



WELCOME

LEADING IN PRODUCTION EFFICIENCY

ANALYSTS' TRIP

DÜRR IN CHINA

Ralf W. Dieter, CEO Dürr AG

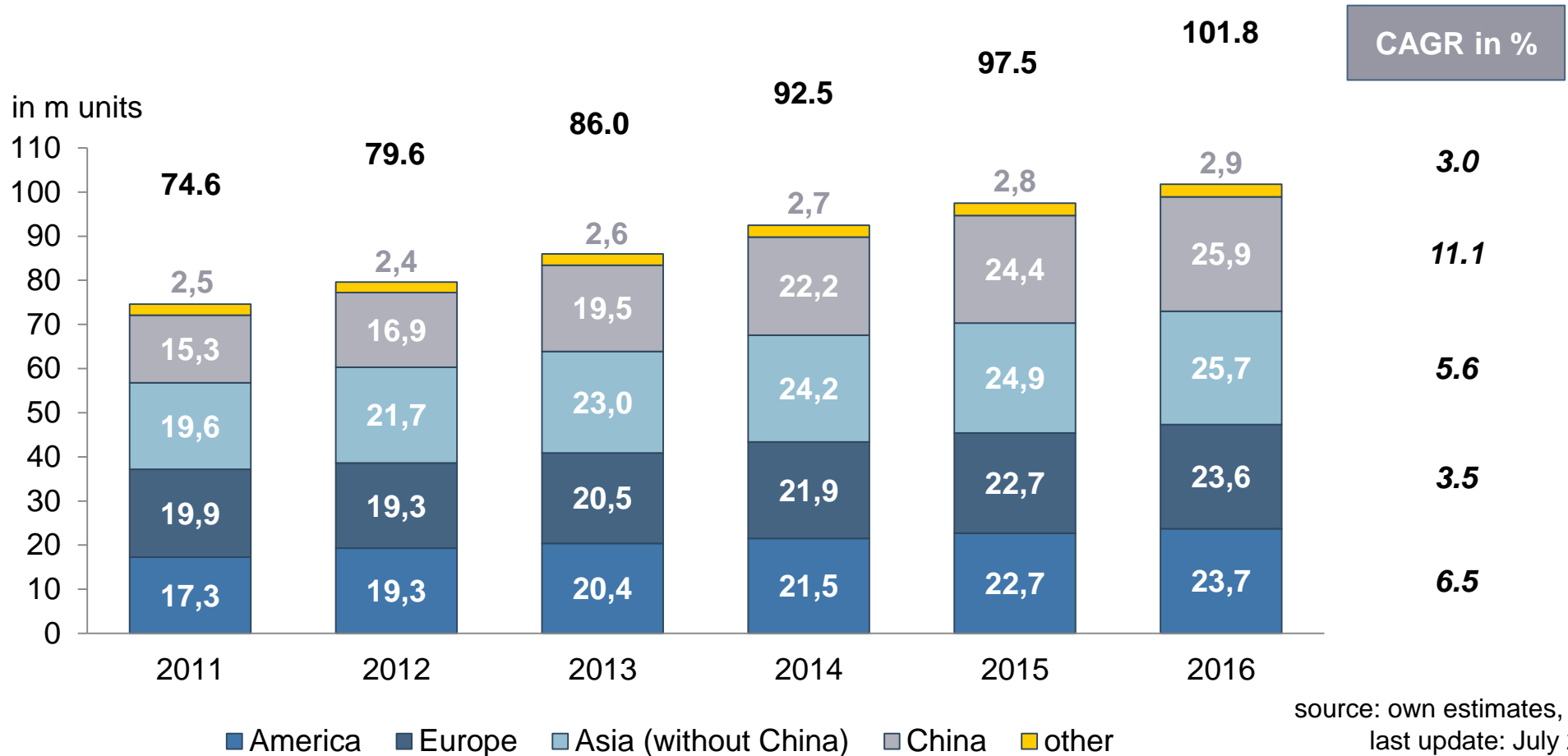
Shanghai, October 8, 2012

CONTINUED STRONG EMERGING MARKETS GROWTH EXPECTED



China, India, Russia, Thailand & Indonesia with expected growth >10%

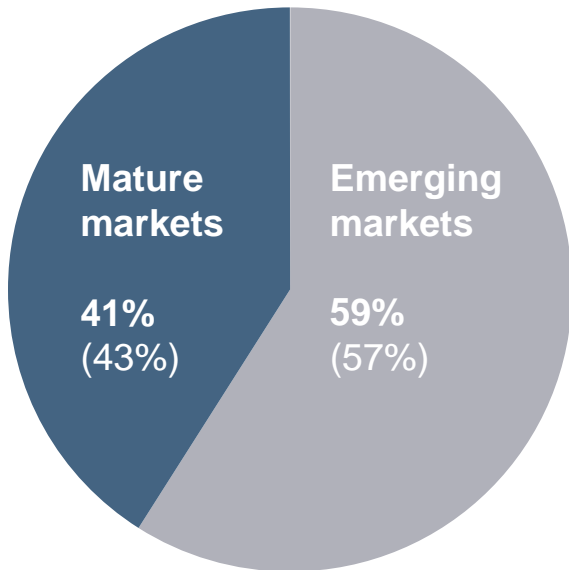
» Light vehicle production increase by 27 m units over 5 years!



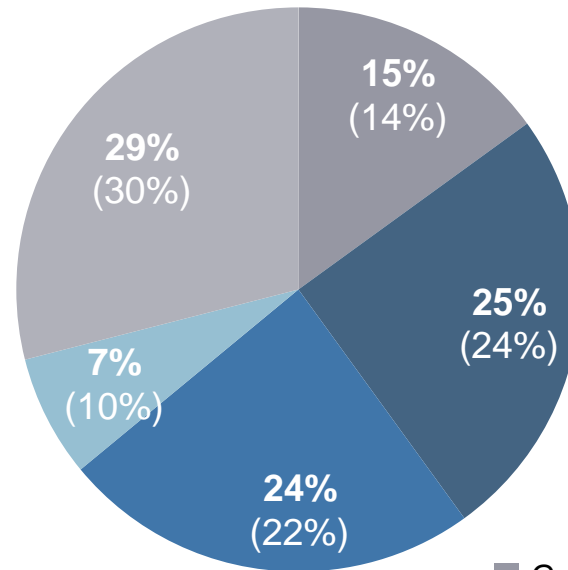
source: own estimates, PwC
last update: July 2012

CHINA: DÜRR'S BIGGEST MARKET

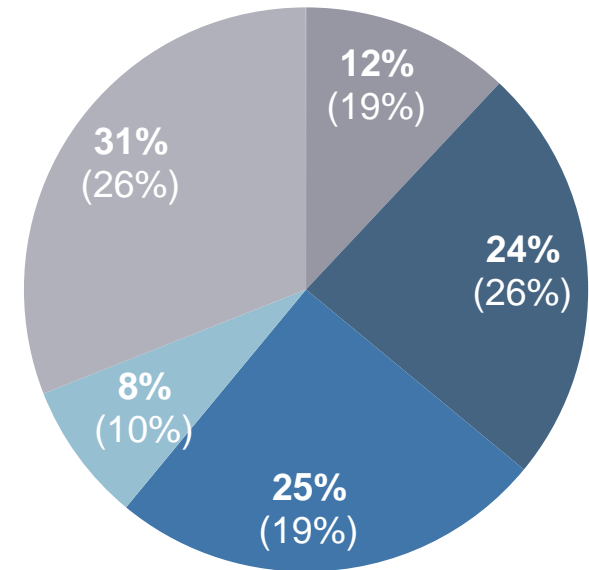
**Incoming orders
Q3 2011-Q2 2012
(Q3 2010-Q2 2011)**



**Incoming orders
Q3 2011-Q2 2012
(Q3 2010-Q2 2011)**



**Sales revenues
Q3 2011-Q2 2012
(Q3 2010-Q2 2011)**



- Germany
- Europe without Germany, incl. Eastern Europe
- North and South America
- Asia (without China), Afrika, Australia
- China

» Regional business split will remain largely unchanged in future

DÜRR IN CHINA: ESTABLISHED FOR MORE THAN 25 YEARS



since 1985
Dürr Paintshop Systems Engineering

since 1991
Schenck Shanghai Machinery

since 2003
Dürr Ecoclean China



new production plant
operational since 2012

new common facility
in 2013

- » Shanghai: Doubling of capacities to around 67,000 m² until 2013
- » Comparison: Dürr headquarters in Bietigheim-Bissingen 70,000 m²
- » Wholly owned subsidiaries (100%)

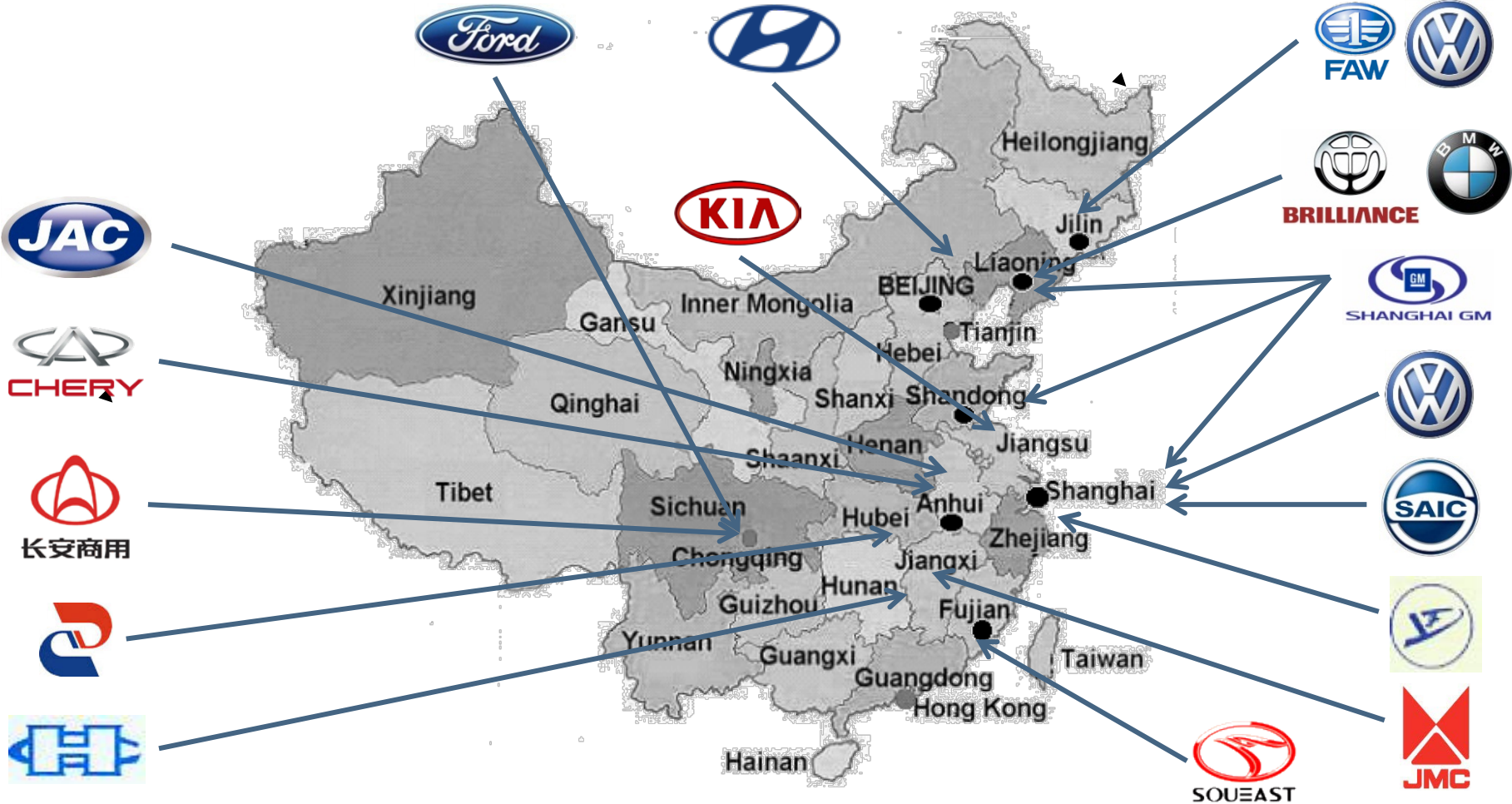
CHINA: STRONG INCREASE IN BUSINESS VOLUME OVER THE LAST 7 YEARS



	2005	...	2012 (e)	CAGR in %
Incoming orders (in € m)	146		900	30
Sales revenues (in € m)	83		700	36
Employees (12/31)	271		1,250 ¹	25
Orders on hand (in € m)	119		1,050	37

¹ plus external workers (~400)

STRONG RELATIONS WITH ALL CHINESE AND FOREIGN OEMs



DÜRR'S BUSINESS STRATEGY IN CHINA

Cost leadership, localization and innovation

- » Expansion of local added value („Local Content“): >75%
- » Import: only core products, e. g. robots
- » Increase local capacities and competencies: in the midterm: >1,500 employees, Chinese executives in the 2nd management level
- » Positioning as „Chinese Player“: strong local presence, less expatriates, more well trained local staff
- » Become centre of Dürr's business in the Asia-Pacific region, close collaboration with Dürr in Germany
- » Product Strategy
 - » develop products for China: automation, handling, high quality
 - » „First Mover“ regarding reduction of energy saving and cost per unit
- » Future opportunities
 - » paint and balancing technologies: grow with the market, maintain share
 - » environmental, cleaning, filling and testing technologies: gain market share, localize design and value-added

BENEFITS OF LOCALIZATION IN CHINA

Import and localization (since 1985)

- » Customer proximity and development of know-how among local employees
- » Competitive advantages in terms of labor, purchasing, transport costs etc.
- » Basis for improving our competitiveness against local suppliers
- » Less reliance on external factors such as currency, import regulations etc.
- » Fulfillment of local content requirements of the automobile industry
- » Image synthesis: German quality supplier and Chinese player ('buy local' argument)
- » Product development geared towards Chinese market requirements
- » Local service network and local project execution with high level of customer satisfaction

Next phase (since 2009)

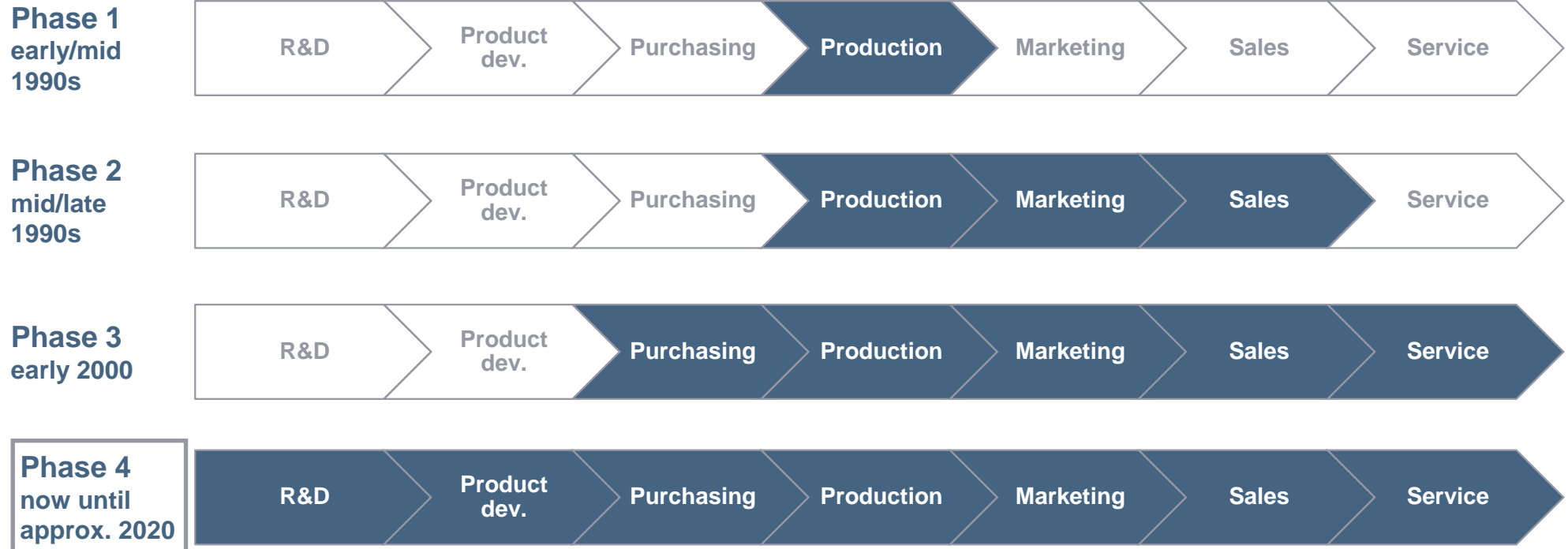
- » Focus on China as export location
- » International use of local engineering and design



Export from China in addition to import and localization

PHASES OF LOCALIZATION

Four phases according to Edward Tse ('The China Strategy', 2010)



Dürr has achieved the highest level of localization



Current challenge: Greater focus on the role as global integrator and integration of Chinese activities into the global network

LIMITS OF LOCALIZATION

- » **Customer requirements:** Request for imports (quality, western standards)
- » **Reputation as high-quality German company:** Involvement of German employees necessary
- » **Socio-economic changes in China:**
 - » Decrease in labor supply: One-child policy, migrant workers less willing to travel
 - » New politics: Government calls for “end of cheap labor” and “social justice”, wages expected to rise faster
 - » Increasing shift of mass production: From Beijing, Pearl River and Yangtze Delta to western provinces (e.g. Sichuan) and to more cost-effective ASEAN neighboring countries (e.g. Indonesia, Vietnam)
- » **Prevention of loss of know-how and intellectual property:**
 - » Import of high-tech products (e.g. painting robots)
 - » Allocation strategy when awarding manufacturing contracts
 - » R&D center in Germany

SUCCESS FACTOR LOCAL DESIGN

Example: Schenck balancing machines

Chinese product development, also for export to emerging markets

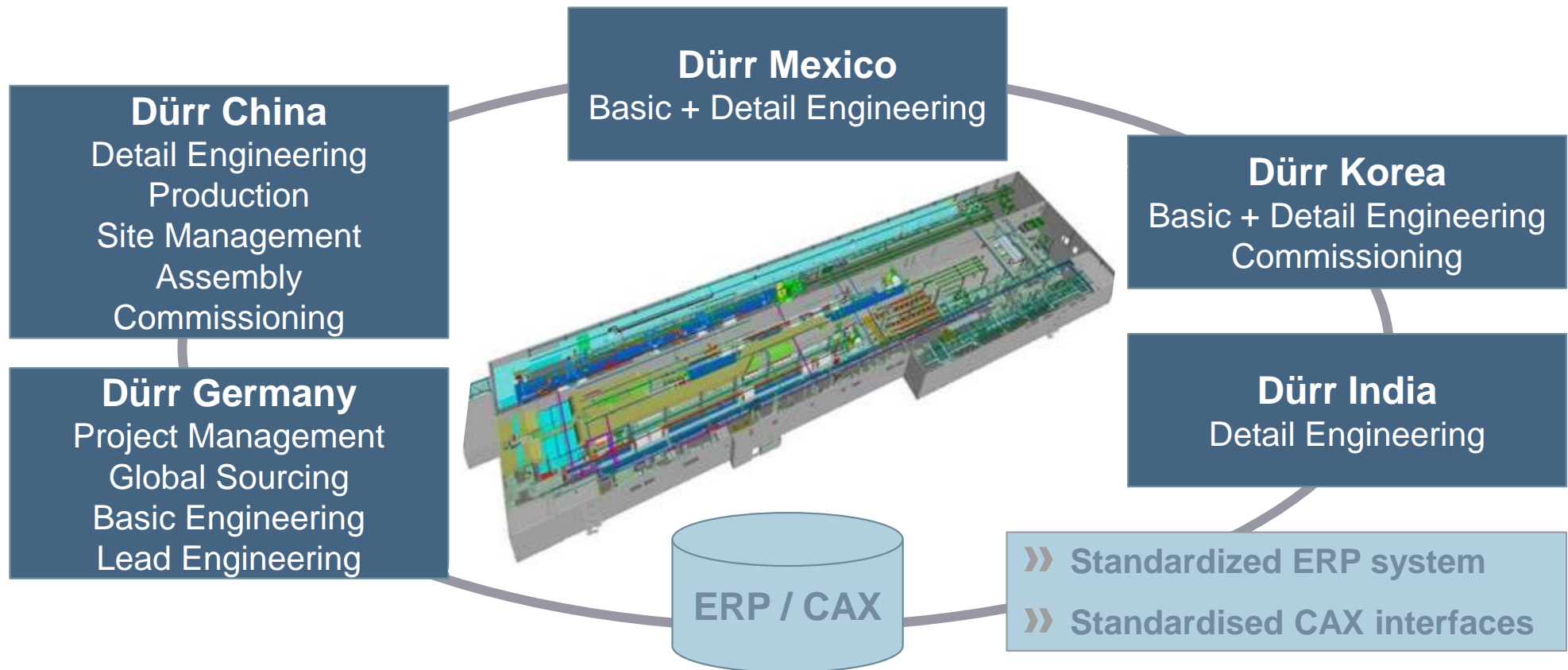
- » Early presence in China has paid off
 - » Continuous learning curve
 - » Today: Independent development and production of small and mid-sized balancing machines
 - » Products suitable for the requirements of emerging markets
 - » Significantly lower costs / higher margins
- » Schenck headquarters in Germany
 - » Group-wide R&D coordination
 - » Quality inspection
- » Development of export business
 - » Asia-Pacific region, but also US/Europe for standard machines



Product development and production in Shanghai

SUCCESS FACTOR ORDER EXECUTION

Example: Paint shop for Changan Ford, Chongqing



➔ **Systems projects in emerging markets have up to 75% local content**

SUCCESS FACTOR LOCAL SOURCING

Example: Dürr purchasing organization

International Purchasing Center (Germany)

- » Operational support
- » Structural development support
- » Tools + qualification
- » Coordination/pooling
- » 50% international presence

Local Purchasing China (approx. 30 employees)

- » Processing
- » Contacts
- » Acquisition
- » Monitoring/quality assurance

Current challenges

- » Covering large project volume
- » Building supplier structure in new regions (e.g. Chengdu, Gouangzhou)
- » Further development of export business

SUCCESS FACTOR IT INTEGRATION

Standardized IT tools support localization

- » Enterprise Resource Planning (ERP)
- » CAX
- » Management Reporting/Consolidation
- » Dürr Projects
- » etc.

 **Dürr investment > €20 m
(2006-2009)**



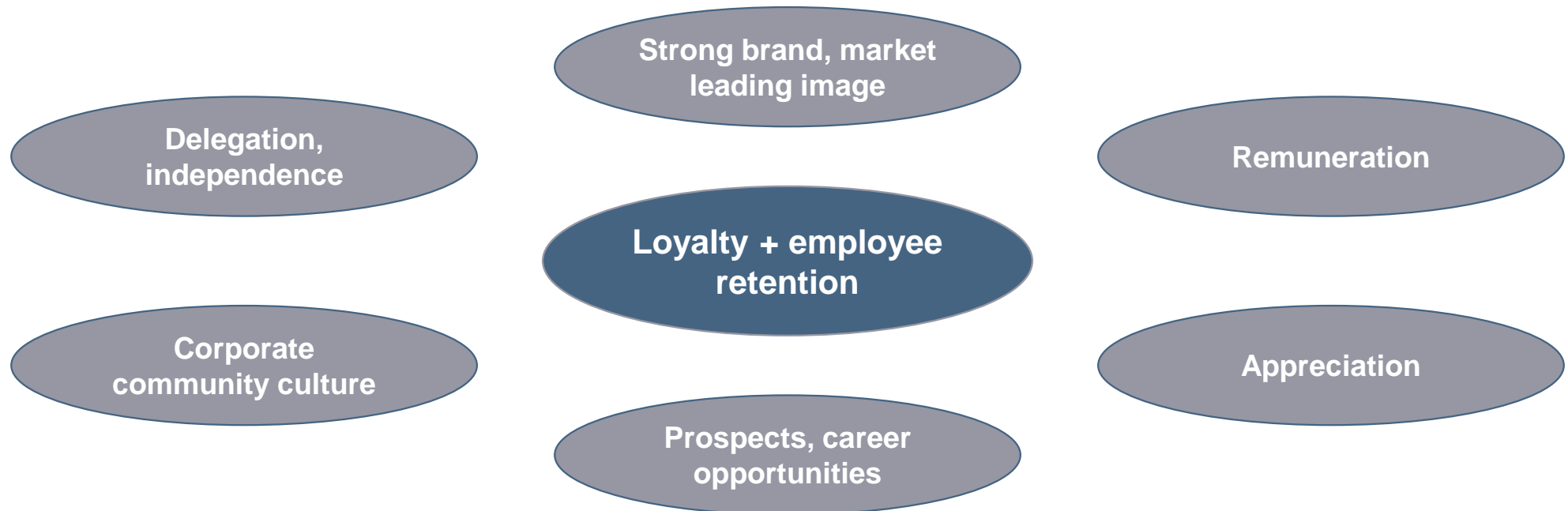
Benefits

- » Fast data exchange
- » Transparency of information across the Group
- » International project execution and capacity management

SUCCESS FACTOR HUMAN RESOURCES

HR challenges in China

- » Recruitment of well qualified employees
- » Retention of experienced employees
- » Minimizing attrition



SUMMARY: STRONG LOCAL POSITION

- » Early penetration of Chinese market has resulted in a major competitive advantage
- » Up to 100% localization possible (depending on customer), 50 to 75% on average
- » Hub for Asia-Pacific business, increasingly as export base for global business

Strategy

- » Further development of localization (quantitative and qualitative)
- » Further integration into global value-added structure (export from China)
- » Development of “Chinese products” for the global market: automation, operation, quality
- » Leadership in terms of investment, operating and energy costs (total cost of ownership)



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