



LEADING IN PRODUCTION EFFICIENCY

# INTERIM FINANCIAL REPORT

JANUARY 1 TO JUNE 30, 2018



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## COVER PHOTO

The Lamborghini Urus SUV is assembled on state-of-the-art Dürr production lines. Our driverless transport systems carry the vehicle from one assembly station to the next to ensure maximum flexibility.

## Key figures for the Dürr Group (IFRS)

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	1,955.0	2,078.3	935.9	1,033.9
Orders on hand (June 30)	€ m	2,750.3	2,744.2	2,750.3	2,744.2
Sales revenues	€ m	1,749.6	1,753.5	909.5	863.2
Gross profit	€ m	404.1	424.2	205.5	206.8
EBITDA	€ m	140.9	187.6	69.8	82.6
EBIT	€ m	101.4	147.1	50.3	60.9
EBIT before extraordinary effects <sup>2</sup>	€ m	110.4	132.2	54.9	66.5
Earnings after tax	€ m	68.1	101.9	33.6	40.5
Gross margin	%	23.1	24.2	22.6	24.0
EBIT margin	%	5.8	8.4	5.5	7.1
EBIT margin before extraordinary effects <sup>2</sup>	%	6.3	7.5	6.0	7.7
Cash flow from operating activities	€ m	-59.7	-40.8	16.6	-36.7
Free cash flow	€ m	-106.7	-85.7	-9.6	-55.1
Capital expenditure	€ m	34.3	33.6	21.4	15.2
Total assets (June 30)	€ m	3,466.5	3,339.3	3,466.5	3,339.3
<b>Equity (with non-controlling interests)</b>					
(June 30)	€ m	882.1	834.0	882.1	834.0
Equity ratio (June 30)	%	25.4	25.0	25.4	25.0
ROCE <sup>3</sup>	%	22.0	37.1	21.8	33.3
Net financial status (June 30)	€ m	-29.9	96.2	-29.9	96.2
Net working capital (June 30)	€ m	452.9	337.9	452.9	337.9
Employees (June 30)		15,236	14,545	15,236	14,545
<b>Dürr share<sup>4</sup></b>					
ISIN: DE0005565204					
High <sup>5</sup>	€	57.18	53.85	49.85	53.85
Low <sup>5</sup>	€	39.16	35.78	39.61	40.63
Close <sup>5</sup>	€	39.79	52.33	39.79	52.33
Average daily trading volumes	Units	291,300	304,254	323,300	299,380
Number of shares (weighted average)	Thous.	69,202	69,202	69,202	69,202
Earnings per share	€	0.95	1.45	0.46	0.57

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

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Extraordinary effects in H1 2018: € -9.0 million (including purchase price allocation for HOMAG Group: € -4.3 million, FOCUS 2.0 optimization program in Paint and Final Assembly Systems: € -3.5 million, transaction costs for MEGTEC/Universal: € -1.5 million), H1 2017: € +14.9 million

<sup>3</sup> Annualized

<sup>4</sup> The number of shares increased to 69,202,080 following the issue of bonus shares on a one-for-one basis on June 22, 2018. The number of shares, earnings per share, share prices and trading volumes have been adjusted accordingly.

<sup>5</sup> Xetra

## Highlights H1 2018: Improvement in Q2 cash flow

- Comparison with H1 2017 influenced by sale of Ecoclean and exchange-rate changes
  - ▶ Ecoclean Q1 2017: Extraordinary income of € 22.7 million from sale and operating EBIT of € 3.5 million.
- Like-for-like H1 order intake\* at the previous year's level (down 1%)
- Order backlog: € 2.8 billion, € 215 million up on the end of 2017
- Like-for-like H1 sales\*: up 6%
- H1 book-to-bill: 1.1
- H1 EBIT: down 31% to € 101.4 million, among others due to high extraordinary income from sale of Ecoclean in Q1 2017
- H1 operating EBIT (before extraordinary effects): down 16.4% to € 110.4 million
- Expected margin contraction in Paint and Final Assembly Systems
  - ▶ FOCUS 2.0 optimization program being implemented
  - ▶ Slight improvement in margins on order intake in H1 2018
- HOMAG expects increased sales in H2 after temporary output problems in H1
- Positive trend in cash flow since Q2
  - ▶ H1: Cash flow of € -59.7 million after NWC accumulation as expected
  - ▶ Q2: positive cash flow
  - ▶ Further improvement expected in H2
- Outlook for 2018 unchanged (before planned acquisition of MEGTEC/Universal)
  - ▶ Order intake: € 3.6 - 3.9 billion
  - ▶ Sales: € 3.7 - 3.9 billion
  - ▶ EBIT margin: 7.0 - 7.5%
  - ▶ EBIT margin before extraordinary effects: 7.4 - 7.8%
- Outlook for 2018 (including MEGTEC/Universal, expected to be consolidated from September 2018)
  - ▶ Order intake: € 3.7 - 4.0 billion
  - ▶ Sales: € 3.8 - 4.0 billion
  - ▶ EBIT margin: 6.8 - 7.3%
  - ▶ EBIT margin before extraordinary effects: 7.4 - 7.8%

\* Adjusted for Ecoclean effect and exchange-rate changes

# GROUP MANAGEMENT REPORT

## Strategy

The "Dürr 2020" strategy is our roadmap for the Group's development through 2020. It defines the following targets:

- **Sales:** Sales are to increase to € 5 billion by 2020 through organic growth and further acquisitions.
- **EBIT margin:** The EBIT margin is to widen to 8 to 10% by 2020.
- **ROCE:** ROCE is to remain permanently above 30% by 2020.

### PORTFOLIO STRATEGY: TAPPING NEW AREAS OF GROWTH

One key element of "Dürr 2020" entails tapping new areas of profitable growth. As with the HOMAG Group, which we acquired in 2014, we are particularly seeking potential candidates outside our core automotive business. This is because our large share of the market is placing a cap on potential for business growth in the automotive industry. Looking ahead over the next few years, we expect our business in this segment to expand by an average of around 3 to 4% per year.

Under our acquisition strategy, we announced in June 2018 that we would be acquiring Babcock & Wilcox's (B&W) industrial environmental technology business, which has an enterprise value of around € 110 million. We plan to acquire all of the shares in each of the B&W subsidiaries Babcock & Wilcox MEGTEC LLC, Babcock & Wilcox MEGTEC Holdings Inc. and Babcock & Wilcox Universal Inc. and to integrate these three companies within our Clean Technology Systems division. This will result in a leading provider of environmental technology systems for industrial exhaust-air purification. Together, we will be able to address customer requirements more effectively and leverage synergistic effects in service business among other things. We are seeking sales of up to € 500 million and an EBIT margin of 6 to 7% in the Clean Technology Systems division by 2021. We expect to receive official approvals for the acquisition in August/September and assume that we will be able to consolidate the companies from September 1, 2018.

Even after the takeover of MEGTEC/Universal, we will be continuing to pursue our acquisition strategy. Potential candidates should have sales of up to € 1.5 billion and satisfy the following criteria for acquisition:

- Mechanical and plant engineering
- Niche market
- Leading market and technological position
- Not in need of restructuring but offering potential for improved earnings and synergistic effects
- A corporate culture which is a good fit for Dürr

Smaller acquisitions are conceivable beyond this to strengthen one of the existing divisions or to supplement our portfolio with technology from which several divisions can benefit.

### MARKET LEADER IN THE DIGITAL ERA

The central goal that we are pursuing with "Dürr2020" is to ensure that Dürr as a plant and mechanical engineering specialist continues to grow and leads the competition also in the digital era. This is reflected in the strategic core of digital@DÜRR. With these activities, we want to step up the digitization of our products, systems, services and business processes.

With the ADAMOS platform for the Industrial Internet of Things (IIoT), we have the necessary infrastructure for expanding our digital business. In September 2017, we established a joint venture bearing the same name with mechanical engineering companies DMG Mori, Zeiss and ASM as well as Software AG. It has since been joined by mechanical engineering companies Engel Austria and Karl Mayer Textilmaschinenfabrik. ADAMOS is an open platform which is to be established as a standard in the mechanical engineering sector. Participating companies can share expertise and solutions, reduce resource requirements and offer their customers IIoT software and hardware from a single source.

The online market places LOXEO for Dürr and Schenck customers and tapio for the woodworking industry are instrumental in boosting customer perception of our company as a provider of digital solutions. They are based on ADAMOS and form the interface with our customers. Using LOXEO and tapio, plant operators can evaluate data, map their production activities digitally and purchase digital services and apps, e.g. for predictive maintenance.

#### “DÜRR 2020”: FOUR STRATEGIC FIELDS

### LEADING IN PRODUCTION EFFICIENCY



The digital@DÜRR strategic core underpins our four strategic fields. Digitization initiatives can be found in each of these fields. At the same time, we are working on aspects that are critical for success such as the optimization of our organizational structures and the development of technology. In this connection, key importance is being attached to:

#### INNOVATION:

- The Industrial Internet of Things (IIoT)
- Smart factories, smart products, smart processes
- Automation

#### GLOBALIZATION:

- Further localization of value creation in the emerging markets

#### SERVICE:

- Smart services (e.g. predictive maintenance)
- Customer relationship management
- Growth through optimized service for the installed base

#### EFFICIENCY:

- Digital transformation of the value creation processes
- Process optimization

## First-time application of IFRS 15 and IFRS 9

### IFRS 15

We have been applying the new International Financial Reporting Standard, IFRS 15 “Revenue from Contracts with Customers”, since January 1, 2018. First-time application of the new standard did not have any material impact on the Dürr Group’s net assets, financial condition and results of operations. The following tables provide an indication of the changes in the main performance indicators in the consolidated financial statements for 2017 as a whole, the second quarter of 2017 and the first half of 2017. The figures presented in this interim statement for 2017 as a whole, the second quarter of 2017 and the first half of 2017 have been calculated in accordance with IFRS 15 and may therefore differ from the figures originally published.

## FY 2017

€ m	FY 2017 reported	IFRS 15 adjustments	FY 2017 adjusted
Order intake	3,876.0	12.7	3,888.7
Sales revenues	3,715.4	- 2.2	3,713.2
Orders on hand	2,516.3	18.7	2,535.1
EBIT	289.6	- 2.6	287.0
EBIT before extraordinary effects	281.8	- 2.6	279.2
Earnings after tax	201.5	- 1.8	199.6
Share of earnings attributable to Dürr shareholders	194.4	- 1.8	192.6
Equity	903.7	- 3.2	900.5
Total assets	3,411.8	99.8	3,511.6
Net working capital	362.1	11.6	373.7

## Q2 2017

€ m	Q2 2017 reported	IFRS 15 adjustments	Q2 2017 adjusted
Order intake	1,022.7	11.2	1,033.9
Sales revenues	859.9	3.3	863.2
Orders on hand	2,743.0	1.2	2,744.2
EBIT	56.5	4.4	60.9
EBIT before extraordinary effects	62.1	4.4	66.5
Earnings after tax	37.2	3.3	40.5
Share of earnings attributable to Dürr shareholders	36.2	3.3	39.5
Equity	833.2	0.8	834.0
Total assets	3,272.5	66.8	3,339.3
Net working capital	328.9	9.0	337.9

## H1 2017

€ m	H1 2017 reported	IFRS 15 adjustments	H1 2017 adjusted
Order intake	2,078.7	- 0.4	2,078.3
Sales revenues	1,751.3	2.3	1,753.5
Orders on hand	2,743.0	1.2	2,744.2
EBIT	144.2	2.9	147.1
EBIT before extraordinary effects	129.3	2.9	132.2
Earnings after tax	99.7	2.1	101.9
Share of earnings attributable to Dürr shareholders	97.9	2.1	100.1
Equity	833.2	0.8	834.0
Total assets	3,272.5	66.8	3,339.3
Net working capital	328.9	9.0	337.9

**IFRS 9**

IFRS 9 “Financial instruments” has also been applied since January 1, 2018. It contains revised guidance on recognition, measurement, derecognition and hedge-accounting of financial assets and liabilities. On the date of first-time application (January 1, 2018) equity was reduced by € 3.6 million. This change was recognized in equity. We assume that the application of IFRS 9 will have only a minor effect on earnings in 2018 and future years.

## Operating environment

**ECONOMY**

As was frequently the case in earlier years, a number of macroeconomic data and confidence indicators show that the US economy gained momentum in the second quarter after a relatively muted start to the year. In China, the economic upswing was also relatively stable, while in Europe the pace of growth slowed somewhat over the previous year. However, the macroeconomic outlook is increasingly clouding over due to the escalating trade conflicts. Commodity prices softened in the second quarter compared with the beginning of the year. Similarly, interest rates failed to continue on the upward path that they had adopted in the first quarter. Attractive US yields caused the dollar to strengthen in the second quarter.

**ECONOMIC FORECAST**

GDP growth, %	2017	2018F	2019F
United States	2.3	3.0	2.8
Japan	1.7	0.8	0.5
Eurozone	2.6	2.1	1.8
Germany	2.2	2.0	1.8
China	6.9	6.6	6.3
<b>Global</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>

Source: Deutsche Bank, July 2018  
F = forecast

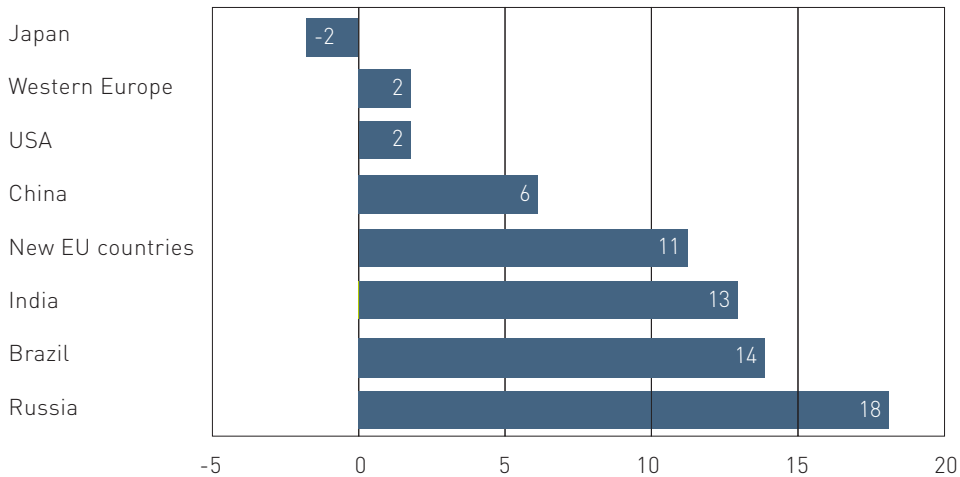
**AUTOMOTIVE INDUSTRY**

Global passenger vehicle sales generally grew in the first half of 2018, with most of the major markets posting gains, in some cases substantially so. The European market delivered further robust growth of 3%. In China, the world’s largest automotive market, sales widened by just under 6%. The United States saw growth of 2% following the decline recorded in the first half of 2017. Only the Japanese market contracted by 2% in volume terms.



## CAR SALES JANUARY TO JUNE 2018

% year-on-year change



Source: Verband der Automobilindustrie (VDA), 07/2018

## GENERAL MECHANICAL ENGINEERING

The German Mechanical and Plant Engineering Association (VDMA) continues to forecast a 5% increase in production output in 2018. However, order intake declined in May for the first time again after strong growth in the previous months. In the period from March to May 2018 orders increased by an average of 2%, underpinned by brisk domestic demand.

The VDMA association for secondary wood processing (the sub-market of relevance for HOMAG) registered a price-adjusted increase of 2% in new orders from January to May 2018. We expect sales revenue in the woodworking machinery sector to grow by a rate in the mid-single digits in 2018 following the heavy order intake in the previous years.

## Business performance\*

### LIKE-FOR-LIKE ORDER INTAKE NEARLY UNCHANGED

Order intake came to € 1,955.0 million in the first half of 2018 and, as expected, fell short by 5.9% of the previous year's record figure of € 2,078.3 million. However, it should be borne in mind that the figure for the first quarter of 2017 still included the Dürr Ecoclean Group, which has since been sold. In like-for-like terms, i.e. adjusted for currency-translation effects and the sale of the Dürr Ecoclean Group as of March 31, 2017, new orders in the first half of 2018 were almost in line with the previous year, dropping by only 1.4%. Order intake in the second quarter of 2018 came to € 935.9 million, thus falling 9.5% short of the previous year's very high figure (€ 1,033.9 million).

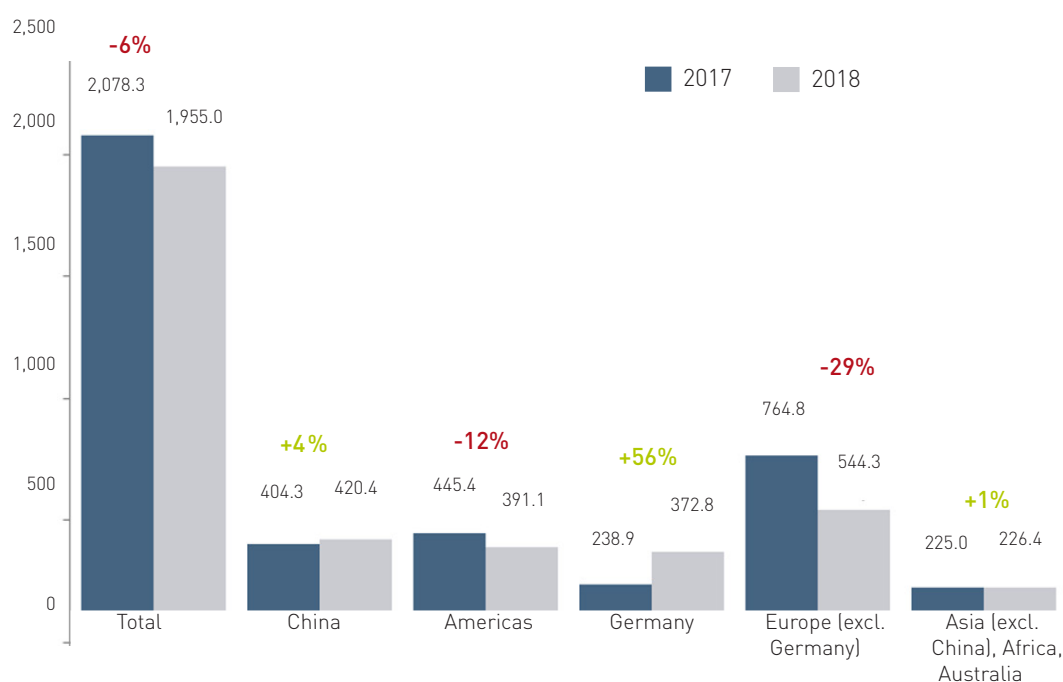
At 22.4%, the highest growth in new orders was posted by the Clean Technology Systems division in the first half of the year. Order intake for Application Technology rose by 6.1%. After a very strong performance in the previous year, Paint and Final Assembly Systems reported a 10.5% decline in new orders. This was not least of all due to more selective selling activities with a greater focus on the margin quality of the new orders. Order intake in the Woodworking Machinery and Systems division (HOMAG Group) shrank by 4.4% but still remained at a high level. The 23.0% decline in order intake in the Measuring and Process Systems division primarily reflects the effects of the sale of the Dürr Ecoclean Group (industrial cleaning technology).

\* This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Order intake in the emerging markets (Asia excluding Japan, South and Central America, Africa, Eastern Europe) fell by 24.8% in the first half of 2018 to € 862.1 million, contributing 44.1% to total order receipts. The orders from China included in this rose slightly to € 420.4 million. We also registered higher orders in the United States, one reason for this being a large order for painting equipment placed by a Japanese automotive OEM. This strategically important project marks the largest order that Dürr has received to date from the Japanese automotive industry and could act as a signal for other customers from Japan. Order intake in Europe contracted by 8.6% to € 917.1 million in the first half of 2018.

Currency-translation effects caused declines of 3 to 4 % in order intake, sales revenues and EBIT in the first half of 2018.

#### ORDER INTAKE (€ M) IN THE FIRST HALF OF 2018<sup>1</sup>



<sup>1</sup> The figures for the first half of 2017 have been adjusted following the first-time application of IFRS 15.

€ m	H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	1,955.0	2,078.3	935.9	1,033.9
Sales revenues	1,749.6	1,753.5	909.5	863.2
Orders on hand (June 30)	2,750.3	2,744.2	2,750.3	2,744.2

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

#### 6.0 % INCREASE IN LIKE-FOR-LIKE SALES IN THE FIRST HALF OF THE YEAR

At € 1,749.6 million, sales in the first half of 2018 were almost spot on the figure for the previous year. Adjusted for currency-translation effects and the sale of Dürr Ecoclean, they were up 6.0%. Revenue recognition accelerated in the second quarter, growing by 5.4% over the previous year and by 8.3% over the first quarter of 2018.

Paint and Final Assembly Systems posted the greatest revenue gain (up 6.7 %) in the first half of 2018, followed by Application Technology (up 3.9%) and Woodworking Machinery and Systems (up 1.3%). The sale of the Dürr Ecoclean Group caused sales to decline in Measuring and Process Systems. Clean Technology Systems reported lower sales due to insufficient capacity utilization in some regions.

The Group's service business rose by 1.6% in the first half of 2018 to € 460.5 million, with the second quarter proving to be more dynamic than the first quarter. Service business accounted for 26.3% of total sales (H1 2017: 25.8%). We expect service business to continue growing.

Measured in terms of sales, Europe was our largest market in the first half, with Germany contributing 15% and other European countries 30%. North and South America accounted for 25% of sales revenues and Asia, Africa and Australia for 31%. The emerging markets contributed 50% (H1 2017: 46%).

At 1.1, the book-to-bill ratio achieved a good figure again. The order backlog rose significantly to € 2,750.3 million at the end of the first half, equivalent to growth of € 215.2 million over December 31, 2017. There was also a slight increase compared with June 30, 2017 (€ 2,744.2 million).

#### INCOME STATEMENT AND PROFITABILITY RATIOS

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Sales revenues	€ m	1,749.6	1,753.5	909.5	863.2
Gross profit	€ m	404.1	424.2	205.5	206.8
Overheads <sup>2</sup>	€ m	298.5	300.2	152.9	145.5
EBITDA	€ m	140.9	187.6	69.8	82.6
EBIT	€ m	101.4	147.1	50.3	60.9
EBIT before extraordinary effects <sup>3</sup>	€ m	110.4	132.2	54.9	66.5
Financial result	€ m	-7.1	-9.7	-3.8	-4.2
EBT	€ m	94.3	137.4	46.5	56.7
Income taxes	€ m	-26.2	-35.5	-12.9	-16.2
Earnings after tax	€ m	68.1	101.9	33.6	40.5
Earnings per share	€	0.95	1.45	0.46	0.57
Gross margin	%	23.1	24.2	22.6	24.0
EBITDA margin	%	8.1	10.7	7.7	9.6
EBIT margin	%	5.8	8.4	5.5	7.1
EBIT margin before extraordinary effects <sup>3</sup>	%	6.3	7.5	6.0	7.7
EBT margin	%	5.4	7.8	5.1	6.6
Return on sales after taxes	%	3.9	5.8	3.7	4.7
Tax rate	%	27.8	25.8	27.8	28.6

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Sales and marketing, administration and R&D expenses

<sup>3</sup> Extraordinary effects in H1 2018: € -9.0 million (including purchase price allocation for HOMAG Group: € -4.3 million, FOCUS 2.0 optimization program in Paint and Final Assembly Systems: € -3.5 million, transaction costs for MEGTEC/Universal: € -1.5 million), H1 2017: € +14.9 million

#### GROSS MARGIN AT A GOOD LEVEL

Gross profit contracted by 4.7% to € 404.1 million in the first half of 2018. However, at 23.1%, the gross margin remained at a good level despite falling short of the previous year's very high figure of 24.2%. The gross margin came to 22.6% in the second quarter, down from 24.0% in the same period of the pre-

vious year. This was due to the weak margins on orders placed with Paint and Final Assembly Systems in 2017, low capacity utilization in Clean Technology Systems in a number of regions and temporary output problems at HOMAG.

#### EARNINGS DRAGGED DOWN BY ECOCLEAN EFFECT

In connection with the digital@DÜRR digitization strategy, we raised our research and development expenses by 9.3% to € 61.3 million in the first half of 2018. Other overheads dropped by 2.8% despite more or less unchanged sales. Net other operating expenses came to € 4.1 million, with the net currency translation losses of € 2.7 million proving to be the largest single item. In the first half of 2017, the high book gain of € 22.7 million from the sale of Ecoclean had resulted in net other operating income of € 23.1 million.

EBIT fell by 31.1% to € 101.4 million in the first half of 2018 (H1 2017: € 147.1 million) chiefly as a result of the lower gross profit and the absence of the extraordinary income from the sale of Ecoclean. It should also be borne in mind that Dürr Ecoclean had contributed operating EBIT of € 3.5 million in the first half of 2017. Moreover, the high pay-scale settlement in the German metal and electrical engineering industry left traces in the second quarter, with expenses exceeding the budgeted costs by € 3 million. Against this backdrop, EBIT came to € 50.3 million in the second quarter, equivalent to a decline of 17.4% over the same period in the previous year.

Adjusted for extraordinary expenses of € 9.0 million, operating EBIT dropped by 16.4% to € 110.4 million in the first half of 2018 (H1 2017: € 132.2 million). Of the extraordinary expenses, an amount of € 3.5 million was spent on the FOCUS 2.0 optimization program for Paint and Final Assembly Systems, while HOMAG purchase price allocation accounted for € 4.3 million and an amount of € 1.5 million arose in the second quarter for the acquisition of MEGTEC/Universal. The operating EBIT margin came to 6.3% in the first half of the year, down from 7.5% in the same period of the previous year. In the second quarter, operating EBIT came to € 54.9 million (Q2 2017: € 66.5 million), translating into an operating margin of 6.0% (Q2 2017: 7.7%). With depreciation and amortization coming to € 39.5 million, EBITDA stood at € 140.9 million in the first half (H1 2017: € 187.6 million).

Financial result improved from € -9.7 million in the first half of 2017 to € -7.1 million primarily as a result of investment income of € 2.9 million contributed by the Chinese HOMAG sales company in the second quarter of 2018. At 27.8%, the tax rate was normal in the first half of 2018 after dropping to 25.8% in the same period of the previous year as the extraordinary income from the sale of Ecoclean was largely tax free. Earnings after tax fell by 33.1% to € 68.1 million due to the higher tax rate and lower EBIT. With regard to earnings per share, it should be borne in mind that we issued bonus shares on a one-for-one basis on June 22, 2018. As a result, the number of shares doubled to 69,202,080. Consequently, we have duly adjusted all the per-share metrics. Earnings per share came to € 0.95 in the first half of 2018 (H1 2017: € 1.45).

#### SIGNIFICANT EVENTS

There were no individual events in the first half of 2018 materially impacting the Dürr Group's results of operations, financial condition and net assets. We acquired a further 8.0% of the shares in HOMAG Group AG for € 34.8 million effective April 30. The seller was the Schuler-Klessmann shareholder group. Most of the additional shares were acquired by exercising a call option of 7.05% of the shares of HOMAG Group AG. Following this transaction, we now hold 63.9% of the shares of HOMAG Group AG.

In February, we launched the FOCUS 2.0 optimization program to push the EBIT margin in the Paint and Final Assembly Systems division back up to the target level of 6 to 7%. At the HOMAG Group, an ERP system roll-out at the beginning of the year necessitated a protracted interruption to production activities with correspondingly lower revenue. In addition, there were production delays and, related to this, output problems in the second quarter. HOMAG will be systematically stepping up the generation of sales and earnings in the second half of the year to fill this gap.

## Financial position

### IMPROVED AND POSITIVE CASH FLOW IN THE SECOND QUARTER

**Cash flow from operating activities** came to € -59.7 million in the first half of 2018 (H1 2017: € -40.8 million). The first half was characterized by a further increase of € 82.4 million in net working capital (NWC) and changes in provisions. One reason for the increased net working capital was the postponement of project payments by automotive OEMs to later quarters. At the same time, we stock-piled inventories to avoid the risk of short-term delivery shortfalls due to suppliers operating at high capacity utilization levels. In the second quarter, cash flow from operating activities improved substantially, reaching a positive figure of € 16.6 million (Q2 2017: € -36.7 million). Among other things, this was due to a decline of € 17.1 million in net working capital. Our liquidity budget assumes substantially higher incoming payments from customers in the automotive industry over the coming quarters. At the same time, we are planning significantly greater generation of sales revenues across all divisions in the second half of the year. For this reason, we confirm our forecast of a substantially higher cash flow in 2018 as a whole compared with the previous year.

#### CASHFLOW<sup>1</sup>

€ m	H1 2018	H1 2017 <sup>2</sup>	Q2 2018	Q2 2017 <sup>2</sup>
Earnings before taxes	94.3	137.4	46.5	56.7
Depreciation and amortization	39.5	40.5	19.5	21.7
Interest result	10.7	10.1	6.8	5.0
Income tax payments	-49.0	-27.0	-26.6	-9.5
Change in provisions	-14.8	28.8	-5.6	7.4
Change in net working capital	-82.4	-136.1	17.1	-51.4
Other items	-57.9	-94.5	-41.0	-66.6
<b>Cash flow from operating activities</b>	<b>-59.7</b>	<b>-40.8</b>	<b>16.6</b>	<b>-36.7</b>
Interest payments (net)	-13.0	-11.6	-5.0	-3.4
Capital expenditure	-34.1	-33.2	-21.2	-14.9
<b>Free cash flow</b>	<b>-106.7</b>	<b>-85.7</b>	<b>-9.6</b>	<b>-55.1</b>
Other cash flows	-114.6	5.3	-114.4	-94.1
<b>Change in net financial status</b>	<b>-221.4</b>	<b>-80.3</b>	<b>-124.0</b>	<b>-149.2</b>

<sup>1</sup> Currency translation effects have been eliminated from the cash flow statement. Accordingly, it does not fully reflect all changes in balance sheet positions as shown in the statement of financial position.

<sup>2</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

**Cash flow from investing activities** of € 2.5 million was chiefly determined by capital expenditure on property, plant and equipment as well as intangible assets, which came to € 34.1 million in the first half of 2018. This was accompanied by the dissolution of term deposits of € 32.4 million.

**Cash flow from financing activities** came to € -130.5 million in the first half of 2018 (H1 2017: € -111.8 million). Key determinants were the dividend distribution (€ 76.1 million) and the increase of our share in HOMAG Group AG to 63.9% (€ 34.8 million).

**Free cash flow** came to € -106.7 million in the first half of 2018 (H1 2017: € -85.7 million) due to the negative cash flow from operating activities. At € -9.6 million, it was only slightly negative in the second quarter. The net financial status fell by € 221.4 million over the end of 2017 to € -29.9 million.

## NET FINANCIAL STATUS

€ m	
June 30, 2018	- 29.9
December 31, 2017	191.5
June 30, 2017	96.2

## VIRTUALLY NO CHANGE IN TOTAL ASSETS

## CURRENT AND NON-CURRENT ASSETS

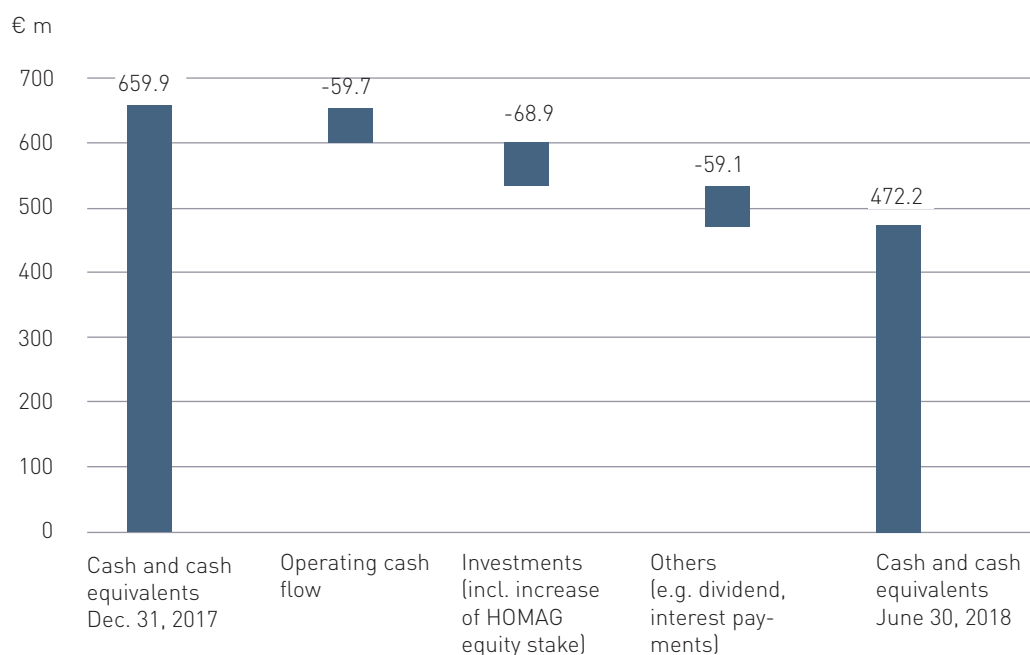
€ m	June 30, 2018	Percentage of total assets	December 31, 2017 <sup>1</sup>	June 30, 2017 <sup>1</sup>
Intangible assets	586.2	16.9	592.7	598.8
Property, plant and equipment	410.2	11.8	408.4	387.7
Other non-current assets	109.6	3.2	109.0	136.1
<b>Non-current assets</b>	<b>1,105.9</b>	<b>31.9</b>	<b>1,110.1</b>	<b>1,122.6</b>
Inventories	571.3	16.5	457.6	468.7
Contract assets	505.9	14.6	488.4	407.9
Trade receivables	540.9	15.6	522.4	464.6
Cash and cash equivalents	472.2	13.6	659.9	571.6
Other current assets	270.2	7.8	273.1	303.9
<b>Current assets</b>	<b>2,360.5</b>	<b>68.1</b>	<b>2,401.4</b>	<b>2,216.7</b>
<b>Total assets</b>	<b>3,466.5</b>	<b>100.0</b>	<b>3,511.6</b>	<b>3,339.3</b>

<sup>1</sup> The figures for December 31, 2017 and June 30, 2017 have been adjusted following the first-time application of IFRS 15.

The first-time application of IFRS 15 "Revenue from Contracts with Customers" resulted in changes in the presentation of the balance sheet. The most important change entails the recognition of contract assets and contract liabilities as separate line items. The figures for June 30, 2017 and December 31, 2017 reported in this interim statement have been calculated in accordance with IFRS 15 and duly re-stated.

Total assets dropped by 1.3% over the end of 2017 to € 3,466.5 million. Whereas cash and cash equivalents declined, there was a substantial increase in inventories, trade receivables and contract assets. There were only minor changes in equity and liabilities. Equity as well as non-current and current assets were largely unchanged over the end of 2017. Net working capital increased from € 373.7 million at the end of 2017 to € 452.9 million on June 30, 2018. However, it dropped slightly in the second quarter, with this trend set to gain momentum in the second half of the year.

## LIQUIDITY DEVELOPMENT



## 6% INCREASE IN EQUITY SINCE MID 2017

## EQUITY

€ m	June 30, 2018	Percentage of total assets	December 31, 2017 <sup>1</sup>	June 30, 2017 <sup>1</sup>
Subscribed capital	177.2	5.1	88.6	88.6
Other equity	691.1	19.9	797.3	734.4
<b>Equity attributable to shareholders</b>	<b>868.2</b>	<b>25.0</b>	<b>885.9</b>	<b>823.0</b>
Non-controlling interests	13.9	0.4	14.6	11.1
<b>Total equity</b>	<b>882.1</b>	<b>25.4</b>	<b>900.5</b>	<b>834.0</b>

<sup>1</sup> The figures for December 31, 2017 and June 30, 2017 have been adjusted following the first-time application of IFRS 15.

Equity climbed by 6% over June 30, 2017 to € 882.1 million but dropped slightly compared with the end of 2017 as the positive effects from the earnings after tax were accompanied by the dividend payment and currency translation losses. The equity ratio widened slightly from 25.0% in mid-2017 to 25.4%.

## CURRENT AND NON-CURRENT LIABILITIES

€ m	June 30, 2018	Percentage of total assets	December 31, 2017 <sup>1</sup>	June 30, 2017 <sup>1</sup>
Financial liabilities (incl. bond, bonded loan)	614.0	17.7	613.2	650.1
Provisions (incl. pension benefits)	205.1	5.9	219.1	202.4
Contract liabilities	731.8	21.1	715.2	661.5
Trade payables	436.6	12.6	390.1	360.9
Income tax liabilities	37.5	1.1	50.4	43.6
Other liabilities (incl. deferred taxes, deferred income)	559.4	16.1	623.1	586.7
<b>Total</b>	<b>2,584.4</b>	<b>74.6</b>	<b>2,611.0</b>	<b>2,505.3</b>

<sup>1</sup> The figures for December 31, 2017 and June 30, 2017 have been adjusted following the first-time application of IFRS 15.

Current and non-current liabilities dropped slightly over December 31, 2017. The largest item on the equity and liabilities side is formed by contract liabilities, which contain the prepayments received from customers and increased slightly over the end of 2017.

#### DEBT CAPITAL AND FUNDING STRUCTURE

We did not execute any funding transactions in the first half of 2018. As of June 30, 2018, our funding structure was composed of the following elements:

- Corporate bond issued by Dürr AG of € 300 million
- Bonded loan issued by Dürr AG for € 300 million
- Syndicated loan held by Dürr AG for € 465 million
- Bilateral credit facilities and liabilities from finance leases of a minor volume
- Operating leases of € 85.3 million

#### OFF-BALANCE-SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

There has been no significant change in the volume of off-balance-sheet financing instruments and obligations since the end of 2017. Future minimum payments under operating leases amounted to € 85.3 million as of June 30, 2018 (December 31, 2017: € 89.8 million). Operating leases constitute the most important form of off-balance-sheet funding for Dürr. Sales of receivables (forfeiting, factoring, negotiation) dropped by € 14.5 million compared with the end of 2017, accounting for a small amount of € 13.5 million.

Our credit and guarantee facilities were valued at € 966.5 million as of June 30, 2018 (December 31, 2017: € 963.3 million), with drawdowns coming to € 255.4 million (December 31, 2017: € 300.6 million). The guarantees chiefly take the form of credit guarantees and surety bonds and do not constitute off-balance-sheet finance instruments.

#### ACTUAL PERFORMANCE VS. FORECAST: BUSINESS DEVELOPMENT AND FINANCIAL POSITION LARGELY IN LINE WITH EXPECTATIONS

Business in the first half of 2018 largely lived up to our expectations. Sales revenues will accumulate in the second half of the year. The HOMAG Group will be substantially stepping up output and the generation of sales revenues. The Dürr Group's order intake and sales revenues were in line with expectations in the first half of 2018. Cash flow and net financial status were both down but customarily improve in the second half of the year. Overall, we are confident of being able to achieve our full-year forecasts. As things currently stand, we expect earnings to come in at the lower end of our target range. Further information on our full-year forecasts can be found in the Outlook section on page 22.

## R&D and capital expenditure

#### RESEARCH AND DEVELOPMENT

We increased our direct research and development (R&D) expenses by 9.3% in the first half of 2018. At € 61.3 million, they reached a new half-year record. R&D expenses in the second quarter were also higher than in any previous three-month period, coming to € 30.4 million (up 10.1%). The main reason for the increase in innovation spending is to be found in our digital@DÜRR strategy under which we are developing digital solutions for smart production processes for our customers. In addition to direct R&D spending, other development costs arising in connection with customer orders are reported within the cost of sales. In the first half of the year, development expenses of € 6.6 million were capitalized (H1 2017: € 5.3 million), including € 4.4 million in the second quarter (Q2 2017: € 2.3 million). At the middle of the year, R&D had 741 employees across the Group as a whole (June 30, 2017: 688).



All five divisions presented new technologies or product improvements in the first half of the year. Here are some selected examples:

- **Paint and Final Assembly Systems** has broadened the possible uses of its software for supervisory production control in automotive production. The system is now able to address processes in body shop robot cells. In addition, a control and detailed process planning solution for stamping plants has been developed together with a customer.
- **Application Technology** has completed its range of third-generation robots with the addition of the eight-axis swing-arm **EcoRP S053i** and the nine-axis **EcoRP S153i** for painting van interiors. In addition, the division has developed a space-saving movement axis, which is mounted at the top and bottom of the booth wall and transports six-axis robots during the painting process.
- **Clean Technology Systems** increased the efficiency of its ORC plants. ORC technology uses a turbine to generate electricity from hot steam. An optimized design now ensures that less steam can escape the turbine.
- **Measuring and Process Systems** developed a fully automatic balancing machine for the production of e-mobility drives. The eTEN0 model balances electric anchors needed for vehicles fitted with hybrid, plug-in hybrid or all-electric drives.
- **Woodworking Machinery and Systems (HOMAG)** presented the first fully autonomous woodworking workshop. It consists of two automatic processing cells for edge banding and robot-based CNC machining. The two cells are interconnected by driverless transport vehicles.

#### INCREASE IN CAPITAL EXPENDITURE FOR HOMAG

We raised capital expenditure on property, plant and equipment and intangible assets slightly to € 34.3 million in the first half of 2018 (up 2.3%). Capital expenditure in the Woodworking Machinery and Systems division (HOMAG Group) increased two-fold as two new assembly halls went into operation under plans to expand business. IT and digitalization formed a key aspect of Group-wide capital expenditure. Intangible assets accounted for € 9.5 million (H1 2017: € 11.3 million).

A sum of € 34.9 million was spent on the increase in equity investments (H1 2017: € 8.2 million). This particularly entailed the addition of a further 8.0% to our interest in HOMAG Group AG.

#### CAPITAL EXPENDITURE<sup>1</sup>

€ m	H1 2018	H1 2017	Q2 2018	Q2 2017
Paint and Final Assembly Systems	4.7	10.3	2.6	4.2
Application Technology	5.2	6.3	2.8	3.3
Clean Technology Systems	1.7	2.3	0.9	1.0
Measuring and Process Systems	2.8	2.9	1.8	1.1
Woodworking Machinery and Systems	18.4	9.4	12.1	4.8
Corporate Center	1.6	2.3	1.2	0.8
<b>Total</b>	<b>34.3</b>	<b>33.6</b>	<b>21.4</b>	<b>15.2</b>

<sup>1</sup> on property, plant and equipment and on intangible assets

## Employees

#### INCREASE OF JUST UNDER 2% IN HEADCOUNT

At the middle of 2018, the Group had 15,236 employees, up 1.7% compared with the end of 2017. The Application Technology and Woodworking Machinery and Systems divisions increased their workforces by 4.4% and 3.1%, respectively, mainly in view of their high capacity utilization levels. Employee numbers in the emerging markets rose by 6.9% compared with mid-2017 to 4,790, while the headcount in Germany increased by 3.7% to 8,020.

## EMPLOYEES BY DIVISION

	June 30, 2018	December 31, 2017	June 30, 2017
Paint and Final Assembly Systems	3,405	3,457	3,384
Application Technology	2,154	2,063	1,985
Clean Technology Systems	600	603	586
Measuring and Process Systems	2,303	2,279	2,244
Woodworking Machinery and Systems	6,567	6,371	6,149
Corporate Center	207	201	197
<b>Total</b>	<b>15,236</b>	<b>14,974</b>	<b>14,545</b>

## EMPLOYEES BY REGION

	June 30, 2018	December 31, 2017	June 30, 2017
Germany	8,020	7,830	7,737
Other European countries	2,449	2,361	2,248
North / Central America	1,398	1,394	1,293
South America	321	313	314
Asia, Africa, Australia	3,048	3,076	2,953
<b>Total</b>	<b>15,236</b>	<b>14,974</b>	<b>14,545</b>

## Segment report

## SALES REVENUES BY DIVISION

€ m	H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Paint and Final Assembly Systems	567.3	531.7	297.1	256.4
Application Technology	298.0	286.9	152.5	152.7
Clean Technology Systems	65.0	86.3	34.7	47.7
Measuring and Process Systems	213.5	250.6	114.2	105.2
Woodworking Machinery and Systems	605.7	598.0	311.1	301.2
Corporate Center / consolidation	0.0	0.0	0.0	0.0
<b>Group</b>	<b>1,749.6</b>	<b>1,753.5</b>	<b>909.5</b>	<b>863.2</b>

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

## EBIT BY DIVISION

€ m	H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Paint and Final Assembly Systems	24.9	30.9	12.5	13.9
Application Technology	30.7	29.4	15.5	15.5
Clean Technology Systems	-2.5	1.6	-1.6	1.2
Measuring and Process Systems	23.9	30.0	13.5	15.7
Woodworking Machinery and Systems	37.2	43.7	17.4	23.4
Corporate Center / consolidation	-12.7	11.4	-7.0	-8.8
<b>Group</b>	<b>101.4</b>	<b>147.1</b>	<b>50.3</b>	<b>60.9</b>

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

## PAINT AND FINAL ASSEMBLY SYSTEMS

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	577.5	645.5	303.3	377.3
Sales revenues	€ m	567.3	531.7	297.1	256.4
EBITDA	€ m	32.1	37.6	16.1	17.3
EBIT	€ m	24.9	30.9	12.5	13.9
EBIT margin	%	4.4	5.8	4.2	5.4
ROCE <sup>2</sup>	%	96.1	>100 <sup>3</sup>	96.3	>100 <sup>3</sup>
Employees (June 30)		3,405	3,384	3,405	3,384

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Annualized

<sup>3</sup> Negative capital employed

Order intake in the Paint and Final Assembly Systems division fell by 10.5% to € 577.5 million in the first half of 2018. As part of the FOCUS 2.0 efficiency boosting program we have become more selective in the acceptance of orders and are paying even greater attention to project margins. The margin quality of the orders received in the first half of the year improved slightly over the same period of the previous year. Among other things, we received the largest order to date from a Japanese automotive OEM in the first half of the year and are confident that this will generate impetus for our relations with Japanese customers. Once again, the recently established producers of electric vehicles proved to be important customers: We are building a paint shop featuring a small environmental footprint for Chinese producer Future Mobility Corporation (FMC) with its Byton brand. The number and value of customer projects to be awarded in the near future (i.e. projects in the pipeline) increased noticeably over the previous year.

Whereas sales rose by 6.7% thanks to the previous year's heavy order intake, the EBIT margin contracted to 4.4% (H1 2017: 5.8%) but still came within the forecast range of 4 to 5%. The decline in earnings is particularly due to the intense competition in the previous year and the resultant pressure on margins. To address this, we are implementing the FOCUS 2.0 optimization program with the following main aspects:

- Reduction in product costs
- Lean processes / efficient order processing
- Expansion of growth business (e.g. service and digitization)
- More efficient organization of the international network and closer collaboration with the sister divisions Application Technology and Clean Technology Systems.

FOCUS 2.0 is proceeding according to plan, with preliminary measures already implemented. The purpose of this optimization program is to help Paint and Final Assembly Systems reach the EBIT margin target of 6 to 7% again by 2020. In the first half of 2018, consulting costs of € 3.5 million were allocated to the Corporate Center in connection with FOCUS 2.0. In the course of the year, we expect to post extraordinary expense of € 5 to 10 million in division EBIT.

## APPLICATION TECHNOLOGY

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	345.1	325.3	176.6	168.3
Sales revenues	€ m	298.0	286.9	152.5	152.7
EBITDA	€ m	36.4	34.6	18.3	18.0
EBIT	€ m	30.7	29.4	15.5	15.5
EBIT margin	%	10.3	10.3	10.2	10.1
ROCE <sup>2</sup>	%	24.4	24.2	24.6	25.4
Employees (June 30)		2,154	1,985	2,154	1,985

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Annualized

In the first half of the year, Application Technology recorded growth in order intake (up 6.1%) and sales (up 3.9%). As with Paint and Final Assembly Systems, there was a slight improvement in the margin quality of the orders received. With EBIT rising by 4.2% to € 30.7 million, the EBIT margin remained stable at 10.3%. Although the start-up costs for industrial painting business (Industrial Products segment) continued to exert pressure, order intake expanded. The proportion of service activities in the Application Technology business was above the Group average again in the first half of 2018.

#### CLEAN TECHNOLOGY SYSTEMS

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	116.5	95.1	58.8	38.6
Sales revenues	€ m	65.0	86.3	34.7	47.7
EBITDA	€ m	-1.1	3.0	-0.9	1.9
EBIT	€ m	-2.5	1.6	-1.6	1.2
EBIT margin	%	-3.9	1.9	-4.5	2.5
ROCE <sup>2</sup>	%	-7.1	5.2	-8.8	7.7
Employees (June 30)		600	586	600	586

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Annualized

Order intake in Clean Technology Systems was up 52.5% in the second quarter of 2018 compared with the same period of the previous year, rising by 22.4% in the first half of the year. The high order volume were particularly due to China, with Europe and the United States also contributing to the improvement in the second quarter. Muted demand in the second half of 2017 caused sales and earnings to soften in the first two quarters of 2018. We operated at below full capacity utilization in Europe and the United States. However, we expect sales to accelerate significantly as the year progresses and this should result in a clearly positive EBIT for the year as a whole.

Following the acquisition of Babcock & Wilcox's industrial environmental technology business (see Strategy chapter on page 5), order intake and sales should climb by around € 70 million in 2018. At the same time, we project operating EBIT of € 3 to 3.5 million. On the other hand, we expect expenses for purchase price allocation and further acquisition-related extraordinary expenses. We seek to start consolidation as of September 1, 2018; official approvals have been requested.

#### MEASURING AND PROCESS SYSTEMS

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	214.6	278.7	111.1	117.1
Sales revenues	€ m	213.5	250.6	114.2	105.2
EBITDA	€ m	28.0	33.7	15.5	17.6
EBIT	€ m	23.9	30.0	13.5	15.7
EBIT margin	%	11.2	12.0	11.8	14.9
ROCE <sup>2+3</sup>	%	18.1	21.6	20.4	25.5
Employees (June 30)		2,303	2,244	2,303	2,244

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Annualized

<sup>3</sup> 2017 adjusted

The first-half figures of the Measuring and Process Systems division show declines in order intake (down 23.0%), sales (down 14.8%) and EBIT (down 20.5%). However, it should be borne in mind that we sold the Dürr Ecoclean Group at the end of the first quarter of 2017 and that it had contributed sales of € 45.7 million and operating EBIT of € 3.5 million in the previous year. In the second quarter of 2018, order receipts contracted by 5.1% but sales

rose by 8.5% over the same period in the previous year. Compared with the first quarter of 2018, business gained momentum appreciably in the second quarter, with the EBIT margin widening to 11.8% and thus substantially exceeding the first quarter of 2018 (10.5%).

#### WOODWORKING MACHINERY AND SYSTEMS

		H1 2018	H1 2017 <sup>1</sup>	Q2 2018	Q2 2017 <sup>1</sup>
Order intake	€ m	701.3	733.5	286.1	332.6
Sales revenues	€ m	605.7	598.0	311.1	301.2
EBITDA	€ m	56.6	62.3	26.9	32.6
EBIT	€ m	37.2	43.7	17.4	23.4
EBIT margin	%	6.1	7.3	5.6	7.8
ROCE <sup>2</sup>	%	16.5	23.6	15.4	25.2
Employees (June 30)		6,567	6,149	6,567	6,149

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.  
<sup>2</sup> Annualized

Following the rapid increase in the first half of 2017 (up 33%), order intake in Woodworking Machinery and Systems contracted by 4.4% in the first six months of 2018. Even so, new orders exceeded € 700 million again. Contrary to expectations, sales rose only slightly by 1.3%. This was due to a protracted interruption to operations at the beginning of the year in connection with the roll-out of an ERP system. Moreover, output was insufficient due to supply-chain and production problems. However, the division has now adjusted its production system and increased capacities to generate greater sales and earnings in the second half of the year. Moreover, costs not relevant for sales are being reviewed. The EBIT margin came to 6.1% in the first half of 2018, down from 7.3% in the same period in the previous year. In the second quarter, it temporarily dropped to 5.6% due to the output problems (Q2 2017: 7.8%). The EBIT margin before purchase price allocation effects narrowed from 8.0% to 6.9% in the first half of the year.

#### CORPORATE CENTER/CONSOLIDATION

After the book gain from the sale of Ecolean in the previous year's period (€ 22.7 million), EBIT in the Corporate Center returned to normal in the first half of 2018, coming to € -12.7 million (H1 2017: € 11.4 million). This also includes consulting costs of € 3.5 million for the FOCUS 2.0 optimization program and transaction costs of € 1.5 million for the planned takeover of MEGTEC/Universal. Only minor consolidation effects arose.

## Opportunities and risks

The customary opportunities and risks of our business as well as the opportunity and risk management systems are discussed from page 82 of our annual report for 2017.

#### RISKS

We are currently aware of no risks which either individually or in conjunction with other risks are liable to pose any threat to the Group's going-concern status. There has been no material change in our overall risk situation since the publication of the annual report on March 22, 2018. However, the macroeconomic risks have risen due to the recent trade conflicts between the United States and other countries, particularly China, Mexico, Canada and the EU countries. Although we are not directly affected by the punitive tariffs that have recently been imposed, they do pose a substantial burden for some of our customers. At the same time, there is mounting economic uncertainty. All told, this may cause capital expenditure plans to be reviewed and postponed. However, the results of the meeting between US President Trump and EU Commission President Juncker at the end of July provide reason for optimism, with both sides confirming their commitment to dismantling customs tariffs and trade barriers.

## OPPORTUNITIES

Similarly, there have been no material changes in opportunities since the publication of the 2017 annual report. In painting systems business, we have recently noted a slight easing of pressure on margins on new orders and an increase in market volumes. However, given the current trade conflicts, it is not clear how sustained this increase will be. The digital transformation offers Dürr a whole set of significant opportunities. Under our digital@DÜRR strategy we are spending heavily on digitization. The IIoT platform ADAMOS, the digital LOXEO and tapio market places and other intelligent software and hardware products give us an attractive range of digital products and services.

## Personnel changes

Karl-Heinz-Streibich took over as Chairman of Dürr AG's Supervisory Board effective January 1, 2018. Mr. Streibich was the CEO of Software AG until July 31, 2018 and replaced Klaus Eberhardt, who stepped down from the Supervisory Board and resigned from the position of Chairman of the Supervisory Board at the end of 2017. Dr. Rolf Breidenbach, CEO of Hella GmbH & Co. KGaA, was appointed by the court to Dürr AG's Supervisory Board effective January 1. The shareholders confirmed this appointment and elected Dr. Breidenbach to the Supervisory Board at the annual general meeting on May 9, 2018.

## Transactions with related parties

This information can be found in the notes to the consolidated financial statements on page 171 of the annual report for 2017.

## Outlook

### OPERATING ENVIRONMENT

The global economy is expected to expand by 3.9% in 2018. In the United States, measures to boost the economy could spur growth at least temporarily. The European economy is also benefiting from upbeat underlying conditions that include declining unemployment in key countries, inexpensive funding and expansionary fiscal policies which are being scaled back only slowly. The Chinese government has announced fiscal measures to address a possible macroeconomic slowdown.

Global GDP growth of 3.9% has recently also been forecast for 2019. However, this projection is subject to some uncertainty given the current trade conflicts. A deterioration of the trade conflicts could exert considerable pressure on the automotive industry with its global production network. This scenario is not included in the latest automotive production outlook which was published by PricewaterhouseCoopers (PwC) at the end of July. PwC expects the automotive industry to expand at roughly the same pace as the global economy over the next few years and projects a 3.0% increase in global output to 96.8 million units in 2018. Accordingly, it has lowered its April 2018 forecast somewhat. PwC calculates a compound average growth rate of 3.4% for global automotive production in the period from 2017 to 2022. Growth of 5.0% p.a. is projected for China in the same period.

## LIGHT VEHICLE PRODUCTION

Million units	2017	2022F	CAGR 2017-2022F
North America	17.1	18.4	1.5%
Mercosur	3.2	3.9	4.0%
Western Europe	15.2	17.0	2.3%
Eastern Europe	7.1	8.4	3.4%
Asia	49.0	59.8	4.1%
Of which China	27.3	34.9	5.0%
Others	2.4	3.6	8.4%
<b>Total</b>	<b>94.0</b>	<b>111.1</b>	<b>3.4%</b>

Source: PwC Autofacts 07/2018  
F = forecast

The outlook for growth in the furniture sector and general industry has not changed since the beginning of the year. Experts forecast growth of 2.7% in global furniture production in 2018.

## GROUP OUTLOOK

		Actual 2017 <sup>1</sup>	Forecast for 2018 (excl. MEGTEC/Universal)	Forecast for 2018 (incl. MEGTEC/Universal) <sup>2</sup>
Order intake	€ m	3,888.7	3,600 - 3,900	3,670 - 3,970
Orders on hand (December 31)	€ m	2,535.1	2,200 - 2,700	2,250 - 2,750
Sales revenues	€ m	3,713.2	3,700 - 3,900	3,770 - 3,970
EBIT margin	%	7.7	7.0 - 7.5	6.8 - 7.3
EBIT margin before extraordinary effects	%	7.5	7.4 - 7.8	7.4 - 7.8
ROCE	%	39.4	30 - 40	30 - 40
Financial result	€ m	- 19.8	Slightly better	Slightly better
Tax rate	%	25.3	27 - 28	27 - 28
Earnings after tax	€ m	199.6	180 - 200	177 - 197
Cash flow from operating activities	€ m	118.9	Substantially up on the previous year	Substantially up on the previous year
Free cash flow	€ m	13.4	Substantially up on the previous year	Substantially up on the previous year
Net financial status (December 31)	€ m	191.5	200 - 240	80 - 120
Liquidity (December 31)	€ m	659.9	650 - 690	530 - 570
Capital expenditure <sup>3</sup>	€ m	88.0	75 - 85	75 - 85

<sup>1</sup> The figures for 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Assuming that MEGTEC/Universal is consolidated from September 1, 2018.

<sup>3</sup> On property, plant and equipment and on intangible assets (excluding acquisitions)

## SALES, INCOMING ORDERS AND EARNINGS

Despite the moderate performance of some divisions in the first half of the year, we confirm our full-year guidance for 2018 and assume that we will achieve our goals. The following forecast does not yet factor in the planned acquisition of MEGTEC/Universal as the transaction has not yet been closed. However, the "Group outlook" and "Outlook by division" tables present the effects of the acquisition of MEGTEC/Universal on the forecast separately.

We project full-year sales of € 3,700 to 3,900 million in 2018. This means that they will probably be higher than in 2017 even though the Ecoclean Group, which has since been sold, contributed € 47.5 million in 2017. We project order intake in a range of € 3,600 to 3,900 million.

From today's perspective, we continue to expect the EBIT margin to reach 7.0 to 7.5% in 2018. After the first half, we consider this forecast to be ambitious but realistic. That said, the EBIT margin will probably come in at the lower end of the target corridor. In a comparison with the previous year, the book gain of € 23.0 million from the sale of the Ecoclean Group in 2017 must be duly borne in mind. In addition, extraordinary expense of an expected € 5 to 10 million will arise in connection with the FOCUS 2.0 optimization program in Paint and Final Assembly Systems in 2018. Adjusted for extraordinary effects, the operating EBIT margin should come to 7.4 to 7.8% in 2018, thus remaining more or less on a par with the previous year. We have adjusted our EBIT margin forecast for Clean Technology Systems from 3.0 to 4.0% to 1.5 to 2.5% due to the unsatisfactory earnings in the first half of the year. However, the division expects to see an appreciable improvement in earnings in the second half of the year and particularly in the fourth quarter.

An improvement in performance will be required in the second half of the year for us to achieve our earnings forecast for 2018. The Woodworking Machinery and Systems division in particular plans to step up the generation of sales and earnings via the adjustments made to production and intensified selling efforts in single-machinery business. We also expect a stronger second half in the other divisions with a clear focus on earnings and cost control.

#### OUTLOOK BY DIVISION

	Order intake (€ million)		Sales revenues (€ million)		EBIT margin (%)		ROCE (%)	
	2017	2018 target	2017	2018 target	2017	2018 target	2017	2018 target
	Paint and Final Assembly Systems	1,210.1	1,000 - 1,200	1,175.2	1,100 - 1,200	6.0	4.0 - 5.0 <sup>1</sup>	>100
Application Technology	603.3	600 - 650	622.4	600 - 650	10.4	10.0 - 11.0	29.2	27 - 32
Clean Technology Systems (excl. MEGTEC/Universal)	165.8	190 - 220	185.6	180 - 200	1.8	1.5 - 2.5	5.5	5 - 10
Clean Technology Systems (incl. MEGTEC/Universal)	165.8	260 - 290	185.6	250 - 270	1.8	- 1.0 - 0.0	5.5	- 5 - 0
Measuring and Process Systems	543.2	430 - 460 <sup>2</sup>	511.1	440 - 480 <sup>2</sup>	12.6	12.5 - 13.5	24.6	30 - 35
Woodworking Machinery and Systems	1,366.3	1,350 - 1,500	1,218.8	1,300 - 1,400	6.8	7.5 - 8.0	22.0	25 - 30

<sup>1</sup> Including optimization costs of € 5 to 10 million for FOCUS 2.0

<sup>2</sup> The assumed reduction over 2017 is primarily due to the sale of the Dürr Ecoclean Group effective March 31, 2017.

There should be a slight improvement in financial result in 2018. The tax rate should be between 27 and 28%. As things currently stand, we project earnings after tax in a range of € 180 to 200 million. In accordance with our long-term dividend policy, the distribution for 2018 should be between 30 and 40% of consolidated net profit.

#### CASH FLOW, FUNDING AND CAPITAL SPENDING

As things currently stand, we expect a substantial increase in the cash flow from operating activities in 2018. We assume that the positive cash flow emerging in the second quarter will strengthen as the year progresses. One key determinant for this will be the planned reduction in net working capital in the second half of the year. Free cash flow should also increase substantially and enter positive territory. Cash flow and cash and cash equivalents should be sufficient to cover operating funding requirements (capital expenditure, interest payments etc.) as well as the dividend distribution.

We currently project a net financial status of € 200 to 240 million for the end of 2018. Including the planned purchase price for MEGTEC/Universal, net financial status should come to € 80 to 120 million. We also consider these targets to be ambitious but achievable. We project year-end cash and cash equivalents of € 650 to 690 million (€ 530 to 570 million after the MEGTEC/Universal acquisition).



Capital expenditure on property, plant and equipment and on intangible assets should reach a normal level of € 75 to 85 million in 2018. Under the "Dürr 2020" strategy further acquisitions and technology buy-ins are planned.

The retained earnings should cause equity to increase again at the end of 2018. We do not expect to draw on the syndicated cash facility. There are currently no plans to raise any fresh capital; a corporate action would only be necessary in the exceptional case of a very large acquisition. Our funding is stable up until 2021.

## EMPLOYEES

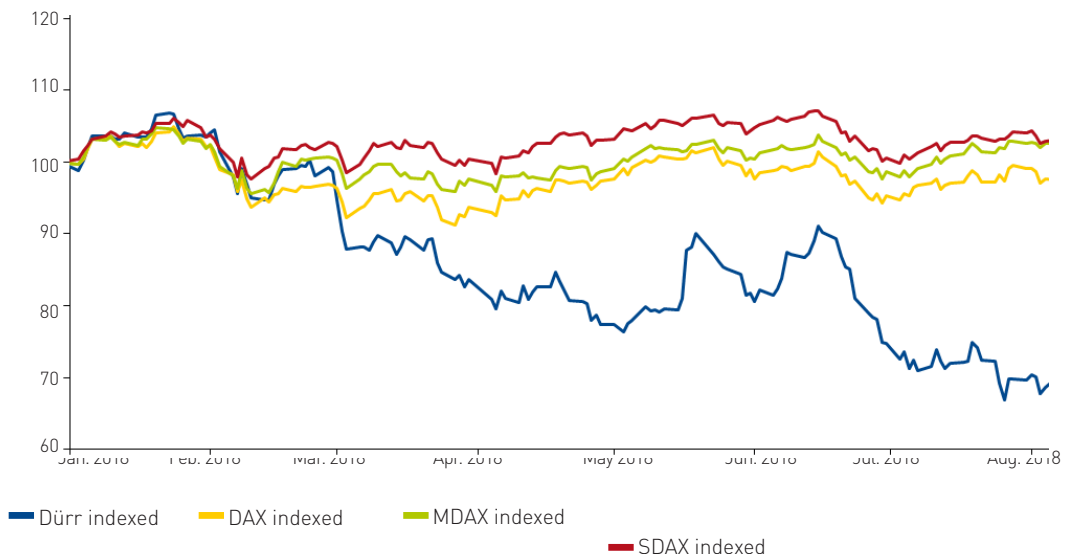
We expect employee numbers to rise at most only slightly in the further course of the year.

## Treasury stock and capital changes

Dürr AG does not hold any treasury stock. During the period under review, the capital stock was increased from € 88.6 million to € 177.2 million by way of a capital increase from company funds. The capital increase was executed in the context of the issue of bonus shares. The capital stock is divided into 69.2 million shares.

## Dürr on the capital market

### PERFORMANCE OF DÜRR SHARE, DAX AND MDAX SINCE THE END OF 2016



After an upbeat start to the year, the DAX hit an all-time high of 13,597 points on January 23, 2018. As the first half of the year progressed, capital markets primarily took their cues from geopolitical events. In particular, concerns over protectionist tendencies in the United States and their impact on exporting nations and the global economy triggered uncertainty on the part of investors. The European Central Bank announced that it would be keeping its base rates at 0% at least until late summer 2019, it is expected to terminate its bond-buying program at the end of the year.

The Dürr share (ISIN: DE0005565204) tracked the market as a whole up until the end of February, also reaching a high for the year on January 23. Concerns over export restrictions and a more muted macroeconomic outlook weighed on the share as the year progressed. Although the announcement of the planned acquisition of MEGTEC/Universal spurred the share, it closed the first half of the year at € 39.79 and, hence, a few cents above the low for the year.

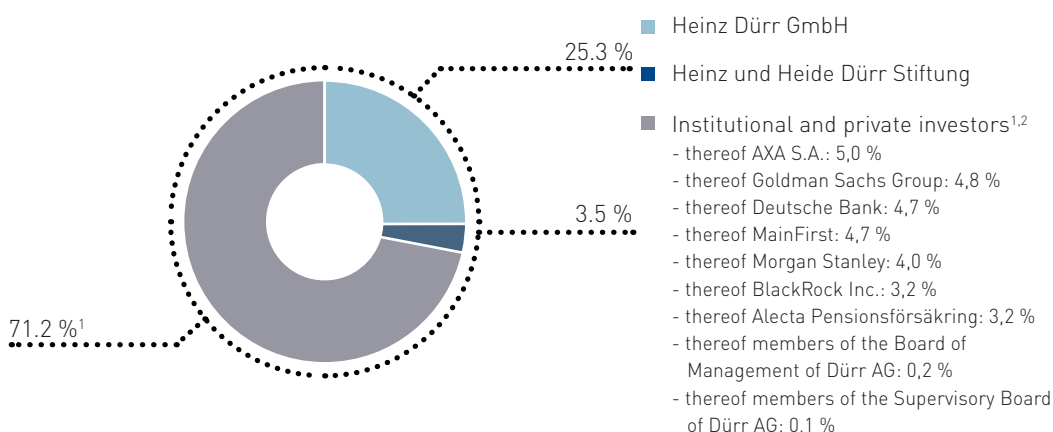
### CAPITAL INCREASE FROM OWN FUNDS (BONUS SHARES)

On June 22, 2018, we issued bonus shares to render the Dürr share more liquid and even more attractive for investors. Shareholders received one additional share for every one already held. The issue of the bonus shares caused the share price to notionally drop by half. However, the relative proportion attributable to each shareholder as well as the valuation metrics for the Dürr share were not influenced by this move. The new shares are dividend-entitled with retroactive effect from January 1, 2018. The issue of the bonus shares was tied to a two-fold increase in the capital stock from € 88.6 million to € 177.2 million by means of a capital increase from company funds. To this end, open reserves were converted into capital stock without any change to total equity. We have retroactively adjusted the reported share trading volumes to reflect the two-fold increase in the number of shares. In the first half of the year, an average of 291,300 Dürr shares were traded per day via XETRA (H1 2017: 304,000).

### FOUNDER FAMILY AS ANCHOR SHAREHOLDER

The Dürr family continues to hold 28.8% of our company's shares and is committed to maintaining a quota of over 25%. Two members of the Board of Management, Carlo Crosetto and Dr. Jochen Weyrauch, acquired Dürr shares of an aggregate value of around € 160,000 in June. After the issue of the bonus shares and the aforementioned share purchases, the shares held by members of the Board of Management break down as follows: Ralf W. Dieter (CEO) 160,000, Carlo Crosetto (CFO) 3,000 and Dr. Jochen Weyrauch 4,000. Together, the members of the Board of Management hold 0.24% of Dürr AG's share capital. At 71.2%, the free float in accordance with the Deutsche Börse definition was unchanged.

### SHAREHOLDER STRUCTURE DÜRR AG\* (AS OF 06/30/2018)



<sup>1</sup> Free float calculated according to Deutsche Börse AG

<sup>2</sup> According to the German Securities Trading Act (WpHG)

\* figures rounded

### RETURN OF 0.4% ON THE BOND

The price of our bond of € 300 million (ISIN XS1048589458) with a coupon of 2.875% stood at 106.8% at the end of the first half of 2018. With a yield of 0.4%, the bond matures in 2021.

## Events after the reporting period

No exceptional or reportable events occurred between the end of the reporting period and the date on which this report was published.

Bietigheim-Bissingen, August 9, 2018

Dürr Aktiengesellschaft

Ralf W. Dieter  
CEO

Carlo Crosetto  
CFO

Dr. Jochen Weyrauch  
Member of the Board of Management

# Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

€ k	H1 2018	H1 2017 adjusted <sup>1</sup>	Q2 2018	Q2 2017 adjusted <sup>1</sup>
Sales revenues	1,749,590	1,753,532	909,520	863,214
Cost of sales	- 1,345,497	- 1,329,362	- 704,062	- 656,375
<b>Gross profit on sales</b>	<b>404,093</b>	<b>424,170</b>	<b>205,458</b>	<b>206,839</b>
Selling expenses	- 147,195	- 155,104	- 76,244	- 74,910
General administrative expenses	- 90,069	- 89,030	- 46,275	- 42,970
Research and development costs	- 61,279	- 56,050	- 30,397	- 27,600
Other operating income	17,325	46,056	7,453	15,463
Other operating expenses	- 21,456	- 22,938	- 9,686	- 15,918
<b>Earnings before investment result, interest and income taxes</b>	<b>101,419</b>	<b>147,104</b>	<b>50,309</b>	<b>60,904</b>
Investment result	3,608	344	3,032	820
Interest and similar income	3,313	2,564	744	1,383
Interest and similar expenses	- 14,012	- 12,643	- 7,536	- 6,387
<b>Earnings before income taxes</b>	<b>94,328</b>	<b>137,369</b>	<b>46,549</b>	<b>56,720</b>
Income taxes	- 26,183	- 35,496	- 12,921	- 16,245
<b>Profit of the Dürr Group</b>	<b>68,145</b>	<b>101,873</b>	<b>33,628</b>	<b>40,475</b>
<b>Attributable to:</b>				
Non-controlling interests	2,431	1,797	1,450	958
<b>Shareholders of Dürr Aktiengesellschaft</b>	<b>65,714</b>	<b>100,076</b>	<b>32,178</b>	<b>39,517</b>
Number of shares issued in thousands	69,202.08	69,202.08	69,202.08	69,202.08
Earnings per share in € (basic and diluted) <sup>2</sup>	0.95	1.45	0.46	0.57

<sup>1</sup> The figures for the first half year and the second quarter 2017 were adjusted due to the first-time application of IFRS 15.

<sup>2</sup> The earnings per share figures refer to the status quo after the issue of bonus shares in a ratio of 1:1 on June 22, 2018, and was calculated on the basis of 69,202,080 shares.

# Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

€ k	H1 2018	H1 2017 adjusted <sup>1</sup>	Q2 2018	Q2 2017 adjusted <sup>1</sup>
<b>Profit of the Dürr Group</b>	<b>68,145</b>	<b>101,873</b>	<b>33,628</b>	<b>40,475</b>
<b>Items of other comprehensive income that are not reclassified to profit or loss</b>				
Remeasurement of defined benefit plans and similar obligations	-	3,515	-	3,515
Associated deferred taxes	-	- 862	-	- 862
<b>Items of other comprehensive income that may be reclassified subsequently to profit or loss</b>				
Changes in fair value of financial instruments used for hedging purposes recognized in equity	- 8,203	13,301	- 8,211	5,317
Associated deferred taxes	2,009	- 4,056	2,132	- 1,536
Reclassifications from currency translation reserve through profit or loss	-	- 2,951	-	-
Currency translation effects	3,987	- 18,753	8,527	- 26,413
<b>Other comprehensive income, net of tax</b>	<b>- 2,207</b>	<b>- 9,806</b>	<b>2,448</b>	<b>- 19,979</b>
<b>Total comprehensive income, net of tax</b>	<b>65,938</b>	<b>92,067</b>	<b>36,076</b>	<b>20,496</b>
<b>Attributable to:</b>				
Non-controlling interests	2,432	1,552	1,402	728
<b>Shareholders of Dürr Aktiengesellschaft</b>	<b>63,506</b>	<b>90,515</b>	<b>34,674</b>	<b>19,768</b>

<sup>1</sup> The figures for the first half year and the second quarter 2017 were adjusted due to the first-time application of IFRS 15.

# Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF JUNE 30, 2018

€ k	June 30, 2018	December 31, 2017 adjusted <sup>1</sup>	June 30, 2017 adjusted <sup>1</sup>
<b>ASSETS</b>			
Goodwill	397,206	396,551	398,428
Other intangible assets	188,967	196,155	200,353
Property, plant and equipment	410,194	408,443	387,680
Investment property	19,728	20,180	20,423
Investments in entities accounted for using the equity method	35,448	30,772	33,207
Other financial assets	4,262	4,393	25,844
Trade receivables	3,415	10,970	19,631
Income tax receivables	-	-	90
Sundry financial assets	4,377	4,853	3,995
Other assets	1,254	702	1,291
Deferred taxes	39,325	35,343	29,012
Prepaid expenses	1,755	1,753	2,630
<b>Non-current assets</b>	<b>1,105,931</b>	<b>1,110,115</b>	<b>1,122,584</b>
Inventories and prepayments	571,346	457,635	468,662
Contract assets	505,915	488,418	407,932
Trade receivables	540,882	522,374	464,646
Income tax receivables	24,317	20,035	24,355
Sundry financial assets	159,665	190,653	203,497
Other assets	65,452	54,281	59,458
Cash and cash equivalents	472,196	659,911	571,574
Prepaid expenses	20,753	7,160	15,697
Assets held for sale	-	978	903
<b>Current assets</b>	<b>2,360,526</b>	<b>2,401,445</b>	<b>2,216,724</b>
<b>Total assets Dürr Group</b>	<b>3,466,457</b>	<b>3,511,560</b>	<b>3,339,308</b>

€ k	June 30, 2018	December 31, 2017 adjusted <sup>1</sup>	June 30, 2017 adjusted <sup>1</sup>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital	177,157	88,579	88,579
Capital reserves	67,318	155,896	155,896
Revenue reserves	674,434	690,411	607,201
Other comprehensive income	- 50,702	- 49,001	- 28,725
<b>Total equity attributable to the shareholders of Dürr Aktiengesellschaft</b>	<b>868,207</b>	<b>885,885</b>	<b>822,951</b>
Non-controlling interests	13,851	14,637	11,083
<b>Total equity</b>	<b>882,058</b>	<b>900,522</b>	<b>834,034</b>
Provisions for post-employment benefit obligations	50,433	49,830	49,408
Other provisions	19,107	17,552	16,650
Contract liabilities	3,828	3,828	3,828
Trade payables	1,155	496	1,400
Bond and bonded loan	597,581	597,285	596,917
Other financial liabilities	11,792	12,564	16,735
Sundry financial liabilities	1,912	2,801	11,465
Income tax liabilities	5,175	6,711	6,711
Other liabilities	4,524	4,916	7,281
Deferred taxes	86,806	91,165	112,218
Deferred income	97	110	83
<b>Non-current liabilities</b>	<b>782,410</b>	<b>787,258</b>	<b>822,696</b>
Other provisions	135,594	151,684	136,369
Contract liabilities	727,927	711,337	657,644
Trade payables	435,430	389,581	359,486
Financial liabilities	4,611	3,383	36,491
Sundry financial liabilities	264,515	298,488	266,533
Income tax liabilities	32,365	43,694	36,896
Other liabilities	196,195	221,572	183,867
Deferred income	5,352	3,417	4,633
Liabilities held for sale	-	624	659
<b>Current liabilities</b>	<b>1,801,989</b>	<b>1,823,780</b>	<b>1,682,578</b>
<b>Total equity and liabilities Dürr Group</b>	<b>3,466,457</b>	<b>3,511,560</b>	<b>3,339,308</b>

<sup>1</sup> The figures for December 31 and June 30, 2017 were adjusted due to the first-time application of IFRS 15.

# Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

€ k	H1 2018	H1 2017 adjusted <sup>1</sup>	Q2 2018	Q2 2017 adjusted <sup>1</sup>
Earnings before income taxes	94,328	137,369	46,549	56,720
Income taxes paid	-49,009	-26,968	-26,553	-9,540
Net interest	10,699	10,079	6,792	5,004
Profit from entities accounted for using the equity method	-3,362	-1,620	-2,524	-623
Dividends from entities accounted for using the equity method	-	1,054	-	1,054
Amortization and depreciation of non-current assets	39,459	40,536	19,451	21,727
Net gain on the disposal of non-current assets	-27	-583	42	-249
Net gain from the disposal of investments and assets and liabilities classified as held for sale	-63	-22,673	-	54
Non-cash impairment on cash and cash equivalents	-608	-	78	-
Other non-cash income and expenses	3,182	191	4,277	7
<b>Changes in operating assets and liabilities</b>				
Inventories	-112,226	-82,315	-36,997	-35,076
Contract assets	-17,533	-111,627	-31,469	-29,467
Trade receivables	-7,260	-3,266	-31,029	59,960
Other receivables and assets	-13,480	-40,243	4,884	-13,815
Provisions	-14,829	28,811	-5,667	7,370
Contract liabilities	10,290	22,547	69,573	-64,908
Trade payables	44,468	38,372	47,229	18,019
Other liabilities (other than bank)	-32,122	-22,186	-40,305	-50,402
Other assets and liabilities	-11,570	-8,289	-7,683	-2,546
<b>Cash flow from operating activities</b>	<b>-59,663</b>	<b>-40,811</b>	<b>16,648</b>	<b>-36,711</b>
Purchase of intangible assets	-9,540	-11,297	-6,433	-5,128
Purchase of property, plant and equipment	-24,516	-21,916	-14,813	-9,756
Purchase of other financial assets	-1	-3	-1	-2
Proceeds from the sale of non-current assets	1,438	8,442	476	4,406
Acquisitions, net of cash acquired	-50	-953	-50	-53
Investments in time deposits	32,368	-76,270	34,602	-31,463
Proceeds from the sale of assets and liabilities classified as held for sale	634	106,990	634	-666
Interest received	2,171	2,541	1,061	1,464
<b>Cash flow from investing activities</b>	<b>2,504</b>	<b>7,534</b>	<b>15,476</b>	<b>-41,198</b>



€ k	H1 2018	H1 2017 adjusted <sup>1</sup>	Q2 2018	Q2 2017 adjusted <sup>1</sup>
Change in current bank liabilities and other financing activities	105	- 9,029	2,084	- 7,650
Repayment of non-current financial liabilities	- 223	- 1,168	- 223	- 586
Payments of finance lease liabilities	- 680	- 2,671	- 349	- 459
Cash paid for transactions with non-controlling interests	- 34,802	- 7,495	- 34,802	-
Dividends paid to the shareholders of Dürr Aktiengesellschaft	- 76,122	- 72,662	- 76,122	- 72,662
Dividends paid to non-controlling interests	- 3,594	- 4,629	- 3,594	- 4,629
Interest paid	- 15,183	- 14,168	- 6,052	- 4,895
<b>Cash flow from financing activities</b>	<b>- 130,499</b>	<b>- 111,822</b>	<b>- 119,058</b>	<b>- 90,881</b>
Effects of exchange rate changes	- 524	- 7,506	554	- 9,673
Change in cash and cash equivalents related to changes in the consolidated group	467	-	-	-
Change in cash and cash equivalents	- 187,715	- 152,605	- 86,380	- 178,463
<b>Cash and cash equivalents</b>				
At the beginning of the period	659,911	724,179	558,576	750,037
At the end of the period	472,196	571,574	472,196	571,574

<sup>1</sup> The figures for the first half year and the second quarter 2017 were adjusted due to the first-time application of IFRS 15.

# Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

€ k	Other comprehensive income										Total equity attributable to the shareholders of Dürr Aktiengesellschaft	
	Subscribed capital	Capital reserve	Revenue reserves	Items that are not reclassified to profit or loss	Remeasurement of defined benefit plans	Unrealized gains/losses from cash flow hedges	Unrealized gains/losses from financial assets available for sale	Changes related to the consolidated group/reclassifications	Currency translation	Other comprehensive income		Non-controlling interests
	Items that may be reclassified subsequently to profit or loss										Total equity	
<b>December 31, 2016</b>	<b>88,579</b>	<b>155,896</b>	<b>588,705</b>	<b>-40,698</b>	<b>-8,055</b>	<b>-</b>	<b>652</b>	<b>24,452</b>	<b>-23,649</b>	<b>809,531</b>	<b>21,429</b>	<b>830,960</b>
Adjustment IFRS 15	-	-	-1,315	-	-	-	-	-	-	-1,315	-	-1,315
<b>January 1, 2017</b>	<b>88,579</b>	<b>155,896</b>	<b>587,390</b>	<b>-40,698</b>	<b>-8,055</b>	<b>-</b>	<b>652</b>	<b>24,452</b>	<b>-23,649</b>	<b>808,216</b>	<b>21,429</b>	<b>829,645</b>
Profit for the period	-	-	100,076	-	-	-	-	-	-	100,076	1,797	101,873
Other comprehensive income	-	-	-	2,653	9,245	-	-	-21,459	-9,561	-9,561	-245	-9,806
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>100,076</b>	<b>2,653</b>	<b>9,245</b>	<b>-</b>	<b>-</b>	<b>-21,459</b>	<b>-9,561</b>	<b>90,515</b>	<b>1,552</b>	<b>92,067</b>
Dividends	-	-	-72,662	-	-	-	-	-	-	-72,662	-4,629	-77,291
Options of non-controlling interests	-	-	5,122	-	-	-	-	-	-	5,122	1,030	6,152
Other changes	-	-	-12,725	4,496	-	-11	-	4,485	-8,240	-8,240	-8,299	-16,539
<b>June 30, 2017</b>	<b>88,579</b>	<b>155,896</b>	<b>607,201</b>	<b>-33,549</b>	<b>1,190</b>	<b>-</b>	<b>641</b>	<b>2,993</b>	<b>-28,725</b>	<b>822,951</b>	<b>11,083</b>	<b>834,034</b>
<b>December 31, 2017</b>	<b>88,579</b>	<b>155,896</b>	<b>690,411</b>	<b>-35,924</b>	<b>-228</b>	<b>449</b>	<b>630</b>	<b>-13,928</b>	<b>-49,001</b>	<b>885,885</b>	<b>14,637</b>	<b>900,522</b>
Adjustment IFRS 9	-	-	-3,557	-	-	-	-	-	-	-3,557	-73	-3,630
<b>January 1, 2018</b>	<b>88,579</b>	<b>155,896</b>	<b>686,854</b>	<b>-35,924</b>	<b>-228</b>	<b>449</b>	<b>630</b>	<b>-13,928</b>	<b>-49,001</b>	<b>882,328</b>	<b>14,564</b>	<b>896,892</b>
Profit for the period	-	-	65,714	-	-	-	-	-	-	65,714	2,431	68,145
Other comprehensive income	-	-	-	-6,194	-	-	-	3,986	-2,208	-2,208	1	-2,207
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>65,714</b>	<b>-6,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,986</b>	<b>-2,208</b>	<b>63,506</b>	<b>2,432</b>	<b>65,938</b>
Capital increase Dürr Aktiengesellschaft from company funds	88,578	-88,578	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-76,122	-	-	-	-	-	-	-76,122	-4,689	-80,811
Options of non-controlling interests	-	-	-1,505	-	-	-	-	-	-	-1,505	1,505	-
Other changes	-	-	-507	-	518	-11	-	-	507	-	39	39
<b>June 30, 2018</b>	<b>177,157</b>	<b>67,318</b>	<b>674,434</b>	<b>-35,924</b>	<b>-5,904</b>	<b>449</b>	<b>619</b>	<b>-9,942</b>	<b>-50,702</b>	<b>868,207</b>	<b>13,851</b>	<b>882,058</b>

# Notes to the consolidated financial statements

## January 1 to June 30, 2018

### 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"), which consists of Dürr AG and its subsidiaries, is one of the world's leading mechanical and plant engineering firms with extensive expertise in automation and digitization/ Industry 4.0. Products, systems and services offered by the Group enable highly efficient manufacturing processes in different industries. Dürr supplies sectors like the automotive industry, the mechanical engineering, chemical and pharmaceutical industries, and the woodworking industry. The Dürr Group serves the market with five global divisions: Paint and Final Assembly Systems offers assembly and paint finishing technology, mainly for the automotive industry. Application Technology manufactures products and systems for automated painting applications as well as sealing and glueing technology. 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. Measuring and Process Systems provides balancing equipment as well as assembly, testing and filling technology. Woodworking Machinery and Systems develops and manufactures machinery and systems related to woodworking.

#### ACCOUNTING POLICIES

The interim consolidated financial statements for the period between January 1 and June 30, 2018, are condensed and prepared in compliance with International Accounting Standard (IAS) 34 „Interim Financial Reporting“. The interim consolidated financial statements are based on the consolidated financial statements of December 31, 2017, and must be read in conjunction with them.

The interim 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. 315e (1) HGB [“Handelsgesetzbuch“: German Commercial Code]. The interim consolidated financial statements as of June 30, 2018 are not subject to any review or any audit pursuant to Sec. 317 HGB.

The accounting policies used generally correspond to the methods applied in the consolidated financial statements as of December 31, 2017; please refer to our 2017 annual report. In the 2018 reporting period, IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” were applied for the first time. An explanation of the effects and a reconciliation of the affected positions in the statement of financial position and statement of income can be found in note 3 “Initial application IFRS 9 and IFRS 15“. Further changes to the IFRS standards and interpretations that became mandatory for the first time starting January 1, 2018 are without any material effects on the consolidated financial statements of Dürr.

The new standard on lease accounting, IFRS 16 “Leases” is mandatory as of January 1, 2019. It replaces the previous rulings of IAS 17 “Leases” and its interpretations. Dürr plans to apply the modified retrospective transition method. On transition, total assets will increase by approximately 2% to 6%, based on current information.

The preparation of the consolidated financial statements for interim reporting pursuant to IAS 34 requires management to make estimates and judgments that affect the application of accounting policies in the Group as well as the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual figures may diverge from these estimates. The methods of estimation used generally correspond to the methods applied in the consolidated financial statements as of December 31, 2017. Expenses

that incurred irregularly during the reporting period have been deferred in those cases where they would also be deferred at year-end. Dürr's operations are not subject to material seasonal influences. Income tax expenditure in the interim financial statements is deferred on the basis of the expected income tax rate for the individual entities for the year as a whole. No unusual events occurred in the reporting period that had a material effect on the interim report as of June 30, 2018.

The interim consolidated financial statements are prepared in euros; all amounts are presented in thousands of euro (€ thousand or € k), unless stated otherwise.

## 2. CONSOLIDATED GROUP

Besides Dürr AG, the interim consolidated financial statements as of June 30, 2018, contain all German and foreign entities which Dürr AG can control directly or indirectly. The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. Control can exist due to voting rights or prevailing circumstances as a result of contractual arrangements, among other things. Pursuant to the contractual arrangements, Dürr has the power to exercise control over five entities. Furthermore, Dürr includes a structured entity in the consolidated financial statements. Consolidation of an entity included in the consolidated financial statements ceases when Dürr loses control over the entity. Entities over which Dürr exercises significant influence pursuant to IAS 28 "Investments in Associates and Joint Ventures" (associates) are accounted for using the equity method. Significant influence is assumed with a share of voting rights ranging from 20% to 50%.

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

NUMBER OF ENTITIES		
	June 30, 2018	December 31, 2017
<b>Fully consolidated entities</b>		
Germany	30	30
Other countries	82	80
	<b>112</b>	<b>110</b>
<b>Entities accounted for using the equity method</b>		
Germany	-	2
Other countries	2	2
	<b>2</b>	<b>4</b>
<b>Other investments</b>		
Germany	3	3
Other countries	2	2
	<b>5</b>	<b>5</b>

The interim consolidated financial statements contain 15 entities (Dec. 31, 2017: 13) which have non-controlling interests. There are four entities that are included in the consolidated financial statement at cost on grounds of immateriality.

## CHANGES IN THE CONSOLIDATED GROUP

## ADDITIONS OF FULLY CONSOLIDATED ENTITIES

Entity	Interest	Effective as of	Interest acquired by	Note
H O M A G Equipment Machinery Trading LLC, Dubai / United Arab Emirates	49.0%	January 1, 2018	-	Previously unconsolidated entity
HOMAG Arabia FZE, Dubai / United Arab Emirates	100.0%	January 1, 2018	-	Previously unconsolidated entity
CPM DO PERNAMBUCO MANUTENÇÃO DE MÁQUINAS E EQUIPAMENTOS LTDA, Goiana / Brazil	99.0%	June 20, 2018	Foundation	-

## DECONSOLIDATIONS

Entity	Effective as of	Note
Dürr Anlagenbau Gesellschaft m.b.H. in Liqui., Vienna / Austria	June 21, 2018	Closure

Entities accounted for using the equity method have been reduced by two companies. LaTherm Abwicklungsgesellschaft mbH, registered in Dortmund, Germany, has been closed. Prime Contractor Consortium FAL China, Stuttgart, Germany, has been reclassified to non-consolidated companies.

## 3. INITIAL APPLICATION IFRS 9 AND IFRS 15

## RECONCILIATION OF BALANCE SHEET ITEMS

€ k	Dec. 31, 2017 reported	Adjustments IFRS 15	Dec. 31, 2017 adjusted	Adjustments IFRS 9	Jan. 1, 2018
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>1,108,977</b>	<b>1,138</b>	<b>1,110,115</b>	<b>- 82</b>	<b>1,110,033</b>
<b>Current assets</b>	<b>2,302,781</b>	<b>98,664</b>	<b>2,401,445</b>	<b>- 4,577</b>	<b>2,396,868</b>
Balance sheets items affected by IFRS 15 / IFRS 9					
Inventories and prepayments	437,658	19,977	457,635	-	457,635
Contract assets	-	488,418	488,418	- 1,365	487,053
Trade receivables	941,086	- 418,712	522,374	- 2,222	520,152
Sundry financial assets and other assets	235,953	8,981	244,934	- 184	244,750
Cash and cash equivalents	659,911	-	659,911	- 806	659,105
<b>Total assets</b>	<b>3,411,758</b>	<b>99,802</b>	<b>3,511,560</b>	<b>- 4,659</b>	<b>3,506,901</b>

€ k	Dec. 31, 2017 reported	Adjustments IFRS 15	Dec. 31, 2017 adjusted	Adjustments IFRS 9	Jan. 1, 2018
<b>EQUITY AND LIABILITIES</b>					
<b>Total equity</b>	<b>903,694</b>	<b>- 3,172</b>	<b>900,522</b>	<b>- 3,630</b>	<b>896,892</b>
<b>Non-current liabilities</b>	<b>787,492</b>	<b>- 234</b>	<b>787,258</b>	<b>- 1,185</b>	<b>786,073</b>
Balance sheets items affected by IFRS 15 / IFRS 9					
Deferred taxes	91,634	- 469	91,165	- 1,185	89,980
Contract liabilities	-	3,828	3,828	-	3,828
Trade payables	4,089	- 3,593	496	-	496
<b>Current liabilities</b>	<b>1,720,572</b>	<b>103,208</b>	<b>1,823,780</b>	<b>156</b>	<b>1,823,936</b>
Balance sheets items affected by IFRS 15 / IFRS 9					
Other provisions	126,359	25,325	151,684	156	151,840
Contract liabilities	-	711,337	711,337	-	711,337
Trade payables	1,023,035	- 633,454	389,581	-	389,581
<b>Total equity and liabilities</b>	<b>3,411,758</b>	<b>99,802</b>	<b>3,511,560</b>	<b>- 4,659</b>	<b>3,506,901</b>

### IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The standard defines a five-step model for recognizing revenue from contracts with customers. It determines the amount of the revenue to be recognized and also whether it is to be recognized at a specific point in time or over time.

Dürr is applying IFRS 15 for the first time in the 2018 reporting period. In the interests of greater comparability, the new standard has been applied fully retrospectively adjusting the comparative figures starting January 1, 2017. The cumulative transition effect as of December 31, 2017 was a reduction of € 3,172 thousand, which was recognized through the Group's revenue reserves. At the same time, there was a slight increase of 2.9% in the balance sheet to € 3,511,560 thousand as of December 31, 2017.

Dürr applied the following practical expedients when adopting the guidance provided by IFRS 15:

- Contracts that began and were completed during 2017 reporting period were not restated under IFRS 15.
- Contracts providing for variable consideration that were performed in 2017 were recognized at the transaction price.

The use of these two practical expedients did not have any material effect on the Group's net assets, results of operations and financial position.

Compared with the consolidated financial statements as of December 31, 2017, the changes to the accounting and measurement methods had the following main effects:

#### Inventories and prepayments made

It was necessary to apply point-in-time recognition of revenue for certain types of machinery with an alternative use. This resulted in a delay in the recognition of revenue compared with the previous practice and, coupled with this, an increase in inventories.

#### Contract assets and liabilities

The major part of Dürr's contracts is accounted for using the percentage of completion method (POC method) and sales revenues are realized over time in line with criteria provided by IFRS 15. Use of the POC method requires a precise estimate of the contract's percentage of completion. The main parameters used in such estimate include total contract revenue and costs, future costs pending completion and the contract risks. Contract assets constitute a contingent right to payment for contracts in progress in which Dürr advances outlays for the customer. Services and goods already provided are recognized in the form of order costs incurred so far and the estimated partial profits. They include directly attributable individual costs (material and personnel costs as well as costs of purchased third-party services) and, to a reasonable extent, production-related over-

heads and the proportionate profit. The activities already performed are set against the customer payments. These comprise (pre) payments already received as well as those that are due for payment. If activities already performed have not yet been invoiced as the right to payment is contingent on factors other than solely the passage of time, Dürr recognizes its right to receive consideration as a contract asset in the balance sheet.

Contract liabilities constitute an obligation towards the customer if progress billings and payments received from it are collected before the contractually agreed activities are performed. Progress billings and payments received from the customer are set into relation to the activities performed to date. Consequently, this amount constitutes a contract liability if the obligations towards the customer exceeds Dürr's right to payment.

Contract assets and liabilities, which are now reported as separate line items in the balance sheet, exceed the amount deducted from trade receivables and trade payables as this was previously netted with the provisions for impending losses. In addition, the contract assets and liabilities now also include prepayment receivables that are due for payment.

### Trade receivables and payables

Under IFRS 15, trade receivables constitute an unconditional right to payment. Accordingly, they are reported separately from contract assets, resulting in a reduction in trade receivables. Trade payables are reduced by obligations towards the customer that exceeds Dürr's right to payment. The latter are shown as contractual liabilities.

### Other non-financial assets

The costs of obtaining a contract with the customer are recognized within other assets at the amount incurred. This is customarily contractual commission calculated as a percentage share of the contract value. To simplify matters, the costs of obtaining contracts from which revenue is recognized over time are written down on a straight-line basis over the initially assumed contract period. The costs of obtaining a contract from which revenue is recognized at a point in time are written off in full at the same point in time. Any impairment losses on the capitalized costs of obtaining a contract are recognized immediately through profit and loss.

### Other provisions

The increase in other provisions is due to the gross presentation of the provisions for impending losses. Until now, the latter have been netted with costs and estimated earnings in excess of billings or respectively with billings in excess of cost on uncompleted contracts.

### IFRS 15 – RECONCILIATION OF THE STATEMENT OF INCOME

€ k	H1 2017 reported	Adjustments IFRS 15	H1 2017 adjusted
Sales revenues	1,751,266	2,266	1,753,532
Thereof revenues from service	452,196	826	453,022
Cost of sales	- 1,330,267	905	- 1,329,362
<b>Gross profit on sales</b>	<b>420,999</b>	<b>3,171</b>	<b>424,170</b>
Sundry functional costs and other operating income and expenses	- 276,767	- 299	- 277,066
<b>Earnings before investment result, interest and income taxes</b>	<b>144,232</b>	<b>2,872</b>	<b>147,104</b>
Financial result	- 9,735	-	- 9,735
<b>Earnings before income taxes</b>	<b>134,497</b>	<b>2,872</b>	<b>137,369</b>
Income taxes	- 34,752	- 744	- 35,496
<b>Profit of the Dürr Group</b>	<b>99,745</b>	<b>2,128</b>	<b>101,873</b>
<b>Attributable to:</b>			
Non-controlling interests	1,797	-	1,797
<b>Shareholders of Dürr Aktiengesellschaft</b>	<b>97,948</b>	<b>2,128</b>	<b>100,076</b>
Number of shares issued in thousands	69,202.08	-	69,202.08
Earnings per share in € (basic and diluted)	1.42	0.03	1.45

With the transition to IFRS 15, Dürr is now recognizing revenue from the sale of standard machinery, goods, spare parts and also the provision of certain services on the date on which control transfers to the customer. The adjustments to the income statement primarily result from the change to point-in-time revenue recognition due to the availability of an alternative use for certain types of machinery and packages of spare parts. Revenue from service business was recognized at an earlier point in time in connection with the transition. The cost of sales commission is capitalized upon the contract being signed, after which it is written off subject to any impairments and reported within functional costs.

#### IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 governs the recognition, measurement, impairment, derecognition and hedge-accounting of financial assets and liabilities. Whereas Dürr adopted the new provisions on classification, measurement and impairments on January 1, 2018, it will not be applying the new hedge-accounting provisions until a later date.

The modifications provided for in IFRS 9 primarily involve the application of new provisions for accounting for impairments. As of the date of first-time application, assets dropped in value by a total of € 4,659 thousand. The application of the expected loss model caused impairments of trade receivables to increase by € 2,277 thousand from € 15,882 thousand as of December 31, 2017 to the cumulative figure of € 18,159 thousand in the opening balance sheet as of January 1, 2018. The new provisions on accounting for impairments also led to adjustment effects in contract assets, sundry financial assets and cash and cash equivalents.

The sundry financial assets include adjustments of € 54 thousand from the application of the new classification provisions.

Compared with the consolidated financial statements as of December 31, 2017, the changes to the accounting and measurement methods had the following main effects:

#### Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Under IFRS 9, financial instrument are assigned to the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through other comprehensive income
- financial assets measured at fair value through profit or loss
- financial liabilities measured at amortized cost, and
- financial liabilities measured at fair value through profit or loss

#### Financial assets

Under IFRS 9, financial assets are classified on the basis of the business model for managing the financial assets and the characteristics of the contractual cash flows of the financial assets. The purpose of the business model pursued by Dürr is to hold financial assets in order to collect the contractual cash flows. At the same time, a test is performed to determine whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets held by Dürr are measured at amortized cost where the business model is applied and the contractual cash flows satisfy the defined conditions.

The business model for financial assets measured at fair value through other comprehensive income provides for financial assets to be held or sold. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are initially measured at fair value through profit and loss. However, an irrevocable option to recognize them at fair value through other comprehensive income may also be exercised for the purposes of first-time recognition. This option may only be exercised if the equity instruments are not held for trading and do not constitute unconditional consideration under a business combination. As a general



rule, Dürr holds equity instruments for strategic reasons to supplement the Group's operating business. The focus is not on realizing significant short-term gains from the sale of any such instruments. Accordingly, fluctuations in the measurement of equity investments should not have any impact on the income statement. For this reason, they are recognized at fair value through other comprehensive income. These equity instruments are recognized in the balance sheet within other investments or sundry financial assets.

Financial assets that do not satisfy the conditions for recognition at amortized cost or at fair value through other comprehensive income are measured at fair value through profit and loss. Dürr currently does not make use of the option to initially recognize financial assets at fair value through profit and loss.

#### **Impairment of financial assets**

IFRS 9 introduces an impairment model based on the concept of expected credit losses which is to be applied to all financial assets (debt instruments) measured at amortized cost or at fair value through other comprehensive income.

The expected losses model allocates the impairments to one of three levels. Dürr assigns financial assets to the individual impairment levels based on past due criteria and historically proven internal and external qualitative risk assessments of the individual counterparties. These assessments are applied to all classes of financial assets. Originated financial assets that are not already impaired when they are acquired are assigned to risk level 1. In the event of a significant increase in the credit risk compared with initial recognition, they are assigned to level 2. A significant increase in credit risk necessitating allocation to level 2 is deemed to occur if payment is overdue by more than 30 days. Dürr assigns financial assets to level 3 if it becomes aware of any circumstances indicating that a counterparty's ability to honor its financial obligations may be impaired. In addition to allowing for any qualitative ratings of the counterparty, Dürr assigns a financial asset to level 3 when it becomes overdue by more than 91 days.

Trade receivables as well as contract assets are assigned to risk level 2 upon initial recognition. The same criteria as for the other financial assets are applied in the event of a transition to level 3 or an assumed credit loss. However, Dürr applies an extended past due threshold of 12 months in view of what in some cases is the long-term nature of its machinery and plant business.

The Group assesses the amount of the impairment of financial assets on the basis of several factors. First of all, credit risks are classified using joint credit risk characteristics. The expected credit losses are subsequently quantified using three main risk parameters: probability of default, loss given default and exposure at default in the event of a credit loss. Among other things, the risk parameters are determined using information on any existing payment defaults, current information and future market expectations, external ratings, management's forward-looking assessments and the historical significance/scope of the customer relationship. In the case of trade receivables and contract assets, impairment losses are calculated using a simplified approach that entails provision matrices.

Financial assets are derecognized as soon as they can be reasonably assumed to be irretrievable, e.g. upon the conclusion of insolvency proceedings or on the basis of a court ruling.

Credit risks are monitored centrally and addressed by means of local collection management. This entails regular rating checks, the use of credit insurance and – particularly in export business – the opening of letters of credit.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid financial assets originally due for settlement in three months or less from the date of acquisition. They are recognized at their nominal amount less a loss allowance. The loss allowance is calculated on the basis of current market data and internal risk assessments. Further information on impairments can be found in the section on impairments of financial assets.

## IFRS 9 - CHANGE IN CLASSIFICATION OF FINANCIAL ASSETS

€ k	Previous classification	Measurement categories according to IAS 39	Carrying amount as of Dec. 31, 2017 adjusted <sup>1</sup>	Measurement categories according to IFRS 9	Carrying amount as of Jan. 1, 2018
<b>ASSETS</b>					
Cash and cash equivalents	Amortized cost	Loans and receivables	659,911	Financial assets measured at amortised costs	659,105
Trade receivables due from third parties	Amortized cost	Loans and receivables	524,187	Financial assets measured at amortised costs	521,962
Trade receivables due from entities accounted for using the equity method	Amortized cost	Loans and receivables	9,157	Financial assets measured at amortised costs	9,105
<b>Other non-derivative financial instruments</b>					
Sundry financial assets	Amortized cost	Loans and receivables	167,069	Financial assets measured at amortised costs	166,804
Held-for-trading financial assets	Fair Value (through profit or loss)	Financial assets held for trading	6	Financial assets measured at fair value through profit or loss	6
Held-to-maturity financial assets	Amortized cost	Held-to-maturity investments	2,996	Financial assets measured at fair value through profit or loss	3,050
Available-for-sale financial assets	Amortized cost	Financial assets held for trading	4,393	Financial assets measured at fair value through other comprehensive income	4,393
	Fair Value (not through profit or loss)		19,507		19,507
<b>Derivative financial assets</b>					
Derivatives not used for hedging	Fair Value (through profit or loss)	Financial assets held for trading	496	Financial assets measured at fair value through profit or loss	496
Derivatives used for hedging	Fair Value (through profit or loss)	No IAS 39 category	4,436	No IFRS 9 category	4,436
	Fair Value (not through profit or loss)		996		996

<sup>1</sup> The figures for Dec. 31, 2017 were adjusted due to the first-time application of IFRS 15.

The application of the classification provisions contained in IFRS 9 results in the remeasurement of financial assets previously held to maturity and equity instruments to their fair value. The adoption of IFRS 9 does not result in any changes to the classification of liabilities.

#### 4. OTHER OPERATING INCOME AND EXPENSES

As in the prior period, other operating income and expenses mainly comprise currency exchange rate gains and losses. Moreover, the other operating income and expenses included the income from the sale of the Cleaning and Surface Processing activity (Dürr Ecoclean Group) of € 22,673 thousand in the prior period.

## 5. NET INTEREST

NET INTEREST		
€ k	H1 2018	H1 2017
Interest and similar income	3,313	2,564
Interest and similar expenses	- 14,012	- 12,643
Thereof:		
Nominal interest expenses on the corporate bond	- 4,313	- 4,313
Interest expenses from the bonded loan	- 2,198	- 2,166
Interest expenses arising from subsequent accounting of the domination and profit and loss transfer agreement concluded with HOMAG Group AG	- 3,005	- 3,479
Expenses due to the acquisition of shares in HOMAG Group AG	- 2,046	-
Other interest expenses	- 2,450	- 2,685
<b>Net interest</b>	<b>- 10,699</b>	<b>- 10,079</b>

## 6. ASSETS HELD FOR SALE AND RELATED LIABILITIES AND SALES

**Assets and liabilities sold in the 2018 reporting period**

As part of the sale of the Cleaning and Surface Processing business activity to Shenyang Blue Silver Industry Automation Equipment Co., Lt., PR China (SBS), additional assets with a carrying amount of € 571 thousand and sales proceeds of € 634 thousand have been sold as of March 31, 2018. These assets were allocated to the Measuring and Process Systems division. At present no further assets and liabilities are classified as held for sale.

## 7. OTHER NOTES ON FINANCIAL INSTRUMENTS

The financial instruments measured at fair value by Dürr break down as follows according to the fair value hierarchy levels:

## ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

€ k	June 30, 2018	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets at fair value – through other comprehensive income</b>				
Financial assets	-	-	-	-
Equity instruments	23,769	-	-	23,769
Derivatives used for hedging	1,414	-	1,414	-
<b>Assets at fair value – through profit or loss</b>				
Financial assets	3,005	3,005	-	-
Equity instruments	-	-	-	-
Derivatives not used for hedging	891	-	891	-
Derivatives used for hedging	691	-	691	-
<b>Liabilities at fair value – not through profit or loss</b>				
Obligations from options	35,282	-	-	35,282
Derivatives used for hedging	10,139	-	10,139	-
<b>Liabilities at fair value – through profit or loss</b>				
Liabilities from contingent purchase price installments	9,489	-	-	9,489
Derivatives not used for hedging	416	-	416	-
Derivatives used for hedging	2,531	-	2,531	-

€ k	Dec. 31, 2017 adjusted <sup>1</sup>	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets at fair value – not through profit or loss</b>				
Available-for-sale financial assets	19,507	-	-	19,507
Derivatives used for hedging	4,436	-	4,436	-
<b>Assets at fair value – through profit or loss</b>				
Held-for-trading financial assets	6	6	-	-
Derivatives not used for hedging	496	-	496	-
Derivatives used for hedging	996	-	996	-
<b>Liabilities at fair value – not through profit or loss</b>				
Obligations from options	35,282	-	-	35,282
Derivatives used for hedging	4,607	-	4,607	-
<b>Liabilities at fair value – through profit or loss</b>				
Liabilities from contingent purchase price installments	9,675	-	-	9,675
Derivatives not used for hedging	452	-	452	-
Derivatives used for hedging	1,212	-	1,212	-

<sup>1</sup> The figures for Dec. 31, 2017 were adjusted due to the first-time application of IFRS 15.

No reclassifications were made between the fair value hierarchy levels in the first six months of 2018.

### SENSITIVITY LEVEL 3

The fair value of ADAMOS GmbH is primarily based on the assumed future free cash flows. Assuming that the planning of ADAMOS GmbH's free cash flows had been 10% higher (lower), the fair value would have been € 2,287 thousand (€ 1,735 thousand) (prior period: no sensitivities). Calculating the fair value of the 15% investment in SBS Ecoclean GmbH, Dürr does not currently expect performance-related contractual clauses, which may have a positive impact on the value, to apply. No changes in the fair value are expected for an increase or decrease in the contractually arranged performance-related parameters by 10% (prior period: no change).

### FAIR VALUES OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

#### FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED

€ k	June 30, 2018	
	Fair value	Carrying amount
<b>Assets</b>		
Cash and cash equivalents	472,196	472,196
Trade receivables due from third parties	535,255	535,255
Trade receivables due from entities accounted for using the equity method	9,042	9,042
Sundry financial assets	138,534	138,534
<b>Liabilities</b>		
Trade payables	436,063	436,063
Trade payables due to entities accounted for using the equity method	522	522
Other non-derivative financial liabilities	43,419	43,419
Bond	317,490	298,271
Bonded loan	296,961	299,310
Liabilities to banks	1,908	1,908
Finance lease liabilities	5,845	5,392
Obligations from options	179,952	174,254

#### THEREOF COMBINED BY MEASUREMENT CATEGORY IN ACCORDANCE WITH IFRS 9

Financial assets measured at amortized cost	1,155,027	1,155,027
Financial liabilities measured at amortized cost	1,276,315	1,253,747

€ k	December 31, 2017	
	Fair value adjusted <sup>1</sup>	Carrying amount adjusted <sup>1</sup>
<b>Assets</b>		
Cash and cash equivalents	659,911	659,911
Trade receivables due from third parties	524,187	524,187
Trade receivables due from entities accounted for using the equity method	9,157	9,157
Other non-derivative financial instruments		
Sundry financial assets	167,069	167,069
Held-to-maturity investments	3,050	2,996
<b>Liabilities</b>		
Trade payables	389,874	389,874
Trade payables due to entities accounted for using the equity method	203	203
Other non-derivative financial liabilities	48,594	48,594
Bond	320,490	298,027
Bonded loan	295,402	299,258
Liabilities to banks	1,875	1,875
Finance lease liabilities	6,342	5,810
Obligations from options	219,123	209,729

THEREOF COMBINED BY MEASUREMENT CATEGORY IN ACCORDANCE WITH IAS 39

Loans and receivables	1,360,324	1,360,324
Held-to-maturity investments	3,050	2,996
Financial liabilities measured at amortized cost	1,275,561	1,247,560

<sup>1</sup> The figures for Dec. 31, 2017 were adjusted due to the first-time application of IFRS 15.

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

## 8. SEGMENT REPORTING

The presentation of segments is designed to provide details on the results of operations, net assets and financial position of individual activities. Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

## SEGMENT REPORTING

€ k	H1 2018							
	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Wood-working Machinery and Systems	Total segments	Reconciliation	Dürr Group
Sales from revenue over time with 3rd parties	510,410	215,690	56,241	137,501	119,560	1,039,402	-	1,039,402
Sales from revenue point-in-time with 3rd parties	56,915	82,307	8,770	73,839	486,145	707,976	14	707,990
Other sales with 3rd parties	-	-	-	2,198	-	2,198	-	2,198
Sales revenues with other divisions	667	2,673	940	3,002	49	7,331	-7,331	-
<b>Total sales revenues</b>	<b>567,992</b>	<b>300,670</b>	<b>65,951</b>	<b>216,540</b>	<b>605,754</b>	<b>1,756,907</b>	<b>-7,317</b>	<b>1,749,590</b>
Thereof service sales	142,237	105,520	19,167	64,266	133,822	465,012	-4,519	460,493
EBIT	24,932	30,684	-2,543	23,873	37,169	114,115	-12,696	101,419
Assets [as of June 30]	669,498	561,666	142,013	459,252	928,555	2,760,984	8,163	2,769,147
Liabilities [as of June 30]	620,488	326,875	71,032	217,435	440,332	1,676,162	171,002	1,847,164
Employees [as of June 30]	3,405	2,154	600	2,303	6,567	15,029	207	15,236

€ k	H1 2017 adjusted <sup>1</sup>							
	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems <sup>2</sup>	Wood-working Machinery and Systems	Total segments	Reconciliation	Dürr Group
Sales from revenue over time with 3rd parties	499,318	219,568	81,263	168,268	106,276	1,074,693	-	1,074,693
Sales from revenue point-in-time with 3rd parties	32,394	67,327	5,038	80,036	491,694	676,489	41	676,530
Other sales with 3rd parties	-	-	-	2,309	-	2,309	-	2,309
Sales revenues with other divisions	918	2,708	1,203	5,321	40	10,190	-10,190	-
<b>Total sales revenues</b>	<b>532,630</b>	<b>289,603</b>	<b>87,504</b>	<b>255,934</b>	<b>598,010</b>	<b>1,763,681</b>	<b>-10,149</b>	<b>1,753,532</b>
Thereof service sales	134,128	105,118	17,433	66,290	133,408	456,377	-3,355	453,022
EBIT	30,913	29,434	1,617	30,017	43,716	135,697	11,407	147,104
Assets [as of December 31]	653,405	541,617	132,278	440,976	837,044	2,605,320	1,662	2,606,982
Liabilities [as of December 31]	595,485	330,273	70,917	210,368	422,321	1,629,364	226,872	1,856,236
Employees [as of June 30]	3,384	1,985	586	2,244	6,149	14,348	197	14,545

<sup>1</sup> The figures for the first half of 2017 and December 31, 2017 were adjusted due to the first-time application of IFRS 15.

<sup>2</sup> Sales revenues and EBIT of the Dürr Ecoclean Group for the first three months of 2017 are included.

The number of employees and external sales revenues reported in the reconciliation column relate to the Corporate Center.

## RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€ k	H1 2018	H1 2017 adjusted <sup>1</sup>
EBIT of the segments	114,115	135,697
EBIT of the Corporate Center	- 13,417	10,278
Elimination of consolidation entries	721	1,129
<b>EBIT of the Dürr Group</b>	<b>101,419</b>	<b>147,104</b>
Investment result	3,608	344
Interest and similar income	3,313	2,564
Interest and similar expenses	- 14,012	- 12,643
<b>Earnings before income taxes</b>	<b>94,328</b>	<b>137,369</b>
Income taxes	- 26,183	- 35,496
<b>Profit of the Dürr Group</b>	<b>68,145</b>	<b>101,873</b>

€ k	June 30, 2018	December 31, 2017 adjusted <sup>1</sup>
Segment assets	2,760,984	2,605,320
Assets of the Corporate Center	1,005,243	983,471
Elimination of consolidation entries	- 997,080	- 981,809
Cash and cash equivalents	472,196	659,911
Time deposits and other short-term securities	106,517	139,010
Other investments / previously: available-for-sale financial assets	19,507	19,507
Investments in entities accounted for using the equity method	35,448	30,772
Income tax receivables	24,317	20,035
Deferred tax assets	39,325	35,343
<b>Total assets of the Dürr Group</b>	<b>3,466,457</b>	<b>3,511,560</b>

€ k	June 30, 2018	December 31, 2017 adjusted <sup>1</sup>
Segment liabilities	1,676,162	1,629,364
Liabilities of the Corporate Center	213,116	251,366
Elimination of consolidation entries	- 42,114	- 24,494
Bond and bonded loan	597,581	597,285
Liabilities to banks and other financial liabilities	9,916	10,137
Finance lease liabilities	5,392	5,810
Income tax liabilities	37,540	50,405
Deferred tax liabilities	86,806	91,165
<b>Total liabilities of the Dürr Group*</b>	<b>2,584,399</b>	<b>2,611,038</b>

<sup>1</sup> The figures for the first half of 2017 and December 31, 2017 were adjusted due to the first-time application of IFRS 15.

\* Consolidated total assets less total equity

## 9. RELATED PARTY TRANSACTIONS

Related parties comprise members of the Supervisory Board and the Board of Management.

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 the remuneration of the members of the Board of Management and the Supervisory Board of Dürr AG, please refer to our 2017 annual report.

Related parties also include the associates and the non-consolidated subsidiaries of the Dürr Group.

In the first six months of 2018, there were intercompany transactions between Dürr and its related parties of € 103,491 thousand (prior period: € 82,894 thousand). The increase mainly results from higher sales volumes with Homag China Golden Field Limited. As of June 30, 2018, outstanding receivables from related parties totaled € 9,083 thousand (Dec. 31, 2017: € 9,925 thousand), while payables to related parties amounted to € 1,781 thousand (Dec. 31, 2017: € 1,358 thousand). Both the receivables and liabilities are current. In addition prepayments received from related parties of € 28,090 thousand (Dec. 31, 2017: € 43,640 thousand) were included in the consolidated statement of financial position.

The Board of Management confirms that all the related party transactions described above were carried out at arm's length conditions.

## 10. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

### CONTINGENT LIABILITIES

€ k	June 30, 2018	December 31, 2017
Notes payable	-	19,650
Obligations from warranties and guarantees	9,792	10,171
Collateral pledged for third-party liabilities	72	184
Other	2,270	3,571
	<b>12,134</b>	<b>33,576</b>

Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

### OTHER FINANCIAL OBLIGATIONS

€ k	June 30, 2018	December 31, 2017
Future minimum payments for operating leases	85,323	89,845
Future minimum payments for finance leases	5,890	6,400
Purchase obligation for property, plant and equipment	4,362	3,360
	<b>95,575</b>	<b>99,605</b>

In addition, there are purchase commitments stemming from procurement agreements on a customary scale.



## 11. OTHER NOTES

In June 2018, Dürr announced the acquisition of Babcock & Wilcox's (B&W) industrial environmental technology business, which has an enterprise value of around € 110 million. Dürr plans to acquire all of the shares in each of the B&W subsidiaries Babcock & Wilcox MEGTEC LLC, Babcock & Wilcox MEGTEC Holdings Inc. and Babcock & Wilcox Universal Inc. and to integrate these three companies and their subsidiaries into the Clean Technology Systems division. Dürr expects to receive official approvals for the acquisition in August/September.

## 12. SUBSEQUENT EVENTS

No extraordinary events occurred between the reporting date and the publication of the interim report.

## Responsibility statement by management

To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, these interim consolidated financial statements give a true and fair view of the assets, liabilities, financial, and income position of the Group and the consolidated interim management report includes a fair review of the Group's business development, performance, and position together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bietigheim-Bissingen, August 9, 2018

Dürr Aktiengesellschaft


The Board of Management



Ralf W. Dieter  
CEO



Carlo Crosetto  
CFO



Dr. Jochen Weyrauch  
Member of the Board of Management

## Multi-year overview 2015 - 2018

€ m	H1				Q2			
	2018	2017 <sup>1</sup>	2016	2015	2018	2017 <sup>1</sup>	2016	2015
Order intake	1,955.0	2,078.3	1,989.3	1,795.5	935.9	1,033.9	940.7	900.0
Orders on hand (June 30)	2,750.3	2,744.2	2,698.9	2,828.0	2,750.3	2,744.2	2,698.9	2,828.0
Sales revenues	1,749.6	1,753.5	1,706.9	1,773.5	909.5	863.2	881.7	924.4
Gross profit	404.1	424.2	408.0	380.0	205.5	206.8	212.9	198.5
EBITDA	140.9	187.6	157.3	146.7	69.8	82.6	79.3	75.9
EBIT	101.4	147.1	119.0	108.0	50.3	60.9	60.3	60.5
Earnings after tax	68.1	101.9	77.8	53.5	33.6	40.5	39.2	36.5
Gross margin (%)	23.1	24.2	23.9	21.4	22.6	24.0	24.1	21.5
EBIT margin (%)	5.8	8.4	7.0	6.1	5.5	7.1	6.8	6.5
Cash flow from operating activities	-59.7	-40.8	-84.6	10.9	16.6	-36.7	-82.0	-28.6
Free cash flow	-106.7	-85.7	-138.4	-36.2	-9.6	-55.1	-116.3	-58.5
Capital expenditure	34.3	33.6	38.6	36.2	21.4	15.2	18.9	18.8
Total assets (June 30)	3,466.5	3,339.3	3,107.0	2,952.4	3,466.5	3,339.3	3,107.0	2,952.4
Equity (with non-controlling interests) (June 30)	882.1	834.0	711.5	604.2	882.1	834.0	711.5	604.2
Equity ratio (June 30) (%)	25.4	25.0	22.9	20.5	25.4	25.0	22.9	20.5
ROCE <sup>2</sup> (%)	22.0	37.1	29.2	40.9	21.8	33.3	29.6	45.8
Net financial status (June 30)	-29.9	96.2	-90.2	88.7	-29.9	96.2	-90.2	88.7
Net working capital (June 30)	452.9	337.9	372.1	176.1	452.9	337.9	372.1	176.1
Employees (June 30)	15,236	14,545	15,051	14,448	15,236	14,545	15,051	14,448
<b>Dürr share<sup>3</sup></b>								
<b>ISIN: DE0005565204</b>								
High <sup>4</sup>	57.18	53.85	36.33	54.90	49.85	53.85	36.30	54.90
Low <sup>4</sup>	39.16	35.78	24.76	35.75	39.61	40.63	30.15	39.33
Close <sup>4</sup>	39.79	52.33	34.00	41.83	39.79	52.33	34.00	41.85
Average daily trading volume (number of shares)	291,300	304,254	440,400	282,200	323,300	299,380	563,200	310,400
Number of shares (weighted average)	69,202	69,202	69,202	69,202	69,202	69,202	69,202	69,202
Earnings per share €	0.95	1.45	1.10	0.74	0.46	0.57	0.56	0.51

<sup>1</sup> The figures for the first half of 2017 and the second quarter of 2017 have been adjusted following the first-time application of IFRS 15.

<sup>2</sup> Annualized

<sup>3</sup> The number of shares increased to 69,202,080 following the issue of bonus shares on a one-for-one basis on June 22, 2018. The number of shares, earnings per share, share prices and trading volumes have been adjusted accordingly.

<sup>4</sup> Xetra

## Financial calendar

August 09, 2018	Interim financial report 2018 Analyst / investors call
August 29, 2018	Commerzbank Sector Conference, Frankfurt/M.
September 06, 2018	Morgan Stanley Industrial CEOs Unplugged, London
September 26, 2018	Baader Investment Conference, Munich
November 06, 2018	Baird Annual Industrial Conference, Chicago
November 08, 2018	Interim statement for the first nine months of 2018 Analyst / investors call
November 13, 2018	UBS European Conference, London
November 20, 2018	DZ BANK Equity Conference, Frankfurt
November 28, 2018	Goldman Sachs European Industrials Conference, London
December 05, 2018	Berenberg European Corporate Conference, Pennyhill

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This interim financial report is the English translation of the German original. The German version shall prevail.

This publication has been prepared independently by Dürr AG/Dürr Group ("Dürr"). It may contain statements which address such key issues as strategy, future financial results, events, competitive positions and product developments. Such forward-looking statements are subject to a number of risks, uncertainties and other factors, including, but not limited to those described in Dürr's disclosures, in particular in the chapter "Risks" in Dürr's annual report. Should one or more of these risks, uncertainties and other factors materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performances or achievements of Dürr may vary materially from those described in the relevant forward-looking statements. These statements may be identified by words such as "expect," "want," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. Dürr neither intends, nor assumes any obligation, to update or revise its forward-looking statements regularly in light of developments which differ from those anticipated. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies.

Our financial reports, presentations, press releases and ad-hoc releases may include alternative financial metrics. These metrics are not defined in the IFRS (International Financial Reporting Standards). Dürr's net assets, financial position and results of operations should not be assessed solely on the basis of these alternative financial metrics. Under no circumstances do they replace the performance indicators presented in the consolidated financial statements and calculated in accordance with the IFRS. The calculation of alternative financial metrics may vary from company to company despite the use of the same terminology. Further information regarding the alternative financial metrics used at Dürr can be found in our financial glossary on the Dürr Web page (<https://www.durr-group.com/en/investor-relations/glossary/>)