DÜRR GROUP.

SUSTAINABLE TRANSFORMATION

ANNUAL REPORT 2020

KEY FIGURES[1]

		2020	2019	2018	2020/2019 Change in %
Incoming orders	€ million	3,283.2	4,076.5	3,930.9	–19.5
Orders on hand (Dec. 31)	€ million	2,556.7	2,742.8	2,577.2	–6.8
Sales revenues	€ million	3,324.8	3,921.5	3,869.8	–15.2
of which abroad	%	83.1	82.9	84.3	0.2 pp
Gross profit	€ million	604.2	838.2	855.5	–27.9
EBITDA	€ million	125.3	308.5	326.9	–59.4
EBIT	€ million	11.1	195.9	233.5	–94.3
EBIT before extraordinary effects[2]	€ million	99.5	263.1	274.9	–62.2
EBT	€ million	–18.5	174.7	219.7	–
Net loss/profit	€ million	–13.9	129.8	163.5	–
Earnings per share	€	–0.23	1.79	2.27	–
Dividend per share	€	0.30[3]	0.80	1.00	–62.5
Cash flow from operating activities	€ million	215.0	171.9	162.3	25.0
Cash flow from investing activities	€ million	–119.2	–231.8	–30.1	–
Cash flow from financing activities	€ million	27.4	60.8	–134.0	–54.9
Free cash flow	€ million	110.7	44.9	78.4	146.7
Equity (with non-controlling interests) (Dec. 31)	€ million	908.1	1,043.4	992.2	–13.0
Net financial status (Dec. 31)	€ million	–49.0	–99.3	32.3	–
Net working capital (Dec. 31)	€ million	382.6	502.7	441.4	–23.9
Employees (Dec. 31)		16,525	16,493	16,312	0.2
of which abroad	%	52.0	50.4	50.0	1.6 pp
Gearing (Dec. 31)	%	5.1	8.7	–3.4	–3.6 pp
Equity ratio (Dec. 31)	%	23.4	26.9	27.4	–3.5 pp
Gross margin	%	18.2	21.4	22.1	–3.2 pp
EBITDA margin	%	3.8	7.9	8.4	–4.1 pp
EBIT margin	%	0.3	5.0	6.0	–4.7 pp
EBIT margin before extraordinary effects[2]	%	3.0	6.7	7.1	–3.7 pp
Net financial debt / EBITDA		0.4	0.3	–	–
ROCE	%	1.1	16.9	24.0	–15.8 pp
EVA	€ million	–66.0	39.4	76.0	–

[1] Please note the information on page 68 concerning the figures.
[2] Extraordinary effects: €–88.4 million (2020), €–67.2 million (2019), €–41.4 million (2018)
[3] Dividend proposal for the annual general meeting

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

THE DÜRR GROUP

The Dürr Group is one of the world´s leading mechanical and plant engineering firms. Business with automotive manufacturers and their suppliers accounts for around 50 % of our sales. Other customer segments include the chemical, pharmaceutical, medical technology and woodworking industries. Our technology boasts automation and a high degree of digitalization, and it helps customers make their production more efficient while conserving resources.

Our five divisions

PAINT AND FINAL ASSEMBLY SYSTEMS	APPLICATION TECHNOLOGY	CLEAN TECHNOLOGY SYSTEMS	MEASURING AND PROCESS SYSTEMS	WOODWORKING MACHINERY AND SYSTEMS
• Paint shops • Final assembly systems • Testing and filling technology for the automotive industry • Assembly and test systems for medical devices	• Paint application technology • Gluing technology • Sealing technology	• Air pollution control • Noise abatement systems • Coating systems for battery electrodes	• Balancing equipment • Diagnostic technology • Industrial filling technology	• Machinery and equipment for the woodworking industry
€1,173.8 M SALES	**€459.4 M** SALES	**€386.2 M** SALES	**€193.5 M** SALES	**€1,111.9 M** SALES
€36.9 M OPERATING EBIT	**€19.0 M** OPERATING EBIT	**€20.6 M** OPERATING EBIT	**€0.2 M** OPERATING EBIT	**€27.0 M** OPERATING EBIT
4,383 EMPLOYEES	**2,162** EMPLOYEES	**1,348** EMPLOYEES	**1,407** EMPLOYEES	**6,942** EMPLOYEES
DÜRR	DÜRR	DÜRR	SCHENCK	HOMAG

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Since resources are finite and public awareness has shifted, corporate goals that are purely growth-oriented are attracting critical scrutiny. Companies therefore face the task of harmonizing **GROWTH AND SUSTAINABILITY.** Sustainability is a key component of the Dürr Group´s strategy. We support our customers in reducing the ecological footprint of their plants and in manufacturing sustainable products. Plus, we want to live up to our own responsibility for the environment, society, employees and stakeholders. Find out how we are tackling both tasks inside the accompanying ECO magazine.

SUSTAINABLE

The ECO magazine
can be found here

TRANSFORMATION

CHAIRMAN'S LETTER

Ralf W. Dieter

DEAR READERS,

The year 2020 was very challenging for many companies. Amid digital and ecological structural changes, they were hit by the coronavirus pandemic. In some cases, the consequences threatened the companies' existence. Not so at the Dürr Group: For us, the pandemic was not an existential crisis, but merely an interruption of our continuous development. We will overcome this interruption as early as 2021 and enter a new phase of profitable growth. We are keeping our eyes firmly on our medium-term target of achieving an EBIT margin of at least 8 % – we will not compromise on this.

But let us start by taking a look back at 2020. The year showed that we act reliably even when faced with challenging external conditions. In July we were one of the first mechanical and plant engineering firms to issue a new annual forecast. We achieved or exceeded those revised targets on all counts. Despite a major drop in sales and high extraordinary expenses, we attained positive EBIT. Of even greater value to us was our free cash flow more than doubling and our total liquidity increasing to an all-time high of slightly over €1 billion. We achieved both not least due to our prudent net working capital management. Coupled with successful financing measures, this has so far enabled us to navigate the coronavirus crisis on a solid footing.

WE WANT TO SEE **PROFITABLE GROWTH AGAIN** *FROM 2021 ONWARD.*

After the pandemic's heavy impact on business in the first half of the year, the second half saw a recovery. Order intake was considerably higher than sales, with margins once again on the up. In particular, demand at HOMAG in the second half of the year was favorable. In the automotive sector, we profited from our broad portfolio for the production of electric cars throughout 2020. Despite the coronavirus pandemic, our e-mobility-related order intake rose by 67 % to €650 million – equivalent to 40 % of our automotive business.

As outlined at the beginning, we want to see profitable growth again from this year onward. One important basis for increasing sales is the recovery of our markets. Automotive production should grow by up to 17 % in 2021, provided the semiconductor shortage does not have too great an impact. This growth in volume will also boost our spare parts and service business. In addition, many automakers have improved their efficiency through cost-cutting measures and created new scope for investment. The prospects are right for HOMAG, too, since the furniture industry is at the beginning of a new investment cycle, due to high demand. In environmental technology, rising standards in air pollution control are sparking further growth.

In terms of earnings, we are benefiting from a tailwind as we emerge from the coronavirus crisis. We are planning substantial growth as early as 2021, even though the decline in orders in 2020 will initially have a dampening effect on the development of sales and earnings. For 2022 and 2023 we expect further margin increases – mainly owing to the optimization measures implemented in 2019 and 2020. From 2021, we expect annual savings of up to €60 million resulting from capacity adjustments, especially in Europe. At HOMAG, there is additional potential due to current process optimizations: For a few months now, I have been at the helm of this impressive company, and I can assure you that HOMAG is definitely able to steadily increase its earnings and achieve its EBIT margin target of 9 % in 2023. We have also done our homework in automotive plant engineering, where we will see the positive effect of the efficiency gains from the FOCUS 2.0 optimization program, which was implemented prior to the pandemic.

We are also optimistic about our longer-term business prospects because we are well positioned to benefit from two major trends: firstly, sustainability and, secondly, digitalization and automation.

The trend toward sustainability is an opportunity for us. It accelerates the shift toward electromobility and thus the demand for solutions for electric vehicle production. At HOMAG, sustainable building is generating new business opportunities: More and more building owners are opting for timber houses, and HOMAG is providing the production technology for this. In addition, our expertise as an enabler for sustainable production processes is gaining ever more importance. Our customers want to make their factories emission-free and more resource-efficient. We are a key partner for this, since the technologies offered by Dürr, Schenck and HOMAG combine productivity and eco-efficiency, be it in exhaust-air purification, paint application or furniture production.

Our customers invest not only in the sustainability of production processes, but also in their digitalization and automation. We accompany them in this. Our digital products have a significant unique selling point: They combine software and AI expertise with the know-how of our customers' production processes. Pilot applications used by various large customers show just how attractive our smart apps are. We have continued expanding our digital expertise through the acquisition of Cogiscan and Techno-Step. This enables us to market our applications even more widely. In addition, we have driven the development of a new manufacturing operation management system for integrated factory control.

We have also secured growth potential in automation. Our majority stake in Teamtechnik has added test systems for electric and hybrid drives to our e-mobility portfolio. Teamtechnik also has an excellent reputation in the market for systems for the automated manufacturing of medical products, such as infusion sets and single-use syringes. The expansion of the Medtech business is set to help Teamtechnik achieve around €200 million in sales and an EBIT margin of 9 % as early as 2024.

A company can only be involved in shaping transition in its markets if it is prepared for change itself. And we are: Since the coronavirus pandemic has made many conventional processes harder, we have stepped up the digitalization of our processes and the establishment of virtual communication platforms. We have increasingly interwoven the activities of our Digital Factories to develop digital products more quickly. At HOMAG, we are realigning the links of the internal value chain, developing a respective ERP template and investing in buildings and IT infrastructure. We have expanded and reorganized the Corporate Sustainability segment, and we will soon introduce a climate strategy for the whole Group.

The initiatives mentioned above highlight the fact that, despite coronavirus, 2020 was not a lost year. The pandemic has impacted business but strengthened our team spirit. This is the case for management, which has gained an experienced and ambitious CFO in Dietmar Heinrich. And it is particularly the case for our workforce. Our employees have taken on and overcome the challenges brought by the pandemic, be it when working remotely, in our plants or – and we are especially proud of this – on our customers' construction sites. Together with my colleagues, I would like to thank every single person for their commitment.

THE TREND TOWARD SUSTAINABILITY **IS AN OPPORTUNITY FOR US.**

Despite the pandemic, we are optimistic about the future. In this letter, I have outlined why we believe we are well positioned for profitable growth. In concrete terms, we aim to increase sales to up to €3,650 million in 2021. Order intake is set to increase more strongly and, at up to €3,900 million, could approach the pre-crisis level again. The operating EBIT margin should widen to between 4.2 % and 5.2 %. We expect this positive development to continue in 2022.

Financially, we are well equipped for growth. We achieved strong free cash flow in 2020 and decreased our net financial debt to a low level. With that in mind, we are proposing a dividend of €0.30, which is also a sign of our optimism. The year 2021 will see a temporary burden on free cash flow: Net working capital should increase moderately through the rise in sales. Added to that is an outflow of funds for the acquisition of Teamtechnik and the capacity adjustments. From 2022 on, we expect cash flow to improve substantially again.

I would like to express my sincere thanks to all shareholders, customers and business partners who supported us in the coronavirus year of 2020. Your trust has given us strength and made things easier on many fronts. In 2021, the Dürr Group has its 125th anniversary – I strongly believe that it will be a good year to celebrate and a good year for all of us.

Best wishes

Ralf W. Dieter
CEO

Bietigheim-Bissingen, March 17, 2021

BOARD OF MANAGEMENT

of Dürr AG

Ralf W. Dieter (59)
CEO

Dr. Jochen Weyrauch (54)
Deputy CEO

Dietmar Heinrich (58)
CFO

DEAR SHAREHOLDERS,

On May 28, 2020, the Supervisory Board of Dürr AG elected me as its new Chairman. I regard this position as a great honor and am delighted to be addressing you for the first time in this report. I would also like to take this opportunity to thank my predecessor, Karl-Heinz Streibich, on behalf of the entire Supervisory Board. Mr. Streibich performed his role as Supervisory Board Chairman both diligently and actively, and provided invaluable impetus to the Dürr Group, particularly on issues regarding digitalization.

The year 2020 presented exceptional challenges, even for a company with a 125-year history. In spring, the first coronavirus wave led to an abrupt market crash, and the risks resulting from the pandemic accompanied the business for the entire year. On the whole, however, the Group has proved highly resilient. Despite a 15.2 % loss of sales and extraordinary expenses for measures to safeguard the future, EBIT was positive. This is by no means a given and proves the effectiveness of the crisis management within the Group.

In addition, the Board of Management succeeded in further developing the Group strategically. This is particularly the case for the digital transformation, which is central to the mid-term strategy in place since the beginning of 2020. Among other things, the software development of the Dürr, HOMAG and Schenck sub-groups was synchronized further with a view to widespread sharing of expertise and a more rapid launch of digital products. Customers especially appreciate the combination of industry-specific domain expertise and digital competence within the Group. Consequently, it is not surprising that Dürr was chosen as a pioneering partner for Volkswagen's new Industrial Cloud. In addition, the strategic guiding principle of sustainability was consistently pursued, for example when expanding the solid-wood activities for sustainable construction or in the environmental technology business of Clean Technology Systems.

The above-mentioned measures to safeguard the future notably include the adjustments in the European automotive business agreed in July 2020. They represent a major turning point, but are necessary to adapt to business in Europe, which looks set to remain subdued in the medium term. The Supervisory Board discussed these measures with the Board of Management at length and scrutinized them constructively and critically.

Gerhard Federer
Chairman of the Supervisory Board

The Supervisory Board also provided prudent support and advice to the Board of Management on other issues in 2020. All the required information on business performance, strategic measures, planning, and activities requiring consent was provided and explained promptly and comprehensively by the Board of Management. The Supervisory Board adopted its resolutions following thorough review and debate and based on written decision-making materials and discussions. The Supervisory Board carefully monitored the Board of Management's conduct of the company's affairs and confirms that the Board of Management always acted lawfully, diligently and economically. The Board of Management used the risk management system effectively in operational, financial and legal matters, while receiving support from various corporate departments such as Compliance, Legal, Controlling, and Internal Auditing. The Board of Management provided the Supervisory Board with regular and comprehensive information on risks and opportunities.

PARTICIPATION IN MEETINGS AND FURTHER TRAINING

In 2020 the Supervisory Board held six regular meetings and one extraordinary meeting. In addition, there was one constituent meeting to elect the Supervisory Board Chairman and to appoint the committee chairs, and one extraordinary meeting of the shareholder representatives. Due to the coronavirus pandemic, most participants attended the meetings by telephone or via digital communication platforms. All regular meetings were attended by all members of the Supervisory Board; the same applied to the constituent meeting. Prof. Dr. Dr. Alexandra Dürr was absent from the extraordinary plenary meeting (September 10, 2020) and from one extraordinary Audit Committee meeting (February 10, 2020). Dr. Martin Schwarz-Kocher was unable to attend one regular and one extraordinary Audit Committee meeting (July 28 and September 3, 2020). All other committee meetings were attended by all members. As a result, the participation rate at the Supervisory Board and committee meetings was 100 % for most members and over 75 % for all members. The members of the Board of Management took part in the Supervisory Board meetings unless the Supervisory Board Chairman had made other provisions. Any meeting segments not attended by the Board of Management usually covered issues concerning the Board of Management itself. In my capacity as Chairman of the Supervisory Board, I had regular contact with the Board of Management between the meetings.

Various members of the Supervisory Board attended Supervisory-Board-specific training in 2020. These measures included modular training for employee representatives on the Supervisory Board as well as seminars on issues such as sustainability, regulation, accounting and company takeovers. Furthermore, individual members of the Supervisory Board learned about specific topics through regular briefings. Due to the coronavirus pandemic, the majority of training was held online, while a small number of further training events that had been scheduled were canceled and will be held at a later date. Ongoing training programs are planned to continue this year. In addition, some members of the Supervisory Board have registered for training on sustainability and artificial intelligence.

CHANGES IN THE SUPERVISORY BOARD

On March 25, 2020, Mr. Streibich provided written notice that he would resign from the Supervisory Board with effect from the conclusion of the annual general meeting in May 2020. The main reason for this was that he was running for Chairman of the Supervisory Board of Software AG and that, had he remained on the Dürr AG Supervisory Board, he would have held more supervisory board mandates than recommended by the German Corporate Governance Code. On March 30, the Nominating Committee met first in order to discuss a successor for Mr. Streibich as a member of the Supervisory Board. This was followed by a meeting of all shareholder representatives on the same day. The participants of the latter meeting supported the recommendation by the Nominating Committee and added to the annual general meeting agenda the proposal that shareholders elect Arndt Zinnhardt as a member of the Supervisory Board. According to the proposal, Mr. Zinnhardt should initially be elected for the remaining period of Mr. Streibich's term of office, i.e. until the conclusion of the 2021 annual general meeting, pursuant to Dürr AG's articles of incorporation.

At the constituent meeting following the annual general meeting on May 28, the Supervisory Board elected me as its new Chairman and as a member and Chairman of the Nominating Committee; I also took over as Chairman of the Personnel Committee and the Mediation Committee. Mr. Zinnhardt, who had previously been elected to the Supervisory Board at the annual general meeting, was appointed by the members of the Supervisory Board as a member and Chairman of the Audit Committee. In the subsequent weeks, Mr. Zinnhardt underwent a systematic onboarding process to familiarize himself with the Dürr Group. This process included, for example, several site visits as well as discussions with members of the Supervisory Board and the Management Board, managing directors and managers.

KEY TOPICS OF THE MEETINGS

In all its meetings, the Supervisory Board had in-depth discussions about the effects of the coronavirus pandemic on the Dürr Group and learned about the adaptation, protection and cost-cutting measures initiated by the Board of Management. Furthermore, it received continuous information about the state of business, the financial situation and the outlook. When assessing the economic situation, it primarily looked at the development of incoming orders, sales, EBIT and EBIT margin as well as ROCE, cash flow and liquidity. The Supervisory Board also paid particular attention to the service business, corporate financing and the pipeline of orders due to be awarded by customers.

At its first meeting held on March 19, 2020, the Supervisory Board reviewed and approved the annual and consolidated financial statements for 2019 as well as the agenda for the annual general meeting. On the recommendation of the Personnel Committee, it determined the long-term incentives for the Board of Management's variable compensation. Furthermore, it agreed to the acquisition of System TM, proposed by the Board of Management, which was eventually completed in October 2020. Regarding the issue of the Schuldschein loan initiated by the Board of Management, it supported the Audit Committee's recommendation to approve an increase of the transaction volume to up to €200 million, after having approved by way of circulation the issue of €100 million on February 13, 2020. Finally, Mr. Dieter presented the Group's latest personnel report.

Due to the coronavirus crisis, the Supervisory Board gave its approval on April 12, by way of circulation, for the annual general meeting to be conducted virtually. In another approval by circulation on May 4, 2020, it agreed to the financing plans which the Board of Management had proposed to safeguard the company's liquidity in view of the coronavirus crisis. This paved the way for raising an additional syndicated loan as back-up financing as well as another loan.

At the meeting held on May 8, the Board of Management provided detailed information on the effects of the coronavirus crisis on the company's business. In addition, it provided details on the upcoming virtual annual general meeting.

On May 28, the day of the annual general meeting, the Supervisory Board convened twice. At its meeting prior to the beginning of the annual general meeting, it received information on the cost-cutting measures taken by the Board of Management in response to the coronavirus crisis. On the recommendation of the Personnel Committee, it agreed to adjust the target system for the Board of Management's short-term variable compensation in order to give greater weight to the aspect of liquidity safeguarding in view of the current situation. On June 14, the Supervisory Board approved by circulation the associated supplement to the Declaration of Conformity with the German Corporate Governance Code. Information on the constituent meeting following the annual general meeting can be found under the sub-heading entitled “Changes in the Supervisory Board”.

At the meeting on July 29, Mr. Zinnhardt reported on the Audit Committee meeting held the previous day. Among other things, the committee had debated the Group risk report and the compliance report and defined the key points for the audit of the 2020 annual financial statements. Following Mr. Zinnhardt’s explanations, the Supervisory Board instructed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft – following its election at the annual general meeting – to audit the consolidated and annual financial statements. The Board of Management gave an overview of the coronavirus-related business slowdown in the second quarter and presented the adaptation plans for the European automotive business to the Supervisory Board. The reasons given by the Board of Management for the intensely debated capacity reduction in the Dürr and Schenck sub-groups were the decline in market volume and the business prospects in Europe, which are set to remain muted in the long term. In view of Dietmar Heinrich’s imminent arrival as new CFO, the Supervisory Board adopted a new schedule of responsibilities for the Board of Management.

The extraordinary meeting on September 10 focused on the upcoming refinancing. Following thorough debate, and on the Audit Committee’s recommendation, the Supervisory Board approved the issue of a convertible bond and a fixed-interest bond. To ensure a quorum on the day on which the convertible bond was issued, the Supervisory Board formed an ad-hoc committee from its midst. This committee had two telephone meetings on September 24 in order to approve the Board of Management’s resolution on the convertible bond issue and to approve the proposed terms.

In the fall meeting on September 30, the Supervisory Board discussed and approved the new compensation system for the Board of Management as proposed by the Personnel Committee. To enable its adoption on January 1, 2021, the members of the Board of Management agreed to the required adjustment of their service contracts. Furthermore, the Supervisory Board defined the long-term incentives for Mr. Heinrich for the period between 2020 and 2022. Afterwards, the Chairman of the Personnel Committee reported about Pekka Paasivaara’s decision not to seek another term of office on the Dürr AG Board of Management. On the recommendation of the Personnel Committee, the Supervisory Board agreed to the conclusion of a contract with Mr. Paasivaara to provide for his service contract, originally due to run until the end of 2021, to be terminated at the close of December 31, 2020. On this basis, Mr. Paasivaara left the Dürr Group at the end of 2020; the Supervisory Board would like to thank him for his great commitment, particularly in the further development of the HOMAG Group since 2015. In the context of Mr. Paasivaara’s departure, the Supervisory Board agreed to reduce the Board of Management permanently from four to three members, and approved a corresponding schedule of responsibilities effective January 1, 2021.

During the course of the meeting on September 30, the Board of Management provided information on the development of various companies acquired in previous years and on the reorganized final assembly technology business. Furthermore, it approved the planned acquisition of at least 75 % of shares in Teamtechnik Maschinen und Anlagen GmbH. With regard to corporate governance, the Supervisory Board amended its rules of procedure and reviewed its profile of skills as well as the number of members considered independent. On this basis, it approved the current Declaration of Conformity, in line with the new version of the German Corporate Governance Code. Finally, the Supervisory Board discussed the upcoming review of the non-financial consolidated declaration according to Section 315b (1) of the German Commercial Code. Dürr AG subsequently instructed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to perform a limited assurance engagement on the non-financial consolidated declaration for 2020.

In a resolution passed by circulation on October 29, the Supervisory Board concurred in the recommendation of the Audit Committee to issue another Schuldschein loan to the tune of up to €200 million. The transaction was finalized in December and replaced the originally planned issue of a fixed-interest bond, which the Board of Management had not pursued after assessing the market environment.

On December 17, the Supervisory Board convened for its final meeting of 2020. This meeting focused largely on the presentation of the Group strategy and the strategies of the Dürr, Schenck and HOMAG sub-groups. The Supervisory Board approved the budget for 2021 and acknowledged the medium-term planning for the period between 2022 and 2024. It also discussed the second risk report. On behalf of the Dürr Technology Council, which advises the Board of Management on technology issues, its Chairman, Prof. Dr. Holger Hanselka, provided information on the council's work. In addition, the Supervisory Board decided to change its compensation from a system partly based on variable components to a system based solely on fixed compensation. The relevant proposal is to be submitted for resolution at the annual general meeting on May 7, 2021. Finally, the Supervisory Board determined the target compensation for the members of the Board of Management in 2021 and defined the parameters for the short-term and long-term variable components of the Board of Management's compensation in 2021. With regard to the introduction of the new compensation system for the Board of Management, the Supervisory Board instructed me to conclude new service agreements with the members of the Board of Management.

WORK OF THE COMMITTEES

The Personnel Committee, which also serves as the Executive Committee, convened six times during 2020. On March 19, it discussed, among other things, the long-term incentives for the Board of Management's compensation. At the meeting on May 25, the members prepared the Supervisory Board resolution on the short-term variable compensation for the Board of Management. The meeting on September 16 focused on the new compensation system for the Board of Management. At its meetings on September 21 and 30, the Personnel Committee dealt with Mr. Paasivaara's premature departure and the reduction of the Board of Management. The December 17 meeting focused on the performance criteria for the Board of Management's variable compensation in 2021.

The Audit Committee looked in depth at the consolidated and the individual financial statements of Dürr AG as well as new accounting matters and Group financing. Furthermore, it reviewed and confirmed the efficiency of the internal control system, the risk management system and the internal auditing system. It also reviewed the financial reporting process and the compliance management system (CMS), and monitored compliance with statutory regulations governing capital markets as well as with the guidelines for dealing with non-audit services. The Committee Chair had both regular and ad-hoc discussions with the auditors. In addition, the auditors attended two meetings of the Audit Committee.

In 2020, the Audit Committee held three regular and three extraordinary meetings. At the first regular meeting (March 18), it reviewed the annual and consolidated financial statements as well as the non-financial declaration for 2019; it also paid close attention to the review of the 2019 risk reports and to the issue of a Schuldschein loan, current at the time. The second regular meeting (July 28) initially focused on the analysis of the first Group risk report of the year, the internal auditing report and the compliance report. Other key points included the development of net working capital, the new version of the German Corporate Governance Code and the goodwill impairment test carried out during the course of the year in response to the coronavirus crisis. In addition, the committee defined the key points for the 2020 external audit, performed the preliminary work necessary for the preparation of the 2020 non-financial declaration and recommended at the Supervisory Board's plenary meeting that this be subject to another limited assurance engagement performed by the auditor. At the third regular meeting (December 17), the Audit Committee received and discussed new reports on the topics of risks, compliance and internal auditing. Other topics were the budget for the auditor, the approval of non-audit services and the accounting for Homag China Golden Field, which was consolidated in November. The extraordinary meetings on February 10, September 3 and October 27 were convened in view of the upcoming financing transactions (Schuldschein loans in March and December and convertible bond in September). At the Supervisory Board meetings held on March 19, July 29 and December 17, 2020, the Chairman of the Audit Committee reported to the Supervisory Board on the committee's work.

As mentioned above, the Nominating Committee met on March 30 to prepare the succession of Mr. Streibich on the Supervisory Board. As in previous years, the Mediation Committee did not have to convene in 2020. The ad-hoc committee created for the issue of the convertible bond convened twice on September 24.

AUDIT AND RATIFICATION OF THE ANNUAL FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft examined Dürr AG's annual financial statements, Dürr's consolidated financial statements and the combined management report prepared by the Board of Management for the period ended December 31, 2020, and issued unqualified auditors' certificates. The annual financial statements, the consolidated financial statements and the combined management report were submitted to the members of the Supervisory Board in good time. They were discussed in detail with the Board of Management and reviewed at the Supervisory Board meeting held to approve the financial statements on March 17, 2021. The same applies to the auditors' reports, which were also submitted in due time. The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting held on the day before. They reported on their audit and were available for further explanations and discussions. Auditor Marco Koch from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was responsible for carrying out the audit for the fourth year.

At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Mr. Zinnhardt, gave his detailed opinion on the audit documents, on the preliminary talks with the auditors, and on the key points of the audit. The latter included the balance-sheet presentation of the Group financing, the first-time consolidation of Homag China Golden Field, the effects of the coronavirus pandemic and the corresponding presentation in the consolidated financial statements as well as the revenue recognition in construction contracts of the Woodworking Machinery and Systems division.

On the basis of the documents presented to it and the reports of the Audit Committee and the auditors, the Supervisory Board examined and accepted the annual financial statements, the consolidated financial statements and the combined management report, the latter containing the non-financial consolidated declaration. The Supervisory Board's own review found no cause for objection. The Supervisory Board approves the results of the audits of both sets of financial statements, agrees with the Board of Management in its assessment of the situation of the Group and of Dürr AG, and approves the annual financial statements and the consolidated financial statements prepared for the period ended December 31, 2020. The annual financial statements are thereby ratified. Considering the Audit Committee's recommendation and its own review, the Supervisory Board approves the Board of Management's proposal on the use of net retained profit – a dividend of €0.30 per share is planned for 2020.

We will remember 2020 and the upheaval caused by the coronavirus pandemic for a long time to come. The Board of Management, the managers and employee representatives as well as our employees have done everything in their power to ensure that the Dürr Group emerges safely from the crisis. The Supervisory Board would like to thank everyone most sincerely for their commitment. A big thank you also goes to the shareholders, who have placed their trust in us.

Gerhard Federer
Chairman of the Supervisory Board

Bietigheim-Bissingen, March 17, 2021

CAPITAL MARKET

First-hand information

The primary purpose of our investor relations work is to ensure a fair valuation of Dürr stock. We provide comprehensive, factual and timely information. Whether with private investors, institutional investors or equity analysts, we attach importance to sustainable relationships based on a spirit of mutual trust.

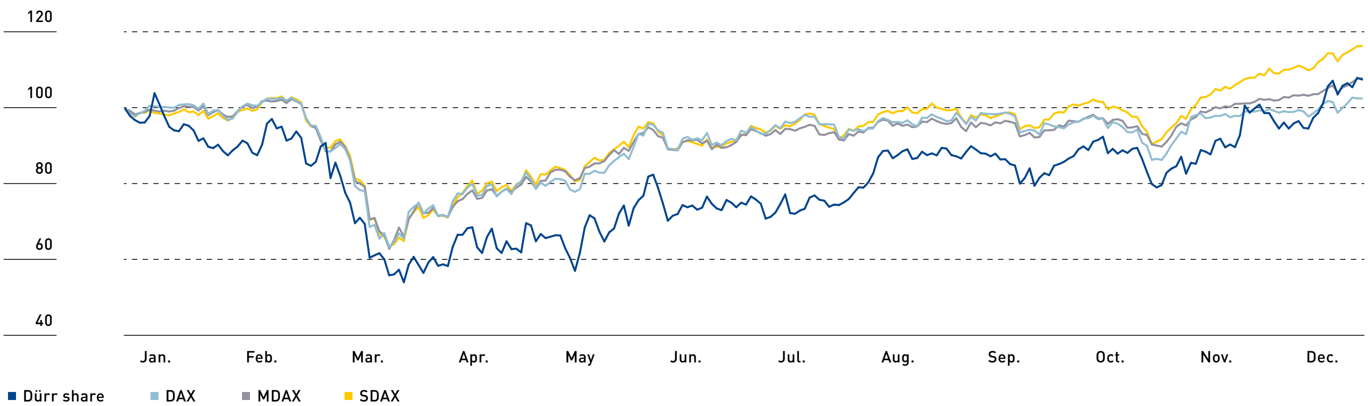
Our communication with capital market participants in 2020 focused primarily on the impact of the coronavirus pandemic on our business performance, market conditions and outlook. At the end of July, we were one of the first companies in our sector to publish a full-year forecast, providing capital market partners with important guidance for their assessments. In contrast to previous years, travel to international investor conferences and roadshows was severely restricted. Yet, our investor relations team remained in contact with capital market participants by telephone, video conference or by traditional means such as e-mail and post. For the first time, we also held our Capital Markets Day online. Attended by around 100 participants, the event focused on digitalization.

PEER GROUP AND TRANSPARENCY

Our listed peer group includes mechanical engineering companies and engineering service providers such as Andritz, Bertrandt, Deutz, Edag, Gea, Heidelberger Druckmaschinen, Jungheinrich, Kion, Krones and Rheinmetall. We benchmark our valuation against this peer group on a monthly basis, concentrating in particular on the price/earnings ratio, the enterprise value (EV) relative to EBIT, EBITDA and sales as well as the price-to-book ratio. On our website www.durr-group.com under Investors/Share/Estimates, we continuously publish the up-to-date analyst consensus for sales, EBIT, earnings after tax and earnings per share for the full year. Ahead of the quarterly reports, we independently compile the consensus for the quarter across the analysts who cover us, publishing this information online. Our investor relations website provides a large selection of updated information.

1.1 — PERFORMANCE OF DÜRR SHARE IN XETRA TRADING, JANUARY – DECEMBER 2020

Compared to the DAX, MDAX and SDAX (indexed figures)



STRONG RALLY AFTER HISTORIC CRASH

After performing stably in the first few weeks of the year, the capital markets plummeted at the end of February in the wake of the global spread of the coronavirus. Driven by fears of a recession, the DAX sustained unprecedented single-day losses of up to 12 %, ultimately hitting a low of 8,256 points. The central banks' expansionary monetary policies, extensive stimulus programs and hopes of an economic recovery in the second half of the year triggered a rally from mid-March. The upward trend emerging in November was driven by the outcome of the US presidential elections, an economic recovery and hopes for a coronavirus vaccine. The DAX hit a new all-time high of 13,903 points shortly before the end of the year.

In the first few weeks of the year, Dürr stock (ISIN: DE0005565204) underperformed the market to some degree due to skepticism in the capital market toward automotive business, subsequently dropping to a low of €15.72 during the coronavirus crash. With the recovery of capital markets from mid-March, Dürr stock also gained in value. The publication of the new full-year forecast at the end of July together with encouraging quarterly figures and the well-received capital market day in November additionally spurred the share price. In addition, hopes of early vaccination successes buoyed the markets. At the end of the year, Dürr stock was trading at €33.40, translating to a performance of 12.6 % (including the dividend of €0.80). Consequently, it substantially outperformed the F.A.Z. Mechanical Engineering Index (down 0.7 %), the DAX and the MDAX (up 3.5 % and 8.8 %, respectively).

DIVIDEND PROPOSAL OF €0.30 PER SHARE DESPITE THE CORONAVIRUS EFFECT

In view of the favorable cash flow development, the Board of Management and the Supervisory Board propose a dividend of €0.30 per share for 2020. This marks a decline of 62.5 % over the previous year (€0.80) and translates into a total payout of €20.8 million. Our proposal to distribute a dividend despite the significant decline in earnings takes into account the fact that, in addition to the consequences of the coronavirus pandemic, our earnings were also impacted by extraordinary expenses. In addition, our dividend proposal highlights the fact that we are very confident about our medium- and long-term business performance despite the challenges posed by the coronavirus pandemic.

In the year under review, an average of around 269,000 Dürr shares were traded via XETRA per trading day, significantly more than in the previous year (243,000 shares). The development reflects the general market dynamics. Daily trading volumes reached €6.6 million, down from €7.3 million in the previous year. XETRA trading volumes across all German stock rose in 2020 by around 23 % to €1,492 billion compared to the previous year.

Dürr AG is one of the 100 largest listed companies in Germany and is listed on the MDAX.

FIRST PLACE FOR THE INVESTOR RELATIONS TEAM

In the important institutional investor survey, capital market experts ranked our investor relations team first in the Capital Goods/Small & Mid Cap Europe category. This top result motivates us for the future.

1.2 — KEY FIGURES FOR DÜRR STOCK[1]

in €	2020	2019	2018
Earnings per share	–0.23	1.79	2.27
Book value per share (December 31)	13.06	14.89	14.12
Cash flow per share	3.11	2.48	2.34
Dividend per share	0.30[2]	0.80	1.00
High[3]	34.18	42.26	57.18
Low[3]	15.72	20.76	27.30
Closing price[3]	33.40	30.38	30.53
Average daily trading volume (shares)[3]	269,000	243,000	288,000
Market capitalization (December 31) in € million	2,311.3	2,102.4	2,112.7
Number of shares	69,202,080	69,202,080	69,202,080

[1] 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 figures shown here have been duly modified.
[2] Dividend proposed to the annual general meeting
[3] XETRA

CHANGES IN ANALYST COVERAGE

In November, investment bank Morgan Stanley added us to the group of companies it assesses. After being acquired by Hauck & Aufhäuser, Bankhaus Lampe however discontinued its coverage of Dürr in 2020. Following the departure of the analysts who had hitherto covered us at the French bank Société Générale as well as Norway's Pareto, these two institutions are now no longer publishing any analyses on Dürr AG. At the end of the year, Dürr stock was being covered by a total of 17 analysts.

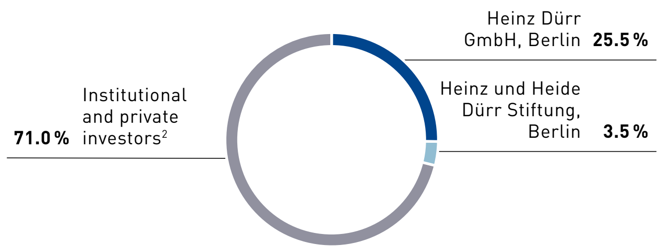
The coronavirus pandemic also left traces on the assessments of our analysts in the year under review. They downgraded their target prices for Dürr stock on a broad front after we were forced to withdraw our full-year forecast at the end of March in response to the uncertainty surrounding the outbreak of the pandemic. In July, mounting signs of an economic recovery emerged, enabling us to announce new target corridors for our key performance indicators to the capital market. Against the backdrop of the ongoing upswing and after the well-received Capital Markets Day in November, capital market experts became increasingly optimistic. The average target price for the Dürr share stood at €30.97 as of December 31, 2020, with 94 % of the analysts rating it a “buy” or a “hold”.

FREE FLOAT OF 71 %

With a share of 25.5 %, Heinz Dürr GmbH holds the largest stake in Dürr AG and remains the anchor shareholder. A further 3.5 % are held by Heinz und Heide Dürr Stiftung. Looking forward, the Dürr family intends to continue holding a share of over 25 %.

The members of the Board of Management held a total of 0.3 % of Dürr shares as of December 31, 2020. Ralf W. Dieter held 179,600 shares, Dr. Jochen Weyrauch 6,500 shares, Dietmar Heinrich 9,000 shares and Pekka Paasivaara 4,500 shares. The members of the Supervisory Board or parties related to them held 0.2 % of Dürr’s shares at the end of the year. At 71.0 %, the free float calculated as defined by the Deutsche Börse was up slightly over the previous year.

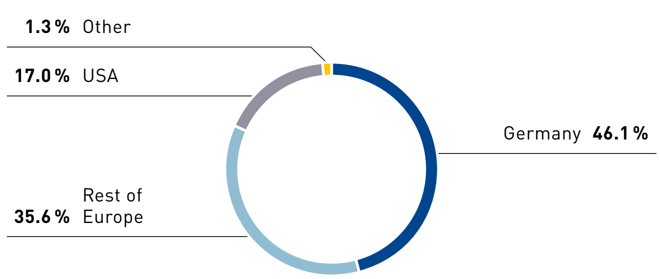
1.3 — SHAREHOLDER STRUCTURE[1] (DECEMBER 31, 2020)



Institutional and private investors[2]	of which
Candriam Luxembourg	3.8 %
Alecta Pensionsförsäkring	3.2 %
Credit Suisse Fund Management S.A.	3.0 %
Members of Dürr AG’s Board of Management	0.3 %
Members of Dürr AG’s Supervisory Board	0.2 %

[1] Free float as defined by Deutsche Börse AG
[2] On the basis of statutory notices

1.4 — SHAREHOLDERS BY REGION (DECEMBER 31, 2020)



BOND AND FUNDING

Issued in 2014, our bond for €300 million (ISIN XS1048589458) will be maturing in April 2021. The bond entered 2020 at a stable 102.9 % but fell to 89.9 % in the wake of the coronavirus crash. After a rapid recovery in April and May, it continued to move in a corridor between 100 % and 102 % in the further course of the year. At the end of 2020, it was trading at 100.0 %. With a coupon of 2.875 %, the bond had a yield of 2.8 %. Average daily trading volumes on German trading platforms came to around €62,000 (2019: €44,000).

Placed in September, the convertible bond (ISIN DE000A3H2XR6) for a total of €150 million has a coupon of 0.75 % per year, a maturity of around 5.3 years and a conversion premium of 40 % (conversion price: €34.22). It is linked to a sustainability component and was trading at 117.91 % at the end of 2020.

In the year under review, we also used various other financial instruments, which are described on page 87 of the management report.

STILL NO RATINGS BEING SOUGHT

Issue and issuer ratings entail an immense amount of time and money. Experience shows that, in close cooperation with our capital market partners, we are able to obtain attractive financing terms even without ratings. For this reason, we have dispensed with them for many years and intend to retain this policy in the future.

COMBINED MANAGEMENT REPORT

PAGE 22 – 114

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT
We have combined the management report of the Dürr Group with the management report of Dürr AG, in accordance with Section 315 (3) of Germany's Commercial Code (HGB) in conjunction with Section 298 (2) HGB. The management report is therefore termed a combined management report. It contains the non-financial consolidated declaration within the meaning of Section 315b ff. HGB in conjunction with Section 289b ff. HGB. The content of the non-financial consolidated declaration is marked with a line in the margin and the abbreviation NFD. Unless otherwise specified, the information following is applicable to both the Dürr Group and Dürr AG. Statements which refer exclusively to Dürr AG are correspondingly marked. These come at the end of the combined management report.

FUNDAMENTALS

The Group at a glance

NFD

PROFILE

The Dürr Group is one of the global leaders in mechanical and plant engineering with extensive expertise in automation and digitalization. Our machines, plants and services stand for efficiency and sustainability in production, whether in the automotive industry, which is responsible for approximately 50 % of our sales, or in other sectors such as the woodworking, mechanical engineering, chemical, pharmaceutical and electrical engineering industries. We run 120 locations[1] in 33 countries. We operate globally with our Dürr, Schenck and HOMAG brands. In addition to North America and Western Europe, we are also strongly represented in the emerging markets[2]. They accounted for 45 % of our order intake and 40 % of our sales in fiscal 2020.

GROUP ORGANIZATIONAL STRUCTURE

Dürr AG is the Group's management holding company. It holds – directly or indirectly – the assets in the Group companies and handles central tasks such as financing, controlling and accounting, as well as legal affairs, taxation, compliance and internal auditing, corporate communications, investor relations, human resources management and sustainability. Together with Dürr Technologies GmbH and Dürr International GmbH, which act as holding companies for equity interests, plus Dürr IT Service GmbH, Dürr AG forms the Corporate Center. Within the Dürr Group, there are the three sub-groups, Dürr Systems, Schenck and HOMAG, to which five divisions with their operating businesses are assigned. The divisions form the reportable segments as defined by the IFRS:

- Paint and Final Assembly Systems
- Application Technology
- Clean Technology Systems
- Measuring and Process Systems
- Woodworking Machinery and Systems

NFD

DIVISIONS, BUSINESS MARKETS, MARKET SHARES[3], IMPORTANT PRODUCTS AND SERVICES

Paint and Final Assembly Systems

Paint and Final Assembly Systems plans, builds and modernizes paint shops and final assembly lines for the automotive industry. We supply products and processes for all process stages in paint shop technology. Our most important solutions include the RoDip dip-coating system → page 226, the energy-efficient **Eco**DryScrubber and **Eco**DryX paint separation systems, the **Eco**InCure car body dryer and the newly introduced **Eco**ProBooth paint booth for interior and

2.1 — GROUP STRUCTURE

Management holding company	Dürr AG				
Divisions	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
Sub-groups	Dürr Systems			Schenck	HOMAG

[1] Including the locations of Teamtechnik and Cogiscan, which have been part of the Dürr Group since February 2021
[2] Asian growth markets, South and Central America, Africa, Eastern Europe
[3] Internal figures

exterior painting. Added to this is the equally new concept of the "paint shop of the future," which relies on individually selectable painting boxes instead of conventional painting lines. We usually also supply the relevant control and conveyor systems as well as air supply and exhaust-air systems. With a global market share of around 40 %, we are the leader in the painting systems business. Our digital product range is bundled in the DXQ software family and includes, for example, solutions for plant monitoring, superordinate factory control, advanced analytics and **predictive maintenance** **⟶ page 226.**

In final assembly systems, too, we are one of the few providers worldwide capable of supplying turnkey plants. Electromobility is leading to new business opportunities in this field: Since battery-powered cars have a less complex power train than conventional cars, a greater degree of automation is possible in their assembly process. Furthermore, the automotive industry will increasingly be modernizing their assembly plants in the future such that, in addition to vehicles with internal combustion engines, they can also produce hybrid and electric vehicles. Our market share in business related to final vehicle assembly lines is between 20 % and 25 %. In order to market our range more efficiently, as of January 1, 2020, final assembly activities which had originally been part of Measuring and Process Systems were moved to Paint and Final Assembly Systems. This includes the automotive business in filling and **testing technology** **⟶ page 226**, as well as assembly technology and marriage stations for connecting the body and power train. The **Filling Technology** **⟶ page 226** segment supplies systems for filling vehicles in the final assembly process, for example, with oil or brake fluid. The major products in testing technology include test stands and calibration stations for brakes, electronics and chassis geometry.

Since February 5, 2021, Teamtechnik Maschinen und Anlagen GmbH, in which we acquired a 75 % stake, has been part of the Paint and Final Assembly Systems division. The automation specialist offers test stands for electric and hybrid drives, thus complementing our range of products and services related to electromobility. The company also focuses on production equipment for medical devices, such as injection systems and inhalation devices. Information on the majority acquisition of Teamtechnik can also be found in the **"Events subsequent to the reporting date"** **⟶ page 95** and in the **"Strategy"** **⟶ page 31** chapters.

Another part of Paint and Final Assembly Systems is Dürr Consulting. It advises customers on the planning of production processes, particularly in painting and final assembly technology. The current focus is on concepts for the production of electric cars and batteries.

Application Technology

Application Technology generates almost 85 % of its sales with technologies for the automated spray application of primers, base coats and clear coats. The key products are the **Eco**Bell3 **high-speed rotating atomizer** **⟶ page 226,** the **Eco**LCC2 color changer and the third generation of the **Eco**RP painting robot family. It also offers systems used, for example, for paint supply, quality assurance, as well as process control and evaluation. In the automotive business, we are the world market leader with a market share of around 50 %. Our two most important competitors are manufacturers of standard industrial robots.

In addition to paint application technology, we are active in the related business fields of **sealing technology** and **gluing technology** **⟶ page 226.** Sealing processes are used for sealing welding seams, applying underbody protection and injecting insulating materials in cars. Gluing is an alternative to welding vehicle components during body-in-white production and final assembly. One significant benefit is that it permits the use of non-weldable lightweight materials in the manufacture of vehicle bodies. During final assembly, gluing technology is used, for instance, for fitting windows, glass roofs, cockpits and tanks.

With its Industrial Products segment, Application Technology is also active outside the automotive industry. It offers paint application products for sectors such as the plastics, ceramics, shipbuilding, timber and furniture industries.

Clean Technology Systems

The largest area of Clean Technology Systems is exhaust-air purification technology. Our systems are used in a variety of industries, but primarily in the chemical and pharmaceutical sectors. The equipping of automotive paint shops accounts for almost 15 % of sales in exhaust-air purification technology. Our most important process is **thermal oxidation** **⟶ page 226,** in which pollutants are incinerated at up to 1,000°C. Having completed the acquisition of the US environmental technology companies Megtec and Universal in 2018, we are now the world's leading supplier, with a market share of almost 25 %.

Another area of business includes systems for **coating electrodes** → page 226 for lithium-ion batteries, which are needed, for example, for electric cars and wireless electronic devices such as headphones. As a supplier of complete lines, we also supply dryers and solvent recovery systems in addition to coating technology. Furthermore, we have developed a process for two-sided coating of electrode foils in a single pass that no other supplier offers. In the automotive battery business, we have been cooperating with the Japanese engineering company Techno Smart since September 2020. In addition to exhaust-air purification and coating technology, our portfolio also includes noise abatement systems, for example for gas turbines.

Measuring and Process Systems

Measuring and Process Systems offers balancing and diagnostic technology as well as solutions for the automated filling of refrigerators, air-conditioning systems and heat pumps with refrigerants. Automotive accounted for around 40 % of sales in 2020. In balancing technology, we lead the field over the competition with a global market share of approximately 45 %. In fiscal 2019, the division still included the filling, testing and assembly technology business for the automotive industry, which has been part of Paint and Final Assembly Systems since January 1, 2020.

Woodworking Machinery and Systems

Woodworking Machinery and Systems consists of the activities of the HOMAG Group, the world's leading supplier of machinery and systems for woodworking in industry and trade. With a global market share of somewhat more than 30 %, the HOMAG Group is significantly ahead of its two closest competitors. Our technology is used, for example, in the production of furniture, kitchens and parquet and laminate flooring. The HOMAG Group also offers machines for the production of windows, doors and stairs made of solid wood. Another area features systems for the production of construction elements for timber houses. This segment was bolstered in 2020 by the acquisition of the Danish mechanical engineering company System TM. For further information, please refer to the **"Portfolio changes" → page 27.**

The range extends from entry-level machines to fully automated lines for mass production or batch size 1 manufacturing. Our core products include panel cutting systems, through-feed saws and drilling machines, sanders, edge-banding machines, CNC processing centers as well as handling and storage systems. The HOMAG Group's software portfolio ranges from easy-to-use apps for craft businesses to solutions for digitalizing entire factories.

DIGITALIZATION/INDUSTRIAL INTERNET OF THINGS (IIOT)

Software solutions are a growing part of our product range. This enables us to meet the ongoing digitalization of production processes and the corresponding requirements of our customers. Important components of our digital product range include, for example, the **IIoT-Plattform** → page 226 ADAMOS, manufacturing execution systems (MES) for superordinate factory control, and analytics applications for individual machines and stages of the production process. **Analytics applications** → page 226 often work with artificial intelligence and algorithms, and their areas of application include quality control, root cause analysis, and predictive maintenance. In order to develop our digital solutions, we have set up digital factories at Dürr Systems, Schenck and the HOMAG Group, which work closely together. For further information on ADAMOS, our digital@DÜRR concept and smart products, please refer to the chapters **"Strategy" → page 31** and **"Research and development" → page 37**.

COMPREHENSIVE SERVICE OFFER

Each machine and system sold adds to our installed base and thus to the potential to generate service business within the product life cycle. Our service offer includes, for example, the modernization and optimization of plants, audits of plant productivity and energy efficiency, software updates as well as training, maintenance, repair and spare parts supply. Digital services such as remote analysis, maintenance assistants and performance checks are becoming increasingly important. In 2020, the service share of sales amounted to 28.4 % (previous year: 28.5 %). As of the year's end, the service side employed 2,767 persons, representing 16.7 % of the Group workforce.

TECHNOLOGY AND INDUSTRY PARK (TIP): REAL ESTATE SERVICE PROVIDER IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP), part of Measuring and Process Systems, markets and operates offices and also production and logistics space at Schenck's Darmstadt site. The floorspace for rent amounts to 109,900 sqm on a 105,000 sqm plot; office space accounts for 46 %.

2.2 — ACTIVITIES AND BUSINESS MARKETS

PAINT AND FINAL ASSEMBLY SYSTEMS DIVISION

Business type	Activities	Customer groups
• Plant engineering	• Paint shops • Individual painting process stations • Products and systems for final vehicle assembly (incl. filling and testing technology) • Testing technology for electric drives[1] • Production technology for battery modules and packs[1] • Production facilities for medical devices[1] • Service	• Vehicle manufacturers • Automotive suppliers • General industry (e.g. construction equipment and farm machinery) • Manufacturers of medical devices[1]
• Consulting	• Consultancy	• Vehicle manufacturers • Automotive suppliers • General industry

APPLICATION TECHNOLOGY DIVISION

Business type	Activities	Customer groups
• Mechanical engineering and component business	• Products for automated spray painting • Sealing technology • Gluing technology • Service	• Vehicle manufacturers • Automotive suppliers • General industry (e.g. plastics, ceramics, timber, shipbuilding)

CLEAN TECHNOLOGY SYSTEMS DIVISION

Business type	Activities	Customer groups
• Plant engineering and component business	• Exhaust-air purification systems • Coating systems for battery electrodes • Noise abatement systems • ORC technology • Service	• Chemical industry • Pharmaceutical industry • Carbon fiber production • Printing/coating • Vehicle manufacturers (paint shops) • Automotive suppliers (paint shops) • Woodworking • Lithium-ion battery manufacturers • Mining • Energy industry • Oil and gas industry • Packaging industry • Operators of decentralized power plants

MEASURING AND PROCESS SYSTEMS DIVISION

Business type	Activities	Customer groups
• Mechanical engineering	• Balancing and diagnostic systems • Filling technology for air conditioning systems and household appliances • Service	• Vehicle manufacturers • Automotive suppliers • Electrical industry • Turbo engine construction/power plants • Mechanical engineering • Aerospace industry • Household appliance industry

WOODWORKING MACHINERY AND SYSTEMS DIVISION

Business type	Activities	Customer groups
• Mechanical and plant engineering	• Machines and complete production lines for woodworking • Service	• Woodworking industry • Woodworking trade • Timber house construction

[1] Newly added with the acquisition of Teamtechnik (February 2021)

LEGAL STRUCTURE

Dürr AG owns 100 % of the shares in the following companies: Dürr Systems AG, Dürr International GmbH, Dürr Technologies GmbH, Carl Schenck AG and Dürr IT Service GmbH. The first four of these companies and Dürr AG have entered into domination and profit and loss transfer agreements. A profit and loss transfer agreement existed with Dürr IT Service GmbH in fiscal year 2020, which was terminated as of January 31, 2021. The conclusion of a domination and profit and loss transfer agreement will be submitted to the annual general meeting of Dürr AG for approval with the aim of ensuring that the obligation to transfer profits continues seamlessly and is supplemented by the element of domination. Through Dürr Technologies GmbH, we hold 64.89 % of the shares in HOMAG Group AG, of which 11 % of the shares in HOMAG Group AG are covered by a pooling agreement between Dürr Technologies GmbH and the Schuler/Klessmann shareholder group, which holds 14.05 % of the shares in HOMAG Group AG. The Schuler/Klessmann shareholder group is made up of the Schuler family, who founded HOMAG, and the Erich and Hanna Klessmann Foundation. A domination and profit and loss transfer agreement has been in place between the two companies since 2015. Dürr Systems AG, Dürr International GmbH, Carl Schenck AG and HOMAG Group AG hold direct or indirect stakes, usually 100 % holdings, in all of the other Group companies.

PORTFOLIO CHANGES

- On November 24, 2020, the HOMAG Group (Woodworking Machinery and Systems division) took over the entire operating business of Homag China Golden Field Ltd. (Hong Kong) and its subsidiaries as part of a share and asset deal. Previously, the HOMAG Group had held 25 % of the shares in the Chinese sales joint venture. In addition, the HOMAG Group increased its share in the Chinese production and engineering company → page 226 Homag Machinery (Shanghai) Co. Ltd. from 81.25 % to 100 %. The seller in both acquisitions was the Chinese joint venture partner Golden Field International Holdings Ltd. As a result of the transaction, the HOMAG Group now exercises sole control over its sales and service organization in the world's largest furniture market. As part of the transaction, the HOMAG Group newly established the subsidiary HOMAG (Hong Kong) Ltd.
- As part of its expansion in the solid wood business, the HOMAG Group acquired 80 % of the shares in the Danish mechanical engineering company System TM A/S as of October 30, 2020. Most of the shares acquired came from the Thoegersen owner family. A proportion of 20 % of the shares in System TM remain in the hands of System TM's management. The company specializes in machines for the sorting, optimizing and finger-jointing of solid wood. With this transaction, the HOMAG Group has expanded the product range of its subsidiary Weinmann Holzbausystemtechnik GmbH, one of the leading suppliers of systems for the production of construction elements for sustainable timber houses. The HOMAG Group is pooling all activities in the solid wood sector in the new Solid Wood Processing business unit. For further information, please refer to the "Strategy" → page 31 chapter.
- Also with a view to expanding the solid wood segment, the HOMAG Group increased its shareholding in Weinmann Holzbausystemtechnik GmbH from 76 % to 100 % on June 24, 2020. The shares were sold by the founders and a long-time managing director of the company.
- Dürr Systems AG acquired 50 % plus one share of the German software company Techno-Step GmbH on March 9, 2020. Techno-Step is assigned to the Application Technology division and specializes in systems for process data analysis for painting robots. Through the purchase, we are in a position to also better digitally connect third-party systems and older robots.

Further information on the transactions listed can be found in → notes 4, 18 und 37 of the appendix to the consolidated financial statements. There, you will also find information on the increase in the shareholding in HOMAG eSolution GmbH and on mergers of group companies in the fiscal year 2020. Information on the acquisition of 75 % of the shares in Teamtechnik Maschinen und Anlagen GmbH and 100 % of the shares in Cogiscan Inc. can be found in "Events subsequent to the reporting date"→ page 95.

2.3 — SIGNIFICANT ACQUISITIONS

Transaction	Shareholding	Type of consolidation	Included in the consolidated financial statements since	Purchase price	Employees (Dec. 31, 2020)	Division
Homag China Golden Field Group with a total of 5 companies, activities partially transferred to HOMAG (Hong Kong) Ltd. following acquisition	100 % (previously 25.00 %)	Fully consolidated	11/24/2020	€37.8 million	430	Woodworking Machinery and Systems
HOMAG Machinery (Shanghai) Co. Ltd.	100 % (previously 81.25 %)	Fully consolidated	Already fully consolidated before increase	€6.6 million	288	Woodworking Machinery and Systems
System TM A/S	80.00 %	Fully consolidated	10/30/2020	€22.5 million	126	Woodworking Machinery and Systems
Weinmann Holzbausystemtechnik GmbH	100 % (previously 75.90 %)	Fully consolidated	Already fully consolidated before increase	€4.6 million	178	Woodworking Machinery and Systems
Techno-Step GmbH	50.00 %	Fully consolidated	3/9/2020	€3.1 million	8	Application Technology

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BUSINESS MODEL

Our core competence is the **engineering** ⟶ page 226 of efficient production technology. We support our customers with everything ranging from individual machines to turnkey manufacturing systems. In response to **Industry 4.0** ⟶ page 226, we are expanding our range related to the digital networking and control of production systems.

Our technologies and services are designed to help our customers achieve efficient and sustainable production. In doing so, we primarily rely on the following factors:

- Digitalization and technological innovation
- Development of material- and energy-saving products
- Planning and engineering expertise
- Reliable order execution
- Efficient production and assembly sites for core products
- Comprehensive range of services over the entire life cycle of our products
- Global presence, proximity to customers in all market regions

We operate globally in niche markets, in which we are the largest supplier, with market shares ranging from 20 % to 50 %. A total of 53 % of Group sales are attributable to mechanical engineering and 47 % to plant engineering. In mechanical engineering, we aim for EBIT margins of 10 % to 12 %, and in plant engineering, the target margin is 6 % to 7 %. In terms of the return on capital employed (ROCE), the target range in the mechanical engineering activities is 15 % to 25 %. In the plant engineering business, we achieve a higher ROCE; the Paint and Final Assembly Systems division, which has a very low **capital employed** ⟶ page 227, in some cases achieved values of over 100 % in the past. In principle, our business model allows us to achieve high operating cash flows and **free cash flows** ⟶ page 227.

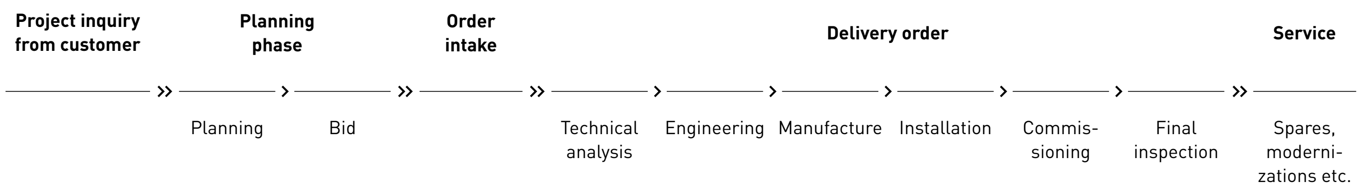
NFD

Financial importance of individual products, services and business markets

The financial importance of individual products and services is limited in view of our broad-based portfolio. A key success factor in the painting and final assembly technology and at the HOMAG Group is our systems expertise, i.e. the ability to plan and build turnkey systems. Digital technologies for the control and analysis of systems and machines are playing an increasingly important role. The service business generates an above-average contribution to earnings within the Group. Thanks to our international presence, we have a balanced regional sales breakdown. In 2020, 17 % of revenue was accrued in Germany, 23 % in other European countries, 27 % in North and South America and 33 % in Asia, Africa and Australia. The distribution of the result among the individual regions is approximately in line with the regional breakdown of sales. In regions of strong growth, we tend to achieve slightly higher margins.

NFD

2.4 — PROCESSES IN PLANT ENGINEERING



Business processes/process advantages

Planning, **engineering ⟶ page 226,** order execution and service are our most important business processes. At 40 %, our real net output ratio is lower than that of typical industrial manufacturing companies. Professional project management is critical to success in large plant engineering projects in particular. A large project usually requires 15 to 24 months for completion, while the figure for orders in machine construction is between 2 and 12 months. Smaller remodeling, modernization and service projects are of shorter duration.

Large projects require efficient collaboration between various departments and sites. We therefore operate with standard processes in planning, order execution, service and administration. As part of our digital@DÜRR strategy, these processes are increasingly supported by digital tools or – especially for administrative processes – automated with the help of robotic process automation. This prevents interface problems, increases speed and process reliability and improves international cooperation and capacity management.

Customer relations

Business with vehicle manufacturers and suppliers is technically complex and long-term. We therefore maintain constant communication with them. We act as a planner, consultant and system supplier. In the case of major investment projects, we are consulted up to two years before an order is placed. As a service partner, we support our customers in plant operation and in the event of modernizations. Customers often inform us in advance of the development of new models to ensure that we can supply the required production technology in due time.

The mechanical engineering divisions – Measuring and Process Systems and Woodworking Machinery and Systems – have a broad market base with tens of thousands of customers. Sales-related expenses are therefore higher than for plant engineering business with the automotive industry. In addition to supplying individual machines, however, there are also larger projects with extended lead times in the mechanical engineering sector.

Supplier relations

We source goods, raw materials and services from several thousand suppliers. In addition to parts and component suppliers, we also often use the services of contract manufacturers, engineering consultancies and logistics companies. In the case of crucial commodity groups, we enter into global framework agreements with preferred suppliers. This enables us to pool the demands of several companies and divisions and achieve economies of scale. For further information, please refer to the **"Procurement" ⟶ page 36** chapter.

Further features of our business model

The real net output ratio in the Group is relatively low (40 %), though there are differences between the divisions. While the real net output ratio in the Woodworking Machinery and Systems division (mechanical engineering) is 44 %, it is significantly lower in the Paint and Final Assembly Systems division (plant engineering) at 33 %.

Because of the low real net output ratio, the **asset intensity ⟶ page 227** and capital employed are also relatively low. The prepayments received from customers generally cover the receivables and inventories in current assets to a significant level. Consequently, the **net working capital (NWC) ⟶ page 227** in plant engineering is

NFD

usually low or even negative. In relation to the fixed costs, too, we benefit from the low real net output ratio and asset intensity in plant engineering. This makes us more flexible in the event of cyclical order fluctuations and was also an advantage in view of the significant decline in sales in the wake of the corona crisis. In the project business with the automotive industry, we have noticed a normalization of down-payment volumes in recent years, having previously received very high down payments for individual orders.

The days working capital at the end of the year 2020 was 41.4 days, the target corridor being 40 to 50 days. Measured against sales, our need for capital investment (excluding acquisitions) is low. This is due in particular to the low demand for tangible assets in plant engineering. Since the initial application of the accounting standard IFRS 16 "Leases" in 2019, we have shown structurally higher investments. The normal annual level amounts to 2.5 % to 3.5 % of sales. The fact that investments in 2020 only amounted to €76.4 million and 2.3 % of sales resulted from temporary cutbacks due to the corona crisis.

Most divisions have local production plants and procurement structures in major foreign markets. This reduces their need to import and thus the transaction risks. More important are translation risks resulting from the conversion of foreign currency positions into euros.

Projects with the automotive industry and large furniture manufacturers often have long lead times. Essentially, this allows us a clear picture in terms of future order receipts. We can therefore make a relatively accurate assessment of our future sales, capacity utilization and income situation for a major portion of the business.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

We have 120 locations in 33 countries. This includes the locations of the Teamtechnik and Cogiscan companies, which have been part of the Dürr Group since February 2021. At year's end 2020, 33.6 % of the workforce were employed in the emerging markets. Shanghai, with almost 2,300 employees (including around 300 external staff), is the largest location in the emerging markets.

Our lead sites in Germany control the Group's global operations. The Dürr Campus in Bietigheim-Bissingen (approx. 2,300 employees) is the Group's corporate headquarters and also the head office of Paint and Final Assembly Systems, Application Technology and Clean Technology Systems. The Darmstadt site (around 550 employees) coordinates the operations of Measuring and Process Systems. The HOMAG Group head office in Schopfloch (approx. 1,770 employees) manages the business activities of Woodworking Machinery and Systems.

Guidelines define how the Group companies collaborate on cross-border systems projects in plant engineering. In the case of major orders for Paint and Final Assembly Systems, the system centers in Bietigheim-Bissingen or Shanghai take over project governance. There are also business centers that are responsible for smaller modernizations, systems project segments, and local sales and service. In mechanical engineering, the German lead sites act as the hub at the center of international projects.

Company-specific leading indicators

In order to be able to respond to a changed cyclical and demand situation at short notice, we follow leading indicators. We classify them into four categories:

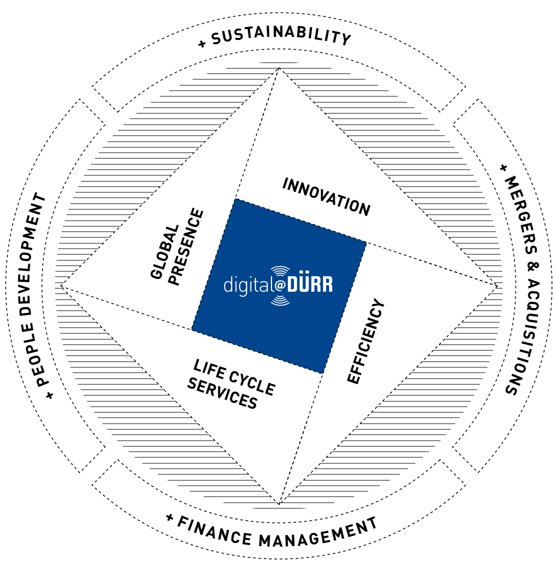
- Key economic leading indicators are money supply, commodity and energy prices as well as purchase manager and business climate indices. Research reports and macroeconomic statistics also assist us in recognizing cyclical changes at an early stage. Moreover, we pay close attention to the development of interest rates. Business trends within our main customer industry segments (automotive and woodworking) correlate strongly with the development of the global economy.
- More specific indicators to assess future business potential are customers' investment plans as well as statistics and forecasts on production and sales. In addition, we follow the expectations of analysts regarding our customers' cash flows and investments.
- Our customers' specific investment projects constitute the third leading indicator. We collect the respective information in our customer relationship management system, along with an assessment of our chances of being awarded a contract. In the product business, the quote time period for offers serves as an indicator. If customers require more time for investment decisions, the average quote time period increases. This indicates a trend toward weaker demand.
- The fourth group of indicators comprises incoming orders and order backlog. As many projects have a long lead time, both key figures are suitable for assessing capacity utilization and sales for the coming quarters.

Strategy

The Dürr Group's current mid-term strategy was adopted in early 2020, providing the roadmap for profitable growth and for raising earnings to a top level in the international mechanical and plant engineering sector. Our strategy is linked to four medium-term performance targets:

- **Sales growth:** Organic sales growth is to reach an average of 2 % to 3 %. We are generating further growth through acquisitions, which are an important component of the strategy.
- **High profitability:** The EBIT margin is to be widened incrementally to at least 8 %. We consider this level to be appropriate in view of the increased proportion of mechanical engineering business in our portfolio.
- **Attractive return on capital:** We are aiming for an ROCE of at least 25 %, underpinned by high EBIT contributions from mechanical engineering and low capital employed in plant engineering.
- **Increase in the proportion of service business:** With its wider margins, service business is to contribute up to 30 % of Group sales. Efficient service business safeguards the Group's earnings and boosts customer satisfaction.

2.5 — THE DÜRR GROUP'S MID-TERM STRATEGY



+2–3 % p.a. organic
SALES

≥8 %
EBIT MARGIN

≥25 %
ROCE

30 %
SERVICE SHARE

GLOBAL PRESENCE

- Global business with local supply chain
- Strong regional set-up (North America, Asia, Europe)
- Expand in Southeast Asia

INNOVATION

- Technology leader with software as differentiator
- Enter new business fields supported by trends
- Efficient & sustainable products

EFFICIENCY

- Drive synergies, esp. scale, processes, standardization, costs
- Lean and agile organization
- Optimize global footprint

LIFE CYCLE SERVICES

- Leverage vast installed base
- Increase spare parts sales driven by proprietary parts
- Strengthen brownfield business
- Optimize life cycle by using asset data intelligence

In order to achieve our goals and expand our leading position in the world market, we are continuing to push ahead with digitalization as a central strategic element. In addition, we are positioning ourselves to optimum effect in four strategic fields: global presence, innovation, efficiency and life cycle services. We have also defined four enablers, i.e. supporting functions that are particularly important for the successful implementation of our strategy: sustainability, mergers & acquisitions, finance management and people development.

DIGITALIZATION

Digital competence is one of the Dürr Group's key strengths. This places us in a good position to address the digital transformation that is increasingly shaping machine and plant engineering. Digitalization ensures our customers greater plant availability, for example through the use of artificial intelligence, **analytics applications** and **predictive maintenance** ⟶ page 226. This is supplemented by cost-cutting and the automated production of individualized products in batch size 1. Digitalization is relevant for all four strategic fields in the Dürr Group. It exerts a decisive influence on innovation management and our service range. In addition, digital processes and tools are the key to efficient collaboration and global networking within the Group.

Market leader in the digital era

To remain ahead of the competition in the digital era, we need to offer our customers the best solutions for the digital optimization of their production. To this end, we are expanding our range of data-based software applications, intelligent products, digital services and corresponding business models. In this way, we are tapping into new sales potential and shielding our business from competitors in the software industry. We have a crucial advantage over them in that we combine digital know-how with expert knowledge of production processes – also known as "shop-floor competence".

digital@DÜRR: Specific approaches

Our strategy for digital transformation goes by the name of digital@DÜRR. It encompasses various approaches for successfully structuring the digital transformation:

- **Comprehensive software program:** We offer a broad range of software for digitalization, including the ADAMOS **IIoT platform** ⟶ page 226 and manufacturing execution systems, smart analytics and smart maintenance applications for entire plants as well as individual processes and machinery. Our **analytics applications** ⟶ page 226 already use artificial intelligence. Another current focus is the development of manufacturing operations management (MOM). This is an integrated software system for controlling and optimizing factory processes. Available in 2022, the first version of the new MOM marks a further development of Dürr's and iTAC's manufacturing execution systems, which have been installed in over 500 factories worldwide.

- **Intelligent products and services:** We develop intelligent, adaptive products fitted with sensors and connectors to record data and make it available to smart applications. This data also forms the basis for digital services such as predictive plant maintenance.

- **Expansion of software expertise:** We are specifically recruiting software experts and encouraging employees to acquire digital skills. In addition, we are also exploring M&A opportunities to enhance our digital range.

- **Customer orientation:** The starting point for the development of smart applications is formed by practical customer requirements, such as quality assurance in the painting process. Our digital innovations stand for simple **connectivity** ⟶ page 226 and low resource requirements for customizing. Pilot projects with the automotive industry prove that our applications can be used directly and enable rapid production optimization. The fact that Volkswagen has selected us as a pioneer partner for its industrial cloud additionally testifies to the relevance of our applications.

- **New business models:** We develop the business models required to market our applications, such as subscription models for sourcing software, maintenance contracts for the employment of software and **pay-per-use models** ⟶ page 226. To sell applications, we use digital marketplaces such as the tapio platform for the woodworking industry and the ADAMOS Store.

- **Partnerships and cooperations:** In view of the complexity of the digital transformation, we rely on partnerships. One example is the ADAMOS network with Software AG, PwC and more than 20 participating mechanical engineering companies. Through ADAMOS, we offer customers not only the IIoT platform ⟶ page 226 but also an integration hub that networks different machine makes and their application environments. This is joined by the growing portfolio of apps provided by the ADAMOS partners, the ADAMOS Store as well as digitalization consulting services. Thanks to the ADAMOS cooperation, partners are able to reduce their resource requirements by harnessing synergistic benefits and sharing development results and experience.

- **Internal transformation:** Digitalization goes hand in hand with the internal transformation of the Dürr Group. We support order processing with digital tools and consolidate software development in the subgroups' digital factories. The digital factories are interlinked and work together via a cross-functional team to leverage synergistic effects and to be able to offer new digital products more swiftly. Agile working methods and short decision paths serve the same purpose. We also use new concepts and tools for internal collaboration in the digital working environment.

GLOBAL PRESENCE AS A STRATEGIC FIELD

Our business is international, and we have a global footprint with 120 locations in 33 countries. Thanks to our high degree of localization, we are able to take advantage of regional market opportunities and support our customers close to the relevant market. In connection with global presence as a strategic field, we have defined ways of making the best possible use of our worldwide Group network.

Localization and global network

One key aspect of this involves localizing our products. What this means is that we systematically adapt our products to meet the specific requirements of the individual regional markets and manufacture them on a local basis. This is accompanied by a global strategy for engineering ⟶ page 226, R&D and supply chain management. We are distributing our activities in these areas across locations around the world to an even greater extent in order to leverage their individual advantages. Whether it be expertise, cost advantages, technological skills or customer proximity: Each location is to contribute its own strengths to the Group network to optimum effect. Centers of competence for specific technologies will be increasingly installed in high-growth emerging markets. With respect to production, we rely on specialized production hubs that manufacture their products for the global market on a cost-efficient basis.

Focus on Asia

Asia continues to offer the greatest growth potential for us. For this reason, we are aligning our organizational structures and product strategy to meet the needs of this market. Having already established a strong footprint in China and India, we are now expanding our position in the growth markets of Southeast Asia.

INNOVATION AS A STRATEGIC FIELD

Innovation is an important pillar of our market leadership and necessitates high R&D budgets. Our R&D agenda has two priorities. Innovations aim to enable sustainable production processes and unleash added value by means of production efficiency. Our product development activities seek to lower energy and resource consumption and reduce emissions and unit costs. A further aspect is the flexibilization and modularization of factories. We are developing scalable production systems that can be easily expanded depending on the market performance of the product in question.

The proportion of digital technologies is widening across practically all innovations. We are steadily making our machines and systems more intelligent and networking them so that they provide greater benefits for users. Further information on our innovation strategy and current examples can be found in the chapter entitled "Research and development" ⟶ page 37.

EFFICIENCY AS A STRATEGIC FIELD

Continuous portfolio analysis is part of efficiency as a strategic field. To this end, we assess the performance of our activities and identify the areas in which adjustments are necessary.

OneDürrGroup

In addition, this strategic field encompasses all initiatives aimed at improving our processes and structures. The goal is to achieve an efficient organization that contributes to profitability and adapts flexibly to market changes. To this end, we have defined the OneDürrGroup efficiency strategy to reduce activities that do not generate any value, so that our employees can concentrate on their core tasks. OneDürrGroup focuses on the cooperation of the divisions in the harmonization of processes and data collection, the corresponding design of the shared IT systems and the use of uniform internal digitalization platforms. This enables us to automate and accelerate processes, define best-practice solutions and leverage synergistic effects, for example by setting up cross-site shared service centers. OneDürrGroup also entails efficiency gains through the merger of smaller national companies and the bundling of local activities at larger locations.

Process excellence

In connection with efficiency as a strategic field, we are not losing sight of our employees either and are creating a performance-enhancing work environment. Our process excellence approach is designed to enable them to achieve better results with less effort. To this end, we facilitate the use of efficient methods such as lean management and agile working. We adapt processes, improve communications within the organization and promote independence, personal responsibility and knowledge-sharing.

LIFE CYCLE SERVICES AS A STRATEGIC FIELD

The service business has strategic relevance in two respects, as it generates above-average margins and strengthens customer loyalty to a great degree. Moving forward, we want to widen the contribution made by service business to Group sales to as much as 30 %. For this purpose, we are aligning our service activities along the entire life cycle of our machinery and systems and pursuing three lines of attack:

- **Leveraging the installed base:** Our broad installed base offers great potential for growth in the service business. We will be leveraging this potential with the help of digital products. Via connectivity → page 226 and machine data analytics, we can provide customers with suggestions for increasing their overall equipment effectiveness.

- **Expanding spare parts business:** We are intensifying the spare parts business with its recurring sales and earnings contributions by means of active sales and data-based requirement analyses.

- **Brownfield expansion:** We are expanding our plant modernization business (“brownfield projects”). In the paint technology business, the proportion of brownfield activities is expected to grow to around one third in the medium term. An increasingly important part of modernization business involves retrofitting with digital products.

FOUR CENTRAL ENABLERS

The operating business is flanked by four central enablers (supporting functions) that are relevant for the successful implementation of our strategy.

Mergers and acquisitions

The systematic acquisition of companies and technologies has been an integral part of our strategy for about ten years. In this way, we tap growth potential, enter new areas of business and secure our leading positions. We are continually sounding out the market. In doing so, we distinguish between three types of acquisitions:

- Bolt-on: complementary acquisitions to reinforce existing business
- Cross-divisional: acquisition of cross-sectional technologies benefiting multiple divisions within the Group (e.g. software and digital technologies)
- Diversification: acquisitions to expand the portfolio or establish new, high-growth business areas or divisions

Diversification acquisitions are the most extensive type. In this area, we seek mechanical and plant engineering companies that are leaders in niche markets and possess potential for improving earnings and synergies. Over the past twelve months, we have executed five transactions and thus invested in future-oriented areas and growth markets:

- **Automation (diversification):** With the acquisition of a majority stake in Teamtechnik effective as of February 2021, we have strengthened our position in automation technology. Automation is one of the Dürr Group’s key competences. It enables customers to mass-produce inexpensive products in high quality and at competitive costs. The acquisition of an interest in Teamtechnik gives us access to new business areas in the realms of electromobility and medical technology. Teamtechnik is one of the leading providers of testing systems for electric and hybrid drives. With the growth in mass production of electric and hybrid vehicles, there is rising demand for systems for testing their power trains. Teamtechnik’s other main focus is on production systems for medical devices, such as injection systems or inhalers. In this area, the market volume accessible to Teamtechnik shows high single-digit growth rates.

- **Construction elements for wooden houses (bolt-on):** The acquisition of a majority interest in Danish mechanical engineering company System TM and the increase in our stake in the HOMAG subsidiary Weinmann were important steps for establishing ourselves as a leading system provider of technology for the production of construction elements for timber houses. More and more buildings are being constructed with wooden elements around the world. Wood as a construction material is sustainable, as it stores large amounts of CO_2 and can be replenished quickly. Houses made of wooden construction elements can be built in a short space of time, and timber construction also offers advantages in the densification of built-up urban areas. The HOMAG Group is addressing the trend toward the use of timber for construction by expanding its production range for construction elements and thus tapping into a growth market offering great future potential.

- **Furniture industry in China (bolt-on):** With the full takeover of the joint venture Homag China Golden Field, we now exclusively have the largest sales and service organization for woodworking machines in China. With a share of more than 30 %, China is the world's largest furniture market and offers us a lot of potential through the industrialization of local furniture production.

- **Digitalization (cross-divisional):** The takeover of Techno-Step has strengthened our digital expertise in application technology ⟶ page 226. Techno-Step software allows us to analyze process data from painting robots even more effectively and also digitally network third-party systems and legacy robots.

Sustainability

Sustainability as a business driver

Sustainability in investments is becoming increasingly important for our customers. This is why we are specifically developing low-consumption and low-emission products and processes that can be used to reduce the ecological footprint of factories. Further details can be found in the chapter entitled "Research and Development" ⟶ page 37 and the section entitled "Sustainable products and solutions" ⟶ page 43 in the chapter on "Sustainability" ⟶ page 41.

In addition, we are expanding into business areas that help our customers manufacture sustainable products. Examples include production technology for wooden house construction elements and our range of products for the production of electric vehicles. In the e-mobility sector, in addition to the acquisition of a majority stake in Teamtechnik, we have also entered into cooperation with Japanese partner Techno Smart to expand the coating technology business for automotive battery cells.

Sustainability in the Dürr Group

The trend toward sustainability is creating new business opportunities for us. In addition, sustainability is also becoming increasingly important as a guiding principle for our own activities. That is why we have defined it as a central element of our strategy.

Customers and business partners are increasingly expecting us to verify sustainable activity before they sign contracts with us. Our trustworthiness as an employer, an issuer in the capital market and a participant in public life also requires us to adopt a responsible approach in our relations with our stakeholders and the use of resources and to observe the principles of corporate citizenship, compliance and good corporate governance. For this reason, we further expanded our sustainability organization in 2020 and will be publishing a sustainability report in line with the principles of the Global Reporting Initiative (GRI) for the first time this year. Further information can be found in the chapter entitled "Sustainability" ⟶ page 41.

Finance management

Finance management helps us to implement our strategy of profitable growth. To this end, it seeks to provide funding on favorable terms and to ensure that financial resources are used effectively and efficiently. The external financing that we raise usually contains a sustainability component. The Group-wide OneFinance program aims to improve the management of the company and to increase the efficiency and effectiveness of internal processes. We want to achieve this goal through the following activities: the prompt provision of transparent and future-oriented information, the Group-wide standardization and digitalization of financial processes and the expansion of shared services.

People development

Our success as an **engineering company** **⟶ page 226** hinges decisively on the qualifications of our employees, particularly in view of digitalization and the capabilities that this calls for. We therefore define personnel development as a strategic task. Specifically, we are pursuing four approaches:

- Dürr Group Academy: worldwide further training for specialists and managers
- Talent management: attractive career paths, successor planning for key positions
- HR development innovation: a motivating work culture; preparation for new challenges; modern leadership that encourages personal responsibility
- Employer branding: employer attractiveness to retain employees and attract external applicants

Procurement

In 2020 we were able to reduce the Dürr Group's cost of materials by 20.4 % to €1,338.7 million. This corresponds to a disproportionate reduction compared with the decline in sales.

Measured against sales, the proportion of bought-in goods and services in the Dürr Systems sub-group is higher than in the Schenck and HOMAG sub-groups, both of which have a higher proportion of in-house production. In plant engineering, aside from raw materials and semi-finished products, we primarily purchase installation and engineering services, along with complete units, modules and aggregates. In mechanical engineering, we purchase many finished parts and pre-assembled modules. Other important procurement groups within the Group as a whole are mechanical and electrical bought-in parts, such as drives and sensors. Procurement prices for 2020 remained largely constant. There was a slight drop in the price of raw materials relevant to us, mainly aluminum, copper and steel.

Throughout the Group, we have a broad procurement base consisting of over 30,000 suppliers. Any goods and raw materials we require, we source globally. In addition, we rely on local suppliers, who primarily provide manufacturing components and installation services. When it comes to important commodity groups, we have worldwide framework agreements in place to achieve better terms through volume advantages. In Asia, we are increasingly buying manufacturing products and components for projects and plants in other markets. We exclusively manufacture certain core products ourselves, thus protecting our know-how and ensuring quality and on-time deliveries. To ensure supplier availability, we forecast our needs as early as the sales stage, we set store by long-term capacity planning, and we closely monitor deadlines and milestones when dealing with suppliers.

In 2020, border closures due to the coronavirus pandemic led to suppliers in plant engineering not always being able to begin their installation work on schedule. In some cases, project execution was also affected by suppliers' plant closures due to quarantine rules. Suppliers in mechanical engineering are subject to a slightly higher insolvency risk. As a result, we have stepped up our supplier monitoring in order to identify default risks at an early stage and secure the supply chain.

In 2020, we pressed ahead with the organizational optimization of our purchasing activities. Preparing the introduction of a Group-wide supplier relationship management system remained one key aspect. To this end, we defined a standardized, Group-wide commodity group structure. In 2021, we will gradually implement the supplier relationship management system at all Group sites. This will improve our worldwide transparency in terms of our suppliers and purchasing volumes.

We have integrated the purchasing departments of the HOMAG companies into our SAP landscape, as scheduled. For the Megtec/Universal Group companies (Clean Technology Systems), which were acquired in 2018, SAP integration has almost been completed. We have further advanced the digitalization of our purchasing activities. Order confirmations and supplier auctions, for instance, are increasingly occurring in digital formats. Furthermore, we have taken additional steps to improve the sustainability of our supply chain. One such example is our assessment of suppliers using social and ecological criteria. More information is available in the **"Sustainability" ⟶ page 41** chapter.

The HOMAG Group has restructured its purchasing organization to simplify interfaces and improve processes. Strategic purchasing has been consolidated and more closely integrated into the purchasing activities of the local sites. The new Advanced Purchasing department is responsible for integrating any purchasing issues into the HOMAG Group's production development process at an early stage.

In plant engineering, we have further advanced the separation between our strategic and operational purchasing activities. The Supplier Development team is responsible for the strategic selection of new suppliers and the further development of existing suppliers.

As of December 31, 2020, 583 employees were working for the Dürr Group's purchasing organization. The Global Sourcing Board is responsible for coordinating worldwide purchasing activities. It is made up of the divisions' purchasing heads. The international Global Sourcing Committee of the Dürr Systems sub-group takes advantage of pooling opportunities and liaises on large contract awards and framework agreements. Our Global Lead Buyers have global purchasing responsibility for individual commodity groups and pool the requirements of multiple companies and divisions.

Research and development

R&D GOALS

Leading in Production Efficiency: This is the guiding principle behind our R&D work, which is aimed at innovations for efficient production processes, lower costs per unit and reduced environmental impact. Through innovation, we wish to set ourselves apart from our competitors and safeguard our market leadership. In this regard, digital solutions are becoming increasingly important, incorporating not only IT expertise but also our knowledge of our customers' production processes.

R&D KEY FIGURES AND EMPLOYEES

Given the impairments in operations caused by the corona pandemic, direct R&D spending in 2020 was 2.8 % lower than in the previous year, amounting to €107.7 million. Strategically important areas of innovation, such as digitalization, remained the unaltered focus of our R&D work. With sales declining, the R&D ratio rose to 3.2 % (previous year: 2.8 %). Order-related development costs were included in the sales costs rather than the direct R&D costs. Capitalized development costs and their amortization totaled €18.1 million and €10.0 million, respectively (previous year: €19.0 million and €9.1 million). Measured against the direct R&D costs, a capitalization rate of 16.8 % was achieved (previous year: 17.1 %).

At the end of 2020, 795 employees worked in our development departments. This corresponds to 4.8 % of the total workforce (Dec. 31, 2019: 789 and 4.8 %). In the context of customer orders, other employees also work on new solutions.

The responsibility for R&D lies with the five divisions. The cross-functional team "R&D/Technology" coordinates cross-divisional R&D activities and promotes the use of best practice solutions in the divisions. The cross-functional team reports to the CEO. Processes and detailed issues relating to R&D work are governed by guidelines in the divisions. The development of new solutions represents around 70 % of our R&D expenditure, while some 30 % goes to maintaining existing products. Our R&D work is essentially focused on specific products and applications. Basic research is inherently of minor importance in our business.

2.6 — R&D KEY FIGURES

		2020	2019	2018
R&D expenditure	€ million	–107.7	–110.8	–121.0
Group R&D ratio	%	3.2	2.8	3.1
Paint and Final Assembly Systems	%	1.9	1.6	1.3
Application Technology	%	6.0	4.6	4.0
Clean Technology Systems	%	1.2	1.2	2.6
Measuring and Process Systems	%	2.9	2.6	2.1
Woodworking Machinery and Systems	%	4.3	3.9	4.9
Capitalized development costs	€ million	18.1	19.0	14.5
Amortization of capitalized development costs	€ million	–10.0	–9.1	–9.9
R&D employees (Dec. 31)		795	789	782
R&D personnel costs	€ million	–71.8	–79.3	–77.7

The testing technology, assembly products and automotive filling systems businesses were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures given for 2019 have been adjusted accordingly and therefore differ from the original disclosure. The figures for 2018 have not been adjusted.

2.7 — R&D EMPLOYEES 2020

	Group	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
Total	795	97	183	30	64	421
% of the workforce	4.8	2.2	8.5	2.2	4.5	6.1

NEW DEVELOPMENTS AND PATENTS

In 2020, our R&D experts were able to complete 75 product innovations. As of December 31, 2020, we held 6,946 individual patents divided among 1,323 patent families (Dec. 31, 2019: 6,861 and 1,250). The Application Technology division accounted for the largest number of patents. Expenses of €8.6 million were incurred for the protection of our intellectual property in 2020 (previous year: €9.3 million).

COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

In order to further strengthen our capacity for innovation, we maintain cooperations with scientific institutes and development partners. We spent €45.9 million on external R&D services in 2020 (previous year: €42.2 million). In addition, the public sector supported us with research grants amounting to €0.3 million; this represents 0.3 % of the total R&D costs.

R&D FOCUS

Our innovation work is based on our customers' requirements and on superordinate technology and manufacturing trends. The following are currently of particular importance:

- **Digitalization/Industrial Internet of Things (IIoT):** The dominant trend in manufacturing technology is digitalization. This increases our customers' overall equipment effectiveness and enables **adaptive manufacturing processes** ⟶ page 226. The use of artificial intelligence is playing an increasingly important role. Virtual reality technology and simulations support the efficient commissioning and ongoing operation of the plants. In step with the further development of our software portfolio, we are creating new business models.
- **Increased flexibility:** In order to be able to offer a wide diversity of models and variants, our customers need flexible production lines. Therefore, we work on solutions that bypass rigid process chains and can be easily expanded.
- **Sustainability:** Consumers are increasingly opting for goods that have been produced in environmentally compatible processes, and the public is also increasingly looking at the ecological footprint of producers. Energy and resource efficiency is therefore not only a cost issue for our customers. Several customers have set targets for when they plan on achieving CO_2 neutral production. The focus is also on the processing of new materials. In automotive construction, for example, plastic parts are increasingly being used to reduce weight, as this reduces fuel consumption and emissions.
- **Customization/batch size 1:** We are seeing growing interest in systems that enable individually configured end products to be manufactured efficiently on automated lines.
- **Optimization of per-unit cost:** Reducing per-unit manufacturing costs is an important goal for our customers. Accordingly, we are developing new products and processes that lower the need for material, energy, maintenance and human resources. In doing so, we take into account different technical and regional requirements for our products.
- **Automation:** Maximum automation is the key to reproducible top quality and efficiency in industrial production. In addition to the automation potential in our traditional business, we see great opportunities in the production and testing of batteries, electric motors and medical technology.
- **Electromobility:** There are differences between the final assembly of battery-powered vehicles and that of conventional cars – for example when connecting the power train and the body or during performance testing at the end of the assembly

line. We are therefore developing assembly and testing technology specifically for electric vehicles. We are also aligning our painting solutions to the special requirements of electric vehicle construction. Since new e-mobility providers, in particular, start small but plan strong growth, we attach great importance to modular and scalable production technology.

- **Autonomous driving:** Modern vehicles are equipped with an increasing number of driver assistance systems; the automotive industry is also working nonstop on concepts for driverless vehicles. Highly-sensitive, automated test systems are crucial for testing and calibrating the required safety-relevant technology, such as sensors, during mass production.

R&D RESULTS

Paint and Final Assembly Systems

The paint shop of the future represents a completely new painting concept. Flexible, individual boxes replace rigid line production and help to achieve greater efficiency and flexibility. As part of this concept, Paint and Final Assembly Systems and Application Technology have now developed the **Eco**ProBooth. For the first time, it combines interior and exterior painting in a single paint booth, which makes the painting process more efficient. Moreover, production no longer has to be stopped for maintenance and cleaning work on the painting robots. Maintenance openings allow service work to be carried out on the painting robots without anyone having to enter the clean room.

With the Bolt Picking solution, we have further developed the x-gun direct bolting system, thus simplifying the union of the body and power train in the production of electric cars even further. Thanks to the camera- and robot-based technology, the bolting device is fully automatically loaded with the appropriate bolts for the respective model. The compact design and the possibility of virtual commissioning ensure uncomplicated retrofitting of existing systems.

Application Technology

Application Technology enables efficient application of colored clear coat while reducing emissions of volatile organic compounds. Traditionally, vehicle manufacturers only apply a transparent clear coat after the colored base coat. If an additional colored clear coat has been applied prior to that, it creates an extraordinary gloss and effect of depth on the vehicle surface. However, in the case of colored clear coat, the atomizers must be cleaned before paint of another color is applied. This is time-consuming, wastes paint and causes over one kilogram of VOC emissions per painting process. With the so-called double main needle technology, both clear coat applications can now be combined without intermediate cleaning.

The new Core **Eco**RPiC robot series was developed for standard painting applications. The robots require less maintenance despite consistently high quality. At the same time, the time required for manufacturing and commissioning the robots is reduced.

Clean Technology Systems

With **DXQ**equipment.operation for oxidizers, Clean Technology Systems is driving the digitalization of its exhaust air purification systems. The application documents and examines settings as well as process data and displays them clearly. The operator is informed immediately if action is required. He can also access the system data on a mobile basis, search for errors and carry out remote maintenance at any time.

Measuring and Process Systems

Measuring and Process Systems has further digitalized its **balancing technology services** ⟶ page 226. Thanks to special software, our experts can help the customer within seconds via advanced video conferencing without having to be on site. In addition, the technicians at the customer's location can use **augmented reality glasses** ⟶ page 226. Information and images are displayed in the field of vision via the glasses, while the technicians have their hands free for the necessary work on the machine. This means that assistance can reach the location even faster and the experts can apply their knowledge more widely. At the same time, the volume of travel is reduced. This principle is also applied for training sessions.

Our subsidiary Agramkow has made the process of filling air conditioners and refrigerators/freezers with refrigerants even more efficient. In order to avoid explosions during the filling process, good ventilation is required, which, however, consumes a lot of energy. Thanks to the new development, the need for ventilation and energy is reduced. Investment costs are also reduced.

Woodworking Machinery and Systems

Woodworking Machinery and Systems (HOMAG Group) increases the efficiency of furniture production with the A-Flex table. Before workpieces can be processed in a CNC machine, they must be affixed to carefully aligned vacuum clamps and suction consoles. The A-Flex table accesses the workpiece data via the control system and automatically positions the clamping devices and suction consoles. This saves time. But users remain flexible: Manual positioning of consoles and various clamping devices is also possible.

With the new “serviceAssist” app, HOMAG offers its customers digital help to help themselves. This is based on data from the operation of many thousands of HOMAG machines in service around the world. Empirical data from complications that have occurred and their solutions feed into a database. serviceAssist uses this information to generate advice for machine operators. In the event of unusual changes to the machine, the app also provides information via push messages and points out possible causes, including instructions for maintenance, specifying the expected duration. This saves time in troubleshooting and increases system availability.

DÜRR TECHNOLOGY COUNCIL

The Dürr Technology Council advises the Board of Management on questions of technology strategy. The Council brings together scientific expertise, consultancy skills and senior management experience in the automotive engineering, automation and IT sectors. Its members are:

- Prof. Dr. Holger Hanselka (chair), president of the Karlsruhe Institute of Technology (KIT)
- Ulrich Dietz, chairman of the Administrative Board of GFT Technologies SE
- Jonathan Guenak, senior consultant, Roland Berger GmbH
- Dr. Eberhard Veit, former CEO of Festo AG
- Prof. Dr. Hubert Waltl, former member of the Board of Management of AUDI AG
- Prof. Dr. Thomas Weber, former member of the Board of Management of Daimler AG

The Dürr Technology Council sees its role as a think tank and sparring partner for the Board of Management. It balances our innovation strategy against current trends in production and provides advice on the potential of future-oriented technologies. The Dürr Technology Council maintains constant contact with the Board of Management and, if necessary, exchanges information with the heads of divisions and managers from R&D, software and corporate development departments. It invites different representatives from this circle and external experts to its meetings.

The first meeting of the Dürr Technology Council in 2020 was held virtually in August. After presenting the status quo of the research cooperation with KIT, the members decided to focus the collaboration on two particularly promising digital topics. Other items on the agenda included the Dürr Group’s sustainability strategy and the development of regional demand for sustainable production technologies. Another topic dealt with new business models for the further development of the Dürr Group.

The second meeting in Bietigheim in November again focused on the topic of sustainability and the associated business models. Another focus was on internal digitalization within the Group, which is driven in particular by so-called BOTs, i.e. digital assistants that independently perform recurring computer-based activities and processes. The participants also discussed the advantages and possible applications of the Dürr Manufacturing Operations Management system, a holistic software system that enables processes in factories to be monitored, controlled and optimized.

SUSTAINABILITY

It is our aim to give equal consideration to economic, ecological, and social aspects in our business activities. We reaffirmed our commitment to responsible corporate governance in 2020 by joining the UN Global Compact. We provide information on activities and progress in the area of sustainability on a regular basis by means of various communication channels, such as investor meetings or our website. We provide comprehensive information to ESG rating agencies such as CDP and EcoVadis. We continued to pursue our aspirations in the area of sustainable finance in 2020 by issuing two further Schuldschein loans and a convertible bond with sustainability components.

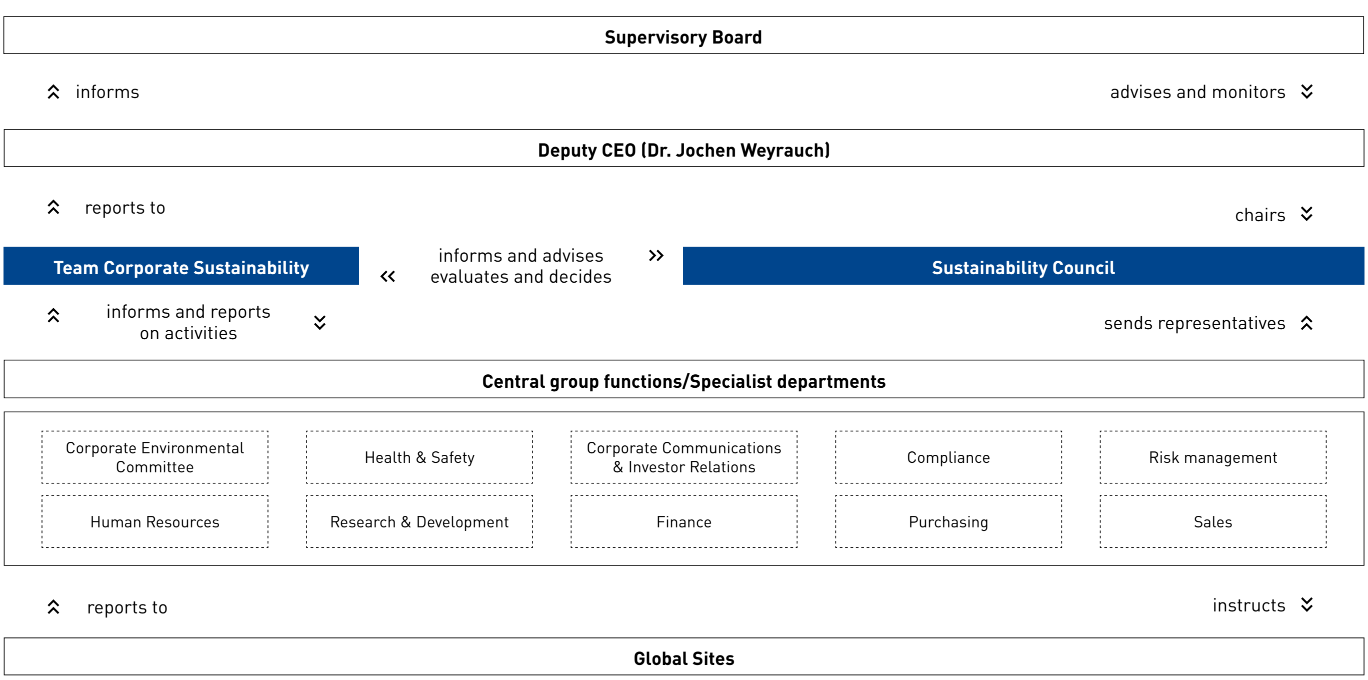
NFD

The topic of sustainability is firmly embedded as an enabler (supporting function) in the current mid-term strategy of the Dürr Group. In 2020, we established the Sustainability Council as a central decision-making body for sustainability issues. It meets once every six months, sets strategies and objectives in the area of sustainability and tracks progress. The Deputy CEO of Dürr AG, Dr. Jochen Weyrauch, chairs the Sustainability Council and has overall responsibility for Corporate Sustainability.

In order to ensure focused reporting, the present non-financial declaration does not follow any framework. In 2021, however, we will publish a comprehensive, independent sustainability report

NFD

2.8 — PLAYERS AND RESPONSIBILITIES/ORGANIZATIONAL STRUCTURE IN THE AREA OF SUSTAINABILITY



NFD

in accordance with the standards of the Global Reporting Initiative (GRI). It will be used to provide detailed information on the topic of sustainability in order to meet the increased interest of our stakeholders.

Materiality analysis

As part of a comprehensive project on the sustainability orientation of the Dürr Group, we carried out a detailed materiality analysis in the year 2020. The business relevance of various non-financial topics was determined on the basis of discussions with specialist departments, interviews with managers and a management workshop. At the same time, we assessed the economic, environmental, and social impacts of our business activities and had them validated by external sustainability experts. Given the increasing importance attached to environmental and climate protection on the political and social agenda, we have classified the issue of the environment as material to the Dürr Group in terms of its products and solutions as well as the supply chain. In this context, we included the topic of sustainable products and solutions in our non-financial reporting for the first time. Innovation forms the basis for sustainable products and solutions in the Dürr Group and is therefore no longer treated as a separate material issue in accordance with the CSR Directive Implementation Act (CSR DIA). The same applies to the issue of employee recruitment due to its relatively low impact on non-financial aspects. We still classify the aspect of social concerns as non-material to our Group.

As a result, we have identified seven material non-financial topics in accordance with the CSR DIA:

- Sustainable products and solutions
- Compliance/anti-corruption
- Human rights
- Employee satisfaction and retention
- People development and further training
- Occupational safety
- Environmental impact in the supply chain

NON-FINANCIAL DECLARATION

The non-financial consolidated declaration in accordance with Section 315b (1) of Germany's Commercial Code (HGB) is an integral part of the management report and is spread across several of its chapters. The following index (Table 2.9) shows which chapters contain information on the non-financial matters that are material to us. The content of the non-financial consolidated declaration is marked in the relevant chapters with a line in the margin and the abbreviation NFD. The non-financial consolidated declaration did not form part of the audit of the annual and consolidated financial statements by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. At the request of Dürr AG, however, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft performed an audit in order to obtain a limited assurance of the non-financial consolidated declaration in accordance with the ISAE 3000 (revised) auditing standard.

NFD

2.9 — INDEX OF NON-FINANCIAL MATTERS

Details in acc. with CSR DIA[1] (Section 315c of Germany's Commercial Code (HGB))	Chapter/sub-chapter/section
Business model	• Fundamentals/The Group at a glance/Profile • Fundamentals/The Group at a glance/ Group organizational structure • Fundamentals/The Group at a glance/ Business model
Risks in relation to material non-financial matters	• Report on risks, opportunities and expected future development/Risks/Risks in relation to material non-financial matters
MATERIAL NON-FINANCIAL MATTERS	
Environmental matters	• Sustainability/ Sustainable products and solutions • Sustainability/Environment/ Eco-efficient technologies • Sustainability/Environment/ Ecologically sustainable supply chain
Combating corruption and bribery	• Sustainability/Integrity
Respect for human rights	• Sustainability/Integrity
Employee matters	• Sustainability/Employees/ Employee satisfaction and retention • Sustainability/Employees/ People development and further training • Sustainability/Employees/ Health & Safety (topic: occupational safety)
OTHER NON-FINANCIAL MATTERS	
Environmental matters	• Sustainability/Environment/ Operational ecological footprint
Employee matters	• Sustainability/Employees/ Health & Safety (topic: occupational health) • Sustainability/Employees/ Employee recruitment • Sustainability/Employees/Vocational training
Social matters	• Sustainability/Social commitment

[1] CSR Directive Implementation Act

NFD

Sustainable products and solutions

The use of our products and solutions has a significant impact on the environment. For instance, the operation of large-scale paint shops requires a high input of energy, resources, and materials. Therefore, a central objective of our innovation strategy is to reduce the environmental impact of our products, for example through lower consumption values and emissions or less space requirements. In this context, digital technologies that can be used to analyze and optimize the consumption of materials and energy in production are becoming increasingly important. By reducing the environmental footprint of our products, we help our customers achieve their sustainability goals, whether in de-carbonization, prevention of waste or reduction of resource consumption. We are convinced that this function as a sustainability enabler will continue to gain strategic importance. We therefore expect that in addition to focusing on costs and production efficiency, customers will increasingly take into account which technology provider contributes most to the achievement of sustainability goals when awarding their contracts.

The following paragraphs provide an overview of select products and solutions that ensure more efficient and environmentally compatible production processes for our customers. Please also refer to the **"Research and Development" ⟶ page 37** chapter.

Painting technology: **Eco**ProBooth and **Eco**PaintJet

A central component of our paint shop of the future is the **Eco**ProBooth paint booth, for which Dürr has filed a patent application. For the first time, it allows interior and exterior painting to be carried out in one process step. This saves space, reduces paint losses as fewer color changes are required, and minimizes emissions in the painting process. When the **Eco**ProBooth is combined with our **Eco**DryScrubber dry separation system, the paint booth requires significantly less energy than an older booth with wet separation.

Another material and energy-saving innovation is the **Eco**PaintJet robot-based application system. In this process, 100 % of the paint lands on the surface to be painted without causing any losses. Since **Eco**PaintJet offers high-precision and razor-sharp painting, two-tone cars no longer have to be masked using film before painting. This results in less waste, while the process also reduces the energy and time required for two-tone painting.

Final assembly technology: process automation for electric cars

We support the production of emission-free electric cars with a variety of solutions. In the area of final vehicle assembly, process automation is an important innovation target. Since battery-powered vehicles have a less complex power train than conventional cars, it is easier to automate their assembly process. We also offer special technologies for the testing and filling of completely assembled electric cars.

Battery manufacturing technology: efficient cell production

Lithium-ion batteries are a key technology in electric mobility. We offer innovative solutions for their production, such as a process for the two-sided **coating of electrodes ⟶ page 226,** which reduces energy consumption. With our solvent recovery systems, we ensure fewer emissions and an economical use of the coating material.

Environmental technology: fewer emissions in industrial exhaust air

Plants from the Clean Technology Systems division remove pollutants in the exhaust air in many industries (for example, chemical, automotive, woodworking, metal, and mining industries). In general, we use thermal processes to incinerate pollutants. We work continuously to reduce the required input of primary energy. In addition, we are developing solutions that make efficient use of the energy released during the combustion of pollutants.

Balancing technology: fewer noise emissions

Balancing equipment from Schenck RoTec helps to reduce noise emissions and environmental pollution and improve energy efficiency in various industries. With the fully automated eTENO model, we are the market leader in **balancing technology ⟶ page 226** for electric car drives.

Woodworking technology: machines for timber house construction, software for less waste

HOMAG expanded its technology range for the production of construction elements for sustainable timber houses in 2020, among other things, through the acquisition of System TM from Denmark. For further information, please refer to the **"Strategy" ⟶ page 31** chapter and the "Portfolio changes" section under **"The Group at a glance" ⟶ page 23.**

We also focus on sustainability aspects in software development, such as that of resource efficiency. The intelliDivide software generates optimized cutting patterns for plywood panels, thus reducing waste. This makes production processes more efficient and reduces material consumption.

NFD

Integrity

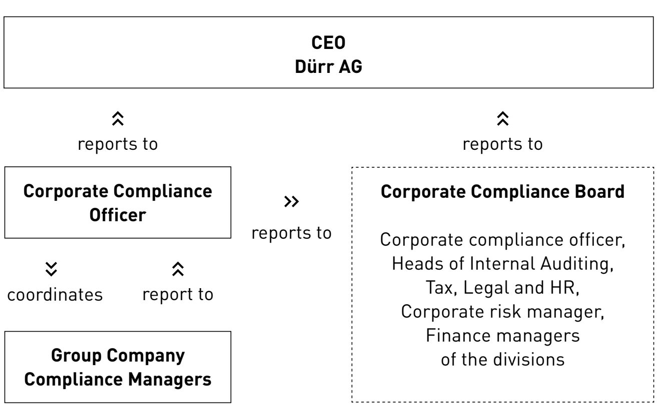
Diversity is one of our five core values. The diversity of employees around the world is a key factor in shaping collaboration within the Dürr Group. Every employee has the right to be treated fairly, politely and respectfully regardless of nationality, gender, sexual orientation, religion, culture or age.

Our Group-wide code of conduct forms the ethical foundation of our relationships with employees, customers, partners and shareholders. It postulates behaving with integrity and contains principles for social responsibility and for dealing with business partners, competitors and employees. The code is available in ten languages and is part of our mandatory onboarding training for all new employees. We also expect our suppliers to comply with rules and minimum standards. The code of conduct for suppliers is a binding part of our contracts and an absolute prerequisite for collaboration.

COMPLIANCE/ANTI-CORRUPTION

Our Group-wide Compliance Management System (CMS) aims to ensure that all employees in business operations act in accordance with the rules, in an ethically correct manner and in accordance with our code of conduct. The three elements of prevention, early detection, and response are core components of the CMS. This is how we want to protect our employees from liability and penalty risks and avoid reputational damage to the company. Our Group-wide compliance company directive defines tasks, areas of responsibility, and communication channels. The Corporate Compliance Board is responsible for regular review and the further development of the CMS.

2.10 — COMPLIANCE MANAGEMENT STRUCTURE



The Corporate Compliance Officer coordinates all operational compliance issues at Group level and serves as the first point of contact for compliance reports. In 2020, we established an additional reporting channel for this purpose in the form of the Dürr Group Integrity Line. It can be used by employees, business partners and third parties to report justified suspicions of violations of legal provisions or the Dürr code of conduct – anonymously, if they wish. In 2020, the Corporate Compliance Office received 35 tips. In one case, the suspicion of a violation of anti-corruption regulations was confirmed; this violation was sanctioned under labor law (previous year: no confirmed cases of corruption).

Our training courses are designed to substantially contribute to avoiding compliance violations. These include onboarding events for new employees, online compliance training courses, and training on data privacy. These trainings are mandatory for all employees, and refresher courses must be completed after two years. In 2020, we trained nearly 12,800 employees on compliance and data privacy. In addition, all managers and particularly exposed functional areas must complete in-depth training. This training includes the advanced modules “Protection against Corruption” and “Fair Competition” and, as of 2020, learning content on the topic of “Payment Fraud”.

Our Group-wide anti-corruption company directive provides employees with rules of conduct for their dealings with business partners and in the event of conflicts of interest. The risk of corruption is also addressed by regulations such as the separation of functions, approval procedures and the four-eyes principle.

HUMAN RIGHTS

In our code of conduct, we commit ourselves to observing human rights. In 2020, we also established a Group-wide policy statement on the respect of human rights and fair working conditions, which was published at the beginning of 2021. We thus underline and substantiate our corporate due diligence. Our aim is to prevent any human rights violations by the Dürr Group and its suppliers. If it is suspected that a human rights violation has occurred, it can be reported via the Dürr Group Integrity Line. In justified cases, the Corporate Compliance department examines the need for further steps and coordinates countermeasures in consultation with the specialist departments.

NFD

We purchase the procurement goods and raw materials we need globally. Especially in manufacturing operations, we outsource a great deal of work to suppliers. We counter the risk of human rights violations in the supply chain with systematic steps. Our code of conduct for suppliers is a binding part of the contracts with suppliers and demands the observance of human rights. In the Dürr Systems sub-group, we take social criteria into account early in the supplier selection process by means of a self-declaration questionnaire. In the case of new and existing suppliers, the Dürr Systems and Schenck sub-groups check the observance of employee and human rights as part of supplier audits using checklists. In 2020, on-site audits of suppliers, particularly in critical countries, were only feasible to a limited extent due to travel restrictions caused by corona. In case of failure to respect employee and human rights, we reserve the right to terminate the collaboration. We plan to perform a risk rating of our suppliers with regard to sustainability aspects starting from 2021, which is to take into account various criteria and serve as a basis for appropriate supplier monitoring. Moreover, we intend to define minimum social standards as a prerequisite for awarding contracts.

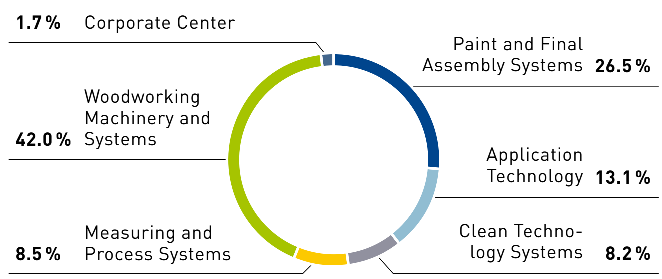
Employees

As of December 31, 2020, a total of 16,525 people were employed by the Dürr Group worldwide. Thus, the size of the workforce remained virtually unchanged from the previous year's reporting date (16,493 employees). As part of restructuring measures, we cut jobs in the European automotive business, among others, in 2020. We expect to see continued subdued development there in the coming years. We also adjusted capacities at some locations to counter the underutilization resulting from the corona pandemic. The first-time consolidation of Homag China Golden Field, System TM and Techno-Step resulted in opposite effects. As a result, approximately 560 employees joined the Group. Teamtechnik's workforce of just over 700 employees is not yet included in the headcount as of December 31, 2020, as the majority acquisition of the company did not take effect until February 5, 2021.

At 5,559 employees, the workforce in the emerging markets accounted for 33.6 % of the total, compared with 32.6 % in the previous year. The increase compared with the end of 2019 is primarily due to the inclusion of Homag China Golden Field and the declining number of employees in Europe and the US. Germany has the largest workforce with 7,931 employees, followed by China (2,434), the US (1,377) and Poland (1,166).

In addition to the above-mentioned adjustments, we responded to the pressure on capacity utilization as a result of the corona crisis with further measures. For more information, please refer to the "Impact of the corona pandemic" → page 70 chapter.

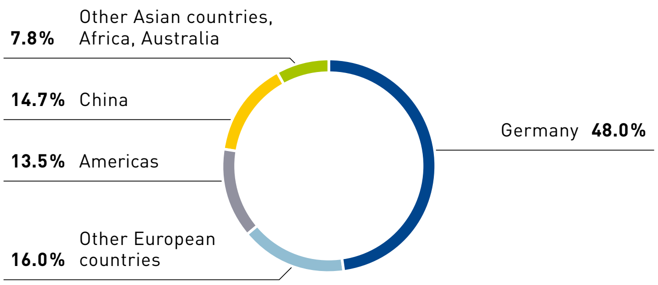
2.11 — EMPLOYEES BY DIVISION (DECEMBER 31)



	2020	2019	2018
Paint and Final Assembly Systems[1]	4,383	4,412	3,472
Application Technology	2,162	2,306	2,246
Clean Technology Systems	1,348	1,418	1,472
Measuring and Process Systems[1]	1,407	1,515	2,279
Woodworking Machinery and Systems	6,942	6,569	6,593
Corporate Center	283	273	250
Total	**16,525**	**16,493**	**16,312**

[1] The testing technology, assembly products and automotive filling systems businesses were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures given for 2019 have been adjusted accordingly and therefore differ from the original disclosure. The figures for 2018 have not been adjusted.

2.12 — EMPLOYEES BY REGION (DECEMBER 31)



	2020	2019	2018
Germany	7,931	8,181	8,152
Other European countries	2,638	2,617	2,567
Americas	2,229	2,382	2,368
China	2,434	2,064	2,081
Other Asian countries, Africa, Australia	1,293	1,249	1,144
Total	**16,525**	**16,493**	**16,312**

2.13 — KEY FIGURES FOR SOCIAL AFFAIRS

	2020	2019	2018
Number of employees (Dec. 31)	16,525	16,493	16,312
of whom apprentices and students at cooperative state universities (Dec. 31)	425	450	431
Proportion of female employees (Dec. 31) (%)	16	16	16
Part-time employees (Dec. 31)	573	598	507
Employees with fixed-term contracts (Dec. 31)	166	309	361
Number of external employees (temporary workers) (Dec. 31)	724	1,250	1,399
Average length of service (years)	12	11	11
Employee turnover (%)	9.5	8.2	9.3

OUR WORKFORCE

As we are present internationally with locations in 33 countries, open-mindedness and diversity are central components of our corporate culture. The average age of our workforce is 42. Across the Group, approximately one-third of employees is under 35 years of age; in China, this age group accounts for almost half of the total. The US has the oldest workforce with an average age of 44 years.

A total of 47 % of our employees have a university degree, while 49 % have chosen non-academic vocational training. Most of our employees, around 29 %, work in assembly and manufacturing. More than 2,700 employees (17 %) are employed in service (customer service) worldwide. Approximately 10 % of our employees take care of administrative tasks and our IT infrastructure. Further personnel key figures can be found in Table 2.13.

NFD

EMPLOYEE SATISFACTION AND RETENTION

Satisfied and motivated employees are key to the success of our company. We want to offer our employees an attractive work environment through various company benefits and offers. In addition to performance-based compensation, these also include further training and career opportunities. Variable working time models as well as arrangements for on-site and mobile working are designed to promote the reconciliation of work and family life as well as equal opportunities. Especially at the main locations, sports, health and stress prevention courses as well as cultural activities are aimed at improving the work-life balance. Our goal is to be an attractive employer for existing and future employees. To this end, we aim to set ourselves apart from other companies by offering a wide range of programs for employees.

We conduct broad-based surveys every three years to measure employee satisfaction. In 2019, the third global employee survey was carried out, followed by two overarching follow-up processes during the year. The first follow-up process focused on improvement measures in the key areas of processes/cross-functional cooperation, knowledge of strategy, and performance-related development opportunities. Some of these measures had to be postponed until 2021 due to the corona pandemic. In the second follow-up process, we took a close look at the teams for which the survey delivered conspicuous results. We analyzed the weaknesses that had become evident and initiated improvements together with the teams. A follow-up survey confirmed that more than two-thirds of the critical teams have improved since 2019. Two further random pulse surveys provided insights into the current sentiment within the Group in 2020. The focus was on questions concerning the handling of the corona pandemic and the topic of the "Future of Work".

The Corporate Human Resources department has overall responsibility for human resources in the Dürr Group. Cooperation between Corporate Human Resources, the HR departments of the three sub-groups and the local HR managers is governed by a company directive.

NFD

PEOPLE DEVELOPMENT AND FURTHER TRAINING

The success of our company depends to a large extent on qualified personnel and good leadership. That is why a comprehensive range of further training and internal development opportunities is very important to us. Our programs are designed to

- prepare employees properly for new tasks, for example in the digitalization field
- promote the development of young, skilled personnel from the company's own ranks
- ensure the availability of well-qualified employees and managers

The Corporate People Development department is responsible for the Group-wide management and coordination of people development and further training. It is part of the Corporate Human Resources department. Structures and processes are governed by a company directive.

The Dürr Group Academy is our Group-wide platform for further training. It pools all further training offers and is available in 12 languages. Internally organized training programs on topics such as leadership, working methods, collaboration, as well as IT and digitalization can be accessed online by most employees.

In 2020, our further training activities were severely impacted by the conditions caused by the coronavirus. Since classroom trainings had to be almost completely canceled due to the pandemic, we accelerated the conversion of training courses into digital formats. We recorded approximately 46,000 attendances in online training sessions, which corresponds to an increase of 53 % (previous year: just under 30,000 attendances). At 1,778 participants, the attendance at face-to-face training sessions declined sharply (previous year: 12,300 attendances). Overall, the participation rate was 2.9 training sessions per employee (previous year: 2.6). Training events to further build on specialist qualifications accounted for almost 40 % of all attendances. These include training in IT and digitalization as well as technical and commercial expertise. In the digitalization field, for example, we provide our employees with knowledge about new applications.

We continued our internationally staffed corporate training events despite the corona pandemic. A total of 1,225 employees (previous year: 1,454) attended best-practice training courses on project management, sales, and leadership. Our corporate training also includes special qualification programs for managers. The "Fit for Leadership" program was attended by 132 young executives (previous year: 358), while 28 experienced managers took part in the "Advanced Leadership Program" (previous year: 223). One reason for the lower number of participants in 2020 was the fact that some of the training sessions were suspended due to the corona pandemic. On the other hand, many managers who belong to the target group have already completed the training.

Our software-supported personnel development process "People Development" helps us identify and train potential managers within the company and make the best possible use of young talent. At annual people development conferences, people development staff and managers communicate about the advancement of employees with high potential. Individual employee evaluations take place every two years. They serve as a basis for making decisions on succession arrangements and filling vacancies with internal candidates. In 2020, we identified 64 employees with high potential as part of the "People Development" process (previous year: 44).

NFD

EMPLOYEE RECRUITMENT

As a result of the corona crisis, we were very restrictive concerning new hires in 2020, with the exception of highly qualified experts, for example in the IT and digital sectors. A total of approximately 779 new employees was hired, which is almost 40 % less than in the previous year (approximately 1,300).

In order to stand out in the competition for qualified staff, we use our attractive employer profile as well as our image as an innovative and digitally oriented company. We approach potential candidates through our careers page and job boards on the internet. We are continuing to expand our employer presence in social media, for example through posts on platforms such as Twitter, Instagram, Facebook and LinkedIn.

Our reputation as an attractive employer is underlined by independent awards and rankings:

- **Kununu Top & Open Company:** We have achieved average scores of 3.9 (Dürr Systems), 4.2 (Schenck), and 3.4 (HOMAG) on the Kununu evaluation platform. The industry average is 3.42 (highest possible score: 5).

- **FOCUS Best Employers:** In the employer ranking published by the German magazine FOCUS, Dürr Systems was ranked 4th and HOMAG 25th out of a total of 45 mechanical and plant engineering firms rated in the year under review.
- **Fair Company:** This quality seal confirms that we do not hire graduates as interns and that interns are paid appropriately.
- **Success Factor Family:** We are committed to a family-friendly personnel policy.

Due to the corona pandemic, we were only able to present our company to a limited extent at university and graduate fairs in 2020. Most face-to-face trade shows were canceled, and only some of them were converted into virtual formats. In Germany, we participated in 14 university and graduate fairs. People entering the job market can gain practical experience in our company in the form of internships, work-study programs and opportunities for students to complete their theses. Despite the corona pandemic, we promoted the development of 306 young people in 2020.

VOCATIONAL TRAINING

We offer young people several opportunities to start their careers. Our vocational training program includes 13 professions, plus 11 work-study programs. The Dürr Graduate Program is open to university graduates, who want to join the company as trainees in two technical fields. In 2020, we employed 425 trainees and students in work-study programs, mainly at our German locations (previous year: 450); around two-thirds of them were at HOMAG companies. The training rate amounted to 2.6 %. We also rely on the model of in-company training abroad: At our US site in Southfield, we have been a cooperation partner of the work-study training program MAT2 (Michigan Advanced Technician Training) for several years.

The business magazine Capital has once again highlighted the quality of our training. In the Capital survey 2020, the subsidiaries Dürr Systems, Schenck Rotec and HOMAG rank among Germany's best trainers. The Dürr Graduate Program was recognized in 2020 by the market research firm Trendence as a fair and career-enhancing trainee program. The independent institute found that the performance of our program is 12 percentage points above the average achieved by comparable trainee programs of other companies.

HEALTH & SAFETY

With our corporate health and safety strategy "Striving for Excellence in Safety", we want to ensure the physical integrity of internal and external employees, offer them a safe working environment, and minimize health risks. The principles of the strategy are laid down in a policy; the associated processes and instructions are described in Group-wide and division-specific health and safety guidelines. The guidelines define responsibilities and mandatory minimum standards. Cross-functional teams are responsible for the Group-wide implementation of the health and safety strategy. They are supported by local health and safety managers, who implement our standards and processes on site. Regular internal audits, which take place at least once a year, are designed to ensure that health and safety guidelines and processes are being adhered to at construction sites as well as in plants and offices. In addition, nine locations have a certified occupational safety management system. For 2021, we are preparing the certification of several locations according to the ISO 45001 standard.

An important element of accident prevention is the mandatory online safety training for all employees. The training sessions consist of a basic part for new employees and an annual refresher course. In 2020, over 95 % of all designated employees completed our health and safety training, which also included our corona protection measures. Employees in particularly high-risk work areas, such as warehouses, logistics, assembly or technical centers, receive in-depth training. In the event of emergencies while traveling, our employees are supported by a professional emergency management service. We aim to raise awareness of safety and health issues through regular information for employees.

Protecting employees from corona infections was the dominant issue in 2020 for health and safety managers. We were able to prevent uncontrolled outbreaks of infection through mobile working, social distancing, virtual meetings and comprehensive hygiene plans. At the beginning of 2020, i.e. before the outbreak of the pandemic, we created the Corporate Security department for emergency and crisis management in the Group.

We usually organize health days and fitness packages for employees, primarily at our German locations. In 2020, many of these offerings had to be canceled. The Group-wide sick leave rate was 3.1 % in 2020 (previous year: 3.1 %).

NFD

2.14 — HEALTH AND SAFETY KEY FIGURES

	2020	2019	2018[1]
Number of work-related accidents[2] per thousand employees (including external staff, excluding commuting accidents)	9.2	14.1	14.8
Work-related accidents[2] per 1 million hours worked (including external staff, excluding commuting accidents)	4.7	7.0	7.2
Work-related accidents[2] resulting in death – internal staff)	0	0	0
Work-related accidents[2] resulting in death – external staff)	1	0	0

[1] Figures exclude Megtec/Universal
[2] A work-related accident is an incident that requires medical attention at least once.

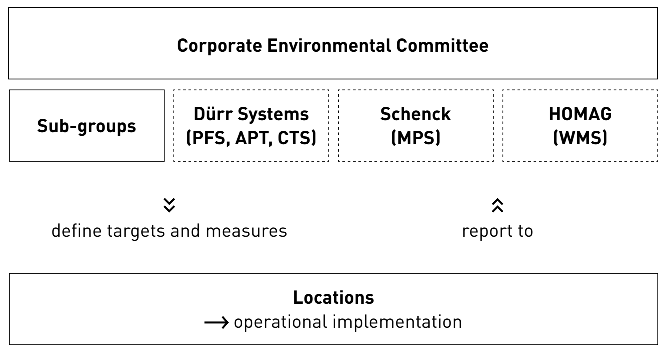
In 2020, an employee of a subcontractor suffered a fatal accident at one of our construction sites. The accident resulted from improper handling of materials during installation work. We deeply regret this incident and take it as an opportunity to review our occupational health and safety requirements once again and to further raise awareness throughout the Group and among subcontractors.

Environment

Environmental issues such as resource scarcity, emissions and climate change are of growing significance in politics, society, and business. In 2020, our materiality analysis revealed that the topic of the environment also plays a material role for us in certain areas in accordance with the CSR DIA. Depending on the part of our value chain, there are differences in the impacts of our business activities on the environment. As an **engineering company** → page 226, our energy, material and resource consumption is rather low. With a vertical depth of production of 40 %, we have a relatively small ecological footprint. On the other hand, the environmental impact of our products and our supply chain is deemed significant. We therefore aim to improve our overall environmental performance.

In the Dürr Group, the Corporate Environmental Committee (CEC) is responsible for the strategic direction and management of environmental activities. It consists of the persons responsible for management and environmental management systems in the three sub-groups. The CEC provides recommendations on

2.15 — PLAYERS AND RESPONSIBILITIES/ORGANIZATIONAL STRUCTURE IN THE AREA OF ENVIRONMENT



environmental issues to the Sustainability Council, defines targets and derives fields of action from them. The main responsibility for environmental issues lies with the management of our local companies, which are subject to site-specific environmental action plans. We intend to establish a climate strategy in 2021 with quantified CO_2 objectives and a timetable for achieving them.

In 2020, we published a Group-wide environmental policy. It describes our understanding of environmentally sustainable management and provides a framework for action. In addition, it defines three concrete approaches for ecological improvements along our entire value chain:

- Increasing the eco-efficiency of our products
- Implementing a sustainable supply chain
- Reducing our own ecological footprint

ECO-EFFICIENT TECHNOLOGIES

We want to reduce the environmental impact caused by the use of our products. To that end, we develop efficient and environmentally compatible technologies. For more information, please refer to the **"Sustainable products and solutions"** → page 43 section.

NFD

ECOLOGICALLY SUSTAINABLE SUPPLY CHAIN

Environmental aspects in the supply chain are a material issue for us. We are currently working on a Group-wide concept to take the ecological impact of our suppliers' work into account in our purchasing processes. In the Dürr Systems sub-group, we use corresponding self-disclosure and evaluation questionnaires that include, among other points, information on environmental management certification. In addition, we contractually oblige our suppliers in all three sub-groups to comply with environmental laws and standards on the basis of our code of conduct for suppliers. Beyond these efforts, we plan to introduce binding minimum requirements for our suppliers with environmental and social exclusion criteria in 2021. To start with, this is to be implemented for suppliers rated as risky.

OPERATIONAL ECOLOGICAL FOOTPRINT

We record our consumption of energy and resources as well as the emissions generated throughout the Group. Where it is economically viable, we implement measures for reduction. We expanded our system for recording environmental indicators in 2020. For the first time, we recorded the emissions attributable to us from business flights and reported the consumption of energy from renewable sources. Compared to 2019, our environmental indicators have decreased in relation to sales. This is mainly due to temporary closures and production interruptions at several locations as a result of the corona pandemic.

We have set ourselves the aim of gaining certification according to ISO 14001 for our production and assembly sites and all sites with technology centers having more than 30 employees. A total of 40 % of our production sites are already certified according to this international standard for environmental management systems. Eleven HOMAG Group sites have a certified energy management system according to ISO 50001. A number of sites carry out energy and quality audits. An overview of certifications held can be found at www.durr-group.com under Company/Sustainability/Certificates.

2.16 — ENVIRONMENTAL KEY FIGURES (ABSOLUTE)

	2020	2019	2018[1]
Number of sites	120	112	108
of which quality management certified to ISO 9001[2]	51	46	41
of which environmental management certified to ISO 14001[2]	18	16	14
of which energy management certified to ISO 50001[2]	11	11	10
Consumption			
Electricity (MWh)	51,908	63,144	55,980
of which from renewable energies (MWh)	5,996	4,309	4,524
Gas/oil/district heat (MWh)	66,961	69,609	62,813
Water (m³)	166,998	201,979	201,279
Waste water output (m³)	156,316	191,388	188,329
Waste (t)	9,725	12,235	10,574
of which recycled (t)	6,685	8,838	8,457
Emissions			
CO_2 (t)	59,368	84,718[4]	79,853[4]
of which from flights (t)	6,174	17,527[3]	18,629[3]
of which attributable to vehicle fleet (t)	10,442	12,601	12,586
SO_2 (t)	24	33	29
NO_x (t)	39	50	44

[1] Figures for 2018 do not include Megtec/Universal. Megtec/Universal were taken into account in the number of sites.
[2] Sites used by several companies of the Dürr Group sometimes hold multiple certificates.
[3] Conversion of the flight miles using the emission factor from the year 2020
[4] Adjustment due to the inclusion of CO_2 emissions from flights in 2020

2.17 — ENVIRONMENTAL KEY FIGURES (INDEXED)

	2020	2019	2018[1]
Consumption			
Electricity	70.1	72.3	64.9
Gas/oil/district heat	60.9	53.7	49.1
Water	82.4	84.5	85.3
Waste water output	87.0	90.3	90.0
Waste	127.5	136.0	119.1
Waste recycled	114.9	128.8	124.8
Emissions			
CO_2	74.9[2,3]	90.6[2]	86.5[2]
CO_2 attributable to vehicle fleet	115.8	118.5	120.0
SO_2	61.6	71.3	64.0
NO_x	52.3	66.8	60.3

2010 = 100; in relation to sales
[1] Figures for 2018 do not include Megtec/Universal
[2] Takes into account CO2 emissions from flights that were not yet included in the reference year 2010
[3] Takes into account renewable energies that were not yet included in the reference year 2010

Social commitment

We fulfill our social responsibilites and primarily support projects, associations and social organizations in the regional neighborhood of our sites. As a rule, we make donations in cash and in kind. From time to time, we also get involved in work efforts in communities and neighborhood initiatives.

We have defined our four priorities of support in a Group-wide donations and sponsorship policy:

- Education: training, technology and science, universities, schools, kindergartens
- Sports: popular, youth and disability sports clubs
- Social affairs: humanitarian and charitable projects
- Culture: cultural circles, support associations, donor associations

Several cultural and social projects that we usually support in Bietigheim-Bissingen were suspended in 2020 as a result of the corona pandemic. We have maintained our support for projects that remained unchanged. This applies, for example, to early rhythmical/musical education in children's daycare centers and the Bietigheim-Bissingen civic foundation, which is committed to affordable housing.

We also continued our cooperation with the UN Children's Fund (UNICEF). Despite the pandemic-related decline in sales and earnings, we once again supported the Christmas campaign "Spenden statt Schenken" ("Donations instead of gifts") in 2020 by donating €35,000. The amount goes to UNICEF's nutrition programs. Another major donation of €22,000 was made by our Italian subsidiary CPM to a local hospital to help during the corona crisis. In 2020, we donated a total of €0.5 million for charitable purposes (previous year: €0.7 million).

CORPORATE GOVERNANCE

The German Corporate Governance Code contains rules and recommendations for the reliable management and supervision of listed companies. The year under review saw extensive amendments to the Code becoming effective. Our declaration of compliance dated December 10, 2019 was still based on the version of the Code dated April 24, 2017, and was amended on June 16, 2020, since the Supervisory Board made a temporary adjustment to the compensation system for the Board of Management due to the economic effects of the coronavirus pandemic. Further information can be found in the compensation report. The declaration of compliance dated September 30, 2020 refers to the current version of the Code dated March 20, 2020. We comply with all recommendations, except for the matter of the 'long-term incentive'. The full texts of the declarations of compliance are available at www.durr-group.com under Investors/Corporate Governance/Declaration on Corporate Governance.

Other information on corporate governance

The full declaration on corporate governance is available at www.durr-group.com under Investors/Corporate Governance. The management report only contains a brief excerpt, covering those aspects which, in our experience, are the most relevant ones from the declaration on corporate governance. This is to avoid redundancy.

BOARD OF MANAGEMENT

The Board of Management's responsibilities applicable at the beginning of 2020 are shown in Table 2.18. After the departure of Carlo Crosetto on February 29, 2020, Ralf W. Dieter then also became responsible for the CFO functions on an interim basis (see

2.18 — RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT BETWEEN JANUARY 1, 2020, AND FEBRUARY 29, 2020

	Ralf W. Dieter (CEO)	Dr. Jochen Weyrauch (Deputy CEO)	Carlo Crosetto (CFO)	Pekka Paasivaara
Divisions	• Measuring and Process Systems	• Paint and Final Assembly Systems • Application Technology • Clean Technology Systems		• Woodworking Machinery and Systems
Corporate functions	• Corporate Communications • Human Resources (Employee Affairs Director) • Internal Auditing • Corporate Compliance • Global IT • digital@DÜRR	• Corporate Development	• Finance/Controlling/ Internal Control System • Investor Relations • Risk Management • Legal Affairs/Patents/Insurance • Global Sourcing Non Production Material • Corporate Social Responsibility	• Operational Excellence

2.19 — RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT BETWEEN MARCH 1, 2020, AND JULY 31, 2020

	Ralf W. Dieter (CEO, Interim CFO)	Dr. Jochen Weyrauch (Deputy CEO)	Pekka Paasivaara
Divisions	• Measuring and Process Systems	• Paint and Final Assembly Systems • Application Technology • Clean Technology Systems	• Woodworking Machinery and Systems
Corporate functions	• Corporate Communications • Human Resources (Employee Affairs Director) • Internal Auditing • Corporate Compliance • Global IT • digital@DÜRR On an interim basis, CFO responsibilities: • Finance/Controlling/ Internal Control System • Investor Relations • Risk Management • Legal Affairs/Patents/Insurance • Global Sourcing Non-Production Material • Corporate Social Responsibility	• Corporate Development	• Operational Excellence

2.20 — RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT BETWEEN AUGUST 1, 2020, AND DECEMBER 31, 2020

	Ralf W. Dieter (CEO)	Dr. Jochen Weyrauch (Deputy CEO)	Dietmar Heinrich (CFO)	Pekka Paasivaara
Divisions	• Measuring and Process Systems	• Paint and Final Assembly Systems • Application Technology • Clean Technology Systems		• Woodworking Machinery and Systems
Corporate functions	• Corporate Communications • Human Resources (Employee Affairs Director) • Internal Auditing • Corporate Compliance • Global IT • digital@DÜRR	• Corporate Development • Corporate Sustainability • Purchasing	• Finance/Controlling/ Internal Control System • Investor Relations • Treasury • Taxes • Risk Management • Legal Affairs/Patents/Insurance	• Operational Excellence

2.21 — RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT SINCE JANUARY 1, 2021

	Ralf W. Dieter (CEO)	Dr. Jochen Weyrauch (Deputy CEO)	Dietmar Heinrich (CFO)
Divisions	• Woodworking Machinery and Systems	• Paint and Final Assembly Systems • Application Technology • Clean Technology Systems	• Measuring and Process Systems
Corporate functions	• Corporate Communications • Human Resources (Employee Affairs Director) • Internal Auditing • Corporate Compliance • Global IT • digital@DÜRR	• Corporate Development • Corporate Sustainability • Purchasing	• Finance/Controlling/ Internal Control System • Investor Relations • Treasury • Taxes • Risk Management • Legal Affairs/Patents/Insurance

Table 2.19). Dietmar Heinrich subsequently took over the role of CFO, having joined the Board of Management on August 1, 2020 (see Table 2.20). Since Pekka Paasivaara's departure on December 31, 2020, Ralf W. Dieter has been responsible for the Woodworking Machinery and Systems division, handing over responsibility for the Measuring and Process Systems division to Dietmar Heinrich (see Table 2.21).

SHAREHOLDINGS AND MANAGERS' TRANSACTIONS

We publish managers' transactions, i.e. securities transactions that have to be reported pursuant to Article 19 of the MAR, as soon as the company is notified. An overview is available at www.durr-group.com under Investors/Corporate Governance.

As of December 31, 2020, the members of the Supervisory Board held 0.2 % of the shares of Dürr AG. As in the previous year, the members of the Board of Management held a total of 0.3 % of the shares; however, the proportions differed due to the changes on the Board of Management and the purchases made by individual members of the Board of Management.

ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN EXECUTIVE POSITIONS

We have fulfilled the provisions of the Act on Equal Participation of Women and Men in Executive Positions as follows:

- Since the 2016 elections, the Supervisory Board of Dürr AG has had four female members. This corresponds to a women's quota of 33 %, which fulfills the 30 % minimum quota required by law.

- The percentage of women on Dürr AG's Board of Management is 0 %. The Supervisory Board is strictly guided by the profile of skills when selecting members for the Board of Management. Gender is not crucial for the appointment to the Board of Management, but the qualifications and the personality of the candidates are. The current members of the Board of Management have long-term service contracts; there are no plans to expand the Board of Management. This means, as things stand today, no further appointment to the Board of Management is planned, and the percentage of women is therefore also not anticipated to increase before June 30, 2022.

- At the first senior management level below Dürr AG's Board of Management, the women's quota is 0 %; at the second senior management level below the Board of Management, it was 13 % as of December 31, 2020. The targets have been set at 0 % for the first senior management level below the Board of Management and at 20 % for the second level. The date by which both targets must be achieved is June 30, 2022.

DIVERSITY

Diversity is one of the five basic values of our Leadership Skills Model. No form of discrimination on grounds of gender, age, religion, disease, background, skin color, sexual orientation or any other reason is tolerated at the Dürr Group. We consider diversity and equal opportunities when hiring staff. Flexible working time models which meet individual needs promote equal opportunities. Given the international nature of our business, intercultural diversity and tolerance are important values at the Dürr Group.

When appointing members to the Board of Management, the Supervisory Board pays particular attention to professional and social skills as well as to long-term experience in similar positions, in our industry and in an international environment. Added to that are character suitability and an appropriate educational background. Neither gender, nationality nor age at the time of employment are decisive in hiring candidates. To ensure a balanced age structure, the general age limit for members of the Board of Management is 63.

DISCLOSURES PURSUANT TO SECTIONS 289A (1) AND 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB)

- **Structure of subscribed capital**
  Dürr AG's subscribed capital is divided into 69,202,080 bearer common shares with full voting rights. The rights and obligations associated with the shares are regulated in the German Stock Corporation Act. In September 2020, Dürr AG issued an unsubordinated, unsecured convertible bond with a volume of €150 million, maturing on January 15, 2026. Under certain conditions, this convertible bond can be converted into 4,383,401 new no-par value ordinary Dürr AG shares.

- **Restrictions on voting rights/transfer of shares and related agreements**
  The Board of Management is not aware of any agreements by shareholders of Dürr AG which contain restrictions relating to voting rights or the transfer of shares. Legal voting right limitations exist, for example, pursuant to Section 44 (1) (breach of disclosure obligations) of the German Securities Trading Act as well as Section 71b (rights arising from own shares) and Section 136 (1) (voting right exclusion in the case of certain conflicts of interest) of the German Stock Corporation Act.

- **Shareholdings that exceed 10 %**
  Heinz Dürr GmbH, Berlin, holds 25.5 % of Dürr AG's capital stock (as of December 31, 2020).

- **Shares conferring special rights**
  There are no shares in Dürr AG that confer special rights.

- **Voting right control of any employee stock ownership plan where the control rights are not directly exercised**
  There are no employee stock ownership plans where the control rights are not directly exercised by the employees.

- **Rules governing the appointment and replacement of members of the Board of Management**
  The applicable statutory rules are set out in Sections 84 and 85 of the German Stock Corporation Act and in Section 31 of the German Co-Determination Act. Dürr AG's articles of incorporation do not contain any provisions that diverge from the statutory rules. Article 6 (1) of the articles of incorporation additionally states that the Board of Management consists of at least two members and that the appointment of deputy members of the Board of Management is admissible. Article 6 (2) states that the Supervisory Board may appoint one member of the Board of Management to be the Chair of the Board of Management and another member of the Board of Management to be the Deputy Chair.

- **Rules governing amendment of the articles of incorporation**
  Any changes in the articles of incorporation are made by resolution at the annual general meeting. Unless otherwise mandatorily specified in the German Stock Corporation Act, the resolution is passed in accordance with Article 20 (1) of the articles of incorporation by a simple majority of the votes cast and – where a majority of the capital stock represented in the voting is required – by a simple majority of the capital stock represented in the voting. In accordance with Article 14 (4) of the articles of incorporation, the Supervisory Board is given the power to enact changes in the articles of incorporation which relate only to the wording. Pursuant to Article 4 (4) and Article 5 of the articles of incorporation, the Supervisory Board is authorized upon utilization of the conditional or authorized capital to amend the wording of the articles of incorporation to reflect the extent of the utilization.

- **Powers of the Board of Management to issue or buy back shares**
  Information on this point may be found in ⟶ Item 27 in the notes to the consolidated financial statements.

- **Agreements in the event of a change of control following a takeover bid**
  Bond: According to Section 7 of the terms of our corporate bond, the bondholders have the right to demand early redemption of their bond by Dürr AG in the case of a redemption event. The redemption amount in that case will be 100 % of the face value plus accrued and unpaid interest up to the redemption date. A redemption event occurs if a change of control and a rating event take place cumulatively. A change of control means in this regard (a) that a person or group of people acting in concert has become the legal or economic owner of more than 50 % of the voting rights in Dürr AG, or (b) that we intend to sell or otherwise dispose of all or almost all of the assets of Dürr AG to third parties (with the exception of a subsidiary of Dürr AG). The following cases constitute a rating event:

  1. The bond has no rating, and no rating agency awards an investment grade rating for the bond within 90 days of the occurrence of the change of control.

  2. The bond has a rating at the time of the change of control, and at the end of a 90-day period after the change of control this rating does not represent an investment grade rating or has been withdrawn.

  Such covenants are customary practice and are included in comparable form in the terms of the bonds of other issuers. They serve to protect the interests of the bondholders.

  Schuldschein loan: In the event of a change of control, the lenders have the right, according to the terms of our Schuldschein loan agreement, to demand redemption of the Schuldschein loan. A change of control occurs if one person or a majority of people acting in concert holds more than 50 % of the shares, can control more than 50 % of the voting rights and/or the company's course of business, and/or has the power to appoint more than 50 % of the members of the Board of Management. The lender of the Schuldschein loan has the right to demand redemption within 30 days of the notification of the change of control by the borrower. Redemption shall be due by the next interest payment date.

  Syndicated loan: According to the terms of our syndicated loan agreement, no additional cash drawings or applications for guarantees may be made in the event of a change of control. In addition, any lender can cancel the credit commitments it has made, which could result in the syndicated loan having to be repaid in part or even in full. The agent representing the interests of the banking syndicate must be informed about a change of control immediately after it becomes known. A change of control occurs if in total directly or indirectly, more than 50 % of the voting rights in Dürr AG are held or controlled by one or more persons who have come to an accord on the exercise of voting rights or who collaborate in some other manner with the aim of achieving a lasting and substantial change in the business focus of Dürr AG.

Convertible bond: In the event of a takeover bid or a change of control, the terms of the convertible bond entitle the bondholder to exercise the conversion right at the adjusted conversion price (as defined in the terms of the convertible bond) within a certain period of time. A change of control occurs if an acquisition of control takes place or a mandatory offer is published in accordance with Section 35 (2) (1), Section 14 (2) (1) of the German Securities Acquisition and Takeover Act. An acquisition of control has occurred if one or several specific people acquire the direct or indirect, legal and/or economic ownership of common bearer shares (Section 29 (2), Section 30 of the German Securities Acquisition and Takeover Act) of Dürr AG which together grant 30 % or more of the voting rights. Furthermore, in the event of an acquisition of control or a transferring merger (Section 2 or Section 122a of the German Reorganization Act), the bond can be terminated (early) by a bondholder in accordance with the terms defined in more detail in the terms of the convertible bond.

- **Agreements providing for compensation in the event of takeover bids**
In the year under review, the service contract of one member of the Board of Management contained an arrangement that applies in the event of a takeover. In the event of a change of control, this arrangement offered an option for a defined period for the Board of Management member to terminate the contract himself with capitalization of all the contractual remuneration components and of the company pension as a severance payment. This severance payment was limited to a maximum of three fixed annual salaries (basic compensation); the severance payment relating to the short-term incentive and to the pension was limited to the current financial year at the time and the two subsequent financial years. In all cases, the severance payment was at most based on the remaining term of the Board member's service contract. Any long-term incentive components already granted would also have been included in the severance payment. Since January 1, 2021, there have been no agreements providing for compensation in the event of takeover bids.

2020 compensation report

In addition to the details below, the information contained in → Item 42 in the notes to the consolidated financial statements is part of this compensation report.

SIDELINE ACTIVITIES

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

TRANSITION TO NEW COMPENSATION SYSTEM

A new compensation system has been implemented for the Board of Management of Dürr AG effective January 1, 2021. It was prepared under the guidance of the Supervisory Board's Personnel Committee and adopted by the Supervisory Board on September 30, 2020. The three members of the Board of Management agreed to an amendment to their service contracts, such that the new compensation system can be applied from the beginning of 2021.

The new compensation system implements the relevant new provisions of the German Stock Corporation Act (Sections 87 and 87a), which result from the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II). It also takes account of the latest version of the German Corporate Governance Code. Among other things, the system includes variable performance criteria to measure the Group's sustainable development, a clawback clause, a target bonus system and new provisions concerning termination benefits. Other constituent elements that were already included in the previous system are, for example, the distinction between short-term and long-term incentives (one-year and multi-year variable compensation), compensation caps and a deductible for D&O insurance.

In devising the new compensation system, the Personnel Committee and the Supervisory Board also paid close attention to the appropriateness of the compensation for the Board of Management and reviewed it on the basis of several criteria. They include the tasks of the Board of Management as a whole and of its respective members, the members' personal performance, the economic situation as well as the company's long-term success and outlook. In addition, the Supervisory Board compared the development of the Board of Management's compensation with peer companies as well as with the Group's top management team and workforce.

In 2020, the compensation of the Board of Management was still based on the old system. Accordingly, this report describes the previous as well as the new compensation system.

PREVIOUS COMPENSATION SYSTEM

The previous compensation system was introduced in its original form in 2010 and subsequently enhanced in individual areas. It was applied for the last time in 2020, with the Supervisory Board making temporary adjustments to the system on May 28, 2020 in response to the economic impact of the coronavirus crisis. Detailed information can be found in the paragraph below entitled "Temporary adjustments in 2020".

Overview

The previous compensation system for the Board of Management consisted of non-performance-related and performance-related (variable) components. The non-performance-related component was made up of the basic compensation (fixed compensation), payable in equal monthly installments, plus fringe benefits, such as the use of a company car.

In addition to short-term incentives (STI) and long-term incentives (LTI), special bonuses were also possible under the performance-related compensation. The short-term incentive (STI) was calculated by multiplying the Group's earnings before tax (EBT) minus €100 million by an individually defined factor. For Ralf W. Dieter this individual factor was 0.01, for Dr. Jochen Weyrauch and for Pekka Paasivaara 0.005 and for Dietmar Heinrich 0.004. The STI payment was subject to a cap and was only applicable if the Group's EBT exceeded a minimum threshold of €100 million.

The LTI compensation was based on the performance of Dürr's share price and the Group's average EBIT margin over a three-year period (LTI period). Eleven LTI tranches were launched for the rolling LTI program since 2010. Each year, a specified number of virtual Dürr shares, known as performance share units, were issued. In 2020, the following performance share units were issued: 50,000 for Mr. Dieter, 10,000 for Dr. Weyrauch, 8,000 for Mr. Paasivaara and 5,640 for Mr. Heinrich. The amount payable at the end of the three-year LTI period was calculated by multiplying the number of performance share units by a share price multiple and an EBIT multiple. The share price multiple corresponded to the average closing price of the Dürr share in euros during the last 20 trading days prior to the first annual general meeting after the three-year LTI period. The EBIT multiple was calculated on the basis of the average EBIT margin achieved by the Group during the term of the LTI tranche.

The overall LTI payment and the EBIT multiple were subject to caps. The EBIT multiple was capped at two if an average EBIT margin of at least 8 % had been achieved. If the average EBIT margin was 4 % or less, the EBIT multiple was zero, meaning that no LTI payment was made.

During the term of the LTI scheme, the participants were required to permanently hold a certain number of Dürr shares which they had financed themselves in order to be eligible for the maximum number of performance share units. The total number of shares to be held after the third LTI tranche was 50,000 for Mr. Dieter, 6,500 for Dr. Weyrauch, 6,000 for Mr. Paasivaara and 1,410 for Mr. Heinrich.

A further compensation component was the employer-financed contribution to the company pension plan. This contribution (benefit) was made up of 10 % of the basic compensation and 10 % of the previous year's STI and was paid into the Dürr pension plan. The Chief Executive Officer additionally received a fixed annual pension contribution of €400,000. The pension scheme was the Group's defined benefit company pension plan based on a reinsurance scheme. If a member of the Board of Management resigned from office, no further expenses were incurred under this scheme.

The Supervisory Board had the possibility to agree on targets with the members of the Board of Management for the further strategic development of the Group and pay an additional bonus if those targets were successfully implemented. A special bonus was also available to reward exceptional performance and successful achievements and/or if a member of the Board of Management took on additional responsibilities. The special bonus was also subject to a cap, equivalent to the difference between the sum of the defined maximum individual compensation payments and the maximum total compensation.

Aside from the Board of Management, other top managers also participated in the LTI scheme. They were also required to purchase an individually defined number of Dürr shares and hold them for the duration of their participation for the maximum number of performance share units to accrue.

Temporary adjustments in 2020

With a view to the great importance of having sufficient liquidity to overcome the crisis, the Supervisory Board in 2020 made temporary adjustments to the compensation system for the Board of Management. On May 28, it decided to tie part of the Board of Management's variable compensation for the year 2020 to the target of securing liquidity. Moreover, the Supervisory Board took account of the fact that, while the extraordinary economic impact of the pandemic was beyond the Board of Management's control, its variable compensation would have been unreasonably impacted without adjustments to the compensation system. For this reason, the modifications made by the Supervisory Board to the compensation system aimed to reasonably limit the reduction in the variable compensation payable to the Board of Management. In this way, the Supervisory Board considered the decline in earnings caused by the pandemic as well as the special challenges faced by the Board of Management in mitigating its consequences for the Dürr Group.

Specifically, the Supervisory Board made the following adjustments in 2020:

- A liquidity-related target was temporarily added to the variable compensation system. The cash key performance indicator (KPI) defined for this purpose provided for a one-off payment to the members of the Board of Management, provided that total liquidity (cash and cash equivalents plus time deposits) exceeded a minimum threshold of €300 million as of December 31, 2020. The amount of the one-off payment was tied to the amount by which total liquidity exceeded the minimum threshold and was capped at €700 million, beyond which there was no further increase in the one-off payment. Total liquidity of €300 million or less corresponded to a target achievement of 0 %. The target achievement equaled 100 % for total liquidity of €500 million and was capped at 140 % upon total liquidity reaching €700 million. As total liquidity amounted to €1,019.0 million as of December 31, 2020, each member of the Board of Management therefore received the individually determined maximum amount for the cash key performance indicator. Compensation Table 2.22 (Benefits granted) includes these amounts within the item entitled "Cash KPI as supplementary variable compensation for 2020".

- In the STI system, the minimum threshold of €100 million described above for earnings before tax (EBT) was temporarily suspended. This created the basis for making an STI payment to the members of the Board of Management even in the case of an EBT of less than €100 million. The individual factors for determining the STI amounts were not modified in connection with the temporary adjustment. The cap for the STI payment for 2020 was 90 % of the STI amount for 2019.

- In addition to the individual caps for the STI and cash KPI, the Supervisory Board defined an overall cap for both compensation components. This meant that the total compensation under STI and the cash KPI in 2020 could not exceed 90 % of the total that each member of the Board of Management had received under the STI and LTI instruments in the previous year. In accordance with Section 87 (1) of the German Stock Corporation Act (AktG),

2.22 — PREVIOUS COMPENSATION OF THE BOARD OF MANAGEMENT: BENEFITS GRANTED

	RALF W. DIETER CEO				DR. JOCHEN WEYRAUCH Deputy CEO			
€	2019	**2020**	2020 (Min)	2020 (Max)	2019	**2020**	2020 (Min)	2020 (Max)
Basic compensation (fixed compensation)	1,000,000	1,000,000	1,000,000	1,000,000	550,000	700,000	700,000	700,000
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	42,542	44,362	44,362	44,362	25,589	25,928	25,928	25,928
Total	**1,042,542**	**1,044,362**	**1,044,362**	**1,044,362**	**575,589**	**725,928**	**725,928**	**725,928**
One-year variable compensation (STI)	747,180	0	0	672,462	373,590	0	0	336,231
Total of multi-year variable compensation (LTI)	915,864	0	0	1,200,000	246,236	0	0	750,000
Variable compensation LTI 2017–2019	363,709	–	–	–	103,311	–	–	–
Variable compensation LTI 2018–2020	254,836	0	0	400,000	68,064	0	0	250,000
Variable compensation LTI 2019–2021	297,318	0	0	400,000	74,861	0	0	250,000
Variable compensation LTI 2020–2022	–	0	0	400,000	–	0	0	250,000
Cash KPI as supplementary variable compensation for 2020	–	300,000	0	300,000	–	200,000	0	200,000
Other variable compensation	0	300,000	0	443,176	0	150,000	0	630,341
Total	**2,705,586**	**1,644,362**	**1,044,362**	**3,660,000**	**1,195,415**	**1,075,928**	**725,928**	**2,642,500**
Contribution to pension commitment	619,680	574,718	500,000	640,000	114,840	107,359	70,000	157,500
Total compensation	**3,325,266**	**2,219,080**	**1,544,362**	**4,300,000**	**1,310,255**	**1,183,287**	**795,928**	**2,800,000**

[1] Other variable compensation paid to Mr. Paasivaara includes termination benefits under his service contracts with Dürr AG and HOMAG Group AG, which were terminated effective December 31, 2020.

the Supervisory Board reviewed the appropriateness of the compensation for the Board of Management following the adjustments that had been made.

COMPENSATION FOR 2020

Total compensation expense for the Board of Management in 2020 was €7,858 thousand. This is equivalent to an increase of 10.6 % over the previous year (€7,106 thousand). However, it should be borne in mind that the total compensation expense includes compensation of €3,125 thousand paid to Mr. Paasivaara in connection with his early departure from the Boards of Management of Dürr AG and HOMAG Group AG. Mr. Paasivaara stepped down from both boards by mutual agreement after declaring that he was not available for any further terms of office. Adjusted for the termination benefits paid to Mr. Paasivaara, total compensation expense for the Board of Management in 2020 would have decreased by 33.4 % to €4,733 thousand. The main reason for this was the decline in variable compensation as a result of the significantly lower earnings caused by the coronavirus pandemic.

Mr. Paasivaara's compensation includes the amounts accruing to him under the terms of his service contracts for the years 2021, 2022 and 2023. This applies to the variable compensation components under the LTI and STI instruments as well as to the fixed compensation and fringe benefits. The compensation of €3,125 thousand was paid to Mr. Paasivaara at the end of 2020. Of this, €1,206 thousand was attributable to Dürr AG and €1,919 thousand to HOMAG Group AG. Tables 2.22 and 2.25 include these amounts in the item entitled "Other variable compensation." In Table 2.22 (Benefits granted), it should be noted in connection with the maximum compensation for Mr. Passivaara in 2020 that the maximum achievable other variable compensation for 2020 is higher than the amount solely provided for under his service contract in 2020 as this item also includes the termination benefits accruing to Mr. Paasivaara in 2020. Normally, the cap on this item is equivalent to the difference between the sum of the defined maximum individual compensation payments and the maximum total compensation.

Table 2.22 (Benefits granted) includes all the amounts accruing under the cash key performance indicator applied on a once-only basis in 2020 in the item entitled "Cash KPI as supplementary variable compensation for 2020." Obviously, no amounts under the cash key performance indicator were paid to Mr. Crosetto, as he resigned from the Board of Management of Dürr AG on February 29, 2020. Mr. Crosetto's STI compensation for 2020 was determined on the basis of individual parameters prior to his resignation.

DIETMAR HEINRICH CFO (from: Aug. 1, 2020)				PEKKA PAASIVAARA Member of the Board of Management (until: Dec. 31, 2020)				CARLO CROSETTO CFO (until: Feb. 29, 2020)			
2019	**2020**	2020 (Min)	2020 (Max)	2019	**2020**[1]	2020 (Min)	2020 (Max)	2019	**2020**	2020 (Min)	2020 (Max)
–	229,167	229,167	229,167	525,000	525,000	525,000	525,000	500,000	83,333	83,333	83,333
–	6,500	6,500	6,500	18,000	18,214	18,214	18,214	15,989	2,600	2,600	2,600
–	**235,667**	**235,667**	**235,667**	**543,000**	**543,214**	**543,214**	**543,214**	**515,989**	**85,933**	**85,933**	**85,933**
–	0	0	291,667	373,590	0	0	336,231	298,872	50,458	0	116,667
–	0	0	72,917	53,377	0	0	400,000	377,166	–	–	–
–	–	–	–	–	–	–	–	125,722	–	–	–
–	–	–	–	–	0	–	–	125,722	–	–	–
–	–	–	–	53,377	0	–	200,000	125,722	–	–	–
–	0	0	72,917	–	0	0	200,000	–	–	–	–
–	62,500	0	62,500	–	150,000	0	150,000	–	–	–	–
–	50,000	0	210,166	0	3,125,000	0	3,125,000	158,512	–	–	–
–	**348,167**	**235,667**	**872,917**	**969,967**	**3,818,214**	**543,214**	**4,554,445**	**1,350,539**	**136,391**	**85,933**	**202,600**
–	22,917	22,917	22,917	52,500	116,109	52,500	140,000	97,872	13,315	8,333	20,000
–	**371,083**	**258,583**	**895,833**	**1,022,467**	**3,934,323**	**595,714**	**4,694,445**	**1,448,411**	**149,706**	**94,267**	**222,600**

Other variable compensation

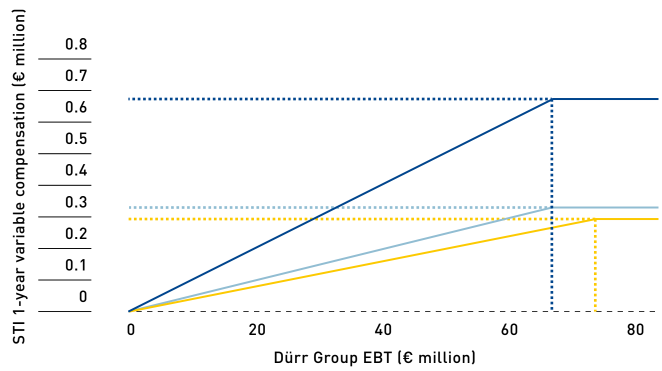
In July 2020, the Board of Management decided to bring forward the necessary capacity adjustments in the European automotive business and to initiate them already in the second half of 2020. The main reason for this was the muted outlook for this market in the medium to long term. The provisions recognized in this connection resulted in a pre-tax loss in 2020. For this reason, the members of the Board of Management (with the exception of Mr. Crosetto) did not receive any STI compensation despite the modifications made to the STI system described in the section entitled "Temporary adjustments in 2020." Consequently, the Supervisory Board decided to grant Mr. Dieter, Dr. Weyrauch and Mr. Heinrich a special bonus for 2020 within the scope of the compensation system. The bonus served to reward them for the extensive and successful efforts that they had taken to mitigate the consequences of the pandemic and in recognition of the fact that the Board of Management had driven the Group's further development forward through efficiency gains, funding measures and acquisitions in 2020 without delay. In determining the amount of the special bonus, the Supervisory Board was guided by the performance of the operating business in 2020. Table 2.22 includes the special bonuses in the item entitled "Other variable compensation."

LTI

The LTI expenses shown in Table 2.22 include the amounts recognized as liabilities on a time-proportionate basis for the current LTI tranches. No LTI liabilities were recognized in 2020 due to the earnings situation. The following should be noted regarding Mr. Crosetto's compensation for 2019 shown in Table 2.22: Following his departure from the Board of Management, all LTI payments were made to Mr. Crosetto ahead of schedule. For this purpose, the relevant parameters – EBIT multiple and share price multiple – were calculated on an individual basis. The payments made in 2020 under the 2017 to 2019 LTI tranche (Table 2.25) came to €1,142 thousand for Ralf W. Dieter and €183 thousand for Dr. Jochen Weyrauch. No LTI payments accrued to Mr. Heinrich and Mr. Paasivaara, as they had been members of the Board of Management for less than three years. LTI compensation of €506 thousand was paid to Mr. Crosetto in 2020. The compensation referred to in the 2019 compensation report, which was paid by Heinz Dürr GmbH to Mr. Dieter in recognition of his long-standing service as Chief Executive Officer, was disbursed in December 2020.

Former members of the Board of Management received pension benefits of €563 thousand in 2020 (previous year: €554 thousand).

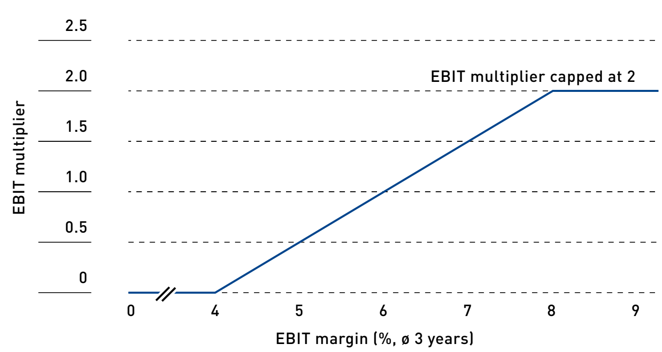
2.23 — PREVIOUS COMPENSATION OF THE BOARD OF MANAGEMENT: STI 2020 (AFTER ADJUSTMENT)



- Cap Ralf W. Dieter €0.673 million, STI payment (€ million): EBT * 0.01
- Cap Dr. Jochen Weyrauch, Pekka Paasivaara €0.336 million, STI payment (€ million): EBT * 0.005
- Cap Dietmar Heinrich €0.292 million, STI payment (€ million): EBT * 0.004

2.24 — PREVIOUS COMPENSATION OF THE BOARD OF MANAGEMENT: LTI

LTI (€): number of performance share units (PSU) * share price * EBIT multiplier (3-year average)



Example of LTI calculation (3-year tranche):
EBIT multiplier 1.0 (≙ 6% EBIT margin, 3-year average)
* 8,000 PSU * €29 share price = €232,000

2.25 — PREVIOUS COMPENSATION OF THE BOARD OF MANAGEMENT: PAYMENTS MADE

	RALF W. DIETER CEO		DR. JOCHEN WEYRAUCH Deputy CEO		DIETMAR HEINRICH CFO (from: Aug. 1, 2020)		PEKKA PAASIVAARA Member of the Board of Management (until: Dec. 31, 2020)		CARLO CROSETTO CFO (until: Feb. 29, 2020)	
€	2019	2020	2019	2020	2019	2020	2019	2020[1]	2019	2020
Basic compensation (fixed compensation)	1,000,000	1,000,000	550,000	700,000	–	229,167	525,000	525,000	500,000	83,333
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	42,542	44,362	25,589	25,928	–	6,500	18,000	18,214	15,989	2,600
Total	**1,042,542**	**1,044,362**	**575,589**	**725,928**	**–**	**235,667**	**543,000**	**543,214**	**515,989**	**85,933**
One-year variable compensation (STI)	1,196,800	747,180	598,400	373,590	–	–	–	373,590	478,720	349,330
Multi-year variable compensation (LTI)	1,200,000	1,142,318	–	182,771	–	–	–	–	–	506,369
Other variable compensation	0	0	0	0	–	0	0	3,125,000	0	158,512
Total	**3,439,342**	**2,933,860**	**1,173,989**	**1,282,289**	**–**	**235,667**	**543,000**	**4,041,804**	**994,709**	**1,100,144**
Contribution to pension commitment	609,680	574,718	114,840	99,859	–	–	26,250	116,109	97,872	68,266
Total compensation	**4,049,022**	**3,508,578**	**1,288,829**	**1,382,148**	**–**	**235,667**	**569,250**	**4,157,913**	**1,092,581**	**1,168,410**

[1] Other variable compensation paid to Mr. Paasivaara includes termination benefits under his service contracts with Dürr AG and HOMAG Group AG, which were terminated effective December 31, 2020.

NEW COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT OF DÜRR AG (EFFECTIVE AS OF JANUARY 1, 2021)

The new compensation system for all members of the Board of Management of Dürr AG was implemented on January 1, 2021 and also applies to all new and renewed service contracts entered into with members of the Board of Management of Dürr AG. It constitutes a further development of the previous system and implements the statutory amendments to the German Stock Corporation Act (AktG) governing the compensation of boards of management in accordance with the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II). The main differences over the previous system are as follows:

1. Inclusion of one or more ESG (environmental, social and governance) targets in the short-term incentive (STI)

2. Definition of targets for variable compensation and target total compensation

3. Inclusion of a clawback clause in the service contracts

4. Payment of the long-term variable compensation (long-term incentive – LTI) only after the end of the respective tranche in the event of early termination

5. The only remaining commitment to change-of-control benefits was removed from the CEO's service contract

6. Regardless of the long-term variable compensation, the members of the Management Board are required to hold a fixed number of shares in Dürr AG

In accordance with Section 120a (4) of the German Stock Corporation Act, the new compensation system for the Board of Management will be submitted to the shareholders for a vote at the Annual General Meeting on May 7, 2021.

Underlying principles

The compensation system promotes Dürr AG's business strategy and long-term interests and thus contributes to its long-term development. The focus is on strengthening profitable and sustainable growth in all divisions.

The sustainable success of the business strategy is supported by variable, performance-based compensation components. To this end, different goals oriented toward profitability, liquidity, enterprise value development and environmental and social sustainability are applied.

The proportion of variable compensation components exceeds the proportion of fixed compensation components in both the target total compensation and the maximum compensation. At the same time, the long-term incentive accounts for a greater proportion of the total compensation than the short-term incentive. This applies to the target total compensation as well as the maximum compensation.

The Supervisory Board determines the target amounts for the variable compensation components for each financial year on the basis of the results of the previous financial years as part of budget planning for the next financial year and strategic planning for the years thereafter.

In structuring and defining the compensation system for the members of the Board of Management, the Supervisory Board also took into account the compensation and employment conditions applicable to senior management and all other employees, particularly with regard to any changes in recent years. In this connection, it performed a detailed analysis to ensure that the compensation of the members of the Board of Management does not increase more than the compensation paid to senior management and all other employees. Moreover, it performed a review to ensure consistency between the compensation and fringe benefit systems of the members of the Board of Management on the one hand and senior management and all other employees on the other, in order to support the strategic orientation and management of Dürr AG and its companies.

The Supervisory Board performs a review of the compensation system at its own due discretion, however no later than every four years. The Supervisory Board reviews the appropriateness of the fixed annual salary at least every two years. In doing so, it benchmarks it against the market and also takes account of any changes in the business environment, the macroeconomic situation, the company's strategy, changes and trends in national and international corporate governance standards and the development of the compensation and employment conditions of employees. If necessary, the Supervisory Board consults external compensation experts and other specialists. In doing so, it pays attention to ensuring their independence from the Board of Management and takes precautions to avoid any conflicts of interest. If members of the Board of Management assume positions on the supervisory boards of any Group companies, this compensation is duly deducted. If members of the Management Board assume any positions on non-Group supervisory boards, the Supervisory Board decides whether and to what extent the compensation is to be deducted.

The Supervisory Board submits the agreed compensation system for a vote by the shareholders at the annual general meeting in the event of every material change, however at least every four years. If the shareholders fail to endorse the system submitted to the annual general meeting, the Supervisory Board submits a revised compensation system for endorsement no later than at the following annual general meeting.

Compensation components

The new compensation system consists of:

1. a fixed annual salary
2. a variable annual bonus (short-term incentive)
3. a variable long-term bonus (long-term incentive)
4. fringe benefits and
5. a company pension scheme

Graphs 2.26 to 2.28 show the relative weighting of the compensation components in the target total compensation for the members of the Board of Management together with the compensation defined for 2021 on the basis of 100 % target achievement.

For the Chief Executive Officer, the share of the STI (target amount) in the variable target total compensation thus stands at approximately 48 % and the share of the LTI (target amount) at approximately 52 % of the variable target total compensation. For the Deputy Chief Executive Officer and the other members of the Board of Management, the share of the STI (target amount) in the variable target total compensation stands at approximately 47 % and the share of the LTI (target amount) at approximately 53 % of the variable compensation.

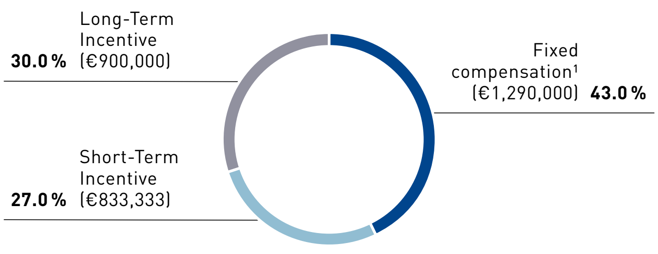
Fixed annual salary

The members of the Board of Management receive a fixed annual salary, which is paid in twelve equal installments. The amount of the fixed annual salary is based on the tasks and strategic and operational responsibilities of the individual member of the Board of Management.

Short-term incentive

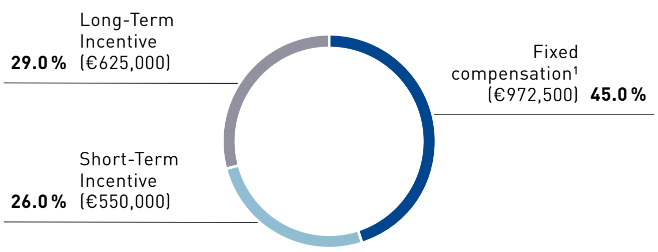
The short-term incentive is a performance-related bonus based on financial and non-financial results for the respective financial year. For 2021, it breaks down into 60 % operating earnings before interest and taxes (EBIT), 30 % free cash flow (FCF) and 10 % ESG targets (Figure 2.29).

2.26 — SHARES OF COMPENSATION COMPONENTS – CHIEF EXECUTIVE OFFICER



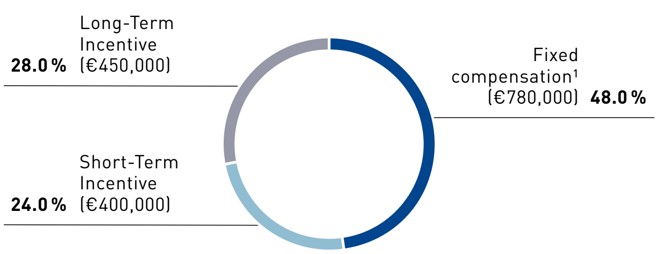
[1] The fixed compensation also includes fringe benefits and company pension benefits.

2.27 — SHARES OF COMPENSATION COMPONENTS – DEPUTY CHIEF EXECUTIVE OFFICER



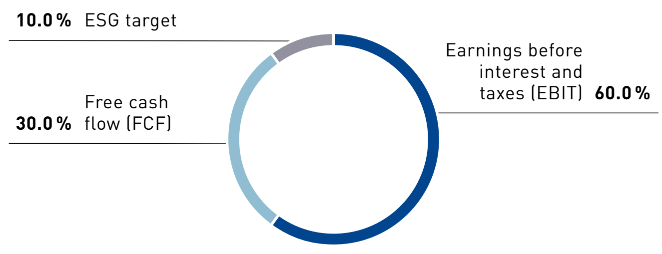
[1] The fixed compensation also includes fringe benefits and company pension benefits.

2.28 — SHARES OF COMPENSATION COMPONENTS – OTHER MEMBERS OF THE BOARD OF MANAGEMENT



[1] The fixed compensation also includes fringe benefits and company pension benefits.

2.29 — TARGET WEIGHTING OF SHORT-TERM INCENTIVE



Operating EBIT is adjusted for special expenses such as the effects of acquisitions. The extraordinary effects are disclosed in the management report. Free cash flow is the freely available cash flow and shows what funds remain for distributing a dividend, making acquisitions and reducing debt. It is calculated by deducting the investments, the balance of interest paid and received and the repayment of lease liabilities from the cash flow from operating activities.

ESG goals are defined as environmental, social and responsible corporate governance goals. Before the beginning of the financial year, the Supervisory Board determines the ESG performance criteria and the methods for measuring performance for each member of the Board of Management. Examples of possible performance criteria may include employee-related matters (employee satisfaction, safety and health), customer satisfaction and environmental concerns, or be tied to ESG ratings. Total target achievement for ESG performance is calculated on the basis of average target achievement for the individual performance criteria.

Before the beginning of a financial year, the Supervisory Board determines the individual targets as well as the minimum (threshold) and maximum target achievement. The target achievement is 0 % below the threshold, 150 % above the maximum and 100 % if the target is reached. Target achievement is interpolated on a straight-line basis between the minimum and the target as well as between the target and the maximum. A target for 2021 of €833,333 was set for the Chief Executive Officer, €550,000 for the Deputy Chief Executive Officer and €400,000 for other members of the Board of Management.

Target achievement is determined by the Supervisory Board after the end of the corresponding financial year. STI target achievement is determined on the basis of the respective target achievement for EBIT, free cash flow and the ESG goals as well as the defined weighting of the targets. The amount paid equals the target multiplied by target achievement (⟶ **Figure 2.30**). The amount accruing under the short-term incentive is paid out in May and capped at 150 % of the target (payout cap).

2.30 — CALCULATION OF THE AMOUNT ACCRUING UNDER THE SHORT-TERM INCENTIVE

Target achievement 0 – 150 %	×	Target amount of the respective Board Member	=	Short-term incentive payment

If the service contract begins or ends during an ongoing financial year, the amount paid is reduced on a time-proportionate basis in relation to the financial year. All claims under the STI arising from a current financial year lapse without any compensation if the service contract with the member of the Board of Management ends as a result of extraordinary termination by the company for good cause in accordance with Section 626 of the German Civil Code.

Long-term incentive

The long-term incentive is geared toward the company's sustainable growth and is determined on the basis of the performance of Dürr stock and the operating EBIT margin.

The relevant performance indicators for calculating the amount accruing under the LTI are the performance of Dürr stock between the award and the payment of the LTI as well as the average operating EBIT margin for the three financial years starting with the year of award. The operating EBIT margin is defined as the ratio of operating EBIT (see section on **"Short-term incentive" ⟶ page 62**) to the sales of the Dürr Group.

At the time at which the annual LTI tranches are granted, the target amount for the LTI per member of the Board of Management is converted into virtual shares of the company (performance shares) on the basis of the initial reference price of Dürr stock. The shares are then allocated to the respective members of the Management Board as a variable. The initial reference price is determined on the basis of the average calculated closing price of Dürr stock for the last 30 trading days before 31 December of a financial year.

The LTI is paid out in cash after the expiry of the three-year period and the subsequent annual general meeting at which the annual financial statements of Dürr AG for the previous financial year are presented. To calculate the amount payable, the number of performance shares is multiplied by the EBIT multiple and the average calculated closing price of Dürr stock for the 30 days before the annual general meeting. The EBIT multiple is capped at 200 %. The amount accruing under the long-term incentive is capped at 150 % of the LTI target (payout cap).

2.31 — CALCULATION OF THE AMOUNT ACCRUING UNDER THE LONG-TERM INCENTIVE

Number of performance shares	×	EBIT multiplier (0 – 200 %)	×	Average Dürr AG share closing price	=	Long-term incentive payment

Before the beginning of a tranche, the Supervisory Board determines the target for the average EBIT margin (target) as well as the minimum (threshold) and maximum target achievement. The EBIT multiple equals 0 if target achievement is below the threshold, 2 if target achievement is above the maximum and 1 if the target is reached. Target achievement and the EBIT multiple are interpolated on a straight-line basis between the minimum and the target as well as between the target and the maximum. A target for 2021 of €900,000 was set for the Chief Executive Officer, €625,000 for the Deputy Chief Executive Officer and €450,000 for other members of the Board of Management.

All rights accruing under the LTI expire without compensation if the service contract with the member of the Board of Management is terminated to full effect without notice for good cause prior to payment of the LTI, if the member's appointment to the Board of Management is revoked to full effect for good cause prior to payment of the LTI due to gross breach of duty, if the appointment is not renewed upon expiry for good cause for reasons for which the member of the Board of Management is responsible prior to disbursement of the LTI or if the member of the Board of Management resigns before disbursement of the LTI or gives notice of termination of the service contract, unless the member of the Board of Management has a justified reason for resigning and/or giving notice of termination of the service contract.

Fringe benefits

A company car is made available to the members of the Board of Management. In addition, the company takes out D&O insurance with an appropriate amount of coverage for the benefit of the members of the Board of Management, as well as life insurance or accident insurance for individual members.

Company pension scheme

Under the Dürr Group's pension scheme ("Dürr pension plan"), the members of the Board of Management receive an employer-funded pension contribution of 24 % of the fixed annual salary in the case of the Chief Executive Officer and 25 % of the fixed annual salary in the case of the other members of the Board of Management.

Maximum compensation

The total compensation awarded to each member of the Board of Management for a financial year (sum total of all compensation amounts for the financial year in question, including fixed annual salary, variable compensation components, contributions to the company pension scheme and fringe benefits) is capped at an absolute amount, regardless of whether it is paid out in that financial year or at a later date. The maximum compensation is €3,890,000 for the Chief Executive Officer, €2,735,000 for the Deputy Chief Executive Officer and €2,055,000 for other members of the Board of Management.

If the total compensation calculated for a financial year exceeds the maximum compensation, the amount accruing under the long-term incentive (LTI) is reduced by the surplus amount. If necessary, the Supervisory Board may, at its due discretion, reduce other compensation components.

Adjustment of compensation

The Supervisory Board may make appropriate temporary adjustments of a reasonable amount to the plan conditions for payment of the variable compensation components only in response to exceptional events or developments, e.g. the acquisition or disposal of a business. General unfavorable market developments do not constitute exceptional events or developments. The same applies if changes in the accounting rules applicable to the company have a material impact on the parameters relevant for the calculation of the STI and LTI variable compensation components or in the event that a financial year comprises less than twelve months (short financial year). If exceptional events or developments lead to changes in the payment of the variable compensation, the reasons for this are described in detail and in a readily understandable manner. No use may be made of any discretionary adjustment options. No special bonuses are paid.

The Supervisory Board may temporarily deviate from the compensation system and its individual components or introduce new compensation components if this is necessary to safeguard the company's long-term interests. The Supervisory Board reserves the right to make such modifications in exceptional circumstances, such as an economic or company crisis, and in the process shall consider the proportionality of the compensation relative to other measures taken in these circumstances as well as the interest of the shareholders.

Obligation to hold shares ("Share ownership guidelines")

The members of the Board of Management are subject to a contractual obligation to hold a significant, fixed number of shares in Dürr AG permanently during the term of their office after the end of a three-year vesting phase. This amounts to 21,250 shares for the Chief Executive Officer, 16,250 shares for the Deputy Chief Executive Officer and 12,500 shares for the ordinary members of the Board of Management.

Alongside the LTI, the obligation to hold shares in the company entails an additional share-based component that provides an incentive to work toward increasing the company's enterprise value in the long term beyond the term of the LTI. Compliance with this obligation must be demonstrated for the first time after the three-year vesting period and thereafter annually.

Option to reclaim variable compensation components ("clawback clause")

The company may adjust and reclaim the amounts paid under variable compensation

1. if the audited consolidated financial statements and/or any other basis for determining target achievement must be subsequently corrected because they turn out to be objectively erroneous and the error has led to an incorrect calculation of the variable compensation. The amount reclaimed shall equal the amount arising from the necessary correction.

2. in the event of any grossly negligent or intentional breach by a member of the Board of Management of any of his or her material duties of care or internal guidelines and, resulting from this, a threat to the business success or reputation of Dürr AG or one of its companies. In this case, the Supervisory Board may reclaim the full amount or any part of the variable compensation components.

If the necessary corrections or violations impact several variable compensation components, amounts already paid may be recovered for all variable compensation components. The claim for recovery is barred three years after payment of the variable compensation component concerned.

Severance payment ("severance cap", "change-of-control clause")
If a service contract is terminated without good cause, a possible severance payment including fringe benefits for the member of the Board of Management concerned is capped at the value of a maximum of two annual compensation amounts and may not exceed the contractual compensation for the remaining term if the service contract has a remaining term of fewer than two years (severance cap). The calculation of the severance cap is based in principle on the total compensation received in the previous financial year and, if applicable, also the expected total compensation for the current financial year.

There are no divergent compensation commitments with respect to the termination of a service contract in the event of a change of control. If a post-contractual non-compete clause is agreed upon, any severance payment counts toward the compensation paid for the acceptance of such a non-compete obligation. No severance payment is made if the service contract is terminated by the member of the Board of Management himself/herself or for good cause for reasons for which the member of the Board of Management is responsible.

SERVICE CONTRACTS

The service contracts with the members of the Board of Management are entered into for a period of three years when they join the Board of Management. When the contracts are due for renewal, they are usually extended by a total period of five years as permitted by law. Mr. Dieter's service contract expires on June 30, 2023, Dr. Weyrauch's service contract on December 31, 2024 and Mr. Heinrich's service contract on July 31, 2023. Mr. Paasivaara's service contract, which was originally due to expire on December 31, 2021, was terminated by mutual agreement effective December 31, 2020. Please also note the information in the paragraph entitled "Disclosures pursuant to Sections 289 (1) and 315 (1) of the German Commercial Code (HGB)".

COMPENSATION SYSTEM FOR THE SUPERVISORY BOARD

The following paragraph describes the current compensation system for the Supervisory Board. It is planned to submit a new compensation system, which will contain only fixed compensation components, to the Annual General Meeting on May 7, 2021 for approval by the shareholders.

The compensation paid to the members of the Supervisory Board is set forth in Article 15 of Dürr AG's articles of incorporation. The full text is available on our website at www.durr-group.com under Investors/Corporate Governance. The compensation system for the Supervisory Board stipulates that each member receive a fixed annual compensation payment of €40,000. Members are also entitled to a €1,000 attendance fee for each meeting attended, plus reimbursement of expenses. The variable compensation is based on the three-year rolling average EBT margin and may not exceed €24,000. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each Deputy Chair receives one and a half times the total compensation paid to a regular member. The compensation paid to the members of the Audit Committee is €10,000 per year, while the members of the Personnel Committee receive €5,000 per year. The chairs of both committees receive three times the compensation paid to a regular member. The members of the Nominating Committee are entitled to a compensation payment of €2,500 per meeting, with the chair receiving one and a half times that amount. Any members serving on the Supervisory Board or in a committee for only a part of the fiscal year are remunerated on a time-proportionate basis.

Total compensation paid to the members of the Supervisory Board in 2020 was €1,002 thousand after €1,161 thousand in the previous year. Information on the individual compensation payments made to the members of the Supervisory Board can be found in → Item 42 in the notes to the consolidated financial statements.

PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Non-pay scale employees receive a basic annual salary plus a performance-related bonus. In most cases it is between 5 % and 10 % of the basic salary, but substantially higher for managers. The bonus depends on the achievement of individual targets as well as the Group's financial targets. In 2020, the financial targets were tied to the Group's EBIT and total liquidity.

Pay scale employees at almost all German Group companies may also be paid a profit-sharing bonus. Here as well, the applicable targets were tied to the Group's EBIT and total liquidity in 2020. On this basis, the profit-sharing bonus payable to full-time pay scale employees of the Dürr Group in Germany in 2020 equals €1,225. We consider this payment a tribute to our employees, who contributed significantly to overcoming the crisis in 2020.

BUSINESS REPORT

Economy and sector environment

GLOBAL ECONOMY IN CORONAVIRUS CRISIS MODE IN 2020

In 2020, the coronavirus pandemic triggered one of the sharpest recessions since World War II. Following what in some cases were double-digit declines in GDP in the second quarter, the economy bounced back later in the year, additionally spurred by stimulus packages initiated by government administrations and central banks. This eased the economic impact of the pandemic, but led to fiscal pressures and rising sovereign debt. With the emergence of a second wave of coronavirus infections at the end of the year, extensive restrictions were again imposed on public life, although these had a smaller impact on economic output than in the spring. Against the backdrop of the pandemic, global gross domestic product shrank by 3.5 % in 2020 after having increased by 3.0 % in 2019. With economic growth of 1.7 %, China bucked the downward trend, successfully returning to an upward trajectory in the second quarter following the lockdown in the first quarter.

2.32 — GROSS DOMESTIC PRODUCT

% year-on-year change	2020	2019	2018
Global	–3.5	3.0	3.8
Germany	–5.0	0.5	1.5
Eurozone	–7.3	1.2	1.9
Russia	–4.0	1.3	1.6
United States	–3.5	2.3	2.9
China	1.7	6.2	6.6
India	–7.0	5.0	7.6
Japan	–5.2	1.2	0.7
Brazil	–5.1	1.1	1.1

Source: Commerzbank 01/2021

After weakening against other major currencies in 2019, the euro gained momentum in 2020, mainly due to the political situation in the United States. This strength exerts a potentially negative impact on export-oriented companies in the eurozone.

2.33 — AVERAGE EXCHANGE RATES

€1 equals	2020	2019	2018
USD	1.1468	1.1197	1.1792
GBP	0.8894	0.8757	0.8862
JPY	121.8217	121.9792	129.9983
CNY	7.8985	7.7175	7.8167

Source: Commerzbank

NO END TO LOW-INTEREST RATE POLICY

The current yield on fixed income securities remained in negative territory in Germany, dropping to –0.3 % (2019: –0.1 %). Inflation in Europe fell to 0.3 %, while the European Central Bank maintained its low-interest rate policy and kept the key interest rate at 0 %.

A sharp decline in equity markets in February and March triggered by fears of a recession gave way to a rally later in the year. The DAX gained 3.5 % over the year as a whole, underpinned by central banks' expansionary monetary policies, extensive stimulus programs and hopes of an economic recovery.

SHARP DECLINE IN AUTOMOTIVE PRODUCTION IN 2020 DESPITE RECOVERY IN THE SECOND HALF

Global automotive production (passenger vehicles and light trucks) plummeted by 15.9 % to 74.8 million vehicles in 2020. The main reason for this were the pandemic-related production lockdowns and, simultaneously, buyer restraint. The automotive analysts at LMC Automotive had initially lowered their forecast for global light vehicle production several times to 71.2 million units, but adjusted it upwards again in view of the recovery emerging in the second half of the year.

Capital spending on machinery and equipment was also down sharply in the automotive industry against the backdrop of the coronavirus pandemic. After the slump in the first half of the year, it began to normalize again, as did automotive demand and capacity utilization at production plants. The rising demand for production technology for electric cars remained a major driver of capital spending in 2020.

2.34 — PRODUCTION OF LIGHT VEHICLES

Million units	2020	2019	2018
Global	74.8	88.9	94.2
Western Europe	10.1	13.4	14.3
Germany	3.7	4.9	5.3
Eastern Europe	6.2	7.5	7.5
Russia	1.4	1.6	1.7
North America (incl. Mexico)	13.0	16.2	16.9
USA	8.6	10.6	11.0
South America	2.2	3.3	3.4
Brazil	1.9	2.8	2.8
Asia	41.4	46.5	49.4
China	23.3	24.3	26.4
Japan	7.8	9.2	9.2
India	3.2	4.2	4.7

Sources: LMC 01/2021

MACHINE AND PLANT ENGINEERING UNDER HEAVY PRESSURE

The fallout from the coronavirus pandemic left deep traces on German manufacturers of capital goods in 2020. Equipment spending fell by around 16 %; the German Mechanical and Plant Engineering Association (VDMA) indicates that order intake in the German mechanical and plant engineering sector dropped by 12 %. According to VDMA, machinery production in Germany shrank by 12 % after having already fallen by 3 % in 2019. Many companies scaled back capacity and reduced costs.

CONTRACTION IN THE WOODWORKING MACHINERY MARKET

Revenues in the secondary woodworking machinery segment fell by 17 %, according to VDMA. Whereas the pandemic-related restrictions initially exerted a drag on revenues, companies later sustained an 11 % drop in orders. On a positive note, many people decided during the pandemic to modernize their home interiors and buy kitchens and furniture as they were spending more time at home. Against this backdrop, capital spending by furniture manufacturers picked up again in the second half of the year.

Explanatory notes on the figures

The charts and tables in this management report generally contain IFRS figures for the years from 2018 through 2020.

EBIT

EBIT is defined as earnings before interest, income taxes and income from investments. Extraordinary effects have been eliminated from operating EBIT; these extraordinary effects are listed in Table 2.47.

IFRS 16 "LEASES"

Under IFRS 16, which has been applied since January 1, 2019, lessees must recognize all main leases as right-of-use assets and the matching payment obligations as liabilities. When comparing periods, it should be borne in mind that the figures for 2018 were not calculated in accordance with IFRS 16.

REPORTING CONVENTIONS

Amendments to IFRS in 2020 had little impact on the presentation of the Group's economic situation. Relatively few reporting options are available under the IFRSs and their utilization barely impacts our net assets, financial position and results of operations. In the case of important balance sheet items, we exercise options in such a way that the greatest possible measurement continuity is preserved. We made use of most of the reporting options in unchanged form in 2020. The use of accounting policy measures exerted at most only a minor influence on the presentation of the results of operation. Moreover, it is inconsistent in many cases with our commitment to continuity and cross-period transparency.

HOMAG GROUP AG: DOMINATION AND PROFIT TRANSFER AGREEMENT

Under the terms of the domination and profit transfer agreement entered into between Dürr Technologies GmbH and HOMAG Group AG, all of the net profit earned by the HOMAG Group AG accrues to the Dürr Group. HOMAG Group AG's non-controlling shareholders (35.11 % of the capital) are not entitled to a variable dividend. Instead, they receive a guaranteed dividend of €1.01 per share (net) for the duration of the domination and profit transfer agreement. In addition, they have been offered a cash settlement of €31.56 per share. The interest expense arising from the domination and profit transfer agreement with HOMAG Group AG (2020: €11.7 million) is recognized in the Dürr Group's financial result.

In valuation proceedings, non-controlling shareholders of HOMAG Group AG are having the amount of the guaranteed dividend and cash settlement reviewed in court. Under a ruling by the Stuttgart Regional Court in August 2019, the cash compensation was to be increased to €31.58 and the guaranteed dividend to €1.03 per share (net). However, the ruling is not final, as HOMAG Group AG shareholders filed an appeal against it in October 2019. Pending a decision by the Stuttgart High Regional Court, the amounts originally set for the cash settlement and the guaranteed dividend (€1.01 net and €31.56, respectively) continue to apply.

AUTOMOTIVE FINAL ASSEMBLY TECHNOLOGY INTEGRATED IN PAINT AND FINAL ASSEMBLY SYSTEMS

Effective January 1, 2020, we integrated all activities related to automotive final assembly systems into the Paint and Final Assembly Systems division. To this end, **testing technology** → page 226, assembly products and automotive **filling technology** → page 226 were transferred from Measuring and Process Systems to Paint and Final Assembly Systems. In this way, we want to harness additional opportunities in final assembly technology and leverage the potential for growth offered by this business, particularly the trend toward electromobility. The transferred activities generated sales of €171.8 million and EBIT of €16.8 million in 2019. In the following tables for Paint and Final Assembly Systems and Measuring and Process Systems, we have retroactively adjusted most of the figures for 2019 to reflect this new structure. However, the comparative figures for 2018 have not been adjusted.

EFFECTS OF ACQUISITIONS

The companies, fully consolidated for the first time, contributed the following sales in 2020 from their date of initial consolidation:

- Homag China Golden Field: €17.3 million
  (from November 24, 2020)
- System TM: €4.8 million
  (from October 30, 2020)

The aggregated EBIT contributions of these two companies from their respective date of initial consolidation amounted to €0.6 million and €1.1 million, respectively, before purchase price allocation effects. Corresponding details on Techno-Step GmbH have been dispensed with for materiality reasons.

Impact of the coronavirus pandemic

BUSINESS PERFORMANCE

The coronavirus pandemic exerted a significant impact on business performance in 2020. After initially only affecting Chinese business, it started spreading around the world from March, increasingly also affecting our activities in other countries. Capital spending by our customers dropped sharply in the second quarter of 2020, in particular, as a result of the pandemic. In addition, many automotive plants were temporarily closed, which had a negative impact on the service business. As a consequence, order intake and sales in the second quarter fell to lows for the year of €644.8 million and €772.6 million, respectively, while operating EBIT temporarily dropped to a negative €8.9 million. Whereas we sustained heavy declines in order intake in Europe and America in the first half of the year (down 21.8 % and 52.5 %, respectively), order intake in China was extremely resilient despite the national lockdown in February, rising by 60.6 %. This was particularly due to strong demand for production technology for electric vehicles.

With the first wave of coronavirus infections subsiding in June, conditions in our market environment began to ease. We also benefited from the fact that the automotive industry reopened its plants and resumed production. Against this backdrop, order intake reached €826.3 million in the third quarter, thus exceeding the second quarter by 28.2 %. Demand continued to recover in the fourth quarter despite the second wave of coronavirus infections. This applied to the automotive industry as well as the furniture industry and was not least of all additionally spurred by the prospect of broad-based vaccinations in 2021.

FINANCIAL POSITION

In view of the macroeconomic turmoil in the wake of the coronavirus pandemic, we paid particular attention to preserving liquidity in 2020. Total liquidity (cash and cash equivalents plus time deposits) was at all times higher than in the previous year at the end of each quarter; as of December 31, 2020, it amounted to €1,019.0 million, 24.0 % up on the previous year. Cash flow from operating activities was positive in all four quarters, coming to €215.0 million in the year as a whole and exceeding the previous year. The basis for this was tight payment management and low working capital in the operating business. At the beginning of the coronavirus crisis, we secured our external funding by temporarily raising additional short-term funds. In addition, we issued two sustainability-oriented Schuldschein loans and a convertible bond totaling €465 million in the year under review, thus refinancing the instruments maturing in 2021 at an early stage. Details can be found in the section entitled "Financing structure of the Dürr Group" in the chapter entitled **"Financial development" ⟶ page 87.**

LOCATIONS AND EMPLOYEES

During the lockdown in the spring, we had to temporarily close locations in China, the United States, Brazil and India for a number of weeks. There were no closures in Europe and all plants were able to continue operating without any interruption. Supply chains remained largely stable aside from minor restrictions. In the second half of the year, all of the Group's locations were open and had mostly resumed their usual business processes.

In order to avoid infections, we greatly expanded mobile working during the pandemic. At many locations, most of the employees for whom this was possible worked from their own homes during the spring and winter lockdowns in particular. Travel was kept to an absolute minimum and face-to-face discussions were replaced by virtual meetings. We will continue to retain this course of action in the future in order to reduce costs, relieve the strain on employees and reduce our CO_2 footprint. A central Covid-19 crisis team was established in March 2020 to coordinate the Group-wide anti-corona response. Protection and hygiene regimes which, in addition to general rules of conduct, also consider local infection protection requirements, were developed for our sites.

We were also able to maintain order processing during the lockdowns despite the pandemic-related obstacles. However, delays or heightened expenses arose in some cases as a result of travel restrictions, quarantine rules and limited access to our customers' plants, for example.

COUNTERMEASURES

In the first half of 2020, we responded to the pandemic-induced slump in order intake, sales and earnings by adopting a global package of measures. As a result, we were able to reduce costs by around €120 million compared with the budget for 2020. In the second half of the year, in particular, we were able to benefit from the cost-cutting measures. In the third quarter, they made a significant contribution to pushing the EBIT margin before extraordinary effects back into positive territory after the operating loss in the previous quarter, causing it to reach a high of 4.9 %.

As part of our response, we reduced the number of external employees by 42 % compared with the end of 2019. Working time accounts for the core workforce were reduced, the number of off-duty days under collective bargaining agreements increased and moderate capacity adjustments implemented to allow for the pandemic. In Germany, we used the opportunities offered by short-time work, with over 1,400 domestic employees receiving short-time pay in October. The waiver of increases in collectively agreed salaries in Germany as well as lower bonus and profit-sharing payments also eased the pressure on costs. Capital spending was scaled back by 25.5 %; further expenditure cuts were made, for example, in administration, travel and the sourcing of external services.

The risk report ⟶ page 96 provides information on our risk situation in the wake of the coronavirus pandemic. The Dürr Group received government grants of €4.9 million in connection with the pandemic. In Germany, these mostly entailed the reimbursement of social security contributions in connection with short-time work. Government grants received in other countries were also largely related to the use of instruments for temporarily reducing working hours.

Overall assessment by the Board of Management and target achievement

No other event has had such a strong impact on global economic activity in recent decades as the coronavirus pandemic in 2020. Given the prevailing uncertainty, many customers' willingness to invest declined massively in the spring. The closure of many automotive plants during the first lockdown also left traces on our service business. In the second half of the year, business confidence improved as expected, allowing us to mitigate the sharp declines in business that had arisen in the first two quarters. Business in China, which had overcome the coronavirus shock swiftly, posting an 8.0 % increase in new orders in 2020, was a source of stability.

After withdrawing our original forecast for 2020 already at the end of March due to the pandemic, we released new full-year guidance in July. These targets were fully reached or even exceeded. Our overall assessment for 2020 therefore contains reasonably positive aspects. Although the pandemic caused a sharp drop in business and earnings, we have so far generally navigated our way through the crisis well. Thanks to prudent liquidity management, the Dürr Group demonstrated its resilience and seized business opportunities in the second half of the year. Despite a decline of 15.2 % in sales and extraordinary expenses of €88.4 million, we were able to report positive EBIT in 2020 notwithstanding the adverse conditions.

With an order intake of €3,283.2 million, we achieved the target of €3,100 to €3,400 million formulated in July. After a decline of 22.8 % in the first half of the year, we were able to limit the full-year decrease to 19.5 %, thanks to the recovery in the second half of the year. Business in production technology for electric vehicles, which continued to grow despite the pandemic, generated positive impetus. This was joined by robust environmental technology business and the encouraging recovery in demand in the second half of the year in the woodworking industry, where the start of a new investment cycle is on the horizon.

At €3,324.8 million, sales also reached the range (€3,200 to €3,400 million) forecast in July, materially underpinned by the recovery in service business in the second half of the year. Moreover, at €894.3 million, sales in the final quarter of the year were substantially higher than in the previous three quarters.

By implementing cost-cutting measures swiftly, we were able to adjust our costs to allow at least partially for the pandemic-induced decline in sales in 2020. On this basis, we achieved a slightly positive EBIT figure of €11.1 million as planned. Adjusted for extraordinary effects of €–88.4 million, operating EBIT came to €99.5 million, accompanied by an operating EBIT margin of 3.0 %, which thus exceeded the target range of 2.5 % to 2.8 % announced in July. In addition to purchase price allocation effects, the extraordinary effects primarily include extraordinary expenses of €63.1 million for measures aimed at securing the Group's continued viability. This particularly includes the capacity adjustments in the European automotive business initiated in July. Overall, we want to reduce our costs by €60 million from 2021 by means of the measures taken in 2019 and 2020.

Earnings after tax came to €–13.9 million, thus reaching the top end of the target corridor of €–40 to €–10 million. At €–29.7 million, the financial result matched our expectations and includes interest expense and transaction costs in connection with the Schuldschein loans and the new convertible bond.

The ROCE of 1.1 % was influenced by the low EBIT. However, capital employed ⟶ page 227 dropped by 14.6 % over the end of 2019 to €991.5 million. One of the main reasons for this was the substantial reduction in net working capital ⟶ page 227, which fell by 23.9 % over December 31, 2019 to €382.6 million, as high prepayments as well as progress payments were received on schedule in project business. In addition, working capital was lower due to the lower number of new projects. Against this backdrop, the cash flow from operating activities reached a high €215.0 million despite the lower earnings. This exceeded not only the target range for 2020 (€70 to €120 million) but also the previous year's figure (€171.9 million). The same thing applies to the free cash flow of €110.7 million, which

2.35 — GROUP TARGET ACHIEVEMENT IN 2020

		2019 act.	2020 act.	2020 target (February 2020 forecast)	2020 target (July 2020 forecast)
Order intake	€ million	4,076.5	3,283.2	3,800 – 4,100	3,100 – 3,400
Sales	€ million	3,921.5	3,324.8	3,900 – 4,100	3,200 – 3,400
EBIT margin	%	5.0	0.3	5.2 – 5.7	0 – 0.5
EBIT margin before extraordinary effects	%	6.7	3.0	6.2 – 6.7	2.5 – 2.8
ROCE	%	16.9	1.1	17 – 22	0 – 1.5
Earnings after tax	€ million	129.8	–13.9	135 – 150	–40 to –10
Cash flow from operating activities	€ million	171.9	215.0	180 – 230	70 – 120
Free cash flow	€ million	44.9	110.7	70 – 120	–40 – 10
Net financial status (December 31)	€ million	–99.3	–49.0	–80 to –30	–230 to –180
Capital spending[1]	€ million	102.6	76.4	95 – 105	75 – 85

[1] Without acquisitions

additionally benefited from the cap of €76.4 million that we had placed on capital spending in response to the coronavirus pandemic.

The low working capital also left positive traces on liquidity. At the end of 2020, the cash and cash equivalents of €769.2 million and total liquidity (including term deposits) of €1,019.0 million substantially exceeded the previous year´s level. Net financial status ⟶ page 227 improved by €50.3 million to €–49.0 million as of the reporting date; our forecast had indicated a figure of around €–200 million.

DIVISION GOALS REACHED

In addition to the Group forecast, we also suspended the full-year targets for the five divisions at the end of March 2020. We provided new guidance for the divisions at the beginning of November when we published our figures for the first nine months. These goals were mostly achieved.

Paint and Final Assembly Systems posted the highest order intake and sales for the year in the fourth quarter (€345.3 million and €319.5 million, respectively). On this basis, both figures reached the middle of the full-year target range. At 3.1 %, the EBIT margin before extraordinary effects was also in the target corridor. As a result of the capacity adjustments in the Group’s European automotive business, the division sustained high extraordinary expenses (€27.1 million) in the fourth quarter, resulting in a full-year EBIT margin of 0.5 %.

In the final quarter of the year, Application Technology was also able to accelerate the upward trend which had emerged in the third quarter but still fell slightly short of the full-year targets for order intake and sales. EBIT before extraordinary effects improved in the second half of the year following the loss incurred in the second quarter as a result of the sharp contraction of the service business. At 4.1 %, the operating EBIT margin came in at the top end of the target corridor. The extraordinary expenses of €24.8 million for various measures aimed at securing the Group’s future viability pushed the EBIT margin down to –1.3 %.

Clean Technology Systems was relatively resilient in 2020 and was less affected by the impact of the pandemic than other divisions. Order intake fell by 11.6 % but reached the full-year target range, as did sales, which were virtually unchanged compared to the previous year. At 5.3 %, the division achieved the highest operating EBIT margin in the Group. Adjusted for extraordinary effects primarily relating from purchase price allocation expenses, the EBIT margin came to 3.5 %.

Following sharp losses in the second quarter, Measuring and Process Systems benefited from improvements in the third and fourth quarters, reaching the order intake and sales targets for the year. After losses in the first half of the year, the division achieved a turnaround in the further course of the year, posting a slightly positive operating EBIT margin of 0.1 % in 2020.

2.36 — TARGET ACHIEVEMENT OF THE DIVISIONS 2020

	Order intake (€ million)			Sales (€ million)			EBIT margin (%)			EBIT margin (%) before extraordinary effects	
	2020 act.	2020 target (February 2020 forecast)	2020 target new (November 2020 forecast)	2020 act.	2020 target (February 2020 forecast)	2020 target new (November 2020 forecast)	2020 act.	2020 target (February 2020 forecast)	2020 target new (November 2020 forecast)	2020 act.	2020 target new (November 2020 forecast)
Paint and Final Assembly Systems	1,142.3	1,300 – 1,500	1,100 – 1,200	1,173.8	1,400 – 1,500	1,100 – 1,200	0.5	5.0 – 5.5	0.3 – 1.3	3.1	3.0 – 4.0
Application Technology	470.7	610 – 660	480 – 530	459.4	620 – 670	470 – 510	–1.3	9.0 – 10.0	–1.7 to –0.7	4.1	3.1 – 4.1
Clean Technology Systems	396.9	420 – 460	380 – 420	386.2	400 – 440	380 – 420	3.5	3.2 – 4.2	2.2 – 3.8	5.3	4.7 – 6.3
Measuring and Process Systems	180.4	220 – 250	170 – 190	193.5	240 – 270	190 – 210	–1.5	9.5 – 10.5	–2.5 to –1.5	0.1	–0.4 – 0.6
Woodworking Machinery and Systems	1,092.8	1,150 – 1,250	950 – 1,050	1,111.9	1,150 – 1,250	1,050 – 1,150	0.9	4.5 – 5.5	–0.1 – 0.9	2.4	1.3 – 2.3

Woodworking Machinery and Systems recorded the smallest decline in order intake (down 10.4 %) in the Group. Orders were somewhat higher than expected, while sales were in the middle of the target corridor for 2020. As expected, sales in the final quarter remained subdued at €278.6 million due to the lower order intake in the second quarter. At 2.4 %, the operating EBIT margin exceeded the target range slightly in 2020. Adjusted for extraordinary effects, the EBIT margin also remained in positive territory (0.9 %) despite the decline in sales and the losses in the second quarter. These extraordinary effects primarily entail purchase price allocation expenses.

GROUP PERFORMANCE INDICATORS

Our main financial performance indicators for Group management are order intake, sales, EBIT and EBIT margin as well as **ROCE** **⟶ page 227.** Cash flow from operating activities and free cash flow are also important parameters, particularly at the Group level. Detailed information on the main financial performance indicators can be found in the section entitled "Operating performance indicators" in the **"Financial development"** **⟶ page 87** chapter. This section also contains information on the non-financial performance indicators. Please also note the non-financial statement in connection with the non-financial disclosures and performance indicators.

MAIN EVENTS DRIVING BUSINESS PERFORMANCE

The coronavirus pandemic was the decisive factor for the year under review and had a significant impact on our business performance. In addition, earnings were influenced by the extraordinary expenses for measures aimed at securing the Group's future viability, which should yield substantial savings from 2021. The financial situation was buoyed by the placement of a convertible bond and a sustainability-oriented Schuldschein loan. In January 2021, we also received the proceeds from the issuance of another sustainability-oriented Schuldschein loan. In this way, we were able to refinance the financial liabilities of €350 million maturing in 2021 at an early stage.

Business performance

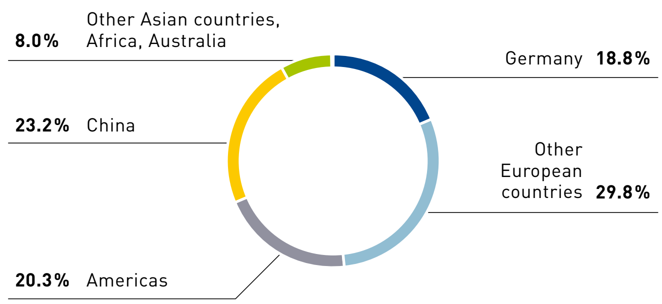
ORDER INTAKE LOWER DUE TO PANDEMIC

In 2020, order intake fell by 19.5 % to €3,283.2 million, as the corona crisis triggered capital spending restraint in many markets, especially in the first half of the year. After the first wave of the pandemic had subsided, business confidence brightened from the middle of the year, with order intake reaching €973.8 million in the fourth quarter, by far the largest figure for the year. On the basis of like-for-like exchange rates, new orders would have declined by 17.5 %.

At minus 10.4 %, the Woodworking Machinery and Systems division recorded the smallest drop in new orders in 2020, reflecting the very encouraging order intake in the fourth quarter, which at €329.9 million reached its highest figure since the first quarter of 2019. With orders down 11.6 %, the Clean Technology Systems division (environmental technology) was also relatively resilient. Orders for Paint and Final Assembly Systems and for Application Technology fell by 24.6 % and 26.5 %, respectively, as the automotive industry scaled back its procurement activities sharply, particularly in the first half of the year. However, both divisions benefited from the ongoing trend toward electric mobility. Despite the adverse overall market environment, order intake for production technology for electric cars increased by 67 % across the Group to €649.9 million. Orders in the Measuring and Process Systems division were down 28.4 %.

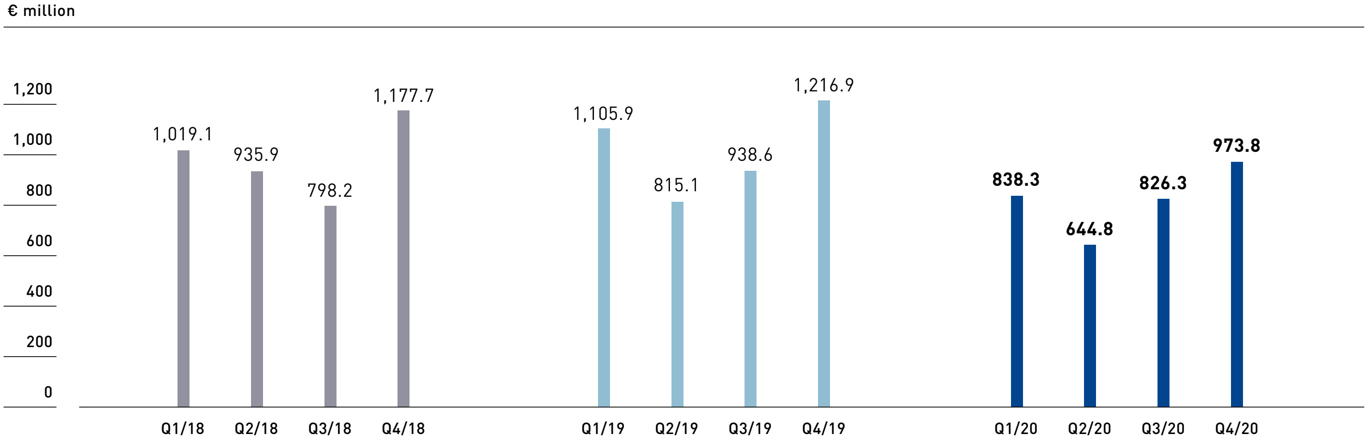
Orders worth €1,478.5 million (down 16.4 %) were received from the emerging markets in 2020, accounting for a total of 45.0 % of total order intake, up from 43.4 % in the previous year. One of the reasons for the growing weight of the emerging markets was the increase of 8.0 % in orders from China, which rose to €761.0 million. The Chinese economy recovered from the coronavirus crisis at an impressive pace; in addition to e-mobility business, growth in environmental technology and business with the furniture industry contributed to the expansion of our Chinese business.

2.37 — CONSOLIDATED ORDER INTAKE BY SALES REGION



€ million	2020	2019	2018
Germany	616.2	548.8	753.6
Other European countries	978.2	1,016.0	1,003.0
Americas	665.4	1,321.7	785.1
China	761.0	704.3	883.9
Other Asian countries, Africa, Australia	262.4	485.6	505.4
Total	**3,283.2**	**4,076.5**	**3,930.9**

2.38 — CONSOLIDATED ORDER INTAKE BY QUARTER



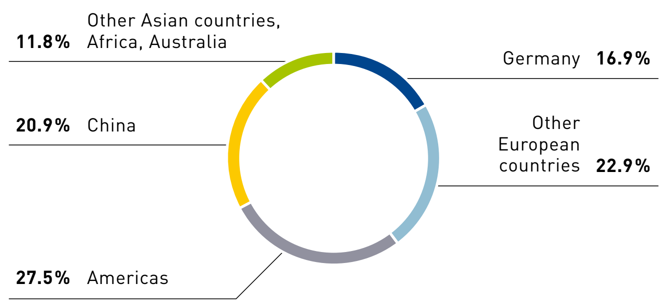
At €1,594.4 million, order intake in Europe was also slightly higher than in the previous year because, in the final two quarters of the year, we were able to more than compensate for the declines seen in the first half. This applies, in particular, to Germany, where full-year order intake expanded by 12.3 %. Business in the Americas was hit the hardest by the fallout from the coronavirus pandemic, with order intake dropping by half, to €665.4 million, compared with the exceptionally good previous year.

FIFTEEN-PERCENT DECLINE IN SALES

Sales dropped by 15.2 % in 2020 to €3,324.8 million as a result of the coronavirus crisis. Like order intake, they bottomed out in the second quarter during which many customer plants and construction sites were closed. A strong quarter-on-quarter improvement underpinned by all five divisions emerged in the third quarter. The upward trend continued in the final quarter of the year, with sales reaching a high for the year of close to €900 million. On the basis of like-for-like exchange rates, sales would have been 13.2 % lower in 2020.

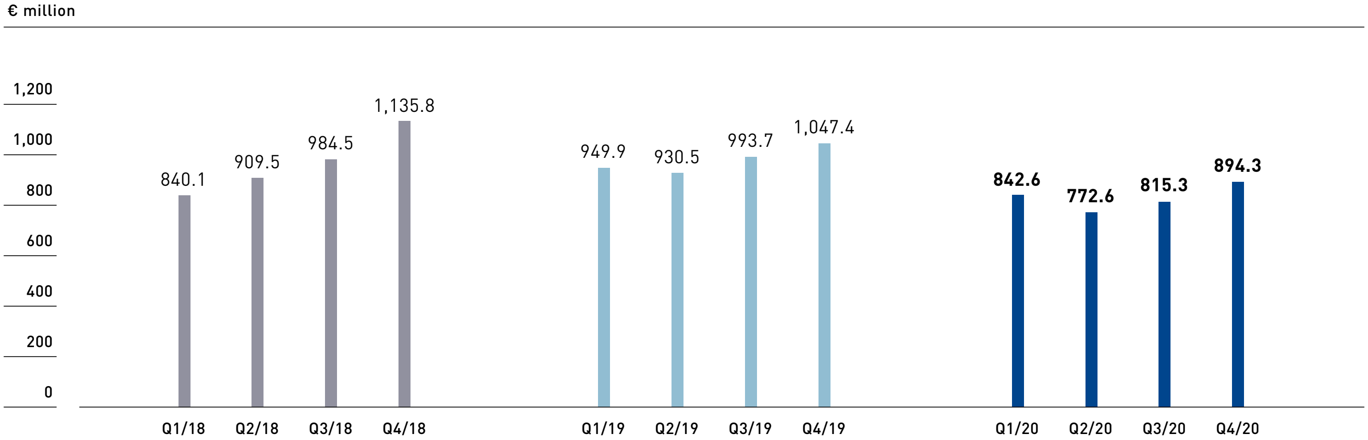
Sales in the Clean Technology System division came close to repeating the previous year's figure (down 2.3 %) despite the coronavirus crisis, but we saw greater declines in automotive activities.

2.39 — CONSOLIDATED SALES BY SALES REGION



€ million	2020	2019	2018
Germany	562.6	668.7	609.4
Other European countries	760.8	1,074.0	1,184.4
Americas	914.2	1,053.9	912.4
China	695.5	726.3	823.3
Other Asian countries, Africa, Australia	391.7	398.7	340.2
Total	**3,324.8**	**3,921.5**	**3,869.8**

2.40 — CONSOLIDATED SALES BY QUARTER



They were the most pronounced for Application Technology (down 22.5 %), where sales came under pressure from declines in the important service business, especially in the second quarter. Sales in the Paint and Final Assembly Systems and Measuring and Process Systems divisions fell by 17.1 % and 18.9 %, respectively. The Woodworking Machinery and Systems division reported a somewhat more muted decline (down 13.1 %). However, unlike the other divisions, it did not achieve any sequential improvement in sales in the fourth quarter, as the low order intake in the first half of the year became noticeable.

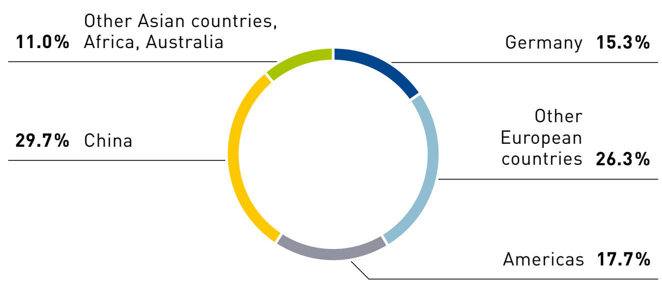
Sales in all regions were down in 2020. At 4.2 %, the decline was small in China. Revenue recognition in the Americas was driven by the previous year's high order intake. Accordingly, sales (down 13.3 %) dropped more moderately than in Europe (down 24.1 %). Against this backdrop, business in the Americas made the greatest contribution to Group sales (27.5 %). The share of sales in the emerging markets narrowed from 44.0 % to 39.7 %.

The service business contributed sales of €943.0 million in 2020, marking a decline of 15.7 % over the previous year, i.e. slightly more than the decrease in total sales. In the second quarter, the difference over the same period of the previous year was significantly larger (down 23.8 %), as production disruptions in the wake of the pandemic caused customer demand for spare parts to collapse. Driven by a recovery emerging mid-year, the service business more or less returned to normal in the fourth quarter. Full-year service business accounted for 28.4 % of Group sales (previous year: 28.5 %). Our target is 30 %.

REDUCED ORDER BACKLOG

The book-to-bill ratio[1] came to 0.99 as order intake fell slightly short of sales by 1.3 %. On an encouraging note, it exceeded 1 again, thanks to the recovery in demand in the third and fourth quarter, reaching 1.05 in the second half of the year. The order backlog on December 31, 2020 shrank by 6.8 % compared with the end of 2019 to €2,556.7 million but remained almost on a par with the figure recorded in 2018. In Europe and China, we saw growth compared to the previous year, while order backlog declined in the other Asian countries and in the Americas.

2.41 — CONSOLIDATED ORDER BACKLOG (DECEMBER 31) BY SALES REGION



€ million	2020	2019	2018
Germany	391.6	371.6	492.5
Other European countries	671.4	520.4	577.6
Americas	453.7	759.0	480.4
China	758.8	666.5	685.9
Other Asian countries, Africa, Australia	281.1	425.4	340.7
Total	**2,556.7**	**2,742.8**	**2,577.2**

[1] Ratio of order intake to sales

2.42 — INCOME STATEMENT AND PROFITABILITY RATIOS

		2020	2019	2018
Sales	€ million	3,324.8	3,921.5	3,869.8
Cost of sales	€ million	–2,720.6	–3,083.3	–3,014.3
of which cost of materials	€ million	–1,338.7	–1,681.4	–1,573.0
of which personnel expense	€ million	–663.4	–713.8	–644.6
of which depreciation and amortization	€ million	–79.0	–78.7	–69.7
Gross profit	€ million	604.2	838.2	855.5
Overhead costs[1]	€ million	–593.8	–639.0	–612.9
EBITDA	€ million	125.3	308.5	326.9
EBIT	€ million	11.1	195.9	233.5
EBIT before extraordinary effects[2]	€ million	99.5	263.1	274.9
Financial result	€ million	–29.7	–21.2	–13.8
EBT	€ million	–18.5	174.7	219.7
Income taxes	€ million	4.7	–44.9	–56.2
Earnings after tax	€ million	–13.9	129.8	163.5
Earnings per share	€	–0.23	1.79	2.27
Gross margin	%	18.2	21.4	22.1
EBITDA margin	%	3.8	7.9	8.4
EBIT margin	%	0.3	5.0	6.0
EBIT margin before extraordinary effects[2]	%	3.0	6.7	7.1
EBT margin	%	–0.6	4.5	5.7
Return on sales after taxes	%	–0.4	3.3	4.2
Interest coverage		0.5	7.3	11.5
Net financial liabilities to EBITDA		0.4	0.3	–
Tax rate	%	25.2	25.7	25.6
Return on equity	%	–1.5	12.4	16.5
Return on investment	%	0.7	4.2	5.3
ROCE	%	1.1	16.9	24.0

[1] Selling, administration and R&D expenses
[2] Extraordinary effects in 2020: €–88.4 million (2019: €–67.2 million)

SMALLER GROSS MARGIN

Prompted by the significant decline in sales in the wake of the coronavirus crisis, we took various measures to reduce costs in 2020, which are described in the chapter **"Impact of the coronavirus pandemic" ⟶ page 70**. Total costs (cost of sales, distribution, administrative and R&D expenses plus other operating expenses) were lowered by 10.1 % to €3,369.5 million. Although this means that they did not drop as quickly as sales, we consider the savings achieved to be an important contribution to safeguarding earnings. The cost of sales dropped by 11.8 % – and thus more quickly than total costs – to €2,720.6 million. It should be borne in mind that the extraordinary expenses of €61.4 million included in this item were substantially higher than in the previous year (€44.2 million). Reflecting the lower sales and high extraordinary expenses, gross profit fell by 27.9 % to €604.2 million, resulting in a gross margin of 18.2 % (previous year: 21.4 %).

COST OF MATERIALS FELL MORE SHARPLY THAN SALES

We were able to lower the cost of materials (€1,338.7 million) by 20.4 % in 2020. This means that these costs declined more sharply than sales. As a consequence, the cost of materials ratio narrowed from 42.9 % to 40.3 %. The cost of materials is included in full in the cost of sales and chiefly comprises the cost of externally sourced parts and production and assembly services. Further information can be found in the chapter entitled **"Procurement" ⟶ page 36**.

Overhead costs declined by 7.1 % to €593.8 million. The largest item included here is personnel expense, which we were able to reduce by 8.2 %. Selling expenses decreased by 9.9 % mainly due to lower personnel and travel costs. We made only slight cuts to R&D expense (down 2.8 %), as continuous innovation forms the basis of our leading market positions. Further details can be found in the chapter entitled **"Research and development" ⟶ page 37**.

2.43 — OVERHEAD COSTS AND EMPLOYEES IN 2020

	Employees (Dec. 31)	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	1,936	–304.2	–204.6	–11.0	–88.6
(2019)	1,816	–337.6	–223.3	–10.9	–103.4
Administrative	1,573	–181.9	–112.2	–15.2	–54.5
(2019)	1,480	–190.6	–120.5	–13.8	–56.3
R&D	795	–107.7	–71.8	–9.0	–27.0
(2019)	789	–110.8	–79.3	–9.3	–22.2

GROUP WORKFORCE ROUGHLY THE SAME SIZE

At 16,525 as of December 31, 2020, employee numbers were largely unchanged over the end of 2019. As a result of capacity adjustments, jobs were cut in 2020, primarily in the European automotive business and in the Woodworking Machinery and Systems division. However, around 560 employees were added as a result of first-time full-consolidation effects. Further information can be found in the section entitled "Portfolio changes" in "The Group at a glance" ⟶ page 23. Despite the largely constant number of employees, personnel expense fell by 7.1 %. This was partly due to cost reductions in response of the coronavirus crisis, such as short-time work, lower variable compensation and off-duty days under collective bargaining agreements. As sales dropped more quickly than personnel expense, the personnel expense ratio widened by 2.6 percentage points to 31.6 %.

2.44 — PERSONNEL-RELATED INDICATORS

	2020	2019	2018
Employees (December 31)	16,525	16,493	16,312
Employees (annual average)	16,334	16,463	15,593
Personnel expense (€ million)	–1,051.9	–1,136.9	–1,047.7
Personnel expense ratio (%)	31.6	29.0	27.1
Personnel expense per employee (annual average) (€)	–64,399	–69,055	–67,188
Sales per employee (annual average) (€)	203,552	238,201	248,176

Other operating income and expenses came close to balancing each other out in 2020, resulting in a small positive balance of €0.7 million. The primary determinant was currency-translation gains and losses, which stood at a net €–2.2 million (previous year: €–1.4 million).

EBIT SLIGHTLY POSITIVE

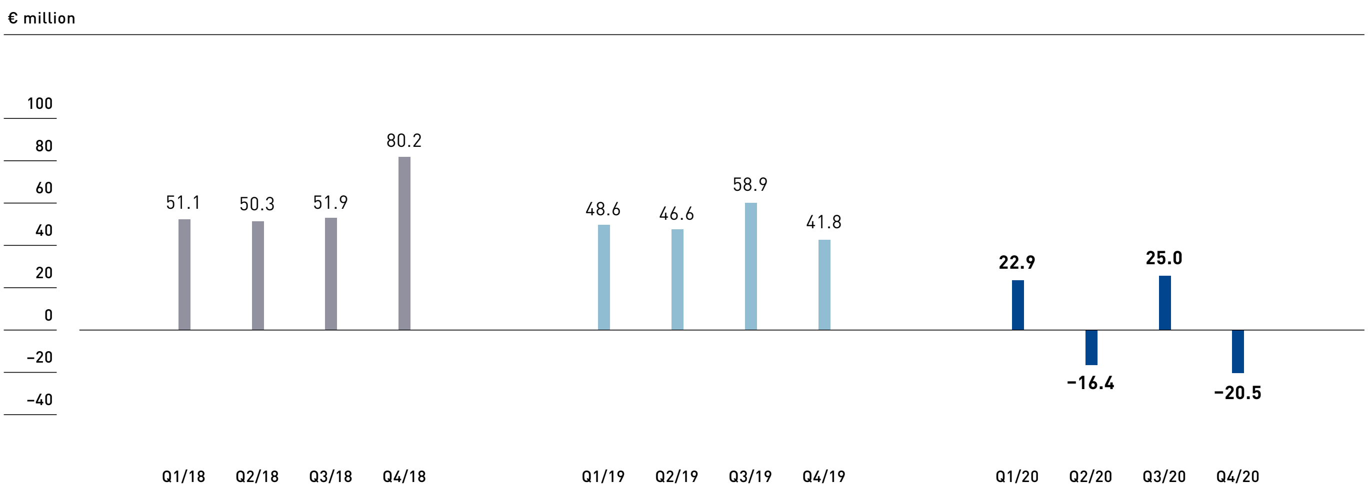
Although EBIT contracted strongly due to the pandemic-induced decline in sales and high extraordinary expenses, it remained in positive territory, coming to €11.1 million. At 0.3 %, the EBIT margin came within the target range of 0 % to 0.5 % that had been announced in July. In the second quarter, a loss of €16.4 million from operating business emerged at the EBIT level due, among other things, to the fact that service business with its wide margins dropped far below its normal level. In the third quarter, cost-cutting effects, the nascent recovery in service business and good project execution caused EBIT to reach its highest level for the year (€25.0 million). The negative EBIT in the fourth quarter reflects the high extraordinary expenses of €56.4 million. On the basis of like-for-like exchange rates, EBIT would have been €7.3 million higher in 2020.

The net extraordinary expenses included in EBIT came to €88.4 million in 2020, equivalent to an increase of 31.5 % over the previous year. Adjusted for extraordinary effects, EBIT came to €99.5 million. This translates to an operating EBIT margin of 3.0 %, which slightly exceeds our target corridor of 2.5 % to 2.8 %. The extraordinary expenses were largely due to capacity adjustments and other measures to ensure the Group's continued viability (€63.1 million). They also include purchase price allocation effects of €18.6 million and further expenses totaling €6.7 million. An overview of the extraordinary effects can be seen in Table 2.47.

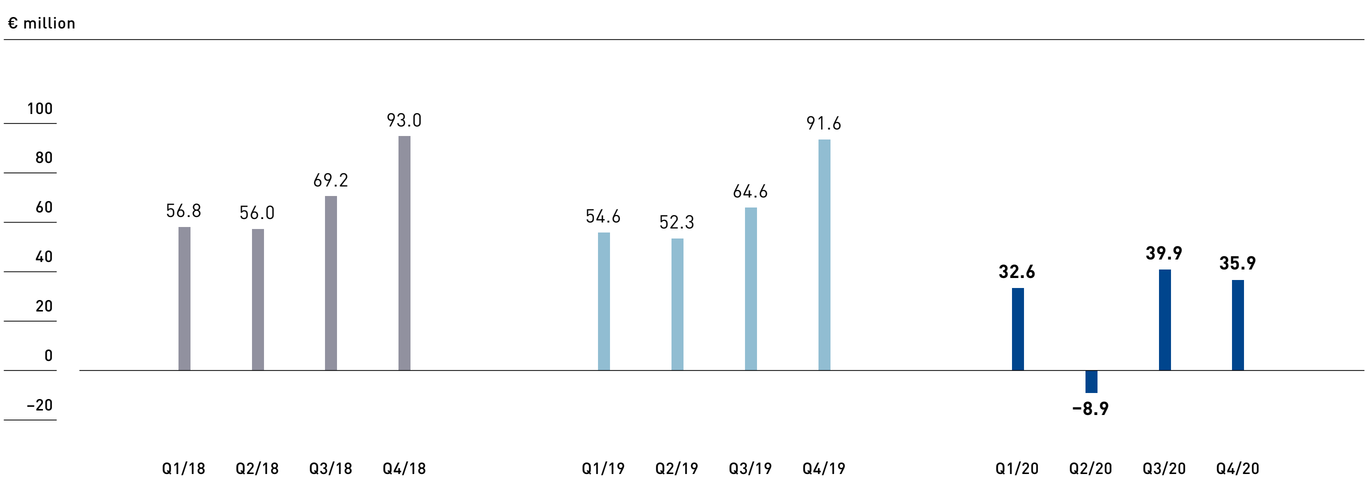
At 4.0 % in the fourth quarter, the operating EBIT margin was higher than in the first and second quarter (3.9 % and –1.2 %, respectively) but lower than in the third quarter (4.9 %). One reason for this was the weaker margins on orders in the Paint and Final Assembly Systems division. As well as this, the muted order intake in the Woodworking Machinery and Systems division in the second quarter also left traces.

Capacity adjustments mainly entail the elimination of around 600 jobs in European automotive business in response to the muted outlook for the European business and the growing importance of non-European markets and locations. They were joined by further adjustments, such as the closure of two small plants in Germany in the first quarter. With the capacity adjustments and measures aimed at ensuring the Group's continued viability in 2020, we are seeking cost cuts of around €40 million, which should unleash their full effect in 2021. Further savings of around €20 million should arise in 2021 from the capacity adjustments implemented in 2020 in the Woodworking and Machinery Systems division.

2.45 — EBIT BY QUARTER



2.46 — EBIT BEFORE EXTRAORDINARY EFFECTS BY QUARTER



2.47 — EXTRAORDINARY EFFECTS WITHIN EBIT

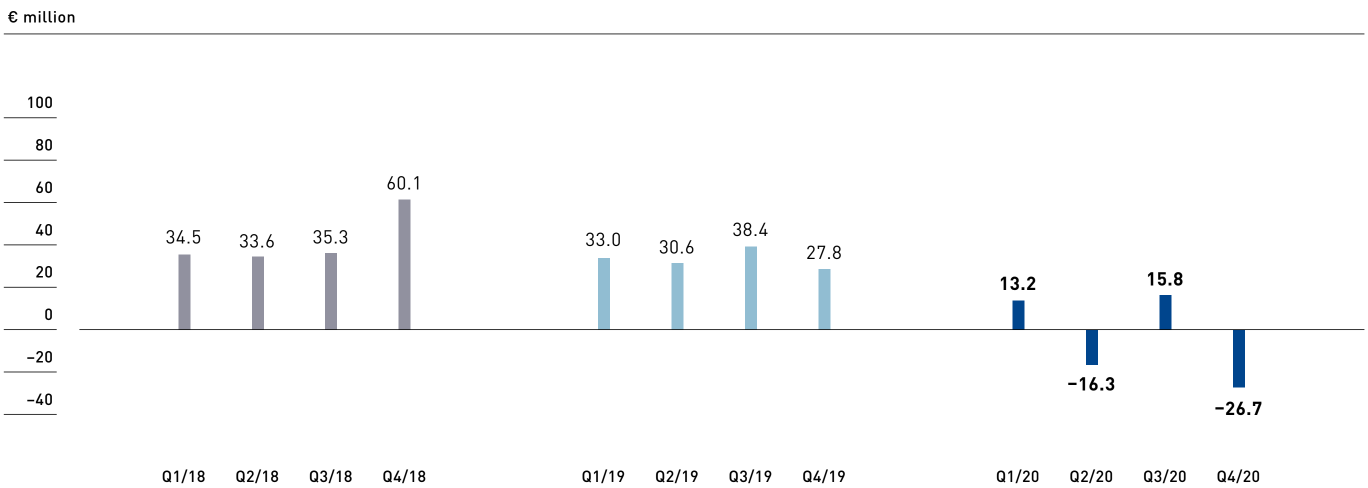
€ million	2020		2019		2018	
Paint and Final Assembly Systems	–30.5	• Purchase price allocation expense • Expense for measures to secure future viability/ capacity adjustment Europe	–2.6	• Purchase price allocation expense • Capacity adjustment expense	–2.2	• Purchase price allocation expense
Application Technology	–24.8	• Purchase price allocation expense • Expense for measures to secure future viability/ capacity adjustment Europe • Income from legal dispute	–6.2	• Purchase price allocation expense • Expense for legal dispute	–0.2	• Purchase price allocation expense
Clean Technology Systems	–6.9	• Purchase price allocation expense • Expense for measures to secure future viability/ capacity adjustment • Integration expense for Megtec/Universal • Income from sale of building	–11.2	• Purchase price allocation expense • Trailing extraordinary expenses for the acquisition of Megtec/Universal	–20.1	• Expense for discontinuation of micro gas turbine business • Purchase price allocation expense
Measuring and Process Systems	–3.0	• Purchase price allocation expense • Expense for measures to secure future viability/ capacity adjustment Europe	–1.6	• Purchase price allocation expense • Expense for closing subsidiary in China	–1.5	• Purchase price allocation expense
Woodworking Machinery and Systems	–17.1	• Purchase price allocation expense • Acquisition transaction costs • Capacity adjustment expense • Impairments	–45.3	• Purchase price allocation expense • Expense for measures to secure future viability/ optimization	–8.7	• Purchase price allocation expense
Corporate Center	–6.2	• Expense for legal dispute • Capacity adjustment expense • Acquisition transaction costs	–0.3	• Various minor effects	–8.7	• Expense of FOCUS 2.0 optimization program (Paint and Final Assembly Systems) • Transaction costs from the acquisition of Megtec/ Universal
Total	**–88.4**		**–67.2**		**–41.4**	

Testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures for 2019 have been adjusted accordingly and therefore differ from those originally reported. The figures for 2018 have not been adjusted.

FINANCIAL RESULT WEAKER

Financial result weakened to €–29.7 million in 2020 (previous year: €–21.2 million). In addition to declines in investment income and interest income, this was primarily due to the increased interest expense. This was in part the result of interest and transaction costs for a temporary additional loan as well as the Schuldschein loans and the convertible bond. This was joined by higher interest expense in connection with the domination and profit transfer agreement with HOMAG Group AG. As the agreement was renewed by a further year, the minority shareholders of HOMAG Group AG are entitled to compensation for at least one more year. For this reason, we adjusted the corresponding other financial liability through profit and loss accordingly.

2.48 — EARNINGS AFTER TAX BY QUARTER



EARNINGS AFTER TAX SLIGHTLY NEGATIVE

The decline in operating earnings, the high extraordinary expenses – particularly in the fourth quarter – and the weaker financial result led to earnings before tax of €–18.5 million. At €–13.9 million, earnings were better after tax than before tax. The tax rate of 25.2 % was comparable to the tax rate for 2019 (25.7 %). Earnings per share came to €–0.23 for 2020.

Despite the small net loss, we will be proposing a dividend of €0.30 per share for 2020 (previous year: €0.80), equivalent to a total payout of €20.8 million. This proposal takes account of the fact that earnings were heavily influenced by the high extraordinary expenses, and without those non-operating burdens, net earnings would have been firmly in positive territory. Moreover, we had good cash flow and record liquidity in 2020. The proposal is also appropriate in the light of Dürr AG's net retained profit of €471.0 million.

SEGMENT REPORT: DIVISIONS

2.49 — EBIT BY DIVISION

€ million	2020	2019	2018
Paint and Final Assembly Systems[1]	6.4	78.7	56.0
Application Technology	–5.8	57.1	68.0
Clean Technology Systems	13.7	12.1	–15.0
Measuring and Process Systems[1]	–2.9	21.8	59.7
Woodworking Machinery and Systems	9.9	37.4	86.2
Corporate Center/consolidation	–10.3	–11.2	–21.4
Total	**11.1**	**195.9**	**233.5**

[1] Testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures for 2019 have been adjusted accordingly and therefore differ from those originally reported. The figures for 2018 have not been adjusted.

Paint and Final Assembly Systems

Order intake in the Paint and Final Assembly Systems division dropped by 24.6 % in 2020. In the first half of the year, the substantial increase in orders in China provided an important counterweight to the pandemic-induced restraint in capital spending in other markets. After the first wave of coronavirus infections had subsided, market conditions outside China also improved and the division was able to gain several big-ticket system contracts in Europe, in particular in the second half of the year. As with Chinese business, orders for production technology for electric vehicles played an important role. Against this backdrop, order intake in the fourth quarter reached a satisfactory figure of €345.3 million.

Although sales dropped considerably as a result of the pandemic (down 17.1 %), this decline was less pronounced than with order intake. Alongside China, revenue recognition in the Americas remained solid over much of the year, as the division was able to benefit from the extraordinarily high order intake in 2019 in that

2.50 — PAINT AND FINAL ASSEMBLY SYSTEMS – KEY FIGURES

€ million	2020	2019	2018	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Order intake	1,142.3	1,515.0	1,300.4	249.9	240.3	306.8	345.3
Sales	1,173.8	1,415.5	1,235.7	297.2	277.4	279.7	319.5
Gross profit	135.4	206.7	157.5	41.8	35.5	36.7	21.3
EBITDA	31.5	103.5	70.4	16.8	9.9	16.5	–11.7
EBIT	6.4	78.7	56.0	10.5	3.7	10.5	–18.2
EBIT before extraordinary effects	36.9	81.3	58.1	11.2	4.5	12.3	8.9
EBIT margin	0.5 %	5.6 %	4.5 %	3.5 %	1.3 %	3.7 %	–5.7 %
EBIT margin before extraordinary effects	3.1 %	5.7 %	4.7 %	3.8 %	1.6 %	4.4 %	2.8 %
Cash flow from operating activities	17.4	–30.3	117.0	–30.9	44.8	–18.9	22.3
Capital expenditure	18.3	28.1	8.4	5.4	4.3	3.2	5.5
Capital employed	173.7	132.5	6.5	226.1	189.7	217.8	173.7
ROCE	3.7	46.7	>100	18.6	7.8	19.2	–42.0
Employees	4,383	4,412	3,472	4,465	4,428	4,423	4,383

Testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures for 2019 have been adjusted accordingly (with the exception of capital employed and ROCE) and therefore differ from those originally reported. The figures for 2018 have not been adjusted.

2.51 — APPLICATION TECHNOLOGY – KEY FIGURES

€ million	2020	2019	2018	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Order intake	470.7	640.8	632.4	116.7	77.0	119.1	157.9
Sales	459.4	592.8	652.6	121.4	97.2	107.3	133.5
Gross profit	76.0	143.7	146.0	25.3	12.2	22.4	16.1
EBITDA	8.1	70.6	79.4	9.0	–3.4	10.1	–7.6
EBIT	–5.8	57.1	68.0	5.7	–6.7	6.9	–11.6
EBIT before extraordinary effects	19.0	63.3	68.2	7.9	–6.0	8.2	8.9
EBIT margin	–1.3 %	9.6 %	10.4 %	4.7 %	–6.9 %	6.5 %	–8.7 %
EBIT margin before extraordinary effects	4.1 %	10.7 %	10.4 %	6.5 %	–6.2 %	7.6 %	6.6 %
Cash flow from operating activities	53.8	21.4	13.4	41.4	–0.9	34.7	–21.4
Capital expenditure	10.0	12.3	11.8	2.6	1.4	2.3	3.8
Capital employed	263.5	320.9	275.1	282.1	275.9	250.1	263.5
ROCE	–2.2	17.8	24.7	8.1	–9.8	11.1	–17.6
Employees	2,162	2,306	2,246	2,301	2,228	2,212	2,162

market. Cost-cutting measures, good project execution as well as the positive effects of the FOCUS 2.0 optimization program helped the operating EBIT margin to reach a solid level of 4.4 % in the third quarter despite the substantially lower sales. In the final quarter of the year, the operating EBIT margin shrank to 2.8 % due to the valuation of orders with inferior margin quality. EBIT dipped into negative territory in the fourth quarter due to the high extraordinary expenses of €27.1 million for the capacity adjustments announced for Europe in July 2020. However, the division's EBIT over the year as a whole was firmly in positive territory.

In response to the coronavirus crisis, we capped capital spending at €18.3 million after it had reached a high level in the previous year. Cash flow from operating activities and capital employed → page 227 benefited from scheduled payment receipts and low working capital.

Application Technology

After the previous year's record order intake, Application Technology sustained a decline of 26.5 % in 2020. The distribution of order intake over the year as a whole exhibits a similar pattern to Paint and Final Assembly Systems: A weak second quarter gave way to a steady recovery up until the end of the year, with order intake coming to €157.9 million in the final quarter and thus reaching its highest level by far.

The sharp decline in sales (down 22.5 %) was due, among other things, to plummeting service revenues during the first wave of the pandemic. Service business bounced back in the second half of the year as the automotive industry stepped up production and demand for replacement parts rose again. In connection with cost-cutting and higher sales, this resulted in a substantial improvement in operating earnings. In the second half of the year, the operating EBIT margin remained consistently above 6 % after temporarily dipping into negative territory in the second quarter due to muted service business. High extraordinary expenses of €24.8 million resulted in slightly negative EBIT and an EBIT margin of −1.3 % for the year as a whole. However, operating EBIT was firmly in positive territory. The extraordinary expenses were primarily related to capacity adjustments in Europe and mostly arose in the fourth quarter.

Capital spending in the Application Technology division fell by 18.6 % in 2020. Capital employed → page 227 remained consistently in the order of around €265 million and was substantially lower than in the previous year. This was supported by scheduled payment receipts from customers.

Clean Technology Systems

With order intake down 11.6 %, Clean Technology Systems performed relatively well in 2020. Order intake softened in the second half of the year compared to both the previous year's high level and the first half of 2020. However, rather than indicating any fundamental market decline, this was chiefly due to delays in planned project awards. In addition to its established activities in exhaust-air purification technology, the division expanded its business in production equipment for coating battery electrodes → page 226 in 2020. Several major orders were received in this segment, with opportunities continuing to arise from the growth in battery production for electric vehicles and wireless electric devices.

2.52 — CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES

€ million	2020	2019	2018	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Order intake	396.9	449.1	258.2	108.8	107.1	93.1	87.9
Sales	386.2	395.3	226.7	82.3	95.8	99.6	108.4
Gross profit	65.7	75.3	21.9	13.4	15.1	17.8	19.5
EBITDA	25.5	25.2	1.6	1.7	2.9	9.2	11.7
EBIT	13.7	12.1	−15.0	−1.2	0.2	6.6	8.2
EBIT before extraordinary effects	20.6	23.3	5.1	1.8	2.3	8.1	8.3
EBIT margin	3.5 %	3.1 %	−6.6 %	−1.5 %	0.2 %	6.6 %	7.5 %
EBIT margin before extraordinary effects	5.3 %	5.9 %	2.3 %	2.2 %	2.4 %	8.1 %	7.7 %
Cash flow from operating activities	25.0	18.8	9.5	5.8	14.7	13.3	−8.8
Capital expenditure	2.3	3.7	3.0	0.4	0.5	0.8	0.6
Capital employed	132.7	156.5	153.9	148.5	130.6	121.4	132.7
ROCE	10.3	7.7	−9.7	−3.3	0.5	21.6	24.7
Employees	1,348	1,418	1,472	1,392	1,375	1,336	1,348

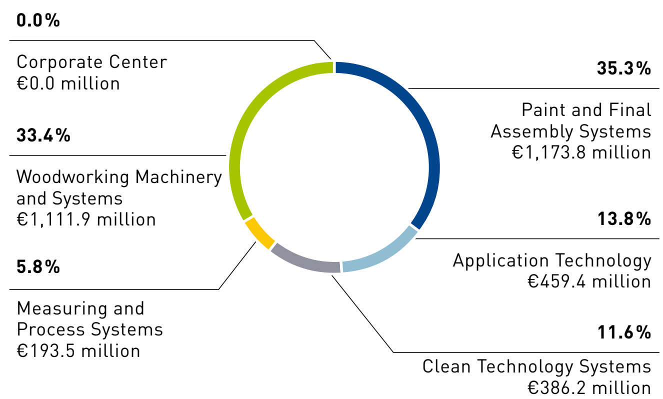
The acquired Megtec/Universal Group was consolidated for the first time on October 5, 2018.

2.53 — SALES, ORDER INTAKE AND EMPLOYEES (DECEMBER 31, 2020) BY DIVISION

3,324.8

SALES (€ MILLION)

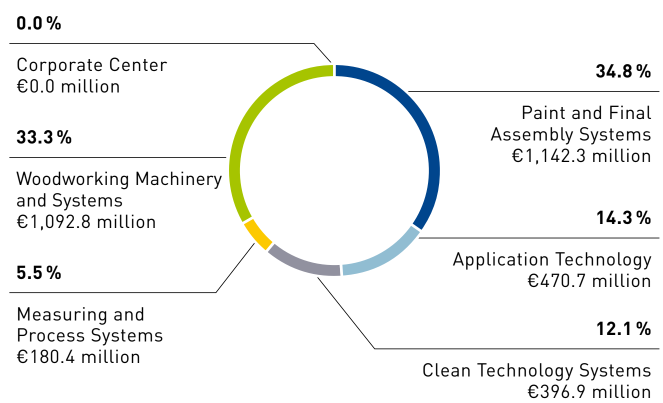
SALES



3,283.2

ORDER INTAKE (€ MILLION)

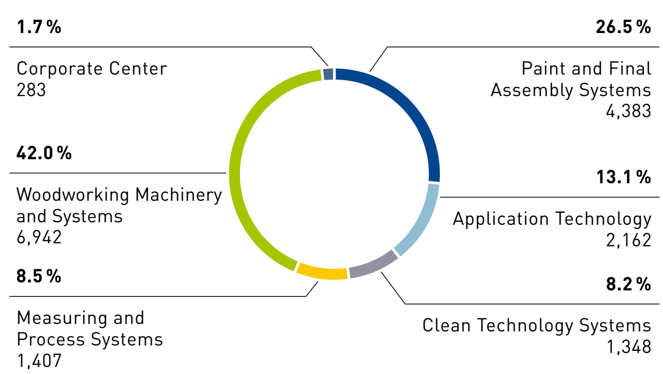
ORDER INTAKE



16,525

EMPLOYEES

EMPLOYEES



As planned, sales improved from quarter to quarter. The same thing applies to the EBIT margin, which came under pressure in the first half of the year from pandemic-related additional project execution costs, among other things. The EBIT margin widened substantially as the year progressed, reaching 7.5 % in the fourth quarter, the highest figure since the acquisition of Megtec/Universal (October 2018). Full-year EBIT rose by 12.8 % to €13.7 million. The extraordinary expenses included here encompass the cost of discontinuing production in Goldkronach, among other things. They were lower than in the previous year due to the decline in purchase price allocation expense. The slight decline in operating EBIT reflects the muted earnings position in the first half of the year.

We capped capital spending at €2.3 million. As earnings growth was accompanied by a decline in **capital employed ⟶ page 227**, the **ROCE ⟶ page 227** improved to 10.3 %.

Measuring and Process Systems

After a good start to the year, order intake in the Measuring and Process Systems division plummeted by more than 50 % in the second quarter of 2020. As this was followed by a gradual recovery, order intake was ultimately down 28.4 % for the year as a whole. Demand in the automotive industry for standard balancing machines remained consistently muted. The industry is scaling back investments in production equipment for combustion engine components and this decline cannot yet be offset by new business in **balancing technology ⟶ page 226** for e-mobility drivetrains. On the other hand, opportunities are arising in the aircraft business in Russia and China, where new aircraft and engine programs are generating greater demand for balancing equipment.

Sales were down 18.9 % on the previous year. The third and fourth quarters saw improvements over the muted second quarter (€40.4 million), easing the pressure on capacity utilization. This was joined by cost cuts and a recovery in service business with the result that the operating EBIT margin returned to positive territory in the second half of the year, remaining slightly positive at 0.1 % for the year as a whole, too. Net extraordinary expenses came to €3.0 million and particularly arose in the third quarter in connection with capacity adjustments in Germany. The sequential decline in operating EBIT in the fourth quarter was due, among other things, to impairments of receivables and a less favorable sales mix.

Capital spending in the Measuring and Process Systems division was capped at €7.8 million to allow for the sharp decline in business.

2.54 — MEASURING AND PROCESS SYSTEMS – KEY FIGURES

€ million	2020	2019	2018	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Order intake	180.4	251.9	403.3	61.1	28.9	37.6	52.8
Sales	193.5	238.6	456.5	52.1	40.4	46.7	54.3
Gross profit	57.6	85.2	151.1	15.2	11.3	13.8	17.3
EBITDA	6.7	31.2	68.0	1.0	−0.8	1.6	4.9
EBIT	−2.9	21.8	59.7	−1.6	−3.1	−0.7	2.5
EBIT before extraordinary effects	0.2	23.4	61.3	−1.4	−3.0	3.2	1.4
EBIT margin	−1.5 %	9.1 %	13.1 %	−3.0 %	−7.6 %	−1.6 %	4.6 %
EBIT margin before extraordinary effects	0.1 %	9.8 %	13.4 %	−2.8 %	−7.3 %	6.9 %	2.5 %
Cash flow from operating activities	82.7	56.1	31.3	64.7	10.5	0.4	7.1
Capital expenditure	7.8	13.6	6.6	2.2	1.8	1.8	2.0
Capital employed	167.9	313.7	282.7	189.0	175.8	174.0	167.9
ROCE	−1.7	12.3	21.1	−3.3	−7.0	−1.7	6.0
Employees	1,407	1,515	2,279	1,524	1,476	1,450	1,407

Testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures for 2019 have been adjusted accordingly (with the exception of capital employed and ROCE) and therefore differ from those originally reported. The figures for 2018 have not been adjusted.

2.55 — WOODWORKING MACHINERY AND SYSTEMS – KEY FIGURES

€ million	2020	2019	2018	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Order intake	1,092.8	1,219.6	1,336.8	301.7	191.5	269.7	329.9
Sales	1,111.9	1,279.1	1,298.3	289.6	261.9	281.9	278.6
Gross profit	257.0	312.7	363.4	78.4	49.2	63.3	66.1
EBITDA	60.8	85.8	125.5	25.5	3.7	17.3	14.3
EBIT	9.9	37.4	86.2	12.5	–9.0	4.9	1.5
EBIT before extraordinary effects	27.0	82.7	94.9	16.1	–5.4	10.1	6.2
EBIT margin	0.9 %	2.9 %	6.6 %	4.3 %	–3.5 %	1.7 %	0.5 %
EBIT margin before extraordinary effects	2.4 %	6.5 %	7.3 %	5.5 %	–2.0 %	3.6 %	2.2 %
Cash flow from operating activities	48.6	131.5	45.4	–15.9	–16.0	50.9	29.6
Capital expenditure	35.8	41.8	41.3	8.3	9.4	8.4	9.7
Capital employed	403.6	411.6	441.6	437.1	451.2	408.8	403.6
ROCE	2.5	9.1	19.5	11.5	–8.0	4.8	1.5
Employees	6,942	6,569	6,593	6,613	6,498	6,482	6,942

Woodworking Machinery and Systems
With order intake down 10.4 %, Woodworking Machinery and Systems recorded the smallest decline in the Group. After a good start to the year, order intake dropped by more than a third in the second quarter. However, demand on the part of furniture producers picked up appreciably again in the second half of the year and particularly in the fourth quarter. There were two main reasons for this: For one thing, the sector is benefiting from the fact that many people are buying new furniture as they are spending more time at home during the pandemic. For another, capital spending in the furniture industry had been muted in 2019. Accordingly, the sector appears to be on the verge of a new investment cycle. This is also indicated by the fact that a greater number of larger system contracts for the delivery of end-to-end production lines has been awarded since the end of 2020.

In contrast to the other divisions, sales in Woodworking Machinery and Systems dropped more quickly than order intake in 2020. One reason for this was the relatively faltering recovery in sales in the second half of the year. This resulted from muted order intake in the second quarter, which left negative traces on revenue recognition in the fourth quarter in particular. However, the positive trend in orders at the end of 2020 indicates that revenues will increase step by step in the course of 2021.

The EBIT of €9.9 million came under pressure from the low sales and includes exceptionals of €–17.1 million, mainly resulting from purchase price allocations and expenses for capacity adjustments. The sequential decline in earnings in the fourth quarter was a consequence of the subdued sales and lower order intake in the second quarter.

Looking ahead over the next few years, the ongoing efficiency-boosting measures should yield successive improvements in earnings. The capacity adjustments implemented in Germany should produce savings of around €20 million from 2021. We expect further impetus from the optimization process, which is progressing according to plan and is focused on the following main aspects: harmonization of the IT infrastructure and processes, improvement of internal interfaces, implementation of the new production system and product modularization. On this basis, the division is aiming for an EBIT margin of at least 9 % from 2023.

Capital spending in 2020 was just under 15 % below the previous two years. In the coming years, a more substantial capital spending program is planned at the main site in Schopfloch, which will support the ongoing process optimizations.

Corporate Center
In the Corporate Center, losses at the EBIT level shrank to €–10.3 million in 2020, although it included substantially greater extraordinary expenses of €6.2 million compared with the previous year (€0.3 million). The consolidation effects came to €–1.2 million (previous year: €–0.1 million). The costs of the Corporate Center are largely covered by allocations from the Group companies. In return, the Corporate Center provides intra-Group services, such as in the areas of legal, tax and finance.

Financial development

FUNDING AND LIQUIDITY MANAGEMENT

Our central finance and liquidity management is aimed at covering the Group's funding and liquidity requirements, optimizing earnings and financing costs as well as mitigating financial risks. The principle of our liquidity management is to always have an adequate volume of cash and cash equivalents available in order to be able to meet payment obligations at any time.

The cash flow from operating activities is the key source of funding. As a rule, debt financing is raised by Dürr AG and made available to the Group companies as required. Liquidity management is another task of Dürr AG. Its cash pooling system serves to consolidate most of the Group's cash and cash equivalents, unless capital flows are restricted by the rules and regulations of individual states. In countries where this is the case (China and India, for example), our national companies largely obtain their funding locally.

Group Treasury invests surplus funds in accordance with our financial asset management policy. At €769.2 million, cash and cash equivalents at the end of 2020 exceeded the previous year's level (€662.0 million) by 16.2 % and reached a share of total assets equivalent to 19.8 % (December 31, 2019: 17.1 %).

Our net working capital management is tasked with reinforcing the Group's internal funding capabilities and reducing the volume of capital employed. This has a beneficial effect on such key figures as our balance sheet structure and ROCE ⟶ page 227. For information on the utilization of financial instruments, please refer to the section "Currency, interest rate and liquidity risks as well as financial instruments for risk mitigation purposes" in the "Risk report" ⟶ page 96.

FUNDING STRUCTURE

In the year 2020, we adjusted our Group funding to the requirements of the corona crisis. In addition, we managed to finalize the refinancing of financial commitments maturing in 2021, amounting to €350 million, at an early stage, thus optimizing the maturity profile of our funding structure. This enhances our long-term planning certainty and allows us to fully concentrate on operations and opportunities after the corona crisis.

The following additional long-term financing instruments were deployed in the year 2020:

- **Sustainability Schuldschein loans:** In March and December 2020, we placed two sustainability Schuldschein loans totaling €315 million. The March placement had a volume of €115 million at an average interest rate of 0.9 %. The proceeds were largely used to pay off the variable tranches (€100 million) of a senior Schuldschein loan of 2016. The Schuldschein loan placed in December 2020 carries an average interest rate of 2.0 % and yielded €200 million in proceeds that we only received in January 2021 and thus had no bearing on our net financial status ⟶ page 227 at the end of 2020. Both Schuldschein loans consist of tranches with maturities of up to ten years. Their coupons are linked to our sustainability rating prepared by the EcoVadis agency.

- **Convertible bond with a sustainability component:** In September 2020 we placed a convertible bond with a value of €150 million. We received the net proceeds amounting to €148.5 million in October. The coupon on a maturity of approx. 5.3 years amounts to 0.75 %. The conversion price of €34.22 at the time of placement corresponds to a premium of 40 %. The convertible bond is linked to a sustainability component in the form of a separate interest rate derivative. If our sustainability rating determined by EcoVadis does not improve to a certain extent, we will pay a fixed amount to UniCredit Bank, which will use it to support sustainable projects.

Moreover, in the year 2020 we temporarily utilized the following two financing instruments as a hedge against possible risks in the context of the corona crisis:

- **Syndicated loan:** An additional syndicated loan initially amounting to €350 million was available to us as bridge financing from May through December 2020. We would have had access to this facility if, on account of the corona crisis, we had not succeeded in securing attractive follow-up financing for our liabilities maturing in 2021. In the wake of the successful issuance of our convertible bond (€150 million) and the Schuldschein loan (€200 million), we initially reduced the syndicated line and fully terminated it in December.

- **Loan:** In view of the market uncertainty during the first corona wave, in May 2020 we took out a loan of €100 million as a precaution and repaid it in November.

Other components of our Group financing include the following:

- **Corporate bond:** The corporate bond issued in 2014 in the nominal amount of €300 million expires in April 2021. The issuance of the convertible bond and placement of the Schuldschein loans in the year 2020 served inter alia to refinance this bond bearing 2.875 % interest (effective interest rate: 3.085 %) at an early stage.

- **Sustainability Schuldschein loan:** In 2019, we were the first enterprise worldwide to place a sustainability Schuldschein loan, amounting to €200 million. As in the case of its counterparts placed in the subsequent year, its coupon is linked to our sustainability rating. The tranches have maximum maturities of ten years; the interest rate amounts to 0.84 % on average.

- **Schuldschein loan:** In addition, we have €200 million at our disposal, derived from a Schuldschein loan placed in 2016 (average interest rate 1.6 %, maturing no later than 2026) without a sustainability component.

- **Syndicated loan:** A syndicated loan amounting to €750 million has been available to us since the end of July 2019. As in the case of the Schuldschein loans, its interest rate depends on our sustainability rating. The loan is divided into a cash line of €500 million and a guarantee line of €250 million. The term to maturity initially agreed until 2024 may be extended by two years with the approval of the banks.

- **Leases:** At the end of 2020, leasing liabilities in accordance with IFRS 16 amounted to €98,4 million (December 31, 2019: €107.1 million). Since 2019, all material leasing liabilities have been reported as financial liabilities. Previously, in accordance with IAS 17, this only applied to liabilities under finance leases (December 31, 2018: €7.2 million).

- **Bilateral credit facilities:** Their nominal value came to €6.4 million as of the 2020 balance sheet date (December 31, 2019: €4.1 million).

- **Other:** We use money and capital market instruments. In addition, there are off-balance sheet financing instruments in the form of factoring sales (in particular, forfaiting transactions), which reached a volume of €3.6 million at the end of 2020.

2.56 — FINANCIAL LIABILITIES (DECEMBER 31)

€ million	2020	2019	2018
Bond/convertible bond/ Schuldschein loans	951.9	798.2	598.0
Liabilities to banks	0.0	0.4	1.0
Leasing liabilities	98.4	107.1	7.2
Other interest-bearing financial liabilities	7.1	7.3	7.8
Interest deferral	10.6	10.1	9.3
Total	**1,068.0**	**923.1**	**623.3**
of which due within one year	394.2	38.0	12.5

The increase in financial liabilities by 15.7 % to €1,068.0 million as of December 31, 2020 essentially resulted from the placement of the convertible bond. Maturities in 2021 chiefly comprise the corporate bond amounting to approx. €300 million and one tranche of the Schuldschein loan of 2016, equivalent to some €50 million. At the end of 2020, the total volume of all credit and guarantee lines available came to €1,601.2 million, of which €473.1 million were utilized. The cash lines of the previous and the new, temporarily available syndicated loan remained unutilized in 2020. Apart from the guarantee line under the syndicated loan, there are additional guarantee lines amounting to €840.0 million.

RISING CASH FLOW

2.57 — CASH FLOWS

€ million	2020	2019	2018
Cash flow from operating activities	215.0	171.9	162.3
Cash flow from investing activities	–119.2	–231.8	–30.1
Cash flow from financing activities	27.4	60.8	–134.0

2.58 — CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES AND FREE CASH FLOW [1]

€ million	2020	2019	2018
Earnings before income taxes	−18.5	174.7	219.7
Depreciation and amortization	114.2	112.6	93.4
Interest result	35.3	27.6	20.9
Income tax payments	−32.7	−64.2	−93.0
Change in provisions	40.6	18.8	−29.9
Change in net working capital	113.5	−64.8	−51.6
Other	−37.3	−32.7	2.7
Cash flow from operating activities	**215.0**	**171.9**	**162.3**
Interest payments (net)	−22.4	−20.2	−12.0
Repayment of leasing liabilities	−29.7	−27.4	0.0
Investment in property, plant and equipment and intangible assets	−52.1	−79.4	−71.9
Free cash flow	**110.7**	**44.9**	**78.4**
Dividend payment	−56.5	−74.3	−80.8
Payment for acquisitions	−9.4	−10.8	−138.8
Other cash flows	5.4	15.3	−2.9
Change in net financial status	**50.3**	**−24.9**	**−144.0**

[1] Exchange rate effects were eliminated in the cash flow statement. Accordingly, the changes in balance sheet line items indicated there cannot be fully reflected in the balance sheet.

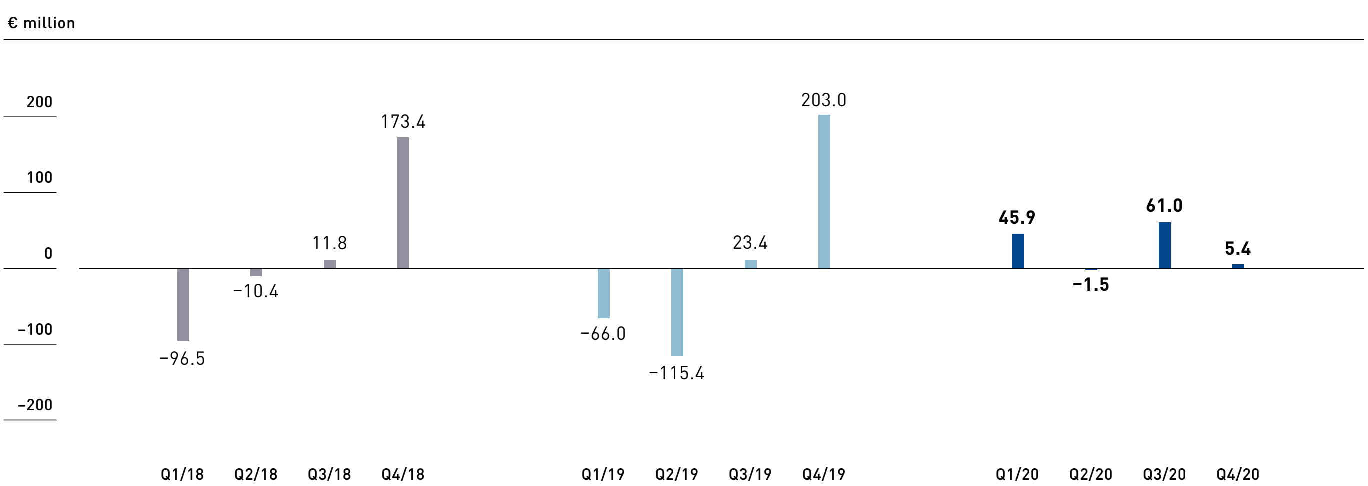
Cash flow from operating activities improved significantly by €43.1 million in the year 2020, to €215.0 million. This was chiefly due to a marked reduction in net working capital (NWC) ⟶ page 227 by €113.5 million, compared to an increase of €64.8 million in the previous year. The main reason for the lower NWC was the reduced volume of business in tandem with the high payment discipline of our customers. In the fourth quarter in particular, substantial prepayments were realized in the wake of a rising volume of incoming orders. Moreover, income tax payments declined to €32.7 million in view of lower anticipated earnings. On balance, the impact of the decline in pre-tax earnings on cash flow was more than offset.

Cash flow from investing activities amounted to €−119.2 million in 2020 (previous year: €−231.8 million). The outflow of funds was chiefly attributable to the investment of term deposits amounting to €89.9 million (previous year: €159.4 million) as well as payments of €52.1 million for investments (previous year: €79.4 million). The latter did not include any investments in lease assets, as these are not considered effective payments at the time of investment. Outflows of funds were opposed by net inflows from acquisitions and disinvestments.

Cash flow from financing activities amounted to €27.4 million (previous year: €60.8 million). More substantial outflows were dividend payments (€55.4 million), interest payments on the corporate bond and the Schuldschein loans as well as the redemption of lease liabilities. The placement of the convertible bond caused an inflow of funds.

Free cash flow increased to €110.7 million in the year 2020, up substantially on the previous year's value of €44.9 million. Key contributions to this rise were improved cash flows from operations and lower investments to adjust expenditure in line with the

2.59 — FREE CASH FLOW BY QUARTER



pandemic-induced decline in business activities. **Free cash flow** ⟶ page 227 provides information on the volume of funds freely available after all expenses in a given period in order to pay dividends, make acquisitions and/or lower the level of indebtedness. The free cash flow shown in Table 2.58 reflects a change in **net financial status** ⟶ page 227 of €50.3 million for the year 2020.

2.60 — NET FINANCIAL STATUS (DECEMBER 31)

	€ million	2020	2019	2018
+	Checks, cash in hand and credit balances with banks – net	769.2	662.0	655.0
+	Receivables from associated companies based on financial activities	0.0	1.9	0.0
+	Securities and term deposits	249.8	159.9	0.5
–	Bonds	437.8	299.2	298.6
–	Liabilities to banks	0.0	0.4	1.0
–	Schuldschein loans	514.1	499.1	299.4
–	Accrued/deferred interest on financial liabilities	10.6	10.1	9.3
–	Leasing liabilities	98.4	107.1	7.2
–	Other loans	7.1	7.3	7.8
=	**Net financial status**	**–49.0**	**–99.3**	**32.3**

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

2.61 — PERFORMANCE INDICATORS

		2020	2019	2018
Incoming orders	€ million	3,283.2	4,076.5	3,930.9
Sales	€ million	3,324.8	3,921.5	3,869.8
EBIT	€ million	11.1	195.9	233.5
EBIT margin	%	0.3	5.0	6.0
ROCE	%	1.1	16.9	24.0
Free cash flow	€ million	110.7	44.9	78.4

The key performance indicators for the Dürr Group are incoming orders, sales, EBIT/EBIT margin, **ROCE (EBIT to capital employed)** ⟶ page 227 and, particularly at Group level, **free cash flow** ⟶ page 227. At the divisional level, an additional focus is on order margins and net working capital. **Net working capital** ⟶ page 227, in turn, has a decisive influence on cash flow development.

We also determine non-financial performance indicators that assist us in management and the company's long-term strategic orientation. Examples include key figures on employee and customer satisfaction, advanced training, ecology/sustainability and R&D/innovation. While the non-financial performance indicators are becoming increasingly important, they do not primarily serve in the control of the company. Instead, they facilitate extended findings on the situation prevailing within the Group and decision-making on that basis. A detailed analysis of non-financial topics and performance indicators is available in the non-financial consolidated declaration.

The analysis of incoming orders and of the resulting sales enables us to engage in forward-looking capacity planning. As a rule, the realization of sales lags 6 to 12 months behind order intake in the systems business; for large orders in the painting sector, the time lag is up to 24 months. Incoming orders for 2020 (€3,283.2 million) were slightly higher than the middle of the target corridor (€3,100 to €3,400 million), giving us a high degree of visibility as far as the realization of sales in 2020 is concerned. The analysis of margins in order intake for 2020 enables us to better estimate the earnings trend in 2021.

We use EBIT and our EBIT margin to measure our profitability. In 2020, EBIT declined on account of pandemic-induced significantly lower sales and an increase in negative extraordinary effects but remained in positive territory at €11.1 million (previous year: €195.9 million). The EBIT margin, at 0.3 %, was within the target corridor of 0 % to 0.5 %, which had been adjusted in July 2020. For more information on the adjustment to the earnings forecast, please refer to the chapter entitled **"Overall assessment by the Board of Management and target achievement"** ⟶ page 71.

ROCE ⟶ page 227 shows whether we generate an appropriate return on our **capital employed** ⟶ page 227 and thus represents the basis for efficient capital allocation. Capital employed takes account of all assets except cash and cash equivalents and financial assets, less non-interest-bearing liabilities. Owing to the substantial EBIT decline, ROCE in 2020 also receded to 1.1 % (previous year: 16.9 %) and thus remained below the costs of capital. We consider this as a situation that is chronologically confined to the year 2020 and already anticipate a considerable improvement for 2021. For further details, please refer to the **"Forecast"** ⟶ page 107 chapter.

2.62 — VALUE ADDED

		2020	2019	2018
Capital employed (Dec. 31)	€ million	991.5	1,160.6	971.9
ROCE	%	1.1	16.9	24.0
NOPAT	€ million	7.8	137.1	163.5
Weighted average cost of capital (WACC)	%	7.44	8.42	9.00
EVA	€ million	–66.0	39.4	76.0

ROCE (in %) is calculated as follows:

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

Economic value added (EVA) reflects the added value that a company generates in a financial year. From 2011 through 2019, we managed to achieve a high level of added value. The decline in value added in 2020 is due to the pandemic, and our aim is to resume generating value added in the near future. We determine the capital costs as the weighted average cost rate of equity and borrowing costs before taxes (weighted average cost of capital: WACC). In calculating the cost of equity, a beta factor is considered, derived from capital market data and the capital structure of peer group companies. The borrowing costs comprise a basic interest rate for virtually secure bonds and a surcharge determined from the credit rating of comparable peer group companies. In 2020, due to declining interest rates, the cost of capital was lower than in the previous year.

EVA is calculated as follows:

EVA = NOPAT – (WACC × capital employed)
- NOPAT = Net Operating Profit After Taxes/EBIT after fictitious taxes
- WACC = Weighted Average Cost of Capital

The rule relating to the performance indicator ROCE is that added value is generated when the return on capital employed exceeds the average costs of capital by at least the fictitious tax rate. In 2020, due to the pandemic, this was only the case in one of five divisions. Clean Technology Systems saw a comparatively low impact of the pandemic, generating just over 10 % in ROCE. In all other divisions, ROCE was below the capital costs or even negative. For these divisions, we expect a substantial improvement in ROCE in 2021 in the wake of the economic recovery and due to the cost-cutting measures initiated.

2.63 — ROCE OF THE DIVISIONS

%	2020	2019	2018
Paint and Final Assembly Systems[1]	3.7	46.7	>100
Application Technology	–2.2	17.8	24.7
Clean Technology Systems	10.3	7.7	–9.7
Measuring and Process Systems[1]	–1.7	12.3	21.1
Woodworking Machinery and Systems	2.5	9.1	19.5

[1] The testing technology, assembly products and automotive filling technology divisions were transferred from Measuring and Process Systems to Paint and Final Assembly Systems as of January 1, 2020. For both divisions, the ROCE disclosures for 2019 and 2018 were not adjusted.

TOTAL ASSETS ALMOST UNCHANGED

2.64 — KEY BALANCE SHEET FIGURES[1]

		2020	2019	2018
Net financial status (Dec. 31)	€ million	–49.0	–99.3	32.3
Net financial liabilities in relation to EBITDA		0.4	0.3	–
Gearing (Dec. 31)	%	5.1	8.7	–3.4
Net working capital (NWC) (Dec. 31)	€ million	382.6	502.7	441.4
Days working capital	days	41.4	46.1	41.1
Inventory turnover	days	55.1	46.7	49.8
Days sales outstanding	days	55.2	53.8	56.1
Equity/assets ratio (Dec. 31)	%	69.0	78.9	79.7
Asset coverage (Dec. 31)	%	131.1	158.8	142.9
Asset intensity (Dec. 31)	%	33.9	34.1	34.4
Current assets to total assets (Dec. 31)	%	66.1	65.9	65.6
Degree of asset depreciation	%	48.3	45.1	38.5
Depreciation expense ratio	%	7.7	7.6	6.4
Cash ratio (Dec. 31)	%	35.7	37.1	35.7
Quick ratio (Dec. 31)	%	58.2	69.1	66.5
Equity ratio (Dec. 31)	%	23.4	26.9	27.4
Total assets (Dec. 31)	€ million	3,878.8	3,882.3	3,614.4

[1] Disclosures for 2019 and 2020 subject to IFRS 16

Total assets at the end of 2020 remained almost unchanged at €3,878.8 million (December 31, 2019: €3,882.3 million). Some shift occurred within the balance sheet, however. Adjusted for exchange rate fluctuations, net working capital → page 227 as of December 31, 2020 declined substantially by €113.5 million to €382.6 million. While inventories remained virtually unchanged, trade receivables and contract assets declined more sharply than the corresponding liabilities. Thanks to our active net working capital management, the encouraging cash flow development and successful financing activities, cash and cash equivalents rose sharply to €769.2 million (December 31, 2019: €662.0 million). Total liquidity reached an all-time high of €1,019.0 million (December 31, 2019: €822.1 million) as additional funds from the convertible bond were invested in term deposits. The latter are included in other current assets.

2.65 — NON-CURRENT AND CURRENT ASSETS (DEC. 31)

€ million	2020	% of total assets	2019	2018
Intangible assets	661.3	17.0 %	644.0	651.3
Property, plant and equipment	488.4	12.6 %	525.4	433.8
Other non-current assets	165.8	4.3 %	153.0	159.1
Non-current assets	**1,315.6**	**33.9 %**	**1,322.4**	**1,244.3**
Inventories	508.6	13.1 %	509.2	535.4
Contract assets	393.4	10.1 %	519.1	478.3
Trade receivables	483.8	12.5 %	570.3	566.7
Cash and cash equivalents	769.2	19.8 %	662.0	655.0
Other current assets	408.1	10.5 %	299.4	134.6
Current assets	**2,563.2**	**66.1 %**	**2,560.0**	**2,370.1**

2.66 — EQUITY (DEC. 31)

€ million	2020	% of total assets	2019	2018
Subscribed capital	177.2	4.6 %	177.2	177.2
Other equity	726.5	18.8 %	853.5	800.1
Equity attributable to shareholders	**903.7**	**23.3 %**	**1,030.6**	**977.3**
Non-controlling interest	4.5	0.1 %	12.7	14.9
Total equity	**908.1**	**23.4 %**	**1,043.4**	**992.2**

Equity at the end of 2020 declined by €135.2 million to €908.1 million. Key causal factors were the after-tax loss, dividend payment and negative currency translation effects. While total assets remained virtually stable, the equity ratio saw a corresponding decline to 23.4 % (December 31, 2019: 26.9 %). Our target remains unchanged at 30 %.

Current and non-current liabilities were up by 4.6 % to €2,970.6 million. This increase is chiefly attributable to the placement of the convertible bond. Changes in other liabilities and provisions largely canceled each other out. While pension provisions declined slightly to €58.1 million, they merely accounted for 1.5 % of total assets.

2.67 — CURRENT AND NON-CURRENT LIABILITIES (DEC. 31)

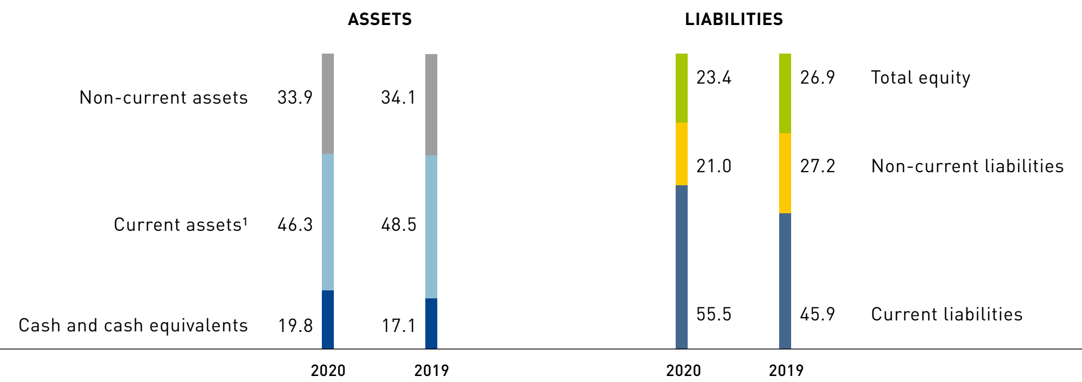
€ million	2020	% of total assets	2019	2018
Financial liabilities (incl. bond, convertible bond, Schuldschein loans)	1,068.0	27.5 %	923.1	623.3
Provisions (incl. pensions)	271.8	7.0 %	229.4	199.8
Contract liabilities	652.1	16.8 %	632.7	673.0
Trade payables	377.5	9.7 %	479.0	502.4
Income tax liabilities	68.3	1.8 %	48.5	35.0
Other liabilities (incl. deferred taxes, deferred income)	532.9	13.7 %	526.4	588.8
Total	**2,970.6**	**76.6 %**	**2,838.9**	**2,622.2**

HIDDEN RESERVES/FAIR VALUES

Hidden reserves – in comparison with total assets – are of lesser significance. Similarly, the difference between fair values and book values is also low. Property, plant and equipment may develop hidden reserves, especially in the case of land and buildings. Schenck Technologie- und Industriepark GmbH (TIP) in Darmstadt is worthy of mention in this regard. According to our assessment, its fair value exceeds the book value by a sum in the double-digit million euro range. In total, the fair values exceed the book values on the liabilities side of the balance sheet by approx. 0.6 % of total assets. Further particulars in this regard are listed in → Item 36 of the notes to the consolidated financial statements.

2.68 — ASSET AND CAPITAL STRUCTURE (DECEMBER 31)

%



[1] Excluding cash and cash equivalents

INVESTMENTS CURTAILED SIGNIFICANTLY IN THE COURSE OF THE PANDEMIC

In view of the pandemic, investments (excl. acquisitions) were cut considerably by 25.5 %, amounting to €76.4 million in 2020. This includes the right-of-use assets under leases reported under investments in accordance with IFRS 16 since 2019. Of investments in property, plant and equipment (€28.7 million), 65 % were accounted for by replacement investments and 35 % by extension investments. Investments in intangible assets, including the purchase of software and licenses as well as capitalized development costs, declined to €23.2 million.

Equity investments surged sharply in 2020, reaching €78.0 million, €9.4 million of which were effectively disbursed. Equity investments resulted above all from the acquisitions of System TM and Techno-Step as well as the increase in equity interests in Homag China Golden Field and Weinmann.

2.69 — INVESTMENTS[1] AND DEPRECIATION/AMORTIZATION[2]

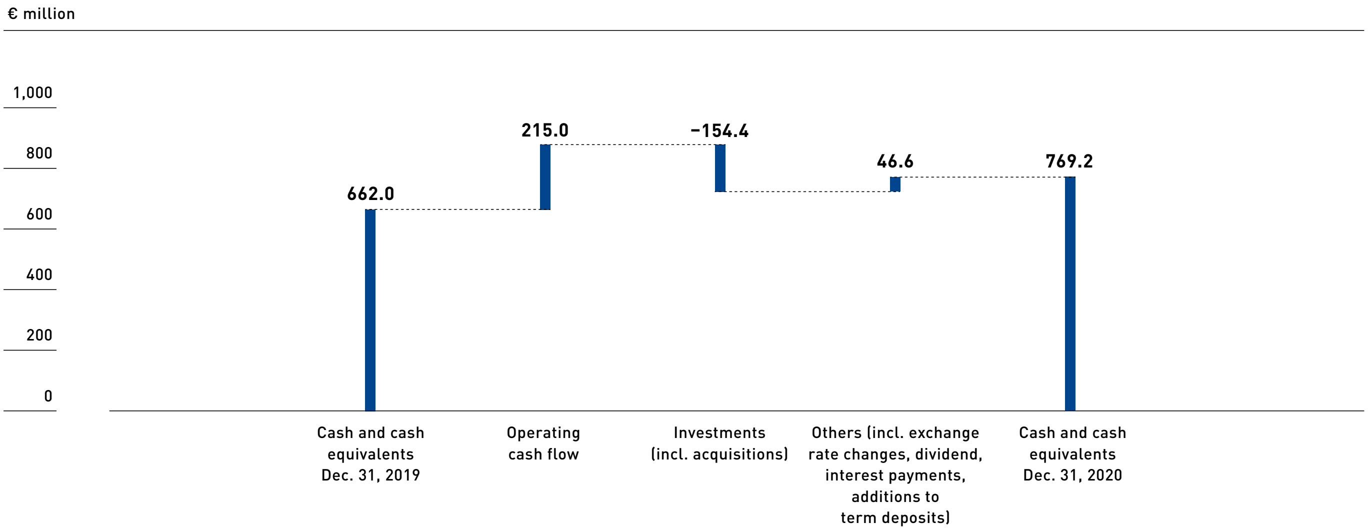
€ million	2020	2019	2018
Investments in property, plant and equipment	28.7	47.6	50.9
Investments in intangible assets	23.2	27.2	23.5
Equity investments	78.0	10.8	125.4
Investments in right-of-use assets	24.5	27.8	0.0
Depreciation and amortization	–114.2	–112.6	–93.4

[1] The capital expenditures in this overview deviate from the figures in the statements of cash flows according to IFRS.
[2] Including impairment losses and reversals. Depreciation and amortization taken into account in the financial result are not included.

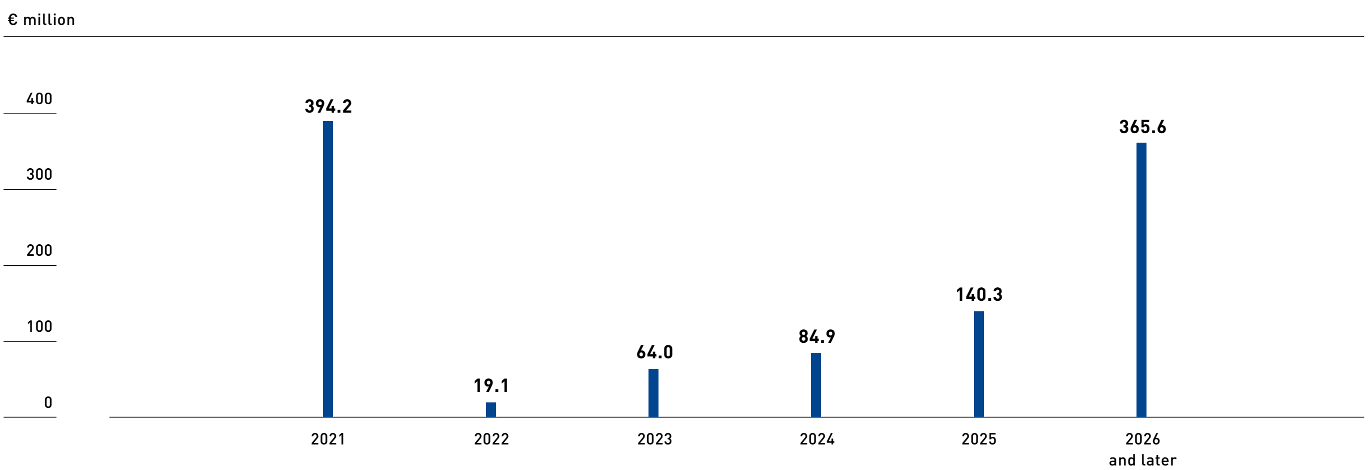
2.70 — CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT: REPLACEMENT AND EXTENSION INVESTMENTS

€ million	2020	2019	2018
Replacement investments	18.6	27.7	29.0
Extension investments	10.1	20.0	21.9
Investments in property, plant and equipment	28.7	47.6	50.9

2.71 — LIQUIDITY DEVELOPMENT



2.72 — MATURITY STRUCTURE OF FINANCIAL LIABILITIES



The volume of financial debt maturing in 2021 essentially comprises the corporate bond amounting to approx. €300 million and one tranche of approx. €50 million of the Schuldschein loan placed in 2016. In addition, obligations from the acquisition of property, plant and equipment exist to an extent of €5.1 million.

OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Off-balance financing instruments and obligations (excluding liabilities from procurement contracts) accounted for less than 1% of total assets in 2020 and therefore are of lesser importance. Sales of receivables (forfaiting, premature performance under documentary credits) significantly decreased from €22.0 million to €3.6 million at the end of 2020.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Effective as of January 1, 2021, Ralf W. Dieter, CEO of Dürr AG, was concurrently appointed Chairman of the Management Board of HOMAG Group AG.

On January 14, 2021, we received the proceeds amounting to €200 million derived from the sustainability Schuldschein loan placed in December 2020.

The acquisition of 75 % of the shares in Teamtechnik Maschinen und Anlagen GmbH took effect on February 5, 2021. The relevant contract had been signed on December 16, 2020. Teamtechnik, headquartered in Freiberg, Germany, is a leading automation specialist and operates above all in the fields of electromobility and medical technology. In fiscal 2019, the company generated approx. €155 million in sales. Its key field of activity comprises test systems for fully assembled electric and hybrid drives. In addition, Teamtechnik offers automated production systems for medical products (e.g. for injection systems, inhalators, infusion sets and contact lenses). Teamtechnik is expected to grow profitably within the Dürr Group. Our targets for 2024 are €200 million in sales and an EBIT margin of approx. 9 %. Synergies, e.g. in sales, purchasing, order execution, service and digitalization, are expected to help boost earnings. A proportion of 25 % of Teamtechnik shares will be retained by Stefan Roßkopf, CEO and a member of the founding family, who will continue to be in charge of Teamtechnik. Within the Dürr Group, Teamtechnik is part of the Paint and Final Assembly Systems division. Further information on the majority holding in Teamtechnik is provided in the chapters **"The Group at a glance" → page 23** and **"Strategy" → page 31** as well as in **→ No. 18** of the notes to the consolidated financial statements.

On February 15, 2021, iTAC Software AG acquired 100 % of the shares in the Canadian IT company Cogiscan Inc. Cogiscan is specialized in connectivity solutions for digital machinery interfaces. By means of this acquisition, we plan to further extend our business in the field of manufacturing execution systems (MES) and improve our position in the North American market for digital solutions.

REPORT ON RISKS, OPPORTUNITIES AND EXPECTED FUTURE DEVELOPMENT

Risks

We follow the strategy of managing the risks associated with our entrepreneurial actions in such a manner that they are in a balanced ratio to the opportunities. To this end, we make use of an effective risk management system.

RISK MANAGEMENT SYSTEM OF THE DÜRR GROUP

Scope of application
Our risk management system is deployed throughout the Group. It has existed in its fundamental structure since 2008 and has since been continually adapted to new requirements. In 2020 it essentially remained unchanged.

Objectives
Our risk management system is especially tailored to the mechanical and plant engineering business. In this way, we are able to record, analyze and – to the extent possible – evaluate risks systematically and uniformly. This allows effective countermeasures to be initiated at an early stage. We document all specific risks, provided that they are identifiable and sufficiently concrete. Non-quantifiable strategic risks as well as general risks with a low level of probability of occurring, such as natural disasters, are not taken into account. We also record and evaluate our opportunities; the relevant information is contained in the "Opportunities" ⟶ page 105 chapter.

Methods and processes
The risk management system covers all essential business and decision-making processes. We deal openly with risks and encourage employees to report any misdirected developments at an early stage. The risk management process takes account of all risks of the participating companies. The central risk management team at Dürr AG initiates the nine-stage process every six months. The centerpiece of this standard risk cycle is the risk inventory of the Group's companies. In the process, individual risks are identified, evaluated and consolidated, i.e. classified into 15 specific risk fields (Chart 2.73). The risk fields cover management, core and support processes as well as external risk areas.

The risk managers of the operating units and Dürr AG are responsible for evaluating individual risks. They use the risk management manual as well as risk structure spreadsheets to do so. The evaluation process consists of three stages: First of all, the damage potential is calculated, i.e. the maximum impact on EBIT that can result from a risk in the following 24 months. Next, we assess the likelihood of a specific risk scenario becoming a reality. In a third step, the effectiveness of possible countermeasures is examined and evaluated using a risk-reducing factor.

The bottom line is the net risk potential, i.e. the net EBIT risk that remains after taking into account the probability of occurrence and the effectiveness of countermeasures. The lower the probability of occurrence and the higher the effectiveness of countermeasures, the more the net EBIT risk declines. The net EBIT risks of the 15 risk fields correspond to the sum total of net EBIT risks of all individual risks assigned. Depending on the extent of its net EBIT risk, each risk field is assigned to one of the four following categories:

- Very low (≤ €5 million)
- Low (> €5 million to ≤ €20 million)
- Medium (> €20 million to ≤ €40 million)
- High (> €40 million)

The net EBIT risks of all risk fields are totaled to produce the Group's entire potential risk exposure. Portfolio and correlation effects are not taken into consideration.

The Group companies and divisions prepare their risk reports after the risk inventory has been completed. These reports constitute the basis for the Group Risk Report of Dürr AG, containing information on individual risks and overall risk. Following an analysis by the Board of Management and the Dürr Management Board, the Group Risk Report is forwarded to the Supervisory Board and then initially discussed at length by the Audit Committee. Next, the Audit Committee chair reports to the Supervisory Board.

Acute risks are immediately reported to the Board of Management and the heads of the relevant divisions. The risk managers of the Group, divisions and Group companies are responsible for the process of identifying, evaluating, controlling and monitoring risks as well as for reporting; in most cases, they are the heads of the Controlling departments. The Internal Auditing department is also involved and verifies compliance with the defined processes on a regular basis.

NFD

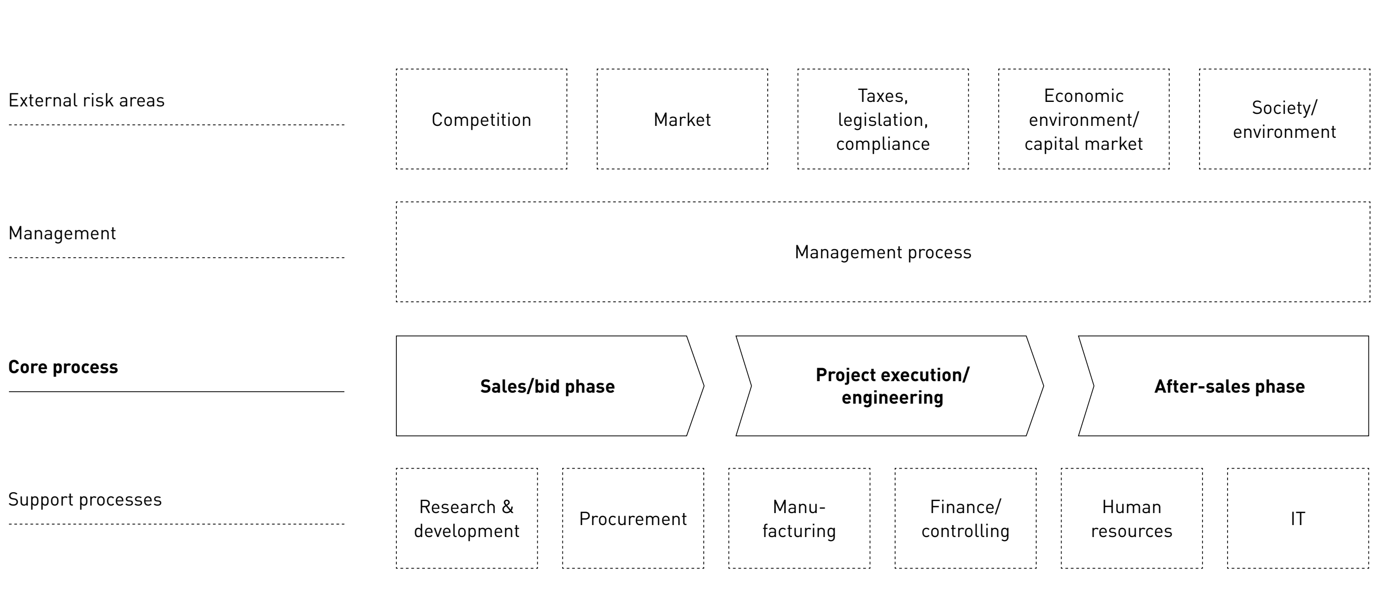
RISKS IN RELATION TO MATERIAL NON-FINANCIAL MATTERS

In accordance with the CSR Directive Implementation Act, our risk management system also takes into account risks that may arise from our business activities in general or specifically from our products and services and may have impacts on non-financial issues that we classify as material within the meaning of the CSR Directive Implementation Act. Essentially, a negative influence on material non-financial issues cannot be ruled out. However, we do not perceive any risks that could very probably lead to serious negative impacts.

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

The internal control system (ICS) and respectively the risk management system (RMS) for the accounting process are part of the Dürr Group's risk management system. It comprises all rules, measures and processes that guarantee the reliability of financial reporting to an adequate degree of certainty and ensure that the financial statements of the Group and its companies are prepared in conformity with the IFRS. The Board of Management bears the overall responsibility for ICS/RMS and has set up an appropriate managerial and reporting organization, covering all organizational and legal units of the Group. Monitoring of the ICS/RMS is the task of the Internal Auditing department. The internal control system takes account of the specific features of Group accounting. The key instruments as well as control and backup routines for the accounting process are as follows:

2.73 — RISK FIELDS OF THE DÜRR GROUP



- Dürr AG's accounting guideline defines the accounting process at the Group companies. It is updated on a regular basis by Group Accounting and covers all IFRS rules and regulations of relevance. Supplementary internal accounting standards describe, for example, the processes of reconciliation of intercompany transactions for goods and services delivered.

- In a multi-stage validation process, we carry out random sampling, plausibility checks and other accounting controls. The operating companies, divisions as well as Group Controlling, Group Accounting and the Internal Auditing Department are involved. The checks relate to various areas, such as the reliability and appropriateness of IT systems, completeness of provisions or evaluation of customer orders where revenue recognition over time is applied. The results of all material control measures are systematically documented, recorded by the Compliance and Internal Controls department of Dürr AG, and sent to the Audit Committee of the Supervisory Board. The chair of the Audit Committee reports to the Supervisory Board following an in-depth review of the documentation of findings.

- All material Group companies document their own internal controls with which they ensure reliable and proper financial reporting. The documentations created within the scope of ICS/RMS are stored and forwarded to the Compliance and Internal Controls department. The Internal Auditing Department verifies the existence and effectiveness of the documented measures and instruments.

- Our ERP system and the consolidation system automatically verify booking processes and ensure that individual facts and circumstances are duly assigned to the correct balance sheet line items. In addition, we carry out manual audits.

- Only a select group of employees has access to the consolidation system. Access to all data is reserved to only a few employees from Group Accounting and Group Controlling. All other users' access is confined to the data of relevance for their specific activities. Data entered at the level of the Group companies must be checked in a two-stage process – initially by the Controlling department of the division responsible and then by Group Accounting.

- Commercial processes that trigger booking entries in the consolidation system are subject to the "four-eyes principle." Invoices must be signed off by the division head, the managing director or the Board of Management, depending on the invoice amount.

In order to avoid risks and ensure unobjectionable financial statements, we deal carefully with key regulations and new developments in the field of accounting and reporting. Particular weight is assigned to accounting for customer orders for which revenue recognition over time is applied, the impairment test of goodwill, the reliability of qualitative statements in the management report and in the corporate governance report as well as the implementation of new IFRS standards such as IFRS 16 "Leases" in the financial year 2019.

Within the scope of the ICS/RMS, we provide regular training sessions for employees of our finance departments, for instance, in the application of accounting standards, accounting rules as well as IT systems. In the case of corporate acquisitions, we quickly adjust the accounting processes and familiarize new employees with all the relevant processes, content and systems.

OVERALL RISK SITUATION

The overall risk potential at the end of 2020 amounted to approx. €450 million, equivalent to an increase of approx. €165 million, or 58 % year-on-year. Risks associated with the corona pandemic came to approx. €120 million, making a sizeable contribution to this rise. Substantial shares of these risks were accounted for by the "Market" field and service sales (the "After-Sales Phase"). Moreover, risks increased in "Project Execution" and in several overarching Group fields due to the corona pandemic. In absolute terms, "Market", "Economic environment/capital market" and "Finances/controlling" were the main risk fields, followed by the "Taxes/legislation/compliance", "Project execution/engineering" and "After-Sales Phase" fields.

The net risk potentials of 261 evaluated individual risks were included in the overall risk potential, two more than in the previous year. The increased overall risk potential reflects the more difficult framework conditions of our business and is being carefully analyzed. Nevertheless, we do not assess this as alarming but, as in the past, we consider it controllable. Risks that might endanger the Group's continued existence, whether separately or in combination with other risks, are not discernible from today's perspective. The risks associated with Homag China Golden Field and System TM were not fully taken into account in the overall risk potential since the two companies have only been fully consolidated since November 24, 2020, and October 30, 2020, respectively.

2.74 — RISK FIELDS AND NET RISKS

	Net risk			
Risk field	Very low (≤ €5 million)	Low (> €5 million to ≤ €20 million)	Medium (> €20 million to ≤ €40 million)	High (> €40 million)
Economic environment/ capital market				■
Sales/bid phase	■			
Project execution/ engineering				■
Taxes, legislation, compliance				■
Market				■
Research & development	■			
Competition		■		
Procurement		■		
Human resources		■		
IT		■		
Manufacturing		■		
Society/environment	■			
After-sales phase				■
Finance/controlling				■
Management process	■			

RISK FIELDS AND SIGNIFICANT INDIVIDUAL RISKS

Economic environment

The risks arising from the economic environment increased significantly in the year 2020 on account of the corona pandemic. In fact, the surge in the first half of the year in the middle of the lockdown was even higher, but subsequently abated, either because part of the risks had eventuated or had been taken into account in planning activities. The current risk assessment reflects the possible economic disruption by additional waves of infections, to the extent that it is capable of being estimated at this time. It has been taken into account in this context that meanwhile both society and the economy are better prepared to cope with the corona pandemic.

The evaluation of other risks in the economic environment has not changed essentially year on year. Trade disputes, unilateralism and political conflicts, as well as a high level of public debt and the problems surrounding Brexit, continue to pose uncertainties regarding further economic and global trade developments. The consequences, among others, include waning consumer confidence and a decline in demand for investment goods.

The corona pandemic has led to significant declines in incoming orders, sales and earnings of the Dürr Group. According to LMC Automotive, in the year 2020, automobile production declined by around 16 %. Some automobile plants were closed during the first lockdown in the spring of 2020, with production stopped for several weeks. The pandemic increased pressure on established carmakers, which are additionally going through a deep-seated structural change. This led to investment decisions being postponed, which had an adverse effect on our incoming orders. The decline in orders was partially offset by a substantially higher volume of orders generated in business with new producers of electric cars, especially from China. In total, the order intake from the automotive industry was down by almost 20 % compared with a strong previous year.

The level of demand for furniture developed stably during the pandemic. Owing to the restrictions on movement and the increased trend toward mobile work, many people invested in better furnishings for their private living space. Nevertheless, due to the expected cyclical investment weakness, the number of incoming orders received from the furniture industry fell short of its previous year's level; in 2017 and 2018, high levels had been achieved. We are not materially impacted by international trade conflicts since no punitive tariffs were imposed on our products.

China, our biggest single market, was the first country to be massively impacted by the corona pandemic but soon managed to overcome the negative effects and resume its growth. While worldwide gross domestic product decreased by 3.5 % in 2020, growth in China came to 1.7 % and is expected to achieve approx. 8 % in 2021. For the automotive and furniture industries, there is medium and long-term growth potential in China, since market saturation is far from being reached, amid rising per-capita incomes. If an economic slump were to occur in China, this would substantially impair the Dürr Group's sales and earnings.

Possible risks due to Brexit include trade impediments, investment declines and exchange-rate distortions. The immediate impacts on our business are likely to be manageable since the United Kingdom only accounts for 3 % of our sales and 1 % of our assets.

We can bridge cyclical weaknesses relatively well in smaller-scale markets since the distribution of our business is balanced on an international level. Cyclical fluctuations are discernible at a comparatively late stage within the Dürr Group since our plant construction business is shaped by the long-term investment decisions of the automotive industry. In the early-cycle mechanical engineering business, macroeconomic changes take effect faster.

Capital market
Economic crises and political conflicts may shock the capital markets, make new financing transactions more expensive and restrict credit availability. On the other hand, this is alleviated by the European Central Bank's policy of low interest rates, which enabled us to refinance at favorable terms in the course of the year 2020.

We classify the risk of a hostile takeover of Dürr AG as relatively low since the Dürr family owns about 25.5 % of the company's shares. A further stake of 3.5 % is held by Heinz und Heide Dürr Stiftung, a foundation. On account of the domination and profit and loss transfer agreement with HOMAG Group AG, external shareholders of HOMAG Group AG receive a guaranteed dividend of €1.01; in addition, we have made them a cash compensation offer amounting to €31.56 per share. External shareholders of HOMAG Group AG have initiated valuation proceedings to have the extent of the guaranteed dividend and cash compensation appraised by a court of law. According to a ruling handed down by the Regional Court of Stuttgart in August 2019, the cash compensation was to be raised to €31.58 and the guaranteed dividend to €1.03 per share. The ruling is not final and binding as yet, since shareholders of HOMAG Group AG filed an appeal in October 2019. If the Higher Regional Court of Stuttgart, which will rule at the next level, holds higher contributions to be appropriate, this would give rise to additional expenditure.

It cannot be ruled out altogether that information of a confidential nature and/or of relevance to the capital market may prematurely be leaked outside the organization. We protect ourselves from this by keeping the number of persons with access to such information small and by instructing the relevant persons with regard to their duties. In addition, we set up project-related insider lists and use secure communication technologies.

Operating risks: sales/bid phase
One risk during the bid phase is that we may not be able to assert margin targets in contract award negotiations in a phase of high competitive intensity. When performing order calculations, there is potential for incorrect cost assessments. To prevent this, we always obtain current market prices on the procurement side and have our calculation assumptions reviewed internally. Woodworking Machinery and Systems had limited contact with end customers in China until November 2020, as sales activities took place via a partner company in which the HOMAG Group had a minority equity interest. Homag China Golden Field was fully acquired in November 2020.

Operating risks: project execution/engineering
The key risk to bear in mind during project execution is any failure to meet deadlines or other commitments. This can lead to additional expenses or to customer payments being postponed. Although project lifetimes currently tend to grow shorter, we assess this risk as controllable. Especially in the paint shop business, thanks to largely standardized products and professional processes, we are able to handle numerous large-scale projects safely in parallel. Due to the corona pandemic, at times some of our customers' plants were shut down, leading to delays in project execution.

Operating risks: after-sales phase
The spare parts business depends on capacity utilization at our customers' plants, among other factors. If the level of capacity utilization decreases, then the level of demand for spare parts usually declines. In the year 2020, this was felt in the Application Technology division, particularly in the second quarter. Due to the corona pandemic, our customers temporarily shut down plants and stopped production. This resulted in lower demand for spare parts. In addition, during the summer break, the service volume was below its usual level. After most factories resumed operations at the end of the second quarter, demand for spare parts and services increased again in the third and fourth quarters. A further risk in the spare parts business is that inventories in stock may age and need to be written off.

Taxes, legislation, compliance and compliance management system
The net risk in the field "Taxes/legislation/compliance" increased slightly year on year.

We must observe different national legal norms. To avoid violations, we cooperate with local legal experts and train our employees accordingly. New trade barriers and legislation may increase our costs and reduce our sales opportunities. Changes under tax law may lead to higher tax payments and affect our tax assets and liabilities; in addition there is the risk of uncertainties in interpreting the underlying tax legislation. In large system projects, tax and customs risks may occur in cases of complex international delivery processes.

As a rule, material legal risks arise from warranty claims, claims for damages in cases of production losses or patent litigation. If we fail to meet our contractual obligations in performing our services, we may be liable for conventional penalties. Before making any contractual representations, we study what liability-related consequences we may face. As a principle, we rule out any commitments that we cannot fulfill. In most cases, contractual risks in the project business are higher than in the single machine business. Following our entry into the IIoT business, new risks under VAT law as well as risks relating to violations of third parties' property rights have additionally emerged. Most recently, due to a new European Directive, legal perceptions have changed in the sense that information and know-how is deemed to be protected only if designated as such. This increases the risk of third parties using technical documents in particular for their own purposes if such documents are not appropriately labeled.

Compliance violations, for instance in the field of competition or product liability law, may lead to criminal prosecution, liability risks and image loss. We are not aware of any serious violations at this time. We protect ourselves by means of a compliance management system, the basic features of which are described at www.durr-group.com in the section on Investors/Corporate Governance. The system is monitored on a regular basis and comprises all activities with the objective of ensuring that all employees in daily operations behave in conformity with the relevant rules and ethical requirements. It governs the responsibilities, communication channels and measures in three central fields of activity synchronized with one another: preventing, detecting promptly, and responding to compliance violations. In this way, the compliance management system supports employees in preventing contraventions and associated risks of liability and criminal convictions. In addition, we take targeted action against corruption risks. Key instruments include internal policies, online training sessions, the four-eyes principle and the work carried out by the Internal Auditing department. In addition, in the year 2020 we introduced an integrity line that employees and third parties can also use anonymously to report misconduct.

Market

The corona pandemic led to a substantial increase in the risks within the "Market" field. Due to the significant decline in automobile sales, there is the risk that carmakers may defer investing in new production capacities and curtail their investment budgets. Moreover, there may be a shift in investment concentrations with regard to electromobility, autonomous driving and connectivity, leading to a further reduction of investments of relevance to us in production technology. Owing to the lower volume of demand on the whole, competition for projects available for awards may intensify, followed at least temporarily by declining margins. The adverse effects of the lower volume of incoming orders in 2020 on the development of sales and earnings have already been taken into account in planning for 2021. On the other hand, there are also opportunities stemming from new start-ups in the field of electromobility, increasing localization of automobile production in the wake of trade conflicts and mounting pressure on carmakers to retool their production facilities to adopt modern processes with a lower toll on resources. Please refer to the "Opportunities" ⟶ page 105 chapter for further particulars.

Business with woodworking machinery for the furniture industry is likewise exposed to risks due to the corona pandemic. In the spring and summer of 2020, we noticed general customer restraint in the system business. Even though we registered an increase in the number of projects in the third and fourth quarters, there is a risk that investments in new production capacities will remain below expectations. The adverse effects of subdued investments in 2020 on sales and earnings have already been taken into account in planning activities for 2021. On the other hand, there are also opportunities that the intensified transition to mobile working from home will further stimulate demand for furniture and new investments by producers; information in this regard is available in the "Opportunities" ⟶ page 105 chapter.

In the automotive business, we cannot rule out dependency risks, as only few carmakers exist worldwide. In spite of that, their number has grown most recently, since new producers of electrically powered vehicles have entered the market. In 2020, 33 % of our sales were generated by business with the ten largest customers (previous year: 30 %). Outside the automotive industry, the dependency risks are considerably lower, as our customer base is very broad.

In our markets, we are confronted by price pressure; as a rule, this is most pronounced in paint shop construction for the automotive industry. We react to price pressure with innovation, process optimization, localization and cost management.

In our business with the automotive industry there is a risk of customers asserting payment terms that are unfavorable to us. The general willingness to make substantial prepayments for large projects has declined in the industry in the past two to three years. Chinese customers in particular prefer acceptance drafts – a kind of exchange – to conventional prepayments. In corresponding projects, payments by customers tend to be made later and/or less evenly across the project duration. Defaults in payment have not increased, and uncollectible claims are extremely rare, especially in business with the automotive industry.

For projects with new producers of electric cars, we prevent credit rating risks by conducting a thorough solvency check in advance. We carefully monitor receivables from customers without an investment grade rating. In the execution of our projects, we make sure there is a positive balance of cash inflows and outflows. To this end, we align the progress of project execution in tandem with the relevant progress payments received.

We do not perceive any concrete risks to our market leadership at present. New products and business models that could endanger our position are not discernible in our markets. Disruptive technologies such as electromobility do not lead to lower demand for paint, assembly and **testing technology** **⟶ page 226**, either. Instead, the level of demand for final assembly technology is likely to rise since the assembly of electric cars partly calls for new processes to be deployed. In the field of painting technology, there are no serious substitution risks as there are no alternatives to aluminum, steel and plastics in large-scale serial car body production. Composite materials deployed in lightweight construction are also painted by conventional means. In furniture production, where wood and chipboard dominate, there are no major substitution risks.

In the course of digitalization, we need to offer our customers top-performing software and IT solutions. Otherwise, competitors from the software industry could come between us and our customers with offers of their own. With ADAMOS and other software and smart products, however, we are well placed to defend our market position. Moreover, we know our customers' production processes very well.

Corporate strategic risks in the emerging markets

The high business share in the emerging markets (39.7 % of sales) entails specific risks:

- Cultural and language barriers, insufficient knowledge of suppliers, customers and market customs, and specific legal and political parameters may give rise to disadvantages.
- The level of staff turnover in the emerging markets is higher than in Germany. Attractive remuneration, our status as world market leader and targeted career planning help us retain top-performing employees.
- Product and brand piracy is more prolific in the emerging markets than in the established markets. However, due to their complexity, many of our products can hardly be copied in the same quality. Moreover, we protect ourselves through patents.
- Our local product development ensures that regional customer requirements are taken into account. This reduces the acceptance risks for new solutions.
- We protect ourselves against cost pressure of local competitors by means of a high degree of localization.

Strategy risks: acquisitions/new fields of activity

As regards corporate acquisitions, sales, earnings and synergies may turn out lower than planned. We hedge this risk by means of due diligence audits and integration plans. When entering into new fields of business, misguided estimates of resources deployed, customer requirements and price targets, as well relating to the development of demand, market and competition cannot be ruled out. Moreover, problems may arise in the field of technology development. Such misguided estimates and problems may increase the risk of depreciation on investments, goodwill, book values of equity interests and capitalized development costs.

R&D and product liability risks

With regard to innovations, there is a risk that we may not be able to adequately absorb our development costs through the product prices. Technical problems may also occur in the development of new products, resulting in delays or additional costs. To avoid market acceptance risks, we analyze demand thoroughly, engage pilot customers and develop products with a high return on investment. This also reduces the risk of unexpected depreciation on capitalized development costs. We review the patent situation to ensure that new products do not violate any property rights of third parties. To prevent product liability cases, we ensure that our products meet health and safety regulations, and we take out appropriate insurance policies.

Competition

In view of our extensive market shares, some customers choose to cooperate with smaller-sized competitors. This may make our price targets difficult to achieve. Local competitors sometimes undercut our prices. We counteract this by increasing value added locally and by protecting our technology edge through innovations.

We perceive no substantial change in our competitive situation in the wake of the insolvency of the German painting technology competitor Eisenmann in 2019. Parts of Eisenmann's business and customer relations have passed to the Dürr Group and various competitors. Some former employees of Eisenmann joined us or our competitors.

We are not aware of any competitors´ products that could endanger our market position. In certain markets, the level of competitive intensity is unusually high. We have noticed that competitors from the emerging markets are also starting to operate outside their home markets.

Procurement and manufacturing

The risks in the fields of "Procurement" and "Manufacturing" declined slightly year on year. This is also due to the lower level of demand. To mitigate availability and price risks, we enter into framework contracts with preferred suppliers and pool our purchasing volumes. Dependency risks may occur in a few cases; we reduce these by broadening our supplier base. For standard bought-in parts, a change in suppliers may make it necessary for us to change designs and contend with corresponding costs. At some manufacturing locations, fluctuations in orders placed may lead to under-utilization. Inventory risks are possible in particular when model changes occur within the product program.

We select and monitor suppliers carefully as a precaution against quality deficiencies or delayed deadlines, which may occur particularly among suppliers in the emerging markets. Moreover, we have reduced our dependency on suppliers in some divisions by extending our in-house manufacturing. We are often unable to pass rising supplier prices on to our customers in full. The insolvency risk of suppliers has increased in the course of the corona pandemic.

Human resources

We hire external workers to avoid risks of capacity bottlenecks. As we have numerous highly-qualified employees, know-how losses may be incurred when they leave our company. This is why we distribute specialist expertise across a number of persons and promote knowledge transfer by documentation and training measures. Bottlenecks in personnel procurement are possible, especially in the fields of information technology, digitalization and electrical engineering. To counteract this, we rely on long-term career planning for experts, personnel and university marketing as well as vocational training and cooperative state university programs. Salary hikes during the lifetime of large, long-term projects can result in additional costs; this risk exists above all in the emerging markets. We also cannot rule out violations of labor law and tariff-based arrangements.

We have outsourced pension obligations to external pension funds in which other enterprises also participate. Should one of these companies file for insolvency, this would give rise to the risk of co-liability for its retirement benefit commitments. Accordingly, we regularly monitor the financing status of the pension funds and the economic development of the participating companies.

Our pension risks are manageable. The discount factor used for calculating pension obligations in Germany amounted to 0.6 % as of December 31, 2020 and thus turned out lower than on the previous year's reference date (0.7 %). Pension provisions amounted to €58.1 million.

IT and management processes

IT risks, such as data loss, hacking and virus attacks or availability shortfalls, are increasing in the wake of ongoing digitalization. We protect ourselves by means of a Group-wide IT security organization and a robust IT infrastructure equipped with state-of-the-art firewalls and antivirus programs. We use back-up servers, redundant data lines and uninterrupted power supply units to avoid any outages. We rate the risk of hacker attacks and data theft as normal for the industry in which we operate.

Cyber fraud attempts through computer and data manipulations have increased significantly in recent years. To avoid damages, we use enhanced authentication standards in electronic payment transactions, security certificates for email messages, secure smartphones and verified bank connections. In addition, we regularly draw our employees' attention to typical fraud practices. We regularly review the effectiveness of our IT measures for protection against cyber attacks.

Incorrect assignment of IT access privileges gives rise to the risk of data being read or manipulated by unauthorized persons. We protect ourselves by restrictive assignment of privileges. Reading and editing rights regarding sensitive data are assigned only to employees who absolutely depend on them to perform their work.

The EU General Data Protection Regulation, in force since 2018, has tightened the requirements for processing personal data. In order to lower the risk of violations, we have informed our employees of the regulations and prepared instructions for action.

Environment, health and safety

We counter the risk of accidents at work by carrying out regular safety instruction, compulsory online training and comprehensive safety standards described in our Health & Safety policy. In addition, we cooperate with our customers in order to guarantee occupational safety on construction sites. To comply reliably with environmental conditions imposed, we have appointed environmental protection officers; we also rely on environmental management certifications and policies. Substances that are harmful to health or the environment are only used to a limited extent.

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

An exact description of currency, interest rate and liquidity risks is provided in the notes to the consolidated financial statements (→ Item 41). A Group policy governs management of these risks. The central corporate body is the Financial Risk Committee consisting of the CFO, the heads of Group Controlling and Group Treasury as well as the financial officers of the divisions. This body discusses strategic financial issues and prepares resolutions for the Board of Management.

Hedging foreign currency risks

We use financial derivatives for hedging purposes. In most cases these are forward exchange contracts used as currency hedges. Their nominal value came to €442.6 million at the end of 2020 (December 31, 2019: €480.9 million). In particular, payment flows were hedged in the key currencies listed under → Item 41 of the notes to the consolidated financial statements. The use of financial derivatives can entail risks, such as less favorable deposit conditions and higher financing costs. Moreover, the market value of financial derivatives may decrease if credit risk spreads increase due to changes on the financial markets.

In most cases, we hedge foreign currency risks of orders placed immediately after the relevant contract awards. In principle, we agree a separate (micro) hedge for each larger individual project. In the standard machinery and spare parts business, we also use macro-hedges for several bundled orders.

All financial derivatives and their underlying transactions are checked and valued on a regular basis. Financial derivatives are exclusively used to hedge loans and commercial operations.

The risks involved in currency translation into euros saw a further increase in 2020. Our export-related transaction risks are relatively moderate, as we produce numerous products locally or purchase them in local currency.

Hedging interest rate risks

We pursue a conservative interest rate and financing strategy comprising three core elements: long-term interest rate and financing certainty, matching maturities and a prohibition of speculation. Our financial debt primarily comprises the Schuldschein loans of the years 2020, 2019 and 2016, the bond placed in 2014, the convertible bond placed in 2020 and leasing liabilities. The risk of interest rate fluctuations of our Group financing arrangement is limited.

Interest rate risk management covers all interest-bearing and interest-sensitive balance sheet line items. Regular interest analyses enable risks to be identified at an early stage. Group Treasury is chiefly responsible for borrowing, investment and interest rate hedges; from a defined scale upward, exceptions must be submitted to the CFO for approval.

Hedging liquidity risks

We largely cover our liquidity needs from our cash flow. At times of temporary negative cash flows, we are able to use cash and cash equivalents and the cash line of the syndicated loan. The latter was not necessary in 2020. Please also refer to the chapter on "Financial Development" → page 87 in this regard. Our cash pooling enables us to make use of liquidity surpluses of individual companies for other Group subsidiaries, provided that the capital transfer regulations of the individual states allow this. This enables us to avoid taking out loans and paying interest expenditure.

Financing risks

No risks relating to borrowing exist at this time. The terms of our bonded loan contain the usual restrictions and obligations. A violation could result in the bond amount plus accrued interest being called due for immediate payment. The Schuldschein loans and the convertible bond may also be called for immediate repayment in the event of a violation of material contractual obligations, in case of insolvency or a change of control. Our syndicated loan contains no financial covenants.

Hedging investment risks

Our policy for financial asset management governs how to deal with investment risks and defines the permissible asset classes and credit status requirements. As we do not hold any government or corporate bonds, we are not subject to corresponding repayment and depreciation risks.

RATINGS

We do not have any ratings carried out to assess our credit status.

Opportunities

OPPORTUNITY MANAGEMENT SYSTEM

We identify and evaluate new business opportunities with the help of a Group-wide opportunity management system. The divisions play a central role in this: Through contacts with customers, suppliers and partners they collect information on new trends and market requirements. This information is aggregated to identify opportunity complexes and evaluated. Opportunity complexes offering sustained economic potential are analyzed by the Board of Management and the division heads as part of the strategy process. The divisions then integrate the approved opportunity complexes into their strategy and define goals, measures, responsibilities and schedules.

Identifying and evaluating business opportunities is an ongoing process which is controlled by the division heads. The Board of Management and the Corporate Development department are responsible at the level of Dürr AG. If opportunities are found to be of major strategic significance, we form multidisciplinary teams to conduct potential analyses and establish the planning.

Collaboration with universities, research institutes and the Dürr Technology Council also from part of opportunity management. These contacts help us to determine the extent to which new scientific findings may yield opportunities for the Dürr Group. Opportunities may also arise from new legislation, e.g. on emission protection and international trade. Our opportunity management system takes account of global and regional business opportunities as well as the potential with specific products, customers and business models.

POTENTIAL OFFERED BY OPPORTUNITIES

This section now proceeds to describe the material opportunities of the Group and the divisions. The business plan for 2021 and the strategic plan through 2024 incorporate the related realistic earnings potential. If we are able to make use of the opportunities to a greater extent than assumed, EBIT may substantially exceed the figure budgeted for 2021. However, this additional EBIT potential is achievable only in a best-case scenario. We have not quantified the potential EBIT from these opportunities in 2021 in view of the protracted pandemic-induced uncertainties.

STRATEGIC OPPORTUNITIES

Digitalization/Industrial Internet of Things: Digitalization is creating new business opportunities. Examples include sales growth in the software segment and the establishment of new business and pricing models that are based, for example, on the value of a digital service for system availability, the intensity of use or the number of connected machines. In addition, digitalization allows us to stand apart from the competition.

Sustainability: We are benefiting from the trend toward low-consumption and energy-efficient production systems. Many of our customers are attaching increasing importance to sustainability and want to produce on a carbon-neutral basis in the foreseeable future. As a supplier of production technology, we can contribute to this goal by offering low-consumption solutions. In addition, we offer technologies for manufacturing products that play an important role in the transition to a carbon-neutral society. Examples are production systems for electric vehicles or wooden house construction elements.

Electromobility: Electromobility offers opportunities for the Dürr Group. For one thing, new producers of electric vehicles are entering the market, something which is broadening our customer base. For another, we expect established automotive producers to significantly step up plant conversion spending and investments in special production technologies for EVs. We offer turnkey assembly and painting systems to e-mobility start-ups. In addition, we supply manufacturing technology for lithium-ion batteries. This is supplemented with testing systems for electric drives, which were newly added with the acquisition of a majority stake in Teamtechnik.

Automation: Our customers are increasingly demanding automated manufacturing processes with a view to improving quality and lowering operating costs. We benefit from this thanks to our extensive automation competence.

Service: Our production technology is used in numerous factories worldwide. This broad installed base offers growth opportunities for us in the service business with its higher margins. We are tapping this potential within the framework of our life cycle services strategy field.

Process excellence: The quality and efficiency of our processes form a key thrust of our current mid-term strategy. We want to harness potential for optimizing costs and revenues through methodical and structural process optimization and the rollout of the latest IT systems. This is what the strategy field efficiency stands for.

Localization/local products: By expanding our local capacities in key markets, we are improving cost structures and customer proximity. Localizing product development allows us to take better account of regional market requirements.

Southeast Asia: Driven by rising per-capita income, Southeast Asia is an attractive growth market in which we will be broadening our footprint. In local automotive business, we intend to intensify our relations with the Japanese automotive industry, which holds a strong market position in Southeast Asia.

OPPORTUNITIES IN THE DIVISIONS

Following the completion of the FOCUS 2.0 optimization program, **Paint and Final Assembly Systems** has initiated further measures to improve its margins. In addition to capacity adjustments in Germany and Europe, this includes, for example, the introduction of smart-sourcing principles. The e-mobility transformation offers opportunities in painting and final assembly technology. The Chinese market in particular could develop better than expected. Business in final assembly technology should benefit from the consolidation of all related activities under the umbrella of Paint and Final Assembly Systems. It is expected to grow in the emerging markets particularly through the use of the existing sales and service network. In addition, the division has the opportunity of using innovative concepts to position itself as a final assembly specialist. The innovative "Paintshop of the Future" concept is to generate impetus for growth in paintshop plant engineering. It replaces traditional line production with several flexible painting boxes and driverless transport systems and also enables rapid plant expansion. Given the large installed base in Painting and Final Assembly Systems, conversion business also offers opportunities. The majority stake in Teamtechnik is opening up two opportunities: For one thing, Teamtechnik can offer its testing technologies for electric and hybrid drives to a wider customer group as part of the Dürr Group. For another, order volumes for production facilities for medical devices are to be increased.

Application Technology is benefiting from various contemporary trends such as automation, IIoT → page 226, individualization and sustainability. This results, among other things, in opportunities for expanding service and digitalization business beyond the installed base. With the **Eco**PaintJet robot system for two-tone painting, Application Technology has a disruptive technology that opens customers up to new possibilities for product customization. There are also growth opportunities in business with general industry, in gluing technology → page 226 and with application technology solutions for insulating and bonding battery cells together for electric vehicles. In addition, we have the opportunity for widening market shares with individual customers.

Clean Technology Systems is benefiting from stricter emission limits, especially in China. In the medium term, other emerging markets will also offer additional potential. Further growth opportunities are arising from the accelerated expansion of lithium-ion battery production, especially in Europe. The division is well positioned to profit from this trend with systems for double-sided coating of battery electrodes → page 226 and the cooperation forged in 2020 with Japanese machine manufacturer Techno Smart. Given the large installed base, we also see opportunities to receive further orders in the areas of service, conversion and spare parts.

Measuring and Process Systems sees increased opportunities for balancing technology and spin testing systems for e-mobility components. The airlines business segment (balancing technology for aircraft turbines) also offers potential for growth, particularly via new programs for local aircraft turbine construction in Russia and China. As well as this, the division is benefiting from the growing automation of the balancing process and heightened requirements due to lower tolerances in measuring and correcting imbalances. Other opportunities can be leveraged by capitalizing on the cost advantages of our locations in China and India, which applies for example to the assembly and balancing systems business for complete wheels.

Woodworking Machinery and Systems is on track to securing the planned efficiency gains from capacity adjustments and optimization measures. This includes, for example, the introduction of the new production system and a fully integrated value-chain process with the corresponding software environment. The EBIT margin should reach the target of at least 9 % in 2023. Further opportunities can be found in timber construction following the acquisition of System TM as well as in China as a result of the full acquisition of Homag China Golden Field. As a technology leader, the HOMAG Group is benefiting from the growing digitalization and automation of furniture production.

Forecast

SHARP RECOVERY AFTER HISTORICAL RECESSION

Following the pandemic-induced decline in 2020, economic experts expect the global economy to grow sharply by 5.3 % in 2021. Obviously, this estimate is subject to considerable uncertainty and assumes that the pandemic will subside in the course of the year. The same thing applies to the forecasts for the development of our main customer sectors. The high spending by many governments to ease the fallout from the pandemic is increasing sovereign debt. Consumer prices in Europe are expected to climb somewhat in 2021 but remain below the ECB's target of 2.0 % (2020: 0.3 %). The ECB has expanded its bond-purchasing programs and kept key interest rates at 0 %; there is no end in sight to the low-interest policies.

2.75 — GROWTH FORECAST FOR GROSS DOMESTIC PRODUCT

% year-on-year change	2020	2021	2022
Global	–3.5	5.3	3.8
Germany	–5.0	4.5	4.5
Eurozone	–7.3	5.0	5.0
Russia	–4.0	2.3	2.5
USA	–3.5	5.0	4.0
China	1.7	8.0	5.0
India	–7.0	8.5	7.2
Japan	–5.2	3.5	2.0
Brazil	–5.1	3.5	2.5

Source: Commerzbank 01/2021

DEVELOPMENTS IN OUR MAIN CUSTOMER SECTORS

Our main customer sectors are the automotive and furniture industries; at the same time, business in environmental technology is continuing to gain in importance. Expectations for these sectors are generally favorable following the severe declines of 2020. VDMA expects the recovery emerging in the second half of 2020 to continue in 2021. Specifically, it forecasts an increase of just under 7 % in equipment spending, accompanied by 4 % growth in production.

Automotive industry

Following the decline in global automotive production in 2020, LMC Automotive projects growth of 17.4 % to 87.8 million units in 2021, underpinned by all regions. Production volumes should return to the levels recorded in the pre-crisis year of 2019 in 2022. Average growth of 3 % is projected for the period from 2021 to 2027 and should be supported in particular by improved consumer climate and prosperity gains in the emerging markets.

Following the declines in capital spending in 2020, the market volume available to us in the automotive business should widen again. Accordingly, we expect our order intake in automotive business to rise in 2021, provided that the situation with respect to the pandemic eases as expected. The rising demand for production technology for electric vehicles is likely to remain a key driver of capital spending. Other goals that our customers are pursuing with their capital spending plans include the reduction of unit costs in automotive production, the flexibilization of production for different model types and a reduction in the ecological footprint of automotive plants. In addition, we expect our customers to increase their spending on the digitalization of production processes.

2.76 — PRODUCTION OF PASSENGER VEHICLES AND LIGHT TRUCKS

Million units	2020	2021 p	2022 p
Global	74.8	87.8	92.4
Western Europe	10.1	12.7	13.3
Germany	3.7	4.7	5.1
Eastern Europe	6.2	6.9	7.4
Russia	1.4	1.5	1.7
North America (incl. Mexico)	13.0	15.8	16.6
USA	8.6	10.8	11.2
South America	2.2	3.1	3.2
Brazil	1.9	2.6	2.7
Asia	41.4	46.7	49.1
China	23.3	25.1	26.2
Japan	7.8	8.6	9.0
India	3.2	4.5	4.7

p = projection
Source: LMC 01/2021

Woodworking
We expect capital spending to rise in the woodworking industry in 2021. On a positive note, Chinese furniture manufacturers in particular are once again increasingly planning larger system projects. There is much to suggest that we are at the beginning of a new investment cycle. Automation, digitalization and product individualization are key trends in furniture production. As we are well positioned in all three areas thanks to HOMAG's integrated production solutions, we see great business potential in the medium term. The Centre for Industrial Studies (CSIL) forecasts growth in the furniture market of around 4 % worldwide and 5 % in Germany in 2021. The VDMA Association for Secondary Woodworking Machines projects a 4 % increase in sales for German companies operating in this segment. After two weak years, the order volume is also expected to rise again.

In addition to products for the furniture industry, our business in production technology for timber houses is likely to continue gaining ground. Experts assume that the market volume in this sector will widen by around 50 % between 2020 and 2025. We are well prepared for this, as we have expanded our range of solid wood processing products through the acquisition of System TM.

Environmental technology
Our environmental technology business is benefiting from the heightened air pollution control standards, especially in the emerging markets. Accordingly, we expect to see an increase in demand in the various sales markets, provided that government emission standards are not relaxed in the short term for reasons of economic policy.

SALES IN 2021: MARKET RECOVERY AND ACQUISITIONS SUPPORTING SALES GROWTH

This outlook assumes that growth in the global economy will not be any less than expected, that there are no further macroeconomic dislocations and that political uncertainties do not increase any further. As far as possible, we have taken account of the impact of the coronavirus pandemic in our outlook and described the prevailing risks in the risks and opportunities report. Sales and earnings in 2021 will partially still come under pressure from the more muted order intake in 2020 caused by the pandemic. In system business in particular, there is a time lag between order intake and revenue recognition through profit and loss due to the necessary planning and preparation times. In the Woodworking Machinery and Systems division, the delay is usually between 6 and 12 months and, in the case of Paint and Final Assembly Systems, closer to 12 to 24 months. Accordingly, we initially expect muted sales development in system business in 2021 but anticipate an improvement, especially in the second half of the year.

Looking ahead over the next few years, we expect sales to rebound from the low reached in the crisis year of 2020. This will also be supported by contributions to growth made by the acquisitions we completed in 2020 and at the beginning of 2021. On the basis of these growth drivers, we have defined a target range of €3,450 to €3,650 million for sales in 2021. Order intake should grow more substantially in 2021, reaching a corridor of €3,600 to €3,900 million; accordingly, the order backlog should recover after its relatively low level at the end of 2020.

Total costs (cost of sales and overheads, other operating expenses) will climb in 2021 due to acquisition- and volume-related factors. The largest cost items will continue to be the cost of materials and personnel expense, although the latter should increase only slightly in 2021 due to the capacity reductions introduced in Europe in 2020. Both gross profit and the gross margin are expected to improve.

EBIT MARGIN: INCREASE IN 2021

Due to the subsequent negative impact of the coronavirus crisis on sales and earnings, we see 2021 as a year of transition on the path to a significant and sustainable increase in earnings by 2023. In 2021, the EBIT margin should exceed the previous year's figure substantially; accordingly, a target corridor of 3.3 % to 4.3 % has been defined (2020: 0.3 %). As things currently stand, the extraordinary expenses included in EBIT should drop appreciably to around €30 million (2020: €88.4 million). In addition to purchase price allocation effects of an expected €22 million, they will also include trailing extraordinary expenses for optimization measures that were not yet completed in 2020.

The Dürr Group's EBIT margin adjusted for extraordinary effects should reach a range of 4.2 % to 5.2 % in 2021 (2020: 3.0 %). In particular, the cost-cutting and optimization measures initiated in the automotive and woodworking divisions will leave positive traces on earnings. We expect savings of around €60 million here.

RISING EARNINGS AFTER TAX

Earnings after tax should rise to €40 to €90 million. The **ROCE** **⟶ page 227** is expected to improve significantly in 2021 compared with the previous year's figure of 1.1 % and to reach 9 % to 13 %.

DIVIDEND POLICY TO BE CONTINUED

For the financial year of 2020, a dividend of €0.30 per share is proposed. This proposal takes into account the strong cash flow development and the high extraordinary expenses in 2020 as well as the favorable prospects for future business. Looking ahead over the coming years, we expect a continuation of the current dividend policy and, thus, a distribution ratio of between 30 % and 40 % of the Group's net profit after tax.

CASH FLOW EXPECTED TO BE TEMPORARILY WEAKER

With the cash flow benefiting from a significant reduction in **net working capital** **⟶ page 227** and capital spending in 2020, the projected increase in sales is poised to unleash the opposite effect in 2021. Our goal is to minimize the build-up of net working capital as far as possible. Accordingly, we are aiming to stabilize days working capital at the level seen in 2020, i.e. 40 to 50 days. In addition, the capacity adjustments introduced in 2020 will lead to a corresponding outflow of funds in 2021. We expect an increase in capital spending compared to the previous year. Reflecting this, we expect an overall weakening of **free cash flow** **⟶ page 227** in 2021. A range of €–50 to 0 million is planned. Given the favorable cash flow development, **net financial status** **⟶ page 227** and liquidity in 2020, we have sufficient financial flexibility to cover operational financing requirements, the funding required for acquisitions and the proposed dividend payout.

CAPITAL SPENDING AND ACQUISITIONS

We expect capital spending on property, plant and equipment and intangible assets to return to a normal level of 2.5 % to 3.5 % of sales in 2021. In addition to the majority interest in Teamtechnik Maschinen und Anlagen GmbH and the acquisition of Cogiscan Inc., further acquisitions of companies and technologies are possible, however, no major acquisition is foreseeable at the present. Sufficient liquidity is available to fund a possible transaction.

NET FINANCIAL STATUS, LIQUIDITY AND FUNDING

As things currently stand, we project a **net financial status** **⟶ page 227** of €–225 to €–175 million for the end of 2021. This factors in the effects of the acquisition of a majority interest in Teamtechnik but not any further possible outflows for other acquisitions. Cash and cash equivalents should amount to €675 to €725 million on the balance sheet date in 2021. One reason for the expected decline at this high level is the repayment of financial liabilities falling due this year (just under €200 million net). Once again, we do not expect to draw on the cash facility of our syndicated loan in 2021. We currently have no intention of raising any fresh capital; this would only be an option in an exceptional case in the event of a large acquisition. We have a stable funding position, with the syndicated loan agreed in summer 2019 continuing until 2024. Some of our Schuldschein loans will run until 2031 and the convertible bond likewise does not mature until the beginning of 2026.

EXPECTATIONS FOR 2022

Turning to 2022, we project a further increase in order intake and sales toward pre-crisis levels. We expect a significant improvement in the operating result (EBIT before extraordinary effects). Due to operative improvements, a significantly positive **free cash flow** **→ page 227** is expected in 2022.

2.77 — GROUP OUTLOOK

		2020	2021 target
Order intake	€ million	3,283.2	3,600 – 3,900
Sales	€ million	3,324.8	3,450 – 3,650
EBIT margin	%	0.3	3.3 – 4.3
EBIT margin before extraordinary effects	%	3.0	4.2 – 5.2
Earnings after tax	€ million	–13.9	40 – 90
ROCE	%	1.1	9 – 13
Free cash flow	€ million	110.7	–50 – 0
Net financial status (Dec. 31)	€ million	–49.0	–225 to –175
Capital spending[1]	€ million	76.4	2.5 – 3.5 % of sales

[1] Without acquisitions

SUMMARIZING STATEMENT BY THE BOARD OF MANAGEMENT ON PROJECTED DEVELOPMENTS

Following the sharp economic decline in the wake of the coronavirus pandemic, we expect to see an appreciable recovery in 2021. This assumes that the pandemic can be combated by means of broad-based vaccinations as planned and that economic life largely returns to normal. The automotive industry is expected to see a significant recovery in production volumes. In addition, we anticipate growing capital spending on e-mobility production technology and on the modernization of automotive plants in order to reduce the ecological footprint of manufacturing. We expect rising demand in the woodworking industry, especially since we were able to identify preliminary signs of the commencement of a new investment cycle as early as at the end of 2020.

Automation, digitalization and sustainability are the Dürr Group's main growth drivers. Thanks to the resource efficiency of our products, the high software and shop floor competence of our digital factories and the recent acquisitions, we are very well positioned to benefit from the market opportunities that are emerging.

2.78 — OUTLOOK FOR DIVISIONS

	Order intake (€ million)		Sales (€ million)		EBIT margin before extraordinary effects (%)	
	2020	2021 target	2020	2021 target	2020	2021 target
Paint and Final Assembly Systems	1,142.3	1,250 – 1,400	1,173.8	1,170 – 1,270	3.1	3.2 – 4.2
Application Technology	470.7	525 – 575	459.4	480 – 520	4.1	8.5 – 9.5
Clean Technology Systems	396.9	410 – 450	386.2	410 – 450	5.3	5.5 – 6.5
Measuring and Process Systems	180.4	190 – 210	193.5	200 – 220	0.1	4.8 – 5.8
Woodworking Machinery and Systems	1,092.8	1,170 – 1,270	1,111.9	1,120 – 1,220	2.4	4.0 – 5.0

Driven by an ongoing market recovery and the acquisitions that have been completed, Group sales are expected to grow at a rate in the medium to high single-digit percentage range in 2021 and reach €3,450 to €3,650 million. The EBIT margin should also widen significantly to 3.3 % to 4.3 % due to our cost-cutting measures and lower extraordinary expenses. The operating EBIT margin should reach 4.2 % to 5.2 %. We expect earnings after tax to rise to €40 to €90 million. **Free cash flow** **⟶ page 227** looks set to weaken to between €–50 and €0 million, as sales growth will trigger an increase in **net working capital** **⟶ page 227** and the cost-reduction measures initiated will necessitate cash outflows. Given high total available liquidity of a good €1 billion and relatively low net debt of €49.0 million at the end of 2020, we consider ourselves to be in a very strong financial position to cover operational financing requirements, complete acquisitions and distribute a dividend. We are using this flexibility cautiously and with foresight, and project a **net financial status** **⟶ page 227** of between €–225 and €–175 million at the end of 2021.

Turning to 2022, we expect a further improvement in earnings and substantially positive free cash flow. All divisions should contribute to the planned improvement in earnings. The Woodworking Machinery and Systems division (HOMAG Group) should achieve a substantial increase. It is implementing various cost-cutting and efficiency-boosting measures under its optimization course between 2020 and 2022 and these should unleash their full effect in 2023. Accordingly, we expect the HOMAG Group to achieve its target EBIT margin of over 9 % in 2023. The medium-term EBIT margin target for the Dürr Group as a whole is at least 8 % and, as things currently stand, should be reached within the next three years.

DÜRR AG (GERMAN COMMERCIAL CODE)

Dürr AG's annual financial statements are prepared in accordance with the provisions of the German Commercial Code, whereas the consolidated financial statements are prepared in accordance with IFRS. As the holding company, Dürr AG comprises the Group's central functions and does not engage in any operating business of its own. Its economic condition mainly hinges on the business performance of the Group's operating companies. Dürr AG holds shares in 131 companies directly or indirectly. The economic environment in which Dürr AG operates is essentially the same as the Group's and is described in the chapter entitled **"Economy and sector environment" ⟶ page 67**.

RESULTS OF OPERATIONS

Dürr AG's sales dropped by 14.8 % in 2020, as we received fewer intra-group transfer-pricing payments than in the previous year. One major reason for this was the lower payments made by our subsidiaries for the use of trademarks as a result of the decline in sales from operations.

Other operating income increased sharply in 2020 mainly as a result of higher currency-translation gains. In contrast, however, there was a marked rise in other operating expenses. On the one hand, this was due to higher currency-translation losses as a result of the pronounced volatility of many exchange rates. On the other hand, other operating expenses include transaction costs for the financing measures implemented in 2020. Personnel expense decreased by 11.8 % on account of lower performance-related compensation.

The most important item in Dürr AG's income statement is investment income, which is derived from income and expense arising under profit transfer agreements. The negative investment income reported in 2020 was due to lower operating earnings in the wake of the coronavirus pandemic as well as the extraordinary expenses in connection with the measures taken in the Dürr Systems and Schenck sub-groups to secure their future viability.

There were two main reasons for the deterioration in the financial result from €–9.5 million to €–14.2 million. For one thing, interest expense increased as we made temporary use of additional funding instruments (additional syndicated loan as bridge finance and an additional loan) to preserve our liquidity during the coronavirus crisis. For another, interest income declined as our subsidiaries transferred less cash for investment purposes into the cash-pooling system in the course of the year.

Although we sustained a loss in accordance with commercial law in Germany due to the high extraordinary expenses, a small tax burden of €0.4 million arose. This was due to differences in the tax assessment bases preventing us from deducting a part of the extraordinary expenses from taxable income in the year under review. A net loss for the year of €43.5 million arose in 2020 chiefly as a result of the negative investment income. However, the high profit carried forward from the previous year resulted in net retained profit of €471.0 million. Accordingly, we will be proposing a dividend distribution of €20.8 million or €0.30 per share for the 2020 financial year.

2.79 — DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT (GERMAN COMMERCIAL CODE)

€ million	2020	2019
Sales	31.5	37.0
Other operating income	44.0	12.9
Cost of materials	–2.0	–3.6
Personnel expense	–16.5	–18.7
Depreciation and amortization	–1.0	–1.0
Other operating expenses	–58.6	–29.8
Investment income	–26.4	78.1
Financial result	–14.2	–9.5
Income taxes	–0.4	–3.7
Other taxes	–	–0.1
Net loss/profit for the year	**–43.5**	**61.4**
Profit brought forward from the previous year	514.5	508.4
Net retained profit	**471.0**	**569.9**

NET ASSETS AND FINANCIAL CONDITION

Dürr AG's total assets rose by 19.3 % to €2,321.0 million as of December 31, 2020. Within non-current assets, there was a marked increase of 30.8 % in financial assets, as we lent a greater volume of long-term funds to subsidiaries.

Receivables and other assets rose slightly by 3.4 %. The 24.9 % increase in cash and cash equivalents was mainly due to cash inflows from the issue of the convertible bond in October 2020. On the other hand, the placement of a Schuldschein loan in December had no effect on cash and cash equivalents as the proceeds of €200 million did not accrue to us until January 2021.

Equity decreased by €12.1 million over the end of 2019, coming to €715.7 million. This was due to the fact that the negative investment income and the dividend payment in 2020 (€55.4 million) caused net retained profit to drop by 17.4 % to €471.0 million.

The decline in provisions (down 9.8 %) was mainly due to lower additions to provisions for bonus payments. The 42.9 % increase in liabilities was attributable to the issue of the convertible bond and higher liabilities to affiliated companies, which increased the cash they invested with Dürr AG on account of their improved liquidity situation in many cases.

2.80 — DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – BALANCE SHEET (GERMAN COMMERCIAL CODE)

€ million	Dec. 31, 2020	Dec. 31, 2019
ASSETS		
Non-current assets		
Intangible assets	6.6	7.4
Property, plant and equipment	0.3	0.2
Financial assets	1,125.7	860.9
	1,132.6	**868.5**
Current assets		
Receivables and other assets	748.2	723.7
Cash and cash equivalents	438.5	351.0
	1,186.7	**1,074.6**
Prepaid expenses, sundry items	1.7	2.0
	1,188.4	**1,076.6**
Total assets	**2,321.0**	**1,945.1**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	177.2	177.2
Capital reserve	67.6	67.6
Net retained profit	471.0	569.9
	715.7	**814.6**
Liabilities		
Provisions	16.9	18.7
Liabilities	1,588.4	1,111.8
	1,605.3	**1,130.5**
Total equity and liabilities	**2,321.0**	**1,945.1**

OPPORTUNITIES AND RISKS

Dürr AG is exposed to the opportunities and risks of its subsidiaries. The extent of such exposure depends on the size of its share in the respective company. Please also see the **"Report on risks, opportunities and expected future development" ⟶ page 96** for further details. In addition, strain may arise from the contingent liabilities in existence between Dürr AG and its subsidiaries.

FORECAST

Dürr AG's future economic development is closely linked to the Group's operating performance. Details on the outlook and our plans for our operating business can be found in the **"Report on risks, opportunities and expected future development" → page 96**. Dürr AG's full individual financial statements can be found under Investors/Financial Publications/Presentations at our website at www.durr-group.com.

Bietigheim-Bissingen, March 16, 2021

Dürr Aktiengesellschaft
The Board of Management

Ralf W. Dieter

Dr. Jochen Weyrauch

Dietmar Heinrich

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

3.1 — Consolidated statement of income

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2020

€ k	Note	2020	2019
Sales revenues	(7)	3,324,819	3,921,511
Cost of sales	(8)	−2,720,644	−3,083,309
Gross profit on sales		**604,175**	**838,202**
Selling expenses	(9)	−304,173	−337,643
General administrative expenses	(10)	−181,873	−190,562
Research and development costs	(11)	−107,713	−110,796
Other operating income	(13)	55,811	22,721
Other operating expenses	(13)	−55,106	−26,027
Earnings before investment result, interest and income taxes		**11,121**	**195,895**
Investment result	(15)	5,638	6,398
Interest and similar income	(16)	4,410	5,793
Interest and similar expenses	(16)	−39,708	−33,368
Earnings before income taxes		**−18,539**	**174,718**
Income taxes	(17)	4,676	−44,893
Result of the Dürr Group		**−13,863**	**129,825**
Attributable to			
Non-controlling interests		1,946	5,766
Shareholders of Dürr Aktiengesellschaft		**−15,809**	**124,059**
Number of shares issued in thousands		69,202.08	69,202.08
Earnings per share in € (basic and diluted)	(27)	−0.23	1.79

3.2 — Consolidated statement of comprehensive income

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2020

€ k	Note	2020	2019
Result of the Dürr Group		**−13,863**	**129,825**
Items of other comprehensive income that are not reclassified to profit or loss			
Remeasurement of defined benefit plans and similar obligations	(28)	−1,536	−10,374
Associated deferred taxes	(17)	316	2,830
Items of other comprehensive income that may be reclassified subsequently to profit or loss			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(41)	687	3,202
Associated deferred taxes	(17)	−144	−896
Reclassifications from currency translation reserve through profit or loss		−1,035	–
Currency translation effects		−46,305	9,586
Currency translation effects from entities accounted for using the equity method		11	−325
Other comprehensive income, net of tax		**−48,006**	**4,023**
Total comprehensive income, net of tax		**−61,869**	**133,848**
Attributable to			
Non-controlling interests		1,624	5,728
Shareholders of Dürr Aktiengesellschaft		**−63,493**	**128,120**

3.3 — Consolidated statement of financial position

of Dürr Aktiengesellschaft, Stuttgart, as of December 31, 2020

€ k	Note	December 31, 2020	December 31, 2019
ASSETS			
Goodwill	(18, 43)	457,931	449,160
Other intangible assets	(18, 43)	203,396	194,840
Property, plant and equipment	(18, 43)	488,444	525,395
Investment property	(18, 43)	19,039	20,215
Investments in entities accounted for using the equity method	(19, 43)	19,518	37,663
Other financial assets	(19, 43)	15,783	12,653
Trade receivables	(22)	26,413	15,816
Sundry financial assets	(23)	5,472	6,746
Deferred tax assets	(17)	76,585	57,887
Other assets	(25)	2,979	1,978
Non-current assets		**1,315,560**	**1,322,353**
Inventories and prepayments	(20)	508,621	509,206
Contract assets	(21)	393,432	519,075
Trade receivables	(22)	483,828	570,261
Sundry financial assets	(23)	309,031	206,401
Cash and cash equivalents	(24)	769,195	662,024
Income tax receivables	(17)	30,060	46,634
Other assets	(25)	61,780	46,379
Assets held for sale	(26)	7,250	–
Current assets		**2,563,197**	**2,559,980**
Total assets Dürr Group		**3,878,757**	**3,882,333**

€ k	Note	December 31, 2020	December 31, 2019
EQUITY AND LIABILITIES			
Subscribed capital	(27)	177,157	177,157
Capital reserves	(27)	74,428	67,318
Revenue reserves	(27)	734,455	820,820
Other comprehensive income		−82,360	−34,654
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		**903,680**	**1,030,641**
Non-controlling interests		4,458	12,745
Total equity		**908,138**	**1,043,386**
Provisions for post-employment benefit obligations	(28)	58,095	58,962
Other provisions	(29)	21,373	22,339
Contract liabilities	(30)	3,235	2,113
Trade payables	(31)	372	240
Bond, convertible bond and Schuldschein loans	(32)	602,168	798,242
Other financial liabilities	(32)	71,682	86,780
Sundry financial liabilities	(33)	21,949	6,290
Deferred tax liabilities	(17)	37,259	81,151
Other liabilities	(34)	79	254
Non-current liabilities		**816,212**	**1,056,371**
Other provisions	(29)	192,315	148,058
Contract liabilities	(30)	648,895	630,570
Trade payables	(31)	377,156	478,771
Bond, convertible bond and Schuldschein loans	(32)	349,744	–
Other financial liabilities	(32)	44,408	38,045
Sundry financial liabilities	(33)	362,290	319,890
Income tax liabilities	(17)	68,281	48,467
Other liabilities	(34)	111,318	118,775
Current liabilities		**2,154,407**	**1,782,576**
Total equity and liabilities Dürr Group		**3,878,757**	**3,882,333**

3.4 — Consolidated statement of cash flows

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2020

Note (37)

€ k	2020	2019
Earnings before income taxes	−18,539	174,718
Income taxes paid	−32,702	−64,202
Net interest	35,298	27,575
Profit from entities accounted for using the equity method	−4,788	−6,202
Dividends from entities accounted for using the equity method	7,816	2,585
Amortization, depreciation and impairment of non-current assets	114,151	112,570
Net loss on the disposal of non-current assets	943	456
Net gain from the disposal of assets classified as held for sale	−2,368	–
Other non-cash income and expenses	−8,831	−2,352
Changes in operating assets and liabilities		
Inventories	24,387	26,550
Contract assets	112,876	−39,663
Trade receivables	85,769	23,798
Other receivables and assets	−26,835	10,738
Provisions	40,598	18,789
Contract liabilities	−17,011	−50,125
Trade payables	−92,540	−25,375
Other liabilities (other than financing activities)	−3,267	−37,960
Cash flow from operating activities	**214,957**	**171,900**
Purchase of intangible assets	−23,217	−27,187
Purchase of property, plant and equipment [1]	−28,866	−52,202
Purchase of other financial assets	−1,000	–
Proceeds from the sale of non-current assets	6,005	5,097
Acquisitions, net of cash acquired	10,142	−2,015
Investments in time deposits	−89,890	−159,382
Proceeds from the sale of assets classified as held for sale	4,839	–
Interest received	2,798	3,934
Cash flow from investing activities	**−119,189**	**−231,755**

[1] The item "Purchase of property, plant and equipment" does not include cash outflows from additions to right-of-use assets from leases as there are no cash outflows at the acquisition date (exception: incidental acquisition cost and prepayments).

Note (37)

€ k	2020	2019
Change in current bank liabilities and other financing activities	−1,931	−3,644
Schuldschein loan repayment and redemption of other non-current financial liabilities	−102,899	−538
Convertible bond issue	147,428	–
Schuldschein loan issue	114,756	199,565
Payments of lease liabilities	−29,706	−27,431
Transactions with non-controlling interests	−14,217	−8,750
Dividends paid to the shareholders of Dürr Aktiengesellschaft	−55,362	−69,202
Dividends paid to non-controlling interests	−1,092	−5,101
Tendering of shares as part of the settlement offer to the shareholders of HOMAG Group AG	−4,320	−682
Interest paid	−25,242	−23,452
Cash flow from financing activities	**27,415**	**60,765**
Effects of exchange rate changes	−16,070	5,439
Change in cash and cash equivalents	107,113	6,349
Cash and cash equivalents		
At the beginning of the period	663,044	656,695
At the end of the period	770,157	663,044
Less allowance according to IFRS 9	−962	−1,020
Cash and cash equivalents at the end of the reporting period (consolidated statement of financial position)	**769,195**	**662,024**

3.5 — Consolidated statement of changes in equity

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2020

€ k	Subscribed capital	Capital reserves	Revenue reserves
December 31, 2018	**177,157**	**67,318**	**771,468**
Adjustments IFRS 16	–	–	−9,415
January 1, 2019	**177,157**	**67,318**	**762,053**
Result of the year	–	–	124,059
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	**–**	**–**	**124,059**
Dividends	–	–	−69,202
Options of non-controlling interests	–	–	3,888
Other changes	–	–	22
December 31, 2019	**177,157**	**67,318**	**820,820**
Result of the year	–	–	−15,809
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	**–**	**–**	**−15,809**
Capital increase Dürr Aktiengesellschaft	–	7,110	–
Dividends	–	–	−55,362
Options of non-controlling interests	–	–	−7,174
Other changes	–	–	−8,020
December 31, 2020	**177,157**	**74,428**	**734,455**

Note (27)

Other comprehensive income							
Items that are not reclassified to profit or loss	Items that may be reclassified subsequently to profit or loss						
Remeasurement of defined benefit plans	Unrealized gains/losses from cash flow hedges	Changes in the consolidated group/ reclassifications	Currency translation	Other comprehensive income	Total equity attributable to the shareholders of Dürr Aktien-gesellschaft	Non-controlling interests	Total equity
−30,542	**−2,776**	**608**	**−5,940**	**−38,650**	**977,293**	**14,858**	**992,151**
–	–	–	−43	−43	−9,458	−53	−9,511
−30,542	**−2,776**	**608**	**−5,983**	**−38,693**	**967,835**	**14,805**	**982,640**
–	–	–	–	–	124,059	5,766	129,825
−7,481	2,306	–	9,236	4,061	4,061	−38	4,023
−7,481	**2,306**	**–**	**9,236**	**4,061**	**128,120**	**5,728**	**133,848**
–	–	–	–	–	−69,202	−5,101	−74,303
–	–	–	–	–	3,888	162	4,050
–	–	−22	–	−22	–	−2,849	−2,849
−38,023	**−470**	**586**	**3,253**	**−34,654**	**1,030,641**	**12,745**	**1,043,386**
–	–	–	–	–	−15,809	1,946	−13,863
−1,130	543	–	−47,097	−47,684	−47,684	−322	−48,006
−1,130	**543**	**–**	**−47,097**	**−47,684**	**−63,493**	**1,624**	**−61,869**
–	–	–	–	–	7,110	–	7,110
–	–	–	–	–	−55,362	−1,092	−56,454
–	–	–	–	–	−7,174	−5,145	−12,319
–	–	−22	–	−22	−8,042	−3,674	−11,716
−39,153	**73**	**564**	**−43,844**	**−82,360**	**903,680**	**4,458**	**908,138**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2020 reporting period

Basis of presentation

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company
Dürr Aktiengesellschaft ("Dürr AG" or the "Company") has its registered offices in Stuttgart, Germany. Its headquarters for operations are located at Carl-Benz-Strasse 34 in 74321 Bietigheim-Bissingen, Germany. The Dürr Group, which consists of Dürr AG and its subsidiaries, is a mechanical and plant engineering company with distinct competence in automation and digitalization. The Group is one of the global market leaders in almost all of its fields of business. In addition to the automotive industry, it also acts as supplier of production technology for other industries including the mechanical engineering, chemical, pharmaceutical and woodworking industries. A new customer group that was added upon acquiring the majority shareholding in Teamtechnik Maschinen und Anlagen GmbH (as of February 5, 2021) are manufacturers of medical technical products. 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. Since January 1, 2020, the business activities testing technology, assembly products and filling technology for final vehicle assembly have been part of Paint and Final Assembly Systems; these business activities were previously part of the Measuring and Process Systems division. Furthermore, Paint and Final Assembly Systems comprises the business of Teamtechnik Maschinen und Anlagen GmbH, consolidated since February 5, 2021, whose focus is on testing systems for electric drives as well as assembly and testing systems for the manufacture of medical technical products. Application Technology manufactures products and systems for automated painting applications as well as sealing and glueing technology. Clean Technology Systems primarily manufactures plant and equipment for purifying exhaust gases and also offers noise abatement systems and solutions for coating battery electrodes. Measuring and Process Systems offers balancing and diagnostics equipment and testing as well as solutions for filling refrigerators, air conditioners and heat pumps with coolant. Woodworking Machinery and Systems develops and manufactures such machinery and systems.

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

The accounting policies used generally correspond to the policies applied in the prior period. In addition, the Group has applied the new and/or revised standards and the interpretations issued by the International Financial Reporting Standards Committee (IFRIC) that became mandatory for the first time in the 2020 reporting period. → Table 3.6

The Group elected not to early adopt standards and IFRIC interpretations that have already been issued but have not yet become effective. Generally speaking, the Dürr Group intends to adopt all standards when they become effective. The requirements of the

3.6 — CHANGES IN ACCOUNTING POLICIES FROM THE ADOPTION OF THE NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

	First-time application[1]	Adopted by the EU Commission	Impact on the Dürr Group
AMENDED STANDARDS/ INTERPRETATIONS			
IFRS 3 "Business Combinations" – Definition of a business	January 1, 2020	Yes	No
IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of material	January 1, 2020	Yes	No
IFRS 9, IAS 39 and IFRS 7 concerning the IBOR reform (phase 1)	January 1, 2020	Yes	No
References to the Conceptual Framework in IFRS standards	January 1, 2020	Yes	No
IFRS 16 "Leases" – COVID-19-Related Rent Concessions	June 1, 2020	Yes	No[2]

[1] The standards/amendments are effective for reporting periods beginning on or after the specified date.
[2] The Group did not make use of the practical expedient introduced with the amendments to IFRS 16.

3.7 — ACCOUNTING STANDARDS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED BUT NOT YET ADOPTED IN THE REPORTING PERIOD

	First-time application[1]	Adopted by the EU Commission	Expected impact on the Dürr Group
NEW STANDARDS			
IFRS 17 "Insurance Contracts" (issued in 2017) and amendments (issued in 2020)	January 1, 2023	No	Immaterial
AMENDED STANDARDS/ INTERPRETATIONS			
IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRSs Cycle 2018 – 2020	January 1, 2022	No	Immaterial
IAS 1 "Classification of Liabilities as Current or Non-Current" – Postponement of the effective date	January 1, 2023	No	No
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform" (phase 2)	January 1, 2021	Yes	No
IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies	January 1, 2023	No	Immaterial
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates	January 1, 2023	No	No

[1] The standards/amendments are effective for reporting periods beginning on or after the specified date.

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

The Dürr Group's reporting period is the calendar year. The consolidated financial statements are prepared in euros; all amounts are presented in thousands of euro, unless stated otherwise.

All assets and liabilities are measured at historical or amortized cost. Exceptions to this rule are derivative financial instruments measured at fair value, other financial assets as well as financial assets measured at fair value through profit or loss or through other comprehensive income. Obligations from options held by non-controlling interests, liabilities from purchase price installments and obligations from share-based compensation are also measured at fair value.

Assets and liabilities are treated as current if they are realized or settled within twelve months of the end of the reporting period. Within the statement of financial position, assets and liabilities with a remaining term of more than twelve months are presented as non-current. By contrast, deferred tax assets and deferred tax liabilities within the statement of financial position are always reported as non-current. Besides this, liabilities with a remaining term of between one and five years are presented in the notes to the consolidated financial statements as medium-term and those with a remaining term of more than five years as long-term.

Coronavirus pandemic
The accounting policies underlying the consolidated financial statements as well as the estimation methods have not been amended due to the coronavirus pandemic. However, the pandemic has meant that estimates and accounting judgments are now subject to increased uncertainty.

For more information on the impact of the coronavirus pandemic on estimates and accounting judgments as well as on net assets, financial position and results of operations in the reporting period, please refer to → **note 6**.

2. BASIS OF CONSOLIDATION

The financial statements of the Dürr Group are based on the IFRS financial statements of Dürr AG and the consolidated subsidiaries and entities accounted for using the equity method as of December 31, 2020 and are prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, acquisition accounting is performed according to the acquisition method of accounting pursuant to IFRS 3 “Business Combinations”. This involves offsetting the cost of the shares acquired against the proportionate equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date, taking hidden reserves and encumbrances into account. Any remaining positive difference is shown as goodwill. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100 % of the shares are purchased, IFRS 3 provides for a choice between the partial goodwill method and the full goodwill method. This option can be exercised for every business combination. The Dürr Group determines the method to be used to recognize the goodwill for each business combination. For information on exercising the option for individual business combinations, please refer to → **note 18**. Changes in interests for subsidiaries that cause the Group’s interest to increase or decrease without losing control are treated as transactions between equity providers that do not effect profit or loss.

Intragroup sales revenues, other income and expenses, all intragroup receivables, liabilities, provisions as well as cash and cash equivalents received and paid are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

Entities over which Dürr AG exercises significant influence (associates) are accounted for using the equity method. Significant influence means the power to participate in the financial and operating policy of the investee. Interests in entities accounted for using the equity method are initially recognized at cost. Costs exceeding the share in the net assets of the entity accounted for using the equity method, after taking into account hidden reserves or encumbrances, are recognized as goodwill. Goodwill resulting from the acquisition of an associate is included in the carrying amount of the entity accounted for using the equity method and is not amortized, but tested instead for impairment as part of the overall carrying amount of the entity accounted for using the equity method.

For subsequent measurement, the Dürr Group’s share of the profit or loss of the entity accounted for using the equity method is recorded under investment result in the consolidated statement of income. The share in other comprehensive income is recognized directly in Group equity. The cumulative changes after the acquisition date increase or decrease the carrying amount of the entity accounted for using the equity method. Dividends received are deducted from the carrying amount. If the losses of an entity accounted for using the equity method attributable to the Group correspond to or exceed the value of the interest in this entity, no further losses are recognized unless the Group has entered into obligations or has made payments for the entity accounted for using the equity method.

3. CONSOLIDATED GROUP

Besides Dürr AG, the consolidated financial statements as of December 31, 2020, contain all entities in Germany and other countries which Dürr AG can control directly or indirectly. Under IFRS 10 "Consolidated Financial Statements", control exists if an entity is exposed, or has rights, to positive or negative returns from its involvement with another entity. It must also have the ability to affect these variable returns through its power over the investee. Control can exist due to voting rights or prevailing circumstances as a result of contractual arrangements, among other things.

The entities are included in the consolidated financial statements of Dürr AG from the date on which the possibility of control was obtained. For most of the Group companies, control is based on holding the majority of voting rights. On account of the contractual arrangements, the Dürr Group has the power to exercise control over four entities, even though in each case the Group only holds 50 % of the shares or 50 % or less of the voting rights in the company. At two of the entities, the Group can bring about a decision in case of parity of votes; at the other two entities, the Dürr Group manages the operations. Consolidation of an entity included in the consolidated financial statements ceases when the Dürr Group loses control over the entity.

Structured entities

A structured entity is often characterized by restricted activities and a narrow and precisely defined purpose. A key characteristic is that voting rights do not have any significant effect on the returns from this entity. The possibility of control does not result from the majority interest in capital or from voting rights, but rather from contractual arrangements.

In the 2019 reporting period, the consolidated group included a structured entity. This was a lease property company with properties in Bietigheim-Bissingen. The Group was the tenant of these properties as well as the lender of the entity; however, it did not hold any shares in this entity. There were no obligations for financial support, the loan was secured by a land charge registered to the Dürr Group. As of December 31, 2019, the Dürr Group acquired the properties, the loan was repaid and the lease property company was deconsolidated.

Entities accounted for using the equity method

Entities over which the Dürr Group exercises significant influence pursuant to IAS 28 "Investments in Associates and Joint Ventures" (associates) as well as joint ventures as defined by IFRS 11 "Joint Arrangements" are accounted for using the equity method. Significant influence is presumed with a share of voting rights ranging from 20 % to 50 %. Associates are included in the consolidated financial statements using the equity method from the date on which the possibility of significant influence exists. For shares of voting rights below 20 %, interests in entities are generally recognized under other investments.

3.8 — NUMBER OF ENTITIES

	Dec. 31, 2020	Dec. 31, 2019
FULLY CONSOLIDATED SUBSIDIARIES		
Germany	28	28
Other countries	97	98
	125	**126**
ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		
Germany	–	–
Other countries	1	2
	1	**2**
OTHER INVESTMENTS		
Germany	3	3
Other countries	2	2
	5	**5**

The consolidated financial statements contain 11 entities (prior period: 11) which have non-controlling interests. There are four companies that are only included in the consolidated financial statements at cost on grounds of immateriality. Their revenue contribution to total Group sales revenues, earnings contribution to Group earnings (before taxes) as well as contribution of equity to Group equity is less than 0.2 %. The Dürr Group is not exposed to any risks from these entities due to their size, contribution to sales revenues, complexity and minor activities.

4. CHANGES IN THE CONSOLIDATED GROUP

3.9 — ADDITIONS OF FULLY CONSOLIDATED ENTITIES

Entity	Equity interest[1]	Effective as of	Interest acquired by
Techno-Step GmbH, Böblingen/Germany	50.004 %	March 9, 2020	Acquisition
Homag (Hong Kong) Limited, Hong Kong SAR/PR China	100.0 %	March 23, 2020	Foundation
System TM A/S, Odder/Denmark	80.0 %	October 30, 2020	Acquisition
TM Teknik ApS, Odder/Denmark	80.0 %	October 30, 2020	Acquisition
System TM Canada Ltd., Saint John, New Brunswick/Canada	80.0 %	October 30, 2020	Acquisition
Dongguan Golden Field HOMAG Woodwork Machinery Trading Co., Limited, Dongguan/PR China	100.0 %	November 24, 2020	Acquisition
Dongguan Golden Field Mingfeng Woodwork Machinery Co., Limited, Dongguan/PR China	100.0 %	November 24, 2020	Acquisition
Golden Field HOMAG (Shanghai) Trading Co., Limited, Shanghai/PR China	100.0 %	November 24, 2020	Acquisition
Homag China Golden Field (Kunshan) Woodworking Machinery Co., Limited, Kunshan/PR China	100.0 %	November 24, 2020	Acquisition
Kunshan Golden Field Woodwork Software Development Co., Limited, Kunshan/PR China	100.0 %	November 24, 2020	Acquisition

[1] Calculated pro rata

3.10 — DECONSOLIDATIONS/MERGERS

Entity	Effective as of	Note
Loxeo GmbH, Stuttgart/Germany	January 1, 2020	Merged into Dürr Technologies GmbH, Stuttgart/Germany
BENZ INCORPORATED, Hickory, North Carolina/USA	January 1, 2020	Merged into STILES MACHINERY, INC., Grand Rapids, Michigan/USA
Durr MEGTEC LLC, De Pere, Wisconsin/USA	January 1, 2020	Merged into Dürr Systems Inc., Southfield, Michigan/USA
Universal AET Holdings, LLC, Stoughton, Wisconsin/USA	January 23, 2020	Merged into Durr Universal Inc., Stoughton, Wisconsin/USA
Test Devices Inc., Hudson, Massachusetts/USA	February 1, 2020	Merged into SCHENCK USA CORP., Deer Park, New York/USA
Schenck México, S.A. de C.V., Mexico City/Mexico	August 1, 2020	Merged into Dürr de México, S.A. de C.V., Santiago de Querétaro/Mexico
MEGTEC India Holdings LLC, De Pere, Wisconsin/USA	August 6, 2020	Merged into Durr MEGTEC Holdings Inc., De Pere, Wisconsin/USA
MEGTEC IEPG BV, Amsterdam/Netherlands	September 1, 2020	Closure
H O M A G Equipment Machinery Trading LLC, Dubai/United Arab Emirates	September 22, 2020	Closure
MEGTEC Systems India Private Ltd., Pune/India	October 1, 2020	Merged into Dürr India Private Limited, Chennai/India
Universal Acoustic & Emission Technologies Pvt. Ltd., Pune/India	October 1, 2020	Merged into Dürr India Private Limited, Chennai/India

5. CURRENCY TRANSLATION

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

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

3.11 — SIGNIFICANT EXCHANGE RATES

in relation to one euro	Closing rate Dec. 31, 2020	Closing rate Dec. 31, 2019	Average rate 2020	Average rate 2019
Brazilian real (BRL)	6.3755	4.5133	5.9863	4.4173
Pound sterling (GBP)	0.8996	0.8501	0.8894	0.8757
Chinese renminbi (CNY)	8.0093	7.8328	7.8985	7.7175
Danish krone (DKK)	7.4402	7.4710	7.4534	7.4658
Indian rupee (INR)	89.6896	80.1500	84.8994	78.7689
Korean won (KRW)	1,336.2020	1,296.3900	1,350.5068	1,302.9746
Mexican peso (MXN)	24.4094	21.2392	24.7196	21.6402
Polish zloty (PLN)	4.5566	4.2597	4.4670	4.2998
US dollar (USD)	1.2275	1.1228	1.1468	1.1197

In the separate financial statements of the foreign subsidiaries, goodwill is translated at the rate prevailing at the end of the Group’s reporting period. The hidden reserves identified in acquisitions are accounted for using the functional currency of the acquired entity. An adjusted average rate is used for entities consolidated for the first time during the year.

6. RECOGNITION AND MEASUREMENT POLICIES

Revenue recognition pursuant to IFRS 15 “Revenue from Contracts with Customers”

The Dürr Group generates most of its sales revenues from the production and delivery of customer-specific plant and machinery. For these contracts, the sales revenues and planned gross margin is realized in accordance with the percentage of completion method (PoC method) in line with the percentage of completion of a contract over the performance period. The criteria of IFRS 15 for this are: the asset does not have any other alternative use and, at the same time, the Group has an enforceable right to payment for work already performed. The progress toward satisfaction of a performance obligation is calculated on the basis of the costs incurred in relation to the total estimated costs (cost-to-cost method). This ensures that both sales revenues and the associated costs are systematically recorded and therefore the profit or loss from the contract is recognized in the period incurred over which the control over the goods or services is transferred. Customer payments are contractually agreed and based on the progress of projects and on milestones set. This keeps the time that elapses between customer payments and progress toward satisfaction of a performance obligation to a minimum. The Group came to the conclusion that the input-based method is best suited for determining the progress toward satisfaction of a performance obligation as the Group uses IT-supported calculation methods and, with the help of division-specific project controlling, is able to reliably estimate planned costs and monitor total costs.

Where it is not possible to give a reliable estimation of the progress toward complete satisfaction of a performance obligation based on output factors or input factors, the zero profit method (ZP method) is applied as long as it can be assumed that the Dürr Group can recover the costs incurred from satisfying the performance obligation. With the ZP method sales revenues and the associated costs are realized in equal amounts until it is possible to reliably estimate the progress toward complete satisfaction of a performance obligation. The gross margin is thus, in part at least, not made up for until a later stage of the contract and is recognized through profit or loss.

The other portion of sales revenues from contracts with customers is generated from both the sale of standard machines, spare parts and other goods as well as the rendering of services. These sales revenues are recognized at the date on which the customer obtains control over the promised asset. This is usually the point in time when the machine is delivered to the customer, at which point the customer obtains legal title to the machine or has inspected it. Services are rendered and recorded as sales revenues upon their completion. For standard machines and spare parts, the customer makes the payment upon receiving the invoice, which is done following delivery or acceptance, depending on the contractual arrangements. Progress payments may also be demanded from the customer.

Performance obligations

The Group divides its contracts with customers into performance obligations, separating them based on contractual terms into performance obligations that are either satisfied at a point in time or over time. The customer contracts are analyzed for separable performance obligations. In addition to the performance obligation to produce a machine or plant for the customer, separable performance obligations in the Paint and Final Assembly Systems, Application Technology and Clean Technology Systems divisions mainly include spare parts packages and partial modifications. In the Measuring and Process Systems and Woodworking Machinery and Systems divisions, it is primarily the assembly and commissioning that play a role as separable performance obligations.

Intangible assets

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

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they have an indefinite useful life. If this is not the case, the estimated useful life is changed from indefinite to finite in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired. In addition to goodwill, the Dürr Group recognizes brand names as further intangible assets with mostly indefinite useful lives. These brand names are tested annually for impairment alongside goodwill. Like goodwill, the brand names are part of the net assets of a cash-generating unit.

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

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

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

3.12 — USEFUL LIVES OF INTANGIBLE ASSETS (ESTIMATED)

	years
Brand names with a finite useful life (DUALIS, Megtec, Universal)	4 to 6
Capitalized development costs	2 to 10
Franchises, industrial rights and similar rights	2 to 20
Customer relationships	4 to 10
Technological know-how	5 to 15
Other brand names	indefinite

More information on the brand names is provided in → note 18.

Investment property

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

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

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

Property, plant and equipment

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

3.13 — USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED)

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

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

Government grants

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

Leases

Several entities in the Dürr Group lease land, buildings, technical equipment and machines as well as office and operating equipment. One entity leases properties to external lessees.

A lease is a contract that transfers the right to use an asset (the leased asset) for a period of time in exchange for consideration. For these leases, the Dürr Group as lessee generally accounts for right-of-use assets and the corresponding payment obligations over the lease term as lease liabilities from the commencement date. The right-of-use assets are recognized under property, plant and equipment or investment property, while the lease liabilities are recognized as part of financial liabilities (⟶ **notes 18, 32, 37, 40 and 41**). Lease liabilities correspond to the present value of the lease payments made over the lease term. These comprise the fixed payments, variable payments (if linked to an index or interest rate) and the exercise price of a purchase option if it is reasonably certain that the option will be exercised. In order to ensure that the terms are flexible, in particular some leases for land and buildings contain options to extend or terminate the lease. If it is reasonably certain that the option will be exercised or will not be exercised, the optional periods are taken into account accordingly when determining the lease term. For discounting, the interest rate implicit in the lease is used if this can be determined. Otherwise, the incremental borrowing rate is used. Right-of-use assets are measured at acquisition cost and comprise the lease liabilities, restoration obligations and rent prepayments.

Lease liabilities and right-of-use assets are subsequently measured at amortized cost. The lease liability is measured using the effective interest method, i.e. the lease payments are apportioned between finance charges and redemption of the lease liability. This is done so as to achieve a constant rate of interest over the period on the remaining balance of the lease liability. ⟶ **Notes 16 and 37** contain disclosures on interest expenses and interest payments from leases.

The lease liability is remeasured if the lease agreement is modified or changes are made to the lease payments, lease term or estimates regarding the exercise of purchase options. The right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and their estimated useful lives and adjusted for any remeasurements of the lease liability.

3.14 — USEFUL LIVES OF RIGHT-OF-USE ASSETS (ESTIMATED)

	years
Vehicles	1 to 7
IT hardware	1 to 10
Machines and equipment	1 to 24
Land, buildings, hereditary building rights, office space	1 to 90

The Dürr Group makes use of the following exemptions and practical expedients:

- For short-term leases and leases of low-value assets, the lease payment is recognized through profit or loss.
- IFRS 16 "Leases" is not applied to intangible assets.
- Lessees do not separate lease and non-lease components.

Furthermore, intragroup liabilities are recognized through profit or loss in the reporting pursuant to IFRS 8 and not in the statement of financial position.

Leases in which the Dürr Group is the lessor relate to investment property. For these leases, the opportunities and risks remain within the Group. The lease payments are recognized by the lessor separately from non-lease components on a straight-line basis as sales revenues from lease agreements.

Impairment testing for intangible assets and property, plant and equipment including right-of-use assets

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

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

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

Other comments on intangible assets, property, plant and equipment and right-of-use assets can be found in → note 18.

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Pursuant to IFRS 9 "Financial Instruments", financial instruments are classified in the following categories:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income
- Investments in equity instruments measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss
- Investments in equity instruments measured at fair value through profit or loss
- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss.

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

Financial assets

Financial assets are classified in accordance with IFRS 9 based on the business model used to manage financial assets and on the basis of the characteristics of the contractual cash flows of the financial assets. The objective of the Dürr Group's business model is to hold financial assets in order to collect contractual cash flows. With regard to the characteristics of the contractual cash flows, it is examined whether the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets in the portfolio are measured at amortized cost provided that the business model is complied with and the contractual cash flows fulfill the condition above.

The business model for financial assets measured at fair value through other comprehensive income (debt instruments) includes both the holding and sale of financial assets. The contractual terms that have to be met give rise solely to payments of principal and interest on the principal amount outstanding on specific dates.

Equity instruments are generally classified as measured at fair value through profit or loss at initial recognition. However, upon initial recognition an irrevocable option may be exercised to classify equity instruments as measured at fair value through other comprehensive income. This option may only be exercised if the equity instruments are not held for trading and if they do not represent contingent consideration in a business combination. The Dürr Group generally holds its equity interests for strategic reasons as a way of expanding the Group's business operations. Focus is not placed on the intention to generate significant amounts of short-term gains on sale. Any fluctuations in the measurement of investments are therefore not expected to have any impact on the statement of income. Accordingly, equity instruments are classified as measured at fair value through other comprehensive income. Gains or losses of equity instruments in this category recognized through other comprehensive income are never reclassified to profit or loss. In derogation from this, the investment in SBS Ecoclean GmbH is classified as at fair value through profit or loss. At Parker Engineering Co., Ltd., a put option accounted for through profit or loss is held in addition to the investment. In order to keep the economic effect on the statement of income to a minimum here too, both the investment and the related option are classified at fair value through profit or loss. Parker Engineering Co., Ltd. is recognized in the statement of financial position under other financial assets, the option under sundry financial liabilities.

Financial assets that do not satisfy the conditions for being classified as measured at amortized cost/at fair value through other comprehensive income are designated as measured at fair value through profit or loss. The Dürr Group does not currently make use of the option to measure financial assets at fair value through profit or loss at initial recognition.

Valuation and impairment of financial assets

The Dürr Group uses an impairment model based on the expected credit loss model, which is applicable for all financial assets (debt instruments) that are measured at amortized cost or at fair value through other comprehensive income. The expected credit loss model distinguishes between the general approach and the simplified approach. The general approach allocates the financial assets to three risk stages and is mainly applicable for cash and cash equivalents as well as sundry financial assets. The simplified approach, which is applicable for contract assets, trade receivables and lease receivables, does away with the first of the three risk stages.

Under the general model, the Dürr Group allocates the financial assets to the individual valuation allowance and impairment stages based on past-due criteria and historically tried and tested, qualitative internal and external risk assessments of the individual debtors. These assessments are applicable for all classes of financial assets. Provided that the non-derivative financial assets were not already impaired upon acquisition, the assets are allocated to stage 1. Generally speaking, a financial instrument is also allocated to stage 1 if it is deemed to be investment grade by external rating agencies.

If there has been a significant increase in the credit risk since initial recognition, the assets are allocated to stage 2. A number of qualitative criteria are used to assess whether the credit risk has increased significantly since a financial asset was recognized for the first time. This involves, for example, examining whether the total comprehensive income of the debtor has deteriorated significantly or whether it is expected to do so. Financial assets are allocated to stage 2 at the latest when contractual payment is more than 30 days past due.

Financial assets are allocated to stage 3 or their default is assumed once matters become known that could impair the ability of a certain debtor to meet its financial obligations. For all financial assets, this means observing the criteria of being 90 days past due as well as using qualitative credit ratings for debtors. For example, the likelihood of insolvency or any other financial reorganization of the debtor results in the financial assets being allocated to stage 3.

In deviation from the past due criteria mentioned above, trade receivables measured in accordance with the simplified approach are allocated to stage 3, as are contract assets that are more than twelve months past due. This appropriately reflects the industry-specific experience and payment patterns for long-term projects in the plant and machinery sector.

Financial assets are derecognized as soon as reasonable information is available that indicates that they are uncollectible, such as insolvency proceedings coming to an end or following a court decision. Further explanations on the valuation and impairment of financial assets can be found in → **note 41.**

Financial liabilities

Financial liabilities generally give rise to the obligation to deliver settlement in cash or another financial asset. They include, for example, trade payables, liabilities to banks, bonds, convertible bonds, Schuldschein loans, obligations from options, derivative financial liabilities and other financial liabilities.

After initial measurement, financial liabilities carried at amortized cost are subsequently measured at amortized cost using the effective interest method. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and contingent consideration recognized in a business combination to which IFRS 3 applies. Derivatives are deemed to be held for trading unless they are designated and effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized through profit or loss.

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

Derivative financial instruments and hedge accounting

The Dürr Group uses derivative financial instruments such as forward exchange contracts in order to hedge against currency risks. For accounting of hedges, the Dürr Group continues to apply the regulations of IAS 39 “Financial Instruments: Recognition and Measurement”.

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

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

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognized asset, liability, unrecognized firm commitment or an identifiable part of such assets, liabilities or firm commitment that could affect profit or loss;

- Cash flow hedges, if they hedge exposure to variability in cash flows that is attributable to a recognized asset or liability or a forecast transaction and could affect profit or loss; or

- Hedges of a net investment in a foreign operation. They are treated in the same manner as cash flow hedges.

Fair value hedge accounting

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

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

Cash flow hedge accounting

In the case of cash flow hedges, the effective portion of the gain or loss on a hedging instrument is recognized directly in equity. The ineffective portion is recognized through profit or loss. Amounts that are recognized directly in equity are reclassified to profit or loss in the period in which the hedged item affects the net profit or loss for the period. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction is no longer expected to occur, any amounts previously taken to equity are reclassified to the net profit or loss for the period. When the hedge is settled prematurely or matures, the amounts previously disclosed remain a separate item in equity until the forecast transaction occurs. The same applies if the hedging instrument is exercised without replacement or rollover, or if the criteria for cash flow hedge accounting are no longer in place. If the forecast transaction is no longer expected to occur, the amount is recognized through profit or loss. Further explanations on derivative financial instruments are given in → note 41.

Other financial assets

Other financial assets include non-current investments in equity instruments. Other investments include shares in entities that are classified at fair value through profit or loss or through other comprehensive income. Also included are non-consolidated entities that are included in the consolidated financial statements at cost on grounds of immateriality.

Inventories

Inventories of materials and supplies, work in process from the manufacture of standard machines and finished goods and merchandise are recognized at the lower of cost or net realizable value at the end of the reporting period. As a rule, an average value is used. Write-downs are recorded for obsolete and slow-moving inventories.

Costs of conversion comprise direct materials costs, direct labor costs as well as an appropriate portion of production-related overheads and depreciation. The overhead markups are determined on the basis of average capacity utilization. Borrowing costs are included, provided that they relate to qualifying assets.

Contract assets

For the Dürr Group, contract assets represent a legal claim to consideration in exchange for goods or services that are subject to conditions other than the simple term of payment. To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts as the payment claim is still conditional, they are reported as contract assets together with the corresponding estimated earnings. The contract assets contain directly allocable contract costs as well as, to an appropriate degree, production-related overheads and estimated earnings that can be derived from the agreed transaction price. In order to adequately portray the credit risk of the respective customer, a corresponding valuation allowance is recognized in accordance with IFRS 9. The valuation allowance is determined using the same methods as for trade receivables.

Trade receivables and other non-derivative financial assets

Receivables and other non-derivative financial assets constitute a contractual right to receive cash or another financial asset at a future point of time.

Receivables and non-derivative financial assets are carried at amortized cost less valuation allowances and impairments. To determine the valuation allowances and impairment the Group assesses the recoverability of the financial assets by referring to a number of factors. For this purpose, credit risks are segmented using common credit risk characteristics.

A central monitoring and local collection management system counters the risk of bad debts. This system includes regular credit ratings, the conclusion of credit insurance policies and – particularly in the export business – issuing letters of credit. Further information on valuation allowances and impairment can be found in the section on the valuation and impairment of financial assets.

Other assets

Other assets comprise capitalized assets that cannot be allocated to any other category.

Costs of obtaining a contract that have arisen in connection with customer contracts are recognized at the amount incurred under other assets. Usually, the contractually agreed commission is a percentage of the contract value. This is only based on judgment to a small degree. Only in some cases the amount of the commission is variable and depends on the estimated gross margin of the contract. The costs of obtaining a contract are generally amortized in line with the percentage of completion of the underlying goods and services. For customer contracts that are invoiced when control is transferred, the costs of obtaining a contract are amortized entirely at this point in time. Impairment losses on recognized costs of obtaining a contract are posted immediately to profit or loss if the residual carrying amount of the capitalized costs of obtaining a contract are higher than the remaining portion of consideration less costs that are directly in connection with delivering the goods or rendering the services and were not yet expensed.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term, highly liquid financial assets with an original term to maturity of less than three months. They are recognized at nominal value less valuation allowance. The valuation allowance is formed on the basis of current market data and internal risk assessments. Further information on valuation allowances can be found in the section on the valuation and impairment of financial assets.

Non-current assets held for sale and disposal groups

Non-current assets held for sale and disposal groups relate to fixed assets or current and non-current assets that can be sold in their present condition and whose sale is highly probable. The disposal group also relates to liabilities that are directly connected to the assets. Their carrying amounts must mainly be recovered by sale and not through continuing use.

Non-current assets held for sale and disposal groups are recognized as a separate item in the statement of financial position under current assets. The sale should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", a non-current asset, provided that it is classified as held for sale or belongs to a disposal group classified as held for sale, is not depreciated but instead recognized at fair value less costs to sell, if the fair value is lower than the carrying amount.

Other comprehensive income

This item presents changes in equity, including the deferred taxes thereon, other than those arising from capital transactions with owners (e.g. capital increases or distributions). These include exchange differences, accumulated actuarial gains and losses from the remeasurement of post-employment benefits and similar obligations as well as unrealized gains and losses from the measurement of financial assets and derivative financial instruments (cash flow hedges) measured at fair value.

Convertible bond
Pursuant to IAS 32 "Financial Instruments: Presentation", the conversion option vested in the convertible bond issued in the 2020 reporting period represents an equity instrument that was recognized in equity net of issue costs. The liability component is classified as a financial liability at amortized cost. At the time of initial recognition, the proportionate issue costs were deducted; the difference between that amount and the nominal value is allocated using the effective interest method to the financial liability as an interest expense over the term of the bond.

The right of early redemption on the part of Dürr AG represents an embedded derivative, although one that is not separated pursuant to IFRS 9 as it is considered to be closely related to the host contract.

Earnings per share
Basic earnings per share are calculated by dividing the earnings relating to the shareholders of Dürr Aktiengesellschaft by the weighted average number of shares outstanding during the reporting year. To determine diluted earnings per share, both the earnings attributable to the shareholders of Dürr Aktiengesellschaft and the weighted average of the number of shares outstanding are adjusted so as to take all dilutive effects into account that would result from the conversion of potential ordinary shares.

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

In accordance with IFRS 9 "Financial Instruments", borrowing costs incurred in connection with the issue of the bond, the convertible bond and the Schuldschein loans are deducted on the liabilities' side of the consolidated statement of financial position. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond, convertible bond and Schuldschein loans.

Post-employment benefits
The defined benefit plans guarantee the beneficiary a monthly old-age pension or non-recurring payment upon leaving the company. These benefit plans are funded by the entities as well as by the employees. In accordance with IAS 19 "Employee Benefits", provisions for post-employment benefits are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Provisions for post-employment benefit obligations are calculated taking into account development assumptions (e.g. relating to salary trends or pension increases) for those factors which affect the benefit amount.

Defined benefit cost is divided into service cost and net interest, which are recognized through profit or loss, and remeasurements, which are recognized directly in equity after deducting deferred taxes. Pursuant to the criteria of IAS 19, provisions for post-employment benefit obligations covered by assets held by a long-term benefit fund or by qualifying insurance policies are offset against the related plan assets, taking account of the asset ceiling. In addition to qualifying insurance policies, assets of an external insurance company or a fund are recognized as plan assets under IAS 19 if these assets can be used exclusively to pay or fund employee benefits and are protected from potential creditors.

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

Contract liabilities
Contract liabilities constitute an obligation to the customer when progress billings issued and payments received from customers are collected or fall due before the promised service is rendered. Contract liabilities from progress billings issued and payments received from customers are offset against the services as soon as they are rendered. If a contract contains several separate performance obligations, only one contract asset or contract liability from this contract is nevertheless determined on a net basis.

Liabilities

Trade payables and sundry financial liabilities are recorded at amortized cost. Other liabilities are recorded at the settlement amount. Liabilities that do not lead to an outflow of resources in the following year are discounted at market interest rates as of the end of the reporting period.

At the inception of the lease, liabilities from leases are carried at the present value of the lease payments. Further information is contained in the section on leases.

Income taxes and deferred taxes

The Dürr Group operates in a large number of countries and is consequently subject to different tax jurisdictions. The anticipated current and deferred income taxes have to be determined for each taxable entity.

Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 “Income Taxes”. This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the taxable temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS accounting profit nor the taxable profit or loss. Moreover, for leases where the Dürr Group is a lessee, already on the commencement date of the lease the Group recognizes:

- deferred tax assets on lease liabilities to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized, and

- deferred tax liabilities on right-of-use assets in property, plant and equipment or investment property.

Deferred tax liabilities are recognized for all taxable temporary differences arising from investments in subsidiaries or associates, and interests in joint ventures, unless the parent can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future. Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

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

Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors, such as future taxable profit in the planning periods, effects on earnings from the reversal of temporary differences, tax strategies and profit actually generated in the past. The Group uses a planning horizon of four years. Management reviews the deferred tax assets for impairment at the end of each reporting period. As these reviews are sometimes based on assumptions about the future, the actual values may diverge from estimates. These are then adjusted through other comprehensive income or through profit or loss, depending on how they were initially recognized. Based on past experience and the expected future income, the Dürr Group assumes that the corresponding benefits will be realized from the deferred tax assets.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity by the same taxation authority. Deferred taxes are recorded as tax income or expense in the statement of income unless they relate to items recorded through other comprehensive income; in this case, the deferred taxes are also recorded through other comprehensive income. Deferred tax assets from temporary differences in excess of deferred tax liabilities are only recognized to the extent that they can be utilized against future taxable profits.

For the cases where there is uncertainty regarding the application of tax regulations, the Dürr Group proceeds as follows: IFRIC 23 "Uncertainty over Income Tax Treatments" is used to assess the probability with which the relevant tax authority with full knowledge of the matter will follow the position taken in the tax returns. Particularly, judgment is required for the following uncertainties:

- Should each tax treatment be considered independently or together with other tax treatments?
- Which assumptions need to be made for tax authorities' examination?
- What are the potential effects of a deemed tax field audit?
- How to deal with changes in matters, for example, due to new information?

The Dürr Group examines continuously whether it needs to be applied in such cases, primarily because the Group operates in a number of jurisdictions. Indications of uncertain tax positions may be seen in the area of transfer pricing, which the Dürr Group intends to reduce through the application of the internal control system and documentation of transfer pricing. The Dürr Group, therefore, expects that it is probable that the tax authorities will accept the tax treatment of the Group.

Share-based payment

The share-based payment transactions pursuant to IFRS 2 "Share-based Payment" cover remuneration systems that are settled in cash. For the measurement, the Dürr Group calculates the fair value of the share-based payment transactions upon initial recognition, at each reporting date and on the settlement date. The fair value is accumulated over the period through profit or loss until they are settled and recognized in sundry financial liabilities. Changes in fair value are recognized in personnel expenses in the statement of income.

Contingent liabilities

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

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

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote; otherwise, information is provided in the notes to the financial statements. Contingent liabilities assumed in a business combination are recognized at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities recognized in a business combination are initially measured at fair value.

Use of assumptions and estimates

The preparation of the consolidated financial statements pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual figures may diverge from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Significant accounting judgments when applying IFRS 15

Determining the transaction price

The transaction price is the amount of the consideration the Dürr Group expects to receive from its customers in exchange for transferring goods or rendering services. The transaction price of the individual performance obligations is determined using their stand-alone selling prices. The Group breaks down the transaction price agreed in the contract in proportion to the stand-alone selling prices. Variable consideration is only taken into account where it is highly probably that it will not result in a significant decrease in realized sales revenues until there is no longer any uncertainty in connection with the variable consideration. When determining the transaction price, it must therefore be assessed whether the contractual arrangements provide for variable consideration. The Dürr Group has variable consideration in the form of discounts and rebates. Either the expected value method or the most likely amount method is used when estimating the variable consideration. The method used is the one with which the Group can provide the most reliable estimate of the consideration. The Group came to the conclusion that the most likely amount method is the most suitable method for estimating variable consideration. If it is assumed that a rebate will be granted upon concluding the contract, the transaction price is adjusted to the most likely amount. The same applies if it is expected upon concluding the contract that the customer will claim the discount. The most likely amount is calculated as the single most likely amount in a range of possible considerations. In determining the transaction price, the time value of money also needs to be considered if the timing of payments agreed to by the parties to the contract provides the customer (payment after receipt of goods or services) or the entity (payment before transfer of goods or services) with a significant benefit of financing the transfer of goods or services to the customer. In those cases where it is assumed upon initiating the contract that the period between customer payments and transfer of control over the asset is less than one year, the Group has decided to make use of the simplification rule not to adjust the transaction price for significant financing components.

Determining the percentage of completion

The majority of orders in the Dürr Group are accounted for using the percentage of completion method and sales revenues are recorded over time in accordance with the criteria of IFRS 15. A precise assessment of the degree of completion is essential for determining the percentage of completion using the PoC method. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly. With the ZP method sales revenues and the associated costs are realized in equal amounts until it is possible to reliably estimate the progress toward complete satisfaction of a performance obligation. The gross margin is thus, in part at least, not made up for until a later stage of the contract and is recognized through profit or loss.

As the PoC method and the ZP method are based on estimates, estimates of the expenses required for completion may have to be adjusted subsequently due to the uncertainties prevailing in this respect. Such adjustments to costs and income are recognized in the period in which the adjustments are determined. Provisions for onerous contracts are recognized at contract level and taken into account in the period in which the losses are identified; they are recognized as provisions pursuant to the requirements of IAS 37.

Contract amendments

Revenue recognition from the production and delivery of plant and machinery also takes into account amounts that the Group seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or not yet negotiated as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is highly probable and they can be reliably estimated. Pending change orders involve the use of estimates. Therefore, it is possible that adjustments to the estimated recoverable amounts of recorded pending change orders will be made in the future.

Other accounting judgments

Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. To do this, management is required to make an estimate of the expected future cash flows from the cash-generating units. The Dürr Group uses a planning horizon of four years. In addition, it is necessary to choose a suitable discount rate in order to calculate the present value of these cash flows. Please refer to → note 18 for further details.

Leases

Leases on buildings and office space in particular contain options to extend or terminate the lease. The measurement of the lease liability requires an estimate of whether it is reasonably certain that these options will be exercised. The Group takes into account all facts and circumstances that have an impact on these options being exercised or not.

If the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used. This is derived for different terms of country-specific interest rate swaps and adjusted for a risk premium for leases.

Valuation and impairment of financial assets

During the recognition and measurement of financial assets, estimates and assumptions regarding the creditworthiness of debtors are necessary. Under the expected credit loss model, the measurement of allowances for financial assets is subject to various assumptions and uncertainties. In particular, estimates are to be made about expected payment defaults, incoming payments and the collateral available. Please refer to → **note 41** for further details.

Pensions and other post-employment benefit plans

The cost of defined benefit plans is determined using actuarial calculations. This involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases (rate of pension progression). The mortality tables published by Heubeck AG (Heubeck 2018 G) are used to determine the post-employment benefit obligations. These tables are based on statistics from statutory pension insurance as well as the German Federal Statistics Office, and therefore reflect developments regarding life expectancy. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds. The future pension increases in Germany follow the development in gross wages. In addition, the changes in the contribution rate in pension insurance and the development of the ratio of persons making contributions and pensioners are taken into account through sustainability factors. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Please refer to → **note 28** for further details.

Development costs

Development costs are capitalized in accordance with the presented accounting policy. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, interest rates to be applied and the expected period of benefits.

Options in connection with the domination and profit and loss transfer agreement with HOMAG Group AG

Based on the domination and profit and loss transfer agreement that came into force in 2015, Dürr Technologies GmbH has the possibility to issue instructions to the corporate bodies of HOMAG Group AG and to recognize the entire profit of HOMAG Group AG as well as the obligation to absorb any losses. In return, the Dürr Group is required to make a compensation payment pursuant to Sec. 304 AktG ["Aktiengesetz": German Stock Corporations Act] of €1.18 (gross) per HOMAG share (€1.01 (net) after deducting corporate income tax and solidarity surcharge; before individual tax burden of the shareholder) for each reporting period as well as a settlement payment pursuant to Sec. 305 AktG of €31.56 per HOMAG share. Since then, Dürr Technologies GmbH has guaranteed a dividend equivalent to the compensation payment. The domination and profit and loss transfer agreement could have been terminated for the first time as of December 31, 2020, but it was not. Share deals in the 2019 and 2020 reporting periods increased the share of Dürr Technologies GmbH in the subscribed capital of HOMAG Group AG to 64.9 % as of December 31, 2020.

In the prior period, the Stuttgart Regional Court made a provisional decision in the arbitration proceedings initiated by the shareholders of HOMAG Group AG, and ruled that the settlement for shareholders of HOMAG Group AG should be raised from €31.56 to €31.58. The Stuttgart Regional Court also decided that the compensation payment should be raised from €1.18 to €1.19 (gross) per HOMAG share (after deducting corporate income tax and solidarity surcharge from €1.01 to €1.03 (net); before individual tax burden of the shareholder). Due to an appeal filed against the Stuttgart Regional Court's decision, the ruling has not become effective. The decision of the Stuttgart Regional Court led to an increase of €70 thousand in sundry financial liabilities. Until the final decision in the arbitration proceedings is made, the figures determined originally for compensation payment and settlement are still valid. In principle, there may be further adjustments to the settlement and compensation payments in connection with the claims of the minority shareholders of HOMAG Group AG and for the duration of the arbitration proceedings.

For further information on the recognition of the sundry financial liability for the obligation to acquire shares as well as to pay the compensation claims in connection with the domination and profit and loss transfer agreement entered into with HOMAG Group AG, please refer to → **note 33.**

Options in connection with non-controlling interests

In the course of consolidating Techno-Step GmbH and System TM A/S in full for the first time in the 2020 reporting period, options for the sale of the shares held by non-controlling interests were measured at fair value in accordance with IAS 32 and recognized in sundry financial liabilities. The fair value is calculated at the end of each reporting period. This requires an estimate of future earnings to be made. Please refer to → **notes 18 and 36** for further details.

Deferred consideration from the acquisition of the Homag China Golden Field Group

Pursuant to the purchase agreement, individual components relevant for the purchase price are ultimately determined subsequently after the date of acquisition. The calculation of the deferred consideration involves estimates and assumptions by management which are subject to a certain degree of uncertainty. The final purchase price may deviate from the assumptions made. Please refer to → **note 18** for further details.

Contingent purchase price installments

In the process of consolidating the Homag China Golden Field Group in full for the first time, contingent purchase price installments were recognized in the 2020 reporting period. As of the reporting date, the contingent purchase price installments were measured at fair value in accordance with IAS 32 and recognized in sundry financial liabilities. The fair value is calculated at the end of each reporting period. This requires an estimate of future sales revenues and earnings. Please refer to → **notes 18 and 36** for further details.

Share-based payment

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

Estimates and assumptions are also required for the recognition and measurement of contingent liabilities and other provisions; the same applies to determining the fair value of long-lived items of property, plant and equipment and intangible assets.

Impact of the United Kingdom of Great Britain and Northern Ireland's withdrawal from the EU

The United Kingdom left the European Union on January 31, 2020. The Dürr Group assesses the direct impact of the withdrawal on its business to be manageable, as the United Kingdom only accounts for a low single-digit percentage of sales revenues and assets.

Impact of the coronavirus pandemic

Estimates and accounting judgments

The ongoing coronavirus pandemic will continue to have an impact on the assets, liabilities, earnings and cash flows of the Dürr Group. The coronavirus pandemic means that the estimates and accounting judgments are subject to increased uncertainties.

For the necessary update of estimates and accounting judgments in connection with the pandemic, available information on anticipated economic developments was taken into account. The assumptions made are based, among other things, on the estimated likely impact of the restrictions and requirements in connection with the coronavirus pandemic, the expected customer demand as well as the countermeasures proposed by the Board of Management.

Net assets, financial position and results of operations

The Dürr Group's business performance was significantly affected by the coronavirus pandemic in the past reporting period. To a certain extent, the various countermeasures taken by the Dürr Group and some governments had a mitigating effect. The coronavirus pandemic is affecting the business of the Group differently depending on the region and customer sector.

The global package of measures used by the Dürr Group to counter the economic impact of the pandemic comprises, among other things, a reduction in the number of external employees, a reduction in working time accounts, no increases of the collectively agreed salaries, lower bonus and profit sharing, moderate capacity adjustments and cost cutting in various areas. Strategically important innovation projects were excluded from these measures. Furthermore, government instruments were used to secure jobs.

In the 2020 reporting period, the Dürr Group placed particular importance on ensuring liquidity. The credit facilities were temporarily extended so as to counteract any potential financing risks resulting from the coronavirus pandemic at an early stage. As of December 31, 2020, the Dürr Group had financial resources of €2,147,166 thousand (prior period: €1,821,988 thousand). These comprised cash and cash equivalents with a net carrying amount of €769,195 thousand (prior period: €662,024 thousand), time deposits and other financial receivables of €249,817 thousand (prior period: €161,792 thousand) as well as unutilized credit lines and bank guarantees of €1,128,154 thousand (prior period: €998,172 thousand). For further information about the financing of the Group, please refer to → **note 32.**

In the 2020 reporting period, the Group recorded a significant decrease in sales revenues, gross profit on sales and earnings before investment result, interest and income taxes compared to the prior period. This was largely due to the major business losses suffered when the coronavirus pandemic was at its peak. For the reporting period ended December 31, 2020, the Dürr Group recorded a result of €-13,863 thousand (prior period: €129,825 thousand).

The Board of Management of Dürr AG currently has no doubts as to the Group's ability to continue as a going concern.

Impairment of goodwill

The Dürr Group tests goodwill for impairment at the end of each reporting period. Impairment testing of goodwill is based on cash flow forecasts for a planning period of four years. These plans are based on the assumption that the cash flows, following a dip in 2021, will return to at least pre-coronavirus levels from 2022.

To allow for the existing uncertainties, the sensitivity analysis of the recoverability of the goodwill was extended. These extended sensitivity analyses revealed that, from today's perspective, no impairment loss needed to be recognized on goodwill in any of the scenarios even in the event of the scenarios described in → **note 18** worsening.

In addition to the general impairment testing of goodwill at the end of the reporting period, the effects of the pandemic meant that goodwill was tested for impairment during the 2020 reporting period, which confirmed that the underlying carrying amounts were not impaired. Detailed explanations on impairment testing of goodwill can be found under → **note 18.**

Valuation allowance and impairment of financial assets

As a result of the coronavirus pandemic, the valuation allowance pursuant to IFRS 9 was reviewed and adjusted to bring it in line with the current risk assessments on the market. These notes to the consolidated financial statements reflect the valuation allowance rates derived from this.

Government grants

In response to the coronavirus pandemic, government programs were made use of in order to secure jobs in countries in which the Dürr Group operates. Explanations on government grants awarded to the Dürr Group can be found in → **note 14.**

Notes to the items of the consolidated financial statements

Notes to the consolidated statement of income

The disclosures for the 2020 reporting period include the values of the entities acquired as of the respective date of first-time consolidation.

7. SALES REVENUES

3.15 — SALES REVENUES

€ k	2020	2019
Sales revenues recognized over time from contracts with customers	2,046,479	2,459,009
Sales revenues recognized at a point in time from contracts with customers	1,273,682	1,457,992
Sales revenues from lease agreements	4,658	4,510
Total sales revenues	**3,324,819**	**3,921,511**
thereof		
Sales revenues with the automotive industry	1,683,816	2,060,366

Services account for 28 % of sales revenues (prior period: 29 %) and break down as shown in → table 3.16.

3.16 — SALES REVENUES FROM SERVICES

€ k	2020	2019
Spare parts	400,862	472,542
Modifications	366,793	445,927
Other	175,336	200,143
Total sales revenues from services	**942,991**	**1,118,612**

In the 2020 reporting period, an amount of €477,498 thousand (prior period: €586,207 thousand) was recognized as sales revenues, which had still been recognized in contract liabilities at the beginning of the reporting period. In future periods, sales revenues from currently unsatisfied or partially unsatisfied performance obligations of €2,556,733 thousand (prior period: €2,742,844 thousand) will be realized, of which an estimated €2,006,633 thousand will be recognized as sales revenues in the 2021 reporting period (prior period: €2,220,139 thousand – 2020 reporting period).

In the 2020 reporting period, sales revenues of €47,161 thousand (prior period: €47,800 thousand) were recognized that relate to performance obligations that had been satisfied or partially satisfied in past periods.

Further information on the breakdown of sales revenues by division and region can be found in segment reporting under → note 38.

8. COST OF SALES

3.17 — COST OF SALES

€ k	2020	2019
Cost of materials	1,338,727	1,681,370
Personnel expenses	663,386	713,782
Amortization and depreciation of non-current assets	79,023	78,749
Exchange rate gains	–50,842	–27,566
Exchange rate losses	48,140	32,229
Other cost of sales	642,210	604,745
Total cost of sales	**2,720,644**	**3,083,309**
Gross margin in %	18.2	21.4

Of the total amount reported as amortization and depreciation of non-current assets, an amount of €10,018 thousand (prior period: €9,052 thousand) is attributable to the amortization of capitalized development costs.

9. SELLING EXPENSES

Selling expenses comprise all direct selling costs and overheads. These generally include all personnel expenses, cost of materials, amortization and depreciation as well as other costs relating to sales. In addition, selling expenses include expenses for valuation allowances and impairment relating to trade receivables and contract assets as well as amortization and impairment losses on recognized costs of obtaining a contract.

3.18 — SELLING EXPENSES

€ k	2020	2019
Personnel expenses	204,550	223,307
Amortization and depreciation of non-current assets	10,980	10,937
Write-downs of trade receivables	1,905	1,648
Additions to and releases of valuation allowances and impairments on trade receivables and contract assets	6,749	–6,511
Amortization and impairment on costs of obtaining a contract	9,258	19,703
Other selling expenses	70,731	88,559
Total selling expenses	**304,173**	**337,643**

For further information about valuation allowances and impairments of trade receivables, please refer to → **note 22**. For additional information about amortization and impairment losses on costs of obtaining a contract, please refer to → **note 25**.

10. GENERAL ADMINISTRATIVE EXPENSES

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

3.19 — GENERAL ADMINISTRATIVE EXPENSES

€ k	2020	2019
Personnel expenses	112,176	120,470
Amortization and depreciation of non-current assets	15,164	13,777
Other administrative expenses	54,533	56,315
Total general administrative expenses	**181,873**	**190,562**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs include all the costs of those activities undertaken to gain new scientific or technical knowledge, to develop new products or to improve products and manufacturing processes. They comprise both personnel expenses and non-personnel expenses and are included in profit or loss on the date they are incurred. Research and development costs are reduced by those development expenses that qualify for recognition as assets pursuant to IAS 38 “Intangible Assets”.

3.20 — RESEARCH AND DEVELOPMENT COSTS

€ k	2020	2019
Personnel expenses	71,778	79,294
Amortization and depreciation of non-current assets	8,984	9,325
Capitalized development costs	–18,125	–18,974
Other research and development costs	45,076	41,151
Total research and development costs	**107,713**	**110,796**

12. PERSONNEL EXPENSES

The expense items of the statement of income contain the personnel expenses according to → **table 3.21**.

3.21 — PERSONNEL EXPENSES

€ k	2020	2019
Wages and salaries	882,009	955,203
Social security contributions	169,881	181,650
Total personnel expenses	**1,051,890**	**1,136,853**
thereof post-employment benefits	61,364	65,080

13. OTHER OPERATING INCOME AND EXPENSES

3.22 — OTHER OPERATING INCOME AND EXPENSES

€ k	2020	2019
OTHER OPERATING INCOME		
Exchange rate gains	43,856	13,916
Government grants	3,499	623
Income from the disposal of assets classified as held for sale	2,368	–
Reimbursements from litigation	1,743	–
Gains on disposal of non-current assets	504	659
Reimbursements from damage claims	451	2,219
Sundry	3,390	5,304
Total other operating income	**55,811**	**22,721**
OTHER OPERATING EXPENSES		
Exchange rate losses	46,014	15,316
Expenses from transaction costs in connection with acquisitions	2,488	–
Expenses for other local taxes	1,902	817
Losses on disposal of non-current assets	1,447	1,115
Expenses for litigation	–	5,987
Sundry	3,255	2,792
Total other operating expenses	**55,106**	**26,027**

Aside from part of reimbursements from damage claims as well as from the outcome of litigation, there are no other material income or expense items relating to other periods.

14. GOVERNMENT GRANTS

Government grants were recognized in the 2020 reporting period to subsidize expenditures of the Group of €6,052 thousand (prior period: €737 thousand). In connection with the coronavirus pandemic, the Dürr Group received €4,883 thousand in government grants. In Germany, the vast majority resulted from social security payments reimbursed by making use of government programs to secure jobs at individual locations. Grants abroad also largely related to the use of comparable instruments. Conditions are attached to the government grants. At present it can be assumed that these conditions will be met.

15. INVESTMENT RESULT

Investment result includes earnings from entities accounted for using the equity method, income from distributions of investments, profit or loss from the measurement of investments and options associated therewith as well as currency effects from hedging dividend payments.

Earnings from entities accounted for using the equity method amounted to €4,788 thousand (prior period: €6,202 thousand). Furthermore, the investment result contains income of €1,094 thousand from the measurement of Homag China Golden Field Limited in connection with the acquisition. The valuation at equity resulted in a reduction in other comprehensive income by €733 thousand from accumulated currency effects.

Profits from the sale of goods by consolidated entities to entities accounted for using the equity method (intragroup profits), which are not realized by sale to third parties, are eliminated in the profit from entities accounted for using the equity method in line with their interest.

16. NET INTEREST

3.23 — NET INTEREST

€ k	2020	2019
Interest and similar income	4,410	5,793
Interest and similar expenses	−39,708	−33,368
thereof		
Nominal interest expenses on the corporate bond	−8,625	−8,625
Interest expenses on Schuldschein loans	−6,016	−5,325
Interest expenses arising from subsequent accounting of the domination and profit and loss transfer agreement entered into with HOMAG Group AG	−11,654	−5,578
Interest expenses from leases	−2,773	−3,172
Amortization of transaction costs, premium from issuing a bond, a convertible bond and Schuldschein loans	−3,182	−941
Net interest expenses from the measurement of defined benefit plans	−487	−826
Other interest expenses	−6,971	−8,901
Net interest	**−35,298**	**−27,575**

17. INCOME TAXES

The income taxes relate to the German corporate income tax including a solidarity surcharge, trade tax on income and comparable taxes levied at foreign subsidiaries. The current taxes incurred by foreign subsidiaries are recognized at the tax rates and regulations of the respective national tax law. In Germany, deferred taxes are calculated using a tax rate of 28.7 % (prior period: 28.7 %).

3.24 — COMPOSITION OF TOTAL TAX INCOME/EXPENSE

€ k	2020	2019
CURRENT INCOME TAXES		
Income tax expense – Germany	11,240	9,733
Income tax expense – other countries	57,199	50,189
Adjustment for prior periods	201	–845
Total current income tax expense	**68,640**	**59,077**
DEFERRED TAXES		
Deferred tax income – Germany	–44,002	–14,444
Deferred tax income – other countries	–26,128	–2,056
Adjustment for prior periods	–3,186	2,316
Total deferred tax income	**–73,316**	**–14,184**
Total income tax income/expense	**–4,676**	**44,893**

→ **Table 3.25** shows the reconciliation of theoretical income tax income/expense to the actual income tax income/expense reported by the Dürr Group. For the 2020 reporting period, German corporate income tax law provided for a statutory tax rate of 15.0 % (prior period: 15.0 %) plus the solidarity surcharge of 5.5 % (prior period: 5.5 %). The average trade tax burden amounted to 12.9 % for the 2020 reporting period (prior period: 12.9 %). This means that the reconciliation is based on an overall tax rate in Germany of 28.7 % (prior period: 28.7 %). For the foreign entities, the respective country-specific income tax rates range from 8.75 % to 34.6 % (prior period: 8.75 % to 34.0 %).

3.25 — RECONCILIATION OF THE INCOME TAX INCOME/EXPENSE

€ k	2020	2019
Earnings before income taxes	**–18,539**	**174,718**
Theoretical income tax income/expense in Germany of 28.7 % (prior period: 28.7 %)	–5,321	50,144
Adjustments of income taxes incurred in prior periods	–2,985	205
Non-deductible operating expenses and withholding taxes	14,513	12,504
Foreign tax rate differential	–2,781	–6,870
Unrecognized deferred tax assets especially on unused tax losses	4,696	904
Subsequent recognition of deferred taxes on unused tax losses and changes in deferred taxes on impairment losses	–5,901	–7,146
Change in tax rates	–149	–1,826
Tax-exempt income	–6,511	–2,937
Other	–237	–85
Total income tax income/expense	**–4,676**	**44,893**

Deferred taxes

Pursuant to IAS 12 “Income Taxes”, a deferred tax asset should be recognized on unused tax losses and other deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be offset. In calculating the possibilities for utilizing tax losses, the Dürr Group uses a four-year planning horizon and takes into account the minimum taxation rule applicable in certain countries. Losses arising in Germany from the period prior to the tax group are not recognized.

In sum, unused interest and tax losses amounted to €162,493 thousand (prior period: €145,329 thousand) as of December 31, 2020. Unused interest and tax losses for which no deferred tax assets were recognized came to €108,968 thousand (prior period: €122,202 thousand) and primarily exist in Germany and France. In Germany, unused trade tax losses for which no deferred taxes were recognized amount to €33,728 thousand (prior period: €38,629 thousand). The unused trade tax losses can currently be carried forward for an indefinite period of time. Of the unused interest and tax losses not recognized, amounts of €1,174 thousand expire within the next ten years (prior period: €9,480 thousand). At present, the remaining unused tax losses do not lapse.

Other deductible temporary differences of €518 thousand were not recognized as of December 31, 2020 (prior period: €1,689 thousand).

3.26 — DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated statement of financial position		Consolidated statement of income	
€ k	Dec. 31, 2020	Dec. 31, 2019	2020	2019
DEFERRED TAX ASSETS				
Accounting for intangible assets	2,931	3,074	–143	–768
Remeasurement of land, buildings and property, plant and equipment	2,306	3,651	–1,345	–650
Valuation allowances and impairments	2,521	1,782	739	39
Financial liabilities from right-of-use assets and interest/currency transactions	54,811	34,844	19,967	29,975[1]
Contract assets/liabilities and inventories	52,380	44,023	8,357	4,074
Other assets and other liabilities	8,263	7,639	624	3,171
Post-employment benefits	12,369	12,329	40	189
Provisions not recognized for tax purposes	17,583	19,858	–2,275	–711
Interest and tax loss carryforwards	12,360	6,109	6,251	–2,122
Total deferred tax assets	**165,524**	**133,309**		
Netting	–88,939	–75,422		
Net deferred tax assets	**76,585**	**57,887**		
DEFERRED TAX LIABILITIES				
Accounting for intangible assets	–31,885	–30,579	–1,306	1,908
Capitalized development costs	–12,317	–10,763	–1,554	–1,837
Tax-deductible impairment of goodwill	–7,306	–10,644	3,338	2,906
Remeasurement of land, buildings and property, plant and equipment including right-of-use assets	–36,687	–45,301	8,614	–19,822[2]
Measurement of shares in subsidiaries	–11,759	–17,020	5,261	6
Contract assets/liabilities and inventories	–19,915	–35,589	15,674	2,645
Other assets and other liabilities	–6,329	–6,677	348	–211
Total deferred tax liabilities	**–126,198**	**–156,573**		
Netting	88,939	75,422		
Net deferred tax liabilities	**–37,259**	**–81,151**		
Reconciliation effect from first-time consolidation			6,011	212
Translation effects from deferred tax items			1,954	–425
Effects recognized through other comprehensive income			2,761	–4,395
Deferred tax income			**73,316**	**14,184**

[1] thereof €–25,169 in revenue reserves due to IFRS 16
[2] thereof €22,708 in revenue reserves due to IFRS 16

Effects recognized through other comprehensive income contained €2,933 thousand from accounting for the convertible bond of Dürr AG. Without these effects, the amount would have been €–172 thousand. In the prior period, effects recognized through other comprehensive income contained €–2,461 thousand from the first-time application of IFRS 16. Without these effects, the amount would have been €–1,934 thousand.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The income taxes and withholding taxes on distributable profits from subsidiaries are reported under deferred tax liabilities if it can be assumed that these profits will be subject to the corresponding taxation, or if there is a plan not to reinvest these profits permanently. No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries and associates of €433,485 thousand (prior period: €449,986 thousand). The Dürr Group assumes that no reserves will be distributed to the respective parent in the tax group while the consolidated tax group is in place.

Income tax liabilities

As of December 31, 2020, all income tax liabilities of €68,281 thousand (prior period: €48,467 thousand) were due within one year.

Notes to the consolidated statement of financial position: assets

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details regarding the changes in the Group's intangible assets and property, plant and equipment are presented in the statement of changes in non-current assets in → note 43.

Amortization, depreciation and impairment

Amortization, depreciation and impairment is shown in the statement of income in the cost of sales and functional costs.

Impairment losses relate primarily to development costs for software that will no longer be used in the future as well as impairment of property and other items of plant and equipment in the course of their classification as held for sale. These assets were recognized at the lower fair value. → Table 3.28

Intangible assets

In addition to goodwill, intangible assets with an indefinite useful life also include brand names of €62,727 thousand (prior period: €50,733 thousand). The Dürr Group intends to continue using these brand names in the future.

3.28 — IMPAIRMENT LOSSES

€ k	2020	2019
Cost of sales	–1,109	–
Selling expenses	–17	–
General administrative expenses	–2,025	–
Total impairment losses	**–3,151**	**–**

Impairment test for goodwill

The Dürr Group tests goodwill for impairment at the end of each reporting period.

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. The Dürr Group has defined the divisions as cash-generating units. These are Paint and Final Assembly Systems, Application Technology, Clean Technology Systems, Measuring and Process Systems, and Woodworking Machinery and Systems. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all divisions.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the divisions exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. The pre-tax discount rate for the cash flow forecast per division can be found in → table 3.29. Cash flows after the four-year period are extrapolated using a growth rate of 1.0 % (prior period: 1.0 %) based on

3.27 — AMORTIZATION AND DEPRECIATION

	2020			2019		
€ k	Intangible assets	Property, plant and equipment	Total amortization and depreciation	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	–31,039	–46,875	–77,914	–32,252	–46,497	–78,749
Selling expenses	–2,310	–8,653	–10,963	–1,794	–9,143	–10,937
General administrative expenses	–784	–12,355	–13,139	–1,006	–12,771	–13,777
Research and development costs	–2,433	–6,551	–8,984	–2,633	–6,692	–9,325
Total amortization and depreciation	**–36,566**	**–74,434**	**–111,000**	**–37,685**	**–75,103**	**–112,788**

the long-term growth rate of the divisions and reflect past experience. The impairment test revealed that no impairment needs to be recognized for goodwill.

Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and divisions. They are based on the figures determined in the previous reporting periods taking anticipated price and cost developments as well as efficiency increases into account.

Cost of capital (discount rate)

The cost of capital is the weighted average cost of debt and equity before taxes. When calculating the cost of equity, a beta factor is taken into account, which is derived from capital market data and the capital structure of the companies used to benchmark the Dürr Group's cash-generating units. Borrowing costs are based on a base interest rate for government bonds and a mark-up derived from the credit rating of benchmark companies.

3.29 — PRE-TAX DISCOUNT RATE

%	2020	2019
Paint and Final Assembly Systems	8.27	10.37
Application Technology	12.84	15.53
Clean Technology Systems	10.42	9.36
Measuring and Process Systems	7.96	11.28
Woodworking Machinery and Systems	10.56	10.84

Increase in the price of raw materials

Future increases in the price of upstream products and raw materials needed in the Group are primarily derived from the expected increase in the prices of those commodities needed to manufacture the goods or materials. These, in turn, are determined from the forecast price indices of the countries from which the upstream products and raw materials are procured by the respective Group entities.

Increase in wage and salary costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.12 % p.a. from 2021 onward (prior period: 2.5 % p.a. from 2020 onward). The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

Sensitivity analysis of goodwill

Independent of the current economic situation and the expectations for the future, the Dürr Group conducted sensitivity analyses of the recoverability of the goodwill carried in its activities. The impact of the following scenarios was examined:

- Decrease of 10 % in EBIT in all years within the planning horizon beginning in 2021 (in comparison to the figures projected in the approved business plans)
- Increase of 0.5 percentage points in the discount rate
- Decrease in the growth rate for the terminal value to 0.75 %.

The sensitivity analyses revealed that, from today's perspective, no impairment loss needs to be recognized on goodwill in any of the divisions even under these assumptions.

Development of goodwill

→ Table 3.30 shows the development of goodwill, broken down by division.

Goodwill of €49,129 thousand is attributable to the acquisition of Megtec and Universal companies in the 2018 reporting period, of €105,719 thousand is attributable to the acquisition of the HOMAG Group in 2014, of €11,192 thousand to the acquisition of the iTAC companies in 2015, of €12,770 thousand to the acquisition of System TM A/S and of €2,094 thousand to the acquisition of Techno-Step GmbH in 2020. From historical acquisitions, sales and restructuring, today €98,453 thousand is attributable to the acquisition of former Alstom companies and €93,832 thousand to the acquisition of the former Schenck Group.

In connection with the new strategy of the final assembly technology business, it was decided that all final assembly activities belong to the Paint and Final Assembly Systems division. Accordingly, the product business with testing and assembly technology as well as filling technology for the automotive industry were transferred from the Measuring and Process Systems division and have been assigned to the Paint and Final Assembly Systems cash-generating unit since January 1, 2020. Therefore, on January 1, 2020, goodwill of €40,996 thousand was reclassified from Measuring and Process Systems to Paint and Final Assembly Systems.

3.30 — DEVELOPMENT OF GOODWILL

€ k	Carrying amount as of Jan. 1, 2019	Exchange difference	Additions	Carrying amount as of Dec. 31, 2019	Exchange difference	Additions	Reclassification	Carrying amount as of Dec. 31, 2020
Paint and Final Assembly Systems	106,450	238	–	106,688	−1,631	–	40,996	146,053
Application Technology	66,453	98	–	66,551	−800	2,094	–	67,845
Clean Technology Systems	65,605	801	–	66,406	−3,043	–	–	63,363
Measuring and Process Systems	102,257	214	–	102,471	−908	–	−40,996	60,567
Woodworking Machinery and Systems	106,052	34	958	107,044	−470	13,529	–	120,103
Dürr Group	**446,817**	**1,385**	**958**	**449,160**	**−6,852**	**15,623**	**–**	**457,931**

The change in goodwill from additions in the 2020 reporting period is explained below.

Acquisitions in the 2020 reporting period

Homag China Golden Field Group

In order to further expand the activities of the Woodworking Machinery and Systems division in the Chinese market, on November 24, 2020, the division acquired the remaining 75 % of the shares in the Homag China Golden Field Group, which had previously been included in the consolidated financial statements as an entity accounted for using the equity method. The group of fully consolidated entities has thus been expanded by five entities. Furthermore, the entities Homag (Hong Kong) Limited with registered offices in Hong Kong SAR, PR China, founded in the 2020 reporting period, and Homag Group AG with registered offices in Schopfloch, Germany, acquired additional assets and liabilities from the transaction in asset deals. The transaction incurred acquisition-related costs of €849 thousand, which were expensed in the 2020 reporting period.

They were initially accounted for applying the acquisition method pursuant to IFRS 3 "Business Combinations". The provisional purchase price for the acquisition amounted to €37,773 thousand and breaks down into several components:

3.31 — PURCHASE PRICE COMPONENTS ACQUISITION HOMAG CHINA GOLDEN FIELD GROUP

€ k	
Share paid in cash	8,687
Deferred components for the initial consideration	19,186
Contingent purchase price installments	9,900
Provisional purchase price	**37,773**

The purchase price allocation is still provisional in terms of the purchase price amount as, pursuant to the purchase agreement, individual components for the initial consideration relevant for the purchase price are ultimately determined subsequently after the date of acquisition. If the purchase price changes when it is finally determined, the provisional amount of goodwill would initially be adjusted. However, if the finalization of the purchase price results in a reduction in an amount that exceeds the provisional goodwill, it may be necessary to adjust the other assets acquired and liabilities assumed before a gain on the acquisition of the Homag China Golden Field Group would be recognized.

The contingent purchase price installments are based on the consolidated sales revenues and consolidated earnings before investment result, interest and income taxes of the acquired entities including Homag Machinery (Shanghai) Co., Ltd., Shanghai, PR China, which was already part of the Dürr Group, for the 2020 and 2021 reporting periods. The calculation of the purchase price installments is based on staggered targets, which are then compared to fixed installments. Sales revenues are measured against the values for the 2019 reporting period, with fixed steps agreed for earnings before investment result, interest and income taxes. Pursuant to the purchase agreement, the purchase price installments may not exceed €11,000 thousand.

The goodwill from the first-time consolidation of the acquired activities and the acquired net assets are presented in ⟶ table 3.32.

3.32 — GOODWILL ACQUISITION HOMAG CHINA GOLDEN FIELD GROUP

€ k	
Provisional purchase price	37,773
Fair value of the previous investment	16,263
Fair value of net assets	–53,277
Goodwill	**759**

The goodwill reflects synergies, among others in sales, and the earnings prospects in the PR China and the Hong Kong Special Administrative Region. It was allocated to the Woodworking Machinery and Systems division. The goodwill is not tax-deductible.

The fair value at the acquisition date of the shares in Homag China Golden Field Limited previously disclosed under investments in entities accounted for using the equity method amounted to €16,263 thousand, while its carrying amount determined using the equity method on this date amounted to €15,902 thousand. The gain on the remeasurement of the shares is explained in → note 15 under the disclosures on the investment result.

The allocation of the purchase price to the acquired assets and liabilities can be found in → table 3.33.

3.33 — PURCHASE PRICE ALLOCATION ACQUISITION HOMAG CHINA GOLDEN FIELD GROUP

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	204	19,612	19,816
Property, plant and equipment	8,902	–	8,902
Deferred tax assets	175	927	1,102
Inventories and prepayments	39,053	3,921	42,974
Receivables and other assets	43,058	–	43,058
Cash and cash equivalents	31,616	–	31,616
Non-current liabilities	–2,632	–	–2,632
Deferred tax liabilities	–	–2,595	–2,595
Current liabilities	–85,254	–3,710	–88,964
Net assets	**35,122**	**18,155**	**53,277**

The carrying amounts after acquisition correspond to the fair value as of the date of first-time consolidation. The adjustments mainly relate to intangible assets consisting of brand names, customer relationships, order backlog and technological know-how recognized in the purchase price allocation. The fair value of customer relationships and order backlog was measured using the multiperiod excess earnings method, that of brand names using the relief from royalty method. The fair value of technological know-how was determined using a cost-based measurement method. Upon first-time consolidation, contingent liabilities of €3,710 thousand from pending court proceedings were recognized.

3.34 — ACQUISITION HOMAG CHINA GOLDEN FIELD GROUP: HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS

€ k	Fair value
Technological know-how	780
Customer relationships	2,164
Order backlog	6,191
Brand names	10,477
	19,612

The earnings contributed by the acquired Homag China Golden Field Group entities and the acquired assets and liabilities from the date of first-time consolidation until December 31, 2020, were as follows:

3.35 — EARNINGS CONTRIBUTION HOMAG CHINA GOLDEN FIELD GROUP AS OF DATE OF FIRST-TIME CONSOLIDATION

€ k	**2020**
Sales revenues	17,339
Earnings after income taxes	129

Earnings after income taxes included the effects from the subsequent measurement of hidden reserves and encumbrances in the context of the purchase price allocation of €–341 thousand.

Had the acquired Homag China Golden Field entities and the acquired assets and liabilities been included in the consolidated group as of January 1, 2020, the Dürr Group's statement of income for the 2020 reporting period would have been as follows:

3.36 — PRO FORMA RESULTS DÜRR GROUP

€ k	2020
Sales revenues	3,402,286
Gross profit on sales	611,001
Earnings before investment result, interest and income taxes	28,266
Profit of the Dürr Group	–378

System TM Group

On October 30, 2020, Homag Danmark A/S with registered offices in Galten, Denmark, acquired 80 % of the shares in the entities System TM A/S and TM Teknik ApS, both with registered offices in Odder, Denmark, as well as System TM Canada Ltd., with registered offices in Saint John, New Brunswick, Canada. System TM is a mechanical engineering firm that specializes in systems for solid wood processing. The acquisition strengthens the position of the Woodworking Machinery and Systems division as technology partner for sustainable construction with wood and serves, among other things, to further expand the sales and service activities of the Woodworking Machinery and Systems division. The purchase price for acquisition of €22,455 thousand was paid in full in cash. The transaction incurred acquisition-related costs of €406 thousand, which were expensed in the 2020 reporting period. As a result of the acquisition, the Dürr Group was granted the option to acquire the remaining shares. More information on the option is provided in → **note 36**.

First-time consolidation was performed pursuant to IFRS 3 "Business Combinations" using the partial goodwill method for acquisition accounting purposes. The goodwill from the first-time consolidation of the acquired activities and the acquired net assets are presented in → **table 3.37**.

3.37 — GOODWILL ACQUISITION SYSTEM TM GROUP

€ k	
Purchase price	22,455
Fair value of net assets	–12,106
Less share of net assets not relating to the Dürr Group	2,421
Goodwill	**12,770**

The goodwill reflects synergies, among others in sales, and the earnings prospects in Denmark. It was allocated to the Woodworking Machinery and Systems division and is not tax deductible.

→ **Table 3.38** breaks down the allocation of the purchase price to the acquired assets and liabilities.

3.38 — PURCHASE PRICE ALLOCATION SYSTEM TM GROUP

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	58	6,435	6,493
Property, plant and equipment	7,550	–102	7,448
Inventories and prepayments	1,582	–84	1,498
Contract assets	3,147	–	3,147
Receivables and other assets	1,775	–	1,775
Cash and cash equivalents	11,690	–	11,690
Non-current liabilities	–2,833	102	–2,731
Deferred tax liabilities	–2,555	–1,416	–3,971
Current liabilities	–13,243	–	–13,243
Net assets	**7,171**	**4,935**	**12,106**

The carrying amounts after acquisition correspond to the fair value as of the date of first-time consolidation. The adjustments mainly relate to intangible assets consisting of technological know-how, order backlog, customer relationships and a brand name that were recognized in the purchase price allocation. The fair value of technological know-how and the brand name was measured using the relief from royalty method while that of customer relationships and the order backlog was measured using the multi-period excess earnings method. No contingent liabilities were recognized in the first-time consolidation.

3.39 — ACQUISITION SYSTEM TM GROUP: HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS

€ k	Fair value
Customer relationships	999
Order backlog	1,391
Technological know-how	1,943
Brand name	2,102
	6,435

→ Table 3.40 breaks down the earnings contribution of the entities of the System TM Group consolidated for the first time from the date of first-time consolidation until December 31, 2020.

3.40 — EARNINGS CONTRIBUTION SYSTEM TM GROUP FROM THE DATE OF FIRST-TIME CONSOLIDATION

€ k	2020
Sales revenues	4,792
Earnings after income taxes	211

Earnings after income taxes included the effects from the subsequent measurement of hidden reserves and encumbrances in the context of the purchase price allocation of €–164 thousand.

Had the acquired System TM Group entities been included in the consolidated group as of January 1, 2020, the Dürr Group's statement of income for the 2020 reporting period would have developed as presented in → table 3.41.

3.41 — PRO FORMA RESULTS DÜRR GROUP

€ k	2020
Sales revenues	3,346,227
Gross profit on sales	611,485
Earnings before investment result, interest and income taxes	13,372
Profit of the Dürr Group	–11,691

Techno-Step

On March 9, 2020, Dürr Systems AG with registered offices in Stuttgart, Germany, acquired 50.004 % of the shares in Techno-Step GmbH with registered offices in Böblingen, Germany. The company specializes in the planning, development, commissioning and sale of systems for process data analysis and diagnosis systems. The purchase price for the acquisition was €3,058 thousand. In addition to that, acquisition-related costs of €113 thousand were expensed in the 2020 reporting period. As a result of the acquisition, the Dürr Group was granted the option to acquire the remaining shares. More information on the option is provided in → note 36.

First-time consolidation was performed pursuant to IFRS 3 “Business Combinations” using the partial goodwill method for acquisition accounting purposes. The goodwill from the first-time consolidation of the acquired activities and the acquired net assets are presented in → table 3.42.

3.42 — GOODWILL ACQUISITION TECHNO-STEP

€ k	
Purchase price	3,058
Fair value of net assets	–1,928
Less share of net assets not relating to the Dürr Group	964
Goodwill	**2,094**

The goodwill reflects synergies, among others in sales. It is allocated to the Application Technology division and is not tax-deductible.

The allocation of the purchase price to the acquired assets and liabilities can be found in → table 3.43.

3.43 — PURCHASE PRICE ALLOCATION ACQUISITION TECHNO-STEP

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	–	1,875	1,875
Property, plant and equipment	60	81	141
Inventories and prepayments	69	–	69
Receivables and other assets	388	3	391
Cash and cash equivalents	1,036	–	1,036
Non-current liabilities	–	–56	–56
Deferred tax liabilities	–	–547	–547
Current liabilities	–956	–25	–981
Net assets	**597**	**1,331**	**1,928**

The carrying amounts after acquisition correspond to the fair value as of the date of first-time consolidation. The adjustments mainly relate to intangible assets consisting of technological know-how and customer relationships that were recognized in the purchase price allocation. The fair value of customer relationships was measured using the multi-period excess earnings method, that of technological know-how using the relief from royalty method. No contingent liabilities were recognized in the first-time consolidation.

3.44 — ACQUISITION TECHNO-STEP: HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS

€ k	Fair value
Customer relationships	863
Technological know-how	1,012
	1,875

→ Table 3.45 breaks down the earnings contribution of Techno-Step GmbH from the date of first-time consolidation until December 31, 2020.

3.45 — EARNINGS CONTRIBUTION TECHNO-STEP FROM DATE OF FIRST-TIME CONSOLIDATION

€ k	2020
Sales revenues	1,164
Earnings after income taxes	17

Earnings after income taxes included the effects from the subsequent measurement of hidden reserves and encumbrances in the context of the purchase price allocation of €–189 thousand.

Had Techno-Step GmbH been included in the consolidated group as of January 1, 2020, there would not have been any significant changes in sales revenues and in the Dürr Group's profit for the 2020 reporting period.

Acquisitions in the 2021 reporting period

Teamtechnik

In order to continue to strengthen the activities of the Paint and Final Assembly Systems division in the area of automation technology, Dürr Technologies GmbH with registered offices in Stuttgart, Germany, acquired on February 5, 2021, 75 % of the shares in Teamtechnik Maschinen und Anlagen GmbH with registered offices in Freiberg am Neckar, Germany, and its subsidiaries. Teamtechnik's solutions are primarily used for testing electric drives and manufacturing medical technical products. The provisional purchase price amounted to €27,580 thousand and was paid in full in cash. To date, the transaction has incurred acquisition-related costs of €1,120 thousand, which were expensed in the 2020 reporting period. As a result of the acquisition, the Dürr Group was granted the possibility to acquire the remaining shares at a later date. The accounting effects of the options have not yet been assessed.

The first-time consolidation will be performed using the acquisition method pursuant to IFRS 3 “Business Combinations”. As the purchase price allocation was not yet available at the time Dürr AG's consolidated financial statements as of December 31, 2020, were approved for publication, it is not possible to make any further disclosures.

Cogiscan

On February 15, 2021, iTAC Software AG with registered offices in Montabaur, Germany, acquired 100 % of the shares in Cogiscan Inc. with registered offices in Bromont, Quebec, Canada. Cogiscan is a technology company that specializes in connectivity solutions for digital machine connection. By acquiring the company, the Dürr Group aims to further expand business with manufacturing execution systems and strengthen its position in the North American market for digital solutions. The provisional purchase price also contains contingent purchase price installments in addition to the €6,689 thousand that was settled in cash. To date, the acquisition has incurred acquisition-related costs of €130 thousand, which were expensed in the 2021 reporting period.

The first-time consolidation will be performed using the acquisition method pursuant to IFRS 3 “Business Combinations”. As the purchase price allocation was not yet available at the time Dürr AG’s consolidated financial statements as of December 31, 2020, were approved for publication, it is not possible to make any further disclosures.

Acquisition – prior period

To further expand the sales and service activities of the Woodworking Machinery and Systems division in Turkey and the Middle East, Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi with registered offices in Izmit-Kocaeli, Turkey, acquired the activities of a company in an asset deal with effect as of December 11, 2019. Operating activities commenced on January 1, 2020.

They were initially accounted for applying the acquisition method pursuant to IFRS 3 “Business Combinations”. The purchase price of the acquisition amounted to €2,015 thousand and was paid in full in cash. The goodwill from the first-time consolidation of the acquired activities and the acquired net assets are presented in → table 3.46.

3.46 — GOODWILL – ACQUISITION

€ k	
Purchase price	2,015
Fair value of net assets	–1,057
Goodwill	**958**

The goodwill reflects synergies, among others in sales, and the earnings prospects in Turkey and the Middle East. It was allocated to the Woodworking Machinery and Systems division. The goodwill is tax-deductible in full.

The allocation of the purchase price to the acquired assets and liabilities can be found in → table 3.47.

3.47 — PURCHASE PRICE ALLOCATION – ACQUISITION

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	–	963	963
Property, plant and equipment	36	–	36
Inventories and prepayments	270	–	270
Deferred tax liabilities	–	–212	–212
Net assets	**306**	**751**	**1,057**

The carrying amounts after acquisition correspond to the fair value as of the date of first-time consolidation. The adjustments mainly relate to intangible assets, where customer relationships were recognized in the purchase price allocation. The fair value of customer relationships was measured using the multi-period excess earnings method and amounts to €963 thousand. No contingent liabilities were recognized in the first-time consolidation.

Had the acquired activities been included in the consolidated group as of January 1, 2019, there would not have been any significant changes in sales revenues and in the Dürr Group’s profit for the 2019 reporting period.

Property, plant and equipment

Prepayments and assets under construction

Items of property, plant and equipment are recognized as assets under construction if costs for own or third-party work have already been incurred but they had not been completed by the end of the reporting period. As of December 31, 2020, prepayments related to many smaller modernization measures as well as new machinery and systems.

In the prior period, prepayments of €8,152 thousand related to the locations Radom, Püttlingen, Calw and Shanghai for the construction of new buildings, modernization measures, infrastructure and new machines, which were completed and commissioned in the 2020 reporting period.

Land and buildings

In the 2020 reporting period, €5,240 thousand was invested in property spread across various locations. The Group invested €10,080 thousand in property in the prior period. Most of this related to the construction or completion of new buildings at the Herzebrock and Radom locations as well as to the acquisition of a property in Wolfsburg.

Right-of-use assets

→ **Table 3.48** shows the additions and depreciation of the right-of-use assets contained in property, plant and equipment and intangible assets.

Accumulated cost as well as accumulated depreciation and impairment contain the values for right-of-use assets that had already been accounted for as finance leases as of December 31, 2018, where these still exist. → **Note 32** contains the disclosures on lease liabilities, → **note 37** contains the explanations on the statement of cash flows.

The Dürr Group exercises the practical expedient to not recognize short-term leases and leases of low-value assets in the statement of financial position.

3.49 — EXPENSE FOR SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

€ k	2020	2019
Expense for short-term leases	3,025	3,820
Expense for leases of low-value assets	3,013	3,076

3.48 — RIGHT-OF-USE ASSETS CONTAINED IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€ k	Land and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Intangible assets	Dürr Group
Accumulated cost as of December 31, 2020	**178,356**	**1,301**	**36,330**	**2,237**	**218,224**
thereof additions	14,330	223	9,939	–	24,492
Accumulated depreciation and impairment as of December 31, 2020	**105,616**	**801**	**21,452**	**2,237**	**130,106**
thereof depreciation for the year	17,121	292	10,275	–	27,688
Net carrying amount as of December 31, 2020	**72,740**	**500**	**14,878**	**–**	**88,118**
Accumulated cost as of December 31, 2019	**183,950**	**1,321**	**38,057**	**4,228**	**227,556**
thereof additions	15,958	181	11,662	–	27,801
Accumulated depreciation and impairment as of December 31, 2019	**104,897**	**682**	**22,060**	**4,228**	**131,867**
thereof depreciation for the year	17,311	287	10,422	–	28,020
Net carrying amount as of December 31, 2019	**79,053**	**639**	**15,997**	**–**	**95,689**

Investment property

The Dürr Group distinguishes between property that is largely owner-occupied and property that is mostly let to third parties. A property is considered to be largely used by third parties if the space used by the company itself is insignificant. Investment property comprises both property owned by the Dürr Group as well as property that is sublet under operating leases. The Dürr Group uses the cost method to measure all investment property. The investment property concerned is a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt, Germany, which are allocated to the Measuring and Process Systems division.

3.50 — INCOME AND EXPENSES FROM INVESTMENT PROPERTY

€ k	2020	2019
Rental income in the reporting period	3,719	3,705
Future rental income expected based on the existing agreements	10,784	9,506
Directly attributable expenditure	1,297	1,151
Directly attributable expenditure for vacant property	46	35

Self-owned buildings are depreciated using the straight-line method of depreciation over their useful life ranging between 20 and 50 years.

The composition of the group of properties accounted for pursuant to IAS 40 "Investment Property" did not change compared to the prior period. In the prior period, the first-time application of IFRS 16 "Leases" had an impact on the composition of the group of properties.

As of December 31, 2020, the fair value came to €45,930 thousand (prior period: €40,870 thousand) and is allocated to level 3 in the fair value hierarchy. For more information on the fair value hierarchy levels please see → **note 36.** An internal calculation prepared on an annual basis is used to determine the fair value of the investment properties; no valuer was consulted in determining the values. The fair value of the properties is calculated using capitalized income from the cash-generating unit based on market rents adjusted by risk mark-downs customary for the region. A vacancy rate of 10 % (prior period: 5 %) and a property yield of 5.6 % (prior period: 7.5 %) were used in the calculation.

→ **Notes 32 and 37** contain disclosures on the lease liabilities and lease payments.

3.51 — DEVELOPMENT OF INVESTMENT PROPERTY

€ k	Investment property owned by the Dürr Group	Right-of-use assets for investment property	Dürr Group
Accumulated cost as of December 31, 2020	**44,019**	**5,539**	**49,558**
thereof additions	34	40	74
Accumulated depreciation and impairment as of December 31, 2020	**26,314**	**4,205**	**30,519**
thereof depreciation for the year	910	340	1,250
Net carrying amount as of December 31, 2020	**17,705**	**1,334**	**19,039**
Accumulated cost as of December 31, 2019	**44,000**	**5,499**	**49,499**
thereof additions	317	–	317
Accumulated depreciation and impairment as of December 31, 2019	**25,419**	**3,865**	**29,284**
thereof depreciation for the year	932	337	1,269
Net carrying amount as of December 31, 2019	**18,581**	**1,634**	**20,215**

19. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

Entities accounted for using the equity method

Nagahama Seisakusho Ltd.

The company Nagahama Seisakusho Ltd. has its registered office in Osaka, Japan, and offers machinery, systems and services in the area of balancing technology.

3.52 — CONDENSED STATEMENT OF FINANCIAL POSITION OF NAGAHAMA SEISAKUSHO LTD.

€ k	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	6,284	6,452
Current assets	44,586	55,577
Non-current liabilities	6,287	7,235
Current liabilities	5,961	13,828
Equity	38,622	40,966
Carrying amount of the investment	19,518	20,680
Shareholding Dürr Group	50.0 %	50.0 %

3.53 — FURTHER FINANCIAL INFORMATION ON NAGAHAMA SEISAKUSHO LTD.

€ k	2020	2019
Sales revenues	37,579	45,741
Earnings after income taxes	2,830	4,224
Cash flow from operating activities	4,380	6,313
Cash flow from investing activities	–376	–425
Cash flow from financing activities	–4,666	–5,046
Dividends received from Nagahama Seisakusho Ltd.	3,695	–

The reporting period of the company ends September 30; it is included using the equity method on the basis of the figures contained in the financial statements from that date. Significant effects that occurred between that date and December 31 are considered.

As in the prior period, the associate had no material contingent liabilities as of December 31, 2020. At present, there are no significant restrictions with respect to dividend distributions.

Homag China Golden Field Limited

Homag China Golden Field Limited is based in Hong Kong SAR, PR China, and is a sales and service company which sells the products of the HOMAG Group's manufacturing companies. It is responsible for ensuring a functioning service organization and for working the Chinese market. In the course of the acquisition of the Homag China Golden Field Group on November 24, 2020, by the Woodworking Machinery and Systems division, Homag China Golden Field Limited was taken over. Until the acquisition, the shareholding amounted to 25.0 % (prior period: 25.0 %). The information in → table 3.55 contains the earnings of Homag China Golden Field Limited for the period from January 1, 2020 to November 24, 2020. Further information is contained in → note 18.

3.54 — CONDENSED STATEMENT OF FINANCIAL POSITION OF HOMAG CHINA GOLDEN FIELD LIMITED

€ k	Dec. 31, 2019
Non-current assets	17,558
Current assets	139,439
Non-current liabilities	3,229
Current liabilities	102,676
Equity	51,092
Carrying amount of the investment	16,983

3.55 — FURTHER FINANCIAL INFORMATION ON HOMAG CHINA GOLDEN FIELD LIMITED

€ k	2020	2019
Sales revenues	208,577	175,040
Earnings after income taxes	14,311	7,829
Dividends received from Homag China Golden Field Limited	4,121	2,585

As of December 31, 2019, there were no material contingent liabilities.

The carrying amounts of the entities accounted for using the equity method are influenced by currency effects. Further information on the consolidated companies is contained in → notes 3 and 4.

Other financial assets

As of December 31, 2020, other financial assets primarily included the investment in ADAMOS GmbH with a carrying amount of €3,936 thousand (prior period: €3,000 thousand) and in Parker Engineering Co., Ltd. with a carrying amount of €11,541 thousand (prior period: €9,347 thousand).

20. INVENTORIES AND PREPAYMENTS

3.56 — INVENTORIES AND PREPAYMENTS

€ k	Dec. 31, 2020	Dec. 31, 2019
Materials and supplies	223,229	238,986
less write-downs	–41,435	–32,173
Work in process	93,958	106,768
less write-downs	–7,551	–4,889
Finished goods and merchandise	212,327	173,446
less write-downs	–18,185	–15,040
Prepayments	46,278	42,246
less write-downs	–	–138
Total inventories and prepayments	**508,621**	**509,206**

Materials and supplies were measured at average cost. On aggregate, write-downs on inventories increased to €67,171 thousand (prior period: €52,240 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the 2020 reporting period of €33,447 thousand (prior period: €12,669 thousand) were recognized through profit or loss.

21. CONTRACT ASSETS

3.57 — DEVELOPMENT OF THE VALUATION ALLOWANCE AND IMPAIRMENT OF CONTRACT ASSETS

	2020		2019	
€ k	Stage 2	Stage 3	Stage 2	Stage 3
As of January 1	**933**	**–**	**2,170**	**–**
Exchange difference	–27	–10	12	–
Additions				
newly acquired	865	707	975	–
already in the portfolio	10	–	–	–
Change in risk parameters	–	–	–	–
Reversal	–845	–	–2,224	–
Utilization	–	–	–	–
Reclassifications	–	–	–	–
As of December 31	**936**	**697**	**933**	**–**

The change in the valuation allowance and impairment of contract assets with a gross value of €395,065 thousand (prior period: €520,008 thousand) is primarily attributable to the fact that the composition of customers, the respective business volume with them and their credit ratings have changed.

22. TRADE RECEIVABLES

3.58 — CHANGES IN VALUATION ALLOWANCE AND IMPAIRMENT ON TRADE RECEIVABLES

	2020		2019	
€ k	Stage 2	Stage 3	Stage 2	Stage 3
As of January 1	**1,244**	**12,026**	**4,413**	**14,993**
Exchange difference	–45	–365	55	74
Additions				
newly acquired	1,755	4,925	1,531	4,130
already in the portfolio	–	3,011	–	561
Change in risk parameters	–	–	–	–
Reversal	–672	–3,007	–4,449	–7,035
Utilization	–	–748	–103	–900
Reclassifications	–386	386	–203	203
As of December 31	**1,896**	**16,228**	**1,244**	**12,026**

The changes in the valuation allowance are also attributable to a change in the receivables volume and a change in the composition of customers and their changed credit ratings as a result of the coronavirus pandemic. Please refer to → note 6 for further details.

Receivables of €1,905 thousand (prior period: €1,648 thousand) were derecognized in the 2020 reporting period; €748 thousand (prior period: €1,003 thousand) thereof had already been written down in the past. The remaining €1,157 thousand (prior period: €645 thousand) was derecognized through profit or loss in the 2020 reporting period.

3.59 — TRADE RECEIVABLES BY MATURITY

	Dec. 31, 2020		Dec. 31, 2019	
€ k	Stage 2	Stage 3	Stage 2	Stage 3
Gross value	**490,853**	**37,512**	**576,016**	**23,331**
thereof				
not due	329,896	–	359,044	–
less than 1 month	58,890	–	77,890	–
between 1 and 3 months	50,755	–	70,432	–
between 3 and 6 months	23,287	–	38,516	–
between 6 and 9 months	14,535	–	16,742	–
between 9 and 12 months	13,490	–	13,392	–
more than 12 months/stage 3	–	37,512	–	23,331
Valuation allowance and impairment	–1,896	–16,228	–1,244	–12,026
Net carrying amount	**488,957**	**21,284**	**574,772**	**11,305**

In stage 2, a provision matrix is used to calculate a portfolio-based valuation allowance. Receivables in stage 3 were impaired based on an individual risk assessment. Receivables in stage 2 are subject to the risk level with a low credit risk (not affected by credit rating), while receivables in impairment stage 3 are subject to the risk level with a high credit risk (affected by credit rating).

23. SUNDRY FINANCIAL ASSETS

3.60 — SUNDRY FINANCIAL ASSETS

	Dec. 31, 2020			Dec. 31, 2019		
€ k	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	7,072	7,008	64	3,807	3,655	152
Rent deposits and other collateral provided	14,055	10,197	3,858	7,118	3,324	3,794
Time deposits	249,817	249,817	–	159,926	159,926	–
Investments in equity instruments measured at fair value through profit or loss	19,507	19,507	–	19,507	19,507	–
Remaining sundry financial assets	24,052	22,502	1,550	22,789	19,989	2,800
Total sundry financial assets	**314,503**	**309,031**	**5,472**	**213,147**	**206,401**	**6,746**

Remaining sundry financial assets include balances at suppliers of €6,603 thousand (prior period: €5,410 thousand) and receivables from employees totaling €2,438 thousand (prior period: €1,816 thousand).

For sundry financial assets, there is no major indication that the debtors will not be able to meet their payment obligations. Accordingly, sundry financial assets are primarily allocated to stage 1.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are allocated to credit risk rating grades.

The credit risk rating grades are based on internal and external risk assessments. For cash and cash equivalents, there is no major indication that the debtors will not be able to meet their payment obligations. For further information on credit risk, please refer to → note 41.

3.61 — CASH AND CASH EQUIVALENTS COMBINED BY CREDIT RISK RATING GRADE

	Dec. 31, 2020			Dec. 31, 2019		
€ k	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Investment grade AAA to A–	563,132	–	–	447,482	–	–
Investment grade BBB+ to BBB–	197,810	–	–	206,640	–	–
Sub-investment grade	9,215	–	–	8,922	–	–
Gross value	**770,157**	**–**	**–**	**663,044**	**–**	**–**
Valuation allowance pursuant to IFRS 9	–962	–	–	–1,020	–	–
Net carrying amount	**769,195**	**–**	**–**	**662,024**	**–**	**–**

3.62 — DEVELOPMENT OF THE VALUATION ALLOWANCES ON CASH AND CASH EQUIVALENTS

	2020			2019		
€ k	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
As of January 1	**1,020**	**–**	**–**	**1,653**	**–**	**–**
Exchange difference	–26	–	–	15	–	–
Additions						
newly acquired	148	–	–	275	–	–
already in the portfolio	–	–	–	–	–	–
Change in risk parameters	–	–	–	–	–	–
Reversal	–180	–	–	–923	–	–
Utilization	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
As of December 31	**962**	**–**	**–**	**1,020**	**–**	**–**

25. OTHER ASSETS

3.63 — OTHER ASSETS

	Dec. 31, 2020			Dec. 31, 2019		
€ k	Total	Current	Non-current	Total	Current	Non-current
Tax reimbursement claims without income taxes	44,335	44,034	301	33,015	32,599	416
Cost of obtaining a contract	7,014	6,660	354	7,537	7,323	214
Rent, maintenance cost and royalties	9,073	7,267	1,806	3,340	2,782	558
Remaining other assets	4,337	3,819	518	4,465	3,675	790
Total other assets	**64,759**	**61,780**	**2,979**	**48,357**	**46,379**	**1,978**

The cost of obtaining a contract included in other assets comprises sales commissions in connection with customer contracts that would not have been incurred, had the contract not been concluded.

26. ASSETS HELD FOR SALE

Assets sold in the 2020 reporting period

Through the concentration of operations on the Dürr Campus in Shanghai, PR China, a building in Shanghai, PR China, together with other technical equipment and office equipment at that location were no longer needed and therefore classified as held for sale in the 2020 reporting period. The building and other items of plant and equipment were sold effective October 15, 2020. The gain on disposal amounted to €2,368 thousand and is contained in the statement of income as other operating income. The sales proceeds amounted to €4,839 thousand. The assets that were sold were allocated to the Clean Technology Systems division.

Assets held for sale

In the course of capacity adjustments in Germany, properties and other plant and equipment at various locations in Germany are to be sold. A property is also being sold in the Czech Republic. The measurement of properties at fair value resulted in an expense of €1,217 thousand that is recognized in functional costs. The property, plant and equipment are allocated to the Paint and Final Assembly Systems, Application Technology and Clean Technology Systems divisions.

3.64 — ASSETS HELD FOR SALE

€ k	Dec. 31, 2020	Dec. 31, 2019
Land and buildings	7,191	–
Other property, plant and equipment	59	–
Total assets	**7,250**	**–**

The property, plant and equipment at the location in Ochtrup, Germany, were sold on January 19, 2021, with sales proceeds and income amounting to €2,500 thousand and €769 thousand, respectively. The property, plant and equipment were allocated to the Paint and Final Assembly Systems division.

Notes to the consolidated statement of financial position: equity and liabilities

27. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

Subscribed capital (Dürr AG)

As of December 31, 2020, the capital stock of Dürr AG came to €177,157 thousand (prior period: €177,157 thousand) and was made up of 69,202,080 no-par value shares (prior period: 69,202,080 no-par value shares). Each share represents €2.56 of the subscribed capital and is made out to the bearer. The shares issued were fully paid in.

Authorizations

Authorization for acquisition and sale of treasury shares (Dürr AG)

The annual general meeting on May 4, 2016, authorized the Board of Management to purchase no-par value bearer shares once or several times until May 3, 2021. The purchases, whether for one or more purposes, may be transacted through the stock exchange or through a public tender addressed to all shareholders. The number of shares purchased in this way may not at any time exceed 10 % of the capital stock. The authorization may not be used for the purpose of trading with treasury shares. In the event of the shares being purchased through the stock exchange or by public offer, the consideration for the purchase of the shares is not allowed to exceed or fall below the arithmetic mean of the price in the closing auction on the XETRA trading system by more than 10 % during the last ten trading days before the contractual transaction is concluded. If the acquisition takes place through a public invitation addressed to all shareholders for the submission of bids, the Company sets a range of purchase prices per share. The 10 % threshold described above also applies here. The Board of Management, with the consent of the Supervisory Board, was also authorized to sell treasury shares under certain circumstances. In connection with this authorization, the Board of Management was also granted the option, under certain circumstances, to exclude the shareholders' put option and subscription right.

The authorization has not been exercised to date.

Authorized capital (Dürr AG)

The annual general meeting on May 10, 2019, authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times in exchange for cash contributions and/or contributions in kind in the period up to May 9, 2024, by up to €53,147 thousand by issuing up to 20,760,624 no-par value shares made out to the bearer. The Board of Management was also authorized to preclude, subject to the approval of the Supervisory Board, the subscription right of the shareholders in certain cases.

Likewise, Dürr AG has not exercised the authorization to date.

Conditional capital (Dürr AG)

The annual general meeting on May 10, 2019, authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until May 9, 2024, bearer or registered convertible bonds, warrant-linked bonds or income bonds or combinations of these instruments with or without fixed maturity. For this purpose, the subscribed capital was conditionally increased by a maximum of €17,716 thousand by issue of up to 6,920,208 new no-par value shares made out to the bearer. The Board of Management was also authorized, with the approval of the Supervisory Board, to preclude the subscription right of shareholders under certain circumstances and with defined limits.

On the basis of the authorization for the contingent capital increase, on September 24, 2020, Dürr AG issued a convertible bond with a nominal amount of €150,000 thousand. For further information please refer to → note 32 as well as to the arrangements in the event of a change in control following a takeover bid in the "Corporate governance" section in the combined management report.

Capital reserve (Dürr AG)

The capital reserve primarily includes share premiums and amounted to €74,428 thousand as of December 31, 2020 (prior period: €67,318 thousand). The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG.

With the convertible bond being placed on September 24, 2020, the conversion option was classified as an equity instrument in accordance with IAS 32 and recognized directly in equity. After deducting transaction costs, this equity instrument amounts to a total of €10,043 thousand. Pursuant to IAS 12, deferred tax assets resulting from temporary differences between the liability components of the convertible bond of €2,933 thousand were recognized and offset against the equity components.

Revenue reserves
Revenue reserves contain the results generated in the past by the entities included in the consolidated financial statements that have not been distributed. They totaled €734,455 thousand as of December 31, 2020 (prior period: €820,820 thousand). The change is chiefly owing to the addition of the result for the year, the recognition and measurement of options allocable to non-controlling interests, the increase in the shareholding of entities previously already included in the consolidated financial statements and the distribution of the dividend for the 2019 fiscal year. In the prior period, an amount of €–9,415 thousand was attributable to the adjustment of revenue reserves in connection with the accounting pursuant to IFRS 16 “Leases”.

Restriction on distribution, transfer and withdrawal in the separate financial statements of Dürr AG (Sec. 253 (6) HGB)
Due to the legal regulations on the measurement of provisions in the separate financial statements of Dürr AG prepared in accordance with the German commercial law, there are restrictions on distribution. A difference of €740 thousand (prior period: €807 thousand) arises from the recognition of provisions according to the respective average market interest rate from the past ten reporting periods and from the recognition of provisions according to the respective average market interest rate from the past seven reporting periods; this amount is subject to a restriction on distribution.

Dividends
In accordance with the AktG, the distribution is measured based on net retained profit as reported by Dürr AG in its separate financial statements prepared in accordance with the provisions of German GAAP. In the 2020 reporting period, Dürr AG distributed a dividend to its shareholders of €0.80 per share from the net retained profit recorded in 2019 (prior period: €1.00 per share). The total amount distributed came to €55,362 thousand (prior period: €69,202 thousand). Based on the results of operations in the 2020 fiscal year, the Board of Management of Dürr AG will propose to the Supervisory Board that a dividend of €0.30 per share be distributed, corresponding to a total distribution amount of €20,761 thousand.

Earnings per share
Earnings attributable to the shareholders of Dürr Aktiengesellschaft amounted to €–15,809 thousand (prior period: €124,059 thousand). The weighted average number of shares outstanding amounted to 69,202,080 shares in the reporting period (prior period: 69,202,080 shares). This resulted in basic earnings per share of €–0.23 in the 2020 reporting period (prior period: €1.79). The issue of the convertible bond did not result in any potential dilutive effects in the 2020 reporting period. Diluted earnings per share therefore also amounted to €–0.23. In the prior period there were no matters with a potentially dilutive effect.

Disclosures on capital management
The primary objective of capital management is to support business operations, ensure a healthy capital ratio and increase business value.

The Dürr Group monitors its capital on a monthly basis using a gearing ratio, which reflects the ratio of net financial debt to equity and is defined as the ratio of net financial debt to equity and net financial debt. Pursuant to the Group’s internal policy, the ratio should not exceed 30 %. As of December 31, 2020, it amounted to 5.1 % (prior period: 8.7 %); however, it was still significantly below the threshold.

3.65 — GEARING RATIO

€ k	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	–769,195	–662,024
Time deposits and other financial receivables	–249,817	–161,792
Bond, convertible bond and Schuldschein loans	951,912	798,242
Lease liabilities	98,429	107,101
Remaining other financial liabilities	17,661	17,724
Net financial debt	**48,990**	**99,251**
Equity	908,138	1,043,386
Net financial debt	48,990	99,251
Equity and net financial debt	**957,128**	**1,142,637**
Net financial debt	48,990	99,251
Equity and net financial debt	957,128	1,142,637
Gearing ratio	**5.1 %**	**8.7 %**

28. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group’s post-employment benefits include defined contribution plans and defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, the Dürr Group pays contributions to state or private insurance institutions. Other than the subsidiary liability of the employer regarding its company pension plans, there are no other legal or constructive obligations for the Dürr Group. A claim from the subsidiary liability is currently unlikely. The contributions are recognized when they fall due as a personnel expense within the functional costs.

The post-employment benefits available to the employees of the German entities of the Dürr Group include a life insurance program in line with the respective tariff group, for which the Group recognized contributions of €937 thousand (prior period: €910 thousand) as an expense. In addition, the Group paid contributions of €45,713 thousand (prior period: €46,392 thousand) to the German statutory pension scheme, which also constitutes a defined contribution plan.

The US subsidiaries contribute to external pension funds for trade union employees. In the 2020 reporting period, pension expenses for these employees amounted to €4,553 thousand (prior period: €4,485 thousand). Payments for other defined contribution plans in other countries, including state pension systems, amounted to €8,013 thousand (prior period: €11,177 thousand).

In addition, the US subsidiaries of the Group have a "401(k)" profit-sharing plan for certain employees. Profit-sharing is based on the years of service and the employees' remuneration. The Dürr Group's contribution is discretionary and is determined annually by management. In the 2020 reporting period, expenses came to around €2,387 thousand (prior period: €2,638 thousand).

Defined benefit plans

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

Some non-pay scale employees of the German subsidiaries of the Dürr Group, including the members of the Board of Management of Dürr AG, Carl Schenck AG and HOMAG Group AG, are also offered the possibility to convert employee contributions into a benefit obligation in addition to ongoing employer contributions (pension plan of the Dürr Group). Under these plans, employees of the Dürr Group are entitled to convert certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligations, the Group has taken out employer's pension liability insurance for the life of the beneficiaries or invests to a small extent in balanced funds comprising shares and bonds. The Dürr Group has the exclusive right to the respective benefits. This therefore does not represent any significant actuarial risk or investment risk for the Dürr Group. The amount of post-employment benefits equals the benefit paid out under the employer's pension liability insurance concluded by the company, which consists of a guaranteed pension and the divisible surplus allocated by the insurance company. For the funds investment, the benefits paid out later correspond to the balance of the fund. The Dürr Group reports the benefit obligations net of assets.

At the German entities of the Dürr Group, those employees who were employed at the Schenck entities at the time of the takeover were entitled to post-employment benefits. These are based on years of service. The payments provided for by the pension plans comprise fixed amounts plus an element that is dependent on years of service.

A US entity has a pension plan covering all non-union employees at that subsidiary. This plan was closed in 2003 and the claims for active members were frozen. The amount of the future pension benefits is based on the average salaries earned and length of service before the pension entitlements were frozen in 2003.

A subsidiary in the US has an approximate 35 % share in a multi-employer plan which is maintained jointly with other non-affiliated metal-working companies. The defined benefit plan is accounted for as a defined contribution plan as it is not possible to allocate the share of obligations and plan assets to the individual member companies. The beneficiaries of the plan are members of a trade union. The contributions are calculated on the basis of the number of production hours worked by members. A temporary shortfall in capacity utilization as well as lower returns on plan assets meant there has been a deficit in the past. There was no longer a deficit from March 31, 2018. For 2020, the Group expects contributions of €1,085 thousand (prior period: €1,254 thousand) to be made to the pension plan.

Moreover, there are plans that provide for payouts when employees leave the company as well as further minor pension plans in various countries.

Post-employment benefit plan participants and risk management

Provisions for post-employment benefits are recognized for obligations from future and current post-employment benefits to eligible current and former employees as well as their surviving dependents. Pension plans vary according to local legal, tax and economic conditions and are usually based on employees' years of service as well as their remuneration. In the 2020 reporting period, there were obligations in place for 3,943 eligible persons (prior period: 3,772), thereof 3,312 active employees (prior period: 3,154), 185 former employees with vested rights (prior period: 172) as well as 446 retired employees and surviving dependents (prior period: 446).

The defined benefit plans are largely financed via provisions which have corresponding qualifying fund assets as plan assets that are offset against the obligations. The plan assets mostly exist in the form of employer's pension liability insurance policies pledged to beneficiaries.

In order to take adequate account of risks associated with post-employment benefit obligations, the Dürr Group established the Corporate Pension Committee (CPC) several years ago. This committee convenes regularly and reviews and assesses all global post-employment benefit plans within the Dürr Group. Regular participants of the CPC are the Chief Financial Officer of Dürr AG as well as the heads of the central functional areas Human Resources, Accounting & Controlling, Compensation & Benefits, Treasury and Legal.

Furthermore, to minimize the risk from pension obligations, no new defined benefit pensions have been granted in Germany for several years if their value is largely not hedged by external counter-financing. At the same time, the current pension plans are largely financed through deferred compensation.

Development of defined benefit plans

3.66 — CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€ k	Dec. 31, 2020	Dec. 31, 2019
Defined benefit obligation at the beginning of the year	140,413	125,697
Exchange difference	–1,332	446
Current service cost	4,335	3,670
Past service cost	–218	142
Interest expenses	1,718	2,438
Remeasurement of the defined benefit obligation	2,928	12,554
thereof actuarial gains and losses from changes in demographic assumptions	–6	–222
thereof actuarial gains and losses from changes in financial assumptions	2,766	12,181
thereof experience adjustments	168	595
Employee contributions	1,585	1,893
Benefits paid	–5,726	–6,956
Changes in the consolidated group	56	–
Other	19	529
Defined benefit obligation at the end of the year	**143,778**	**140,413**

3.67 — CHANGE IN PLAN ASSETS

€ k	Dec. 31, 2020	Dec. 31, 2019
Fair value of plan assets at the beginning of the year	82,430	77,205
Exchange difference	–949	333
Interest income	1,246	1,653
Income from plan assets excluding amounts contained in net interest	1,414	1,688
Employer contributions	4,331	3,884
Employee contributions	1,585	1,893
Benefits paid	–3,415	–4,377
Other	–	151
Fair value of plan assets at the end of the year	**86,642**	**82,430**
Effect of asset ceiling	–950	–930
Plan assets taking into account the asset ceiling	**85,692**	**81,500**
Funded status [1]	**58,086**	**58,913**

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.68 — FUNDED STATUS

€ k	Dec. 31, 2020	Dec. 31, 2019
Present value of funded benefit obligations	135,502	132,271
Plan assets taking into account the asset ceiling	85,692	81,500
Defined benefit obligation in excess of plan assets	**49,810**	**50,771**
Present value of non-funded benefit obligations	8,276	8,142
Funded status [1]	**58,086**	**58,913**

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.69 — ITEMS OF THE STATEMENT OF FINANCIAL POSITION FOR ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

€ k	Dec. 31, 2020	Dec. 31, 2019
Provisions for post-employment benefit obligations	58,095	58,962
Other assets	9	49
Funded status [1]	**58,086**	**58,913**

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

At the end of the reporting period, the fair value of plan assets breaks down as shown in → **table 3.70**.

3.70 — COMPOSITION OF PLAN ASSETS

€ k	Dec. 31, 2020	Dec. 31, 2019
Employer's pension liability insurance	67,460	64,515
Fixed-interest securities	14,393	13,822
Shares	2,905	2,147
Real estate	1,627	1,729
Other	257	217
Plan assets	**86,642**	**82,430**

The plan assets of the German entities mainly consist of employer's pension liability insurance policies which guarantee the amount. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities. When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest income on the other. This leads to slightly greater volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term growth in plan assets should be achieved primarily by means of fixed-interest securities which will also secure ongoing interest income. Equity instruments also make up a share of the investment portfolio.

With the exception of shares, fixed-interest securities and real estate, there are no listed prices on an active market. Where employer's pension liability insurance belongs to plan assets as qualifying insurance policies and exactly match the benefits, the present value of the covered obligations applies as their fair value. Otherwise, the fair value of plan assets is generally calculated on the basis of the market expectations prevailing on that date.

The expenses for defined benefit plans recognized through profit or loss comprise the items listed in ⟶ table 3.71.

3.71 — SHARE OF EXPENSES FROM DEFINED BENEFIT PLANS RECOGNIZED THROUGH PROFIT OR LOSS

€ k	2020	2019
Current service cost	4,335	3,670
Past service cost	–218	142
Net interest expenses	487	825
Other	19	23
Net expenses from defined pension plans	**4,623**	**4,660**

The asset ceiling resulted in a change of €–20 thousand (prior period: €638 thousand) in total comprehensive income. Of this amount, €–26 thousand (prior period: €689 thousand) was recognized directly in equity and €6 thousand (prior period: €–51 thousand) through profit or loss.

The reporting date for the measurement of projected benefit obligations and plan assets is December 31; the measurement date for expenses from defined benefit plans is January 1. In addition to the assumptions on life expectancy based on the Heubeck 2018 G biometric mortality tables for the German Group companies, the rates in ⟶ table 3.72 were used as a basis for calculating the defined benefit obligations and the fair value of the plan assets.

3.72 — AVERAGE RATES USED FOR CALCULATING OBLIGATIONS

	2020		2019	
%	Germany	Rest of world	Germany	Rest of world
Discount rate	0.60	1.17	0.70	1.51
Long-term salary increases	3.00	2.37	3.00	1.69

The rate of pension progression, which has a significant impact on the defined benefit obligations as of the end of the reporting period in Germany, came to 1.75 % in the 2020 reporting period (prior period: 1.75 %). The average rates are calculated on the basis of the weighted average of the defined benefit obligations.

The average duration of the post-employment benefit obligations as of the end of the 2020 reporting period was 9 years (prior period: 10 years), the average duration of the post-employment benefit obligations from the Dürr Group's pension plan was 18 years (prior period: 18 years). For the 2021 reporting period, employers are expected to make contributions of €3,740 thousand to the plan assets.

⟶ Table 3.73 gives an overview of the payments for defined benefit plans expected in the coming reporting periods.

Sensitivity analyses

The material actuarial assumptions for the valuation of post-employment benefit obligations are the discount rate and, for obligations in Germany, also the rate of pension progression. By hedging the significant risks with employer's pension liability insurance policies, the longevity risk for the obligations in Germany plays only a minor role.

3.73 — EXPECTED PAYMENTS FROM THE DEFINED BENEFIT PLANS

€ k	2021	2022	2023	2024	2025	2026 to 2030	Total
Expected payments from the defined benefit plans	5,920	5,994	5,865	5,827	5,802	29,583	**58,991**

→ Table 3.74 shows how the defined benefit obligation is influenced by potential changes to the respective assumptions using sensitivity analyses.

3.74 — SENSITIVITIES – CHANGES IN THE DEFINED BENEFIT OBLIGATION

€ k	Dec. 31, 2020	Dec. 31, 2019
DISCOUNT RATE		
+1 percentage point	–12,285	–12,556
–1 percentage point	15,304	15,676
RATE OF PENSION PROGRESSION		
+0.25 percentage points	2,272	2,366
–0.25 percentage points	–2,170	–2,260

There are dependencies between the actuarial assumptions. The sensitivity analyses do not take these dependencies into account.

29. OTHER PROVISIONS

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 52 % (prior period: 66 %) of the contract-related provisions relate to provisions for warranties and after-sales expenses. The calculation of the contract-related provisions is largely based on after-sales expenses that are still expected as well as on statutory or contractual warranty claims and was performed using past experience and taking current circumstances into account. The personnel provisions mainly contain obligations for the phased retirement scheme and provisions for long-service awards. These provisions are derived from actuarial calculation methods. Sundry provisions relate to various identifiable specific risks and uncertain liabilities for which there is uncertainty as to the date and future costs and for which the amount can be estimated reliably. As of December 31, 2020, other provisions largely contained provisions for restructuring and optimization measures of €62,398 thousand (prior period: €34,101 thousand). The provisions for optimization measures recognized in the prior period in the Woodworking Machinery and Systems (HOMAG Group) division were only partly utilized in the 2020 reporting period as the measures have not yet been completed. Due to an adjustment made to the optimization program in the 2020 reporting period, there was a partial reversal of provisions of €1,867 thousand. → Table 3.76 shows the provisions for restructuring per division. The restructuring measures largely contain capacity adjustments, site closures and relocations as well as the optimization program of the Woodworking Machinery and Systems division.

3.75 — OTHER PROVISIONS – CHANGES

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2020	**99,328**	**29,817**	**41,252**
Changes in the consolidated group	5,005	–	8
Exchange difference	–4,402	–247	–165
Utilization	–32,419	–8,415	–18,414
Reversal	–22,324	–920	–2,230
Additions	69,768	11,720	48,224
Reclassifications	–1,123	760	–1,535
As of December 31, 2020	**113,833**	**32,715**	**67,140**

3.76 — PROVISIONS FOR RESTRUCTURING BY DIVISION

€ k	Dec. 31, 2020	Dec. 31, 2019
Paint and Final Assembly Systems	23,474	–
Application Technology	18,315	–
Clean Technology Systems	1,656	–
Measuring and Process Systems	1,087	431
Woodworking Machinery and Systems	17,866	33,670
Total restructuring provisions	**62,398**	**34,101**

3.77 — OTHER PROVISIONS – EXPECTED UTILIZATION

	Dec. 31, 2020			Dec. 31, 2019		
€ k	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	113,833	113,105	728	99,328	97,596	1,732
Personnel provisions	32,715	13,781	18,934	29,817	12,152	17,665
Sundry provisions	67,140	65,429	1,711	41,252	38,310	2,942
Total provisions	**213,688**	**192,315**	**21,373**	**170,397**	**148,058**	**22,339**

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years.

30. CONTRACT LIABILITIES

Contract liabilities constitute obligations for the Dürr Group to transfer goods or services to a customer for which the customer has already paid or to which the customer has a claim. This relates to contracts for which customer payments received or due exceed the project status. Regular progress payments are typically agreed in the mechanical and plant engineering sector based on the progress of the project. In most cases a customer payment is already due before work commences. This results in the customer having to prefinance the project in the ordinary course of business. During the project, further payments are invoiced based on project milestones reached. In the 2020 reporting period, there were no notable deviations from this typical relationship between performance and customer payment. This is reflected in the disclosure of the balance as a contract liability.

31. TRADE PAYABLES

3.78 — TRADE PAYABLES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Trade payables	377,444	377,072	372	372	–
(2019)	(478,327)	(478,087)	(240)	(240)	(–)
Trade payables due to entities accounted for using the equity method	84	84	–	–	–
(2019)	(684)	(684)	(–)	(–)	(–)
December 31, 2020	**377,528**	**377,156**	**372**	**372**	**–**
(December 31, 2019)	(479,011)	(478,771)	(240)	(240)	(–)

32. BOND, CONVERTIBLE BOND, SCHULDSCHEIN LOANS AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown in this item.

Remaining other financial liabilities largely contain loans from employees of German HOMAG Group entities and liabilities for deferred interest for the bond, convertible bond and Schuldschein loans.

3.79 — FINANCIAL LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Bond	299,821	299,821	–	–	–
(2019)	(299,186)	(–)	(299,186)	(299,186)	(–)
Convertible bond	137,943	–	137,943	–	137,943
(2019)	(–)	(–)	(–)	(–)	(–)
Schuldschein loans	514,148	49,923	464,225	256,557	207,668
(2019)	(499,056)	(–)	(499,056)	(274,489)	(224,567)
Lease liabilities	98,429	26,747	71,682	51,733	19,949
(2019)	(107,101)	(27,554)	(79,547)	(54,196)	(25,351)
Remaining other financial liabilities	17,661	17,661	–	–	–
(2019)	(17,724)	(10,491)	(7,233)	(7,233)	(–)
December 31, 2020	**1,068,002**	**394,152**	**673,850**	**308,290**	**365,560**
(December 31, 2019)	(923,067)	(38,045)	(885,022)	(635,104)	(249,918)

Financing of the Group

Bond

In March 2014, Dürr AG issued an unsubordinated bond of €300,000 thousand with a coupon of 2.875 % and an issue price of 99.221 %. It was paid out to the Dürr Group and first listed on April 3, 2014. The bond has a term of seven years and cannot be terminated prematurely. It was issued to institutional and private investors outside of the US. The bond has not been rated.

Convertible bond

On September 24, 2020, Dürr AG issued an unsubordinated, unsecured convertible bond with a term until January 15, 2026, at a nominal value of €150,000 thousand. It is divided into denominations of €100 thousand each. The convertible bond can be converted into 4,383,401 new no-par value bearer shares of Dürr AG.

The convertible bond was issued at its full nominal amount and bears interest with an annual payable coupon of 0.75 % p.a. The conversion price is €34.22, which corresponds to a premium of 40 % over the reference share price of €24.44277. The convertible bond was offered exclusively to institutional investors for purchase. The offer was not valid for the USA, Canada, Japan and Australia as well as other jurisdictions in which the offer or sale of the convertible bond is prohibited by law.

Dürr AG is authorized to repay the convertible bond at its nominal value, plus accrued interest, in accordance with the conditions of the convertible bond at any time or after February 5, 2024, if the share price over a particular period of time reaches or exceeds 130 % of the conversion price at that time or if 15 % or less of the total nominal value of the convertible bond is outstanding.

Schuldschein loans

On December 14, 2020, Dürr AG placed its third sustainability Schuldschein loan of €200,000 thousand. Dürr AG received the loan amount on January 14, 2021, after deducting transaction costs. As with the two previously issued Schuldschein loans, the interest is pegged to the sustainability rating of the Dürr Group, prepared by EcoVadis. This means that the interest rate rises or falls depending on whether the sustainability rating of the Dürr Group improves or deteriorates. The average interest rate stands at 2.0 % p.a. The Schuldschein loan is split into tranches with terms of up to 10 years, with an average term of 6.25 years. The loan serves to refinance the corporate bond of €300,000 thousand, which is repayable in April 2021.

On March 26, 2020, Dürr AG placed an additional sustainability Schuldschein loan of €115,000 thousand. The payment of interest for this Schuldschein loan is again pegged to the sustainability rating of the Dürr Group. The average interest rate stands at 0.9 % p.a. Dürr AG received the total volume of €115,000 thousand on April 6, 2020; the loan is split into tranches with terms of five, seven and ten years.

On June 19, 2019, Dürr AG placed a sustainability Schuldschein loan of €200,000 thousand. The payment of interest is partly tied to the sustainability rating of the Dürr Group. The average interest rate stands at 0.84 % p.a. Dürr AG received the funds on July 4, 2019; the loan is split into tranches with terms of five, six, eight and ten years.

On March 24, 2016, Dürr AG issued a Schuldschein loan of €300,000 thousand. The funds were received on April 6, 2016. The total volume is split into three tranches with terms of five, seven and ten years. The average interest rate is around 1.6 % p.a. In return for taking out the Schuldschein loan in March 2020, the variable-rate tranches of €100,000 thousand of the Schuldschein loan from 2016 were prematurely redeemed in April 2020.

Syndicated loan

As part of its sustainability oriented refinancing, Dürr AG concluded a syndicated loan of €750,000 thousand on July 25, 2019, and on its effective date August 7, 2019, redeemed a syndicated loan from 2014 prematurely. The syndicated loan from 2019 is split into a cash line of €500,000 thousand and a bank guarantee of €250,000 thousand. 13 banks from Europe, Asia and the USA belong to the syndicate. BNP Paribas S.A., Commerzbank AG, Deutsche Bank AG and UniCredit Bank AG are responsible for coordinating the syndicate.

The payment of interest of the syndicated loan depends, among other things, on the sustainability rating of the Dürr Group. When the interest rate is pegged to the sustainability rating prepared by EcoVadis, the interest rate falls or rises according to certain sustainability criteria. The syndicated loan does not include any collateral on fixed and current assets. Interest on the syndicated loan is payable at the matching refinancing rate plus a variable margin.

The syndicated loan is intended for general corporate financing (cash line) and to cover other obligations from the mechanical and plant engineering vis a vis third parties (bank guarantee). The term has been agreed until July 25, 2024; however, it can be extended by up to two years with the approval of the banks.

The consortium loan facility arranged in 2014 (€250,000 thousand cash line, €215,000 thousand bank guarantee), which would have been due in 2021, was repaid by Dürr AG on August 7, 2019, without loan prepayment penalties. The syndicated loan did not include any collateral on fixed and current assets and was intended for general corporate financing. The agreed financial covenant was complied with on all the specified measurement dates. Interest on the syndicated loan was payable at the matching refinancing rate plus a variable margin.

Other loans

On May 19, 2020, Dürr AG had concluded a bilateral loan of €100,000 thousand with KfW IPEX-Bank GmbH bearing interest of 1.13 % p.a. The loan agreement had a term until May 19, 2021; however, the loan was repaid prematurely on November 20, 2020.

Credit lines and bank guarantees

To increase its financial flexibility, Dürr AG agreed on an additional credit facility of €350,000 thousand with a syndicate of banks on May 8, 2020. This secured any refinancing pending in 2021. The credit facility had a term of one year; Dürr AG also had the possibility of extending the agreement twice by six months at a time. The syndicate of banks includes BNP Paribas S.A., Commerzbank AG, Deutsche Bank Luxembourg S.A., Landesbank Baden-Württemberg, Banco Santander, S.A. and UniCredit Bank AG. By issuing the convertible bond and the sustainability Schuldschein loan, the credit facility was initially reduced and then canceled completely in December 2020.

At the end of the reporting period, €137,193 thousand (prior period: €174,360 thousand) of the bank guarantee of Dürr AG's syndicated loan had been utilized. The cash lines of the syndicated loans of Dürr AG were not utilized in the 2020 and 2019 reporting periods. In addition, Dürr AG has bilateral credit lines of €6,376 thousand in place (usable for working capital or bank guarantees), bank guarantee facilities of €839,971 thousand as well as smaller credit lines with various banks and insurance firms. The credit lines and bank guarantee facilities are not bound to any particular purpose and serve to generally fund the Group as well as project management.

3.80 — CREDIT LINES AND BANK GUARANTEES

€ k	Dec. 31, 2020	Dec. 31, 2019
Total amount of credit lines/bank guarantees available	1,601,240	1,474,900
Total amount of credit lines/bank guarantees utilized	473,086	476,728
thereof due within one year	252,089	237,658
thereof due in more than one year	220,997	239,070

Lease liabilities

These leases mainly have terms of between one year and ten years, in some cases the contracts have a term of more than 15 years. Potential cash outflows of €30,625 thousand (prior period: €32,573 thousand) are not included in the lease liabilities as it is not reasonably certain that the extension options will be exercised. Variable lease payments of €301 thousand (prior period: €242 thousand) were recognized through profit or loss. To a small extent, the contracts contain price adjustment clauses based on consumer price indices. Any potential adjustments in lease payments arising as a result are not taken into account in the lease liability.

33. SUNDRY FINANCIAL LIABILITIES

3.81 — SUNDRY FINANCIAL LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Derivative financial liabilities	2,727	2,711	16	16	–
(2019)	(3,744)	(3,680)	(64)	(64)	(–)
Obligations to employees	82,828	82,677	151	151	–
(2019)	(90,291)	(88,450)	(1,841)	(1,841)	(–)
Obligations from options	226,653	211,405	15,248	15,248	–
(2019)	(210,884)	(207,834)	(3,050)	(3,050)	(–)
Liabilities from purchase price installments	28,961	23,761	5,200	5,200	–
(2019)	(552)	(552)	(–)	(–)	(–)
Remaining sundry financial liabilities	43,070	41,736	1,334	1,334	–
(2019)	(20,709)	(19,374)	(1,335)	(1,335)	(–)
December 31, 2020	**384,239**	**362,290**	**21,949**	**21,949**	**–**
(December 31, 2019)	(326,180)	(319,890)	(6,290)	(6,290)	(–)

Obligations from options of €177,716 thousand (prior period: €176,085 thousand) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlements. The options also relate to non-controlling interests of €45,508 thousand (prior period: €33,189 thousand).

Of the liabilities from purchase price installments, an amount of €28,409 thousand relates to the deferred consideration and contingent purchase price installments from the acquisition of the Homag China Golden Field Group. Further information on the purchase price installments can be found in → note 18.

34. OTHER LIABILITIES

3.82 — OTHER LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Tax liabilities not relating to income taxes	39,644	39,629	15	15	–
(2019)	(38,454)	(38,449)	(5)	(5)	(–)
Liabilities relating to social security	9,539	9,539	–	–	–
(2019)	(8,118)	(8,118)	(–)	(–)	(–)
Obligations to employees	55,735	55,735	–	–	–
(2019)	(64,102)	(63,922)	(180)	(180)	(–)
Remaining other liabilities	6,479	6,415	64	64	–
(2019)	(8,355)	(8,286)	(69)	(69)	(–)
December 31, 2020	**111,397**	**111,318**	**79**	**79**	**–**
(December 31, 2019)	(119,029)	(118,775)	(254)	(254)	(–)

35. SHARE-BASED PAYMENT

There is a share-based long-term incentive (LTI) program in place for the members of the Board of Management of Dürr AG and top level management of the Dürr Group. The program takes the form of tranches that are issued every year and have a term of three years each. The payments will be made upon expiration of the contractual term in each case after the following annual general meeting.

Under the program, the beneficiaries receive an individually fixed number of phantom Dürr AG shares (performance share units). As of December 31, 2020, 229,390 phantom shares had been issued (prior period: 239,250 shares). At the end of the term of the incentive program, the benefits accrued are settled in cash. The settlement is calculated on the number of phantom shares, the rounded share price on the closing date (share price multiplier) and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. There is a cap for the EBIT multiplier. Payment is capped individually in each case.

In the 2020 reporting period, income of €1,814 thousand (prior period: expenses of €1,722 thousand) were recorded in administrative expenses for the LTI program. The amounts reported under sundry financial liabilities as of December 31, 2020, came to €293 thousand (prior period: €4,392 thousand).

36. OTHER NOTES ON FINANCIAL INSTRUMENTS

Measurement of financial instruments by category

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IFRS 9, classification pursuant to IFRS 7 and the carrying amounts of financial instruments are presented in ⟶ table 3.83.

3.83 — MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2020	Amount recognized at: Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
ASSETS				
Cash and cash equivalents	769,195	769,195	–	–
Trade receivables due from third parties	510,195	510,195	–	–
Trade receivables due from entities accounted for using the equity method	46	46	–	–
Other financial assets	15,783	–	4,242	11,541
Sundry financial assets	307,431	287,924	–	19,507
Derivative financial assets				
Derivatives not used for hedging	1,224	–	–	1,224
Derivatives used for hedging	5,848	–	4,505	1,343
LIABILITIES				
Trade payables	377,528	377,528	–	–
Bond	299,821	299,821	–	–
Convertible bond	137,943	137,943	–	–
Schuldschein loans	514,148	514,148	–	–
Lease liabilities[1]	98,429	98,429	–	–
Remaining other financial liabilities	17,661	17,661	–	–
Obligations from options	226,653	177,716	45,508	3,429
Liabilities from purchase price installments	28,961	–	–	28,961
Other sundry financial liabilities	125,898	125,898	–	–
Derivative financial liabilities				
Derivatives not used for hedging	424	–	–	424
Derivatives used for hedging	2,303	–	1,855	448
THEREOF COMBINED BY MEASUREMENT CATEGORY IN ACCORDANCE WITH IFRS 9				
Financial assets measured at amortized cost	1,567,360	1,567,360	–	–
Investments in equity instruments measured at fair value through other comprehensive income	4,242	–	4,242	–
Financial assets measured at fair value through profit or loss	1,224	–	–	1,224
Investments in equity instruments measured at fair value through profit or loss	31,048	–	–	31,048
Financial liabilities measured at amortized cost	1,650,715	1,650,715	–	–
Financial liabilities measured at fair value	78,322	–	45,508	32,814

[1] Lease liabilities are accounted for pursuant to IFRS 16 and are therefore not included in any of the above categories pursuant to IFRS 9.

3.83 — MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

		Amount recognized at		
€ k	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
ASSETS				
Cash and cash equivalents	662,024	662,024	–	–
Trade receivables due from third parties	582,323	582,323	–	–
Trade receivables due from entities accounted for using the equity method	3,754	3,754	–	–
Other financial assets	12,653	–	3,306	9,347
Sundry financial assets	209,340	189,833	–	19,507
Derivative financial assets				
Derivatives not used for hedging	630	–	–	630
Derivatives used for hedging	3,177	–	2,820	357
LIABILITIES				
Trade payables	479,011	479,011	–	–
Bond	299,186	299,186	–	–
Schuldschein loans	499,056	499,056	–	–
Lease liabilities[1]	107,101	107,101	–	–
Remaining other financial liabilities	17,724	17,724	–	–
Obligations from options	210,884	176,085	33,189	1,610
Liabilities from purchase price installments	552	–	–	552
Other sundry financial liabilities	111,000	111,000	–	–
Derivative financial liabilities				
Derivatives not used for hedging	1,059	–	–	1,059
Derivatives used for hedging	2,685	–	2,141	544
THEREOF COMBINED BY MEASUREMENT CATEGORY IN ACCORDANCE WITH IFRS 9				
Financial assets measured at amortized cost	1,437,934	1,437,934	–	–
Investments in equity instruments measured at fair value through other comprehensive income	3,306	–	3,306	–
Financial assets measured at fair value through profit or loss	630	–	–	630
Investments in equity instruments measured at fair value through profit or loss	28,854	–	–	28,854
Financial liabilities measured at amortized cost	1,582,062	1,582,062	–	–
Financial liabilities measured at fair value	36,410	–	33,189	3,221

[1] Lease liabilities are accounted for pursuant to IFRS 16 and are therefore not included in any of the above categories pursuant to IFRS 9.

In order to make the fair value measurement of financial instruments comparable, a fair value hierarchy has been established in the IFRSs with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs that are not based on observable market data (level 3).

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

3.84 — ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

		Fair value hierarchy		
€ k	Dec. 31, 2020	Level 1	Level 2	Level 3
ASSETS AT FAIR VALUE – NOT THROUGH PROFIT OR LOSS				
Other financial assets	4,242	–	–	4,242
Derivatives used for hedging	4,505	–	4,505	–
ASSETS AT FAIR VALUE – THROUGH PROFIT OR LOSS				
Other financial assets	11,541	–	–	11,541
Sundry financial assets	19,507	–	–	19,507
Derivatives not used for hedging	1,224	–	1,224	–
Derivatives used for hedging	1,343	–	1,343	–
LIABILITIES AT FAIR VALUE – NOT THROUGH PROFIT OR LOSS				
Obligations from options	45,508	–	–	45,508
Derivatives used for hedging	1,855	–	1,855	–
LIABILITIES AT FAIR VALUE – THROUGH PROFIT OR LOSS				
Obligations from options	3,429	–	–	3,429
Liabilities from purchase price installments	28,961	–	–	28,961
Derivatives not used for hedging	424	–	424	–
Derivatives used for hedging	448	–	448	–

		Fair value hierarchy		
€ k	Dec. 31, 2019	Level 1	Level 2	Level 3
ASSETS AT FAIR VALUE – NOT THROUGH PROFIT OR LOSS				
Other financial assets	3,306	–	–	3,306
Derivatives used for hedging	2,820	–	2,820	–
ASSETS AT FAIR VALUE – THROUGH PROFIT OR LOSS				
Other financial assets	9,347	–	–	9,347
Sundry financial assets	19,507	–	–	19,507
Derivatives not used for hedging	630	–	630	–
Derivatives used for hedging	357	–	357	–
LIABILITIES AT FAIR VALUE – NOT THROUGH PROFIT OR LOSS				
Obligations from options	33,189	–	–	33,189
Derivatives used for hedging	2,141	–	2,141	–
LIABILITIES AT FAIR VALUE – THROUGH PROFIT OR LOSS				
Obligations from options	1,610	–	–	1,610
Liabilities from purchase price installments	552	–	–	552
Derivatives not used for hedging	1,059	–	1,059	–
Derivatives used for hedging	544	–	544	–

As of the end of each reporting period, an assessment is made as to whether there were reclassifications between the different hierarchy levels or measurement categories. No reclassifications were made between the fair value hierarchy levels or measurement categories in the 2020 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2020, gave rise to the following total gains and losses:

3.85 — TOTAL GAINS AND LOSSES ON ASSETS

€ k	2020	2019
RECOGNIZED THROUGH PROFIT OR LOSS		
Investments in equity instruments measured at fair value through profit or loss	2,194	1,467
Derivative financial instruments	157	2,507
RECOGNIZED IN EQUITY		
Derivative financial instruments	452	1,246

3.86 — TOTAL GAINS AND LOSSES ON LIABILITIES

€ k	2020	2019
RECOGNIZED THROUGH PROFIT OR LOSS		
Liabilities from purchase price installments	–205	50
Obligations from options	–1,819	–1,040
Derivative financial instruments	–79	–2,600
RECOGNIZED IN EQUITY		
Obligations from options	–3,674	4,050
Derivative financial instruments	–264	–568

3.87 — DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY OF ASSETS

€ k	2020	2019
As of January 1	**32,160**	**29,693**
Exchange difference	–	–
Additions	936	1,000
Disposals	–	–
Change in fair value	2,194	1,467
As of December 31	**35,290**	**32,160**

The changes in the fair value of the assets reported in level 3 were reported in the investment result through profit or loss.

3.88 — DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY OF LIABILITIES

€ k	2020	2019
As of January 1	**35,351**	**47,341**
Exchange difference	–882	–
Additions	47,271	–
Disposals	–9,540	–8,930
Change in fair value	5,698	–3,060
As of December 31	**77,898**	**35,351**

The changes in the fair value of the liabilities reported in level 3 of €2,024 thousand (prior period: €990 thousand) were reported through profit or loss; the remaining amount of €3,674 thousand (prior period: €–4,050 thousand) relates to changes reported through other comprehensive income.

Valuation techniques

The fair value of the derivative financial assets and liabilities allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 "Fair Value Measurement", both the counterparty credit risk and own risk of default have been taken into account during measurement. Input factors to take into account for the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institution involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by diversifying the portfolio and selecting the counterparties carefully. To calculate its own risk of default, the Dürr Group uses information received from credit institutions and insurance companies to derive a synthetic CDS for the Group.

The fair value of the options, contingent purchase price installments and other financial assets allocated to level 3 in the fair value hierarchy is calculated based on contractual arrangements or internal data. This primarily includes historical results, accounting data and forward-looking planning data of each company on which the amount of the financial liabilities depends. The fair value of financial assets is derived from contractual arrangements of a selling price and a fixed interest component. The assumptions are regularly reviewed and adjusted if necessary. If applicable, unwinding effects resulting from a convergence with the maturity date are also included in the valuation.

Sensitivity level 3

The fair values of investments in equity instruments, contingent purchase price installments and options allocated to the level 3 in the fair value hierarchy are subject to the fluctuations described below in the event of an assumed change in input parameters. → Table 3.89

The fair value of ADAMOS GmbH is primarily based on the free cash flows expected for the coming years.

The option for the acquisition of the remaining shares in HOMAG eSolution GmbH was exercised in the 2020 reporting period.

The measurement of the option for the acquisition of further shares in System TM A/S is based on the business value, which largely relates to a weighted EBIT multiplier for the three years before the option is exercised.

The calculation of the fair value of Parker Engineering Co., Ltd. is largely based on estimates by management on the development of the future free cash flows of the company. The value of the related put option is based on the company's pro rata equity and would fluctuate up or down in the event of an assumed change in the future free cash flows.

The measurement of the option for the acquisition of the remaining shares in Techno-Step GmbH relates mainly to the expected business value, which is based on an EBIT multiplier and the assumption that the option will most probably be exercised by 2022.

In connection with the sale of the Cleaning and Surface Processing business activity in 2017, the Dürr Group received a 15 % investment in the holding company SBS Ecoclean GmbH with registered offices in Stuttgart, Germany. The buyer, Shenyang Blue Silver Industry Automation Equipment Co., exercised the option to acquire the remaining 15 % of the investment in SBS Ecoclean GmbH from the Dürr Group. For calculating the fair value of the 15 % investment in SBS Ecoclean GmbH, the Group does not currently expect any performance-related contractual clauses that may have a positive impact on the value to apply.

The fair value of the contingent purchase price components of the Homag China Golden Field Group is based on the sales revenues and earnings of the group for the 2020 and 2021 reporting periods. Further information on the contingent purchase price installments can be found in → note 18.

From investments held in the portfolio, dividends of €111 thousand (prior period: €132 thousand) were recognized in the 2020 reporting period.

Fair values of financial instruments carried at amortized cost

→ Table 3.90 shows the fair value of the financial assets and liabilities carried at cost or amortized cost. The fair value of financial instruments not carried at amortized cost approximates their carrying amount.

3.89 — FAIR VALUES OF INVESTMENTS IN EQUITY INSTRUMENTS, CONTINGENT PURCHASE PRICE INSTALLMENTS AND OPTIONS

	Dec. 31, 2020			Dec. 31, 2019		
	Carrying amount	Sensitivity analysis		Carrying amount	Sensitivity analysis	
€ k		+10 %	–10 %		+10 %	–10 %
ADAMOS GmbH	3,936	4,282	3,612	3,000	3,215	2,652
HOMAG eSolution GmbH – option	–	–	–	1,440	1,297	1,584
Parker Engineering Co., Ltd.	11,541	12,438	10,645	9,347	10,032	8,661
Parker Engineering Co., Ltd. – option	3,429	4,325	2,533	1,610	2,296	924
SBS Ecoclean GmbH	19,507	19,507	19,507	19,507	19,507	19,507
System TM A/S – option	7,874	8,496	7,251	–	–	–
Techno-Step GmbH – option	3,945	4,034	3,856	–	–	–
Homag China Golden Field Group	9,900	10,395	6,845	–	–	–

3.90 — FAIR VALUES OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

	Dec. 31, 2020		Dec. 31, 2019	
€ k	Fair value	Carrying amount	Fair value	Carrying amount
ASSETS				
Cash and cash equivalents	769,195	769,195	662,024	662,024
Trade receivables due from third parties	510,195	510,195	582,323	582,323
Trade receivables due from entities accounted for using the equity method	46	46	3,754	3,754
Sundry financial assets	287,924	287,924	189,833	189,833
LIABILITIES				
Trade payables	377,528	377,528	479,011	479,011
Bond	297,903	299,821	308,820	299,186
Convertible bond	174,375	137,943	–	–
Schuldschein loans	500,836	514,148	510,048	499,056
Remaining other financial liabilities	17,661	17,661	17,724	17,724
Obligations from options	178,697	177,716	182,531	176,085
Other sundry financial liabilities	125,898	125,898	111,000	111,000
THEREOF COMBINED BY MEASUREMENT CATEGORY IN ACCORDANCE WITH IFRS 9				
Financial assets measured at amortized cost	1,567,360	1,567,360	1,437,934	1,437,934
Financial liabilities measured at amortized cost	1,672,898	1,650,715	1,609,134	1,582,062

Cash and cash equivalents, trade receivables, sundry financial assets, trade payables as well as other sundry financial liabilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with comparable due date and credit rating. With the exception of the bond, convertible bond, Schuldschein loans and obligations from options, the fair value of liabilities approximates the carrying amount.

The fair value of the bond and the convertible bond (fair value hierarchy level 1) is calculated by multiplying the nominal value with the quoted price at the end of the reporting period. As of December 31, 2020, the bond was quoted at 99.30 % (prior period: 102.94 %), which is equal to a market value of €297,903 thousand (prior period: €308,820 thousand). As of the reporting date, the convertible bond was quoted at 116.25 % (prior period: not available), which is equal to a market value of €174,375 thousand. The fair value of the Schuldschein loans (fair value hierarchy level 2) is determined by discounting the cash flows as of the measurement date with discount rates with matching terms.

The obligations from options measured at amortized cost (level 3 in the fair value hierarchy) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlements. The sundry financial liabilities are recognized through profit or loss in the subsequent measurement. The expected term of the arbitration proceedings as well as the expected amount of the compensation payment and cash settlement determine the measurement of the option. Due to an initial ruling of the Stuttgart Regional Court, which is not yet legally binding, the expected compensation payment was raised from €1.01 to €1.03 (net) and the expected cash settlement from €31.56 to €31.58. Compared to expectations in the prior period, the term of the arbitration proceedings was extended by one year. The fair value is determined using a net present value model based on the cash settlement including compensation payment as well as the legal minimum interest rate and a discount rate with a matching term. The difference between the fair value and the carrying amount is due to the fact that the fair value takes into account changes in the actual interest rate environment, while the discount rate used for measurement at amortized cost remains mostly unchanged over the term.

Net gains and losses by measurement category

3.91 — NET GAINS AND LOSSES BY MEASUREMENT CATEGORY 2020

€ k	From interest	From subsequent measurement			From disposals	**Net gain or loss**
		At fair value	Currency translation	Valuation allowance and impairment		
Financial assets measured at amortized cost	4,125	–	–347	–6,170	–1,157	–3,549
Investments in equity instruments measured at fair value through profit or loss	–	2,194	–	–	–	2,194
Financial liabilities measured at amortized cost	–36,080	–	–82	–	–	–36,162
Financial liabilities measured at fair value through profit or loss	–	–1,823	–	–	6,000	4,177
Total	**–31,955**	**371**	**–429**	**–6,170**	**4,843**	**–33,340**

3.92 — NET GAINS AND LOSSES BY MEASUREMENT CATEGORY 2019

		From subsequent measurement				
€ k	From interest	At fair value	Currency translation	Valuation allowance and impairment	From disposals	**Net gain or loss**
Financial assets measured at amortized cost	4,852	–	–5,544	6,250	–645	4,913
Investments in equity instruments measured at fair value through profit or loss	–	1,467	–	–	–	1,467
Financial liabilities measured at amortized cost	–28,970	–	–79	–	–	–29,049
Financial liabilities measured at fair value through profit or loss	–	–1,903	–	–	8,930	7,027
Total	**–24,118**	**–436**	**–5,623**	**6,250**	**8,285**	**–15,642**

Financial assets which are subject to an enforceable master netting arrangement or a similar agreement

Some derivative financial instruments concluded with credit institutions are subject to certain contractual netting agreements which allow the Dürr Group, in the event of a credit institution filing for insolvency, to offset certain financial assets against certain financial liabilities.

3.93 — DERIVATIVE FINANCIAL ASSETS SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	**Dec. 31, 2020**	Dec. 31, 2019
Gross amounts of financial assets	7,072	3,807
Gross amounts of financial liabilities netted in the statement of financial position	–	–
Net amounts of financial assets reported in the statement of financial position	**7,072**	**3,807**
Associated amounts from financial instruments not netted in the statement of financial position	–1,856	–2,263
Net amount	**5,216**	**1,544**

3.94 — DERIVATIVE FINANCIAL LIABILITIES SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	**Dec. 31, 2020**	Dec. 31, 2019
Gross amounts of financial liabilities	2,727	3,744
Gross amounts of financial assets netted in the statement of financial position	–	–
Net amounts of financial liabilities reported in the statement of financial position	**2,727**	**3,744**
Associated amounts from financial instruments not netted in the statement of financial position	–1,856	–2,263
Net amount	**871**	**1,481**

Pledges

At the end of the reporting period, financial assets of €394 thousand (prior period: €2,077 thousand) were mainly pledged as collateral for cash deposits.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 2020 reporting period as a result of cash received and paid and thus provides information on the sources and use of cash and cash equivalents. The consolidated statement of cash flows prepared in accordance with IAS 7 “Statement of Cash Flows” makes a distinction between the cash flows from operating, investing and financing activities.

The cash presented in the statement of cash flows contains all of the Group’s cash and cash equivalents, i.e. cash in hand, checks and bank balances, with an original term to maturity of less than three months. The valuation allowance to be recognized on cash and cash equivalents under IFRS 9 is eliminated from non-cash income and expenses in the statement of cash flows.

Cash of €110,671 thousand (prior period: €88,702 thousand) is restricted due to the restrictions on capital transfers, mainly in some Asian countries.

Cash flow from operating activities

The cash flow from operating activities is derived indirectly from the earnings of the Group. Income tax payments are added to earnings before income taxes that are also adjusted for net interest and non-cash items. The latter includes amortization and depreciation of non-current assets, the profit from entities accounted for using the equity method and the net gain or loss on the disposal of property, plant and equipment. To derive the cash flow from operating activities, changes in the items of the statement of financial position that result from operating activities are then considered. Effects from foreign currency translation and changes in the consolidated group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows therefore do not necessarily match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows in the 2020 reporting period were, as in the prior period, not reduced by the amount contained in net interest or investment income. The cash flow from operating activities contains effects of €3,592 thousand from non-recourse financing and premature settlement of letters of credit (prior period: €22,046 thousand).

3.95 — OTHER NON-CASH INCOME AND EXPENSES

€ k	2020	2019
Result from contingent purchase price installments	–205	50
Income from assets classified as held for sale	2,368	–
Result from the adjustment of lease agreements	–1,347	–44
Result from the measurement of Homag China Golden Field Limited	1,094	–
Valuation allowance on cash and cash equivalents	35	648
Valuation allowance or impairment on financial assets and other investments	375	427
Currency translation differences and other	8,879	1,271
Total other non-cash income and expenses	**11,199**	**2,352**

Cash flow from investing activities

The cash flow from investing activities is derived from actual cash flows. This relates mainly to the cash outflows for investments made in non-current assets, investments of free cash and acquisitions. Cash outflows for the acquisition of property, plant and equipment are divided into €10,146 thousand (prior period: €21,194 thousand) for expansion investments and €18,720 thousand (prior period: €31,008 thousand) for replacement investments. Cash inflows arise from the disposal of non-current assets and interest received. Investment of free cash in time deposits result in cash outflows of €89,890 thousand (prior period: €159,382 thousand).

Accounting for leases pursuant to IFRS 16, the cash flow from investing activities only shows a cash outflow for prepayments and acquisition-related costs, because the addition of right-of-use assets is not accompanied by cash outflow, except in the abovementioned cases. The payments for leases are reported under cash flow from financing activities.

3.96 — 2020 ACQUISITIONS, NET OF CASH ACQUIRED

€ k	Purchase price settled in cash	Cash acquired	Disclosure in the statement of cash flows
Techno-Step	3,058	–1,036	2,022
System TM Group	22,455	–11,690	10,765
Homag China Golden Field Group	8,687	–31,616	–22,929
Total	**34,200**	**–44,342**	**–10,142**

The Dürr Group did not receive any cash from the asset deal in Turkey in the prior year.

Explanations on income from the disposal of assets held for sale can be found in → note 26.

Cash flow from financing activities

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and cash paid to shareholders and non-controlling interests, interest paid for the bond, Schuldschein loans and the other financing activities. It also includes the payments made to settle liabilities under the terms of leases and other non-current loans. The line item "Change in current bank liabilities and other financing activities" mainly contains cash inflows and outflows from overdraft facilities.

In April 2020, the Dürr Group received cash from the sustainability Schuldschein loan of €114,756 thousand as well as cash of €147,428 thousand in October 2020 from the convertible bond, in each case after deducting transaction costs. In April 2020, the premature replacement of the tranches with variable interest terms of €100,000 thousand of the Schuldschein loan from 2016 resulted in a cash outflow. In 2019, the Dürr Group received cash of €199,565 thousand from the sustainability Schuldschein loan after deducting transaction costs.

In the 2020 reporting period, the Dürr Group had cash outflows of €14,742 thousand from transactions with the owners of non-controlling interests. On the other hand, the Group received cash of €525 thousand from the capital increase at an entity with non-controlling interests. Furthermore, the Dürr Group acquired further shares in Homag Group AG owned by the minority shareholders with a value of €4,320 thousand (prior period: €682 thousand).

3.97 — TRANSACTIONS WITH THE OWNERS OF NON-CONTROLLING INTERESTS FROM INCREASING EQUITY INTERESTS TO 100 %

€ k	2020	2019
Weinmann Holzbausystemtechnik GmbH	4,621	–
Homag Machinery (Shanghai) Co., Ltd.	6,581	–
Homag eSolution GmbH	3,540	–
Benz GmbH Werkzeugsysteme	–	8,750
Total	**14,742**	**8,750**

Pursuant to IAS 7 "Statement of Cash Flows", the cash outflow for the additional shares is contained in the cash flow from financing activities under the item "Transactions with non-controlling interests", as the entities were already previously fully consolidated in the Dürr Group.

Interest paid includes the payment of guaranteed dividends to the outside shareholders of HOMAG Group AG, as the conclusion of the domination and profit and loss transfer agreement has led to the situation where outside shareholders according to IFRS accounting are not considered as owners of non-controlling interests. Interest payments from lease liabilities in the 2020 reporting period amounted to €2,773 thousand (prior period: €3,039 thousand).

According to IAS 7, the reconciliation in → table 3.98 presents the changes in liabilities from financing activities. These are defined as liabilities whose cash inflows and outflows are recognized in the statement of cash flows as cash flows from financing activities. This includes liabilities related to the acquisition of non-controlling interests. Assets that serve to hedge non-current liabilities are also presented here.

3.98 — CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

			With non-cash effect					
€ k	Carrying amount as of Jan. 1	With cash effect	Exchange difference	Changes in the consolidated group	Addition	Changes in fair value	Other changes	Carrying amount as of Dec. 31
Bond	299,186	–	–	–	–	–	635	299,821
(2019)	(298,597)	(–)	(–)	(–)	(–)	(–)	(589)	(299,186)
Convertible bond	–	147,428	–	–	–	–	558	147,986
(2019)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Schuldschein loans	499,056	14,756	–	–	–	–	336	514,148
(2019)	(299,361)	(199,565)	(–)	(–)	(–)	(–)	(130)	(499,056)
Lease liabilities	107,101	–29,706	–3,382	4,145	24,323	–	–4,052	98,429
(2019)	(113,839)	(–27,431)	(930)	(–)	(23,192)	(–)	(–3,429)	(107,101)
Liabilities from options	151,347	–6,877	–	–	12,185	6,913	–	163,568
(2019)	(155,848)	(–3,497)	(–)	(–)	(–)	(–1,004)	(–)	(151,347)
Liabilities from purchase price installments for non-controlling interests	427	–	–	–	–	–	–	427
(2019)	(9,177)	(–8,750)	(–)	(–)	(–)	(–)	(–)	(427)
Liabilities from accrued interest	10,070	–10,122	–	–	10,592	–	52	10,592
(2019)	(9,313)	(–9,125)	(–)	(–)	(10,122)	(–)	(–240)	(10,070)
Sundry liabilities from financing activities	7,654	–3,701	–	3,116	–	–	–	7,069
(2019)	(8,828)	(–1,178)	(4)	(–)	(–)	(–)	(–)	(7,654)
Total 2020	**1,074,841**	**111,778**	**–3,382**	**7,261**	**47,100**	**6,913**	**–2,471**	**1,242,040**
(Total 2019)	(894,963)	(149,584)	(934)	(–)	(33,314)	(–1,004)	(–2,950)	(1,074,841)

The Group has unused credit lines and bank guarantees of €1,128,154 thousand (prior period: €998,172 thousand). The credit lines and bank guarantee facilities are not bound to any particular purpose and serve to generally fund the Group as well as project management. More information on the financing of the Group can be found in → note 32. The breakdown by division of the Group of the cash flows from operating activities, investing activities and financing activities can be found in → note 38. An explanation of the statement of cash flows can be found in the section on “Financial development” in the combined management report.

Other notes

38. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The presentation of segments is designed to provide details on the results of operations, net assets and financial position of individual activities.

The reporting is based on the divisions of the Group. As of December 31, 2020, the Dürr Group consisted of the Corporate Center and five operating divisions, each with global responsibility for its products and results. Paint and Final Assembly Systems plans and builds paint systems and final assembly lines for the automotive industry. Since January 1, 2020, the business activities testing technology, assembly products and filling technology for final vehicle assembly have been part of Paint and Final Assembly Systems; these business activities were previously part of the Measuring and Process Systems division. Application Technology develops and manufactures products and systems for the automated

3.99 — SEGMENT REPORTING

€ k	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems	Total segments	Reconciliation[1]	Dürr Group
2020								
Sales revenues recognized over time from contracts with customers	1,109,159	339,082	320,423	94,217	183,598	2,046,479	–	2,046,479
Sales revenues recognized at a point in time from contracts with customers	64,613	120,340	65,759	94,608	928,347	1,273,667	15	1,273,682
Sales revenues from lease agreements	–	–	–	4,658	–	4,658	–	4,658
Sales revenues with other divisions	2,208	1,969	3,524	2,543	297	10,541	−10,541	–
Total sales revenues	**1,175,980**	**461,391**	**389,706**	**196,026**	**1,112,242**	**3,335,345**	**−10,526**	**3,324,819**
thereof from services	322,579	166,899	119,141	64,065	275,746	948,430	−5,439	942,991
EBIT	**6,430**	**−5,765**	**13,679**	**−2,851**	**9,913**	**21,406**	**−10,285**	**11,121**
Earnings from entities accounted for using the equity method	–	–	–	1,426	3,362	4,788	–	4,788
Cash flow from operating activities	17,395	53,801	25,043	82,667	48,599	227,505	−12,548	214,957
Cash flow from investing activities	−180,743	−116,026	−48,858	27,528	−5,712	−323,811	204,622	−119,189
Cash flow from financing activities	174,715	45,373	−1,027	−111,032	19,938	127,967	−100,552	27,415
Amortization and depreciation	−25,089	−13,080	−11,334	−9,546	−48,967	−108,016	−2,984	−111,000
Impairment of intangible assets and property, plant, and equipment	–	−745	−472	–	−1,934	−3,151	–	−3,151
Non-cash income and expenses	−507	201	−507	3,953	177	3,317	7,882	11,199
Additions to intangible assets	4,234	4,850	168	4,727	24,384	38,363	477	38,840
Additions to property, plant and equipment	14,104	7,281	2,171	3,045	24,926	51,527	1,662	53,189
Investment in entity accounted for using the equity method	–	–	–	19,518	–	19,518	–	19,518
Assets (as of Dec. 31)	853,177	576,740	433,544	272,589	959,848	3,095,898	−381,823	2,714,075
Liabilities (as of Dec. 31)	636,791	229,026	173,648	121,812	559,782	1,721,059	174,447	1,895,506
Employees (as of Dec. 31)	4,383	2,162	1,348	1,407	6,942	16,242	283	16,525

[1] The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment as well as sales revenues from contracts with customers reported in the reconciliation column relate to the Corporate Center.

3.99 — SEGMENT REPORTING

€ k	Paint and Final Assembly Systems[2]	Application Technology	Clean Technology Systems	Measuring and Process Systems[2]	Woodworking Machinery and Systems	Total segments	Reconciliation[1,2]	Dürr Group
2019								
Sales revenues recognized over time from contracts with customers	1,319,461	448,636	324,514	116,717	249,681	2,459,009	–	2,459,009
Sales revenues recognized at a point in time from contracts with customers	96,087	144,201	70,813	117,405	1,029,466	1,457,972	20	1,457,992
Sales revenues from lease agreements	–	–	–	4,510	–	4,510	–	4,510
Sales revenues with other divisions	5,456	4,707	1,466	3,226	223	15,078	–15,078	–
Total sales revenues	**1,421,004**	**597,544**	**396,793**	**241,858**	**1,279,370**	**3,936,569**	**–15,058**	**3,921,511**
thereof from services	403,293	222,771	132,644	79,361	287,055	1,125,124	–6,512	1,118,612
EBIT	**78,756**	**57,088**	**12,122**	**21,792**	**37,404**	**207,162**	**–11,267**	**195,895**
Earnings from entities accounted for using the equity method	–	–	–	2,162	4,040	6,202	–	6,202
Cash flow from operating activities	–30,332	21,443	18,787	56,090	131,462	197,450	–25,550	171,900
Cash flow from investing activities	–11,462	–12,379	–92,202	–10,067	–32,658	–158,768	–72,987	–231,755
Cash flow from financing activities	–65,626	–27,071	92,933	–20,333	–95,853	–115,950	176,715	60,765
Amortization and depreciation	–25,067	–13,549	–13,056	–9,172	–48,599	–109,443	–3,345	–112,788
Non-cash income and expenses	1,670	307	2,236	–1,877	–144	2,192	160	2,352
Additions to intangible assets	3,311	3,043	84	3,314	17,255	27,007	1,138	28,145
Additions to property, plant and equipment	24,791	9,292	3,589	10,288	25,524	73,484	1,910	75,394
Investments in entities accounted for using the equity method	–	–	–	20,680	16,983	37,663	–	37,663
Assets (as of Dec. 31)	848,827	540,224	408,866	295,471	897,344	2,990,732	–92,040	2,898,692
Liabilities (as of Dec. 31)	681,738	240,754	177,101	130,673	484,125	1,714,391	178,972	1,893,363
Employees (as of Dec. 31)	4,412	2,306	1,418	1,515	6,569	16,220	273	16,493

[1] The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment as well as sales revenues from contracts with customers reported in the reconciliation column relate to the Corporate Center.
[2] As of January 1, 2020, the business activities testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems. The disclosures as of December 31, 2019, were adjusted accordingly.

application of paint, sealants and adhesives. Clean Technology Systems mainly specializes in exhaust gas purification systems. Measuring and Process Systems offers balancing and diagnostics equipment and testing as well as solutions for filling refrigerators, air conditioners and heat pumps with coolant. Woodworking Machinery and Systems develops and produces machinery and systems for woodworking. The Corporate Center mainly comprises the holdings Dürr AG and Dürr Technologies GmbH as well as Dürr IT Service GmbH, which performs IT services throughout the Group. A detailed description of the activities of the individual divisions can be found in the section "The Group at a glance" in the combined management report. Transactions between the divisions are carried out at arm's length.

The basis for segment reporting in accordance with IFRS 8 is the same as that used internally. Management monitors the sales revenues and the EBIT from each of the five divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance as well as the development of the segments. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

3.100 — RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€ k	2020	2019
EBIT of the segments	21,406	207,162
EBIT of the Corporate Center	–9,093	–11,055
Elimination of consolidation entries	–1,192	–212
EBIT of the Dürr Group	**11,121**	**195,895**
Investment result	5,638	6,398
Interest and similar income	4,410	5,793
Interest and similar expenses	–39,708	–33,368
Earnings before income taxes	**–18,539**	**174,718**
Income taxes	4,676	–44,893
Result of the Dürr Group	**–13,863**	**129,825**
€ k	**Dec. 31, 2020**	**Dec. 31, 2019**
Segment assets	3,095,898	2,990,732
Assets of the Corporate Center	1,321,041	1,024,498
Elimination of consolidation entries	–1,702,864	–1,116,538
Cash and cash equivalents	769,195	662,024
Time deposits	249,817	159,926
Sundry financial assets	19,507	19,507
Investments in entities accounted for using the equity method	19,518	37,663
Income tax receivables	30,060	46,634
Deferred tax assets	76,585	57,887
Total assets of the Dürr Group	**3,878,757**	**3,882,333**
Segment liabilities	1,721,059	1,714,391
Liabilities of the Corporate Center	204,768	210,292
Elimination of consolidation entries	–30,321	–31,320
Bond, convertible bond and Schuldschein loans	951,912	798,242
Remaining other financial liabilities	17,661	17,724
Income tax liabilities	68,281	48,467
Deferred tax liabilities	37,259	81,151
Total liabilities of the Dürr Group [1]	**2,970,619**	**2,838,947**

[1] Consolidated total assets less total equity

Sales revenues from contracts with customers are accounted for pursuant to IFRS 15 for every division and divided into sales revenues recognized over time and recognized at a point in time. Only the Woodworking Machinery and Systems division recognizes most sales revenues from contracts with customers when control is transferred, which is related to the high degree of standardization of the machines and the resulting potential alternative uses. All other divisions primarily generate their sales revenues over time due to the conditions of their contracts.

Intragroup leases are not capitalized, but disclosed as income or expense.

Regional segmentation → Table 3.101

Sales revenues are allocated to regions based on the location of the project or delivery locations. The Group's assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33 they include all non-current assets of the Group except for financial instruments and deferred tax assets.

In the 2020 reporting period, sales revenues in the USA came to €692,838 thousand (prior period: €674,856 thousand).

In the 2020 reporting period, 4.97 % of sales revenues were generated with the largest customer compared to 6.95 % in the prior period. The second- and third-largest customers accounted for 4.68 % (prior period: 5.32 %) and 4.04 % (prior period: 5.28 %) respectively. The sales revenues with these customers are attributable to all divisions aside from the third-largest customer, with which no sales revenues were generated in the Woodworking Machinery and Systems division. Entities that are known to be under common control are considered as one customer.

3.101 — REGIONAL SEGMENTATION

€ k	Germany	Other European countries	North/Central American countries	South America	China	Other Asian countries/ Africa/ Australia	Dürr Group
2020							
Sales revenues with customers	562,567	760,818	852,783	61,437	695,529	391,685	3,324,819
Additions to property, plant and equipment	24,008	12,374	5,034	504	8,185	3,084	53,189
Non-current assets (as of Dec. 31)	671,487	239,436	157,450	8,694	89,907	23,714	1,190,688
Employees (as of Dec. 31)	7,931	2,638	1,913	316	2,434	1,293	16,525
2019							
Sales revenues with customers	668,709	1,073,954	968,989	84,867	726,253	398,739	3,921,511
Additions to property, plant and equipment	38,108	17,244	4,625	504	7,537	7,376	75,394
Non-current assets (as of Dec. 31)	709,210	221,038	181,989	11,343	76,937	28,245	1,228,762
Employees (as of Dec. 31)	8,181	2,617	2,028	354	2,064	1,249	16,493

39. 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 the Dürr Group are carried out at arm's length. For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to → note 42.

Related parties include entities accounted for using the equity method and non-consolidated subsidiaries of the Dürr Group as well as entities for which Dürr AG represents an associate.

In the 2020 reporting period, there were transactions between the Dürr Group and its related parties of €132,642 thousand (prior period: €108,089 thousand). These mainly resulted from the regular project business and were primarily attributable to Homag China Golden Field Limited. Homag China Golden Field Limited was a related party until November 24, 2020. As of December 31, 2020, outstanding receivables from related parties totaled €7,165 thousand (prior period: €5,620 thousand), while liabilities to related parties amounted to €1,184 thousand (prior period: €1,811 thousand). Both the receivables and liabilities are current. As of December 31, 2020, the statement of financial position did not contain any prepayments received from related parties (prior period: €17,606 thousand).

Receivables from related parties mainly comprise costs passed on to Heinz Dürr GmbH. In the 2020 reporting period, a dividend of €14,173 thousand was distributed to Heinz Dürr GmbH (prior period: €17,508 thousand).

40. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

3.102 — CONTINGENT LIABILITIES

€ k	Dec. 31, 2020	Dec. 31, 2019
Obligations from warranties and guarantees	2,311	9,315
Collateral pledged for third-party liabilities	4,994	72
Other	226	313
Total contingent liabilities	**7,531**	**9,700**

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

Besides liabilities, provisions and contingent liabilities, the Group has other financial obligations for the acquisition of property, plant and equipment of €5,131 thousand (prior period: €5,165 thousand). There were also purchase commitments stemming from procurement agreements on a customary scale.

As of December 31, 2020, there were obligations of €2,594 thousand (prior period: €2,264 thousand) for leases that the Dürr Group has already entered into but that have not commenced yet. As of December 31, 2020, obligations for current leases amounted to €1,360 thousand (prior period: €1,963 thousand).

41. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates in countries in which there are political and economic risks. These risks – aside from the coronavirus pandemic – did not have any material effect on the Group in the 2020 reporting period. The Dürr Group may be involved in litigation, including product liability, in the ordinary course of business. There are no matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. The Group is generally exposed to financial risks. These include mainly credit risks, liquidity risks and exposure to interest rate changes or currency risks. The regulations for a Group-wide risk policy are set forth in the Group's guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the combined management report.

Credit risk

Credit risk relates to the possibility that business partners may fail to meet their obligations in a transaction involving non-derivative and derivative financial instruments and that capital losses could be incurred as a result.

For a valuation allowance to be recognized pursuant to IFRS 9, the credit risks of the individual debtors are firstly segmented using common credit risk characteristics. Determining the valuation allowance requires a diversified analysis of the debtors. Information on delayed payment and current market information, such as credit default swaps, future assessments by management and external ratings, among other things, are used for the analysis. This involves dividing the respective debtors into important and less important debtors measured in terms of the volume of the business relationship. As the economic development of the Dürr Group hinges to a large extent on the willingness of the automotive industry to invest, some automotive manufacturers are for example classified as important debtors. Despite their modest number, the Dürr Group generates a significant portion of sales revenues in business with these debtors. Using the simplified approach, this information is processed and used to derive valuation allowance rates. These are applied throughout the Group as provision matrices. With the general approach, the valuation allowance rates for important debtors are calculated on an individual basis. However, for less important debtors, clusters are formed to calculate the valuation allowance rates.

The quantification of the expected credit losses primarily relates to three risk parameters: probability of default, loss given default and exposure at default. Depending on the debtor and maturity, the calculated amount of the valuation allowance rates ranges from virtually 0 % to 1.53 %. The credit risks and associated valuation allowance rates are regularly reviewed and adjusted accordingly.

In order to minimize the credit risk, credit ratings are performed for new customers, while the payment patterns of regular customers are analyzed on an ongoing basis. Furthermore, the Group analyses publicly available market information and publications for certain customer groups for which an increased risk of default may arise. The Dürr Group uses respective terms of payment as well as credit insurance policies such as letters of credit and trade credit insurance policies to further limit the risk of default. The maximum credit risk is shown by the carrying amount of financial assets recognized in the statement of financial position.

Further explanations on the valuation and impairment of financial assets can be found in → note 6.

3.103 — RECEIVABLES SECURED AGAINST DEFAULT

€ k	Dec. 31, 2020	Dec. 31, 2019
Letters of credit	2,734	8,241
Trade credit insurance policies	2,322	3,156
Total	**5,056**	**11,397**

In connection with the investment of liquid funds, investments as part of financial asset management and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the credit institutions and companies fail to meet their obligations. The Dürr Group manages the resulting risk position by diversifying the portfolio and selecting the counterparties carefully. No cash and cash equivalents, investments of active asset management or derivative financial assets were past due on account of credit defaults.

Dependence on few customers

Due to the concentration of certain divisions on the automotive industry, a significant portion of the Group's receivables are due from comparably few automobile manufacturers. Generally these receivables are not secured by bank guarantees or other collateral. As of December 31, 2020, 35.6 % (prior period: 27.9 %) of the trade receivables were due from ten customers. The Dürr Group does not see any concentration of credit risk from its business relations with individual debtors or groups of debtors. Due to the various divisions of the Group, each with its own different customer base, the level of diversity displayed among the Group's customers can be classified as high compared to pure-play automotive suppliers.

Liquidity risk

Liquidity risk is the risk that the Group may not be in a position to meet its obligations in the future, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. These credit facilities were temporarily increased in the 2020 reporting period so as to reduce any potential financing risks resulting from the coronavirus pandemic at an early stage. The liquidity situation is monitored and managed by means of a liquidity plan with a planning horizon of 18 months, coupled with a short-term liquidity forecast. In addition, use of cross-border cash pooling structures has improved the structure of the statement of financial position through liquidity pooling, reduced the volume of borrowed funds and thus helped to enhance the financial result. At the same time, the liquidity situation is more transparent. Moreover, excess liquidity at individual entities within the Group can be used to finance the cash needs of other Group entities internally. In operations, the liquidity risk is countered by actively managing current assets so as to counteract any fluctuations during the year. Please refer to → **note 6** for further details.

There are also financial guarantees of €2,178 thousand (prior period: €2,674 thousand). They were issued as part of sales financing to customers. The Group does not currently expect this to result in any significant cash outflows.

→ **Table 3.104** shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

Foreign currency risk

Currency risks exist in particular where receivables or liabilities are carried or will arise in the ordinary course of business in a currency other than the functional currency of the entity. Foreign exchange risks are hedged where they affect the cash flows of the Group. Foreign exchange risks that do not affect the cash flows of the Group (i.e. the risks from translating the items from the statement of financial position of foreign operations to the euro, the Group's reporting currency), however, are generally not hedged. Forward exchange transactions are entered into to hedge exchange rate fluctuations from cash flows relating to forecast purchase and sales transactions with original terms of up to 60 months (prior period: 84 months).

Regarding the presentation of market risks, IFRS 7 "Financial Instruments: Disclosures" requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variables. The periodic effects are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. The presentation is based on the assumption that the portfolio at the end of the reporting period was representative for the whole year. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which the Dürr Group holds financial instruments are relevant risk variables.

3.104 — INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

€ k	Carrying amount as of Dec. 31, 2020	Cash flows: Current	Cash flows: Total non-current	Cash flows: Medium-term	Cash flows: Long-term
Non-derivative financial liabilities					
Trade payables	377,528	377,156	372	372	–
Bond	299,821	308,625	–	–	–
Convertible bond	137,943	–	155,953	4,828	151,125
Schuldschein loans	514,148	55,948	490,433	276,847	213,586
Lease liabilities	98,429	29,351	79,622	57,457	22,165
Remaining other financial liabilities	17,661	17,661	–	–	–
Obligations from options	226,653	211,405[1]	15,248	15,248	–
Liabilities from purchase price installments	28,961	23,761	5,200	5,200	–
Other sundry financial liabilities	125,898	124,413	1,485	1,485	–
Derivative financial liabilities					
Derivatives not used for hedging	424	424	–	–	–
Derivatives used for hedging	2,303	2,287	16	16	–

€ k	Carrying amount as of Dec. 31, 2019	Cash flows: Current	Cash flows: Total non-current	Cash flows: Medium-term	Cash flows: Long-term
Non-derivative financial liabilities					
Trade payables	479,011	478,771	240	240	–
Bond	299,186	8,625	308,625	308,625	–
Schuldschein loans	499,056	6,165	526,933	295,015	231,918
Lease liabilities	107,101	30,179	88,543	60,263	28,280
Remaining other financial liabilities	17,724	10,491	7,233	7,233	–
Obligations from options	210,884	207,834[1]	3,050	3,050	–
Liabilities from purchase price installments	552	552	–	–	–
Other sundry financial liabilities	111,000	107,824	3,176	3,176	–
Derivative financial liabilities					
Derivatives not used for hedging	1,059	1,039	20	20	–
Derivatives used for hedging	2,685	2,641	44	44	–

[1] The cash flows for obligations from options relate primarily to the sundry financial liability recognized in connection with the domination and profit and loss transfer agreement with HOMAG Group AG. The expected cash flows were classified as current. However, the options can also be exercised with differing terms. Please refer to note 6 for further details.

Material non-derivative monetary items which constitute currency risks for the Group are cash, trade receivables and payables as well as contract assets. Non-derivative financial instruments that could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges. In the process, both the change in the non-derivative financial instrument and the change in the value of the derivative financial instrument are recognized through profit or loss. In addition, the Group is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the currency reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are relevant for the Dürr Group. This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, of the euro against the US dollar, the Chinese renminbi, Danish krone, the pound sterling, the Mexican peso, the Polish zloty as well as an appreciation and depreciation of the US dollar against the Mexican peso and the Korean won.

3.105 — IMPACT ON THE STATEMENT OF INCOME AND EQUITY

	Dec. 31, 2020		Dec. 31, 2019	
€ k	Impact on the statement of income	Impact on the hedge reserve in equity	Impact on the statement of income	Impact on the hedge reserve in equity
EUR/CNY				
EUR +10 %	5,620	4,890	6,569	–509
EUR –10 %	–6,853	–5,890	–8,007	683
EUR/DKK				
EUR +10 %	–1,038	–534	–230	–513
EUR –10 %	1,318	655	383	628
EUR/GBP				
EUR +10 %	1,153	540	1,204	511
EUR –10 %	–1,372	–654	–1,427	–616
EUR/MXN				
EUR +10 %	–862	984	–750	503
EUR –10 %	1,056	–1,193	935	–608
EUR/PLN				
EUR +10 %	–1,933	–1,528	–1,992	–1,312
EUR –10 %	2,369	1,883	2,480	1,622
EUR/USD				
EUR +10 %	3,369	3,438	–371	7,006
EUR –10 %	–4,079	–4,160	504	–8,434
USD/KRW				
USD +10 %	–2	961	–1	1,138
USD –10 %	–2	–1,437	9	–1,675
USD/MXN				
USD +10 %	–2,444	–1,758	–1,820	–2,564
USD –10 %	3,001	2,164	2,117	3,284

Interest rate risk

Interest rate risks arise from fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets and liabilities.

The Dürr Group has cash and cash equivalents that are subject to fluctuation in interest rates as of December 31, 2020. A hypothetical increase in these interest rates of 25 base points per year would have caused a €1,835 thousand (prior period: €1,265 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a €1,835 thousand (prior period: €1,265 thousand) decrease in interest income.

Other price risks

In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variables on the price of financial instruments. The main risk variables include stock market prices and indices. Please refer to → note 36 for more information on the price risk of the financial assets, equity instruments, options and the liabilities from contingent purchase price installments disclosed as a level 3 financial instrument.

Use of derivative financial instruments

Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates and interest rates on cash flows and the change in the fair value of receivables and liabilities. Hedging allows the amount of the expected cash inflow/outflow in the functional currency to be estimated in advance. This generally involves fully hedging all payments for which there is significant economic risk from changes in the exchange and interest rate. The Dürr Group is exposed to a replacement risk in the event of non-performance by counterparties (credit institutions) relating to the financial instruments. Derivative financial instruments, mainly forward contracts, are only entered into to hedge the operating business and to hedge loans. In hedging the operating business, derivative financial instruments are entered into on the basis of internal estimates of progress and payment dates. In order to ensure the effectiveness of the hedging relationships, various features/parameters, such as expected date and volume of payment between the hedged item and corresponding hedge are reviewed and adjusted if necessary. Any ineffectiveness may result, for example, from various different credit risks and delays in contract processing. However, any hedges entered into are expected to be highly effective in offsetting changes in fair value or cash flows. They are assessed on an ongoing basis to determine that they actually have been highly effective throughout the periods for which they were designated. All financial derivatives as well as the respective hedged transactions are subject to regular internal control and measurement in accordance with the directive of the Board of Management. The hedged transactions are primarily included in the following items of the statement of financial position: Trade receivables and trade payables, contract assets, dividend payments.

3.106 — SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

	Nominal value		Positive market value		Negative market value		Change in the fair value to recognize ineffectiveness	
€ k	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Interest rate swaps in connection with cash flow hedges	–	100,000	–	–	–	–108	–	–108
Forward exchange contracts	442,606	480,921	7,072	3,807	–2,727	–3,636	4,345	600
thereof in connection with cash flow hedges	242,958	139,741	4,505	2,820	–1,855	–2,033	2,650	787
thereof in connection with fair value hedges	62,099	39,508	1,343	357	–448	–544	895	–187
thereof not used for hedging	137,549	301,672	1,224	630	–424	–1,059	800	–

3.107 — NOMINAL VALUES OF HEDGING INSTRUMENTS

€ k	Total	Current	Total non-current	Medium-term	Long-term
Interest rate swaps in connection with cash flow hedges	–	–	–	–	–
(2019)	(100,000)	(100,000)	(–)	(–)	(–)
Forward exchange contracts	442,606	422,566	20,040	20,040	–
(2019)	(480,921)	(460,519)	(20,402)	(20,402)	(–)
thereof in connection with cash flow hedges	242,958	223,073	19,885	19,885	–
(2019)	(139,741)	(132,582)	(7,159)	(7,159)	(–)
thereof in connection with fair value hedges	62,099	61,944	155	155	–
(2019)	(39,508)	(39,508)	(–)	(–)	(–)
thereof not used for hedging	137,549	137,549	–	–	–
(2019)	(301,672)	(288,429)	(13,243)	(13,243)	(–)

The hedging relationships from cash flow and fair value hedges did not result in any significant ineffectiveness. The changes in value of the hedged transactions therefore run counter to the developments of derivatives.

At the inception of the hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are formally documented. This documentation contains identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged item's cash flows attributable to the hedged risk.

Depending on their market value at the end of the reporting period, derivative financial instruments are reported under sundry financial assets (positive market value) or sundry financial liabilities (negative market value) respectively. ⟶ Table 3.106

The fair value of the financial instruments was estimated using the following methods and assumptions. The fair values of the forward exchange contracts were estimated at the present value of cash flows on the basis of the difference between the contractually agreed forward exchange rates and the forward rate prevailing at the end of the reporting period. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows based on current market parameters. ⟶ Table 3.107

3.108 — AVERAGE RATES AND INTEREST FOR DERIVATIVE FINANCIAL INSTRUMENTS CONCLUDED FOR SIGNIFICANT CURRENCY PAIRS AND INTEREST HEDGES

	Average rate		Closing rate	
€ k	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Interest hedge	–	1.2675 %	–	–
EUR/CNY	8.0750	7.9819	8.0093	7.8328
EUR/DKK	7.4409	7.4817	7.4402	7.4710
EUR/GBP	0.9041	0.8675	0.8996	0.8501
EUR/MXN	25.3440	21.6394	24.4094	21.2392
EUR/PLN	4.4763	4.3157	4.5566	4.2597
EUR/USD	1.1911	1.1348	1.2275	1.1228
USD/KRW	1,138.0348	1,166.7827	1,088.5556	1,154.6046
USD/MXN	20.9020	19.7195	19.8855	18.9163

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly through other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded through other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales, other operating income and expenses or in net interest in the statement of income.

3.109 — DISCLOSURES OF FORWARD EXCHANGE CONTRACTS IN CASH FLOW HEDGES

€ k	Interest rate swaps		Forward exchange contracts	
	Dec. 31, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Change in the fair value of the hedged item	–	108	–2,650	–787
Hedge reserve	–	–56	974	462
Reclassification from hedge reserve to profit or loss				
Hedged items through profit or loss	–	–214	39	1,956
Hedged items no longer expected	–	–	–	–

3.110 — DISCLOSURES OF FORWARD EXCHANGE CONTRACTS IN FAIR VALUE HEDGES

€ k	Assets		Liabilities	
	Dec. 31, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Carrying amount of the hedged items	16,719	16,609	4,280	4,856
Cumulative fair value hedge adjustment	–3	96	–29	–39
Statement of financial position item	Trade receivables	Trade receivables	Trade payables	Trade payables

The changes in value of the hedged items correspond to the accumulated amount of fair value hedge adjustments.

3.111 — RECONCILIATION HEDGE RESERVE IN EQUITY

€ k	**2020**	2019
As of January 1	**406**	**–2,788**
Exchange difference	23	–7
Additions and changes in value	1,082	5,241
Reclassification to other statement of financial position items	–505	–298
Reclassification to profit or loss	39	–1,742
thereof		
Sales revenues	–	–309
Cost of sales	–24	–1,650
Other operating income	7	3
Interest and similar income	56	214
As of December 31	**1,045**	**406**

In the 2020 reporting period, the determination methods did not result in any significant inefficiencies for fair value hedges and cash flow hedges. Any inefficiencies are disclosed in sales revenues or cost of sales in the statement of income. The reclassification amount did not contain any significant result for which the hedged item was no longer expected.

The effect on earnings (before income taxes) expected for the 2021 reporting period from the amounts recognized through other comprehensive income at the end of the reporting period comes to €978 thousand. In subsequent reporting periods, accumulated effects on earnings of €67 thousand are expected.

In the 2020 reporting period, no hedging options were used; for forward exchange contracts, no distinction was made between forward and spot elements.

The changes in the fair value of all derivative financial instruments that do not meet the requirements for hedge accounting in accordance with IAS 39 are recognized through profit or loss at the end of the reporting period.

42. OTHER NOTES

Declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG

The declaration of compliance prescribed by Sec. 161 AktG was submitted by the Board of Management and the Supervisory Board of Dürr AG in Bietigheim-Bissingen on September 30, 2020, and made accessible to the shareholders on the internet. For additional information, please refer to the combined management report.

Headcount

The number of employees in the Dürr Group breaks down as of December 31, 2020, and as an average over the 2020 reporting period as shown in → tables 3.112 and 3.113.

3.112 — EMPLOYEES AS OF THE END OF THE REPORTING PERIOD

	Dec. 31, 2020	Dec. 31, 2019
Industrial employees	7,532	7,726
Salaried employees	7,792	7,731
Employees excluding interns/trainees/others	**15,324**	**15,457**
Interns/trainees/others	1,201	1,036
Total employees	**16,525**	**16,493**

3.113 — AVERAGE HEADCOUNT DURING THE YEAR

	2020	2019
Industrial employees	7,561	7,732
Salaried employees	7,664	7,711
Employees excluding interns/trainees/others	**15,225**	**15,443**
Interns/trainees/others	1,109	1,020
Total employees	**16,334**	**16,463**

Fees payable to the auditor of the consolidated financial statements

→ Table 3.114 shows the audit fees payable to the auditor of the consolidated financial statements Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft recorded as an expense for the 2020 reporting period.

3.114 — AUDITOR'S FEES

€ k	2020	2019
Audit of the financial statements	1,514	1,540
Other attest services	241	48
Tax advisory services	253	288
Other services	1	15
Total	**2,009**	**1,891**

Auditor's fees relate to the audit of the consolidated financial statements and the separate financial statements of Dürr AG and its affiliated companies included in the consolidated financial statements. Auditor's fees also include fees for voluntary audits of separate financial statements of €111 thousand (prior period: €144 thousand).

The fees for non-audit services comprise voluntary audit of financial statements, audit-related services, tax services and other services and amounted to €606 thousand in the 2020 reporting period (prior period: €495 thousand). In the 2020 reporting period, other attest services largely related to capital market transactions.

Subsequent events

As of January 1, 2021, Ralf W. Dieter, CEO of Dürr AG, took over as chairman of the Board of Management of HOMAG Group AG in an interlocking directorate.

On January 14, 2021, the Dürr Group received proceeds of €200,000 thousand from the sustainability Schuldschein loan placed in December 2020. Further information can be found in → note 32.

The acquisition of 75 % of the shares in Teamtechnik Maschinen und Anlagen GmbH with registered offices in Freiberg am Neckar, Germany, became effective as of February 5, 2021. The acquisition agreement had been signed on December 16, 2020.

On February 15, 2021, the Dürr Group acquired the entity Cogiscan Inc. with registered offices in Bromont, Quebec, Canada. Further information on the acquisitions can be found in → note 18.

Between the beginning of the current reporting period and March 16, 2021, there were no further events that could have a material influence on the net assets, financial position and results of operations of the Group.

Authorization for issue and publication of the consolidated financial statements as of December 31, 2020

The consolidated financial statements and combined management report of Dürr AG prepared by the Board of Management as of December 31, 2020, were authorized for issue to the Supervisory Board at the meeting of the Board of Management on March 16, 2021, and are scheduled for publication in the 2020 annual report on March 18, 2021.

MEMBERS OF THE BOARD OF MANAGEMENT

Ralf W. Dieter
CEO
Interim CFO (from March 1, 2020 until July 31, 2020)

- ▪ Carl Schenck AG, Darmstadt[1] (Chairman)
- ▪ Dürr Systems AG, Stuttgart[1] (Chairman, until December 31, 2020)
- ▪ Homag Group AG, Schopfloch[1,2] (Chairman, until December 31, 2020)
- ▪ iTAC Software AG, Montabaur[1] (Chairman, until May 31, 2020)
- ▪ Körber AG, Hamburg
- ▪ Schuler AG, Göppingen[2] (until September 24, 2020)
- ▪ Software AG, Darmstadt[2] (since June 26, 2020)
- » Stiles Machinery Inc., Grand Rapids, Michigan, USA[1] (Chairman, since January 1, 2021)

Dr. Jochen Weyrauch
Deputy Chairman of the Board of Management

- ▪ Homag Group AG, Schopfloch[1,2] (since January 18, 2021, Additional Deputy Chairman)
- ▪ iTAC Software AG, Montabaur[1] (Chairman, since June 1, 2020)
- » Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, PR China[1] (Supervisor)

Dietmar Heinrich
(since August 1, 2020)
Chief Financial Officer

- ▪ Carl Schenck AG, Darmstadt[1] (since September 1, 2020)
- ▪ Dürr Systems AG, Stuttgart[1] (since September 1, 2020, Chairman since January 20, 2021)
- ▪ Homag Group AG, Schopfloch[1,2] (since April 21, 2020)

Carlo Crosetto
(until February 29, 2020)
Chief Financial Officer

- ▪ Carl Schenck AG, Darmstadt[1] (until February 29, 2020)
- ▪ Dürr Systems AG, Stuttgart[1] (until February 29, 2020)
- ▪ Homag Group AG, Schopfloch[1,2] (until February 29, 2020)

Pekka Paasivaara
(until December 31, 2020)
Member of the Board of Management

- ▪ Deutsche Messe AG, Hanover
- » Stiles Machinery Inc., Grand Rapids, Michigan, USA[1] (Chairman until December 31, 2020)

▪ Membership in statutory supervisory boards
» Membership in comparable German and foreign control bodies (of business entities)
[1] Group boards
[2] listed

The members of the Board of Management were remunerated as shown in → **table 3.115**.

3.115 — REMUNERATION OF THE BOARD OF MANAGEMENT

€ k	2020	2019
Short-term employee benefits (excluding share-based payment)	3,898	4,629
Post-employment benefits	834	885
Termination benefits	3,125	–
Share-based payments	–	1,593
Total	**7,857**	**7,107**

Former members of the Board of Management received pension payments of €563 thousand in the 2020 reporting period (prior period: €554 thousand). Pension provisions for this group of persons amounted to €1,446 thousand as of December 31, 2020 (prior period: €1,776 thousand). The remuneration includes the Board of Management of Dürr AG.

In the 2020 reporting period, the grant awarded to Mr. Dieter in the prior period by Heinz Dürr GmbH in recognition of his many years of chairman of the Board of Management was paid out.

Individualized disclosures on the remuneration of the members of the Board of Management are presented in the section "Compensation report" in the combined management report.

MEMBERS OF THE SUPERVISORY BOARD

Gerhard Federer[1,4,5]
Independent consultant, Gengenbach
Chairman (since May 28, 2020)
Chairman of Audit Committee (until May 28, 2020)

- Homag Group AG, Schopfloch[6]
  (Additional Deputy Chairman until December 31, 2020,
  Chairman since January 1, 2021)

Karl-Heinz Streibich[1,4,5]
(until May 28, 2020)
Supervisory Board, Frankfurt/Main
Chairman

- Deutsche Telekom AG, Bonn[6]
- Münchener Rück AG, Munich[6]
- Siemens Healthineers AG, Munich[6]

Hayo Raich[1,3,4]
Full-time Chairman of the Group Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council of Dürr Systems AG, Stuttgart, at the Bietigheim-Bissingen site
Deputy Chairman

- Dürr Systems AG, Stuttgart (Deputy Chairman)

Richard Bauer[1,4,5]
Supervisory Board member, Wentorf near Hamburg
Additional Deputy Chairman

- Körber AG, Hamburg (Chairman)

Mirko Becker[2,3]
Full-time member of the Group Works Council of Dürr AG, Stuttgart
Full-time member of the Works Council of Dürr Systems AG, Stuttgart, at the Bietigheim-Bissingen site

Dr. Rolf Breidenbach
President and CEO of HELLA GmbH & Co. KGaA, Lippstadt

Prof. Dr. Dr. Alexandra Dürr[2,5]
Professor for medical genetics at Sorbonne Université and head of the research team “Basic to translational Neurogenetics” at the Paris Brain Institute, Paris, France

Carmen Hettich-Günther[3,4]
Full-time Chairwoman of the Group Works Council of Homag Group AG, Schopfloch
Full-time Chairwoman of the Works Council of HOMAG GmbH, Schopfloch

- HOMAG GmbH, Schopfloch (Deputy Chairwoman)
- Homag Group AG, Schopfloch[6] (Deputy Chairwoman)

Thomas Hohmann[3]
Head of Personnel at Dürr Systems AG, Stuttgart
(until February 29, 2020)
Commercial manager of Dürr Systems AG, Stuttgart
(Division Application Technology)
(since March 1, 2020)

Dr. Anja Schuler
Member of the Supervisory Board, Zurich, Switzerland

- Homag Group AG, Schopfloch[6]

Dr. Martin Schwarz-Kocher[2,3]
General manager of IMU Institut GmbH, Stuttgart
(until September 15, 2020)
Business management consultant of IMU Institut GmbH, Stuttgart

Dr. Astrid Ziegler[1,3]
Head of Department for Industrial, Energy and Structural Policy on the Board of Management of IG Metall, Frankfurt/Main

- Pfleiderer Deutschland GmbH, Neumarkt/Oberpfalz

Arnd Zinnhardt[2]
(since May 28, 2020)
Member of the Supervisory Board, Königstein im Taunus

- Hessische Landesbank (Helaba), Frankfurt
  (Member of the Board of Directors)
- Warth & Klein Grant Thornton AG
  (Wirtschaftsprüfungsgesellschaft), Düsseldorf

Dr.-Ing. E.h. Heinz Dürr
Honorary Chairman of the Supervisory Board

[1] Member of the Executive Committee and Personnel Committee
[2] Member of the Audit Committee
[3] Employee representative
[4] Member of the Mediation Committee
[5] Member of the Nomination Committee
[6] listed
▪ Membership in statutory supervisory boards

→ Table 3.116 shows a breakdown into components of the remuneration of individual Supervisory Board members in the 2020 reporting period.

3.116 — REMUNERATION OF THE SUPERVISORY BOARD IN 2020

€	Basic remuneration	Remuneration for committee membership	Attendance fees[3]	Variable remuneration	Total
Gerhard Federer[1] Chairman (since May 28, 2020)	101,666.67	42,250.00	36,000.00	–	179,916.67
(2019)	(55,000.00)	(49,500.00)	(32,000.00)	(13,500.00)	(150,000.00)
Karl-Heinz Streibich Chairman (until May 28, 2020)	50,000.00	13,750.00	6,000.00	–	69,750.00
(2019)	(120,000.00)	(15,000.00)	(11,000.00)	(40,500.00)	(186,500.00)
Hayo Raich*[1,2] Deputy Chairman	63,000.00	5,000.00	14,900.00	–	82,900.00
(2019)	(63,000.00)	(5,000.00)	(11,600.00)	(20,250.00)	(99,850.00)
Richard Bauer Additional Deputy Chairman	60,000.00	10,000.00	15,000.00	–	85,000.00
(2019)	(60,000.00)	(5,000.00)	(7,000.00)	(20,250.00)	(92,250.00)
Mirko Becker*[2]	40,000.00	10,000.00	14,000.00	–	64,000.00
(2019)	(40,000.00)	(10,000.00)	(11,000.00)	(13,500.00)	(74,500.00)
Dr. Rolf Breidenbach	40,000.00	–	9,000.00	–	49,000.00
(2019)	(40,000.00)	(–)	(6,000.00)	(13,500.00)	(59,500.00)
Prof. Dr. Dr. Alexandra Dürr	40,000.00	15,000.00	13,000.00	–	68,000.00
(2019)	(40,000.00)	(10,000.00)	(10,000.00)	(13,500.00)	(73,500.00)
Carmen Hettich-Günther*[1,2]	60,000.00	13,500.00	31,000.00	–	104,500.00
(2019)	(62,500.00)	(12,000.00)	(30,000.00)	(28,500.00)	(133,000.00)
Thomas Hohmann*	40,000.00	–	8,000.00	–	48,000.00
(2019)	(40,000.00)	(–)	(6,000.00)	(13,500.00)	(59,500.00)
Dr. Anja Schuler[1]	50,000.00	7,500.00	23,000.00	–	80,500.00
(2019)	(50,000.00)	(4,500.00)	(20,000.00)	(13,500.00)	(88,000.00)
Dr. Martin Schwarz-Kocher*[2]	40,000.00	10,000.00	12,000.00	–	62,000.00
(2019)	(40,000.00)	(10,000.00)	(11,000.00)	(13,500.00)	(74,500.00)
Dr. Astrid Ziegler*[2]	40,000.00	5,000.00	14,000.00	–	59,000.00
(2019)	(40,000.00)	(5,000.00)	(11,000.00)	(13,500.00)	(69,500.00)
Arnd Zinnhardt (since May 28, 2020)	23,333.33	17,500.00	9,000.00	–	49,833.33
(2019)	(–)	(–)	(–)	(–)	(–)
Total	**648,000.00**	**149,500.00**	**204,900.00**	**–**	**1,002,400.00**
(Total 2019)	(650,500.00)	(126,000.00)	(166,600.00)	(217,500.00)	(1,160,600.00)

* Employee representative
[1] Also member of the Supervisory Board of Dürr Systems AG or HOMAG Group AG and HOMAG GmbH
[2] These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.
[3] For Supervisory Board and committee meetings

43. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

3.117 — INTANGIBLE ASSETS INCLUDING RIGHT-OF-USE ASSETS

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2019	**446,817**	**336,910**	**102,829**	**8,203**	**894,759**
Exchange difference	1,385	903	−4	2	2,286
Changes in the consolidated group	–	963	–	–	963
Additions	958	4,559	18,974	3,654	28,145
Disposals	–	−1,903	−514	−552	−2,969
Reclassifications	–	3,583	681	−4,264	–
Accumulated cost as of December 31, 2019	**449,160**	**345,015**	**121,966**	**7,043**	**923,184**
Exchange difference	−6,852	−4,617	27	−6	−11,448
Changes in the consolidated group	–	28,184	–	–	28,184
Additions	15,623	2,448	18,125	2,644	38,840
Disposals	–	−6,086	−14,676	−1,486	−22,248
Reclassifications	–	1,835	1,370	−2,919	286
Accumulated cost as of December 31, 2020	**457,931**	**366,779**	**126,812**	**5,276**	**956,798**
Accumulated amortization and impairment as of January 1, 2019	**–**	**170,876**	**71,340**	**1,201**	**243,417**
Exchange difference	–	240	−2	–	238
Amortization for the year	–	28,633	9,052	–	37,685
Reversal of impairment losses	–	–	−218	–	−218
Disposals	–	−1,851	−87	–	−1,938
Reclassifications	–	−514	514	–	–
Accumulated amortization and impairment as of December 31, 2019	**–**	**197,384**	**80,599**	**1,201**	**279,184**
Exchange difference	–	−2,237	19	–	−2,218
Amortization for the year	–	26,548	10,018	–	36,566
Impairment losses for the year	–	–	1,008	926	1,934
Disposals	–	−5,371	−13,439	−1,286	−20,096
Reclassifications	–	466	−365	–	101
Accumulated amortization and impairment as of December 31, 2020	**–**	**216,790**	**77,840**	**841**	**295,471**
Net carrying amount as of December 31, 2020	**457,931**	**149,989**	**48,972**	**4,435**	**661,327**
Net carrying amount as of December 31, 2019	449,160	147,631	41,367	5,842	644,000
Net carrying amount as of January 1, 2019	446,817	166,034	31,489	7,002	651,342

3.118 — PROPERTY, PLANT AND EQUIPMENT INCLUDING RIGHT-OF-USE ASSETS

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Prepayments and assets under construction	Dürr Group
Accumulated cost as of January 1, 2019	**565,426**	**49,294**	**96,786**	**199,474**	**13,379**	**924,359**
Exchange difference	3,545	–	492	1,207	57	5,301
Changes in the consolidated group	–	–	36	–	–	36
Additions	26,038	317	6,626	31,416	10,997	75,394
Disposals	–4,971	–112	–1,795	–8,248	–974	–16,100
Reclassifications	5,201	–	5,132	6,395	–12,378	4,350
Accumulated cost as of December 31, 2019	**595,239**	**49,499**	**107,277**	**230,244**	**11,081**	**993,340**
Exchange difference	–15,776	–	–2,812	–5,884	–349	–24,821
Changes in the consolidated group	10,377	–	267	5,840	7	16,491
Additions	19,570	74	6,969	22,841	3,735	53,189
Disposals	–17,422	–15	–3,762	–21,818	–96	–43,113
Reclassification to assets held for sale	–13,982	–	–513	–189	–	–14,684
Reclassifications	5,465	–	4,045	2,079	–10,338	1,251
Accumulated cost as of December 31, 2020	**583,471**	**49,558**	**111,471**	**233,113**	**4,040**	**981,653**
Accumulated depreciation and impairment as of January 1, 2019	**182,904**	**28,120**	**47,584**	**119,937**	**–**	**378,545**
Exchange difference	1,300	–	182	705	–	2,187
Depreciation for the year	32,991	1,269	10,006	30,837	–	75,103
Disposals	–1,520	–105	–254	–6,226	–	–8,105
Reclassifications	–	–	–1,639	1,639	–	–
Accumulated depreciation and impairment as of December 31, 2019	**215,675**	**29,284**	**55,879**	**146,892**	**–**	**447,730**
Exchange difference	–6,113	–	–1,445	–3,657	–	–11,215
Depreciation for the year	33,435	1,250	9,611	30,138	–	74,434
Impairment losses for the year	1,093	–	11	113	–	1,217
Disposals	–12,563	–15	–1,033	–19,307	–	–32,918
Reclassification to assets held for sale	–4,429	–	–414	–134	–	–4,977
Reclassifications	3	–	–452	348	–	–101
Accumulated depreciation and impairment as of December 31, 2020	**227,101**	**30,519**	**62,157**	**154,393**	**–**	**474,170**
Net carrying amount as of December 31, 2020	**356,370**	**19,039**	**49,314**	**78,720**	**4,040**	**507,483**
Net carrying amount as of December 31, 2019	379,564	20,215	51,398	83,352	11,081	545,610
Net carrying amount as of January 1, 2019	382,522	21,174	49,202	79,537	13,379	545,814

3.119 — FINANCIAL ASSETS

€ k	Investments in entities accounted for using the equity method	Other investments	Other loans	Dürr Group
Accumulated cost as of January 1, 2019	**35,718**	**10,605**	**602**	**46,925**
Exchange difference	194	–3	–	191
Additions	1,751	2,467	–	4,218
Disposals	–	188	–	188
Accumulated cost as of December 31, 2019	**37,663**	**13,257**	**602**	**51,522**
Exchange difference	–1,081	–	–	–1,081
Additions	–	936	–	936
Disposals	–15,902	–	–	–15,902
Change in value	–1,162	2,194	–	1,032
Accumulated cost as of December 31, 2020	**19,518**	**16,387**	**602**	**36,507**
Accumulated write-downs as of January 1, 2019	**–**	**419**	**602**	**1,021**
Exchange difference	–	–3	–	–3
Disposals	–	188	–	188
Accumulated write-downs as of December 31, 2019	**–**	**604**	**602**	**1,206**
Accumulated write-downs as of December 31, 2020	**–**	**604**	**602**	**1,206**
Net carrying amount as of December 31, 2020	**19,518**	**15,783**	**–**	**35,301**
Net carrying amount as of December 31, 2019	37,663	12,653	–	50,316
Net carrying amount as of January 1, 2019	35,718	10,186	–	45,904

44. LIST OF GROUP SHAREHOLDINGS

3.120 — LIST OF GROUP SHAREHOLDINGS

Name and location	Equity interest %*
A. FULLY CONSOLIDATED SUBSIDIARIES	
GERMANY	
BENZ GmbH Werkzeugsysteme, Haslach im Kinzigtal[1,2]	100.0
Carl Schenck Aktiengesellschaft, Darmstadt[1,2]	100.0
DUALIS GmbH IT Solution, Dresden[1]	100.0
Dürr Assembly Products GmbH, Püttlingen[1,2]	100.0
Dürr International GmbH, Stuttgart[1,2]	100.0
Dürr IT Service GmbH, Stuttgart[1,2]	100.0
Dürr Somac GmbH, Stollberg/Erzgeb.[1,2]	100.0
Dürr Systems AG, Stuttgart[1,2]	100.0
Dürr Technologies GmbH, Stuttgart[1,2]	100.0
Dürr thermea GmbH, Bietigheim-Bissingen[1,2]	100.0
HOMAG Automation GmbH, Lichtenberg/Erzgeb.[1,2]	100.0
HOMAG Bohrsysteme GmbH, Herzebrock-Clarholz	100.0
HOMAG China Holding GmbH, Schopfloch	100.0
Homag eSolution GmbH, Schopfloch	100.0
HOMAG Finance GmbH, Schopfloch	100.0
HOMAG GmbH, Schopfloch[1,2]	100.0
Homag Group AG, Schopfloch[1]	64.9
HOMAG Kantentechnik GmbH, Lemgo[1,2]	100.0
HOMAG Plattenaufteiltechnik GmbH, Calw[1,2]	100.0
iTAC Software AG, Montabaur	100.0
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach	100.0
Schenck Industrie-Beteiligungen GmbH, Darmstadt[1,2]	100.0
Schenck RoTec GmbH, Darmstadt[1,2]	100.0
SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK GMBH, Darmstadt[1,2]	100.0
SCHULER Consulting GmbH, Pfalzgrafenweiler[1,2]	100.0
tapio GmbH, Nagold[1,2]	100.0
Techno-Step GmbH, Böblingen	50.0
Weinmann Holzbausystemtechnik GmbH, St. Johann[1,2]	100.0

3.120 — LIST OF GROUP SHAREHOLDINGS

Name and location	Equity interest %*
OTHER EUROPEAN COUNTRIES	
AGRAMKOW Fluid Systems A/S, Sønderborg/Denmark	100.0
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands	100.0
Carl Schenck spol. s r.o., Modřice/Czech Republic	100.0
CPM S.p.A., Beinasco/Italy	51.0
Datatechnic S.A.S., Uxegney/France	100.0
Duerr Cyplan Limited, Aldermaston/UK	100.0
Durr Limited, Warwick/UK	100.0
Dürr Poland Sp. z o.o., Radom/Poland	100.0
Dürr Systems Czech Republic a.s., Ledeč nad Sázavou/Czech Republic	100.0
Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi, Izmit-Kocaeli/Turkey	100.0
Dürr Systems S.A.S., Guyancourt/France	100.0
Dürr Systems Spain S.A.U., San Sebastián/Spain	100.0
Dürr Systems spol. s r.o., Bratislava/Slovakia	100.0
Dürr Universal Europe Ltd., Hinckley/UK	100.0
Homag (Schweiz) AG, Höri/Switzerland	100.0
HOMAG AUSTRIA Gesellschaft m.b.H., Oberhofen am Irrsee/Austria	100.0
HOMAG DANMARK A/S, Galten/Denmark	100.0
HOMAG ESPAÑA MAQUINARIA, S.A., Llinars del Vallès (Barcelona)/Spain	100.0
HOMAG France S.A.S., Schiltigheim/France	100.0
HOMAG Group Trading SEE EOOD, Plovdiv/Bulgaria	100.0
HOMAG ITALIA S.p.A., Giussano/Italy	100.0
HOMAG MACHINERY BARCELONA SA, L´Ametlla del Vallès/Spain	100.0
HOMAG POLSKA Sp. z o.o., Środa Wielkopolska/Poland	100.0
HOMAG Services Poland Sp. z o.o., Środa Wielkopolska/Poland	100.0
HOMAG U.K. LTD., Castle Donington/UK	100.0
MEGTEC Environmental Limited, Standish/UK	100.0
MEGTEC Systems AB, Gothenburg/Sweden	100.0
MEGTEC Systems S.A.S., Lisses/France	100.0
Olpidürr S.p.A., Novegro di Segrate/Italy	65.0
OOO ˝Homag Russland˝, Moscow/Russia	100.0
OOO Dürr Systems RUS, Moscow/Russia	100.0
Schenck Italia S.r.l., Paderno Dugnano/Italy	100.0
Schenck Limited, Warwick/UK	100.0
Schenck S.A.S., Jouy-le-Moutier/France	100.0
Stimas Engineering S.r.l., Turin/Italy	51.0
System TM A/S, Odder/Denmark	80.0
TM Teknik ApS, Odder/Denmark	100.0
Verind S.p.A., Rodano/Italy[3]	50.0

3.120 — LIST OF GROUP SHAREHOLDINGS

Name and location	Equity interest %*
NORTH AMERICA/CENTRAL AMERICA	
Dürr de México, S.A. de C.V., Santiago de Querétaro/Mexico	100.0
Dürr Inc., Southfield, Michigan/USA	100.0
Durr MEGTEC Holdings Inc., De Pere, Wisconsin/USA	100.0
Dürr Systems Inc., Southfield, Michigan/USA	100.0
Durr Universal Inc., Stoughton, Wisconsin/USA	100.0
Dürr Universal S. de R.L. de C.V., San Luis Potosi/Mexico	100.0
HOMAG CANADA INC., Mississauga, Ontario/Canada	100.0
Homag Machinery North America, Inc., Grand Rapids, Michigan/USA	100.0
MEGTEC Energy & Environmental LLC, De Pere, Wisconsin/USA	100.0
MEGTEC Systems Australia Inc., Wilmington, Delaware/USA	100.0
MEGTEC Turbosonic Inc., Waterloo/Canada	100.0
MTS Asia Inc., De Pere, Wisconsin/USA	100.0
Schenck Corporation, Deer Park, New York/USA	100.0
SCHENCK USA CORP., Deer Park, New York/USA	100.0
STILES MACHINERY, INC., Grand Rapids, Michigan/USA	100.0
System TM Canada Ltd., Saint John, New Brunswick/Canada	100.0
Universal Silencer Mexico II LLC, Stoughton, Wisconsin/USA	100.0
Universal Silencer Mexico LLC, Stoughton, Wisconsin/USA	100.0
SOUTH AMERICA	
AGRAMKOW do Brasil Ltda., Indaiatuba/Brazil	100.0
CPM DO PERNAMBUCO MANUTENÇÃO DE MÁQUINAS E EQUIPAMENTOS LTDA., Goiana/Brazil	99.0
Dürr Brasil Ltda., São Paulo/Brazil	100.0
HOMAG INDÚSTRIA E COMÉRCIO DE MÁQUINAS PARA MADEIRA LTDA., Taboão da Serra/Brazil	100.0
Irigoyen 330 S.A., Buenos Aires/Argentina	100.0
VERIND BRASIL SERVICOS E SOLUCOES LTDA. – EPP, Betim/Brazil[3]	100.0
AFRICA/ASIA/AUSTRALIA	
AGRAMKOW Asia Pacific Pte. Ltd., Singapore/Singapore	100.0
Dongguan Golden Field HOMAG Woodwork Machinery Trading Co., Limited, Dongguan/PR China	100.0
Dongguan Golden Field Mingfeng Woodwork Machinery Co., Limited, Dongguan/PR China	100.0
Dürr (Thailand) Co., Ltd., Bangkok/Thailand	100.0
Dürr Africa (Pty.) Ltd., Port Elizabeth/South Africa	100.0
Dürr India Private Limited, Chennai/India	100.0
Dürr Japan K.K., Funabashi/Japan	100.0
Dürr Korea Inc., Seoul/South Korea	100.0
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/PR China	100.0
Durr Systems (Malaysia) Sdn. Bhd., Petaling Jaya/Malaysia	100.0
Dürr Systems Maroc sarl au, Tangier/Morocco	100.0

3.120 — LIST OF GROUP SHAREHOLDINGS

Name and location	Equity interest %*
DURR VIETNAM COMPANY LIMITED, Ho Chi Minh City/Vietnam	100.0
EPE Fund 3 (RF) (Pty) Ltd., Port Elizabeth/South Africa[3]	100.0
Golden Field HOMAG (Shanghai) Trading Co., Limited, Shanghai/PR China	100.0
Homag Asia (Thailand) Co., Ltd., Bangkok/Thailand	100.0
Homag China Golden Field (Kunshan) Woodworking Machinery Co., Limited, Kunshan/PR China	100.0
HOMAG Arabia FZE, Dubai/United Arab Emirates	100.0
HOMAG ASIA PTE LTD, Singapore/Singapore	100.0
Homag Australia Pty. Limited, Sydney/Australia	100.0
Homag India Private Limited, Bangalore/India	100.0
Homag (Hong Kong) Limited, Hong Kong SAR/PR China	100.0
Homag Japan Co., Ltd., Higashiosaka/Japan	100.0
HOMAG KOREA CO., LTD., Seoul/South Korea	100.0
Homag Machinery (Shanghai) Co. Ltd., Shanghai/PR China	100.0
HOMAG NEW ZEALAND LIMITED, Auckland/New Zealand	100.0
HOMAG TRADING AND SERVICES SDN. BHD., Kuala Lumpur/Malaysia	100.0
HOMAG VIETNAM COMPANY LIMITED, Ho Chi Minh City/Vietnam	100.0
Kunshan Golden Field Woodwork Software Development Co., Limited, Kunshan/PR China	100.0
Luhlaza Industrial Services (Pty) Ltd., Port Elizabeth/South Africa[3]	75.0
MEGTEC Systems Shanghai Ltd., Shanghai/PR China	100.0
MEGTEC Thermal Energy & Environment Technology (Shanghai) Ltd., Shanghai/PR China	100.0
PT Durr Systems Indonesia, Jakarta/Indonesia	100.0
Schenck RoTec India Limited, Noida/India	100.0
Schenck Shanghai Machinery Corp. LTD, Shanghai/PR China	100.0
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/PR China	100.0
B. NON-CONSOLIDATED SUBSIDIARIES	
Aviva Vermögensverwaltung GmbH i.L., Munich/Germany	100.0
Futura GmbH, Schopfloch/Germany	100.0
Prime Contractor Consortium FAL China, Stuttgart/Germany	50.0
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt/Germany	100.0
C. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD	
Nagahama Seisakusho Ltd., Osaka/Japan	50.0

3.120 — LIST OF GROUP SHAREHOLDINGS

Name and location	Equity interest %*
D. OTHER INVESTMENTS	
ADAMOS GmbH, Darmstadt/Germany	12.5
Fludicon GmbH, Darmstadt/Germany	1.4
HeatMatrix Group B.V., Utrecht/Netherlands	13.4
Parker Engineering Co., Ltd., Tokyo/Japan	10.0
SBS Ecoclean GmbH, Stuttgart/Germany	15.0

* Investment pursuant to Sec. 16 AktG
[1] Profit and loss transfer agreement with the respective parent company
[2] Exemption pursuant to Sec. 264 (3) HGB
[3] Controlling influence as a result of contractual arrangements to control the relevant activities

Bietigheim-Bissingen, March 16, 2021

Dürr Aktiengesellschaft
The Board of Management

Ralf W. Dieter **Dr. Jochen Weyrauch** **Dietmar Heinrich**

INDEPENDENT AUDITOR'S REPORT

The following copy of the auditor's report also includes a "Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the financial statements and the management report prepared for publication purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].

To Dürr Aktiengesellschaft

Report on the audit of the consolidated financial statements and of the group management report

OPINIONS

We have audited the consolidated financial statements of Dürr Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the reporting period from January 1 to December 31, 2020, the consolidated statement of financial position as of December 31, 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the reporting period from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Dürr Aktiengesellschaft for the reporting period from January 1 to December 31, 2020, which is combined with the management report ("group management report"). In accordance with the German legal requirements, we have not audited the content of the group non-financial statement marked in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Group Corporate Governance Declaration, which is published on the website stated in the group management report and is part of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020 and of its financial performance for the reporting period from January 1 to December 31, 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial statement included in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Corporate Governance Declaration.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the reporting period from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter:

Goodwill is subject to an annual impairment test. An additional impairment test was performed during the 2020 reporting period, as the coronavirus pandemic was identified as an indicator that goodwill might be impaired. As a rule, the basis of the measurements is the present value of future cash flows of the cash-generating unit to be measured to which goodwill was allocated. The measurements are based on budgetary planning of the cash-generating units for four detailed planning years. The discounting is based on the weighted average cost of capital (WACC) of the respective cash-generating unit. The inputs used in the calculation of the discounting rate are partly based on estimated market expectations and are, therefore, also subject to judgment.

Impairment testing of goodwill is a key audit matter in our audit because the result of these measurements depends chiefly on the future cash inflows of each company estimated by the executive directors as well as the discount rate used and is therefore subject to uncertainty.

Auditor's response:

The subsidiaries' budgets are consolidated by division and reviewed and approved by the Board of Management of Dürr AG in a multi-stage process. The Supervisory Board of Dürr AG approves the budget for the following year and acknowledges the long-term planning for the next three years. For our audit we relied on these internal controls and tested their effectiveness. Our assessment was based, among other things, on a comparison with general and industry-specific market expectations, taking into account the effects of the coronavirus pandemic by management, as well as management's explanation regarding the significant value drivers in the budgets and forecasts. We also compared the plans for consistency with the forecast information provided in the group management report. We also analyzed the budget-to-actual comparison of the prior-period planning on the basis of a target-actual deviation analysis, taking into account the effects of the coronavirus pandemic. We assessed the underlying valuation models for the determination of net realizable value in terms of methodology and re-performed the calculations with the assistance of internal valuation specialists. We assessed the derivation of the risk-adjusted discount rate with the involvement of our internal valuation specialists in particular by scrutinizing the peer group, comparing market data with external evidence and checking the clerical accuracy. We also checked the results of the impairment test for plausibility using our own sensitivity analyses.

Our audit procedures did not lead to any reservations regarding the impairment of goodwill.

Reference to related disclosures:
The Company's disclosures on the impairment of goodwill in terms of the recognition and measurement policies applied in accounting as well as the associated judgments are contained in notes 6 and 18 of the notes to the consolidated financial statements.

2. Revenue recognition over time and accounting for construction contracts pursuant to IFRS 15 (Revenue from Contracts with Customers)

Reasons why the matter was determined to be a key audit matter:
Sales revenues from customer-specific construction contracts are generally calculated according to the progress towards complete satisfaction of a performance obligation pursuant to IFRS 15. This involves recognizing sales revenues and the planned contract margin in line with the degree to which the contract has been completed. The degree of completion is calculated on the basis of the costs incurred relative to the total estimated costs.

Revenue recognition over time and accounting for construction contracts according to IFRS 15 is a key audit matter because the application of revenue recognition over time pursuant to IFRS 15 requires the substantial exercise of judgment, particularly related to the estimate of the total costs of a contract and the consideration of contract modifications and project risks.

Auditor's response:
In assessing the contract analysis performed by the executive directors, we evaluated in particular whether the requirements to recognize revenue over time have been met based on construction contracts. We relied on a controls-based approach during the audit and examined the underlying corporate processes and tested controls relevant for the processing and accounting of construction contracts, particularly for the calculation of contract values, the processes for the estimate of contract costs as well as the reporting and allocation of accrued costs. We also tested the control mechanisms in the area of contract acceptance and planning as well as in the area of budgeting and cost control for their design and proper functioning. We analyzed the development of margins over the course of the year to identify anomalies compared to the prior period. On the basis of the knowledge obtained we performed an analysis of the changes in planning costs and in contract values. With regard to the status of completion and the assessment of the risks associated with the contract, we obtained and assessed management's evaluation of the significant contracts.

Furthermore, we performed the following substantive procedures for specific construction contracts:

- We analyzed the originally planned contract costs and the updated planning costs used for the consolidated financial statements underlying the determination of the degree of completion of the individual construction contracts, reviewing among other things the quality of the planning using target vs. actual analyses;

- We verified whether the material and production costs recognized for each construction contract were allocated properly and in the correct period, verifying in particular the allocation of costs in terms of their amount and the related project using orders, proof of performance as well as supplier invoices;

- Obtained evidence from third parties for selected projects (for example external confirmations of significant receivables) and compared them with the values reported;

- Checked that the sales revenues had been entered in the right amount, in particular by comparing a sample of the transaction prices with their applicable contractual bases.

Our audit procedures did not lead to any reservations regarding the revenue recognition over time and accounting of construction contracts according to IFRS 15.

Reference to related disclosures:
The Company's disclosures on the recognition and measurement policies applied in accounting with regard to the revenue recognition over time and accounting of construction contracts according to IFRS 15 are contained in notes 6, 7, 21 and 22 of the notes to the consolidated financial statements.

3. Recognition and measurement of uncertain tax treatments and deferred taxes

Reasons why the matter was determined to be a key audit matter:
The Dürr Group operates in countries with different local tax law which entails the complexity of changing tax law as well transfer pricing issues. The accounting treatment and measurement of uncertain tax treatments and deferred taxes requires that the executive directors of Dürr Aktiengesellschaft exercise judgment for the assessment of subject matters related to tax and perform estimates regarding income tax risks.

In the context of accounting and measurement of deferred tax items, an assessment of future usability of the tax loss carryforwards as well as other deferred tax assets from temporary differences is necessary. The recognition of deferred tax assets for tax loss carryforwards depends, on the one hand, on the usability of losses in each country due to country-specific provisions and, on the other, on budget assumptions for future taxable income. The recognition and measurement of uncertain tax treatments and deferred taxes is a key audit matter because particularly the corporate planning regarding the future taxable income is subject to a high degree of judgment. The executive directors make estimates regarding the economic development of every taxable entity, which is affected by the current and future market environment.

Auditor's response:
Due to the complexity in the area of various tax law provisions, we consulted internal tax specialists with expertise in the relevant local tax law in the course of our audit. We assessed the correspondence with the responsible tax authorities and analyzed and assessed the assumptions for the calculation of income tax provisions on the basis of their knowledge and experience in the current application of the relevant tax law provisions by the authorities and courts.

To assess the recognition and measurement of deferred taxes at Group companies, we considered, among other things, the underlying processes. In addition, we verified the identification and quantification of deviations between the assets and liabilities according to income tax provisions and financial reporting in accordance with IFRSs as well as the calculation of the deferred taxes with regard to these deviations using the corresponding income tax rate. To test the recoverability of deferred tax assets from temporary differences as well as from loss carryforwards, we verified using samples whether tax forecasts were derived from corporate planning, the Group-wide planning horizon was used to assess the usability of tax loss carryforwards and the respective country-specific tax requirements for the use of loss carryforwards were observed.

In the course of our substantive audit procedures for uncertain tax treatments, we assessed the compliance with the relevant local tax law of assessments made by the executive directors for tax implications of significant business transactions or events in the 2020 reporting period, from which uncertain tax treatments may result or could influence the recognition and measurement of existing uncertain tax treatments. In particular, this included the income tax implications arising from the acquisition or disposal of company shares, corporate restructuring as well as findings from tax field audits.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of uncertain tax treatments and deferred taxes.

Reference to related disclosures:
The Company's disclosures on the accounting policies for uncertain tax treatments and deferred taxes are contained in notes 6 and 17 of the notes to the consolidated financial statements.

4. Restructuring measures

Reasons why the matter was determined to be a key audit matter:
In the 2020 reporting period, various structural adjustments were adopted and communicated in the Dürr Group. The measures adopted include closing sites and personnel adjustments.

The restructuring measures are a key audit matter because the measurement of the obligations is significantly influenced by the estimates and assumptions of the executive directors and may result in significant effects on various items of the consolidated financial statements (current liabilities, provisions, cost of sales, selling, general and administrative expenses).

Auditor's response:
During our audit of the restructuring measures, we examined the underlying corporate processes and performed analytical audit procedures and substantive testing.

The audit procedures regarding the reported expenses as well as the recognition and measurement of provisions and liabilities included in particular the review of redundancy and restructuring plans, other written agreements and contracts and communication with employees.

For the employees affected by these measures, we compared on a test basis the years of service and salary information with the payroll accounting and the personnel master data, and tested the underlying assumptions on the basis of past experience, for example, of comparable previous restructuring measures.

Our audit procedures did not lead to any exceptions relating to the accounting treatment of restructuring measures.

Reference to related disclosures:
The Company's disclosures related to the restructuring measures are contained in notes 6 and 29 of the notes to the consolidated financial statements.

5. Accounting treatment of the acquisition of HOMAG China Golden Field entities including the purchase price allocation

Reasons why the matter was determined to be a key audit matter:
In November 2020, the Dürr Group obtained control over selected HOMAG China Golden Field entities. These entities have been included in the consolidated financial statements as of December 31, 2020 for the first time by way of full consolidation, while the investment in the ultimate parent of HOMAG China Golden Field Group has been accounted for using the equity method since 2014.

The remeasured assets recognized and the acquired assets identified as well as the difference between the purchase price and net assets measured at fair value of HOMAG China Golden Field entities are significant for the consolidated financial statements of Dürr Aktiengesellschaft. In addition, it is a key audit matter because the remeasurement of the assets and liabilities acquired is subject to estimation and judgment uncertainties, also with reference to the business plan of the acquired entities underlying the measurement.

Auditor's response:
Based on our knowledge of the business of HOMAG China Golden Field entities and the explanations and plans of the Board of Management, we verified the identification of assets and liabilities in connection with the purchase price allocation.

During our audit procedures regarding the calculation of fair values of the assets and liabilities acquired, we consulted internal valuation experts. We particularly assessed the method used by the Company in applying the discounted cash flow measurement model and verified the clerical accuracy. We assessed the derivation of the discount rate and its individual components in particular by scrutinizing the peer group, comparing market data with external evidence and checking the clerical accuracy. We discussed with management the planning assumptions used in the cash flow planning of individual assets and liabilities and assessed key planning assumptions.

We also verified the date of first-time consolidation by assessing contracts and closing conditions. Furthermore, we examined the completeness of the disclosures in the notes to the consolidated financial statements in accordance with the requirements of IFRS 3.

Our audit procedures in connection with the accounting treatment of the acquisition of HOMAG China Golden Field entities did not lead to any reservations.

Reference to related disclosures:
The Company's disclosures on the accounting treatment of the first-time full consolidation of HOMAG China Golden Field entities are contained in notes 6, 15 and 18 of the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. Otherwise, the executive directors are responsible for other information. Other information particularly comprises the following components of the annual report: The Chairman's letter, the Report of the Supervisory Board, the section "Dürr on the capital market", the disclosures made in the annual report in the Responsibility Statement contained in the consolidated financial statements, the group non-financial statement included in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Corporate Governance Declaration. We received a version of this 'Other information' by the time this auditor's report was issued.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

OPINION

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file Dürr_AG_KA+KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the reporting period from January 1, 2020 to December 31, 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

BASIS FOR THE OPINION

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the "Bundesanzeiger" [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the consolidated financial statements by the annual general meeting on May 28, 2020. We were engaged by the Supervisory Board on November 4, 2020. We have been the group auditor of Dürr Aktiengesellschaft without interruption since the 2002 reporting period.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Marco Koch.

Stuttgart, 16 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Michael Marbler
Wirtschaftsprüfer
(German Public Auditor)

Marco Koch
Wirtschaftsprüfer
(German Public Auditor)

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the group non-financial statement 2020 of Dürr Aktiengesellschaft. The following text is a translation of the original German Independent Assurance Report.

To Dürr Aktiengesellschaft, Stuttgart

We have performed a limited assurance engagement on the group non-financial statement of Dürr Aktiengesellschaft according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), consisting of the disclosures in the combined management report which are marked with a line in the margin and the abbreviation "NFD" for the reporting period from 1 January 2020 to 31 December 2020 (hereafter group non-financial statement). Our engagement did not include any disclosures for prior years.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the group non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the group non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud or error.

AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the group non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the group non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the group non-financial statement, the risk assessment and the concepts of the group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the group non-financial statement,
- Identification of likely risks of material misstatement in the group non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the group non-financial statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the group non-financial statement.

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of Dürr Aktiengesellschaft for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Dürr Aktiengesellschaft. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 16 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Annette Johne
Wirtschaftsprüferin
(German Public Auditor)

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Ralf W. Dieter | **Dr. Jochen Weyrauch** | **Dietmar Heinrich**

Bietigheim-Bissingen, March 16, 2021

GLOSSARY

Technology and products

A

Adaptive manufacturing
In adaptive manufacturing, the production processes adapt autonomously to new tasks and are self-optimizing. This relies on the machines being digitally connected and their data evaluated.

Analytics application
With the aid of artificial intelligence, it enables and optimizes the evaluation of large data volumes from production processes in order to detect deviations from set values, deduce patterns and develop projections and recommended courses of action.

Application technology
General term for all products related to the application of paint and high-viscosity materials, e.g. painting robots, paint atomizers, and color change systems.

Augmented reality
In augmented reality, one's actual environment is seen primarily through special glasses or the camera of a smartphone. With the aid of special software, users can view additionally displayed information or images on top of the real environment. Examples for use include training or service activities.

B

Balancing technology
Rotating components such as wheels and turbines must be tested for imbalances. Any imbalance is then removed since it would otherwise cause vibrations or oscillations.

C

Connectivity
A connective network between machines and software. Connectivity is the basis for the digital transformation of production.

D

Dip-coating
Process for applying the first prime coat that protects against corrosion. To coat the interior of the body as well, it is immersed. The coating is applied with the aid of an electric field.

Drying oven
Tunnel-like systems for curing freshly applied coats of paint.

E

Electrode coating
Anode and cathode material is applied onto both sides of a metal foil as a thin paste and then dried. The material layers produced in this way are responsible for storing energy in a lithium-ion battery cell, while the metal foil acts as an electrode that conducts the electricity to and from the storage material.

Engineering
Development and design of machinery and plants. At Dürr, engineering often involves developing technical solutions that are geared to customers' specific production goals.

F

Filling systems
Equipment designed for filling vehicles with the necessary operating media (e.g. brake fluid, refrigerant) in the course of their final assembly. Filling systems are also employed for charging refrigerators, air conditioners and heat pumps with refrigerant.

G

Gluing technology
Manufacturing process in which parts such as the sheet-metal components of a car are joined together by means of adhesives.

H

High-speed rotating atomizer
Atomizers ensure a uniform distribution of the spray jet in paint application processes. High rotation atomizers rely on a bell-shaped disk revolving at up to 70,000 r.p.m. Due to this design, the paint fed to the center of the disk is accelerated and separated into fine threads which dissolve into minuscule droplets as they are propelled off the disk.

I

IIoT / Industrial Internet of Things
The term Industrial Internet of Things refers to the use of the Internet of Things in industrial production. The Internet of Things is the digital connection of, and communication between, smart machines and appliances via the internet.

IIoT platform
Higher-level software system that collects and evaluates big data, i.e. large volumes of production data. To that end, the machines from one or more production systems are fitted with sensors. The sensors capture the operating data (e.g. material consumption, cycle time) and transmit it to the IIoT platform. Data evaluation on the IIoT platform enables plant operators to gain a better understanding of their production processes and identify potential for optimization.

Industry 4.0
Industry 4.0 refers to the digitalization and networking of industrial production. It is aimed at creating a 'Smart Factory' in which production and logistics systems largely organize themselves.

P

Pay-per-use model
This business model is gaining importance in the realm of Industry 4.0. It involves customers paying a fee for the duration or extent of use rather than a fixed price for software.

Predictive maintenance
An anticipatory approach for the proactive maintenance of machines and systems based on measured values and data serving to reduce failures causing unplanned downtimes to a minimum.

S

Sealing
Process for sealing welding seams created when car body parts are joined. Sealing also includes the application of an undercoating that protects against rock impact.

T

Test systems
End of line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

Thermal oxidation
Thermal oxidation is a process for exhaust-air purification. The polluted waste air is burned in a combustion chamber.

Financial

A

Asset coverage
A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100\ (\%)$$

Asset intensity
A ratio that indicates the relative weight of non-current assets in total assets. High asset intensity means high fixed costs and high levels of capital tied up.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100\ (\%)$$

C

Capital employed
This is the capital used within the enterprise that is not subject to interest payable to external creditors. It is calculated by deducting liabilities from total non-current and current assets. However, all interest-bearing items are excluded.

D

Days sales outstanding
This ratio indicates the average length of time in days that capital is tied up in receivables.

$$\frac{\text{receivables} \times 360}{\text{sales revenues}}$$

The same method can be used to calculate the average length of time that capital is tied up in inventories and in net working capital.

E

Equity/assets ratio
A ratio that indicates the extent to which shareholders' equity and non-current liabilities cover non-current assets.

$$\frac{\text{equity + non-current liabilities}}{\text{non-current assets}} \times 100\ (\%)$$

F

Free cash flow
Free cash flow is the cash flow from operating activities remaining after deducting capital expenditures, net interest paid and received and the repayment of leasing liabilities, and represents the amount of cash that is freely available to pay a dividend, make aquisitions and pay off debt.

G

Gearing
This is the ratio of net financial debt to shareholders' equity and net financial debt. The higher the relative weight of net financial debt, the higher the reliance on external lenders. However, a high gearing is not necessarily negative if the interest paid does not reduce profits excessively.

I

Interest coverage
An interest coverage ratio of <1 indicates that the company is not able to meet its interest payments from operating earnings.

$$\frac{\text{earnings before tax + net interest expense}}{\text{net interest expense}}$$

L

Liquidity ratios: cash ratio and quick ratio
These two liquidity ratios show the degree to which current liabilities are covered by cash and cash equivalents (and other current assets). They serve to measure a company's solvency.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100\ (\%)$$

$$\frac{\text{cash and cash equivalents + short-term trade receivables}}{\text{current liabilities}} \times 100\ (\%)$$

N

Net financial status
This represents the balance of the financial liabilities reported in the balance sheet after deducting liquid funds. If a company's liquid funds exceed its financial liabilities, it is de facto debt free.

$$\text{financial liabilities} - \text{liquid funds}$$

Net Working Capital (NWC)
This is a measure of the net funding required to finance current assets. Negative NWC is beneficial since it implies that sales are prefinanced by suppliers and customers. For the Dürr Group, the prepayments received from customers are an important factor affecting NWC.

$$\text{inventories} + \text{contract assets} + \text{trade receivables} - \text{contract liabilities} - \text{trade payables}$$

R

Return on Capital Employed (ROCE)
This measures the rate of return on the capital tied up in a company's operating assets (for instance in machinery and equipment, inventories, accounts receivable) and is the ratio of earnings before interest and taxes (EBIT) to capital employed.

$$\frac{\text{EBIT}}{\text{capital employed}} \times 100\ (\%)$$

Return on Equity (ROE)
This is the rate of return earned on shareholders' equity. It should exceed the rate of return on a comparable investment.

$$\frac{\text{earnings after taxes}}{\text{shareholders' equity}} \times 100\ (\%)$$

Return on Investment (ROI)
This ratio serves to measure how efficiently a company employs the total resources at its disposal.

$$\frac{\text{earnings after taxes + interest expense}}{\text{total assets}} \times 100\ (\%)$$

TEN-YEAR SUMMARY

4.1 — TEN-YEAR SUMMARY DÜRR GROUP[1]

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Incoming orders	€ million	3,283.2	4,076.5	3,930.9	3,803.0	3,701.7	3,467.5	2,793.0	2,387.1	2,596.8	2,684.9
Orders on hand (Dec. 31)	€ million	2,556.7	2,742.8	2,577.2	2,449.4	2,568.4	2,465.7	2,725.3	2,150.1	2,316.8	2,142.7
Sales revenues	€ million	3,324.8	3,921.5	3,869.8	3,713.2	3,573.5	3,767.1	2,574.9	2,406.9	2,399.8	1,922.0
Gross profit on sales	€ million	604.2	838.2	855.5	857.2	858.3	828.0	591.1	487.3	437.8	331.4
Overhead costs (incl. R&D costs)	€ million	–593.8	–639.0	–612.9	–601.8	–605.5	–566.4	–359.5	–280.7	–262.9	–225.5
EBITDA	€ million	125.3	308.5	326.9	367.7	360.3	348.2	262.9	230.4	205.4	127.1
EBIT	€ million	11.1	195.9	233.5	287.0	271.4	267.8	220.9	203.0	176.9	106.5
Financial result	€ million	–29.7	–21.2	–13.8	–19.8	–13.3	–23.3	–16.2	–18.4	–29.2	–20.7
EBT	€ million	–18.5	174.7	219.7	267.3	258.1	244.5	204.7	184.6	147.7	85.8
Income taxes	€ million	4.7	–44.9	–56.2	–67.6	–70.3	–78.0	–54.4	–43.7	–36.3	–21.6
Net income	€ million	–13.9	129.8	163.5	199.6	187.8	166.6	150.3	140.9	111.4	64.3
Profit/loss attributable to Dürr AG shareholders	€ million	–15.8	124.1	157.1	192.6	181.9	161.6	149.8	140.1	107.2	61.9
STOCK											
Earnings per share	€	–0.23	1.79	2.27	2.78	2.63	2.34	2.17	2.03	1.55	0.90
Dividend per share	€	0.30[2]	0.80	1.00	1.10	1.05	0.93	0.83	0.73	0.57	0.30
Book value per share (Dec. 31)	€	13.06	14.89	14.12	12.80	11.70	10.07	8.89	7.29	6.13	5.19
Operating cash flow per share	€	3.11	2.48	2.34	1.73	3.29	2.50	4.21	4.76	1.70	1.85
Closing price (Dec. 31)	€	33.40	30.38	30.53	53.28	38.18	36.80	36.63	32.41	16.88	8.50
Number of shares (weighted average)	thousand	69,202	69,202	69,202	69,202	69,202	69,202	69,202	69,202	69,202	69,202
Market capitalization (Dec. 31)	€ million	2,311	2,102	2,113	3,687	2,642	2,547	2,535	2,243	1,168	588
INCOME STATEMENT											
Gross margin	%	18.2	21.4	22.1	23.1	24.0	22.0	23.0	20.2	18.2	17.2
EBITDA margin	%	3.8	7.9	8.4	9.9	10.1	9.2	10.2	9.6	8.6	6.6
EBIT margin	%	0.3	5.0	6.0	7.7	7.6	7.1	8.6	8.4	7.4	5.5
EBT margin	%	–0.6	4.5	5.7	7.2	7.2	6.5	8.0	7.7	6.2	4.5
Interest coverage		0.5	7.3	11.5	13.4	13.7	10.7	12.6	10.7	6.0	5.0
Tax rate	%	25.2	25.7	25.6	25.3	27.2	31.9	26.6	23.7	24.6	25.1
CASH FLOW											
Operating cash flow	€ million	215.0	171.9	162.3	119.8	227.4	173.0	291.3	329.1	117.6	127.9
Free cash flow	€ million	110.7	44.9	78.4	14.3	129.9	62.8	221.1	261.9	65.9	91.8
Capital expenditure (property, plant & equipment and intangible assets)	€ million	76.4	102.6	74.4	88.0	81.9	102.3	54.9	51.2	32.5	23.4
Change in net financial status	€ million	50.3	–24.9	–144.0	17.6	47.1	–38.4	–112.7	183.8	44.9	28.2
BALANCE SHEET											
Non-current assets (Dec. 31)	€ million	1,315.6	1,322.4	1,244.3	1,110.1	1,125.3	1,182.0	1,124.2	590.9	551.9	529.0
Current assets (Dec. 31)	€ million	2,563.2	2,560.0	2,370.1	2,401.4	2,223.2	1,804.6	1,851.9	1,400.9	1,255.8	1,132.0
of which cash and cash equivalents (Dec. 31)	€ million	769.2	662.0	655.0	659.9	724.2	435.6	522.0	458.5	349.3	298.6

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Equity (incl. non-controlling interests) (Dec. 31)	€ million	908.1	1,043.4	992.2	900.5	831.0	714.4	725.8	511.4	432.1	364.3
Non-current liabilities (Dec. 31)	€ million	816.2	1,056.4	786.1	787.3	843.3	585.0	643.1	394.8	402.6	401.9
of which pension obligations (Dec. 31)	€ million	58.1	59.0	50.1	49.8	51.8	49.7	53.7	49.8	53.5	57.8
Current liabilities (Dec. 31)	€ million	2,154.4	1,782.6	1,836.2	1,823.8	1,674.2	1,687.2	1,607.3	1,085.7	973.0	894.8
Financial liabilities (Dec. 31)	€ million	718.3	923.1	623.3	622.6	654.5	350.9	426.5	271.1	286.1	286.2
Total assets (Dec. 31)	€ million	3,878.8	3,882.3	3,614.4	3,511.6	3,348.5	2,986.7	2,976.1	1,991.8	1,807.7	1,661.0
Net financial status[3] (Dec. 31)	€ million	−49.0	−99.3	32.3	176.3	176.5	129.4	167.8	280.5	96.7	51.8
Net financial debt / EBITDA[3]		0.4	0.3	–	–	–	–	–	–	–	–
Gearing (Dec. 31)	%	5.1	8.7	−3.4	−24.3	−27.0	−22.1	−30.1	−121.5	−28.8	−16.6
Net working capital (Dec. 31)	€ million	382.6	502.7	441.4	373.7	194.4	236.8	87.6	−33.1	98.6	32.6
Days working capital	days	41.4	46.1	41.1	36.2	27.2	22.6	12.2	−4.9	14.8	6.1
Days sales outstanding	days	55.2	53.8	56.1	51.7	47.3	51.9	67.8	47.6	51.9	61.5
Inventory turnover	days	55.1	46.7	49.8	44.4	40.4	37.0	51.0	22.1	21.7	23.3
Equity assets ratio (Dec. 31)	%	69.0	78.9	79.7	81.1	73.8	60.4	64.6	86.5	78.3	68.9
Degree of asset depreciation (Dec. 31)	%	48.3	41.4	38.5	36.1	34.3	32.1	30.7	43.9	48.4	48.8
Depreciation expense ratio	%	7.7	6.1	6.4	6.5	6.7	6.4	4.2	4.3	4.2	3.3
Asset coverage (Dec. 31)	%	131.1	158.8	142.9	152.0	148.8	109.9	121.8	153.3	151.2	144.8
Asset intensity (Dec. 31)	%	33.9	34.1	34.4	31.6	33.6	39.6	37.8	29.7	30.5	31.8
Current assets to total assets (Dec. 31)	%	66.1	65.9	65.6	68.4	66.4	60.4	62.2	70.3	69.5	68.2
Cash ratio (Dec. 31)	%	35.7	37.1	35.7	36.2	43.3	26.4	32.6	42.4	35.9	33.4
Quick ratio (Dec. 31)	%	58.2	69.1	66.5	64.8	89.8	80.8	85.7	104.5	107.3	103.3
Equity ratio (Dec. 31)	%	23.4	26.9	27.4	25.6	24.8	23.9	24.4	25.7	23.9	21.9
Return on equity	%	−1.5	12.4	16.5	22.2	22.6	23.3	20.7	27.6	25.8	17.6
Capital employed (CE) (Dec. 31)	€ million	991.5	1,160.6	971.9	738.9	670.6	590.6	571.5	266.4	373.0	350.8
ROCE	%	1.1	16.9	24.0	38.6	41.1	45.3	38.7	76.2	47.4	30.4
Weighted average cost of capital (WACC)	%	7.44	8.42	9.00	7.88	7.20	6.98	5.78	6.69	6.58	7.64
Economic value added (EVA)	€ million	−66.0	39.4	76.0	142.7	142.5	146.2	121.6	124.3	99.3	47.7
EMPLOYEES/R&D											
Employees (Dec. 31)		16,525	16,493	16,312	14,974	15,235	14,850	14,151	8,142	7,652	6,823
Cost per employee (year average)	€	−64,399	−69,055	−67,188	−68,725	−67,100	−67,000	−64,800	−65,200	−64,900	−62,700
Sales per employee (year average)	€	203,552	238,201	248,176	250,772	237,000	260,000	262,900	301,900	327,100	299,200
R&D ratio	%	3.2	2.8	3.1	3.1	3.0	2.6	2.2	1.8	1.6	1.5
R&D employees (Dec. 31)		795	789	782	713	695	667	619	248	199	180
R&D expenditure	€ million	−107.7	−110.8	−121.0	−116.7	−105.9	−97.1	−55.4	−43.0	−37.2	−29.5
R&D cost capitalized	€ million	18.1	19.0	14.5	9.6	12.4	11.5	5.5	3.4	3.1	2.7
Amortization of R&D cost capitalized	€ million	−10.0	−9.1	−9.9	−12.7	−13.1	−10.4	−4.3	−3.9	−6.1	−4.0

All figures according to IFRS
[1] Please note the information on page 68 concerning the figures.
[2] Dividend to be proposed at the annual general meeting
[3] Up until 2018 the Dürr Group had a positive net cash balance. Since 2019 leasing liabilities have been recognized in the net financial status in accordance with IFRS 16.

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Forward-looking statements
This annual report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the convictions and assumptions of the Board of Management of Dürr AG, as developed from the information currently available. However, the following factors may affect the success of our strategic and operating measures: geopolitical risks, changes in general economic conditions (especially a prolonged recession), exchange rate fluctuations and changes in interest rates, new products launched by competitors and a lack of customer acceptance for new Dürr products or services, including growing competitive pressure. Should any of these factors or other imponderable circumstances arise, or should the assumptions underlying the forward-looking statements prove incorrect, actual results may differ from those projected. Dürr AG undertakes no obligation to provide continuous updates of forward-looking statements and information. Such statements and information are based upon the circumstances as of the date of their publication.

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FINANCIAL CALENDAR

March 18, 2021
Publication of the annual report 2020

May 7, 2021
Virtual annual general meeting

May 11, 2021
Interim statement for the first quarter of 2021

August 5, 2021
Interim financial report for the first half of 2021

November 4, 2021
Interim statement for the first nine months of 2021

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