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Dürr AG

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### ***Chart 1: Welcome***

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

On behalf of my colleague, Ralph Heuwing, as well as all managers, employees and myself, I have pleasure in welcoming you to this year's annual general meeting. A special welcome goes to the Dürr family which, as our anchor shareholder, stands for tradition and continuity within our company. Talking of continuity, and on a personal note, I would just like to say that I am speaking to you today for the tenth time as Chairman of the Board of Management. This is such an honor and gives me great pleasure.

### ***Chart 2: Agenda***

2014 was another successful year for Dürr. This is reflected, above all, in our EBIT margin, which reached an all-time high of 8.6 %. The acquisition of the HOMAG Group has also enabled us to move the company forward strategically. I would like to start my presentation today with the HOMAG acquisition. We will then move on to the share price, business figures and dividend. After that I will give you some information on the forthcoming votes. This will be followed by strategy, a few words on the first quarter and, finally, a look ahead.

### ***Chart 3: HOMAG: world market leader***

Ladies and gentlemen,

In October 2014, Dürr took over a majority stake in the HOMAG Group, the world's leading supplier of woodworking machinery. This acquisition has changed Dürr's profile. Dürr has evolved from a "paint systems manufacturer" to a mechanical and plant engineering firm with a good 60 % of sales being generated in the mechanical engineering field. Our Group has grown by 40 %; this year we anticipate sales of €3.4 to 3.5 billion with more than 14,000 employees.

The Dürr/HOMAG connection initially came as a surprise for many people. On closer inspection, however, Dürr and HOMAG have a lot in common. Both

companies are world market and technology leaders, sharing a spirit of innovation typical of our region of Swabia, dedicated founding families and a long tradition. The Dürr and HOMAG brands stand for quality and German engineering. Our employees are highly regarded by customers around the world for their expertise and professional approach.

#### ***Chart 4: HOMAG: profitable growth***

The HOMAG takeover brings great opportunities – both for HOMAG and for Dürr:

- **HOMAG** can continue to grow profitably and efficiently within the Dürr Group. The FOCUS optimization program required for this is currently being launched at HOMAG, drawing on a wealth of experience from the optimization activities at Dürr over the past ten years. The key points of FOCUS are:
  - making more effective use of the market opportunities in China and the United States
  - improving processes, IT systems and cooperation across the sites within the HOMAG network
  - optimizing the systems business
  - expanding the service business.

From today's point of view, HOMAG's sales revenues are set to rise to almost €1 billion in 2015, making a clearly positive earnings contribution. In the long term, HOMAG has the potential to achieve the same margins as our existing activities.

#### ***Chart 5: HOMAG: new mainstay***

- HOMAG is thus a further and significant mainstay for **Dürr**, allowing the Group to develop a broader base and to secure future growth. Dürr remains an equipment supplier to the automotive industry, and together with automotive manufacturers around the world we are setting standards in production efficiency. We have gained significant market share in this area since 2009 through innovation, global reach and cost optimization. One consequence is, however, that the remaining growth potential is lower than it was five years ago.

We want to continue growing by 3 to 5 % per year, in tandem with worldwide automotive production. But the high growth rates of the previous years can no longer be repeated.

#### ***Chart 6: Share price***

The HOMAG acquisition is part of our strategic plan to develop Dürr into a more broadly based mechanical and plant engineering firm for efficient production technology and to increase sales to between € 4 and 5 billion by 2020. The capital market has recognized the industrial logic of the Dürr/HOMAG connection: since October the Dürr share price has increased by more than 80 % and most recently stood at € 90. Our share price – the blue line in this chart – has therefore increased considerably faster than the DAX and MDAX.

#### ***Chart 7: Shareholder structure***

Even after the sharp rise in the share price, 20 of the 22 analysts covering the Dürr stock gave it a "Hold" or "Buy" rating. The shareholder structure is stable: the Dürr family continues to hold 28.7 % of the stock and remains by far the largest shareholder.

#### ***Chart 8: Results***

Ladies and gentlemen,

We are now moving on to the figures for the last financial year. As mentioned at the beginning, 2014 was a very good year for Dürr. We saw a positive development in terms of incoming orders, earnings and many more key figures. This was due not only to the HOMAG takeover, but also to the fact that our existing activities, i.e. the "old Dürr", performed well in the market. However, the figures we are showing you today refer to the "new Dürr". This means they include the results of the HOMAG Group since the first-time consolidation on October 3, 2014.

Our order intake, which is marked in green, rose by 17 % to almost € 2.8 billion in 2014. HOMAG accounted for half of this growth; in terms of our existing activities,

the paint systems and service business achieved the biggest increases. Sales, marked in red, reached € 2.6 billion – a somewhat moderate 7 % increase due to customer-induced delays in some major projects. This shortfall will be made up in our sales revenues for 2015.

Earnings before interest and taxes – the blue line – increased by 9 % and thus more quickly than sales. EBIT and EBIT margin reached all-time highs, at € 221 million and 8.6 % respectively. For comparison: in 2006, when I reported to you for the first time at the annual general meeting, the EBIT margin was just 2.4 %. Since then we have made great efforts to increase our profitability – from IT and process optimization through to expansions in the emerging markets and in service. And the good results of 2014 are down to these efforts. Added to that is the earnings turnaround in industrial cleaning technology, which was far more positive than anticipated following a successful reorientation.

Without the inclusion of HOMAG, our EBIT margin would have been 9.9 % instead of 8.6 %, an all-time high of which we are all very proud. The lower margin with HOMAG is a result of the extraordinary charges of € 16.5 million incurred by Dürr in connection with the HOMAG purchase price allocation. When conducting the purchase price allocation, the assets acquired and liabilities assumed were measured at market value as usual. This resulted in expenses which are purely accounting-related and not linked to HOMAG's business activities. In fact, with an EBIT margin of 4 %, HOMAG is clearly profitable, although there is certainly potential for growth, which we will gradually tap into with the optimization measures mentioned above.

### ***Chart 9: Financial position***

We paid € 228.1 million for our 55.9 % stake in HOMAG – this is by no means seen as excessive by observers. Despite this outflow of funds, our cash and cash equivalents as well as our net financial status were high in 2014, which underlines the solid structure of our balance sheet. At € 291 million, our cash flow was also good and exceeded the HOMAG purchase price. Equity increased to € 726 million,

which was based on the high consolidated earnings after taxes of € 150 million.

### ***Chart 10: Dividend***

Dear shareholders,

Consolidated earnings after taxes is also the key parameter for the dividend payout. This year we propose a payout of 1 euro and 65 cents per share, a 14 % rise on 2014 and a new record value. Measured against consolidated earnings, the payout ratio increased from 36 % in the previous year to 38 %, which is at the top end of Dürr's usual range of 30 to 40 %. We thus not only meet the demands for an attractive dividend but we also have a sufficient share available for boosting Dürr's capital resources – I think both of these aspects are in your interest.

### ***Chart 11: Agenda***

The voting on the dividend will take place later under agenda item 2. First, I would like to briefly talk about the other agenda items.

- **Items 3 to 5** are regular annual motions: the formal approval of the actions of the Supervisory Board and the Board of Management and the election of the auditor.
- **Agenda items 7 and 8** are related to two company agreements:
  - Under **item 7** we propose the conclusion of a domination and profit and loss transfer agreement with Dürr Technologies GmbH for tax reasons. This company holds the shares in HOMAG Group AG and was formed in 2014.
  - Under **item 8** we request your approval for signing a profit and loss transfer agreement with Carl Schenck AG. Such an agreement had been in place until the end of 2012 but was then replaced with a domination agreement for tax optimization purposes. This allowed us to use Schenck's tax loss carry-forwards. As these are now almost used up, we propose signing another profit and loss transfer agreement in parallel with the domination agreement.

- **Agenda item 9** contains a proposal to adjust the compensation of the Supervisory Board. Mr. Eberhardt has explained this already.

These are all the items which will be voted on later. On another note: this year you are once again invited to a tour of our technology center, where we would like to show you some of our products. If you want to take part, please register at the information desk straight after the annual general meeting.

### ***Chart 12: Employees***

Employees are the most important success factor at Dürr. We are therefore all the more delighted that both Dürr and HOMAG are among the top ten German mechanical and plant engineering firms in the current employer ranking of Focus magazine. In April we rewarded our German staff with a bonus of €2,750 for their commitment. This is higher than at the largest German automotive parts suppliers. The Board of Management would like to thank all managers and employees for their unparalleled support. As always, the heads of our divisions are here today, and I want to thank them for their high level of commitment and the great success in 2014. Dr. Fuchs, Mr. Kaufmann, Dr. Schumacher, Mr. Weil as well as Mr. Matheis from HOMAG's Board of Management: please pass on our thanks to all employees.

### ***Chart 13: Application technology***

Ladies and gentlemen,

We want to secure Dürr's success in the long term. For this purpose, we regularly review our portfolio to benefit from new business opportunities and scrutinize existing activities. Apart from the HOMAG acquisition, we took and implemented three further portfolio decisions in 2014.

- In application technology we initiated the expansion into general industry by purchasing, among others, two smaller companies in Germany and the Czech Republic. We are the world market leader in the automotive field with our application products and robots. We are now diversifying into industries

such as plastics, wood, furniture, shipbuilding and wagon construction with specially developed painting components including dosing pumps and spray guns. With an annual market volume of € 3 billion, the industrial painting business is offering great opportunities.

#### ***Chart 14: Cleaning systems***

- In industrial cleaning systems we divested ourselves of the handling and conveyor technology business in France. We are now focusing on our core activities: cleaning and surface processing technology.

#### ***Chart 15: Aircraft sale***

- We made a further divestment in aircraft assembly technology, which we transferred to our larger competitor Broetje. The Dürr Aircraft/Broetje combination has created the world's most efficient supplier of aircraft assembly technology. The cyclical aircraft business would have made it impossible for Dürr Aircraft to achieve a leading position on its own due to a lack of critical mass and a product range that did not cover all requirements.

#### ***Chart 16: "Dürr 2020" strategy***

Let's have a look at the four long-term fields of our "Dürr 2020" strategy, starting with the field of innovation. Research and development is a key instrument that helps us stand out from the competition. We therefore increased our R&D spending by 29 % in 2014.

#### ***Chart 17: Strategy/innovation***

In most media reports on the topic of innovation, the key word is: Industry 4.0, i.e. the concept of a digitally networked production system which regulates itself and manufactures customized product variants. At Dürr, too, this concept is an innovation focus – however, we do not call it Industry 4.0 but Smart Products. One example is the smart dosing pump we use in our robots. It not only dispenses the exact amount required per vehicle but also collects production data and provides information on wear and maintenance needs. These smart products are being



developed in all five divisions at Dürr.

### ***Chart 18: Strategy/Service***

Another strategic thrust is the expansion of the service business. Since 2010 Dürr has delivered an above-average number of machines and systems. This opens up additional potential in service, as each system purchased by the customer must be maintained, upgraded and supplied with spare parts. The CustomerExcellence@Dürr program, which I introduced to you last year, has enabled us to improve and increase our service organization, introduce new IT systems and speed up our spare parts delivery. It has paid off: in 2014 our service-related sales increased by 18 %, and thus more strongly than total sales, exceeding € 600 million for the first time. Incoming orders in service were up by as much as 24 % and reached more than € 680 million!

### ***Chart 19: Strategy/globalization***

The strategy field of globalization stands for the expansion of our international reach. Between 2012 and 2014 we invested € 70 million in the expansion and modernization of our global site network. Our focus was on the emerging markets, in particular China. These investments are of vital importance for Dürr: in 2014 almost 60 % of our incoming orders were generated in the emerging markets and more than 30 % in China. We can only achieve these figures by investing locally. That's why we launched two further site projects in 2014: we are creating new campus complexes in Shanghai and Detroit, which are due to be completed by 2016.

### ***Chart 20: Strategy/efficiency***

The strategy field of efficiency refers to the continuous optimization of our internal processes and structures to make us even more competitive. It often consists of small steps, which together have a great impact, for example in paint systems: in 2014 the Paint and Final Assembly Systems division achieved an EBIT margin of 9.8 % – an excellent figure in plant engineering, which nobody would have thought possible a few years ago, myself included. The Paint and Final Assembly Systems

division achieved it because its project execution today runs like Swiss clockwork. And that is the result of many continuous optimizations.

Some of you may remember times when my predecessors – and even I – reported major losses in projects. This risk has now been effectively addressed through continuous optimization. Thanks to ongoing efficiency measures we have had great success, not only in Paint and Final Assembly Systems but also in the other divisions. In 2014, for example, the Application Technology division achieved an EBIT margin of 10.5 %. In some areas of Measuring and Process Systems it was more than 14 %!

### ***Chart 21: Start of the year***

Ladies and gentlemen,

We are now moving on to the last part of my report: a look at the first quarter of 2015 and our business forecasts.

The report on the first quarter, published three days ago, shows that we got off to a good start in 2015. At almost € 900 million, incoming orders reached an impressive level. The HOMAG Group achieved the highest order volume (€ 290 million) but Paint and Final Assembly Systems as well as Measuring and Process Systems also recorded increases.

At € 850 million, sales also developed well – not just due to the HOMAG Group's contribution of € 254 million but also due to an 11 % increase in our existing activities.

Our EBIT of € 47.4 is not a real indicator of our profitability, as it includes extraordinary charges of € 11.5 million arising from the HOMAG purchase price allocation mentioned earlier. Excluding these extraordinary charges, EBIT rose by 33 % to almost € 60 million, equivalent to an operating EBIT margin of 6.9 %. As HOMAG is not yet as profitable as our existing activities, this is an acceptable level. Our aim, however, is to return to our former levels of profitability while

achieving considerably higher sales.

### ***Chart 22: Markets***

We can look at the individual market regions with confidence, even beyond the first quarter. The Chinese automotive industry will continue to grow in the long term: experts anticipate an increase in automotive production there by 8 million units to over 30 million between 2014 and 2019. We also see good market opportunities in North America. In view of the robust automotive market, a number of interesting projects are due to be awarded in Mexico and the United States.

For HOMAG, too, North America and China are the most important growth markets. In the United States, HOMAG boosted its strength by taking over former sales partner Stiles in 2014. In China, HOMAG is also optimizing its market presence and increasingly developing products specially designed for local needs.

In Brazil, Dürr is performing well despite the sluggishness of the automotive market. We have expanded the service and modernization business, which compensates for a lack of large orders. With regard to India, experts predict an increase in the sale of passenger cars in the next few years as well as an average growth in production of more than 10 % – and we want to benefit from this upturn.

In Europe, our focus is mainly on Germany, where domestic automotive manufacturers are planning extensive modernization projects at their main plants. The crisis in Russia has hardly affected us: we generated 1 % of our business there in 2014 instead of the usual 2 %.

### ***Chart 23: Outlook***

Let's move on to our targets for 2015. We will see a strong growth in incoming orders and sales compared to the previous year. This is mainly due to the full-year consolidation of HOMAG with a business volume of just under € 1 billion. However, our aim is not just to grow as a result of this extraordinary effect but to achieve an organic sales increase of around 5 %. Overall we anticipate a rise in

consolidated sales to between € 3.4 and 3.5 billion, with incoming orders of € 3.2 to 3.5 billion. As you can see, Dürr, together with HOMAG, is entering a new dimension.

HOMAG will also make a clearly positive contribution to our earnings this year. However, 2015 will be a year of transition in terms of income. The extraordinary expenses arising from the HOMAG purchase price allocation mentioned in connection with the first quarter are estimated to reach € 17.5 million for the year as a whole; added to that are extraordinary charges of around € 10 million for optimization measures at HOMAG. € 12.5 million will be included in the net finance expense; this relates to the compensation payments to HOMAG shareholders resulting from the domination and profit and loss transfer agreement with HOMAG. In return, we will receive 100 % of the HOMAG earnings from now on, despite holding just 55.9 % of the shares, which makes it an attractive deal for us.

The extraordinary expenses arising from the purchase price allocation and optimization measures will burden our EBIT in 2015. In addition, HOMAG is not yet achieving the same margins as our existing activities. For this reason – and because our calculations are usually on the conservative side – our target EBIT margin is 7 to 7.5 %. This is less than in 2014 and 2013, but I would like to reiterate: 2015 is a year of transition in terms of earnings. Going forward our extraordinary expenses will be substantially reduced, while our earnings will be boosted by the HOMAG optimization.

As part of the "Dürr 2020" strategy, we want to increase sales to between € 4 and 5 billion and target an EBIT margin of 8 to 10 % by 2020. In order to achieve sales of € 5 billion, however, we need additional acquisitions. But we will only invest if we find the "right" companies to take over – at suitable terms and without jeopardizing our top goal of financial independence. I want to make this point very clear.

### ***Chart 24: Acquisition strategy***

To begin with, we will launch the optimization program at HOMAG, then we will continue our acquisition strategy to support Dürr's further development. For this purpose, we have defined clear acquisition criteria to identify the "right" companies. They must

- be at home in mechanical and plant engineering
- be a market and technology leader
- operate in a niche market which global corporations see as too small
- offer potential for earnings improvement.

We are not just going on a "shopping spree", but we know what we want and will only invest if the target company is a good match for Dürr.

### ***Chart 25: 120 years of Dürr***

Ladies and gentlemen,

Dürr will be 120 this year. The company has its roots in the Swabian engineering tradition but has always shown its ability to adapt. I can only speak for the last ten years, in which we have achieved a great deal. We have increased our business in the emerging markets, optimized processes and IT systems and expanded the service business. All this has enabled us to achieve a level of earnings that is unprecedented at Dürr and unusual within the mechanical and plant engineering sector. We are now taking the next step by developing Dürr into a more broadly based mechanical and plant engineering firm for efficient production technology. In doing so, we will continue to maintain what has made Dürr strong in the past 120 years: quality, reliability and efficient solutions for our customers.

Thank you for your attention.