4,804)	(–)
December 31, 2013	142,797	138,248	4,549	4,549	–
(December 31, 2012)	(132,689)	(127,768)	(4,921)	(4,921)	(–)

Other liabilities include the following material items: tax liabilities not relating to income taxes of € 24,792 thousand (prior period: € 32,864 thousand), liabilities relating to social security of € 4,724 thousand (prior period: € 6,070 thousand), liabilities to employees of € 80,905 thousand (prior period: € 72,915 thousand). Moreover, the item also includes obligations for restructuring measures of € 504 thousand (prior period: € 1,232 thousand). The decrease can be explained primarily by the utilization of liabilities recognized in prior periods.

33. SHARE-BASED PAYMENT

There is a share-based long-term incentive (LTI) program in place for the members of the Board of Management and managers from top management. The program takes the form of tranches that are issued every year and have a term of three years each. A further tranche with a term from January 1, 2013, to December 31, 2015, was launched in the 2013 reporting period. The payments will be made upon expiry of the contractual term in each case after the following annual general meeting. The Supervisory Board is entitled to grant down-payments from the LTI to members of the Board of Management. If the amount due for payment upon expiry of the tranche exceeds the down-payment, the respective member of the Board of Management is obliged to pay back the difference. Otherwise, early, proportionate payment is possible only if certain conditions are met upon exit from the Dürr Group.

Under the program, the entitled parties receive an individually fixed number of phantom Dürr shares (performance share units). As of December 31, 2013, there were 265,050 phantom shares after issuing the bonus shares (prior period: 155,000 shares). At the end of the term of the incentive program, the benefits accrued are settled in cash.

The settlement is calculated on the number of phantom shares, the rounded share price on the closing date (share price multiplier) and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. There is a cap for the EBIT multiplier. For the first three LTI tranches there is also a cap for the share price multiplier. Payment is capped 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.

In the 2013 reporting period, expenses of € 3,379 thousand (prior period: € 4,647 thousand) were recorded under general administrative expenses for the LTI program. The amounts reported under other liabilities as of December 31, 2013, came to € 6,480 thousand (prior period: € 5,776 thousand). For information on the payments for the Board of Management please refer to the comments on Board of Management remuneration in note 42.

34. OTHER NOTES ON FINANCIAL INSTRUMENTS

**Measurement of
financial instruments
by category**

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below.

3.64 MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2013	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	458,513	–	458,513	–	–
Costs and estimated earnings in excess of billings ¹	357,129	–	–	–	–
Trade receivables due from third parties	318,544	–	318,544	–	–
Trade receivables due from entities accounted for using the equity method	21	–	21	–	–
Other non-derivative financial instruments					
Sundry financial assets	65,563	–	65,563	–	–
Held-for-trading financial assets	10,052	–	–	–	10,052
Held-to-maturity investments	27,355	–	27,355	–	–
Available-for-sale financial assets	2,812	2,456	–	356	–
Derivative financial assets					
Derivatives not used for hedging	98	–	–	–	98
Derivatives used for hedging	2,939	–	–	2,434	505
Liabilities					
Trade payables	259,969	–	259,969	–	–
Trade payables due to entities accounted for using the equity method	3	–	3	–	–
Sundry non-derivative financial liabilities	16,125	–	16,125	–	–
Bond	225,200	–	225,200	–	–
Liabilities to banks	41,932	–	41,932	–	–
Finance lease liabilities	3,924	–	3,924	–	–
Obligations from put options	16,497	–	–	16,497	–
Contingent purchase price installments	2,108	–	–	–	2,108
Derivative financial liabilities					
Derivatives not used for hedging	149	–	–	–	149
Derivatives used for hedging	1,112	–	–	888	224
of which combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	10,150	–	–	–	10,150
Loans and receivables	1,199,770	–	842,641	–	–
Held-to-maturity investments	27,355	–	27,355	–	–
Available-for-sale financial assets	2,812	2,456	–	356	–
Financial liabilities at fair value	18,754	–	–	16,497	2,257
Financial liabilities measured at amortized cost	547,153	–	547,153	–	–

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.

€ k	Carrying amount as of Dec. 31, 2012	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	349,282	–	349,282	–	–
Costs and estimated earnings in excess of billings ¹	349,163	–	–	–	–
Trade receivables due from third parties	345,654	–	345,654	–	–
Trade receivables due from entities accounted for using the equity method	162	–	162	–	–
Other non-derivative financial instruments					
Sundry financial assets	32,394	–	32,394	–	–
Held-for-trading financial assets	4,023	–	–	–	4,023
Held-to-maturity investments	10,908	–	10,908	–	–
Available-for-sale financial assets	2,703	2,356	–	347	–
Derivative financial assets					
Derivatives not used for hedging	247	–	–	–	247
Derivatives used for hedging	2,949	–	–	2,678	271
Liabilities					
Trade payables	254,553	–	254,553	–	–
Trade payables due to entities accounted for using the equity method	14	–	14	–	–
Sundry non-derivative financial liabilities	29,304	–	29,304	–	–
Bond	225,379	–	225,379	–	–
Liabilities to banks	56,473	–	56,473	–	–
Finance lease liabilities	4,210	–	4,210	–	–
Obligations from put options	33,134	–	–	33,134	–
Contingent purchase price installments	2,171	–	–	–	2,171
Derivative financial liabilities					
Derivatives not used for hedging	173	–	–	–	173
Derivatives used for hedging	1,810	–	–	1,567	243
of which combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	4,270	–	–	–	4,270
Loans and receivables	1,076,655	–	727,492	–	–
Held-to-maturity investments	10,908	–	10,908	–	–
Available-for-sale financial assets	2,703	2,356	–	347	–
Financial liabilities at fair value	35,478	–	–	33,134	2,344
Financial liabilities measured at amortized cost	569,933	–	569,933	–	–

¹ Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.

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 levels:

3.65 ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

€ k	Dec. 31, 2013	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	356	356	–	–
Derivatives used for hedging	2,434	–	2,434	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	98	–	98	–
Derivatives used for hedging	505	–	505	–
Held-for-trading financial assets	10,052	10,052	–	–
Liabilities at fair value – not through profit or loss				
Obligations from put options	16,497	–	–	16,497
Derivatives used for hedging	888	–	888	–
Liabilities at fair value – through profit or loss				
Derivatives not used for hedging	149	–	149	–
Derivatives used for hedging	224	–	224	–
Contingent purchase price installments	2,108	–	–	2,108

€ k	Dec. 31, 2012	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	347	347	–	–
Derivatives used for hedging	2,678	–	2,678	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	247	–	247	–
Derivatives used for hedging	271	–	271	–
Held-for-trading financial assets	4,023	4,023	–	–
Liabilities at fair value – not through profit or loss				
Obligations from put options	33,134	–	–	33,134
Derivatives used for hedging	1,567	–	1,567	–
Liabilities at fair value – through profit or loss				
Derivatives not used for hedging	173	–	173	–
Derivatives used for hedging	243	–	243	–
Contingent purchase price installments	2,171	–	–	2,171

No reclassifications were made between the fair value hierarchy levels in the 2013 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2013, gave rise to the following total gains and losses:

3.66	TOTAL GAINS AND LOSSES ON ASSETS	
€ k	2013	2012
Recognized in profit or loss		
Held-for-trading financial assets	112	28
Derivative financial instruments	25	57
Recognized in equity		
Available-for-sale financial assets	9	31
Derivative financial instruments	73	347

3.67	TOTAL GAINS AND LOSSES ON LIABILITIES	
€ k	2013	2012
Recognized in profit or loss		
Derivative financial instruments	7	119
Contingent purchase price installments	63	-111
Recognized in equity		
Derivative financial instruments	85	124
Obligations from put options	-7,863	-11,953

3.68	DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY	
€ k	2013	2012
As of January 1	35,305	23,468
Changes in the consolidated group	620	238
Disposals	-24,500	-227
Changes in fair value	7,180	11,826
As of December 31	18,605	35,305

The changes in the fair value of the liabilities reported in level 3 were reported in profit or loss or directly in equity.

Valuation techniques

The fair value of the derivative financial assets and liabilities allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 "Fair Value Measurement", both the counterparty credit risk and own risk of default have been taken into account during measurement since January 1, 2013. Input factors to take into account the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institution involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by diversifying its portfolio and selecting its counterparties carefully. To calculate its own risk of default, information Dürr receives from credit institutions and insurance companies is used to derive a synthetic CDS for Dürr.

The fair value of the put options and contingent purchase price installments allocated to level 3 in the fair value hierarchy is calculated based on internal planning data. This includes expected results of each company as well as expected sales figures of specific products on which the amount of the financial liability depends. An adjustment to the planning data is made if there are indications that warrant such a measure. If applicable, unwinding effects resulting from the approaching maturity date are also included in the valuation.

Sensitivity level 3 Assuming that the parameters (equity and accumulated earnings before income tax or EBIT) had been 10 % higher (lower) on the earliest possible exercise date, the value of the put options for cpm S.p.A. and Luft- und Thermotechnik Bayreuth GmbH, classified to level 3 of the fair value hierarchy, would have been € 1,548 thousand (prior period: € 733 thousand) higher (lower).

The level 3 contingent purchase price installment arising from the acquisition of Dürr Systems Wolfsburg GmbH would be € 25 thousand (prior period: € 31 thousand) higher (lower) in the event of deviation of the individual goals of +10 % (–10 %).

The contingent purchase price installments associated with the acquisition of Dürr Cyplan Ltd., classified to level 3 of the fair value hierarchy, would be € 112 thousand (prior period: € 387 thousand) higher if the terms of the contract were met one year earlier than expected. Furthermore, this would involve a cash outflow of € 500 thousand. If the terms of the contract were completed one year later than expected, the contingent purchase price installments would be reduced by € 105 thousand (prior period: € 110 thousand).

The put option in connection with the acquisition of Thermea Energiesysteme GmbH would not change if the planned EBIT of the company increased (decreased) by 10 % over the next three years. In such circumstances, the call option (currently € 0 thousand) would also remain unchanged as the proportionate business value of Thermea Energiesysteme GmbH does not exceed the capped exercise price on account of a 10 % variation in EBIT.

Fair values of financial instruments carried at amortized cost

The table below shows the fair value of the financial assets and liabilities carried at cost or amortized cost. The fair value of financial instruments not carried at amortized cost approximates their carrying amount (with the exception of available-for-sale financial assets measured at cost because their fair value cannot be determined reliably).

3.69 FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED

€k	DEC. 31, 2013		DEC. 31, 2012	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and cash equivalents	458,513	458,513	349,282	349,282
Costs and estimated earnings in excess of billings	357,129	357,129	349,163	349,163
Trade receivables due from third parties	318,544	318,544	345,654	345,654
Trade receivables due from entities accounted for using the equity method	21	21	162	162
Other non-derivative financial instruments				
Sundry financial assets	65,563	65,563	32,394	32,394
Held-to-maturity investments	26,350	27,355	10,872	10,908
Liabilities				
Trade payables	259,969	259,969	254,553	254,553
Trade payables due to entities accounted for using the equity method	3	3	14	14
Sundry non-derivative financial liabilities	16,125	16,125	29,304	29,304
Bond	241,425	225,200	248,625	225,379
Liabilities to banks	44,931	41,932	59,937	56,473
Finance lease liabilities	5,028	3,924	5,526	4,210
of which combined by measurement category in accordance with IAS 39				
Loans and receivables	842,641	842,641	727,492	727,492
Held-to-maturity investments	26,350	27,355	10,872	10,908
Financial liabilities measured at amortized cost	567,481	547,153	597,959	569,933

Cash and cash equivalents, trade receivables, other receivables, trade payables, sundry non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of the held-to-maturity investments (fair value hierarchy level 1) is equal to the nominal value multiplied by the quoted price of the respective financial instrument.

It was not possible to determine the fair values of equity interests measured at cost of € 2,456 thousand because market prices were not available as no active markets exist. These are interests in four non-listed entities where the estimated future cash flows were not discounted because they could not be determined reliably. It was assumed that their fair value approximates their carrying amount. At present Dürr does not have any plans to sell these equity interests.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with comparable due date and credit rating. With the exception of the bond and a Campus financing loan, the fair value of liabilities approximates the carrying amount. The fair value of the bond (fair value hierarchy level 1) is equal to the nominal value multiplied by the quoted price at the end of the reporting period. As of December 31, 2013, the bond was quoted at € 107.30 (prior period: € 110.50) which is equal to a market value of € 241,425 thousand (prior period: € 248,625 thousand). The fair value of the Campus loan (fair value hierarchy level 2) is determined by discounting the cash flows from the fixed interest loan with the current market interest rate for a comparable mortgage.

Net gains and losses
by measurement category

3.70 NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

€k	From interest	FROM SUBSEQUENT MEASUREMENT			From disposals	Net gain or loss
		At fair value	Currency translation	Impairment		
Held-for-trading financial assets	112	–	–	–	–	112
(2012)	(28)	(761)	(–)	(–)	(–)	(789)
Loans and receivables	3,080	–	– 3,272	– 587	– 35	– 814
(2012)	(2,922)	(–)	(– 7,411)	(– 500)	(– 148)	(– 5,137)
Held-to-maturity investments	512	–	–	–	–	512
(2012)	(13)	(–)	(–)	(–)	(–)	(13)
Financial liabilities at fair value through profit or loss	46	17	–	–	–	63
(2012)	(– 111)	(– 741)	(–)	(–)	(–)	(– 852)
Financial liabilities measured at amortized cost	– 21,071	–	– 19	–	–	– 21,090
(2012)	(– 26,232)	(–)	(21)	(–)	(–)	(– 26,211)
2013	– 17,321	17	– 3,291	– 587	– 35	– 21,217
(2012)	(– 23,380)	(20)	(– 7,390)	(– 500)	(– 148)	(– 31,398)

An amount of € 9 thousand was recognized directly in equity from measurement of available-for-sale securities (prior period: € 31 thousand).

Financial assets which are
subject to an enforceable
master netting arrangement
or a similar agreement

Some derivative financial instruments concluded with credit institutions are subject to certain contractual netting agreements which allow Dürr, in the event of a credit institution filing for insolvency, to offset certain financial assets against certain financial liabilities.

3.71 DERIVATIVE FINANCIAL ASSETS SUBJECT TO NETTING AGREEMENTS,

ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€k	Dec. 31, 2013	Dec. 31, 2012
Gross amounts of financial assets	3,037	3,196
Gross amounts of financial liabilities netted in the statement of financial position	–	–
Net amounts of financial assets reported in the statement of financial position	3,037	3,196
Associated amounts from financial instruments not netted in the statement of financial position	– 795	– 1,267
Net amount	2,242	1,929

**3.72 DERIVATIVE FINANCIAL LIABILITIES SUBJECT TO NETTING AGREEMENTS,
ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS**

€k	Dec. 31, 2013	Dec. 31, 2012
Gross amounts of financial liabilities	1,261	1,983
Gross amounts of financial assets netted in the statement of financial position	–	–
Net amounts of financial liabilities reported in the statement of financial position	1,261	1,983
Associated amounts from financial instruments not netted in the statement of financial position	– 795	– 1,267
Net amount	466	716

Pledges At the end of the reporting period, financial assets of € 7,702 thousand (prior period: € 9,056 thousand) were mainly pledged as collateral for prepayments received.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 2013 reporting period as a result of cash received and paid and thus provides information on the sources and use of cash and cash equivalents. The consolidated statement of cash flows prepared in accordance with IAS 7 “Statement of Cash Flows” makes a distinction between the cash flows from operating, investing and financing activities.

The cash fund presented in the statement of cash flows contains all cash and cash equivalents shown in the statement of financial position, i.e., cash in hand, checks and bank balances, with an original term to maturity of less than three months. The change in cash and cash equivalents from changes of the consolidated group disclosed in the statement of cash flows of € 73 thousand arises from the first-time consolidation of Dürr EDAG Aircraft Systems GmbH/Dürr Parata GmbH and Dürr EES GmbH/Luft- und Thermotechnik Bayreuth GmbH. The availability of cash of € 110,006 thousand (prior period: € 98,783 thousand) is limited due to the restrictions on capital transfers in some Asian countries.

The cash flow from operating activities is derived indirectly from the earnings of the Group. The statement of cash flows takes earnings before income tax as its point of departure and deducts income tax payments, net interest as well as non-cash items, such as depreciation and amortization of non-current assets, the profit from entities accounted for using the equity method and the net gain or loss on the disposal of property, plant and equipment. To derive the cash flow from operating activities, changes in the items of the statement of financial position that result from operating activities are then considered. Effects from foreign currency translation and changes in the consolidated group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows therefore do not match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 1,239 thousand (prior period: € 2,834 thousand) lower because that amount is already included in the net interest or in the profit from entities accounted for using the equity method. Non-cash expenses and income includes € 4,451 thousand from the impairment of assets held for sale. This was offset by the impairment of shares in LaTherm GmbH of € 452 thousand as well as the adjustment of the contingent purchase price installment of Dürr Systems Wolfsburg GmbH of € 17 thousand.

The cash flow from operating activities contains no effects from factoring or negotiation of drafts and documentary credits. In the prior period, these effects amounted to € 17,099 thousand and € 4,824 thousand respectively.

The cash flow from investing activities is derived from actual cash flows. This relates mainly to the cash outflows for investments made in non-current assets and business combinations. Cash inflows arise from the disposal of non-current assets and interest received. Investments in non-current assets in connection with concluding or extending finance leases while simultaneously recognizing corresponding liabilities are not disclosed as these do not involve any cash outflow.

Cash outflows from the acquisition of other financial assets of € 19,890 thousand (prior period: € 11,149 thousand) and investments in time deposits of € 43,553 thousand (prior period: cash inflows of € 18,154 thousand) as well as cash inflows from the sale of non-current assets of € 2,807 thousand (prior period: € 0 thousand) result from the investment strategy to improve net interest. As part of this investment strategy, Dürr invests its free liquidity in higher interest-bearing securities from European issuers.

The cash outflows of € 10,298 thousand (prior period: € 1,684 thousand) related to acquisitions reported under the cash flow from investing activities include the cash component of the liability due to the previous shareholders of Agramkow Fluid Systems A/S of € 1,316 thousand as well as the acquisition of the assets of Luft- und Thermochnik Bayreuth GmbH of € 8,982 thousand. This item did not contain any cash received in the 2013 reporting period. In the prior period, the cash outflows related to acquisitions, net of cash acquired, of € 1,684 thousand contained the cash component of the purchase price paid for Thermea Energiesysteme GmbH shares of € 2,135 thousand less the cash and cash equivalents obtained in the business combination of € 681 thousand and the final purchase price installment for UCM AG of € 230 thousand. For further details on business combinations, please refer to note 18.

The sale of the filtration technology segment of Dürr Ecoclean Inc., USA, which was reclassified as held for sale, resulted in a cash inflow of € 3,513 thousand.

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and cash paid to shareholders and non-controlling interests, interest paid for the bond and other financing activities. It also includes the payments made to settle liabilities under the terms of finance leases and other non-current loans. The line item, "Change in current bank liabilities and other financing activities", mainly contains cash inflows and outflows from current accounts.

On October 1, 2013, Dürr acquired the remaining 45 % of the shares in Agramkow Fluid Systems A/S, based in Sønderborg, Denmark, and its subsidiaries Agramkow Asia Pacific Pte. Ltd., Singapore and Agramkow do Brasil Ltda., Indaiatuba, Brazil. The purchase price for the second tranche amounted to € 24,500 thousand, with the total purchase price for 100 % of the shares amounting to € 32,986 thousand. Pursuant to IAS 7 "Statement of Cash Flows", the cash outflow for the second tranche of shares is contained in the cash flow from financing activities under the item "Cash paid for transactions with non-controlling interests", as the entities were already previously fully consolidated in the Dürr Group.

The Group has unused credit lines and bank guarantees of € 303,291 thousand (prior period: € 433,020 thousand). For more information on the financing of the Group, please refer to note 29. A breakdown by division of the Dürr Group of the cash flows from operating activities, investing activities and financing activities can be found in note 36.

A more detailed explanation of the statement of cash flows can be found in the section on "Financial development" in the group management report.

OTHER NOTES

36. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The presentation of segments 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, 2013, the Dürr Group consisted of the Corporate Center and four divisions differentiated by product and service range, each with global responsibility for their products and results. The Corporate Center comprises Dürr AG, as the management holding company, and Dürr IT Service GmbH, which performs IT services throughout the Group. The results and carrying amounts of Dürr GmbH & Co. Campus KG, which leased property internally at the Bietigheim-Bissingen location until May 31, 2013, and in the past reporting period was allocated to the Corporate Center, were allocated to the divisions. The prior-year figures were restated accordingly. Transactions between the divisions are carried out at arm's length.

**Paint and Assembly
Systems division**

Paint and Assembly Systems develops and builds paint shops and final assembly lines for the automotive industry. The division's portfolio also includes assembly and finishing systems for aircraft construction.

**Application
Technology division**

Application Technology develops and manufactures products and systems for automated painting applications, such as painting robots, feather cleaners and materials supply. Other activities include sealing technology for seams in bodywork and glueing technology for bodywork and final assembly of vehicles.

**Measuring and Process
Systems division**

Measuring and Process Systems offers balancing and diagnostics equipment, test, assembly and filling technology as well as industrial cleaning technology. Besides the automotive industry, the division serves industries such as mechanical engineering, the electrical engineering industry or the aerospace industry.

**Clean Technology
Systems division**

The Clean Technology Systems division consists of Dürr's solutions for waste air purification. Moreover, the division develops and distributes equipment to generate electricity from the heat and waste heat from industrial processes and other technologies aimed at improving the energy efficiency of production processes.

Management monitors the EBIT (earnings before investment income, interest and income taxes) of its four divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance as well as the development of the segments. The basis for segment reporting in accordance with IFRS 8 is the same as is used internally (management approach). Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

3.73 SEGMENT REPORTING

€k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Total segments	Reconciliation	Dürr Group
2013							
External sales revenues	1,176,896	540,018	583,629	106,323	2,406,866	7	2,406,873
Sales revenues with other divisions	3,179	4,345	14,967	2,946	25,437	-25,437	-
Total sales revenues	1,180,075	544,363	598,596	109,269	2,432,303	-25,430	2,406,873
EBIT	98,316	59,629	46,324	6,057	210,326	-7,335	202,991
Profit/loss from entities accounted for using the equity method	-	-	1,291	-697	594	-	594
Cash flow from operating activities	211,275	66,762	62,411	4,299	344,747	-15,682	329,065
Cash flow from investing activities	-8,572	-19,284	13,292	-10,738	-25,302	-86,115	-111,417
Cash flow from financing activities	-142,684	-34,555	-76,339	4,357	-249,221	148,318	-100,903
Depreciation and amortization	-5,828	-5,005	-10,830	-1,485	-23,148	-4,231	-27,379
Impairment of intangible assets and property, plant and equipment	-	-	-	-	-	-	-
Other non-cash income and expenses	5	14	-4,454	452	-3,983	-3	-3,986
Effects from restructuring/ onerous contracts	-300	-	193	-	-107	-	-107
Additions to intangible assets	1,684	1,008	1,234	3,953	7,879	2,521	10,400
Additions to property, plant and equipment	10,557	14,955	13,162	3,469	42,143	765	42,908
Investments in entities accounted for using the equity method	-	-	11,699	-	11,699	-	11,699
Assets (as of Dec. 31)	481,845	379,893	480,942	81,325	1,424,005	-22,219	1,401,786
Liabilities (as of Dec. 31)	647,659	239,236	212,402	42,986	1,142,283	-5,827	1,136,456
Employees (as of Dec. 31)	3,075	1,546	2,967	426	8,014	128	8,142

€k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Total segments	Reconciliation	Dürr Group
2012							
External sales revenues	1,125,202	531,209	647,889	95,483	2,399,783	47	2,399,830
Sales revenues with other divisions	2,598	2,686	12,940	572	18,796	– 18,796	–
Total sales revenues	1,127,800	533,895	660,829	96,055	2,418,579	– 18,749	2,399,830
EBIT	75,234	53,406	57,621	3,979	190,240	– 13,344	176,896
Profit/loss from entities accounted for using the equity method	2	–	1,012	– 562	452	–	452
Cash flow from operating activities	23,379	40,593	68,254	– 14,231	117,995	– 371	117,624
Cash flow from investing activities	– 6,131	– 6,056	– 4,374	– 5,766	– 22,327	– 1,055	– 23,382
Cash flow from financing activities	– 33,777	– 25,921	– 55,065	15,066	– 99,697	56,085	– 43,612
Depreciation and amortization	– 5,381	– 7,677	– 10,553	– 574	– 24,185	– 4,962	– 29,147
Impairment of intangible assets and property, plant and equipment	–	–	–	–	–	– 1,984	– 1,984
Other non-cash income and expenses	2	– 4	2	–	–	1	1
Effects from restructuring/ onerous contracts	– 300	– 131	321	– 55	– 165	–	– 165
Additions to intangible assets	1,516	725	980	6,134	9,355	4,358	13,713
Additions to property, plant and equipment	9,833	6,372	4,673	2,299	23,177	291	23,468
Investments in entities accounted for using the equity method	51	–	12,769	599	13,419	–	13,419
Assets (as of Dec. 31)	484,010	334,794	552,094	64,800	1,435,698	– 41,408	1,394,290
Liabilities (as of Dec. 31)	527,467	202,554	269,492	35,893	1,035,406	– 178	1,035,228
Employees (as of Dec. 31)	2,856	1,379	3,017	278	7,530	122	7,652

The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.

3.74 — RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€k	2013	2012
EBIT of the segments	210,326	190,240
EBIT of the Corporate Center	– 6,560	– 10,319
Elimination of consolidation entries	– 775	– 3,025
EBIT of the Dürr Group	202,991	176,896
Profit from entities accounted for using the equity method	594	452
Other investment income	36	23
Interest and similar income	3,788	2,963
Interest and similar expenses	– 22,830	– 32,604
Earnings before income taxes	184,579	147,730
Income taxes	– 43,673	– 36,345
Profit of the Dürr Group	140,906	111,385
	Dec. 31, 2013	Dec. 31, 2012
Segment assets	1,424,005	1,435,698
Assets of the Corporate Center	494,913	484,193
Elimination of consolidation entries	– 517,132	– 525,601
Cash and cash equivalents	458,513	349,282
Time deposits and other short-term securities	61,352	17,800
Held-to-maturity securities and other loans	27,806	11,510
Income tax receivables	7,000	5,929
Investments in entities accounted for using the equity method	11,699	13,419
Deferred tax assets	23,687	15,475
Total assets of the Dürr Group	1,991,843	1,807,705
Segment liabilities	1,142,283	1,035,406
Liabilities of the Corporate Center	26,405	27,239
Elimination of consolidation entries	– 32,232	– 27,417
Bond	225,200	225,379
Liabilities to banks	41,932	56,473
Finance lease liabilities	3,924	4,210
Income tax liabilities	30,711	18,952
Deferred tax liabilities	42,246	35,381
Total liabilities of the Dürr Group¹	1,480,469	1,375,623

¹ Consolidated total assets less total equity

Sales revenues are allocated to regions based on the location of the project or delivery locations, respectively. The Group's assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33 they include all non-current assets of the Group except for financial instruments and deferred tax assets.

3.75 REGIONAL SEGMENTATION

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2013						
External sales revenues	381,152	654,198	316,705	124,087	930,731	2,406,873
Additions to property, plant and equipment	23,116	6,720	2,770	1,187	9,115	42,908
Non-current assets (as of Dec. 31)	293,117	144,756	67,712	9,661	17,093	532,339
Employees (as of Dec. 31)	3,749	1,361	726	335	1,971	8,142

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2012						
External sales revenues	324,975	555,366	478,515	127,441	913,533	2,399,830
Additions to property, plant and equipment	13,507	3,886	1,160	1,735	3,180	23,468
Non-current assets (as of Dec. 31)	273,592	147,133	75,557	10,457	11,885	518,624
Employees (as of Dec. 31)	3,412	1,282	850	281	1,827	7,652

In the 2013 reporting period, sales revenues in China came to € 760,974 thousand (prior period: € 730,988 thousand) and in the USA to € 221,680 thousand (prior period: € 312,459 thousand).

In the 2013 reporting period, 13.4 % of consolidated net sales revenues were generated with one customer compared to 11.7 % in the prior period. These sales revenues were spread over all divisions. The second- and third-largest customers accounted for 10.7 % (prior period: 9.3 %) and 5.9 % (prior period: 8.3 %) respectively and were also attributable to all divisions. Entities that are known to be under common control are considered together as one customer.

37. RELATED PARTY TRANSACTIONS

Related parties comprise members of the Supervisory Board and the Board of Management.

Dr.-Ing. E. h. Heinz Dürr was chairman of the Supervisory Board of Dürr AG until April 26, 2013. The remuneration paid for this activity amounted to € 64 thousand (prior period: € 184 thousand). Expenses of € 144 thousand (prior period: € 211 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. € 8 thousand (prior period: € 24 thousand) including VAT was invoiced to Heinz Dürr GmbH for IT services. For his former activity as general manager, Dr.-Ing. E. h. Heinz Dürr also received pension benefits from the pension commitment (of January 2, 1978, supplemented December 21, 1988) of € 237 thousand (prior period: € 235 thousand).

Some members of the Supervisory Board of Dürr AG hold high-ranking positions in other entities. Transactions between these entities and Dürr are carried out at arm's length.

For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to note 42.

Related parties also comprise joint ventures and associates of the Dürr Group.

In the 2013 reporting period, there were intercompany transactions between Dürr and its joint ventures and associates of € 1,137 thousand (prior period: € 1,906 thousand). As of December 31, 2013, outstanding receivables from joint ventures and associates totaled € 21 thousand (prior period: € 162 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.

38. CONTINGENT LIABILITIES

3.76	CONTINGENT LIABILITIES	
€ k	Dec. 31, 2013	Dec. 31, 2012
Contingent liabilities from warranties, guarantees, notes and check guarantees	51	25
Other	8,444	11,313
	8,495	11,338

Other contingent liabilities mainly pertain to contingent liabilities in connection with pending tax proceedings in Brazil. Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

39. OTHER FINANCIAL OBLIGATIONS

3.77	OTHER FINANCIAL OBLIGATIONS	
€ k	Dec. 31, 2013	Dec. 31, 2012
Future minimum payments for operating leases	97,615	110,883
Future minimum payments for finance leases	5,271	5,904
Purchase obligations for property, plant and equipment	1,413	4,200
	104,299	120,987

In addition, there are purchase commitments stemming from procurement agreements on a customary scale.

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:

3.78 NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS
FOR OPERATING LEASES

€ k	Dec. 31, 2013	Dec. 31, 2012
Less than one year	18,687	21,212
Between one and five years	41,241	46,359
More than five years	37,687	43,312
	97,615	110,883

In the 2013 reporting period, expenses of € 23,515 thousand (prior period: € 23,078 thousand) were recorded in the statement of income for operating leases.

Finance leases

The Group has entered into finance leases for various items of property, plant and equipment. Future minimum lease payments relating to these are reconciled to the liabilities below:

3.79 NOMINAL VALUES OF FINANCE LEASES

€ k	DEC. 31, 2013			DEC. 31, 2012		
	Minimum payments	Interest contained in the lease payments	Finance lease liabilities	Minimum payments	Interest contained in the lease payments	Finance lease liabilities
Less than one year	716	314	402	919	340	579
Between one and five years	2,692	865	1,827	3,380	1,026	2,354
More than five years	1,863	168	1,695	1,605	328	1,277
	5,271	1,347	3,924	5,904	1,694	4,210

40. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates in countries in which there are political and economic risks. These risks did not have any effect on the Group in the 2013 reporting period. Dürr may be involved in lawsuits, including product liability, in the ordinary course of business. There are no such matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. Dürr is generally exposed to financial risks. These include mainly credit risks, liquidity risks and exposure to interest rate changes or currency risks. The regulations for a group-wide risk policy are set forth in the Group's guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the group management report.

Credit risk

The credit risk relates to the possibility that business partners may fail to live up to their obligation with non-derivative and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses letters of credit, trade credit insurances and guarantees by the federal government to further limit the risk of default.

3.80 RECEIVABLES SECURED AGAINST DEFAULT

€k	Dec. 31, 2013	Dec. 31, 2012
Letters of credit	20,852	4,220
Trade credit insurances	20,468	12,304
	41,320	16,524

In connection with the investment of liquid funds, investments as part of financial asset management and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the credit institutions and companies 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, investments of active asset management 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 revenue is generated with a limited number of customers as 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, 2013, 51.9 % (prior period: 51.4 %) of the trade receivables were due from ten (prior period: nine) customers. The total receivables disclosed contain bad debt allowances for doubtful debts of € 5,613 thousand (prior period: € 7,185 thousand). Owing to its customers' group structure with international subsidiaries, Dürr does not see any concentration of credit risks from its business relations with individual debtors or groups of debtors despite the fact that its business is concentrated on a relatively small number of customers. The level of diversity displayed among the Group's customers is high compared to other automotive suppliers.

Liquidity risk

The liquidity risk is the risk that the Group may not be in a position to meet its obligations in the future, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. The situation is monitored and managed by means of a liquidity plan with a planning horizon of 18 months, coupled with a short-term liquidity forecast.

In addition, use of cross-border cash pooling structures has improved the structure of the statement of financial position through liquidity pooling, reduced the volume of borrowed funds and thus helped to enhance the financial result. At the same time, the liquidity situation has become more transparent. Moreover, excess liquidity at individual entities within the Group can be used to finance the cash needs of other group entities internally.

The syndicated loan agreement, which expires on June 30, 2015, can be terminated prematurely by the banking syndicate if certain financial covenants are not complied with. The financial covenants include certain targets such as total net worth, the leverage ratio and the interest coverage. In the 2013 reporting period, the financial covenants were complied with as of each cut-off date. The financial covenants are calculated for a rolling period of twelve months. For additional information, please refer to note 29.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

3.81 INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

		CASHFLOWS				
€ k	Carrying amount as of Dec. 31, 2013	2014	2015	2016	2017	From 2018 onwards
Non-derivative financial liabilities						
Trade payables	259,969	259,376	200	50	44	299
Trade payables due to entities accounted for using the equity method	3	3	–	–	–	–
Sundry financial liabilities	16,125	14,406	124	–	–	1,595
Bond	225,200	16,313	237,234	–	–	–
Liabilities to banks	41,932	3,879	3,870	3,870	3,869	40,765
Finance lease liabilities	3,924	716	693	657	676	2,529
Obligations from put options	16,497	238	15,735	–	–	650
Contingent purchase price installments	2,108	500	582	–	500	1,000
Derivative financial liabilities						
Derivatives not used for hedging	149	106	43	–	–	–
Derivatives used for hedging	1,112	1,037	66	–	–	9

		CASHFLOWS				
€ k	Carrying amount as of Dec. 31, 2012	2013	2014	2015	2016	From 2017 onwards
Non-derivative financial liabilities						
Trade payables	254,553	252,706	783	21	–	1,043
Trade payables due to entities accounted for using the equity method	14	14	–	–	–	–
Sundry financial liabilities	29,304	26,598	130	1	–	2,575
Bond	225,379	16,313	16,313	237,234	–	–
Liabilities to banks	56,473	16,693	4,194	3,995	3,927	47,526
Finance lease liabilities	4,210	919	899	858	798	2,430
Obligations from put options	33,134	23,821	–	9,384	–	–
Contingent purchase price installments	2,171	500	–	1,127	500	500
Derivative financial liabilities						
Derivatives not used for hedging	173	168	5	–	–	–
Derivatives used for hedging	1,810	1,657	153	–	–	–

Foreign currency risk Currency risks exist in particular where receivables or liabilities are carried or will arise in the ordinary course of business in a currency other than the functional currency of the entity. Foreign exchange risks are hedged where they affect the cash flows of the Group. Foreign exchange risks that do not affect the cash flows of the Group (i.e., the risks from translating the items from the statement of financial position of foreign operations to the euro, the Group's reporting currency), however, are generally not hedged. Forward exchange transactions are entered into to hedge exchange rate fluctuations from cash flows relating to forecast purchase and sales transactions with original terms of up to 82 months (prior period: 39 months).

Regarding the presentation of market risks, IFRS 7 "Financial Instruments: Disclosures" requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variables. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. The presentation is based on the assumption that the portfolio at the end of the reporting period was representative for the whole year. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which Dürr holds financial instruments are relevant risk variables.

Material non-derivative monetary financial instruments which constitute currency risks for Dürr are cash, trade receivables and payables as well as intercompany receivables and liabilities that are denominated in different functional currencies. Non-derivative financial instruments which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges. In the process, both the change in the non-derivative financial instrument and the change in the value of the derivative financial instrument are posted through profit and loss. In addition, Dürr is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the currency reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are most relevant for Dürr. This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, in the value of the euro against the US dollar, the Chinese renminbi, the pound sterling and Danish krone as well as an appreciation and depreciation of the US dollar to the Korean won and the Mexican peso.

3.82 IMPACT ON THE STATEMENT OF INCOME AND EQUITY

€ k	DEC. 31, 2013		DEC. 31, 2012	
	Impact on the statement of income	Impact on the hedge reserve in equity	Impact on the statement of income	Impact on the hedge reserve in equity
EUR/USD				
EUR + 10 %	74	4,090	130	2,369
EUR - 10 %	- 53	- 4,888	- 158	- 2,896
EUR/CNY				
EUR + 10 %	- 2,668	- 308	- 1,656	31
EUR - 10 %	3,261	372	2,025	- 38
EUR/GBP				
EUR + 10 %	426	- 316	619	- 1,191
EUR - 10 %	- 493	403	- 756	1,456
EUR/DKK				
EUR + 10 %	- 451	393	- 25	59
EUR - 10 %	549	- 461	38	- 72
USD/KRW				
USD + 10 %	168	- 18	376	- 42
USD - 10 %	- 205	22	- 605	52
USD/MXN				
USD + 10 %	964	5	- 849	- 18
USD - 10 %	- 1,178	- 2	1,038	21

Interest rate risk Interest rate risks are due to fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

On account of the growing volume of business, Dürr has cash subject to fluctuation in interest rates as of December 31, 2013. A hypothetical increase in these interest rates of 25 base points per year would have caused a € 689 thousand (prior period: € 644 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a € 689 thousand (prior period: € 644 thousand) decrease in interest income.

Other price risks In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variables on the price of financial instruments. The main risk variables include stock market prices and indices.

As of December 31, 2013, Dürr did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

Please refer to note 34 for more information on the price risk of the put options disclosed as a level 3 financial instrument, the liabilities from contingent purchase price installments and the call option.

Use of derivative financial instruments Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates and interest rates on 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 (credit institutions) 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 periods for which they were designated.

Depending on their market value at the end of the reporting period, derivative financial instruments are reported under sundry financial assets (positive market value) or sundry financial liabilities (negative market value) respectively.

3.83 SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

€ k	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Forward exchange contracts	250,860	172,197	3,037	3,196	1,261	1,983
of which in connection with cash flow hedges	121,461	103,565	2,434	2,678	888	1,567
of which in connection with fair value hedges	55,983	27,910	505	271	224	243
of which not used for hedging	73,416	40,722	98	247	149	173

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.

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly in other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded in other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales or other operating income and expenses in the statement of income.

In the 2013 reporting period, an unrealized result was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € –1,074 thousand recognized in equity (prior period: € 7,593 thousand).

In addition, € 1,653 thousand (prior period: € 2,252 thousand) was reclassified in the 2013 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 decreasing profit. In the prior period, € –1,726 thousand was attributable to forward exchange contracts, accounted for as hedges, concluded to hedge anticipated future transactions which were reversed on account of the hedged transaction ceasing to exist.

The effect on earnings (before income taxes) expected for 2014 from the amounts recognized in other comprehensive income at the end of the reporting period came to € 1,224 thousand. In the 2015 and 2016 reporting periods, accumulated effects on earnings are expected to total € 245 thousand.

A loss of € 434 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: loss of € 4,189 thousand). Measuring the hedged items as of the reporting date gave rise to a gain of approximately the same amount.

In the 2013 and 2012 reporting periods, there were no further material effects on earnings arising from ineffectiveness apart from the effect described above arising from the hedged transactions ceasing to exist in the prior year.

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.

41. ADDITIONAL DISCLOSURE REQUIREMENTS

Exemption pursuant to Sec. 264 (3) HGB

With reference to Sec. 264 (3) HGB [“Handelsgesetzbuch”: German Commercial Code], the financial statements of the following German subsidiaries are not published:

- Dürr Systems GmbH, Stuttgart
- Dürr International GmbH, Stuttgart
- Dürr Somac GmbH, Stollberg
- Carl Schenck AG, Darmstadt
- Dürr Ecoclean GmbH, Filderstadt
- Schenck RoTec GmbH, Darmstadt
- Schenck Technologie- und Industriepark GmbH, Darmstadt
- Dürr Assembly Products GmbH, Püttlingen
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

With reference to Sec. 264 (3) HGB, the following German subsidiaries do not prepare, or have audited, notes to the financial statements or a management report:

- Carl Schenck AG, Darmstadt
- Dürr Somac GmbH, Stollberg
- Dürr Assembly Products GmbH, Püttlingen
- Dürr International GmbH, Stuttgart
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

42. OTHER NOTES

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 11, 2013, and made accessible to the shareholders on the internet. For additional information, please refer to the group management report.

Headcount

The headcount of employees in the Dürr Group breaks down as of December 31, 2013, and as an average over the 2013 reporting period as follows:

3.84	EMPLOYEES AS OF THE END OF THE REPORTING PERIOD	
	Dec. 31, 2013	Dec. 31, 2012
Wage earners	3,300	2,909
Salaried employees	4,455	4,388
Employees without interns/apprentices/others	7,755	7,297
Interns/apprentices/others	387	355
Total employees	8,142	7,652

3.85	AVERAGE HEADCOUNT DURING THE YEAR	
	2013	2012
Wage earners	3,167	2,792
Salaried employees	4,408	4,206
Employees without interns/apprentices/others	7,575	6,998
Interns/apprentices/others	398	339
Total employees	7,973	7,337

Fees of the auditor of the consolidated financial statements

The audit fees of the auditor of the consolidated financial statements recorded as an expense for the reporting period break down as follows:

3.86	AUDITOR'S FEES	
€ k	2013	2012
Audit of the financial statements	833	724
Other attest services	29	27
Tax advisory services	30	21
Other services	9	47
	901	819

Subsequent events

Effective March 1, 2014, employer's pension liability insurance with a fair value of € 13,726 thousand was acquired at German Dürr entities to reduce interest and longevity risks of further significant benefit obligations.

By letter dated February 27, 2014, Prof. Dr. Norbert Loos announced that he would resign from his position on the Supervisory Board for age reasons after the annual general meeting on April 30, 2014.

Dürr intends to issue a new bond in 2014. In addition, Dürr plans to raise a new syndicated loan in 2014. In both cases, Dürr assumes that the Company will be able to obtain more favorable funding conditions than before. As well as this, Dürr considers calling in the bond issued in 2010 (7.25 % coupon, maturing on September 28, 2015) at 100 % on September 28, 2014 at the earliest, subject to the notice periods provided for in the bond issue terms.

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 current fiscal year and March 6, 2014.

Authorization for issue and publication of the consolidated financial statements as of December 31, 2013

The consolidated financial statements and group management report of Dürr AG prepared by the Board of Management as of December 31, 2013, were authorized at the meeting of the Board of Management on March 6, 2014, for issue to the Supervisory Board and will probably be published in the 2013 annual report on March 18, 2014.

MEMBERS OF THE BOARD OF MANAGEMENT

RALF W. DIETER

Chairman

- Public Relations, Human Resources
(Employee Affairs Director), Research
and Development, Quality Management,
Internal Audit, Corporate Compliance
- Paint and Assembly Systems division
- Application Technology division
- Measuring and Process Systems division
- Carl Schenck AG, Darmstadt* (Chairman)
- Dürr Systems GmbH, Stuttgart* (Chairman)
- Körber AG, Hamburg
- Schuler AG, Göppingen (since April 18, 2013)
- Dürr Paintshop Systems Engineering (Shanghai)
Co. Ltd., Shanghai, P. R. China* (Supervisor)

RALPH HEUWING

- Finance/Controlling, Investor Relations,
Risk Management, Legal Affairs/Patents,
Information Technology, Global Sourcing
- Clean Technology Systems division
- Dürr Consulting
- Carl Schenck AG, Darmstadt*
- Dürr Systems GmbH, Stuttgart*
- MCH Management Capital Holding AG, Munich
- Dürr India Pvt. Ltd., Chennai, India*

● Offices held by members of the Board of Management

■ Membership in statutory supervisory boards

□ Membership in comparable German and foreign control bodies (of business entities)

* Group boards

3.87 COMPENSATION EXPENSE FOR THE BOARD OF MANAGEMENT 2013

€	NON-PERFORMANCE-RELATED		PERFORMANCE-RELATED				Total expense	Paid out in the reporting period
	Basic compensation	Other compensation ¹	Long-term compensation expense (LTI)	Short-term compensation expense (STI)	Compensation expense without pension benefits	Pension benefit expense ²		
Ralf W. Dieter	600,000.00	47,153.18	1,400,000.00	1,000,000.00	3,047,153.18	160,000.00	3,207,153.18	2,972,153.18
(2012)	(550,000.00)	(57,049.31)	(1,904,985.73)	(1,000,000.00)	(3,512,035.04)	(150,000.00)	(3,662,035.04)	(2,107,049.31)
Ralph Heuwing	500,000.00	26,784.54	1,400,000.00	900,000.00	2,826,784.54	140,000.00	2,966,784.54	2,776,784.54
(2012)	(425,455.44)	(24,948.19)	(2,215,099.68)	(900,000.00)	(3,565,503.31)	(127,500.00)	(3,693,003.31)	(1,735,403.63)
Gesamt	1,100,000.00	73,937.72	2,800,000.00	1,900,000.00	5,873,937.72	300,000.00	6,173,937.72	5,748,937.72
(2012)	(975,455.44)	(81,997.50)	(4,120,085.41)	(1,900,000.00)	(7,077,538.35)	(277,500.00)	(7,355,038.35)	(3,842,452.94)

¹ Payments in kind, allowances relating to insurance premiums, etc.

² Current service cost recorded during the reporting period

As payment of the first LTI tranche (term between 2010 and 2012), the Board of Management received a total of € 3,000 thousand. Of this, € 2,675 thousand was paid out following the 2013 annual general meeting. € 325 thousand had already been granted in 2011 as a down-payment. From the second LTI tranche (term between 2011 and 2013), the Board of Management received a down-payment of € 560 thousand in 2012, which will be offset against the final payment in 2014.

In December 2013 the members of the Board of Management received a down-payment of € 1,500 thousand (prior period: € 1,500 thousand) on the short-term performance-based compensation for the 2013 reporting period.

Measurement of long-term incentives (LTI) is based on the anticipated share price at the end of the contractual term and an average earnings ratio over the duration of the program. Historical share prices are used to determine the fair value. The average earnings ratio used is based on the Group's internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made. This can lead to a change in the final payments from the respective LTI tranches. For more information about the share-based payment, please refer to note 33.

The former members of the Board of Management received pension benefits of € 926 thousand in the 2013 reporting period (prior period: € 836 thousand). Pension provisions for this group of persons amounted to € 4,009 thousand as of December 31, 2013 (prior period: € 4,755 thousand).

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. E.H. HEINZ DÜRR^{1, 4, 5}

Entrepreneur, Berlin
(until April 26, 2013, Chairman)

KLAUS EBERHARDT^{1, 4, 5}

Former Chairman of the Board of Management
of Rheinmetall AG
Chairman (since April 26, 2013)

- ElringKlinger AG, Dettingen/Erms
(since May 16, 2013)
- KSPG AG, Neckarsulm (Chairman)
- MTU Aero Engines AG, Munich
(Chairman)

HAYO RAICH^{1, 3, 4}

Full-time Chairman of the Group
Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council
of Dürr Systems GmbH, Stuttgart,
at the Bietigheim-Bissingen site
Deputy Chairman

- Dürr Systems GmbH, Stuttgart
(Deputy Chairman)

PROF. DR. NORBERT LOOS^{1, 2, 4, 5}

Managing partner of
Loos Beteiligungs-GmbH, Stuttgart
Further Deputy Chairman

- BHS tabletop AG, Selb (Chairman)
- Hans R. Schmid Holding AG,
Offenburg (Chairman)
- LTS Lohmann Therapie-Systeme AG,
Andernach (Chairman)

STEFAN ALBERT^{3, 4}

Full-time Chairman of the Works Council
of Schenck RoTec GmbH, Darmstadt

- Betriebspensionskasse der Firma
Carl Schenck AG VVaG, Darmstadt

MIRKO BECKER^{2, 3}

Full-time member of the Group
Works Council of Dürr AG, Stuttgart
Full-time member of the Works Council
of Dürr Systems GmbH, Stuttgart,
at the Bietigheim-Bissingen site

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

DR. DR. ALEXANDRA DÜRR^{2, 5}

Senior physician at the Neurogenetic Clinic
of Département de Génétique, Hôpital de la
Salpêtrière, Paris, France

THOMAS HOHMANN³

Head of Personnel at Dürr Systems GmbH,
Stuttgart

GUIDO LESCH^{1, 3}

Second Authorized Representative of
IG Metall administrative offices, Völklingen

- Saarschmiede GmbH Freiformschmiede,
Völklingen (Deputy Chairman)

DR. HERBERT MÜLLER

Lawyer
(since April 26, 2013)

DR. MARTIN SCHWARZ-KOCHER^{2, 3}

General manager of IMU Institut GmbH,
Stuttgart

KARL-HEINZ STREIBICH

Chairman of the Board of Management
of Software AG, Darmstadt

- Deutsche Telekom AG,
Bonn (since October 1, 2013)
- Deutsche Messe AG,
Hanover (since January 1, 2013)
- Mann+Hummel GmbH,
Ludwigsburg (since June 3, 2013)
- Mann+Hummel Holding GmbH,
Ludwigsburg (since June 3, 2013)

PROF. DR.-ING. DR.-ING. E.H.**KLAUS WUCHERER**

General manager of Dr. Klaus Wucherer
Innovations- und Technologieberatung GmbH,
Erlangen

- Festo AG & Co. KG, Esslingen
(Chairman since April 19, 2013)
- Heitec AG, Erlangen
(Deputy Chairman since June 27, 2013)
- Leoni AG, Nürnberg (Deputy Chairman)
- 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

The table below shows a breakdown into components of the remuneration of individual Supervisory Board members in the 2013 reporting period.

3.88 REMUNERATION OF THE SUPERVISORY BOARD IN 2013

€	Basic remuneration	Remuneration for committee membership	Attendance fees ³	Variable remuneration	Total
Dr.-Ing. E.h. Heinz Dürr, Chairman (until April 26, 2013)	20,000.00	6,250.00	3,000.00	35,000.00	64,250.00
(2012)	(60,000.00)	(11,250.00)	(8,000.00)	(105,000.00)	(184,250.00)
Klaus Eberhardt, Chairman (since April 26, 2013)	46,666.67	5,000.00	6,000.00	81,666.67	139,333.34
(2012)	(13,333.33)	(–)	(2,000.00)	(23,333.33)	(38,666.66)
Hayo Raich ^{* 1, 2} , Deputy Chairman	33,000.00	5,000.00	5,900.00	52,500.00	96,400.00
(2012)	(33,000.00)	(5,000.00)	(8,900.00)	(52,500.00)	(99,400.00)
Prof. Dr. Norbert Loos, Deputy Chairman	30,000.00	25,500.00	10,000.00	52,500.00	118,000.00
(2012)	(30,000.00)	(25,500.00)	(11,000.00)	(52,500.00)	(119,000.00)
Stefan Albert ^{* 2}	20,000.00	–	6,000.00	35,000.00	61,000.00
(2012)	(20,000.00)	(–)	(5,000.00)	(35,000.00)	(60,000.00)
Mirko Becker ^{* 2}	20,000.00	9,000.00	9,000.00	35,000.00	73,000.00
(2012)	(20,000.00)	(9,000.00)	(8,000.00)	(35,000.00)	(72,000.00)
Dr. Dr. Alexandra Dürr	20,000.00	11,500.00	9,000.00	35,000.00	75,500.00
(2012)	(20,000.00)	(8,500.00)	(7,000.00)	(35,000.00)	(70,500.00)
Thomas Hohmann [*]	20,000.00	–	6,000.00	35,000.00	61,000.00
(2012)	(20,000.00)	(–)	(5,000.00)	(35,000.00)	(60,000.00)
Guido Lesch ^{* 2}	20,000.00	5,000.00	7,000.00	35,000.00	67,000.00
(2012)	(20,000.00)	(5,000.00)	(8,000.00)	(35,000.00)	(68,000.00)
Dr. Herbert Müller (since April 26, 2013)	13,333.33	–	4,000.00	23,333.33	40,666.66
Joachim Schielke (until April 27, 2012)	–	–	–	–	–
(2012)	(6,666.67)	(3,000.00)	(3,000.00)	(11,666.67)	(24,333.34)
Dr. Martin Schwarz-Kocher ^{* 2}	20,000.00	9,000.00	9,000.00	35,000.00	73,000.00
(2012)	(20,000.00)	(9,000.00)	(8,000.00)	(35,000.00)	(72,000.00)
Karl-Heinz Streibich	20,000.00	–	6,000.00	35,000.00	61,000.00
(2012)	(20,000.00)	(–)	(4,000.00)	(35,000.00)	(59,000.00)
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	20,000.00	–	6,000.00	35,000.00	61,000.00
(2012)	(20,000.00)	(–)	(4,000.00)	(35,000.00)	(59,000.00)
Total	303,000.00	76,250.00	86,900.00	525,000.00	991,150.00
(2012)	(303,000.00)	(76,250.00)	(81,900.00)	(525,000.00)	(986,150.00)

* Employee representative

¹ Also member of the Supervisory Board of Dürr Systems GmbH

² These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.

³ For Supervisory Board and committee meetings

43. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

3.89 INTANGIBLE ASSETS

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Advance pay- ments for intan- gible assets	Dürr Group
Accumulated cost as of January 1, 2012	284,482	83,804	33,472	673	402,431
Exchange difference	- 1,007	- 247	- 10	1	- 1,263
Changes in the consolidated group	-	3,603	529	-	4,132
Additions	4,684	5,821	3,072	136	13,713
Disposals	-	- 5,609	- 5,847	-	- 11,456
Reclassifications	-	685	-	- 673	12
Accumulated cost as of December 31, 2012	288,159	88,057	31,216	137	407,569
Exchange difference	- 2,446	- 704	- 30	- 1	- 3,181
Changes in the consolidated group	-	3,327	-	8	3,335
Additions	2,077	4,873	3,446	4	10,400
Disposals	-	- 4,705	- 9,546	-	- 14,251
Reclassification to held for sale	- 819	- 4,185	- 549	-	- 5,553
Reclassifications	-	- 401	447	- 46	-
Accumulated cost as of December 31, 2013	286,971	86,262	24,984	102	398,319
Accumulated amortization as of January 1, 2012	-	56,739	19,033	-	75,772
Exchange difference	-	- 189	- 11	-	- 200
Amortization for the year	-	8,818	6,111	-	14,929
Impairment losses	-	1,984	-	-	1,984
Disposals	-	- 5,515	- 5,685	-	- 11,200
Reclassifications	-	11	-	-	11
Accumulated amortization as of December 31, 2012	-	61,848	19,448	-	81,296
Exchange difference	-	- 516	- 29	-	- 545
Amortization for the year	-	8,350	3,901	-	12,251
Disposals	-	- 2,895	- 9,538	-	- 12,433
Reclassification to held for sale	-	- 3,860	- 424	-	- 4,284
Reclassifications	-	- 301	301	-	-
Accumulated amortization as of December 31, 2013	-	62,626	13,659	-	76,285
Net carrying amount as of December 31, 2013	286,971	23,636	11,325	102	322,034
Net carrying amount as of December 31, 2012	288,159	26,209	11,768	137	326,273
Net carrying amount as of January 1, 2012	284,482	27,065	14,439	673	326,659

3.90

PROPERTY, PLANT AND EQUIPMENT

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Advance pay- ments and assets under construction	Dürr Group
Accumulated cost as of January 1, 2012	179,514	39,832	32,013	73,793	1,464	326,616
Exchange difference	- 693	-	- 170	- 542	- 40	- 1,445
Changes in the consolidated group	-	-	402	166	638	1,206
Additions	4,881	80	4,794	9,196	4,517	23,468
Disposals	- 1,007	- 104	- 1,646	- 7,046	-	- 9,803
Reclassifications	- 1,657	2,988	26	16	- 1,385	- 12
Accumulated cost as of December 31, 2012	181,038	42,796	35,419	75,583	5,194	340,030
Exchange difference	- 1,962	-	- 853	- 1,782	- 61	- 4,658
Changes in the consolidated group	3,418	-	180	218	-	3,816
Additions	15,759	243	4,232	17,019	5,655	42,908
Disposals	- 1,467	- 80	- 1,752	- 6,042	-	- 9,341
Reclassification to held for sale	- 18,584	-	- 3,457	- 1,373	-	- 23,414
Reclassifications	4,150	- 584	377	900	- 4,843	-
Accumulated cost as of December 31, 2013	182,352	42,375	34,146	84,523	5,945	349,341
Accumulated depreciation as of January 1, 2012	61,266	17,499	23,934	56,705	-	159,404
Exchange difference	- 251	-	- 91	- 412	-	- 754
Depreciation for the year	4,813	852	2,157	6,396	-	14,218
Disposals	- 561	- 104	- 1,269	- 6,382	-	- 8,316
Reclassifications	- 1,365	1,371	-	- 17	-	- 11
Accumulated depreciation as of December 31, 2012	63,902	19,618	24,731	56,290	-	164,541
Exchange difference	- 793	-	- 494	- 1,212	-	- 2,499
Depreciation for the year	5,062	887	2,116	7,063	-	15,128
Disposals	- 1,337	- 76	- 851	- 5,909	-	- 8,173
Reclassification to held for sale	- 11,613	-	- 3,081	- 1,056	-	- 15,750
Reclassifications	405	- 299	- 62	- 44	-	-
Accumulated depreciation as of December 31, 2013	55,626	20,130	22,359	55,132	-	153,247
Net carrying amount as of December 31, 2013	126,726	22,245	11,787	29,391	5,945	196,094
Net carrying amount as of December 31, 2012	117,136	23,178	10,688	19,293	5,194	175,489
Net carrying amount as of January 1, 2012	118,248	22,333	8,079	17,088	1,464	167,212

3.91 FINANCIAL ASSETS

€ k	Investments in entities accounted for using the equity method	Other investments	Securities classified as non-current assets	Other loans	Dürr Group
Accumulated cost as of January 1, 2012	17,207	2,340	316	–	19,863
Exchange difference	– 1,567	–	–	–	– 1,567
Changes in the consolidated group	– 3,453	–	–	–	– 3,453
Additions	1,439	400	11,180	602	13,621
Disposals	– 562	– 3	–	–	– 565
Reclassifications	355	– 355	–	–	–
Accumulated cost as of December 31, 2012	13,419	2,382	11,496	602	27,899
Exchange difference	– 2,709	–	–	–	– 2,709
Changes in the consolidated group	– 51	–	–	–	– 51
Additions	1,639	100	19,899	–	21,638
Disposals	– 147	–	– 2,990	–	– 3,137
Accumulated cost as of December 31, 2013	12,151	2,482	28,405	602	43,640
Accumulated impairment as of January 1, 2012	–	27	–	–	27
Amortization	–	–	241	–	241
Disposals	–	– 1	–	–	– 1
Accumulated impairment as of December 31, 2012	–	26	241	–	267
Amortization	–	–	636	–	636
Impairment losses	452	–	–	151	603
Disposals	–	–	– 183	–	– 183
Accumulated impairment as of December 31, 2013	452	26	694	151	1,323
Net carrying amount as of December 31, 2013	11,699	2,456	27,711	451	42,317
Net carrying amount as of December 31, 2012	13,419	2,356	11,255	602	27,632
Net carrying amount as of January 1, 2012	17,207	2,313	316	–	19,836

44. LIST OF GROUP SHAREHOLDINGS

3.92 LIST OF GROUP SHAREHOLDINGS

Name and location	Share of capital in %
Germany	
Carl Schenck AG, Darmstadt ²	100
Landwehr Elfte Vermögensverwaltung GmbH, Darmstadt ^{2, 5}	100
Schenck RoTec GmbH, Darmstadt ^{1, 2}	100
Schenck Technologie- und Industriepark GmbH, Darmstadt ^{1, 2}	100
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt ⁶	100
LaTherm GmbH, Dortmund ^{3, 5}	28
Dürr Ecoclean GmbH, Filderstadt ^{1, 2}	100
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach ² (formerly: Dürr EES GmbH)	80
Thermea Energiesysteme GmbH, Ottendorf-Okrilla ²	28
Dürr Assembly Products GmbH, Püttlingen ^{1, 2}	100
Dürr Somac GmbH, Stollberg ^{1, 2}	100
Dürr International GmbH, Stuttgart ^{1, 2}	100
Dürr IT Service GmbH, Stuttgart ^{1, 2}	100
Dürr Parata GmbH, Stuttgart ² (formerly: Dürr EDAG Aircraft Systems GmbH)	100
Dürr Systems GmbH, Stuttgart ^{1, 2}	100
Prime Contractor Consortium FAL China, Stuttgart ³	50
Dürr Systems Wolfsburg GmbH, Wolfsburg ^{1, 2}	100
Other EU countries	
Agramkow Fluid Systems A/S, Sønderborg/Denmark ²	100
Carl Schenck Denmark ApS, Sønderborg/Denmark ²	100
Schenck S.A.S., Jouy-le-Moutier/France ²	100
Dürr Systems S.A.S., Guyancourt/France ²	100
Dürr Cleaning France S.A.S., Loué/France ²	100
Dürr Ecoclean S.A.S., Loué/France ²	100
Datatechnic S.A.S., Uxegney/France ²	100
Dürr Cyplan Ltd., Aldermaston/UK ²	50
Dürr Ltd., Warwick/UK ²	100
Schenck Ltd., Warwick/UK ²	100
CPM S.p.A., Beinasco/Italy ²	51
Olpidürr S.p.A., Novegro di Segrate/Italy ²	65
Schenck Italia S.r.l., Paderno Dugnano/Italy ²	100
Verind S.p.A., Rodano/Italy ²	50
Stimas Engineering S.r.l., Turin/Italy ²	51
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands ²	100
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria ²	100
Dürr Poland Sp. z o.o., Radom/Poland ²	100
Dürr Systems Slovakia spol. s r.o., Bratislava/Slovakia ²	100
Dürr Systems Spain S.A., San Sebastián/Spain ²	100
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic ²	100
Other European countries	
OOO Dürr Systems RUS, Moscow/Russia ²	100
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland ²	100
UCM AG, Rheineck/Switzerland ²	100
CPM Automation d.o.o. Beograd, Belgrade/Serbia ²	51
Dürr Systems Makine Mühendislik Proje İthalat ve İhracat Ltd. Şirketi, Istanbul/Turkey ²	100

Name and location	Share of capital in %
North America/Central America	
Dürr Systems Canada Corp., Windsor, Ontario/Canada ²	100
Dürr de México, S.A. de C.V., Querétaro/Mexico ²	100
Schenck RoTec Corporation, Auburn Hills, Michigan/USA ²	100
Dürr Inc., Plymouth, Michigan/USA ²	100
Dürr Systems Inc., Plymouth, Michigan/USA ²	100
Dürr Ecoclean Inc., Wixom, Michigan/USA ²	100
Schenck Corporation, Deer Park, New York/USA ²	100
Schenck Trebel Corporation, Deer Park, New York/USA ²	100
South America	
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina ^{2, 5}	100
Agramkow do Brasil Ltda., Indaiatuba/Brazil ²	100
Dürr Brasil Ltda., São Paulo/Brazil ²	100
Africa/Asia/Australia	
Dürr Systems Maroc sarl au, Tangier/Morocco ²	100
Dürr Africa (Pty.) Ltd., Port Elizabeth/South Africa ²	100
Dürr India Private Ltd., Chennai/India ²	100
Schenck RoTec India Limited, Noida/India ²	100
Nagahama Seisakusho Ltd., Osaka/Japan ³	50
Parker Engineering Co., Ltd., Tokyo/Japan ⁴	10
Dürr Japan K.K., Yokohama/Japan ²	100
Agramkow Asia Pacific Pte. Ltd., Singapore/Singapore ²	100
Dürr Korea Inc., Seoul/South Korea ²	100
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/P. R. China ²	100
Schenck Shanghai Machinery Corporation Ltd., Shanghai/P. R. China ²	100
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/P. R. China ³	49
Dürr (Thailand) Co., Ltd., Bangkok/Thailand ²	100
Dürr Pty. Ltd., Adelaide/Australia ²	100

¹ Profit and loss transfer agreement with the respective parent company

² Fully consolidated entity in the Dürr Group

³ Entity accounted for using the equity method in the Dürr Group

⁴ Held as an investment in the Dürr Group as the voting right share is below 20 %

⁵ In liquidation

⁶ Non-consolidated entity in the Dürr Group. Dürr does not have control as it cannot enjoy the economic rewards from the operations of the entity.

Bietigheim-Bissingen, March 6, 2014

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 6, 2014

4.1 Ten-year summary Dürr Group¹

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Incoming orders	€ million	2,387.1	2,596.8	2,684.9	1,642.2	1,184.7	1,464.0	1,781.5	1,459.8	1,216.9	1,387.4
Orders on hand (Dec. 31)	€ million	2,150.1	2,316.8	2,142.7	1,359.1	1,002.4	925.0	1,082.0	805.2	723.5	859.9
Sales revenues	€ million	2,406.9	2,399.8	1,922.0	1,261.4	1,077.6	1,602.8	1,476.6	1,361.2	1,400.6	1,725.8
Gross profit on sales	€ million	487.3	437.8	331.4	237.5	210.8	287.1	240.0	220.2	220.2	240.6
Overhead costs (incl. R&D costs)	€ million	-280.7	-262.9	-225.5	-201.6	-202.5	-211.0	-203.3	-198.9	-211.5	-207.9
Restructuring costs (incl. impairment losses/reversal of impairment losses)	€ million	- ²	- ²	- ²	- ²	- ²	- ²	1.0	-5.9	-73.8	-6.8
EBITDA	€ million	230.4	205.4	127.1	54.6	25.6	87.1	73.5	52.7	-18.8	50.2
EBIT	€ million	203.0	176.9	106.5	36.6	5.7	72.7	55.7	33.1	-70.3	29.0
Net finance expense	€ million	-18.4	-29.2	-20.7	-24.1	-17.9	-26.3	-21.0	-18.3	-36.3	-24.5
EBT	€ million	184.6	147.7	85.8	12.5	-12.2	46.4	34.8	14.8	-106.6	4.5
Income taxes	€ million	-43.7	-36.3	-21.6	-5.4	-13.5	-12.7	-13.6	-6.6	2.1	-5.6
Net income/loss	€ million	140.9	111.4	64.3	7.1	-25.7	33.7	21.2	8.2	-104.5	-1.1
Profit/loss attributable to Dürr AG shareholders	€ million	140.1	107.2	61.9	6.3	-26.9	29.9	20.9	7.8	-104.6	-0.1
Stock³											
Earnings per share	€	4.05	3.10	1.79	0.19	-0.78	0.91	0.67	0.25	-3.63	0.00
Dividend per share	€	1.45 ⁴	1.13	0.60	0.15	0.00	0.35	0.20	0.00	0.00	0.00
Book value per share (Dec. 31)	€	14.58	12.25	10.37	9.05	8.52	10.11	8.12	7.76	8.56	7.72
Operating cash flow per share	€	9.51	3.40	3.70	1.60	2.76	0.94	2.73	-0.32	-5.13	-4.04
Closing price ⁵ (Dec. 31)	€	64.81	33.75	17.00	11.94	8.50	6.13	13.30	10.50	10.15	7.56
Number of shares (weighted average)	thousand	34,601	34,601	34,601	34,601	34,601	33,072	31,456	31,456	28,800	28,596
Market capitalization (Dec. 31)	€ million	2,243	1,168	588	413	294	203	418	330	292	216
Income statement											
Gross margin	%	20.2	18.2	17.2	18.8	19.6	17.9	16.3	16.2	15.7	13.9
EBITDA margin	%	9.6	8.6	6.6	4.3	2.4	5.4	5.0	3.9	-1.3	2.9
EBIT margin	%	8.4	7.4	5.5	2.9	0.5	4.5	3.8	2.4	-5.0	1.7
EBT margin	%	7.7	6.2	4.5	1.0	-1.1	2.9	2.4	1.1	-7.6	0.3
Interest coverage		10.7	6.0	5.0	1.5	0.3	2.5	2.4	1.6	-2.0	1.2
Tax rate	%	23.7	24.6	25.1	43.3	-	27.3	39.0	44.7	-	124.8
Cash flow											
Operating cash flow	€ million	329.1	117.6	127.9	55.4	95.4	30.9	85.9	-9.8	-147.6	-115.5
Free cash flow	€ million	261.9	65.9	91.8	22.9	63.7	-14.5	40.6	-46.5	-206.1	-150.9
Capital expenditure (property, plant & equipment and intangible assets)	€ million	51.2	32.5	23.4	16.6	21.4	24.3	26.5	18.0	26.0	27.4
Change in net financial status	€ million	183.8	44.9	28.2	20.6	37.4	27.4	34.7	-11.6	157.9	-145.8
Balance sheet											
Non-current assets (Dec. 31)	€ million	590.9	551.9	529.0	462.3	452.6	443.5	424.2	447.1	484.9	560.9
Current assets (Dec. 31)	€ million	1,400.9	1,255.8	1,132.0	754.1	515.5	644.5	650.6	592.9	704.3	874.9
of which cash and cash equivalents (Dec. 31)	€ million	458.5	349.3	298.6	252.3	103.9	84.4	147.5	101.5	124.7	46.4
Equity (with non-controlling interests) (Dec. 31)	€ million	511.4	432.1	364.3	319.4	301.4	341.4	257.1	245.7	248.1	222.7

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Non-current liabilities (Dec. 31)	€ million	394.8	402.6	401.9	328.2	201.1	201.3	305.0	321.7	324.6	339.2
of which pension obligations (Dec. 31)	€ million	49.8	53.5	57.8	55.9	55.1	52.2	50.0	60.7	67.8	53.6
Current liabilities (Dec. 31)	€ million	1,085.7	973.0	894.8	568.8	465.6	545.4	512.7	472.7	616.5	873.8
Financial liabilities (Dec. 31)	€ million	271.1	286.1	286.2	232.3	104.0	122.6	214.6	210.3	217.9	298.5
Total assets (Dec. 31)	€ million	1,991.8	1,807.7	1,661.0	1,216.5	968.1	1,088.0	1,074.8	1,040.1	1,189.1	1,435.8
Net financial status (Dec. 31)	€ million	280.5	96.7	51.8	23.6	3.0	-34.4	-61.8	-96.5	-84.9	-242.8
Net financial debt/EBITDA		- ⁶	- ⁶	- ⁶	- ⁶	- ⁶	0.4	0.8	1.8	-4.5	4.8
Gearing (Dec. 31)	%	-121.5	-28.8	-16.6	-8.0	-1.0	9.2	19.4	28.2	25.5	52.2
Net working capital (Dec. 31)	€ million	-33.1	98.6	32.6	27.3	57.4	151.8	128.9	154.7	171.5	120.5
Days working capital	days	-4.9	14.8	6.1	7.8	19.2	34.1	31.4	40.9	44.1	25.1
Days sales outstanding	days	101.1	104.3	117.2	112.2	108.9	100.3	99.5	108.5	123.2	117.5
Inventory turnover	days	22.1	21.7	23.3	21.1	20.9	17.5	14.1	13.4	11.2	12.1
Equity assets ratio (Dec. 31)	%	86.5	78.3	68.9	69.1	66.6	77.0	60.6	55.0	51.2	39.7
Degree of asset depreciation (Dec. 31)	%	43.9	48.4	48.8	56.9	56.9	57.8	59.4	57.4	58.1	55.2
Depreciation expense ratio	%	4.3	4.2	3.3	4.1	4.3	3.9	4.6	4.3	5.2	5.8
Asset coverage (Dec. 31)	%	153.3	151.2	144.8	140.1	111.0	122.4	132.5	126.9	118.1	100.2
Asset intensity (Dec. 31)	%	29.7	30.5	31.8	38.0	46.8	40.8	39.5	43.0	40.8	39.1
Current assets to total assets (Dec. 31)	%	70.3	69.5	68.2	62.0	53.2	59.2	60.5	57.0	59.2	60.9
Cash ratio (Dec. 31)	%	42.4	35.9	33.4	44.4	22.3	15.5	28.8	21.5	20.3	5.8
Quick ratio (Dec. 31)	%	104.5	107.3	103.3	113.3	91.7	96.8	107.8	107.9	98.0	70.0
Equity ratio (Dec. 31)	%	25.7	23.9	21.9	26.3	31.1	31.4	23.9	23.6	20.9	15.5
Return on equity	%	27.6	25.8	17.6	2.2	-8.5	9.9	8.2	3.3	-42.1	-0.5
Capital employed (CE) (Dec. 31)	€ million	306.4	402.6	374.8	356.7	356.3	432.1	378.8	420.1	-	-
ROCE	%	66.2	43.9	28.4	10.3	1.6	16.8	14.7	7.9	-	-
Weighted average cost of capital (WACC)	%	6.69	6.58	7.64	8.10	8.08	7.58	7.41	6.66	-	-
Economic value added (EVA)	€ million	121.6	97.3	45.9	-3.2	-24.8	20.0	5.9	-9.7	-	-

Employees/R&D

Employees (Dec. 31)		8,142	7,652	6,823	5,915	5,712	6,143	5,936	5,650	5,992	6,240
Cost per employee (year average)	€	-65,200	-64,900	-62,700	-59,300	-57,200	-62,200	-63,500	-61,000	-62,600	-61,200
Sales per employee (year average)	€	301,900	327,100	299,200	218,300	183,100	264,500	254,200	237,500	230,000	265,200
R&D ratio	%	1.8	1.6	1.5	2.0	2.4	1.6	1.4	1.6	1.5	1.2
R&D employees (Dec. 31)		248	199	180	162	157	152	158	157	121	101
R&D expenditure	€ million	-43.0	-37.2	-29.5	-25.8	-25.9	-25.5	-20.5	-21.1	-21.1	-20.3
R&D cost capitalized	€ million	3.4	3.1	2.7	3.6	2.5	3.1	4.7	4.8	4.5	4.4
Amortization of R&D cost capitalized	€ million	-3.9	-6.1	-4.0	-3.3	-3.3	-2.9	-2.8	-1.9	-1.4	-0.7

All figures according to IFRS.

¹ The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted.² In 2010, the major restructuring measures within the Group were completed. As a result, restructuring costs are no longer presented as a separate item but are included in other expense items. The presentation of the income statement items for 2009 and 2008 was adjusted accordingly. No major restructuring costs have been incurred since 2011.³ On May 27, 2013, Dürr issued bonus shares in a ratio of 1:1. As a result, the total number of shares doubled to 34,601,040. For reasons of comparability, the stock-related figures for 2004 to 2012 have been adjusted accordingly.⁴ Dividend to be proposed at the annual general meeting⁵ XETRA⁶ Since 2009, the Group has had a positive net financial status.

Glossary

TECHNOLOGY AND PRODUCTS

A

Application technology

General term for all products related to the application of paint and high-viscosity materials, e.g. painting robots, paint atomizers, and color change systems.

B

Balancing and diagnostic systems

Rotating components such as wheels and turbines must be tested for imbalances. Any imbalance is then removed since it would otherwise cause vibrations or oscillations.

BRIC countries

Abbreviation for the emerging markets of Brazil, Russia, India and China.

C

Catalytic oxidation

Catalytic oxidation is an exhaust-air purification process in which gaseous contaminants are removed. By contrast with thermal exhaust-air purification where a combustion temperature of at least 700°C has to be generated, around 200 to 500°C is sufficient with catalytic oxidation since a catalyst is used.

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 to larger engines.

Drying oven

Tunnel-like systems for curing freshly applied coats of paint.

E

End of line

Refers to the terminal line section in final vehicle assembly where fully assembled cars are inspected and prepared for shipping.

Engineering

Development and design of machinery and plants. At Dürr, engineering often involves developing technical solutions that are geared to customers' specific production goals.

ERP System (Enterprise Resource Planning)

Software used to support resource planning within a company. ERP systems should cover all business processes.

F

Filling systems

Equipment designed for filling vehicles with the necessary operating media (e.g. brake fluid, refrigerant) in the course of their final assembly. Filling systems are also employed for charging refrigerators, air conditioners and heat pumps with refrigerant.

Filtration systems (coolant recycling)

Coolants are used in the machining of workpieces. They cool the workpieces and tools, reduce friction and wear, and bind metal chips. A recycling or filtration system cools the used coolant and removes chips and particles from it to make it re-useable in the machining process.

G

Glueing technology

Manufacturing process, in which parts such as the sheetmetal components of a car are joined together by means of adhesives.

H

Heat exchanger

Heat exchangers transfer thermal energy from one medium to another, e.g. from hot water to air.

High-speed rotating atomizer

Atomizers ensure a uniform distribution of the spray jet in paint application processes. High rotation atomizers rely on a bell-shaped disk revolving at up to 70,000 r.p.m. Due to this design, the paint fed to the center of the disk is accelerated and separated into fine threads which dissolve into minuscule droplets as they are propelled off the disk.

I

Industrial cleaning systems

Cleaning systems remove contaminants from workpieces that arise during the machining process.

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 CO₂ emissions can thus be reduced. Low-weight materials such as magnesium, titanium or synthetic fiber composites are becoming increasingly widespread to reduce vehicle weight.

M

Manufacturing depth

The value added (content) which the company actually contributes itself in the manufacture of a product or a plant.

Marriage

Joining and bolting together of the power train, chassis, and body in final vehicle assembly.

P

Paint separation system

During painting, some of the sprayed paint does not reach the body surface. These paint particles must be separated from the booth atmosphere so that they do not mix with the subsequent paint colors. In the EcoDryScrubber technology, this separation is performed with the aid of dry filters.

Pretreatment

This is the first stage in the painting process. When it comes from the body shop, the body shell is first cleaned, degreased and in most cases phosphated in preparation for the next coating. The phosphating produces a corrosion-inhibiting conversion layer (nonmetallic crystal-line structure) to which subsequent paint layers will bond more effectively.

S

Sealing

Process for sealing welding seams created when car body parts are joined. Sealing also includes the application of an undercoating that protects against rock impact.

Supervisory control system

Centralized computer system for controlling and supervising control of a complete production plant.

T

Test systems

End-of-line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

U

Ultrafine cleaning

Cleaning process that removes contamination down to a single-digit µm (micron) scale.

FINANCIAL

A

Asset coverage

A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100 (\%)$$

Asset intensity

A ratio that indicates the relative weight of non-current assets in total assets. High asset intensity means high fixed costs and high levels of capital tied up.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100 (\%)$$

C

Capital employed

This is the capital used within the enterprise that is not subject to interest payable to external creditors. It is calculated by deducting liabilities from total non-current and current assets. However, all interest-bearing items are excluded.

D

Days sales outstanding

This ratio indicates the average length of time that capital is tied up in receivables in days.

$$\frac{\text{receivables} \times 360}{\text{sales revenues}}$$

The same method can be used to calculate the average length of time that capital is tied up in inventories and in net working capital.

E

Equity assets ratio

A ratio that indicates the extent to which shareholders' equity and non-current liabilities cover non-current assets.

$$\frac{\text{equity} + \text{non-current liabilities}}{\text{non-current assets}} \times 100 (\%)$$

F

Free cash flow

Free cash flow is the cash flow from operating activities remaining after deducting capital expenditures and net interest paid and received, and represents the amount of cash that is freely available to pay a dividend and to run off debt.

G

Gearing

This is the ratio of net financial debt to shareholders' equity and net financial debt. The higher the relative weight of net financial debt, the higher the reliance on external lenders. However, a high gearing is not necessarily negative if the interest paid does not reduce profits excessively.

I

Interest coverage

An interest coverage ratio of <1 indicates that the company is not able to meet its interest payments from operating earnings.

$$\frac{\text{earnings before tax} + \text{net interest expense}}{\text{net interest expense}}$$

L

Liquidity ratios: cash ratio and quick ratio

These two liquidity ratios show the degree to which current liabilities are covered by cash and cash equivalents (and other current assets). They serve to measure a company's solvency.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100 (\%)$$

$$\frac{\text{cash and cash equivalents} + \text{short-term trade receivables}}{\text{current liabilities}} \times 100 (\%)$$

N

Net financial status

This represents the balance of the financial liabilities (without financial leases) reported in the balance sheet after deducting liquid funds. If a company's liquid funds exceed its financial liabilities, it is de facto debt free.

$$\text{financial liabilities} - \text{liquid funds}$$

Net Working Capital (NWC)

This is a measure of the net funding required to finance current assets. Negative NWC is beneficial since it implies that sales are prefinanced by suppliers and customers. At Dürr, the prepayments received from customers are an important factor affecting NWC. The formula shows a simplified calculation.

$$\text{inventories} + \text{trade receivables} - \text{trade payables}$$

R

Return on Capital Employed (ROCE)

This measures the rate of return on the capital tied up in a company's operating assets (for instance in machinery and equipment, inventories, accounts receivable) and is the ratio of earnings before interest and taxes (EBIT) to capital employed.

$$\frac{\text{EBIT}}{\text{capital employed}} \times 100 (\%)$$

Return on Equity (ROE)

This is the rate of return earned on shareholders' equity. It should exceed the rate of return on a comparable investment.

$$\frac{\text{earnings after taxes}}{\text{shareholders' equity}} \times 100 (\%)$$

Return on Investment (ROI)

This ratio serves to measure how efficiently a company employs the total resources at its disposal.

$$\frac{\text{earnings after taxes} + \text{interest expense}}{\text{total assets}} \times 100 (\%)$$

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FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the conviction and assumptions of the Board of Management of Dürr AG, as developed from the information currently available. However, the following factors may affect the success of our strategic and operating measures: geopolitical risks, changes in general economic conditions (especially a prolonged recession), exchange rate fluctuations and changes in interest rates, new products launched by competitors, and a lack of customer acceptance for new Dürr products or services, including growing competitive pressure. Should any of these factors or other imponderable circumstances arise, or should the assumptions underlying the forward-looking statements prove incorrect, actual results may differ from those projected. Dürr AG undertakes no obligation to provide continuous updates of forward-looking statements and information. Such statements and information are based upon the circumstances as of the date of their publication.



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Financial calendar

03/18/2014

/ Publication annual report 2013

04/30/2014

/ Annual general meeting, Bietigheim-Bissingen

05/06/2014

/ Interim report for the first quarter of 2014

05/09/2014

/ Investors' day, Bietigheim-Bissingen

07/31/2014

/ Interim financial report for the first half of 2014

11/06/2014

/ Interim report for the first nine months of 2014

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Published by: Dürr AG, Carl-Benz-Strasse 34, 74321 Bietigheim-Bissingen, Germany

The English translation of our 2013 annual report is based on the German version.

The German version shall prevail.

Design: 3st kommunikation, Mainz, Germany · Satz: Knecht GmbH, Ockenheim, Germany

Printing: Eberl Print, Immenstadt, Germany

Highlights 2013



February

/ INNOVATIVENESS REWARDED

Five employee teams receive the Heinz Dürr Innovation Award. The awards are presented for innovative engineering and for optimizing business processes.

April

/ CHANGE AT THE HELM OF THE SUPERVISORY BOARD

After 23 years at the helm of the Supervisory Board, Heinz Dürr steps down at the annual general meeting. The Supervisory Board unanimously elects Klaus Eberhardt to be his successor. Heinz Dürr is appointed Honorary Chairman of the Supervisory Board for life.

/ CUSTOMER FEEDBACK DETERMINES PRODUCT DEVELOPMENT

Dürr exhibits the **EcoCAgile** cleaning system at the CIMT trade show in Beijing. The flexible robot system was specially developed for the Chinese market and is based on an in-depth customer survey.

May

/ BONUS SHARES ISSUED

On May 27, Dürr issues bonus shares on a 1:1 basis. The market reacts positively: the next day the share price reaches a new record level (€ 52.75).

June

/ PEUGEOT CITROËN REWARDS ENERGY EFFICIENCY

Peugeot Citroën presents the **EcoDryScrubber** spray booth system with the "Industrial Equipment Performance Award". This system cuts energy consumption in the booth by up to 60 %.

/ POSITIVE TENOR

78 % of our staff respond to the first global employee survey. 83 % enjoy their work, and 82 % would recommend Dürr as an employer. One point of criticism: the high workload demands a great deal of the workforce.

July

/ ENVIRONMENTAL TECHNOLOGY TAKEOVER

Dürr takes over German environmental technology specialist LTB. This enables the Clean Technology Systems division to strengthen its market position.

/ ENVIRONMENTAL TECHNOLOGY AWARD FOR ORC SYSTEM

Dürr wins the Baden-Württemberg Environmental Technology Award in the Energy Efficiency category. The award is for its ORC technology, which generates electricity from waste heat.

/ PRODUCTION AND TECHNOLOGY CENTER EXPANDED

An additional robot assembly facility is commissioned in Bietigheim-Bissingen. Furthermore, the extended Technology Center is reopened. Apart from more space, it also features state-of-the-art technology for product tests.





September

/ NEW BUILDING IN SHANGHAI

A new mechanical engineering site is officially opened in Shanghai Baoshan. With 600 employees and 30,000 m² of floorspace, the modern office and production complex is designed to meet the requirements of the Chinese market.

/ FORECAST UPGRADED

On September 30, we increase our annual target for the EBIT margin to 7.5 to 8.0%. By the end of October the Dürr share price rises to a new record of € 66.20.

/ AMONG THE TOP 500 IN CHINA

The Asia Brand Association includes Dürr in the 500 best companies in China – a rare honor for non-Asian companies.



October

/ INCREASED EFFECTIVENESS IN NORTH AMERICA

We move into larger premises in Querétaro, Mexico. Working in conjunction with Dürr USA, the new plant forms an effective base for the company's operations in North America.

/ NEWS FROM JAPAN

In Tokyo we lay the foundation stone for a new test and demonstration center for robot and painting technology.

November

/ ROLL VT!

As part of the "Dürr Challenge" we dispatch student film teams to Shanghai, Detroit and São Paulo. Their assignment: to shoot short films about life and work there. Take a look at the results of the young filmmakers' competition: www.youtube.com/duerrag.



/ SUPPLIER OF THE YEAR

The Fiat Chrysler Group honors CPM with the title of "Capital Equipment Supplier of the Year". Dürr's Italian subsidiary receives the award for its flex-decking system for marrying the car body and powertrain.

December

/ HIGH-TECH CERTIFICATE

In China we are officially rated as a high-tech company for our painting technology operations. This reflects the quality of our technology and offers tax benefits. Schenck has already held high-tech status in China for some time.



LEADING IN PRODUCTION EFFICIENCY

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