Group management report 2011 /////

Dürr at a glance: Organization and activities

PROFILE

Dürr is a worldwide leading mechanical and plant engineering group that generates a good 80 % of its sales revenues with production technology for automobile manufacturers and their suppliers. Other areas in which our solutions contribute to more efficiency in production include, for example, aircraft and machinery construction, the chemical, pharmaceutical, and electrical industries, and the energy sector. About half of our business is attributable to plant engineering, and half to mechanical engineering. The Dürr Group is positioned globally. We operate facilities at 49 locations in 22 countries. Besides our activities in North America and Western Europe, we are strongly represented in the emerging markets[1]. They accounted for 65 % of our order intake in the year under review, and 31 % of our workforce. Germany is where 46 % of our employees work.

GROUP STRUCTURE: HOLDING COMPANY, DIVISIONS, AND BUSINESS UNITS

Dürr AG performs Group-wide functions as a management holding company. Those include, for example, financing, Group controlling and consolidation as well as legal affairs, internal auditing, and corporate communication.

We have organized our operating activities into four divisions, which form reporting segments as defined by International Financing Reporting Standards (IFRS):

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

The reporting of Application Technology as a division in its own right is new. This unit was included in the Paint and Assembly Systems division until the end of 2011. The current report states the figures for Application Technology separately for the first time. We are thereby increasing the transparency of our segment reporting. We are also putting more emphasis on the high-tech character of **APPLICATION TECHNOLOGY**, where the product range includes, for example, painting robots and **HIGH-SPEED ROTATING ATOMIZERS**. To facilitate period comparison, figures on Application Technology are also shown separately in the segment reporting for 2010 in this annual report. We have adjusted the figures that were shown for Paint and Assembly Systems in the 2010 annual report accordingly.

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Set up in the beginning of 2011, the Clean Technology Systems division pursues two main objectives. Those are global expansion of our established environmental systems business with exhaust air purification technology and development of new activities in the area of energy efficiency. Further information on Clean Technology Systems is presented in the chapter on **STRATEGY**.

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

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

// GROUP STRUCTURE 2.1

MANAGEMENT HOLDING COMPANY	DIVISIONS*	BUSINESS UNITS
// Dürr AG	// Paint and Assembly Systems	// Paint and Final Assembly Systems // Aircraft and Technology Systems
	// Application Technology	// Application Technology
	// Measuring and Process Systems	// Balancing and Assembly Products // Cleaning and Filtration Systems
	// Clean Technology Systems	// Environmental and Energy Systems // Energy Technology Systems

* Reporting segments

BUSINESS UNITS AND MARKET POSITIONS

Paint and Final Assembly Systems plans and builds turnkey paint shops and final assembly lines for the automobile industry. As a systems partner, we assume all the tasks of project execution, from layout and detailed planning to system start-up. In the area of paint systems, we offer hardware and software solutions for all process stages. Our core products include systems for P. 224 PRETREATMENT and CATHODIC DIP-COATING that clean and pretreat the vehicle body shell and coat it to protect against corrosion. Other important products include spraying booths for the application of primer, base, and clear coats, paint separation systems, DRYING OVENS and conveyor systems, P. 224 and the related control and SUPERVISORY CONTROL SYSTEMS. Together with Application Technology, this makes us the world's only systems supplier that develops and delivers paint systems and P. 224 APPLICATION TECHNOLOGY from a single source. We are at the top of the competition with a world market share of over 50 %, followed by two companies from Japan and Germany. In addition, there are significantly smaller suppliers from the United States, China, and Japan that concentrate on regional niches.

Aircraft and Technology Systems specializes in paint and assembly systems for aircraft construction. The unit was established in 2008 to develop this previously peripheral activity into a full-fledged business field. One reason we see growth opportunities is that the aircraft industry is increasingly consolidating its supplier base and seeking systems partners for larger order packages. Another is that proven technologies from the area of highly automated automobile production are more and more frequently finding application in aircraft production. Our FAS*plant* assembly system is a good example. It was originally developed for automobile factories, but is now also used in wing assembly and aircraft engine production. Our core competences are development and construction of turnkey plants for painting aircraft and for positioning and joining preassembled aircraft components. In the relevant aircraft business, we are also among the leading companies worldwide. Since the competitive environment is still relatively fragmented, the market shares of all suppliers are in the single-digit percentage range. Besides aircraft production technology, Dürr Consulting also belongs to the Aircraft and Technology Systems business unit. It advises customers from different sectors, including the automobile and wind energy industries, for example, on planning and optimizing production processes.

Application Technology generates about 85 % of its sales revenues with solutions for the automated spray application of paint. Its most important products are the ***Eco*****Bell3**, a HIGH-SPEED ROTATING ATOMIZER, which we introduced in the beginning of 2010, and the ***Eco*****RP** painting robot family. Other hardware and software solutions from Application Technology serve, for example, the functions of paint supply, quality assurance, and process control and evaluation. With a world market share of over 50 %, we rank first among competitors. Our three most important competitors, which each have a market share of about 15 %, are manufacturers of industrial robots. Besides paint application technology, we are targeting expansion in two related business areas: SEALING technology and GLUEING TECHNOLOGY. Sealing applications are employed in automobile paint shops in seam sealing, underbody protection, and injection of insulating materials. Glueing technology is used to join components in automobile body construction. It is increasingly replacing welding there, since new combinations of non-weldable materials are being used on the principle of LIGHTWEIGHT DESIGN. We also supply glueing applications for vehicle final assembly that are used, for example, in bonding windows, glass roofs, and cockpits.

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Balancing and Assembly Products is active in two areas: BALANCING AND DIAGNOSTIC SYSTEMS, on the one hand, and assembly, TEST, and FILLING SYSTEMS for automobile final assembly, on the other. Our Schenck balancing products are used in many different industries, and a market share of about 40 % makes us the world's largest supplier. The three next-largest competitors combined have a market share of 25 %. The products in our range for which demand is currently the highest are balancing systems for crankshafts and turbochargers and for general mechanical engineering, the energy sector, and the aviation industry. We are likewise the world market leader in assembly, testing, and filling systems. In a fragmented competitive environment, our market shares range between 25 % and 30 %. The most important products are test stands for wheel geometry, brakes and electronics, MARRIAGE STATIONS in which vehicle body and drive train are joined, and systems for filling vehicles with necessary operating media (for example, air conditioning refrigerant, transmission fluid, and brake fluid). The Balancing and Assembly Products unit also includes the Agramkow Group, in which we acquired a 55 % interest in 2011.

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Cleaning and Filtration Systems is the world market leader in INDUSTRIAL CLEANING TECHNOLOGY, with a share of about 30 %, and the only globally operating supplier in this area. Our main competitors are primarily middle-market firms that operate mostly in their home markets. Besides cleaning systems that remove dirt particles left in workpieces after mechanical processing, our product range also includes FILTRATION SYSTEMS and automation technology for linking different stations in manufacturing processes. On this basis, we not only supply stand-alone machines and equipment, but also serve as a systems supplier and outfit complete engine and transmission production lines. Our international reach enables us to outfit a customer's automobile factories in different countries with uniform technology (common tooling). Our most important products at present are the ***Eco*****CFlex** robot cleaning system, the ***Eco*****CTrans** TRANSFER CLEANING SYSTEM, and the ***Eco*****CBase** compact cleaning system.

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Environmental and Energy Systems plans and builds environmental engineering systems that remove pollutants such as solvents, for example, from industrial exhaust air. Originally specializing in exhaust air purification for automobile paint shops, this business unit today generates about 80 % of its sales revenues in other sectors including especially the chemical and pharmaceutical industry, but also printing, woodworking, and carbon fiber production. We offer all current methods of exhaust air purification, and in most cases, we install thermal equipment in which the pollutants are incinerated. Increasingly often, we outfit our equipment with systems for recovering energy. On the one hand, they allow more efficient utilization of the primary energy expended for pollutant incineration. On the other, they render the energy released during the incineration process usable. Our customers are trying harder to find ways to reduce the energy consumption of their production processes. We are therefore systematically expanding our competence in the area of energy efficiency. An example of this is the 50 % stake that we acquired in Cyplan Ltd. in mid-2011. This start-up company, now called Dürr Cyplan Ltd., develops and builds innovative Organic Rankine Cycle (ORC) systems, which convert waste heat into electrical energy with the help of an evaporation process. We have a market share of 40 % to 50 % in exhaust air purification technology for automotive paint shops. Outside the automotive industry, the competitive environment is more fragmented, but we are also among the world's leading suppliers there with a market share of about 12 %.

Energy Technology Systems took shape as a business unit in the beginning of 2011 with the objective of developing additional fields of activity in the area of energy efficiency. In February 2012, the business unit acquired a 15 % equity interest in the Dutch HeatMatrix Group BV, which develops and produces innovative plastic **HEAT EXCHANGERS**. In addition, Energy Technology Systems has reviewed a number of further technologies and possible acquisitions and is now engaged in advanced negotiations with certain target enterprises. The business unit focuses on promising techniques that may contribute to optimizing the energy balance in a broad range of sectors and processes. Since Energy Technology Systems is in the start-up phase, it has not generated any sales revenues yet.

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EXTENSIVE RANGE OF SERVICES

We have always put great emphasis on service, because our customers regard it as a feature that importantly distinguishes us from the competition. Our range of services includes planning, remodeling, modernizing, optimizing, and relocating plants and machinery as well as software updates, training, repairs, and replacement parts. We are systematically expanding this business. In 2011, sales revenues generated Group-wide in service business grew by 23.1 % to € 445.4 million (previous year: € 362.0 million). More than proportionate increases of new machinery and plant business led to a decline in the share of sales revenues from services to 23.2 % (previous year: 28.7 %). As of the balance sheet date, the services area had 860 employees, or 13 % of the Group's workforce (December 31, 2010: 770 employees/13 %). Each national company has its own service manager who coordinates and develops service activities. Worldwide, we operate 48 service bases ("antennas") located on or near customers' production premises.

TIP: TECHNOLOGY AND INDUSTRY PARK IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP) is an activity of the Measuring and Process Systems division not conducted as a business unit in its own right. As a real estate service provider, TIP manages and markets office, production, and warehouse space in Darmstadt, the location of Schenck's headquarters. The space for rent amounts to 134,000 m² on 105,000 m² of land, of which offices account for 53 %.

// ACTIVITIES AND CUSTOMER GROUPS 2.2

PAINT AND ASSEMBLY SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS

Paint and Final Assembly Systems	// Plant engineering	// Complete paint shops
		// Individual painting process stations
		// Services
		// Final assembly systems
			// Automobile manufacturers
			// Automotive suppliers
			// General industry (e.g., construction equipment and farm machinery)

Aircraft and Technology Systems	// Plant engineering	// Assembly and paint systems for aircraft production // Services	// Aircraft manufacturers // Aircraft industry suppliers

	// Consulting	// Consulting	// Automobile manufacturers
			// Automotive suppliers
			// General industry

APPLICATION TECHNOLOGY DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS

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

MEASURING AND PROCESS SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS

Balancing and Assembly Products	// Mechanical engineering	// Balancing and diagnostic systems
		// Assembly technology for vehicle final assembly
		// Testing technology for vehicle final assembly
		// Filling technology
		// Services
			// Automobile manufacturers
			// Automotive suppliers
			// Electrical engineering/electronics
			// Turbines/power stations
			// Mechanical engineering
			// Aerospace industry
			// Household appliance industry

Cleaning and Filtration Systems	// Mechanical engineering	// Industrial cleaning systems
		// Automation technology (workpiece handling and linking of machining centers)
		// Filtration systems
		// Services
			// Automobile manufacturers
			// Automotive suppliers
			// Electrical engineering / electronics
			// Mechanical engineering
			// Aerospace industry
			// Medical and laboratory equipment

CLEAN TECHNOLOGY SYSTEMS DIVISION

BUSINESS UNIT	BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS

Environmental and Energy Systems	// Plant engineering	// Exhaust air purification systems
		// Energy management and consulting
		// Services
		// Organic Rankine Cycle systems
			// Chemical industry
			// Pharmaceutical industry
			// Carbon fiber production
			// Printing/coating
			// Automobile manufacturers (paint shops)
			// Automotive suppliers (paint shops)
			// Woodworking
			// Operators of biogas plants, cogeneration power plants, and stationary combustion engines

Energy Technology Systems	// Component business
	// Plant engineering
		// Development of new business fields in the area of energy efficiency	// Process industry
			// Energy sector
			// General industry

LEGAL STRUCTURE

Dürr AG holds 100 % interests in Dürr Systems GmbH, Carl Schenck AG, Dürr International GmbH, and Dürr IT Service GmbH. The first three of these companies in turn hold direct or indirect interests in all the other 53 Group companies. As a rule, those are 100 % interests, as presented in the overview under ITEM 44 in the notes to the consolidated financial statements. As the ultimate holding company, Dürr AG has entered into profit/loss transfer agreements with Dürr Systems GmbH, Carl Schenck AG, Dürr International GmbH, and Dürr IT Service GmbH. The members of the Boards of Management of Dürr AG and Carl Schenck AG and the managing directors of Dürr Systems GmbH are represented in the supervisory boards of all material foreign companies.

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ACQUISITIONS/SHAREHOLDING PURCHASES

As announced, we further expanded our position in our core business and in new areas of technology in 2011 by means of targeted acquisitions.

- In May 2011, we purchased 55 % of the shares in Agramkow Fluid Systems A/S. Founded in 1977, this Danish firm is the world market leader in equipment for filling household appliances and heat pumps with refrigerants. Its product range also includes systems for ecologically sound disposal of harmful refrigerants.
- Also in May 2011, we acquired in the area of paint technology a 10 % shareholding in our Japanese partner firm Parker Engineering Co., Ltd. That improves our access to Japanese customers, especially in the fast-growing region of Southeast Asia. In a reciprocating move, the Parker parent company, Nihon Parkerizing Co. Ltd., acquired 0.4 % of the shares in Dürr AG in July 2011.
- The 50 % shareholding in Cyplan Ltd. purchased in May 2011 is our first acquisition in the area of energy efficiency systems. This German start-up company was founded in 2007 and has successfully advanced the development of Organic Rankine Cycle (ORC) technology. ORC systems generate electricity by evaporating organic fluids with the help of waste heat. The company operates under the name Dürr Cyplan Ltd. in the Dürr corporate network. Important fields in which ORC technology is used include biogas plants, cogeneration power plants, and stationary combustion engines as well as industrial processes that generate waste heat. We also plan to equip some of our systems for thermal exhaust air purification with ORC technology.

Further information concerning our acquisitions is presented in table 2.3, in the chapter on STRATEGY and under ITEMS 4 and 19 in the notes to the consolidated financial statements.

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BUSINESS PROCESSES/PROCESS ADVANTAGES

Planning, engineering and design, and order execution are our most important business processes, especially in plant engineering. Professional project management is the key to smooth order execution. Our project managers perform a complex management task. They guide not only a team of co-workers from different areas but also many suppliers, and both across international borders. They furthermore bear full responsibility for observing deadlines, quality standards, and budgets. Executing a large-scale project takes 12 to 24 months in plant engineering and, as a rule, two to six months in mechanical engineering.

// ACQUISITIONS AND SHAREHOLDING PURCHASES 2.3

	Shareholding	First consolidated	Date of shareholding purchase	Sales revenues in 2011	Number of employees[1]	Purchase price	Goodwill[2]
Paint and Final Assembly Systems							
Parker Engineering Co., Ltd.	10 %	–[3]	May 17, 2011	About € 60 million	242	€ 2.0 million	–
Balancing and Assembly Products							
Agramkow Fluid Systems A/S	55 %	May 24, 2011	May 24, 2011	€ 18.2 million	107	€ 8.2 million	€ 1.9 million
Environmental and Energy Systems							
Cyplan Ltd.	50 %	–[3]	May 25, 2011	Start-up	1	€ 3.5 million	–

1 At the time of first consolidation or shareholding purchase
2 Included in purchase price
3 Parker Engineering enters the consolidated financial statements as a financial holding; Cyplan is stated according to the equity method.

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Execution of large-scale orders involves many departments and Dürr facilities. A project's economic success heavily depends on how well the various participants in the process cooperate. We have therefore harmonized and coordinated our workflows in the bid phase, order execution, service, and overhead worldwide. To avoid interface problems, duplication of work, and errors, uniform methods and instruments have been developed, for example, calculation tools and checklists for selecting suppliers. Parallel to the harmonization of processes, we have implemented a Group-wide integrated **ERP SYSTEM** that depicts our business processes on the IT side. It creates transparency, reduces interfaces, and automates workflows. At present, the emphasis of process optimization is on supporting the strongly growing business locations in the emerging markets as effectively as possible. Besides uniform IT systems, we also rely on temporary foreign deployment of experts, training of foreign employees in Germany, and international knowledge transfer.

CUSTOMER RELATIONS

Our customers include all major automobile manufacturers worldwide and many of their parts suppliers. We maintain close relationships with these companies because our business is technically sophisticated and geared to the long term, and requires constant coordination with customers. Larger projects have long lead times, during which we act as a planning partner and advise our customers. Moreover, large automobile factories continuously need service and upgrading. We also work closely with our customers in product development so that we can take their future needs into account early.

// PROCESSES IN PLANT ENGINEERING 2.4

PROJECT INQUIRY FROM CUSTOMER	PLANNING PHASE		ORDER INTAKE	DELIVERY ORDER					
	Planning	Bid		Technical analysis	Design	Manufacture	Installation	Start-up	Final acceptance

Business with other sectors such as the chemical, pharmaceutical, and aircraft construction industries is likewise characterized by close cooperation on projects with customers. We are enlarging our customer base in aircraft business, after having worked almost exclusively for one aircraft manufacturer from Europe in the past. We have acquired 16 new customers worldwide since 2008.

SUPPLIER RELATIONS

Our supplier pool includes over 10,000 companies, most of which are parts and components suppliers and contract manufacturers. We enter into international framework agreements for the procurement of key product groups such as pumps, drives, and fittings to ensure that our plants and construction sites are supplied. To that end, we choose highly capable preferred suppliers, with whom we maintain long-term business relationships. In this connection, we especially emphasize the ability to deliver internationally. It is the basis for efficiently bundling the needs of several Group companies. Further information is presented in the chapter on **PROCUREMENT**.

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FEATURES OF OUR BUSINESS MODEL

As an engineering enterprise, we see our core competence in planning efficient production processes and realizing the machinery and equipment that they require. Our in-house production is relatively low and mainly comprises high-tech and core products as well as selected standard components. The vertical depth of production is about 30 % in mechanical engineering, and about 20 % in plant engineering. Dürr's capital intensity and fixed cost base are therefore comparatively low. That positively affects our return on capital employed and enables us to react more flexibly to cyclical fluctuations of orders.

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In plant engineering, we maintain minimal **NET WORKING CAPITAL** (NWC), which is even negative at times. This means that set against inventories and receivables in current assets are trade payables in the same or higher amount. In mechanical engineering, we need on average about 100 days to convert our NWC into sales revenues (days working capital). In the Group as a whole, the days working capital performance indicator stands at 6 days, while our target is 20–25 days.

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The low **ASSET INTENSITY** of our business entails a likewise relatively low need of capital expenditure. The expertise of our employees is much more important than our tangible assets. This business model allows us to expand into new regions and related business fields at low expense. Our experience and broad knowledge base and the Group's international network are decisive competitive advantages in opening up business fields with high technological entry barriers.

In line with the low vertical depth of production, our purchasing volume (including purchased services) amounts to 49 % of sales revenues. To limit the effects of price fluctuations, our project calculations always take current costs of materials into account. In mechanical engineering, we mainly purchase semi-finished products. Their prices are usually less volatile than raw material prices, especially since we often enter into framework agreements in which they are fixed for the medium term.

Our currency risk is comparatively low. Translation effects arising from the conversion of foreign currency items into euros are the main factor to consider. Transaction effects such as are typical in export business play a smaller role. That is because the bulk of our value addition and purchasing takes place in the countries where orders are executed. Our export ratio is therefore low in most cases.

Many of our projects have a lead time of several months, and larger projects even take one to two years to plan and prepare. This results in good visibility regarding future development of our orders and sales revenues.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

Our largest business location is the Dürr Campus in Bietigheim-Bissingen. It serves as the hub for the international business of the Paint and Assembly Systems, Application Technology und Clean Technology Systems divisions. Over 1,500 employees work at this modern office, technology, and assembly complex, which opened in summer 2009. At the Dürr Campus, we operate the world's largest development facility for paint systems, testing and demonstration equipment for glueing and environmental technologies, and an educational facility for customers and employees. Darmstadt is our center of competence for **BALANCING TECHNOLOGY**, while Monschau is the main location for **INDUSTRIAL CLEANING SYSTEMS**.

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Our largest business location abroad is Shanghai, where 1,006 persons are regularly employed and where 1,344 work when external leased staff are included. In the beginning of 2012, we opened a new production center for plant engineering in Shanghai that offers three times more production space than we had before, while we also continue to use our existing production facility in the foreseeable future. We are erecting another new facility in Shanghai for our mechanical engineering business. Previously based at different locations, these activities are to operate in a jointly occupied complex with almost 35,000 m² of production and office space from mid-2013 onward. Considering all facilities in Shanghai together, in both plant and mechanical engineering, we will be represented there as of 2013 on a scale comparable to that of the Dürr Campus in Bietigheim-Bissingen.

We have also built up additional capacities and competences at the emerging market locations of São Paulo (Brazil) and Chennai and Delhi (India) in the past years. In Querétaro (Mexico), we plan to enlarge existing office and production space by one-third. We have 587 employees in the United States, concentrated particularly in the Greater Detroit area. We increased the workforce there last year because of utilization, after having had to downsize significantly in the preceding years.

Group guidelines, process standards, and IT architectures clearly determine in the Dürr network how Group companies cooperate on cross-border systems projects in plant engineering. The System Center in Bietigheim-Bissingen always assumes the task of project leadership in connection with large-scale orders in the Paint and Assembly Systems division. Companies based in foreign countries are responsible for local sales and service and support order execution, for example, in **ENGINEERING**, purchasing, and production. Our international activities in mechanical engineering are also largely directed and supported by the principal German business locations.

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// PRINCIPAL DÜRR LOCATIONS 2.5

GERMANY

- Bernried[1,2]
- Bietigheim-Bissingen[1,2]
- Braunschweig
- Darmstadt[1,2]
- Filderstadt[1,2]
- Grenzach-Wyhlen[1,2]
- Monschau[1,2]
- Ochtrup[1]
- Püttlingen[1,2]
- Stollberg[1,2]
- Wolfsburg[1,2]

EUROPE

- Zistersdorf[1] (A)
- Rheineck[1,2] (CH)
- Oslavany-Padochov[1] (CZ)
- Sonderborg[1,2] (DK)
- Madrid[2] (E)
- San Sebastián[2] (E)
- Valladolid (E)
- Viladecans[2] (E)
- Cergy-Pontoise[1] (F)
- Guyancourt[2] (F)
- Loué[1,2] (F)
- Uxegney[1,2] (F)
- Warwick[1,2] (GB)
- Beinasco[1,2] (I)
- Novegro di Segrate[2] (I)
- Paderno Dugnano (I)
- Rodano[1,2] (I)
- Rotterdam (NL)
- Radom[1,2] (PL)
- Moscow (RUS)
- St. Petersburg (RUS)
- Bratislava (SK)
- Istanbul (TR)

AMERICA

- São Paulo[1,2] (BR)
- Querétaro[1,2] (MEX)
- Auburn Hills[1,2] Michigan (USA)
- Bowling Green[1] Ohio (USA)
- Deer Park[1] New York (USA)
- Plymouth[1,2] Michigan (USA)
- Wixom[1] Michigan (USA)

ASIA, AFRICA

- Beijing (CN)
- Shanghai[1,2] (CN)
- Chennai[1,2] (IND)
- Delhi[1,2] (IND)
- Osaka[1] (J)
- Yokohama[2] (J)
- Seoul[2] (ROK)
- Port Elizabeth[2] (ZA)

[1] Production or assembly location [2] Engineering location The other locations mainly perform sales and service functions.

REPORT ON RELATIONSHIPS WITH ASSOCIATED ENTERPRISES

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

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

- **Structure of subscribed capital:** Dürr AG's subscribed capital is divided into 17,300,520 bearer common shares with full voting rights. The rights and obligations arising from the ownership of common shares are regulated in the German Stock Corporation Act.

- **Restrictions on voting rights/transfer of shares and related agreements:** In the context of estate law provisions, Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung GmbH are preparing to enter a pool agreement/vote-binding agreement regarding their holdings of Dürr AG shares. Together, Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung GmbH currently hold 29.97 % of the voting rights. Furthermore, the Board of Management is aware of no pool agreements among the shareholders of Dürr AG. Legal voting right limitations exist pursuant to Section 28 S. 1 (breach of disclosure obligations) of the German Securities Trading Act and Section 71b (rights arising from own shares) and Section 136 (1) (voting right exclusion in the case of certain conflicts of interest) of the German Stock Corporation Act.

- **Shareholdings that exceed 10 %:** Heinz Dürr GmbH holds 26.5 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung GmbH (3.47 %), the Dürr family controls 29.97 % of the shares (as of February 2012).

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

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

- **Rules governing the appointment and replacement of members of the Board of Management :** The applicable statutory rules are set forth 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.

- **Rules governing amendment of the articles of incorporation:** Section 179 of the German Stock Corporation Act requires the approval of the annual general meeting for amendments of the articles of incorporation. If it is not a matter of changing the corporate purpose of the company, a simple majority of the capital stock represented in the voting is sufficient as provided by Section 20 (1) of the articles of incorporation. Pursuant to Section 4 (4) and Section 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 25 in the notes to the consolidated financial statements.

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

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

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

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Company-specific leading indicators

In our forward planning we use a range of leading indicators that take account of the cyclical nature of our business. Four types of indicator can be distinguished.

- The first group contains general leading indicators such as money supply, freight rates, commodity prices, interest rate yield curves, and the IFO business sentiment index. We also draw on research studies and statistics published by international institutions such as the IMF or OECD. These indicators and documents enable us to draw conclusions about future economic growth and the automobile market.
- The second group of indicators is focused on the automobile industry. It includes the investment plans of OEMs and their suppliers as well as statistics and forecasts on automobile production and sales. We regularly discuss this information with automotive analysts who closely monitor the trends in the industry and the markets. If the projections for automobile production change, we usually adjust our business expectations as well. An example: if the forecast for world automobile production is raised by one percentage point, we can reckon with two to three additional system orders in an aggregate volume of about € 100 million alone in the paint systems business. An increase in the forecast of that magnitude promises additional order potential in most other business units, too. Multi-year comparisons of the automobile industry's investment plans and production statistics are a similarly useful source of guidance. The interpretation of historical production and sales fluctuations can also provide an indication of future trends.
- The third leading indicator is the investment projects that are in the pipeline at our customers. We enter the information we have about these investment projects in our CRM system and evaluate our chances of winning orders. In this way we can prepare in good time for the content, scope and timing parameters of forthcoming projects. From the initial request for quotation until orders are awarded there is usually a time span of about six to twelve months which we can use for our offers.
- The fourth group of indicators comprises order intake and order backlog, which are regularly monitored and analyzed by our Controlling unit. Given the long execution times of many of the projects these two measures are a good basis for assessing capacity utilization and the development of sales revenues in the following quarters.

Economic and legal factors of influence

Sales of our systems, products and services are reliant first and foremost on capital spending in the automobile industry. These investment decisions are based on current levels of revenues, earnings, production and capacity utilization, as well as long-term sales expectations and strategic goals.

The emerging markets are of pivotal importance for our business, accounting for 65 % of incoming orders. The automobile manufacturers are expanding their production capacities especially in the BRIC countries in order to meet the dynamic demand and to win market share. In North America, the bulk of the capital spending at present is on factory revamps because, after years of shelved investment activity, many production facilities are no longer up to date. In Germany, flexibility, productivity and energy efficiency are the automobile manufacturers' chief investment motives. In the other countries of Western Europe, the industry's capital spending is likely to remain limited due to the weak economic situation.

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The pace of growth of the world economy is an important factor of influence for our business. On a long-term average, global automobile demand increases at a rate of 1.3 to 1.4 times GDP growth. Over the next five years, automobile production is expected to expand by about 25 million units, which, arithmetically, translates into a need for about 100 additional automobile plants. For Dürr, based on a market share of 50 %, this would mean orders for 50 paint shops.

Our payroll costs were equivalent to 20.9 % (€ 402.6 million) of sales revenues in 2011. The development of wages and salaries is therefore an important factor of influence, especially in the emerging markets where they are likely to rise much faster than in the established markets. We expect our labor costs to increase by about 10 % in 2012, to which the rising number of employees will also contribute. With a materials expense ratio of 49 %, the cost of materials is also an important factor of influence on our performance. However, changes have a limited impact on our earnings because our project pricing is always based on current material costs. Exchange rate movements have a comparatively small effect on sales revenues and earnings at Dürr. This is shown by the sensitivity analysis under ITEM 40 of the notes to the consolidated financial statements.

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The highly international character of our business means that we have to consider a great many different legal requirements and tax rules. This includes product safety and product liability laws, building, environment and employment regulations, as well as foreign trade and patent law. Within the framework of our cash pooling (see the chapter on FINANCIAL DEVELOPMENT) it has to be borne in mind that some countries impose exchange controls. We therefore have to maintain cash positions there.

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The growing level of environmental regulation has a considerable influence on our product strategy, and creates additional demand: in exhaust air technology, for instance, where stricter emission control regulations mean that factories require more and smaller exhaust air purification systems. This holds for the paint, cleaning, **balancing** and **filling systems** businesses, too, where the environmental standards that our customers have to comply with in their production processes are becoming an increasingly important driver for our sales and earnings. As sustainability and energy optimization has been a key focus of our product development for years, our systems are leaner and cleaner than many competitor products. We estimate that the volume of orders we won in 2011 on the strength of this advantage was in the three-digit million euros. Our competence in energy efficiency and sustainability will therefore make a significant contribution towards securing our earnings this year.

Corporate governance report

High standards in corporate governance are part of the basic requirements for creating value in the long term. They are essential when it comes to meriting the trust that investors, business partners and customers as well as employees and the general public place in us. For this reason, the Board of Management and the Supervisory Board of Dürr AG are committed to a responsible management and control of the company. We see corporate governance as a living system which we continually improve and adapt to new requirements. In 2011, we placed particular focus on expanding the compliance management and internal control system. Please also refer to the detailed information in the SUSTAINABILITY chapter and in the RISK REPORT.

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GERMAN CORPORATE GOVERNANCE CODE: BOARD OF MANAGEMENT COMPENSATION REPORTED INDIVIDUALLY FOR THE FIRST TIME

In 2011, there were no amendments to the German Corporate Governance Code, and the version published on July 2, 2010, was still applicable. The following excerpt from our declaration of compliance shows in which points and for which reasons we deviate from the recommendations of the Code. The declaration refers to the period between December 15, 2010, and December 16, 2011, and was signed on December 16, 2011, by the Chairmen of the Supervisory Board and the Board of Management. The full text can be found at WWW.DURR.COM/EN/INVESTOR/CORPORATE-GOVERNANCE.

WWW

As in the previous year, our declaration of compliance contains only two deviations from the recommendations of the Code. We also apply most of the Code's suggestions. However, there has been one important change to our corporate governance practice: According to item 4.2.4 of the German Corporate Governance Code, the compensation of Management Board members is now reported individually for the first time in the current annual report. In previous reports we only published the total compensation on the basis of a resolution passed by the annual general meeting in 2006.

EXCERPT FROM THE DECLARATION OF COMPLIANCE AS OF DECEMBER 16, 2011

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

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

Age limit for members of the Supervisory Board and objectives for the composition of the Supervisory Board (Item 5.4.1, paragraphs 2 and 3)

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

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

Other information on corporate governance at Dürr[1]

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As the executive organ of Dürr AG, the Board of Management conducts the company's business, defines the strategy, and implements it in consultation with the Supervisory Board. It must always act in the company's best interest and in compliance with its business policies. The Board of Management reports to the Supervisory Board on a regular and comprehensive basis about business performance, strategy, and risks. The Supervisory Board formulates the rules of procedure for the Board of Management regulating the individual responsibilities, the manner in which resolutions are passed, and other aspects.

The Supervisory Board of Dürr AG advises and supervises the Board of Management. In accordance with the provisions of the German Co-determination Act, it consists of twelve members with an equal number of shareholder and employee representatives. The six shareholder representatives are elected by the shareholders at the annual general meeting, and the six employee representatives are elected by the employees of Dürr's locations in Germany. The chairman has the casting vote in the event of a tie. Particularly urgent resolutions can be taken by the Supervisory Board by written circulatory vote. This occurred twice in 2011 following in-depth discussion: to extend the contract of employment of Management Board member Mr. Heuwing, and to approve the purchase of the Dürr Campus.

A new Supervisory Board was elected in 2011, as scheduled every five years. The election of the employee representatives was held on April 6, the shareholder representatives were elected at the annual general meeting on May 6. If a member of the Supervisory Board resigns before the end of his/her term of office, a successor will be appointed by court if there is no elected substitute member. Shareholder representatives appointed by court must stand for election at the following annual general meeting.

[1] The full declaration on corporate governance practices can be found under http://www.durr.com/en/investor/corporate-governance

The Supervisory Board of Dürr AG has created four committees from its midst. They prepare regulations and topics on which the chairmen of the committees then inform the Supervisory Board plenum.

- The Personnel Committee, which is also the Executive Committee, is primarily responsible for the appointment of members of the Board of Management and their compensation, and conducts the groundwork for the corresponding resolutions by the Supervisory Board plenum.
- The Audit Committee mainly deals with financial reporting, risk management, internal control system, and internal auditing. It also oversees the compliance management system, which ensures that internal and external rules and regulations are adhered to. The committee reviews the consolidated financial statements and the annual financial statements, and conducts the groundwork for the corresponding resolutions by the Supervisory Board plenum.
- The Mediation Committee only convenes if there are differences of opinion within the Supervisory Board regarding the appointment or dismissal of members of the Board of Management. At Dürr, this committee has never had to convene.
- The Nominating Committee is responsible for proposing suitable candidates to the Supervisory Board for the election of shareholder representatives at the annual general meeting. To achieve appropriate diversity, the committee ensures that the Supervisory Board includes female members as well as people with international experience.

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

ANNUAL GENERAL MEETING

The annual general meeting provides the shareholders with the opportunity to participate in a general debate with the Board of Management and the Supervisory Board, and exercise their voting rights. The agenda, which is drawn up by the company in time for the meeting, outlines the motions on which resolutions are to be passed, for instance on the appropriation of profit or on capital measures. The annual general meeting is presided over by the Chairman of the Supervisory Board.

TRANSPARENCY

Our external communication provides the public with comprehensive, consistent and up-to-date information from the Group. Information about the development of our business can be found in the annual report, in the quarterly and half-year financial reports, in press releases and ad-hoc announcements, and through press conferences and conference calls. All announcements, reports and presentations are available for download at **www.durr.com.** Our Investor Relations and Press department is available to answer any questions.

www

FINANCIAL REPORTING AND INDEPENDENT AUDIT

We prepare our consolidated financial statements to International Financial Reporting Standards (IFRS). The independent auditor is appointed by the annual general meeting on the basis of a proposal put forward by the Supervisory Board. For several years, it has been Ernst & Young GmbH. It audits the consolidated financial statements prepared by the Board of Management before they are reviewed and approved by the Supervisory Board and then published at the latest 90 days after the balance sheet date. In accordance with item 7.2.3 of the Corporate Governance Code, the auditor will inform the Chairman of the Supervisory Board immediately of all matters relevant for the work of the Supervisory Board that come to its notice in the course of the audit. The auditor is also required to notify the Supervisory Board if it encounters any deviations from the decla-

// RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT ////////////////////////////////// 2.6

	RALF W. DIETER (CHAIRMAN)	RALPH HEUWING (CHIEF FINANCIAL OFFICER)

// Divisional/operative responsibilities	// Paint and Assembly Systems
	// Application Technology
	// Measuring and Process Systems
		// Clean Technology Systems
		// Dürr Consulting

// Corporate functions	// Corporate Communications
	// Human Resources (Employee Affairs Director)
	// Research & Development
	// Quality Management
	// Internal Auditing
	// Corporate Compliance
		// Finance/Controlling
		// Investor Relations
		// Risk Management
		// Legal Affairs/Patents
		// Information Technology
		// Global Sourcing

ration of compliance according to Section 161 of the German Stock Corporation Act (AktG). Before the letter of engagement is issued, the auditor gives a pledge of its independence to the Supervisory Board.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD PROCEDURES AT DÜRR

The Board of Management of Dürr AG consists of two members. This ensures fast and efficient communication, consultation and decision-taking processes. The Board of Management works closely with the management of the divisions and business units; at holding level it is supported by Dürr AG's corporate departments.

The Chairman of the Board of Management, Ralf W. Dieter, manages the operating business of the three divisions, Paint and Assembly Systems, Application Technology und Measuring and Process Systems, in close consultation with the heads of the business units. He heads up the sales operation and represents Dürr at the decision-taking level of customers. Chief Financial Officer Ralph Heuwing is responsible for financial matters and is also in charge of the operating business of the Clean Technology Systems division. Table 2.6 offers a complete overview of the responsibilities within the Board of Management.

At Group level, Dürr has two international management teams: The top management team (Dürr Management Board) consists of the Board of Management and various top management representatives of the Group. The broader Senior Management Group mainly consists of the chief executive officers and other managers of the Group companies.

CONTROL

In accordance with Article 6 of Dürr AG's articles of incorporation, the Supervisory Board determines the number of members of the Board of Management and their appointment. It has issued rules of procedure for the Board of Management which contain a list of transactions requiring its approval, and an allocation of responsibilities. At Supervisory Board meetings, the Board of Management provides written and oral statements on the individual items of the agenda and answers any questions. Any items on which a written resolution is to be passed are distributed to the members of the Supervisory Board 14 days prior to the meeting; this is followed by a detailed dossier along with the motion one week before the meeting at the latest. On the day of the meeting, preliminary talks are first held separately between the shareholder representatives and between the employee representatives. The Board of Management is available to provide any explanations that might be needed. The Chairman of the Supervisory Board has regular consultations with the Board of Management also outside the meetings.

// REPORTED TRANSACTIONS IN DÜRR SHARES IN 2011 2.7

Purchaser / seller	Off-exchange purchase of shares	Off-exchange sale of shares	Price per share in €	Number of shares	Transaction volume in €
Heide Dürr	Jan. 3, 2011		23.92	3,000	71,760.00
Heinz Dürr GmbH	Jan. 24, 2011		23.72	10,000	237,190.00
Heinz Dürr GmbH	Mar. 29, 2011		23.41	10,000	234,100.00
Heinz Dürr GmbH		Jul. 21, 2011	29.30	69,000	2,021,700.00
Heinz Dürr GmbH	Aug. 8, 2011		27.10	20,000	541,960.00
Heinz Dürr GmbH	Aug. 12, 2011		25.21	10,000	252,060.00
Heinz Dürr GmbH	Sep. 15, 2011		24.00	6,000	144,000.00
Heinz Dürr GmbH		Nov. 30, 2011	32.80	250,000	8,200,000.00

SHAREHOLDINGS AND DIRECTORS' DEALINGS

The Chairman of the Supervisory Board, Heinz Dürr, is the majority shareholder of Heinz Dürr GmbH, which owns 29.97 % of the shares of Dürr AG (as of February 2012) together with Heinz und Heide Dürr Stiftung GmbH. Other members of the Supervisory Board own 0.13 % of the shares. The members of the Board of Management of Dürr AG hold a total of 1.3 % of the shares of Dürr AG, with 0.4 % owned by Ralf W. Dieter and 0.9 % by Ralph Heuwing. Securities transactions that have to be reported pursuant to Section 15a of the German Securities Trading Act (WpHG) are published on our website at **WWW.DURR.COM** as soon as the company is notified. Table 2.7 contains an overview of the directors' dealings in 2011.

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Compensation report

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

SIDELINE ACTIVITIES

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The members of the Board of Management hold no significant stakes in other companies and do not carry out any sideline activities other than those listed in **ITEM 42** in the notes to the consolidated financial statements.

COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT

The Supervisory Board Personnel Committee reviews the compensation system for the Board of Management at regular intervals and prepares recommendations for the Supervisory Board plenum. The Supervisory Board considers these proposals carefully and passes its resolutions on that basis. The appropriateness of the Board of Management's compensation is assessed using different criteria, including the tasks of the Board of Management as a whole as well as of the respective members, the personal performance of the members of the Board of Management, the economic situation, and the company's performance and outlook. The Supervisory Board also takes into account the development of management board compensation in other companies.

Total compensation paid to the members of the Board of Management of Dürr AG in 2011 was € 4,560 thousand (2010: € 2,251 thousand). € 928 thousand was paid as pensions to former members of the Board of Management (2010: € 811 thousand).

// BOARD OF MANAGEMENT COMPENSATION 2011 2.8

	Non-performance-related		Performance-related					
€	Basic compensation	Other compensation[1]	Long-term (LTI)	Short-term (STI)	Board of Management compensation without pension benefits	Expenses for pension benefits[2]	**Total**	**Paid in 2011**
Ralf W. Dieter	500,000.00	49,968.28	862,706.77	938,965.50	2,351,640.55	105,000.00	2,456,640.55	1,594,968,28
Ralph Heuwing	375,000.00	23,144.26	741,207.82	881,034.50	2,020,386.58	82,500.00	2,102,886.58	1,373,144,26
Total	**875,000.00**	**73,112.54**	**1,603,914.59**	**1,820,000.00**	**4,372,027.13**	**187,500.00**	**4,559,527.13**	**2,968,112.54**

1 Company car, insurance contributions
2 Service cost recorded in 2011

// BOARD OF MANAGEMENT COMPENSATION 2010[1] 2.9

	Non-performance-related		Performance-related			Pension benefits	
€ thousand	Fixed salary	Non-cash benefits	LTI	STI	Special bonus	Employer-financed contribution	**Total**
Board of Management total	700	44	276[2]	350	730	151	**2,251**

1 The Board of Management's compensation for 2010 is not disclosed individually. This is based on the opting-out resolution passed by the annual general meeting in 2006, which was still valid in 2010 and did not allow compensation payments to be itemized.
2 accrued amount based on the share price as of December 31, 2010

Since 2010, the compensation paid to the Board of Management has been based on the provisions of the German Act on the Appropriateness of Management Board Compensation (VorstAG). As a result, the contracts of both members of the Board of Management now include long-term and short-term incentives. In addition, both contracts stipulate a deductible that applies in connection with D&O (directors' and officers' liability insurance) policies in case of liabilities, which is required under the German Act on the Appropriateness of Management Board Compensation.

The compensation for the members of the Board of Management consists of performance-related and non-performance-related components. The non-performance-related compensation is made up of a fixed annual salary payable in equal monthly installments, plus other benefits, consisting in the main of the use of company cars as well as term life insurance contributions. Dürr is responsible for the payment of tax in both cases.

The performance-related compensation consists of the long-term and short-term incentives; special bonuses may also be paid. Under the short-term incentive (STI) scheme, the members of the Board of Management receive an agreed proportion of the Group's earnings before taxes in each fiscal year; there is a cap on the amount payable under the STI scheme. The long-term incentives (LTI) are linked to the performance of Dürr's share price and the Group's average EBIT margin achieved over an LTI period of three years. As part of the rolling LTI scheme, a certain number of virtual Dürr shares, also known as performance share units, are issued every year. In 2011, Ralf W. Dieter received 25,000 and Ralph Heuwing 21,500 performance share units

(2010: 25,000 and 21,500). The amount payable at the end of the three-year LTI period is calculated by multiplying the number of performance share units by a share price multiplier and an EBIT multiplier. The share price multiplier corresponds to the average closing price of the Dürr share in the last 20 trading days prior to the annual general meeting of Dürr AG at the end of the three-year LTI period. The EBIT multiplier is based on the Group's average EBIT margin during the three-year LTI period. As is the case with the short-term incentives, there is also a cap on the amount payable under the LTI scheme. The LTI figure shown in table 2.8 includes the provisions made for LTI payments in 2013 and 2014. The provisions are based on the average closing price of the Dürr share in the last 20 trading days in December 2011; in addition the planned average EBIT margin for the LTI periods is applied. The actual LTI payments may differ from the provisions made, depending on the further development of the share price and EBIT.

In 2011, the Board of Management received advance payments of € 325 thousand under the LTI scheme and € 1,175 thousand under the STI scheme. The LTI installment will be offset against the first LTI tranche payable after the annual general meeting in 2013. The STI payment will be offset in April 2012 against the variable compensation for 2011.

Apart from the Board of Management, the other 15 members of the top management team (Dürr Management Board) also have the option to join the LTI scheme. In order to join the scheme, members must purchase an individually defined number of Dürr shares using their own funds; these shares must be held for the entire duration of the scheme.

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

A further component of the compensation is the employer-financed pension contribution, which is paid into our "VORaB" scheme ("Vorsorge aus Bruttogehalt"). VORaB is a defined benefit company pension plan in the form of deferred compensation guaranteed through a reinsurance scheme. In addition, both members of the Board of Management are covered by accident and term life insurance policies.

The contracts of the members of the Board of Management are initially concluded for a period of three years upon joining the Board. When the contracts of employment are renewed, the statutorily permitted extension to a total of five years is mostly chosen. The contracts of employment of both members of the Board of Management have a term of five years. In May 2011, the Supervisory Board extended Ralph Heuwing's contract of employment, which was due to end on May 14, 2012, by a further five years. The new contract will commence on May 14, 2012, and end on May 14, 2017. Ralf W. Dieter's contract of employment is due to end on December 31, 2015.

In the event of a change of control, i.e. a takeover through the acquisition of more than 50 % of the voting rights in Dürr AG, both members of the Board of Management have the option to remain with the company. Alternatively, they have the right to voluntary resignation, which allows them to resign and terminate their contract of employment within five months from the date on which the takeover is announced. Any member exercising this right is entitled to the payment of a maximum of three years' compensation, as set out in the German Corporate Governance Code. However, the period for which the payment is made must not exceed the remaining term of the employment contract.

COMPENSATION SYSTEM FOR THE SUPERVISORY BOARD

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The compensation paid to the members of the Supervisory Board is based on Article 15 of the articles of incorporation of Dürr AG, the text of which can be found on our website at **WWW.DURR.COM** under the heading Investor Relations/Corporate Governance/Articles of Incorporation. The compensation system can only be adjusted by an amendment of the articles of incorporation by the annual general meeting.

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Total compensation paid to the members of the Supervisory Board in 2011 was € 999 thousand (2010: € 394 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **ITEM 42** in the notes to the consolidated financial statements. In addition to reimbursement for their expenses, the members of the Supervisory Board receive an annual fixed remuneration of € 20,000 and an attendance fee of € 1,000 for each meeting attended. In addition, they are entitled to variable compensation. This generally amounts to 0.4 ‰ of the reported consolidated earnings before taxes but must not exceed € 35,000. The fixed remuneration is payable at the end of each fiscal year. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each Deputy Chairman receives one and a half times the total compensation paid to a regular member. The members of the Audit Committee receive an annual remuneration of € 9,000; the chairman of this committee receives two times that amount. The remuneration paid to the members of the Personnel Committee is € 5,000 per year; the chairman receives one and a half times that amount. The members of the Nominating Committee receive a remuneration of € 2,500 per meeting, the chairman receiving one and a half times that amount. Supervisory Board members leaving the Board before the end of the year are remunerated pro rata temporis. The same applies to members of the committees.

PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Non-tariff employees receive a performance-related bonus in addition to their basic annual salary. The amount of this bonus depends on two factors: group earnings and the level of achievement of personal performance targets. In most cases, the bonus is between 5 % and 10 % of the basic salary, but it can be more for managers. Employees in Germany covered by the collectively bargained tariff agreement are also entitled to a profit-sharing bonus, which is subject to Group earnings exceeding a certain value pre-agreed with the Works Council. All full-time tariff employees based at the German locations will receive a profit-sharing bonus of € 1,500 for 2011.

Strategy

"Dürr 2015": growth and optimization

Our corporate strategy "Dürr 2015" is largely a continuation and accentuation of the successful "Dürr 2010" strategy. "Dürr 2015" has two main thrusts: growth and optimization. On the following pages we explain what concrete measures these strategic focuses involve. To create above-average value we will continue to pursue the performance targets we have announced:

- Sales revenues to grow at an average rate of 5 % to 10 % over the coming years, after benefiting in 2010 and 2011 from backlog effects from the 2008/2009 crisis.
- The EBIT margin to reach the target level of 6 % in 2013. This year we are aiming for 5.5 % to 6 %.
- ROCE to be above 20 % again in 2012 and 2013.

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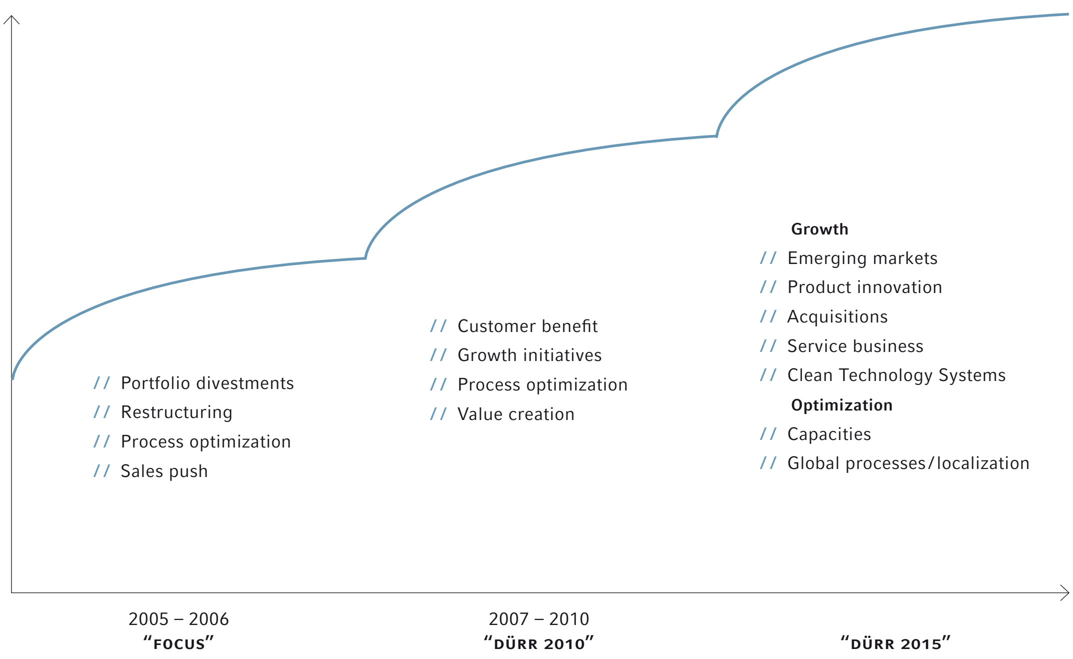
// DEVELOPMENT OF OUR STRATEGIC FOCUSES 2.10



Growth

To grow profitably, we have defined five areas:

1. EXPANDING THE CORE BUSINESS IN THE EMERGING MARKETS

The emerging markets offer good growth prospects also in the coming years. Despite the expected slowdown of the world economy, newly industrializing countries such as China, India and Brazil should increase their economic output strongly, especially as – unlike many European countries – they are not struggling with high levels of sovereign debt. At the same time, there is much to suggest continued buoyant demand for automobiles: population growth, rising real incomes, the still low car penetration rate, and the increasing need for individual mobility. Experts predict that from 2011 to 2016, automobile production in China will grow at an average annual rate of almost 12 %. About 15 % is forecast for India and Southeast Asia, 9 % for Mercosur, and 6 % for Eastern Europe.

In order to leverage our opportunities in the emerging markets as fully as possible we are orienting our global Group organization still more closely to the local requirements there. We will continue to build our capabilities and infrastructure in the emerging markets and intensify the international cooperation within the Group (see below: "Optimization"). This implies a great deal of traveling at all levels of the company, from the specialists at the department level through to managing directors and the Board of Management. Aside from the BRIC markets, where we are already well positioned, we will be focusing more strongly in future on the growth region of Southeast Asia. On the African continent – another promising market of the future – we have already been operating for many years with a company in South Africa and about 50 employees.

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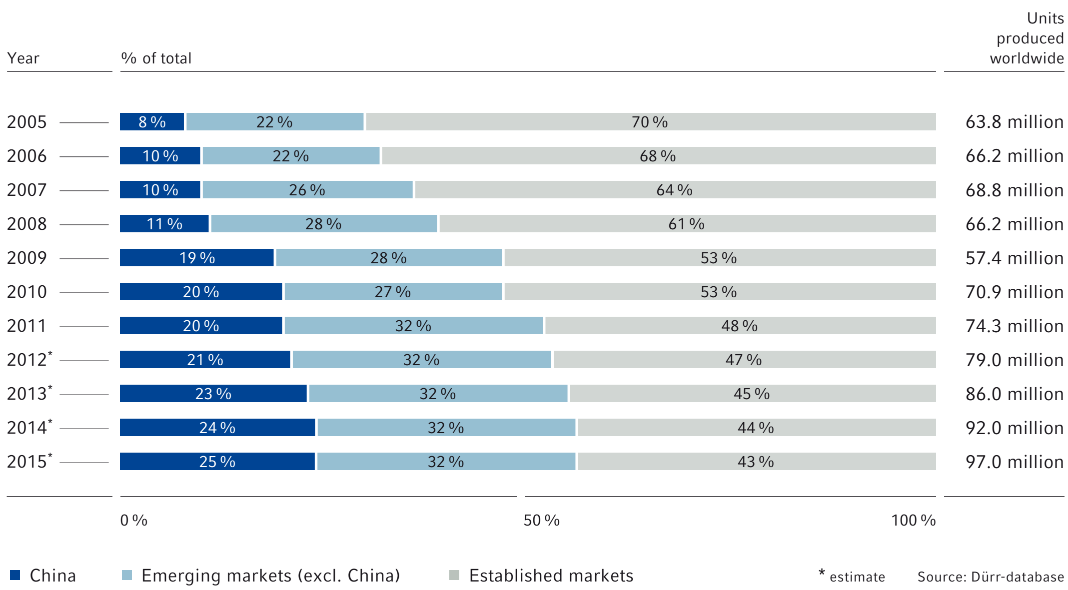
// **GLOBAL LIGHT VEHICLE PRODUCTION BY REGION** 2.11



2. FOCUS ON PRODUCT INNOVATION

To expand our market leadership we are pushing innovations that help to make our customers' manufacturing processes more efficient. This is reflected in our new claim "Leading in Production Efficiency". Over the past two years, we have been able to gain significant market share with various new technologies. Examples are the energy-saving ***Eco*DryScrubber** paint booth system, the ***Eco*Bell 3** HIGH-SPEED ROTATING ATOMIZER, the CENO balancing machine for DOWNSIZING crankshafts, and the ***Eco*CFlex** robot cleaning system. To sustain this successful innovation strategy we increased our R&D spending in 2011 by 14.4 %; further increases are planned for the years ahead. Compared to our smaller competitors we have considerably larger budgets and R&D capacities, and can therefore bring new technologies to market faster, and thus widen our lead. An overview of the trends driving our innovation management can be found in the RESEARCH AND DEVELOPMENT chapter.

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3. BUY-AND-BUILD ACQUISITIONS

Through selective acquisitions we are opening up new areas of business that offer good potential for profitable growth. We will continue this course in future. Our acquisition strategy is based on the following principles:

- We only enter areas of business that are related to our core business and offer synergies with existing activities and competences, for instance in engineering, purchasing, sales and service.
- The focus is on the acquisition of smallish companies that we develop on a buy-and-build principle and can scale up through our international sales and service platform.
- We concentrate on high-tech niches where our aim is to achieve international market leadership as in our core business.

Over the past three years we have made acquisitions in the following areas of business:

- **Turbocharger balancing:** In mid-2009, we acquired the French company Datatechnic, which specializes in turbocharger BALANCING EQUIPMENT. Datatechnic is part of the Balancing and Assembly Products business unit and has already developed an integrated measuring and balancing machine for turbochargers together with the business unit's lead company Schenck Rotec (Darmstadt). The highly compact and efficient system was presented to customers at the end of 2010.

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- **Ultrafine cleaning technology:** At the end of 2009, the Cleaning and Filtration Systems business unit acquired the Swiss niche player UCM. As a specialist for ultrafine cleaning equipment, UCM gives Dürr access to new sectors such as medical engineering and precision optics. In addition, there are sales synergies between UCM and Dürr Ecoclean in the precision engineering and general engineering markets.
- **Glueing technology:** In 2010, the Application Technology division laid the foundations for expanding its GLUEING ACTIVITIES with two technology acquisitions. The two niche specialists acquired, Kleinmichel and Rickert, complement our expertise in this segment ideally, and we are now able to offer a full-line portfolio covering all glueing applications in automobile production. Glueing is seen as the technology of the future both in the body shop and in final assembly because it saves costs and enables the use of new LIGHTWEIGHT materials such as carbon fibers.

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- **Paint systems:** In May 2011, we acquired a 10 % equity interest in our longstanding cooperation partner Parker Engineering of Japan. Together with Parker Engineering we want to intensify the paint systems business with the Japanese automobile industry – especially in the growth markets such as Southeast Asia where the Japanese OEMs are dominant.

- **Filling equipment:** In May 2011, we also acquired a 55 % stake in filling equipment specialist Agramkow. The Danish company, which is part of the Balancing and Assembly Products business unit, is an ideal complement to our existing filling systems business: through our subsidiary Dürr Somac we are the market leader for **FILLING SYSTEMS** for the automobile industry, while Agramkow is the largest supplier of filling equipment for manufacturers of household appliances and heat pumps. Synergies exist between the two companies especially in purchasing, R&D, and regional presence. We now have around 300 employees worldwide in the filling equipment business. Our target in the mid-term is sales revenues of over € 60 million in this segment (2011: approx. € 50 million).

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4. SERVICE BUSINESS

We have been operating in our markets for decades and hold leading positions in all our fields of business. Our installed base with customers and the resulting service potential is therefore considerable. Our aim is for the service business to account for about 30 % of our total sales revenue by the year 2015. In 2011, it contributed 23.2 %, after 28.7 % the year before. The reason for the decline was the disproportionately strong growth in sales revenues from new plant and machinery, especially in China. The numerous new installations open up additional opportunities for future service business, whether revamps, capacity enlargements, or the supply of spare parts. In **APPLICATION TECHNOLOGY**, additional potential is presented by the upgrading of painting machines to the much more flexible robot technology.

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5. CLEAN TECHNOLOGY SYSTEMS

With the new Clean Technology Systems division created at the beginning of 2011 we want to grow through business with energy-efficient technologies. Our aim is to achieve sales revenues of at least € 200 million in this segment by the year 2015. The prospects are good:

- Resource conservation and rising energy prices are increasing the need for energy-efficient production systems worldwide, while the payback periods for such investments are sinking.

- Our customers are coming to perceive the energy consumption of their production systems more and more as a cost factor. Project enquiries for energy-optimized manufacturing processes are therefore sharply on the increase.

- As a plant engineer we have the relevant core competences to build up this new area of business: specialist know-how in exhaust air and waste heat on the one hand, and **ENGINEERING** and project management expertise on the other.

- Through our global presence we are in a good position to tap the fast-growing market potential for energy-efficient technologies, especially in the emerging markets.

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The Environmental and Energy Systems business unit serves as the springboard for our growth in energy efficiency. It is a world-leading supplier of exhaust air purification systems and is expanding its activities through a two-track strategy. First, growth is being pursued in the emerging markets. Second, Environmental and Energy Systems is increasingly marketing systems with which the thermal energy required to burn off polutants can be recovered.

To broaden the portfolio in heat recovery technology, we acquired a 50 % equity interest in the start-up firm Cyplan Ltd. in May 2011. The company, whose name has since been changed to Dürr Cyplan Ltd., is a pioneer in ORC technology. ORC stands for Organic Rankine Cycle and is an evaporation process that produces electrical power from waste heat. ORC plants can be combined not only with our thermal exhaust air purification systems but also with other sources of waste heat such as combined heat and power generating plants, biogas plants, and combustion engines.

We will be broadening our portfolio of processes and products in energy efficiency beyond ORC technology. The Energy Technology Systems business unit is currently reviewing various acquisition opportunities. We expect to make one or two more acquisitions or investments this year.

We have sufficient resources to finance the proposed acquisitions. In addition to our large cash position (€ 298.6 million), there is the unused cash credit line under the syndicated loan (€ 50 million) and the loan from the European Investment Bank (€ 40 million) which is also undrawn. We also have authorized capital which can be drawn on, if need be, for additional equity financing. No further financing measures are planned for 2012 and 2013; please refer also to the comments in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.

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Optimization

Besides creating value through growth, we are also tapping new cost reduction and earnings potentials. We are continuously optimizing our business processes and the regional distribution of our capacities.

1. CAPACITY OPTIMIZATION

The expansion of our very good position in the emerging markets continues to be a priority. By 2013, we want to increase our headcount in the emerging markets to 33 % of the total workforce. Currently, the figure is 31 %; in 2005 it was only 14 %. Including hired external labor, we already employ about 1,400 people in China today. The growth of the workforce over the past years also in Brazil, Mexico and India, as shown in table 2.12, will be continued as well.

Local content in the emerging markets is also being increased as the workforce is built up. In the first quarter of 2012, we opened an additional new plant engineering facility with 23,000 m² of workshop space in Shanghai (China); another new facility for the machinery business is due to be occupied in 2013. Since 2008, we have been operating an engineering center in Chennai (India), which also assists other locations around the world with detail engineering.

// GROWTH IN THE NUMBER OF REGULAR EMPLOYEES IN THE EMERGING MARKETS /////////// 2.12

	Dec. 31, 2011	Dec. 31, 2005
China	1,006	271
Brazil	186	83
Mexico	181	64
India	394	148
Eastern Europe / Other emerging markets	338	294
Total	**2,105**	**860**

2. GLOBAL PROCESSES/LOCALIZATION

We are backing up our growth strategy through the use of globally standardized business processes and by pushing the localization of products and value added.

Product localization: Within the framework of our local design approach we are developing low-cost standard products that are specially tailored to the needs of the emerging markets. In some cases, for instance in the balancing equipment business in China, we already conduct product development locally in the emerging markets.

Local value added: We are constantly broadening the capabilities of our local companies in the emerging markets. While many of our peers in the machinery and plant engineering industry mostly maintain sales, service and manufacturing facilities, our locations now also provide functions such as ENGINEERING as well as project and site management. This not only strengthens our competitiveness in the local market but yields cost advantages for the Group as a whole as well since we use our resources in the emerging markets also for projects in Europe and North America.

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Board of Management's overall assessment of business development in 2011

2011 was a record year for Dürr in terms of earnings and incoming orders. As table 2.13 shows, we achieved or exceeded all of our original targets. As investment activity especially in the automobile industry was far stronger than had been expected, we raised our guidance for 2011 three times in the course of the year. More projects were awarded than in the preceding years, and we increased our market share substantially in some cases. An important contributing factor here was our strong presence in the high-growth emerging markets. Additionally, we profited from the many product innovations over the past years, which yield efficiency benefits for our customers and enjoyed a high level of market acceptance.

Some of our customers in the automobile industry expanded more strongly in 2011 than they had in the past. In addition, the industry caught up on many investment projects that had been shelved in the crisis years of 2008 and 2009. This also included a number of revamps and modernizations at existing factories. Against this backdrop, our incoming orders came to € 2,685 million, exceeding our original forecast of € 1,720 million by almost € 1 billion. As a result, sales revenues, which came in at € 1,922 million, were not only up 52 % year over year but were also well above budget. Earnings rose faster than sales as we benefited from degression effects in fixed costs. With EBIT of € 106.5 million, the EBIT margin came to 5.5 %, which was well above the 3.5 % to 4 % originally expected.

Thanks to the debt restructuring we carried out the year before, the financial result improved by € 3.4 million in 2011. The tax rate sank from 43.3 % to 25.1 %, and thus more strongly than expected. Owing to our improved earnings outlook, we were able to recognize additional deferred tax assets on our tax loss carryforwards. Against this backdrop, earnings after taxes rose to € 64.3 million, from € 7.1 million the year before.

Cash flow from operating activities (operating cash flow) more than doubled to € 127.9 million. This was mainly on the back of higher revenues and earnings, coupled with a nearly unchanged **NET WORKING CAPITAL**. **FREE CASH FLOW** came to € 91.8 million, the highest level in ten years. Our **NET FINANCIAL STATUS** rose to € +51.8 million at the end of 2011, although we bought the Dürr Campus in Bietigheim-Bissingen – our headquarters – from a leasing company for € 51.4 million. Cash and cash equivalents came to € 298.6 million as of December 31, 2011, which was more than we had budgeted. Liquidity did not decline as originally expected as the prepayments received from customers that are recognized under liabilities rose again at the end of the year.

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As announced, we increased our investment in property, plant and equipment and intangible assets substantially to € 23.4 million. Much of the increase was attributable to intangible assets.

// ACHIEVEMENT OF TARGETS IN 2011 AND TARGETS FOR 2012 //////////////////////////////// 2.13

	TARGET 2011	ACTUAL 2011	TARGET 2012
// Sales revenues	€ 1,450 million	€ 1,922 million	> € 2,000 million
// Incoming orders	€ 1,720 million	€ 2,685 million	> € 2,000 million
// Orders on hand (Dec. 31)	€ 1,600 million	€ 2,143 million	> € 2,100 million
// EBIT margin	3.5 % to 4 %	5.5 %	5.5 % to 6 %
// Financial result	improvement by € 4 to 5 million (2010: € −24.1 million)	improvement by € 3.4 million	slightly weaker
// Tax rate	approx. 30 %	25.1 %	approx. 25 %
// Earnings after taxes	substantial improvement (2010: € 7.1 million)	€ 64.3 million	+15 %
// Operating cash flow	slight decrease (2010: € 55.4 million)	€ 127.9 million	slightly weaker
// Free cash flow	slightly negative (2010: € 22.9 million)	€ 91.8 million	slightly weaker
// Net financial status (Dec. 31)	small net financial debt (2010: € +23.6 million)	€ +51.8 million	slightly positive
// Liquidity (Dec. 31)	decrease (2010: € 252.3 million)	€ 298.6 million	decrease
// Capital expenditure[1]	increase (2010: € 16.6 million)	€ 23.4 million	slight increase

[1] in property, plant and equipment and intangible assets (without acquisitions)

KEY PERFORMANCE INDICATORS: ACTUAL PERFORMANCE VERSUS TARGET

We use four key performance indicators in our corporate planning and control:

- EBIT
- Operating cash flow (cash flow from operating activities)
- Free cash flow
- ROCE (EBIT as % of capital employed).

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As table 2.13 shows, we comfortably exceeded our targets for EBIT, operating cash flow and **FREE CASH FLOW** in 2011. **ROCE** increased from 10.3 % in 2010 to 28.4 %, and was already well above the target of 22 % we set for 2013.

CONSOLIDATED FINANCIAL STATEMENTS

DIVISIONS

In 2011, all the divisions achieved the sales and earnings targets formulated in the annual report for 2010, and exceeded them comfortably in most cases. Costs developed as planned. Paint and Assembly Systems increased its EBIT margin from 2.4 % to 4.6 %; an improvement of that order had not appeared possible at the beginning of the year. Application Technology also improved its EBIT margin: from 4.3 % to 7.6 %. In the Measuring and Process Systems division, earnings were turned around at the Cleaning and Filtration Systems business unit as planned. Together with the strong earnings performance from Balancing and Assembly Products, this led to an improvement in the Measuring and Process Systems EBIT margin to 5.7 % (2010: 3.0 %). In the Clean Technology Systems division, the EBIT margin advanced from 5.2 % to 5.7 %. The targets of our divisions for 2012 can be found – in more detail than in the past – in the **REPORT ON EXPECTED FUTURE DEVELOPMENT.**

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MATERIAL EVENTS AFFECTING BUSINESS DEVELOPMENT

Our business performance in 2011 was influenced by two main factors: the high investment activity by automobile manufacturers and the positive development of demand on the vehicle market which led to growth of 4 % in world automobile production. In terms of orders, China predominated; Brazil also gained further importance as a production location. We benefited from this as we have a strong presence in both markets. Demand also continued to pick up in the North American market.

Economy and industry environment

2011: SLOWDOWN IN THE COURSE OF THE YEAR

The world economy grew by 3.6 % in 2011. However, the growth slowed from quarter to quarter. In addition, the European debt crisis became a growing risk for the world economy. Many economists expect a decline in gross domestic product (GDP) in the eurozone in winter 2011/2012. Germany was able to profit in 2011 from its export strength and competitiveness despite the difficult environment. In North America, GDP grew more strongly than expected in the second half of 2011, while Japan's economy steadied only slowly after the earthquake disaster in March. Most of the emerging economies – especially China – were robust and witnessed respectable rates of growth also in the second half of the year.

Exchange rates did not change much on the whole, although at the end of the year, the euro was trading a good 10 % below its level at mid-year. Short-term interest rates, which are subject to stronger influence from the central banks, remained low. At the longer end, spreads widened considerably. The yields on German Bunds touched record lows, while the yields on sovereign debt of countries with weaker ratings rose. All in all, sentiment on the capital markets was volatile, especially in the second half of the year.

ROBUST GROWTH IN AUTOMOBILE PRODUCTION

World automobile sales grew slightly faster than global GDP. Contrary to what had been originally feared, the forecasts for automobile production did not have to be revised downwards in the course of the year. After growth of 24.6 % the year before, global production increased by 4 % to 74 million passenger cars and light commercial vehicles in 2011. In China, where production had risen exceptionally strongly in 2009 and 2010, the growth was also 4 %. This slower pace of growth was deliberately brought about by the Chinese government in order to combat rising inflation. The automobile markets in India and Russia grew vigorously by 13 % and 39 %, respectively. In North America, the recovery witnessed in 2010 continued.

// GDP GROWTH 2.14

Year-over-year change in %	2011	2010	2009
World	3.6	5.1	−0.9
Germany	3.0	3.6	−4.7
Eurozone	1.6	1.9	−4.1
Russia	4.5	4.0	−7.8
USA	1.7	3.0	−2.6
China	9.0	10.3	9.1
India	8.0	10.0	6.8
Japan	−0.8	4.5	−6.3
Brazil	3.5	7.5	−0.6

Source: Deutsche Bank 01/2012

The buoyant demand in 2011 led to high levels of capacity utilization in the automobile industry. The industry also benefited from the cost reductions in the previous years. Against this backdrop, many automobile manufacturers generated high earnings and cash flows. However, the Japanese OEMs suffered from the strong yen and the aftermath of the earthquake disaster.

AVIATION AND AIRCRAFT INDUSTRY STILL ON GROWTH TRACK

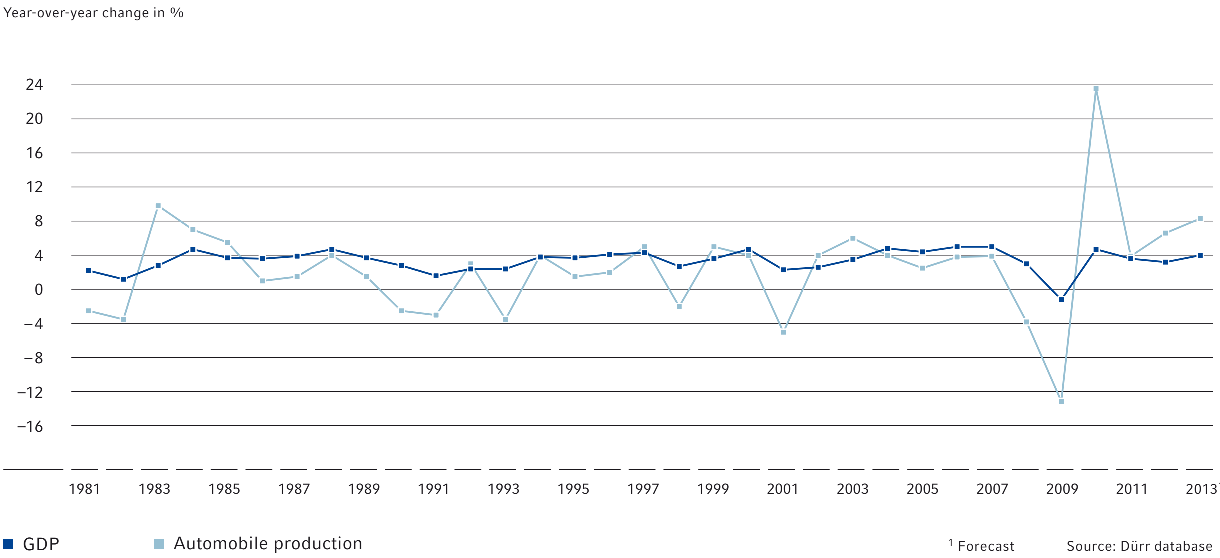
With an increase of 5.1 %, the volume of air traffic also outpaced the growth of the world economy in 2011. However, high kerosene prices and the aftermath of the earthquake in Japan caused earnings at many airlines to sink. Nonetheless, investment budgets were not cut as the airlines need additional aircraft to cope with the growing volume of traffic. The number of aircraft delivered by the two leading manufacturers therefore rose again: from 510 to 525 at Airbus, and from 464 to 483 at Boeing. Further increases are targeted for 2012; both Airbus and Boeing have invested in productivity and, based on this, want to deliver 563 and 606 aircraft, respectively, this year. Of growing importance for us are the up-and-coming aircraft manufacturers in China and Russia, which launched new aircraft programs and placed first orders with suppliers in 2011. Our strong international presence is an important advantage in gaining access to these customers.

// PRODUCTION OF LIGHT VEHICLES 2.15

Million units	**2011**	2010	2009
World	74.3	71.5	57.4
Western Europe	13.6	13.3	12.3
Germany	5.8	5.5	4.8
Eastern Europe	6.3	5.6	4.6
Russia	1.8	1.3	0.8
North America (incl. Mexico)	13.1	11.9	8.6
USA	8.5	7.6	5.8
South America	4.2	4.2	3.2
Brazil	3.1	3.1	3.0
Asia	34.5	34.0	26.4
China	15.0	14.4	10.8
Japan	8.0	9.0	7.7
India	3.4	3.0	2.3

Sources: PwC 01/2012, own estimates

// **WORLD AUTOMOBILE PRODUCTION AND WORLD GDP** 2.16



[1] Forecast Source: Dürr database

STRONGER DEMAND IN THE MECHANICAL AND PLANT ENGINEERING INDUSTRY

After the slump in 2009 and the recovery the following year, demand in the mechanical and plant engineering industry picked up considerably in 2011. Investment in plant and equipment rose vigorously in almost all regions of the world. The earnings situation at many engineering companies has improved appreciably as a result of better levels of capacity utilization; however, some sectors, such as printing, solar energy and wind power, are in a consolidation process. According to figures published by the German plant and mechanical engineering industry association, the Verband Deutscher Maschinen- und Anlagenbau (VDMA), production in Germany was up 14 % but, at € 188 billion, was not yet back to the pre-crisis level. The strong revival is having a positive impact on our incoming orders in business with general industry, where we have many engineering companies among our customers. In our own machinery activities, for instance in **BALANCING** and **CLEANING SYSTEMS**, the volume of business is meanwhile above the level before the 2008/2009 crisis.

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Business development

IFRS AND REPORTING PRACTICES

The following charts and tables show IFRS figures for the years 2009 to 2011. The accounting and valuation policies have remained largely unchanged since 2004; they have merely been adjusted to the respectively prevailing legal requirements. EBIT stands for earnings before interest, income taxes and income from investments. The introduction of IAS 23, which we applied for the first time in fiscal year 2009, led to changes in the interest result as borrowing costs incurred in connection with long-term contracts have been recognized since then in the cost of sales. Major restructuring measures within the Group were completed in 2010. We therefore no longer report restructuring costs as a separate item but include them under other expense items in line with customary industry practice. No substantial restructuring costs were incurred in 2011.

Another change relates to the treatment of the interest components of pension provisions. We have decided to bring the reporting of the interest components in the statements of income into line with customary industry practice. They are now no longer recognized under operating expenses but in the interest result. This new reporting procedure increased EBIT by € 2.5 million in 2011 and burdened the interest result by the same amount. We have adjusted EBIT for 2010 retroactively to € 36.6 million; in the annual report for 2010 we had reported a figure of € 33.7 million.

Changes in the International Financial Reporting Standards (IFRS) had no material effect on the presentation of the company's position. The IFRS standards provide for comparatively few options; their utilization has no material influence on Dürr's net assets, financial position and results of operations. There are options, for instance, with regard to the reporting of items such as inventories or property, plant and equipment which are of minor importance for Dürr. In the case of important items in the statements of financial position we make use of options in such a way that maximum continuity in their measurement is assured. Financial instruments, for instance, are reported as far as possible at amortized cost, not at fair market value. In 2011, there were no changes in the options applied, so the different reporting periods are fully comparable.

Accounting measures have little influence on the presentation of the results of operations at Dürr for two reasons. Firstly, the scope for discretional accounting is generally restricted by the limited number of options. Secondly, short-term accounting measures conflict in many cases with our endeavor to provide interperiod transparency.

INCOMING ORDERS AT A RECORD LEVEL

The dynamic demand caused incoming orders to rise by approx. € 1 billion to a record level of € 2,684.9 million in 2011. We benefited not only from the robustness of the automobile market but also from backlog effects: besides new investment projects, the automobile industry also caught up on a number of older projects that had been shelved during the 2008/2009 crisis.

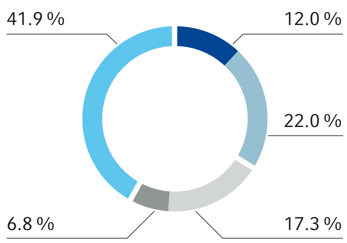
With an increase of 64 %, our order intake again grew much faster than the German mechanical and plant engineering industry average (+10 %). Our plant engineering business benefited from the investment boom in China, but also from reviving demand in other emerging markets[1] and the USA. The service and machinery businesses witnessed strong growth in new orders, too, although they lagged slightly behind the plant engineering business. Owing to the flood of orders our capacities were more than 100 % employed across the board.

The strong growth in orders was mainly attributable to the emerging markets, where incoming orders were up 77 %. In Brazil, Mexico and India, we doubled our order intake in each case. The emerging markets' share of the Group's total order intake reached an all-time high of 65 %. China, which is by far our largest single market, alone accounted for 32 % of the new orders. Orders were up 69 % in the reviving US market, up 29 % in Germany, and up by as much as 49 % in the rest of the EU.

ORDER BACKLOG OVER € 2.1 BILLION

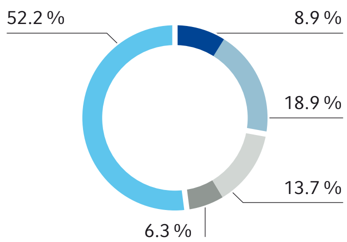
Orders on hand also rose strongly: amounting to € 2,142.7 million at the end of 2011, they topped the year-earlier level (€ 1,359.1 million) by 57.7 %. Being of a short-term nature, the greater part of our service business, which grew to € 445.4 million in 2011, is not included in the order backlog figure. If the short-term service business is taken into account, our sales forecast of at least € 2.0 billion for 2012 looks well underpinned.

// CONSOLIDATED INCOMING ORDERS BY REGION 2.17



€ million	2011	2010	2009
Germany	322.2	249.1	254.7
Rest of Europe	589.4	353.6	319.0
North and Central America	463.4	221.4	150.7
South America	185.2	98.1	45.2
Asia / Africa / Australia	1,124.7	720.0	415.1
Total	**2,684.9**	**1,642.2**	**1,184.7**

// CONSOLIDATED ORDER BACKLOG BY REGION (DECEMBER 31) 2.18



€ million	2011	2010	2009
Germany	191.4	150.6	159.6
Rest of Europe	405.9	293.4	272.2
North and Central America	293.2	133.5	103.0
South America	134.2	75.8	37.9
Asia / Africa / Australia	1,118.0	705.8	429.7
Total	**2,142.7**	**1,359.1**	**1,002.4**

[1] Asia (ex Japan), Mexico, Brazil, Eastern Europe

Our reach of orders is exceptionally high at 13.4 months on a calculational basis (December 31, 2010: 12.9 months). However, there are differences between the divisions. At Paint and Assembly Systems, being a pure plant engineering contractor, the reach of orders is naturally very high at 17.2 months (December 31, 2010: 16.3 months). Application Technology has a reach of 12.1 months (December 31, 2010: 10.7 months), which is high for a supplier of machinery. At Measuring and Process Systems, where the focus is also on machinery, the reach of orders is 9.0 months (December 31, 2010: 9.9 months). Clean Technology Systems has a reach of 8.4 months (December 31, 2010: 7.9 months).

STRONG GROWTH IN SALES REVENUES

Driven by the buoyant demand, sales revenues were up 52 % in 2011. After a modest first quarter with € 358.6 million, sales generation gathered pace during the rest of the year: € 424.9 million in the second quarter, € 523.8 million in the third quarter, climbing to € 614.7 million in the last quarter.

The service business grew by 23.1 % and contributed revenues of € 445.4 million. This was above the pre-crisis 2008/2009 level. In the coming years, we aim to raise the relative weight of the service business to 30 %. Our broad installed base serves as an important springboard here.

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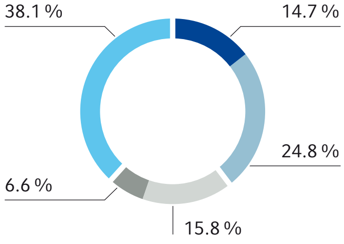
Table 2.19 shows the high importance of the Asia business for our sales revenues. Asia and Africa, where sales were up 77.4 % versus 2010, contributed 38.1 % of total Group sales. The emerging markets accounted for 58.6 % (2010: 52 %), with the greater part coming from the BRIC countries. Europe (ex Germany) and North America also witnessed gratifying growth of 43.5 % and 56.1 %, respectively.

GROSS PROFIT WELL UP

The cost of sales, which contains all the acquisition and production costs for our products and services, rose more strongly than sales revenues in 2011. As a result, the gross margin, which is the difference between sales and the cost of sales expressed as a percentage of sales, sank to 17.2 % (2010: 18.8 %). However, it needs to be taken into account that there was a marked shift in our sales mix in 2011. The higher-margin service business grew less strongly than new equipment business. At the same time, the gross margin in plant engineering business was unchanged as there were still billings on a number of poorer-margin orders from 2009 and 2010 in the first half of 2011. In absolute terms, gross profit was up € 93.9 million to € 331.4 million due to the growth in sales revenues.

// CONSOLIDATED SALES BY REGION 2.19



€ million	2011	2010	2009
Germany	281.5	257.1	180.7
Rest of Europe	476.5	332.0	358.5
North and Central America	303.5	194.4	222.0
South America	127.4	64.7	57.4
Asia/Africa/Australia	733.1	413.2	259.0
Total	**1,922.0**	**1,261.4**	**1,077.6**

// **STATEMENTS OF INCOME AND PROFITABILITY RATIOS** 2.20

		2011	2010	2009
Sales revenues	€ million	1,922.0	1,261.4	1,077.6
Gross profit	€ million	331.4	237.5	210.8
Overhead costs[1]	€ million	–225.5	–201.6	–202.5
EBITDA	€ million	127.1	54.6	25.6
EBIT	€ million	106.5	36.6	5.7
Financial result	€ million	–20.7	–24.1	–17.9
EBT	€ million	85.8	12.5	–12.2
Income taxes	€ million	–21.6	–5.4	–13.5
Earnings after taxes	€ million	64.3	7.1	–25.7
Earnings per share	€	3.58	0.37	–1.55
Gross margin	%	17.2	18.8	19.6
EBITDA margin	%	6.6	4.3	2.4
EBIT margin	%	5.5	2.9	0.5
EBT margin	%	4.5	1.0	–1.1
Return on sales (after taxes)	%	3.3	0.6	–2.4
Interest coverage		5.0	1.5	0.3
Effective tax rate	%	25.1	43.3	–
Return on equity	%	17.6	2.2	–8.5
Return on investment	%	5.5	2.9	–0.5

[1] selling, administrative, and R&D costs

HIGHER MATERIAL COSTS

Consolidated material costs[1], which are charged in full to the cost of sales, rose by 68.7 % to € 942.8 million, and thus more strongly than sales. This was mainly due to the fact that we had to make greater use of subcontractors for capacity reasons. The materials expense ratio was 49.1 % (2010: 44.3 %). The cost of materials mostly represents bought-in components and work performed by subcontractors. More information on our materials sourcing can be found in the PROCUREMENT chapter.

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OVERHEAD COSTS RISE ONLY MODERATELY

Against the backdrop of the buoyant demand, selling expenses increased by 8.9 % to € 107.2 million in 2011. That included marketing expenses of € 4.5 million (2010: € 3.6 million), approximately one-third of which represented personnel expenses. We only spend about 0.2 % of our sales revenues on marketing since our circle of customers – especially in the plant engineering business – is relatively small and we have close contacts with the users. In our business, the placing of new products does not require major launch costs either. Our most important marketing event is the one-week "Open House" exhibition that we organize every two years in Bietigheim-Bissingen. The next "Open House" is due to be held in May 2012, so our marketing expenses will be slightly higher again this year.

Selling and administrative expenses increased by € 20.2 million to € 196.0 million in 2011. Aside from a moderate rise in the number of employees, this was mainly due to wage and salary

[1] Consolidated material costs comprise the cost of raw materials and supplies, bought-in components, and work performed by subcontractors.

// OVERHEAD 2011 2.21

	No. of employees	Costs (€ million)	Personnel expenses (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	755	107.2	75.3	2.6	29.3
(2010)	(693)	(98.5)	(66.5)	(1.7)	(30.3)
Administrative	683	88.7	52.9	3.4	32.4
(2010)	(634)	(77.4)	(48.8)	(6.1)	(22.5)
R&D	180	29.5	15.2	4.6	9.7
(2010)	(162)	(25.8)	(13.3)	(4.4)	(8.1)

increases. As selling and administrative expenses rose less strongly than sales, the ratio of selling and administrative expenses to sales sank to 10.2 % (2010: 13.9 %).

Our market success in 2010 and 2011 was due in large measure to the introduction of new, more efficient products. We therefore continued with our innovation strategy and increased our R&D spending by 14.4 % to € 29.5 million.

The balance of other operating income and expenses was € 0.6 million, and had little impact on our earnings (2010: € 0.8 million). Currency translation resulted in net income of € 1.9 million in 2011 (2010: net loss of € –0.8 million). For further details please see **ITEM 13** in the notes to the consolidated financial statements.

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EBIT REACHES RECORD LEVEL

EBIT almost tripled year over year on the back of the high gross profit coupled with moderate overhead costs. At € 106.5 million (2010: € 36.6 million), we achieved a record EBIT; the EBIT margin rose to 5.5 %, thus approaching our target margin for 2013 of 6 % earlier than expected. EBITDA advanced on a similar scale, reaching € 127.1 million (2010: € 54.6 million). As in the previous years, no impairment losses had to be recognized in goodwill on the basis of the yearly impairment test.

MODERATE RISE IN PERSONNEL EXPENSES

The Group’s workforce grew by 15.4 % to 6,823 employees at the end of 2011. The main reason for the increase was the massive growth in business volume; additionally, 116 employees were added by the first-time consolidation of Agramkow Fluid Systems A/S. On a comparable basis, in other words without Agramkow, the increase was 13.4 %.

Personnel expenses, which are subsumed in all the categories of operating costs in the statements of income, rose by 17.4 % to € 402.6 million. Besides the higher number of employees, this was also due to rising wage and salary levels in the emerging markets and to performance-linked bonuses, while productivity factors and the higher proportion of employees in the emerging markets had a dampening effect. As personnel expenses rose much less strongly than sales, the personnel expense ratio sank to 20.9 % (2010: 27.2 %). Sales per employee (annual average) reached a ten-year high of € 299 thousand.

FINANCIAL RESULT MUCH IMPROVED

The cost benefits of our new corporate financing were felt in 2011. The financial result improved by € 3.4 million versus 2010 to € –20.7 million. We benefited above all from the low amortization charge for the transaction costs that were incurred in 2010 for the placement of our bond, and lower commitment fees for the new syndicated loan. In addition, the transaction costs and inci-

// EMPLOYEE-RELATED FIGURES AND PERFORMANCE INDICATORS 2.22

	2011	2010	2009
Employees (Dec. 31)	6,823	5,915	5,712
Employees (annual average)	6,423	5,776	5,885
Personnel expenses (€ million)	−402.6	−342.7	−336.4
Personnel expense ratio (%)	20.9	27.2	31.2
Personnel expenses per employee (annual average) (€)	−62,700	−59,300	−57,200
Sales per employee (annual average) (€)	299,200	218,400	183,100

dental costs for the syndicated loan and the R&D loan from the European Investment Bank are lower than with our previous debt financing. Income from investments was up slightly to € 0.6 million (2010: € 0.5 million).

Our new € 225 million bond has a coupon of 7.25 %, which is considerably lower than the 9.75 % paid on the € 100 million bond it replaced. The fact that interest expense – without incidental interest expenses – rose nonetheless to € 19.4 million (2010: € 17.7 million) is due entirely to the bond's higher nominal volume. In addition, the interest result includes the expense for pension obligations and other interest-related expenses totaling € 7.4 million (2010: € 10.3 million) as well as interest income of € 5.5 million (2010: € 3.4 million).

EARNINGS AFTER TAXES TOP THE € 60 MILLION MARK

Earnings before taxes rose by € 73.3 million to € 85.8 million in 2011. Despite the strong earnings improvement, the effective tax rate sank from 43.3 % to 25.1 %. Owing to the much improved earnings outlook we were able to capitalize deferred tax assets, especially in Germany, and therefore to use part of our tax loss carryforwards. With tax expense of € 21.6 million (2010: € 5.4 million), net income advanced to € 64.3 million (2010: € 7.1 million). As planned, earnings were turned around at the local companies in France and the USA, which had still been loss-making in 2010. After deducting non-controlling interests, earnings per share came to € 3.58, after € 0.37 the year before.

In view of the positive earnings trend, we propose that the dividend for 2011 be increased to € 1.20 per share (2010: € 0.30). Based on the 17,300,520 outstanding shares, this represents a total dividend payment of € 20.8 million. That is equivalent to 32 % of the Group's consolidated earnings after taxes, which would put the dividend payout ratio within the targeted band of 30 % to 40 % of net profit. Dürr AG's remaining net retained profit of € 56.2 million (2010: € 66.5 million) after the dividend payment is to be carried forward.

ANNUAL FINANCIAL STATEMENTS OF DÜRR AG

Dürr AG's net profit was lower in 2011. This was mainly due to the earnings development at Dürr Systems GmbH in Germany. However, it needs to be borne in mind that the individual financial statements of Dürr AG and Dürr Systems GmbH are prepared according to German HGB (German Commercial Code) accounting standards. Applying IFRS standards and accounting for orders according to the percentage of completion method provided for in the IFRS standards, the results of both companies would have been significantly higher. The full individual annual financial statements of Dürr AG are published at **WWW.DURR.COM/INVESTOR/FINANCIAL-REPORTS**.

WWW

// STATEMENTS OF INCOME, DÜRR AG STAND-ALONE STATUTORY FINANCIAL STATEMENTS (HGB) 2.23

€ million	2011	2010
Income from profit and loss transfer agreements	34.4	49.2
Income from investments	**34.4**	**49.2**
Changes in inventory		−5.4
Other operating income and expenses	1.4	12.8
Cost of purchased services		−2.8
Personnel expenses	−10.2	−6.8
Depreciation and amortization (including financial assets)	−0.4	−0.3
Interest result	−13.0	−17.2
Profit from ordinary activities	**12.2**	**29.5**
Taxes	−1.7	−0.4
Net income	**10.5**	**29.1**
Profit brought forward from the previous year	66.5	42.6
Net retained profit	**77.0**	**71.7**

// STATEMENTS OF FINANCIAL POSITION, DÜRR AG STAND-ALONE STATUTORY FINANCIAL STATEMENTS (HGB) 2.24

€ million	Dec. 31, 2011	Dec. 31, 2010
ASSETS		
Fixed assets		
Intangible assets	0.7	0.9
Property, plant and equipment	0.2	0.1
Financial assets	470.7	489.9
	471.6	**490.9**
Current assets		
Receivables and other assets	122.2	99.2
Cash and cash equivalents	142.0	138.9
Prepaid expenses, sundry items	0.9	0.8
	265.1	**238.9**
Total assets	**736.7**	**729.8**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	44.3	44.3
Capital reserve	200.5	200.5
Net retained profit	77.0	71.7
	321.7	**316.5**
Liabilities		
Provisions	9.8	7.9
Liabilities	402.4	401.8
Deferred income	2.9	3.6
	415.0	**413.3**
Total equity and liabilities	**736.7**	**729.8**

DIVISIONS

The four divisions improved their EBIT strongly in 2011. As incoming orders generally exceeded sales revenues, a good level of capacity utilization can be expected across all four divisions in 2012.

The number of employees in the Corporate Center has more than doubled as a result of the reorganization of the IT operations: Dürr IT Service GmbH was set up at the beginning of 2011 and is attached to the Corporate Center. The new company bundles all of the IT activities and resources that were previously located within the operating companies, enabling Group-wide IT projects to be implemented more effectively. As a result of the reorganization, IT investments, too, are charged to the Corporate Center and no longer to the divisions. The transaction costs for the Group's financing are also included in the Corporate Center's capital expenditure. Corporate Center EBIT came to € -1.4 million in 2011 (2010: € -2.6 million). The loss was due to expenses that could not be passed on in full to the subsidiaries. The Corporate Center result includes consolidation effects of € 2.0 million (2010: € 0.5 million).

// EBIT 2.25

€ million	2011	2010	2009
Paint and Assembly Systems	40.5	13.8	−3.0
Application Technology	31.1	11.6	3.0
Measuring and Process Systems	31.4	10.3	10.7
Clean Technology Systems	4.9	3.5	2.2
Corporate Center/Consolidation	−1.4	−2.6	−7.2
Total	**106.5**	**36.6**	**5.7**

// CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS[1] 2.26

€ million	2011	2010	2009
Paint and Assembly Systems	4.9	2.6	5.8
Application Technology	4.0	3.4	6.3
Measuring and Process Systems	8.6	10.0	4.7
Clean Technology Systems	0.5	0.3	0.5
Corporate Center/Consolidation	5.4	0.3	4.1
Total	**23.4**	**16.6**	**21.4**

[1] without expenditure in connection with acquisitions

// DEPRECIATION AND AMORTIZATION[1] 2.27

€ million	2011	2010	2009
Paint and Assembly Systems	3.7	5.3	5.7
Application Technology	4.7	5.0	4.7
Measuring and Process Systems	9.1	6.8	8.4
Clean Technology Systems	0.4	0.6	0.7
Corporate Center/Consolidation	5.5	4.2	3.1
Total	**23.4**	**21.9**	**22.6**

[1] incl. impairment losses and reversals

// DIVISIONS: SALES, INCOMING ORDERS, EMPLOYEES 2.28

4.5 %
Clean Technology Systems
€ 86.1 million

28.6 %
Measuring and Process Systems
€ 550.4 million

45.7 %
Paint and Assembly Systems
€ 878.7 million

21.2 %
Application Technology
€ 406.8 million

3.8 %
Clean Technology Systems
€ 101.0 million

24.7 %
Measuring and Process Systems
€ 662.7 million

49.9 %
Paint and Assembly Systems
€ 1,340.4 million

21.6 %
Application Technology
€ 580.8 million

3.0 %
Clean Technology Systems
205

40.9 %
Measuring and Process Systems
2,790

1.5 %
Corporate Center
101

37.0 %
Paint and Assembly Systems
2,524

17.6 %
Application Technology
1,203

// KEY FIGURES PAINT AND ASSEMBLY SYSTEMS 2.29

€ million	2011	2010	2009
Incoming orders	1,340.4	753.1	615.8
Sales revenues	878.7	582.0	494.1
Cost of materials (consolidated)	−511.9	−270.7	−200.5
EBITDA	44.2	19.1	2.7
EBIT	40.5	13.8	−3.0
Capital expenditure	4.9	2.6	5.8
Employees (Dec. 31)	2,524	2,183	2,114

Paint and Assembly Systems

After the strong previous year, Paint and Assembly Systems increased its order intake by a further 78 % in 2011. This was driven mainly by the dynamic demand in the emerging markets, whose share of incoming orders rose to 75 % (2010: 72 %). In the paint shop business, incoming orders were also increased by 78 % versus 2010. Especially in China, which is by far our largest single market, we booked several large paint systems orders. However, we were also awarded large system projects from the automobile industry in India, Brazil, Morocco and Hungary.

Order intake also grew strongly in the Aircraft and Technology Systems business unit, which supplies manufacturing systems for aircraft production. The largest order was from the Russian aircraft manufacturer Irkut. Together with partners, we are installing the structural and final assembly line for the new MS-21 mid-range airliner at its Irkutsk plant in Siberia.

To cope with the high volume of business, Paint and Assembly Systems increased its workforce by 15.6 %. While sales revenues were up 51.0 %, the gross margin declined slightly for two reasons. Firstly, there were final billings on poorer-margin orders from 2009 and 2010 and, secondly, the relative weight of the service business in sales revenues declined owing to the disproportionately strong growth in new equipment business. Nonetheless, the good capacity utilization, high sales revenues and the containment of overhead costs led to a strong earnings improvement, and the EBIT margin rose to 4.6 %. Capital expenditure at Paint and Assembly Systems rose by € 2.3 million to € 4.9 million due to capacity expansion.

Application Technology

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APPLICATION TECHNOLOGY, which is reported as a separate division for the first time in this year's annual report, increased its order intake by 85 % in 2011. Our customers in the automobile industry mainly invested in new capacities and in automating their painting processes. The bulk of the orders came from the emerging markets. In contrast to the plant engineering business, smaller order volumes in the mid-single-digit million euro range predominate in the Application Technology division.

// KEY FIGURES APPLICATION TECHNOLOGY 2.30

€ million	2011	2010	2009
Incoming orders	580.8	314.1	240.6
Sales revenues	406.8	267.2	203.9
Cost of materials (consolidated)	–198.9	–128.4	–82.3
EBITDA	35.8	16.6	7.7
EBIT	31.1	11.6	3.0
Capital expenditure	4.0	3.4	6.3
Employees (Dec. 31)	1,203	1,061	998

Sales revenues were up 52.2 %. In the highly technology-driven business in robots and application products we generated higher margins than in the paint systems business (Paint and Final Assembly Systems). Application Technology's EBIT margin rose from 4.3 % to 7.6 % in 2011, although there were still a number of poorer-margin orders from 2010 being executed. The high level of capacity utilization was an important support for the good result. The number of employees rose by 13.4 %.

Measuring and Process Systems

In the Measuring and Process Systems division both business units contributed to the strong increase of 33.5 % in incoming orders. Cleaning and Filtration Systems witnessed substantial growth especially in North America, where the business unit received several large orders for the supply of production equipment for engine plants. Balancing and Assembly Products also achieved double-digit rates of growth although order intake had already picked up strongly in 2010. As a leading supplier of balancing systems for turbines, the business unit benefited, among other things, from the high investment activity in the power generating sector.

Measuring and Process Systems increased its sales revenues considerably as well. However, there were marked divergences in earnings performance. Balancing and Assembly Products gained further momentum thanks to high capacity utilization and reached a new EBIT record. Cleaning and Filtration Systems achieved the targeted turnaround but the level of earnings was still poor due to low-margin orders from the previous year.

The increase of 14.2 % in the number of employees is due, firstly, to the strong expansion of business and, secondly, to the first-time consolidation of the filling equipment specialist Agramkow (116 employees). Schenck Technologie- und Industriepark GmbH (TIP) achieved a positive result that was roughly level with the previous year; revenues were also in the same order as in 2010.

// KEY FIGURES MEASURING AND PROCESS SYSTEMS 2.31

€ million	2011	2010	2009
Incoming orders	662,7	496,4	270,6
Sales revenues	550,4	344,7	324,9
Cost of materials (consolidated)	–225,8	–141,0	–131,4
EBITDA	40,5	17,1	19,1
EBIT	31,4	10,3	10,7
Capital expenditure	8,6	10,0	4,7
Employees (Dec. 31)	2,790	2,444	2,381

// KEY FIGURES SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK 2.32

€ million	2011	2010	2009
External revenues	13.0	12.5	14.0
External rental income	6.5	6.3	6.9

// KEY FIGURES CLEAN TECHNOLOGY SYSTEMS 2.33

€ million	2011	2010	2009
Incoming orders	101.0	78.6	57.7
Sales revenues	86.1	67.5	54.6
Cost of materials (consolidated)	−48.0	−33.6	−23.1
EBITDA	5.3	4.1	2.9
EBIT	4.9	3.5	2.2
Capital expenditure	0.5	0.3	0.5
Employees (Dec. 31)	205	180	171

Clean Technology Systems

The figures for the Clean Technology Systems division, which was set up at the beginning of 2011, so far relate only to the activities of the Environmental and Energy Systems business unit (exhaust air purification). This includes the start-up company Dürr Cyplan Ltd., in which we have held a 50 % equity interest since May 2011. The division's second business unit – Energy Technology Systems – is pursuing a number of acquisition projects but does not yet have any operating business.

In the exhaust air purification systems business we witnessed strong demand from the chemical, pharmaceutical and carbon fiber industries. As a result, incoming orders at Clean Technology Systems were up 28.5 % to € 101.0 million in 2011. Sales revenues also rose strongly by 27.6 %. Earnings improved considerably year over year thanks to the high level of capacity utilization. The EBIT margin reached a good level of 5.7 % (2010: 5.2 %).

To broaden the Clean Technology Systems technology portfolio we acquired a 15 % equity interest in the Dutch HeatMatrix Group BV in the first quarter of 2012. HeatMatrix develops and produces innovative plastic **HEAT EXCHANGERS** that offer two key advantages: they can be used without difficulty with corrosive media and they are lighter and cheaper than conventional metal heat exchangers. Applications, for instance, include heat recovery from flue gases, industrial drying processes, and boiler systems.

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Financial development

FUNDING AND LIQUIDITY MANAGEMENT

Our centralized funding and liquidity management pursues three objectives: income and cost optimization, transparency, and risk control. The latter encompasses all financial risks that could threaten the company's existence. In order to be able to meet our payment obligations at all times, we pay special heed to assuring that we have sufficient liquidity reserves (for more information, please see the RISK REPORT chapter).

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Our chief source of funds are the cash flows from our operating activities. As a rule, debt finance is raised by Dürr AG and distributed to the Group companies as required. Liquidity management is also organized by Dürr AG through a cash pooling system. Surplus cash is taken over from Group companies and made available to other Group companies. All the principal Group companies participate in this system unless there are legal regulations restricting the movement of capital. In countries where this applies (for instance China, India, South Korea) our companies mainly cover their capital requirements locally.

Group Treasury controls the investment of cash and cash equivalents. We only use banks of prime standing and employ a limit system to control the individual counterparty risks. As cash flow increased strongly in 2011, cash and cash equivalents rose to € 298.6 million as of December 31, 2011 (December 31, 2010: € 252.3 million). That is equivalent to 18.0 % of total assets (December 31, 2010: 20.7 %).

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A central focus of our funding and liquidity management is to keep NET WORKING CAPITAL as low as possible. This releases cash and optimizes financial ratios such as our balance sheet structure and our return on capital employed. In all our measures to optimize net working capital we ensure that our operating business is not impaired. Responsibility for net working capital management lies with the divisions and business units. Dürr AG, as Group holding company, formulates targets and monitors performance.

FUNDING

Our debt financing consists of three main elements:

- Our corporate bond, issued in 2010, has a volume of € 225 million and runs until September 2015. The effective rate of interest is 6.83 %.
- The syndicated loan, agreed in March 2011, consists of a cash credit line of € 50 million and a guarantee line of € 180 million (December 31, 2010: € 80 million and € 150 million). It replaced a syndicated loan arranged in 2008 and runs until June 2014.
- The European Investment Bank (EIB) has made a € 40 million tied loan available to us since June 2011, which we can use until June 2014 for financing research and development projects.

We also have bilateral credit facilities at our disposal on a smaller scale, as well as liabilities under finance leases and liabilities in relation to associated companies that are accounted for using the equity method. The credit facilities can be drawn in different currencies. In addition to money and capital market instruments, we also make use of off-balance sheet financing instruments, such as accounts receivable financing and operating leases, to a small extent.

// FINANCIAL LIABILITIES (DECEMBER 31) 2.34

€ million	2011	2010	2009
Bond	225.5	225.6	98.1
Liabilities to banks	57.2	2.0	1.7
Liabilities to associated companies accounted for according to the equity method	0.0	1.1	1.1
Liabilities under finance leases	3.5	3.6	3.1
Total	**286.2**	**232.3**	**104.0**
of which due within one year	13.3	1.8	1.3

The purchase of the Dürr Campus in Bietigheim-Bissingen, which we had previously leased, was associated with an increase of € 45.8 million in liabilities to banks. The bullet and annuity loans for the Campus run until September 30, 2024.

As at the previous year's reporting date, the cash credit line under the syndicated loan facility was not drawn as of December 31, 2011; the average amount drawn in 2011 was also extremely low at € 0.1 million (2010: € 7.4 million). We will probably use the EIB loan, which has not been drawn as yet, for the first time this year.

We normally use the guarantee facilities at our disposal to provide surety bonds for prepayments received from customers. Of the total guarantee line under the syndicated loan (€ 180 million), € 125.8 million was drawn as of the reporting date (December 31, 2010: € 102.6 million). We have additional guarantee lines at our disposal with credit insurers in the amount of € 223.0 million (2010: € 150.0 million); € 211.9 million was drawn at the end of the year (December 31, 2010: € 113.0 million).

We complied with the financial covenants of the syndicated loan as of the year-end 2011 reporting date. The syndicated loan carries interest at the refinancing rate for the respective currency and maturity (EURIBOR, LIBOR) plus a variable spread which depends on earnings performance and net financial debt. The present syndicated loan has a lower level of collateralization than the previous syndicated loan agreed in 2008. This is due to the more favorable macroeconomic environment as well as our improved financing structure. Detailed information on the syndicated loan and the corporate bond can be found in **ITEM 29** in the notes to the consolidated financial statements.

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CASH FLOW MORE THAN DOUBLED

At € 127.9 million, **cash flow from operating activities** (operating cash flow) reached its highest level since 2002. The positive development was based on the strong growth in earnings and revenues. **NET WORKING CAPITAL** was almost unchanged despite the growth in business. Here, we benefited from the, again, marked year-over-year increase in prepayments from customers recognized under liabilities as of the reporting date. The item "Other" includes, among other things, the increase in liabilities (for instance bonus payments and VAT payments).

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// CASH FLOW **2.35**

€ million	2011	2010	2009
Earnings before income taxes	85.8	12.5	−12.2
Depreciation and amortization	20.6	18.0	19.9
Interest result	21.3	24.7	18.9
Income taxes paid	−14.3	−17.4	−16.3
Change in provisions	0.6	−11.2	−15.4
Change in net working capital	−2.3	31.9	94.9
Other	16.2	−3.1	5.6
Cash flow from operating activities	**127.9**	**55.4**	**95.4**
Interest paid (net)	−16.5	−17.7	−14.3
Capital expenditure (on intangible assets and on property, plant and equipment)	−19.6	−14.8	−17.4
Free cash flow	**91.8**	**22.9**	**63.7**
Other cash flows	−63.6	−2.3	−26.4
Decrease (+), increase (–) in net financial status	+28.2	+20.6	+37.4

Cash flow from investing activities amounted to € −62.6 million in 2011 (2010: € −19.5 million). This includes higher maintenance and expansion capital expenditures as well as cash outflows for the equity interests acquired in Agramkow (55 %), Cyplan (50 %), and Parker Engineering (10 %). There were further cash outflows of € 36 million into time deposits.

Cash flow from financing activities amounted to € −24.2 million and was mainly affected by interest payments and the dividend for 2010. The increase of € 4.3 million in current liabilities also made itself felt. In the previous year, the bond issue had resulted in a positive balance, with a net cash inflow of € 105.1 million.

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The strong operating cash flow enabled us to generate a high free cash flow of € 91.8 million. **FREE CASH FLOW** indicates the remaining cash flow available for dividend payments and share buybacks, and for reducing net financial debt. In addition to the cash flow from operating activities, this includes interest received and capital expenditures (included in cash flow from investing activities) as well as interest paid (included in cash flow from financing activities). The high free cash flow led to a further improvement of our **NET FINANCIAL STATUS** to € +51.8 million as of the reporting date, its highest level for over ten years.

The largest item under "Other cash flows" (table 2.35) is the purchase of our Campus headquarters in Bietigheim-Bissingen (€ 51.4 million), which we had previously leased. Since this allocation of funds is of a dispositional nature, it is not included in free cash flow. In addition, the other cash flows include cash outflows for acquisitions (€ 19.6 million) and finance lease payments.

PERFORMANCE INDICATORS: EBIT, OPERATING CASH FLOW, FREE CASH FLOW, AND ROCE

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In our corporate planning and control process, we mainly focus on EBIT, operating cash flow, free cash flow, and **ROCE** (EBIT to capital employed) as the key performance indicators. As shown in the preceding chapter, our earnings and cash flow improved much more strongly than expected. The same applies to ROCE, which rose from 10.3 % to 28.4 %.

// PERFORMANCE INDICATORS 2.36

		2011	2010	2009
EBIT	€ million	106.5	36.6	5.7
Operating cash flow	€ million	127.9	55.4	95.4
Free cash flow	€ million	91.8	22.9	63.7
ROCE	%	28.4	10.3	1.6

// VALUE ADDED 2.37

		2011	2010	2009
Capital employed (Dec. 31)	€ million	374.8	356.7	356.3
ROCE	%	28.4	10.3	1.6
NOPAT	€ million	74.6	25.6	4.0
Weighted average cost of capital (WACC)	%	7.64	8.10	8.08
EVA	€ million	45.9	−3.2	−24.8

The high volume of business caused capital employed, in other words the amount of capital tied up in the business, to rise slightly by € 18.1 million to € 374.8 million. Based on the strong EBIT improvement, we were able to generate significant Economic Value Added (EVA) in 2011. EVA measures the value that a company creates or destroys in a fiscal year and is calculated on the basis of the following formula:

EVA = NOPAT – (WACC x Capital Employed)

- NOPAT = Net Operating Profit After Taxes (EBIT after fictitious taxes)
- WACC = Weighted Average Cost of Capital
- Capital Employed: Capital employed includes all assets except cash and cash equivalents less non-interest-bearing liabilities.

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

$$\left(79.13\,\% \times 8.43\,\%\right) + \left(20.87\,\% \times 6.58\,\%\right) \times \left(1 - 29.50\,\%\right) = 7.64\,\%$$

Cost of equity: risk-free rate (2.75 %) + risk premium (5.50 %) x beta factor (1.032) = 8.43 %

ROCE improved strongly also at the divisional level in 2011 (table 2.38). For Paint and Assembly Systems, however, no ROCE can be calculated as capital employed was negative. The difference in the rates of return from division to division is mainly due to the level of capital employed, which is usually lower in the plant engineering business than in the machinery business. ROCE and capital employed are also analyzed regularly at the level of the seven business units in order to optimize the management and control of the businesses and the allocation of resources.

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

// ROCE BY DIVISION 2.38

%	2011	2010	2009
Paint and Assembly Systems[1]	–	–	–
Application Technology	30.6	11.4	2.8
Measuring and Process Systems	9.2	3.7	4.0
Clean Technology Systems	418.4	61.1	64.3

[1] negative capital employed

// FINANCIAL POSITION 2.39

		2011	2010	2009
Net financial status (Dec. 31)	€ million	51.8	23.6	3.0
Net financial liabilities to EBITDA		–	–	–
Gearing (Dec. 31)	%	–16.6	–8.0	-1.0
Net working capital (NWC) (Dec. 31)	€ million	32.6	27.3	57.4
Days working capital	days	6.1	7.8	19.2
Inventory turnover	days	23.3	21.1	20.9
Days sales outstanding	days	117.2	112.2	108.9
Equity assets ratio (Dec. 31)	%	68.9	69.1	66.6
Asset coverage (Dec. 31)	%	144.8	140.1	111.0
Asset intensity (Dec. 31)	%	31.8	38.0	46.8
Current assets to total assets (Dec. 31)	%	68.2	62.0	53.2
Degree of asset depreciation	%	48.8	56.9	56.9
Depreciation expense ratio	%	3.3	4.2	4.8
Cash ratio (Dec. 31)	%	33.4	44.4	22.3
Quick ratio (Dec. 31)	%	103.3	113.3	91.7
Equity ratio (Dec. 31)	%	21.9	26.3	31.1
Total assets (Dec. 31)	€ million	1,661.0	1,216.5	968.1

FINANCIAL POSITION: NET FINANCIAL STATUS FURTHER IMPROVED

The strongly expanded volume of business led on the assets side to growth in inventories (€ +50.7 million) as well as in trade receivables (€ +233.7 million). On the equity and liabilities side, the growth was mainly in trade payables (€ +278.1 million), which was mostly attributable to prepayments received (€ +173.6 million).

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The purchase of the Dürr Campus in Bietigheim-Bissingen for € 51.4 million was also a factor contributing to the growth of € 444.6 million in total assets. **NET WORKING CAPITAL** increased by € 5.2 million to € 32.6 million. On the reporting date, net working capital was equivalent to only 1.7 % of sales (December 31, 2010: 2.2 %). Days working capital, which indicates the average time it takes to convert working capital into sales revenue, reached a low of six days at the end of 2011 as net working capital rose only marginally despite the sharply rising volume of business. On the other hand, the strong growth in receivables caused average days sales outstanding to rise to 117 days.

Goodwill resulting from acquisitions amounted to € 284.5 million as of December 31, 2011, equivalent to 54 % of non-current assets. This was a slight increase versus the end of 2010 (€ 281.7 million), which was mainly attributable to the Agramkow acquisition, for which goodwill

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of € 1.9 million was capitalized. Further information on intangible assets can be found in ITEM 19 in the notes to the consolidated financial statements. By comparison, machinery, buildings and other tangible non-current assets are of minor importance at Dürr.

Equity increased by € 44.9 million to € 364.3 million as of the end of 2011. This was due primarily to the high net profit for the year of € 64.3 million; in addition, we posted currency translation gains of € 3.2 million which are recognized not through profit or loss but directly in equity. On the other hand, the dividend payment for 2010 reduced equity by € 5.2 million. As total assets expanded more strongly than equity, the equity ratio, which stood at 21.9 % as of the reporting date, was below the previous year's level (December 31, 2010: 26.3 %). However, we expect it to improve successively in the course of 2012.

// NON-CURRENT AND CURRENT ASSETS (DECEMBER 31) 2.40

€ million	2011	as % of total assets	2010	2009
Intangible assets	326.7	19.7	316.1	308.2
Property plant and equipment	144.9	8.7	91.2	88.8
Other non-current assets	57.4	3.4	55.0	55.6
Non-current assets	**529.0**	**31.8**	**462.3**	**452.6**
Inventories	124.5	7.5	73.8	62.5
Trade receivables	625.6	37.7	392.0	323.3
Cash and cash equivalents	298.6	18.0	252.3	103.9
Other current assets	83.3	5.0	36.0	25.8
Current assets	**1,132.0**	**68.2**	**754.1**	**515.5**

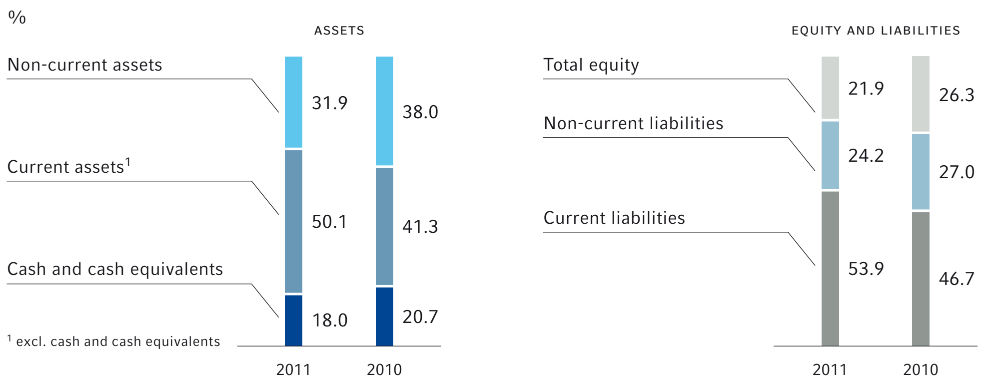
// EQUITY (DECEMBER 31) 2.41

€ million	2011	as % of total assets	2010	2009
Subscribed capital	44.3	2.7	44.3	44.3
Other equity	314.6	18.9	268.9	250.6
Equity attributable to shareholders	**358.9**	**21.6**	**313.2**	**294.9**
Non-controlling interest	5.4	0.3	6.2	6.5
Total equity	**364.3**	**21.9**	**319.4**	**301.4**

// CURRENT AND NON-CURRENT LIABILITIES (DECEMBER 31) 2.42

€ million	2011	as % of total assets	2010	2009
Financial liabilities (incl. bond)	286.2	17.2	232.3	104.0
Provisions (incl. pensions)	110.3	6.6	103.6	107.5
Trade payables	717.7	43.2	439.6	330.9
of which prepayments received	446.8	26.9	273.2	200.5
Income tax liabilities	8.9	0.6	2.7	7.9
Other liabilities (incl. deferred taxes, deferred income)	173.6	10.5	118.9	116.4
Total	**1,296.7**	**78.1**	**897.1**	**666.7**

// ASSET AND CAPITAL STRUCTURE (DECEMBER 31) 2.43



[1] excl. cash and cash equivalents

At € 717.7 million, trade payables were up 63.2 % on the comparable level as of December 31, 2010. As mentioned earlier, this increase was mainly due to the higher prepayments received from customers shown as liabilities; they rose by 63.5 % to € 446.8 million. However, this figure will come down again since the prepayments will be successively used up as orders are executed. At the same time, we expect a decline in incoming orders, and thus fewer prepayments, after the peak year 2011.

On the assets side, there are future receivables from construction contracts that directly correspond to the prepayments carried on the liabilities side. The prepayments should therefore not be viewed in isolation. More informative is the difference between future receivables from construction contracts and prepayments received. This indicates the amount by which orders are pre-financed by customers. The balance on December 31 was € –126.1 million; these funds therefore represent cash outflows in the coming months in connection with order execution. A further analysis of the future receivables from construction contracts and the prepayments received from customers can be found in ITEM 22 in the notes to the consolidated financial statements.

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HIDDEN RESERVES IN LAND, UNCAPITALIZED TAX LOSS CARRYFORWARDS, AND PATENTS

We generally report assets and liabilities at amortized cost on the basis of lower-of-cost-or-market tests. Long-term construction contracts are reported according to the percentage of completion (POC) method. Derivative financial instruments, available-for-sale financial assets, obligations arising from put options, and liabilities from contingent purchase installments are measured at their fair value. Explanatory comments on the measurement of the carrying amounts of financial instruments can be found in ITEM 6 in the notes to the consolidated financial statements. On the equity and liabilities side, there are two instances where the reported carrying amounts of liabilities are lower than their fair value: the bond and the liabilities under finance leases. The aggregate difference amounts to € 19.3 million (December 31, 2010: € 17.0 million; ITEM 34 in the notes to the consolidated financial statements). For the most part, the carrying amounts on the assets side and on the equity and liabilities side correspond to fair value.

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Other intangible assets, which mainly relate to rights, concessions and internally developed software, are amortized over their expected useful life. For the most part, no hidden reserves can be created in this item. Property, plant and equipment can contain hidden reserves, primarily in land and buildings. Schenck Technologie und Industriepark GmbH (TIP) in Darmstadt may be mentioned; in our estimation, its fair value exceeds the carrying amount by several million euros. Under non-current assets, we have capitalized € 9.6 million of deferred tax assets. There are approximately € 110 million of as yet uncapitalized tax loss carryforwards that can probably be used. On a notional basis, these tax loss carryforwards represent hidden reserves of € 25 to 30 million.

The cost of self-constructed intangible assets that has not been capitalized is included in R&D expenses. This relates mostly to expenditures for patents amounting to € 2.9 million (2010: € 2.9 million). The exact value of these patents is difficult to quantify; however, given over 3,000 individual patents, it is likely to be in the high double-digit million euros.

HIGHER CAPITAL EXPENDITURE

As our own manufacturing input is low, we generally have less need to invest in property, plant and equipment. While, usually, our capital expenditure is chiefly on maintaining existing facilities, much of the investment in property, plant and equipment in 2011 was on building up new production capacities in China.

Capital expenditure was up by 49.6 % year over year to € 43.0 million. € 13.6 million was invested in property, plant and equipment, an increase of € 2.5 million. The increase in expenditure on intangible assets was more pronounced (+78 % to € 9.8 million) and was mainly for acquiring licenses and software. It also includes the capitalized transaction costs for the new syndicated loan (€ 3.5 million). Depreciation and amortization amounted to € 23.4 million (2010: € 21.9 million); this puts the reinvestment ratio at 100 % (2010: 75.8 %).

LIQUIDITY

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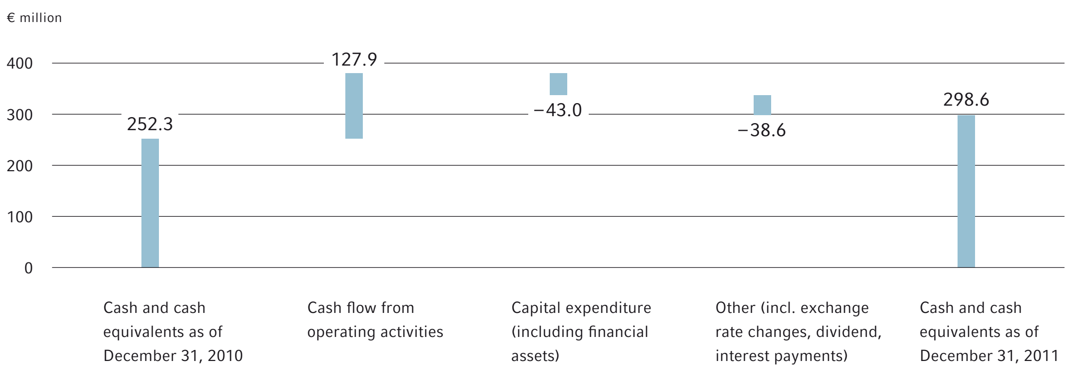
Cash and cash equivalents increased by € 46.3 million to € 298.6 million as of December 31, 2011, the main driver being the high operating cash flow. **FREE CASH FLOW**, cash and cash equivalents, and the credit and guarantee lines at our disposal should cover our financing requirements without difficulty in 2012. Our payment obligations under operating leases in 2012 amount to € 16.7 million. € 0.9 million will be due under finance leases, and other financial commitments (such as purchasing contracts) amount to € 4.3 million. No obligations on financial debt will fall due in 2012.

// **CAPITAL EXPENDITURE[1], DEPRECIATION AND AMORTIZATION** 2.44

€ million	2011[3]	2010	2009
Investment in property, plant and equipment	13.6	11.1	11.8
Investment in intangible assets	9.8	5.5	9.5
Acquisitions/investment in financial assets	19.6	12.1	7.0
Depreciation and amortization[2]	23.4	21.9	22.6

[1] According to IFRS rules, the capital expenditures in this overview deviate from the figures in the statements of cash flows.
[2] Including impairment losses and reversals
[3] The purchase of the Dürr Campus (€ 51.4 million) is not included.

// DEVELOPMENT OF LIQUIDITY 2.45



OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS REDUCED

Our off-balance sheet financing instruments and obligations include operating leases, accounts receivable financing, and liabilities in respect of continuing contractual obligations. Their volume was reduced strongly in 2011, as we purchased the Dürr Campus in Bietigheim-Bissingen and therefore no longer report this as an operating lease. Our future minimum payment obligations under operating leases amounted to € 72.0 million as of the reporting date and were therefore much lower than a year earlier (€ 121.1 million). A list can be found in ITEM 39 in the notes to the consolidated financial statements. We make selective use of accounts receivable financing (forfaiting, factoring, negotiation) to reduce capital employed. At the end of 2011, their volume was € 20.5 million (December 31, 2010: € 25.1 million). Liabilities in respect of other continuing obligations amounted to € 9.7 million (December 31, 2010: € 9.9 million); beyond that, there were no other off-balance sheet obligations.

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Off-balance sheet financing instruments reduce total assets and improve certain capital ratios. Their volume is in reasonable relation to our business volume. Operating leases are by far the largest off-balance sheet financing position. If we did not use the existing off-balance sheet financing instruments, total assets would be about 3 to 5 % higher and the equity ratio would be about one percentage point lower. There would also be changes in the earnings structure, with an increase in EBIT and a deterioration of the interest result by roughly the same amount. However, this would not have any effect on earnings before taxes.

The fair market values of the leased assets are likely to be slightly below the future minimum payment obligations. As we do not have them appraised each year, it is not possible to make more precise statements about the fair market values. However, the Campus purchase may serve as an indication: while the future minimum payment obligations for the Campus were carried at € 54.5 million in 2010, we actually purchased the site in 2011 for € 51.4 million. The guarantees drawn in the amount of € 432.1 million as of December 31, 2011 (December 31, 2010: € 262.2 million) mainly consist of credit guarantees and do not represent off-balance sheet financing instruments.

Research and development

R&D OBJECTIVES

Research and development (R&D) is a topmost priority at Dürr. This activity safeguards our technological head start and, hence, the Group's leading market positions. Our key R&D objectives are twofold:

- development of efficient production technologies creating unique selling propositions for Dürr,
- development of globally applicable solutions which can be adapted to suit specific local requirements.

R&D KEY FIGURES AND EMPLOYEES

Fiscal year 2011 saw an expansion of our R&D activities, with direct R&D cost up 14.4 % to € 29.5 million. However, given the disproportionate sales growth of 52 %, the R&D ratio, at 1.5 %, fell short of the prior-year figure (2.0 %). For an adequate assessment of our R&D expenditure one must therefore consider not merely the "Research and Development Costs" line item but also the cost of development services performed under customer contracts. These are recognized in cost of sales and clearly exceed direct R&D costs. Another € 2.7 million (previous year: € 3.6 million) was capitalized as intangible assets and is thus likewise not reflected in direct R&D costs. Capitalized R&D expenses are matched by amortizations of similar amount. For further information refer to **ITEM 11** of the notes to the consolidated financial statements.

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Around 70 % of our R&D resources are dedicated to the development of new solutions, while 30 % go into the continuation and modularization of existing products. As a rule, the management of individual R&D projects is the responsibility of the respective business units. Their R&D departments cooperate closely with Sales and Purchasing. This ensures that new products will meet customer requirements as effectively as possible and that the requisite supplier and manufacturing structures are in place. With a view to coordinating the R&D activities of the various business units, the "R&D/Technology" coordinating team has been established at Group level.

// R&D KEY FIGURES 2.46

		2011	2010	2009
R&D ratio	%	1.5	2.0	2.4
Paint and Assembly Systems	%	0.9	1.3	1.5
Application Technology	%	3.4	4.6	5.9
Measuring and Process Systems	%	1.3	1.6	1.7
Clean Technology Systems	%	1.2	0.9	1.3
R&D costs capitalized	€ million	2.7	3.1	2.5
Amortization of R&D costs capitalized	€ million	−4.0	−3.3	−3.3
R&D employees (Dec. 31)		180	162	157
R&D personnel costs	€ million	15.2	13.3	n/a

// R&D EMPLOYEES 2.47

	Group	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems
Number	180	20	127	32	1
% of total workforce	2.6	0.8	10.6	1.1	0.5

By the end of 2011, the Group's R&D departments had 180 development experts working on new and improved products. This corresponds to 2.6 % of our total workforce (December 31, 2010: 162/2.7 %). Their number is augmented by numerous additional engineers and technicians handling development projects under customer contracts. The high-tech sectors of our Application Technology division account for the most development-intensive work. Here, 3.4 % of sales goes into R&D projects in which 10.6 % of the division´s workforce are directly involved.

In the course of 2011, 42 new developments were progressed to the marketability stage and presented at 49 trade fairs and industry conferences. Our portfolio of patent families grew to 598 (2010: 580) as 18 new applications were filed. The majority of these patent applications were made on behalf of our Application Technology division, followed by Paint and Assembly Systems. The Heinz Dürr Innovation Award was presented for the 11th time to staff teams contributing exceptional innovations, whether in the form of product development or process improvements.

Our cooperation with scientific institutions now extends to around 50 academic and research establishments in Germany and close to 20 more abroad. Particularly close ties are maintained with the universities of Darmstadt and Stuttgart, and with a number of Fraunhofer Institutes in Germany. For competitive reasons, the content of these cooperations is kept confidential. In fiscal year 2011, we expended € 3.8 million on externally sourced research services (2010: € 2.8 million). Research grants and subsidies in an amount of € 0.7 million (2010: € 0.4 million) were received from the public sector.

R&D ORIENTATION

The direction of our R&D activities is greatly dependent on product developments and strategies pursued in the automotive industry. The following innovation sectors are particularly important at present:

- Optimization of per-unit costs: Cutting the costs of production per car is a major aspect in virtually all investment decisions facing our customers. Addressing this situation, we are targeting the development of total cost approaches aimed at reducing investment cost along with the costs of materials, energy, maintenance and personnel.
- Flexibility: As carmakers keep expanding their vehicle ranges, the growing diversity of models and variants calls for more flexible manufacturing systems.
- Production technology for emerging markets: The technical equipment levels of the production systems employed are becoming more diversified as well. Apart from high-end solutions, emerging markets frequently demand basic equipment versions supporting an economical manufacture of low-cost entry level models for local markets. On the other hand, there is an identifiable trend towards higher automation levels and the newest manufacturing technology, especially in China.

- Energy efficiency and conservation of resources: Cost and sustainability considerations are increasingly prompting our customers to request energy and material-efficient production processes causing low emissions of noxious substances.
- New materials: The use of new materials in our customers' products often imposes new requirements on production processes. Lightweight automotive design aimed at lowering fuel consumption is a case in point. It involves materials such as magnesium, carbon fibers and composites, which cannot be welded. As a result, alternative joining methods such as adhesive bonding must be devised.
- Alternative drives: Engine technology is currently the main field of automotive innovation. Along with increasingly fuel-efficient internal combustion engines, the industry is working hard on hybrid and electric motor-based solutions. For each of these technologies, manufacturers need the appropriate production and assembly technology.
- Advanced driver assistance systems: Increasingly, cars are equipped with intelligent driver assistance features such as distance alert, emergency brake assist and electronic stability control systems in order to prevent collisions. On the production floor, this trend creates a need for additional END-OF-LINE testing equipment so that the performance of such systems can be verified. P. 224
- Digital factory: Before a new automotive assembly plant is built, diverse processes are simulated with the aid of special software programs. Referred to as the "digital factory", such simulation plays a key role in the planning of our systems. This includes a "virtual commissioning" process in which the functions and interaction of plant components are tested on the computer by our engineers.

R&D RESULTS

Paint and Final Assembly Systems

As part of the Eco⊕Paintshop concept, we are striving to achieve further reductions in energy and material consumption and emissions of our paint shop equipment. In fiscal 2011, our engineers developed a solar thermal method of heating the DRYERS used for post-application paint curing. P. 224 In sunny locations, around 5,700 megawatt-hours (MWh) of energy per year can be generated by means of solar collectors. This is equivalent to approx. 30 % of the heat expended on car body drying in a paint shop with an annual throughput of 200,000 units. CO_2 emissions can be cut by more than 1,000 tons per year. An additional advantage is that, since the solar collectors absorb the sun's heat, paint shop ambient temperatures will remain lower and the operator needs to expend less energy on cooling.

Aircraft and Technology Systems

For aircraft assembly applications, our ***Eco*Move** wing transport vehicle was progressed to market. Components measuring up to 35 meters in length can be moved fully automatically and flexibly with this system, even around narrow curves. The two trolleys on which the aircraft wing rests are independently powered but move in absolute synchronism. This is ensured by special control technology combined with an optical track guidance system. The sensitive parts are carried in a floating fixture system to minimize the influence of external forces such as shocks and vibration.

Another product novelty in aircraft assembly technology is our ***Eco*Inspect** system which, for the first time, permits fully automatic measurements of fuselage shells. Relying on a robot and a special interface between the measuring system and the control unit, ***Eco*Inspect** performs highly precise non-contact measurements. The system feeds its readings to the downstream assembly station where the separate parts are then joined in a perfect fit. Apart from the high data quality obtained, our customers benefit from the fact that *Eco*Inspect completes its measurements in up to 75 % less time than comparable devices.

Application Technology

In the high-tech segment of Application Technology we have continued to optimize our *Eco*Bell3 atomizer line by launching additional components. For instance, one new member of the *Eco*Bell3 product family is the BellCleaner, a device for cleaning atomizers after use. Another major innovation was presented in the field of spray-painting robot technology. In our new flexible-column system, the painting robot is no longer mounted on a horizontal traveling rail but is supported by a column on the booth wall. This design saves costs, weight and components, apart from facilitating handling at the customer's site. The new robot type also features an improved arm which is easier to manufacture and can be universally employed across all applications.

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A further advance benefiting the operation of our spray-painting and SEALING robots is the new *Eco*RCMP generation of switchgear cabinets. Thanks to a greatly simplified design, these units comprise much fewer components. Robot motor performance is improved by stronger power circuits and improved controllers. The new cabinets are not air-conditioned but cooled by straightforward fans, which greatly reduces power consumption and maintenance needs.

Balancing and Assembly Products

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In the field of BALANCING TECHNOLOGY we launched numerous new products in 2011. All seven exhibits presented at the EMO industry trade show in Hanover in September were genuine world firsts. The ToolDyne balancing system, purpose-developed for balancing cutting tools, saves costs and enhances quality assurance in high-speed machining of metals and plastics. The quality of the surface finish of machined items increases with the level of tool balancing precision. Another major innovation is Pasio 15, a machine supplementing our range of the same name. Pasio machines developed in the past three years account for 35 % of total sales in our universal balancing machine business. Success factors of the Pasio line include the quality of the new-generation CAB 920 measuring devices, the machines' modern and ergonomic design, and their attractive price/performance ratio.

Apart from advanced high-end vehicle testing equipment we are selectively developing technically adapted systems for use in emerging markets. One example of this activity is our low-cost general-purpose roller test stand Ultimo-R4, engineered for use on basic-level vehicles of the type produced, e.g., in India and Southeast Asia. Developed in Germany and India, Ultimo-R4 meets a host of diverse testing needs – from transmission and speedometer tests to acceleration and brake testing – in one single product.

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In the field of FILLING TECHNOLOGY our engineers have come up with a resource-saving process for recycling compressor oil, working in cooperation with the Dresden-based Institute of Air Handling and Refrigeration (ILK). This technology is employed in rework zones during final vehicle assembly when refrigerant has to be removed from a car's air-conditioning system. Since such refrigerant will be mixed with compressor oil (the fluid lubricating the air conditioner), the resulting emulsion phases need to be separated again. Until now, the oil separation and the step of returning fluids into the air conditioner circuit were performed manually and with substantial quality loss, given that the compressor oil had been in harmful contact with air. Our new system returns the separated compressor oil into the a/c system without any exposure to air. This method saves costs, reduces consumption and boosts process reliability.

Cleaning and Filtration Systems

For our successful ***Eco*CFlex** robotized cleaning system we have developed a new part pre-cleaning technology. The IFW Knife system constitutes a refinement of Dürr's proven injection flood washing process. It requires 30 % less energy than other pre-cleaning processes while providing ten times more effective cleaning, given that the cleaning fluid will be applied to the entire workpiece surface. IFW stands for injection flood washing; the term "Knife" reflects a design whereby, unlike before, the cleaning fluid exits along the entire elongated nozzle. As a result, particularly uniform cleaning of the workpiece is achieved.

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Our ***Eco*CBase** series, Dürr's entry-level line of CLEANING EQUIPMENT, was completed by the addition of the new version, ***Eco*CBase** W3. Relying on the use of aqueous cleaning media, this machine is particularly energy-efficient. An ***Eco*CBase** W3 needs up to 50 % less energy for drying parts than comparable systems.

Environmental and Energy Systems

Our *Ecopure* KPR system was optimized for cleaning paint shop exhaust air in perfect compatibility with ***Eco*DryScrubber** spray-painting booths. With a combination of this type, concentrated exhaust air from the booth is passed to the *Ecopure* KPR unit where it is concentrated further and then cleaned. Since the dual concentration greatly reduces the exhaust air volume to be treated, *Ecopure* KPR is an exceedingly compact system. For our customers this means reduced investment costs and around 80 % less energy demand.

Another research focus has been placed on the further development of Organic Rankine Cycle (ORC) technology. ORC modules are capable of generating electricity from waste heat via an evaporation step. Following the acquisition in May 2011 of a 50 % stake in Cyplan, the ORC specialist, our engineers developed a 70 kW ORC plant for Dürr's Technology Center in Bietigheim-Bissingen. The system utilizes waste heat from an *Ecopure* TAR type exhaust air purification system and can operate in a broad temperature and performance range. One aspect of ORC technology we are looking at closely is direct evaporation – a method whereby the system is coupled directly to the waste gas stream from a heat source, e.g., an internal combustion engine. This technology has the benefit of requiring no sophisticated hot water or thermal oil circuitry, so energy is saved and installation at the customer's site will be simplified.

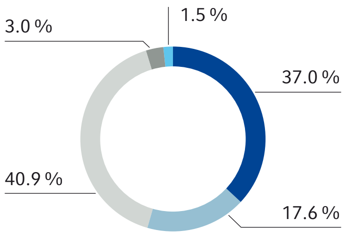
The use of energy-efficient micro gas turbines in exhaust air cleaning and other fields was progressed as well. One current object of development is a compact high-temperature combustion chamber in which solvents can be burnt at 950 – 1,000°C. The thermal energy released by this combustion is utilized to drive a micro gas turbine which generates electricity for use by the plant operator. Other intended applications for micro gas turbines include, e.g., car body dryers in paint shops.

Employees

As of December 31, 2011, the Dürr Group had 6,823 employees, 15.4 % more than the previous year (December 31, 2010: 5,915). The primary reason for this increase was the strong growth in the volume of business, which required additional capacities. Dürr also gained 116 employees as a result of the first-time consolidation of filling equipment specialist Agramkow. On a comparable basis, i.e. without taking into account Agramkow, the increase in the number of employees was 13.4 % and thus clearly below that of sales revenues. One reason for this is that we continue to aim for maximum flexibility through the use of external staff.

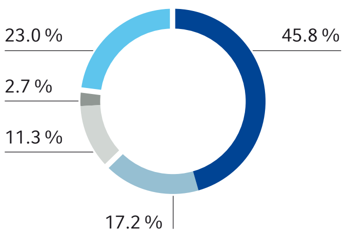
More than half of the new jobs were created in the emerging markets. At the end of 2011, the number of people employed there was 2,105, which corresponds to 30.9 % of the Group's workforce (December 31, 2010: 1,613/27.3 %). Our workforce in the emerging markets grew by 30.5 % compared to the prior year, i.e. twice as much as throughout the Group. The number of people working in China was 1,006, which corresponds to almost half of all employees in the emerging markets and just under 15 % of the Group's workforce (China December 31, 2010: 713/12 %). Taking into account the external staff who were working for Dürr at the end of the year, the total number of employees in China was 1,344. 3,128 people were employed at our German locations

// EMPLOYEES BY DIVISION (DECEMBER 31) 2.48



	2011	2010	2009
Paint and Assembly Systems	2,524	2,183	2,114
Application Technology	1,203	1,061	998
Measuring and Process Systems	2,790	2,444	2,381
Clean Technology Systems	205	180	171
Corporate Center	101	47	48
Total	**6,823**	**5,915**	**5,712**

// EMPLOYEES BY REGION (DECEMBER 31) 2.49



	2011	2010	2009
Germany	3,128	2,931	2,969
Other European countries	1,176	1,045	1,051
North/Central America	768	616	598
South America	186	143	112
Asia/Africa/Australia	1,565	1,180	982
Total	**6,823**	**5,915**	**5,712**

at the end of 2011. Here, too, new positions were created: the number of employees increased by 197 versus December 31, 2010 – a plus of 6.7 %. Further information on the distribution of our workforce can be found in the charts 2.48 und 2.49.

TRAINING AND PERSONNEL DEVELOPMENT

In 2011, we expanded the training program for our employees once again to support them in their work as best as possible. A total of 933 group and individual training events were held, 24 % more than in the previous year. There was also a further increase in the number of participations: from 5,062 in 2010 to 5,215 in 2011. The training budget per employee was increased from around € 450 to approx. € 500. Training reflecting the increasingly international nature of our business was particularly popular, e.g. intercultural teamwork and language courses. Method and technical training, e.g. on the use of specialist software, was also in demand. The newly introduced interdisciplinary series of lectures titled "Dürr College" generated a lot of interest. It involves employees presenting the results of their work – from sustainable painting processes and **SUPERVISORY CONTROL SYSTEM**s to investor relations – allowing participants to gain an insight into other areas. General topics such as work management, health care and compliance are also discussed within the scope of "Dürr College". With the Dürr Project Management Training we have redesigned one of our key training programs; topics include, for example, decision and communication strategies for project managers as well as the standard tools of our Group-wide project management processes.

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When selecting instructors, we encourage experienced specialists to share their knowledge with colleagues. This ensures a high level of practical orientation, promotes knowledge transfer and saves costs. Employees offering to provide training first attend a course in basic teaching skills and can obtain a certificate as a Dürr Special Trainer.

Our management development program was expanded. The range of specialist and personal training events was harmonized internationally. Following 40 individual discussions with Dürr managers from around the world, we adapted Dürr's proven Leadership Skills Model to meet international requirements. In view of the development of future managers, Dürr now offers a trainee program in the area of **ENGINEERING** for the first time.

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PERSONNEL AND UNIVERSITY MARKETING

Despite the high demand for qualified staff, in particular in engineering, we were able to fill most positions advertised. This is thanks to Dürr's good standing as well as the fact that we increased investments in personnel marketing and public relations.

In personnel marketing, our new slogan "Move the World of Technology" reflects what working for Dürr is all about: an international orientation, innovative technology and the chance to make a difference even at the start of one's career. We redesigned the career pages at **WWW.DURR.COM** as well as our printed information for potential applicants. We strengthened our contacts with universities, e.g. by attending 16 graduate career fairs.

Young employees and applicants, in particular, are placing more and more focus on the subject of work-life balance. We are responding to this by offering appropriate services: from health care programs, exercise, stress management and flexible working hours to holiday clubs and places at daycare centers for employees' children.

Further elements that enhance our image as an attractive employer include, for example, above-average social benefits and international career opportunities. Added to this is an attractive compensation package including a profit-sharing scheme. For 2011, each full-time employee in Germany covered by the collectively bargained tariff agreement will receive a profit-sharing bonus of € 1,500. Non-tariff employees receive a performance-related bonus which is linked to the achievement of personal performance targets as well as Group earnings.

VOCATIONAL TRAINING

In 2011, 78 young people trained as industrial clerks ("Industriekaufmann"), industrial mechanics, mechatronics engineers or draftsmen at Dürr. 52 students from cooperative state universities completed their practical training at Dürr in the subjects of process automation, mechatronics, mechanical engineering, electrical engineering, industrial engineering or business studies. One of the special features offered to students from cooperative state universities is a three- to five-month stay at a foreign location to experience the international nature of our business. In view of our long-term personnel planning, we aim to offer permanent employment to all trainees and students from cooperative state universities, if possible, once they have completed their training.

We supported 54 students in writing their bachelor's or master's theses and employed 35 student trainees either on a regular basis or through project-related work. 120 interns used the opportunity to gain work experience at Dürr in the area of mechanical and plant engineering. 13 of them came to Dürr in Germany from abroad; a further 12 completed their practical training at foreign locations such as Shanghai (China), Plymouth (USA) or Querétaro (Mexico).

Procurement

Due mainly to the high intake of new orders, our procurement volume in fiscal 2011 rose to € 942.8 million, an amount equal to 49.1 % of sales (2010: € 558.8 million/44.3 %). One key driver for this increase lay in the fact that, for reasons of capacity, more work had to be outsourced to external service providers, e.g., in engineering design and manufacturing.

Apart from manufacturing services, we rely on suppliers mainly for finished and semi-finished products; unprocessed raw materials, on the other hand, are sourced only to a small extent. Raw material markets showed some volatility throughout the year: thus, while the price of steel fluctuated at a high level in the second and third quarter, it declined towards the end of the year. Looking at the year overall, steel prices remained stable in Europe when measured against 2010, whereas China experienced a slight uptrend. Stainless steel procurement costs dropped below 2010 levels in the second half of the year after having risen in the first half of 2011. The price of copper remained at a long-term high until the third quarter but declined somewhat afterwards.

In conjunction with the high capacity utilization experienced by many suppliers, these elevated raw material prices markedly drove up the cost of mechanically manufactured parts and assemblies as well as of cables and electrical components. Effects on our procurement costs could be mitigated, however, through a series of measures. These included master agreements with preferred suppliers as well as international bundling of requirements, with attendant savings in project implementation. Further cost benefits could be obtained through our Total Cost and Risk Consideration system, whereby in international system contracts, the procurement order for a given merchandise group will go to that national company which compares most favorably in overall costing terms. Particular advantages are gained by product standardization since the use of identical parts provides economies of scale. Moreover, Dürr has formed interdisciplinary teams of Purchasing and **ENGINEERING** staff to cut the procurement cost of selected products through technical optimization.

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Following the market slump of 2008/2009, many suppliers were unable to rebuild capacity quickly enough. This has resulted in extended delivery terms in some cases. In order to meet project deadlines despite these conditions, we resolved to raise inventory levels of critical parts, accelerated scheduling processes and established relations with new vendors, mainly in China. At the same time, prime importance was attached to schedule compliance and close supplier coordination. Through these measures it also became possible to avoid supply bottlenecks in the wake of the Japanese earthquake disaster.

In order to cope with the high project volume in China, Dürr enlarged local purchasing units there and provided for their support by experts from Germany. In Paint and Assembly Systems, the responsible purchasing officers shared information on all major procurement and system projects in China via weekly teleconferences. In Shanghai, we have been able to rely on a new manufacturing facility, which triples our production capacity in equipment assembly, since February 2012.

The launch of a Group-wide supplier relationship management system has yielded further improvements in our procurement infrastructure. This scheme facilitates the registration and assessment of suppliers as well as the administration of all supplier-related data via the application of Group-wide uniform standards. Worldwide purchasing control is the responsibility of our Global Sourcing Board, which brings together the heads of purchasing of the various business units. In our Paint and Assembly Systems division, the international members of the Global Sourcing Committee evaluate pooling opportunities and approve major contract awards and master agreements. The purchasing departments of our three mechanical engineering business units (Application Technology, Balancing and Assembly Products, Cleaning and Filtration Systems) cooperate closely on the procurement of key commodities. Where necessary, Dürr Group companies receive strategic and operational support from the International Purchasing Coordination team based in Bietigheim-Bissingen.

Sustainability

Dürr firmly believes that every business activity must be consistent with the principle of sustainability at all times. We impose this standard both on ourselves and on our business partners. By sustainability we mean a fair, respectful and forward-looking conduct towards all stakeholders of our company – from staff, customers and suppliers through to investors, media and other groups of society we are interacting with. Moreover, sustainability implies that we actively exercise our social responsibility for the environment and for the conservation of resources.

DÜRR CODE OF CONDUCT PUBLISHED

In 2011, we set out our sustainability policies in a comprehensive Dürr Code of Conduct for the first time. This Dürr Code, which can be viewed at **WWW.DURR.COM/EN/COMPANY/SUSTAINABILITY**, supports our staff in adhering to legally and ethically irreproachable practices in their day-to-day work. Specific guidance is given, e.g., on how to handle gifts and invitations, third-party property or confidential data. Moreover, the Code stresses the principle of legality and prohibits unlawful business practices such as corruption. A large part of the Code is dedicated to issues such as interpersonal respect and fair labor and vendor relations. For our suppliers, we have summarized the relevant passages of the Dürr Code of Conduct in a separate set of rules. This Dürr Supplier Code can be accessed at **WWW.DURR.COM/EN/COMPANY** under the headings "Purchasing" and "Sustainability".

In the process of introducing this Code, we have continued to expand our compliance organization and have informed our workforce extensively to that effect.

- The Compliance Management System was defined in an organizational instruction effective throughout the Group.
- The central body within our Compliance Management System is the Compliance Board. It consists of the Group Compliance Officer, the Head of Internal Auditing, and other Dürr AG and business unit executives. This body conducts regular monitoring for indications of compliance violations and examines methods of refining the compliance rules.
- The Compliance Officer takes note of potential compliance violations, analyzes them in the case of justified suspicion, and reports to the Compliance Board. Our employees are free to contact this officer with any queries they may have, whether in person or by telephone or e-mail.
- For every compliance risk sector we have appointed so-called stewards. These serve as contacts in their respective fields, providing information and acting as drivers for adjustment of the risk control and Compliance Management systems. In doing so, they coordinate their activities with the Compliance Officer.
- The Dürr Code of Conduct was made available to all employees in their respective national language. Following its publication we launched a broad-based training program in all Group companies.
- In internal communications, a focus was placed on the introduction of the Code of Conduct and on building staff awareness of compliance issues. Information has also been made available to our employees on the Group-wide intranet.

// PERSONNEL KEY FIGURES (GROUP) 2.50

	2011	2010	2009
Number of employees (Dec. 31)	6,823	5,915	5,712
of which apprentices and students at cooperative state universities (Dec. 31)	130	129	117
Proportion of female employees (Dec. 31) (%)	17	17	17
Part-time employees (Dec. 31)	170	166	165
Average length of service in years	11	12	12
Absenteeism rate (%)	2.1	2.5	2.5
Employee turnover (%)	6.0	6.7	7.7
Number of accidents per 1,000 employees (Germany)	14.4	10.2	8.8

PERSONNEL

As an engineering group, Dürr depends vitally on the qualification and commitment of its workforce. We therefore consider it a key corporate task to prepare each individual for his or her duties in the best possible manner. To this end, we have developed an extensive further education program aimed at both professional skill enhancement and personal development. For more information on this scheme please refer to the **EMPLOYEES** chapter.

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Our employees often know best what is important for their work and job satisfaction. We therefore attach great importance to their feedback. One key tool for obtaining such input is the comprehensive online staff survey which we conduct regularly with the aid of an external service partner. The most recent such poll, carried out in the spring of 2011 at all German sites, largely confirmed the encouraging results of the preceding (2008) analysis. Dürr employees awarded particularly good marks – measured, inter alia, against other companies in our industry – for "visibility of own job results". Accordingly, the level of staff identification with our products was very high as well. Dürr's focus on teamwork was rewarded with high scores in the "co-workers" category. Supervisors, management and corporate culture also received superior ratings than in other metalworking and electrical engineering companies. Similarly, there were high scores for staff loyalty to the company and for the degree of willingness to recommend Dürr as an employer. Overall satisfaction received a clearly positive rating as well, albeit with a slight downward trend due to the uncertainties of the 2009 crisis year. Our aim is to revert this trend on the strength of the present good orders situation and capacity utilization rate. To this end, Dürr has implemented various improvement measures including new recruitment, attractive profit sharing programs and architectural improvements made at diverse sites. The next staff survey is scheduled for 2013 and will cover all worldwide sites for the first time.

Classical key personnel figures as listed in table 2.50 attest to the pronounced satisfaction and loyalty of Dürr's employees. The average length of service, at 15 years, is very high across German sites. Employee turnover – i.e. the percentage of staff leaving the company overall – remains on a low level. For 2011, the figure amounts to 4.7 % in Germany and 6.0 % globally (2010: 5.7 % and 6.7 %, respectively). Although employee turnover in China is higher at 7.1 %, we still significantly outperform the majority of industrial companies in the greater Shanghai area (approx. 17 %) on this count. Absenteeism due to illness amounted to 3.0 % (2010: 3.2 %) in Germany and dropped to 2.1 % (2010: 2.5 %) across the Group.

In order to remain attractive to qualified staff in the future, we are continually striving to improve our quality as an employer. This effort is duly recognized: in the competition launched by CRF-Institute, a consulting company, Dürr was awarded the "Top Employer – Automotive 2010/2011" title. The assessment was based on criteria such as innovation management, compensation, career opportunities and work-life balance. In the final stage of the competition, we came in 5th among 25 companies. In the "Germany's 100 Most Popular Companies" competition held by Universum, the employer branding specialist, Dürr is on the selection list. Furthermore, our trainee instruction scheme was distinguished with the "Excellent Trainee Program" quality seal awarded jointly by Süddeutsche Zeitung and the Institute of HR Management at Ludwig Maximilians University of Munich.

Since 2011, our company has been participating actively in the "Fair Company" initiative. Consistent with its principles, only school and university students are employed as interns at Dürr. College and university graduates who have completed their training, on the other hand, are given fixed jobs and proper salaries.

ENVIRONMENT AND COMPANY SITES

Compared to other industrial companies of similar size, our ecological footprint is small. Dürr sites discharge fairly low levels of emissions and waste and consume but modest amounts of energy and water, consistent with our low **MANUFACTURING DEPTH** as an engineering group and the specific manufacturing technologies employed. Hazardous materials are used only to a minor extent, and 41 % of our sites are certified to the ISO 14001 environmental standard.

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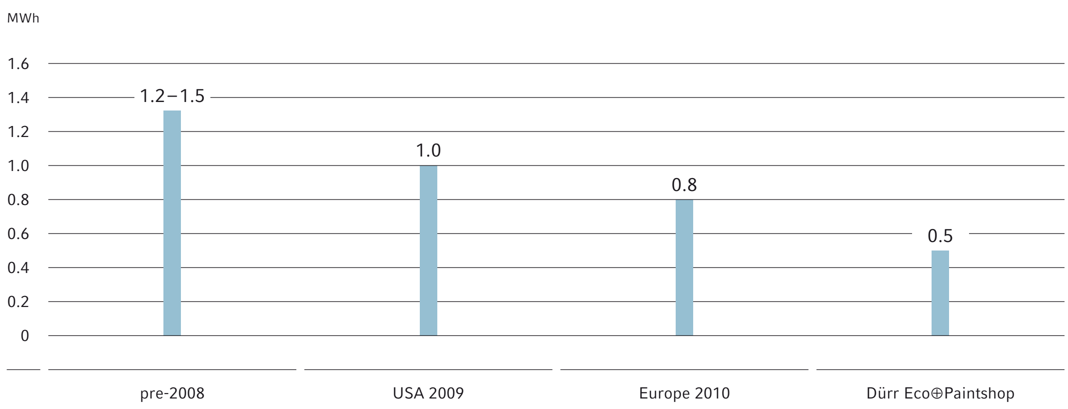
Table 2.51 shows a moderate rise in our consumption figures compared to 2010. This trend reflects our strong growth in business volume as well as an uptrend in personnel levels. Nevertheless, the increase in consumption and emissions remains far below proportional to sales growth.

// ENVIRONMENTAL KEY FIGURES 2.51

	2011	2010[1]	2009[1]
Number of sites	49	48	46
of which ISO 9001 quality management certified	39	38	39
of which ISO 14001 environmental management certified	20	17	19
Consumption			
Electricity (MWh)	28,833	28,110	34,772
Gas / oil / district heating (MWh)	42,025	41,685	47,606
Water (m^3)	92,636	76,876	84,618
Waste water output (m^3)	90,705	68,204	84,556
Waste (t)	3,509	2,893	2,998
of which recycled (t)	2,716	2,208	1,871
Emissions			
CO_2 (t)	30,675	30,075	34,436
of which attributable to Dürr vehicle pool (t)	3,495	3,420	3,375
SO_2 (t)	15	15	21
NO_x (t)	25	24	28

[1] Consumption and emission figures for 2010 and 2009 have been adapted in part in the light of more precise quantification.

// DÜRR PAINT SHOPS: ENERGY CONSUMPTION PER PAINTED CAR BODY 2.52



In new construction and building modernizations we rely on energy-saving techniques. One showcase example is the Dürr Campus at Bietigheim-Bissingen inaugurated in 2009. Here, our sustainable building and operating concept designated "Campus Energy 21" combines diverse advanced methods – from geothermy, geothermal heat exchange technology, co-generation units and photovoltaics through to concrete core activation, sensor-controlled illumination and exterior building insulation. Compared to a conventional energy supply system, savings of around 40 % p.a. are thus achieved. Our two new sites in Shanghai will likewise outperform their predecessors in terms of energy efficiency.

Ever since 2008, Dürr has been participating regularly in the international Carbon Disclosure Project (**WWW.CDPROJECT.NET**). In this online database for investors, companies listed on the stock exchange publish resource consumption and emission data, report on products helping to protect our climate, and inform users of the associated business opportunities.

WWW

CONSUMPTION-OPTIMIZED PRODUCTS: LEADING IN PRODUCTION EFFICIENCY

Our customers' manufacturing processes require a major input of energy, resources and raw materials. As part of our Eco⊕Efficiency drive, we are consistently endeavoring to improve the consumption efficiency of our machinery and equipment. Automotive painting technology is a case in point – before 2008, it took between 1.2 and 1.5 MWh of energy to paint one car body. By the year 2010, we were able to bring down this figure to around 0.8 MWh through diverse innovative steps. At present we are building an optimized Eco⊕Paintshop for BMW Group at Shenyang (China) which is designed to consume as little as 0.5 MWh per car body. Through ongoing optimization, we are determined to cut this figure further in future projects.

At the heart of our Eco⊕Paintshop concept is the ***Eco*****DryScrubber** paint booth system. This technology yields over 50 % savings in paint booth energy consumption and hence, CO_2 emissions. Since its market launch, we have won five prestigious environmental and innovation awards for the ***Eco*****DryScrubber**. Most recently, BMW Group – the first automobile manufacturer to employ an ***Eco*****DryScrubber** system – presented us with their Supplier Innovation Award in the category "Sustainability". For more examples of how we combine innovation with energy efficiency gains please refer to our **RESEARCH AND DEVELOPMENT** chapter.

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Since the 1970s, products by our filling technology expert, Agramkow Fluid Systems, have found their way into World Bank and UNIDO environmental conservation projects in more than 100 countries. This equipment facilitates the disposal of refrigerants in an ecologically sound manner, thus helping to protect the ozone layer in line with the Montreal Protocol.

In the long-term perspective, too, we consider energy efficiency improvement a key trend in industrial manufacturing. Consistent with that view, Dürr is establishing new activities over and above its core business in this segment. Our Clean Technology Systems division has already acquired a groundbreaking technology with the Organic Rankine Cycle (ORC) process which generates electric power from waste heat. Looking forward, we shall continue to expand our process portfolio in the field of energy efficiency technology; for more detailed information please refer to the **STRATEGY** chapter.

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SOCIAL COMMITMENT

In 2011, we gave away € 406 thousand (2010: € 344 thousand) for charitable purposes in Germany alone. Our social commitment is focused on two areas, i.e. the promotion of education on the one hand and local community projects on the other.

Our education support covers various tiers of the education and professional training chain. In the pre-school sphere, we sponsor a children's day care center at Bietigheim-Bissingen with co-funding from Heinz und Heide Dürr Stiftung and staff donations. Under cooperation agreements with various schools, we provide internships, career consulting services and job applicant training schemes. Our company also promotes the German-Russian Youth Exchange Foundation and the START Foundation which helps students from ethnic minorities to complete a higher education. For many years, Dürr and its employees have been donating regularly to a Stuttgart school for mentally handicapped children. In the academic sector we support the All-German Grants Initiative of the Federal Ministry of Education and Research. Several Dürr employees work as academic lecturers and instructors, passing on their expertise to the next generation of scientists. Moreover, we support various institutions and higher education establishments – e.g., the Donors' Association for the Promotion of Humanities and Sciences in Germany and the universities of Darmstadt and Mannheim – with our contributions. Our foreign group companies, too, provide support for school and university students. Thus, Dürr India has launched an award program for outstanding academic achievement and promoted an exchange scheme on Children's and Juveniles' Rights in 2011. In China, we support the Tongji University of Shanghai and cooperate with several vocational schools.

Furthermore, we promote diverse projects at the local level. As Bietigheim-Bissingen's largest employer we feel particularly committed to the town's community life. Accordingly, we support musical and cultural festivals, youth activities at several local sports clubs, and the Citizens' Foundation which helps people on low incomes. In 2011, Dürr donated a five-digit sum towards the modernization of a recreation center for children and juveniles.

Risk report

Any entrepreneurial endeavor requires a careful consideration of opportunities and risks. Our efforts in that regard are guided by three principles:

1. Opportunities must clearly outweigh risks in every business activity.
2. All speculative transactions are prohibited.
3. Our actions must comply not only with prevailing laws, but also with ethical and moral standards.

Our risk management system is based on standardized methods and applies Group-wide. That enables us to analyze and evaluate all risks uniformly and across the Group. The resulting risk transparency helps us select suitable controls and countermeasures. Dürr's risk management pertains to all levels of the Group, from the Board of Management to the departments of individual national companies. Associated with that is an open risk culture that we have consciously promoted in the past years. It makes employees more sensitive in dealing with risks and encourages them to address threats and problems early and concretely.

RISK MANAGEMENT PROCESS

Our standard risk cycle has nine stages and starts every six months. The centerpiece is a risk inventory taken by the management of the operating units. Specific risks are identified and classified into 15 defined risk fields, which are presented in chart 2.53, and are evaluated with the aid of detailed risk structure spreadsheets.

Specific risks are evaluated in three steps. They are carried out by the risk managers of all organizational units for each risk field:

- We first calculate the maximum effect a risk can have on Group EBIT in the next 24 months. We call this the gross exposure.
- We then estimate the risk's probability of occurrence.
- Finally, we examine the effectiveness of possible countermeasures and evaluate it with a risk-reducing factor.

The EBIT risk goes down the more, the less likely it is to occur and the more effective the countermeasures are. The bottom line is a net risk figure, which we also call the actual risk potential. The sum of all the individual risk potentials corresponds to the Group's overall risk. Neither portfolio effects nor hedging effects are taken into account. The overall risk may be segmented into specific risks in the business units and aggregate risks at the Group level.

We summarize the results of the semiannual risk cycle in a Group risk report, which offers an overview of all specific risks and the overall risk situation in the Group. The risk report is first discussed in the various executive bodies and in the Board of Management. After that, the Audit Committee of the Supervisory Board carries out its analysis and then presents its conclusions to a plenary meeting of the Supervisory Board.

Urgent risks are reported immediately in an ad hoc process to the Board of Management and heads of the business units. The task of carrying out the standard risk cycle is assigned to risk managers at the Group and business unit levels. They are the heads of the respective Controlling departments. Further participants in the process are the Internal Auditing department and the risk managers of all the national companies.

OPERATING RISK MANAGEMENT IN ORDER EXECUTION

For our most important process, which is project execution, we have developed special tools and functions to defend against risk:

- **Project controlling** continuously examines whether actual project progress is in line with the relevant planning. We can thus immediately counteract divergences from schedule, from delivery and performance targets, or from cost, revenue, and cash flow estimates.
- The **project managers** direct the order execution process with a view to quality, deadlines, and budgets. To that end, they are in regular contact with the project controlling team.
- All projects in the Group are executed with the aid of processes and instruments that apply across the Group. Those are documented in the **Dürr project management manual**, which we update regularly. We thus ensure that best practices are implemented and individual mistakes are avoided. Other tools that make the status and risks of projects transparent include opportunity-risk checklists, the "Dürr Projects" project management software, and our Group-wide **ERP SYSTEM**, which ensures that processes are integrated and standardized.

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- The **Center of Excellence in Project Management** (Bietigheim-Bissingen) is an internal services and training department for project management. It develops our Group-wide standards and communicates them in training sessions to project managers.
- **Change and claim management** supports project management. It documents changes that the customers or we ourselves undertake in ongoing projects and obtains the necessary releases. It also submits claims for any additional costs and reviews any warranty claims.

// DÜRR'S RISK FIELDS 2.53

EXTERNAL RISK AREAS	Competition	Market	Taxes and legislation	Economic situation and capital market	Society and environment	
MANAGEMENT	Management process					
CORE PROCESS	Bid phase	Project execution and engineering	After sales phase			
SUPPORT PROCESSES	Research & development	Procurement	Production	Finance & controlling	Personnel	IT

GUIDELINE FOR FINANCIAL RISK MANAGEMENT

A special guideline regulates how to deal with currency, interest rate, and liquidity risks. The top corporate body in this area is the Financial Risk Committee, of which the Chief Financial Officer, the heads of Group Controlling and Group Treasury, and the financial officers of the business units are its members. This body discusses strategic financial policy issues and prepares the relevant resolutions for the Board of Management.

CURRENCY RISKS

For projects exposed to currency risks, we hedge the share of sales revenues in excess of the costs incurred in local currency as soon as the order is received. Usually, a separate hedging transaction (micro hedge) is entered into for each project. Exceptions include transactions involving standard machines and spare parts, where order volumes are typically low. In such cases, we also enter into macro hedges for several orders and thus keep transaction costs down. Hedging transactions are usually executed by the Group Treasury department at Dürr AG, where a Group-wide treasury system is employed.

INTEREST RATE RISKS

Our interest rate risk management takes all interest-bearing and interest-sensitive balance sheet items into consideration. We regularly conduct interest rate analyses in order to identify risks ahead of time. The Group Treasury department is responsible for external funding, investing, and interest rate hedging. Exceptions require approval by the Chief Financial Officer.

LIQUIDITY RISKS

Our management of operating business is oriented to cash flow with the aim of generating sufficient liquidity. However, even in phases with negative cash flows – for example, when more net working capital is needed – we have enough liquidity leeway thanks to our external funding. Please see the chapter on FINANCIAL DEVELOPMENT for more information concerning Group financing. Our Group-wide cash pooling system enables us to cover the liquidity needs of individual companies with surplus liquidity from other Group subsidiaries, without additional borrowing and interest expense. In certain countries, however, restrictions on capital transfers are an obstacle to that. Group Treasury is responsible for managing cash pooling and external liquidity procurement.

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

The internal control system/risk management system (ICS/RMS) for the accounting process comprises all regulations, measures, and processes that ensure with sufficient certainty as part of the risk management system that the financial reporting is reliable and check that the financial statements of the Group and Group companies are produced in accordance with International Financial Reporting Standards (IFRS). The Board of Management has overall responsibility for the ICS/RMS. It has set up a fixed management and reporting organization for the ICS/RMS that covers all of the Group's organizational and legal units. Monitoring the ICS/RMS is the task of the Internal Auditing department of Dürr AG.

The following control and security routines are central to the ICS/RMS for the accounting process:

1. Dürr AG's accounting guideline governs both the accounting process of individual companies and consolidation at the Group level. The guideline is continuously updated by the Group Accounting department and takes consideration of all IFRS rules relevant for Dürr.

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2. Our **ERP SYSTEM** and management reporting tool automatically check accounting processes and determine whether particular facts are recorded under the right items in the balance sheet.

3. In a multi-stage validation process, we carry out samplings, plausibility checks, and other control measures. Five parts of the corporate structure participate in this: the operating companies, divisions, business units, Group Controlling, and Group Accounting. The results of all material control measures are systematically documented, summarized by Dürr AG, and submitted to the Audit Committee of the Supervisory Board. After careful examination of the documentation, the committee chairman reports in detail to a plenary meeting of the Supervisory Board.

The employees in the financial departments regularly continue their professional education in training programs at Group companies and international workshops. This ensures that they are able at all times to meet the demands placed on them. Our training measures cover, on the one hand, the applicable accounting standards and reporting rules and, on the other hand, the use of the relevant software tools.

To minimize risks, we continuously deal with topics that are critical to the quality of our accounting. Accounting for construction contracts in accordance with the percentage of completion (POC) method is especially important. It requires, among other things, estimating the expected total costs and revenues associated with orders. Other important topics are the impairment test for goodwill and the reliability of qualitative statements in the management report and the corporate governance report.

Individual risks

ECONOMIC RISKS

General economic risks have increased appreciably since mid-2011. The European debt crisis widened alarmingly in the second half of last year, and uncertainty rose further on the financial markets. The United States also has high national debt and unemployment to combat. Against this background, many economic experts have revised their growth forecasts downward.

We think Dürr is well prepared, however, despite the heightened uncertainty. Our record level of orders on hand (€ 2,142.7 million on December 31, 2011) ensures good utilization and most of the needed sales revenues in the current year. In scenario analyses, we have simulated different business downturns going forward and determined the effects on earnings. They show that we should at least break even after taxes even if sales revenues decline by about one-third. We assume in our planning, however, that what happened in 2008 and 2009 will not recur. That is supported not least by the changes in regional distribution of our business. Western Europe (excluding Germany), where the economic downturn was the worst, now only accounts for a relatively small part of our incoming orders (2011: 9 %). On the other hand, 65 % of orders in 2011 came from the fast-growing emerging markets, where a severe recession hardly seems likely from today's perspective.

Our customers in the automobile industry are also well prepared in case a deep economic downswing should occur. They optimized their cost structures in the crisis of 2008/2009, are generating high earnings and cash flows, and – in contrast to that period – have comfortable liquidity reserves. Against this background, they continue to invest in the emerging markets to meet growing demand with additional production capacities and to gain market shares.

Our confidence regarding the emerging markets is based on independent forecasts of automobile production. Experts at PricewaterhouseCoopers expect production of passenger vehicles and light trucks in China to increase on average by 12 % per year from 2011 to 2016. Average growth of 6 % is assumed for Eastern Europe, and 9 % for the Mercosur countries. The decisive factors for these increases are rising per capita incomes, demand for individual mobility, and still low automobile density. In China, for example, there are now about 50 passenger vehicles for every 1,000 persons, while the number in Germany is over 500.

HIGH CAPACITY UTILIZATION

Utilization of our facilities is high because of the high level of orders. Capacity bottlenecks might occur due to the many large-scale projects we are carrying out simultaneously, which could entail execution problems, missed deadlines, and additional costs. We are striving to prevent that by increasing our regular workforce, employing additional external workers, and using our flexible working time model. Moreover, our business locations worldwide cooperate closely and use a uniform IT structure. This makes effective resource management possible in which work packages can be assigned to different locations depending on the availability of capacity. Our standardized business processes also allow reliable control and execution of projects even when utilization is high.

GENERAL ECONOMIC RISKS AND CAPITAL MARKET

Cyclical economic fluctuations usually find expression in our earnings late, because our business is heavily influenced by the automobile industry's long-term capital investment plans. Moreover, a period of 12 to 18 months usually passes between our order intake and the related sales revenues. We are able in most cases to offset temporary regional fluctuations in demand by means of our balanced international presence.

The risk of a hostile takeover of Dürr AG is relatively low. The Dürr family, which founded the company and whose shares are held by Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung GmbH, is the largest shareholder with a stake of 29.97 % and thus has a strong voting position at the annual general meeting. Information pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) on change-of-control clauses in connection with our corporate bond may be found in the chapter on ORGANIZATION AND ACTIVITIES.

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LAWS, TAXES, AND IFRS

Since we operate globally, we have to observe many different legal norms. To guard against the risk of unknowing legal violations, we consult experts in the law of each nation. Changes in the legal operating environment can increase our costs and reduce our sales opportunities. At present, however, we are not aware of any new tax or legislative plans that could entail considerable disadvantages.

In 2011, the German tax authorities began to perform audits of some German subsidiaries of Dürr AG for the years 2005 to 2009. So far, there have been no results leading to additional tax payments, and there are no signs at present that there will be any in the further course of the audits. For 2012, we expect the audit of Dürr AG and the other still unaudited German companies for 2005 to 2009 to begin. The external tax audits being conducted at various foreign companies also suggest no need of additional tax payments at present.

The International Accounting Standards Board (IASB) plans to change the IFRS in two ways, which could affect our figures appreciably in the coming years:

- The IASB intends to have lessees capitalize all assets from leases in the future, which would cause total assets to increase. Furthermore, corresponding financial obligations would have to be shown on the liabilities side. Unless countermeasures were taken, that could reduce our equity ratio. Previously reported debt ratios would also worsen. On the other hand, reclassifying the interest portion of lease expenses, which is possible in certain cases, can improve operating profit by the amount by which net interest then worsened. It should be noted that we acquired and capitalized our largest leased object to date, the Dürr Campus in Bietigheim-Bissingen, already in November 2011. Consequently, future capitalizations would only have limited effects on the balance sheet structure. On capitalization of all operating lease assets that existed as of December 31, 2011 (nominal value of future minimum payments: € 72.0 million), our equity ratio would have been just under 21 % as of the 2011 balance sheet date.
- The second proposed change involves recognition of sales revenues. On this point, the IASB has moved away from its original plan to abolish accounting of construction contracts by the percentage of completion method (POC). Its latest modification draft argues for our being able to continue using the POC method for plant construction projects in the future. On the other hand, it is questionable whether POC accounting will still be possible throughout our mechanical engineering business from 2015 onward, since the criterion of continuous sales recognition cannot be met in all cases in that area. However, the absence of the POC method in mechanical engineering is not likely to have any effect on the stability of Group sales revenues, since mechanical engineering orders usually have relatively short time frames and therefore quickly lead to sales revenues, even without POC accounting.

MARKET/INDUSTRY

We are exposed to a certain risk of dependence on individual customers. In 2011, our five largest customers accounted for 42 % of sales revenues, and the single largest customer contributed a comparatively high share of 15 %. The group of the top five customers is made up of different companies from year to year.

We counter price pressure in our markets by several means:

- Reducing per-unit costs: We develop products that enable our customers to achieve lower per-unit costs in the manufacturing process. At the same time, we emphasize to our customers the **LIFECYCLE COST** advantages that higher-priced equipment offers in the long term versus less efficient solutions with lower procurement costs.
- Designing to budget: Given a rough set of specifications and a target budget, we conceive plants that deliver on our customer's budget ideas and meet our margin requirements.
- Localization: For the emerging markets, we develop special basic products locally that are adapted to the needs there and are in some cases priced lower. That makes us competitive even for customers with small capital investment budgets.
- Cost optimization: We constantly adjust our costs to realizable prices and to sales revenues. Lowering procurement costs plays the most important role, but personnel and overhead costs are also regularly reviewed.

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We reduce the risk of losses on receivables by precisely monitoring payments received from customers without an investment grade rating. In critical cases, we gather information and adopt counterparty risk limits as well as release rules. Most major automotive groups have investment grade ratings, however.

STRATEGIC RISKS

Emerging markets

In the framework of our growth strategy, we are shifting the focus of our business increasingly to the emerging markets. That poses specific risks:

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

  Personnel turnover is comparatively high in countries like China or India. To ensure the bond between employees with specific expertise and the company, we are stepping up personnel development in the emerging markets, creating incentives by means of career opportunities, appropriate compensation and social benefits, and by cultivating an integrative corporate culture. Our status as a clear market leader also contributes to a high degree of identification and loyalty on the part of employees.

  We rate the risks that arise for us even in the emerging markets from product and brand piracy as manageable. We develop our core products exclusively in Germany. They contain so much process expertise, experience, and specialized knowledge that they can hardly be reverse-engineered while achieving comparable quality. Moreover, we protect ourselves by means of patents and long-term service contracts that provide for the exchange of components for improved successor products. Another factor in defending against product piracy is that many Dürr products are critical to the quality of production. Our customers therefore want to avoid taking risks and prefer using our original equipment.

In the emerging markets, we compete with local low-cost suppliers. To stay competitive, we rely on a combination of technological and cost leadership. We get our technological lead through constant product innovation. As far as costs are concerned, we rely on localization. That includes local design, which means developing standardized, low-cost products to cover the needs of customers in the local context. We are also increasing the amount of value added locally in the emerging markets and can thus to some extent offer lower prices than the competition.

Especially in China, we must ensure that we have sufficient capacities in view of our strongly growing business volume. In 2011, we increased the number of employees by 41 %. Furthermore, we are expanding our floor space capacity. For plant engineering, we started up a new production facility in Shanghai in the beginning of 2012 that provides us three times as much space as we had before. We will move into another new facility in Shanghai for mechanical engineering business in mid-2013.

- The amount of business we do in **established markets**, especially in Western Europe, has decreased appreciably in the past years. We have accordingly adapted our capacities and costs to the changed situation there. The lower business volume could lead to impairment charges on the assets of our companies there. To prevent that, we have combined several business locations and thus reduced tangible assets. Consequently, we do not expect impairments from our present perspective. In addition, automobile sales in the United States have been developing positively again, and demand for new production equipment has increased accordingly.

International order execution

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We enjoy cost and utilization advantages thanks to a worldwide division of labor within the Group, for example in ENGINEERING and production. But that also carries the risk of coordination and communication problems. We have therefore largely harmonized our business processes and IT infrastructure, and we promote exchange of ideas and experience among employees though international workshops.

New business fields

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When developing new business areas like GLUEING TECHNOLOGY and energy efficiency technology through acquisitions, there is a risk that we have incorrectly assessed target markets in respect to customer needs, required input of resources, or demand and competition. However, we believe this risk is manageable, since we only enter segments directly adjacent to our core business. Also, we always perform thorough analyses of our target markets ahead of time. When acquiring a company, we conduct careful due diligence tests and develop integration plans to reduce acquisition risks and systematically develop opportunities.

The relatively young market for energy efficiency technology is now going through a process of realignment and consolidation. Because of growing demand for energy-efficient products and processes, many new suppliers – in some cases, well-known major companies – are positioning themselves in this market. At the same time, the market is influenced by government measures to steer its development, including incentive programs, subsidies, and emissions regulations. Against this background, uncertainties exist about the future structure of competition and demand and the potential for implementing different types of technology in the area of energy efficiency.

Strategic expansion of our activities in aircraft production technology entails specific risks. The industry is characterized by long capital investment cycles and awards fewer individual projects than the automobile industry does. To broaden the base of our business, we have acquired 16 new customers since January 2008, including Embraer, Lockheed Martin, Pratt & Whitney, and most recently Russian aircraft producer Irkut. Because of the complexity of aircraft development, technical changes may arise, especially in the case of large-scale projects, even after contracts have been awarded. We counter this risk by means of systematic change and **CLAIM MANAGEMENT**, which ensures that additional costs are charged to the customer.

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CUSTOMERS / PRODUCTS

At present, we see no new developments at our customers that could lead to material disadvantages for us. We expect that the automobile industry will predominantly continue to use combustion engines in the long term in addition to hybrid and electric drives. A real breakthrough of electrical mobility in the mass market is still not foreseeable. Instead, the industry is investing heavily in the development of efficient combustion engines. We therefore see continuing good prospects in this area for our business in cleaning and balancing technology.

In body shell production, we expect no fundamental move away from aluminum and steel as input materials that would affect our paint technology business. However, plastic and composite materials are being used increasingly because they play an important role in fuel-economical light construction concepts. These new materials have to be painted, however, just as much as traditional materials do. We are gearing ourselves to that by developing products especially targeted to painting plastics. The advance of plastic and composite materials is also causing demand for **GLUEING TECHNOLOGY** to rise, since these materials are not weldable and therefore must be glued.

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R&D AND PRODUCT LIABILITY RISKS

Innovations can fail to win the expected acceptance among customers. We minimize the risk of that by precisely analyzing market needs, integrating pilot customers, and only developing products for customers that offer a quick **RETURN ON INVESTMENT**. That also lowers the risk of impairment losses on capitalized development costs.

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We carefully watch relevant patent registrations to ensure that our new products do not infringe on any third-party intellectual property rights. Product liability cases are a rarity in our business. Nevertheless, we maintain product liability insurance and pay close attention to occupational safety regulations in our product development work.

COMPETITIVE RISKS

In 2011, our Japanese competitor Taikisha acquired a majority interest in Geico, a smaller Italian paint systems builder. This is part of Taikisha's strategy to improve its access to the European market. German plant engineering firm Eisenmann also took over Hightec, a Chinese company, last year. Hightec specializes, among other things, in plastics painting technology for general industrial applications. Given our leadership in technology and execution, we are convinced that we will not lose market shares as a result of these two mergers.

We are not aware of any other plans for mergers among our competitors. We also do not see any competing products that could jeopardize our market position. Neither in China nor in other major markets do significant disadvantages exist for us that would favor local competitors. A weakening of the euro against the US dollar and Chinese renminbi yuan tends to be positive for us. A strong yen means an advantage in competition with Japanese companies.

OPERATING RISKS

We face a risk of underestimating costs, especially when calculating long-term projects. For that reason, all project calculations are reviewed by the centralized Global Proposal Assurance department before bids go out to customers.

In the case of long-term, large-scale projects, additional costs can arise if we do not meet our deadlines or other agreed parameters. The technical and logistical complexity of a project can also lead to risks. This is particularly the case in the emerging markets, where there are more imponderables. We have therefore developed special risk management mechanisms for order execution in fast-growing markets. Those include close supplier monitoring, contract and **CLAIM MANAGEMENT**, and regular project reviews.

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PROCUREMENT RISKS

We counter availability and price risks in procurement by entering into framework agreements with first-line suppliers, pooling purchasing volumes, and applying a materials-planning system. As a result of high incoming orders, our need of input products, bought-in parts, and external manufacturing capacities has increased. At the same time, many suppliers have high utilization due to strong demand. Combined with rising raw material prices, this has led to higher procurement costs and occasionally to bottlenecks in the availability of suitable suppliers. Since we have a broad base of regular suppliers, however, we have always been able to find suitable sources of supply and production partners. The risk of insolvency on the supplier side has decreased significantly as a result of the high utilization level.

In the emerging markets, it is possible that individual companies that we commission are not meeting our quality and deadline requirements. We therefore regularly review the progress of orders in the case of critical suppliers. To protect our intellectual property, we do not give any sophisticated designs to contract producers in the emerging markets. Because of our broad base of suppliers, we are not dependent on individual companies. We only make framework agreements covering large volumes with first-line suppliers that have good credit standing.

PERSONNEL RISKS

We avoid bundling specialized knowledge exclusively in individual employees to protect ourselves against losses of expertise. We promote the transfer of knowledge in the workforce, for example, by means of documentation, internal training, and mentoring programs. Our Group-wide intranet also plays an important role as a knowledge platform. The risk of losing knowledge through a loss of personnel in Germany is relatively low, since the average length of service is extremely high at 15 years, and the turnover rate is comparatively low at 4.7 %. In the emerging markets, on the other hand, we are exposed to greater personnel turnover risk.

We counter utilization risks by employing external temporary workers in certain areas. That is the case, for example, in the areas of production and relatively simple design work.

Despite high demand for qualified technical personnel, we managed to fill most open engineer positions appropriately in 2011. However, fewer applications were received, which resulted in a smaller selection. Overall, the number of students graduating with scientific and engineering degrees remains below what is needed in Germany. At Dürr, we counter the risk of technical personnel shortages with a three-part strategy. First, persons with expertise are encouraged to bond with the Group through long-term career planning. Second, we use professional recruiting methods to make ourselves attractive to job seekers and university graduates. Third, trainees, students at cooperative state universities, and apprentices are offered permanent employment whenever possible.

IT RISK

IT risks such as data loss, hacking, and computer viruses have increased significantly in the past years in terms of both frequency and potential harm. We counter these risks by means of an IT security organization, IT security guidelines, and a security-oriented IT infrastructure with modern firewall and anti-virus software. Back-up servers, redundant data lines, and uninterruptible power supplies reduce the danger of productivity losses or even total breakdowns. We regard the risk of hacker attacks and data theft to which we are exposed as normal for the industry.

ENVIRONMENTAL AND PRODUCTION RISKS

The environmental and occupational safety risks at our production and development sites are relatively low. One contributing factor is our low vertical depth of production. Another is that we only use substances harmful to health or the environment to a limited extent, for example to perform tests in the areas of cleaning and paint technology. That is subject not only to statutory regulations, but also to internal guidelines and the standards of the relevant certification systems. Our employees regularly receive training in how to avoid hazardous situations and how to deal with them if they arise.

LEGAL RISKS

The most important legal risk for Dürr is the assertion of warranty claims. Contractual penalties are also possible in case of delivery delays. Before we make binding commitments, for example regarding availability and performance of a system, we thoroughly examine possible liability-law consequences. We rule out claims that we cannot fulfill. Patent disputes are also possible in our business. We are not involved in any extraordinary legal disputes at present. None of the pending cases exceeds a claim value in the low single-digit millions of euros.

CURRENCY, INTEREST RATE, AND LIQUIDITY RISKS

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We explain currency, interest rate, and liquidity risks in detail in **ITEM 40** of the notes to the consolidated financial statements. To avoid duplication, we provide only a cursory overview in the following.

Among currency risks, the most relevant are translation risks, which can arise when we convert foreign currency items into euros. Such risks are a normal part of doing business, and we consider them relatively low. Transaction risks, which can arise when products are exported, play a minor role as we buy most of the goods we need locally in the respective national currency, or we produce them locally. Risks of interest rate changes also have no material significance, since almost all our financial debt is attributable to our fixed-interest bond.

At present, there are no unusual liquidity or debt risks. Both a cash line of € 50 million, which is part of our syndicated loan, and an EIB loan of € 40 million were unused as of December 31, 2011. Moreover, we had liquid funds of € 298.6 million at our disposal.

WWW

Our corporate bond issued in September 2010 does not mature until 2015. Consequently, our entire external financing may be classified as long-term, and we are not subject to any refinancing pressure. The terms and conditions of the bond, which may be viewed at **WWW.DURR.COM**, contain the usual limitations and obligations on Dürr as the issuer. If we do not comply with them, that could result in the bond plus accrued interest being called due.

The contract concerning our syndicated loan provides that we must comply with certain financial covenants. Those are determined quarterly and are subject to a rolling 12-month calculation period. Early termination of our syndicated loan by the bank syndicate is only possible if we do not comply with the covenants and a two-thirds majority of the participating banks vote to call. The same covenants apply to our loan from the European Investment Bank (EIB) as apply to our syndicated loan. Here, too, a breach of the covenants could lead to early termination by the EIB.

We do not hold any government bonds whose timely repayment is uncertain. Consequently, there is no heightened risk of impairment in respect to financial assets.

Overall risk situation

There are no discernible risks from today's perspective that could jeopardize the Group's continued existence. Our measured overall risk increased again in the second half of 2011, after having fallen successively since the 2008/2009 economic crisis subsided. Two factors have been mainly responsible for the most recent rise:

- Heightened economic risks could lead in the long term to a decline of business volume greater than what we currently expect.
- Unusually high capacity utilization could lead in the short term to delays or additional costs in order execution.

We nevertheless regard our overall risk situation as manageable. A possible recession in Europe would have relatively little effect on Dürr, since the more stable emerging markets account for about two-thirds of our business. We are taking many measures to counter risks arising from high capacity utilization. Those include new recruiting for our regular and external workforces, use of our flexible working time model, and effective Group-wide capacity management.

Ratings

We have not had ratings prepared since September 2010. However, the price development of, and hence the yield on, our corporate bond indicate that our credit standing has improved significantly and that future bond issues would be possible, if desired, at more favorable terms.

Events subsequent to the reporting date

Joachim Schielke announced by letter dated February 14, 2012, that he wishes to resign from office on the Supervisory Board with effect from the end of the annual general meeting on April 27, 2012.

No events that materially affected, or could materially affect the net assets, financial position and results of operations of the Group occurred between the beginning of the current fiscal year and March 1, 2012.

Report on expected future development

Opportunities

OPPORTUNITIES MANAGEMENT SYSTEM

As a counterpart to the risk management system, we pursue proactive opportunities management, a process in which the business units play a pivotal role. They are in an ongoing dialogue with customers, suppliers, partners and market observers, enabling them to identify new requirements and potential applications for their technologies and products early on. Business opportunities often emerge through product and process innovations in the automobile industry. It is therefore our endeavor to see that we are involved as early as possible in customers' innovation processes. Lightweight automotive construction is a good example. We were quick to recognize the trend towards the use of new materials (such as plastics, and glass and carbon fiber) and have built up a portfolio of **GLUEING TECHNOLOGY** products suitable for joining the new materials.

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The Group's R&D departments also play an important part in our opportunities management process. They explore new possibilities and potential for efficiency enhancement in production technology and assess what contribution Dürr can make. We have a specialist eMobility team dedicated to the topic of electro-mobility and the business opportunities this offers. In energy efficiency, too, a project team assesses different technologies in preparation for suitable acquisitions.

We work closely with universities and research institutions to explore how Dürr can apply the latest scientific findings in our products. We also monitor whether new legal regulations such as emission control standards will create a need for new production technologies. In addition to product-related opportunities, we also assess the potential emerging in certain regions and with specific customers, or as a result of new business models. Opportunities presented by process optimization are analyzed, too.

As the holding company, Dürr AG supports the opportunities management process in two ways. Firstly, it organizes Group-wide workshops at which new business opportunities are analyzed, defined and anchored in corporate strategy. Secondly, it provides funding.

GROUP-WIDE OPPORTUNITIES

- **Growth in the emerging markets:** Experts predict that additional production capacity for around 26 million units will be created in the automobile industry between 2011 and 2016. The bulk of this will be in the emerging markets, where more passenger cars were produced than in the established markets for the first time in 2011. In China, the world's largest automobile market, the production of **LIGHT VEHICLES** is likely to grow at an average annual rate of 12 % between 2011 and 2016, and reach around 26 million units. To capitalize on this, we are investing heavily in additional personnel and production space.

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- **Comeback of the North American market:** Continued rising sales and production figures are also forecast for the USA, although the economic environment remains difficult. Replacement purchases are an important driver given that, after a prolonged period of consumer restraint, the average age of the cars on the road has reached ten years. After many production lines were closed down permanently during the 2008/2009 crisis, the automobile industry is now in need of new capacities again. Moreover, many existing facilities need modernizing. Foreign automakers are building new plants in order to win market share, while US automakers are investing to defend their home market.

- **Additional potential in service business:** Dürr has a broad installed base around the world for which we provide services: from energy optimization and capacity expansion through to the supply of spare parts and replacements. Additional potential in the service business is being created by the numerous new installations we are currently executing. We are tapping this potential through a close-knit network of service bases and new service products.

- **Environmental protection and energy efficiency:** Energy prices and environmental standards are set to continue rising worldwide over the long term. This creates a growing demand for sustainable and energy-saving production processes. All of Dürr's business units are aligning themselves to these needs with the new claim "Leading in Production Efficiency".

- **Advances in power-train technology:** The speed with which the development of economical combustion engines is being pursued is driving investment in new CLEANING and BALANCING TECHNOLOGIES. Electro-mobility also provides us with opportunities, for instance as a supplier of automated battery assembly lines.

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- **Aspiring local players in the automobile industry:** Aspiring OEMs in China and other emerging markets are thrusting more and more onto the world market. To realize their expansion plans they need additional production capacities and modern manufacturing technologies.

- **New areas of business:** Since 2009, we have entered a number of niche markets through technology acquisitions that promise above-average growth potential. Among other things, this includes GLUEING TECHNOLOGY, ULTRAFINE CLEANING SYSTEMS, and turbocharger balancing. In filling equipment we are diversifying into new areas of application through the acquisition of the Danish specialist Agramkow, while the entry into ORC technology opens up additional market opportunities in our energy efficiency activities. In all cases we are leveraging our global network to expand internationally.

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OPPORTUNITIES WITHIN THE BUSINESS UNITS

- **Paint and Final Assembly Systems** will continue to pursue its localization strategy in the emerging markets. This enables us to meet the needs of our customers better and to tap further cost-reduction potential. The service business is to be expanded in China. The numerous paint systems we have installed since 2009 serve as the basis. Aside from the reviving US market, additional opportunities are presented in Southeast Asia, where the Japanese automobile industry has a strong presence. Our stake in Parker Engineering has considerably improved our access to Japanese automakers. In revamp business, we see opportunities above all in paint shop energy optimization, for instance through upgrades with the energy-saving ***Eco*DryScrubber** spray booth system.

- **Aircraft and Technology Systems** has considerably broadened its customer base over the past years. Since 2008, we have won 16 new customers with whom business is being expanded. A special focus is on Chinese and Russian aircraft manufacturers who are pursuing ambitious expansion plans. Opportunities are presented, too, by our expertise in the assembly and painting of carbon fiber reinforced plastic (CFRP) aircraft components.

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- **Application Technology** will continue to pursue its international expansion strategy in GLUEING and SEALING technology. In paint application technology, there are opportunities in replacement business. Examples are the migration from painting machines to more flexible painting robots, and the replacement of older atomizers with the new *Eco***Bell3** product generation. Further potential is presented by the increasing automation of the painting process for the vehicle interior. Another driver is the growing use of plastic components in automobile construction; there is considerable market potential for painting systems for plastic parts especially in China. In addition, as in Paint and Final Assembly Systems, we want to intensify the business with Japanese customers. Besides selling complete painting robot systems, the sale of application systems on a stand-alone basis is to be pushed, too.

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- **Balancing and Assembly Products** intends to further expand its balancing equipment business in China and Japan. There is additional potential in the service business and in measuring and balancing systems for turbochargers. Global investment in additional generating capacity is also creating growing demand for BALANCING SYSTEMS for large turbines. In testing equipment, there is growth potential above all in China, India and Brazil. In FILLING EQUIPMENT, we want to use our majority interest in Agramkow to expand business in the domestic appliances segment. In the automotive segment, the greatest potential for additional business is in China.

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- **Cleaning and Filtration Systems** is benefiting from the DOWNSIZING trend in the automobile industry as special cleaning systems are required for the production of new, fuel consumption optimized engines. In addition, with the growing model diversity in engine and transmission production, older TRANSFER LINE CLEANING SYSTEMS are being replaced by flexible robot systems. Additional growth potential exists in Asia business and through the expansion of the global service network.

- **Environmental and Energy Systems** plans to expand the exhaust air purification system business in the focus sectors of chemicals and pharmaceuticals. Penetration of the growth markets of China, Brazil, South Korea and India is to be pushed, too. Considerable potential exists in energy efficiency technology; here, we have begun systematically marketing the newly acquired Organic Rankine Cycle technology.

- **Energy Technology Systems** is working on building up the business in technologies for improving the energy efficiency of production processes. Initially, the focus is on the acquisition of suitable technologies, which, in a second step, are then to be further developed and broadly marketed.

Outlook

EMERGING MARKETS REMAIN ON GROWTH PATH

Economic researchers expect world economic growth to be weaker in 2012 than in 2011. The Western European economies especially are suffering from the debt crisis in the eurozone. The low point in the current cycle was probably reached in winter 2011/2012. To stimulate the markets, the central banks are likely to continue making cheap money available.

The emerging markets should see the strongest growth again. While the Chinese government has damped down growth of late to contain inflation, a more dynamic course is likely again in 2012. A continued stable economic trend is forecast for the USA, especially as the country is affected only to a small extent by the debt problems in Europe. Japan's economy will probably continue to grow only moderately, although backlog effects are visible after the slump caused by the earthquake disaster.

// GDP GROWTH FORECASTS 2.54

year-over-year change in %	2013	2012
World	4.0	3.2
Eurozone	1.0	−0.5
USA	3.0	2.5
China	8.3	8.6
India	8.0	7.3
Brazil	5.0	3.3
Japan	1.2	0.5

Source: Deutsche Bank 01/2012

From today's vantage point, the world economy will probably grow by about 4 % in 2013. The emerging markets should continue to be the main driver.

AUTOMOBILE PRODUCTION 2012: FURTHER GROWTH

PricewaterhouseCoopers (PwC) forecasts growth of about 6 % in world automobile production in 2012. That would be in line with the long-term trend growth. Past statistics show that automobile production mostly grows 1.3 to 1.4 times faster than world GDP. Some 80 million passenger cars and light commercial vehicles are likely to be produced in 2012 – an all-time high. Production will probably rise to 85 million units in 2013, mainly on the back of the double-digit rates of increase expected in China, Brazil, India and Eastern Europe.

In 2012, automobile production will probably grow by 8 % in the USA, the world's second largest market, but is expected to decline in Western Europe. The growth differentials between the emerging markets and the established markets are likely to persist over the longer term.

In 2011, the automobile industry caught up on numerous investments that had been shelved in 2008/2009 because of the crisis. The earnings and financial situation at many automobile manufacturers has improved appreciably over the last two years. Moreover, there are still good sales prospects for the industry in the emerging markets. Against this backdrop, we expect capital spending to remain high in 2012 and 2013, although it will probably not quite match the peak level in 2011, which had been buoyed by backlog effects. A substantial part of the investment is likely to be in modernizing and optimizing existing factories to increase productivity in response to rising production volumes.

TEMPORARY GROWTH DIP IN THE AIRCRAFT INDUSTRY

The aviation industry will probably grow less strongly this year than in 2011. Experts forecast growth of 3.5 %, while close to 5 % is expected for 2013. Given high levels of capacity utilization, many airlines are likely to invest more in new aircraft, especially as they had shelved many purchases during the crisis in 2008/2009. We expect investment by the airlines to rise in line with the growth in passenger and freight traffic.

For aircraft manufacturers, key investment motives are efforts to increase efficiency, to get new models to market on time, and to reduce kerosene consumption. Other drivers are the use of innovative materials, such as carbon fiber, and the globalization of production. In 2011, we received a large order from the Russian aircraft manufacturer Irkut. We have also intensified the contacts with Chinese manufacturers. We expect considerable growth in investment in these two countries, as the manufacturers there have their sights on the world market.

STRONG GROWTH TARGETED IN ENVIRONMENTAL AND ENERGY EFFICIENCY BUSINESS

The automobile industry will remain our largest market by far in future. As a result of its high investment activity in the last two years, the industry will account for over 80 % of our sales revenues also in 2012 and 2013. However, in the long term the importance of other customer groups will increase. On the one hand, this includes aircraft manufacturers and general industry. On the other, we aim to expand our business in technologies for exhaust air purification and enhanced energy efficiency strongly. Here, we are focusing especially on heat recovery technologies such as ORC systems and micro gas turbines for generating electricity from industrial waste heat. After the investment in the start-up company Cyplan, further technology acquisitions are planned for 2012. Initially, these energy efficiency activities will make relatively small contributions to sales and earnings. However, our aim is for the Clean Technology Systems division to achieve sales of over € 200 million by the year 2015.

NEW ORDERS, SALES REVENUES, EARNINGS

Despite the economic risks we view our business prospects for 2012 and 2013 positively. In the automobile industry's growth markets – Asia, Eastern Europe, and South America – we expect strong demand for new automobile plants. In North America, our customers are mainly planning revamp and optimization projects but there are also a number of projects for new plants in the pipeline. The key investment drivers in the automobile industry are growing capacity requirements, productivity and efficiency improvements, reducing energy costs, and the competitive race in drive technology.

// PRODUCTION OF PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES IN MILLION UNITS (YEAR-OVER-YEAR CHANGE) 2.55

Region	2009	2010	2011	2012[1]	2013[1]	2014[1]	2015[1]	2016[1]	CAGR[2] 2011–2016
North America	8.5 (–32.5 %)	11.9 (40.0 %)	13.1 (10.1 %)	13.8 (5.3 %)	14.7 (6.5 %)	15.5 (5.4 %)	15.9 (2.6 %)	16.1 (1.3 %)	4.2 %
Mercosur	3.3 (–2.9 %)	4.2 (27.3 %)	4.2 (0.0 %)	4.6 (9.5 %)	5.0 (8.7 %)	5.3 (6.0 %)	5.9 (11.3 %)	6.4 (8.5 %)	8.8 %
Western Europe	12.3 (–19.1 %)	13.3 (8.1 %)	13.6 (2.3 %)	13.0 (–4.4 %)	13.6 (4.6 %)	14.4 (5.9 %)	14.7 (2.1 %)	15.0 (2.0 %)	2.0 %
Eastern Europe	4.4 (–29.0 %)	5.6 (27.3 %)	6.3 (12.5 %)	6.8 (7.9 %)	7.1 (4.4 %)	7.7 (8.5 %)	8.1 (5.2 %)	8.4 (3.7 %)	5.9 %
Asia	26.4 (0.4 %)	34.0 (28.8 %)	34.5 (1.5 %)	38.2 (10.7 %)	42.6 (11.5 %)	46.5 (9.2 %)	49.6 (6.7 %)	51.7 (4.2 %)	8.4 %
of which China	11.0 (46.7 %)	14.4 (30.9 %)	15.0 (4.2 %)	16.4 (9.3 %)	19.3 (17.7 %)	22.2 (15.0 %)	24.5 (10.4 %)	26.0 (6.1 %)	11.6 %
Other	2.3 (–8.0 %)	2.5 (8.7 %)	2.6 (4.0 %)	2.7 (3.8 %)	2.7 (0.0 %)	2.8 (3.7 %)	2.9 (3.6 %)	3.0 (3.4 %)	2.9 %
Total	**57.2 (–13.6 %)**	**71.5 (25.0 %)**	**74.3 (3.9 %)**	**79.1 (6.5 %)**	**85.7 (8.3 %)**	**92.2 (7.6 %)**	**97.1 (5.3 %)**	**100.6 (3.6 %)**	**6.2 %**

[1] forecast
[2] CAGR = compound annual growth rate

Source: PwC, own estimates

Thanks to our strong local presence we should continue to benefit more than average from the economic momentum in the emerging markets. Some 60 % of our sales revenues and new orders are likely to come from these markets in 2012 and 2013. The importance of Western Europe for our business will continue to decline, while the North American market should gain more weight again. After winning market share in 2010 and 2011, we expect to make further gains in most regions in 2012 and 2013. We already have an exceptionally strong market position today in China.

Long term, we are aiming for sustainable growth of 5 % to 10 % per year in Group sales revenues. This will also depend on the build-up of our new areas of business progressing as planned. From today's vantage point, we expect growth of at least 5 % in sales revenues to over € 2.0 billion in 2012. This expectation is supported by the high order backlog and the continued buoyant demand from our customers. However, we would point out that at this early stage of the year our sales forecast for 2012 still harbors some uncertainties.

Incoming orders should normalize after last year's exceptionally high level and reach at least € 2.0 billion in 2012. That would again be well above the pre-crisis level of 2007/2008. As sales revenues and incoming orders are likely to be on a similar level, order backlog should be unchanged at around € 2.1 billion at the end of 2012.

Earnings should improve above-proportionally to sales revenues again in 2012. In view of our high capacity utilization, and volume and cost degression effects, our target is an EBIT margin of 5.5 % to 6 %. The financial result will probably weaken slightly in 2012. This is mainly due to the fact that, with the purchase of the Dürr Campus in Bietigheim-Bissingen, we have taken over the financing from the leasing company from which it was purchased. However, EBIT is increased as the leasing expenses for the Dürr Campus will fall away. On balance, the Campus purchase will have a small positive effect on earnings before taxes.

Tax expense will rise in line with the improvement in earnings, while the effective tax rate should stay at around 25 % due to the use of tax loss carryforwards. As a result, earnings after taxes should improve by at least 15 %. The dividend for 2012 is to be between 30 % and 40 % of Group net profit again, in line with our distribution policy, and should also rise by at least 15 %.

For 2013, we plan to increase incoming orders and sales revenues by about 5 % each. Operating profit is expected to rise further, with the EBIT margin reaching the target of 6 % set within the framework of our corporate strategy. We expect positive earnings effects among other things from cost degression as well as higher margins in project business. The financial result will probably improve slightly in 2013. Our relatively low effective tax rate is likely to normalize and be around 30 %, which should result in a moderate increase in tax expense. Nonetheless, earnings after taxes should advance again in 2013, accompanied by a further dividend increase. We intend to leave our payout ratio unchanged at 30 % to 40 % of Group net profit.

// OUTLOOK BY DIVISION 2.56

	SALES REVENUES (€ MILLION)		INCOMING ORDERS (€ MILLION)		EBIT MARGIN (%)	
	2012e	2013e	2012e	2013e	2012e	2013e
Paint and Assembly Systems	900	940	950	1,000	4 to 5	4 to 5
Application Technology	440	470	400	450	7 to 8	8 to 9
Measuring and Process Systems	570	590	550	550	5 to 6	6 to 7
Clean Technology Systems	90	100	100	110	5 to 6	5 to 6

DIVISIONS

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All divisions plan increases in sales revenues and earnings in 2012 and 2013. However, this will depend on the positive economic trend in the **BRIC** countries continuing. As for the Group as a whole, incoming orders will be below the levels in 2011, which was an exceptional year.

CASH FLOW

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Operating cash flow will probably decline slightly in 2012 but – like **FREE CASH FLOW** – will still be clearly positive. There is likely to be growth not only in revenues and earnings; **NET WORKING CAPITAL** is also set to rise, firstly, because many orders on the plant engineering side will be reaching an advanced stage of completion and, secondly, because the prepayments received from customers should normalize again after the very high level in 2011. For 2013, we expect further growth in revenues and earnings, while operating cash flow and free cash flow should at least match the 2012 level.

CAPITAL EXPENDITURE

Capital expenditure of around € 20 million is budgeted for property, plant and equipment and intangible assets in 2012 (without acquisitions); much of this will be on replacements. The level of capital expenditure will probably be about € 10 million higher in 2013, as we are setting up a new location in Shanghai to expand the machinery business. Further technology acquisitions are planned for 2012 and 2013 to strengthen the core business and to build up the new energy efficiency/heat recovery activities. The scale of the proposed acquisitions will probably be in excess of € 10 million in both years.

LIQUIDITY, EQUITY, AND FINANCING

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From today's vantage point, we expect our **NET FINANCIAL POSITION** at the end of 2012 and 2013 to be between zero and € +50 million (December 31, 2011: € +51.8 million), while cash and cash equivalents should be in excess of € 200 million on both reporting dates. Information on the expected cash outflows from financial liabilities and derivative financial instruments can be found in **ITEM 38** in the notes to the consolidated financial statements. We expect further growth in equity, with the equity ratio rising above 25 % again by 2013.

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It should be possible for the proposed acquisitions and the expansion in the energy efficiency/heat recovery business to be financed from cash flow or cash and cash equivalents. From today´s perspective, no further bond issues are planned in 2012 and 2013. We intend to use the syndicated loan facility only for balancing out temporary fluctuations in net working capital. A capital increase is not planned.

PURCHASING

Our objective is to keep the cost of materials from rising more strongly than sales revenues. In view of the weaker global economic growth we reckon with constant procurement prices in 2012; the cost of materials should therefore rise in line with sales revenues. Sales revenues and the cost of materials will probably also move in tandem in 2013. To exploit cost advantages, we will be making increasing use of the sourcing markets in Eastern Europe and Asia.

EMPLOYEES

The number of employees in the Group will probably increase by about 300 by the end of 2012. The bulk of the additional jobs will be created in the emerging markets, where we aim to employ 33 % of the Group's total workforce by the end of 2013 (December 31, 2011: 31 %). In the established markets, the number of employees will increase marginally at most. We expect personnel expenses to increase by 10 % in both 2012 and 2013, driven mainly by the rising level of wages and salaries in the emerging markets and the higher average number of employees.

R&D

In line with our strategy, we plan to increase both our R&D spending and our R&D staff further in the coming years. The main focuses in our product development will continue to be:

- reducing costs per unit in the automobile industry
- new service products
- broadening the product portfolio for the emerging markets
- environmental technology and energy efficiency.

SUMMARY OF EXPECTED DEVELOPMENT

We expect a continued positive development of the Dürr Group in the coming years provided the European debt crisis and the related risks do not escalate further. The number of project enquiries from our customers remains high, as considerable investments in new plants are planned especially in the emerging markets. This, together with our high order backlog, provides good visibility for the future business outlook. We expect growth of at least 5 % in sales revenues in both 2012 and 2013. Earnings should continue to improve above-proportionally to sales revenues; our target is an EBIT margin of 5.5 % to 6 % for 2012, and 6 % for 2013. Our policy will be for our shareholders to participate in the company's performance through higher dividends.

Bietigheim-Bissingen, March 1, 2012

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER

RALPH HEUWING

Consolidated financial statements 2011 / / / / /

Audit opinion

We have audited the consolidated financial statements prepared by Dürr Aktiengesellschaft, Stuttgart, comprising the statement of income, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 1 March 2012

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

SKIRK // WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

HUMMEL // WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

3.1

€ k	NOTE	2011	2010
Sales revenues	(7)	1,921,987	1,261,379
Cost of sales	(8)	−1,590,584	−1,023,916*
Gross profit on sales		**331,403**	**237,463***
Selling expenses	(9)	−107,232	−98,451*
General administrative expenses	(10)	−88,738	−77,368*
Research and development costs	(11)	−29,504	−25,784*
Other operating income	(13)	25,782	27,215
Other operating expenses	(13)	−25,217	−26,442
Earnings before investment income, interest and income taxes		**106,494**	**36,633***
Profit from entities accounted for using the equity method	(16)	580	548
Interest and similar income	(17)	5,542	3,379*
Interest and similar expenses	(17)	−26,807	−28,059*
Earnings before income taxes		**85,809**	**12,501**
Income taxes	(18)	−21,552	−5,418
Profit of the Dürr Group		**64,257**	**7,083**
Attributable to:			
Non-controlling interests		2,407	762
Shareholders of Dürr Aktiengesellschaft		**61,850**	**6,321**
Earnings per share in € (basic and diluted)		3.58	0.37

* The presentation has changed compared to the 2010 consolidated financial statements because the interest cost (from the measurement of pensions and similar obligations) and the expected return from plan assets, which were previously presented under functional costs, have been allocated to interest and similar expenses and interest and similar income.
For more information see note 15 in the notes to the consolidated financial statements.

Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

3.2

€ k	NOTE	2011	2010
Profit of the Dürr Group		**64,257**	**7,083**
Components of other comprehensive income			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(25)	−4,612	−253
Gains/losses from changes in the fair value of available-for-sale securities	(25)	11	–
Reclassifications from currency translation reserve through profit or loss	(25)	451	−140
Currency translation reserve of foreign subsidiaries	(25)	1,791	12,457
Currency translation reserve of foreign entities accounted for using the equity method	(25)	989	2,037
Actuarial gains/losses from defined benefit plans and similar obligations	(25)	−2,741	−1,497
Deferred taxes recognized on components of other comprehensive income	(25)	1,372	379
Other comprehensive income, net of tax	(25)	**−2,739**	**12,983**
Total comprehensive income for the year, net of tax		**61,518**	**20,066**
Attributable to:			
Non-controlling interests		2,401	764
Shareholders of Dürr Aktiengesellschaft		**59,117**	**19,302**

Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2011

3.3

€k	NOTE	Dec. 31, 2011	Dec. 31, 2010
ASSETS			
Goodwill	(19, 43)	284,482	281,702
Other intangible assets	(19, 43)	42,177	34,440
Property, plant and equipment	(19, 43)	144,879	91,199
Investment property	(19, 43)	22,333	23,134
Investments in entities accounted for using the equity method	(20, 43)	17,207	11,912
Other financial assets	(20, 43)	2,629	457
Trade receivables	(22)	191	1,321
Income tax receivables	(18)	76	100
Sundry financial assets	(23)	3,343	2,955
Other assets	(24)	215	103
Deferred taxes	(18)	9,644	7,909
Prepaid expenses		1,835	7,099
Non-current assets		**529,011**	**462,331**
Inventories and prepayments	(21)	124,471	73,761
Trade receivables	(22)	625,644	391,950
Income tax receivables	(18)	7,576	5,750
Sundry financial assets	(23)	50,174	11,671
Other assets	(24)	22,244	15,581
Cash and cash equivalents		298,561	252,308
Prepaid expenses		3,360	3,113
Current assets		**1,132,030**	**754,134**
Total assets Dürr Group		**1,661,041**	**1,216,465**
EQUITY AND LIABILITIES			
Subscribed capital	(25)	44,289	44,289
Capital reserve	(25)	200,186	200,186
Revenue reserves	(25)	146,003	97,533
Other comprehensive income	(25)	−31,592	−28,838
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		**358,886**	**313,170**
Non-controlling interests	(26)	5,434	6,231
Total equity		**364,320**	**319,401**
Provisions for post-employment benefit obligations	(27)	57,779	55,894
Other provisions	(28)	6,654	7,745
Trade payables	(30)	6,394	–
Bond	(29)	225,511	225,639
Other financial liabilities	(29)	47,331	4,906
Sundry financial liabilities	(31)	26,162	9,522
Income tax liabilities	(32)	220	163
Other liabilities	(32)	4,507	3,774
Deferred taxes	(18)	26,921	20,006
Deferred income		425	573
Non-current liabilities		**401,904**	**328,222**
Other provisions	(28)	45,902	39,983
Trade payables	(30)	711,327	439,680
Financial liabilities	(29)	13,322	1,768
Sundry financial liabilities	(31)	27,363	17,545
Income tax liabilities	(32)	8,728	2,527
Other liabilities	(32)	87,907	66,758
Deferred income		268	581
Current liabilities		**894,817**	**568,842**
Total equity and liabilities Dürr Group		**1,661,041**	**1,216,465**

Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

3.4

€k	NOTE	2011	2010
	(35)		
Earnings before income taxes		85,809	12,501
Income taxes paid		−14,317	−17,381
Net interest		21,265	24,680*
Profit from entities accounted for using the equity method		−580	−548
Dividends from entities accounted for using the equity method		–	441
Amortization and depreciation of non-current assets		20,615	18,012
Net gain/loss on the disposal of non-current assets		252	−46
Other non-cash income and expenses		−1,317	−170
Changes in operating assets and liabilities			
Inventories		−43,192	−7,361
Trade receivables		−224,716	−49,064
Other receivables and assets		−6,051	−5,649
Provisions		638	−11,211*
Trade payables		265,603	88,280
Other liabilities (other than bank)		24,722	2,589
Other assets and liabilities		−833	301
Cash flow from operating activities		**127,898**	**55,374**
Purchase of intangible assets		−6,251	−5,348
Purchase of property, plant and equipment		−13,383	−9,444
Purchase of entities accounted for using the equity method		−2,502	−12
Purchase of other financial assets		−2,211	−104
Proceeds from the sale of non-current assets		891	929
Acquisitions, net of cash acquired		−6,816	−6,840
Investments in time deposits		−35,950	–
Interest received		3,648	1,360
Cash flow from investing activities		**−62,574**	**−19,459**
Change in current bank liabilities and other financing activities		4,267	−121
Repayment of non-current financial liabilities		−1,249	−290
Repayment of bond		–	−100,000
Bond issue		–	226,721
Payment of finance lease liabilities		−470	−1,249
Borrowing of financial liabilities due to entities accounted for using the equity method		–	9
Dividends paid to the shareholders of Dürr Aktiengesellschaft		−5,190	–
Dividends paid to non-controlling interests		−1,398	−894
Interest paid		−20,116	−19,072
Cash flow from financing activities		**−24,156**	**105,104**
Effects of exchange rate changes		5,085	7,334
Changes in cash and cash equivalents related to changes in the consolidated group		–	58
Change in cash and cash equivalents		46,253	148,411
Cash and cash equivalents			
At the beginning of the period		252,308	103,897
At the end of the period		298,561	252,308

* The presentation has changed compared to the 2010 consolidated financial statements because the interest cost (from the measurement of pensions and similar obligations) and the expected return from plan assets, which were previously presented under functional costs, have been allocated to net interest.
For more information see note 15 in the notes to the consolidated financial statements.

Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

	Subscribed capital	Capital reserve	Revenue reserves	Unrealized gains/losses from cash flow hedges
€ k	(25)	(25)	(25)	(25)
January 1, 2010	**44,289**	**200,186**	**92,237**	**−304**
Profit for the year	–	–	6,321	–
Other comprehensive income	–	–	–	−195
Total comprehensive income, net of tax	**–**	**–**	**6,321**	**−195**
Dividends	–	–	–	–
Put option non-controlling interests	–	–	−1,047	–
Other changes	–	–	22	–
December 31, 2010	**44,289**	**200,186**	**97,533**	**−499**
Profit for the year	–	–	61,850	–
Other comprehensive income	–	–	–	−3,250
Total comprehensive income, net of tax	**–**	**–**	**61,850**	**−3,250**
Dividends	–	–	−5,190	–
Put option non-controlling interests	–	–	−8,211	–
Other changes	–	–	21	–
December 31, 2011	**44,289**	**200,186**	**146,003**	**−3,749**

3.5

OTHER COMPREHENSIVE INCOME							
Unrealized gains/losses from available-for-sale securities	Changes related to the consolidated group/ reclassifications	Unrealized actuarial gains/losses	Currency translation	Other comprehensive income	Total equity attributable to the share-holders of Dürr Aktien-gesellschaft	Non-controlling interests	**Total equity**
(25)		(25)	(25)	(25)		(26)	
−11	**801**	**−11,085**	**−31,198**	**−41,797**	**294,915**	**6,488**	**301,403**
–	–	–	–	–	6,321	762	7,083
–	–	−1,178	14,354	12,981	12,981	2	12,983
–	**–**	**−1,178**	**14,354**	**12,981**	**19,302**	**764**	**20,066**
–	–	–	–	–	–	−894	−894
–	–	–	–	–	−1,047	−127	−1,174
–	−22	–	–	−22	–	–	–
−11	**779**	**−12,263**	**−16,844**	**−28,838**	**313,170**	**6,231**	**319,401**
–	–	–	–	–	61,850	2,407	64,257
11	–	−2,728	3,234	−2,733	−2,733	−6	−2,739
11	**–**	**−2,728**	**3,234**	**−2,733**	**59,117**	**2,401**	**61,518**
–	–	–	–	–	−5,190	−1,398	−6,588
–	–	–	–	–	−8,211	−6,146	−14,357
–	−21	–	–	−21	–	4,346	4,346
–	**758**	**−14,991**	**−13,610**	**−31,592**	**358,886**	**5,434**	**364,320**

Notes to the consolidated financial statements for the 2011 reporting period

BASIS OF PRESENTATION

1. Summary of significant accounting policies

The Company

Dürr Aktiengesellschaft ("Dürr AG" or the "Company") has its registered offices in Stuttgart, Germany. Its headquarters for operations are located at Carl-Benz-Strasse 34 in 74321 Bietigheim-Bissingen, Germany. The Dürr Group ("Dürr" or the "Group") consists of Dürr AG and its subsidiaries. The Dürr Group specializes in mechanical and plant engineering and is one of the global market leaders in almost all of its fields of business. It generates some 80 % of sales revenues with the automotive industry, but also acts as supplier of production technology for other industries including the aviation, mechanical engineering, energy as well as the chemical and pharmaceutical industries. Dürr now serves the market with four divisions instead of two as in the prior period: the Paint and Assembly Systems division offers production and paint finishing technology, mainly for automotive bodyshells, but also for aircraft. The machines and systems produced by the Measuring and Process Systems division are used in engine and drive construction as well as final assembly. The Clean Technology Systems division, founded on January 1, 2011, manufactures plant and equipment for purifying exhaust gases produced by industrial processes and develops technologies for improving the energy efficiency of production processes. As of December 31, 2011, Dürr transferred its systems for painting and glueing technology to a separate division, Application Technology.

Accounting policies

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

The accounting policies used generally correspond to the policies applied in the prior period. In addition, the Group has applied the new and/or revised standards that are effective for reporting periods beginning on or after January 1, 2011.

The changes in accounting policies result from the adoption of the following new or revised standards.

The Group adopted the following new and revised IFRSs and interpretations in the reporting period for the first time

International Accounting Standard (IAS) 24 "Related Party Disclosures": IAS 24 was revised initially to simplify disclosure requirements for state-controlled entities. In addition, the definition of related parties was reworked completely. The amended standard affects the definition of persons and entities related to the reporting entity and the presentation of the relationships in the consolidated financial statements.

The following new or revised standards and interpretations, which were adopted for first time in the reporting period had no material effect on the consolidated financial statements

IFRS 1 "First-time Adoption of International Financial Reporting Standards": The amendments contain exemptions for first-time adopters.

IAS 32 "Financial Instruments: Presentation": The amendment explains the classification of rights issues as equity or liabilities.

Amendment to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": In November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published an amendment to IFRIC 14 that is relevant for entities required to make prepayments of a minimum funding requirement relating to their pension plans.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": The interpretation contains guidance on the treatment of such transactions, referred to as debt for equity swaps. It details the requirements of IFRSs when an entity renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments issued by the entity to extinguish all or part of the financial liability.

Annual improvements project: In May 2010, the International Accounting Standards Board (IASB) issued the third final omnibus standard with changes to existing IFRSs in the course of its annual improvements project. The 2007 – 2010 annual improvements project included minor amendments to a total of six standards and one interpretation. The amendments are applicable for reporting periods beginning on or after January 1, 2011. One exception are the amendments to IFRS 3 and IAS 27, which are effective for reporting periods beginning on or after July 1, 2010. The most notable changes are listed below. Their application does not, however, have a material effect on the Company's consolidated financial statements:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": Amendments to accounting policies in the year of first-time adoption as well as the option of using the revaluation as a basis for deemed cost and to use the deemed cost as a basis for business activities subject to regulation.
- IFRS 3 "Business Combinations": The amendments relate to transitional provisions for contingent consideration in connection with business combinations prior to the introduction of the amendments to IFRS 3 made in 2009. The number of measurement options for non-controlling interests is reduced and inconsistencies relating to share-based payment commitments have been eliminated.
- IFRS 7 "Financial Instruments: Disclosures": The IASB clarified that the qualitative disclosures on risks in connection with financial instruments are intended to support and explain the respective quantitative disclosures.
- IAS 1 "Presentation of Financial Statements": An entity may disclose the individual components of equity in an analysis of other comprehensive income in the statement of changes in equity or in the notes to the financial statements.
- IAS 27 "Consolidated and Separate Financial Statements": Transitional provisions for changes as a consequence of the amendments to IAS 27.
- IAS 34 "Interim Financial Reporting": Development of guidelines to illustrate the implementation of the disclosure requirements of IAS 34 on significant events and transactions and extended disclosure requirements.
- IFRIC 13 "Customer Loyalty Programmes": The amendment clarifies that the amount of discounts and incentives that are granted to customers not participating in a loyalty program must be taken into account in determining the fair value of award credits on the basis of the value of possible awards.

The following standard adopted by the EU in the comitology procedures has not yet entered into effect and will have no effects, or no material effects, on the consolidated financial statements

IFRS 7 "Financial Instruments: Disclosures" In October 2010, the IASB published the amendments to IFRS 7 on the disclosure requirements when derecognizing financial assets. The revised standard will become effective for reporting periods beginning on or after July 1, 2011.

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

Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards": The amended standard is mandatory for those reporting periods beginning on or after July 1, 2011 and will have no effects, or no material effects, on the consolidated financial statements.

Amendment to IFRS 7 "Financial Instruments: Disclosures": The amendment contains supplementary mandatory disclosures on all financial assets and financial liabilities which are offset pursuant to IAS 32 "Financial Instruments: Presentation". In addition, disclosures are required on all financial instruments which are subject to an enforceable master netting agreement or similar agreement. The amended standard is mandatory for those reporting periods beginning on or after January 1, 2013 and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IFRS 9 "Financial Instruments": In November 2009, the IASB published the new standard IFRS 9 on the classification and measurement of financial assets. Publication of IFRS 9 brings to a close the first stage of a three-part project by the IASB to reform accounting for financial instruments, including IAS 39 "Financial Instruments: Recognition and Measurement". In accordance with IFRS 9, a new, less complex approach is used for the classification and measurement of financial assets. There are now only two measurement categories for financial assets compared to the four previously used. In October 2010, the IASB published an amendment adding a section on financial liabilities to IFRS 9. IFRS 9 is mandatory for all accounting periods beginning on or after January 1, 2015. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

IFRS 10 "Consolidated Financial Statements": IFRS 10 introduces a uniform concept of control to be used in determining which entities should be included in the consolidated financial statements. IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and the Standing Interpretations Committee (SIC)-12 "Consolidation – Special Purpose Entities". The standard is mandatory for reporting periods beginning on or after January 1, 2013. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

IFRS 11 "Joint Arrangements": IFRS 11 governs the financial reporting by parties to a joint arrangement. It replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities – Non-monetary Contributions by Venturers". The standard is mandatory for reporting periods beginning on or after January 1, 2013. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities": IFRS 12 governs the disclosures required for reporting on the interests held by the reporting entity in subsidiaries, joint arrangements, associates, and unconsolidated structured entities that were previously contained in a number of other standards (IAS 27, IAS 28 and IAS 31) and expands them. The standard is mandatory for reporting periods beginning on or after January 1, 2013. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

IFRS 13 "Fair Value Measurement": This standard establishes guidance on fair value measurement when this is required or permitted by another standard. The standard comes into force for reporting periods beginning on or after January 1, 2013. Dürr has not yet completed the analysis of potential effects on the consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements": The changes relate to the presentation of other comprehensive income. In future, the items of other comprehensive income are to be classified into two different categories depending on whether they can be reclassified to profit or loss in a later period or not. The standard is mandatory for reporting periods beginning on or after January 1, 2013, and has an impact on the presentation of comprehensive income.

Amendment to IAS 12 "Income taxes": The amendment to IAS 12 specifies the measurement base for deferred taxes when differentiating between the tax system applying to an asset in use and the sale of it. The standard is mandatory for those reporting periods beginning on or after January 1, 2012, and will have no effects, or no material effects, on the consolidated financial statements.

Amendments to IAS 19 "Employee Benefits": The amendments to IAS 19 revoke the corridor approach to deferring actuarial gains and losses and govern the accounting of changes in the pension obligation through profit or loss and other comprehensive income. The amended standard is mandatory for those reporting periods beginning on or after January 1, 2013, and will have an impact on net interest and other comprehensive income.

Amendment to IAS 27 "Consolidated and Separate Financial Statements": Due to the fact that the accounting standards for consolidated financial statements were all shifted to IFRS 10, IAS 27 now contains the standards on accounting for shares in subsidiaries, joint ventures and associates in the separate financial statements. In this regard, IAS 27 was renamed "Separate Financial Statements". The amended standard is mandatory for those reporting periods beginning on or after January 1, 2013, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IAS 28 "Investments in Associates": This standard was renamed "Investments in Associates and Joint Ventures". The amended IAS 28 now incorporates SIC-13 "Jointly-controlled Entities – Non-monetary Contributions by Venturers" and clarifies other issues as well. The amended standard is mandatory for those reporting periods beginning on or after January 1, 2013, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

Amendment to IAS 32 "Financial Instruments: Presentation": The addition clarifies some details related to the offsetting of financial assets against financial liabilities. The amended standard is mandatory for those reporting periods beginning on or after January 1, 2014, and is not expected to have any effects, or no material effects, on the consolidated financial statements.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine": The interpretation is mandatory for those reporting periods beginning on or after January 1, 2013, and will have no effects on the consolidated financial statements.

The Group decided not to early adopt standards and IFRIC interpretations which have already been issued but have not yet become effective. Generally speaking, Dürr intends to adopt all standards when they become effective.

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

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

All assets and liabilities are measured at historical or amortized cost. Exceptions to this rule are derivative financial instruments, obligations from put options held by non-controlling interests, liabilities from contingent purchase price installments, obligations from share-based compensation and financial assets classified as available-for-sale and held-for-trading which are measured at fair value.

Assets and liabilities are treated as current if they are realized or settled within twelve months of the end of the reporting period. Those liabilities with a remaining term of between one and five years are disclosed as medium-term and those with a remaining term of more than five years as long-term.

2. Basis of consolidation

The consolidated financial statements of Dürr are based on the IFRS financial statements of Dürr AG and the consolidated subsidiaries and entities accounted for using the equity method as of December 31, 2011, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, capital consolidation is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against pro rata equity of the subsidiaries.

All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date taking hidden reserves and encumbrances into account. Any remaining debit difference is shown as goodwill. When the entity is removed from consolidation, the goodwill is released to profit or loss. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100 % of the shares are purchased, IFRS 3 provides for a choice between the purchased goodwill method and the full goodwill method, in which the entire goodwill on the acquired entity is recognized, including that part attributable to non-controlling interests. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition.

Entities over which Dürr exercises significant influence (associates) are accounted for using the equity method; this is generally the case with a share of voting rights ranging from 20 % to 50 %. The equity method is also applied for joint ventures in which Dürr together with other venturers undertakes an economic activity which is subject to joint control. Any goodwill is disclosed under investments in entities accounted for using the equity method. All other investments are accounted for at cost because market values are not available and fair values cannot be reliably determined by other means.

Intragroup sales revenues, other income and expenses and all intragroup receivables, liabilities and provisions and end-of-year adjustments (prepaid expenses and deferred income) are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

3. Consolidated group

Besides Dürr AG, the consolidated financial statements as of December 31, 2011, contain all German and foreign entities which Dürr AG can control directly or indirectly (control concept). The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. Joint ventures and associates are included in the consolidated financial statements using the equity method from the date on which joint control or the possibility of significant influence existed.

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

// NUMBER OF FULLY CONSOLIDATED ENTITIES 3.6

	Dec. 31, 2011	Dec. 31, 2010
Germany	12	11
Other countries	45	41
	57	**52**

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

// NUMBER OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD 3.7

	Dec. 31, 2011	Dec. 31, 2010
Germany	2	3
Other countries	2	1
	4	**4**

4. Changes in the consolidated group

On May 12, 2011, Dürr founded CPM Automation d.o.o. Beograd, based in Belgrade, Serbia. As of May 15, 2011, Dürr founded Carl Schenck Denmark ApS in Sønderborg, Denmark. On May 24, 2011, Dürr acquired 55 % of the shares in Agramkow Fluid Systems A/S, based in Sønderborg, Denmark, and its subsidiaries, Agramkow Asia Pacific Pte. Ltd., Singapore, and Agramkow do Brasil Ltda., Indaiatuba, Brazil. On November 30, 2011, Dürr acquired the general partner share in Dürr GmbH & Co. Campus KG based in Pullach im Isartal, Germany. The registered offices of the entity were relocated to Bietigheim-Bissingen subsequent to the takeover. This entity had previously been included in the consolidated financial statements as an associate using the equity method.

Test Automation Ltd. (formerly trading under the name of Schenck Test Automation Ltd.) based in Warwick, United Kingdom, was deconsolidated on August 31, 2011. The deconsolidation did not have any material effect on the consolidated financial statements.

By purchase agreement dated May 25, 2011, Dürr acquired 50 % of the shares with voting rights in Cyplan Ltd. with registered offices in Aldermaston, United Kingdom. At the time of the acquisition, the operating activities were managed from the office in Ingelheim am Rhein, Germany. Once the purchase agreement was concluded, the entity was renamed Dürr Cyplan Ltd. and the offices of the entity's operating activities were relocated to Bietigheim-Bissingen. This entity is included in the consolidated financial statements as an associate using the equity method.

5. Currency translation

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

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

// SIGNIFICANT EXCHANGE RATES 3.8

	CLOSING RATE		AVERAGE RATE	
(in relation to one euro)	**Dec. 31, 2011**	Dec. 31, 2010	**2011**	2010
US dollar	1.2932	1.3282	1.3983	1.3213
Chinese renminbi	8.1435	8.7697	9.0204	8.9329
Brazilian real	2.4137	2.2102	2.3346	2.3237
Mexican peso	18.0725	16.4480	17.4096	16.6861
Indian rupee	68.5855	59.6528	65.4636	60.4041
Pound sterling	0.8367	0.8630	0.8694	0.8575
Korean won	1,499.5924	1,507.2414	1,544.8886	1,531.2611
Danish krone	7.4340	7.4555	7.4494	7.4486
Japanese yen	100.0700	108.5936	111.2300	115.2189

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

6. Recognition and measurement policies

Intangible assets

Intangible assets comprise goodwill, franchises, industrial rights and similar rights as well as capitalized development costs and capitalized transaction costs from financing activities. Purchased and internally generated intangible assets are recognized pursuant to IAS 38 "Intangible Assets" if, in addition to other criteria, it is probable that a future economic benefit will flow to the entity from the use of the asset, and the cost of the asset can be reliably determined.

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they have an indefinite useful life. If this is not the case, the estimated useful life is changed from indefinite to finite in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired.

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

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

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

// USEFUL LIFE OF INTANGIBLE ASSETS (ESTIMATED) 3.9

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

Property, plant and equipment

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

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

years	
IT hardware	3 to 5
Furniture and fixtures	2 to 20
Machines and equipment	2 to 21
Buildings and leasehold improvements	4 to 50
Land	Indefinite

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

Investment property

Investment property is measured 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 stated at depreciated 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.

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.

Impairment testing

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

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

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

Other comments on intangible assets and property, plant and equipment are to be found in note 19.

Government grants

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

Leases

The entities in the Dürr Group are lessees of land, buildings, office and operating equipment. The majority of leases are classified as operating leases.

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

Lease payments on operating leases are recorded as an expense in the statement of income over the term of the lease.

Investments in entities accounted for using the equity method

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

Financial instruments

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

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

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

Financial assets

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

- Fair value hedges if they hedge exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability 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
- Hedge of a net investment in a foreign operation. These are treated like a cash flow hedge.

Fair value hedge accounting

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

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

Cash flow hedge accounting

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

Other financial assets

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

Inventories and prepayments

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

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

Customer-specific construction contracts

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

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

Progress billings issued to customers and cash received from customers are deducted without effect on income from cost and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of cost and estimated earnings.

To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they are reported under receivables together with the corresponding estimated earnings as cost and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Cost and estimated earnings in excess of billings on uncompleted contracts includes directly allocable costs (materials and labor costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

Also included in cost and estimated earnings in excess of billings on uncompleted contracts are amounts that Dürr seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is probable and they can be reliably estimated. No profits are reported on these accumulated costs. Pending change orders involve the use of estimates. Therefore, it is possible that adjustments to the estimated recoverable amounts of recorded pending change orders will be made in the future.

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

Trade receivables and other non-derivative financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term, highly liquid financial assets with an original term to maturity of less than three months. They are recognized at face value.

Other comprehensive income

This item presents changes in equity other than those arising from capital transactions with owners (e.g., capital increases or distributions). These include exchange differences, accumulated actuarial gains and losses from the measurement of pensions and similar obligations as well as unrealized gains and losses from the measurement of available-for-sale securities and derivative financial instruments at fair value.

Borrowing costs

Borrowing costs include interest and similar expenses, other finance costs and the cost of liabilities.

Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, borrowing costs incurred in connection with the issue of a bond are deducted from the bond on the liabilities’ side of the consolidated statement of financial position. Borrowing costs are calculated using the effective interest method and are amortized over the term of the bond.

Transaction costs incurred in connection with the syndicated loan are shown in the consolidated statement of financial position as other intangible assets and amortized over the term of the syndicated loan. Transaction costs associated with loans approved by the European Investment Bank are reported under other assets in the consolidated statement of financial position. When the loan is drawn on, these transaction costs will be offset against the principal paid out and released over the term of the loan using the effective interest rate method.

Pursuant to IAS 23 “Borrowing Costs”, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Adoption of the standard means that finance costs incurred for customer-specific long-term construction contracts are recognized in cost of sales.

Provisions for post-employment benefit obligations

The Group’s post-employment benefits include defined contribution plans and defined benefit plans. In the case of defined contribution plans, Dürr pays contributions to state or private pension companies either on a voluntary basis or based on statutory or contractual provisions. No further payment obligations arise for Dürr following the payment of contributions.

The majority of the Group’s post-employment benefit systems is based on defined benefit plans which guarantee the beneficiary a monthly old-age pension for life. These benefit plans are funded by the group entities and by the employees.

In accordance with IAS 19 “Employee Benefits”, provisions for pension obligations are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Pension provisions are calculated taking into account development assumptions (e.g., salary developments) for those factors which affect the amount of the benefit.

In order to avoid the recognition of income and expenses in profit or loss arising from closing date fluctuations in the parameters used to measure pension provisions, Dürr has applied the “SORIE” method since 2005 to measure its pension obligations instead of the alternative corridor method. According to the SORIE method, actuarial gains and losses are recorded directly in equity net of deferred taxes. Provisions for pension obligations covered by the employer’s pension liability insurance are offset against the related assets of the fund in accordance with the criteria of IAS 19.

Since 2011, Dürr has presented both the interest expense arising from measuring pension obligations as well as the expected income from fund assets under net interest.

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 which is expected to lead to an outflow of economic benefits and can be reliably determined. These are uncertain liabilities recognized on the basis of a best estimate of the amount needed to settle the obligation. If the amount of the provision can only be determined within a range, the most probable figure is used. If there is no difference in the level of probability, the weighted average is taken. Provisions with a residual term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.

Liabilities

At the inception of the lease, liabilities from finance leases are carried at the lower of fair value of the leased asset or the present value of the minimum lease payments (we refer to the explanations on leases). Trade payables and other non-derivative financial liabilities are recorded at amortized cost. Other liabilities are recorded at the settlement amount. Liabilities for restructuring are recognized to the extent that a detailed formal plan has been prepared and communicated to the parties concerned. Liabilities that do not lead to an outflow of resources in the following year are discounted at market interest rates as of the end of the reporting period.

Deferred taxes

Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 "Income Taxes". This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS profit nor the taxable profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from investments in subsidiaries or associates, and interests in joint ventures, unless the parent can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future. Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

Deferred taxes are measured taking into account the respective local income tax rates which are expected to apply in the individual countries at the time of realization based on tax laws that have been enacted or substantively enacted. Deferred tax assets are reversed if it is more probable that the tax benefit will be forfeited than that it will be utilized.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity by the same taxation authority. Deferred taxes are recorded as tax income or expense in the statement of income unless they relate to items recorded in other comprehensive income; in this case, the deferred taxes are also recorded in other comprehensive income.

Share-based payment transactions

The share-based payment transactions pursuant to IFRS 2 "Share-based Payment" cover remuneration systems that are settled in cash. Until they are settled, obligations arising from cash-settled payment transactions are measured at fair value and presented in other liabilities. The liabilities are remeasured at each reporting date up to and including the settlement date with changes in fair value recognized in personnel expenses in the statement of income.

Research and non-capitalizable development costs

Research and non-capitalizable development costs are recorded with an effect on income on the date they are incurred.

Contingent liabilities

Contingent liabilities are disclosed for possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities can arise from a present obligation that results from past events but is not recognized because

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the 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.

// OVERVIEW OF SELECTED MEASUREMENT METHODS 3.11

CARRYING AMOUNT	VALUATION METHOD
Goodwill	Cost applying the impairment-only approach
Other intangible assets	
of indefinite useful life	Cost applying the impairment-only approach
of finite useful life	(Amortized) cost
Property, plant and equipment	(Amortized) cost
Financial assets	
held to maturity	(Amortized) cost
available for sale	At fair value recognized in equity
held for trading	At fair value recognized in profit or loss
Inventories	Lower of cost or net realizable value
Costs and estimated earnings in excess of billings	Percentage of completion method/zero profit method
Trade receivables	(Amortized) cost
Cash and cash equivalents	Nominal value
Provisions	
Provisions for post-employment benefit obligations	Settlement value (projected unit credit method)
Other provisions	Settlement value
Financial liabilities	(Amortized) cost / fair value
Trade payables	(Amortized) cost
Other liabilities	Settlement value

Other measurement methods may apply in the event of impairment.

Earnings per share

Earnings per share is determined pursuant to IAS 33 “Earnings per Share”. Earnings per share is calculated as the profit share of the shareholders of Dürr AG divided by the weighted average number of shares issued. The calculation is presented in the table below. There were no dilutive effects in the 2011 and 2010 reporting periods.

// EARNINGS PER SHARE 3.12

		2011	2010
Profit attributable to the shareholders of Dürr AG	€ k	61,850	6,321
Number of shares outstanding (weighted average)	thousands	17,300.5	17,300.5
Earnings per share (basic and diluted)	€	3.58	0.37

Use of judgments and estimates

The preparation of the consolidated financial statements pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual figures may diverge from these estimates.

Judgments

In the process of applying the accounting policies, management has made the following judgments which have a significant effect on the amounts recognized in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Operating lease commitments – Group as lessee

The Group has entered into lease agreements for real estate. The Group has determined that the special purpose entities which are the lessors of the real estate retain all the significant risks and rewards of ownership of these.

Consolidation of special purpose entities

In some cases, special purpose entities are used to lease production and office premises. Dürr has no influence on the financing or business policies of any of these special purpose entities. The opportunities and risk structures of the special purpose entities are such that they cannot be included in the consolidated group.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Cost and estimated earnings in excess of billings

Customized construction contracts make up a large part of Dürr's business. Revenues and costs relating to construction contracts are generally recognized using the percentage of completion method (POC). A precise assessment of the degree of completion is essential in this respect. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly.

Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. To do this, management is required to make an estimate of the expected future cash flows from the cash-generating units. Dürr uses a planning horizon of four years. In addition, it is necessary to choose a suitable discount rate in order to calculate the present value of these cash flows. The carrying amount of goodwill as of December 31, 2011, was € 284,482 thousand (prior period: € 281,702 thousand). Please refer to note 19 for further details.

Income taxes

Dürr operates in a large number of countries and is consequently subject to different tax jurisdictions. The anticipated current and deferred income taxes have to be determined for each taxable entity. Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors such as future taxable profit in the planning periods and profit actually generated in the past. Dürr uses a planning horizon of four years. The actual amounts may differ from the estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Please refer to note 18 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, the expected return on plan assets, future salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds. The expected long-term return on plan assets is determined by reference to historical long-term yields and the portfolio structure. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Pension provisions amounted to € 57,779 thousand as of December 31, 2011 (prior period: € 55,894 thousand). Please refer to note 27 for further details.

Development costs

Development costs are capitalized in accordance with the accounting policy presented in note 6. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, interest rates to be applied and the expected period of benefits. The carrying amount of capitalized development costs as of December 31, 2011, was € 14,439 thousand (prior period: € 15,198 thousand).

Put options for shares held by non-controlling interests

In the course of the first-time full consolidation of CPM S.p.A. in the 2007 reporting period and Agramkow Fluid Systems A/S in the 2011 reporting period, put options for the shares held by non-controlling interests were measured at fair value in accordance with IAS 32 and recognized under sundry financial liabilities. The fair value is calculated at the end of each reporting period. This requires an estimate to be made regarding the future revenues of CPM S.p.A. The fair value of the options to shares in Agramkow Fluid Systems A/S is determined at the higher of the fair value measured using the discounted cash flow method and an extrapolation of the purchase price paid for the acquisition of the first 55 % interest.

Share-based payment transactions

The measurement of cash-settled share-based payment transactions is based on the anticipated share price at the end of the contractual term and an average earnings ratio over the duration of the program. Historical share prices are used to determine the fair value. The average earnings ratio used is based on Dürr’s 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 bad debt allowances (see note 40) as well as for 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.

NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

7. Sales revenues

// SALES REVENUES 3.13

€ k	2011	2010
Contract revenues	1,339,826	811,104
Revenues from services	445,446	361,975
Other sales revenues	136,715	88,300
	1,921,987	**1,261,379**

8. Cost of sales

Cost of sales includes all costs of purchase and costs of conversion incurred in the sale of goods and services. In the 2011 reporting period, the cost of sales amounted to € 1,590,584 thousand (prior period: € 1,023,916 thousand), which corresponds to a gross margin of 17.2 % (prior period: 18.8 %). The exchange rate gains arising from the sales process of € 7,430 thousand (prior period: € 4,987 thousand) and exchange rate losses arising from the sales process of € 6,047 thousand (prior period: € 5,109 thousand) have been included in the cost of sales. In addition, the cost of sales additionally includes finance costs of € 0 thousand (prior period: € 178 thousand), which were recognized in accordance with IAS 23 “Borrowing Costs”. For further details, please refer to note 36. Likewise, the cost of sales includes depreciation, amortization and impairment of non-current assets of € 11,621 thousand (prior period: € 7,971 thousand).

9. Selling expenses

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

// SELLING EXPENSES 3.14

€ k	**2011**	2010
Personnel expenses	75,309	66,493
Amortization, depreciation and impairment of non-current assets	987	707
Write-downs of receivables	1,621	1,013
Additions and releases of bad debt allowances on trade receivables	−81	1,781
Other selling expenses	29,396	28,457
	107,232	**98,451**

For information about write-downs and impairments of receivables, please refer to note 22.

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.

// ADMINISTRATIVE EXPENSES 3.15

€ k	**2011**	2010
Personnel expenses	52,870	48,838
Amortization, depreciation and impairment of non-current assets	3,437	6,135
Other administrative expenses	32,431	22,395
	88,738	**77,368**

11. Research and development costs

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

// RESEARCH AND DEVELOPMENT COSTS 3.16

€ k	**2011**	2010
Personnel expenses	15,173	13,345
Amortization, depreciation and impairment of non-current assets	4,609	4,364
Capitalized development costs	−2,655	−3,557
Other research and development costs	12,377	11,632
	29,504	**25,784**

Of the total amount reported as depreciation, amortization and impairment of non-current assets, an amount of € 4,025 thousand (prior period: € 3,328 thousand) is attributable to the amortization of capitalized development costs.

12. Personnel expenses

The statement of income contains the following personnel expenses:

// PERSONNEL EXPENSES 3.17

€ k	2011	2010
Wages and salaries	337,176	285,749
Social security contributions	65,423	57,000
	402,599	**342,749**
of which post-employment benefits	4,466	3,130

Personnel expenses include flat-rate refunds from the Federal Employment Agency in Germany of € 484 thousand (prior period: € 518 thousand). These refunds were made for the social security expenses payable by Dürr with respect to the government-subsidized reduced working hours scheme at various German companies and for filling those positions made vacant by individual workers released under phased retirement schemes. In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” these refunds are disclosed net of the associated costs. Reference is also made to note 14.

The post-employment benefits presented in the column for the prior period were adjusted to account for the change in the presentation of interest. For a more comprehensive explanation, please refer to note 15.

13. Other operating income and expenses

// OTHER OPERATING INCOME AND EXPENSES 3.18

€ k	2011	2010
Other operating income		
Exchange rate gains	19,477	16,517
Adjustment of contingent purchase price installments for UCM AG and Dürr Systems Wolfsburg GmbH	1,318	1,206
Reversal of provisions	683	877
Rental and lease income	682	740
Insurance claims	105	647
Gains on disposal of non-current assets	58	176
Income from allocation of expenses for Campus construction project	–	2,767
Sundry	3,459	4,285
	25,782	**27,215**
Other operating expenses		
Exchange rate losses	17,575	17,287
Cost of litigation	2,487	1,208
Expenses for training facility	878	758
Factoring	487	235
Losses on disposal of non-current assets	310	130
Expenses for Campus construction project	–	2,830
Adjustment of the contingent purchase price installment for Dürr Systems Wolfsburg GmbH	–	1,046
Sundry	3,480	2,948
	25,217	**26,442**

14. Government grants

Government grants of € 1,296 thousand were received in the 2011 reporting period to subsidize expenditures of the Group (prior period: € 1,024 thousand). The grants include subsidies for cost-intensive innovations and reimbursements from the Federal Employment Agency (see note 12).

In addition, government grants reduced the historical cost of assets by € 56 thousand (prior period: € 58 thousand). Conditions are attached to the government grants. At present, it can be assumed that these conditions will be met.

15. Interest effect in the measurement of pension plans and similar obligations

Dürr has decided to adjust the presentation of interest from the measurement of pension obligations and the expected return from plan assets in the statement of income to the customary practice used by the industry. Interest on pension obligations is no longer presented under personnel expenses and thus under functional costs in the statement of income but under interest.

The table below shows how interest effects (from the measurement of pension obligations and similar obligations) and the expected return from plan assets, which were previously presented under functional costs, can be reconciled from the presentation in the 2010 annual report to the presentation in this annual report.

// **RECONCILIATION OF THE STATEMENT OF INCOME 2010** ////////////////////////////////////// **3.19**

€k	Statement of income 2010 (as reported in 2010)	Interest effect in the measurement of pension plans and similar obligations	Statement of income 2010 (as reported in 2011)
Sales revenues	1,261,379	–	1,261,379
Cost of sales	−1,024,217	301	−1,023,916
Gross profit on sales	**237,162**	**301**	**237,463**
Selling expenses	−98,540	89	−98,451
General administrative expenses	−79,922	2,554	−77,368
Research and development costs	−25,790	6	−25,784
Other operating income	27,215	–	27,215
Other operating expenses	−26,442	–	−26,442
EBIT	**33,683**	**2,950**	**36,633**
Profit from entities accounted for using the equity method	548	–	548
Interest and similar income	2,137	1,242	3,379
Interest and similar expenses	−23,867	−4,192	−28,059
Earnings before income taxes	**12,501**	**–**	**12,501**

16. Profit from entities accounted for using the equity method

The profit from entities accounted for using the equity method amounted to € 580 thousand (prior period: € 548 thousand). This disclosure comprises the profit shares from entities accounted for using the equity method. Currency effects were recorded in other comprehensive income.

17. Net interest

// NET INTEREST 3.20

€ k	2011	2010
Interest and similar income	5,542	3,379
of which from:		
Expected return on plan assets	1,557	1,242
Other interest income	3,985	2,137
Interest and similar expenses	−26,807	−28,059
of which from:		
Nominal interest expenses on corporate bond	−16,313	−11,255
Amortization of transaction costs, premium, discount from a bond issue and from a syndicated loan	−1,704	−5,035
Non-recurring effects from early redemption of the syndicated loan from 2008	−981	–
Non-recurring effects from early redemption of the bond from 2004	–	−723
Interest expenses from finance leases	−290	−345
Interest cost from the measurement of pension obligations	−4,089	−4,192
Other interest expenses	−3,430	−6,509
Net interest	**−21,265**	**−24,680**
of which from financial instruments under the measurement categories in accordance with IAS 39:		
Loans and receivables measured at amortized cost	3,985	2,123
Available-for-sale financial assets	–	14
Financial liabilities measured at amortized cost	−22,656	−23,539
Financial liabilities at fair value	−62	–

Interest expenses from financial liabilities measured at fair value relate to the unwinding of discounted contingent purchase price installments.

In the reporting period, interest expenses were not reduced by finance costs relating to long-term customer-specific construction contracts in accordance with IAS 23 "Borrowing Costs" (prior period: € 178 thousand) as the contracts could be financed without drawing on overdraft facilities. In the prior period, these finance costs were included in the cost of sales. The imputed interest rate used for the 2010 reporting period was 11.10 %. For further details, please refer to note 36.

18. 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.

Deferred taxes in Germany are computed using a tax rate of 29.5 % (prior period: 29.9 %).

// COMPOSITION OF INCOME TAX EXPENSE 3.21

€ k	2011	2010
Current income taxes		
Income tax expense for the reporting period – Germany	666	255
Income tax expense for the reporting period – other countries	16,717	12,143
Adjustment for prior periods	125	−1,227
Total current taxes	**17,508**	**11,171**
Deferred taxes		
Deferred tax expense / income (–) Germany	1,227	−6,186
Deferred tax expense / income (–) other countries	2,496	−921
Adjustment for prior periods	321	1,354
Total deferred taxes	**4,044**	**−5,753**
Total tax expense	**21,552**	**5,418**

The table below shows the reconciliation of theoretical income tax expense to the current income tax expense reported. The reconciliation is based on an overall tax rate in Germany of 29.5 % (prior period: 29.9 %).

// RECONCILIATION OF THE INCOME TAX EXPENSE 3.22

€ k	2011	2010
Earnings before income taxes	**85,809**	**12,501**
Theoretical income tax expense in Germany of 29.5 % (prior period: 29.9 %)	25,314	3,738
Adjustments of current and deferred income tax incurred in prior periods	446	127
Non-deductible operating expenses	6,924	3,055
Foreign tax rate differential	−53	185
Unrecognized deferred tax assets especially on unused tax losses	360	5,054
Change in tax rates	2,670	−672
Change in write-downs on deferred tax assets	−5,346	816
Subsequent recognition of deferred taxes in particular on unused tax losses	−8,452	−5,589
Zero-rated income	−500	−1,262
Other	189	−34
Current income tax expense of the Dürr Group	**21,552**	**5,418**

In Germany, unused tax losses amount to € 81,103 thousand for corporate income tax purposes plus the solidarity surcharge as of December 31, 2011 (prior period: € 83,632 thousand). Unused tax losses for trade tax purposes amount to € 26,030 thousand (prior period: € 30,532 thousand) and deductible interest expenses carried forward amount to € 24,696 thousand (prior period: € 15,752 thousand).

Pursuant to IAS 12 "Income Taxes", a deferred tax asset should be recognized on unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In calculating the possibilities for utilizing tax losses, Dürr uses a four-year planning horizon and takes into account the minimum taxation rule in Germany. In the prior period, the extension of the planning horizon caused a € 3,351 thousand increase in deferred tax assets on tax loss carryforwards and deductible interest carried forward, that was recorded as income in 2010. The change in write-downs on tax and interest loss carryforwards comes to € 3,679 thousand in Germany (prior period: € −124 thousand). In addition, there were further changes in write-downs of deferred tax assets of € 1,667 thousand (prior period: € 940 thousand), mainly at the US-American subsidiaries. In some tax jurisdictions, deferred tax assets were again not recognized on unused tax losses due to the accumulated losses of the past three years.

In sum, unused tax losses amount to € 293,236 thousand (previous year: € 290,958 thousand). Unused tax losses for which no deferred tax assets were recognized came to € 176,187 thousand (prior period: € 203,890 thousand). The decrease is primarily attributable to tax losses subsequently capitalized in Germany. Unused tax losses of € 1,185 thousand (prior period: € 1,934 thousand) will expire within the next five years and € 98,476 thousand (prior period: € 96,781 thousand) within the next 20 years. At present, the remaining unused tax losses are not expected to expire.

// DEFERRED TAX ASSETS AND LIABILITIES 3.23

€ k	Consolidated statement of financial position Dec. 31, 2011	Consolidated statement of financial position Dec. 31, 2010	Consolidated statement of income 2011	Consolidated statement of income 2010
Deferred tax assets				
Accounting for intangible assets	2,883	3,697	814	−1,915
Revaluation of land and buildings	204	271	67	−175
Revaluation of financial assets	61	123	62	1,247
Bad debt allowances	416	283	−133	114
Interest/currency transactions	1,464	545	−2,281	423
Long-term customer-specific construction contracts	11,522	5,075	−6,447	−1,859
Post-employment benefits	6,618	6,608	−20	1,103
Restructuring and provisions not recognized for tax purposes	3,283	1,790	−1,493	−477
Interest and tax loss carryforwards	32,713	22,676	−10,037	−6,041
Total deferred tax assets before write-downs	**59,164**	**41,068**		
Write-downs	−13,735	−19,081	−5,346	816
Total deferred tax assets	**45,429**	**21,987**		
Netting	−35,785	−14,078		
Net deferred tax assets	**9,644**	**7,909**		
Deferred tax liabilities				
Accounting for intangible assets	−3,002	−831	2,171	274
Capitalized development costs	−2,947	−3,221	−274	227
Tax-deductible impairment of goodwill	−13,985	−12,766	1,219	1,852
Revaluation of land and buildings	−10,992	−10,573	419	−1,465
Measurement of shares in subsidiaries	−3,607	–	3,607	−2,630
Long-term customer-specific construction contracts	−26,460	−5,151	21,309	2,907
Amortization of costs related to bond and syndicated loan	−1,713	−1,542	171	−227
Total deferred tax liabilities	**−62,706**	**−34,084**		
Netting	35,785	14,078		
Net deferred tax liabilities	**−26,921**	**−20,006**		
Currency effects reported in equity			236	73
Deferred tax expense/income (–)			**4,044**	**−5,753**

The currency effects of € 236 thousand (prior period: € 73 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2011 reporting period, deferred taxes of € 1,372 thousand were recognized directly in other comprehensive income (prior period: € 379 thousand).

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The income taxes and withholding taxes on distributable profits from subsidiaries are reported under deferred tax liabilities if it can be assumed that these profits will be subject to the corresponding taxation, or if there is a plan not to reinvest these profits for the long-term. No deferred tax liabilities were recognized on the accumulated profits of subsidiaries of € 51,540 thousand (prior period: € 68,541 thousand) as it is intended to reinvest these profits for an indefinite period.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

19. 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.

The item franchises, industrial rights and similar rights includes capitalized transaction costs of € 3,684 thousand (prior period: € 2,178 thousand) from the financing of the Group. These are amortized over the term of the respective loan agreements using the straight-line method.

There were no indications on the reporting date that the brand name Agramkow, which has an indefinite term and is recognized under intangible assets at € 1,658 thousand, is impaired. Dürr intends to continue using this brand name in future.

Prepayments relate exclusively to franchises, industrial rights and similar rights, transaction costs as well as property, plant and equipment. Property, plant and equipment are recognized as assets under construction if costs for own or third-party work have already been incurred for their manufacture but they have not been completed by the end of the reporting period.

Amortization and depreciation is shown in the statement of income under the following functional costs:

// AMORTIZATION AND DEPRECIATION 3.24

	2011			2010		
€k	**Intangible assets**	**Property, plant and equipment**	**Total amortization and depreciation**	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	−4,480	−7,141	−11,621	−1,061	−6,894	−7,955
Selling expenses	−176	−811	−987	−159	−548	−707
General administrative expenses	−965	−2,467	−3,432	−3,234	−2,880	−6,114
Research and development costs	−4,125	−484	−4,609	−3,701	−574	−4,275
Other operating expenses	–	−32	−32	−2	−40	−42
Interest and similar expenses	−1,832	–	−1,832	−3,922	–	−3,922
	−11,578	**−10,935**	**−22,513**	**−12,079**	**−10,936**	**−23,015**

Impairment losses and reversals of impairment losses are shown in the statement of income under the following functional costs:

// IMPAIRMENT LOSSES/REVERSALS 3.25

	2011			2010		
€k	**Intangible assets**	**Property, plant and equipment**	**Total impairment losses/reversals**	Intangible assets	Property, plant and equipment	Total impairment losses/reversals
Cost of sales	–	71	71	–	1,191	1,191
Selling expenses	–	–	–	–	–	–
General administrative expenses	–	−5	−5	–	−21	−21
Research and development costs	–	–	–	–	−89	−89
Other operating expenses	–	–	–	–	–	–
Interest and similar expenses	−981	–	−981	–	–	–
	−981	**66**	**−915**	**–**	**1,081**	**1,081**

In the 2011 reporting period, impairment losses of € 986 thousand (prior period: € 126 thousand) and reversals of impairment losses of € 71 thousand (prior period: € 1,207 thousand) were recorded.

The impairment losses to write assets down to fair value related to various items of property, plant and equipment in Japan. The fair value is determined on the basis of the value in use and at the level of the cash-generating unit. In addition, transactions costs related to the syndicated loan from 2008 were recorded as an impairment loss as the syndicated loan was redeemed prematurely.

In the 2011 reporting period, an impairment loss of € 71 thousand was reversed on a building in Poland. The reversals in the prior period related to a write-up of € 1,186 thousand on a property of Dürr Ecoclean S.A.S., Loué, France, to record it at fair value, and a reversal of € 21 thousand on property, plant and equipment in Poland.

Impairment test for goodwill

The goodwill acquired from business combinations was allocated to the cash-generating units for impairment testing. Dürr has identified the business units within its divisions as cash-generating units. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all business units.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the business units exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. In the reporting period, the pre-tax discount rate for the cash flow forecast ranged from 10.16 % to 10.33 % (prior period: 10.61 % to 10.90 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (prior period: 1.5 %) based on the long-term growth rate of the business units.

Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and business units. They are based on the figures determined in the previous reporting period 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 Dürr's benchmark companies. Cost of debt is based on a base interest rate for government bonds and a markup derived from the credit rating of benchmark companies.

Increase in the price of raw materials

The increase in the price of upstream products and raw materials purchased by Dürr is 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 raw materials are procured by the respective group entities.

Increase in payroll costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.9 % p.a. (prior period: 2.5 % p.a.) from 2012 onwards. The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

Sensitivity analysis of goodwill

Independent of the current economic state of the automobile industry and the expectations for the future, Dürr conducted sensitivity analyses of the recoverability of the goodwill carried in its business divisions. The impact of the following scenarios was calculated:

- A fall of 10% in EBIT in all years within the planning horizon beginning in 2012 (in comparison to the figures projected in the business plans)
- Increase of 0.5 percentage points in the discount rate
- A fall of 1.0% in the growth rate

The sensitivity analyses revealed that, from today's perspective, no impairment loss needed to be recognized on goodwill in any of the business units even under these assumptions.

The table below shows the development of goodwill, broken down by division and business unit. To allow comparison to the prior period, goodwill carried by the Environmental and Energy Systems and Application Technology business units were presented as though the Clean Technology Systems and Application Technology divisions were already independent segments on January 1, 2010.

// **DEVELOPMENT OF GOODWILL** 3.26

€ k	Carrying amount as of Jan. 1, 2010	Exchange difference	Changes in the consoli-dated group	Additions	Disposals	Carrying amount as of Dec. 31, 2010	Exchange difference	Additions	Carrying amount as of Dec. 31, 2011
Paint and Final Assembly Systems	88,483	1,333	–	–	–	89,816	134	–	89,950
Aircraft and Technology Systems	7,563	–	–	–	–	7,563	–	–	7,563
Paint and Assembly Systems	**96,046**	**1,333**	**–**	**–**	**–**	**97,379**	**134**	**–**	**97,513**
Application Technology	57,356	420	–	4,973	–	62,749	−23	–	62,726
Application Technology	**57,356**	**420**	**–**	**4,973**	**–**	**62,749**	**−23**	**–**	**62,726**
Balancing and Assembly Products	98,227	629	–	–	−242	98,614	243	1,859	100,716
Cleaning and Filtration Systems	14,573	1,311	1,625	–	–	17,509	420	–	17,929
Measuring and Process Systems	**112,800**	**1,940**	**1,625**	**–**	**−242**	**116,123**	**663**	**1,859**	**118,645**
Environmental and Energy Systems	5,062	389	–	–	–	5,451	147	–	5,598
Clean Technology Systems	**5,062**	**389**	**–**	**–**	**–**	**5,451**	**147**	**–**	**5,598**
Dürr Group	**271,264**	**4,082**	**1,625**	**4,973**	**−242**	**281,702**	**921**	**1,859**	**284,482**

Changes in goodwill from changes in the consolidated group and additions to it are explained below.

Acquisitions

2011 reporting period

Agramkow Fluid Systems A/S: On May 24, 2011, Dürr acquired 55 % of the shares in Agramkow Fluid Systems A/S, based in Sønderborg, Denmark. The acquisition of Agramkow Fluid Systems A/S and its subsidiaries has given Dürr access to new customers in the filling technology industry. Agramkow is the global leader in plant and equipment for filling household appliances and heat pumps with coolant.

Purchase accounting for Agramkow Fluid Systems A/S and its subsidiaries was performed in accordance with IFRS 3 "Business Combinations" using the purchased goodwill method. The profit or loss of the acquired entities were included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for Agramkow Fluid Systems A/S and its subsidiaries amounted to € 8,186 thousand of which € 7,170 thousand was settled in cash with a financial liability of € 1,016 thousand being recorded for the outstanding purchase price installment. The acquisition-related costs of the entities acquired totaled € 214 thousand. Of this amount, € 118 thousand was expensed in the 2011 reporting period and € 96 thousand in the 2010 reporting period.

The net assets and goodwill acquired in the business combination with Agramkow Fluid Systems A/S and its subsidiaries as of May 24, 2011, is presented below:

// GOODWILL FROM THE ACQUISITION OF AGRAMKOW IN 2011 3.27

€ k		
Total purchase price for the acquisition	8,186	
less assets attributable to former shareholders	−1,016	
Purchase price		**7,170**
Fair value of net assets	10,673	
of which attributable to former shareholders	−1,016	
Fair value of net assets less assets attributable to former shareholders	**9,657**	
Fair value of net assets less assets attributable to former shareholders	−9,657	
Non-controlling interest measured at fair value	4,346	
Share in fair value of net assets attributable to Dürr		**−5,311**
Goodwill		**1,859**

Goodwill amounting to € 1,859 thousand reflects the technology and cost and sales synergies in filling technology and the positive earnings prospects of the Agramkow entities. It has been allocated to the Balancing and Assembly Products business unit and is not tax deductible.

The total purchase price was allocated to the assets acquired and liabilities assumed as follows:

// PURCHASE PRICE ALLOCATION FOR THE AGRAMKOW ACQUISITION IN 2011 3.28

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	934	10,118	11,052
Property, plant and equipment	479	−36	443
Inventories and prepayments	4,363	44	4,407
Receivables and other assets	2,816	1,662	4,478
Cash and cash equivalents	3,575	−3,221	354
Non-current liabilities	−71	–	−71
Deferred tax liabilities	–	−2,753	−2,753
Current liabilities	−10,014	2,777	−7,237
Net assets	**2,082**	**8,591**	**10,673**

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The adjustments mainly relate to intangible assets, where technological know-how and customer relationships and the Agramkow brand name were recognized in the course of the purchase price allocation. Trade receivables and payables were adjusted on account of the transition made to carrying amounts determined using the percentage of completion method under IAS 11 “Construction Contracts”. The cash and cash equivalents allocated to the former shareholders of Agramkow Fluid Systems A/S was reclassified. No contingent liabilities were recognized in the purchase accounting.

The useful lives of the intangible assets acquired break down as follows:

// USEFUL LIVES OF THE INTANGIBLE ASSETS ACQUIRED IN THE BUSINESS COMBINATION WITH AGRAMKOW IN 2011 3.29

	Fair value (€ k)	Useful life (years)
Technological know-how	1,411	8
Customer relationships	7,049	8
Brand name	1,658	Indefinite
	10,118	

The intangible assets acquired in the business combination were measured using the income approach. The fair value of technological know-how and the brand name were measured using the relief from royalty method and the fair value of customer relationships was measured using the multi-period excess earnings method. The other assets and liabilities were measured in accordance with the accounting policies explained in note 6.

In the course of the business combination a put option held by the non-controlling interests was recorded as a financial liability. The contra-account for establishing the liability was revenue reserves which were offset by € 4,346 thousand against non-controlling interests in equity. The option will be measured at fair value in subsequent periods. The changes in fair value will be recorded directly in equity.

The earnings contributed by Agramkow Fluid Systems A/S and its subsidiaries until December 31, 2011, are summarized as follows:

// EARNINGS CONTRIBUTED BY THE AGRAMKOW GROUP SINCE THE DATE OF FIRST-TIME CONSOLIDATION 3.30

€ k	
Sales revenues	18,213
Earnings before investment income, interest and taxes	2,800
Earnings before income taxes	2,728
Profit	2,049

If Agramkow Fluid Systems A/S and its subsidiaries had been included in the consolidated group as of January 1, 2011, group sales revenues for the 2011 reporting period would have amounted to € 1,929,293 thousand and the Group's profit for the period would have been € 64,663 thousand.

A comparison of the statement of financial position and the statement of income was not performed as the change in the consolidated group is not material. As of December 31, 2011, the share in total assets accounted for by Agramkow Fluid Systems A/S, Agramkow Asia Pacific Pte. Ltd. and Agramkow do Brasil Ltda., which were consolidated for the first time, came to just 1.1 % and the share in sales revenues to just 0.9 %.

2010 reporting period

UCM AG: UCM AG, Rheineck, Switzerland, was consolidated for the first time as of January 1, 2010. Dürr purchased all of the shares in the company under a share purchase agreement dated December 9, 2009. UCM AG specializes in equipment for the precision cleaning of workpieces. This enables Dürr to supplement its portfolio in a segment that serves growth industries such as medical equipment and precision optics.

Purchase accounting for UCM AG was performed in accordance with IFRS 3 "Business Combinations". The profit or loss of the acquired entity was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for UCM AG of € 4,156 thousand breaks down into a basic price of € 2,240 thousand that was settled in cash and two basic installments depending on EBITDA in the 2010 and 2011 reporting periods. The two basic installments increase or decrease in relation to the deviation in forecast EBITDA from EBITDA pursuant to the financial statements. Aggregate changes in the two basic installments may not exceed € 672 thousand (cap). The highest purchase price amounts to € 4,635 thousand, the lowest purchase price to € 3,291 thousand. If the actual aggregate EBITDA for the 2010 and 2011 reporting periods totals at least € 1,441 thousand, the second basic installment will be increased by an additional € 269 thousand. A liability of € 1,916 thousand was recognized as of the purchase date for the contingent portion of the purchase price on the basis of the current planning. Goodwill amounting to € 1,625 thousand reflects the technology and cost synergies between the precision cleaning technology and the positive earnings prospects of UCM AG.

Kleinmichel: As of January 25, 2010, assets were acquired from the liquidation assets of Klaus Kleinmichel GmbH, Bernried, Germany, under an asset deal. Kleinmichel specializes in adhesive dispensing technology for the final assembly work in the automobile industry and for general industrial applications. Purchase accounting for the assets acquired was performed accordance with IFRS 3 "Business Combinations". The purchase price of the assets amounted to € 2,500 thousand and was settled in cash. The goodwill of € 1,603 thousand reflects technology and cost synergies in adhesive dispensing technology.

Klaus Kleinmichel GmbH did not generate any sales revenues in 2010 prior to its insolvency in January. As the assets acquired are fully merged in the financial statements of the acquiring entity, Dürr Systems GmbH, Stuttgart, Germany, it is impossible to disclose separately the earnings and sales revenues since the acquisition date.

Helmuth Rickert GmbH: Under a share purchase agreement signed on May 27, 2010, Dürr acquired all the shares in Helmuth Rickert GmbH, Wolfsburg, Germany, as of July 30, 2010. Prior to execution of the share purchase agreement, its subsidiary I.N.T.-Rickert GmbH, likewise with registered offices in Wolfsburg, was merged into Helmuth Rickert GmbH. In Germany, Rickert is one of the leading providers of products for adhesive dispensing for bodywork parts. Through the acquisition of Rickert, Dürr has expanded its activities in the field of adhesive dispensing technology.

Purchase accounting for Helmuth Rickert GmbH (renamed Dürr Systems Wolfsburg GmbH following execution of the share purchase agreement) was performed in accordance with IFRS 3 "Business Combinations". The profit or loss of the acquired entity was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for Helmuth Rickert GmbH breaks down into a basic price of € 5,400 thousand that was settled in cash and a portion dependent upon the average EBIT reported in the 2010 to 2014 reporting periods. The earnings-related portion of the purchase price is capped at € 1,200 thousand. This means that the highest purchase price amounts to € 6,600 thousand, the lowest purchase price to € 5,400 thousand. As of the acquisition date, a liability of € 0 thousand was recognized for the contingent portion of the purchase price, because as of the acquisition date the budgeted EBIT for the 2011 to 2014 reporting periods was not able to offset the net loss for the year 2010 under German commercial law. Goodwill amounting to € 3,370 thousand reflects the technology and cost synergies in the adhesive dispensing technology and the positive earnings prospects of Helmuth Rickert GmbH.

The acquisition-related costs of the entities acquired totaled € 263 thousand. Of this amount, € 208 thousand was recorded as expense in the 2010 reporting period and € 55 thousand in the 2009 reporting period.

The contribution of UCM AG and Dürr Systems Wolfsburg GmbH (formerly: Helmuth Rickert GmbH) to earnings after taxes from the date of first-time consolidation to December 31, 2010, totals € 610 thousand; the sales revenues with external parties included in that period amount to € 6,269 thousand.

If Dürr Systems Wolfsburg GmbH (formerly: Helmuth Rickert GmbH) had been included in the consolidated group as of January 1, 2010, group sales revenues for the 2010 reporting period would have amounted to € 1,265,632 thousand and the Group's profit for the period would have been € 5,624 thousand.

The acquired net assets and goodwill from the UCM AG, Helmuth Rickert GmbH, and Kleinmichel acquisitions break down as follows:

// GOODWILL FROM ACQUISITIONS IN 2010 3.31

€ k	
Purchase price for the acquisitions	12,056
Fair value of net assets	−5,458
Goodwill	**6,598**

The total purchase price was allocated to the assets acquired and liabilities assumed as follows:

// PURCHASE PRICE ALLOCATION FROM ACQUISITIONS IN 2010 3.32

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	8	2,997	3,005
Property, plant and equipment	2,420	−55	2,365
Deferred tax assets	–	234	234
Inventories	1,460	−425	1,035
Receivables and other assets	4,389	−518	3,871
Cash and cash equivalents	1,119	−1	1,118
Non-current liabilities	−869	−166	−1,035
Deferred tax liabilities	−255	−615	−870
Current liabilities	−4,976	711	−4,265
Net assets	**3,296**	**2,162**	**5,458**

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The adjustments mainly relate to intangible assets, where technological know-how and customer relationships were recognized in the course of the purchase price allocation. A developed property belonging to Helmuth Rickert GmbH and a building on third-party land as well as a building owned by UCM AG were measured at fair value. Trade receivables and payables were adjusted on account of the transition made to carrying amounts determined using the percentage of completion method under IAS 11 "Construction Contracts". In addition, a write-down was recorded on the inventories acquired. No contingent liabilities were recognized upon first-time consolidation.

The useful lives of the intangible assets acquired break down as follows:

// USEFUL LIFE OF INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS IN 2010 ////// 3.33

	Fair value (€ k)	Useful life (years)
Technological know-how	1,557	8
Customer relationships	1,440	10
	2,997	

The goodwill is allocated to the Cleaning and Filtration Systems and Application Technology business units; € 1,603 thousand of this amount is tax deductible.

Land and buildings

On November 30, 2011, Dürr acquired the general partner share in Dürr GmbH & Co. Campus KG, a limited partnership which leases property to group entities at the Bietigheim-Bissingen location. Due to the fact that the entity does not pursue any active operations of its own, the acquisition does not qualify as a business combination under the terms of IFRS 3 “Business Combinations”. As a result, Dürr acquired the land and buildings and the associated liabilities. The acquisition costs of the land and the buildings completed in 2009 amounted to € 51,353 thousand. At the same time, Dürr acquired liabilities to banks of € 46,572 thousand. The buildings were previously leased under an operating lease.

A building in the United Kingdom and a building in Germany were capitalized in the reporting period as they were leased under finance leases. Dürr does not have legal title to these buildings. The depreciation recorded on these buildings is included in the depreciation of property, plant and equipment.

In the 2010 reporting period, the finance lease for a building in Germany was terminated early and the building was acquired by Schenck Technologie- und Industriepark GmbH. The building is accounted for as investment property.

Likewise in the 2010 reporting period, a hot water distribution grid for heating the technology and industrial estate at the Darmstadt location was recognized in land and buildings as it was acquired under a finance lease. The term of the finance lease ends on December 31, 2020. When the contract ends, the heating water distribution grid including all installed components and equipment will become the property of Schenck Technologie- und Industriepark GmbH.

The table below shows cost and accumulated depreciation and impairment losses for these properties which are reported as finance leases under property, plant and equipment.

// PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS ////////////////////////////////////// 3.34

€ k	**Dec. 31, 2011**	Dec. 31, 2010
Historical cost	5,300	5,108
Accumulated depreciation and impairment losses	−2,195	−1,809
Net carrying amount	**3,105**	**3,299**

For the syndicated loan, the total mortgages of selected Dürr entities recorded in the land register were provided as collateral. The carrying amount of the assets came to € 63,956 thousand as of December 31, 2011 (prior period: € 65,228 thousand).

Investment property

Dürr distinguishes between property that is largely owner-occupied and property that is let to third parties. A property is considered to be largely used by third parties if more than 90 % of it is let to third parties. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt, Germany. In the 2011 reporting period, these properties generated rental income of € 3,070 thousand (prior period: € 2,628 thousand). The future rental income based on the existing agreements breaks down as follows:

// **FUTURE RENTAL INCOME** 3.35

€ k	Dec. 31, 2011	Dec. 31, 2010
Less than one year	2,851	2,511
Between one and five years	3,557	1,980
More than five years	1,141	37
	7,549	**4,528**

Directly attributable expenditure amounted to € 1,764 thousand (prior period: € 1,481 thousand). Of this amount, € 94 thousand (prior period: € 105 thousand) is attributable to vacant property.

Buildings are depreciated using the straight-line method of depreciation over their useful life ranging between 20 and 50 years.

In the 2011 reporting period, the composition of these properties changed slightly on account of changes to own and third-party use. The fair value comes to some € 26,800 thousand as of December 31, 2011, taking into account additions due to subsequent expenditure (prior period: € 25,880 thousand). An internal calculation prepared on annual basis is used to determine the fair value of the investment properties; no valuer was consulted in determining the values. Fair value 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 15 % (prior period: 15 %) and a property yield of 7.5 % (prior period: 7.5 %) was used in the calculation. The accumulated cost of land and buildings came to € 39,160 thousand as of January 1, 2011, and € 39,832 thousand as of December 31, 2011. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 16,026 thousand as of January 1, 2011, to € 17,499 thousand as of December 31, 2011.

The table below presents a reconciliation of the development of the carrying amount of the investment property belonging to the Measuring and Process Systems division from the beginning to the end of the reporting period.

// **INVESTMENT PROPERTY** 3.36

€ k	2011	2010
As of January 1	**23,134**	**20,475**
Additions of buildings from change in use	1,359	2,724
Additions from subsequent expenditure	155	1,240
Disposals from change in use	−757	−822
Disposal from acquisition costs	−85	−156
Reclassifications	–	35
Depreciation	−839	−768
Change in depreciation from change in use	−696	274
Disposals from accumulated depreciation and impairment losses	62	132
As of December 31	**22,333**	**23,134**

20. Investments in entities accounted for using the equity method and other financial assets

Due to the acquisition of 50 % of the shares in Cyplan Ltd., investments in entities accounted for using the equity method rose by € 3,542 thousand. By contrast, the acquisition of the general partner's share in Dürr GmbH & Co. Campus KG by Dürr led to a fall of € 333 thousand in this item.

The acquisition of a 10 % investment in Parker Engineering Co., Ltd., Tokyo, Japan, increased other financial assets by € 1,956 thousand.

// ASSOCIATES 3.37

€ k	2011	2010
Total assets	46,226	87,173
Non-current assets	5,556	52,240
Current assets	40,670	34,933
Non-current liabilities	10,956	25,321
Current liabilities	7,893	37,054
Sales revenues	34,419	29,102
Profit for the period	2,408	2,175

The end of the reporting period of one associate is September 30; it is included using the equity method on the basis of the figures contained in the financial statements from that date. Significant effects that occurred between that date and December 31 are considered.

// JOINT VENTURES (SHARE IN PROFIT) 3.38

€ k	2011	2010
Total assets	29	33
Current assets	29	33
Current liabilities	4	9
Sales revenues	–	488
Profit for the period	–	−334

The share of profit from joint ventures accounted for using the equity method amounted to € 0 thousand (prior period: € 491 thousand) and losses totaled € 0 thousand (prior period: € 824 thousand). Contingent liabilities for joint ventures break down as follows:

// CONTINGENT LIABILITIES FOR JOINT VENTURES 3.39

€ k	2011	2010
Guarantees for joint ventures	314	3,069
Assumption of joint and several liability by the venturer	–	−1,705
As of December 31	**314**	**1,364**

For additional information about the consolidated entities, please refer to notes 3 and 4.

21. Inventories and prepayments

// INVENTORIES AND PREPAYMENTS 3.40

€k	Dec. 31, 2011	Dec. 31, 2010
Materials and supplies	79,663	48,381
less write-downs	−8,711	−7,655
Work in process from small series production	24,023	12,645
less write-downs	−904	−792
Finished goods	7,685	7,575
less write-downs	−652	−1,072
Prepayments	23,367	14,679
	124,471	**73,761**

Materials and supplies of € 71,764 thousand (prior period: € 45,046 thousand) were measured at average cost and € 7,899 thousand (prior period: € 3,335 thousand) using the FIFO method (first in, first out). On aggregate, write-downs increased to € 10,267 thousand (prior period: € 9,519 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the reporting period of € 5,503 thousand (prior period: € 5,745 thousand) were recognized in profit or loss.

22. Trade receivables

// TRADE RECEIVABLES 3.41

	DEC. 31, 2011			DEC. 31, 2010		
€k	**Total**	**Current**	**Non-current**	Total	Current	Non-current
Cost and estimated earnings in excess of billings	297,567	297,567	–	209,269	209,269	–
Trade receivables due from third parties	327,822	327,631	191	183,492	182,171	1,321
Trade receivables due from entities accounted for using the equity method	446	446	–	510	510	–
	625,835	**625,644**	**191**	**393,271**	**391,950**	**1,321**

The table below shows an ageing analysis of the recognized trade receivables that are not impaired:

// AGEING ANALYSIS OF TRADE RECEIVABLES 3.42

	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS		TRADE RECEIVABLES DUE FROM THIRD PARTIES		TRADE RECEIVABLES DUE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	
€k	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
Neither past due nor impaired at the end of the reporting period	297,567	209,269	252,233	139,873	446	510
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	44,039	26,472	–	–
between 3 and 6 months	–	–	16,730	5,959	–	–
between 6 and 9 months	–	–	3,633	1,851	–	–
between 9 and 12 months	–	–	4,501	1,066	–	–
more than 12 months	–	–	5,352	4,829	–	–
Total	–	–	74,255	40,177	–	–
Net receivables on which specific bad debt allowances have been recognized	–	–	1,334	3,442	–	–
Net carrying amount	**297,567**	**209,269**	**327,822**	**183,492**	**446**	**510**

With respect to the trade receivables that were neither impaired nor past due, there was no indication at the end of the reporting period that the debtors would not meet their payment obligations.

Bad debt allowances on trade receivables due from third parties and due from entities accounted for using the equity method developed as follows:

// CHANGES IN BAD DEBT ALLOWANCES 3.43

€ k	2011	2010
As of January 1	**8,747**	**7,720**
Exchange difference	61	162
Utilization	−1,524	−916
Unused amounts reversed	−1,524	−1,118
Increases (impairment charge)	1,443	2,899
As of December 31	**7,203**	**8,747**

Receivables of € 1,621 thousand (prior period: € 1,013 thousand) were derecognized in the 2011 reporting period; € 1,524 thousand (prior period: € 916 thousand) thereof had already been written down in the prior period. The remaining € 97 thousand (prior period: € 97 thousand) was derecognized through profit or loss in the 2011 reporting period.

// COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS 3.44

	DEC. 31, 2011			DEC. 31, 2010		
€ k	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs and estimated earnings	936,769	936,769	–	700,936	700,936	–
Less billings	639,202	639,202	–	491,667	491,667	–
Costs and estimated earnings in excess of billings	**297,567**	**297,567**	**–**	**209,269**	**209,269**	**–**
Liabilities						
Costs and estimated earnings	1,221,887	1,221,887	–	552,547	552,547	–
Less billings	1,650,102	1,645,407	4,695	813,320	813,320	–
Billings in excess of costs on uncompleted contracts	**428,215**	**423,520**	**4,695**	**260,773**	**260,773**	**–**
Total						
Costs and estimated earnings	2,158,656	2,158,656	–	1,253,483	1,253,483	–
Less billings	2,289,304	2,284,609	4,695	1,304,987	1,304,987	–
Billings in excess of costs on uncompleted contracts	**130,648**	**125,953**	**4,695**	**51,504**	**51,504**	**–**

These amounts are offset on a contract basis and are included in either cost and estimated earnings in excess of billings (assets) or billings in excess of cost and estimated earnings (liabilities). Please also refer to note 30.

23. Sundry financial assets

// SUNDRY FINANCIAL ASSETS 3.45

	DEC. 31, 2011			DEC. 31, 2010		
€ k	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	1,679	1,526	153	2,061	1,985	76
Rent deposits and other collateral provided	4,564	1,663	2,901	3,974	1,561	2,413
Time deposits	35,950	35,950	–	–	–	–
Remaining sundry financial assets	11,324	11,035	289	8,591	8,125	466
	53,517	**50,174**	**3,343**	**14,626**	**11,671**	**2,955**

Remaining sundry financial assets include balances at suppliers of € 1,303 thousand (prior period: € 1,176 thousand) and receivables from employees totaling € 1,860 thousand (prior period: € 1,770 thousand).

For the disclosures required by IFRS 7, please refer to note 34.

Of the gross amount of sundry financial assets of € 53,651 thousand (prior period: € 14,758 thousand), € 53,517 thousand (prior period: € 14,626 thousand) was neither past due nor impaired on the reporting date. For these assets there is no indication that the debtors will not be able to meet their payment obligations. Impairments of sundry financial assets developed as follows:

// MOVEMENTS IN THE PROVISIONS FOR IMPAIRMENT OF SUNDRY FINANCIAL ASSETS 3.46

€ k	2011	2010
As of January 1	**132**	**393**
Exchange difference	2	5
Utilization	–	–266
As of December 31	**134**	**132**

24. Other assets

// OTHER ASSETS 3.47

	DEC. 31, 2011			DEC. 31, 2010		
€ k	Total	Current	Non-current	Total	Current	Non-current
Other assets	22,459	22,244	215	15,684	15,581	103
	22,459	**22,244**	**215**	**15,684**	**15,581**	**103**

Other assets mainly contain tax assets which do not relate to income taxes of € 20,719 thousand (prior period: € 15,143 thousand). Likewise, this item includes transaction costs of € 632 thousand associated with loans from the European Investment Bank (prior period: € 0 thousand).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

25. Equity attributable to shareholders of Dürr Aktiengesellschaft

Subscribed capital (Dürr AG)

As of December 31, 2011, the capital stock of Dürr AG came to € 44,289 thousand (prior period: € 44,289 thousand) and was made up of 17,300,520 shares (prior period: 17,300,520 shares). Each share represents € 2.56 of the subscribed capital and is made out to the bearer. The shares issued were fully paid in at the end of the reporting period.

Authorization of the Board of Management to acquire and sell treasury shares

The annual general meeting on April 30, 2010, authorized the Board of Management to purchase no-par value bearer shares of Dürr AG once or several times until April 29, 2015. The purchases, whether for one or more purposes, may be transacted through the stock exchange or through a public tender addressed to all shareholders. The number of shares purchased in this way may not at any time exceed 10 % of the capital stock. The authorization may not be used for the purpose of trading with treasury shares. In the event of the shares being purchased through the stock exchange, the consideration for the purchase of the shares may not deviate more than 5 % from the stock exchange price. In the event of a public tender addressed to all shareholders, the purchase price may be up to 20 % above the stock exchange price but may not be lower than the stock exchange price.

The annual general meeting on April 30, 2010, additionally authorized the Board of Management to sell, subject to the approval of the Supervisory Board, the shares purchased on the basis of the above or an earlier authorization through the stock exchange or a public tender addressed to all shareholders. In specified cases, the shares may be sold in a different manner, thus excluding the subscription right of the shareholders. Finally, the Board of Management is authorized, with the approval of the Supervisory Board, to withdraw all or part of the shares purchased without a capital decrease with no further resolution of the annual general meeting being necessary.

Authorized capital (Dürr AG)

The annual general meeting on April 30, 2009, authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times in the period up to April 30, 2014, by up to € 22,145 thousand by issuing up to 8,650,260 no-par value shares made out to the bearer (authorized capital).

Conditional capital (Dürr AG)

The annual general meeting on April 30, 2010, authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until April 29, 2015, convertible bonds, warrant-linked bonds, participation rights or income bonds or combinations of these instruments with or without fixed maturity with a total nominal value of up to € 221,447 thousand. For this purpose, the capital stock capital has been conditionally increased by a maximum of € 22,145 thousand by issue of up to 8,650,260 new no-par value bearer shares in the form of common stock (conditional capital).

Capital reserve (Dürr AG)

The capital reserve includes share premiums and was unchanged as of December 31, 2011, compared to the end of the prior period at € 200,186 thousand. The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG ["Aktiengesetz": German Stock Corporations Act].

Revenue reserves

Revenue reserves contain the profits generated in the past by the entities included in the consolidated financial statements that have not been distributed. They totaled € 146,003 thousand as of December 31, 2011 (prior period: € 97,533 thousand). The change is chiefly owing to the addition of the net profit for the year, the recognition and measurement of options allocable to non-controlling interests and the distribution of the dividend for the 2010 reporting period. In accordance with Sec. 268 No. 8 HGB, an amount of € 895 thousand (prior period: € 1,047 thousand) of the revenue reserves is subject to restrictions on distribution because assets were recognized at fair value in the separate financial statements of Dürr AG prepared in accordance with the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

Dividends

In accordance with the AktG, the distributable dividend is measured based on net retained profit as reported by Dürr AG in its separate financial statements prepared in accordance with the provisions of the HGB. In the 2011 reporting period, Dürr AG distributed a dividend to its shareholders of € 0.30 per share (prior period: € 0.00) from the net retained profit recorded in 2010, making for a total distribution of € 5,190 thousand (prior period: € 0 thousand). On account of the results of operations in the 2011 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that a dividend of € 1.20 per share be distributed.

Other comprehensive income

The table below presents the development of other comprehensive income and the associated tax effects from components of other comprehensive income, taking into account the changes in the item "Non-controlling interests".

// OTHER COMPREHENSIVE INCOME 3.48

	2011			2010		
€ k	**Before taxes**	**Tax effect**	**Net**	Before taxes	Tax effect	Net
Net gains/losses (–) from derivatives used to hedge cash flows	–4,612	1,362	–3,250	–253	58	–195
Gains/losses from changes in the fair value of available-for-sale securities	11	–	11	–	–	–
Reclassifications from foreign currency translation through profit or loss	451	–	451	–140	–	–140
Difference arising from foreign currency translation	1,791	–	1,791	12,457	–	12,457
Difference arising from foreign currency translation of entities accounted for using the equity method	989	–	989	2,037	–	2,037
Change in net actuarial gains and losses from defined benefit plans and similar obligations	–2,741	10	–2,731	–1,497	321	–1,176
Change in other comprehensive income	**–4,111**	**1,372**	**–2,739**	**12,604**	**379**	**12,983**

The increase in currency-related components of other comprehensive income is essentially attributable to the fluctuation of the euro against the US dollar, the Chinese renminbi, the Indian rupee, the Brazilian real and the Japanese yen.

Disclosures on capital management

The primary objective of capital management is to support business operations, ensure a healthy capital ratio and increase business value.

Dürr monitors its capital on a monthly basis using a gearing ratio which reflects the ratio of net debt to equity and is defined internally as the ratio of equity to equity less the net financial status. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. At –16.6 % (prior period: –8.0 %), the ratio at the end of the 2011 reporting period was significantly lower than the threshold given because, as was also the case in the prior period, the Group carried net financial assets rather than net financial debt.

// GEARING RATIO 3.49

€ k	Dec. 31, 2011	Dec. 31, 2010
Cash and cash equivalents	298,561	252,308
Time deposits and other short-term securities	35,960	–
Bond	−225,511	−225,639
Financial liabilities to entities accounted for using the equity method	–	−1,090
Liabilities to banks	−57,201	−1,990
Net financial status [1]	**51,809**	**23,589**
Equity [2]	364,320	319,401
Equity less net financial status [3] = [2] − [1]	312,511	295,812
Gearing ratio (−[1]/[3] x 100 (%))	**−16.6 %**	**−8.0 %**

Equity is factored into the calculation of the total net worth covenant, stipulated by the agreements governing the syndicated loan and the loan commitments from the European Investment Bank (EIB). The total net worth covenant may not fall below a certain value. This covenant was always complied with on each measurement date in the 2011 and 2010 reporting periods.

26. Non-controlling interests

Non-controlling interests contain adjustment items from the purchase accounting for capital attributable to non-controlling interests required to be consolidated and the profits and losses attributable to them. The consolidated financial statements contain eight entities (prior period: four) in which there were non-controlling interests.

// BREAKDOWN OF NON-CONTROLLING INTERESTS 3.50

€ k	Dec. 31, 2011	Dec. 31, 2010
Olpidürr S.p.A., Novegro di Segrate, Italy	1,981	1,997
Verind S.p.A., Rodano, Italy	3,427	4,208
CPM S.p.A., Beinasco, Italy	–	–
Stimas Engineering S.r.l., Turin, Italy	26	26
CPM Automation d.o.o. Beograd, Belgrade, Serbia	–	–
Agramkow Fluid Systems A/S, Sønderborg, Denmark	–	–
Agramkow do Brasil Ltda., Indaiatuba, Brazil	–	–
Agramkow Asia Pacific Pte. Ltd., Singapore, Singapore	–	–
	5,434	**6,231**

In accordance with IAS 32 "Financial Instruments: Presentation", the put options held by the non-controlling interests in CPM S.p.A. and in Agramkow Fluid Systems A/S were measured at fair value. The options are recognized under sundry financial liabilities. Changes are posted directly to the revenue reserves without affecting income. The non-controlling interests in the two entities and their respective subsidiaries have been offset against the revenue reserves. Consequently, they are not reported under "Non-controlling interests".

27. Provisions for post-employment benefit obligations

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

Defined contribution plans

The post-employment benefits available to the employees of Dürr's German subsidiaries include a life insurance program (BZV) in line with the respective tariff group for which the Group recorded contributions of € 723 thousand (prior period: € 753 thousand) as an expense. In addition, Dürr paid contributions of

€ 16,210 thousand (prior period: € 15,172 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 reporting period, pension expenses for these employees amounted to € 1,549 thousand (prior period: € 1,250 thousand).

In addition, Dürr's US subsidiaries have a "401(k)" profit-sharing plan for certain employees. Profit-sharing is based on the number of years' service and the employees' remuneration. The Group's contribution is discretionary and is determined annually by management. In the reporting period, expenses came to € 297 thousand (prior period: € 335 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 boards and general managers of German subsidiaries based on their most recent fixed salary and years of service.

In addition, employees of Dürr's German subsidiaries are offered deferred compensation. Under these plans, Dürr employees are entitled to convert certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligation, Dürr has taken out employer's pension liability insurance for the life of the beneficiaries. Dürr has the exclusive right to the respective benefits. The amount of post-employment benefits equals the benefit paid out under the employer's pension liability insurance concluded by Dürr, which consists of a guaranteed pension and the divisible surplus allocated by the insurance company. Dürr reports the benefit obligation net of plan assets from the employer's pension liability insurance, with actuarial gains and losses potentially giving rise to a surplus or deficit.

At the German Dürr subsidiaries, those workers who were employed at the locations in Filderstadt and Wyhlen and at the Schenck entities at the time their entities were acquired were entitled to post-employment benefits. These are based on years of service. The payments provided for by the pension plan comprise actual contributions plus an element that is dependent on years of service.

The US subsidiaries of Dürr have pension plans covering all non-union employees at these subsidiaries. Future pension payments are based on the average salaries earned and length of service before the benefit obligations were frozen in 2003 and 2006.

// CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS 3.51

€ k	**Dec. 31, 2011**	Dec. 31, 2010
Changes in the present value of defined benefit obligations		
Defined benefit obligation at the beginning of the year	84,476	78,063
Changes in the consolidated group	–	1,410
Exchange difference	647	1,733
Contributions by plan participants	762	–
Current service cost	2,251	2,038
Interest cost	4,089	4,192
Actuarial gains and losses	1,557	1,962
Benefits paid	−5,698	−4,962
Other	438	40
Defined benefit obligation at the end of the year	**88,522**	**84,476**

// CHANGE IN PLAN ASSETS 3.52

€ k	Dec. 31, 2011	Dec. 31, 2010
Change in plan assets		
Fair value of plan assets at the beginning of the year	28,729	23,032
Changes in the consolidated group	–	1,148
Exchange difference	425	1,264
Expected return on plan assets	1,557	1,242
Actuarial gains and losses	–1,188	463
Employer contributions	1,399	1,566
Plan participant contributions	762	88
Benefits paid	–1,561	–1,147
Plan assets from employer's pension liability insurance	620	1,073
Fair value of plan assets at the end of the year	**30,743**	**28,729**
Funded status*	57,779	55,747

* Difference between the defined benefit obligation and the plan assets

// FUNDED STATUS 3.53

€ k	Dec. 31, 2011	Dec. 31, 2010
Present value of funded obligations benefit obligations	61,268	58,497
Plan assets at fair value	30,743	28,729
Defined benefit obligation in excess of plan assets	30,525	29,768
Present value of non-funded obligations	27,254	25,979
Funded status*	57,779	55,747

* Difference between the defined benefit obligation and the plan assets

// ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED BY ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS 3.54

€ k	Dec. 31, 2011	Dec. 31, 2010
Prepaid expenses	–	147
Pension provisions	57,779	55,894
	57,779	**55,747**
Other comprehensive income (including exchange differences)	–16,111	–12,844

As of December 31, 2011, the plan assets were invested in various portfolios consisting mostly of fixed-interest securities and shares. At the end of the reporting period, the fair value of plan assets breaks down as follows:

// COMPOSITION OF PLAN ASSETS 3.55

€ k	Dec. 31, 2011	Dec. 31, 2010
Shares	1,326	7,057
Fixed-interest securities	28,430	20,891
Real estate	570	436
Other	417	345
	30,743	**28,729**

The plan assets of the German entities mainly consist of employer's pension liability insurance policies which cover the pension entitlements acquired. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities (including government bonds and mortgage bonds). When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers.

Total return expected on plan assets is generally calculated on the basis of the market prices at this point in time. These apply for the period of time over which the obligation is settled. 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 papers also make up a share of the investment portfolio. Equity papers account for 2 % (prior period: 38 %) of the assets of the main benefit plans in the USA.

For the 2012 reporting period, employer contributions to the plans of € 1,551 thousand are expected.

// COMPOSITION OF THE NET PENSION COST 3.56

€ k	2011	2010
Current service cost	2,251	2,038
Interest cost	4,089	4,192
Expected return on plan assets	−1,557	−1,242
Other	−166	−164
	4,617	**4,824**

In the 2011 reporting period, the actual return on plan assets totaled € 369 thousand (prior period: € 1,705 thousand).

The net periodic pension cost is contained in the following items of the statement of income:

// NET PENSION COST IN THE STATEMENT OF INCOME 3.57

€ k	2011	2010
Cost of sales	478	280
Selling expenses	182	190
General administrative expenses	1,415	1,373
Research and development costs	10	9
Other operating expenses	–	22
Interest and similar income	−1,557	−1,242
Interest and similar expenses	4,089	4,192
	4,617	**4,824**

The cut-off date for the measurement of benefit obligations and plan assets is December 31; the measurement date for pension cost is January 1.

// AVERAGE RATES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS 3.58

	2011			2010		
%	**Germany**	**USA**	**Rest of world**	Germany	USA	Rest of world
Discount rate	5.00	4.35	4.35	5.00	5.00	4.55
Long-term salary increases	3.00	–	2.59	2.80	–	2.72

In Germany, future pension increases, which have a significant impact on the defined benefit obligations, as of the end of the reporting period came to 2.00 % in the 2011 reporting period (prior period: 2.00 %).

// AVERAGE RATES USED FOR CALCULATING PENSION COST 3.59

	2011			2010		
%	**Germany**	**USA**	**Rest of world**	Germany	USA	Rest of world
Discount rate	5.00	5.00	4.55	5.25	5.65	4.62
Expected long-term return on plan assets	5.00	7.03	4.28	5.25	7.27	6.06
Long-term salary increases	2.80	–	2.72	3.00	–	2.85

The average rates are calculated on the basis of the weighted average of the defined benefit obligation.

The expected long-term return on plan assets is based on historical and projected returns and volatilities of the individual categories of the portfolio, taking the customary benchmarks into account.

// AMOUNTS FOR THE CURRENT AND PREVIOUS REPORTING PERIODS 3.60

€ k	**Dec. 31, 2011**	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Defined benefit obligation	88,522	84,476	78,063	71,378	71,180
Plan assets at fair value	30,743	28,729	23,032	20,043	21,609
Surplus/deficit (–)	–57,779	–55,747	–55,031	–51,335	–49,571
Experience adjustments on defined benefit obligation	–1,409	–632	107	348	2,611
Experience adjustments on plan assets	1,147	446	907	–2,192	244

Sensitivity analyses

The future funding status of the plans and the related amount of pension provisions depends, among other factors, on the future development of the discount rate, particularly in Germany. The share of pension provisions (funding status) accounted for by entities based in Germany is 77 %. A hypothetical increase of 0.25 % in the discount rate used to calculate the defined benefit obligations of German-based entities would lead to a decrease of € 2,392 thousand in the funded status. A decrease of 0.25 % in the discount rate would lead to a rise of € 1,234 thousand in the funded status of the plans.

28. Other provisions

// **OTHER PROVISIONS** 3.61

	DEC. 31, 2011			DEC. 31, 2010		
€ k	**Total**	**Current**	**Non-current**	Total	Current	Non-current
Contract-related provisions	42,348	39,767	2,581	34,354	31,093	3,261
Personnel provisions	8,488	4,543	3,945	10,825	6,488	4,337
Sundry provisions	1,720	1,592	128	2,549	2,402	147
	52,556	**45,902**	**6,654**	**47,728**	**39,983**	**7,745**

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. The personnel provisions mainly contain provisions for long-service awards and obligations for phased retirement. Sundry provisions relate to various identifiable specific risks and contingent liabilities.

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years.

// **CHANGES IN OTHER PROVISIONS IN THE REPORTING PERIOD** 3.62

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2011	**34,354**	**10,825**	**2,549**
Changes in the consolidated group	268	1	14
Exchange difference	244	−31	41
Utilization	−20,601	−4,813	−597
Reversals	−3,792	−491	−850
Additions	31,875	2,997	563
As of December 31, 2011	**42,348**	**8,488**	**1,720**

29. Bond and other financial liabilities

All interest-bearing liabilities of the Group are shown under the item “Bond and other financial liabilities”.

// **FINANCIAL LIABILITIES** 3.63

€ k	**Total**	Current	**Total**	Medium-term	Long-term
Bond	225,511	–	225,511	225,511	–
(2010)	(225,639)	(–)	(225,639)	(225,639)	(–)
Liabilities to banks	57,201	12,715	44,486	9,004	35,482
(2010)	(1,990)	(1,110)	(880)	(880)	(–)
Financial liabilities due to entities accounted for using the equity method	–	–	–	–	–
(2010)	(1,090)	(170)	(920)	(–)	(920)
Liabilities from finance leases	3,452	607	2,845	2,087	758
(2010)	(3,594)	(488)	(3,106)	(2,183)	(923)
December 31, 2011	**286,164**	**13,322**	**272,842**	**236,602**	**36,240**
(December 31, 2010)	(232,313)	(1,768)	(230,545)	(228,702)	(1,843)

Non-current liabilities to banks of € 44,486 thousand (prior period: € 880 thousand) with a residual term of up to 13 years are all repayable in euro. The weighted average interest rate is 4.56 % p.a. (prior period: 1.61 % p.a.).

Current liabilities to banks of € 12,715 thousand (prior period: € 1,110 thousand) as of December 31, 2011 are repayable mainly in the Brazilian real and in Danish krone. The weighted average interest rate for liabilities denominated in Brazilian real was 15.97 % p.a. and 2.39 % p.a. for liabilities in Danish krone.

Financing of the Group

On March 31, 2011, Dürr signed an agreement for a new syndicated loan with a consortium of banks consisting of Baden-Württembergische Bank, Commerzbank AG, Deutsche Bank AG, UniCredit Bank AG and KfW IPEX-Bank GmbH, as the previous syndicated loan expired on June 30, 2011. The new syndicated loan expires on June 30, 2014. An agreement on changes to the collateral provided was signed on June 22, 2011. Due to the improvement in the credit rating of the Group, this agreement requires less collateral than the previous syndicated loan. The total line of credit amounts to € 230,000 thousand. It consists of a cash facility of € 50,000 thousand and a guarantee facility of € 180,000 thousand. Premature termination of the syndicated loan is possible if the agreed-upon financial covenants or other terms of the loan are infringed and a two-third majority of the lending banks vote in favor of termination. Depending on the currency, the interest is pegged to the refinancing rate of the same maturity (EURIBOR or LIBOR) plus a variable margin.

On June 22, 2011, an agreement was signed with the European Investment Bank (EIB) on a loan of € 40,000 thousand to finance development and research work. Dürr has been granted the option of drawing on the loan in a number of tranches on or before December 31, 2012. The term is based on the syndicated loan and the corporate bond issued by Dürr. Effective June 22, 2011, EIB joined the collateral agreement mentioned above. Premature termination of the loan offered by the EIB is possible if the financial covenants or other terms of the loan are infringed.

Based on the calculations of the Board of Management, the agreed financial covenants for the syndicated loan and the loan offered by the EIB were complied with on all the specified measurement dates.

The Group's non-current liabilities to banks rose on November 30, 2011, due to the assumption of the real estate financing extended to Dürr GmbH & Co. Campus KG. The finance breaks down into fixed-term and annuity loans expiring on September 30, 2024. The average effective interest rate is 4.63 %. As of December 31, 2011, the carrying amount of the loans came to € 45,769 thousand.

At the end of the reporting period, € 0 thousand (prior period: € 0 thousand) of the cash line of the syndicated loan and € 125,474 thousand (prior period: € 102,574 thousand) of the bank guarantee facility had been utilized. The EIB loan had not been drawn on by the reporting date.

Shares in subsidiaries were pledged as collateral for the syndicated loan facility and the loan approved by the EIB at the end of the reporting period. In addition, further collateral was provided by placing charges on current and non-current assets with a carrying amount of € 150,369 thousand as of December 31, 2011 (prior period: € 153,075 thousand).

Besides the syndicated loan facility, the Group has bilateral cash lines of credit of € 57,359 thousand in place for working capital, bank guarantees of € 403,028 thousand as well as smaller credit lines with various banks and insurance firms.

// **CREDIT LINES AND BANK GUARANTEES** 3.64

€ k	**Dec. 31, 2011**	Dec. 31, 2010
Total amount of lines of credit and bank guarantees	730,387	467,542
Total amount of credit lines/guarantees utilized	489,302	263,070
of which due within one year	347,928	188,092
of which due in more than one year	141,374	74,978

On September 28, 2010, Dürr AG issued a fixed-interest corporate bond with a total volume of € 150,000 thousand, a coupon of 7.25 % and a term of five years at a rate of 100 %. This replaced the bond issued in 2004 which had a residual amount of € 100,000 thousand and a coupon of 9.75 %. The remaining € 100,000 thousand of the 2004 bond was terminated early on September 29, 2010, and repaid on October 29, 2010, at a rate of 100 % plus accrued interest of € 2,817 thousand.

The corporate bond issued in September 2010 was increased by € 75,000 thousand to € 225,000 thousand on December 6, 2010. The issue price was 104.9 %. The issue price and the coupon of 7.25 % give rise to a return of 6.0 %. The term of the increase similarly ends on September 28, 2015. The purpose of the bond is to serve the long-term financing of the Group.

30. Trade payables

// **TRADE PAYABLES** 3.65

€ k	**Total**	Current	**Total**	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (resulting from small series production)	18,592	18,592	–	–	–
(2010)	(12,435)	(12,435)	(–)	(–)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	428,215	423,520	4,695	4,695	–
(2010)	(260,773)	(260,773)	(–)	(–)	(–)
Trade payables	270,914	269,215	1,699	1,072	627
(2010)	(166,472)	(166,472)	(–)	(–)	(–)
December 31, 2011	**717,721**	**711,327**	**6,394**	**5,767**	**627**
(December 31, 2010)	(439,680)	(439,680)	(–)	(–)	(–)

31. Sundry financial liabilities

// SUNDRY FINANCIAL LIABILITIES 3.66

€ k	Total	Current	Total	Medium-term	Long-term
Derivative financial liabilities	11,312	10,687	625	625	–
(2010)	(2,319)	(2,018)	(301)	(301)	(–)
Liabilities from interest cut-off	4,577	4,577	–	–	–
(2010)	(5,250)	(5,250)	(–)	(–)	(–)
Obligations from put options	21,181	–	21,181	21,181	–
(2010)	(6,824)	(–)	(6,824)	(6,824)	(–)
Liabilities from factoring of progress billings	3,817	3,817	–	–	–
(2010)	(3,981)	(3,981)	(–)	(–)	(–)
Contingent purchase price installments	2,287	227	2,060	1,702	358
(2010)	(2,010)	(–)	(2,010)	(2,010)	(–)
Remaining sundry financial liabilities	10,351	8,055	2,296	245	2,051
(2010)	(6,683)	(6,296)	(387)	(233)	(154)
December 31, 2011	**53,525**	**27,363**	**26,162**	**23,753**	**2,409**
(December 31, 2010)	(27,067)	(17,545)	(9,522)	(9,368)	(154)

The liabilities from put options relate to the non-controlling interests in CPM S.p.A. and Agramkow Fluid Systems A/S.

Current liabilities from contingent purchase price installments relate to the second purchase price installment for UCM AG (prior period: € 964 thousand – medium-term). The obligation is based on the audited financial statements for 2011 and 2010 of UCM AG and will be settled in the 2012 reporting period. The € 750 thousand (prior period: € 1,206 thousand) adjustment to the purchase price in profit or loss was disclosed in other operating income in the statement of income. The currency effects of € −13 thousand (prior period: € −254 thousand) were recorded in other comprehensive income.

The medium- and long-term liabilities from contingent purchase price installments include obligations carried by Dürr Systems Wolfsburg GmbH of € 478 thousand (prior period: € 1,046 thousand) and Dürr Cyplan Ltd. of € 1,582 thousand.

For the disclosures required by IFRS 7, please refer to note 34.

32. Income tax liabilities and other liabilities

// INCOME TAX LIABILITIES AND OTHER LIABILITIES 3.67

€ k	Total	Current	Total	Medium-term	Long-term
Income tax liabilities	8,948	8,728	220	220	–
(2010)	(2,690)	(2,527)	(163)	(163)	(–)
Other liabilities	92,414	87,907	4,507	4,507	–
(2010)	(70,532)	(66,758)	(3,774)	(3,774)	(–)
December 31, 2011	**101,362**	**96,635**	**4,727**	**4,727**	**–**
(December 31, 2010)	(73,222)	(69,285)	(3,937)	(3,937)	(–)

Other liabilities include the following material items: tax liabilities not relating to income taxes of € 29,350 thousand (prior period: € 19,300 thousand), liabilities relating to social security of € 4,074 thousand (prior period: € 3,681 thousand), liabilities to employees of € 55,348 thousand (prior period: € 40,225 thousand). Moreover, the item also includes obligations for restructuring measures of € 2,468 thousand (prior period: € 6,298 thousand). The decrease can be explained primarily by the utilization of liabilities recognized in prior periods.

33. Share-based payment transactions

A share-based long-term incentive ("LTI") program was introduced for members of the Board of Management in the 2010 reporting period. For this purpose, a second tranche was established in the reporting period with a term from January 1, 2011, to December 31, 2013 (prior period: 1st tranche with a period from January 1, 2010, to December 31, 2012). In the 2011 reporting period, the program was expanded to include additional managers from top management. The payments will be made upon expiry of the contractual term; early, pro rata payment is possible only if certain conditions are met upon exit from the Dürr Group. The Supervisory Board is entitled to make down-payments from the LTI to members of the Board of Management.

Under this program, the entitled parties receive an individually fixed number of phantom Dürr shares. As of December 31, 2011, 103,250 phantom shares had been issued (prior period: 46,500 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 smoothed share price on the closing date and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. Payment is capped at a maximum amount in each case.

In contrast to the entitlements from the LTI, the participants in the incentive program are obliged to maintain their own individually agreed investment in Dürr shares at all times.

In the reporting period, expenses of € 1,749 thousand (prior period: € 276 thousand) were recorded under administrative expenses for the LTI program. Members of the Board of Management received down-payments of € 325 thousand on the first tranche of the LTI in 2011. The remaining liabilities as of December 31, 2011, came to € 1,700 thousand (prior period: € 276 thousand) and were reported under sundry financial liabilities.

34. Other notes on financial instruments

Measurement of financial instruments by category

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below.

// MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2011	AMOUNT RECOGNIZED AT Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	298,561	–	298,561	–	–
Costs and estimated earnings in excess of billings[1]	297,567	–	–	–	–
Trade receivables due from third parties	327,822	–	327,822	–	–
Trade receivables due from entities accounted for using the equity method	446	–	446	–	–
Other non-derivative financial instruments					
Sundry financial assets	51,828	–	51,828	–	–
Held-for-trading financial assets	10	–	–	–	10
Held-to-maturity investments	–	–	–	–	–
Available-for-sale financial assets	2,629	2,313	–	316	–
Derivative financial assets					
Derivatives not used for hedging	195	–	–	–	195
Derivatives used for hedging	1,484	–	–	1,298	186
Liabilities					
Trade payables	270,914	–	270,914	–	–
Sundry non-derivative financial liabilities	18,745	–	18,745	–	–
Bond	225,511	–	225,511	–	–
Liabilities to banks	57,201	–	57,201	–	–
Financial liabilities due to entities accounted for using the equity method	–	–	–	–	–
Finance lease liabilities	3,452	–	3,452	–	–
Obligations from put options	21,181	–	–	21,181	–
Contingent purchase price installments	2,287	–	–	–	2,287
Derivative financial liabilities					
Derivatives not used for hedging	377	–	–	–	377
Derivatives used for hedging	10,935	–	–	10,479	456
of which combined by measurement category in accordance with IAS 39:					
Held-for-trading financial assets	205	–	–	–	205
Loans and receivables	976,224	–	678,657	–	–
Held-to-maturity investments	–	–	–	–	–
Available-for-sale financial assets	2,629	2,313	–	316	–
Financial liabilities at fair value	23,845	–	–	21,181	2,664
Financial liabilities measured at amortized cost	575,823	–	575,823	–	–

3.68

€ k	Carrying amount as of Dec. 31, 2010	Amount recognized at: Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	252,308	–	252,308	–	–
Costs and estimated earnings in excess of billings[1]	209,269	–	–	–	–
Trade receivables due from third parties	183,492	–	183,492	–	–
Trade receivables due from entities accounted for using the equity method	510	–	510	–	–
Other non-derivative financial instruments					
Sundry financial assets	12,565	–	12,565	–	–
Held-for-trading financial assets	–	–	–	–	–
Held-to-maturity investments	28	–	28	–	–
Available-for-sale financial assets	429	102	–	327	–
Derivative financial assets					
Derivatives not used for hedging	33	–	–	–	33
Derivatives used for hedging	2,028	–	–	1,955	73
Liabilities					
Trade payables	166,472	–	166,472	–	–
Sundry non-derivative financial liabilities	15,914	–	15,914	–	–
Bond	225,639	–	225,639	–	–
Liabilities to banks	1,990	–	1,990	–	–
Financial liabilities due to entities accounted for using the equity method	1,090	–	1,090	–	–
Finance lease liabilities	3,594	–	3,594	–	–
Obligation from a put option	6,824	–	–	6,824	–
Contingent purchase price installments	2,010	–	–	–	2,010
Derivative financial liabilities					
Derivatives not used for hedging	338	–	–	–	338
Derivatives used for hedging	1,981	–	–	1,740	241
of which combined by measurement category in accordance with IAS 39:					
Held-for-trading financial assets	33	–	–	–	33
Loans and receivables	658,144	–	448,875	–	–
Held-to-maturity investments	28	–	28	–	–
Available-for-sale financial assets	429	102	–	327	–
Financial liabilities at fair value	9,172	–	–	6,824	2,348
Financial liabilities measured at amortized cost	414,699	–	414,699	–	–

[1] Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.

In order to make the fair value measurement of financial instruments comparable, a fair value hierarchy has been introduced in IFRSs with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs that are not based on observable market data (level 3)

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

// ALLOCATION TO THE FAIR VALUE HIERARCHY 3.69

€ k	Dec. 31, 2011	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	316	316	–	–
Derivatives with hedging relationship	1,298	–	1,298	–
Assets at fair value – through profit or loss				
Derivatives without hedging relationship	195	–	195	–
Derivatives with hedging relationship	186	–	186	–
Held-for-trading financial assets	10	10	–	–
Liabilities at fair value – not through profit or loss				
Obligations from put options	21,181	–	–	21,181
Derivatives with hedging relationship	10,479	–	10,479	–
Liabilities at fair value – through profit or loss				
Derivatives without hedging relationship	377	–	377	–
Derivatives with hedging relationship	456	–	456	–
Contingent purchase price installments	2,287	–	–	2,287

€ k	Dec. 31, 2010	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	327	327	–	–
Derivatives with hedging relationship	1,955	–	1,955	–
Assets at fair value – through profit or loss				
Derivatives without hedging relationship	33	–	33	–
Derivatives with hedging relationship	73	–	73	–
Held-for-trading financial assets	–	–	–	–
Liabilities at fair value – not through profit or loss				
Obligation from a put option	6,824	–	–	6,824
Derivatives with hedging relationship	1,740	–	1,740	–
Liabilities at fair value – through profit or loss				
Derivatives without hedging relationship	338	–	338	–
Derivatives with hedging relationship	241	–	241	–
Contingent purchase price installments	2,010	–	–	2,010

No reclassifications were made between the fair value hierarchies in the 2011 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2011, gave rise to the following total gains and losses:

// TOTAL GAINS AND LOSSES ON ASSETS 3.70

€ k	2011	2010
Recognized in profit or loss		
Derivative financial instruments	248	110
Recognized in other comprehensive income		
Available-for-sale financial assets	−11	–
Derivative financial instruments	1,124	1,210

// TOTAL GAINS AND LOSSES ON LIABILITIES 3.71

€ k	2011	2010
Recognized in profit or loss		
Derivative financial instruments	−570	−592
Contingent purchase price installments	1,256	1,206
Recognized in other comprehensive income		
Derivative financial instruments	−10,215	−1,301
Contingent purchase price installments (currency translation reserve)	−13	−254
Obligations from put options	−3,215	−1,174

// DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY 3.72

€ k	2011	2010
As of January 1	**8,834**	**7,566**
Additions	12,662	1,046
Changes in fair value	1,972	222
As of December 31	**23,468**	**8,834**

Assuming that the parameters (equity, accumulated earnings before income taxes and free cash flow) were 10 % higher (lower) on the soonest possible exercise date, the result of the put options for CPM S.p.A. and for Agramkow Fluid Systems A/S and their respective subsidiaries, classified to level 3 of the fair value hierarchy, would have been € 1,922 thousand (prior year: € 490 thousand) lower (higher).

The contingent purchase price installment arising from the acquisition of Dürr Systems Wolfsburg GmbH, classified to level 3 of the fair value hierarchy, would have been € 159 thousand lower if individual goals had not been reached.

The contingent purchase price installments associated with the acquisition of Dürr Cyplan Ltd., classified to level 3 of the fair value hierarchy, would be € 113 thousand higher (€ 106 thousand lower) if the terms of the contract were met one year earlier (later) than expected.

The contingent purchase price installment associated with the acquisition of UCM AG in 2009 is based on the earnings of the entity reported under local GAAP as of December 31, 2011 and 2010, and therefore will not change.

Fair values of financial instruments carried at amortized cost

The table below shows the fair value of the financial assets and liabilities carried at cost or amortized cost. The fair value of financial instruments not carried at amortized cost approximates their carrying amount (with the exception of available-for-sale financial assets measured at cost because their fair value cannot be determined reliably).

// FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED 3.73

€ k	Dec. 31, 2011 Fair value	Dec. 31, 2011 Carrying amount	Dec. 31, 2010 Fair value	Dec. 31, 2010 Carrying amount
Assets				
Cash and cash equivalents	298,561	298,561	252,308	252,308
Costs and estimated earnings in excess of billings	297,567	297,567	209,269	209,269
Trade receivables due from third parties	327,822	327,822	183,492	183,492
Trade receivables due from entities accounted for using the equity method	446	446	510	510
Other non-derivative financial instruments				
Sundry financial assets	51,828	51,828	12,565	12,565
Held-to-maturity investments	–	–	28	28
Liabilities				
Trade payables	270,914	270,914	166,472	166,472
Sundry non-derivative financial liabilities	18,745	18,745	15,914	15,914
Bond	244,125	225,511	241,875	225,639
Liabilities to banks	57,201	57,201	1,990	1,990
Financial liabilities due to entities accounted for using the equity method	–	–	1,090	1,090
Finance lease liabilities	4,168	3,452	4,368	3,594
of which combined by measurement category in accordance with IAS 39:				
Loans and receivables	678,657	678,657	448,875	448,875
Held-to-maturity investments	–	–	28	28
Financial liabilities measured at amortized cost	595,153	575,823	431,709	414,699

Cash and cash equivalents, trade receivables, other receivables, trade payables, sundry non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

It was not possible to determine the fair values of equity interests measured at cost because market prices were not available as no active markets exist. These are interests in four non-listed entities where the estimated future cash flows were not discounted because they could not be determined reliably. It was assumed that their fair value approximates their carrying amount. At present, Dürr does not have any plans to sell shares in equity.

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, the fair value of liabilities approximates the carrying amount. The fair value of the bond is equal to the nominal value multiplied by the quoted price at the end of the reporting period.

As of December 31, 2011, the bond was quoted at € 108.50 (prior period: € 107.50) which is equal to a market value of € 244,125 thousand (prior period: € 241,875 thousand).

Net gains and losses by measurement category

// NET GAINS AND LOSSES BY MEASUREMENT CATEGORY 3.74

		FROM SUBSEQUENT MEASUREMENT				
€ k	From interest	At fair value	Currency translation	Impairment	From disposals	**Net gain or loss**
Held-for-trading financial assets	–	367	–	–	–	367
(2010)	(–)	(1,624)	(–)	(–)	(–)	(1,624)
Loans and receivables	3,985	–	7,109	89	–97	11,086
(2010)	(2,123)	(–)	(–2,363)	(–1,757)	(–97)	(–2,094)
Available-for-sale financial assets	–	–	–	–	–	-
(2010)	(14)	(–)	(–)	(–)	(–)	(14)
Financial liabilities at fair value through profit or loss	–62	1,205	–	–	–	1,143
(2010)	(–)	(884)	(–)	(–)	(–)	(884)
Financial liabilities measured at amortized cost	–22,656	–	–29	–	–	–22,685
(2010)	(–23,867)	(–)	(–85)	(–)	(–)	(–23,952)
2011	**–18,733**	**1,572**	**7,080**	**89**	**–97**	**–10,089**
(2010)	(–21,730)	(2,508)	(–2,448)	(–1,757)	(–97)	(–23,524)

An amount of € 11 thousand was recognized directly in equity from the measurement of available-for-sale securities (prior period: € 0 thousand) and € –13 thousand was offset against equity from the currency translation of a contingent purchase price installment (prior year: € –254 thousand).

At the end of the reporting period, financial assets of € 8,419 thousand (prior period: € 10,544 thousand) were pledged as collateral for prepayments received, factoring as well as for non-current liabilities to banks. In addition, financial assets of € 86,413 thousand (prior period: € 87,847 thousand) from selected Dürr entities worldwide were pledged as collateral in connection with the syndicated loan.

35. Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 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 and cash equivalents presented in the statement of cash flows contain all cash and cash equivalents shown in the statement of financial position, i.e., cash in hand, checks and bank balances, with an original term to maturity of less than three months. The availability of cash of € 119,681 thousand (prior period: € 61,604 thousand) is restricted due to the legal restrictions on capital transfers in some Asian countries.

The cash flow from operating activities is derived indirectly from the profit of the Group for the year. The statement of cash flows takes earnings before income taxes as its point of departure and deducts income tax payments, net interest as well as non-cash items, such as depreciation and amortization of non-current assets, the result from companies 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 serve operating activities are then considered. Effects from foreign currency translation and changes in the consolidation group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows do not therefore match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 2,813 thousand (prior period: € 3,922 thousand) lower because that amount is already included in the net interest.

The cash flow from operating activities contains effects from factoring and the negotiation of drafts and documentary credits of € 20,463 thousand (prior period: € 12,077 thousand) and € 0 thousand (prior period: € 13,044 thousand) respectively at the end of the reporting period.

The cash flow from investing activities is derived from actual cash flows. This relates mainly to the cash outflows for investments made in non-current assets and business combinations. Cash inflows arise from the disposal of non-current assets and interest received.

The cash outflows of € 6,816 thousand (prior period: € 6,840 thousand) related to business combinations reported under the cash flow from investing activities include the cash component of the price paid for Agramkow Fluid Systems A/S and its subsidiaries of € 7,170 thousand less the cash and cash equivalents obtained in the combination of € 354 thousand. In the prior period, these cash flows included the payment of € 2,500 thousand made within the framework of an asset deal to acquire Kleinmichel and the payment of the first purchase price installment for Helmuth Rickert GmbH of € 5,400 thousand. This was offset by the receipt of Helmuth Rickert GmbH's cash of € 1,060 thousand. For further details on business combinations, please refer to note 19.

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and distributions to shareholders and non-controlling interests, interest paid for the bond and other financing activities. It also includes the payments made to settle financial liabilities under the terms of finance leases and other non-current loans. The line item "Change in current bank liabilities and other financing activities" contains cash inflows and outflows from current accounts. In the prior year, the cash flow from financing activities also included cash inflows and outflows from issuing the new bond and the simultaneous repayment of the old bond.

In the course of taking over the general partner's share in Dürr GmbH & Co. Campus KG, Dürr recorded additions of land and buildings, liabilities to banks and various other assets and liabilities. Due to the fact that no cash flows were associated with these additions to the Group, they do not appear in the consolidated statement of cash flows.

A more detailed economic explanation of the statement of cash flows can be found in the section on "Financial development" in the management report.

OTHER NOTES

36. Segment reporting

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The segment reporting provides 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, 2011, the Dürr Group consisted of the Corporate Center and four divisions differentiated by product and service range, each with global responsibility for their products and results. The Corporate Center comprises Dürr AG as the management holding, Dürr IT Service GmbH, which performs IT services throughout the Group, and Dürr GmbH & Co. Campus KG, which leases real estate to group entities at the location in Bietigheim-Bissingen. Transactions between the divisions are carried out at arm's length.

In fiscal year 2011, the Environmental and Energy Systems business unit was removed from the Paint and Assembly Systems division and combined with the new business unit, Energy Technology Systems to create the new Clean Technology Systems division. Moreover, the Application Technology business unit, which was previously integrated in the Paint and Assembly Systems division, was made into a separate division. The prior-period figures were restated accordingly at the level of the divisions.

Paint and Assembly Systems division

Paint and Assembly Systems develops and builds paint shops and final assembly lines for the automotive industry. The portfolio of the division also includes assembly and finishing systems for aircraft construction.

Application Technology division

Application Technology develops and manufactures products and systems for automated painting applications, such as painting robots, feather cleaners and materials supply. Other activities include sealing technology for seams in bodywork and glueing technology for bodywork and final assembly of vehicles.

Measuring and Process Systems division

Measuring and Process Systems offers balancing and diagnosis technology, testing, filling and assembly technologies as well as industrial cleaning and filtration technology. Besides the automotive industry, the division serves industries such as mechanical engineering, the electrical engineering industry or the aerospace industry.

Clean Technology Systems division

The Clean Technology Systems division consists of Dürr's solutions for waste air purification. Moreover, the division develops and distributes power generation plants from the waste heat from industrial processes and other technologies aimed at improving the energy efficiency of production processes.

Management monitors the EBIT (earnings before investment income, interest and income taxes) of its four divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance. As the basis for segment reporting in accordance with IFRS 8 is the same as is used internally (management approach), the level of EBIT determined may differ from the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

// SEGMENT REPORTING

€ k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	**Total segments**	Recon-ciliation	**Total Dürr Group**
2011							
External sales revenues	878,660	406,804	550,369	86,149	1,921,982	5	1,921,987
Sales revenues with other divisions	2,684	6,325	12,463	907	22,379	−22,379	–
Total sales revenues	**881,344**	**413,129**	**562,832**	**87,056**	**1,944,361**	**−22,374**	**1,921,987**
EBIT	40,469	31,061	31,399	4,929	107,858	−1,364	106,494
Profit/loss from entities accounted for using the equity method	104	79	565	−168	580	–	580
Cash flow from operating activities	116,601	24,596	−24,253	10,611	127,555	343	127,898
Cash flow from investing activities	1,284	−199	−13,015	−2,870	−14,800	−47,774	−62,574
Cash flow from financing activities	−71,870	−28,510	32,414	−7,507	−75,473	51,317	−24,156
Amortization and depreciation	−3,809	−4,709	−9,086	−359	−17,963	−4,550	−22,513
Impairment losses	–	−5	–	–	−5	−981	−986
Reversal of impairment losses	71	–	–	–	71	–	71
Other non-cash income and expenses	−10	585	749	−1	1,323	−6	1,317
Effects from restructuring/onerous contracts	380	79	−560	–	−101	–	−101
Additions to intangible assets	609	1,972	3,530	283	6,394	5,260	11,654
Additions to property, plant and equipment	4,269	2,058	6,946	197	13,470	51,469	64,939
Investments in entities accounted for using the equity method	24	–	13,324	3,859	17,207	–	17,207
Assets (as of Dec. 31)	395,800	290,890	551,932	37,070	1,275,692	16,325	1,292,017
Liabilities (as of Dec. 31)	511,935	190,404	235,394	38,696	976,429	−1,741	974,688
Employees (as of Dec. 31)	2,524	1,203	2,790	205	6,722	101	6,823

3.75

€ k	Paint and Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	**Total segments**	Recon- ciliation	**Total Dürr Group**
2010							
External sales revenues	581,953	267,207	344,710	67,509	1,261,379	–	1,261,379
Sales revenues with other divisions	3,226	1,648	8,685	392	13,951	–13,951	–
Total sales revenues	**585,179**	**268,855**	**353,395**	**67,901**	**1,275,330**	**–13,951**	**1,261,379**
EBIT	13,789	11,576	10,300	3,508	39,173	–2,540	36,633
Profit/loss from entities accounted for using the equity method	–219	50	707	10	548	–	548
Cash flow from operating activities	14,349	26,969	21,421	3,246	65,985	–10,611	55,374
Cash flow from investing activities	19,608	–9,598	–21,963	–264	–12,217	–7,242	–19,459
Cash flow from financing activities	–11,729	–19,189	923	1,598	–28,397	133,501	105,104
Amortization and depreciation	–5,314	–4,984	–7,921	–533	–18,752	–4,263	–23,015
Impairment losses	–	–	–37	–89	–126	–	–126
Reversal of impairment losses	21	–	1,186	–	1,207	–	1,207
Other non-cash income and expenses	–9	–1,026	1,202	2	169	1	170
Effects from restructuring/ onerous contracts	1,939	448	–2,396	–141	–150	–	–150
Additions to intangible assets	499	7,377	2,789	9	10,674	332	11,006
Additions to property, plant and equipment	2,130	1,540	7,167	327	11,164	1	11,165
Investments in entities accounted for using the equity method	95	54	11,753	10	11,912	–	11,912
Assets (as of Dec. 31)	304,044	223,075	408,729	31,976	967,824	–29,338	938,486
Liabilities (as of Dec. 31)	325,988	126,290	161,161	25,975	639,414	3,731	643,145
Employees (as of Dec. 31)	2,183	1,061	2,444	180	5,868	47	5,915

The number of employees, amortization, depreciation, impairment losses, additions to intangible assets and property, plant and equipment, and non-cash income and expenses and external sales revenues reported in the reconciliation column relate to the Corporate Center.

// RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP ///////////// 3.76

€ k	2011	2010
EBIT of the segments	107,858	39,173
EBIT of the Corporate Center	−3,326	−2,843
Borrowing costs recognized pursuant to IAS 23	–	−178
Elimination of consolidation entries	1,962	481
EBIT of the Dürr Group	**106,494**	**36,633**
Profit from entities accounted for using the equity method	580	548
Interest and similar income	5,542	3,379
Interest and similar expenses	−26,807	−28,059
Earnings before income taxes	**85,809**	**12,501**
Income taxes	−21,552	−5,418
Profit of the Dürr Group	**64,257**	**7,083**
Segment assets	1,275,692	967,824
Assets of the Corporate Center	534,767	495,710
Elimination of consolidation entries	−518,442	−525,048
Cash and cash equivalents	298,561	252,308
Time deposits and other short-term securities	35,960	–
Income tax receivables	7,652	5,850
Investments in entities accounted for using the equity method	17,207	11,912
Deferred tax assets	9,644	7,909
Total assets of the Dürr Group	**1,661,041**	**1,216,465**
Segment liabilities	976,429	639,414
Liabilities of the Corporate Center	32,707	18,237
Elimination of consolidation entries	−34,448	−14,506
Bond	225,511	225,639
Liabilities to banks	57,201	1,990
Finance lease liabilities	3,452	3,594
Income tax liabilities	8,948	2,690
Deferred tax liabilities	26,921	20,006
Total liabilities of the Dürr Group*	**1,296,721**	**897,064**

* Consolidated total assets less total equity

Pursuant to IAS 23 “Borrowing Costs”, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. In Dürr’s financial statements this means that finance costs that are attributable to long-term customer-specific construction contracts in accordance with IAS 11 “Construction Contracts” are recognized in cost of sales. Since the EBIT is the basis used internally for management purposes without taking into account finance costs, borrowing costs are not included in segment profit or loss.

Sales revenues are generally allocated to regions based on the location of the project or delivery locations, respectively. The Group’s assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33 they include all non-current assets of the Group except for financial instruments and deferred tax assets.

// REGIONAL SEGMENTATION 3.77

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2011						
External sales revenues	281,495	476,529	303,441	127,383	733,139	1,921,987
Additions to property, plant and equipment	56,303	2,508	2,938	1,093	2,097	64,939
Non-current assets (as of Dec. 31)	266,598	147,649	79,910	10,051	8,781	512,989
Employees (as of Dec. 31)	3,128	1,176	768	186	1,565	6,823

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2010						
External sales revenues	257,081	331,972	194,436	64,706	413,184	1,261,379
Additions to property, plant and equipment	6,306	973	2,216	219	1,451	11,165
Non-current assets (as of Dec. 31)	217,310	135,539	79,213	9,919	7,605	449,586
Employees (as of Dec. 31)	2,931	1,045	616	143	1,180	5,915

In the 2011 reporting period, sales revenues in China came to € 577,380 thousand (prior period: € 282,455 thousand) and in the USA to € 211,350 thousand (prior period: € 132,742 thousand).

In the 2011 reporting period, 14.8 % of consolidated net sales revenues was generated with the Group's largest customer compared to 16.0 % in the prior period. These revenues were spread over all divisions. The second- and third-largest customers accounted for 8.5 % (prior period: 4.3 %) and 7.7 % (prior period: 8.0 %) respectively and were also attributable to all divisions. Entities that are known to be under common control are considered together as one customer.

37. Related party transactions

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

Dr.-Ing. E. h. Heinz Dürr is chairman of the Supervisory Board of Dürr AG and was chairman of the Supervisory Board of Dürr Systems GmbH until March 15, 2010. The remuneration paid for these activities amounted to € 182 thousand (prior period: € 71 thousand). Expenses of € 269 thousand (prior period: € 221 thousand) were payable to Heinz Dürr GmbH, Berlin, Germany, of which Dr.-Ing. E. h. Heinz Dürr is general manager, for reimbursement of office and travel expenses relating to supervisory board activities and for cost reimbursements for the Dürr office in the German capital, Berlin. In addition, Heinz Dürr GmbH cross-charged expenses of € 29 thousand including VAT to Dürr AG for advisory services purchased in the prior period on behalf of the latter relating to legal issues. For his former activity as general manager, Dr.-Ing. E. h. Heinz Dürr also received pension benefits (of April 2, 1978, supplemented December 21, 1988) of € 233 thousand (prior period: € 229 thousand).

The members of the Board of Management purchased shares in Dürr AG from Heinz Dürr GmbH, Berlin, in prior periods. To finance part of the purchase price, Heinz Dürr GmbH granted the members of the Board of Management an on-call loan at market conditions; the remaining purchase price was financed privately by the members of the Board of Management. Respite has been granted for no more than five years as of conclusion of the agreement for the outstanding amount repayable of the loan of € 3,172 thousand (prior period: € 3,108 thousand). The Board of Management has pledged the shares purchased to Heinz Dürr GmbH as collateral for the loan.

Some members of the Supervisory Board of Dürr AG hold high-ranking positions in other enterprises. Transactions between these entities and Dürr are carried out at arm's length.

For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to note 42.

Related parties also comprise the joint ventures and associates of the Dürr Group.

In the 2011 reporting period, there were intercompany transactions between Dürr and its joint ventures and associates of € 5,766 thousand (prior period: € 5,563 thousand). As of December 31, 2011, outstanding receivables from joint ventures and associates totaled € 446 thousand (prior period: € 510 thousand) and were current.

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

38. Contingent liabilities

// CONTINGENT LIABILITIES 3.78

€ k	Dec. 31, 2011	Dec. 31, 2010
Contingent liabilities from warranties, guarantees, notes and check guarantees	113	281
Other	14,285	14,380
	14,398	**14,661**

Other contingent liabilities include contingent liabilities of € 12,207 thousand (prior period: € 12,207 thousand) relating to the disposal of the Measuring and Process Technologies business unit in Australia in the 2005 reporting period. The sundry other contingent liabilities mainly pertain to contingent liabilities in connection with pending tax proceedings in Brazil. Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

39. Other financial obligations

// OTHER FINANCIAL OBLIGATIONS 3.79

€ k	Dec. 31, 2011	Dec. 31, 2010
Future minimum payments for operating leases	72,005	121,062
Future minimum payments for finance leases	4,409	4,756
Sundry financial obligations	9,667	9,859
	86,081	**135,677**

The fall in the minimum lease payments for operating leases is primarily due to the assumption of the real estate of Dürr GmbH & Co. Campus KG. This property was previously leased under an operating lease.

Rent and lease agreements (operating leases)

Besides liabilities, provisions and contingent liabilities, the Group has other financial obligations, in particular from rental and lease agreements for buildings, furniture and fixtures, office space and vehicles. Future minimum lease payments up to the first contractually agreed termination date are as follows:

// **NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES** 3.80

€ k	Dec. 31, 2011	Dec. 31, 2010
Less than one year	16,664	19,625
Between one and five years	29,892	45,257
More than five years	25,449	56,180
	72,005	**121,062**

In the 2011 reporting period, expenses of € 24,305 thousand (prior period: € 23,546 thousand) were recorded in the statement of income for operating leases.

Finance leases

The Group has entered into finance leases for various items of property, plant and equipment. Future minimum lease payments relating to these are reconciled to the liabilities below:

// **NOMINAL VALUES OF FINANCE LEASES** 3.81

€ k	DEC. 31, 2011			DEC. 31, 2010		
	Minimum payments	Interest contained in the lease payments	Finance lease liabilities	Minimum payments	Interest contained in the lease payments	Finance lease liabilities
Less than one year	870	263	607	762	274	488
Between one and five years	2,662	575	2,087	2,892	709	2,183
More than five years	877	119	758	1,102	179	923
	4,409	**957**	**3,452**	**4,756**	**1,162**	**3,594**

Sundry financial obligations

Sundry financial obligations that do not result from rental and lease agreements are listed below.

// **NOMINAL VALUE OF SUNDRY FINANCIAL OBLIGATIONS** 3.82

€ k	2012	2013	2014	2015	2016	Thereafter	Total
Liabilities from other continuous obligations	4,299	685	646	646	646	2,745	9,667

40. Risk management and derivative financial instruments

The Group operates in countries in which there are political and commercial risks. These risks did not have any effects on the Group in the reporting period. Dürr may be involved in lawsuits, including product liability, in the ordinary course of business. There are no such matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. Dürr is generally exposed to financial risks. These include above all 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 guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the management report.

Credit risk

The credit risk relates to the possibility that business partners may fail to perform their obligation with non-derivative and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are obtained for all new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses letters of credit, trade credit insurance and guarantees by the federal government to further limit the risk of default.

// RECEIVABLES SECURED AGAINST DEFAULT 3.83

€ k	Dec. 31, 2011
Letters of credit	12,899
Credit insurance policies	3,099
Guarantees by the federal government	–
	15,998

In connection with the investment of cash and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the banks fail to meet their obligations. Dürr manages the resulting risk position by diversifying its portfolio and selecting its counterparties carefully. No cash and cash equivalents or derivative financial assets were past due or impaired due to credit defaults.

Dependence on few customers

The development of Dürr hinges on the willingness of the automotive industry to invest. A significant portion of the Group's sales revenues is generated with a limited number of customers because the number of manufacturers on the worldwide market for automobiles is comparatively small. The majority of the Group's receivables are due from automobile manufacturers. Generally, these receivables are not secured by bank guarantees or other collateral. As of December 31, 2011, 52.7 % (prior period: 51.0 %) of the trade receivables were due from seven (prior period: seven) customers. The total receivables disclosed contain bad debt allowances for doubtful debts of € 7,203 thousand (prior period: € 8,747 thousand). Owing to its customers' group structure with international subsidiaries, Dürr does not see any concentration of credit risks from its business relations with individual debtors or groups of debtors despite the fact that its business is concentrated on a relatively small number of customers. The level of diversity displayed among the Group's customers is high compared to other automotive suppliers.

Liquidity risk

The liquidity risk is the risk that the Group may not be in a position in the future to meet its obligations, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. The situation is monitored and managed by means of a liquidity plan with a planning horizon of 18 months, coupled with a short-term liquidity forecast.

In addition, use of cross-border cash pooling structures has improved the structure of the statement of financial position through liquidity pooling, reduced the volume of borrowed funds and thus helped to enhance the financial result. At the same time, the liquidity situation has become more transparent. Moreover, excess liquidity at individual entities within the Group can be used to finance the cash needs of other group entities internally.

The new syndicated loan agreement, which expires on June 30, 2014, and the loan approved by the European Investment Bank (EIB) can be terminated prematurely by the banking syndicate and the EIB respectively, if certain financial covenants are not complied with. The financial covenants include certain targets such as total net worth, the gearing ratio and the interest coverage. In the 2011 reporting period, the financial covenants were complied with as of each cut-off date. The financial covenants are calculated for a rolling period of twelve months. For additional information, please refer to note 29.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

// INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES 3.84

€ k	Carrying amount as of Dec. 31, 2011	CASH FLOWS 2012	2013	2014	2015	From 2016 onwards
Non-derivative financial liabilities						
Trade payables	270,914	269,215	1,048	24	–	627
Sundry financial liabilities	18,745	16,449	223	31	4	2,712
Bond	225,511	16,313	16,313	16,313	237,234	–
Liabilities to banks	57,201	16,707	6,183	6,249	6,146	44,602
Financial liabilities due to entities accounted for using the equity method	–	–	–	–	–	–
Finance lease liabilities	3,452	870	832	796	733	1,178
Obligations from put options	21,181	–	23,109	–	–	–
Contingent purchase price installments	2,287	227	500	–	1,099	1,000
Derivative financial liabilities						
Forward exchange contracts without hedging relationship	377	377	–	–	–	–
Forward exchange contracts with hedging relationship	10,935	10,310	625	–	–	–

€ k	Carrying amount as of Dec. 31, 2010	CASH FLOWS 2011	2012	2013	2014	From 2015 onwards
Non-derivative financial liabilities						
Trade payables	166,472	166,472	–	–	–	–
Sundry financial liabilities	15,914	15,527	185	18	7	177
Bond	225,639	16,313	16,313	16,313	16,313	237,234
Liabilities to banks	1,990	1,137	317	291	266	68
Financial liabilities due to entities accounted for using the equity method	1,090	218	48	48	48	1,098
Finance lease liabilities	3,594	762	735	765	732	1,762
Obligation from a put option	6,824	–	–	7,123	–	–
Contingent purchase price installments	2,010	–	964	–	–	1,046
Derivative financial liabilities						
Forward exchange contracts without hedging relationship	338	338	–	–	–	–
Forward exchange contracts with hedging relationship	1,981	1,680	301	–	–	–

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 29 months (prior period: 41 months).

Regarding the presentation of market risks, IFRS 7 "Financial Instruments: Disclosures" requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variables. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. The presentation is based on the assumption that the portfolio at the end of the reporting period was representative for the whole year. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which Dürr enters into financial instruments are relevant risk variables. To aid understanding, the volatilities displayed in the actual currencies were not used to calculate the sensitivity analyses, as in the prior year. Rather, the same range was used for all currency pairs.

Material non-derivative monetary financial instruments which constitute currency risks for Dürr are cash, trade receivables and payables as well as intercompany receivables and liabilities that are denominated in different functional currencies. Non-derivative financial instruments which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges. In the process, both the change in the non-derivative financial instrument and the change in the value of the derivative financial instrument are posted through profit or loss. In addition, Dürr is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the hedge reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are most relevant for Dürr: This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, in the value of the euro against the US dollar, the Chinese renminbi and the Mexican peso as well as an appreciation and depreciation of the US dollar to the Korean won and the Mexican peso.

// IMPACT ON THE STATEMENT OF INCOME AND EQUITY 3.85

€ k	DEC. 31, 2011		DEC. 31, 2010	
	Impact on the statement of income	Impact on the currency reserve in equity	Impact on the statement of income	Impact on the currency reserve in equity
EUR/USD				
EUR +10 %	−728	7,993	170	3,807
EUR −10 %	890	−9,769	−183	−4,654
EUR/CNY				
EUR +10 %	−1,133	–	−171	–
EUR −10 %	1,385	–	209	–
EUR/MXN				
EUR +10 %	204	−278	17	–
EUR −10 %	−250	339	−20	–
USD/KRW				
USD +10 %	826	−1,638	128	−1,705
USD −10 %	−1,009	1,627	−156	1,705
USD/MXN				
USD +10 %	190	−1,648	−32	−660
USD −10 %	−232	2,018	−5	660

Interest rate risk

Interest rate risks are due to fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

On account of the growing volume of business and the successful bond financing, Dürr has cash subject to fluctuation in interest rates as of December 31, 2011. A hypothetical increase in these interest rates of 25 base points or 0.25 % per year would have caused a € 553 thousand (prior period: € 302 thousand) increase in interest income. A hypothetical decrease in these interest rates of 25 base points or 0.25 % per year would have caused a € 553 thousand (prior period: € 302 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 variable on the price of financial instruments. The main risk variables include stock market prices and indices.

As of December 31, 2011, Dürr did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

Please refer to note 34 for more information on the price risk of the put options disclosed as a level 3 financial instruments and the obligations from contingent purchase price installments.

Use of derivative financial instruments

Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates, interest rates or cash flows and the change in fair value of receivables and liabilities. Dürr is exposed to a replacement risk in the event of non-performance by counterparties (banks) relating to the financial instruments described below. All financial derivatives as well as the hedged transactions are subject to regular internal control and measurement in accordance with the directive of the Board of Management. Derivative financial instruments are only entered into to hedge the operating business.

At the inception of the hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are formally documented. This documentation contains identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged item's cash flows that is attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Depending on their fair 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.

// SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS 3.86

	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
€ k	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
Interest/currency swaps in connection with cash flow hedges	–	27,127	–	661	–	–
Foreign exchange forward contracts	256,042	157,723	1,679	1,400	11,312	2,319
of which in connection with cash flow hedges	182,098	111,280	1,298	1,294	10,479	1,740
of which in connection with fair value hedges	21,659	12,870	186	73	456	241
of which without hedging relationship	52,286	33,573	195	33	377	338

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 in the prior period were estimated as the discounted value of expected future cash flows based on current market parameters.

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly in other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded in other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales or other operating income and expenses in the statement of income.

In the 2011 reporting period, an unrealized loss was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € −4,612 thousand recognized in equity (prior period: € −453 thousand).

In addition, € 2,540 thousand (prior period: € 1,063 thousand) was reclassified due to the realization of hedged items in the course of the reporting period from other comprehensive income to profit or loss and disclosed in sales revenues and cost of sales in the statement of income, thus increasing profit. The effect on earnings (before income taxes) expected for 2012 from the amounts recognized in other comprehensive income at the end of the reporting period came to € −4,276 thousand. In the 2013 and 2014 reporting periods, accumulated effects on earnings are expected to total € −294 thousand.

A loss of € 4,121 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: loss of € 5 thousand). Measuring the hedged items as of the reporting date gave rise to income in the same amount.

There were no material effects on earnings from ineffective hedges in the 2011 and 2010 reporting periods.

The changes in the fair value of all derivative financial instruments that do not meet the requirements for hedge accounting in accordance with IAS 39 are recognized in profit or loss at the end of the reporting period.

41. Additional disclosure requirements

Exemption pursuant to Sec. 264 (3) HGB

With reference to Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code], the financial statements of the following German subsidiaries are not published:

- Dürr Systems GmbH, Stuttgart
- Dürr International GmbH, Stuttgart
- Dürr Somac GmbH, Stollberg
- Carl Schenck AG, Darmstadt
- Dürr Ecoclean GmbH, Filderstadt
- Schenck RoTec GmbH, Darmstadt
- Schenck Technologie- und Industriepark GmbH, Darmstadt
- Dürr Assembly Products GmbH, Püttlingen
- Landwehr Elfte Vermögensverwaltung GmbH, Darmstadt
- Dürr IT Service GmbH, Stuttgart

With reference to Sec. 264 (3) HGB, the following German subsidiaries do not prepare notes to the financial statements or a management report, or have these audited:

- Carl Schenck AG, Darmstadt
- Dürr Somac GmbH, Stollberg
- Dürr Assembly Products GmbH, Püttlingen
- Dürr International GmbH, Stuttgart
- Dürr IT Service GmbH, Stuttgart

42. Other notes

Subsequent events

In a letter dated February 14, 2012, Mr. Joachim Schielke announced that he will resign from his position on the Supervisory Board at the close of the annual general meeting on April 27, 2012.

There were no events which have had or could have a significant effect on the net assets, financial position and results of operations of the Group in the period since the beginning of the reporting period and March 1, 2012.

Declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG

The declaration of compliance prescribed by Sec. 161 AktG ["Aktiengesetz": German Stock Corporations Act] was submitted by the Board of Management and the Supervisory Board of Dürr AG in Bietigheim-Bissingen on December 16, 2011, and made accessible to the shareholders on the Internet.

Average headcount

// AVERAGE HEADCOUNT DURING THE YEAR 3.87

	2011	2010
Wage earners	2,406	2,162
Salaried employees	3,678	3,292
Interns/trainees/apprentices	339	322
	6,423	**5,776**

As of December 31, 2011, the Dürr-Group had 6,823 employees (prior period: 5,915).

Fees of the auditor of the consolidated financial statements

The audit fees of the auditor of the consolidated financial statements recorded as an expense for the reporting period break down as follows:

// AUDITOR'S FEES 3.88

€ k	2011	2010
Audit of the financial statements	730	689
Other attest services	31	184
Tax advisory services	41	201
Other services	48	161
	850	**1,235**

Authorization for issue and publication of the consolidated financial statements as of December 31, 2011

The consolidated financial statements and Group management report of Dürr AG prepared by the Board of Management as of December 31, 2011, were authorized at the meeting of the Board of Management on March 1, 2012, for issue to the Supervisory Board and will be published in the 2011 annual report on March 15, 2012.

MEMBERS OF THE BOARD OF MANAGEMENT

RALF W. DIETER
Chairman

- Public Relations, Human Resources (Employee Affairs Director), Research and Development, Quality Management, Internal Audit, Corporate Compliance
- Paint and Assembly Systems division
- Application Technology division
- Measuring and Process Systems division

■ Carl Schenck AG, Darmstadt* (Chairman)
■ Dürr Systems GmbH, Stuttgart* (Chairman)
■ Körber AG, Hamburg

□ Dürr, Inc., Plymouth, USA* (Chairman)

RALPH HEUWING

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents, Information Technology, Global Sourcing
- Clean Technology Systems division
- Dürr Consulting

■ Carl Schenck AG, Darmstadt*
■ Dürr Systems GmbH, Stuttgart*
■ MCH Management Capital Holding AG, Munich

□ Dürr, Inc., Plymouth, USA*
□ Dürr India Pvt. Ltd., Chennai, India*

● Offices held by members of the Board of Management
■ Membership in statutory supervisory boards
□ Membership in comparable German and foreign control bodies (of business entities)
* Group boards

// BOARD OF MANAGEMENT COMPENSATION 2011 3.89

€	NON-PERFORMANCE-RELATED Basic compensation	Other compensation[1]	PERFORMANCE-RELATED Long-term compensation (LTI)	Short-term compensation (STI)	Board of Management compensation without pension benefits	Expenses for pension benefits[2]	Total	Paid in 2011
Ralf W. Dieter	500,000.00	49,968.28	862,706.77	938,965.50	2,351,640.55	105,000.00	2,456,640.55	1,594,968.28
Ralph Heuwing	375,000.00	23,144.26	741,207.82	881,034.50	2,020,386.58	82,500.00	2,102,886.58	1,373,144.26
Total	**875,000.00**	**73,112.54**	**1,603,914.59**	**1,820,000.00**	**4,372,027.13**	**187,500.00**	**4,559,527.13**	**2,968,112.54**

[1] Payment in kind, insurance contributions, etc.
[2] Current service cost

In April 2011, the members of the Board of Management received a down-payment on the long-term incentive program (LTI) of € 325 thousand. The down-payment will be offset against the pay-out from the first tranche of the LTI which becomes due for payment after the annual general meeting at which the consolidated financial statements are presented for the 2012 reporting period. In December 2011, the members of the Board of Management received an additional down-payment of € 1,175 thousand on short-term performance-based benefits.

Measurement of long-term incentives (LTI) is based on the anticipated share price at the end of the contractual term and an average earnings ratio over the duration of the program. Historical share prices are used to determine the fair value. The average earnings ratio used is based on the Dürr's internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made. This can lead to a change in the final payments from the respective LTI tranches. For more information about the share-based payment, we refer to note 33.

In the prior period, the total remuneration of the members of the Board of Management amounted to € 2,251 thousand. This breaks down into short-term benefits of € 1,824 thousand, expenses in connection with the share-based incentive program of € 276 thousand and the addition to the pension provisions for this group of people of € 151 thousand.

The former members of the Board of Management received remuneration of € 928 thousand in the 2011 reporting period (prior period: € 683 thousand). Pension provisions for this group of persons amounted to € 8,892 thousand as of December 31, 2011 (prior period: € 9,380 thousand).

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. E. H. HEINZ DÜRR[1,4,5]
Entrepreneur, Berlin
Chairman

PROF. DR. NORBERT LOOS[1,2,4,5]
Managing partner of
Loos Beteiligungs-GmbH, Stuttgart
Deputy Chairman

- ■ BHS-tabletop AG, Selb (Chairman)
- ■ Hans R. Schmid Holding AG, Offenburg (Chairman)
- ■ LTS Lohmann Therapie-Systeme AG, Andernach (Chairman)
- □ LTS Lohmann Therapy Systems Corp., West Caldwell, New Jersey, USA (Chairman)

HAYO RAICH[1,3,4]
Full-time Chairman of the Group Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site
Deputy Chairman

- ■ Dürr Systems GmbH, Stuttgart (Deputy Chairman)

STEFAN ALBERT[3,4]
(since May 6, 2011)

Full-time Chairman of the Works Council of Schenck RoTec GmbH, Darmstadt

- ■ Corporate Pension Fund of Carl Schenck AG VVaG, Darmstadt

MIRKO BECKER[2,3]
Full-time member of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site

DR. DR. ALEXANDRA DÜRR[5]
Senior physician at the Neurogenetic Clinic of Département de Génétique, Hôpital de la Salpêtrière, Paris, France

BENNO EBERL[1,3]
(until May 6, 2011)

Trade Union Secretary of IG Metall administrative offices, Stuttgart

- ■ ThyssenKrupp Elevator AG, Essen (Deputy Chairman)
- ■ Alcatel-Lucent AG, Stuttgart (Deputy Chairman)
- ■ Alcatel-Lucent Holding GmbH, Stuttgart

DR. GÜNTER FENNEBERG
(until May 6, 2011)

Chairman of the Board of Management of PFEIFER Holding GmbH & Co. KG, Memmingen

- □ Sommer Fassadensysteme – Stahlbau – Sicherheitstechnik GmbH & Co. KG, Döhlau

THOMAS HOHMANN[3]
Head of personnel at Dürr Systems GmbH, Stuttgart

ERICH HORST[2,3,4]
(until May 6, 2011)

Full-time Chairman of the Works Council of Dürr Ecoclean GmbH, Filderstadt, at the Monschau facility
Full-time Deputy Chairman of the Group Works Council of Dürr AG, Stuttgart

[1] Member of the executive committee and personnel committee
[2] Member of the audit committee
[3] Employee representative
[4] Member of the mediation committee
[5] Member of the nomination committee

■ Membership in statutory supervisory boards
□ Membership in comparable German and foreign control bodies (of business entities)

GUIDO LESCH[1, 2, 3]
Second Authorized Representative of
IG Metall administrative offices, Völklingen

- ■ Saarschmiede GmbH Freiformschmiede, Völklingen (Deputy Chairman)

JOACHIM SCHIELKE[2]
Former Chairman of the management board of Baden-Württembergische Bank, Stuttgart
Former member of the management board of Landesbank Baden-Württemberg, Stuttgart

- ■ Paul Hartmann AG, Heidenheim an der Brenz
- ■ ICS Informatik Consulting Systems AG, Stuttgart
- ■ Wüstenrot & Württembergische AG, Stuttgart (until December 31, 2011)
- ■ Wüstenrot Holding AG, Ludwigsburg (since November 11, 2011)

- □ Allgaier Werke GmbH, Uhingen (until September 30, 2011)
- □ Behr Verwaltung GmbH, Stuttgart
- □ Berthold Leibinger GmbH, Ditzingen (Member of the Supervisory Board, member of the Administrative Board)
- □ BWK GmbH Unternehmensbeteiligungs-gesellschaft, Stuttgart (Chairman and member until September 30, 2011)
- □ Kaufland Stiftung & Co. KG, Neckarsulm
- □ LHI Leasing GmbH, Munich (Chairman and member until September 30, 2011)
- □ Lidl Stiftung & Co. KG, Neckarsulm
- □ MKB Mittelrheinische Bank GmbH, Koblenz (Chairman)
- □ MMV Leasing GmbH, Koblenz (Chairman of the Advisory Board)
- □ Trumpf GmbH & Co. KG, Ditzingen (Member of the Administrative Board)

DR. MARTIN SCHWARZ-KOCHER[2, 3]
(since May 6, 2011)

General manager of IMU Institut GmbH, Stuttgart

KARL-HEINZ STREIBICH
(since May 6, 2011)

Chairman of the board of management of Software AG, Darmstadt

PROF. DR.-ING. DR.-ING. E. H. KLAUS WUCHERER
General manager of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH, Erlangen

- ■ HEITEC AG, Erlangen
- ■ Infineon Technologies AG, Neubiberg (Chairman and member until February 17, 2011)
- ■ LEONI AG, Nuremberg
- ■ SAP AG, Walldorf

[1] Member of the executive committee and personnel committee
[2] Member of the audit committee
[3] Employee representative
[4] Member of the mediation committee
[5] Member of the nomination committee

■ Membership in statutory supervisory boards
□ Membership in comparable German and foreign control bodies (of business entities)

The table below shows a breakdown into components of the remuneration of the individual Supervisory Board members in the reporting period.

// REMUNERATION OF THE SUPERVISORY BOARD IN 2011 3.90

€	Basic remuneration	Remuneration for committee membership	Attendance fees[4]	Variable remuneration	Total
Dr.-Ing. E. h. Heinz Dürr Chairman	60,000.00	11,250.00	8,000.00	102,970.80	182,220.80
Prof. Dr. Norbert Loos Deputy Chairman	30,000.00	25,500.00	11,000.00	51,485.40	117,985.40
Hayo Raich*[1,2] Deputy Chairman	33,000.00	5,000.00	7,900.00	51,485.40	97,385.40
Stefan Albert*[2] (since May 6, 2011)	13,333.33	–	4,000.00	22,882.40	40,215.73
Mirko Becker*[2]	20,000.00	6,000.00	8,000.00	34,323.60	68,323.60
Dr. Dr. Alexandra Dürr	20,000.00	2,500.00	6,000.00	34,323.60	62,823.60
Benno Eberl*[2] (until May 6, 2011)	8,333.33	2,083.33	3,000.00	14,301.50	27,718.16
Dr. Günter Fenneberg (until May 6, 2011)	8,333.33	–	1,000.00	14,301.50	23,634.83
Thomas Hohmann*	20,000.00	–	6,000.00	34,323.60	60,323.60
Erich Horst*[2] (until May 6, 2011)	8,333.33	3,750.00	3,000.00	14,301.50	29,384.83
Guido Lesch*[2,3]	20,000.00	7,083.33	8,000.00	34,323.60	69,406.93
Joachim Schielke	20,000.00	9,000.00	7,000.00	34,323.60	70,323.60
Dr. Martin Schwarz-Kocher*[2] (since May 6, 2011)	13,333.33	6,000.00	6,000.00	22,882.40	48,215.73
Karl-Heinz Streibich (since May 6, 2011)	13,333.33	–	4,000.00	22,882.40	40,215.73
Prof. Dr.-Ing. Dr.-Ing. E. h. Klaus Wucherer	20,000.00	–	6,000.00	34,323.60	60,323.60
Total	**307,999.98**	**78,166.66**	**88,900.00**	**523,434.90**	**998,501.54**

* Employee representative
1 Also member of the Supervisory Board of Dürr Systems GmbH
2 These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.
3 Member of the audit committee until May 6, 2011, member of the executive committee and personnel committee from May 6, 2011
4 For Supervisory Board and committee meetings

Total remuneration of the Supervisory Board amounted to € 395 thousand in the prior period.

43. Statement of changes in non-current assets

// INTANGIBLE ASSETS 3.91

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2010	**271,264**	**73,029**	**25,883**	**2,214**	**372,390**
Exchange difference	4,082	1,202	526	69	5,879
Changes in the consolidated group	1,625	1,528	967	–	4,120
Additions	4,973	1,996	3,557	480	11,006
Disposals	−242	−863	−323	–	−1,428
Reclassifications	–	2,413	–	−2,135	278
Accumulated cost as of December 31, 2010	**281,702**	**79,305**	**30,610**	**628**	**392,245**
Exchange difference	921	−14	140	–	1,047
Changes in the consolidated group	–	10,118	934	–	11,052
Additions	1,859	6,490	2,655	650	11,654
Disposals	–	−12,596	−867	−139	−13,602
Reclassifications	–	501	–	−466	35
Accumulated cost as of December 31, 2011	**284,482**	**83,804**	**33,472**	**673**	**402,431**
Accumulated amortization as of January 1, 2010	**–**	**52,077**	**12,071**	**–**	**64,148**
Exchange difference	–	673	335	–	1,008
Amortization for the year	–	8,751	3,328	–	12,079
Disposals	–	−812	−322	–	−1,134
Reclassifications	–	2	–	–	2
Accumulated amortization as of December 31, 2010	**–**	**60,691**	**15,412**	**–**	**76,103**
Exchange difference	–	30	126	–	156
Amortization for the year	–	7,553	4,025	–	11,578
Impairment losses	–	981	–	–	981
Disposals	–	−12,551	−530	–	−13,081
Reclassifications	–	35	–	–	35
Accumulated amortization as of December 31, 2011	**–**	**56,739**	**19,033**	**–**	**75,772**
Net carrying amount as of December 31, 2011	**284,482**	**27,065**	**14,439**	**673**	**326,659**
Net carrying amount as of December 31, 2010	281,702	18,614	15,198	628	316,142
Net carrying amount as of January 1, 2010	271,264	20,952	13,812	2,214	308,242

// PROPERTY, PLANT AND EQUIPMENT 3.92

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Advance payments and assets under construction	Dürr Group
Accumulated cost as of January 1, 2010	**122,072**	**36,139**	**29,424**	**64,980**	**897**	**253,512**
Exchange difference	2,391	–	996	2,137	13	5,537
Changes in the consolidated group	2,199	–	26	99	–	2,324
Additions	2,538	1,240	3,351	3,484	552	11,165
Disposals	−696	−156	−2,145	−3,684	–	−6,681
Reclassifications	−1,857	1,937	−328	733	−763	−278
Accumulated cost as of December 31, 2010	**126,647**	**39,160**	**31,324**	**67,749**	**699**	**265,579**
Exchange difference	65	–	49	138	−33	219
Changes in the consolidated group	4	–	–	439	–	443
Additions	53,370	155	3,079	7,017	1,318	64,939
Disposals	−360	−85	−2,468	−1,647	–	−4,560
Reclassifications	−212	602	29	97	−520	−4
Accumulated cost as of December 31, 2011	**179,514**	**39,832**	**32,013**	**73,793**	**1,464**	**326,616**
Accumulated depreciation as of January 1, 2010	**55,975**	**15,664**	**23,484**	**49,063**	**–**	**144,186**
Exchange difference	928	–	726	1,650	–	3,304
Depreciation for the year	3,205	768	2,058	4,905	–	10,936
Impairment losses	–	–	90	36	–	126
Reversal of impairment losses	−1,207	–	–	–	–	−1,207
Disposals	−585	−132	−2,058	−3,322	–	−6,097
Reclassifications	274	−274	−293	291	–	−2
Accumulated depreciation as of December 31, 2010	**58,590**	**16,026**	**24,007**	**52,623**	**–**	**151,246**
Exchange difference	138	–	19	127	–	284
Depreciation for the year	3,305	839	1,549	5,242	–	10,935
Impairment losses	–	–	3	2	–	5
Reversal of impairment losses	−71	–	–	–	–	−71
Disposals	−295	−62	−1,314	−1,320	–	−2,991
Reclassifications	−401	696	−330	31	–	−4
Accumulated depreciation as of December 31, 2011	**61,266**	**17,499**	**23,934**	**56,705**	**–**	**159,404**
Net carrying amount as of December 31, 2011	**118,248**	**22,333**	**8,079**	**17,088**	**1,464**	**167,212**
Net carrying amount as of December 31, 2010	68,057	23,134	7,317	15,126	699	114,333
Net carrying amount as of January 1, 2010	66,097	20,475	5,940	15,917	897	109,326

// FINANCIAL ASSETS 3.93

€ k	Shares in affiliates	Investments in entities accounted for using the equity method	Other equity investments	Long-term securities	Dürr Group
Accumulated cost as of January 1, 2010	**4,156**	**9,636**	**29**	**352**	**14,173**
Exchange difference	–	2,157	–	4	2,161
Changes in the consolidated group	−4,156	–	–	–	−4,156
Additions	–	846	100	4	950
Disposals	–	−727	–	−5	−732
Accumulated cost as of December 31, 2010	**–**	**11,912**	**129**	**355**	**12,396**
Exchange difference	–	1,006	–	−1	1,005
Additions	–	4,805	2,211	–	7,016
Disposals	–	−516	–	−38	−554
Accumulated cost as of December 31, 2011	**–**	**17,207**	**2,340**	**316**	**19,863**
Accumulated impairment as of January 1, 2010	**–**	**–**	**27**	**–**	**27**
Accumulated impairment as of December 31, 2010	**–**	**–**	**27**	**–**	**27**
Accumulated impairment as of December 31, 2011	**–**	**–**	**27**	**–**	**27**
Net carrying amount as of December 31, 2011	**–**	**17,207**	**2,313**	**316**	**19,836**
Net carrying amount as of December 31, 2010	–	11,912	102	355	12,369
Net carrying amount as of January 1, 2010	4,156	9,636	2	352	14,146

44. List of group shareholdings

// **LIST OF GROUP SHAREHOLDINGS** 3.94

Name and location	Share of capital %
Germany	
Dürr GmbH & Co. Campus KG, Bietigheim-Bissingen[2]	100
Carl Schenck AG, Darmstadt[1, 2]	100
Landwehr Elfte Vermögensverwaltung GmbH, Darmstadt[1, 2] (formerly Schenck Atis GmbH)	100
Schenck RoTec GmbH, Darmstadt[1, 2]	100
Schenck Technologie- und Industriepark GmbH, Darmstadt[1, 2]	100
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt[5]	100
Dürr Ecoclean GmbH, Filderstadt[1, 2]	100
Dürr EDAG Aircraft Systems GmbH, Fulda[3]	50
Dürr Assembly Products GmbH, Püttlingen[1, 2]	100
Dürr Somac GmbH, Stollberg[1, 2]	100
Dürr EES GmbH, Stuttgart[4]	100
Dürr International GmbH, Stuttgart[1, 2]	100
Dürr IT Service GmbH, Stuttgart[1, 2]	100
Dürr Systems GmbH, Stuttgart[1, 2]	100
Prime Contractor Consortium FAL China, Stuttgart[3]	50
Dürr Systems Wolfsburg GmbH, Wolfsburg[2]	100
Other EU countries	
Agramkow Fluid Systems A/S, Sønderborg/Denmark[2]	55
Carl Schenck Denmark ApS, Sønderborg/Denmark[2]	100
Schenck S.A.S., Cergy-Pontoise/France[2]	100
Dürr Systems S.A.S., Guyancourt/France[2]	100
Dürr Ecoclean S.A.S., Loué/France[2]	100
Datatechnic S.A.S., Uxegney/France[2]	100
Dürr Cyplan Ltd., Aldermaston/UK[3]	50
Dürr Ltd., Warwick/UK[2]	100
Schenck Ltd., Warwick/UK[2]	100
Test Automation Ltd., Warwick/UK[4]	100
CPM S.p.A., Beinasco/Italy[2]	51
Olpidürr S.p.A., Novegro di Segrate/Italy[2]	65
Schenck Italia S.r.l., Paderno Dugnano/Italy[2]	100
Verind S.p.A., Rodano/Italy[2]	50
Stimas Engineering S.r.l., Turin/Italy[2]	51
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands[2]	100
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria[2]	100
Dürr Poland Sp. z o.o., Radom/Poland[2]	100
Dürr Systems Slovakia spol. s r.o., Bratislava/Slovakia[2]	100
Dürr Systems Spain S.A., San Sebastián/Spain[2]	100
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic[2]	100
Other European countries	
OOO Dürr Systems RUS, Moscow/Russia[2]	100
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland[2]	100
UCM AG, Rheineck/Switzerland[2]	100
CPM Automation d.o.o. Beograd, Belgrade/Serbia[2]	51
Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi, Istanbul/Turkey[2]	100

Name and location	Share of capital %
North America/Central America	
Dürr Systems Canada Inc., Windsor, Ontario/Canada[2]	100
Dürr de México, S.A. de C.V., Querétaro/Mexico[2]	100
Dürr Ecoclean Inc., Auburn Hills, Michigan/USA[2]	100
Schenck RoTec Corporation, Auburn Hills, Michigan/USA[2]	100
Schenck Corporation, Deer Park, New York/USA[2]	100
Schenck Trebel Corporation, Deer Park, New York/USA[2]	100
Dürr Inc., Plymouth, Michigan/USA[2]	100
Dürr Systems Inc., Plymouth, Michigan/USA[2]	100
South America	
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina[2]	100
Agramkow do Brasil Ltda., Indaiatuba/Brazil[2]	55
Dürr Brasil Ltda., São Paulo/Brazil[2]	100
Africa/Asia/Australia	
Dürr Systems Maroc sarl au, Tangier/Morocco[2]	100
Dürr South Africa (Pty.) Ltd., Port Elizabeth/South Africa[2]	100
Dürr India Private Ltd., Chennai/India[2]	100
Schenck RoTec India Limited, Noida/India[2]	100
Nagahama Seisakusho Ltd., Osaka/Japan[3]	50
Dürr Japan K.K., Yokohama/Japan[2]	100
Agramkow Asia Pacific Pte. Ltd., Singapore/Singapore[2]	55
Dürr Korea Inc., Seoul/South Korea[2]	100
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/China[2]	100
Schenck Shanghai Machinery Corporation Ltd., Shanghai/China[2]	99
Dürr Pty. Ltd., Adelaide/Australia[2]	100

[1] Profit and loss transfer agreement with the respective parent company
[2] Fully consolidated entity in the Dürr Group
[3] Entity accounted for using the equity method in the Dürr Group
[4] Non-consolidated entity in the Dürr Group
[5] Non-consolidated entity in the Dürr Group. Dürr does not have control as it cannot enjoy the economic benefits from the operations of the company.

Bietigheim-Bissingen, March 1, 2012

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER

RALPH HEUWING

Responsibility statement by management

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

RALF W. DIETER // CEO

RALPH HEUWING // CFO

Bietigheim-Bissingen, March 1, 2012