



LEADING IN PRODUCTION EFFICIENCY



ADDING  
VALUE

ANNUAL REPORT

2015

## KEY FIGURES (IFRS)

		2015	2014	2013	2015/2014 Change in %
Incoming orders	€ million	3,467.5	2,793.0	2,387.1	24.1
Orders on hand (Dec. 31)	€ million	2,465.7	2,725.3	2,150.1	-9.5
Sales revenues	€ million	3,767.1	2,574.9	2,406.9	46.3
of which abroad	%	86.0	84.8	84.2	1.2 % ppts
EBIT	€ million	267.8	220.9	203.0	21.2
EBIT before extraordinary effects HOMAG Group <sup>1</sup>	€ million	294.3	237.4	203.0	24.0
EBT	€ million	244.5	204.7	184.6	19.4
Net profit	€ million	166.6	150.3	140.9	10.8
Cash flow from operating activities	€ million	173.0	291.3	329.1	-40.6
Cash flow from investing activities	€ million	-94.4	-224.3	-111.4	
Cash flow from financing activities	€ million	-162.4	-20.0	-100.9	
Free cash flow	€ million	62.8	221.1	261.9	-71.6
Equity (with non-controlling interests) (Dec. 31)	€ million	714.4	725.8	511.4	-1.6
Net financial status (Dec. 31)	€ million	129.4	167.8	280.5	-22.9
Net working capital (Dec. 31)	€ million	236.8	87.6	-33.1	170.3
Employees (Dec. 31)		14,850	14,151	8,142	4.9
of which abroad	%	46.0	45.3	54.0	0.7 % ppts
Gearing (Dec. 31)	%	-22.1	-30.1	-121.5	
Equity ratio (Dec. 31)	%	23.9	24.4	25.7	-0.5 % ppts
EBIT margin	%	7.1	8.6	8.4	-1.5 % ppts
EBIT margin before extraordinary effects					
HOMAG Group <sup>1</sup>	%	7.8	9.2	8.4	-1.4 % ppts
ROCE <sup>2</sup>	%	45.3	38.7	76.2	6.6 % ppts
EVA <sup>2</sup>	€ million	146.2	121.6	124.3	20.2
Dürr stock (ISIN: DE0005565204)					
High <sup>3</sup>	€	109.80	74.50	66.29	
Low <sup>3</sup>	€	58.22	49.09	33.73	
Close <sup>3</sup>	€	73.60	73.26	64.81	
Number of shares		34,601,040	34,601,040	34,601,040	
Earnings per share	€	4.67	4.33	4.05	7.9
Dividend per share	€	1.85 <sup>4</sup>	1.65	1.45	12.1

<sup>1</sup> Expense arising from purchase price allocation and termination of the HOMAG Group employee capital participation

<sup>2</sup> The capital employed has been calculated excluding financial assets since 2014. The 2013 figure has been adjusted accordingly.

<sup>3</sup> XETRA

<sup>4</sup> Dividend proposal for the annual general meeting

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

# THE DÜRR GROUP

The Dürr Group is one of the world's leading mechanical and plant engineering firms. Business with automotive manufacturers and their suppliers accounts for 60 % of our sales of almost € 3.8 billion. Other customer segments include the woodworking industry and the mechanical engineering sector as well as the chemical and pharmaceutical industries.

## OUR FIVE DIVISIONS

### Paint and Final Assembly Systems

- Paint shops
- Final assembly systems
- MES software

Sales: € 1,364.6 million

EBIT: € 100.2 million

Employees: 3,374



### Application Technology

- Paint application technology
- Glueing technology
- Sealing technology

Sales: € 599.7 million

EBIT: € 60.8 million

Employees: 1,858



### Measuring and Process Systems

- Balancing technology
- Filling technology
- Assembly technology
- Testing technology
- Cleaning technology

Sales: € 603.7 million

EBIT: € 69.8 million

Employees: 2,992



### Clean Technology Systems

- Exhaust-air purification systems
- Energy-efficiency technology

Sales: € 159.2 million

EBIT: € 5.8 million

Employees: 499



### Woodworking Machinery and Systems

- Machinery and systems for woodworking

Sales: 1,039.3 million

EBIT: € 36.6 million\*

Employees: 5,906



\* including extraordinary expenses of € 26.6 million



“Leading in Production Efficiency” – we deliver on our corporate slogan through the Dürr, HOMAG and Schenck brands. Our solutions add measurable value to customers’ manufacturing processes. The enclosed Eco Magazine provides several current examples that are inspired by the motto “Adding Value”.

We are also adding value for our shareholders. In 2015 we increased our sales to just under € 3.8 billion and achieved ambitious return targets. At € 1.85 per share, we are proposing a record dividend.

## ADDING VALUE

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## LETTER FROM THE BOARD OF MANAGEMENT

*Dear Readers,*

A worldwide presence has been part of Dürr's DNA for decades. The previous financial year shows how important this is. We benefited not only from the investment boom in North America but also from high demand in China and an upward trend in the European market. This led to a balanced regional distribution of business with shares of 20 to 30 % each in North America, China and Europe (excl. Germany) as well as 15 % in Germany.

In discussions with investors we are sometimes asked whether Dürr is focusing too much on China. The above figures show that this is not the case. In fact, Dürr's strength lies in taking advantage of business opportunities all over the world.

Aside from this, we strongly believe in China's potential. After a brief lull there in the summer of 2015, automotive sales are reaching double-digit growth rates again. For 2016 and 2017 experts anticipate an increase in Chinese automotive production by around 2 million units a year. This is linked to a corresponding demand for new production capacity.

China is set to remain the most important market for the automotive and furniture industries in the long term. This fact is unaffected by the more moderate percentage increases in GDP, since absolute growth remains high. Added to that is the transformation of the Chinese economy towards a model that focuses increasingly on domestic consumption. This transformation is an opportunity for Dürr. Our machines and systems are used to produce essential consumer goods, which are also popular in China: cars for personal mobility and furniture for a comfortable home. The market is unlikely to become saturated in the near future – on the contrary: many provinces away from the east coast are only just starting to catch up economically. More and more people there are buying a car or a modern kitchen. Both are produced locally, using increasingly automated processes for efficiency and quality reasons – so the need for capital expenditure in China will continue.

We are pursuing a consistent innovation strategy to ensure that our technology remains our customers' first choice. In 2015 we increased our R&D spending by 75 %, which is substantially more than our 46 % rise in sales.



**RALF W. DIETER (55)**  
*CEO*

- Paint and Final Assembly Systems
- Application Technology
- Measuring and Process Systems
  
- Corporate Communications
- Human Resources (Employee Affairs Director)
- Research & Development
- Quality Management
- Internal Auditing
- Corporate Compliance

**RALPH HEUWING (49)**  
*CFO*

- Clean Technology Systems
- Woodworking Machinery and Systems
- Dürr Consulting
  
- Finance/Controlling
- Investor Relations
- Risk Management
- Legal Affairs/Patents
- Information Technology
- Global Sourcing

One of the key areas we are focusing on is Industry 4.0. As part of our Smart strategy, we are combining know-how in automation and digitization. On this basis, we can already offer our customers pioneering solutions such as networked batch size 1 systems, self-regulating machine and plant components, and remote services for commissioning and maintenance. In addition, we have expanded our Industry 4.0 portfolio in a strategically important field by acquiring iTAC Software AG. iTAC is a leading specialist for manufacturing execution systems, a key technology for the networking and control of systems and for the big-data analysis of production processes. We are also placing more and more emphasis on digitization and networking in our own processes. This enables us to use our data systematically, once generated, and to increase our productivity.

The HOMAG Group, which we acquired in 2014, has fully met our expectations and exceeded the € 1 billion mark in terms of sales and order intake for the first time in its history. The FOCUS optimization program, which is targeting an EBIT margin of 8 to 10 %, is progressing well. In 2015 HOMAG's EBIT rose by 81 % to € 37 million; operating EBIT (before extraordinary effects from purchase price allocation and the termination of HOMAG's employee capital participation scheme) amounted to € 63 million. The HOMAG Group's income will continue to increase steadily. This gives the HOMAG Group the potential to become one of Dürr's key earnings drivers.

All other divisions were also able to increase their revenue, contributing to record sales of almost € 3.8 billion. We are pleased with the earnings situation overall. With EBIT reaching € 268 million (operating EBIT: € 294 million) and a margin of 7.1 % (operating margin: 7.8 %), we have achieved our targets. After the extraordinarily strong years of 2012 to 2014, we are feeling the effects of mounting competition and the pressure on margins again, particularly in plant engineering business with the automotive industry. However, we are prepared for this thanks to our continuous efficiency enhancement measures.

For 2016 we expect a stable development, provided there is no major change in underlying geopolitical and economic conditions. We aim for incoming orders worth in the region of € 3.3 to 3.6 billion – an increase on 2015 figures therefore seems achievable. Sales are expected to decline slightly, dipping to between € 3.4 and 3.6 billion. We must bear in mind, however, that revenues were around € 200 million above the normal level in 2015, as we generated sales that had been delayed in 2014. Despite our slightly lower sales, EBIT in 2016 should match the level achieved in 2015; our target margin remains unchanged at 7.0 to 7.5 %. At 30 to 40 %, ROCE is expected to be just under the high level of 2015 (45.3 %).



Although the general economic situation is growing more uncertain, opportunities still prevail at Dürr. Based on a robust financial standing, we will continue our acquisition strategy in the long term and take advantage of the potential for further growth. We are benefiting from growing investments by the automotive industry in modernizing its facilities. In the service business, we want to make use of our broad installed base and further expand our activities. In 2016 we will present further product innovations in a number of key areas. In the field of digitization, Dürr is one of the leading players.

We know we have the support of a strong team in all projects we tackle. Our managers and employees are outstanding experts who are highly respected in their sectors. They are proud of the good development of their company, and share our ambition to continue this success. We would like to thank them sincerely for their dedication in 2015.

Thanks also go to our customers, suppliers, business partners and partners in the capital market as well as our shareholders, who place their trust in Dürr.

Best wishes



**RALF W. DIETER**  
CEO



**RALPH HEUWING**  
CFO

BIETIGHEIM-BISSINGEN, MARCH, 16, 2016

## REPORT OF THE SUPERVISORY BOARD

*Dear shareholders,*

2015 was an eventful year for the Dürr Group. The HOMAG Group was successfully integrated and is making good progress in implementing the FOCUS optimization program. The new mainstay of the Dürr Group is thus on the right track to achieving its EBIT margin target of 8 to 10 % in the medium term. The other divisions also pushed ahead with their strategic projects. Expansion in the service business, construction of new campus sites in China and the United States, as well as investments in Industry 4.0 – especially the acquisition of iTAC Software AG – were important milestones. Dürr performed very well in the operating business, although market conditions were not always favorable. Incoming orders, sales and earnings reached historic highs.

The Supervisory Board provided constructive and critical advice to the Board of Management in 2015 and performed all tasks assigned to it by law and by the articles of incorporation. The Board of Management informed the Supervisory Board in a timely and comprehensive manner about business development, strategic measures, company planning and any activities requiring consent. The Supervisory Board adopted all resolutions following an in-depth review and discussion of the relevant written decision-making materials.

The Supervisory Board carefully monitored the Board of Management's conduct of the company's affairs and confirms that the Board of Management always acted lawfully, diligently and economically. The Board of Management effectively used the risk management system in operational, financial and legal matters and was supported by the Compliance and Legal teams as well as by Controlling and Internal Auditing. The Supervisory Board was regularly and comprehensively informed of any risks and opportunities and provided effective support to the Board of Management regarding the further development of the risk control and monitoring system.

In 2015 the Supervisory Board held five regular and two extraordinary meetings. No member attended fewer than five meetings; the committee meetings were always attended by all members. In addition, the Chairman of the Supervisory Board had regular contact with the Board of Management, both in person and by telephone.



**KLAUS EBERHARDT**  
*Chairman of the Supervisory Board*

He informed the other members of the Supervisory Board of the outcome of these discussions in a timely manner. The self-evaluation of the Supervisory Board, which must be carried out on a regular basis, revealed that the requirements for efficient work were being met.

### **Key topics of the meetings**

Market development, business performance, financial position and outlook were discussed in detail at all regular meetings held in 2015. When assessing economic development, the Supervisory Board paid particular attention to key figures such as incoming orders, sales, EBIT, EBIT margin and ROCE. Special focus was also placed on the integration and optimization of the HOMAG Group as well as on the development of the service business. In addition, the Supervisory Board was updated regularly on the largest contracts of the divisions as well as on projects due to be awarded.

The Supervisory Board held an extraordinary meeting on January 14, 2015, approving the conclusion of the domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG. Prior to passing the relevant resolution, the Supervisory Board requested detailed information on the valuation appraisal for HOMAG Group AG, on which the draft agreement was based. The HOMAG Group shareholders approved the agreement by a large majority at an extraordinary annual general meeting on March 5, 2015.

The majority of the meeting held on March 27, 2015, was taken up with the review of the 2014 annual financial statements, including issues regarding the first-time consolidation of the HOMAG Group. The agenda for the annual general meeting held on May 15, 2015, was also discussed in detail. In addition, the Supervisory Board renewed Mr. Dieter's appointment as CEO of Dürr AG. His new contract of employment runs from January 1, 2016, to December 31, 2020. Following the recommendation of the Personnel Committee, the Supervisory Board adjusted several parameters for the Board of Management's STI payments and approved the LTI tranche for 2015 to 2017. Furthermore, it authorized a special bonus of € 200,000 payable to each of the two members of the Board of Management. This is linked to the acquisition of the HOMAG Group and the sale of the aircraft assembly technology business. When analyzing the results, account was taken of the effects of the HOMAG purchase price allocation and the guaranteed dividend for the HOMAG shareholders. The discussion of the first personnel report of the year focused on the management development program as well as further training and the proportion of women in managerial positions.

At the meeting held on May 15, 2015, the Supervisory Board addressed topics such as regional business development. The discussion focused further on the integration of the HOMAG Group into Dürr's financing structure and the planned replacement of the employee capital participation at several HOMAG Group companies. This step was approved on June 18, 2015, when the Supervisory Board passed a resolution by way of written circulation.

At the meeting on July 29, 2015, the Supervisory Board held in-depth discussions on the German Act on Equal Participation of Women and Men in Executive Positions. It was noted that women are already promoted at Dürr today. However, there was consensus that a limiting factor in this is the low percentage of women studying technical subjects. The target for the percentage of women on the Board of Management, to be achieved by June 30, 2017, was set at 0 %. The Supervisory Board sees no reason to change the structure or members of the existing Board of Management, which has been operating very successfully. In addition, the Supervisory Board agreed that shareholder and employee representatives should implement the women's quota of at least 30 % on the Supervisory Board separately at the next elections. Further important agenda items included the expansion of the application technology business in general industry, the first risk report of the year, the development of prepayments received, and the introduction of Mr. Paasivaara as the new CEO of HOMAG Group AG.

The meeting held on October 1, 2015, began with a thorough analysis of the second personnel report for 2015. During the course of the meeting, the Board of Management reported on the current market situation in China and on the HOMAG Group's US business. It also informed the Supervisory Board about the planned acquisition of iTAC Software AG. Due to Mr. Heuwing's scheduled departure from the Board of Management of HOMAG Group AG, the Supervisory Board formally adjusted his Management Board contract with Dürr AG.

On November 25, 2015, the Supervisory Board held an extraordinary meeting, giving its approval for the acquisition of iTAC Software AG.

At the meeting on December 16, 2015, the Board of Management and the division heads presented the key points of the Group's future development as part of the "Dürr 2020" strategy. On this basis the Supervisory Board approved the budget for 2016 and acknowledged the planning for 2017 to 2019. Another focus was the analysis of the second risk report as well as the report on the internal control system.

The Chairmen of the Board of Management and the Supervisory Board signed the new declaration of compliance with the German Corporate Governance Code. In addition, the Supervisory Board received detailed information on the construction progress of the two new campus sites in Southfield (USA) and Shanghai.

### **Changes in the Supervisory Board**

Professor Dr. Dr. E.h. Klaus Wucherer, who had been a member of the Supervisory Board since 2009, resigned from office effective December 31, 2015, for personal reasons. The Supervisory Board thanks him for his valuable contributions and his expertise, which he applied in particular in the areas of technology and foreign markets. Dr. Anja Schuler has been appointed by court order as a member of the Supervisory Board to replace Mr. Wucherer with effect from February 3, 2016. She will stand for election at the annual general meeting on May 4, 2016. Dr. Herbert Müller has announced that, for personal reasons, he will no longer stand for election at the 2016 annual general meeting. Many thanks also go to him for his commitment and his expertise in managing the Audit Committee. The Supervisory Board will propose to the annual general meeting that Mr. Gerhard Federer be elected as Dr. Müller's successor.

### **Work of the committees**

The Personnel Committee, which is also the Executive Committee, met once during 2015. Apart from the new contract of employment for Mr. Dieter, it also prepared the resolutions for the adjustment of the Management Board compensation structure, which the Supervisory Board adopted at the meeting on March 27, 2015.

The Nominating Committee convened twice in 2015. At the meeting on May 15, 2015, it discussed the Act on Equal Participation of Women and Men in Executive Positions and evaluated potential female candidates for the Supervisory Board election at the 2016 annual general meeting. On December 16, it recommended to the Supervisory Board that Dr. Schuler be appointed by court order as a member of the Supervisory Board. In addition, a telephone meeting was held on January 29, 2016. During this meeting the Nominating Committee recommended that Mr. Federer be nominated for election to the Supervisory Board at the annual general meeting on May 4, 2016.

The Audit Committee convened four times and worked intensively on the quarterly, annual and consolidated financial statements as well as on various accounting matters. It also focused on questions concerning the HOMAG Group's first-time consolidation as well as the domination and profit and loss transfer agreement with

HOMAG Group AG. In addition, the Audit Committee dealt with long-term working time accounts, the actuarial interest rate for pension provisions, and the integration of the HOMAG Group into Dürr's risk management system.

The Audit Committee proposed the key points for the external audit and monitored compliance with capital market regulations. It checked and confirmed the efficiency of the internal control system, the risk management system and the internal auditing system; it also reviewed the compliance management system and the financial reporting process. The audit results were presented to the Supervisory Board on December 16, 2015, and discussed in plenary session. The Audit Committee delivered further reports at the meetings held on March 27 and July 29, 2015. As in previous years, a meeting of the Mediation Committee was not required.

#### **Audit and ratification of the annual financial statements**

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft examined Dürr AG's annual financial statements, Dürr's consolidated financial statements and the combined management report prepared by the Board of Management for the period ended December 31, 2015, and issued unqualified auditors' certificates. The annual financial statements, the consolidated financial statements and the combined management report were submitted to the members of the Supervisory Board in good time. They were discussed in detail with the Board of Management and reviewed at the Supervisory Board meeting held to approve the financial statements on March 16, 2016. The same applies to the auditors' reports, which were also submitted in due time.

The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting held on the same day. They reported on their audit and were available for further explanations and discussions. The auditor responsible for Dürr at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft is Mr. Heiko Hummel, who has performed this task in six audits to date.

At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Dr. Herbert Müller, commented in detail on the audit documents, reported on the preliminary talks with the auditors, and elaborated on the proposal to pay a dividend of € 1.85 per share for 2015. In addition, he commented on the key points of the audit. These included accounting for the new financing structure, deferred taxes, hedging the cost of supplies and services in foreign currencies, as well as the knock-on effects of HOMAG's first-time consolidation and of the domination and profit and loss transfer agreement with HOMAG Group AG.

On the basis of the documents presented to it and the reports of the Audit Committee and the auditors, the Supervisory Board examined and accepted the annual financial statements, the consolidated financial statements and the combined management report. The Supervisory Board's own review found no cause for objection. The Supervisory Board approves the results of the audits of both sets of financial statements, agrees with the Board of Management in its assessment of the situation of the Group and Dürr AG, and approves the annual financial statements and the consolidated financial statements prepared for the period ended December 31, 2015. The annual financial statements are thereby ratified. In light of the Audit Committee's recommendation and its own review, the Supervisory Board approves the Board of Management's proposal on the use of net retained profit.

The Supervisory Board thanks the Board of Management as well as the division heads, employee representatives and all employees for their dedication in 2015 and their contribution to Dürr's success. The Supervisory Board also thanks the shareholders for the confidence they have placed in the company.



**KLAUS EBERHARDT**  
*Chairman of the Supervisory Board*

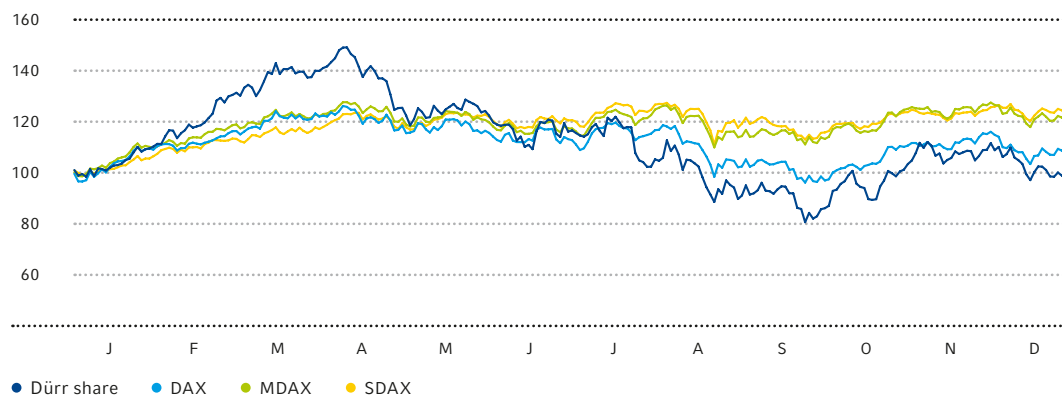
**BIETIGHEIM-BISSINGEN, MARCH 16, 2016**



## DÜRR ON THE CAPITAL MARKET: INVESTOR RELATIONS WORK EXPANDED

### 1.1 – PERFORMANCE OF DÜRR STOCK IN XETRA TRADING, JANUARY – DECEMBER 2015

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



We keep the capital markets informed reliably, in detail and with minimum delay of our business performance, our expectations for the future and other news of relevance to investors. Regular contacts are maintained with analysts and investors at conferences and road shows as well as by telephone or during visits to our facilities. The prime purpose of our investor relations work is to ensure a fair valuation of the Dürr share and the Dürr bond.

In the year under review, the acquisition of the HOMAG Group, which had been executed in October 2014, again played a dominant role in our communications with the capital markets. We issued regular information on optimization measures and the progress achieved in integration. Most of our dialog partners in the capital markets now view the HOMAG Group as a crucial growth and earnings driver for the Dürr Group. Our goal is to increase the HOMAG Group's sales to € 1.25 billion and its EBIT margin to between 8 and 10 % by 2020.

A comparison of valuations shows that the Dürr share had greater upside potential than the peer group at the end of 2015. This is reflected in valuation multiples such as price/earnings ratio, enterprise value to EBIT/EBITDA, enterprise value to sales revenues and share price to book value. Our closest comparable peers are Andritz, Deutz, EDAG, Gea, Heidelberger Druckmaschinen, Kion, Kronos, Kuka and Jungheinrich. The current analyst estimates on Dürr's sales revenues, profit and dividend can be found under "Investor Relations – Share" at [www.durr.com](http://www.durr.com).

## 1.2 – KEY FIGURES FOR THE DÜRR SHARE

		2015	2014	2013
Earnings per share	€	4.67	4.33	4.05
Book value per share (Dec. 31)	€	20.15	17.78	14.58
Cash flow per share	€	5.00	8.42	9.51
Dividend per share	€	1.85 <sup>1</sup>	1.65	1.45
High	€	109.80	74.50	66.29
Low	€	58.22	49.09	33.73
Closing price	€	73.60	73.26	64.81
Average daily trading volume	Shares	174,000	124,000	153,000
Market capitalization (Dec. 31)	€ million	2,546.6	2,534.9	2,242.5
Number of shares		34,601,040	34,601,040	34,601,040

<sup>1</sup> Dividend proposal for the annual general meeting

## VOLATILE EQUITY MARKETS

The capital markets were very volatile in 2015, with the extremely accommodative monetary policies in Europe and the United States generating even more liquidity on the part of investors. In Germany in particular, the low interest rates prompted investors to widen their exposure to equities. Yields on ten-year German government bonds stood at around 0.5 % at the end of 2015. In December, the US Fed raised its base rate slightly for the first time in several years. However, the ECB left its rates unchanged at a historically low 0.05 %, announcing that it would be buying further government bonds of € 60 billion per month until the end of March 2017 at least.

After a very strong start to the year, European equity markets sustained substantial losses between April and September 2015 in response first to the Greek crisis and later to the scaled-back growth expectations in China and other emerging markets. After climbing to 12,391 points in mid-April, the DAX closed the year at 10,743 points, up just under 10 % over the previous year. By contrast, the MDAX rose by around 23 %.

The Dürr share entered 2015 at € 73.26, reaching an all-time high of € 109.80 on April 10. This was followed by a downturn driven by general market trends as well as by two key factors: muted automotive sales in China in the summer and the cutbacks announced by Volkswagen in connection with the exhaust gas problems. This was exacerbated by investors' general skepticism towards cyclical shares. The trend changed direction at the end of September, causing the Dürr share to approach the € 80 mark again in November. This was triggered particularly by our good quarterly figures and the Chinese government's decision to offer tax incentives to encourage the purchase of cars with low fuel consumption. The Dürr share saw out the year at € 73.60 on December 31, 2015, equivalent to a small increase of 0.5 % over the beginning of the year. Including the dividend of € 1.65 per share paid in May, this translated into a gain of 2.7 % for 2015.

### DIVIDEND TO BE RAISED BY 12.1 %

We want to ensure that our shareholders have a fair share in Dürr's success. For this reason, we will be proposing a dividend of € 1.85 per share for 2015, equivalent to an increase of 12.1 % over the previous year (€ 1.65). By comparison, consolidated net profit for 2015 rose by 10.8 %. On the basis of this proposal, a total distribution of € 64.0 million will be made, translating into a pay-out ratio of 38 % of consolidated net profit, i.e. at the top end of the range of 30 to 40 % defined in our dividend policy.

An average of 174,000 Dürr shares were traded per day in 2015, an increase of 40 % over the previous year. The daily trading volumes almost doubled in value to € 14.1 million. In 2015, XETRA trading volumes of all shares listed on the German stock exchange rose by 26 % to € 1,310.4 billion.

Listed in the Deutsche Börse's high-quality Prime Standard segment, the Dürr share is traded in all German stock exchanges. More than 95 % of stock exchange trading volumes are handled via the electronic XETRA platform, although over 60 % of trade in Dürr shares is executed over the counter. In the combined MDAX/SDAX ranking calculated by Deutsche Börse, we advanced from 28th to 15th position in trading volumes at the end of 2015, achieving 26th place in market capitalization (previous year: 23rd place).

### HIGH RANKINGS FOR IR WORK

In the "Investor's Darling" competition organized by business journal "Manager Magazin", Dürr achieved third place out of a total of 50 MDAX companies. The capital market rankings calculated by business magazine "BILANZ" put us in 4th position in the MDAX and in 6th position in the overall evaluation (DAX, MDAX, SDAX, TecDAX).

### ANALYSTS RECOMMEND DÜRR

In 2015, a further renowned bank, namely Société Générale, commenced its coverage of our share, bringing the number of banks publishing analyses on Dürr to 22. Holding or buying our share is recommended by 95 % of the analysts. The average target price stood at € 91.65 on December 31, 2015, and, hence, 25 % above the closing price.

#### 1.3 – ANALYST RECOMMENDATIONS (DECEMBER 31, 2015)



In the course of 2015, we further intensified our contacts with analysts and investors, explaining the company's current situation and future prospects in around 450 one-on-one talks (2014: around 350). As in the previous year, we attended 27 investor conferences in Germany, France, the United Kingdom and the United States. In the interests of heightened efficiency, we reduced the number of road shows from 24 to 20. At the same time, there was a substantial increase in telephone conversations with investors and investor meetings at Dürr.

#### FREE FLOAT STABLE AT 71 %

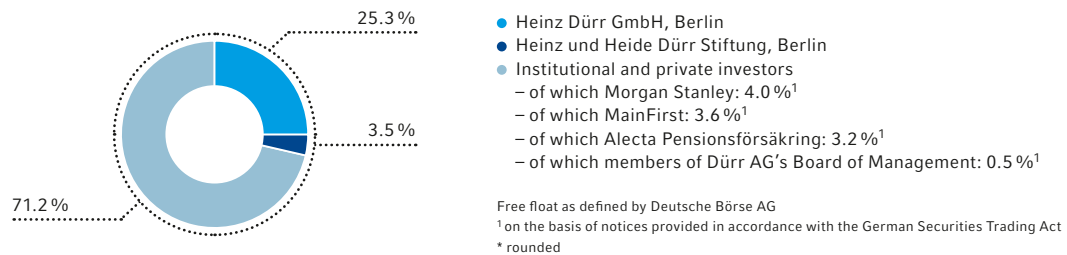
The Dürr family as the anchor shareholder holds 28.8 % of Dürr AG's stock. 25.3 % of the shares are held by Heinz Dürr GmbH and 3.5 % by Heinz und Heide Dürr Stiftung. Looking forward, the family plans to retain an interest of over 25 % in Dürr AG. Further reportable share packages were held by institutional investors Morgan Stanley (4.0 %), MainFirst (3.6 %) and Alecra Pensionsförsäkring (3.2 %) as of December 31, 2015. The members of the Dürr AG Board of Management held a total of around 0.5 % of the company's shares at the end of 2015. Free float as calculated by Deutsche Börse was unchanged at 71 %.

#### DÜRR BOND WITH A YIELD OF 2.0 %

Issued in 2014 with a value of € 300 million, our bond matures in 2021 and has a coupon of 2.875 %. The bond entered 2015 at a price of 106.5 %, closing the year at 104.5 %. The yield stood at 2.0 % on December 31, 2015. Average daily trading volumes declined from € 327,000 in the previous year to around € 76,000.

We have been dispensing with bond and corporate ratings for a number of years now. The expense of having a rating calculated is not justified by its benefits, especially as we pursue transparent capital market communications, providing investors with all relevant information. The response of the capital markets confirms this view.

#### 1.4 – SHAREHOLDER STRUCTURE\* (DECEMBER 31, 2015)








# COMBINED MANAGEMENT REPORT

# COMBINED MANAGEMENT REPORT

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## COMBINED MANAGEMENT REPORT

*We have combined the Dürr Group management report with the management report for Dürr AG in accordance with Section § 315 (3) of Germany's Commercial Code (HGB) in connection with Section 298 (3) HGB. The management report is therefore termed a combined management report. Unless otherwise specified, the information below is applicable to both the Dürr Group and Dürr AG. Statements which refer exclusively to Dürr AG are correspondingly marked. These come at the end of the combined management report.*

[P. 0001] → 

## PAGE REFERENCES

*The page numbers in brackets in the text refer to additional information in the management report, in the notes to the consolidated financial statements or in the glossary.*



# THE GROUP AT A GLANCE

## PROFILE

Dürr is one of the world’s leading engineering groups. Our machines, plant and services enable highly efficient manufacturing processes across a range of industries. Business with automotive manufacturers and their suppliers accounts for approximately 60 % of sales. Other customer segments include, for example, the mechanical engineering, chemical, pharmaceutical and electrical industries and – since the takeover of HOMAG Group AG in October 2014 – the woodworking industry. We run 92 sites in 28 countries. We operate globally with our brands Dürr, Schenck and HOMAG; in addition to North America and Western Europe, we are also strongly represented in the emerging markets<sup>1</sup>. These accounted for 50.2 % of our order intake in fiscal 2015, 50.8 % of sales and 29.8 % of our workforce. Almost 60 % of the Group’s business volume comes from mechanical engineering and a good 40 % from plant engineering.

## GROUP ORGANIZATIONAL STRUCTURE

Dürr AG performs Group-wide functions as a management holding company. Apart from governance of the divisions, these include, for example, financing, Group controlling and accounting, as well as legal affairs, taxation, internal auditing, corporate communications and human resources management. Together with Dürr Technologies GmbH, which acts as a holding company for equity interests, and Dürr IT Service GmbH, which provides information technology services throughout the Group, Dürr AG forms the corporate center.

We operate in five divisions, which also form the reportable segments within the meaning of the IFRS:

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

## DIVISIONS, BUSINESS MARKETS, MARKET SHARES<sup>2</sup>, IMPORTANT PRODUCTS AND SERVICES

### Paint and Final Assembly Systems

Paint and Final Assembly Systems plans, builds and upgrades turnkey paint shops and final assembly lines for the automotive industry. As a systems partner, we assume all the tasks of project execution, from layout planning to commissioning. In the area of paint shop technology, we offer hardware and software solutions for all process stages.

Our RoDip dip-coating system is a key product at the start of the painting process. In this, the bodies are cleaned and pretreated as they emerge from the body shop, and an anti-corrosion coat is applied to them. Another core product is the energy-efficient EcoDryScrubber spray booth system, which is used when applying primer, base coat and clear coat. Our delivery specification generally also includes oven and conveyor systems plus ventilation and exhaust-air systems. In addition, in the **EcoEMOS manufacturing execution system (MES)** [P. 220] we offer software

## 2.1 – GROUP STRUCTURE

<b>Management holding company</b>	• Dürr AG				
<b>Divisions</b>	• Paint and Final Assembly Systems	• Application Technology	• Measuring and Process Systems	• Clean Technology Systems	• Woodworking Machinery and Systems

<sup>1</sup> Asia (excluding Japan), South and Central America, Africa, Eastern Europe

<sup>2</sup> determined in-house

for networking and controlling complete production systems. MESS are a core area of **Industry 4.0 [P. 220]**. We have therefore significantly expanded our capabilities in this area by acquiring iTAC Software AG. Details of this acquisition can be found under the sub-title "Acquisitions and divestments" and in the **Strategy** chapter [P. 39].

Together with the Application Technology division, we are the only systems supplier worldwide to offer paint shop systems as well as application and robot technology from a single source. We lead the field over the competition with a global market share of around 50 %, with companies from Japan and Germany taking second and third places, holding market shares of 20 % and 10 to 15 %, respectively.

The Dürr Consulting unit is also part of the Paint and Final Assembly Systems division. It advises customers on planning and optimizing their production operations, particularly in painting and final assembly technology and logistics.

#### Application Technology

Application Technology generates about 85 % of its sales from hardware and software solutions for the automated spray application of paint. Its most important products are the **EcoBell3 high-speed rotating atomizer [P. 220]**, the **EcoLCC2 color changer** and the **EcoRP painting robot** family. Other systems are used for paint supply, quality assurance, and process control and evaluation. We are the leading supplier in the automotive sector with a global market share of more than 50 %. Our two most important competitors are manufacturers of industrial robots with market shares of between 15 and 20 %.

Besides paint application technology, we are active in two related business fields, i.e. **sealing technology** and **glueing technology [P. 220]**. Sealing processes are used for seam sealing, underbody protection and injection of insulating materials in vehicles. Glueing technology is used to join vehicle components during body-in-white production and final assembly. Glueing is increasingly in demand as an alternative to welding when using non-weldable **lightweight materials [P. 220]** (for example carbon fiber, magnesium) in the manufacture of vehicle bodies. During final assembly, glueing technology is used, for instance, for fitting windows, glass roofs and cockpits.

Since 2014 Application Technology has been expanding its business with general industrial customers to complement its automotive activities. The Industrial Products segment set up for this purpose offers products for the plastics, ceramics, shipbuilding, timber and furniture industries.

#### Measuring and Process Systems

Measuring and Process Systems offers **balancing and diagnostic systems [P. 220]** and also assembly, test and filling products. These activities are housed in the Balancing and Assembly Products business unit. Our second business unit – Cleaning and Surface Processing – specializes in industrial cleaning technology and surface processing systems.

**Balancing systems** under the Schenck brand are used in a range of sectors. We are the largest supplier worldwide, with a market share of around 40 %. Our nearest two competitors have market shares of around 15 and 10 %.

With regard to assembly, testing and filling technology, we mainly equip the automotive industry. We are also the global leader in these areas, with market shares of 25 to 30 % each. In filling technology, we also supply systems for the automated filling of refrigerators, air-conditioning systems and heat pumps with refrigerants via the Agramkow Group. The main testing technology products are test stands for brakes, electronics and wheel geometry. In assembly technology, the key area is **marriage stations [P. 220]**, in which the vehicle body and power train are joined.

We sell our workpiece cleaning and surface processing systems under the brand names Dürr Ecoclean and ucm. With a market share of about 40 %, we are the world's largest supplier. Our competitors are mainly SMEs with significantly smaller market shares, operating at regional level. Our major products include the **EcoCCore** and **EcoCWave** universal cleaning systems, the **EcoCDuty** for large workpieces, and the robot-based **EcoCFlex3** cleaning system.

#### Clean Technology Systems

Clean Technology Systems supplies exhaust-air purification technology and products to enhance the energy efficiency of industrial processes. Our **Ecopure** exhaust-air purification systems are mainly used in the chemical and pharmaceutical industries, but also in sectors such as

printing, woodworking and carbon fiber production. The equipping of automotive paint shops accounted for some 30 % of sales in 2015, and we have a market share of between 40 and 50 % in this business. We are also among the largest suppliers in the more fragmented non-automotive sector. Our most important process is thermal exhaust-air purification, in which pollutants in exhaust-air streams are incinerated at up to 1,000 °C. Since thermal exhaust-air purification systems require a great deal of energy, we often incorporate heat-recovery systems in them. This focus on sustainable processes forms the link to our energy-efficiency business field, which was set up in 2011 and offers a product portfolio addressing all aspects of the efficient generation and use of heat, cold and electricity. This includes ORC technology (Organic Rankine Cycle) and the Dürr Compact Power System (micro gas turbine) for electricity generation, plus Dürr Thermea's large-scale heat pumps.

#### Woodworking Machinery and Systems

Woodworking Machinery and Systems pools the activities of the HOMAG Group. The HOMAG Group is the leading global supplier of machinery and systems for the woodworking industry and trade. With a global market share of around 30 %, we have a significant lead over the two next-placed competitors with shares of 10 % and 7 %, respectively. Using our machines and systems, customers produce household and office furniture, kitchens, parquet and laminate flooring, windows, doors, stairs and complete timber prefabricated houses. The range extends from entry-level machines to complete, fully automated production lines. Our core products include panel cutting systems, throughfeed saws, throughfeed drilling machines and sanders, plus edge-banding machines, CNC processing centers and handling systems. One of the HOMAG Group's particular strengths is batch size 1 concepts for flexible and bespoke furniture production.

#### COMPREHENSIVE SERVICE OFFER

The outcome of the healthy order book following the economic crisis of 2008/2009 is that there has been a marked increase in our installed base, i.e. the total number of all Dürr machines and systems in the market. This therefore opens up additional opportunities in after-sales business for us. To exploit these opportunities, we have expanded and optimized our service organization by implementing the Group-wide CustomerExcellence@Dürr program. The **Strategy** chapter [P. 39] contains detailed information.

Our range of services includes planning, remodeling, upgrading, optimizing and relocating plants and machinery, as well as plant productivity and energy-efficiency audits, software updates, training, maintenance, remote diagnostics, repairs and replacement parts. In fiscal 2015 service sales rose by 39.5 % to € 884.9 million, which represents 23.5 % of Group sales (2014: 24.6 %). Our long-term target is to achieve a service proportion of up to 30 %. As at December 31, 2015, the service side employed 2,407 persons, or 16 % of the workforce (Dec. 31, 2014: 2,087 persons/15 %).

#### TIP: TECHNOLOGY AND INDUSTRY PARK IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP) is part of the Measuring and Process Systems division. As a real estate service provider, it markets and operates offices and also production and logistics space at Schenck's Darmstadt site. The floorspace for rent amounts to 109,900 m<sup>2</sup> on 105,000 m<sup>2</sup> of land, of which offices account for 46 %.

#### FINANCIAL IMPORTANCE OF INDIVIDUAL PRODUCTS, SERVICES AND BUSINESS MARKETS

In view of our broad-based portfolio, the financial importance of individual products and services is relatively low. Success in the paint shop business is largely based on our systems expertise, i.e. the ability to implement turnkey systems. An important prerequisite in this regard is our know-how in order execution and project management. Service business makes a disproportionate contribution to profitability in all divisions and is therefore being expanded. Thanks to our broad-based international structure, we achieve 86 % of Group sales outside Germany; 26 % of sales come from China. Earnings in the individual market regions are approximately in line with the regional breakdown of sales. In regions with above-average market shares we tend to achieve higher margins.

#### LEGAL STRUCTURE

Each of the following companies is wholly owned by Dürr AG: Dürr Systems GmbH, Dürr International GmbH, Dürr Technologies GmbH, Carl Schenck AG and Dürr IT Service GmbH. The first four companies mentioned and Dürr AG have entered into domination and profit and loss transfer agreements. The agreement with Dürr Technologies GmbH was concluded in the year under review. Furthermore, the existing domination agreement with Carl Schenck AG was amended during the year under review to include a profit

## 2.2 – ACTIVITIES AND BUSINESS MARKETS

## PAINT AND FINAL ASSEMBLY SYSTEMS DIVISION

Business type	Activities	Customer groups/business markets
<ul style="list-style-type: none"> <li>Plant engineering</li> </ul>	<ul style="list-style-type: none"> <li>Complete paint shops</li> <li>Individual painting process stations</li> <li>Final assembly systems</li> <li>Service</li> </ul>	<ul style="list-style-type: none"> <li>Automobile manufacturers</li> <li>Automotive suppliers</li> <li>General industry (e.g. construction equipment and farm machinery)</li> </ul>
<ul style="list-style-type: none"> <li>Consulting</li> </ul>	<ul style="list-style-type: none"> <li>Consulting</li> </ul>	<ul style="list-style-type: none"> <li>Automobile manufacturers</li> <li>Automotive suppliers</li> <li>General industry</li> </ul>
<ul style="list-style-type: none"> <li>Software business</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing execution systems (MES)</li> </ul>	<ul style="list-style-type: none"> <li>Automobile manufacturers</li> <li>Automotive suppliers</li> <li>General industry (e.g. electrical engineering)</li> </ul>

## APPLICATION TECHNOLOGY DIVISION

Business type	Activities	Customer groups/business markets
<ul style="list-style-type: none"> <li>Mechanical engineering and component business</li> </ul>	<ul style="list-style-type: none"> <li>Products for automated spray painting</li> <li>Sealing technology</li> <li>Glueing technology</li> <li>Service</li> </ul>	<ul style="list-style-type: none"> <li>Automobile manufacturers</li> <li>Automotive suppliers</li> <li>General industry (e.g. plastics, ceramics, timber, shipbuilding)</li> </ul>

## MEASURING AND PROCESS SYSTEMS DIVISION

Business type	Activities	Customer groups/business markets
<ul style="list-style-type: none"> <li>Mechanical engineering</li> </ul>	<ul style="list-style-type: none"> <li>Balancing and diagnostic systems</li> <li>Assembly technology for vehicle final assembly</li> <li>Testing technology for vehicle final assembly</li> <li>Filling technology</li> <li>Industrial cleaning systems</li> <li>Surface processing systems</li> <li>Service</li> </ul>	<ul style="list-style-type: none"> <li>Automobile manufacturers</li> <li>Automotive suppliers</li> <li>Electrical/electronic engineering</li> <li>Turbines/power plants</li> <li>Mechanical engineering</li> <li>Aerospace industry</li> <li>Household appliance industry</li> <li>Medical and laboratory equipment</li> </ul>

## CLEAN TECHNOLOGY SYSTEMS DIVISION

Business type	Activities	Customer groups/business markets
<ul style="list-style-type: none"> <li>Plant engineering and component business</li> </ul>	<ul style="list-style-type: none"> <li>Exhaust-air purification systems</li> <li>Energy management and consulting</li> <li>Service</li> <li>Energy-efficiency technologies (electricity generation from heat, heat and power generation, heat pumps)</li> </ul>	<ul style="list-style-type: none"> <li>Chemical industry</li> <li>Pharmaceutical industry</li> <li>Carbon fiber production</li> <li>Printing/coating</li> <li>Automobile manufacturers (paint shops)</li> <li>Automotive suppliers (paint shops)</li> <li>Woodworking</li> <li>Operators of decentralized power plants (CHP plants, biogas systems, stationary combustion engines)</li> <li>Process industry</li> <li>Energy sector</li> <li>General industry</li> </ul>

## WOODWORKING MACHINERY AND SYSTEMS DIVISION

Business type	Activities	Customer groups/business markets
<ul style="list-style-type: none"> <li>Mechanical and plant engineering</li> </ul>	<ul style="list-style-type: none"> <li>Woodworking technology</li> <li>Service</li> </ul>	<ul style="list-style-type: none"> <li>Woodworking industry</li> <li>Woodworking trade</li> </ul>

and loss transfer agreement. A profit and loss transfer agreement is in place between Dürr AG and Dürr IT Service GmbH. On March 5, 2015, the extraordinary general meeting of HOMAG Group AG voted by a large majority in favor of a domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG. The agreement was entered in the Commercial Register on March 17, 2015, and has been effective since that date, with the agreement on profit and loss transfer being applicable for the first time to the profit in fiscal 2016. Dürr Systems GmbH, Dürr International GmbH, Carl Schenck AG and HOMAG Group AG hold direct or indirect stakes, usually 100 % holdings, in all the other Group companies. The members of the Boards of Management of Dürr AG, Carl Schenck AG and HOMAG Group AG and the managing directors of Dürr Systems GmbH are represented on the supervisory boards of all material foreign companies.

#### ACQUISITIONS AND DIVESTMENTS

In 2015 we acquired four companies and shareholdings and divested ourselves of one operation.

##### Acquisitions

- On December 3, 2015, we acquired 100 % of the shares in iTAC Software AG (Germany). The company specializes in MES software (MES: **manufacturing execution system [P. 220]**), which enables the entire digitization, networking and control of machines and production lines. The acquisition of iTAC is an important element of our **Industry 4.0** strategy [P. 220]. The company has already equipped some 150 plants and production lines

in, for example the automotive, electronics and medical technology industries.

- Effective November 16, 2015, we acquired 100 % of the shares in Indian supplier Mhitraa Engineering Equipments (Pvt.) Ltd., which operates in the field of **industrial cleaning technology [P. 220]**. Mhitraa has close supplier relationships with car and motorcycle manufacturers as well as engine suppliers, and has installed more than 500 cleaning systems in India since 1988. The takeover allows us to expand our product offering in the entry-level segment, which is particularly important in India.
- We increased the 49 % holding in Shanghai Shenlian Testing Machine Works Co. Ltd. acquired in 2013 to 100 % effective August 5, 2015. The Chinese company, which mainly offers universal balancing systems for the lower price and technology segment, has enabled us to improve our access to the low-end market segment.
- In February and March 2015 we increased our shareholding in Thermea Energiesysteme GmbH in two steps from 30.0 % to 87.6 %. At the same time the company, which specializes in environment-friendly large-scale heat pumps, was renamed Dürr Thermea GmbH.

The acquisitions came to a total of € 42.0 million, of which € 31.2 million went on buying iTAC. A total of € 12.4 million was capitalized as goodwill, of which the iTAC transaction accounts for € 11.2 million.

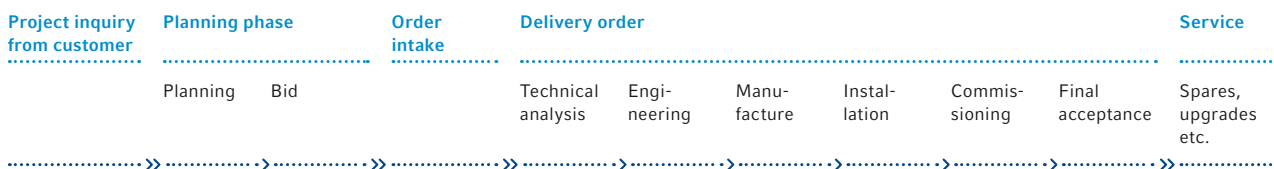
#### 2.3 – ACQUISITIONS/SHAREHOLDING PURCHASES

	Shareholding	Consolidation type	Included in the consolidated financial statement since	Employees (Dec. 31, 2015)
<b>iTAC Software AG</b>				
Paint and Final Assembly Systems	100.0 %	Fully consolidated	Dec. 3, 2015	93
<b>Mhitraa Engineering Equipments (Pvt.) Ltd.</b>				
Measuring and Process Systems	100.0 %	Fully consolidated	Nov. 16, 2015	54
<b>Shanghai Shenlian Testing Machine Works Co. Ltd.</b>				
Measuring and Process Systems	100.0 % (2013: 49.0 %)	Fully consolidated <sup>1</sup>	Oct. 12, 2013	44
	87.6 %			
<b>Dürr Thermea GmbH<sup>2</sup></b>				
Clean Technology Systems	(2014: 30.0 %, 2012: 27.5 %)	Fully consolidated	Oct. 3, 2012	35

<sup>1</sup> Consolidated at equity before increase in holding (August 5, 2015)

<sup>2</sup> Trading as Thermea Energiesysteme GmbH until April 15, 2015

2.4 – PROCESSES IN PLANT ENGINEERING



**Divestment**

Effective January 14, 2015, we sold Dürr Automation S.A.S. (France). The buyer was Automation Holding GmbH, a subsidiary of Quantum International Partners GmbH. The divested operation was part of the **industrial cleaning technology** business [P. 220] of Measuring and Process Systems and was no longer a core business. The transaction incurred a loss of € 4.3 million, which was accounted for back in 2014.

For further details of our acquisitions, please turn to table 2.3 and the **Strategy** chapter [P. 39]. Please refer also to **item 19 [P. 140]** of the notes to the consolidated financial statements.

**BUSINESS PROCESSES/PROCESS ADVANTAGES**

The most important business processes in the Dürr Group are planning, engineering, order execution and service. We have also expanded our in-house production in recent years in order to improve quality assurance and on-time-to-requirement performance, and to better protect our know-how. For large plant engineering projects, in particular, our business success depends on the quality of order execution and professional project management. A large project generally requires 15 to 24 months, whereas mechanical engineering orders take between 2 and 12 months until completion. Smaller remodeling, upgrading and service projects are of shorter duration.

Complex projects, in particular, require smooth collaboration between different departments and sites. We therefore operate with standardized processes in planning, order execution, procurement, service and administration. Our processes are supported by globally harmonized IT systems. This avoids interface problems, automates processes and enables the international sharing of work packages

and thus effective capacity management. The standardization of processes and IT tools enables us to process more orders simultaneously than before with a reduced risk. We integrated the HOMAG Group into a range of Dürr Group processes and IT systems in 2015. At the same time, the HOMAG Group set about harmonizing its internal business-specific processes and systems as part of the focus optimization program.

**CUSTOMER RELATIONS**

Most vehicle manufacturers and many suppliers use Dürr technology in their production operations. Our business with them is technically complex and long-term. We therefore maintain close contacts and communicate regularly with them. We operate as a planner, consultant and system supplier. For that reason, we are sometimes involved in negotiations for up to two years before an order is placed in the case of major capital projects. As a service partner, we also support our customers in the after-sales sphere, for instance with spare parts, modifications and upgrades. Customers often involve us in the development of new products to ensure that we have the necessary production technology available at the right time.

Close cooperation on projects with relatively few customers is also a characteristic feature in the plant engineering business of Clean Technology Systems. The mechanical engineering divisions – Measuring and Process Systems as well as Woodworking Machinery and Systems – have a very broad market base, comprising several tens of thousands of customers. Consequently, selling expenses are higher than in the plant engineering sector. In addition to supplying individual machines, however, these divisions are also involved in major, relatively long-term projects which require intensive cooperation.

## SUPPLIER RELATIONS

We obtain goods, raw materials and services from over 12,000 suppliers. The most important of these are parts and component suppliers and contract manufacturers, but we also frequently use the services of engineering consultancies and logistics companies. In the case of crucial product groups, such as pumps and drives, we enter into internationally valid framework agreements with preferred suppliers with a focus on the long term. As a result, we are able to pool the needs of several Group companies and enable economies of scale to be achieved. Further information is presented in the **Procurement** chapter [P. 76].

## FEATURES OF OUR BUSINESS MODEL

Our core competence is **engineering [P. 220]** efficient solutions in production technology. We frequently supply complete production systems for our customers, so project management and order execution are also central areas of expertise at Dürr. At 34 %, the Group's vertical depth of production is relatively low, though it has increased moderately in recent years. The reasons for this are the targeted expansion of in-house production in our core business and the takeover of the HOMAG Group with its vertical depth of production of 46 %. In the Paint and Final Assembly Systems plant engineering division, the vertical depth of production is a mere 24 %.

In plant engineering, in particular, we operate an asset-light business model. As a consequence of the low vertical depth of production, the Group's asset intensity and capital employed are low, which has a positive impact on the **ROCE [P. 221]**. In addition, we receive prepayments from customers, as a result of which trade payables usually cover the receivables and inventories in current assets. Our **net working capital (nwc [P. 221])** in plant engineering is therefore low, sometimes even negative. The fixed costs are also small thanks to the low manufacturing and asset intensity, which makes us more flexible in the event of cyclical order-book fluctuations. In 2015 we needed on average 22.6 days to convert our net working capital into sales revenues (days working capital). This means we met our target range of 20 to 25 days.

Measured against sales, our annual need for capital investment (without acquisitions) is comparatively low at € 70 to 80 million. Particularly in plant engineering, the expertise of our employees is more important than large tangible assets. In 2015 to 2016, however, capital expenditure was and will be higher because of the construction of new sites in China and the United States. At € 30 million per annum, the HOMAG Group, acquired in 2014, invests more than the other divisions since its vertical depth of production is higher.

The material cost ratio<sup>1</sup> (material costs as a proportion of sales) reflects the fact that we have increased our in-house production over the past three years and have therefore been able to reduce expenditure on external manufacturing contractors. While the material cost ratio was still as high as 46.8 % in 2012, the figure for 2015 was 42.8 %.

Most Dürr divisions have local added-value and procurement structures in major foreign markets. They tend, therefore, only to have to export little and are exposed to comparatively low transaction risks. Translation effects arising from the conversion of foreign currency items into euros are more important. However, the integration of the HOMAG Group has slightly increased our currency risk. Since the HOMAG Group produces a large proportion of its machines and plant in Germany, it has a higher export ratio and a correspondingly higher currency risk.

There is a high level of visibility in our business with the automotive industry in terms of the future order book, since many projects have long lead times. We can therefore predict our future sales, capacity utilization and earnings situation for a major portion of the business relatively accurately.

## BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

Our 92 sites ensure that we are close to our customers throughout the world. In parallel with the growth in sales in the emerging markets, our sites there have become increasingly important in the past few years. At year's end 2015, 29.8 % of the workforce were employed in the emerging markets. By far the largest location in the emerging markets is Shanghai with some 2,800 employees (including around 800 external staff).

<sup>1</sup>Material costs: costs for raw materials and supplies, bought-in parts and purchases from sub-contractors

Our global operations are managed from the respective headquarters in Germany. With some 2,000 employees, the Dürr Campus in Bietigheim-Bissingen – the Group's center – is the hub for the operations of Paint and Final Assembly Systems, Application Technology and Clean Technology Systems. Darmstadt (around 550 employees) is the headquarters of Measuring and Process Systems and is our center of competence for **balancing technology [P. 220]**. The HOMAG Group headquarters in Schopfloch (approx. 1,700 employees) manages the Woodworking Machinery and Systems business. Since 2012 we have upgraded, expanded or built new plants at 15 Group locations. Further test and technology centers have also been added outside Germany. The associated capital expenditure on expansion in the period 2012 to 2015 came to € 113.6 million (including the HOMAG Group from 2015). We are currently progressing two more major capital investment projects in Southfield (US) and Shanghai. Major campus locations are under construction there. They will bring together operations which have been separate up till now, with the intention of enhancing efficiency. The capital expenditure for the two projects will total some € 60 million; of this, € 30.7 million had already been allocated by year's end 2015.

Guidelines and process standards define how the Group companies collaborate on cross-border systems projects in plant engineering. In the case of major orders for Paint and Final Assembly Systems, the system center in Bietigheim-Bissingen is always responsible for project management. Our foreign-based companies handle local sales and service, and they support order execution, for example by providing engineering, purchasing and manufacturing services. Our international activities in mechanical engineering are also coordinated and supported by the principal German business locations.

#### **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 34,601,040 bearer common shares with full voting rights. The rights and obligations associated with the shares are regulated in the German Stock Corporation Act.

- **Restrictions on voting rights/transfer of shares and related agreements**

The Board of Management is not aware of any agreements by shareholders of Dürr AG which contain restrictions relating to voting rights or the transfer of shares.

Legal voting right limitations exist, for example pursuant to Section 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 25.3 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung (3.5 %), the Dürr family controls 28.8 % of the shares (as at December 31, 2015).

- **Shares conferring special rights**

There are no shares in Dürr AG that confer special rights.

- **Voting right control of any employee stock ownership plan where the control rights are not directly exercised**

There are no employee stock ownership plans where the control rights are not exercised directly by the employees.

- **Rules governing the appointment and replacement of members of the Board of Management**

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

- **Rules governing amendment of the articles of incorporation**

Any changes in the articles of incorporation are made by resolutions at the annual general meeting. Unless otherwise mandatorily specified in the German Stock Corporation Act, the resolution is passed in accordance with Article 20 (1) of the articles of incorporation by a simple majority of the votes cast and – where a majority of the capital stock represented in the voting is required – by a simple majority of the capital stock represented in the voting. In accordance with Article 14 (4) of the



articles of incorporation, the Supervisory Board is given the power to enact changes in the articles of incorporation which relate only to the wording. Pursuant to Article 4 (4) and Article 5 of the articles of incorporation, the Supervisory Board is authorized upon utilization of the conditional or authorized capital to amend the wording of the articles of incorporation to reflect the extent of the utilization.

- **Powers of the Board of Management to issue or buy back shares**

Information on this point may be found in **item 26** in the notes to the consolidated financial statements [P. 158].

- **Agreements in the event of a change of control following a takeover bid**

**Bond:** Section 7 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 the case of a redemption event. The redemption amount in that case will be 100 % of the face value plus accrued and unpaid interest up to the redemption date. A redemption event occurs if a change of control and a rating event take place cumulatively. A change of control means in this regard (a) that a person or group of persons acting in concert has/have become the legal or economic owner of more than 50 % of the common shares of Dürr AG, or (b) that we intend to sell or otherwise dispose of all or almost all of the assets of Dürr AG to third parties (with the exception of a subsidiary of Dürr AG). The following cases constitute a rating event: The bonds have no rating, and no rating agency awards an investment grade rating for the bonds within 90 days of the occurrence of the change of control. The bonds have a rating at the time of the change of control, and at the end of a 90-day period after the change of control this rating does not represent an investment grade rating or has been withdrawn. Such covenants are customary practice and are included in comparable form in the terms of the bonds of other issuers. They serve to protect the interests of the bondholders.

**Syndicated loan:** The terms of our syndicated loan agreement stipulate that, in the event of a change of control, no additional cash drawings or applications for guarantees may be made. In addition, any lender can cancel the credit commitments he has made, which could result in the syndicate loan having to be repaid in part or even in whole. The agent representing the interests of the banking syndicate must be informed about a

change of control immediately after it becomes known. A change of control occurs if in total, directly or indirectly, more than 50 % of the common shares or voting rights of Dürr AG are held or controlled by one or more persons who have come to an accord on the exercising of voting rights or who collaborate in some other manner with the aim of achieving a lasting and substantial change in the business focus of Dürr AG.

- **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 are contained in the corporate governance report. There are no other agreements in this regard.

## CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code has been setting guidelines for reliable, sustainable and transparent corporate governance since 2002. Dürr is committed to the principles of good corporate governance as they create trust – among investors and customers as well as business partners, employees and the general public. We keep abreast of the exchanges on new aspects of corporate governance, check their importance for Dürr and carefully implement new regulations.

### GERMAN CORPORATE GOVERNANCE CODE: THREE MATERIAL ADJUSTMENTS

In 2015 the Government Commission of the German Corporate Governance Code made three material adjustments to the Code. Item 5.4.7 recommends that more detailed information be noted on the participation of members in Supervisory Board meetings. Dürr complies with this in the report of the Supervisory Board. The Supervisory Board has also adopted the amendment in Item 5.4.1 Paragraph 4, which recommends the following: When making its proposals to the annual general meeting concerning the election of new members, the Supervisory Board should satisfy itself that the respective candidates can devote the amount of time required and expected of a member. However, the Supervisory Board does not consider it appropriate to specify a regular limit of length of membership for Supervisory Board members, as recommended in Item 5.4.1 Paragraph 2. The reason for this as well as for the other four deviations from the Code can be found in the declaration of compliance with the German Corporate Governance Code dated December 16, 2015.

The declaration refers to the old version of the Code for the period between December 10, 2014, and June 11, 2015, and to the new version from June 12, 2015, onwards. An excerpt containing the material statements can be found below; the full text is available online at: [www.durr.com/investor/corporate-governance/declaration-on-corporate-governance/declaration-of-compliance](http://www.durr.com/investor/corporate-governance/declaration-on-corporate-governance/declaration-of-compliance).

### EXCERPT FROM THE DECLARATION OF COMPLIANCE DATED DECEMBER 16, 2015

#### 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. Accordingly, Item 3.8 Paragraph 3 in connection with Paragraph 2 of the Code was not and continues not to be observed. It is not planned to introduce any deductibles for members of the Supervisory Board because Dürr AG does not believe that the already high dedication and responsibility with which Supervisory Board members observe their duties can be improved any 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).

#### Objectives for the composition of the Supervisory Board, age limit for members of the Supervisory Board, and limit of length of membership of the members of the Supervisory Board

##### (Item 5.4.1 Paragraphs 2 and 3)

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 for obtaining excellently qualified persons to serve on the Supervisory Board who do not fit into the predefined framework. The same thing applies to a general age limit and a limit on the length of membership. Moreover, Dürr AG does not consider the capabilities of the members of the Supervisory Board to depend on a rigid age limit.

The Supervisory Board will therefore not be deliberating on the desired composition of the Board and the question of the length of membership until resolutions are to be passed on its proposals to the general meeting of the shareholders on the election of Supervisory Board members. In doing so, it may possibly consider criteria other than those stated in Item 5.4.1 Paragraph 2 of the Code. As of the date on which this declaration is issued, the Supervisory Board has several members with well-established international experience, while two of the longest-serving members have been on the Supervisory Board since 2006.

#### Variable remuneration of the members of the Supervisory Board

##### (Item 5.4.6 Paragraph 2 Sentence 2)

The system of linking the variable remuneration paid to members of the Supervisory Board to consolidated earnings before tax (EBT) or, from 2017, to the Group's average EBT margin has been approved in a resolution passed by the shareholders and is governed by Article 15 (1) of the Articles of Association. This system has proved itself. Dürr AG does not wish to follow the general trend of converting variable remuneration components into fixed remuneration. It believes that it has a suitable variable remuneration system which awards the successful work of the previous year in connection with a cap providing for a reasonable maximum on the amount of the variable remuneration payable.

#### ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN EXECUTIVE POSITIONS

On May 1, 2015, the Act on Equal Participation of Women and Men in Executive Positions came into force in Germany. Its most important provisions have been incorporated into the Corporate Governance Code. The Act stipulates a minimum quota of 30 % for women and men (gender quota) on the supervisory boards of German companies that are listed on the stock exchange and are subject to co-determination, which provides for parity between shareholder and employee representatives. The gender quota must be observed from 2016 for new appointments to supervisory board positions. Dürr plans to implement a women's quota of 30 % as early as 2016 as regular Supervisory Board elections are to be held then. In 2015 the women's quota on Dürr's Supervisory Board was 8 %.

According to the new Act, companies that are listed on the stock exchange or are subject to co-determination are required to set themselves binding targets for women's quotas on their management boards and their two most senior management levels below management board level, and to publish these independently defined targets along with a deadline for their achievement. In this context, a zero-percent quota is permissible within the limits of the no-deterioration principle. Dürr AG's Board of Management consists of Mr. Ralf W. Dieter and Mr. Ralph Heuwing; consequently, the women's quota is 0 %. There are no plans at present to increase the women's quota on the Management Board of Dürr AG. The women's quota on the two most senior management levels of Dürr AG is 8 %. The target is set at 10 %, to be achieved by June 30, 2017.

#### Other information on corporate governance at Dürr<sup>1</sup>

##### BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As the executive body, 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 informs the Supervisory Board on a regular and comprehensive basis about business performance, strategy and risks. The rules of procedure formulated by the Supervisory Board stipulate the allocation of responsibilities among individual Management Board members, the manner in which resolutions are passed and other aspects.

The Supervisory Board advises and supervises the Board of Management. In accordance with the German Co-determination Act, it consists of 12 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 German business locations. The chairman has the casting vote in the event of a tie. Particularly urgent resolutions can be taken by the Supervisory Board by written circulation. It opted for this method once in 2015, when it agreed to the termination of the HOMAG Group's employee capital participation scheme on June 18.

<sup>1</sup> The full corporate governance declaration can be found at [www.durr.com/investor/corporate-governance/declaration-on-corporate-governance/](http://www.durr.com/investor/corporate-governance/declaration-on-corporate-governance/)

Regular elections to appoint the members to the Supervisory Board are held every five years. The next elections are scheduled for this year – the employee representatives will be elected in April and the shareholder representatives in May. 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 no elected substitute member is available. Supervisory Board members appointed by court must stand for election at the next election date.

The Supervisory Board of Dürr AG has created four committees from its midst, which discuss special topics and prepare resolutions. The chairmen of the committees then inform the full Supervisory Board of the results.

- The Personnel Committee, which is also the Executive Committee, deals primarily with the appointment of members of the Board of Management and their compensation, and conducts the groundwork for the corresponding resolutions by the full Supervisory Board.
- The Audit Committee is responsible for financial accounting, risk management, internal control system and internal auditing. It also oversees the compliance management system. The committee reviews the annual financial statements of the Dürr Group and Dürr AG, and conducts the groundwork for the corresponding resolutions by the full Supervisory Board.
- The Mediation Committee 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 proposes technically and personally suitable candidates to the Supervisory Board for the election of shareholder representatives at the annual general meeting. The committee complies with the provisions of the Act on Equal Participation of Women and Men in Executive Positions and also aims to give due consideration to people with international experience.

With the exception of the three-strong Nominating Committee, which by its nature only has 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 is a platform for general debate between shareholders, Board of Management and Supervisory Board. It also enables shareholders to exercise their voting rights. All motions on which resolutions are to be passed are outlined in the agenda, which is sent out by the company in time for the annual general meeting. The Chairman of the Supervisory Board presides over the annual general meeting and reports on the activities of the Supervisory Board and its committees in the previous fiscal year.

## TRANSPARENCY

As part of our corporate communications, we provide comprehensive, consistent and up-to-date information on Dürr. Detailed information and explanations relating to our business performance can be found in the annual report, in the quarterly and six-monthly reports as well as in press releases and ad-hoc announcements. We hold press and telephone conferences to announce important events. All announcements, reports and presentations are also available at [www.durr.com](http://www.durr.com). Any questions may be addressed to our Corporate Communications and Investor Relations department.

## FINANCIAL ACCOUNTING AND INDEPENDENT AUDIT

We have prepared our consolidated financial statements to International Financial Reporting Standards (IFRS) since 2003. The independent audit has been carried out by Ernst & Young GmbH for several years now. The company was appointed to audit the annual financial statements for 2015 at the annual general meeting on the basis of a proposal put forward by the Supervisory Board. It audits the consolidated financial statements and the individual financial statements of Dürr AG prepared by the Board of Management before these 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 German 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 attention in the course of the audit. The auditor will also inform the Supervisory Board of any deviations from the declaration of compliance according to Section 161 of the German Stock Corporation Act. Prior to receiving the letter of engagement, the auditor gives a pledge of its independence to the Supervisory Board.

## 2.5 – RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	Ralf W. Dieter (CEO)	Ralph Heuwing (CFO)
• Divisional/operative responsibilities	<ul style="list-style-type: none"> <li>• Paint and Final Assembly Systems</li> <li>• Application Technology</li> <li>• Measuring and Process Systems</li> </ul>	<ul style="list-style-type: none"> <li>• Clean Technology Systems</li> <li>• Woodworking Machinery and Systems</li> <li>• Dürr Consulting</li> </ul>
• Corporate functions	<ul style="list-style-type: none"> <li>• Corporate Communications</li> <li>• Human Resources (Employee Affairs Director)</li> <li>• Research &amp; Development</li> <li>• Quality Management</li> <li>• Internal Auditing</li> <li>• Corporate Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Finance/Controlling</li> <li>• Investor Relations</li> <li>• Risk Management</li> <li>• Legal Affairs/Patents</li> <li>• Information Technology</li> <li>• Global Sourcing</li> </ul>

### PERFORMANCE INDICATORS, CONTROL SYSTEM, INSIDER REGISTER

The key indicators for corporate management are incoming orders, sales, EBIT, EBIT margin and ROCE [P. 221]. The **Financial development** chapter [P. 61] provides information on our 2015 figures and on the methods of calculation.

We use a comprehensive risk management system, which covers 15 specific risk fields and provides transparency on the risk situation of the Group. The risk management system also includes the internal control system for the accounting process. More detailed information on this topic can be found in the **Risk report** [P. 81].

The insider register, which is based on Section 15 b of the German Securities Trading Act (WpHG), is updated and examined for completeness on a regular basis. All insiders have been informed about the associated legal obligations and sanctions.

### 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-making processes. The division heads, who form the second highest management level, have global responsibility for their respective business results and work in close consultation with the Board of Management. The Board of Management is also supported by the corporate departments of Dürr AG.

The Chairman of the Board of Management, Ralf W. Dieter, is in charge of the Paint and Final Assembly Systems, Application Technology, and Measuring and Process Systems divisions as well as several corporate functions. He heads up the sales operation and represents Dürr when dealing with the customers' decision-makers. Chief Financial Officer Ralph Heuwing is responsible for the activities of the Woodworking Machinery and Systems and Clean Technology Systems divisions as well as for the consulting business of Dürr Consulting and several corporate functions. Following the acquisition of the HOMAG Group, Mr. Heuwing temporarily assumed the position of CEO of HOMAG Group AG from December 1, 2014, to swiftly initiate the integration and reorientation process. He stepped down from this role on August 31, 2015. Pekka Paasivaara then took the helm as sole CEO, having been Co-CEO since June 15, 2015. Mr. Paasivaara's aim is to continue to drive the optimization process at the HOMAG Group in the long term. In September 2015, Mr. Heuwing joined the Supervisory Board of HOMAG Group AG and became its chairman on October 8, 2015.

Table 2.5 offers a complete overview of the responsibilities within Dürr AG's Board of Management.

At Group level, Dürr has two management teams. The top management team (Dürr Management Board) consists of the Board of Management, the heads and financial officers of the divisions as well as a few other managers. The broader Senior Management Group consists of chief executive officers and managers of the Group companies and Dürr AG. An overview of the members of the Supervisory Board and the Management Board as well as their mandates can be found in **item 42 [P. 200]** in the notes to the consolidated financial statements.

## 2.6 – DIRECTORS' DEALINGS IN DÜRR SHARES IN 2015

Purchaser/seller	Purchase of shares	Sale of shares	Price per share <sup>1</sup> in €	Number of shares in €	Transaction volume in €
Ralf W. Dieter		Mar. 11, 2015	98.94	30,000	2,968,080.00
Ralph Heuwing		Mar. 11, 2015	99.59	30,000	2,987,700.00
Mirko Becker		Apr. 9, 2015	108.34	100	10,834.00
Ralph Heuwing	Sep. 2, 2015		66.64	2,000	133,284.00
Ralph Heuwing		Dec. 7, 2015	80.76	38,000	3,068,880.00

<sup>1</sup> rounded

### 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. The rules of procedure, which the Supervisory Board has issued for the Board of Management, contain a list of transactions requiring its approval and determine the allocation of responsibilities.

At Supervisory Board meetings, the Board of Management comments on the agenda items and answers any questions. The written motions for the Supervisory Board, along with a detailed dossier, are sent to the members at least one week prior to the meeting. On the day of the meeting, preliminary talks are usually 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.

### SHAREHOLDINGS AND DIRECTORS' DEALINGS

We publish directors' dealings, i.e. securities transactions that have to be reported pursuant to Section 15a of the German Securities Trading Act (WpHG), as soon as the company is notified. An overview can be found in table 2.6.

The members of the Supervisory Board held 0.1 % of the shares of Dürr AG as of December 31, 2015. The Board of Management held a total of 0.48 % of the shares, with 0.25 % owned by Ralf W. Dieter and 0.23 % by Ralph Heuwing (Dec. 31, 2015).

### Compensation report

Apart from the information below, **item 42 [P. 200]** 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

From October 27, 2014, to August 31, 2015, Mr. Heuwing assumed the additional role of member of the Board of Management of HOMAG Group AG, taking over as Chairman on December 1, 2014. Mr. Dieter and Mr. Heuwing do not carry out any sideline activities other than those listed in **item 42 [P. 200]** in the notes to the consolidated financial statements. No loan agreements, guarantees or other liabilities exist between the two members of the Board of Management and Dürr AG or its subsidiaries.

### REGULAR REVIEW

The Supervisory Board Personnel Committee reviews the compensation system for the Board of Management at regular intervals and formulates proposals for its further development where necessary. The Supervisory Board examines these recommendations carefully and passes its resolutions on that basis. Several criteria are used to assess the appropriateness of the Board of Management's compensation. These include the tasks of the Board of Management as a whole and of its respective members, the members' personal performance, the economic situation as well as the company's long-term success and outlook. Furthermore, the Supervisory Board follows the development of the Board of Management's compensation in comparison with other companies as well as with the top management team and the workforce at Dürr.

The current compensation system has been in place since 2010. Its structure was reviewed and deemed appropriate in 2015, when Mr. Dieter's contract was extended. In accordance with the German Act on the Appropriateness of Management Board Compensation (VorstAG), the contracts of both members of the Board of Management include short-term and long-term incentives (variable compensation calculated over a period of one and several years, respectively), payment caps and a deductible that applies in connection with D&O (directors' and officers') liability insurance policies in case of liabilities.

#### COMPONENTS OF THE COMPENSATION SYSTEM

The compensation for the Board of Management consists of non-performance-related and performance-related (variable) components. The non-performance-related component is made up of the basic compensation (fixed compensation) payable in equal monthly installments, plus fringe benefits. The latter include the use of a company car as well as term life and accident insurance contributions, both of which are subject to tax payable by Dürr. In the period when Mr. Heuwing had the additional role of CEO of HOMAG Group AG (December 1, 2014, to August 31, 2015), Dürr AG and HOMAG Group AG each paid half of his basic compensation.

Performance-related compensation is based on short-term and long-term incentives; special bonuses may also be paid. The short-term incentive (STI) scheme consists of an agreed proportion of the Group's earnings before tax (EBT) in each financial year; there is a cap on the compensation payable under the STI scheme. In 2015 the STI cap was raised to € 1.60 million for Mr. Dieter and to € 1.44 million for Mr. Heuwing. In return it was decided that both Mr. Dieter and Mr. Heuwing are only entitled to an STI payment if EBT reaches € 100 million or more.

The compensation payable under the long-term incentive (LTI) scheme is based on the development of Dürr's share price and the Group's average EBIT margin over a three-year period (LTI period). The LTI scheme operates on a rolling basis; six LTI tranches have been issued since its introduction in 2010. Each year a specified number of virtual Dürr shares are issued, known as performance share units. In 2015 Ralf W. Dieter received 25,000 and Ralph

Heuwing 22,500 performance share units (2014: 25,000 and 22,500). 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 first annual general meeting after the three-year LTI period. The EBIT multiplier is calculated on the basis of the average EBIT margin achieved by the Group during the three-year LTI period. The LTI payment and the EBIT multiplier are subject to caps. There was also a cap on the share price multiplier for the LTI tranches of 2010 to 2012, 2011 to 2013 and 2012 to 2014. This has been lifted for the tranches issued since 2013 due to the development of the share price. During the term of the LTI scheme, the participants must hold a certain number of Dürr shares for the duration, purchased with their own funds.

A further component of the compensation is the employer-financed pension contribution. This is based on the basic compensation and STI and 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. If a member of the Board of Management resigns from office, no further expenses will be incurred under this scheme. Furthermore, the two members of the Board of Management are covered by accident and term life insurance policies.

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

Apart from the Board of Management, the other 16 members of the Group's top management team (Dürr Management Board) are also entitled to join the LTI scheme. For this purpose, they can purchase an individually defined number of Dürr shares, which they must hold for the entire duration of their participation in the scheme.

The Supervisory Board has raised the basic compensation for both members of the Board of Management in two stages over the past two years: Mr. Dieter's basic compensation was raised from € 600 thousand to € 700 thousand in 2014, and to € 800 thousand in 2015; Mr. Heuwing's basic compensation was raised from € 500 thousand to € 575 thousand (2014), and then to € 650 thousand (2015). Prior to this, the Supervisory Board had reduced the LTI payment cap in 2013. Since the 2013 to 2015 tranche, the LTI payment has been capped at € 1.20 million per tranche and person; previously it was capped at € 1.50 million.

### COMPENSATION FOR 2015

Total compensation expense for the Board of Management in 2015 was € 7,454 thousand (2014: € 6,547 thousand). Former members of the Board of Management received pension benefits in the amount of € 1,876 thousand (2014: € 1,811 thousand).

The LTI expenses shown in table 2.7 include the amounts recognized as liabilities in 2015 and 2014 on a pro-rata basis for the current LTI tranches. These figures were

linked to two factors: the average closing price of the Dürr share in the last 20 trading days in December 2015 and 2014 as well as the achieved or planned average EBIT margin for the periods of the three current tranches. The actual LTI payments may differ from the amounts recognized as liabilities, depending on the further development of share price and EBIT, but they are subject to caps. The Board of Management received a total payment of € 3,000 thousand from the 2012 to 2014 LTI tranche.

In 2015 the Board of Management received an STI down-payment of € 1,500 thousand (2014: € 1,500 thousand). Down-payments will be offset against the STI payment that is due after the annual general meeting, during which the consolidated financial statements for the relevant fiscal year are presented. Furthermore, the members of the Board of Management each received a bonus payment of € 200 thousand. In making this payment, the Supervisory Board recognized the performance of the two Board members in the acquisition of the HOMAG Group and the sale of the aircraft assembly technology business in 2014.

### 2.7 – COMPENSATION FOR THE BOARD OF MANAGEMENT: BENEFITS GRANTED

€	RALF W. DIETER CEO				RALPH HEUWING CFO			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Basic compensation (fixed compensation)	700,000	800,000	800,000	800,000	575,000	650,000	650,000	650,000
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	26,103	47,594	47,594	47,594	28,023	35,938	35,938	35,938
<b>Total</b>	<b>726,103</b>	<b>847,594</b>	<b>847,594</b>	<b>847,594</b>	<b>603,023</b>	<b>685,938</b>	<b>685,938</b>	<b>685,938</b>
One-year variable compensation (STI)	1,200,000	1,445,120	0	1,600,000	1,100,000	1,300,608	0	1,440,000
Total of multi-year variable compensation (LTI)	1,300,000	1,200,000	0	1,200,000	1,300,000	1,200,000	0	1,200,000
Variable compensation – LTI 2012–2014	500,000	0	0	0	500,000	0	0	0
Variable compensation – LTI 2013–2015	400,000	400,000	0	400,000	400,000	400,000	0	400,000
Variable compensation – LTI 2014–2016	400,000	400,000	0	400,000	400,000	400,000	0	400,000
Variable compensation – LTI 2015–2017	0	400,000	0	400,000	0	400,000	0	400,000
Other variable compensation	0	200,000	0	350,000	0	200,000	0	300,000
<b>Total</b>	<b>3,226,103</b>	<b>3,692,714</b>	<b>847,594</b>	<b>3,997,594</b>	<b>3,003,023</b>	<b>3,386,546</b>	<b>685,938</b>	<b>3,625,938</b>
Benefit obligation contribution	170,000	200,000	200,000	200,000	147,500	175,000	175,000	175,000
<b>Total compensation</b>	<b>3,396,103</b>	<b>3,892,714</b>	<b>1,047,594</b>	<b>4,197,594</b>	<b>3,150,523</b>	<b>3,561,546</b>	<b>860,938</b>	<b>3,800,938</b>



## 2.8 – COMPENSATION FOR THE BOARD OF MANAGEMENT: PAYMENTS MADE

€	RALF W. DIETER CEO		RALPH HEUWING CFO	
	2014	2015	2014	2015
Basic compensation (fixed compensation)	700,000	800,000	575,000	650,000
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	26,103	47,594	28,023	35,938
<b>Total</b>	<b>726,103</b>	<b>847,594</b>	<b>603,023</b>	<b>685,938</b>
One-year variable compensation (STI)	1,000,000	1,200,000	900,000	1,100,000
Multi-year variable compensation (LTI)	1,200,000	1,500,000	1,240,000	1,500,000
Other variable compensation	0	200,000	0	200,000
<b>Total</b>	<b>2,926,103</b>	<b>3,747,594</b>	<b>2,743,023</b>	<b>3,485,938</b>
Benefit obligation contribution	170,000	200,000	147,500	175,000
<b>Total compensation</b>	<b>3,096,103</b>	<b>3,947,594</b>	<b>2,890,523</b>	<b>3,660,938</b>

### BOARD OF MANAGEMENT CONTRACTS AND CHANGE OF CONTROL

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 are due for renewal, they are usually extended by a total period of five years as permitted by law. The current contracts of employment of both members of the Board of Management run for a term of five years. In March 2015 the Supervisory Board renewed Mr. Dieter's appointment as CEO as his contract of employment ended on December 31, 2015. Mr. Dieter's new contract of employment runs from January 1, 2016, to December 31, 2020. Mr. Heuwing's contract ends on May 14, 2017.

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 may resign within five months after the date on which the takeover is announced, thus exercising their right to voluntary resignation. In this case, they are entitled to 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

The compensation paid to the members of the Supervisory Board is regulated in Article 15 of Dürr AG's articles of incorporation. The articles of incorporation can be found at [www.durr.com](http://www.durr.com) under **Investor Relations/Corporate Governance/Articles of Incorporation**.

In 2015 the annual general meeting approved an amendment of Article 15 of the articles of incorporation, adjusting the compensation paid to the members of the Supervisory Board. From 2016 the compensation system for the Supervisory Board is as follows: Each member receives a fixed compensation payment of € 40,000 per year. In addition, members are entitled to an attendance fee of € 1,000 for each meeting attended, plus reimbursement of expenses. The variable compensation payable to members of the Supervisory Board is based on the three-year rolling average EBT margin and must not exceed € 24,000; this will be paid for the first time in 2017. The fixed compensation is payable at the end of the 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 compensation paid to the members of the Audit Committee is € 10,000 per year; the committee chairman receives € 20,000. The compensation paid to the members of the other committees has not changed compared to the previous compensation system: The members of the Personnel Committee still receive

€ 5,000 per year; the chairman receives one and a half times that amount. The members of the Nominating Committee are entitled to a compensation payment of € 2,500 per meeting, the chairman receiving one and a half times that amount. Any members serving on the Supervisory Board or a committee for a part of the fiscal year only are remunerated pro rata temporis.

Total compensation paid to the members of the Supervisory Board in 2015 was € 1,009 thousand (2014: € 1,004 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **item 42 [P. 200]** in the notes to the consolidated financial statements. In 2015 the members of the Supervisory Board received a fixed compensation payment of € 20,000 and an attendance fee of € 1,000 for each meeting attended, plus reimbursement of expenses. The variable compensation paid to the Supervisory Board was 0.4 % of the Group's EBT; variable compensation was capped at € 35,000. In 2015 the Chairman of the Supervisory Board received three times the total compensation paid to a regular member; each deputy chairman received one and a half times the total compensation paid to a regular member. Members of the Audit Committee were paid € 9,000; the committee chairman received € 18,000. The compensation paid to the members of the Personnel Committee was € 5,000; the chairman received one and a half times that amount. The members of the Nominating Committee were paid € 2,500 per meeting, the chairman receiving one and a half times that amount.

#### PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Non-tariff employees receive a basic annual salary plus a performance-related bonus. The bonus is linked to Group earnings and the achievement of personal performance targets. In most cases it is between 5 % and 10 % of the basic salary, but higher for managers. Tariff employees working for Dürr and Schenck in Germany receive a profit-sharing bonus, which is subject to earnings exceeding a certain value pre-agreed with the Works Council. As in the previous year, the profit-sharing bonus for 2015 was € 2,750; all full-time tariff employees are entitled to this payment. From 2016 the profit-sharing scheme will also be applied to the German business locations of the HOMAG Group. The employee capital participation scheme previously available at several HOMAG Group companies was terminated at the end of 2015.

## STRATEGY

### “DÜRR 2020” STRATEGY: TARGET KEY FIGURES

The “Dürr 2020” strategy is our roadmap for the Group’s development through 2020. Under this strategy, we are pursuing the following targets:

- **Sales:** We want to increase consolidated sales to an amount of up to € 5 billion by 2020. This is to be achieved by means of organic growth as well as further acquisitions.
- **EBIT margin:** The Group’s EBIT margin is to widen to between 8 and 10 % by 2020.
- **ROCE:** The **ROCE [P. 221]** is to increase to over 30 % by 2020 on a sustained basis.

We want sales in the divisions to grow organically by an average of 3 % per year until 2020. In the event of any acquisitions, growth in the division concerned may be correspondingly higher. The ROCE targets vary from division to division. Paint and Final Assembly Systems normally generates a ROCE far above the Group average, mainly due to the low working capital requirements in its plant engineering business. We are targeting a ROCE of 20 to 30 % from 2016 through 2020 in the other divisions with the exception of Woodworking Machinery and Systems, which will only be able to approach this goal in incremental steps. Further information on our targets can be found in the **Report on expected future development [P. 91]**.

Apart from 2008/2009, the years characterized by the global financial crisis, we have consistently reached our target key figures since 2006 thanks to our good market position, our innovation strategy, the ongoing globalization of our business and continuous process optimization.

### TAPPING NEW AREAS OF GROWTH

A key element of “Dürr 2020” entails tapping new areas of growth in the mechanical and plant engineering sector. The rationale behind this is the fact that, given our high market share, our core business with the automotive industry will no longer grow as quickly as in previous

years. Looking ahead over the next few years, we expect our automotive business to expand at average annual rates of around 3 %.

### OPTIMIZATION OF THE HOMAG GROUP

The acquisition of a majority interest in the HOMAG Group in October 2014 marked a crucial step forward in broadening our range of mechanical and plant engineering activities. With a share of just under 30 % of the global market, the HOMAG Group is the largest supplier of wood-working machinery and equipment. The acquisition has given us additional business worth more than € 1 billion outside the automotive industry. As the HOMAG Group exhibits substantial potential for earnings growth, the focus optimization program is being implemented. On this basis, the company is to achieve sales revenues of around € 1.25 billion and an EBIT margin of 8 to 10 % in 2020.

We completed the integration of the HOMAG Group in 2015 as planned, harnessing synergistic benefits of up to € 10 million. A new, more efficient organizational structure was rolled out under the “ONE HOMAG” motto in mid-2015. It introduces business units with global business responsibility together with close collaboration between the various sites. Under focus, the following growth and optimization initiatives have also been launched at the HOMAG Group:

- Business expansion in China and the United States
- Expansion of service business
- Reinforcement of project business with end-to-end production lines
- Innovation program
- Standardization and modularization of the product range
- Process optimization
- IT optimization/uniform **ERP system [P. 220]**
- Alignment of the incentive systems to the “ONE HOMAG” structure and earnings targets

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



### FURTHER ACQUISITIONS PLANNED

Looking ahead over the next few years, we want to acquire further companies in order to grow profitably, underpinned by our good capital resources. The criteria for the acquisition of potential targets are clearly defined:

- Mechanical and plant engineering
- Leading market and technological position (number one or two in the market)
- Niche market operator not competing with any major companies
- Not in need of restructuring but offering potential for improving earnings
- A corporate culture which is a good fit for Dürer

### FURTHER STRATEGIC FIELDS IN THE GROUP AND DIVISIONS

In addition to broadening our position in mechanical and plant engineering, our strategy addresses a further four fields: innovation, globalization, service and efficiency. They all relate to our corporate slogan, “Leading in Production Efficiency”, which embodies the promise to our customers of enhancing the efficiency of their production processes. They apply to all five divisions, although they factor in specific aspects relating to the individual divisions.

### STRATEGIC FIELD: INNOVATION

Through innovation, we create spending incentives for our customers and secure our competitive edge. We are committed to ensuring that all new products lower our customers’ unit costs further and enhance their production efficiency. With our relatively large R&D budgets, we are able to develop new technologies more quickly and in greater quantities than our peers. Further information and current examples of innovation can be found in the **Research and development** chapter [P. 70].

#### Industry 4.0

**Industry 4.0** [P. 220] has evolved into an important aspect of innovation. We define it as the intelligent digital networking of production equipment as well as automatic plant optimization using big-data analysis of information gained from the production process. The basis of all of Dürer’s Industry 4.0 activities is provided by our Smart strategy with its three pillars:

- **Smart products:** We develop intelligent products which are self-regulating, detect changing production tasks and report servicing requirements at an early stage.
- **Smart services:** We use the Internet to analyze and service customers’ equipment online.
- **Smart processes:** We utilize intelligent software and simulations to optimize order execution. Examples of this include virtual commissioning and virtual tours of models.

The key technology for any digital smart factory is powerful MES (manufacturing execution system [p. 220]) software, which links the individual items of equipment, and aggregates and evaluates process data. In this way, factory operators are able to enhance production efficiency. In view of the outstanding importance of MES technology for Industry 4.0, we acquired iTAC Software AG, one of the leading vendors in this segment, in December 2015. iTAC is an established company whose MES software currently coordinates and networks 150 factories around the world. Its main customers are automotive component suppliers and electronics companies. With iTAC, we are well positioned to address the challenges of Industry 4.0. Together, we are pursuing three targets:

- **Expansion of iTAC’s business:** Backed by Dürr, iTAC will be expanding its MES business and gaining new customers. In 2015, its sales rose by 62 % to € 15.1 million, accompanied by substantial profit. We are striving for sales of around € 40 million by 2020.

- **Optimization of EcoEMOS:** Dürr has been offering its own MES software for quite some time under the EcoEMOS name. It is being used in over 60 automotive plants, predominantly in paint shops. We will be enhancing EcoEMOS together with iTAC.
- **Industry 4.0 consulting:** Under our Smart strategy, all Dürr divisions are developing Industry 4.0 solutions for their customers. iTAC will be supporting these activities as an internal service provider offering software solutions and expertise.

**STRATEGIC FIELD: GLOBALIZATION**

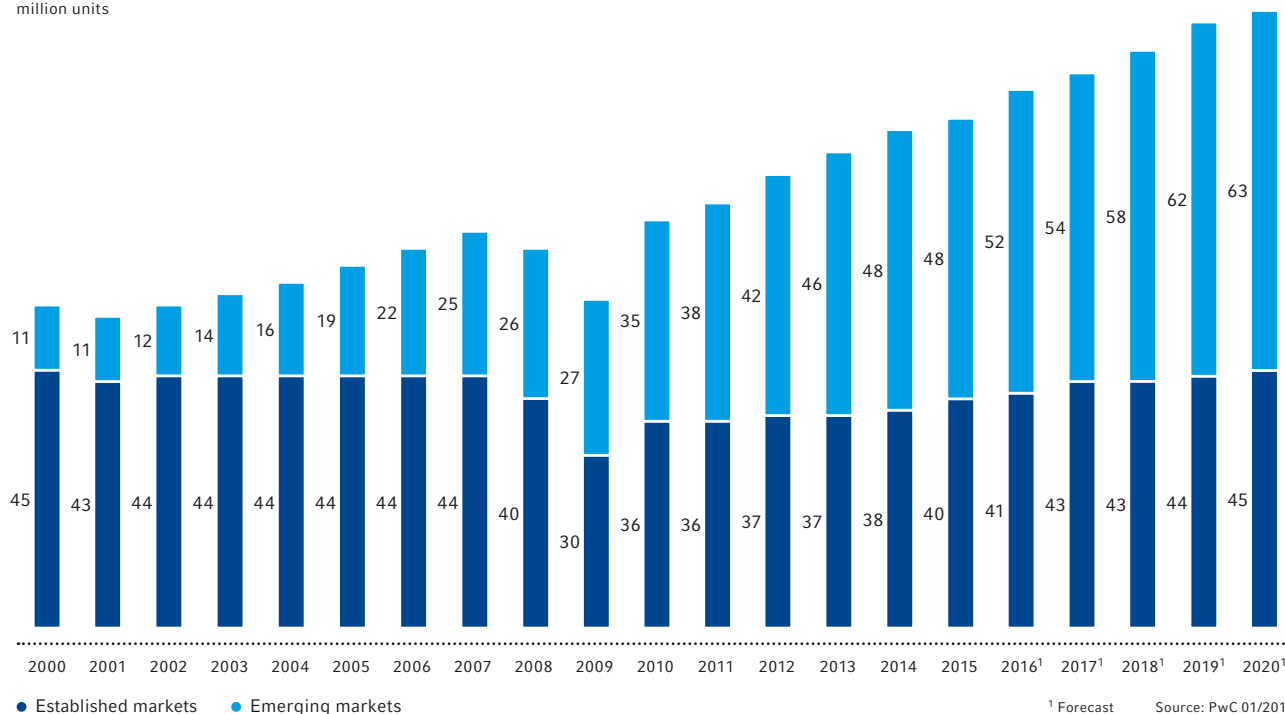
**Global footprint**

Our broad international presence is reflected in a balanced regional distribution of sales. We are able to offset regional dips in demand and leverage growth in other markets.

Our customers – including those outside the automotive industry – are increasingly focusing on market-proximate production. As a result, new factories are being built in many emerging markets. We are continually expanding into new regions to benefit from this trend. In this way, we are able to support our customers efficiently in the construction and expansion of local production facilities.

**2.10 – GLOBAL AUTOMOTIVE PRODUCTION**

million units



The years following the financial crisis in 2008/2009 saw strong expansion of our activities in the emerging markets, where the automotive industry expects the greatest sales and production growth on a permanent basis. With around 2,800 employees (including roughly 800 externals), we have a particularly strong presence in China. Between 2012 and 2014, we strengthened our presence in South-east Asia by setting up Group companies in Indonesia, Malaysia and Thailand. Africa is a further target market offering major potential in the long term. We operate an efficient facility in South Africa, have recently built a large paint shop in Morocco and plan to enter other markets as well.

#### Global expansion into new business fields

Globalization as a strategic field also entails the approach of entering areas which are related to the Group's core business, and to expand its international footprint in them.

With the new Industrial Products segment, Application Technology has been making forays into general industry since 2014. Target sectors include plastics, shipbuilding, ceramics, wood and furniture. In this business, we are not positioning ourselves as a system integrator but as a supplier of surface treatment products and components. According to experts, application technology for general industry is a market with an annual value of around € 3 billion. Our target is to achieve sales of around € 50 million in the Industrial Products segment by 2020.

Other new businesses which we have been building up at an international level since 2009 include:

- Glueing technology for the automotive industry
- Filling technology for the household appliances industry
- Balancing technology for turbochargers
- Ultrafine cleaning technology for medical equipment, precision optics and other sectors
- Energy-efficiency technology for a broad range of sectors

#### STRATEGIC FIELD: SERVICE

##### Systematic expansion of service business

The expansion of service business has strategic priority for a number of reasons:

- Over the last few years, our installed base has widened sharply as we supplied an above-average number of facilities after the financial crisis in 2008/2009. This has given rise to correspondingly large growth potential in service business.
- Maximum availability of our equipment and machinery is of crucial importance for our customers. Through professional service business we are able to address these requirements as effectively as possible, thus heightening our customers' satisfaction and loyalty.
- Service business makes greater earnings contributions than new business. By widening the share of service business in sales, we are able to safeguard our profitability even in the event of moderate growth in new business.

To efficiently harness the potential offered by service business, we have implemented the CustomerExcellence@Dürr optimization program over the last two years. Key activities include the roll-out of new IT systems, improvements in the efficiency of spare parts logistics and optimization of our global service hotline. In addition, we have rendered our service organization more efficient, conducted customer-focus training for a large portion of our staff, and expanded our service sites and capacity. With the "Dürr Promoter Score" feedback process, we are measuring our customers' satisfaction – in the sales phase, during order execution and in after-sales service. In this way, we are able to pinpoint shortcomings and improve processes. Using CustomerExcellence@Dürr as a basis, we want to widen the share of service business in consolidated sales to as much as 30 %, up from 23.5 % in 2015.

#### MODERNIZATION BUSINESS OFFERING GROWING BUSINESS POTENTIAL

Our customers are increasingly investing in larger modernization projects. In 2015, these "brownfield" projects accounted for almost one third of our painting technology business. Around half of the roughly 600 automotive paint shops around the world are over 20 years old. Even in China, production plants are increasingly in need of

modernization. Most modernization spending has short amortization periods as it leads to a substantial improvement in productivity. At the same time, we create spending incentives by specifically developing new products with measurable efficiency gains and short payback periods.

#### STRATEGIC FIELD: EFFICIENCY

In our complex business, it is important to continuously re-adjust processes and structures to accommodate new customer requirements. In 2015, we therefore initiated efficiency enhancement programs again in all divisions. The HOMAG Group launched the broad-based optimization program FOCUS, which will be ongoing over several years. More information can be found in the section entitled "Tapping new areas of growth".

One key aspect of continuous efficiency improvements across the Group involves optimizing the collaboration of our international facilities, e.g. in purchasing, **engineering [P. 220]** and order execution. We have achieved considerable progress in this area over the last few years. The main areas of further improvements are as follows:

- **Global processes:** Joint international order execution calls for uniform Group-wide processes. In line with a best-practice approach, we continuously incorporate new findings and experience in our standard processes.
- **Global IT integration:** Worldwide end-to-end IT systems provide access to the same data from any location and enable work packages to be assigned to different Group companies.
- **Global technology:** We develop modular products which can be adjusted easily to meet customers' specific requirements. This saves costs, speeds up commissioning and heightens reliability during operation.
- **Global knowledge management:** We create the structures allowing our employees to share knowledge and skills across the entire Group. Worldwide knowledge sharing is underpinned by our intranet as well as by global product and process training, which is increasingly being conducted on our e-learning platform.

## ECONOMY AND INDUSTRY ENVIRONMENT

### GLOBAL ECONOMIC GROWTH OF 3.1 %

Global gross domestic product (GDP) grew by 3.1 % in 2015 and, hence, at a somewhat slower rate than in the previous year. Stronger growth had initially been expected; however, this forecast was not met due not only to the more subdued economic momentum in some emerging markets but also to diverse political crises. China recorded GDP growth of 6.9 % in 2015, down from 7.3 % in the previous year. Russia and Brazil slipped into a deep recession. On the other hand, India continued on its economic recovery. In the Eurozone, the upswing continued to gain momentum after the recession of 2013. Germany achieved relatively strong growth of 1.7 %. Companies and consumers benefited from declining commodity and energy prices in North America, Asia and China in particular.

The euro continued to depreciate against the US dollar and other key currencies in 2015 due to the relatively moderate outlook for growth and interest rates in Europe, particularly compared with the United States. By the same token, however, the weak euro aided export-oriented companies in Europe.

With inflation continuing to recede, many central banks continued their accommodative monetary policies to stimulate the moderate economic growth. In December 2015, the US Federal Reserve raised its base rates slightly by 0.25 percentage points for the first time since 2006. By contrast, interest rates in the Eurozone remained virtually unchanged on balance. Yields on ten-year German government bonds stood at 0.6 % at the end of 2015, with the current yield on fixed-interest bonds remaining flat at around 0.5 %. Against the backdrop of political crises and low commodity prices, no uniform trend emerged in the equity markets.

### 2.4 % INCREASE IN GLOBAL AUTOMOTIVE PRODUCTION

Global automotive production (passenger cars and light trucks) rose by 2.4 %, reaching a record 88.4 million units in 2015. Performance in the individual regions was disparate. Production in China, the world's largest automotive market, rose by 5.4 %, thus falling short of the previous year's figure. This was due to softer growth in the summer; however, the Chinese automotive market was in good condition again by the end of the year thanks to tax incentives. The automotive markets of Brazil and Russia fell far short of their potential, while an appreciable recovery emerged in India. In North America, production and sales

#### 2.11 – GROWTH IN GROSS DOMESTIC PRODUCT

% year-on-year change	2015	2014	2013
World	3.1	3.4	3.2
Germany	1.7	1.6	0.1
Eurozone	1.5	0.9	-0.4
Russia	-3.7	0.6	1.5
United States	2.4	2.4	2.2
China	6.9	7.3	7.7
India	7.3	7.1	4.7
Japan	0.7	-0.1	1.6
Brazil	-3.7	0.1	2.2

Source: Deutsche Bank 12/2015

#### 2.12 – AVERAGE EXCHANGE RATES

1 € equals	2015	2014	2013
USD	1.1044	1.3217	1.3301
GBP	0.7240	0.8034	0.8503
JPY	133.5808	140.4908	130.1308
CNY	6.8898	8.1544	8.1691

Source: Commerzbank



### 2.13 – CURRENT YIELD (%) IN GERMANY



Source: Deutsche Bundesbank

of light vehicles reached new highs, although production growth flattened out to 2.3 % in view of the high level achieved. With growth of 9.8 %, the Western European market was a good deal more dynamic.

As in the previous year, automotive factories in North America recorded high capacity utilization. Driven by strong demand, capacity utilization in Western Europe rose substantially. In China, it varied from producer to producer but generally declined somewhat. As expected, capacity utilization of automotive plants in Brazil and Russia was muted. As most automotive OEMs generated strong earnings and cash flows, capital spending in the sector remained at a high level. At Volkswagen, the diesel engine issues arising in 2015 had virtually no effect on capital spending.

### 2.14 – PRODUCTION OF LIGHT VEHICLES

Million units	2015	2014	2013
World	88.4	86.3	82.6
Western Europe	14.5	13.2	12.4
Germany	6.2	5.8	5.7
Eastern Europe	6.7	6.8	7.1
Russia	1.3	1.8	2.0
North America (incl. Mexico)	17.5	17.1	16.2
United States	11.9	11.5	11.0
South America	3.1	3.8	4.6
Brazil	2.4	3.0	3.5
Asia	44.5	43.5	40.8
China	23.3	22.1	19.3
Japan	8.6	9.0	8.9
India	3.8	3.6	3.4

Sources: PwC 1/2016, own estimates

### STRONGER DEMAND IN MECHANICAL AND PLANT ENGINEERING

Order intake in German industry rose by 2 % in 2015. According to industry association VDMA, production in the mechanical and plant engineering sector was unchanged over 2014, with incoming orders rising by 1 %. While exports to China and Russia were lower, sales in the United States picked up. At € 199 billion, the production output of the German mechanical and plant engineering sector slightly exceeded the pre-crisis level recorded in 2008. By contrast, Dürr was able to increase its sales from € 1.6 billion to more than € 3.7 billion in the same period. Roughly 50 % of this increase was due to organic growth.

The Woodworking Machinery Association within VDMA reported a 10 % increase in sales and 6 % higher orders for woodworking machinery in 2015. Producers of woodworking machinery recorded strong business in Europe and North America in particular. On the other hand, the Russian economic crisis left noticeable traces on the industry. With the broad international diversification of its business, the HOMAG Group is less exposed to the decline in capital spending in Russia than other companies.

## OVERALL ASSESSMENT BY THE BOARD OF MANAGEMENT AND TARGET ACHIEVEMENT

Dürr can look back on a successful year in 2015. As planned, sales, order intake and earnings reached new highs. Sales and **ROCE [P. 221]** exceeded the forecast issued in February 2015. Operating cash flow, **free cash flow** and **net financial status [P. 221]** were in line with expectations.

At € 3,467.5 million, order intake reached the upper end of the original target corridor (€ 3.2 to 3.5 billion), which we had revised to € 3.4 to 3.5 billion at the beginning of November 2015. Given muted market conditions in Russia and Brazil, new orders were very satisfactory; the damper on automotive sales in China during the summer months did not result in any loss of orders for Dürr.

Sales came to € 3,767.1 million, thus exceeding the original forecast of € 3,400 to 3,500 million and the revised target corridor of € 3,600 to 3,700 million announced in November. Spurred by sales in excess of € 1 billion for the first time in its history, the HOMAG Group, which was consolidated for a full twelve months for the first time, made a material contribution to the top-line growth of 46.3%. In addition, we were able to eliminate the effects of customer-induced project delays which had arisen in 2014.

EBIT increased by 21.2% to a new high of € 267.8 million. Crucial factors in the strong earnings were not only the performance of all the divisions, but in particular the full-year consolidation of the HOMAG Group, which constitutes the Woodworking Machinery and Systems division in the Dürr Group. Despite extraordinary charges of € 26.6 million – especially as a result of purchase price allocation – Woodworking Machinery and Systems made a positive EBIT contribution of € 36.6 million. In the previous year, purchase price allocation effects had caused a loss of € 7.9 million at the EBIT level for the division.

At 7.1%, the Group's EBIT margin was within the target corridor of 7.0 to 7.5%. Operating EBIT adjusted for the aforementioned extraordinary effects came to a very encouraging € 294.3 million, translating into an operating margin of 7.8%.

At 45.3%, ROCE exceeded the target range (30 to 40%), thus underscoring the financial appeal of our business model. At € 23.3 million, net finance expense matched expectations. Like the tax rate (31.9%), it reflects non-recurring effects arising from the optimization of the HOMAG Group and the domination and profit and loss transfer agreement entered into with HOMAG Group AG in March 2015. Despite the higher tax rate, earnings after tax rose by 10.8% to € 166.6 million.

As announced, **net working capital (nwc) [P. 221]** rose substantially in 2015. On the reporting dates in 2014 and 2013 it had been extraordinarily low due to large prepayments and early payments we had received from our customers at the end of those two years. A large part of this surplus liquidity was channeled into order execution in 2015. Against this backdrop, we consider the cash flow of € 173.0 million from operating activities to be very positive. Free cash flow came to € 62.8 million due to substantially higher capital expenditure. At € 129.4 million at the end of 2015, the net financial status reached the upper end of the target corridor (€ 50 to 150 million) despite the outflow of € 31.2 million at the beginning of December for the acquisition of iTAC Software AG. Cash and cash equivalents stood at € 435.6 million on the reporting date, thus coming within the target range. At € 102.3 million, capital expenditure (excluding equity investments) exceeded the forecast somewhat due to the construction of new Campus sites in the United States and China as well as extensive IT spending.

## 2.15 – GROUP TARGET ACHIEVEMENT IN 2015

		2014 act. (Dürr Group excluding HOMAG Group)	2014 act. (Dürr-Group including HOMAG Group <sup>1</sup> )	2015 act.	2015 target (February 2015 forecast)
Sales revenues	€ million	2,322.1	2,574.9	3,767.1	3,400–3,500
Order intake	€ million	2,574.8	2,793.0	3,467.5	3,200–3,500
Orders on hand (Dec. 31)	€ million	2,421.3	2,725.3	2,465.7	2,400–2,800
EBIT margin	%	9.9	8.6	7.1	7.0–7.5
ROCE	%	161.9	38.7	45.3	30–40
Net finance expense	€ million	–14.2	–16.2	–23.3	Weaker
Earnings after tax	€ million	160.0	150.3	166.6	Slightly higher
Cash flow from operating activities	€ million	241.7	291.3	173.0	Weaker
Free cash flow	€ million	185.6	221.1	62.8	Weaker
Net financial status (Dec. 31)	€ million	424.0	167.8	129.4	50–150
Liquidity	€ million	700.1	522.0	435.6	400–500
Capital expenditure <sup>2</sup>	€ million	42.1	54.9	102.3	70–80

<sup>1</sup> HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>2</sup> on property, plant and equipment and on intangible assets (excluding acquisitions)

**DIVISIONS: TOP-LINE TARGETS MOSTLY EXCEEDED**

The five divisions mostly reached their targets, exceeding expectations in some cases. The Board of Management is generally satisfied with the divisions' operating performance.

Paint and Final Assembly Systems exceeded its target for sales substantially as it had been able to eliminate the customer-induced project delays arising in the previous year. This extraordinary effect contributed around € 200 million to sales. After the previous year's extraordinarily high level, the EBIT margin returned to normal, coming to a very satisfactory 7.3 %. In addition to a changed sales mix, more intensive price competition also left traces. Order intake was in line with expectations.

Sales in the Application Technology division reached the top end of the target corridor, while order intake nearly made it into the lower end. We are likewise very satisfied with the EBIT margin, which reached 10.1 % despite the start-up costs for the Industrial Products segment.

Sales and earnings in the Measuring and Process Systems division were slightly higher than expected. At 11.6 %, the EBIT margin reached a very good level again. Order intake came within the target corridor.

As planned, Clean Technology Systems reported a substantial increase in sales and order intake. The contraction of the EBIT margin is attributable to energy-efficiency technology business, where market conditions deteriorated in the wake of low energy prices.

## 2.16 – TARGET ACHIEVEMENT OF THE DIVISIONS 2015

	SALES (€ MILLION)		ORDER INTAKE (€ MILLION)		EBIT MARGIN (%)		ROCE (%)	
	2015 target	2015	2015 target	2015	2015 target	2015	2015 target	2015
Paint and Final Assembly Systems	1,100–1,180	1,364.6	1,050–1,200	1,125.5	7.5–8.0	7.3	> 100 <sup>1</sup>	> 100 <sup>1</sup>
Application Technology	570–600	599.7	550–600	538.3	10–11	10.1	30–35	32.3
Measuring and Process Systems	570–600	603.7	560–600	578.2	10.5–11.5	11.6	20–25	24.6
Clean Technology Systems	150–170	159.2	160–180	166.3	5–6	3.6	15–20	11.7
Woodworking Machinery and Systems	950–980	1,039.3	930–965	1,058.4	3.5–4.0	3.5	8–10	8.9

<sup>1</sup> negative capital employed

Sales and order intake in the Woodworking Machinery and Systems division grew more quickly than expected, with both figures exceeding the € 1 billion mark for the first time. This was due to increased demand for automation solutions as well as the weakness of the euro. The margin reached the target corridor. Earnings include high extraordinary charges primarily arising from purchase price allocation for the HOMAG Group. The targets for the divisions for 2016 can be found in the **Report on expected future development [P. 91]**.

#### PERFORMANCE INDICATORS

The main financial performance indicators for managing the Dürr Group are order intake, sales, EBIT, EBIT margin and ROCE (EBIT to **capital employed [P. 221]**). Operating cash flow and **free cash flow [P. 221]** are also important parameters, particularly at the Group level.

Non-financial performance indicators are also regularly tracked. They assist us in managing and shaping the long-term strategic orientation of the company. Examples are key figures on employee satisfaction, advanced training, ecology/sustainability and R&D/innovations. However, the

non-financial performance indicators do not serve primarily to control the company. Instead, they provide extended findings on the situation of the Group and allow decisions to be made on that basis. The non-financial performance indicators are discussed in the chapters entitled **Sustainability [P. 77]** and **Employees [P. 74]**, among other places.

#### MAIN EVENTS DRIVING BUSINESS PERFORMANCE

The most important determinant for business performance in 2015 was the full-year consolidation of the HOMAG Group (2014: consolidated from October 3). This caused an increase of € 786.5 million in sales and of € 44.5 million in EBIT. The consolidation of the HOMAG Group had already affected Dürr's financial position and net assets as of December 31, 2014. All told, we consider the Dürr Group's balance sheet and financial ratios to be solid.

The main determinants of business with the automotive industry were growth in automotive production, mounting demands for modernization and flexibility and the correspondingly high equipment spending in the sector. The growing automation of furniture production generated crucial impetus for the HOMAG Group's business.

## BUSINESS PERFORMANCE

### IFRS, REPORTING PRACTICE, CONSOLIDATION OF THE HOMAG GROUP

The charts and tables in this management report generally contain IFRS figures for the years from 2013 through 2015. EBIT is defined as earnings before interest, income taxes and income from investments. For the purposes of calculating "EBIT before extraordinary effects HOMAG Group" we add purchase price allocation expenses and the cost of terminating the HOMAG Group's employee capital participation program to EBIT.

Amendments to the IFRS did not have any material impact on the presentation of the company's economic position in 2015. Relatively few reporting options are available under the IFRS, and their utilization impacts our net assets, financial position and results of operations only minimally. Reporting options are available, for example, in connection with items such as inventories or property, plant and equipment. In the case of important balance-sheet items, we exercise options in such a way that the greatest possible measurement continuity is preserved. For example, financial instruments are measured at amortized cost as far as possible rather than at fair values. We made use of all reporting options in unchanged form in 2015. Similarly, the use of accounting measures has virtually no influence on the presentation of our results of operations. Moreover, it is inconsistent in many cases with our commitment to continuity and sustained cross-period transparency.

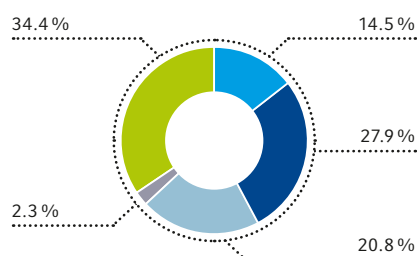
### HOMAG Group

The HOMAG Group has been fully consolidated by Dürr AG since October 3, 2014. It is included in the Dürr Group's segment report as the Woodworking Machinery and Systems division. Naturally enough, the HOMAG Group is not included in the figures relating to the Dürr Group for 2013 and only from October 3 in the figures for 2014. For this reason, there are considerable differences in absolute figures and growth rates between 2015 and earlier years in some cases. The divisions which already formed part of Dürr prior to the acquisition of the HOMAG Group are collectively referred to as "previous activities".

### 24.1 % increase in order intake in 2015

Order intake of the Dürr Group climbed by 24.1 % to € 3,467.5 million in 2015. If the HOMAG Group had been consolidated for the entire previous year, order receipts would have been roughly unchanged between 2014 and 2015. Three of our five divisions reported an increase in new orders. Only Paint and Final Assembly Systems and Application Technology sustained declines of 12.9 % and 4.0 %, respectively, as they had both received an extraordinarily large order from Poland in the previous year. The proportion of modernization business in order intake continued to rise, reaching 29 % in painting technology business, up from 26 % in the previous year. We operated at full capacity in 2015 thanks to the high order intake.

### 2.17 – CONSOLIDATED ORDER INTAKE BY REGION

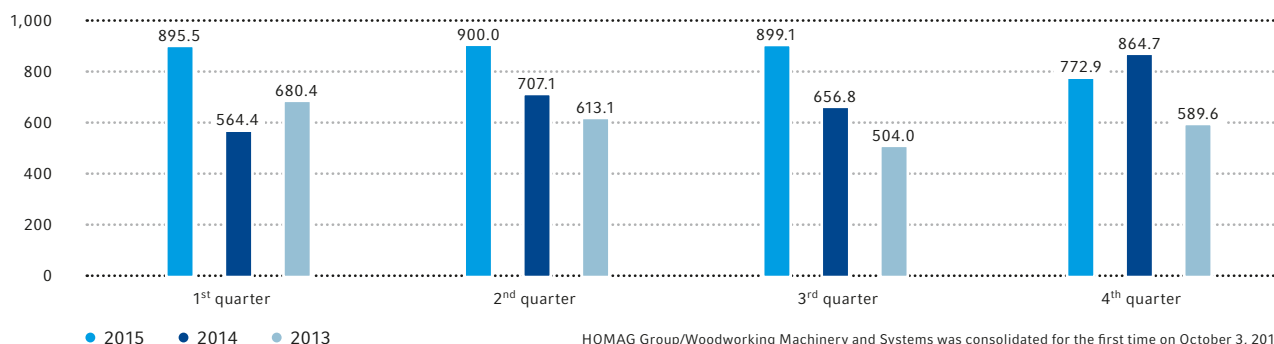


€ million	2015	2014	2013
● Germany	504.4	411.9	323.1
● Other European countries	968.7	856.1	566.3
● North/Central America	722.4	438.5	507.1
● South America	78.2	91.8	224.9
● Asia, Africa, Australia	1,193.9	994.7	765.7
<b>Total</b>	<b>3,467.5</b>	<b>2,793.0</b>	<b>2,387.1</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

## 2.18 – CONSOLIDATED ORDER INTAKE BY QUARTER

€ million



6.2 percentage points of the growth of 24.1 % in order intake were attributable to exchange-rate changes.

In the emerging markets, order intake climbed by 8.5 % to € 1,741.6 million, accounting for 50.2 % of Group order intake (2014: 57.5 %). Business in the emerging markets did not grow as quickly as total order intake. This is due to the previous year's high baseline figure following a major contract awarded in Poland, and the smaller proportion of the HOMAG Group's business in the emerging markets.

New orders received in China, our largest single market, rose by 8.6 % to € 953.3 million. Dürr's previous activities in China, which primarily target the automotive industry, came close to repeating the record order intake registered in 2014. New orders in Brazil and India remained stable at a low level. Business in Russia continued to shrink, accounting for less than 1 % of Group order intake. Driven by strong demand, order intake in North and Central America rose by 64.7 %, with the HOMAG Group and Paint and Final Assembly Systems particularly successful in these regions. The growth of 13.2 % in new orders in Europe (excluding Germany) was mostly due to the consolidation of the HOMAG Group. In Germany, order receipts climbed by 22.4 %.

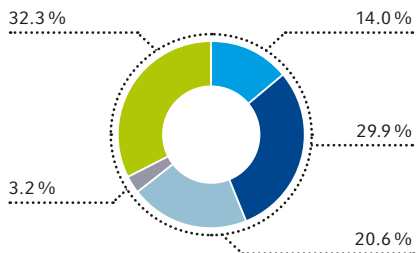
At € 772.9 million, order intake in the fourth quarter of 2015 fell short of the previous three quarters' high level (around € 900 million per quarter). In view of the heavy

influence of large system projects, such fluctuation from one quarter to another is typical of our business, meaning that comparisons of individual quarters are not a reliable guide. Consequently, performance in the fourth quarter does not provide an indication of the prospects for 2016.

### SALES DRIVEN BY GROWTH IN ALL DIVISIONS

Consolidated sales climbed by 46.3 % in 2015, reaching a new record of € 3,767.1 million. This performance was underpinned by the full-year consolidation of the HOMAG Group as well as top-line growth in all divisions. At 26.6 %, the greatest growth in Dürr's previous activities was recorded by Paint and Final Assembly Systems, where many major system projects reached a stage characterized by high revenue recognition. At the same time, the division was able to catch up on projects which had been delayed by customers in 2014; this extraordinary effect added around € 200 million to sales in 2015. As a result, Paint and Final Assembly Systems was able to offset the absence of its aircraft assembly technology business, which had been sold in December 2014.

2.19 – CONSOLIDATED SALES BY REGION



€ million	2015	2014	2013
● Germany	528.1	391.8	381.2
● Other European countries	1,126.9	693.3	654.2
● North/Central America	775.0	434.4	316.7
● South America	120.8	178.0	124.1
● Asia, Africa, Australia	1,216.4	877.4	930.7
<b>Total</b>	<b>3,767.1</b>	<b>2,574.9</b>	<b>2,406.9</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

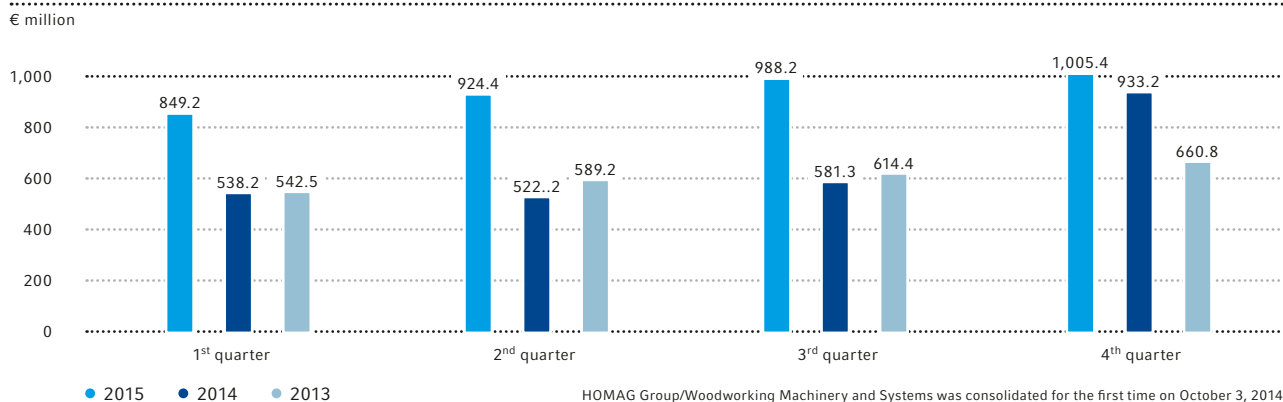
6.8 percentage points of the growth of 46.3 % in consolidated sales were attributable to exchange-rate effects. If the HOMAG Group had been consolidated for the entire year in 2014, sales would have been 16.4 % higher in 2015.

The regional breakdown of consolidated sales exhibited the customary balance in 2015. Once again, the strongest region was Asia (including Africa and Australia) with a share of 32.3 % of consolidated sales. The emerging markets accounted for 50.8 %, down from 53.5 % in the previous year. Further information can be found in table 2.19.

The rate of sales growth accelerated from quarter to quarter in 2015: After € 849.2 million in the first quarter, a figure of € 924.4 million was recorded in the second quarter, € 988.2 million in the third quarter and € 1,005.4 million in the final quarter. Dürr’s final quarter is customarily strong as more projects are invoiced at the end of the year.

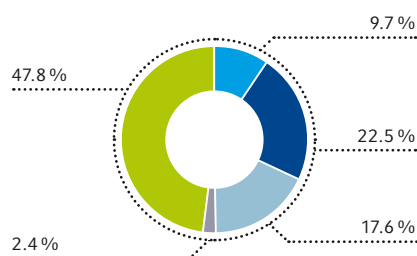
Sales from service business rose from € 634.1 million in the previous year to € 884.9 million. At 39.5 %, the growth rate was slightly slower than for consolidated sales as the latter were influenced by large invoicing volumes in the plant engineering business of Paint and Final Assembly Systems. For the same reason, the percentage of service

2.20 – CONSOLIDATED SALES BY QUARTER



HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

## 2.21 – CONSOLIDATED ORDER BACKLOG (DEC. 31) BY REGION



€ million	2015	2014	2013
● Germany	239.3	250.6	193.8
● Other European countries	555.6	716.8	471.4
● North/Central America	434.9	465.4	365.8
● South America	58.3	112.6	194.3
● Asia, Africa, Australia	1,177.7	1,179.9	924.8
<b>Total</b>	<b>2,465.7</b>	<b>2,725.3</b>	<b>2,150.1</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

business in consolidated sales came to only 23.5 %, thus falling short of the previous year's figure (24.6 %). Adjusted for the contribution made by the HOMAG Group, sales from service business rose by an encouraging 9.6 % in 2015.

In 2015, we completed the CustomerExcellence@Dürr optimization program, thereby creating the organizational, process and IT foundations for leveraging the service potential offered by our broad installed base even more effectively. Looking further down the road, we consequently see good prospects for our service business. We want to widen the share of service business in consolidated sales to as much as 30 %.

### ORDER BACKLOG OF JUST UNDER € 2.5 BILLION

As sales exceeded order intake, the book-to-bill ratio<sup>1</sup> came to 0.92. Order backlog was valued at € 2,465.7 million as of December 31, 2015, marking a decline of 9.5 % or € 259.6 million over the end of the previous year. A good 75 % of this drop – i.e. roughly € 200 million – is due to the fact that Paint and Final Assembly Systems was not able to recognize sales originally planned for 2014 until 2015 as a result of customer-induced project delays.

Because of its short-term nature, most of the service business does not find its way into the order backlog. However, including it in the order backlog, we are confident of achieving our sales target of € 3.4 to 3.6 billion in 2016. Orders on hand as of the end of 2015 are sufficient to cover around 70 % of our sales target for 2016.

### EFFECTS ARISING FROM THE HOMAG GROUP: DOMINATION AND PROFIT AND LOSS TRANSFER AGREEMENT, CONSOLIDATION, INTEGRATION/OPTIMIZATION

A domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG took binding effect on March 17, 2015. It was entered into for an indefinite period and may not be terminated other than for good cause before the end of 2020. It forms a solid basis for relations between Dürr and the HOMAG Group and facilitates the implementation of the focus optimization program. Under the terms of the agreement, all of the net profit earned by HOMAG Group AG accrues to Dürr from January 1, 2016; the HOMAG Group was consolidated for the first time on October 3, 2014. HOMAG Group AG's external shareholders are no longer entitled to a variable dividend. Instead, they receive a guaranteed dividend of € 1.18 per share (gross) for the duration of the domination and profit and loss transfer agreement. Alternatively, they may accept a cash settlement offer of € 31.56 per HOMAG Group share under the terms of the domination and profit and loss transfer agreement. As is to be expected in such cases, valuation proceedings were commenced in April 2015 before the Regional Court of Stuttgart by a number of HOMAG Group AG's external shareholders, who seek to have the amount of the guaranteed dividend and the cash settlement offer reviewed by a court of law.

<sup>1</sup> Ratio of order intake to sales



### Effects on the income statement

The domination and profit and loss transfer agreement as well as the consolidation, integration and optimization of the HOMAG Group resulted in the following, predominantly non-recurring additional expense for the Dürr Group in 2015:

- **EBIT** includes extraordinary expense of a total of € 26.6 million:
  - Of this, an amount of € 18.1 million related to purchase price allocation for the HOMAG Group. Purchase price allocation expenses will be dropping to around € 9 million per year from 2016.
  - € 8.5 million was a non-recurring item for the termination of the employee capital participation scheme at a number of German HOMAG Group companies.
- **Financial result** includes various additional expenses:
  - A non-recurring item of € 3.7 million arose from the termination of the syndicated loan of the HOMAG Group and the inclusion of the HOMAG Group in the less expensive Dürr Group funding facilities (see **Financial development** chapter [P. 61]).
  - A sum of € 11.7 million resulted from the aforementioned domination and profit and loss transfer agreement. For one thing, it mostly comprised the guaranteed dividend to which the shareholders of the HOMAG Group are entitled for the duration of the domination and profit and loss transfer agreement. This was based on the period commencing at the beginning of 2015 and ending on the first date on which it is possible to terminate the domination and profit and loss transfer agreement other than for good cause (end of 2020). For another, it mostly comprised the interest payable on the cash settlement in accordance with Section 305 (3) of the German Stock Corporation Act. The expense for the guaranteed dividend is expected to come to € 7.0 million per year up to and including 2020.
  - An amount of € 2.0 million was recognized as interest expense for the employee capital participation scheme operated by various HOMAG Group companies, which has now been terminated.

- **Tax expense** was burdened by a non-recurring charge of € 8.9 million as a result of the domination and profit and loss transfer agreement with the HOMAG Group. This was due to the fact that expense in connection with the guaranteed dividend is not tax-deductible. In addition, we are required to pay tax on the guaranteed dividend. These non-recurring expenses elevated the tax rate to 52.7 % in the first quarter of 2015; at 31.9 %, the full-year rate was also up on the previous year (26.6 %).

These expenses were offset by the positive earnings contribution which the Woodworking Machinery and Systems division made in 2015.

### Effects on the balance sheet

A pooling agreement exists between Dürr Technologies GmbH and the Schuler/Klessmann shareholder group, which holds around 22.1 % of the shares in HOMAG Group AG. The Schuler/Klessmann shareholder group comprises the Schuler family, who founded HOMAG, and the Klessmann Foundation. After the domination and profit and loss transfer agreement with HOMAG Group AG took effect, we eliminated from non-controlling interests the interests attributable to those shareholders of HOMAG Group AG who are outside the Schuler/Klessmann shareholder group and therefore not parties to the pooling agreement with Dürr. These interests are valued at € 91.5 million. At the same time, we recognized a sundry financial liability for the obligation to acquire these shares and to pay a corresponding settlement plus tax. The difference between the derecognized non-controlling interests and the new sundry financial liability resulted in a reduction of a further € 35.0 million in the retained earnings in the Group's equity. The background of this is that Dürr controls the HOMAG Group under the domination and profit and loss transfer agreement and the free shareholders no longer have any variable dividend entitlement. The put options held by the Schuler/Klessmann shareholder group against Dürr with respect to further shares had already been recognized on the balance sheet as a liability at the end of 2014.

## 2.22 – INCOME STATEMENT AND PROFITABILITY RATIOS

		2015	2014	2013
Sales revenues	€ million	3,767.1	2,574.9	2,406.9
Gross profit	€ million	828.0	591.1	487.3
Overhead costs <sup>1</sup>	€ million	-566.4	-359.5	-280.7
EBITDA	€ million	348.2	262.9	230.4
EBIT	€ million	267.8	220.9	203.0
EBIT before extraordinary effects HOMAG Group <sup>2</sup>	€ million	294.3	237.4	203.0
Net finance expense	€ million	-23.3	-16.2	-18.4
EBT	€ million	244.5	204.7	184.6
Income taxes	€ million	-78.0	-54.4	-43.7
Earnings after tax	€ million	166.6	150.3	140.9
Earnings per share	€	4.67	4.33	4.05
Gross margin	%	22.0	23.0	20.2
EBITDA margin	%	9.2	10.2	9.6
EBIT margin	%	7.1	8.6	8.4
EBIT margin before extraordinary effects HOMAG Group <sup>2</sup>	%	7.8	9.2	8.4
EBT margin	%	6.5	8.0	7.7
Return on sales after taxes	%	4.4	5.8	5.9
Interest coverage		10.7	12.6	10.7
Tax rate	%	31.9	26.6	23.7
Return on equity	%	23.3	20.7	27.6
Return on investment	%	6.7	5.9	8.2
ROCE	%	45.3	38.7	76.2

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>1</sup> Selling, administrative and R&D expenses

<sup>2</sup> Expense arising from purchase price allocation and termination of the HOMAG Group employee capital participation scheme

**HIGH GROSS MARGIN OF 22.0 %**

Total costs (cost of sales, selling, administrative, R&D and other operating expenses) rose to € 3,576.0 million in 2015 (2014: € 2,391.2 million). Up 49.5 %, they grew slightly more quickly than sales. The same applies to the cost of sales as a single item, which climbed by 48.2 % to € 2,939.1 million. This item includes all sourcing and production costs for our products and services. Gross profit increased by 40.1 % to € 828.0 million.

The gross margin, i.e. the difference between sales and the cost of sales relative to sales, came to 22.0 %, the second highest level in our company's history. Only in 2014 was it higher (23.0 %). In the year under review, the gross margin was underpinned by a moderate cost development, the quality of our order execution and growth in service business. On the other hand, we felt the effects of slightly more intensive price-driven competition in painting technology business, while difficult market conditions exerted pressure on margins in energy-efficiency technology.

Driven by the progress made by the focus optimization program, the HOMAG Group's gross margin improved significantly.

**COST OF MATERIALS RELATIVE TO SALES HIGHER FOR PROJECT-RELATED REASONS**

The cost of materials rose more quickly than sales, climbing by 61.9 % to € 1,613.3 million. This was attributable to the fact that many large paint shop orders in the Paint and Final Assembly Systems division reached the assembly phase. This is the stage at which many components are sourced from suppliers, causing an increase in the cost of materials.

The ratio of the cost of materials to sales climbed from 38.7 % to 42.8 %. We expect the cost of materials to drop in 2016 as a result of moderate prices, economies of scale in purchasing, and a shift in orders towards a greater proportion of modernization and service projects. The cost of materials is fully included in the cost of sales and mainly

## 2.23 – OVERHEAD COSTS AND EMPLOYEES IN 2015

	Employees	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	1,566	-282.7	-179.7	-5.1	-97.9
(2014)	1,507	-171.4	-118.2	-2.8	-50.4
Administrative	1,352	-186.5	-110.6	-9.6	-66.3
(2014)	1,296	-132.7	-83.4	-5.0	-44.3
R&D	667	-97.1	-75.1	-9.5	-12.6
(2014)	619	-55.4	-35.2	-3.9	-16.3

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

comprises the sourcing of parts and production and assembly services. Further information can be found in the chapter entitled **Procurement [P. 76]**.

### SUBSTANTIAL INCREASE IN R&D EXPENSE

Selling and administrative expenses climbed more quickly than sales in 2015, rising by 54.3 % to € 469.3 million. In addition to the increased headcount, this also reflected rising remuneration. However, the main factor was the first-time consolidation of the HOMAG Group for a full twelve months. Compared to our previous activities, selling expenses figure more prominently for the HOMAG Group due to the larger and more fragmented customer base. On the other hand, the proportion of cost of sales in sales is lower for the HOMAG Group.

Research and development (R&D) expenses rose by 75.3 % to € 97.1 million. R&D expenses in our previous activities (i.e. excluding the HOMAG Group) were raised by 4.6 % under our innovation strategy.

## 2.24 – PERSONNEL-RELATED INDICATORS

	2015	2014	2013
Employees (Dec. 31)	14,850	14,151	8,142
Employees (annual average)	14,489	9,794	7,973
Personnel expense (€ million)	-970.2	-634.9	-519.9
Personnel expense ratio (%)	25.8	24.7	21.6
Personnel expense per employee (annual average) (€)	-67,000	-64,800	-65,200
Sales per employee (annual average) (€)	260,000	262,900	301,900

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

Employee numbers climbed by 4.9 % to 14,850 as at December 31, 2015. This was primarily due to increased localization. Employee numbers increased by an annual average of 47.9 % to 14,489 as the HOMAG Group had not been consolidated until October 3 in the previous year.

Due to higher wages personnel expense rose by 52.8 % to € 970.2 million and thus more swiftly than the average number of employees. It is spread across all operating expense items in the income statement. The personnel expense ratio came to 25.8 %, up from 24.7 % in the previous year. Sales revenues per employee dropped by 13.9 % over 2013. In addition to the acquisition of the HOMAG Group, this is also due to the increase in internally-sourced production.

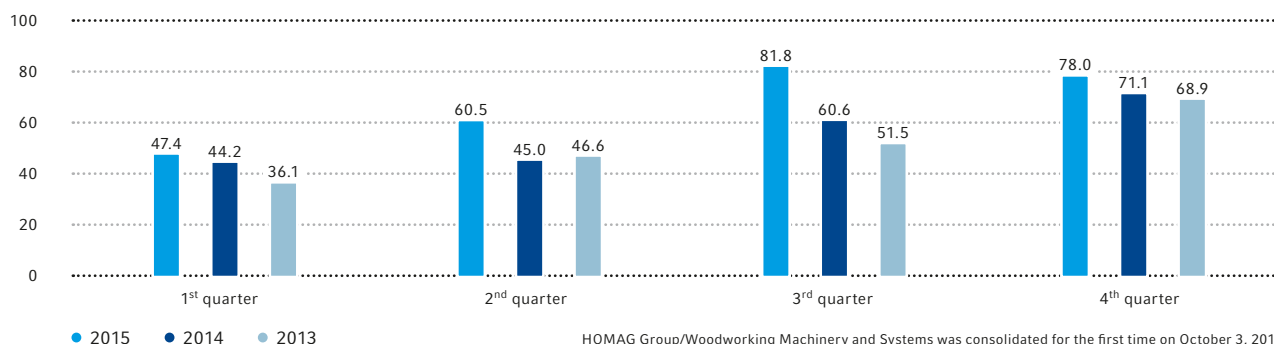
In 2015, net other operating income came to € 6.2 million (2014: net other operating expense of € 10.7 million). The largest single items were currency translation expense and income, resulting in net currency translation income of € 5.6 million. The decline in transaction costs for acquisitions had a positive effect. In addition, the sale of aircraft assembly technology and the French company Dürr Automation S.A.S. in the previous year had resulted in net book losses.

### EBIT UP FOR THE SIXTH CONSECUTIVE TIME

EBIT is our main performance indicator in the overall management process. It rose for the sixth consecutive time in 2015, climbing by 21.2 % to reach a new record of € 267.8 million. This performance was primarily underpinned by the full-year consolidation of the Woodworking Machinery and Systems division (HOMAG Group), which generated EBIT of € 36.6 million despite high extraordinary expense

## 2.25 – EBIT BY QUARTER

€ million



of € 26.6 million. In the previous year, Woodworking Machinery and Systems had posted a loss of € 7.9 million at the EBIT level.

The Group's EBIT margin narrowed by 1.5 percentage points but, at 7.1 %, was still at a satisfactory level and within the target corridor of 7.0 to 7.5 %. Adjusted for the extraordinary effects in connection with Woodworking Machinery and Systems, we recorded consolidated operating EBIT of € 294.3 million and an operating EBIT margin of 7.8 % in 2015. The extraordinary effects were largely related to purchase price allocation for the HOMAG Group. More details can be found above under the heading "Effects arising from the HOMAG Group".

8.6 percentage points of the 21.2 % increase in EBIT were due to changes in exchange rates in 2015. The three companies acquired in 2015 (iTAC, Mhitraa, Shenlian) each contributed less than 1 % to consolidated sales and EBIT.

### NET FINANCE EXPENSE INFLUENCED BY EXTRAORDINARY EFFECTS ARISING FROM THE HOMAG GROUP

Net finance expense came to € 23.3 million, compared with € 16.2 million in the previous year. This change reflects extraordinary effects arising from the optimization of the HOMAG Group and the domination and profit and loss transfer agreement entered into with HOMAG Group AG. More details can be found above under the heading "Effects arising from the HOMAG Group". We expect net finance expense to decline in 2016 as the extraordinary effects will recede. Further information can be found in the **Report on expected future development [p. 91]**.

### EARNINGS AFTER TAX AT A NEW HIGH

Tax expense rose by 43.2 % to € 78.0 million in 2015 and contained non-recurring expense of € 8.9 million in connection with the domination and profit and loss transfer agreement entered into with HOMAG Group AG. As a result, the tax rate rose from 26.6 % in the previous year to 31.9 %. Earnings after tax increased by 10.8 % to € 166.6 million (2014: € 150.3 million), while the return on sales after taxes contracted to 4.4 % (2014: 5.8 %). Net of the non-controlling interests, earnings per share came to € 4.67 (2014: € 4.33).

We want our shareholders to share in the success we achieved in 2015 via a higher dividend. We therefore propose an increase of 12.1 % in the dividend per share over the previous year to € 1.85. This marks the sixth increase in a row. Assuming the proposal is accepted, this will result in a total payout of € 64.0 million (2014: € 57.1 million). As in the previous year, the payout ratio stands at 38 % of consolidated net profit and thus at the upper end of Dürr's customary range of 30 to 40 %. Dürr AG's remaining net retained profit of € 281.5 million (2014: € 226.0 million) is to be carried forward.

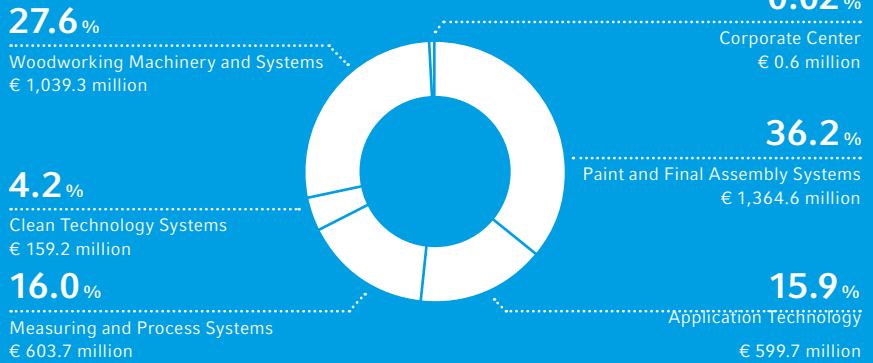
### SEGMENT REPORT: DIVISIONS

The Corporate Center's EBIT improved by € 5.0 million to € -5.4 million in 2015 after a deterioration in the previous year, primarily as a result of the transaction costs for the acquisition of the HOMAG Group. EBIT for the Corporate Center includes consolidation effects of € 1.2 million (2014: € 0.4 million).

2.26 – SALES, ORDER INTAKE AND EMPLOYEES (DEC. 31, 2015) BY DIVISION

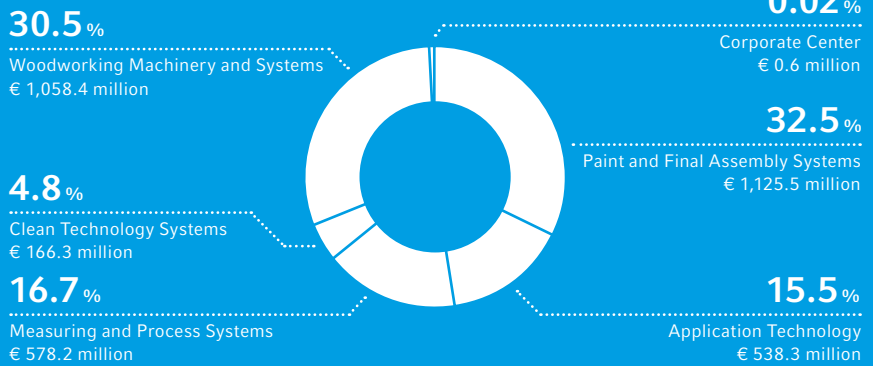
**3,767.1** € million  
(Total sales revenues)

SALES REVENUES



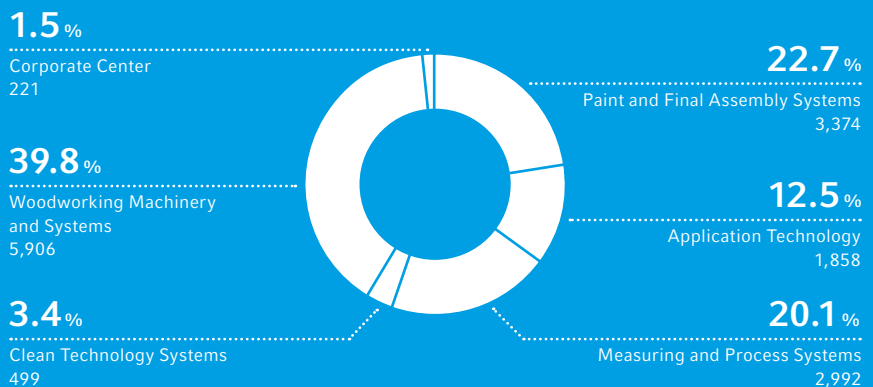
**3,467.5** € million  
(Total order intake)

ORDER INTAKE



**14,850**  
(Total employees)

EMPLOYEES



**2.27 – EBIT BY DIVISION**

€ million	2015	2014	2013
Paint and Final Assembly Systems	100.2	106.2	98.3
Application Technology	60.8	55.1	59.6
Measuring and Process Systems	69.8	70.3	46.3
Clean Technology Systems	5.8	7.6	6.1
Woodworking Machinery and Systems	36.6	-7.9	-
Corporate Center/consolidation	-5.4	-10.4	-7.3
<b>Total</b>	<b>267.8</b>	<b>220.9</b>	<b>203.0</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

**2.28 – CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND ON INTANGIBLE ASSETS BY DIVISION<sup>1</sup>**

€ million	2015	2014	2013
Paint and Final Assembly Systems	22.9	13.9	12.2
Application Technology	27.8	11.1	16.0
Measuring and Process Systems	9.5	9.8	14.4
Clean Technology Systems	7.5	3.9	5.3
Woodworking Machinery and Systems	29.7	12.8	-
Corporate Center/consolidation	4.8	3.4	3.3
<b>Total</b>	<b>102.3</b>	<b>54.9</b>	<b>51.2</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>1</sup> Without acquisitions

**2.29 – DEPRECIATION AND AMORTIZATION (INCL. IMPAIRMENT LOSSES AND REVERSALS) BY DIVISION<sup>1</sup>**

€ million	2015	2014	2013
Paint and Final Assembly Systems	-9.2	-7.0	-5.8
Application Technology	-8.2	-6.7	-5.0
Measuring and Process Systems	-9.3	-9.0	-10.8
Clean Technology Systems	-2.3	-2.1	-1.5
Woodworking Machinery and Systems	-47.5	-13.9	-
Corporate Center/consolidation	-4.0	-3.3	-4.3
<b>Total</b>	<b>-80.5</b>	<b>-42.0</b>	<b>-27.4</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.1

<sup>1</sup> Amortization included in net interest expense is not reported here.

**2.30 – PAINT AND FINAL ASSEMBLY SYSTEMS – KEY FIGURES**

€ million	2015	2014	2013	2012
Order intake	1,125.5	1,291.8	1,124.7	1,326.1
Sales revenues	1,364.6	1,078.2	1,176.9	1,125.2
Cost of materials (consolidated)	-709.5	-493.6	-602.0	-619.9
EBITDA	109.4	113.2	104.1	80.6
EBIT	100.2	106.2	98.3	75.2
EBIT margin	7.3 %	9.8 %	8.4 %	6.7 %
Capital expenditure	22.9	13.9	12.2	11.3
Employees (Dec. 31)	3,374	3,069	3,075	2,856

**Paint and Final Assembly Systems**

Paint and Final Assembly Systems registered continued brisk business in China but also received several system orders from North America and Europe. The fact that order intake declined by 12.9 % in spite of this was due to the previous year's extraordinarily high figure reflecting a large contract awarded in Poland. Given our broad installed base, modernization business continued to grow in weight in 2015. 66 % of new orders came from the emerging markets (2014: 70 %).

At 26.6 %, growth in sales was more pronounced than planned. For one thing, the division was able to catch up on projects that had been delayed by customers in 2014; this extraordinary effect added around € 200 million to sales in 2015. For another, the scheduled execution of new projects generated large contributions to sales. Despite higher revenues, EBIT contracted by 5.7 % due to a change in the sales mix. After the previous year's very high level (9.8 %), the EBIT margin returned to normal, coming to 7.3 %. This level should still be attainable despite the slight deterioration in the quality of margins on new orders in 2015. This has prompted Paint and Final Assembly Systems to implement an efficiency enhancement program.

The sharp rise in capital expenditure (+65.1 %) is primarily due to the construction of the new Campus sites in Southfield (US) and Shanghai. Both projects will be completed in 2016. Acquired at the end of 2015, iTAC Software AG has been assigned to Paint and Final Assembly Systems. However, it will continue to operate independently in the market and plans to expand its business significantly over the next few years.

**2.31 – APPLICATION TECHNOLOGY – KEY FIGURES**

€ million	2015	2014	2013	2012
Order intake	538.3	560.9	567.6	556.6
Sales revenues	599.7	526.0	540.0	531.2
Cost of materials (consolidated)	-267.3	-213.4	-211.1	-241.2
EBITDA	69.1	61.8	64.6	61.1
EBIT	60.8	55.1	59.6	53.4
EBIT margin	10.1 %	10.5 %	11.0 %	10.1 %
Capital expenditure	27.8	11.1	16.0	7.1
Employees (Dec. 31)	1,858	1,784	1,546	1,379

**Application Technology**

Application Technology order intake dropped by only 4.0 % in 2015 despite the previous year's high figure following the large contract in Poland. Like the Paint and Final Assembly Systems division, it obtained its largest orders from China, Europe and North America. Established in 2014, the Industrial Products segment made only a small contribution to sales, as planned, and reported a loss due to start-up costs. The segment, through which we want to address sectors such as plastics, wagon and shipbuilding, ceramics, wood and furniture, offers interesting growth potential.

With sales coming to just under € 600 million (+14.0 %), Application Technology achieved a book-to-bill ratio of 0.9. EBIT climbed by 10.4 % and was hence almost in sync with sales. At 10.1 %, the EBIT margin reached double-digit territory despite the start-up costs in the Industrial Products business. The division's headcount rose by 4.1 % over the end of 2014.

Capital expenditure reached an extraordinarily high level. As with Paint and Final Assembly Systems, this was due to the construction of the new Campus sites in Southfield (US) and Shanghai.

**Measuring and Process Systems**

Measuring and Process Systems order intake was up slightly in 2015. The Balancing and Assembly Products segment recorded an increase in new orders, while Cleaning and Surface Processing continued to concentrate its

efforts on obtaining large-margin projects, thus accepting a somewhat smaller volume of new orders.

Sales for Measuring and Process Systems rose by 3.7 % to € 603.7 million, with the book-to-bill ratio coming to 0.96. The EBIT margin reached a high 11.6 % but fell slightly short of the previous year's figure (12.1 %). After the turnaround in 2014, EBIT in the Cleaning and Surface Processing segment continued to improve. Balancing and Assembly Products again reached a respectable margin.

At € 9.5 million, capital expenditure was at a normal level as in the previous year. It had been substantially higher in 2013 due to the construction of a new facility in China.

Schenck Technologie- und Industriepark (TIP) registered a small decline in external sales and the external rental income included in them. This was due to a reduction in the floor space rented and a slight decline in logistics revenues. At the same time, the transfer prices for electricity and heat were lower. Despite this, earnings remained at a satisfactory level. Sales should stabilize in 2016.

**2.32 – MEASURING AND PROCESS SYSTEMS – KEY FIGURES**

€ million	2015	2014	2013	2012
Order intake	578.2	577.1	561.1	600.6
Sales revenues	603.7	581.9	583.6	647.9
Cost of materials (consolidated)	-206.0	-187.5	-211.4	-253.3
EBITDA	79.1	79.3	57.2	68.2
EBIT	69.8	70.3	46.3	57.6
EBIT margin	11.6 %	12.1 %	7.9 %	8.9 %
Capital expenditure	9.5	9.8	14.4	5.7
Employees (Dec. 31)	2,992	3,018	2,967	3,017

**2.33 – SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK – KEY FIGURES**

€ million	2015	2014	2013	2012
External sales	10.8	11.1	12.0	14.5
of which external rental income	5.5	5.6	6.1	6.9

**2.34 – CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES**

€ million	2015	2014	2013	2012
Order intake	166.3	144.9	133.7	113.5
Sales revenues	159.2	136.0	106.3	95.5
Cost of materials (consolidated)	-83.6	-73.4	-57.2	-54.7
EBITDA	8.1	9.8	7.5	4.6
EBIT	5.8	7.6	6.1	4.0
EBIT margin	3.6 %	5.6 %	5.7 %	4.2 %
Capital expenditure	7.5	3.9	5.3	3.7
Employees (Dec. 31)	499	473	426	278

**Clean Technology Systems**

Clean Technology Systems business primarily entails exhaust-air purification technology. Established in 2011, the Energy Efficiency Technology segment contributed less than 10 % to order intake.

Despite a weak start to the year, Clean Technology Systems sales and order intake rose by 17.1 % and 14.8 %, respectively, in 2015. The division registered a sharp growth in demand, particularly in China. The book-to-bill ratio came to 1.04. The 24.2 % decline in EBIT was attributable to heightened competition in Europe. Moreover, Energy Efficiency Technology operated below full capacity due to low energy prices. At 3.6 %, the EBIT margin was not satisfactory, prompting us to implement an efficiency enhancement program as a basis for margin improvements. The headcount rose by 5.5 % as we broadened our market position in China, South Korea and the United States.

**Woodworking Machinery and Systems**

The Woodworking Machinery and Systems division comprises the HOMAG Group's activities. The sharp differences between 2015 and 2014 revealed in table 2.35 reflect the fact that in the previous year the HOMAG Group was not consolidated until October 3. We have adjusted the method for calculating order intake in the Woodworking Machinery and Systems division in the light of standard practice at Dürr.

Order intake and sales exceeded the € 1 billion mark for the first time in 2015. The HOMAG Group's sales rose by 13.6 % over the full-year figure for 2014 (as stated in

HOMAG Group AG's consolidated financial statements for 2014), while like-for-like order intake climbed by 16.1 %. Business was particularly strong in Western Europe and North America. The book-to-bill ratio came to 1.02.

Woodworking Machinery and Systems recorded EBIT of € 36.6 million. This includes extraordinary expenses of € 26.6 million, including € 18.1 million for purchase price allocation for the HOMAG Group and € 8.5 million resulting from the termination and settlement of the HOMAG Group's employee capital participation scheme. Adjusted for the extraordinary expenses, operating EBIT came to € 63.2 million, accompanied by an operating EBIT margin of 6.1 %. Earnings benefited from improvements to operations, economies of scale and the strong US dollar. In 2014, the HOMAG Group had reported an EBIT margin of 4.9 % (according to HOMAG Group AG's consolidated financial statements).

Purchase price allocation charges primarily arose in the first quarter of 2015 (€ 11.5 million), dropping to a normalized level of around € 2 million per quarter thereafter. They will come to around € 9 million per year from 2016. A detailed explanation of the extraordinary effects can be found under the heading "Effects arising from the HOMAG Group" in this chapter.

**2.35 – WOODWORKING MACHINERY AND SYSTEMS – KEY FIGURES**

€ million	2015	2014
Order intake	1,058.4	218.3
Sales revenues	1,039.3	252.8
Cost of materials (consolidated)	-403.9	-86.0
EBITDA	84.2	6.0
EBIT	36.6	-7.9
EBIT margin	3.5 %	-3.1 %
Capital expenditure	29.7	12.8
Employees (Dec. 31)	5,906	5,659

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.



## FINANCIAL DEVELOPMENT

### FUNDING AND LIQUIDITY MANAGEMENT

Our centralized funding and liquidity management system has two main objectives: the optimization of earnings and costs as well as the reduction and prevention of financial risks. In addition, its purpose is to achieve transparency concerning the Group's funding and liquidity needs. An essential principle of liquidity management at Dürr is to always have adequate liquidity reserves available so as to meet our payment obligations at all times.

The cash flow from our operating activities is our key source of funding. As a rule, debt finance is raised by Dürr AG and made available to the Group companies as required. Dürr AG is also responsible for liquidity management. The company organizes a cash pooling system in which – to the extent legally possible – all cash and cash equivalents of the Group are consolidated. Companies located in countries subject to statutory restrictions on capital flows (for instance China, India, South Korea) obtain their funding locally. In 2015, the HOMAG Group was integrated into the finance and liquidity management and into the cash pooling system of the Dürr Group.

The investment of surplus liquidity is governed by a guideline for financial asset management and is the task of Group Treasury. Our partners are only banks with good credit ratings, and we use a limit system to reduce counterparty risks. While our volume of cash and cash equivalents at the end of 2015 came to € 435.6 million, down on the previous year, it nevertheless remained at a comfortable level. Its share of total assets amounted to 14.6 % (Dec. 31, 2014: 17.5 %). Our total liquidity, which also extends to include time deposits and securities held to final maturity, amounted to € 469.2 million at the end of 2015 (Dec. 31, 2014: € 582.0 million).

We conduct systematic net working capital management to optimize our internal funding capabilities and reduce the volume of funds tied down. This has a beneficial effect on key figures such as our balance sheet structure and return on capital employed. **Net working capital [P. 221]** management is the responsibility of the divisions and, in addition to operating finance needs, it also takes account of the parameters laid down by Dürr AG.

For information on the deployment of financial instruments, please refer to the section entitled "Currency, interest rate and liquidity risks as well as financial instruments for risk mitigation purposes" in the **Risk report [P. 81]**.

### FUNDING STRUCTURE OF THE DÜRR GROUP

As at December 31, 2015, our funding structure comprised the following components:

- **Corporate bond:** Our corporate bond issued in 2014 in the amount of € 300 million in nominal terms has a term to maturity until 2021 and a coupon of 2.875 % (effective interest rate: 3.085 %). At the end of 2015 it had a yield of 2.0 %. Early termination is not possible.
- **Syndicated loan:** The syndicated loan with a current total volume of € 465 million has also been in place since 2014. It comprises a cash credit line of € 250 million and a guarantee line of € 215 million. In 2015, we extended the term to maturity with the approval of the banks and without incurring any additional costs by one year, until 2020. A further extension, until 2021, was granted in the first quarter of 2016 – also without incurring any additional costs.
- **Real estate loans:** When the Dürr Campus in Bietigheim-Bissingen was purchased in 2011, we assumed the associated real-estate loans. Their book value totaled € 37.7 million as at December 31, 2015 (Dec. 31, 2014: € 39.9 million). The long-term fixed and annuity loans are due to mature on September 30, 2024. As at September 30, 2017, we have an early redemption option at the end of the interest lock-in period without having to pay a premature repayment penalty.
- **Leasing:** At the end of 2015, liabilities from finance leases amounted to € 10.8 million. In addition, there were money and capital market instruments as well as off-balance sheet financing instruments in the form of operating leases (Dec. 31, 2015: € 122.1 million) and forfeiting transactions (Dec. 31, 2015: € 17.4 million).
- **Bilateral credit facilities:** Their volume as at the 2015 balance sheet date came to € 12.2 million.

We implemented a major change to our funding structure in the second quarter of 2015. In the course of the HOMAG Group's integration, the syndicated loan of HOMAG Group AG for € 210.0 million was terminated effective May 29, 2015. The HOMAG Group has since been using the more favorable funding available from the Dürr Group instead. To this end, the volume of the syndicated loan of Dürr AG was increased from € 300 million originally to the above-mentioned € 465 million (increase in the cash credit line from € 100 million to € 250 million, and increase in the guarantee line from € 200 million to € 215 million).

The restructuring of funding arrangements in 2015 involved non-recurring expense of € 3.7 million. As table 2.36 shows, it led to a decline in financial liabilities by € 75.6 million at the end of 2015. From 2016 we expect the new structure to generate an annual relief of € 2.3 million to our financial result.

As at December 31, 2015, the total volume of all credit and guarantee lines available reached € 1,034.9 million. Of this sum, € 359.9 million was actually utilized. The cash credit line of the syndicated loan remained unutilized in 2015. The total volume of our guarantee lines amounted to € 745.9 million. In addition to the guarantee line from the syndicated loan, it comprises additional guarantee lines amounting to € 520.9 million that were made available by insurers and banks.

We complied with the financial covenant of our syndicated loan at every reference date in fiscal 2015. Interest corresponds to the refinancing rate with matching maturities plus a variable margin. Further particulars on debt funding are listed in **item 31 [P. 170]** of the notes to the consolidated financial statements.

### 2.36 – FINANCIAL LIABILITIES (DEC. 31)

€ million	2015	2014	2013
Bond	296.9	296.4	225.2
Liabilities to banks	43.2	118.4	41.9
Liabilities under finance leases	10.8	11.7	4.0
<b>Total</b>	<b>350.9</b>	<b>426.5</b>	<b>271.1</b>
of which due within one year	6.8	17.1	2.5

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### 2.37 – CASH FLOW

€ million	2015	2014	2013
Earnings before income taxes	244.5	204.7	184.6
Depreciation and amortization	80.5	42.0	27.4
Interest result	25.2	17.7	19.0
Income tax payments	-88.6	-51.6	-35.9
Change in provisions	20.6	-4.6	12.8
Change in net working capital	-137.8	74.3	122.6
Other	28.6	8.8	-1.4
<b>Cash flow from operating activities</b>	<b>173.0</b>	<b>291.3</b>	<b>329.1</b>
Interest payments (net)	-10.4	-16.6	-16.2
Investment in property, plant and equipment and intangible assets	-99.8	-53.6	-51.0
<b>Free cash flow</b>	<b>62.8</b>	<b>221.1</b>	<b>261.9</b>
Other cash flows	-101.2	-333.8	-78.1
<b>Change in net financial status</b>	<b>-38.4</b>	<b>-112.7</b>	<b>183.8</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### POSITIVE FREE CASH FLOW DESPITE NWC NORMALIZATION

The **cash flow from operating activities**, at € 173.0 million, met our expectations. The decline in relation to the high previous-year level resulted from the unusually high invoicing volume in plant engineering and an associated increase in **net working capital (nwc)** [P. 221] by € 137.8 million. As at December 31, 2014, we had reported a high level of surplus liquidity due to extensive prepayments. A large share of this liquidity went into order execution in 2015, as planned. Accordingly, surplus liquidity as at December 31, 2015, came to approx. € 200 million and was thus only about € 100 million above the normal level. In 2014, nwc had declined by € 74.3 million; adjusted for the large nwc fluctuations, operating cash flow would have soared to a record level in 2015. For 2016, we anticipate a further but more moderate nwc increase. The high level of depreciation and amortization in 2015 is due, firstly, to the extensive investments in expansion in previous years. Secondly, the full-year consolidation of the HOMAG Group was reflected in this **item**; among other things, it includes depreciation and amortization due to the purchase price allocation.

**Cash flow from investing activities** amounted to € –94.4 million in 2015 (2014: € –224.3 million). It includes inflows of funds due to the cancellation of fixed-term deposits and the outflow of funds for acquisitions as well as higher investments in property, plant and equipment, and intangible assets. In the previous year, the takeover of the majority stake in the HOMAG Group for € 228.1 million was the main reason for our negative cash flow from investing activities.

**Cash flow from financing activities** reached € –162.4 million (2014: € –20.0 million). Key contributory factors were the outflow of the dividend payment, the redemption of the syndicated loan of HOMAG Group AG from funds sourced from Dürr's cash and cash equivalents, as well as interest payments.

Based on the positive operating cash flow, we achieved a **free cash flow [P. 221]** of € 62.8 million in 2015 (2014: € 221.1 million). It indicates what means are available for dividend payouts, stock redemptions, acquisitions and improvements in the **net financial status [P. 221]**. In addition to the cash flow from operating activities, free cash flow also includes interest income and capital expenditure (included in the cash flow from investing activities) as well as interest payments (included in the cash flow from financing activities).

At € 129.4 million, the net financial status as at December 31, 2015, was in clearly positive territory. The decline in relation to the previous year's effective date only amounted to € 38.4 million, even though outflows of € 39.7 million were recorded for acquisitions (in particular iTAC) as well as € 57.1 million for the dividend payment.

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

The key figures for managing the Dürr Group are incoming orders, sales, EBIT/EBIT margin and **ROCE** (EBIT to capital employed) [P. 221]. Operating cash flow and free cash flow also play a central role, especially at Group level. At divisional level, the focus is on order margins and EBIT.

#### 2.38 – PERFORMANCE INDICATORS

		2015	2014	2013
Incoming orders	€ million	3,467.5	2,793.0	2,387.1
Sales	€ million	3,767.1	2,574.9	2,406.9
EBIT	€ million	267.8	220.9	203.0
EBIT margin	%	7.1	8.6	8.4
ROCE <sup>1</sup>	%	45.3	38.7	76.2

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>1</sup> There was a change in the ROCE calculation in 2014: we eliminated financial assets from assets as a whole since the financial result is not taken into account in EBIT either. The comparative values for 2013 were adjusted accordingly.

Non-financial performance indicators are also regularly tracked. They assist us in managing and shaping the long-term strategic orientation of the company. Examples are key figures on employee satisfaction, advanced training, ecology/sustainability and R&D/innovations. However, the non-financial performance indicators do not serve primarily to control the company. Instead, they provide extended findings on the situation of the Group and allow decisions to be made on that basis. The non-financial performance indicators are discussed in the chapters entitled **Sustainability [P. 77]** and **Employees [P. 74]**, among other places.

The analysis of incoming orders and resulting sales enable forward-looking capacity planning. In 2015, incoming orders reached the upper end of the original target corridor, with sales exceeding the level targeted. One reason for the good sales trend was that we fully eliminated the effects of the customer-induced project delays which had arisen in 2014.

We measure our operating earnings capacity according to EBIT and EBIT margin. In 2015, EBIT reached a new all-time high. The EBIT margin was within the target range. In comparison with the extraordinarily high level of the previous year, it declined, however, as the margin situation in Paint and Final Assembly Systems returned to normal, with Woodworking Machinery and Systems still reporting a below-average EBIT margin.

The ROCE [P. 221] shows whether we generate an appropriate interest yield on our capital employed, and this constitutes the basis for effective capital allocation. **Capital employed [P. 221]** takes account of all assets excluding cash and cash equivalents and financial assets, less non-interest-bearing liabilities. In 2015, ROCE reached 45.3 %, a further high value by international comparison, exceeding both the previous year's level and our target range of 30 to 40 %. The decisive factor here was the EBIT contribution made by Woodworking Machinery and Systems (HOMAG Group), amounting to € 36.6 million (2014: € -7.9 million). In 2013 we achieved an extremely high ROCE of 76.2 %; this level could not be matched on account of the below-average ROCE level of the HOMAG Group.

ROCE (in %) is calculated as follows:

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

The economic value added (EVA) reflects the value generated by an enterprise in a financial year. In the past three years we always succeeded in generating high growth in the triple-digit million range. The increase to € 146.2 million in 2015 came about because the contribution to earnings (NOPAT) soared, whereas the level of capital employed remained more or less constant. The higher weighted capital costs are mainly the result of a changed composition of the relevant peer group.

EVA is calculated as follows:

$$\text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{Capital Employed})$$

- NOPAT = Net Operating Profit After Taxes/EBIT after fictitious taxes
- WACC = Weighted Average Cost of Capital

### 2.39 – VALUE ADDED

		2015	2014	2013
Capital employed (Dec. 31)	€ million	590.6	571.5	266.4
ROCE	%	45.3	38.7	76.2
NOPAT	€ million	187.5	154.6	142.1
Weighted average cost of capital (WACC)	%	6.98	5.78	6.69
EVA	€ million	146.2	121.6	124.3

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### 2.40 – CAPITAL EMPLOYED BY DIVISION

€ million	2015	2014	2013
Paint and Final Assembly Systems	-104.4	-216.5	-162.1
Application Technology	188.3	170.8	138.8
Measuring and Process Systems	283.8	250.9	278.2
Clean Technology Systems	49.4	43.7	35.8
Woodworking Machinery and Systems	413.1	430.2	-

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### 2.41 – ROCE BY DIVISION

%	2015	2014	2013
Paint and Final Assembly Systems <sup>1</sup>	>100	>100	>100
Application Technology	32.3	32.3	42.9
Measuring and Process Systems	24.6	28.0	16.7
Clean Technology Systems	11.7	17.5	16.9
Woodworking Machinery and Systems	8.9	-1.8	-

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>1</sup> negative capital employed

In all five divisions, the return on capital employed exceeded capital costs. In the Paint and Final Assembly Systems division, the ROCE calculation does not produce a meaningful result as the capital employed was in negative territory. This is due to the high level of prepayments from customers and the structurally low requirements of plant, property and equipment. The ROCE of Application Technology reached 32.3 %, matching the previous year's level. In the Measuring and Process Systems division, ROCE declined slightly on more or less constant EBIT but reached a good level at 24.6 %. In Clean Technology Systems, the EBIT decline occurred in tandem with a lower ROCE value. The ROCE of Woodworking Machinery and Systems (8.9 %) still has scope for improvement, even though the division reflects the highest capital employed throughout the Group; this is due to its significant **manufacturing depth [P. 220]**.

## 2.42 – KEY BALANCE SHEET FIGURES

		2015	2014	2013
Net financial status (Dec. 31)	€ million	129.4	167.8	280.5
Net financial liabilities to EBITDA		–	–	–
Gearing (Dec. 31)	%	–22.1	–30.1	–121.5
Net working capital (NWC) (Dec. 31)	€ million	236.8	87.6	–33.1
Days working capital	Days	22.6	12.2	–4.9
Inventory turnover	Days	37.0	51.0	22.1
Days sales outstanding	Days	51.9	67.8	47.6
Equity assets ratio (Dec. 31)	%	60.4	64.6	86.5
Asset coverage (Dec. 31)	%	109.9	121.8	153.3
Asset intensity (Dec. 31)	%	39.6	37.8	29.7
Current assets to total assets (Dec. 31)	%	60.4	62.2	70.3
Degree of asset depreciation	%	32.1	30.7	43.9
Depreciation expense ratio	%	6.4	4.2	4.3
Cash ratio (Dec. 31)	%	26.4	32.6	42.4
Quick ratio (Dec. 31)	%	80.8	85.7	104.5
Equity ratio (Dec. 31)	%	23.9	24.4	25.7
Total assets (Dec. 31)	€ million	2,986.7	2,976.1	1,991.8

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### SOLID BALANCE SHEET

At € 2,986.7 million, total assets remained virtually unchanged in relation to December 31, 2014, even though exchange rate changes pushed up tangible fixed assets, inventories, and cash and cash equivalents. The corporate acquisitions and shareholding purchases in 2015 had no material impact on the balance sheet. An overview of these transactions is listed in the section “Acquisitions and divestments” in the chapter entitled **The Group at a glance [P. 51]**.

The balance sheet structure as at December 31, 2015, in comparison with the same date a year earlier was characterized in particular by three factors:

- 1. Increase of net working capital:** Trade receivables and inventories increased by a total of € 68.3 million as planned, whereas trade payables declined by € 82.2 million. Consequently, **net working capital [P. 221]** adjusted for exchange-rate fluctuations was up by € 137.8 million, to reach € 236.8 million. The number of days working capital, at 22.6 days, was within the target range of 20 to 25 days.
- 2. Decline in cash and cash equivalents:** Cash and cash equivalents declined by € 86.4 million, to € 435.6 million. The main reason for this was the repayment of the syndicated loan of HOMAG Group AG as part of the optimization of the financing structure.
- 3. Domination and profit and loss transfer agreement:** The domination and profit and loss transfer agreement with HOMAG Group AG entered into force on March 17, 2015. We subsequently eliminated from non-controlling interests the interests attributable to those shareholders of HOMAG Group AG (22.1 %) who are outside the Schuler/Klessmann shareholder group and therefore not parties to the pooling arrangements with Dürr. These interests are valued at € 91.5 million. At the same time, we recognized a sundry financial liability for the obligation to acquire these shares and to pay a corresponding settlement plus tax. The difference between the derecognized non-controlling interests and the new sundry financial liability resulted in a reduction of a further € 35.0 million in the retained earnings in the Group’s equity. The reason for the reclassification is that Dürr controls the HOMAG Group and the free shareholders of the HOMAG Group receive a guaranteed dividend of € 1.18 per share (gross), but are no longer entitled to a variable payout.

#### 2.43 – NON-CURRENT AND CURRENT ASSETS (DEC. 31)

€ million	2015	% of total assets	2014	2013
Intangible assets	648.9	21.7	617.9	322.0
Property, plant and equipment	394.7	13.2	362.1	173.8
Other non-current assets	138.4	4.6	144.2	95.1
<b>Non-current assets</b>	<b>1,182.0</b>	<b>39.6</b>	<b>1,124.2</b>	<b>590.9</b>
Inventories	386.7	12.9	364.8	148.0
Trade receivables	895.8	30.0	849.4	675.7
Cash and cash equivalents	435.6	14.6	522.0	458.5
Other current assets	86.4	2.9	115.7	118.7
<b>Current assets</b>	<b>1,804.6</b>	<b>60.4</b>	<b>1,851.9</b>	<b>1,400.9</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

#### 2.44 – EQUITY (DEC. 31)

€ million	2015	% of total assets	2014	2013
Subscribed capital	88.6	3.0	88.6	88.6
Other equity	608.5	20.4	526.7	415.9
<b>Equity attributable to shareholders</b>	<b>697.1</b>	<b>23.3</b>	<b>615.3</b>	<b>504.5</b>
Non-controlling interest	17.3	0.6	110.4	6.9
<b>Total equity</b>	<b>714.4</b>	<b>23.9</b>	<b>725.8</b>	<b>511.4</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

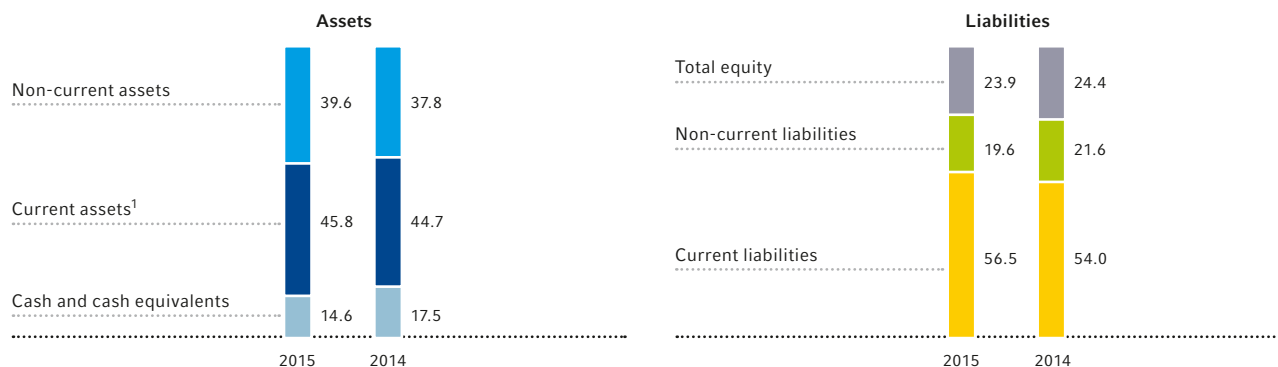
#### 2.45 – CURRENT AND NON-CURRENT LIABILITIES (DEC. 31)

€ million	2015	% of total assets	2014	2013
Financial liabilities (incl. bond)	350.9	11.7	426.5	271.1
Provisions (incl. pensions)	185.7	6.2	180.8	122.8
Trade payables	1,046.1	35.0	1,128.3	856.8
of which prepayments received	647.0	21.7	763.3	596.8
Income tax liabilities	41.7	1.4	29.5	30.7
Other liabilities (incl. deferred taxes, deferred income)	647.8	21.7	485.3	199.0
<b>Total</b>	<b>2,272.2</b>	<b>76.1</b>	<b>2,250.4</b>	<b>1,480.4</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

## 2.46 – ASSET AND CAPITAL STRUCTURE (DEC. 31)

%

<sup>1</sup> excluding cash and cash equivalents

As at the 2015 balance sheet date, equity attributable to shareholders of Dürr AG increased by 13.3 %, to € 697.1 million. The reasons for this were the retained Group net profit of € 104.5 million as well as exchange rate gains of € 21.9 million. The equity ratio (including non-controlling interest) declined slightly from 24.4 % to 23.9 %. The effects of the domination and profit and loss transfer agreement with HOMAG Group AG described above were responsible for this development.

The sum total of current and non-current liabilities rose slightly in comparison with December 31, 2014. A substantial increase was recorded in sundry financial liabilities as the guarantee dividend entitlement of the external shareholders of HOMAG Group AG are taken into account in this regard. Trade payables, at € 1,046.1 million, represented the biggest single item on the liabilities side. The customer prepayments included in this category declined since end-2014 by € 116.3 million, to € 647.0 million. Financial liabilities decreased considerably owing to the repayment of the syndicated loan of HOMAG Group AG. Provisions on balance remained more or less constant. Pension provisions declined by as much as € 4.0 million, to € 49.7 million. Financial liabilities are offset by total liquidity of € 469.2 million; in addition to cash and cash equivalents, this also includes time deposits and securities held to final maturity.

**HIDDEN RESERVES/FAIR VALUES**

As a rule, we report assets and liabilities at amortized cost of acquisition or manufacture; in the process, lower-of-cost-or-market tests are taken into account. Customer-specific construction contracts are reported in accordance with the percentage-of-completion (POC) method. Financial derivatives, financial assets available for sale, financial assets held for trading as well as obligations arising from options held by non-controlling shareholders, and liabilities from contingent purchase installments are measured at their fair value. Explanatory notes on determining the book value of financial instruments are provided in **item 35 [P. 176]** in the notes to the consolidated financial statements.

In property, plant and equipment, hidden reserves may develop, especially in the case of land and buildings. Schenck Technologie- und Industriepark GmbH (TIP) in Darmstadt is worthy of mention in this regard. According to our assessment, its fair value exceeds the book value by an amount in the double-digit million euro range. Uncapitalized R&D costs are taken into account under R&D expenditure. They also concern expenditure on patents, amounting to € 6.3 million (2014: € 6.0 million). We have around 5,400 patents, the value of which is difficult to quantify.

The fair value of all financial assets accounted for at amortized cost exceeds their book value by € 0.5 million; the difference exists in financial investments held to final maturity. There are no further hidden reserves worthy of mention on the assets side. On the equity and liabilities side, the reported book values of liabilities are lower than their fair values in the following cases: the bond, liabilities from finance leases, and various loans. As in the previous year, the difference is roughly 1 % of total assets (see item 35 [P. 176] in the notes to the consolidated financial statements).

### CAPITAL SPENDING AT A HIGH LEVEL

Investments (excluding acquisitions) increased by 86.3 % in fiscal 2015, reaching € 102.3 million. One reason for the sharp rise was the full-year consolidation of the HOMAG Group, with investments of € 29.7 million (2014: € 12.8 million). An additional factor was the construction of the new campus locations in Southfield (US) and Shanghai; expenditure on these in the year under review amounted to € 30.7 million. Investments in licenses, software and other intangible assets also increased substantially in the Group, from € 15.0 million to € 27.0 million. Higher expenditure on optimizing the IT structure was the main reason for this.

### 2.47 – INVESTMENTS<sup>1</sup> AND DEPRECIATION/AMORTIZATION<sup>2</sup>

€ million	2015	2014	2013
Investments in property, plant and equipment	75.2	39.9	42.9
Investments in intangible assets	27.0	15.0	8.3
Equity investments	42.0	242.1	34.8
Depreciation and amortization	-80.5	-42.0	-27.4

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

<sup>1</sup> According to IFRS rules, the capital expenditures in this overview deviate from the figures in the statements of cash flows.

<sup>2</sup> Including impairment losses and reversals. Amortization taken into account in net interest expense is not included.

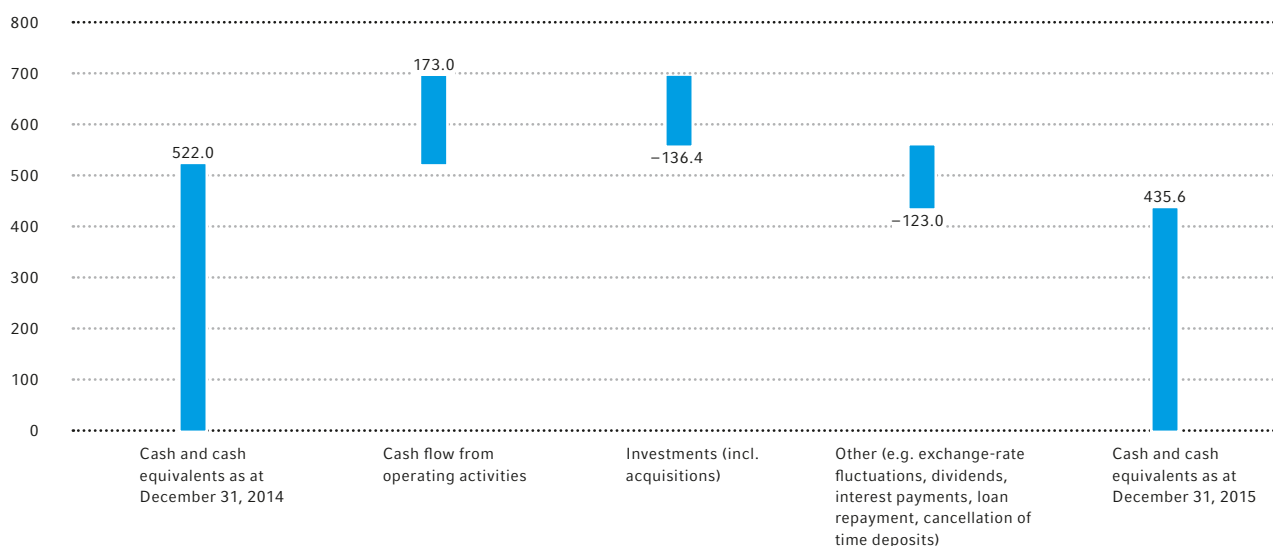
### 2.48 – INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT: REPLACEMENT AND EXTENSION INVESTMENTS

€ million	2015	2014	2013
Replacement investments	31.8	18.0	8.0
Extension investments	43.4	21.9	34.9
Investments in property, plant and equipment	75.2	39.9	42.9

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

### 2.49 – LIQUIDITY DEVELOPMENT

€ million





## 2.50 – MATURITY STRUCTURE OF FINANCIAL LIABILITIES

€ million



Due to the two location projects in the US and China, investments on expansion in 2015 reached € 43.4 million, exceeding replacement investments (€ 31.8 million) to a considerable degree. The increase in replacement investments is due to the full-year consolidation of the HOMAG Group.

Following the acquisition of the majority stake in the HOMAG Group in the previous year, equity investments returned to a normal level (€ 42.0 million). The single biggest acquisition by far was the takeover of iTAC Software AG in December 2015. Further particulars in this regard are listed in the chapter entitled **The Group at a glance [P. 21]**.

The cash flow from operating activities covered the investments (including acquisitions) comfortably. The repayment of the syndicated loan of HOMAG Group AG was funded from cash and cash equivalents.

We expect the cash flow and high volume of financial resources to cover the operating funding requirements once again without any difficulty in 2016. Where necessary, we have access to the cash credit line under the syndicated loan; in addition, we plan to issue a bonded loan amounting to € 250 to € 300 million in the first half of 2016.

Payment obligations from operating leases amount to € 28.7 million in 2016. Amounts falling due under finance leases reach € 2.9 million; in addition, obligations to purchase property, plant and equipment amount to € 6.5 million. Financial debt maturing in 2016 comes to as little as € 6.8 million.

## OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

At the end of 2015, the volume of off-balance sheet financial instruments and obligations totaled € 140.8 million (excluding obligations arising from procurement contracts), more or less at the level of the previous year (Dec. 31, 2014: € 150.7 million). Future minimum payments from operating leases came to € 122.1 million (Dec. 31, 2014: € 135.1 million). Operating leases are the key source of off-balance sheet funding at Dürr. In addition, we engaged in the sale of accounts receivable (forfeiting, factoring and negotiation) in 2015 with a volume of € 17.4 million (2014: € 25.0 million). Guarantee facilities utilized, amounting to € 317.2 million, mainly comprise credit guarantees and suretyship contracts and do not represent any off-balance sheet financing instruments.

Off-balance sheet financing instruments reduce the volume of total assets and improve certain key capital ratios. Their extent is reasonable at Dürr in relation to the business volume. If we did not use operating leases, our total assets would rise by about 5 % and our equity ratio would decline by roughly 1 percentage point. In addition, this would change our earnings structure as follows: EBIT would rise by approximately the same amount by which the interest result would decline. The impact on pre-tax earnings would therefore be quite manageable.

## RESEARCH AND DEVELOPMENT

### R&D GOALS

The declared aim of Dürr's R&D management is to develop solutions which enable our customers to lower their per-unit production costs, hence our corporate slogan "Leading in Production Efficiency". In addition, our drive for innovation as part of the "Dürr 2020" strategy is helping consolidate our leading market position.

### R&D KEY FIGURES AND EMPLOYEES

In fiscal 2015 direct expenditure on research and development rose by 75.3 % to € 97.1 million. The main reason for the large increase was the full-year consolidation of the HOMAG Group. On a like-for-like basis – without taking the HOMAG Group into account – R&D expenditure also increased by 4.6 %. The R&D ratio reached 2.6 %, compared with 2.2 % in 2014. Other development costs, which accrued in connection with individual orders, are contained in the sales costs. Capitalized development costs totaled € 11.5 million (2014: € 5.5 million). Measured against the direct R&D costs, the calculated capitalization rate comes to 11.8 %.

The number of employees working in R&D rose by 7.8 % in 2015 to 667 people. That represents 4.5 % of the Group's workforce. In addition, numerous other experts are working on new solutions in connection with customer orders.

Our innovation management is based on a comprehensive R&D process. The HOMAG Group is also largely incorporated in this. Representatives from the sales, **engineering [P. 220]** and procurement departments are also involved in all R&D projects, in addition to the R&D department. This ensures that customer needs, design requirements and the availability of the necessary suppliers and production capacity are given equal consideration. The "R&D/Technology" multi-disciplinary team coordinates innovation activities between the divisions and ensures systematic knowledge transfer. Around 70 % of the R&D budget goes into developing new products and processes. Some 30 % is spent on optimizing existing products and on standardization and modularization, which are especially important to Dürr.

### NEW DEVELOPMENTS AND PATENTS

2015 saw 57 product innovations progressed throughout the Group. As at December 31, 2015, our patent portfolio contained 1,075 patent families and 5,395 individual patents. The Application Technology division held the largest proportion, with 37 % of the patents. The costs for protecting our intellectual property came to € 6.3 million (2014: € 6.0 million).

### 2.51 – R&D KEY FIGURES

		2015	2014	2013
R&D ratio	%	2.6	2.2	1.8
Paint and Final Assembly Systems	%	0.8	1.0	0.9
Application Technology	%	3.6	3.9	3.6
Measuring and Process Systems	%	1.9	1.9	1.8
Clean Technology Systems	%	2.0	1.5	1.6
Woodworking Machinery and Systems	%	4.7	3.8	–
Capitalized development costs	€ million	–11.5	–5.5	–3.4
Amortization of capitalized development costs	€ million	–10.4	–4.3	–3.9
R&D employees (Dec. 31)		667	619	248
R&D personnel costs	€ million	–75.1	–35.2	–20.6

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014

## 2.52 – R&amp;D EMPLOYEES 2015

	Group	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Woodworking Machinery and Systems
Total	667	50	156	86	20	355
% of workforce	4.5	1.5	8.4	2.9	4.0	6.0

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014

### COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

Contacts with around 120 scientific institutions and external development partners give us access to the latest research results. In 2015 we spent € 24.8 million (2014: € 21.8 million) on externally sourced R&D services. We received state research grants and subsidies to the sum of € 0.7 million (2014: € 0.8 million); this represents 0.7 % of the total R&D costs.

### R&D FOCUS

Our R&D work is mostly product- and application-oriented. In our technology centers, in particular, we also conduct basic research. The focuses of our development work are currently as follows:

- **Industry 4.0/digitization:** The digital networking of machines and plant is one of the key trends in industry. We are working intensively on **manufacturing execution systems (MES) [P. 220]** and on smart products, which are self-regulating and self-optimizing. We are also developing software tools with which production plant can be simulated, optimized and virtually commissioned in advance.
- **Increased flexibility:** Our customers need flexible production lines in order to offer a wide diversity of models and variants.
- **Optimization of per-unit cost:** A key factor in increasing efficiency in production is reducing the operating costs. We are therefore developing new products and processes with a reduced demand for material, energy, maintenance and human resources.
- **Automation:** A high level of automation is crucial to reproducible top quality in long-run production. We are directing our efforts accordingly, for example with robot

applications for interior painting of vehicles, fully automated balancing systems and linked production systems for batch size 1 furniture production.

- **Human-robot collaboration [P. 220]:** Combining human skills and mechanical efficiency can accelerate and simplify work processes. The focus here is on using our know-how in fields such as robotics, sensor technology, control technology and occupational safety for new work processes.
- **Energy efficiency and conservation of resources:** As a result of cost and sustainability considerations, the requirements made of energy efficiency and conservation of resources are becoming tougher. We are therefore developing systems with low material and energy consumption.
- **Downsizing and lightweight design:** The automotive industry is cutting fuel consumption and CO<sub>2</sub> emissions by reducing vehicle weights and using **downsized** engines [P. 220]. We are developing **glueing technology** systems for the use of non-weldable **lightweight** materials [P. 220]. The building of complex downsized engines increases the demands on our **industrial cleaning** and **balancing technology** [P. 220].
- **Driver assistance systems:** More and more cars contain driver assistance systems. We are developing highly sensitive test equipment for testing and calibrating these systems.
- **Modularization:** Automakers purchase complete vehicle modules from suppliers in order to make their production operation leaner. We are supporting these suppliers with special production technology, for instance plastic painting systems.

## R&D RESULTS

### Paint and Final Assembly Systems

Drying the paint using hot air is a particularly energy-intensive stage in automotive painting. Optimizing the energy requirements of this process is therefore one of the focuses of the R&D work of Paint and Final Assembly Systems. The **EcoSmart vEC** intelligent air management system is an example of a current innovation. This forward-looking controller automatically adapts the energy input for heating the oven – depending on the number and position of the car bodies in the oven tunnel.

We have implemented a control system innovation for the body conveyor systems in a final assembly plant in Mexico. This involved replacing the former encapsulated control system with a modern, open-architecture **PLC** generation [P. 220]. The new solution offers two benefits: On the one hand, thanks to the open architecture, the customer can rectify faults and carry out maintenance himself. On the other hand, we have utilized the capabilities of the new **PLC** generation to the full and programmed the controllers in such a way that even complex conveyor system operations are possible. The project in Mexico is an important reference since many customers in North America work with the same controller type.

### Application Technology

Application Technology has presented one of the first concepts for **human-robot collaboration (HRC)** [P. 220]. When glueing in fuel tanks during final vehicle assembly, it increases quality, saves time and cuts per-unit costs. A skilled worker moves the tank to the workplace and cleans it. A robot then applies a uniform bead of adhesive to the edge of the tank, after which the human worker then fixes the tank in position in the body. The technology for this process also includes the material feed, the dispensing technology for a controlled adhesive flow, and the control unit. Although the robot does not work in a separate cell, direct contact with the human colleague is more or less ruled out. Should contact occur nevertheless, the robot, which is equipped with sensors, comes to a standstill within milliseconds.

Pumps for different paints and high-viscosity materials play a central role in Application Technology's product spectrum. In 2015 we brought three new pump series for different handling tasks to the marketability stage: The **EcoPump HP** for water- and solvent-based paints offers low investment costs thanks to a compressed-air motor and is simple to install and operate. Its sister product, the **EcoPump HPE**, uses an especially energy-efficient electric drive. We also designed the pneumatically powered **EcoPump VP** for high-viscosity materials, for example sealants and glues. All three pump types are of modular design and consequently very maintenance-friendly.

### Measuring and Process Systems

In its Cardano system, Measuring and Process Systems offers an innovation for balancing commercial vehicle cardan shafts. Cardano combines manual operation with fully automated processes. This makes the balancing of heavy cardan shafts, produced in small to moderate batch sizes, particularly effective. Other advantages include an intuitive operating concept with the **CAB 950** measuring and control unit, the easy accessibility of all components, and the space-saving, low-vibration design.

In the emerging markets, too, commercial vehicles are increasingly being equipped with safety systems such as **ABS** and **ESP**. These systems have to undergo performance testing after final assembly. We have introduced the x-road medium truck test stand for that purpose. This is suitable for rolling, brake and **ABS** tests on commercial vehicles with an axle load up to 4 tons. The test stand enables complex tests to be conducted with the aid of control unit communication. Nevertheless, we have managed to significantly reduce the complexity and cost compared with existing products. This system has successfully gone on sale, and we have already commissioned two test stands on customers' premises in India.

In the **filling technology** field [P. 220] we have expanded our Compact-series for commercial and agricultural vehicles. One new element is the **MultiCompact** version, which can fill the vehicle with up to seven media via a common controller. This reduces the investment costs and the space requirement on the assembly line. In addition, we now equip all Compact systems with the new **G<sup>3</sup>Blue** adapter generation, which is substantially lighter and faster than the previous models.

During engine and transmission system production, the components have to be cleaned between various processing stages. We have developed an energy-efficient solution for this in the **EcoCVac** dry cleaning system. Unlike conventional systems, **EcoCVac** does not work with compressed air, which is energy-intensive to generate, but with the new technology of short-cycle vacuum suction. This yields energy savings of more than 50 %. Another benefit of the new dry cleaning system is that the chips machined from the component are not merely distributed around the work chamber, so the risk of re-contamination is reduced.

### Clean Technology Systems

In the field of thermal exhaust-air purification we have driven the development of a new generation of gas burners. Our **TARCOM**-series gas burners heat exhaust air from production processes, thereby rendering pollutants harmless. We have optimized the geometry of the new **TARCOM VI** version such that significantly lower emissions occur in the combustion process. We are currently testing the **TARCOM VI** under real conditions in the Bietigheim-Bissingen Technology Center. On completion of these tests, it will become the new standard burner in our exhaust-air purification systems.

We are working intensively on combining micro gas turbine technology and exhaust-air purification technology. This integrated solution enables a dual benefit when incinerating **volatile organic compounds (VOCs)** [p. 220] The micro gas turbine allows the operator not only to achieve the temperature of around 1,100 °C needed for VOC incineration, but also to produce electricity at the same time and thus lower his operating costs. We are planning to launch the system commercially in 2017, though we have already achieved an important milestone: In 2015 we developed a special micro gas turbine combustion chamber which achieves very good cleaning efficiencies and emission figures.

### Woodworking Machinery and Systems

The HOMAG Group unveiled a world first in panel cutting at **LIGNA**, the leading international woodworking trade show, with the robot-based **HPS 320 flexTec** cutting cell. The fully automated system allows flexible batch size 1 production. At its heart is an industrial robot with a suction

arm which is responsible for all handling of the workpieces. The energy-efficient cutting cell requires little maintenance and achieves a high level of uptime. Thanks to its modular design, we are able to build bespoke cutting lines to the customer's specification.

We have launched the **powerProfiler** system for window production, enabling all the necessary components to be processed on a single machine. The innovative gripping and clamping systems allow customers huge operational flexibility. Its dedicated tool store has a large capacity and is designed to accommodate large, heavy tools. The **powerProfiler** can also machine whole arch sections, round windows, doors and conservatory elements.

## EMPLOYEES

In 2015 the Group's workforce grew by 4.9 %, to 14,850 (Dec 31, 2014: 14,151). We gained 191 new employees following the acquisitions of iTAC, Mhitraa and Shenlian. Apart from our regular workforce, we also take on external staff so we can respond more flexibly to changes in workload.

At the end of 2015, 54 % of our employees were based in Germany, where we saw a 3.6 % workforce expansion. The highest increases in the number of employees were recorded in our two largest markets, China (+12.4 %) and North America (+10.8 %). We had 4,419 people working in the emerging markets (including China), which is 11.2 % more than at the end of 2014. The proportion of employees in the emerging markets accounted for 30 % of our total workforce, slightly higher once again than the previous year (28 %).

### TRAINING AND PERSONNEL DEVELOPMENT

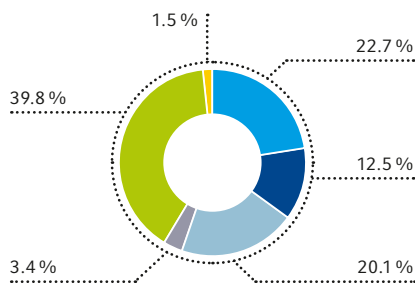
The nature of the work at Dürr is subject to constant change – for example as a result of new IT systems, technologies or market requirements. That is why we offer our employees a wide range of training opportunities. In 2015 we increased our training expenditure per employee in Germany from € 720 to € 780. The number of training attendances in Germany rose substantially, from 7,739 to 11,848 (+53 %). The main reason for this was the first-time inclusion of the HOMAG Group; adjusted for the HOMAG Group, the increase would be 14 %.

As part of the CustomerExcellence@Dürr optimization program, we train almost all Dürr and Schenck employees worldwide with a view to improving their interaction with customers. Therefore, "customer focus and service" was the key topic of the training events held in 2015. This was followed by training on IT applications and "technology and commercial know-how" in second and third place, respectively. Around a quarter of all training events at Dürr are offered by in-house experts. This ensures a highly practice-oriented approach and reduces costs.

The strong international cooperation within the Group is also reflected in the training sector. The number of employees attending international corporate training events rose significantly, from 307 to 528. Here, participants learn about Group-wide best practices in project management, sales, compliance and other areas.

Our management seminars, which are based on the Dürr Leadership Skills Model, were also very popular. 267 people participated in the "Leading at Dürr" and "Fit for Management" training programs. Another 354 managers attended refresher courses on specific management topics, as well as the Dürr Leadership College. The reorganization of the HOMAG Group was supported by various change seminars and qualification measures for managers. We are also looking into future management and leadership roles: with the help of our personnel development process, People Development, we have evaluated over 600 current and potential managers in the last two years.

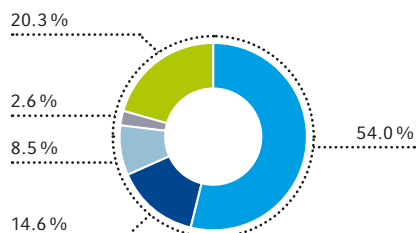
### 2.53 – EMPLOYEES BY DIVISION (DECEMBER 31)



	2015	2014	2013
Paint and Final Assembly Systems	3,374	3,069	3,075
Application Technology	1,858	1,784	1,546
Measuring and Process Systems	2,992	3,018	2,967
Clean Technology Systems	499	473	426
Woodworking Machinery and Systems	5,906	5,659	–
Corporate Center	221	148	128
<b>Total</b>	<b>14,850</b>	<b>14,151</b>	<b>8,142</b>

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## 2.54 – EMPLOYEES BY REGION (DECEMBER 31)



	2015	2014	2013
● Germany	8,026	7,749	3,749
● Other European countries	2,165	2,180	1,361
● North/Central America	1,256	1,134	726
● South America	382	419	335
● Asia, Africa, Australia	3,021	2,669	1,971
<b>Total</b>	<b>14,850</b>	<b>14,151</b>	<b>8,142</b>

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014

In 2015 the HOMAG Group was integrated into Dürr's personnel development structures. In some cases, Dürr experts moved to the HOMAG Group to share their expertise during the implementation of the focus optimization program. HOMAG Group employees can take advantage of Dürr's training programs. In addition, the HOMAG Group – just like other Group companies – organizes training on business-specific topics.

#### PERSONNEL AND UNIVERSITY MARKETING

In 2015 we filled most vacancies without any problems, thanks to our good economic position and our successful personnel marketing for both web and print. In addition, Dürr offers attractive compensation packages, international career prospects, and work/life balance options including flexible working hours, childcare as well as sport and health. Dürr's attractiveness as an employer is once again reflected in the good scores we have achieved in certain rankings (see **Sustainability** chapter [P. 77]). With Dürr's strong growth in mind, we have deliberately raised our profile as an employer in recent years. This enables us to make applicants more aware of the wide range of jobs available within the Group.

We make contact with young talented academics through our university marketing. In 2015 we visited 24 university and recruitment fairs, of which 19 took place in Germany. A number of student groups visited our sites. We funded ten bursaries as part of the All-German Grants Initiative; in addition, we supported several young people from ethnic minorities under the START Foundation. We had 108 interns and 91 student employees working for us across the Group. 81 students completed their theses at Dürr.

#### VOCATIONAL TRAINING

By training young professionals ourselves, we ensure that we meet our needs for qualified staff and encourage commitment to the company among future specialists at an early stage. In 2015 we prepared a total 481 apprentices as well as cooperative state university and "Studium Plus" students for professional life. Around two thirds were employed by the HOMAG Group. We offer classic vocational training covering 15 commercial and industrial/technical fields – from electronics and computer science to logistics, product design and various mechanical fields. The ten cooperative state university courses we support include, for example, electrical engineering and electronics, mechanical engineering, mechatronics and industrial engineering, IT and business studies as well as consulting and controlling.

We prepare high-achieving university graduates for specialist or management careers at Dürr through our Dürr Graduate Program. This trainee program covers, for example, project management, sales, business studies and engineering. Around 15 trainees start at Dürr every year; in 2015 the HOMAG Group participated in the program for the first time.

## PROCUREMENT

In 2015 our material costs increased by 61.9 %, to € 1,613.3 million. One reason for this was the full-year consolidation of the HOMAG Group. Another one was the fact that many large paint systems orders for Paint and Final Assembly Systems reached the assembly stage. This is a time when we need many components from suppliers, leading to higher material costs.

Finished and semi-finished products, together with manufacturing, assembly and engineering services, make up the major part of our procurements, while our demand for unprocessed raw materials is comparatively low. Our procurement prices remained largely constant in 2015; in some cases we achieved price reductions through volume discounts. In our negotiations with suppliers, we benefited from the fall in copper, steel, stainless steel and energy prices. However, many manufacturing and assembly suppliers tried to increase their prices in view of their healthy order books and rising personnel costs.

Worldwide framework agreements with preferred suppliers are an important tool to keep procurement costs down. Local procurement in the emerging markets and Eastern Europe yielded additional cost benefits. We achieved economies of scale by bundling our procurement needs internationally with the help of our pooling system. Here our lead buyers, who are responsible for certain commodity groups worldwide, ensure the necessary market transparency.

Our large volume of business, along with several major projects in Europe, China and Mexico, placed great demands on our procurement in 2015. Added to that were a large number of upgrades during shutdown periods in automotive plants. But thanks to our team of around 500 purchasing and supply-chain employees, we managed to cover our procurement needs very well. This was also facilitated by our internal production capacities, which we had expanded over previous years. These enabled us to supplement the production and assembly services we outsourced, which were sometimes in short supply. As in the previous year, the high procurement volume, particularly in plant engineering, required careful organization to

coordinate requirements, schedules and capacities. Decisions regarding the countries in which to manufacture and buy were based not only on logistics costs but also on current exchange rate effects.

In 2015 we took numerous steps to further improve our procurement processes and structures. These include the quality-oriented expansion of our supplier base in China and other emerging markets and – coupled with this – the expansion of our international quality and supplier management. Key areas of optimization for IT processes are the full WEB-EDI integration of suppliers, semi-automatic order confirmation as well as database maintenance and handling of export data and supplier declarations. Furthermore, procurement was integrated into various efficiency enhancement programs at division level.

Woodworking Machinery and Systems (HOMAG Group) has its own procurement activities, as do the other divisions. These activities are currently being reorganized as part of the focus optimization program, with the expansion of the procurement cooperation between the companies being a key focus. In addition, the HOMAG Group was integrated into Dürr's purchasing organization in 2015. It is now represented, for example, on the Dürr Global Sourcing Board, which manages our Group-wide purchasing activities. Thanks to its participation in framework agreements and in our lead-buying and pooling systems, the HOMAG Group can take advantage of economies of scale.



## SUSTAINABILITY

Our products help ensure more environment-friendly production all over the world and provide innovative solutions to the challenges posed by scarce resources and climate change. We support the global Dürr team and assist the employees in their personal development. We are firmly grounded in our social environment and help to enhance the quality of life in our surroundings. We are involved in projects in the social sphere and also in sport and culture. We measure sustainability using performance indicators such as employee satisfaction and consumption or emissions figures.

### COMPLIANCE

Dürr acts within the constraints of applicable legislation. At the same time, we recognize an obligation to ethical and moral standards. A worldwide compliance organization supports our employees in meeting these requirements. When the HOMAG Group was integrated in the Dürr Group, we merged the two existing compliance systems and put in place a uniform code of conduct and a Group-wide organizational instruction relating to the compliance management system.

- At the heart of our compliance organization is the Corporate Compliance Board. This comprises the Corporate Compliance Officer, the Head of Internal Auditing, the Corporate Risk Manager, the Finance Managers of the divisions and other managers. The Corporate Compliance Board is responsible for further developing the compliance management system. Suspected violations may be reported to the Corporate Compliance Officer, who will examine them and, in the event of appropriate grounds for suspicion, will inform the CEO and the Corporate Compliance Board. The Internal Auditing department assists him in his work.
- In 2015 we revised Dürr's code of conduct, published in 2011, and added sections on the prevention of money laundering and dealing with sales partners from the HOMAG code. The code underlines the inadmissibility of discrimination and the right of all employees to be

treated fairly. It also explains the correct procedures for dealing with confidential data, insider knowledge and conflicts of interest. The new Dürr code of conduct is available in ten languages.

- We are launching an online training program, based on the new code of conduct, for all Group employees in the next few months. The program covers the code and the compliance management system using specific examples. Training modules on special areas such as anti-corruption protection and fair competition are also available.
- Most Group companies have trained Compliance Managers who will answer employees' questions. In addition, the Corporate Compliance Officer at the Group's head office is the contact for the Compliance Managers and all employees – and may also be contacted anonymously.
- Information is available to all employees in the Compliance section of the Group-wide intranet, for example names of contacts, procedures and FAQs.

### PERSONNEL

As an **engineering** group [P. 220], we rely on the commitment, knowledge and professional attitude of our almost 15,000-strong workforce. For us, it is important to offer every single one of them attractive and fair working conditions and to operate a sustainable HR policy. We offer a broad range of development measures, create opportunities for intercultural exchange and motivate our employees with sport, health and cultural offerings.

We need highly qualified employees in order to safeguard long-term corporate success. That is why we are raising our recognition level among students and graduates – for example, via the Dürr Challenge, a student competition to produce film reports from metropolitan cities around the world.

## 2.55 – PERSONNEL KEY FIGURES (INCLUDING THE HOMAG GROUP SINCE 2015)

	2015	2014	2013
Number of employees (Dec. 31)	14,850	8,492	8,142
of whom apprentices and students at cooperative state universities (Dec. 31)	481	158	148
Proportion of female employees (Dec. 31) (%)	16	18	17
Part-time employees (Dec. 31)	464	213	198
Average length of service (years)	11	10	10
Absenteeism rate (%)	3.1	2.1	2.1
Employee turnover (%)	7.2	4.4	6.0
Number of accidents per 1,000 employees (Germany)	15.6 <sup>1</sup>	7.8 <sup>1</sup>	13.1

<sup>1</sup> Not including accidents on the way to work

Dürr is known for being an attractive employer, a reputation underlined by numerous awards:

- In the “Germany’s Best Employers 2015” ranking published by German magazine *FOCUS*, Dürr took sixth place in the mechanical and plant engineering category. The HOMAG Group, which came in at 9th, is also popular with applicants.
- The *karriere.de* platform awarded us the title of “Fair Company”. This title is given to companies which do not employ graduates as interns, but offer them appropriately salaried positions. Fair Company employers also undertake to involve interns in high-quality projects and to pay them appropriately.
- We are involved in the “Erfolgsfaktor Familie” [Success Factor Family] corporate network in Germany, whose members advocate a family-friendly personnel policy.

## ENVIRONMENT AND COMPANY SITES

2015’s environmental figures include the HOMAG Group for the first time. In addition, a number of adjustments have been made to improve the data quality for the global vehicle fleet emissions. Consequently, the figures have increased significantly over 2014. In some cases, the increase in the consumption and emissions figures is disproportionate to the HOMAG Group’s sales contribution. This is attributable in particular to the HOMAG Group’s larger **manufacturing depth [P. 220]**.

The manufacturing processes in our plants are characterized by the efficient use of energy, material and resources. We systematically look for ways to reduce consumption. When we develop new products, their energy efficiency is an important factor. In **balancing technology [P. 220]**, every new machine must meet the design specification of reducing noise emissions. After use, we send most of our paper, plastics, steel, wood and electrical equipment to recycling companies. At our largest Dürr site in Bietigheim-Bissingen, this practice enables us to save around 2,000 tons of resources and around 300 tons of CO<sub>2</sub> annually. We attempt to reduce the consumption of electricity, heating energy and water as much as possible in the operation of our sites. Replacing old fluorescent tubes with environment-friendly LED lights is one example. In new-build premises, too, we attach great importance to energy efficiency. The Dürr Campus in Bietigheim-Bissingen with its “Campus Energy 21” sustainable energy concept is the role model for the new sites in Southfield (US) and in Shanghai.

In the Mai Ndombe REDD rainforest protection project in the Democratic Republic of Congo we are protecting forest areas which neutralize climate-damaging greenhouse gases. In this way we are offsetting the CO<sub>2</sub> emissions generated by the consumption of natural gas by Schenck Technologie- und Industriepark (TIP) in Darmstadt (around 487 tons p.a.). A further 225 tons CO<sub>2</sub>, arising from TIP’s use of district heat, are offset by the “Permanent Forest Sink Initiative” reforestation project in New Zealand. We only use a small quantity of hazardous materials on our sites.

## CONSUMPTION-OPTIMIZED PRODUCTS

By optimizing products, we ensure that our customers' manufacturing operations are affordable and environment-friendly while delivering top quality. Intensive R&D work enables us again and again to create consumption-reducing innovations. Please refer to pp. 3 to 5 of the separate Sustainability Report 2014/2015 and the **Research & development** chapter [P. 70] in this report.

## PROCESSES

Internal audits and external certifications ensure that our business processes and management systems are complied with and further developed. We regularly have many of our sites certified in accordance with the ISO 14001 environmental management system and the ISO 9001 and VDA 6.4 quality management systems. A complete overview of these is available under Company/Sustainability at [www.durr.com](http://www.durr.com).

## SOCIAL COMMITMENT

We play an active role in society, whether that is in connection with humanitarian charity projects, education, culture, or grassroots, youth or disability sports. In 2015 we donated € 0.7 million. Our support was directed at, among

other things, the "Best of Music" festival in Bietigheim-Bissingen and Gustav Werner School for children with learning difficulties in Stuttgart. It is not always about a large monetary donation – we also feel we have a responsibility to provide practical partnerships directly where help is needed. For example, we support schools by providing job application coaching, technical presentations and company tours; we recently entered into an **Industry 4.0 [P. 220]** partnership in Bietigheim-Bissingen. Please refer to pp. 22 to 27 of the Sustainability Report 2014/2015 for details of our social commitment.

## TRANSPARENCY

Our separate Sustainability Report provides information every year on how we are putting sustainability into practice at Dürr. We collaborate with institutes, NGOs and rating agencies which publicly rate and rank companies' sustainability. The international Carbon Disclosure Project operates the world's largest database of corporate environmental data. As a participating corporation, we provide information there on consumption figures, emissions data and climate risks, as well as on savings targets and sustainable products.

### 2.56 ENVIRONMENTAL KEY FIGURES (ABSOLUTE)

	2015	2014 <sup>1</sup>	2013 <sup>1</sup>
Number of sites	92	53	50
of which quality management certified to ISO 9001	51	38	39
of which environmental management certified to ISO 14001 <sup>2</sup>	21	18	19
<b>Consumption</b>			
Electricity (MWh)	60,640	33,443	32,723
Gas/oil/district heat (MWh)	67,717	39,667	42,478
Water (m <sup>3</sup> )	191,918	130,685	124,555
Waste water output (m <sup>3</sup> )	175,489	122,022	119,663
Waste (t)	12,123	4,525	4,797
of which recycled (t)	9,737	3,191	3,232
<b>Emissions</b>			
CO <sub>2</sub> (t)	62,097	33,493	33,254
of which attributable to Dürr vehicle fleet (t)	9,481	3,965	3,555
SO <sub>2</sub> (t)	32	18	17
NO <sub>x</sub> (t)	48	27	27

<sup>1</sup> Not including the HOMAG Group

<sup>2</sup> Sites used by several Dürr companies sometimes have multiple environmental management certificates to ISO 14001.

### 2.57 – ENVIRONMENTAL KEY FIGURES (INDEXED)

	2015	2014 <sup>1</sup>	2013 <sup>1</sup>
<b>Consumption</b>			
Electricity	72.2	64.6	61.0
Gas/oil/district heat	54.4	51.7	53.4
Water	83.6	92.3	84.9
Waste water output	86.2	97.2	92.0
Waste	140.3	85.0	86.7
Waste recycled	147.7	78.5	76.7
<b>Emissions</b>			
CO <sub>2</sub>	69.1	60.5	58.0
CO <sub>2</sub> attributable to Dürr vehicle fleet	92.8	63.0	54.5
SO <sub>2</sub>	71.3	63.9	59.4
NO <sub>x</sub>	67.0	61.0	59.0

(2010 = 100; in relation to sales)  
<sup>1</sup> Not including the HOMAG Group

## EVENTS SUBSEQUENT TO THE REPORTING DATE

From the beginning of the current financial year to March 8, 2016, no events occurred that materially affected, or could materially affect, the net assets, financial position and results of operations of the Group.

# REPORT ON RISKS, OPPORTUNITIES AND EXPECTED FUTURE DEVELOPMENT

## Risks

Each entrepreneurial decision at Dürr is based on a careful and prudent assessment of the relevant opportunities and risks. Our strategy is to control and reduce risks with the aid of an effective risk management system to ensure that the opportunities clearly outweigh the risks involved.

### DÜRR'S RISK MANAGEMENT SYSTEM

#### Scope of application

We consistently deployed Dürr's risk management system throughout the Group in fiscal 2015. The HOMAG Group (consolidated since October 3, 2014) was included for the first time after having used a system of its own in the previous year. Our system was introduced in its present form in 2008 and has since been continually adjusted to meet new requirements. In 2015, its fundamental structure remained unchanged.

#### Objectives

Dürr's risk management system is especially tailored to the mechanical and plant engineering business. It is targeted first of all at recording, analyzing and – where possible – evaluating risks systematically in a uniform process. This enables us to adopt effective countermeasures at an early stage. We document all specific risks of our business to the extent that these are identifiable and specific to an adequate degree. General risks with a very remote probability of occurring, such as natural disasters, are deliberately not taken into account. We also systematically record and evaluate our opportunities. The **Opportunities report [P. 90]** contains information on this process and on our current opportunity profile.

#### Methods and processes

Our risk management system is embedded in all key operating business and decision-making processes. We encourage employees to address risks openly and at an early point in time.

Our risk management process systematically records the risks of all participating companies. The central risk management team at Dürr AG initiates the nine-stage process

every six months. The risk inventory conducted by the operating units constitutes a key element of this standard risk cycle. In the process, individual risks are identified, evaluated and consolidated, i.e. classified into 15 specific risk fields (chart 2.58). The risk fields cover all management, core and support processes as well as external risk areas.

The evaluation of individual risks is the task of the risk managers of the operating units and of Dürr AG; guidance is provided by the risk management manual as well as risk structure spreadsheets. The evaluation process consists of three steps: first of all, the potential damage or loss is calculated, i.e. the maximum effect a risk can have on Group EBIT within the next 24 months. Next, we assess the likelihood of specific risk scenarios turning into reality. In a third step, the effectiveness of possible countermeasures is examined and evaluated with a risk-reducing factor.

The bottom line is the net risk potential, i.e. the net EBIT risk that remains after taking account of the probability of occurrence and the effectiveness of the countermeasures. The lower the probability of occurrence and the higher the effectiveness of the countermeasures, the more the net EBIT risk is reduced.

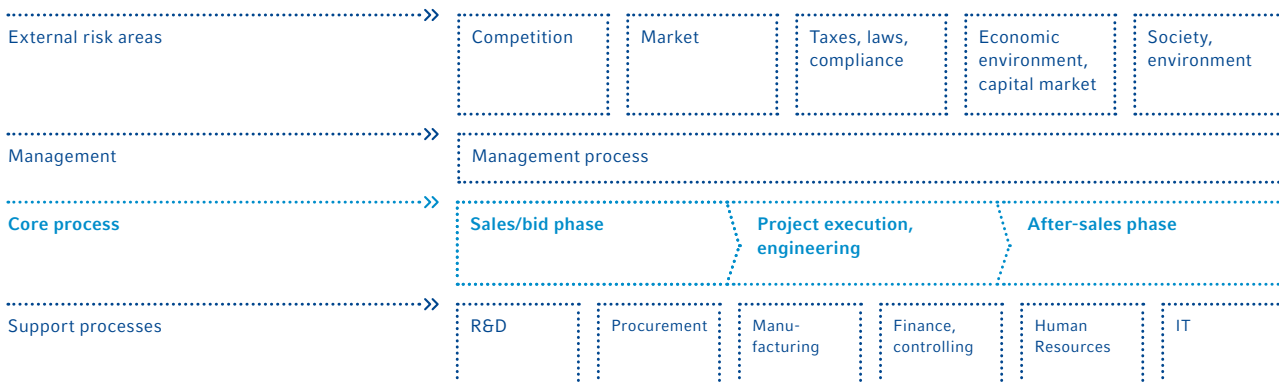
The net risks (net EBIT risks) of the 15 risk fields are calculated from the sum total of net EBIT risks of all allocated individual risks. Depending on the extent of the net risk, each risk field is assigned to one of the following categories:

- Very low ( $\leq$  € 5 million)
- Low ( $>$  € 5 million to  $\leq$  € 20 million)
- Medium ( $>$  € 20 million to  $\leq$  € 40 million)
- High ( $>$  € 40 million)

The net risks of the risk fields are totaled to produce the Group's entire potential risk exposure. Portfolio and correlation effects are not taken into account in this regard.

The Group companies and divisions prepare their respective risk reports after the risk inventory has been taken. On that basis, the risk management team at Dürr AG pre-

## 2.58 – DÜRR'S RISK FIELDS



compares the Group risk report, which provides information on all individual risks and the overall risk situation. Following an analysis and discussion by the Dürr Management Board and the Board of Management, the Group risk report is dealt with at length by the Audit Committee of the Supervisory Board. The Audit Committee chairman then presents a statement to the Supervisory Board.

The Management Board and the heads of the divisions affected are directly informed of any acute risks. The risk managers of the Group, divisions and Group companies are responsible for identifying, evaluating, controlling and monitoring risks as well as for reporting; in most cases, these are the heads of the Controlling departments. The Internal Auditing department is also closely involved in this process.

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

The internal control system (ICS) and the risk management system (RMS) for the accounting process are elements of Dürr's risk management system. It comprises all rules, measures and processes that guarantee the reliability of financial reporting to an adequate degree of certainty, and ensure that the financial statements of the Group and its companies are prepared in conformity with 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 of the ICS/RMS is the task of the Internal Auditing department of Dürr AG.

The internal control system described below is closely aligned with the Dürr Group's accounting system in terms of content, organization and processes. The key instruments, control and backup routines for the accounting process are as follows:

- Dürr AG's accounting guideline, which defines the accounting process of individual companies, as well as consolidation at Group level. It is updated on a regular basis by Group Accounting and covers all IFRS rules and regulations of relevance. In addition, there are separate internal accounting standards describing, for example, the processes on reconciliation of intercompany transactions for goods and services delivered.
- In a multi-stage validation process, we carry out samplings, plausibility checks and other control measures with regard to financial accounting. Five levels of the corporate structure participate in this: the operating companies, divisions, Group Controlling, Group Accounting, and the Internal Auditing department. The controls relate to 35 areas, such as reliability, security and appropriateness of the IT systems, completeness of provisions or evaluation of customer-specific construction contracts. The results of all material controls are systematically documented and recorded by the risk management team at Dürr AG. Next, they are sent to the Audit Committee of the Supervisory Board; following an in-depth inspection of the results documentation, its chairman then reports his findings to the Supervisory Board.

- All material Group companies document their own internal controls with which they ensure reliable and factually correct financial reporting. The documentations created as part of Dürr's ICS/RMS are filed in the GCP (Group Company Platform) database and forwarded to Group Accounting. The Internal Auditing department verifies the existence and effectiveness of the documented measures and instruments.
- Our **ERP system [p. 220]** and the consolidation system automatically verify booking processes and ensure that individual facts and circumstances are duly taken into account in the correct balance sheet line items. In addition, we carry out manual audits.
- Only selected employees are given access authorization to the consolidation system. And only a small group of employees from Group Accounting and Group Controlling has access to all data. All other users' access is confined to the data of relevance for their specific activities. Data entered at the level of the Group companies must be checked in a two-stage process – initially by the Controlling department of the division responsible and then by Group Accounting.
- Commercial processes based on booking entries in the consolidation system are subject to the "four-eyes principle". Invoices are subject to clearance being given by the department head, managerial staff or the Board of Management, depending on the invoice amount.

In order to prevent risks and ensure flawless financial statements, we deal intensively with central aspects and new developments in the field of financial accounting and reporting. Key topics include accounting for construction contracts using the percentage-of-completion (POC) method, the impairment test of goodwill as well as the reliability of qualitative statements in the management report and the corporate governance report.

Another permanent feature of ICS/RMS is that the employees of our finance departments receive regular training. Training sessions are given on how to apply and use accounting standards, accounting rules and software tools, for instance. In the case of corporate acquisitions, we adjust the accounting processes without delay and familiarize new employees with all the relevant processes, content and systems.

#### OVERALL RISK SITUATION

In accordance with the valuation standards described above, the Group's overall risk potential came to approx. € 175 million at the end of 2015. This includes the net risk potential of 252 individual risks evaluated. In light of the volume of business and the general economic situation, we consider the overall risk potential appropriate. We classify our overall risk situation as easily manageable at present. No risks are currently discernible that might endanger the Group's continued existence as a going concern, either separately or by interaction with other risks.

30 % of the overall risk potential was accounted for by the HOMAG Group, included in the risk evaluation for the first time. This corresponds roughly to the HOMAG Group's share of Group sales, equivalent to 28 %. In the previous year, the overall risk potential – excluding the HOMAG Group – had amounted to just over € 90 million. Accordingly, the overall risk potential on a comparable basis, i.e. excluding the HOMAG Group, was up by 33 % in 2015. One of the reasons for this was the increase in sales generated in prior activities. Another factor is that market risks within the scope of prior activities have increased. Among other factors, this is due to the additional risks in connection with the investment cuts announced by Volkswagen, although these have not had any major impact on our incoming orders so far. Additional factors are market weaknesses in Brazil, Russia, and parts of Asia. Currency risks – in particular translation risks – have also increased. Against this backdrop, finance/controlling was the Group's key risk field at the end of 2015 (including the HOMAG Group).

## 2.59 – RISK FIELDS AND NET RISK

RISK FIELD	NET RISK			
	Very low (≤ € 5 million)	Low (> € 5 to ≤ € 20 million)	Medium (> € 20 to ≤ € 40 million)	High (> € 40 million)
• Economic environment/capital market			●	
• Sales/bid phase		●		
• Project execution/engineering			●	
• Taxes, laws, compliance		●		
• Market			●	
• Research & development		●		
• Competition			●	
• Procurement		●		
• Human Resources	●			
• IT	●			
• Manufacturing	●			
• Society/environment	●			
• After-sales phase	●			
• Finance/controlling			●	
• Management process	●			

## RISK FIELDS AND SIGNIFICANT INDIVIDUAL RISKS

## Economic environment

The GDP growth of 6 to 7 % per annum targeted by the Chinese government ensures an adequate level of investment from our point of view. Should the Chinese economy enter a serious cool-down phase, however, this would have a substantial impact on sales and earnings. The European debt problem has not been overcome as yet, despite an agreement being reached with Greece. Cyclical risks also emanate from the conflicts in the Middle East and the increasing danger of terrorism. Moreover, the level of economic activity in Brazil, Russia and Southeast Asia remains persistently weak. However, the effects of the recession in Brazil on our earnings are limited as we have managed to compensate for the lack of large-scale orders to a high measure by cutting costs and leveraging our good position in the service and modernization business. While we do notice the sanctions-related impact of Russia's economic weakness, business with Russia only accounts for a 1.1 % share of sales and is therefore of lesser significance.

Scenario calculations show that Dürr is relatively robust vis-à-vis cyclical weaknesses in individual markets. After all, our global presence and balanced distribution of business enables us to bridge such cyclical weaknesses fairly well. Economic weaknesses have a relatively late effect on Dürr as our plant engineering business is characterized by long-term investment decisions by the automotive industry. Moreover, we have a high order backlog. This leaves us sufficient time to adopt appropriate countermeasures. In the early-cycle mechanical engineering business, economic slowdowns are usually noticeable earlier. The takeover of the HOMAG Group has raised the share of Group sales accounted for by mechanical engineering to approx. 60 %; accordingly, our business tends to respond slightly faster to cyclical fluctuations than in the past.



### Capital market

An economic crisis in China or a renewed escalation of the European debt problem might cause tremors on the capital markets and make new financing arrangements expensive. We assess the risk of a hostile takeover of Dürr AG as relatively low. The Dürr founding family holds 28.8 % of the company's shares and correspondingly has a strong voting position at the annual general meeting.

### Operating risks: sales/bid phase

In a phase of high competitive intensity, it cannot be ruled out that we may fail to achieve our margin targets. Moreover, there is a risk that we may incorrectly assess costs, particularly when it comes to calculating large-scale orders. To prevent this, we constantly obtain current market prices on the procurement side and always have our calculation assumptions reviewed internally. As a rule, we have a good sales position in the individual market regions. Woodworking Machinery and Systems has limited contact with end customers in China as sales are handled by a partner company in which the HOMAG Group has a minority equity interest. As part of the FOCUS optimization program, however, HOMAG's sales activities in China are to be reinforced by intensified cooperation with its sales partner.

### Operating risks: project execution/engineering

Additional costs may arise in order execution if we fail to meet deadlines or other commitments, e.g. on account of capacity bottlenecks. We classify this risk as manageable since capacities and the volume of business are in an appropriate ratio to one another. Thanks to standardized products, business processes and IT systems, we are also in a position to execute projects efficiently if these entail substantial capacity utilization. The technical complexity of projects or logistical problems can similarly give rise to risks. For prevention purposes, we rely on close supplier monitoring and regular project reviews. The project business of Woodworking Machinery and Systems, at times incurred additional costs owing to inadequate specifications and processes. The HOMAG Group counteracts this risk by optimizing its project business within the scope of the FOCUS program. In doing so, it benefits from Dürr's tried-and-tested project management processes.

### Taxes, laws, compliance

On account of our worldwide operations, we need to observe many different legal standards. We avoid violating laws by enlisting the services of experts in the relevant national legal systems. New trade barriers, laws or tax regulations might increase our costs and reduce our sales opportunities. At present, however, we are not aware of any projects of this kind that might lead to serious disadvantages for us.

Warranty claims, claims for damages in cases of production outages and patent disputes are the key legal risks to be taken into account at Dürr. If we fail to meet our contractual obligations in performing our services, we may be liable to conventional penalties. Before making any contractual representations and warranties, we consider any liability-related consequences we may face. We rule out any claims that we cannot fulfill as a matter of principle. No extraordinary legal disputes are pending at present. None of the pending cases exceeds a claim value in the single-digit million euro range. There is no record of any major compliance violations.

In 2015, the German tax authorities finalized the tax audits for the years 2005 to 2010 at all key German Dürr subsidiaries. We already took account of the findings of these audits by setting up provisions in earlier annual financial statements. The tax audits for the period from 2011 to 2013 have commenced at all major German subsidiaries and are expected to be completed by the end of 2016. No negative impact from current tax audits has been discernible to date. The external tax audits of various foreign companies do not indicate a possible need for any back tax payments.

The German Federal Fiscal Court submitted a petition to the Federal Constitutional Court to establish whether or not Section 8a of the Corporation Tax Act is constitutional. The subject matter of this Section is the interest deduction limit applicable in Germany. As the outcome of the proceedings cannot be assessed as yet, we have not made any accounting-related provisions in this regard.

## Market

We assess the risk of the automotive industry sustainably reducing its investments in China as moderate. It cannot be ruled out, however, that the order volume in China may see a slight, temporary decline in 2016. On the other hand, automobile sales in China have risen again following the weak summer months of 2015. Another factor worthy of mention is that a number of purely Chinese carmakers are very successful with favorably priced **SUVs [P. 220]**. These manufacturers are among our customers and are intensifying their investment projects. From 2016 to 2020, experts believe that the increase in automobile production in China will average 6.0 % per annum.

In business with the automotive industry, dependency risks may arise as the number of vehicle producers worldwide is limited. In 2015, 35.2 % of our sales were accounted for by the ten biggest customers, down from 50.5 % in the previous year, i.e. before the full-year inclusion of the HOMAG Group. We have a very broad customer base in business outside the automotive industry. Accordingly, the dependency risk is significantly lower.

In 2015, Volkswagen was our biggest single customer. The Group has announced plans to cut its investments from an average of around € 13 billion to approx. € 12 billion per annum. This corresponds to a decline close to 10 %. So far this has not had an impact on our volume of incoming orders, and we do not see any future indications for this either. Should Volkswagen reduce its order volume in future, however, this might lead to noticeable shortfalls in sales and earnings. We do not consider it likely that large-scale orders already placed will be cancelled.

In our markets, we are exposed to constant price pressure, which we counteract with innovations, process optimizations and cost controls. The risk of defaults in receivables is easily manageable in most cases. The total volume of receivables is moderate. A large share of our receivables is offset by prepayments from customers. High receivables exist in particular from carmakers with robust cash flows and credit ratings. We closely monitor receivables from customers without an investment grade rating. On the other hand, defaults in receivables from customers cannot be ruled out, and this might have a negative impact on us.

In the field of exhaust-air purification systems, we currently perceive some reluctance to invest in Europe, but we can offset this by growth particularly in China, South Korea and the United States.

At present we see no product innovations, process changes or business models among our customers that may endanger the future sustainability of our business in principle. Internal combustion engines, the production of which we support with balancing and cleaning technology, are likely to remain the predominant drive technology in the medium term. The automotive industry is investing heavily in the development of economical internal combustion engines. In the field of painting technology, there are no serious substitution risks as there are no alternatives to aluminum, steel and plastics in large-scale serial car body production from today's perspective. The plastic and composite materials increasingly used in **lightweight construction [P. 220]** also need to be painted by conventional means. Wood and chipboard continue to dominate in furniture production; for this reason the HOMAG Group is not exposed to any major substitution risks.

## Strategic risks in the emerging markets

We have increased the share of sales in the emerging markets from 27 % to just over 50 % in the last decade. The HOMAG Group is also making an effort to extend its market share in China and other emerging market countries. We are exposed to a number of specific risks in the emerging markets:

- Cultural and language barriers, insufficient knowledge of suppliers, customers and market customs, and specific legal and political parameters may give rise to disadvantages.
- The level of personnel turnover in countries like China and India is generally higher than in Germany. At Dürr, however, it is at a relatively low level. Attractive remuneration packages, our world market leadership and targeted career planning strategies help us retain top-performing employees.
- Product and brand piracy is more prolific in the emerging economies than in the established markets. We assess the associated risks as manageable. Core technologies are secured by patents. They call for enormous process know-how and specialist expertise; for this reason, they are virtually impossible to copy without sustaining quality losses.

- We counter the risk of cost disadvantages in relation to local low-cost competitors with a combination of technology leadership and localization. Through local value added, we adjust our costs to the level prevailing on the market. Continual innovation secures our technological lead. Local product development enables us to respond to local customers' requirements and to avoid market acceptance risks.
- Despite the high volume of business, the risk of capacity bottlenecks in China is low as we have gradually expanded our local capacities there. Including external workers, we have a workforce of around 2,800 employees in China.

#### Strategy risks: acquisitions/new business fields

Corporate acquisitions may cause sales, earnings and synergy effects to remain below expectations despite a comprehensive due diligence check. No such risks have materialized since the acquisition of the HOMAG Group. Instead, sales exceed the level targeted, and earnings are within the range expected. The company's integration has also proceeded according to schedule. Prior to the takeover of iTAC Software AG, we analyzed possible risks very closely, for instance in terms of purchase price, technology and know-how protection.

Risks may arise in developing and expanding new business fields. These include erroneous assumptions regarding the deployment of resources, customer requirements and price targets as well as trends relating to demand, markets and competition. These may increase the risk of impairment of investments and equity interests in companies. In order to prevent this, we use tried-and-tested processes and technologies in new business fields as well as our network of locations across the globe. In the field of energy-efficiency technology, business in 2015 fell below the original planning figures due to lower energy prices.

#### R&D and product liability risks

To protect ourselves against market acceptance risks regarding our innovations, we analyze the specific needs thoroughly, involve pilot customers in the innovation process and develop products with a high return on investment for the customers. This also reduces the risk of impairment charges on capitalized development costs. A further R&D risk is that we may not be able to adequately factor development costs into our product prices.

We follow the relevant patent situation closely to ensure that new products do not conflict with intellectual property rights of third parties. To prevent product liability cases, we take out appropriate insurance and ensure that our products are in conformity with occupational health and safety regulations.

#### Competition

Our customers closely follow the competition among their suppliers. In view of our extensive market share, some customers are intensifying their level of collaboration with smaller-sized competitors. This may make our price targets difficult to achieve. In the lower market segment, we perceive an increasing number of rival products due to their lower technical complexity. This applies in particular to the emerging markets. We counteract this trend through further localization and by taking over smaller-scale local providers like Shenlian (balancing technology) and Mhitraa (cleaning technology).

We are not aware of any business combinations or merger plans of any competitors that could substantially endanger our market position. There are no signs of any rival products with corresponding potential either. In addition, we are in a position to respond to innovations by our competitors with developments of our own.

The characteristics of competition vary significantly in individual markets. In the field of painting technology, we have encountered an above-average degree of competitive intensity in North America. In no key market are any domestic competitors systematically given preference over us.

#### Procurement and manufacturing

There is a risk, especially in the emerging markets, of suppliers not providing their deliverables in the agreed quality or time. We counteract this by selecting suppliers carefully and monitoring them regularly during order execution. Moreover, we have reduced our dependency on suppliers by expanding our own production. In order to protect our intellectual property rights, we do not outsource any sophisticated engineering work to contractors.

When supplier prices rise, we frequently cannot pass on the higher costs to our customers in full. On the other hand, the risk of price increases is low at present in view of low energy and commodity prices. The insolvency risk of suppliers is low in most countries. We protect ourselves

against availability and price risks in the field of procurement by entering into framework agreements with preferred suppliers and by pooling our procurement volumes. Apart from a few exceptions, the level of dependency on individual companies is low as we have a broad supplier base. Framework agreements governing higher volumes are only entered into with preferred suppliers that have a good credit standing.

### Human Resources

We hire external temporary workers to avoid risks of capacity bottlenecks. In view of the high level of qualification of our workforce, know-how losses may be sustained when employees leave our company. This is why we distribute special expertise across a number of knowledge holders by supporting the know-how transfer through documentations, training, mentoring programs and the Group-wide intranet.

There is a risk in the field of engineering and IT that we will not be able to hire an adequate number of well qualified employees. This is why we make an effort to encourage loyalty and tie experts to our company by means of long-term career planning. Moreover, our personnel and university marketing activities help us recruit junior talent. If possible, we give apprentices, trainees as well as students at cooperative state universities permanent jobs after qualifying.

### IT

In view of the increasing IT deployment, risks such as those relating to data loss, hacking and virus attacks have increased in recent years. We protect ourselves by means of a Group-wide IT security organization and a robust IT infrastructure always equipped with state-of-the-art firewalls and antivirus programs. We also use back-up servers, redundant data lines and uninterrupted power supply units to avoid any outages. We rate our risk of hacking and spying activities to which we are exposed as normal for the industry in which we operate.

### Environment; occupational health and safety

For protection against accidents at work, we have developed comprehensive safety standards that are summarized in our health & safety guideline. We train our employees

regularly and cooperate closely with our customers to ensure a high level of occupational health and safety on our construction sites. Numerous production facilities have been newly built or modernized in recent years; in the process, we have also invested in machinery that meets high safety standards. Any materials or substances posing health or environmental hazards are only used on a restricted scale, such as when carrying out tests in cleaning and painting technology. In addition to the statutory rules and regulations in all fields of emissions and occupational health and safety, we also observe internal guidelines and parameters of the relevant certification systems.

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

Currency, interest rate, and liquidity risks are explained in detail in the notes to the consolidated financial statements. Please read **item 41 [P. 194]**. The HOMAG Group AG was integrated into our currency, interest, liquidity and investment management as well as our cash pooling system in 2015. The management of currency, interest rate and liquidity risks is governed by a special guideline in the Dürr Group. The top corporate body is the Financial Risk Committee consisting of the Chief Financial Officer, the heads of Group Controlling and Group Treasury as well as the financial officers of the divisions. This body discusses strategic financial policy issues and prepares the relevant resolutions for the Board of Management.

### Hedging currency risks

Within the scope of our risk management, we use financial derivatives for hedging purposes. In most cases these are forward exchange transactions used as currency hedges. The nominal value of forward exchange contracts came to € 736.0 million at the end of 2015 (Dec. 31, 2014: € 522.0 million). In particular, all payment flows were hedged in the key currencies listed under **item 5 [P. 119]** of the notes to the consolidated financial statements. No financial derivatives were used for interest hedging purposes in fiscal 2015.

As a rule, we hedge foreign currency risks in projects immediately after receipt of a given order. In principle, we agree a separate (micro) hedge for each individual project.

In the standard machinery and spare parts business, we also use macro hedges for any number of orders bundled in view of the low order values.

All financial derivatives and their underlying transactions are checked and valued on a regular basis. Financial derivatives are exclusively deployed as a commercial hedge of the operating business and for hedging loans.

The translation risks involved in converting foreign currency items to euros increased in 2015 – also adjusted for the HOMAG Group. This was the result of our earnings increase as well as higher exchange rate volatilities. Export-related transaction risks are of lesser significance at Dürr as we produce numerous products on site or purchase them in local currency. However, they have increased since our takeover of the majority stake in the HOMAG Group as the latter exports more products on account of its high production share in Germany.

#### Hedging interest rate risks

We follow a conservative interest and financing strategy based on parameters such as long-term interest and financing certainty, a policy of matching maturities and prohibition of speculation. Our financial liability mainly comprises the fixed-income bond issued in April 2014 and the long-term campus financing project. On the whole, our Group financing reflects a limited risk of interest rate fluctuations.

Our interest rate risk management covers all interest-bearing and interest-sensitive balance sheet items. Regular interest analyses are made to identify risks at an early stage and simulate their impact. Group Treasury is mainly responsible for borrowing, investment and interest rate hedges; from a defined scale onward, exceptions are required to be submitted to the Chief Financial Officer for approval.

The risk of having to raise pension provisions owing to the low level of interest rates declined in fiscal 2015 as the discount rate in Germany increased from 2.0 % to 2.4 %.

#### Hedging liquidity risks

We use cash flow to cover our liquidity requirements wherever possible. In the event of temporary negative cash flows, we can resort to our holding of cash and cash equivalents and to the cash credit line of the syndicated loan as required. The latter was not necessary in 2015. Further particulars in this regard can be found in the **Financial development** chapter [P. 61]. Our cash pooling system enables us to make surplus liquidity of individual companies available to other Group subsidiaries unless this is prohibited by restrictions on capital transfers in individual states. In doing so, we avoid utilizing external loans and incurring interest expenditure.

#### Financing risks

From today's perspective there are no risks relating to borrowing. Our corporate bond issued in April 2014 has a term to maturity of seven years. In the first quarter of 2016, we extended the syndicated Dürr AG loan maturing in 2020 by a further year without incurring any additional costs.

The terms of our bond contain the usual restrictions and obligations. A violation could result in the bond plus accrued interest being called due for immediate payment. The contract concerning our syndicated loan provides for compliance with a certain key financial ratio. Non-compliance with this financial covenant would entitle the syndicate of banks to terminate the agreement prematurely. In fiscal 2015, the financial covenant was complied with on each measurement date.

#### Hedging investment risks

We reduce investment risks by following a guideline for financial asset management. For instance, this guideline defines the permissible asset classes and credit rating requirements. We do not hold any sovereign bonds whose timely redemption is uncertain. For this reason, there is no increased risk of impairment charges on our financial assets or financial investments.

#### RATINGS

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

## Opportunities

### OPPORTUNITIES MANAGEMENT SYSTEM

The five divisions form the core of Dürr's opportunities management system. In their contacts with customers, suppliers and partners, they collect information on new trends and market requirements. This information is aggregated to identify opportunity clusters, and duly evaluated. Clusters of opportunities offering sustained economic potential are analyzed in strategy workshops with the Board of Management and the division heads. The divisions integrate the approved opportunity clusters in their strategic action plans as part of the strategy and planning process. In addition, they define budget targets, measures and schedules.

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

A further element of opportunities management entails forging partnerships with universities and research institutes. In this way, we can assess scientific progress in terms of its suitability for our business. Legislative developments, e.g. governing emissions and free trade, may also give rise to new opportunities. Our opportunities management system takes account of global and regional business opportunities as well as the potential of specific products, customers and business models.

### POTENTIAL OFFERED BY OPPORTUNITIES

This section now proceeds to describe the material opportunities of the Group and the divisions. The business plan for 2016 and the strategic plan through 2019 estimate the sales and earnings potential which can realistically be expected to be generated by opportunities. If we make greater use of opportunities than assumed, sales may rise by up to 5 % and EBIT by up to 11 % over the plan or the outlook in 2016. It should be noted that the additional potential arising from sales and EBIT can only be utilized in a best-case situation.

### STRATEGIC OPPORTUNITIES

- **Growth in the emerging markets:** The automotive industry is a growth market, in which global production output is expected to rise by an average of 4 % between 2015 and 2020. This expansion is likely to be substantially greater in emerging markets such as China, Mexico and India. With our strong local presence, we stand to benefit from this.
- **Industry 4.0: Industry 4.0 [P. 220]** offers substantial opportunities for Dürr. With the acquisition of iTAC Software AG, we have widened our capabilities in this area significantly. iTAC is one of the leading vendors of **manufacturing execution systems (MES) [P. 220]**, a key component of Industry 4.0. iTAC's MES software incorporates state-of-the-art developments, permitting end-to-end digitization and networking of machinery, plants and factories. Our customers are increasingly attaching importance to both these aspects when purchasing production equipment.
- **HOMAG Group:** The acquisition of the HOMAG Group offers Dürr additional sales and earnings potential that we are harnessing through the FOCUS optimization program. Under FOCUS, the HOMAG Group's sales revenues are to increase to € 1.25 billion by 2020, with the EBIT margin to be widened to between 8 and 10 %. The program sets out steps for the optimization of processes, IT structures, the corporate organization and the product range. At the same time, it aims at boosting growth in China and the United States as well as in service and project business.
- **Service:** Our installed base grows with every system and machine we sell, thus enlarging the potential for service business. We have optimized our service structures and processes with the CustomerExcellence@Dürr program to tap this potential efficiently. On this basis, we want to widen the share of service business in consolidated sales from 23.5 % (2015) to as much as 30 %.
- **Growing modernization business:** Plant modernization business is growing. Encouraged by productivity gains which can be achieved swiftly together with short pay-back periods, our customers are increasingly willing to step up modernization spending. This also applies to China, where an increasing number of plants now require modernization.

- **Long-term funding:** Our funding is secured until 2021. In this way, we are able to concentrate on our operating business but still have financial scope for the Group's continued strategic development.
- **Internal efficiency gains:** We regularly review our internal processes, structures and systems. All divisions are currently running optimization programs to achieve additional efficiency gains.

#### OPPORTUNITIES IN THE DIVISIONS

**Paint and Final Assembly Systems** sees bottom-line potential through economies of scale and the ongoing efficiency enhancement program. In North America, service and modernization business is seen as offering considerable potential given the high age of many plants. Backed by its strong presence in Southeast Asia, Paint and Final Assembly Systems wants to expand its business with the Japanese automotive industry, which dominates this region.

**Application Technology** will be continuing its forays into general industry, where it plans to generate sales of around € 50 million by 2020. In automotive business, the division wants to expand its business with Japanese OEMs, additionally aided by our new test center in Tokyo. As a specialist in robot systems, Application Technology can benefit from two overarching trends in new and modernization business, namely the full automation of the painting process (including vehicle interiors) and increased production flexibility in terms of types and volumes. **Glueing technology [P. 220]** offers opportunities as the automotive industry is increasingly focusing on this technology to replace conventional welding processes.

**Measuring and Process Systems** sees opportunities in **balancing technology [P. 220]** for turbochargers, particularly in North America. The adoption of the R744 natural refrigerant should spur demand in the **filling technology [P. 220]** segment. Moreover, the division has a good position in the Asian growth market for filling technology, not least of all thanks to its local production facilities in China. Growing business with the commercial vehicle industry is offering opportunities in testing technology. Three opportunity clusters have been identified for industrial cleaning technology: a young modular range of products, additions to production in Asia and Eastern Europe for low-end business, and expansion in the new business segment of surface processing.

**Clean Technology Systems** expects a substantial rise in capital spending by customers in China, where emission reduction is increasingly coming to the fore. Thus, the government has recently adopted a national action plan for air pollution prevention and control. In China, the greatest potential has also been identified for the **VAM (Ventilation Air Methane)** segment, in which Clean Technology Systems offers systems for cleaning methane-containing exhaust air from mines and converting it into electricity. In 2015, the division successfully completed a large **VAM** reference project in the province of Shanxi. The division expects to derive efficiency gains from an ongoing optimization program.

**Woodworking Machinery and Systems** sees extensive potential for growth and optimization from the **FOCUS** program. The greatest opportunities for growth are to be found in China and the United States as well as in service and project business. The trend towards individualization in furniture purchasing should also offer further business potential for intelligent batch-size 1 equipment. Woodworking Machinery and Systems is well positioned in this segment as it masters the digital networking of complex production lines. Earnings potential will arise from the steps which have been taken to optimize the product range and processes as well as from the globalization of manufacturing input.

#### Expected future development

##### GLOBAL ECONOMY: GDP GROWTH OF 3.1 % EXPECTED

Despite the geopolitical and macroeconomic risks, experts predict that global GDP will grow by 3.1 % again in 2016, underpinned by low interest rates and muted oil and commodity prices, along with continued strong consumer confidence. In the United States, the appreciation in the value of the US dollar is exerting pressure on exports, meaning that economic growth is likely to soften. The Eurozone economy should continue recovering at a moderate rate. GDP growth is likely to come to just under 2 % in Germany and a good 4 % in the emerging markets. China and India are both set to post growth rates of around 7 %. In Japan, GDP growth is expected to continue at a moderate rate of around 0.9 %. The growth forecasts for 2016 and 2017 are summarized in table 2.60.

**2.60 – GROWTH FORECAST FOR GROSS DOMESTIC PRODUCT**

% year-on-year change	2015	2016	2017
World	3.1	3.1	3.7
Eurozone	1.5	1.6	1.5
United States	2.4	1.2	2.2
China	6.9	6.7	6.7
India	7.3	7.5	7.8
Brazil	-3.7	-2.4	1.0
Japan	0.7	0.9	0.7

Source: Deutsche Bank 02/2016

Many central banks are likely to retain their expansionary monetary policy as they still see the need for economic stimulus. In any case, inflation is very mild in view of low energy and commodity prices. In the United States, however, the Federal Reserve will probably remain on its course of moderate interest rate increases.

#### **AUTOMOTIVE PRODUCTION: GROWTH OF 4.9 % EXPECTED**

PricewaterhouseCoopers (PwC) expects global automotive production to rise by 4.9 % in 2016, i.e. twice as quickly as in 2015 (+2.4 %). Low fuel prices and borrowing costs are likely to continue spurring demand for automobiles.

Global production output of passenger cars and light trucks should come to just under 93 million units in 2016. Of this, China looks set to contribute around 27 %, underpinned by growth of more than 8 %, which had contracted to 5.4 % in 2015. Automotive sales in China should continue to benefit from the tax allowances introduced in October 2015. Up until the end of 2016, value added tax at half the normal rate applies to cars with a capacity of up to 1.6 liters. In the United States, production volumes have more than doubled since the low hit in 2009, reaching a historically high level of 11.9 million units. Consequently, growth is likely to be somewhat slower than in previous years, dropping to 2.5 % in 2016. The production volume of 14.5 million units achieved in Western Europe should hold steady. We do not expect any impetus for growth in the Russian and Brazilian markets this year. On the other hand, India should continue to recover, with PwC projecting an increase of a good 13 % in production to 4.3 million units in

2016. Looking further down the road, PwC sees sustained good opportunities for growth in the automotive industry. A compound average growth rate of 4 % is projected for global production in the period from 2015 to 2020.

#### **MUTED OUTLOOK FOR MECHANICAL AND PLANT ENGINEERING SEEN BY INDUSTRY ASSOCIATION**

According to the German Mechanical and Plant Engineering Association (VDMA), production in the industry will remain stable in 2016 despite the depreciation of the euro. The German Council of Economic Experts expects capital investment to rise by 3.4 % in Germany in 2016, compared with 4.5 % in 2015. A study conducted by the Centre for Industrial Studies (CSIL) indicates that the global furniture industry will expand at roughly the same rate as the economy as a whole. In 2016, global demand should accelerate by 3.6 %, with furniture sales in China seen as expanding by 6 %.

#### **AUTOMOTIVE INDUSTRY STILL THE MOST IMPORTANT SELL-SIDE MARKET**

Project and capital spending volumes of relevance for us in the automotive industry contracted slightly in 2015, mainly as a result of muted market conditions in Russia and Brazil as well as the relatively moderate growth in automotive sales in China. Looking forward to 2016, we assume that project and investment spending volumes will remain unchanged at 2015 levels. The most important factors driving capital spending by automotive OEMs are capacity requirements and reductions in unit costs by means of more efficient and flexible production facilities.

We assume that, with a share of sales of around 60 %, the automotive industry will remain our most important customer group over the next few years. We remain optimistic about automotive OEMs' sales prospects. However, we are registering a shift in capital spending patterns in the industry, with new plant construction (greenfield projects) temporarily declining somewhat. The reason for this is that the numerous automotive factories built over the last few years, particularly in China, are not yet operating at full capacity. At the same time, we have noted an increase in replacement and modernization spending (brownfield projects) as the installed base is growing and increasingly aging. These contrary trends in greenfield and brownfield spending should more or less balance each other out.



**2.61 – LIGHT VEHICLE PRODUCTION IN MILLION UNITS**

year-on-year change

Region	2015	2016 <sup>1</sup>	2017 <sup>1</sup>	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	CAGR <sup>2</sup> 2015–2020
North America	17.5 (2.3%)	18.0 (2.9%)	18.2 (1.1%)	18.7 (2.7%)	19.6 (4.8%)	20.1 (2.6%)	2.8%
Mercosur	3.1 (-18.4%)	3.2 (3.2%)	3.6 (12.5%)	3.8 (5.6%)	3.9 (2.6%)	3.9 (0.0%)	4.7%
Western Europe	14.5 (9.8%)	14.5 (0.0%)	14.9 (2.8%)	15.6 (4.7%)	16.0 (2.6%)	15.9 (-0.6%)	1.9%
Eastern Europe	6.7 (-1.5%)	7.0 (4.5%)	7.2 (2.9%)	7.5 (4.2%)	7.7 (2.7%)	8.1 (5.2%)	3.9%
Asia	44.5 (2.3%)	47.7 (7.2%)	50.8 (6.5%)	53.3 (4.9%)	55.5 (4.1%)	56.9 (2.5%)	5.0%
thereof China	23.3 (5.4%)	25.3 (8.6%)	27.2 (7.5%)	29.0 (6.6%)	30.1 (3.8%)	31.2 (3.7%)	6.0%
Others	2.1 (10.5%)	2.3 (9.5%)	2.3 (0.0%)	2.5 (8.7%)	2.8 (12.0%)	2.9 (3.6%)	6.7%
<b>Total</b>	<b>88.4</b> <b>(2.4%)</b>	<b>92.7</b> <b>(4.9%)</b>	<b>97.0</b> <b>(4.6%)</b>	<b>101.4</b> <b>(4.5%)</b>	<b>105.5</b> <b>(4.0%)</b>	<b>107.8</b> <b>(2.2%)</b>	<b>4.0%</b>

<sup>1</sup> forecast<sup>2</sup> CAGR = compound annual growth rate

Source: PwC 01/2016, own estimates

**SALES TARGET FOR 2016: € 3.4 TO 3.6 BILLION**

With economic uncertainties growing over the last few months, it has become more difficult to forecast business performance. The following forecast for 2016 assumes that the global economy will continue to grow and that there will be no major macroeconomic slowdown.

Looking ahead over the next few years, we are seeking organic growth in sales of an annual average of around 3%. At this stage, we expect to be able to achieve sales of € 3.4 to 3.6 billion in 2016, equivalent to a small decline over the previous year's high figure. As already explained, sales were subject to an extraordinary effect in 2015: The revenue reported by Paint and Final Assembly Systems was up around € 200 million on the normal level as the division generated sales which had originally been budgeted for 2014 but did not arise until 2015 due to customer-induced project delays. Adjusted for this extraordinary effect, consolidated sales came to just under € 3.6 billion in 2015 and were thus on a par with the level expected for 2016.

Order intake should be in the region of € 3.3 to 3.6 billion in 2016. Accordingly, orders on hand are expected to be largely unchanged compared to the end of 2015 and come to between € 2.2 and 2.6 billion.

Total costs (cost of sales, overhead costs and other operating expense) should more or less move in sync to sales in 2016. Personnel expense and the costs of materials will remain the largest single items. We expect personnel expense to rise by around 5% in view of the larger average headcount and increased wages, particularly in the emerging markets. The cost of materials should decline as we will be further expanding internally-sourced production, and we also expect prices of commodities and related semi-finished goods to continue dropping.

## 2.62 – GROUP OUTLOOK

	2015	2016 target
• Order intake	€ 3,467.5 million	€ 3,300–3,600 million
• Orders on hand (Dec. 31)	€ 2,465.7 million	€ 2,200–2,600 million
• Sales revenues	€ 3,767.1 million	€ 3,400–3,600 million
• EBIT margin	7.1 %	7.0–7.5 %
• ROCE	45.3 %	30–40 %
• Net finance expense	€ –23.3 million	Improved
• Tax rate	31.9 %	Approx. 30 %
• Earnings after tax	€ 166.6 million	Slightly higher
• Operating cash flow	€ 173.0 million	Higher
• Free cash flow	€ 62.8 million	Higher
• Net financial status (Dec. 31)	€ 129.4 million	€ 130–230 million
• Liquidity (Dec. 31)	€ 435.6 million	€ 440–540 million <sup>1</sup>
• Capital expenditure <sup>2</sup>	€ 102.3 million	€ 90–100 million

<sup>1</sup> before the planned issue of a bonded loan of € 250 to 300 million

<sup>2</sup> on property, plant and equipment and on intangible assets (excluding acquisitions)

### SLIGHT INCREASE IN EARNINGS AFTER TAX EXPECTED

At this stage, EBIT in 2016 should more or less match the record achieved in 2015, resulting in an EBIT margin of 7.0 to 7.5 % again.

Net finance expense will drop in 2016. One reason for this is the decline in the expenses included in interest result arising from the domination and profit and loss transfer agreement with HOMAG Group AG. At the same time, the integration of the HOMAG Group within the Dürr funding system in May 2015 will result in savings of around € 2.3 million. We plan to issue a bonded loan for an expected € 250 to 300 million in the first half of 2016. More information can be found in the section entitled “Liquidity, equity and funding”. However, this will exert only moderate strain on interest result and not impede the improvement in financial result. Following the extraordinary effects of the previous year, the tax rate should return to a normal level of around 30 % in 2016. Accordingly, earnings after tax should rise slightly.

Our long-term dividend policy provides for a payout ratio of 30 to 40 % of consolidated net profit. The dividend proposed for 2015 corresponds to a payout ratio of 38 %. The ratio is to be held more or less steady in 2016, meaning that the dividend should rise slightly. The **ROCE [P. 221]** is to reach 30 to 40 % in 2016, although we expect a slight increase in net working capital and, hence, higher capital employed.

### DIVISIONS

Following the extraordinary effect arising in 2015, sales in the Paint and Final Assembly Systems division will normalize and should come to between € 1,100 and 1,200 million in 2016. The division forecasts an EBIT margin of 6.75 to 7.25 %. ROCE is likely to exceed 100 % again as capital employed will probably remain negative due to high advance payments and progress billings.

Sales in the Application Technology division should come to between € 530 and 600 million in 2016. The division's EBIT margin is expected to remain more or less unchanged over the previous year.

## 2.63 – OUTLOOK BY DIVISION

	SALES REVENUES (€ MILLION)		ORDER INTAKE (€ MILLION)		EBIT MARGIN (%)		ROCE (%)	
	2015	2016 target	2015	2016 target	2015	2016 target	2015	2016 target
Paint and Final								
Assembly Systems	1,364.6	1,100–1,200	1,125.5	950–1,150	7.3	6.75–7.25	> 100 <sup>1</sup>	> 100 <sup>1</sup>
Application Technology	599.7	530–600	538.3	530–600	10.1	9.5–10.5	32.3	25–30
Measuring and								
Process Systems	603.7	550–600	578.2	525–575	11.6	10–11	24.6	20–25
Clean Technology								
Systems	159.2	180–200	166.3	180–200	3.6	3.5–4.5	11.7	15–20
Woodworking Machinery								
and Systems	1,039.3	1,000–1,100	1,058.4	1,000–1,100	3.5	5.0–6.0	8.9	10–15

<sup>1</sup>negative capital employed

The Measuring and Process Systems division is set to generate sales of € 550 to 600 million, accompanied by an EBIT margin of 10 to 11 %.

The Clean Technology Systems division expects sales and order intake to continue rising in 2016, reaching a figure of € 180 to 200 million in both cases, underpinned by business in China and North America in particular. A target corridor of 3.5 to 4.5 % has been defined for the EBIT margin.

In the Woodworking Machinery and Systems division, order intake and sales should grow slightly but remain within the corridor of € 1,000 to 1,100 million in 2016. The EBIT margin is to continue widening to between 5.0 and 6.0 %, materially aided by the FOCUS optimization program. It should keep on improving incrementally over the following years to reach a target of 8 to 10 % in 2020. The effects of purchase price allocation for the HOMAG Group, which are included in the EBIT reported by Woodworking Machinery and Systems, will drop by around half to € 9 million in 2016. The extraordinary expenses under the FOCUS program should also decline. The ROCE of 10 to 15 % is an interim goal and will also continue rising as EBIT improves.

Expenses at the level of the divisions should largely track those of the Group as a whole in 2016. However, there are differences in the cost structures of the individual divisions. For example, personnel expense comes to only around 15 % of sales in the Paint and Final Assembly Systems division but stands at around 30 % in the mechanical engineering divisions on account of the greater manufacturing input.

## CASH FLOW

We expect cash flow from operating activities to rise in 2016, although this effect is likely to be capped by a slight increase in net working capital. Operating cash flow adjusted for fluctuations in **net working capital [P. 221]** should come to between € 250 and 300 million again. **Free cash flow [P. 221]** should also be higher in 2016. Both cash flow and cash and cash equivalents should be sufficient to cover operating funding requirements (capital expenditure, interest payments etc.) as well as the dividend payout. Sufficient funds should also be available for a possible share buyback. However, no decision has been made on this yet. In any case, it would first be necessary to obtain the requisite authorization at the annual general meeting in 2016.

## CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment and on intangible assets will probably be lower in 2016 than in the previous year (€ 102.3 million). The largest single projects are the completion of the Southfield (US) facility and the campus project in Shanghai. Around 45 % of total capital expenditure is likely to be channeled into site-related projects, while replacement spending will account for roughly 55 %. Looking forward to 2017, we expect capital expenditure to return to normal levels of less than € 80 million per year.

Our strategy also provides for the acquisition of further companies and technologies to supplement our range. We will be making use of any suitable opportunities arising in 2016. It will be possible for these plans to be financed from our high cash position and cash flow.

### LIQUIDITY, EQUITY AND FUNDING

We currently project a net financial status of € 130 to 230 million for the end of 2016. This does not take account of possible acquisitions. Liquidity should rise to between € 440 and 540 million through the generation of cash in operating business. We plan to issue a bonded loan of an expected € 250 to 300 million in the first half of 2016. In doing so, we want to make use of the low interest rates and secure an additional liquidity reserve. Information on expected payouts under financial liabilities and derivative financial instruments can be found in **item 41 [P. 194]** of the notes to the consolidated financial statements.

Equity should rise substantially as a result of retained earnings in 2016. We also expect to make at most only temporary use of the cash credit line in our syndicated loan to eliminate any fluctuation in net working capital. At this stage, there are no plans to raise any additional equity. With the existing funding arrangements and the planned bonded loan, our financial situation will remain stable until 2021.

### EMPLOYEES

The Group headcount is likely to rise by 3 % in 2016, thus exceeding the 15,000 mark. The proportion of employees based in the emerging markets will in all likelihood widen to over 30 %. In the established markets, any additional recruiting would only be planned for Germany.

### RESEARCH AND DEVELOPMENT

Looking forward to 2016, we expect to additionally increase R&D expense and also make further R&D recruitments. One key focus of our innovation work will be on **Industry 4.0 [P. 220]**. Other main aspects will entail the automation and increased flexibility of production processes to achieve cuts in unit costs for our customers.

### 2017: CONSISTENTLY HIGH ORDERS

At this stage, we assume that orders in 2017 will remain at the high level of 2016 assuming that there is no deterioration in global economic conditions. Operating cash flow and **free cash flow [P. 221]** should be in substantially positive territory. We will be issuing more precise guidance for 2017 in due course.

### SUMMARIZED STATEMENT BY THE BOARD OF MANAGEMENT ON PROJECTED DEVELOPMENTS

The business forecast for 2016 and 2017 assumes that the global economy will continue to grow at a stable rate and that automotive production will rise by just under 5 % in each of the two years. Capital expenditure in the automotive industry should remain at a high level in 2016 and 2017. We expect a shift in demand in favor of modernization spending as many automotive plants are showing signs of age. Modernization allows efficiency to be boosted at reasonable expense and with short pay-back times. Greenfield spending on new factories is likely to decline somewhat and primarily concentrate on the emerging markets. In the long term, China will remain the most important market for the automotive as well as the furniture industry. Looking ahead over the next few years, both industries are likely to boost their production output in China by an average of around 6 %.

Group sales should come to between € 3.4 and 3.6 billion in 2016, thus holding more or less steady at the figure achieved in 2015 adjusted for extraordinary effects. At this stage, EBIT is expected to more or less match the previous year, resulting in an EBIT margin of 7.0 to 7.5 % again. We expect a slight increase in earnings after tax as the extraordinary expense as a consequence of the domination and profit and loss transfer agreement entered into with HOMAG Group AG will decline and the tax rate will drop slightly. Cash flow should rise in 2016. We expect a net financial status of € 130 to 230 million at the end of the year. The dividend proposed for 2015 (€ 1.85 per share) corresponds to a payout ratio of 38 % of consolidated net profit. We are planning a similar ratio in the following year, meaning that the dividend should climb at roughly the same rate as earnings after tax in 2016.

Given the economic uncertainties in many markets, we remain vigilant but reasonably optimistic about 2016 and 2017. After the extraordinarily strong years of 2012 to 2014, we are feeling the effects of mounting competition and the pressure on margins again in plant engineering business with the automotive industry in particular. However, we have prepared for this by implementing programs to boost efficiency and by expanding high-margin service business. Moreover, the HOMAG Group exhibits further potential for earnings growth and will gradually increase the contribution it makes to the bottom line.

All five divisions will be continuing their innovation strategy. We see the secular trend of Industry 4.0 as an opportunity: we possess broad-based skills in virtual processes, smart products and smart services. With the acquisition of software company iTAC, we have integrated one of the leading vendors of **manufacturing execution systems [P. 220]** within the Group. Dürr combines expertise in the growth sectors of automation and digitization. In this way, we are well positioned to shape technological developments in the mechanical and plant engineering sector as a leading player over the next few years.

## DÜRR AG (GERMAN COMMERCIAL CODE)

Dürr AG's annual financial statements are prepared in accordance with the provisions of the German Commercial Code, whereas the consolidated financial statements are prepared in accordance with IFRS. As the holding company, Dürr AG comprises the Group's central functions and does not engage in any operating business of its own. Its economic condition mainly hinges on the business performance of the Group's operating companies. Dürr AG holds shares in 123 companies directly or indirectly. The economic environment in which Dürr AG operates is essentially the same as the Group's as described in **Economy and industry environment [P. 44]**.

### RESULTS OF OPERATIONS

The income which accrued to Dürr AG under profit and loss transfer agreements increased more than three-fold over the previous year to € 151.2 million in 2015. This was due to the high earnings achieved by Dürr Systems GmbH resulting from its good operating performance as well as the strong dividend income from the Chinese subsidiary. On the other hand, the signing of a profit and loss transfer agreement with Carl Schenck AG also left traces as this company's earnings had been reported as dividends received in the same period under income from investments in the previous year. As no dividend income was recognized under this item in the year under review, the investment income of € 151.2 million reported by Dürr AG exactly matches the income under profit and loss transfer agreements.

Other operating income net of other operating expense rose from € 6.0 million to € 21.1 million. This was due to higher payments from subsidiaries under transfer pricing arrangements and the absence of the legal and consulting costs which had arisen in the previous year in connection with the acquisition of the HOMAG Group. In the previous year, other operating expenses had also included transaction expenses arising from the bond emission and the arrangement of the syndicated loan in 2014.

Personnel expenses rose by 20.1 % in 2015, particularly due to the fact that a number of functions in central human resources had been transferred to Dürr AG. Net finance expense was reduced by € 2.1 million in 2015 due to the more favorable funding structure. In the previous year, this item had included expenses in connection with two corporate bonds: the new bond issued in September 2014 and the existing one from 2010 which was repaid in September 2014.

The increase in taxes from € 6.1 million to € 26.9 million is also a consequence of the profit and loss transfer agreement entered into with Carl Schenck AG. Under the terms of the agreement, Schenk is now a member of the Dürr AG tax group; in previous years, the dividend distributed to Dürr AG had already been taxed by Schenck. The net income for the year of € 119.5 million is more than sufficient to cover the proposed dividend payout of € 64.0 million.

### 2.64 – DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT (GERMAN COMMERCIAL CODE)

€ million	2015	2014
Income/expense under profit and loss transfer agreements	151.2	47.5
Income from investments	–	42.7
<b>Investment income</b>	<b>151.2</b>	<b>90.2</b>
Other operating income and expenses	21.1	6.0
Personnel expenses	– 17.0	– 14.2
Depreciation and amortization	– 0.9	– 0.4
Net finance expense	– 8.0	– 10.1
<b>Profit from ordinary activities</b>	<b>146.4</b>	<b>71.6</b>
Taxes	– 26.9	– 6.1
<b>Net income</b>	<b>119.5</b>	<b>65.5</b>
Profit brought forward from the previous year	226.0	217.6
<b>Net retained profit</b>	<b>345.5</b>	<b>283.1</b>

**NET ASSETS AND FINANCIAL CONDITION**

Dürr AG's total assets rose by 4.9 % to € 1,184.3 million as of December 31, 2015. Within non-current assets, financial assets increased to € 782.5 million as Dürr AG had paid € 37.7 million into the capital reserve of related company Dürr Technologies GmbH. Dürr Technologies GmbH used these funds to acquire iTAC Software AG in December 2015.

With respect to current assets, receivables and other assets climbed from € 152.4 million to € 231.1 million. This item includes high receivables under profit and loss transfer agreements, particularly from Dürr Systems GmbH and

Carl Schenck AG. Cash and cash equivalents contracted by € 51.0 million over the reporting date in 2014 to € 154.7 million. For one thing, this was due to the payment injected into Dürr Technologies GmbH's capital reserve. For another, there was an increase in loans under the Dürr AG cash pooling system, which the HOMAG Group joined for the first time in 2015.

The net retained profit of € 345.5 million was primarily affected by the dividend payout for 2014 and the high net income. The increase in provisions to € 19.6 million mainly relates to higher tax accruals as a result of higher earnings.

**2.65 – DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – STATEMENT OF FINANCIAL POSITION (GERMAN COMMERCIAL CODE)**

€ million	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	10.4	11.1
Property, plant and equipment	0.3	0.1
Financial assets	782.5	748.3
	<b>793.2</b>	<b>759.5</b>
<b>Current assets</b>		
Receivables and other assets	231.1	152.4
Securities	0	5.0
Cash and cash equivalents	154.7	205.7
Prepaid expenses, sundry items	5.3	6.1
	<b>391.1</b>	<b>369.2</b>
<b>Total assets</b>	<b>1,184.3</b>	<b>1,128.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Subscribed capital	88.6	88.6
Capital reserve	156.2	156.2
Net retained profit	345.5	283.1
	<b>590.3</b>	<b>527.9</b>
<b>Liabilities</b>		
Provisions	19.6	14.9
Liabilities	574.3	585.9
	<b>593.9</b>	<b>600.8</b>
<b>Total equity and liabilities</b>	<b>1,184.3</b>	<b>1,128.7</b>

### RISKS AND OPPORTUNITIES

Dürr AG is exposed to the risks and opportunities of its subsidiaries. The extent of such exposure depends on the size of its share in the respective company. See also the **Report on risks, opportunities and expected future development [P. 81]** for further details. In addition, strain may arise from the contingent liabilities in existence between Dürr AG and its subsidiaries.

### FORECAST

Dürr AG's future economic performance is closely linked to the Group's operating performance. Details of the outlook and our plans for our operating business can be found in the report on risks, opportunities and expected future development.

Dürr AG's full individual financial statements can be found under "Financial Reports" in the investor relations section at [www.durr.com](http://www.durr.com).

Bietigheim-Bissingen, March 8, 2016

Dürr Aktiengesellschaft

The Board of Management



RALF W. DIETER



RALPH HEUWING







# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

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### 3.1 – CONSOLIDATED STATEMENT OF INCOME

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2015

€ k	NOTE	2015	2014
Sales revenues	(8)	3,767,094	2,574,907
Cost of sales	(9)	-2,939,111	-1,983,837
<b>Gross profit on sales</b>		<b>827,983</b>	<b>591,070</b>
Selling expenses	(10)	-282,739	-171,394
General administrative expenses	(11)	-186,544	-132,678
Research and development costs	(12)	-97,115	-55,397
Other operating income	(14)	76,728	37,239
Other operating expenses	(14)	-70,527	-47,927
<b>Earnings before investment income, interest and income taxes</b>		<b>267,786</b>	<b>220,913</b>
Profit from entities accounted for using the equity method	(16)	1,576	1,429
Other investment income		358	49
Interest and similar income	(17)	8,246	8,686
Interest and similar expenses	(17)	-33,454	-26,356
<b>Earnings before income taxes</b>		<b>244,512</b>	<b>204,721</b>
Income taxes	(18)	-77,950	-54,422
<b>Profit of the Dürr Group</b>		<b>166,562</b>	<b>150,299</b>
<b>Attributable to:</b>			
Non-controlling interests		5,002	453
<b>Shareholders of Dürr Aktiengesellschaft</b>		<b>161,560</b>	<b>149,846</b>
Earnings per share in € (basic and diluted)		4.67	4.33

### 3.2 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2015

€ k	NOTE	2015	2014
<b>Profit of the Dürr Group</b>		<b>166,562</b>	<b>150,299</b>
<b>Items of other comprehensive income that are not reclassified to profit or loss</b>			
Remeasurement of defined benefit plans and similar obligations	(26)	3,703	-15,153
Associated deferred taxes	(26)	-1,319	4,194
<b>Items of other comprehensive income that may be reclassified subsequently to profit or loss</b>			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(26)	-1,961	-7,883
Gains/losses from changes in the fair value of available-for-sale securities	(26)	-6	29
Reclassifications from currency translation reserve through profit or loss	(26)	-	-4
Currency translation reserve of foreign subsidiaries	(26)	18,866	30,840
Currency translation reserve of foreign entities accounted for using the equity method	(26)	1,992	136
Associated deferred taxes	(26)	407	2,332
<b>Other comprehensive income, net of tax</b>	(26)	<b>21,682</b>	<b>14,491</b>
<b>Total comprehensive income, net of tax</b>		<b>188,244</b>	<b>164,790</b>
<b>Attributable to:</b>			
Non-controlling interests		4,018	1,587
<b>Shareholders of Dürr Aktiengesellschaft</b>		<b>184,226</b>	<b>163,203</b>

### 3.3 – CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Dürr Aktiengesellschaft, Stuttgart, as of December 31, 2015

€ k	NOTE	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>			
Goodwill	(19, 43)	415,162	397,311
Other intangible assets	(19, 43)	233,744	220,545
Property, plant and equipment	(19, 43)	394,716	362,072
Investment property	(19, 43)	21,261	21,601
Investments in entities accounted for using the equity method	(20, 43)	28,222	24,587
Other financial assets	(20, 43)	41,407	41,854
Trade receivables	(22)	560	1,759
Income tax receivables	(18)	573	1,190
Sundry financial assets	(23)	7,910	6,684
Other assets	(24)	555	3,042
Deferred taxes	(18)	35,535	41,030
Prepaid expenses		2,391	2,501
<b>Non-current assets</b>		<b>1,182,036</b>	<b>1,124,176</b>
Inventories and prepayments	(21)	386,740	364,846
Trade receivables	(22)	895,752	849,443
Income tax receivables	(18)	20,981	11,343
Sundry financial assets	(23)	24,600	53,606
Other assets	(24)	29,144	36,819
Cash and cash equivalents		435,633	521,957
Prepaid expenses		5,461	5,356
Assets held for sale	(25)	6,315	8,578
<b>Current assets</b>		<b>1,804,626</b>	<b>1,851,948</b>
<b>Total assets Dürr Group</b>		<b>2,986,662</b>	<b>2,976,124</b>

€ k	NOTE	Dec. 31, 2015	Dec. 31, 2014
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital	(26)	88,579	88,579
Capital reserves	(26)	155,896	155,896
Revenue reserves	(26)	473,662	414,567
Other comprehensive income	(26)	-21,054	-43,699
<b>Total equity attributable to the shareholders of Dürr Aktiengesellschaft</b>		<b>697,083</b>	<b>615,343</b>
Non-controlling interests	(27)	17,335	110,425
<b>Total equity</b>		<b>714,418</b>	<b>725,768</b>
Provisions for post-employment benefit obligations	(28)	49,677	53,702
Other provisions	(29)	16,035	30,806
Trade payables	(30)	4,437	5,945
Bond	(31)	296,910	296,388
Other financial liabilities	(31)	47,210	113,039
Sundry financial liabilities	(32)	37,776	12,225
Income tax liabilities	(18, 33)	8,821	478
Other liabilities	(33)	5,988	4,222
Deferred taxes	(18)	118,133	125,896
Deferred income		44	374
<b>Non-current liabilities</b>		<b>585,031</b>	<b>643,075</b>
Other provisions	(29)	119,949	96,328
Trade payables	(30)	1,041,626	1,122,351
Financial liabilities	(31)	6,782	17,110
Sundry financial liabilities	(32)	266,491	157,068
Income tax liabilities	(18, 33)	32,907	28,996
Other liabilities	(33)	217,655	177,047
Deferred income		1,803	1,782
Liabilities held for sale	(25)	-	6,599
<b>Current liabilities</b>		<b>1,687,213</b>	<b>1,607,281</b>
<b>Total equity and liabilities Dürr Group</b>		<b>2,986,662</b>	<b>2,976,124</b>

### 3.4 – CONSOLIDATED STATEMENT OF CASH FLOWS

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2015

€ k	NOTE	2015	2014
	(36)		
Earnings before income taxes		244,512	204,721
Income taxes paid		-88,572	-51,554
Net interest		25,208	17,670
Profit from entities accounted for using the equity method		-1,576	-1,429
Amortization and depreciation of non-current assets		80,462	41,966
Net gain/loss on the disposal of non-current assets		326	341
Other non-cash income and expenses		-295	1,007
Changes in operating assets and liabilities			
Inventories		-8,018	-1,165
Trade receivables		-26,146	-6,003
Other receivables and assets		10,726	-4,034
Provisions		20,595	-4,552
Trade payables		-103,699	81,419
Other liabilities (other than bank)		20,797	7,568
Other assets and liabilities		-1,352	5,298
<b>Cash flow from operating activities</b>		<b>172,968</b>	<b>291,253</b>
Purchase of intangible assets		-27,021	-14,976
Purchase of property, plant and equipment		-72,748	-38,605
Purchase of other financial assets		-321	-4,317
Proceeds from the sale of non-current assets		4,217	8,317
Acquisitions, net of cash acquired		-31,509	-207,349
Investments in time deposits		26,098	26,593
Proceeds from the sale of assets and liabilities classified as held for sale		-155	-2,500
Interest received		7,009	8,518
<b>Cash flow from investing activities</b>		<b>-94,430</b>	<b>-224,319</b>



€ k	NOTE	2015	2014
	(36)		
Change in current bank liabilities and other financing activities		1,580	-5,511
Issue of non-current financial liabilities		-	27
Repayment of non-current financial liabilities		-75,494	-6,770
Redemption of the 2010 corporate bond		-	-225,000
Bond issue		-	296,021
Payments of finance lease liabilities		-3,580	-1,079
Cash received from transactions with non-controlling interests		-	500
Cash paid for transactions with non-controlling interests		-8,234	-1,405
Dividends paid to the shareholders of Dürr Aktiengesellschaft		-57,092	-50,172
Dividends paid to non-controlling interests		-2,169	-1,463
Interest paid		-17,361	-25,136
<b>Cash flow from financing activities</b>		<b>-162,350</b>	<b>-19,988</b>
Effects of exchange rate changes		-2,512	16,498
Change in cash and cash equivalents		-86,324	63,444
<b>Cash and cash equivalents</b>			
At the beginning of the period		521,957	458,513
At the end of the period		435,633	521,957

## 3.5 – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2015

				Items that are not reclassified to profit or loss
	Subscribed capital	Capital reserve	Revenue reserves	Remeasurement of defined benefit plans
€ k	(26)	(26)	(26)	(26)
<b>January 1, 2014</b>	<b>88,579</b>	<b>155,896</b>	<b>317,059</b>	<b>-26,939</b>
Profit for the year	-	-	149,846	-
Other comprehensive income	-	-	-	-10,839
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>149,846</b>	<b>-10,839</b>
Dividends	-	-	-50,172	-
Options of non-controlling interests	-	-	-2,287	-
Other changes	-	-	121	-
<b>December 31, 2014</b>	<b>88,579</b>	<b>155,896</b>	<b>414,567</b>	<b>-37,778</b>
Profit for the year	-	-	161,560	-
Other comprehensive income	-	-	-	2,345
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>161,560</b>	<b>2,345</b>
Dividends	-	-	-57,092	-
Options of non-controlling interests	-	-	-9,775	-
Other changes	-	-	-35,598	-
<b>December 31, 2015</b>	<b>88,579</b>	<b>155,896</b>	<b>473,662</b>	<b>-35,433</b>

## OTHER COMPREHENSIVE INCOME

## Items that may be reclassified subsequently to profit or loss

Unrealized gains/losses from cash flow hedges	Unrealized gains/losses from available-for-sale securities	Changes related to the consolidated group/reclassifications	Currency translation	Other comprehensive income	Total equity attributable to the shareholders of Dürr Aktiengesellschaft	Non-controlling interests	Total equity
(26)	(26)	(26)	(26)	(26)	(26)	(27)	
877	30	715	-31,718	-57,035	504,499	6,875	511,374
-	-	-	-	-	149,846	453	150,299
-5,553	22	-	29,727	13,357	13,357	1,134	14,491
-5,553	22	-	29,727	13,357	163,203	1,587	164,790
-	-	-	-	-	-50,172	-1,463	-51,635
-	-	-	-	-	-2,287	-902	-3,189
-	-	-21	-	-21	100	104,328	104,428
-4,676	52	694	-1,991	-43,699	615,343	110,425	725,768
-	-	-	-	-	161,560	5,002	166,562
-1,555	-5	-	21,881	22,666	22,666	-984	21,682
-1,555	-5	-	21,881	22,666	184,226	4,018	188,244
-	-	-	-	-	-57,092	-2,169	-59,261
-	-	-	-	-	-9,775	-1,858	-11,633
-	-	-21	-	-21	-35,619	-93,081	-128,700
-6,231	47	673	19,890	-21,054	697,083	17,335	714,418

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2015 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 approximately 60 % of sales revenues with the automotive industry, but also acts as supplier of production technology for other industries including mechanical engineering, energy, chemical and pharmaceutical, aviation and woodworking industries. Dürr serves the market with five global divisions: Paint and Final Assembly Systems offers assembly and paint finishing technology, mainly for the automotive industry, and production control software. Application Technology produces products and systems for automated painting applications as well as sealing and glueing technology. The machines and systems produced by Measuring and Process Systems are used in engine and drive construction as well as final assembly. Clean Technology Systems manufactures plant and equipment for purifying exhaust gases produced by industrial processes and develops technologies for improving the energy efficiency of production processes. Woodworking Machinery and Systems develops and manufactures machinery and systems related to woodworking.

#### 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 became mandatory for the first time in the 2015 reporting period.

#### Changes in accounting policies result from the adoption of the following new or revised standards and interpretations

- The amendments contained in the 2011–2013 cycle of the annual improvements project are effective for reporting periods beginning on or after January 1, 2015. They serve to clarify various IFRS regulations and do not have any material effects on the consolidated financial statements of the Company.

- IFRS 3 “Business Combinations”: The amendment establishes the existing exemption of joint ventures from the scope of IFRS 3.
- IFRS 13 “Fair Value Measurement”: The amendments clarify that the scope of paragraph 52 (portfolio exception) of IFRS 13 covers all agreements that are accounted for pursuant to International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, even if they do not satisfy the definition of a financial asset or a financial liability under IAS 32 “Financial Instruments: Presentation”.
- IAS 40 “Investment Property”: The amendment clarifies that the scopes of IAS 40 and IFRS 3 “Business Combinations” are independent of each other.
- International Financial Reporting Interpretations Committee (IFRIC) 21 “Levies”: The interpretation clarifies that a liability must be recognized for levies as soon as an activity established by law occurs which triggers a corresponding payment obligation. Furthermore, levies that are triggered when specific thresholds are reached are not accounted for until they are reached. The interpretation does not have any material effects on the consolidated financial statements.

### 3.6 – ACCOUNTING STANDARDS THAT HAVE BEEN PUBLISHED BUT NOT YET ADOPTED IN THE REPORTING YEAR

Standard/Interpretation	First-time application <sup>1</sup>	Adopted by the EU Commission	Expected impact on Dürr
<b>New standards</b>			
IFRS 9 “Financial Instruments”	January 1, 2018	No	Significant in principle
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018	No	Significant in principle
IFRS 16 “Leases”	January 1, 2019	No	Significant in principle
<b>Amended standards</b>			
IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”	January 1, 2016	No	None
IFRS 11 “Joint Arrangements”	January 1, 2016	Yes	None
IAS 1 “Presentation of Financial Statements”	January 1, 2016	Yes	Immaterial
IAS 7 “Statement of Cash Flows”	January 1, 2017	No	Significant in principle
IAS 12 “Income Taxes”	January 1, 2017	No	Immaterial
IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”	January 1, 2016	Yes	None
IAS 19 “Employee Benefits”	February 1, 2015	Yes	Immaterial
IAS 27 “Separate Financial Statements”	January 1, 2016	Yes	None
Annual Improvements to IFRSs (2010 - 2012 cycle)	February 1, 2015	Yes	Immaterial
Annual Improvements to IFRSs (2012 - 2014 cycle)	January 1, 2016	Yes	Immaterial

<sup>1</sup> The standards are effective for reporting periods beginning on or after the specified date

New or amended standards that are significant in principle for the consolidated financial statements of the Company are explained below.

- **IFRS 9 “Financial Instruments”:** IFRS 9 governs the classification and measurement of financial assets. The standard combines all previously published regulations with the new regulations on recognizing impairment as well as limited changes to the classification and measurement of financial assets. The amendments primarily include the classification criteria for financial assets. These relate to the characteristics of the business model as well as the contractual cash flows of financial assets. The specifications on recognizing impairment have been fundamentally redefined and are now based on a model of expected losses. The presentation of hedging relationships has also been redefined under IFRS 9 and is designed to reflect operational risk management more strongly. Dürr will carry out a detailed analysis in order to determine the extent of these effects.
- **IFRS 15 “Revenue from Contracts with Customers”:** The aim of the new standard concerning revenue recognition is the combination of the rules previously contained in various standards and interpretations. This primarily relates to the standards IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations relating to revenue. Common basic principles have been created in IFRS 15 that can be applied to all industries and almost all types of revenue transactions. The main exceptions are leases, financial instruments and insurance contracts. The question of what amount and at what time/over what period of time sales revenues are to be realized is clarified with a five-step model. The standard also contains a number of other rules on details and expands the required disclosures in the notes. The first-time application is to be performed retrospectively, although there are various simplification options available. Dürr also takes into account the clarifications published by the International Accounting Standards Board (IASB) in a draft in July 2015. Dürr is currently analyzing what effects IFRS 15 will have on the consolidated financial statements, although it has not yet concluded its review.
- **IFRS 16 “Leases”:** The new standard on lease accounting replaces the previous rulings of IAS 17 “Leases” and its interpretations. The main changes in the standard published on January 13, 2016, relate to lessee accounting treatment. In the future, the lessee will account for most of the leases and the associated rights and obligations. Exemptions are granted for low-value assets and short-term leases. In contrast, lessor accounting is subject only to minor changes compared to the classification and accounting of leases under IAS 17. Early adoption is only permitted if IFRS 15 is adopted simultaneously. Dürr will examine what effects the application of IFRS 16 will have on the consolidated financial statements.
- **Amendments to IAS 7 “Statement of cash flows”:** The amendments published on January 29, 2016, aim to clarify the rulings of IAS 7 and to improve the information available to users of financial statements with regard to financing activities. This objective will be achieved by having additional disclosures in the notes that make changes to liabilities from the company’s financing activities more transparent. Dürr is analyzing the possible effects on the consolidated financial statements, although it currently only expects there to be changes in presentation for some disclosures that will not have any financial impact.

The Group elected 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 euros; all amounts are presented 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 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 or 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. Within the statement of financial position, assets and liabilities with a remaining term of more than twelve months are disclosed as non-current. By contrast, liabilities with a remaining term of between one and five years are disclosed in the notes to the consolidated financial statements as medium-term and those with a remaining term of more than five years as long-term.

## 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, 2015, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, acquisition accounting is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against proportionate equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date taking into account hidden reserves and encumbrances. 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. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition. For information on exercising the option for individual business combinations, please refer to note 19 – Acquisitions. Changes in interests in subsidiaries which cause the Group's interest to increase or decrease without losing control are treated as transactions between equity providers that do not affect income.

Intragroup sales revenues, other income and expenses and all intragroup receivables, liabilities, 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.

Subsidiaries that, on account of their low level or lack of business activity, are immaterial for the Group and the presentation of a true and fair view of the net assets, financial position and results of operations are generally included in the consolidated financial statements at cost. They are listed under non-consolidated subsidiaries.

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

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

### 3. CONSOLIDATED GROUP

Besides Dürr AG, the consolidated financial statements as of December 31, 2015, contain all German and foreign entities which Dürr AG can control directly or indirectly. Under IFRS 10, control exists if an entity is exposed or has rights to positive or negative returns from its involvement with another entity. It must also have the ability to affect these variable returns through its power over the investee. Control can exist due to voting rights or prevailing circumstances as a result of contractual arrangements, among other things.

The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. For most of the group companies, control is based on holding the majority of voting rights. On account of the contractual arrangements, Dürr has the power to exercise control over two entities, although in each case Dürr only holds 50 % of the shares in the company.

Consolidation of an entity included in the consolidated financial statements ceases when Dürr loses control over the entity.



### Fully consolidated entities

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

#### 3.7 – NUMBER OF FULLY CONSOLIDATED ENTITIES

	Dec. 31, 2015	Dec. 31, 2014
Germany	29	30
Other countries	78	79
	<b>107</b>	<b>109</b>

The consolidated financial statements contain 13 entities (prior period: 51) which have non-controlling interests in them. The decrease in the number of companies with non-controlling interests is primarily attributable to the conclusion of the domination and profit and loss transfer agreement with HOMAG Group AG (please refer to note 7).

There are eight companies that are only included in the consolidated financial statements at cost on grounds of immateriality.

### Entities accounted for using the equity method

Entities over which Dürr exercises significant influence pursuant to IAS 28 (associates) and joint ventures as defined by IFRS 11 are accounted for using the equity method. Significant influence is assumed with a share of voting rights ranging from 20 % to 50 %. Associates are included in the consolidated financial statements using the equity method from the date on which the possibility of significant influence existed.

#### 3.8 – NUMBER OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

	Dec. 31, 2015	Dec. 31, 2014
Germany	2	2
Other countries	2	3
	<b>4</b>	<b>5</b>

### Other investments

For shares of voting rights below 20 %, interests in entities are as a rule recognized under other investments.

#### 3.9 – NUMBER OF OTHER INVESTMENTS

	Dec. 31, 2015	Dec. 31, 2014
Germany	2	2
Other countries	2	2
	<b>4</b>	<b>4</b>

#### 4. CHANGES IN THE CONSOLIDATED GROUP

##### 3.10 – ADDITIONS OF FULLY CONSOLIDATED ENTITIES

Entity	Interest	Effective as of	Interest acquired by	Note
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/PR China	100 %	August 5, 2015	Acquisition	Previously accounted for using the equity method
Schenck México S.A. de C.V., Ciudad de México/Mexico	100 %	November 11, 2015	Foundation	
Mhitraa Engineering Equipments Private Limited, Sriperumbudur/India	100 %	November 16, 2015	Acquisition	
iTAC Software AG, Montabaur/Germany	100 %	December 3, 2015	Acquisition	
iTAC Software Inc., Novi, Michigan/USA	100 %	December 3, 2015	Acquisition	

##### 3.11 – DECONSOLIDATIONS/MERGERS

Entity	Effective as of	Note
Homag US, Inc., Grand Rapids, Michigan/USA	January 1, 2015	Merged into Stiles Machinery Inc., Grand Rapids, Michigan/USA
Howard S. Twichell Company, Inc., Coppell, Texas/USA	January 1, 2015	Merged into Stiles Machinery Inc., Grand Rapids, Michigan/USA
Dürr Automation S.A.S., Loué/France	January 14, 2015	Disposal
Dürr Systems Karlstein GmbH, Karlstein am Main/Germany	July 29, 2015	Merged into Dürr Systems GmbH, Stuttgart/Germany, merger with retroactive effect as of January 1, 2015
Homag GUS GmbH, Schopfloch/Germany	August 3, 2015	Merged into Homag Holzbearbeitungssysteme GmbH, Schopfloch/ Germany, merger with retroactive effect as of January 1, 2015
Dürr Systems spol. s.r.o., Bratislava/Slovakia	October 6, 2015	Merged into Dürr Systems GmbH, Stuttgart/Germany, merger with retroactive effect as of January 1, 2015
Homag South America Ltda., Taboão da Serra/Brazil	October 31, 2015	Merged into Homag Indústria e Comércio de Máquinas para Madeira Ltda., Taboão da Serra/Brazil

##### 3.12 – DISPOSALS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

Entity	Effective as of	Note
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/PR China	August 5, 2015	Company fully consolidated as of August 5, 2015

## 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 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 9 and 14.

### 3.13 – SIGNIFICANT EXCHANGE RATES

in relation to one euro	CLOSING RATE		AVERAGE RATE	
	Dec. 31, 2015	Dec. 31, 2014	2015	2014
US dollar (USD)	1.0892	1.2155	1.1044	1.3217
Chinese renminbi (CNY)	7.0728	7.4373	6.8898	8.1544
Brazilian real (BRL)	4.3141	3.2301	3.7444	3.1027
Mexican peso (MXN)	18.9225	17.8638	17.6675	17.6429
Indian rupee (INR)	72.0666	76.6159	71.0018	80.7120
Pound sterling (GBP)	0.7351	0.7786	0.7240	0.8034
Korean won (KRW)	1,281.4865	1,324.8649	1,252.8974	1,391.4993
Danish krone (DKK)	7.4623	7.4452	7.4608	7.4546
Swiss franc (CHF)	1.0823	1.2024	1.0641	1.2128

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

## 6. RECOGNITION AND MEASUREMENT POLICIES

### Intangible assets

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

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they have an indefinite useful life. If this is not the case, the estimated useful life is changed from

indefinite to finite in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired. In addition to goodwill, the Dürr Group recognizes brand names as further intangible assets with indefinite useful lives. These brand names are tested annually for impairment alongside goodwill. Just like goodwill, the brand names are part of the net assets of a cash-generating unit.

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

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

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

#### 3.14 – USEFUL LIVES OF INTANGIBLE ASSETS (ESTIMATED)

years	
Capitalized development costs	2 to 8
Franchises, industrial rights and similar rights	2 to 20
Stiles brand name	5
Customer relationships	8 to 10
Technological know-how	10 to 15
Other brand names	indefinite
Goodwill	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.

#### 3.15 – USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED)

years	
IT hardware	2 to 5
Machines and equipment	2 to 20
Furniture and fixtures	2 to 25
Buildings, hereditary building rights and leasehold improvements	3 to 50
Land	indefinite

The cost of property, plant and equipment includes major expenditures 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 on-going repairs and maintenance are expensed immediately.

### Investment property

Properties are allocated to investment property if a change in use has occurred which is substantiated by their being occupied by another party after the end of owner-occupation or the inception of an operating lease with another party.

Investment property is 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 amortized cost.

Investment property is derecognized when it is sold or retired from active use and no future economic benefit is expected upon its disposal. Gains or losses arising from the retirement or disposal of investment property are recognized in the year of retirement or disposal.

### Impairment test

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 activities 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

Several entities in the Dürr Group lease land, buildings, plant and machinery, office and operating equipment and software. The majority of leases are classified as operating leases. Lease payments on operating leases are recorded as an expense in the statement of income over the term of the lease.

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 split into 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.

### 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 sundry 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.

To date, Dürr has not 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 when hedging the exposure to changes in the fair value of a recognized asset, liability, unrecognized firm commitment or an identifiable part of such assets, liabilities or firm commitment which 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 hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of income.

If an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in its fair value that is attributable to the hedged risk is recognized as an asset or liability in the profit or loss of the period. The changes in 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 41.



### 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 using the effective interest method.

### Inventories and prepayments

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

Costs of conversion comprise direct materials costs, direct labor costs as well as an appropriate portion of production-related overheads and depreciation. The overhead markups are determined on the basis of average capacity utilization. Borrowing costs are 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). 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 gross 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 gross margin is thus not recognized in profit or loss until the contract is completed.

Progress billings issued to customers and cash received from customers are deducted without effect on income from costs and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of costs 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 costs and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Costs and estimated earnings in excess of billings on uncompleted contracts include 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 costs 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.

#### **Sale of goods/other sales revenues**

In addition to contract revenues, Dürr generates sales revenues from the sale of goods and services with a comparably high degree of standardization. These other sales revenues are recognized in accordance with IAS 18 "Revenue" when it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably. This is usually the point in time when the goods or merchandise are delivered or services rendered, i.e., when the significant risks and rewards have been transferred, regardless of the date of payment.

#### **Trade receivables and other non-derivative financial assets**

Receivables and 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 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.

#### **Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups held for sale relate to assets that can be sold in their present condition and whose sale is highly probable. Their carrying amounts must mainly be recovered through a sale transaction rather than through continuing use.

The disposal group can also relate to liabilities that are directly connected to the assets. Non-current assets held for sale and disposal groups are recognized as a separate item in the statement of financial position under current assets. The sale must be expected to qualify within one year from the date of classification.

Pursuant to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, non-current assets held for sale are no longer amortized or depreciated. Instead they are stated at their fair value less costs to sell provided that this is lower than the carrying amount.

#### 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 and experience gains and losses from the remeasurement of pensions and similar obligations as well as unrealized gains and losses from the remeasurement of available-for-sale securities and derivative financial instruments measured 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. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond.

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 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 institutions either on a voluntary basis or based on statutory or contractual provisions. No further payment obligations arise for the entities following the payment of contributions.

The defined benefit plans guarantee the beneficiary a monthly old-age pension or non-recurring payment upon leaving the company. These benefit plans are funded by the entities as well as by the employees.

In accordance with IAS 19 “Employee Benefits”, provisions for post-employment benefit 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. Provisions for post-employment benefit obligations are calculated taking into account development assumptions (e.g., relating to salary trends or pension increases) for those factors which affect the benefit amount.

Defined benefit cost is divided into service cost and net interest, which are recognized in profit or loss, and remeasurements, which are recognized directly in equity after deducting deferred taxes. Pursuant to the criteria of IAS 19, provisions for post-employment benefit obligations covered by assets held by a long-term benefit fund or by qualifying insurance policies are offset against the related fund assets (plan assets) taking account of the asset ceiling. Assets of an external insurance company or a fund are recognized as plan assets under IAS 19 if these assets can be used exclusively to pay or fund employee benefits and are protected from potential creditors.

### Obligations from employee profit participation

In the 2015 reporting period, the employee profit participation in place at several HOMAG locations in Germany was terminated effective December 31, 2015. The obligations that are to be paid are therefore recognized as current within other liabilities. The non-recurring expenses incurred by the termination are included in the cost of sales and functional costs as part of personnel expenses as well as in net interest on a pro rata basis.

Since 1974, the HOMAG Group had granted its employees the option of acquiring a silent participation in the company. The participation was typically financed through loans granted by the company. Employees that acquired silent participations were entitled to participate in the profits of the company as recognized in the financial statements prepared according to commercial law. This profit participation was partly used to repay the loan, and the remaining amount was paid out to the participating employee. Loss allocations reduced future profit allocations. Employee benefits in connection with the silent participation program qualified as employee benefits within the meaning of IAS 19. If profit allocable to an employee was paid out directly, this was treated as a short-term employee benefit. If the profit allocable to the employee was used to repay the loan used to finance the silent participation, the company recognized another long-term employee benefit, which matured upon termination of the silent participation. This was generally the case when the employee left the company.

The present value of the obligations from employee profit participation was determined by taking account of demographic data based on actuarial principles. The non-current portion of the obligation was previously recognized within the personnel provisions.

### 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 obligations. If the amount of the provision can only be determined within a range, the most probable figure is used. If there is no difference in the level of probability, the weighted average is taken. Provisions with a remaining term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.

### 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 (please 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 taxable temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS accounting profit nor the taxable profit or loss. 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.

Deferred tax assets from temporary differences in excess of deferred tax liabilities are only recognized to the extent that they can be utilized against future taxable profits.

### Share-based payment

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 this obligation or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities assumed in a business combination are recognized at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

### 3.16 – OVERVIEW OF SELECTED MEASUREMENT METHODS

Item in the statement of financial position	Measurement 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 applying the effective interest method
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
Non-current assets and disposal groups held for sale	Lower of fair value less costs to sell or carrying amount
Provisions	
Provisions for post-employment benefit obligations	Settlement value applying the projected unit credit method
Sundry provisions	Settlement amount
Financial liabilities	(Amortized) cost/fair value
Trade payables	(Amortized) cost
Liabilities from share-based payments	Fair value
Other liabilities	Settlement amount

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 2015 and 2014 reporting periods.

### 3.17 – EARNINGS PER SHARE

		2015	2014
Profit attributable to the shareholders of Dürr AG	€ k	161,560	149,846
Number of shares issued (weighted average)	thousands	34,601	34,601
Earnings per share (basic and diluted)	€	4.67	4.33

### 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 lessors of real estate under operating leases retain all the significant risks and rewards of ownership associated with them.

### 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.

#### Costs and estimated earnings in excess of billings

Customer-specific 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. 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, 2015 was € 415,162 thousand (prior period: € 397,311 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, effects on earnings from the reversal of temporary differences, tax strategies and profit actually generated in the past. Dürr uses a planning horizon of four years. Management reviews the deferred tax assets for impairment at the end of each

reporting period. As these reviews are sometimes based on future assumptions, the actual values may diverge from estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Based on past experience and the expected future income, Dürr assumes that the corresponding benefits will be realized from the deferred tax assets. Deferred tax assets and liabilities are measured at the tax rates expected to apply when the asset is realized or the liability is settled. 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, 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. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Provisions for post-employment benefit obligations amounted to € 49,677 thousand as of December 31, 2015 (prior period: € 53,702 thousand). Please refer to note 28 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, 2015, was € 39,140 thousand (prior period: € 29,567 thousand).

#### Options in connection with non-controlling interests

In the course of the first-time full consolidation of CPM S.p.A. in the 2007 reporting period and Dürr Thermea GmbH in the 2012 reporting period, 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. In the case of CPM S.p.A, this requires an estimate to be made regarding the future earnings. The higher of the business value determined using a multiplier method and a proportionate fixed price is definitive for the option relating to Dürr Thermea GmbH.

#### Options in connection with the domination and profit and loss transfer agreement with HOMAG Group AG

For the entitlement of the outside shareholders of HOMAG Group AG, the arbitration proceedings may in principle lead to adjustments being made to the settlement and compensation payments at the Dürr Group. However, as of the end of the reporting period Dürr does not expect any such adjustments to be made. For additional information, please refer to note 7.

#### Share-based payment

The measurement of cash-settled share-based payment transactions is based on the anticipated share price at the end of the contractual term and earnings ratios over the duration of the program. Historical share prices are used to determine the fair value. The earnings ratios used are based on internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made.



#### Non-current assets and liabilities held for sale

Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets held for sale are stated at their fair value less costs to sell provided that this is lower than the carrying amount. The calculation of the fair value less costs to sell includes estimates and assumptions by management which are subject to a certain degree of uncertainty. The actual proceeds from the sale may deviate from the assumptions made.

Estimates and assumptions are also required for the recognition and measurement of bad debt allowances (cf. notes 22 and 41) 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.

#### 7. DOMINATION AND PROFIT AND LOSS TRANSFER AGREEMENT WITH HOMAG GROUP AG

As of December 31, 2015, Dürr AG held 55.85 % of the shares in HOMAG Group AG via its subsidiary Dürr Technologies GmbH. Dürr also came to an agreement on voting rights with the shareholder group Schuler/Klessmann, which holds 22.05 % of the shares in HOMAG Group AG.

On March 5, 2015, the extraordinary general meeting of HOMAG Group AG agreed to the domination and profit and loss transfer agreement with Dürr Technologies GmbH. With this agreement, Dürr Technologies GmbH has the possibility to issue instructions to the corporate bodies of HOMAG Group AG and to recognize the entire profit of HOMAG Group AG as well as the obligation to absorb any losses. In return, Dürr is required to make a compensation payment pursuant to Sec. 304 AktG ["Aktengesetz": German Stock Corporations Act] of € 1.18 (gross) per HOMAG share (after deducting corporation income tax and solidarity surcharge € 1.01 (net); before individual tax burden of the shareholder) for a full reporting period as well as a settlement payment pursuant to Sec. 305 AktG of € 31.56 per HOMAG share. For the 2015 reporting period and subsequent reporting periods, Dürr Technologies GmbH guarantees a dividend equivalent to the compensation payment.

The agreement was entered in the commercial register on March 17, 2015. Since then, all shares are allocated to the Dürr Group for the purposes of consolidation in accordance with the provisions of IFRSs. As a result, the non-controlling interests in HOMAG Group AG of € 91,523 thousand were derecognized from group equity as of this date. At the same time, a sundry financial liability was recognized for the obligation to acquire the shares as well as to pay the compensation entitlements and any taxes incurred in this context. The resulting difference between the derecognized non-controlling interests and the newly recognized sundry financial liability caused the retained earnings in group equity to decrease by € 28,961 thousand. HOMAG Group AG's earnings will thus now be allocated entirely to the Dürr shareholders, with none allocable to non-controlling interests.

Due to the conclusion of the domination and profit and loss transfer agreement with HOMAG Group AG, the sundry financial liability from options exercised towards the shareholder group Schuler/Klessmann is remeasured through profit or loss, as this shareholder group is now also entitled to compensation payments.

## NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the consolidated statement of income

The prior-period figures contain the figures of the HOMAG Group as of the date of first-time consolidation October 3, 2014. As a result, this gives rise to differences in the level and growth rates of revenues and costs between the 2015 and 2014 reporting periods, in some cases significantly so.

#### 8. SALES REVENUES

##### 3.18 – SALES REVENUES

€ k	2015	2014
Sales revenues from customer-specific construction contracts	2,386,210	1,833,413
Other sales revenues	1,380,884	741,494
<b>Total sales revenues</b>	<b>3,767,094</b>	<b>2,574,907</b>
thereof revenues from services	884,876	634,104

#### 9. 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 2015 reporting period, cost of sales amounted to € 2,939,111 thousand (prior period: € 1,983,837 thousand), which led to a gross margin of 22.0 % (prior period: 23.0 %). The exchange rate gains arising from sales of € 41,643 thousand (prior period: € 16,937 thousand) and exchange rate losses arising from sales of € 43,781 thousand (prior period: € 15,308 thousand) are included in cost of sales. Cost of sales also contains amortization and depreciation of non-current assets of € 56,154 thousand (prior period: € 30,216 thousand). Of the total amount reported as amortization and depreciation of non-current assets, an amount of € 10,427 thousand (prior period: € 4,723 thousand) is attributable to capitalized development costs. However, cost of sales does not include any finance costs recognized on account of IAS 23 "Borrowing Costs".

#### 10. SELLING EXPENSES

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

##### 3.19 – SELLING EXPENSES

€ k	2015	2014
Personnel expenses	179,719	118,188
Amortization and depreciation of non-current assets	5,075	2,818
Write-downs of receivables	954	908
Additions to and releases of bad debt allowances on trade receivables	2,700	3,556
Other selling expenses	94,291	45,924
	<b>282,739</b>	<b>171,394</b>

For information about bad debt allowances and impairments of receivables, please refer to note 22.

## 11. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise personnel expenses and non-personnel expenses of the central administrative functions, which are not attributable to contract processing, production, sales or research and development.

### 3.20 – GENERAL ADMINISTRATIVE EXPENSES

€ k	2015	2014
Personnel expenses	110,648	83,358
Amortization and depreciation of non-current assets	9,603	4,990
Other administrative expenses	66,293	44,330
	<b>186,544</b>	<b>132,678</b>

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs include all the costs of those activities undertaken to gain new scientific or technical knowledge, to develop new products or to improve products and manufacturing processes. They comprise both personnel expenses and non-personnel expenses. Research and development costs are reduced by those development expenses that qualify for recognition as assets.

### 3.21 – RESEARCH AND DEVELOPMENT COSTS

€ k	2015	2014
Personnel expenses	75,051	35,225
Amortization and depreciation of non-current assets	9,493	3,902
Capitalized development costs	-11,534	-5,522
Other research and development costs	24,105	21,792
	<b>97,115</b>	<b>55,397</b>

## 13. PERSONNEL EXPENSES

The expense items of the statement of income contain the following personnel expenses:

### 3.22 – PERSONNEL EXPENSES

€ k	2015	2014
Wages and salaries	820,634	534,437
Social security contributions	149,558	100,428
<b>Total personnel expenses</b>	<b>970,192</b>	<b>634,865</b>
of which post-employment benefits	51,467	37,380

## 14. OTHER OPERATING INCOME AND EXPENSES

### 3.23 – OTHER OPERATING INCOME AND EXPENSES

€ k	2015	2014
<b>Other operating income</b>		
Exchange rate gains	64,508	26,411
Reversal of provisions	1,742	647
Government grants	1,448	2,057
Adjustment of contingent purchase price installments	877	183
Gains on disposal of non-current assets	590	370
Rental and lease income	272	292
Income from litigation	119	1,833
Income from the remeasurement of non-current assets held for sale	–	3,045
Sundry	7,172	2,401
	<b>76,728</b>	<b>37,239</b>
<b>Other operating expenses</b>		
Exchange rate losses	58,857	27,503
Expenses for other local taxes	1,775	2,416
Losses on disposal of non-current assets	916	711
Expenses for a training facility	689	621
Expenses from the write-down of non-current assets held for sale	484	4,267
Incidental cost of monetary transactions	452	333
Expenses from transaction costs in connection with acquisitions	434	6,466
Cost of litigation	408	1,739
Sundry	6,512	3,871
	<b>70,527</b>	<b>47,927</b>

Apart from the result of litigation and the reversal of provisions recognized in prior periods, there are no other material income or expense items relating to other periods.

## 15. GOVERNMENT GRANTS

Government grants of € 1,448 thousand were received in the 2015 reporting period to subsidize expenditures of the Group (prior period: € 2,134 thousand). The grants include subsidies for cost-intensive innovations as well as subsidies for basic and advanced training.

In addition, government grants reduced the historical cost of assets by € 356 thousand (prior period: € 77 thousand). Conditions are attached to the government grants. At present it can be assumed that these conditions will be met.

## 16. EARNINGS FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

The profit from entities accounted for using the equity method amounted to € 1,576 thousand (prior period: € 1,429 thousand). It contains the share of earnings from the accounting using the equity method as well as impairment losses recognized on investments in entities accounted for using the equity method and on receivables due from these entities. Profits from the sale of goods by consolidated entities to entities accounted for using the equity method (intragroup profits), which are not realized by sale to third parties, are eliminated in the profit from entities accounted for using the equity method. Currency effects were recorded in other comprehensive income.

## 17. NET INTEREST

### 3.24 – NET INTEREST

€ k	2015	2014
Interest and similar income	8,246	8,686
Interest and similar expenses	-33,454	-26,356
of which from:		
Nominal interest expenses on corporate bonds	-8,625	-18,519
Interest expenses arising due to the conclusion of the domination and profit and loss transfer agreement with HOMAG Group AG	-11,659	-
Amortization of transaction costs, premium from a bond issue and from syndicated loans	-4,428	-650
Interest expenses from finance leases	-484	-348
Net interest expenses from the measurement of post-employment benefit obligations	-1,109	-1,515
Interest expenses from employee profit participation	-2,047	-810
Other interest expenses	-5,102	-4,514
<b>Net interest</b>	<b>-25,208</b>	<b>-17,670</b>

In the 2015 reporting period, interest expenses were not reduced by finance costs relating to customer-specific construction contracts in accordance with IAS 23 "Borrowing Costs" (prior period: € 0 thousand) as the contracts did not require any external financing.

## 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. The current taxes incurred by foreign subsidiaries are recognized at the tax rates and regulations of the respective national tax law.

In Germany, deferred taxes are calculated using a tax rate of 28.7 % (prior period: 28.7 %).

### 3.25 – COMPOSITION OF INCOME TAX EXPENSE

€ k	2015	2014
<b>Current income taxes</b>		
Income tax expense Germany	37,696	13,261
Income tax expense other countries	53,036	28,168
Adjustment for prior periods	-4,196	-1,588
<b>Total current taxes</b>	<b>86,536</b>	<b>39,841</b>
<b>Deferred taxes</b>		
Deferred tax expense/income (-) Germany	-8,716	21,920
Deferred tax expense/income (-) other countries	732	-11,590
Adjustment for prior periods	-602	4,251
<b>Total deferred taxes</b>	<b>-8,586</b>	<b>14,581</b>
<b>Total income tax expense of the Dürr Group</b>	<b>77,950</b>	<b>54,422</b>

The following table shows the reconciliation of the theoretical income tax expense to the total income tax expense reported. For the 2015 reporting year, German corporate income tax law provided for a statutory tax rate of 15 % (prior period: 15 %) plus the solidarity surcharge of 5.5 % (prior period: 5.5 %). The average trade tax burden amounted to 12.9 % for 2015 (prior period: 12.9 %). This means that the reconciliation is based on an overall tax rate in Germany of 28.7 % (prior period: 28.7 %).

### 3.26 – RECONCILIATION OF THE INCOME TAX EXPENSE

€ k	2015	2014
<b>Earnings before income taxes</b>	<b>244,512</b>	<b>204,721</b>
Theoretical income tax expense in Germany of 28.7 % (prior period: 28.7 %)	70,175	58,755
Adjustments of income taxes incurred in prior periods	-4,797	2,663
Non-deductible operating expenses	5,747	4,756
Withholding taxes	11,417	6,986
Foreign tax rate differential	-8,215	-5,925
Special effect from the domination and profit and loss transfer agreement (HOMAG Group AG)	8,920	-
Unrecognized deferred tax assets especially on unused tax losses	1,472	1,861
Used tax losses for which no deferred tax assets were recognized	-1,842	-420
Change in tax rates	495	-4,660
Change in write-downs on deferred tax assets	-3,601	1,598
Subsequent recognition of deferred taxes in particular on unused tax losses	-538	-9,510
Zero-rated income	-1,331	-698
Other	48	-984
<b>Total income tax expense of the Dürr Group</b>	<b>77,950</b>	<b>54,422</b>

In Germany, unused tax losses for corporate income tax purposes plus the solidarity surcharge amounted to € 57,533 thousand as of December 31, 2015 (prior period: € 40,282 thousand). Unused tax losses for trade tax purposes amount to € 61,305 thousand (prior period: € 37,740 thousand) and deductible interest expenses carried forward amount to € 7,020 thousand (prior period: € 8,680 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 applicable in certain countries. In the 2014 reporting period, further deferred tax assets on unused tax losses of € 9,100 thousand were recognized in the US on account of an improved earnings situation.

In sum, unused tax losses amounted to € 186,969 thousand (prior period: € 181,411 thousand) as of December 31, 2015. Additions to the unused tax losses primarily result from the first-time consolidation of iTAC Software AG as well as from transactions at foreign entities within the HOMAG Group that were not seen as transferable in the prior period and totaled € 36,192 thousand. Unused tax losses for which no deferred tax assets were recognized came to € 75,099 thousand (prior period: € 64,524 thousand). The increase is mainly attributable to the acquisition of iTAC Software AG. Unused tax losses of € 3,898 thousand (prior period: € 979 thousand) will lapse within the next five years and € 44,926 thousand (prior period: € 49,629 thousand) within the next 20 years. At present, the remaining unused tax losses do not lapse.

## 3.27 – DEFERRED TAX ASSETS AND LIABILITIES

€ k	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
	Dec. 31, 2015	Dec. 31, 2014	2015	2014
<b>Deferred tax assets</b>				
Accounting for intangible assets	3,597	3,935	-338	2,486
Remeasurement of land and buildings	1,505	1,165	340	793
Bad debt allowances	1,306	1,554	-248	1,195
Interest/currency transactions	4,412	4,268	-263	1,879
Customer-specific construction contracts and inventories	21,572	20,407	1,165	2,424
Other assets and other liabilities	13,800	11,977	1,823	3,767
Post-employment benefits	7,299	8,085	533	-1,761
Provisions not recognized for tax purposes	9,419	8,618	801	4,802
Interest and tax loss carryforwards	32,607	36,279	-3,672	14,649
<b>Total deferred tax assets before write-downs</b>	<b>95,517</b>	<b>96,288</b>		
Write-downs	-14,781	-21,847	7,066	-15,892
<b>Total deferred tax assets</b>	<b>80,736</b>	<b>74,441</b>		
Netting	-45,201	-33,411		
<b>Net deferred tax assets</b>	<b>35,535</b>	<b>41,030</b>		
<b>Deferred tax liabilities</b>				
Accounting for intangible assets	-44,011	-41,793	-2,218	-35,352
Capitalized development costs	-11,139	-9,027	-2,112	-9,676
Tax-deductible impairment of goodwill	-16,441	-15,444	-997	-1,107
Remeasurement of land and buildings	-21,992	-24,119	2,127	-13,775
Measurement of shares in subsidiaries	-14,874	-12,943	-1,931	-6,799
Customer-specific construction contracts and inventories	-48,035	-46,328	-1,707	-11,147
Other assets and other liabilities	-6,458	-8,849	2,391	-8,849
Amortization of costs related to bonds and syndicated loans	-384	-804	420	-470
<b>Total deferred tax liabilities</b>	<b>-163,334</b>	<b>-159,307</b>		
Netting	45,201	33,411		
<b>Net deferred tax liabilities</b>	<b>-118,133</b>	<b>-125,896</b>		
Reconciliation effect from first-time consolidation (2014: primarily from the HOMAG Group)			5,563	60,093
Currency translation reserve (OCI)			-157	-1,841
<b>Deferred tax income/expense (-)</b>			<b>8,586</b>	<b>-14,581</b>

The currency effects of € -157 thousand (prior period: € -1,841 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2015 reporting period, deferred taxes of € 912 thousand were recognized in other comprehensive income (prior period: € 6,526 thousand).

The tax expense for 2015 is characterized by non-recurring special effects from the accounting treatment of the domination and profit and loss transfer agreement with HOMAG Group AG. Tax expenses of € 7,070 thousand are primarily due to non-recurring discounting effects and future tax payments over the term of the agreement. Non-tax-deductible interest expenses were recognized in connection with the domination and profit and loss transfer agreement. Had they been deductible, these interest expenses would have reduced tax expenses by € 1,850 thousand.

The expense from withholding taxes rose significantly as a result of increased distributions from China compared to the prior period.

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 € 236,482 thousand (prior period: € 318,275 thousand) as it is intended to reinvest these profits for an indefinite period. The decrease is largely due to the inclusion of HOMAG Group AG and Carl Schenck AG in Dürr AG's consolidated tax group for income tax purposes. Dürr assumes that no reserves will be distributed to the respective parent in the tax group while the consolidated tax group is in place.

## 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.

#### Amortization and depreciation

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

#### 3.28 – AMORTIZATION AND DEPRECIATION

€ k	2015			2014		
	Intangible assets	Property, plant and equipment	Total amortization and depreciation	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	-29,744	-25,474	-55,218	-14,891	-14,895	-29,786
Selling expenses	-1,559	-3,090	-4,649	-1,041	-1,777	-2,818
General administrative expenses	-3,361	-5,927	-9,288	-1,208	-3,782	-4,990
Research and development costs	-4,196	-4,606	-8,802	-1,539	-2,363	-3,902
Other operating expenses	-	-137	-137	-2	-38	-40
Interest and similar expenses	-1,229	-	-1,229	-245	-	-245
	<b>-40,089</b>	<b>-39,234</b>	<b>-79,323</b>	<b>-18,926</b>	<b>-22,855</b>	<b>-41,781</b>



### Impairment losses

As part of the realignment of the HOMAG Group, expenses for updating the ERP system of € 2,355 thousand recognized under intangible assets were impaired.

In the prior period, impairment losses related to the write-down to fair value of various intangible assets and items of property, plant and equipment in Germany and India. The fair value is determined on the basis of the value in use and at the level of the cash-generating unit.

### 3.29 – IMPAIRMENT LOSSES AND REVERSALS

€ k	2015			2014		
	Intangible assets	Property, plant and equipment	Total impairment losses/reversals	Intangible assets	Property, plant and equipment	Total impairment losses/reversals
Cost of sales	-923	-13	-936	-395	-35	-430
Selling expenses	-426	-	-426	-	-	-
General administrative expenses	-315	-	-315	-	-	-
Research and development costs	-691	-	-691	-	-	-
	-2,355	-13	-2,368	-395	-35	-430

### Intangible assets

In addition to goodwill, intangible assets with an indefinite useful life also include brand names of € 62,292 thousand (prior period: € 58,512 thousand). Dürr intends to continue using these brand names in the future.

Prepayments for intangible assets mainly contain capital expenditure on software products for a large-scale IT project of the HOMAG Group. The expected useful life for the project is five years.

### Impairment test for goodwill

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. Dürr has defined the divisions or business activities within its divisions as cash-generating units. These are Paint and Final Assembly Systems, Application Technology, Balancing and Assembly Products, Cleaning and Surface Processing, Clean Technology Systems and Woodworking Machinery and Systems. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all business activities.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the activities exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. The pre-tax discount rate for the cash flow forecast ranged from 8.65 % to 10.82 % in the 2015 reporting period (prior period: 7.45 % to 7.58 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.0 % (prior period: 1.5 %) based on the long-term growth rate of the business activities.

Dürr tests goodwill for impairment at the end of each reporting period.

#### Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and business activities. They are based on the figures determined in the previous reporting periods taking into account anticipated price and cost developments as well as efficiency increases.

#### 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 mark-up derived from the credit rating of benchmark companies.

#### Increase in the price of raw materials

Future increases in the price of upstream products and raw materials purchased by Dürr are primarily derived from the expected increase in the prices of those commodities needed to manufacture the goods or materials. These, in turn, are determined from the forecast price indices of the countries from which the upstream products and raw materials are procured by the respective group entities.

#### Increase in wage and salary costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.6 % p.a. from 2016 onwards (prior period: 2.9 % p.a.). The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

#### Sensitivity analysis of goodwill

Independent of the current economic situation and the expectations for the future, Dürr conducted sensitivity analyses of the recoverability of the goodwill carried in its activities. The impact of the following scenarios was calculated:

- Decrease of 10 % in EBIT in all years within the planning horizon beginning in 2016 (in comparison to the figures projected in the approved business plans),
- Increase of 0.5 percentage points in the discount rate,
- Decrease in the rate of growth for the terminal value to 0.75 %.

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

### Development of goodwill

The table below shows the development of goodwill, broken down by division and business activity.

#### 3.30 – DEVELOPMENT OF GOODWILL

€ k	Carrying amount as of Jan. 1, 2014	Ex-change difference	Additions	Reclassi-fication to held for sale	Reclassi-fication	Carrying amount as of Dec. 31, 2014	Ex-change difference	Additions	Reclassi-fication to held for sale	Reclassi-fication	Carrying amount as of Dec. 31, 2015
Paint and Final											
Assembly Systems	88,808	1,722	1,032	–	2,161	93,723	1,111	11,192	–	–	106,026
Aircraft and											
Technology Systems	7,563	–	–	–5,402	–2,161	–	–	–	–	–	–
<b>Paint and Final</b>											
<b>Assembly Systems</b>	<b>96,371</b>	<b>1,722</b>	<b>1,032</b>	<b>–5,402</b>	<b>–</b>	<b>93,723</b>	<b>1,111</b>	<b>11,192</b>	<b>–</b>	<b>–</b>	<b>106,026</b>
Application Technology	62,168	454	3,141	–	–	65,763	274	–	–	–	66,037
<b>Application Technology</b>	<b>62,168</b>	<b>454</b>	<b>3,141</b>	<b>–</b>	<b>–</b>	<b>65,763</b>	<b>274</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>66,037</b>
Balancing and											
Assembly Products	100,159	1,133	–	–	–	101,292	1,099	272	–	–	102,663
Cleaning and											
Surface Processing	16,254	1,715	–	–	–	17,969	1,862	962	–	–	20,793
<b>Measuring and</b>											
<b>Process Systems</b>	<b>116,413</b>	<b>2,848</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>119,261</b>	<b>2,961</b>	<b>1,234</b>	<b>–</b>	<b>–</b>	<b>123,456</b>
Clean Technology											
Systems	12,019	699	–	–	–	12,718	690	–	–	–	13,408
<b>Clean Technology</b>	<b>12,019</b>	<b>699</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,718</b>	<b>690</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,408</b>
Woodworking Machinery											
and Systems	–	127	105,719	–	–	105,846	389	–	–	–	106,235
<b>Woodworking Machinery</b>	<b>–</b>	<b>127</b>	<b>105,719</b>	<b>–</b>	<b>–</b>	<b>105,846</b>	<b>389</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>106,235</b>
<b>Dürr Group</b>	<b>286,971</b>	<b>5,850</b>	<b>109,892</b>	<b>–5,402</b>	<b>–</b>	<b>397,311</b>	<b>5,425</b>	<b>12,426</b>	<b>–</b>	<b>–</b>	<b>415,162</b>

In the prior period, following the transfer of the remaining consulting activities from the Aircraft and Technology Systems business activity to the Paint and Final Assembly Systems business activity, goodwill of € 2,161 thousand was reclassified. Also in the prior period, the decrease in goodwill from the reclassification to assets held for sale was attributable to the aircraft assembly technology business activity that was sold.

The change in goodwill from additions is explained below.

### Acquisitions

#### iTAC

Effective December 3, 2015, Dürr Technologies GmbH acquired 100 % of the shares in the German software company iTAC Software AG and its subsidiary iTAC Software Inc. iTAC Software AG has its registered offices in Montabaur, the subsidiary iTAC Software Inc. in Novi, Michigan, USA.

With this acquisition, Dürr has expanded its activities significantly in the area of manufacturing execution systems (MES) – a core component of Industry 4.0. MES software allows machines and equipment in production lines and factories to be connected in a smart system. iTAC is one of the leading providers in this future market.

First-time consolidation of the acquired entities was performed pursuant to IFRS 3 “Business Combinations” using the purchased goodwill method for acquisition accounting purposes. The profit or loss of the entities was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price for the acquisition of the iTAC companies amounted to € 31,239 thousand and was settled in cash. The acquisition-related costs came to € 392 thousand and were expensed in the 2015 reporting period.

The goodwill from the first-time consolidation of the acquired iTAC entities and the acquired net assets are as follows:

### 3.31 – GOODWILL – ACQUISITION OF ITAC

€ k	
Purchase price	31,239
Fair value of net assets	-20,047
<b>Goodwill</b>	<b>11,192</b>

Of goodwill, € 11,192 thousand reflects sales and earnings synergies relating to Industry 4.0 and was allocated to the Paint and Final Assembly Systems business activity. The goodwill is not tax-deductible.

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

### 3.32 – PURCHASE PRICE ALLOCATION – ACQUISITION OF ITAC

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	4,216	23,515	27,731
Property, plant and equipment	692	-	692
Deferred tax assets	-	3,037	3,037
Inventories and prepayments	14	-	14
Receivables and other assets	6,040	-1,306	4,734
Cash and cash equivalents	1,376	-	1,376
Non-current liabilities	-1,126	1,126	-
Deferred tax liabilities	-	-8,366	-8,366
Current liabilities	-10,981	1,810	-9,171
<b>Net assets</b>	<b>231</b>	<b>19,816</b>	<b>20,047</b>

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, customer relationships and the iTAC brand name were recognized in the course of the purchase price allocation. No contingent liabilities were recognized in the first-time consolidation.

### 3.33 – HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS – ACQUISITION OF ITAC

€ k	Fair value
Technological know-how	14,862
Customer relationships	4,869
Brand name	3,784
	23,515

The fair value of technological know-how and the brand name was measured using the relief from royalty method; the fair value of customer relationships was measured using the residual value method.

The earnings contributed by the iTAC entities as of the date of first-time consolidation until December 31, 2015, are summarized as follows:

### 3.34 – EARNINGS CONTRIBUTED FROM THE DATE OF FIRST-TIME CONSOLIDATION – ITAC

€ k	
Sales revenues	2,209
Earnings after income taxes	-37

Earnings after taxes contains the effects attributable to the 2015 reporting period from identifying hidden reserves and liabilities in the purchase price allocation.

Had the acquired iTAC entities been included in the consolidated group as of January 1, 2015, group sales revenues for the 2015 reporting period would have amounted to € 3,779,995 thousand and the Dürr Group's profit for the period would have been € 168,363 thousand.

#### Other acquisitions

To strengthen its presence in the Chinese and Indian growth markets, Dürr acquired the operations of two entities in the area of balancing and cleaning technology.

With regard to balancing technology, the investment in the Chinese provider Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, PR China, was increased from 49 % to 100 % on August 5, 2015. The company mainly develops and produces universal balancing machines for the low price and technology segment. It was previously accounted for within the Dürr Group using the equity method.

With regard to cleaning technology, Dürr acquired 100 % of the shares in the Indian provider Mhitraa Engineering Equipments Private Limited, Sriperumbudur (Chennai, Tamil Nadu), India, as of November 16, 2015. Mhitraa is a leading local specialist for industrial cleaning systems. It has close supplier relationships with automobile and motorcycle manufacturers as well as with engine suppliers in India.

First-time consolidation of the acquired entities was performed pursuant to IFRS 3 "Business Combinations" using the purchased goodwill method for acquisition accounting purposes. The profit or loss of the entities was included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price of the other acquisitions amounted to € 2,196 thousand and was settled in cash. The acquisition-related costs came to € 42 thousand and were expensed in the 2015 reporting period.

The goodwill from the first-time consolidation of the acquired entities and the acquired net assets are as follows:

### 3.35 – GOODWILL – OTHER ACQUISITIONS

€ k	
Purchase price	2,196
Fair value of net assets	- 962
<b>Goodwill</b>	<b>1,234</b>

Of goodwill, € 1,234 thousand reflects synergies in the area of sales and earnings prospects in the Chinese and Indian growth markets, with € 272 thousand allocated to Balancing and Assembly Products and € 962 thousand to Cleaning and Surface Processing. The goodwill is not tax-deductible.

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

### 3.36 – PURCHASE PRICE ALLOCATION – OTHER ACQUISITIONS

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	-	747	747
Property, plant and equipment	633	601	1,234
Deferred tax assets	1	-	1
Inventories and prepayments	850	-	850
Receivables and other assets	516	- 17	499
Cash and cash equivalents	950	-	950
Non-current liabilities	- 64	-	- 64
Deferred tax liabilities	-	- 235	- 235
Current liabilities	- 3,020	-	- 3,020
<b>Net assets</b>	<b>- 134</b>	<b>1,096</b>	<b>962</b>

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 purchase price allocation. Furthermore, properties were recognized at market value. No contingent liabilities were recognized in the first-time consolidation.

**3.37 – HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS – OTHER ACQUISITIONS**

€ k	Fair value
Technological know-how	552
Customer relationships	195
	<b>747</b>

The fair value of technological know-how was measured using the relief from royalty method; the fair value of customer relationships was measured using the multi-period excess earnings method.

The earnings contributed by the first-time consolidated companies as of the date of first-time consolidation until December 31, 2015, are summarized as follows:

**3.38 – EARNINGS CONTRIBUTION FROM THE DATE OF FIRST-TIME CONSOLIDATION – OTHER ACQUISITIONS**

€ k	
Sales revenues	1,111
Earnings after income taxes	–80

Earnings after taxes contains the effects attributable to the 2015 reporting period from identifying hidden reserves and burdens in the purchase price allocation.

Had the acquired entities been included in the consolidated group as of January 1, 2015, group sales revenues for the 2015 reporting period would have amounted to € 3,770,697 thousand and the Dürr Group's profit for the period would have been € 165,673 thousand.

**Major acquisitions in the prior period****HOMAG Group**

In October 2014, Dürr AG acquired a total of 55.85 % HOMAG shares from various shareholders of HOMAG Group AG via its subsidiary Dürr Technologies GmbH. After receiving the final necessary approval from the antitrust authorities on October 3, 2014, the HOMAG Group was consolidated for the first time. Dürr also came to an agreement on voting rights with the shareholder group Schuler/Klessmann, which holds 22.05 % of the shares in HOMAG Group AG. This provides, among other things, for the joint exercise of voting rights with regard to voting on the conclusion of a domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG. Furthermore, Dürr Technologies GmbH and the shareholder group Schuler/Klessmann agreed to option and pre-emption rights regarding the latter's 22.05 % shareholding in HOMAG Group AG. The agreement on voting rights and the option/pre-emptive rights limit the shareholder rights of the shareholder group Schuler/Klessmann. This means that, in accordance with the rules of IFRSs, Dürr had a total allocated shareholding of 77.90 %.

The HOMAG Group is the world's leading provider of woodworking machinery and systems and holds a global market share of just under 30 %. The HOMAG Group's customers are from the areas of furniture production, structural element production and wooden house construction. The acquisition allowed Dürr to broaden its portfolio in the area of mechanical and plant engineering and to tap new growth potential. The efficiency and profitability of the HOMAG Group is to be further strengthened by means of systematic optimization.

First-time consolidation of the HOMAG Group was performed pursuant to IFRS 3 “Business Combinations” using the full goodwill method for acquisition accounting purposes. Accordingly, the components of the non-controlling interests in the acquiree were measured at fair value as of the acquisition date plus pro rata goodwill.

The earnings of the entities of the HOMAG Group were included in the consolidated financial statements as of the date of first-time consolidation.

### 3.39 – PURCHASE PRICE – ACQUISITION OF THE HOMAG GROUP

€ k	
Fair value of the shares of HOMAG Group AG	409,127
of which attributable to non-controlling interests	– 94,592
<b>Purchase price of the shares of HOMAG Group AG</b>	<b>314,535</b>

The measurement of the portion of fair value attributable to non-controlling interests was based on the stock exchange price at the time that control was obtained.

Acquisition costs of € 228,053 thousand were settled in cash. Options of € 86,482 thousand were recognized under sundry financial liabilities. The acquisition-related costs came to € 6,055 thousand as of December 31, 2014 and were expensed in the 2014 reporting period.

The goodwill from the first-time consolidation of the acquired HOMAG Group and the acquired net assets were as follows:

### 3.40 – GOODWILL – ACQUISITION OF THE HOMAG GROUP

€ k	
Fair value of the shares of HOMAG Group AG	409,127
Fair value of net assets	– 313,166
less the carrying amount attributable to non-controlling interests	9,758
<b>Goodwill</b>	<b>105,719</b>

Goodwill of € 105,719 thousand contains intangible assets that cannot be separated such as the specialist knowledge of the employees, expected synergy effects and the earnings prospects of the HOMAG Group. The goodwill is not tax deductible and was allocated to the Woodworking Machinery and Systems business activity.



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

### 3.41 – PURCHASE PRICE ALLOCATION – ACQUISITION OF THE HOMAG GROUP

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	57,945	130,672	188,617
Property, plant and equipment	127,526	40,959	168,485
Deferred tax assets	9,683	–	9,683
Inventories and prepayments	186,180	20,926	207,106
Receivables and other assets	179,264	6,238	185,502
Cash and cash equivalents	32,383	–	32,383
Non-current liabilities	– 100,726	–	– 100,726
Deferred tax liabilities	– 14,703	– 54,788	– 69,491
Current liabilities	– 303,996	– 4,397	– 308,393
<b>Net assets</b>	<b>173,556</b>	<b>139,610</b>	<b>313,166</b>

The carrying amounts after acquisition corresponded to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximated their fair value. The adjustments mainly relate to intangible assets, where technological know-how, customer relationships, brand names and order backlog were recognized in the purchase price allocation. For property, plant and equipment, properties were recognized at market value. Furthermore, hidden reserves were disclosed for inventories. No contingent liabilities were recognized in the first-time consolidation.

### 3.42 – HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS – ACQUISITION OF THE HOMAG GROUP

€ k	Fair value
Technological know-how	34,099
Customer relationships	33,807
Order backlog	6,973
Brand names	55,793
	<b>130,672</b>

The fair values of technological know-how and the brand names were measured using the relief from royalty method; the fair values of customer relationships and the order backlog were measured using the residual value method.

The earnings contributed by the first-time consolidated companies of the HOMAG Group as of the date of first-time consolidation until December 31, 2014, are summarized as follows:

### 3.43 – EARNINGS CONTRIBUTION FROM THE DATE OF FIRST-TIME CONSOLIDATION – HOMAG GROUP

€ k	
Sales revenues	252,815
Earnings after income taxes	– 9,731

Earnings after taxes included the effects from the subsequent measurement of the hidden reserves and burdens of € –12,625 thousand identified in the purchase price allocation.

Had the acquired HOMAG Group been included in the consolidated group as of January 1, 2014, the statement of income for the 2014 reporting period would have looked as follows:

#### 3.44 – PRO FORMA STATEMENT OF INCOME FOR THE 2014 REPORTING PERIOD

€ k	2014
Sales revenues	3,236,786
Cost of sales	-2,441,683
<b>Gross profit</b>	<b>795,103</b>
Selling expenses	-260,737
General administrative expenses	-198,528
Research and development costs	-85,448
Other operating income	40,779
Other operating expenses	-53,747
<b>Earnings before investment income, interest income and income taxes</b>	<b>237,422</b>
Earnings from entities accounted for using the equity method	2,050
Other investment income	49
Net interest	-23,977
<b>Earnings before income taxes</b>	<b>215,544</b>
Income taxes	-53,687
<b>Profit of the Dürr Group</b>	<b>161,857</b>

#### Property, plant and equipment

Items of 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. As of December 31, 2015, the majority of assets under construction related to the construction of the new Dürr campus in Southfield, Michigan, USA.

As of December 31, 2015, there were contractual obligations for the purchase of property, plant and equipment of € 6,467 thousand (prior period: € 2,230 thousand). Of this amount, € 3,541 thousand related to the Dürr campus in Southfield. Further obligations arose from the modernization of locations.

The Group pledged self-owned land and buildings as well as plant and machinery of € 63,289 thousand (prior period: € 19,836 thousand) as collateral.

#### Land and buildings

The Dürr Group invested € 14,320 thousand in property in the 2015 reporting period. Part of this amount relates to a training center in Ulsan in South Korea as well as the acquisition of land for the future Dürr campus in Shanghai, PR China. A production plant in the US was also recognized as a finance lease.

In addition to acquiring various buildings and plots of land in the course of the acquisitions, Dürr acquired several properties in the prior period to expand its production capacities, including at the Bietigheim-Bissingen and Püttlingen locations. In Poland, a production hall that was previously rented was purchased.

### Finance leases

On December 31, 2015, a building in the UK, a heating water distribution grid in Germany, a building in Italy as well as a production hall in the US were recognized as finance lease assets in land and buildings. Dürr is not the legal owner of the buildings or the heating water distribution grid. The production plant in the US was recognized as a finance lease for the first time in the 2015 reporting period. The depreciation recorded on these properties is included in the depreciation of property, plant and equipment.

The table below shows cost and accumulated depreciation and impairment losses for these properties which are reported as finance lease assets.

#### 3.45 – PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS

€ k	Dec. 31, 2015	Dec. 31, 2014
Historical cost	12,633	10,076
Accumulated depreciation and impairment losses	-3,996	-3,268
<b>Net carrying amount</b>	<b>8,637</b>	<b>6,808</b>

### Investment property

Dürr distinguishes between property that is largely owner-occupied and property that is mostly let to third parties. A property is considered to be largely used by third parties if the space used by the company itself is insignificant. 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 2015 reporting period, these properties generated rental income of € 3,354 thousand (prior period: € 3,337 thousand). The future rental income based on the existing agreements breaks down as follows:

#### 3.46 – FUTURE RENTAL INCOME

€ k	Dec. 31, 2015	Dec. 31, 2014
Less than one year	3,266	3,296
Between one and five years	5,053	5,512
More than five years	1,064	1,376
	<b>9,383</b>	<b>10,184</b>

Directly attributable expenditure amounted to € 1,351 thousand (prior period: € 1,587 thousand). Of this amount, € 142 thousand (prior period: € 164 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 2015 reporting period, the composition of the properties accounted for pursuant to IAS 40 "Investment Property" was unchanged on the prior period. The fair value came to € 31,070 thousand as of December 31, 2015, taking into account additions due to subsequent expenditure (prior period: € 31,070 thousand) and is allocated to level 3 in the fair value hierarchy (for more information on the fair-value hierarchy levels please see note 35). An internal calculation prepared on an annual basis is used to determine the fair value of the investment properties; no valuer was consulted in determining the values. Fair value of the property is calculated using capitalized income from the cash-generating unit based on market rents adjusted by risk mark-downs customary for the region. A vacancy rate of 10 % (prior period: 10 %) 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 € 42,845

thousand as of January 1, 2015, and € 43,365 thousand as of December 31, 2015. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 21,244 thousand as of January 1, 2015, to € 22,104 thousand as of December 31, 2015.

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.

### 3.47 – INVESTMENT PROPERTY

€ k	2015	2014
<b>As of January 1</b>	<b>21,601</b>	<b>22,245</b>
Additions of buildings from change in use	–	390
Additions from subsequent expenditure	609	128
Disposal from acquisition costs	–89	–48
Depreciation for the year	–949	–850
Change in depreciation from change in use	–	–304
Disposals from accumulated depreciation and impairment losses	89	40
<b>As of December 31</b>	<b>21,261</b>	<b>21,601</b>

## 20. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

### Investments in entities accounted for using the equity method

Effective August 5, 2015, a further 51 % of the shares in Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, PR China, were acquired. The company has been recognized as a consolidated company since this date. In the prior period, Dürr acquired shares in the associate Homag China Golden Field Ltd. Hong Kong, PR China, of € 11,308 thousand through the acquisition of the HOMAG Group.

### Significant entities accounted for using the equity method

#### Homag China Golden Field Ltd.

The entity Homag China Golden Field Ltd. is based in Hong Kong, PR China, and is a sales and service company which sells the products of the HOMAG Group's manufacturing companies and is responsible for ensuring a functioning service organization and for working the Chinese market.

### 3.48 – CONDENSED STATEMENT OF FINANCIAL POSITION OF HOMAG CHINA GOLDEN FIELD LTD.

€ k	Dec. 31, 2015	Dec. 31, 2014
Non-current assets	7,640	6,729
Current assets	81,223	75,425
Current liabilities	65,347	63,675
Equity	23,516	18,479
Carrying amount of the investment	10,913	11,067
Dürr investment (pursuant to IFRSs, direct and indirect share)	25.0 %	19.5 %

The carrying amount of the investment is also influenced by currency effects.

**3.49 – FURTHER FINANCIAL INFORMATION OF HOMAG CHINA GOLDEN FIELD LTD.**

€ k	2015	2014
Sales revenues	197,586	123,594
Earnings after income taxes	3,076	1,814
Dividends received	–	–

The associate had no material contingent liabilities as of December 31, 2015. At present, there are no significant restrictions with respect to dividend distributions. Sales revenues and earnings after income taxes are reported for the entire reporting period.

**3.50 – AGGREGATED DISCLOSURES ON OTHER ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD**

€ k	2015	2014
Carrying amount of other entities accounted for using the equity method (as of Dec. 31)	17,309	13,520
Earnings after income taxes	4,717	3,624

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.

For further information on the consolidated companies, please refer to notes 3 and 4.

**Other financial assets****3.51 – OTHER FINANCIAL ASSETS**

€ k	Dec. 31, 2015	Dec. 31, 2014
Other investments	15,845	15,588
Securities classified as non-current assets	25,257	25,698
Other loans	305	568
	<b>41,407</b>	<b>41,854</b>

Other investments primarily contain the 11 % investment in Tec4Aero GmbH, Wiefelstede, Germany, with a carrying amount of € 12,360 thousand. Dürr acquired the investment in the 2014 reporting period in connection with the transfer of the Aircraft business activity to the Broetje Group.

Securities classified as non-current assets mainly comprise corporate bonds that are held to maturity. The carrying amount of these securities came to € 24,878 thousand (prior period: € 25,313 thousand). As part of its investment strategy, Dürr invests its free liquidity in higher interest-bearing securities from European issuers in order to improve its net interest.

## 21. INVENTORIES AND PREPAYMENTS

### 3.52 – INVENTORIES AND PREPAYMENTS

€ k	Dec. 31, 2015	Dec. 31, 2014
Materials and supplies	171,243	151,922
less write-downs	-17,246	-13,331
Work in process from small series production	85,467	83,058
less write-downs	-4,012	-2,297
Finished goods and merchandise	129,320	115,170
less write-downs	-20,071	-14,129
Prepayments	42,039	44,453
	<b>386,740</b>	<b>364,846</b>

Materials and supplies were measured at average cost. On aggregate, write-downs on inventories increased to € 41,329 thousand (prior period: € 29,757 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the 2015 reporting period of € 11,137 thousand (prior period: € 14,450 thousand) were recognized in profit or loss.

## 22. TRADE RECEIVABLES

### 3.53 – TRADE RECEIVABLES

€ k	Dec. 31, 2015			Dec. 31, 2014		
	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	353,617	353,617	-	366,308	366,308	-
Trade receivables due from third parties	536,732	536,172	560	479,493	477,734	1,759
Trade receivables due from entities accounted for using the equity method	5,963	5,963	-	5,401	5,401	-
	<b>896,312</b>	<b>895,752</b>	<b>560</b>	<b>851,202</b>	<b>849,443</b>	<b>1,759</b>

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

### 3.54 – AGEING ANALYSIS OF TRADE RECEIVABLES

€ k	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	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Neither past due nor impaired at the end of the reporting period	353,617	366,308	396,229	350,751	4,320	5,055
Not impaired at the end of the reporting period, but past due by						
less than 3 months	-	-	72,622	80,711	1,229	248
between 3 and 6 months	-	-	33,194	18,288	55	58
between 6 and 9 months	-	-	8,757	11,622	307	33
between 9 and 12 months	-	-	5,384	3,246	7	2
more than 12 months	-	-	12,700	12,940	45	5
Total	-	-	132,657	126,807	1,643	346
Net receivables on which specific bad debt allowances have been recognized	-	-	7,846	1,935	-	-
<b>Net carrying amount</b>	<b>353,617</b>	<b>366,308</b>	<b>536,732</b>	<b>479,493</b>	<b>5,963</b>	<b>5,401</b>

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:

### 3.55 – CHANGES IN BAD DEBT ALLOWANCES

€ k	2015	2014
<b>As of January 1</b>	<b>8,897</b>	<b>5,613</b>
Exchange difference	146	133
Utilization	-711	-438
Reversal	-2,170	-711
Increases (impairment charge)	4,870	4,267
Reclassification to held for sale	-	33
<b>As of December 31</b>	<b>11,032</b>	<b>8,897</b>

Receivables of € 954 thousand (prior period: € 908 thousand) were derecognized in the 2015 reporting period; € 711 thousand (prior period: € 438 thousand) thereof had already been written down in the prior period. The remaining € 243 thousand (prior period: € 470 thousand) was derecognized through profit or loss in the 2015 reporting period.

### 3.56 – COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

€ k	DEC. 31, 2015			DEC. 31, 2014		
	Total	Current	Non-current	Total	Current	Non-current
<b>Assets</b>						
Costs incurred including earnings	1,865,703	1,865,703	-	1,550,124	1,550,124	-
Less billings	1,512,086	1,512,086	-	1,183,816	1,183,816	-
<b>Costs and estimated earnings in excess of billings</b>	<b>353,617</b>	<b>353,617</b>	<b>-</b>	<b>366,308</b>	<b>366,308</b>	<b>-</b>
<b>Liabilities</b>						
Costs incurred including earnings	1,895,690	1,895,690	-	1,695,009	1,695,009	-
Less billings	2,430,002	2,426,174	3,828	2,370,218	2,366,316	3,902
<b>Billings in excess of cost on uncompleted contracts</b>	<b>534,312</b>	<b>530,484</b>	<b>3,828</b>	<b>675,209</b>	<b>671,307</b>	<b>3,902</b>
<b>Total</b>						
Costs incurred including earnings	3,761,393	3,761,393	-	3,245,133	3,245,133	-
Less billings	3,942,088	3,938,260	3,828	3,554,034	3,550,132	3,902
<b>Billings in excess of cost on uncompleted contracts</b>	<b>180,695</b>	<b>176,867</b>	<b>3,828</b>	<b>308,901</b>	<b>304,999</b>	<b>3,902</b>

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

## 23. SUNDRY FINANCIAL ASSETS

### 3.57 – SUNDRY FINANCIAL ASSETS

€ k	DEC. 31, 2015			DEC. 31, 2014		
	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	4,471	4,273	198	3,099	3,009	90
Rent deposits and other collateral provided	7,762	3,281	4,481	6,909	3,135	3,774
Time deposits	8,682	8,682	–	29,419	29,419	–
Held-for-trading financial assets	2	2	–	5,350	5,350	–
Remaining sundry financial assets	11,593	8,362	3,231	15,513	12,693	2,820
	<b>32,510</b>	<b>24,600</b>	<b>7,910</b>	<b>60,290</b>	<b>53,606</b>	<b>6,684</b>

Remaining sundry financial assets include balances at suppliers of € 2,523 thousand (prior period: € 3,083 thousand) and receivables from employees totaling € 1,530 thousand (prior period: € 1,827 thousand). There is no indication that the debtors will not be able to meet their payment obligations.

For the disclosures required by IFRS 7, please refer to note 35.

## 24. OTHER ASSETS

### 3.58 – OTHER ASSETS

€ k	DEC. 31, 2015			DEC. 31, 2014		
	Total	Current	Non-current	Total	Current	Non-current
Tax reimbursement claims without income taxes	29,689	29,134	555	37,921	34,879	3,042
Sundry	10	10	–	1,940	1,940	–
	<b>29,699</b>	<b>2,144</b>	<b>555</b>	<b>39,861</b>	<b>36,819</b>	<b>3,042</b>

## 25. NON-CURRENT ASSETS HELD FOR SALE AND RELATED LIABILITIES

In connection with the relocation to the Dürr campus in Southfield, Michigan, USA, the building in Auburn Hills, also in Michigan, USA, that is no longer needed, and further technical equipment and office equipment at this location have been classified as held for sale. The assets are measured at the carrying amount at the date of reclassification. Dürr expects this property and the associated items of property, plant and equipment to be sold in the first half of the 2016 reporting period. As of December 31, 2015, these assets classified as held for sale were allocated to the Application Technology division.



In addition, non-current assets held for sale contain a plot of developed land as well as various other items of property, plant and equipment in Germany measured at fair value. In the 2015 reporting period, these assets were written down by € 442 thousand through profit or loss. Dürr expects these items of property, plant and equipment to be sold in the 2016 reporting year. As of December 31, 2015, these assets classified as held for sale were allocated to the Woodworking Machinery and Systems division.

The assets and related liabilities of the entity Dürr Automation S.A.S. in France, which had been classified as held for sale, were sold on January 14, 2015. In the 2014 reporting period, measurement at fair value as well as transaction costs gave rise to other operating expenses of € 4,267 thousand. As of December 31, 2014, assets and liabilities classified as held for sale were allocated to the Measuring and Process Systems division.

#### Prior period

In the 2014 reporting period, the aircraft assembly technology business activity in Germany and the US was sold to the Broetje Group. In return, Dürr received an investment of 11 % in Tec4Aero GmbH based in Wiefelstede, Germany, of € 12,360 thousand. Assets and the related liabilities were formerly classified as held for sale as of this date and accounted for at fair value less costs to sell. The net disposal proceeds amounted to € 2,779 thousand and are contained in the statement of income as other operating income.

A plot of land with building in the US was sold on June 16, 2014. The measurement at fair value resulted in a reversal of an impairment loss of € 266 thousand in the 2014 reporting year, which was recognized as other operating income. The net disposal proceeds amounted to € 1,276 thousand.

#### 3.59 – ASSETS AND LIABILITIES HELD FOR SALE

€ k	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	–	–
Property, plant and equipment	6,315	3,347
Inventories and prepayments	–	822
Receivables and other assets	–	4,409
Cash and cash equivalents	–	–
Non-current liabilities	–	–1,823
Current liabilities	–	–4,776
<b>Net assets</b>	<b>6,315</b>	<b>1,979</b>

## Notes to the consolidated statement of financial position: equity and liabilities

### 26. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

#### Subscribed capital (Dürr AG)

As of December 31, 2015, the capital stock of Dürr AG came to € 88,579 thousand (prior period: € 88,579 thousand) and was made up of 34,601,040 shares (prior period: 34,601,040 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, had authorized the Board of Management to purchase no-par value bearer shares 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 was not allowed at any time to exceed 10 % of the capital stock. The authorization was not allowed to 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 was not allowed to deviate more than 5 % from the stock exchange price. In the event of a public tender addressed to all shareholders, the purchase price was allowed to be up to 20 % above the stock exchange price but not lower than the stock exchange price. No use was made of this authorization.

#### Authorized capital (Dürr AG)

The annual general meeting on April 30, 2014, authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times in exchange for cash contributions and/or contributions in kind in the period up to April 29, 2019, by up to € 44,289 thousand by issuing up to 17,300,520 no-par value shares made out to the bearer.

#### Conditional capital (Dürr AG)

The annual general meeting on April 30, 2014, authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until April 29, 2019, bearer or registered 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 € 1,600,000 thousand. For this purpose, the subscribed capital has been conditionally increased by a maximum of € 44,289 thousand by issue of up to 17,300,520 new no-par value bearer shares.

#### Capital reserve (Dürr AG)

The capital reserve includes share premiums and amounted to € 155,896 thousand as of December 31, 2015 (prior period: € 155,896 thousand). The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG.

### 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 € 473,662 thousand as of December 31, 2015 (prior period: € 414,567 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 2014 reporting period. In the 2015 reporting period, the change in the revenue reserves also included non-recurring effects from the conclusion of the domination and profit and loss transfer agreement with the outside shareholders of HOMAG Group AG. In accordance with Sec. 268 No. 8 HGB, an amount of € 1,749 thousand (prior period: € 1,455 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 I "Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

### Dividends

In accordance with the AktG, the distribution is measured based on net retained profit as reported by Dürr AG in its separate financial statements prepared in accordance with the provisions of the HGB. In the 2015 reporting period, Dürr AG distributed a dividend to its shareholders of € 1.65 per share from the net retained profit recorded in 2014 (prior period: € 1.45). The total amount distributed came to € 57,092 thousand (prior period: € 50,172 thousand). On account of the results of operations in the 2015 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that, based on 34,601,040 shares, a dividend of € 1.85 per share be distributed.

### Other comprehensive income

The table below presents the changes in 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".

#### 3.60 – OTHER COMPREHENSIVE INCOME

€ k	2015			2014		
	Before taxes	Tax effect	Net	Before taxes	Tax effect	Net
<b>Components that are not reclassified to profit or loss</b>						
Remeasurement of defined benefit plans and similar obligations	3,703	-1,319	2,384	-15,153	4,194	-10,959
<b>Components that may be reclassified to profit or loss</b>						
Net gains/losses from derivatives used to hedge cash flows	-1,961	406	-1,555	-7,883	2,339	-5,544
Gains/losses from the change in fair value of securities held for sale	-6	1	-5	29	-7	22
Reclassifications from currency translation through profit and loss	-	-	-	-4	-	-4
Difference arising from currency translation	18,866	-	18,866	30,840	-	30,840
Difference arising from currency translation of entities accounted for using the equity method	1,992	-	1,992	136	-	136
<b>Change in other comprehensive income</b>	<b>22,594</b>	<b>-912</b>	<b>21,682</b>	<b>7,965</b>	<b>6,526</b>	<b>14,491</b>

The increase in currency-related components of other comprehensive income is essentially attributable to the depreciation of the euro against the US dollar and the Swiss franc. This was countered by the strengthening of the euro against the Brazilian real.

The change in other comprehensive income arising from the remeasurement of defined benefit obligations contains € -574 thousand (prior period: € 821 thousand) from the asset ceiling. For additional information, please refer to note 28.

### Effects of changes in the shareholding without loss of control in equity

#### Thermea

The shareholding in Dürr Thermea GmbH, based in Ottendorf-Okrilla, Germany, was increased from 30.0 % to 87.6 % in the 2015 reporting period. The entity was already included in the consolidated financial statements as a fully consolidated entity as a result of contractual arrangements.

#### 3.61 – EFFECTS OF INCREASING THE SHAREHOLDING IN THERMEA

€ k	2015
Revenue reserves	-6,665
Non-controlling interests	-1,569
	<b>-8,234</b>

#### HOMAG Group

On March 5, 2015, the extraordinary general meeting of HOMAG Group AG agreed to the domination and profit and loss transfer agreement with Dürr Technologies GmbH. With the agreement entered in the commercial register on March 17, 2015, the Dürr Group obtained control of all shares in HOMAG Group AG for the purposes of consolidation in accordance with the provisions of IFRSs. At the same time, a sundry financial liability was recognized for the obligation to acquire the shares of the outside shareholders of HOMAG Group AG as well as to pay the compensation entitlements and any taxes incurred in this context. For additional information, please refer to note 7.

#### 3.62 – EFFECTS OF THE DOMINATION AND PROFIT AND LOSS TRANSFER AGREEMENT WITH HOMAG GROUP AG

€ k	2015
Revenue reserves	-28,961
Non-controlling interests	-91,523
	<b>-120,484</b>

### 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 financial debt to equity and is defined as the ratio of net financial debt to equity and net financial debt. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. At -22.1 % (prior period: -30.1 %), the ratio at the end of the 2015 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.

#### 3.63 – GEARING RATIO

€ k	Dec. 31, 2015	Dec. 31, 2014
Cash and cash equivalents	-435,633	-521,957
Time deposits and other short-term securities	-8,684	-34,769
Held-to-maturity securities and other loans	-25,183	-25,881
Bond	296,910	296,388
Liabilities to banks	43,177	118,414
<b>Net financial status</b>	<b>-129,413</b>	<b>-167,805</b>
Equity	714,418	725,768
Net financial status	-129,413	-167,805
<b>Equity and net financial status</b>	<b>585,005</b>	<b>557,963</b>
Net financial status	-129,413	-167,805
Equity and net financial status	585,005	557,963
<b>Gearing ratio</b>	<b>-22.1 %</b>	<b>-30.1 %</b>

### 27. NON-CONTROLLING INTERESTS

Non-controlling interests contain adjustment items from the acquisition accounting for equity attributable to non-controlling interests required to be consolidated and the profits and losses attributable to them. The consolidated financial statements contain 13 entities (prior period: 51) in which there were non-controlling interests. With the domination and profit and loss transfer agreement entered in the commercial register on March 17, 2015, all shares in HOMAG Group AG are allocated to the Dürr Group for the purposes of consolidation in accordance with the provisions of IFRSs. HOMAG Group AG's earnings are now allocated entirely to the Dürr shareholders, with none allocable to non-controlling interests. For additional information, please refer to note 7.

In accordance with IAS 32 "Financial Instruments: Presentation", the options held by non-controlling interests are recognized under sundry financial liabilities.

In 2014, the financial information on subsidiaries with significant non-controlling interests was as follows:

### 3.64 – SHARES IN HOMAG GROUP AG

%	Dec. 31, 2014
Share in capital	55.85
Shares attributable to Dürr via options	22.05
<b>Shares attributable to Dürr</b>	<b>77.90</b>

### 3.65 – CONDENSED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

€ k	HOMAG Group
Non-current assets	226,979
Current assets	383,861
Non-current liabilities	124,961
Current liabilities	291,208
Equity	194,671
Accumulated balance of non-controlling interests	103,700

### 3.66 – FURTHER FINANCIAL INFORMATION FOR THE 2014 REPORTING YEAR

€ k	HOMAG Group
Sales revenues	914,758
Earnings after income taxes	20,380
Components of other comprehensive income	2,179
Total comprehensive income	22,559
Earnings attributable to non-controlling interests	- 1,880
Dividends attributable to non-controlling interests	-
Cash flow from operating activities	90,305

The amounts reported for sales revenues, earnings after income taxes, components of other comprehensive income, total comprehensive income and cash flows from operating activities are based on the figures of the HOMAG Group for the entire 2014 reporting period without the effects from identifying hidden reserves and burdens in the purchase price allocation.

## 28. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

### Defined contribution plans

In the case of defined contribution plans, Dürr pays contributions to state or private insurance institutions. Other than the subsidiary liability of the employer regarding its company pension plans, there are no other legal or constructive obligations for Dürr. The contributions are primarily recognized as a personnel expense when they fall due.

The post-employment benefits available to the employees of Dürr's German subsidiaries include a life insurance program (BZV) or a company pension (DAZU) in line with the respective tariff group for which the Group recorded contributions of € 907 thousand (prior period: € 826 thousand) as an expense. In addition, Dürr paid contributions of € 36,037 thousand (prior period: € 26,073 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 2015 reporting period, pension expenses for these employees amounted to € 5,904 thousand (prior period: € 3,056 thousand). Payments for other defined contribution plans in other countries, including state pension systems, amounted to € 8,709 thousand (prior period: € 6,657 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. Dürr's contribution is discretionary and is determined annually by management. In the 2015 reporting period, expenses came to € 2,610 thousand (prior period: € 1,150 thousand).

#### Defined benefit plans

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

Non-pay-scale employees of Dürr's German subsidiaries, including the members of the Board of Management of Dürr AG, Carl Schenck AG and HOMAG Group AG, are also offered the possibility to convert employee contributions into a benefit obligation in addition to ongoing employer contributions. 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. This therefore does not represent any significant actuarial or investment risk for Dürr. 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.

At the German Dürr entities, those workers who were employed at the location in Filderstadt 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 fixed contributions plus an element that is dependent on years of service.

On a small scale, at the HOMAG Group there are pension provisions for obligations from future and current post-employment benefits to current and former employees as well as their surviving dependants. Only the German companies at the HOMAG Group have these obligations. Various foreign entities have obligations to pay termination benefits. The amount of the obligations largely depends on the length of service.

One US entity of Dürr has a pension plan covering the non-union employees at that subsidiary. This plan was closed in 2003 and the claims for active members frozen. The amount of the future pension payments is based on the average salaries earned and length of service before the benefit obligations were frozen in 2003.

A Dürr subsidiary in the US has an approximate 39 % share in a multi-employer plan which is maintained jointly with other non-affiliated metal-working companies. The defined benefit plan is accounted for as a defined contribution plan as it is not possible to allocate the share of obligations and plans assets to the individual member companies. The beneficiaries of the plan are members of a trade union. The contributions are calculated on the basis of the number of production hours worked by members. A temporary shortfall in capacity utilization as well as lower returns on fund assets meant there has been a deficit in the past. As of March 31, 2015, unfunded obligations from the plan amounted to € 23,425 thousand (prior period: € 23,498 thousand). For 2015, Dürr expects contributions of € 1,365 thousand (prior period: € 1,420 thousand) to be made into the pension plan.

Moreover, there are plans that provide for payouts when employees leave the company as well as additional smaller pension plans in various countries.

#### **Post-employment benefit plan participants and risk management**

Provisions for post-employment benefits are recognized for obligations from future and current post-employment benefits to eligible current and former employees as well as their surviving dependents. Post-employment benefit plans vary according to local legal, tax and economic conditions and are usually based on employees' length of service as well as their remuneration. In the 2015 reporting period there were obligations in place for 2,517 eligible persons: 1,934 active employees, 122 former employees with vested rights as well as 461 retired employees and surviving dependents.

The defined benefit plans are largely financed via provisions which have corresponding qualifying fund assets as plan assets that are offset against the obligations. The fund assets mostly exist in the form of employer's pension liability insurance policies pledged to beneficiaries.

In order to take adequate account of risks associated with pension liabilities, Dürr established the Corporate Pension Committee (CPC) several years ago. This committee convenes on a quarterly basis and reviews and assesses all global post-employment benefit systems within the Dürr Group. Regular participants of the CPC are the Chief Financial Officer of Dürr AG as well as the heads of the group-wide functional areas Human Resources, Accounting & Controlling, Finance and Legal.

Furthermore, no new defined benefit pensions have been granted in Germany for several years to minimize the risk from pension obligations; their value is largely not hedged by external counter-financing. At the same time, the current pension plans are largely financed through deferred compensation.

In the prior period, additional employer's pension liability insurance policies with a fair value of € 13,786 thousand were acquired at German Dürr entities to reduce interest and longevity risks of further significant benefit obligations.



## Development of post-employment benefit plans

### 3.67 – CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€ k	Dec. 31, 2015	Dec. 31, 2014
Defined benefit obligation at the beginning of the year	114,478	88,475
Exchange difference	1,528	1,323
Current service cost	3,096	2,625
Past service cost	-93	9
Gains and losses	-10	-
Interest cost	2,536	3,163
Remeasurement of the defined benefit obligation	-4,885	20,075
thereof actuarial gains and losses from changes in demographic assumptions	-28	205
thereof actuarial gains and losses from changes in financial assumptions	-6,800	18,055
thereof experience adjustments	1,943	1,815
Contributions by plan participants	645	689
Benefits paid	-5,871	-5,657
Settlements	-544	-154
Changes in the consolidated group	427	4,276
Reclassification to held for sale	-	-414
Other	87	68
<b>Defined benefit obligation at the end of the year</b>	<b>111,394</b>	<b>114,478</b>

### 3.68 – CHANGE IN PLAN ASSETS

€ k	Dec. 31, 2015	Dec. 31, 2014
Fair value of plan assets at the beginning of the year	62,526	41,241
Exchange difference	1,097	965
Interest income	1,440	1,691
Remeasurement of plan assets	-521	4,100
thereof actuarial gains and losses from changes in demographic assumptions	-18	-
thereof actuarial gains and losses from changes in financial assumptions	-951	3,778
thereof experience adjustments	448	322
Employer contributions	1,910	15,601
Contributions by plan participants	1,341	1,342
Benefits paid	-3,708	-3,385
Settlements	-366	-73
Changes in the consolidated group	354	1,144
Reclassification to held for sale	-	-118
Other	-19	18
<b>Fair value of plan assets at the end of the year</b>	<b>64,054</b>	<b>62,526</b>
Effect of asset ceiling	-2,337	-1,750
<b>Fund assets taking account of the asset ceiling</b>	<b>61,717</b>	<b>60,776</b>
Funded status <sup>1</sup>	49,677	53,702

<sup>1</sup> Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

**3.69 – FUNDED STATUS**

€ k	Dec. 31, 2015	Dec. 31, 2014
Present value of funded obligations	104,633	108,049
Plan assets taking account of the asset ceiling	61,717	60,776
<b>Defined benefit obligation in excess of plan assets</b>	<b>42,916</b>	<b>47,273</b>
Present value of non-funded benefit obligations	6,761	6,429
<b>Funded status<sup>1</sup></b>	<b>49,677</b>	<b>53,702</b>

<sup>1</sup> Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

**3.70 – ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED BY ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS**

€ k	Dec. 31, 2015	Dec. 31, 2014
Provisions for post-employment benefit obligations	49,677	53,702
Other comprehensive income (including differences from currency translation)	-46,778	-49,203

At the end of the reporting period, the fair value of plan assets breaks down as follows:

**3.71 – COMPOSITION OF PLAN ASSETS**

€ k	Dec. 31, 2015	Dec. 31, 2014
Employer's pension liability insurance	50,805	50,669
Fixed-interest securities	11,439	10,390
Shares	775	575
Real estate	493	424
Other	542	468
	<b>64,054</b>	<b>62,526</b>

The plan assets of the German entities mainly consist of employer's pension liability insurance policies which guarantee the amount. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities (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. With the exception of shares and fixed-interest securities, there are no listed prices on an active market.

The fair value of plan assets is generally calculated on the basis of the market expectations prevailing on that date. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest income on the other. This leads to slightly greater volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term growth in plan assets should be achieved primarily by means of fixed-interest securities which will also secure ongoing interest income. Equity instruments also make up a share of the investment portfolio. For the pension plan in the US, the portion of equity instruments in the investment portfolio came to 7.5 % (prior period: 6.7 %).

The pension expenses for defined benefit plans recognized through profit and loss in the statement of income comprise the following items:

### 3.72 – SHARE OF NET PENSION COST RECOGNIZED THROUGH PROFIT OR LOSS

€ k	2015	2014
Current service cost	3,096	2,625
Past service cost	-93	9
Interest cost	1,109	1,515
Curtailements and settlements	-10	-
Other	70	24
	<b>4,172</b>	<b>4,173</b>

The net pension cost is contained in the following items of the statement of income:

### 3.73 – NET PENSION COST IN THE STATEMENT OF INCOME

€ k	2015	2014
Cost of sales	969	841
Selling expenses	318	243
General administrative expenses	1,746	1,551
Research and development costs	30	23
Net interest	1,109	1,515
	<b>4,172</b>	<b>4,173</b>

The asset ceiling resulted in a change of € -587 thousand (prior period: € 778 thousand) in total comprehensive income. Of this amount, € -574 thousand (prior period: € 821 thousand) was recognized directly in equity and € -13 thousand (prior period: € -43 thousand) in net interest.

The reporting date for the measurement of pension obligations and plan assets is December 31; the measurement date for pension expenses is January 1. In addition to the assumptions on life expectancy based on the biometric 2005 G mortality tables published by Prof. Dr. Klaus Heubeck for the German group companies, the following premises were used as a basis for calculating the defined benefit obligations and the fair value of the plan assets.

### 3.74 – AVERAGE RATES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS

%	2015			2014		
	Germany	United States	Rest of world	Germany	United States	Rest of world
Discount rate	2.40	3.95	2.09	2.00	3.70	2.42
Long-term salary increases	3.00	-	2.50	3.00	-	2.76

The rate of pension progression, which has a significant impact on the defined benefit obligations as of the end of the reporting period, came to 1.75 % in the 2015 reporting period (prior period: 2.00 %).

### 3.75 – AVERAGE RATES USED FOR CALCULATING PENSION COST

%	2015			2014		
	Germany	United States	Rest of world	Germany	United States	Rest of world
Discount rate	2.00	3.70	2.42	3.50	4.25	3.35
Long-term salary increases	3.00	–	2.76	3.50	–	2.63

The average rates are calculated on the basis of the weighted average of the post-employment benefit obligations.

The average duration of the defined benefit obligations as of the end of the 2015 reporting period was 13 years (prior period: 14 years). For the 2016 reporting period, employers are expected to make contributions of € 1,493 thousand to the fund assets.

For the coming reporting periods the following payments for defined benefit plans are expected.

### 3.76 – EXPECTED BENEFIT PAYMENTS

€ k	2016	2017	2018	2019	2020	2021 to 2025	Total
Expected benefit payments	5,436	5,856	5,804	5,563	5,936	31,138	59,733

### Sensitivity analyses

The material actuarial assumptions to determine the provisions for post-employment benefit obligations globally are the discount rate and, for pension obligations in Germany, also the rate of pension progression. By hedging the significant pension risks with employer's pension liability insurance policies, the longevity risk for the obligations in Germany plays only a minor role.

The sensitivity analyses in the scenarios below show how the provisions for post-employment benefit obligations are influenced by potential changes to the respective assumptions.

### 3.77 – SENSITIVITIES – FICTITIOUS PROVISION AMOUNT

€ k	Dec. 31, 2015	Dec. 31, 2014
<b>Discount rate</b>		
+1 percentage point	40,182	43,092
–1 percentage point	62,043	67,430
<b>Pension</b>		
+0.25 percentage point	51,878	56,200
–0.25 percentage point	47,608	51,476

There are dependencies between the actuarial assumptions. The sensitivity analyses do not take into account these dependencies.

## 29. OTHER PROVISIONS

### 3.78 – OTHER PROVISIONS

€ k	DEC. 31, 2015			DEC. 31, 2014		
	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	110,076	108,427	1,649	86,307	84,400	1,907
Personnel provisions	18,802	7,594	11,208	32,632	7,057	25,575
Sundry provisions	7,106	3,928	3,178	8,195	4,871	3,324
	<b>135,984</b>	<b>119,949</b>	<b>16,035</b>	<b>127,134</b>	<b>96,328</b>	<b>30,806</b>

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 75 % of the contract-related provisions relate to provisions for warranties and subsequent expenditure. The personnel provisions mainly contain obligations for phased retirement and provisions for long-service awards. Sundry provisions relate to various identifiable specific risks and uncertain 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.

### 3.79 – CHANGES IN OTHER PROVISIONS IN THE 2015 REPORTING PERIOD

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2015	86,307	32,632	8,195
Changes in the consolidated group	176	–	50
Exchange difference	941	23	124
Utilization	–45,410	–19,739	–1,844
Reversal	–10,480	–443	–1,667
Additions	78,346	6,329	2,444
Reclassification	196	–	–196
As of December 31, 2015	<b>110,076</b>	<b>18,802</b>	<b>7,106</b>

### 30. TRADE PAYABLES

#### 3.80 – TRADE PAYABLES

€ k	Total	Current	Total	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts					
(from small series production)	112,676	112,676	–	–	–
(2014)	(88,093)	(86,558)	(1,535)	(1,535)	(–)
Billings in excess of costs on uncompleted contracts					
(from construction contracts)	534,312	530,484	3,828	3,828	–
(2014)	(675,209)	(671,307)	(3,902)	(3,902)	(–)
Trade payables	398,559	397,950	609	439	170
(2014)	(364,538)	(364,030)	(508)	(296)	(212)
Trade payables due from entities accounted for using the equity method	516	516	–	–	–
(2014)	(456)	(456)	(–)	(–)	(–)
<b>December 31, 2015</b>	<b>1,046,063</b>	<b>1,041,626</b>	<b>4,437</b>	<b>4,267</b>	<b>170</b>
(December 31, 2014)	(1,128,296)	(1,122,351)	(5,945)	(5,733)	(212)

Billings in excess of costs include € 14,379 thousand (prior period: € 5,830 thousand) from entities accounted for using the equity method.

### 31. BOND AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under the item, "Bond and other financial liabilities".

#### 3.81 – FINANCIAL LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Bond	296,910	–	296,910	–	296,910
(2014)	(296,388)	(–)	(296,388)	(–)	(296,388)
Liabilities to banks	43,177	4,325	38,852	12,783	26,069
(2014)	(118,414)	(13,192)	(105,222)	(75,806)	(29,416)
Finance lease liabilities	10,815	2,457	8,358	6,792	1,566
(2014)	(11,735)	(3,918)	(7,817)	(5,581)	(2,236)
<b>December 31, 2015</b>	<b>350,902</b>	<b>6,782</b>	<b>344,120</b>	<b>19,575</b>	<b>324,545</b>
(December 31, 2014)	(426,537)	(17,110)	(409,427)	(81,387)	(328,040)

## Financing of the Group

### Bond

In March 2014, Dürr AG issued an unsubordinated bond of € 300,000 thousand with a coupon of 2.875 % and an issue price of 99.221 %. It was paid out to Dürr and first listed on April 3, 2014. The bond has a term of seven years and cannot be terminated prematurely. It was issued to institutional and private investors outside of the US. The bond has not been rated.

On September 28, 2014, the bond of € 225,000 thousand issued in the 2010 reporting period was repaid prematurely at its full nominal amount.

### Dürr AG syndicated loan

Effective March 21, 2014, Dürr AG concluded a new syndicated loan with a total volume of € 300,000 thousand and a term until March 21, 2019. The syndicate of banks comprises Baden-Württembergische Bank, Commerzbank AG, Deutsche Bank AG, UniCredit Bank AG, HSBC Trinkaus & Burkhardt AG and KfW IPEX-Bank GmbH.

The syndicated loan of the HOMAG Group was terminated effective May 29, 2015. At the same time, the cash line of the syndicated loan of Dürr AG was increased by € 150,000 thousand and the bank guarantee by € 15,000 thousand, and BNP Paribas was included in the syndicate of banks as a new lender. The HOMAG Group was incorporated into the group financing of Dürr AG in order to lower borrowing costs for the Group as a whole.

The syndicated loan agreed since this reporting date does not include any collateral on fixed and current assets and is intended for general corporate financing. It consists of a cash line of € 250,000 thousand and a bank guarantee of € 215,000 thousand. The latter is used for guarantees and warranties in the operating business. It is possible to extend the new loan agreement at no additional cost by up to two years until March 21, 2021. The two extension options for one year each were utilized. The syndicated loan thus has a term until March 21, 2021.

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. Interest is payable at the matching refinancing rate plus a variable margin.

### HOMAG Group syndicated loan

Until May 29, 2015, the HOMAG Group had a syndicated loan with an original amount of € 210,000 thousand and a term until May 16, 2019. The syndicate of banks comprised 11 banks led by Commerzbank AG, Deutsche Bank AG and UniCredit Bank AG. The syndicated loan comprised two tranches. Tranche A was a cash redemption loan with an original amount of € 60,000 thousand, which was valued at € 57,500 thousand as of December 31, 2014. The scheduled repayments amounted to € 2,500 thousand every six months. Tranche B was a cash line of € 150,000 thousand with the possibility of drawing on a revolving basis (also in the form of ancillary facilities up to a maximum of € 110,000 thousand for current account cash loans, discount loans, short-term fixed-rate loans and guarantees). Interest was payable at the matching refinancing rate plus a variable margin. The syndicated loan did not include any collateral.

The termination of the HOMAG Group's syndicated loan involved the repayment of loans of € 60,054 thousand. Special effects from the termination of € 2,533 thousand were recognized in the interest result through profit or loss.

A loan of USD 15,000 thousand was also repaid prematurely.

The agreed-upon financial covenants for the syndicated loans were complied with on all the specified calculation dates.

### 3.82 – MAJOR LOANS

December 31, 2015	Currency	Carrying amount € k	Remaining term months	Effective interest rate %
Loan to finance Dürr Campus properties	EUR	37,730	105	4.49
Bilateral loans	EUR	4,690	Up to 76	3.49 – 6.04

December 31, 2014	Currency	Carrying amount € k	Remaining term months	Effective interest rate %
Loan to finance Dürr Campus properties	EUR	39,874	117	4.49
Syndicated loan tranche A – cash line	EUR	55,025	Up to 53	Euribor + margin
Syndicated loan tranche B – cash drawing	EUR/SGD	2,554	–	1.63 – 2.35
Bilateral loans	EUR	7,398	Up to 88	3.46 – 6.04
Bilateral loan	USD	12,341	Up to 48	Libor + margin

#### Credit lines and bank guarantees

At the end of the reporting period, € 133,136 thousand (prior period: € 116,533 thousand) of the bank guarantee of Dürr AG's syndicated loan had been utilized. The cash line of the syndicated loan of Dürr AG was not utilized in the 2015 and 2014 reporting periods. In the prior period, € 7,353 thousand of tranche B of the HOMAG Group's syndicated loan was used as a guarantee. The cash drawings from the two tranches amounted to € 60,054 thousand.



In addition, Dürr has bilateral lines of credit of € 12,244 thousand in place for working capital or guarantees, bank guarantees of € 520,549 thousand as well as smaller credit lines with various banks and insurance firms.

### 3.83 – CREDIT LINES AND BANK GUARANTEES

€ k	Dec. 31, 2015	Dec. 31, 2014
Total amount of credit lines/bank guarantees available	1,034,948	1,111,240
Total amount of credit lines/bank guarantees utilized	359,950	495,650
of which due within one year	294,956	335,467
of which due in more than one year	64,994	160,183

## 32. SUNDRY FINANCIAL LIABILITIES

### 3.84 – SUNDRY FINANCIAL LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Derivative financial liabilities	22,833	21,778	1,055	1,055	–
(2014)	(15,702)	(13,745)	(1,957)	(1,957)	(–)
Liabilities from interest cut-off	6,589	6,589	–	–	–
(2014)	(6,576)	(6,576)	(–)	(–)	(–)
Obligations from options	241,205	211,724	29,481	29,481	–
(2014)	(105,176)	(105,176)	(–)	(–)	(–)
Liabilities from contingent purchase price installments	1,720	1,180	540	540	–
(2014)	(3,143)	(1,072)	(2,071)	(2,071)	(–)
Other financial liabilities	31,920	25,220	6,700	6,130	570
(2014)	(38,696)	(30,499)	(8,197)	(7,677)	(520)
<b>December 31, 2015</b>	<b>304,267</b>	<b>266,491</b>	<b>37,776</b>	<b>37,206</b>	<b>570</b>
(December 31, 2014)	(169,293)	(157,068)	(12,225)	(11,705)	(520)

The obligations from options of € 210,878 thousand (prior period: € 86,482 thousand) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlement. The options also relate to non-controlling interests of € 30,327 thousand (prior period: € 18,694 thousand).

In the 2015 reporting period, the liability from contingent purchase price installments for Dürr Systems Wolfsburg GmbH of € 400 thousand (prior period: € 396 thousand) was settled. As of December 31, 2015, obligations for Dürr Cyplan Ltd. of € 1,000 thousand (prior period: € 1,847 thousand) were also included.

For the disclosures required by IFRS 7, please refer to note 35.

### 33. INCOME TAX LIABILITIES AND OTHER LIABILITIES

#### 3.85 – INCOME TAX LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Income tax liabilities	41,728	32,907	8,821	8,821	–
(2014)	(29,474)	(28,996)	(478)	(478)	(–)
<b>December 31, 2015</b>	<b>41,728</b>	<b>32,907</b>	<b>8,821</b>	<b>8,821</b>	<b>–</b>
(December 31, 2014)	(29,474)	(28,996)	(478)	(478)	(–)

#### 3.86 – OTHER LIABILITIES

€ k	Total	Current	Total	Medium-term	Long-term
Tax liabilities not relating to income taxes	46,261	46,174	87	87	–
(2014)	(39,702)	(39,505)	(197)	(197)	(–)
Liabilities relating to social security	7,181	7,181	–	–	–
(2014)	(6,437)	(6,437)	(–)	(–)	(–)
Obligations to employees	168,456	162,555	5,901	5,901	–
(2014)	(132,661)	(128,636)	(4,025)	(4,025)	(–)
Other liabilities	1,745	1,745	–	–	–
(2014)	(2,469)	(2,469)	(–)	(–)	(–)
<b>December 31, 2015</b>	<b>223,643</b>	<b>217,655</b>	<b>5,988</b>	<b>5,988</b>	<b>–</b>
(December 31, 2014)	(181,269)	(177,047)	(4,222)	(4,222)	(–)

#### Employee profit participation

Obligations to employees include the carrying amount of the obligations to be paid from the termination of employee profit participation at several entities of the HOMAG Group of € 31,229 thousand. Most of the amount (€ 19,591 thousand) is due to the capital repayment. € 7,591 thousand is attributable to the regular contractual obligations under employee profit participation. The remaining € 4,047 thousand relates to a voluntary non-recurring compensation payment offered to the employees of the HOMAG Group upon termination of the employee profit participation program. In the prior period, obligations to employees contained the current portion of employee profit participation of € 6,116 thousand.

Expenses from employee profit participation are included in the cost of sales and functional costs as part of personnel expenses as well as in net interest.

**3.87 – EXPENSES FROM EMPLOYEE PROFIT PARTICIPATION**

€ k	2015	2014
Personnel expenses	16,073	1,411
Interest expenses from employee profit participation	2,047	810
<b>Expenses from employee profit participation</b>	<b>18,120</b>	<b>2,221</b>

The non-recurring expenses incurred by the termination of the plan as a result of actuarial adjustments of € 4,435 thousand are also included in the cost of sales and functional costs as part of personnel expenses.

For general explanations on employee profit participation at the HOMAG Group, we refer to note 6.

**34. SHARE-BASED PAYMENT**

There is a share-based long-term incentive (LTI) program in place for the members of the Board of Management and managers from top management of the Dürr Group. The program takes the form of tranches that are issued every year and have a term of three years each. A further tranche with a term from January 1, 2015, to December 31, 2017, was issued in the 2015 reporting period. The payments will be made upon expiry of the contractual term in each case after the following annual general meeting. The Supervisory Board is entitled to grant down-payments from the LTI to members of the Board of Management. If the amount due for payment upon expiry of the tranche falls below the down-payment, the respective member of the Board of Management is obliged to pay back the difference. Otherwise, premature pro rata payment is possible only if certain conditions are met upon exit from the Dürr Group.

Under the program, the beneficiaries receive an individually fixed number of phantom Dürr shares (performance share units). As of December 31, 2015, 166,680 phantom shares had been issued (prior period: 207,300 shares). At the end of the term of the incentive program, the benefits accrued are settled in cash.

The settlement is calculated on the number of phantom shares, the rounded share price on the closing date (share price multiplier) and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. There is a cap for the EBIT multiplier. Payment is capped 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 2015 reporting period, expenses of € 3,617 thousand (prior period: € 3,355 thousand) were recorded under administrative expenses for the LTI program. The amounts reported under other liabilities as of December 31, 2015, came to € 6,819 thousand (prior period: € 6,627 thousand). For information on the payments for the Board of Management please refer to the comments on Board of Management compensation in note 42.

### 35. 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.

#### 3.88 – MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2015	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
<b>Assets</b>					
Cash and cash equivalents	435,633	–	435,633	–	–
Cost and estimated earnings in excess of billings <sup>1</sup>	353,617	–	–	–	–
Trade receivables due from third parties	536,732	–	536,732	–	–
Trade receivables due from entities accounted for using the equity method	5,963	–	5,963	–	–
<b>Other non-derivative financial instruments</b>					
Sundry financial assets	28,342	–	28,342	–	–
Held-for-trading financial assets	2	–	–	–	2
Held-to-maturity investments	24,878	–	24,878	–	–
Available-for-sale financial assets	16,224	15,845	–	379	–
<b>Derivative financial assets</b>					
Derivatives not used for hedging	1,100	–	–	–	1,100
Derivatives used for hedging	3,371	–	–	2,349	1,022
<b>Liabilities</b>					
Trade payables	398,559	–	398,559	–	–
Trade payables due from entities accounted for using the equity method	516	–	516	–	–
Other non-derivative financial liabilities	38,509	–	38,509	–	–
Bond	296,910	–	296,910	–	–
Liabilities to banks	43,177	–	43,177	–	–
Finance lease liabilities	10,815	–	10,815	–	–
Obligations from options	241,205	–	210,878	30,327	–
Contingent purchase price installments	1,720	–	–	–	1,720
<b>Derivative financial liabilities</b>					
Derivatives not used for hedging	452	–	–	–	452
Derivatives used for hedging	22,381	–	–	16,992	5,389
<b>of which combined by measurement category in accordance with IAS 39</b>					
Held-for-trading financial assets	1,102	–	–	–	1,102
Loans and receivables	1,360,287	–	1,006,670	–	–
Held-to-maturity investments	24,878	–	24,878	–	–
Available-for-sale financial assets	16,224	15,845	–	379	–
Financial liabilities at fair value	32,499	–	–	30,327	2,172
Financial liabilities measured at amortized cost	999,364	–	999,364	–	–

<sup>1</sup> 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.

€ k	Carrying amount as of Dec. 31, 2014	AMOUNT RECOGNIZED AT			
		Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
<b>Assets</b>					
Cash and cash equivalents	521,957	–	521,957	–	–
Cost and estimated earnings in excess of billings <sup>1</sup>	366,308	–	–	–	–
Trade receivables due from third parties	479,493	–	479,493	–	–
Trade receivables due from entities accounted for using the equity method	5,401	–	5,401	–	–
Other non-derivative financial instruments					
Sundry financial assets	52,409	–	52,409	–	–
Held-for-trading financial assets	5,350	–	–	–	5,350
Held-to-maturity investments	25,313	–	25,313	–	–
Available-for-sale financial assets	15,973	15,588	–	385	–
Derivative financial assets					
Derivatives not used for hedging	1,438	–	–	–	1,438
Derivatives used for hedging	1,661	–	–	1,115	546
<b>Liabilities</b>					
Trade payables	364,538	–	364,538	–	–
Trade payables due from entities accounted for using the equity method	456	–	456	–	–
Other non-derivative financial liabilities					
Bond	296,388	–	296,388	–	–
Liabilities to banks	118,414	–	118,414	–	–
Finance lease liabilities	11,735	–	11,735	–	–
Obligations from options	105,176	–	86,482	18,694	–
Contingent purchase price installments	3,143	–	–	–	3,143
Derivative financial liabilities					
Derivatives not used for hedging	2,660	–	–	–	2,660
Derivatives used for hedging	13,042	–	–	12,264	778
<b>of which combined by measurement category in accordance with IAS 39</b>					
Held-for-trading financial assets	6,788	–	–	–	6,788
Loans and receivables	1,425,568	–	1,059,260	–	–
Held-to-maturity investments	25,313	–	25,313	–	–
Available-for-sale financial assets	15,973	15,588	–	385	–
Financial liabilities at fair value	24,497	–	–	18,694	5,803
Financial liabilities measured at amortized cost	923,285	–	923,285	–	–

<sup>1</sup> 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 established 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 levels:

### 3.89 – ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

€ k	Dec. 31, 2015	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
<b>Assets at fair value – not through profit or loss</b>				
Available-for-sale financial assets	379	379	–	–
Derivatives used for hedging	2,349	–	2,349	–
<b>Assets at fair value – through profit or loss</b>				
Held-for-trading financial assets	2	2	–	–
Derivatives not used for hedging	1,100	–	1,100	–
Derivatives used for hedging	1,022	–	1,022	–
<b>Liabilities at fair value – not through profit or loss</b>				
Obligations from options	30,327	–	–	30,327
Derivatives used for hedging	16,992	–	16,992	–
<b>Liabilities at fair value – through profit or loss</b>				
Liabilities from contingent purchase price installments	1,720	–	–	1,720
Derivatives not used for hedging	452	–	452	–
Derivatives used for hedging	5,389	–	5,389	–

€ k	Dec. 31, 2014	FAIR VALUE HIERARCHY		
		Level 1	Level 2	Level 3
<b>Assets at fair value – not through profit or loss</b>				
Available-for-sale financial assets	385	385	–	–
Derivatives used for hedging	1,115	–	1,115	–
<b>Assets at fair value – through profit or loss</b>				
Held-for-trading financial assets	5,350	5,350	–	–
Derivatives not used for hedging	1,438	–	1,438	–
Derivatives used for hedging	546	–	546	–
<b>Liabilities at fair value – not through profit or loss</b>				
Obligations from options	18,694	–	–	18,694
Derivatives used for hedging	12,264	–	12,264	–
<b>Liabilities at fair value – through profit or loss</b>				
Liabilities from contingent purchase price installments	3,143	–	–	3,143
Derivatives not used for hedging	2,660	–	2,660	–
Derivatives used for hedging	778	–	778	–

As of the end of each reporting period, an assessment is made as to whether there were reclassifications between the different hierarchy levels. No reclassifications were made between the fair value hierarchy levels in the 2015 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2015, gave rise to the following total gains and losses:

### 3.90 – TOTAL GAINS AND LOSSES ON ASSETS

€ k	2015	2014
<b>Recognized in profit or loss</b>		
Held-for-trading financial assets	25	286
Derivative financial instruments	2,104	1,742
<b>Recognized in equity</b>		
Available-for-sale financial assets	-6	29
Derivative financial instruments	2,265	1,141

### 3.91 – TOTAL GAINS AND LOSSES ON LIABILITIES

€ k	2015	2014
<b>Recognized in profit or loss</b>		
Liabilities from contingent purchase price installments	843	-152
Derivative financial instruments	-5,524	-2,656
<b>Recognized in equity</b>		
Obligations from options	-11,633	-2,032
Derivative financial instruments	-15,351	-11,817

### 3.92 – DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY

€ k	2015	2014
<b>As of January 1</b>	<b>21,837</b>	<b>18,605</b>
Changes in the consolidated group	-	900
Disposals	-580	-1,405
Change in fair value	10,790	3,737
<b>As of December 31</b>	<b>32,047</b>	<b>21,837</b>

The changes in the fair value of the liabilities reported in level 3 were reported in profit or loss or directly in equity.

### Valuation techniques

The fair value of the derivative financial assets and liabilities allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 "Fair Value Measurement", both the counterparty credit risk and own risk of default have been taken into account during measurement. Input factors that take into account the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institution involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by portfolio diversification and careful selection of counterparties. To calculate its own risk of default, Dürr uses information from credit institutions and insurance companies to derive a synthetic CDS for Dürr.

The fair value of the options and contingent purchase price installments allocated to level 3 in the fair value hierarchy is calculated based on contractual arrangements/internal planning data. This primarily includes expected results of each company on which the amount of the financial liability depends. An adjustment to the planning data is made if there are indications that warrant such a measure. If applicable, unwinding effects resulting from a convergence with the maturity date are also included in the valuation.

### Sensitivity level 3

For the obligations from options recognized in connection with the acquisition of the HOMAG Group, there are no sensitivities as a fixed price was agreed for the shares. For additional information, please refer to note 7.

Assuming that the parameters (equity and accumulated earnings before income taxes) had been 10 % higher (lower) on the earliest possible exercise date, the value of the put options for CPM S.p.A. allocated to level 3 of the fair value hierarchy, would have been € 2,748 thousand higher (lower) (prior period: no sensitivity).

The put option in connection with the acquisition of Dürr Thermea GmbH would not change if the planned EBIT of the company increased (decreased) by 10 % over the next three years. The call option (currently € 0 thousand) would also remain unchanged as the proportionate business value of Dürr Thermea GmbH does not exceed the capped exercise price on account of a 10 % variation in EBIT.



### 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).

#### 3.93 – FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED

€ k	DEC. 31, 2015		DEC. 31, 2014	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>Assets</b>				
Cash and cash equivalents	435,633	435,633	521,957	521,957
Costs and estimated earnings in excess of billings	353,617	353,617	366,308	366,308
Trade receivables due from third parties	536,732	536,732	479,493	479,493
Trade receivables due from entities accounted for using the equity method	5,963	5,963	5,401	5,401
Other non-derivative financial instruments				
Sundry financial assets	28,342	28,342	52,409	52,409
Held-to-maturity investments	25,420	24,878	26,082	25,313
<b>Liabilities</b>				
Trade payables	398,559	398,559	364,538	364,538
Trade payables due from entities accounted for using the equity method	516	516	456	456
Other non-derivative financial liabilities	38,509	38,509	45,272	45,272
Bond	313,500	296,910	319,500	296,388
Liabilities to banks	45,366	43,177	121,811	118,414
Finance lease liabilities	12,105	10,815	13,332	11,735
Obligations from options	210,878	210,878	86,482	86,482
<b>of which combined by measurement category in accordance with IAS 39</b>				
Loans and receivables	1,006,670	1,006,670	1,059,260	1,059,260
Held-to-maturity investments	25,420	24,878	26,082	25,313
Financial liabilities measured at amortized cost	1,019,433	999,364	951,391	923,285

Cash and cash equivalents, trade receivables, other receivables, trade payables, other non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of the held-to-maturity investments (fair value hierarchy level 1) is equal to the nominal value multiplied by the quoted price of the respective financial instrument.

It was not possible to determine the fair values of equity interests measured at cost of € 15,845 thousand because market prices were not available as no active markets existed. The equity interests in these twelve non-listed entities are disclosed under other investments in the statement of financial position. These equity interests were not measured by discounting future cash flows because they could not be reliably measured. In this case, it was assumed that their fair value approximates their carrying amount. At present Dürr does not have any plans to sell these equity interests.

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 Campus financing loan and several loans of the HOMAG Group, the fair value of liabilities approximates the carrying amount. The fair value of the bond (fair value hierarchy level 1) is calculated by multiplying the nominal value with the quoted price at the end of the reporting period. As of December 31, 2015, the bond was quoted at 104.50 % (prior period: 106.50 %) which is equal to a market value of € 313,500 thousand (prior period: € 319,500 thousand). The fair value of the Campus loan (fair value hierarchy level 2) and the loans of the HOMAG Group (fair value hierarchy level 2) are determined by discounting the cash flows with the current market interest rates for comparable loans.

The obligations from options measured at amortized cost (level 3 in the fair value hierarchy) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlement. Furthermore, the sundry financial liability due to the shareholder group Schuler/Klessmann from options from the prior period was remeasured. The financial liabilities are recognized in profit or loss in the subsequent measurement. The fair value is determined using a net present value model based on the contractually agreed cash settlement including compensation payment as well as the legal minimum interest rate and a discount rate with a matching term.

## Net gains and losses by measurement category

### 3.94 – NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

€ k	FROM SUBSEQUENT MEASUREMENT					Net gain or loss
	From interest	At fair value	Currency translation	Impairment	From disposals	
Held-for-trading financial assets	25	–	–	–	–	25
(2014)	(286)	(–)	(–)	(–)	(–)	(286)
Loans and receivables	7,171	–	7,430	– 835	– 243	13,523
(2014)	(7,514)	(–)	(937)	(– 3,353)	(– 470)	(4,628)
Held-to-maturity investments	657	–	–	–	–	657
(2014)	(675)	(–)	(–)	(–)	(–)	(675)
Financial liabilities at fair value through profit or loss	– 34	867	–	–	–	833
(2014)	(– 318)	(183)	(–)	(–)	(–)	(– 135)
Financial liabilities measured at amortized cost	– 30,264	–	– 398	–	–	– 30,662
(2014)	(– 23,658)	(–)	(– 126)	(–)	(–)	(– 23,784)
<b>2015</b>	<b>– 22,445</b>	<b>867</b>	<b>7,032</b>	<b>– 835</b>	<b>– 243</b>	<b>– 15,624</b>
(2014)	(– 15,501)	(183)	(811)	(– 3,353)	(– 470)	(– 18,330)

An amount of € –6 thousand was recognized directly in equity from measurement of available-for-sale securities (prior period: € 29 thousand).

### Financial assets which are subject to an enforceable master netting arrangement or a similar agreement

Some derivative financial instruments concluded with credit institutions are subject to certain contractual netting agreements which allow Dürr, in the event of a credit institution filing for insolvency, to offset certain financial assets against certain financial liabilities.

### 3.95 – DERIVATIVE FINANCIAL ASSETS SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2015	Dec. 31, 2014
Gross amounts of financial assets	4,471	3,099
Gross amounts of financial liabilities netted in the statement of financial position	–	–
<b>Net amounts of financial assets reported in the statement of financial position</b>	<b>4,471</b>	<b>3,099</b>
Associated amounts from financial instruments not netted in the statement of financial position	– 3,254	– 1,842
<b>Net amount</b>	<b>1,217</b>	<b>1,257</b>

### 3.96 – DERIVATIVE FINANCIAL LIABILITIES SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2015	Dec. 31, 2014
Gross amounts of financial liabilities	22,833	15,702
Gross amounts of financial assets netted in the statement of financial position	–	–
<b>Net amounts of financial liabilities reported in the statement of financial position</b>	<b>22,833</b>	<b>15,702</b>
Associated amounts from financial instruments not netted in the statement of financial position	–3,254	–1,842
<b>Net amount</b>	<b>19,579</b>	<b>13,860</b>

#### Pledges

At the end of the reporting period, financial assets of € 7,051 thousand (prior period: € 6,713 thousand) were mainly pledged as collateral for prepayments received from the project business.

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 2015 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 fund presented in the statement of cash flows contains 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. Cash of € 163,576 thousand (prior period: € 176,213 thousand) is restricted due to the restrictions on capital transfers in some Asian countries.

The cash flow from operating activities is derived indirectly from the earnings of the Group. Income tax payments are added to earnings before income taxes which is also adjusted for net interest and non-cash items. The latter includes amortization and depreciation of non-current assets, the profit from entities accounted for using the equity method and the net gain or loss on the disposal of property, plant and equipment. To derive the cash flow from operating activities, changes in the items of the statement of financial position that result from operating activities are then considered. Effects from foreign currency translation and changes in the consolidated group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows therefore do not necessarily match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 1,867 thousand (prior period: € 1,213 thousand) lower because that amount is already included in the net interest or investment income. Non-cash income and expenses includes € –442 thousand (prior period: € –1,222 thousand) from the impairment of non-current assets held for sale. The amount

relates to the impairment of the developed land in Germany. Non-cash income and expenses also contains € 877 thousand from the adjustment of the contingent purchase price installments for Dürr Cyplan Ltd. In the prior period, of the non-cash income and expenses € 2,779 thousand related to the sale of the aircraft assembly technology business activity, € -4,267 thousand to the sale of Dürr Automation S.A.S. and € 266 thousand to the property sold in the US. This was offset by the measurement of the purchase price obligations of Dürr Systems Wolfsburg GmbH of € 183 thousand.

The cash flow from operating activities contains effects of € 17,355 thousand from non-recourse financing (prior period: € 8,003 thousand).

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. Investments in non-current assets in connection with concluding or extending finance leases while simultaneously recognizing corresponding liabilities are not disclosed as these do not involve any cash outflow.

In the 2015 reporting period, the Dürr Group did not have any cash inflows from the disposals of other financial assets (prior period: € 5,427 thousand), but it did have cash inflows from investments in time deposits of € 26,098 thousand (prior period: € 26,593 thousand). Cash outflows from the acquisition of other financial assets amounted to € 6 thousand (prior period: € 4,014 thousand). Cash flows result from the investment strategy to improve net interest. This involves Dürr investing its free liquidity in higher interest-bearing securities from European issuers.

The cash outflows of € 31,509 thousand (prior period: € 207,349 thousand) related to business combinations net of cash acquired, reported under the cash flow from investing activities, include € 29,863 thousand from the purchase of the iTAC entities and € 1,246 thousand from other acquisitions. The item contains cash and cash equivalents of € 2,326 thousand, of which € 1,376 thousand relates to the acquisition of the iTAC entities and € 950 thousand to other acquisitions. The item also contains the payment of the contingent purchase price installment for Dürr Systems Wolfsburg GmbH of € 400 thousand. In the prior period, the cash outflows resulted from the business combinations net of cash acquired of € 207,349 thousand from the acquisition of the HOMAG Group of € 228,053 thousand and of € 12,322 thousand from other acquisitions. The item contained cash and cash equivalents of € 33,026 thousand, of which € 32,383 thousand related to the acquisition of the HOMAG Group and € 643 thousand to other acquisitions. For further details on business combinations, please refer to note 19.

In the prior period, the sale of the aircraft assembly technology business activity to the Broetje Group, which was reclassified as held for sale, resulted in a cash outflow of € 2,967 thousand from non-recurring expenses incurred from the sale. The equity investment of € 12,360 thousand acquired in this connection was offset against the assets sold. The sale of a plot of land in the US, which was also classified as held for sale, caused € 1,276 thousand to flow to Dürr. Transaction costs in connection with the sale of Dürr Automation S.A.S. in France resulted in a cash outflow of € 809 thousand.

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and cash paid to shareholders and non-controlling interests, interest paid for the bond and other financing activities. It also includes the payments made to settle liabilities under the terms of finance leases and other non-current loans. The line item "Change in current bank liabilities and other financing activities" mainly contains cash inflows and outflows from overdraft facilities.

In order to incorporate the HOMAG Group into the group financing, non-current loans were repaid including the syndicated loan of the HOMAG Group of € 60,054 thousand and a loan in US dollars of € 13,582 thousand.

Dürr acquired an additional 57.6 % of the shares in Dürr Thermea GmbH in the 2015 reporting period. The purchase price for these shares was € 8,234 thousand. Pursuant to IAS 7 "Statement of Cash Flows", the cash outflow for the additional shares was contained in the cash flow from financing activities under the item "Cash paid for transactions with non-controlling interests", as the entity was already previously fully consolidated in the Dürr Group. In the prior period, Dürr acquired the remaining 19.9 % of the shares in Luft- und Thermotechnik Bayreuth GmbH. The purchase price for the second tranche amounted to € 1,405 thousand, with the total purchase price for 100 % of the shares amounting to € 10,387 thousand. In the 2014 reporting period, a capital increase of € 1,000 thousand was performed at Dürr Thermea GmbH. Of this capital increase, € 500 thousand was attributable to Dürr and € 500 thousand to non-controlling interests.

The Group has unused credit lines and bank guarantees of € 674,998 thousand (prior period: € 615,590 thousand). For more information on the financing of the Group, please refer to note 31. A breakdown by division of the Dürr Group of the cash flows from operating activities, investing activities and financing activities can be found in note 37.

A more detailed explanation of the statement of cash flows can be found in the section on "Financial development" in the group management report.

## OTHER NOTES

### 37. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The presentation of segments is designed to provide details on the results of operations, net assets and financial position of individual activities.

The reporting is based on the divisions of the Group. As of December 31, 2015, the Dürr Group consisted of the Corporate Center and five divisions differentiated by product and service range, each with global responsibility for their products and results. The Corporate Center mainly comprises Dürr AG and Dürr Technologies GmbH as the holding companies and Dürr IT Service GmbH, which performs IT services throughout the Group. Transactions between the divisions are carried out at arm's length.

### Paint and Final Assembly Systems division

Paint and Assembly Systems plans and builds turnkey paint systems and final assembly lines for the automotive industry. As system partner, the division oversees the complete product management from the layout planning to start of production. It also offers software for the overarching production control.

### Application Technology division

Application Technology develops and manufactures products and systems for automated painting applications, such as painting robots, atomizers and paint supply equipment. Other activities include sealing technology for seams in bodywork and glueing technology for bodywork and the final assembly of vehicles.

Business with paint technology products for general industry applications is also part of the division's activities.

### Measuring and Process Systems division

Measuring and Process Systems offers balancing and diagnostics equipment, test, assembly and filling technology as well as industrial cleaning technology and surface treatment systems. Besides the automotive industry, the division serves industries such as mechanical engineering, electrical engineering or aerospace.

### Clean Technology Systems division

Clean Technology Systems offers technology for purifying exhaust gases and products to increase the energy efficiency of industrial processes. The exhaust gas purification systems are used not only in the chemical and pharmaceutical industries, among others, but also in industries such as printing, wood processing, carbon fiber manufacturing and automotive manufacturing. The division develops and distributes equipment to generate electricity from the heat and waste heat from industrial processes and other technologies aimed at improving energy efficiency.

### Woodworking Machinery and Systems division

The Woodworking Machinery and Systems division's core products include compound and light-weight panel systems, throughfeed saws, laminating systems for surfaces and edges as well as edge banding machines, processing centers and handling systems. Customers include the woodworking industry and cabinet makers. On the HOMAG Group's plant and machinery, customers produce home and office furniture, kitchens, parquet and laminate flooring, windows, doors, stairs as well as complete wooden house construction systems.

The basis for segment reporting in accordance with IFRS 8 is the same as that used internally (management approach). Management monitors the EBIT (earnings before investment income, interest and income taxes) of each of its five divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance as well as the development of the segments. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

## 3.97 – SEGMENT REPORTING

€ k	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Wood-working Machinery and Systems	Total segments	Reconciliation <sup>1</sup>	Dürr Group
<b>2015</b>								
External sales revenues	1,364,551	599,672	603,670	159,234	1,039,323	3,766,450	644	3,767,094
Sales revenues with other divisions	8,068	4,842	11,379	3,135	2	27,426	-27,426	-
<b>Total sales revenues</b>	<b>1,372,619</b>	<b>604,514</b>	<b>615,049</b>	<b>162,369</b>	<b>1,039,325</b>	<b>3,793,876</b>	<b>-26,782</b>	<b>3,767,094</b>
EBIT	100,182	60,826	69,772	5,790	36,647	273,217	-5,431	267,786
Earnings from entities accounted for using the equity method	-	-	2,306	-	-730	1,576	-	1,576
Cash flow from operating activities	10,144	64,745	45,523	7,257	75,911	203,580	-30,612	172,968
Cash flow from investing activities	-44,287	-26,980	-9,664	-7,348	-24,963	-113,242	18,812	-94,430
Cash flow from financing activities	-7,282	-26,014	-34,381	2,533	-57,663	-122,807	-39,543	-162,350
Amortization and depreciation	-9,160	-8,232	-9,321	-2,283	-45,144	-74,140	-5,183	-79,323
Impairment of intangible assets and property, plant, and equipment	-	-	-	-	-2,368	-2,368	-	-2,368
Other non-cash income and expenses	3	-	-16	876	-566	297	-2	295
Additions to intangible assets	12,263	2,498	2,806	1,563	16,230	35,360	4,087	39,447
Additions to property, plant and equipment	21,850	25,344	7,880	5,945	13,511	74,530	710	75,240
Investments in entities accounted for using the equity method	-	-	17,309	-	10,913	28,222	-	28,222
Assets (as of Dec. 31)	551,282	480,638	490,812	114,292	795,410	2,432,434	-583	2,431,851
Liabilities (as of Dec. 31)	665,068	298,238	201,416	61,491	321,470	1,547,683	213,798	1,761,481
Employees (as of Dec. 31)	3,374	1,858	2,992	499	5,906	14,629	221	14,850

<sup>1</sup> The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.



€ k	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Wood- working Machinery and Systems <sup>2</sup>	Total segments	Recon- ciliation <sup>1</sup>	Dürr Group
<b>2014</b>								
External sales revenues	1,078,234	525,980	581,909	135,951	252,815	2,574,889	18	2,574,907
Sales revenues with other divisions	7,782	11,407	9,970	2,504	–	31,663	–31,663	–
<b>Total sales revenues</b>	<b>1,086,016</b>	<b>537,387</b>	<b>591,879</b>	<b>138,455</b>	<b>252,815</b>	<b>2,606,552</b>	<b>–31,645</b>	<b>2,574,907</b>
EBIT	106,204	55,108	70,303	7,640	–7,866	231,389	–10,476	220,913
Earnings from entities accounted for using the equity method	–	–	1,839	–	–410	1,429	–	1,429
Cash flow from operating activities	141,795	36,665	83,734	3,681	49,566	315,441	–24,188	291,253
Cash flow from investing activities	–1,074	–22,188	–7,765	–4,371	–9,630	–45,028	–179,291	–224,319
Cash flow from financing activities	–140,669	16,485	–70,847	–1,198	–22,483	–218,712	198,724	–19,988
Amortization and depreciation	–6,997	–6,723	–8,991	–1,960	–13,615	–38,286	–3,495	–41,781
Impairment of intangible assets and property, plant, and equipment	–	–	–16	–160	–395	–571	–	–571
Other non-cash income and expenses	–2	181	–4,000	–2	31	–3,792	2,785	–1,007
Additions to intangible assets	2,012	4,648	1,392	1,355	112,867	122,274	2,594	124,868
Additions to property, plant and equipment	12,899	9,580	8,416	2,531	5,658	39,084	845	39,929
Investments in entities accounted for using the equity method	–	–	13,520	–	11,067	24,587	–	24,587
Assets (as of Dec. 31)	500,509	463,333	460,043	97,969	798,923	2,320,777	–5,410	2,315,367
Liabilities (as of Dec. 31)	725,087	294,124	205,803	50,670	304,861	1,580,545	87,904	1,668,449
Employees (as of Dec. 31)	3,069	1,784	3,018	473	5,659	14,003	148	14,151

<sup>1</sup> The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.

<sup>2</sup> Figures from the date of first-time consolidation October 3, 2014

**3.98 – RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP**

€ k	2015	2014
EBIT of the segments	273,217	231,389
EBIT of the Corporate Center	-6,668	-10,826
Elimination of consolidation entries	1,237	350
<b>EBIT of the Dürr Group</b>	<b>267,786</b>	<b>220,913</b>
Earnings from entities accounted for using the equity method	1,576	1,429
Other investment income	358	49
Interest and similar income	8,246	8,686
Interest and similar expenses	-33,454	-26,356
<b>Earnings before income taxes</b>	<b>244,512</b>	<b>204,721</b>
Income taxes	-77,950	-54,422
<b>Profit of the Dürr Group</b>	<b>166,562</b>	<b>150,299</b>

€ k	Dec. 31, 2015	Dec. 31, 2014
Segment assets	2,432,434	2,320,777
Assets of the Corporate Center	986,137	827,764
Elimination of consolidation entries	-986,720	-833,174
Cash and cash equivalents	435,633	521,957
Time deposits and other short-term securities	8,684	34,769
Held-to-maturity securities and other loans	25,183	25,881
Investments in entities accounted for using the equity method	28,222	24,587
Income tax receivables	21,554	12,533
Deferred tax assets	35,535	41,030
<b>Total assets of the Dürr Group</b>	<b>2,986,662</b>	<b>2,976,124</b>
Segment liabilities	1,547,683	1,580,545
Liabilities of the Corporate Center	253,373	123,330
Elimination of consolidation entries	-39,575	-35,426
Bond	296,910	296,388
Liabilities to banks	43,177	118,414
Finance lease liabilities	10,815	11,735
Income tax liabilities	41,728	29,474
Deferred tax liabilities	118,133	125,896
<b>Total liabilities of the Dürr Group<sup>1</sup></b>	<b>2,272,244</b>	<b>2,250,356</b>

<sup>1</sup> Consolidated total assets less total equity

### Regional segmentation

Sales revenues are allocated to regions based on the location of the project or delivery locations. The Group's assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33, they include all non-current assets of the Group except for financial instruments and deferred tax assets.

#### 3.99 – REGIONAL SEGMENTATION

€ k	Germany	Other European countries	North/Central America	South America	Asia/Africa/Australia	Dürr Group
<b>2015</b>						
External sales revenues	528,085	1,126,860	775,002	120,784	1,216,363	3,767,094
Additions to property, plant and equipment	21,581	5,790	32,389	565	14,915	75,240
Non-current assets (as of Dec. 31)	708,417	192,005	119,807	12,033	63,807	1,096,069
Employees (as of Dec. 31)	8,026	2,165	1,256	382	3,021	14,850
<b>2014</b>						
External sales revenues	391,741	693,311	434,415	178,029	877,411	2,574,907
Additions to property, plant and equipment	24,384	7,209	4,112	1,308	2,916	39,929
Non-current assets (as of Dec. 31)	675,628	196,711	90,350	15,388	51,730	1,029,807
Employees (as of Dec. 31)	7,749	2,180	1,134	419	2,669	14,151

In the 2015 reporting period, sales revenues in China came to € 989,359 thousand (prior period: € 720,277 thousand) and in the US to € 537,722 thousand (prior period: € 289,777 thousand).

In the 2015 reporting period, 13.9 % of consolidated net sales revenues were generated with one customer compared to 14.7 % in the prior period. These are attributable to the divisions Paint and Final Assembly Systems, Application Technology, Measuring and Process Systems, Clean Technology Systems and Woodworking Machinery and Systems. The second and third-largest customers accounted for shares of 5.1 % (prior period: 7.0 %) and 4.7 % (prior period: 5.2 %) respectively, and were attributable to the Paint and Final Assembly Systems, Application Technology, Measuring and Process Systems and Clean Technology Systems. Entities that are known to be under common control are considered together as one customer.

### 38. RELATED PARTY TRANSACTIONS

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

Some members of the Supervisory Board of Dürr AG hold high-ranking positions in other entities. Transactions between these entities and Dürr are carried out at arm's length. For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to note 42.

Related parties include entities accounted for using the equity method and non-consolidated subsidiaries of the Dürr Group.

In the 2015 reporting period, there were intercompany transactions between Dürr and its related parties of € 95,536 thousand (prior period: € 18,316 thousand). The increase is due to including the HOMAG Group in the consolidated financial statements for the entire reporting period; in the prior period, deliveries of goods and services by HOMAG Group were only taken into account from October 3, 2014. As of December 31, 2015, outstanding receivables from joint related parties totaled € 7,140 thousand (prior period: € 5,457 thousand), while trade payables to related parties amounted to € 2,129 thousand (prior period: € 7,051 thousand). Both the receivables and liabilities are current. Prepayments received of € 14,379 thousand (prior period: € 5,830 thousand) from related parties are also included in the statement of financial position.

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

### 39. CONTINGENT LIABILITIES

#### 3.100 – CONTINGENT LIABILITIES

€ k	Dec. 31, 2015	Dec. 31, 2014
Contingent liabilities from warranties, guarantees, notes and check guarantees	11,662	4,462
Collateral pledged for third-party liabilities	10,552	16,143
Other	24,479	38,670
	<b>46,693</b>	<b>59,275</b>

In connection with the transfer of the aircraft assembly technology business activity to the Broetje Group in the 2014 reporting period, collateral was pledged for third-party liabilities and contingent liabilities recognized. Remaining contingent liabilities primarily relate to non-recourse financing as well as pending tax proceedings in Brazil. Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

Until its termination, the syndicated loan agreement of the HOMAG Group was secured by a blanket assignment of receivables from goods, services and work contracts.

### 40. OTHER FINANCIAL OBLIGATIONS

#### 3.101 – OTHER FINANCIAL OBLIGATIONS

€ k	Dec. 31, 2015	Dec. 31, 2014
Future minimum payments for operating leases	122,059	135,106
Future minimum payments for finance leases	12,245	13,380
Purchase obligation for property, plant and equipment	6,467	2,230
	<b>140,771</b>	<b>150,716</b>

The obligations for the purchase of property, plant and equipment primarily include obligations for the construction of a new campus in the US. In addition to the obligations listed in the following table, there are purchase commitments stemming from procurement agreements on a customary scale.

#### 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:

#### 3.102 – NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES

€ k	Dec. 31, 2015	Dec. 31, 2014
Less than one year	28,680	26,881
Between one and five years	52,813	56,816
More than five years	40,566	51,409
	<b>122,059</b>	<b>135,106</b>

In the 2015 reporting period, expenses of € 36,974 thousand (prior period: € 29,387 thousand) were recorded in the statement of income for operating leases.

#### Finance leases

The Group has entered into finance lease agreements for various items of property, plant and equipment and software. Leased assets are pledged as security for the obligations from the related finance lease.

Future minimum lease payments are reconciled to the liabilities as follows:

#### 3.103 – NOMINAL VALUES OF FINANCE LEASES

€ k	DEC. 31, 2015			DEC. 31, 2014		
	Minimum lease payments	Interest contained in the lease payments	Finance lease liabilities	Minimum lease payments	Interest contained in the lease payments	Finance lease liabilities
Less than one year	2,876	419	2,457	4,395	477	3,918
Between one and five years	7,661	869	6,792	6,541	960	5,581
More than five years	1,708	142	1,566	2,444	208	2,236
	<b>12,245</b>	<b>1,430</b>	<b>10,815</b>	<b>13,380</b>	<b>1,645</b>	<b>11,735</b>

#### 41. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates in countries in which there are political and economic risks. These risks did not have any material effect on the Group in the 2015 reporting period. Dürr may be involved in litigation, including product liability, in the ordinary course of business. There are no matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. Dürr is generally exposed to financial risks. These include mainly credit risks, liquidity risks and exposure to interest rate changes or currency risks. The regulations for a group-wide risk policy are set forth in the Group's guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the group management report.

##### Credit risk

Credit risk relates to the possibility that business partners may fail to meet their obligations in a transaction involving non-derivative and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses respective terms of payment as well as letters of credit, trade credit insurance policies and federal government guarantees to further limit the risk of default.

##### 3.104 – RECEIVABLES SECURED AGAINST DEFAULT

€ k	Dec. 31, 2015	Dec. 31, 2014
Letters of credit	7,422	5,419
Trade credit insurance policies	7,574	19,045
Federal government guarantees	799	1,668
	<b>15,795</b>	<b>26,132</b>

Furthermore, the Dürr Group had non-recourse financing of € 17,355 thousand (prior period: € 25,028 thousand) as of December 31, 2015, primarily in connection with sales financing.

In connection with the investment of liquid funds, investments as part of financial asset management and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the credit institutions and companies fail to meet their obligations. Dürr manages the resulting risk position by diversifying its portfolio and selecting its counterparties carefully. No cash and cash equivalents, investments of active asset management or derivative financial assets were past due or impaired due to credit defaults.

### Dependence on few customers

Even after the acquisition of the HOMAG Group, the development of Dürr hinges to a large extent on the willingness of the automotive industry to invest. A significant portion of sales revenues is generated with a limited number of customers as 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, 2015, 50.7 % (prior period: 51.0 %) of the trade receivables were due from ten (prior period: ten) customers. The total receivables disclosed contain bad debt allowances of € 11,032 thousand (prior period: € 8,897 thousand). The maximum default risk is shown by the carrying amount of receivables recognized in the statement of financial position. 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 and was increased further with the acquisition of the HOMAG Group.

### Liquidity risk

Liquidity risk is the risk that the Group may not be in a position to meet its obligations in the future, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. 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 syndicated loan agreement of Dürr AG, which expires on March 21, 2021, can be terminated prematurely by the banking syndicate if a certain financial covenant is not complied with. The financial covenant includes certain targets relating to the gearing ratio. In the 2015 reporting period, the financial covenants were complied with as of each cut-off date. For additional information, please refer to note 31.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

### 3.105 – INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

€ k	Carrying amount Dec. 31, 2015	CASH FLOWS					From 2020 onwards
		2016	2017	2018	2019		
<b>Non-derivative financial liabilities</b>							
Trade payables	398,559	397,950	54	43	299	213	
Trade payables due from entities accounted for using the equity method	516	516	–	–	–	–	
Sundry financial liabilities	38,509	31,809	5,145	920	21	614	
Bond	296,910	8,625	8,625	8,625	8,625	317,250	
Liabilities to banks	43,177	6,176	5,609	4,879	4,022	33,451	
Finance lease liabilities	10,815	2,876	2,239	2,055	1,756	3,319	
Obligations from options	241,205	211,724 <sup>1</sup>	29,481	–	–	–	
Contingent purchase price installments	1,720	1,180	180	180	180	–	
<b>Derivative financial liabilities</b>							
Derivatives not used for hedging	452	438	14	–	–	–	
Derivatives used for hedging	22,381	21,340	1,041	–	–	–	

€ k	Carrying amount Dec. 31, 2014	CASH FLOWS					From 2019 onwards
		2015	2016	2017	2018		
<b>Non-derivative financial liabilities</b>							
Trade payables	364,538	364,030	161	49	43	255	
Trade payables due from entities accounted for using the equity method	456	456	–	–	–	–	
Sundry financial liabilities	45,272	37,075	6,755	1	920	521	
Bond	296,388	8,625	8,625	8,625	8,625	325,875	
Liabilities to banks	118,414	19,940	11,844	8,565	8,574	84,940	
Finance lease liabilities	11,735	4,393	2,210	1,438	1,485	3,853	
Obligations from options	105,176	105,176 <sup>2</sup>	–	–	–	–	
Contingent purchase price installments	3,143	1,080	180	680	680	680	
<b>Derivative financial liabilities</b>							
Derivatives not used for hedging	2,660	2,646	14	–	–	–	
Derivatives used for hedging	13,042	11,099	1,943	–	–	–	

<sup>1</sup> The cash flows for obligations from options in 2016 relate primarily to the sundry financial liability recognized under the domination and profit and loss transfer agreement with HOMAG Group AG. The expected cash flows were classified as current. However, the options can also be exercised with differing terms. For additional information, please refer to note 7.

<sup>2</sup> The cash flows for obligations from options in 2015 primarily related to options for shares held by non-controlling interests which were recognized in connection with the acquisition of the HOMAG Group under sundry financial liabilities in the amount of € 86,482 thousand. The expected cash flows were classified as current. However, the options can also be exercised with differing terms.



### 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 86 months (prior period: 86 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 holds financial instruments are relevant risk variables.

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 and 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 currency reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are most relevant for Dürr. This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, of the euro against the US dollar, the Chinese renminbi, the pound sterling, the Danish krone as well as an appreciation and depreciation of the US dollar against the Mexican peso.

## 3.106 – IMPACT ON THE STATEMENT OF INCOME AND EQUITY

€ k	DEC. 31, 2015		DEC. 31, 2014	
	Impact on the statement of income	Impact on the hedge reserve in equity	Impact on the statement of income	Impact on the hedge reserve in equity
<b>EUR/USD</b>				
EUR +10%	252	12,357	3,081	8,630
EUR -10%	-293	-15,070	-3,295	-10,572
<b>EUR/CNY</b>				
EUR +10%	-2,517	4,602	-2,691	458
EUR -10%	2,625	-4,072	3,289	-559
<b>EUR/GBP</b>				
EUR +10%	225	507	307	810
EUR -10%	-271	-617	-249	-946
<b>EUR/DKK</b>				
EUR +10%	51	230	-366	312
EUR -10%	-342	-309	458	-369
<b>USD/MXN</b>				
USD +10%	918	-2,911	1,722	-1,779
USD -10%	-1,119	3,510	-2,103	2,162

**Interest rate risk**

Interest rate risks arise from fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

In 2014, HOMAG Group AG entered into interest rate swaps for existing loans of originally € 60,000 thousand drawn under the syndicated loan agreement concluded in 2012. As of December 31, 2014, the nominal amount of the interest rate swaps came to € 52,500 thousand. The changes in cash flows from the hedged transactions resulting from changes in the Euribor rate are offset by changes in cash flows (compensation payments) from the interest rate swap. The aim of the hedging measures was to transform the variable-rate financial liabilities into fixed-interest financial liabilities and thus to hedge the risks in the cash flow from the financial liabilities. Credit risks were not hedged.

Dürr has cash and cash equivalents that are subject to fluctuation in interest rates as of December 31, 2015. A hypothetical increase in these interest rates of 25 base points per year would have caused a € 1,049 thousand (prior period: € 1,196 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a € 1,049 thousand (prior period: € 1,196 thousand) decrease in interest income.

### Other price risks

In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variables on the price of financial instruments. The main risk variables include stock market prices and indices.

As of December 31, 2015, 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 35 for more information on the price risk of the options disclosed as a level 3 financial instrument and the liabilities 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 and interest rates on 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 (credit institutions) 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 and to hedge loans.

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 periods for which they were designated.

Depending on their market value at the end of the reporting period, derivative financial instruments are reported under sundry financial assets (positive market value) or sundry financial liabilities (negative market value) respectively.

### 3.107 – SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

€ k	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Interest rate swaps in connection with cash flow hedges	–	52,500	–	–	–	406
Forward exchange contracts	735,951	521,960	4,471	3,099	22,833	15,296
of which in connection with cash flow hedges	417,065	232,189	2,349	1,115	16,992	11,858
of which in connection with fair value hedges	130,900	54,500	1,022	546	5,389	778
of which not used for hedging	187,986	235,271	1,100	1,438	452	2,660

The fair value of the financial instruments was estimated using the following methods and assumptions. The fair values of the forward exchange contracts were estimated at the present value of cash flows on the basis of the difference between the contractually agreed forward exchange rates and the forward rate prevailing at the end of the reporting period. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows based on current market parameters.

#### 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 2015 reporting period, an unrealized result was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € -1,973 thousand recognized in equity (prior period: € -7,895 thousand).

In addition, € 2,744 thousand (prior period: € 5,254 thousand) was reclassified in the 2015 reporting period from other comprehensive income to profit or loss and disclosed in sales revenues or cost of sales in the statement of income, thus decreasing profit.

The effect on earnings (before income taxes) expected for the 2016 reporting period from the amounts recognized in other comprehensive income at the end of the reporting period comes to € -6,154 thousand. In the 2017 and 2018 reporting periods, accumulated effects on earnings are expected to total € -200 thousand.

A loss of € 4,428 thousand was recognized in the statement of income from derivative financial instruments classified as fair value hedges (prior period: loss of € 527 thousand). Measuring the hedged items as of the reporting date gave rise to a gain of approximately the same amount. In the 2015 and 2014 reporting periods, there were no further material effects on earnings arising from ineffectiveness apart from the effect described above.

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.

#### 42. OTHER NOTES

##### Declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG

The declaration of compliance prescribed by Sec. 161 AktG was submitted by the Board of Management and the Supervisory Board of Dürr AG in Bietigheim-Bissingen on December 16, 2015, and made accessible to the shareholders on the internet. For additional information, please refer to the group management report.

### Headcount

The headcount of employees in the Dürr Group breaks down as of December 31, 2015, and as an average over the 2015 reporting period as follows:

#### 3.108 – EMPLOYEES AS OF THE END OF THE REPORTING PERIOD

	Dec. 31, 2015	Dec. 31, 2014
Wage earners	6,995	6,374
Salaried employees	6,942	6,919
<b>Employees without interns/trainees/others</b>	<b>13,937</b>	<b>13,293</b>
Interns/trainees/others	913	858
<b>Total employees</b>	<b>14,850</b>	<b>14,151</b>

#### 3.109 – AVERAGE HEADCOUNT DURING THE YEAR

	2015	2014
Wage earners	6,778	4,093
Salaried employees	6,818	5,145
<b>Employees without interns/trainees/others</b>	<b>13,596</b>	<b>9,238</b>
Interns/trainees/others	893	556
<b>Total employees</b>	<b>14,489</b>	<b>9,794</b>

### 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:

#### 3.110 – AUDITOR'S FEES

€ k	2015	2014
Audit of the financial statements	1,414	1,449
Other attest services	13	106
Tax advisory services	330	168
Other services	133	5
	<b>1,890</b>	<b>1,728</b>

### Subsequent events

There were no extraordinary events that took place between the end of the reporting period and the publication of this report.

### Authorization for issue and publication of the consolidated financial statements as of December 31, 2015

The consolidated financial statements and group management report of Dürr AG prepared by the Board of Management as of December 31, 2015, were authorized at the meeting of the Board of Management on March 8, 2016, for issue to the Supervisory Board and are scheduled for publication in the 2015 annual report on March 17, 2016.

## 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 Final Assembly Systems division
- Application Technology division
- Measuring and Process Systems division
  
- Carl Schenck AG, Darmstadt<sup>1</sup> (Chairman)
- Dürr Systems GmbH, Stuttgart<sup>1</sup> (Chairman)
- HOMAG Group AG, Schopfloch<sup>1,2</sup> (Chairman until October 8, 2015)
- iTAC Software AG, Montabaur<sup>1</sup> (Chairman since December 4, 2015)
- Körber AG, Hamburg
- Schuler AG, Göppingen<sup>2</sup>
  
- Andritz AG, Graz/Austria<sup>2</sup> (stepped down as of March 30, 2016)
- Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/PR China<sup>1</sup> (Supervisor)

### Ralph Heuwing

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents, Information Technology, Global Sourcing
- Clean Technology Systems division
- Woodworking Machinery and Systems division
- Dürr Consulting
  
- Carl Schenck AG, Darmstadt<sup>1</sup>
- Dürr Systems GmbH, Stuttgart<sup>1</sup> (since March 1, 2016)
- HOMAG Group AG, Schopfloch<sup>1,2</sup> (since October 1, 2015, Chairman since October 8, 2015)
- MCH Management Capital Holding AG, Munich
  
- Dürr India Pvt. Ltd., Chennai/India<sup>1</sup> (until May 27, 2015)

• 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)

<sup>1</sup> Group boards

<sup>2</sup> listed

### 3.111 – COMPENSATION FOR THE BOARD OF MANAGEMENT: BENEFITS GRANTED

€	RALF W. DIETER CEO				RALPH HEUWING CFO			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Basic compensation (fixed compensation)	700,000	800,000	800,000	800,000	575,000	650,000	650,000	650,000
Fringe benefits (payments in kind, allowances related to insurance premiums, etc.)	26,103	47,594	47,594	47,594	28,023	35,938	35,938	35,938
<b>Total</b>	<b>726,103</b>	<b>847,594</b>	<b>847,594</b>	<b>847,594</b>	<b>603,023</b>	<b>685,938</b>	<b>685,938</b>	<b>685,938</b>
One-year variable compensation (short-term incentive – STI)	1,200,000	1,445,120	–	1,600,000	1,100,000	1,300,608	–	1,440,000
Total of multi-year variable compensation (long-term incentive – LTI)	1,300,000	1,200,000	–	1,200,000	1,300,000	1,200,000	–	1,200,000
Variable compensation – LTI 2012–2014	500,000	–	–	–	500,000	–	–	–
Variable compensation – LTI 2013–2015	400,000	400,000	–	400,000	400,000	400,000	–	400,000
Variable compensation – LTI 2014–2016	400,000	400,000	–	400,000	400,000	400,000	–	400,000
Variable compensation – LTI 2015 –2017	–	400,000	–	400,000	–	400,000	–	400,000
Other variable compensation	–	200,000	–	350,000	–	200,000	–	300,000
<b>Total</b>	<b>3,226,103</b>	<b>3,692,714</b>	<b>847,594</b>	<b>3,997,594</b>	<b>3,003,023</b>	<b>3,386,546</b>	<b>685,938</b>	<b>3,625,938</b>
Benefit obligation contribution	170,000	200,000	200,000	200,000	147,500	175,000	175,000	175,000
<b>Total compensation</b>	<b>3,396,103</b>	<b>3,892,714</b>	<b>1,047,594</b>	<b>4,197,594</b>	<b>3,150,523</b>	<b>3,561,546</b>	<b>860,938</b>	<b>3,800,938</b>

The fixed compensation of Mr. Heuwing, who took over as CEO of HOMAG Group AG from December 1, 2014 to August 31, 2015, was shared equally by Dürr AG and HOMAG Group AG.

## 3.112 – COMPENSATION FOR THE BOARD OF MANAGEMENT: PAYMENTS MADE

€	RALF W. DIETER CEO		RALPH HEUWING CFO	
	2014	2015	2014	2015
Basic compensation (fixed compensation)	700,000	800,000	575,000	650,000
Fringe benefits (payments in kind, allowances related to insurance premiums, etc.)	26,103	47,594	28,023	35,938
<b>Total</b>	<b>726,103</b>	<b>847,594</b>	<b>603,023</b>	<b>685,938</b>
One-year variable compensation (STI)	1,000,000	1,200,000	900,000	1,100,000
Multi-year variable compensation (LTI)	1,200,000	1,500,000	1,240,000	1,500,000
Other variable compensation	–	200,000	–	200,000
<b>Total</b>	<b>2,926,103</b>	<b>3,747,594</b>	<b>2,743,023</b>	<b>3,485,938</b>
Benefit obligation contribution	170,000	200,000	147,500	175,000
<b>Total compensation</b>	<b>3,096,103</b>	<b>3,947,594</b>	<b>2,890,523</b>	<b>3,660,938</b>

As payment of the third LTI tranche (term between 2012 and 2014), the Board of Management received a total of € 3,000 thousand, which was paid out following the 2015 annual general meeting. In the prior period, the Board of Management received a total of € 3,000 thousand from the second LTI tranche (term between 2011 and 2013). Of this, € 2,440 thousand was paid out following the 2014 annual general meeting. An advance payment of € 560 thousand had already been made in 2012.

In December 2015, the Board of Management received an advance payment of € 1,500 thousand (prior period: € 1,500 thousand) on the short-term performance-based compensation for the reporting period.

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 Group's internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made. This can lead to the final payments from the respective LTI tranches being higher or lower than those reported under liabilities. For more information about the share-based payment, please refer to note 34.

Former members of the Board of Management received pension payments of € 1,876 thousand in the 2015 reporting period (prior period: € 1,811 thousand). Pension provisions for this group of persons amounted to € 4,730 thousand as of December 31, 2015 (prior period: € 3,188 thousand).



## MEMBERS OF THE SUPERVISORY BOARD

### Klaus Eberhardt<sup>1,4,5</sup>

Independent consultant, former Chairman of the Board of Management of Rheinmetall AG, Düsseldorf  
Chairman

- ElringKlinger AG, Dettingen/Erms<sup>6</sup>
- MTU Aero Engines AG, Munich<sup>6</sup> (Chairman)

### Hayo Raich<sup>1,3,4</sup>

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)

### Karl-Heinz Streibich<sup>1,4,5</sup>

Chairman of the Board of Management of Software AG, Darmstadt  
Further Deputy Chairman

- Deutsche Telekom AG, Bonn<sup>6</sup>
- Deutsche Messe AG, Hanover

### Stefan Albert<sup>3,4</sup>

Full-time Chairman of the Works Council of Schenck RoTec GmbH, Darmstadt

- Corporate Pension Fund of Carl Schenck AG VVaG, Darmstadt

### Mirko Becker<sup>2,3</sup>

Full-time member of the Group Works Council of Dürr AG, Stuttgart  
Full-time member of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site

### Prof. Dr. Alexandra Dürr<sup>2,5</sup>

Professor of Medical Genetics at the University Pierre et Marie Curie (UPMC) and senior physician in the Département de Génétique, Groupe Hospitalier Pitié-Salpêtrière, Paris, France

<sup>1</sup> Member of the Executive Committee and Personnel Committee

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Employee representative

<sup>4</sup> Member of the Mediation Committee

<sup>5</sup> Member of the Nomination Committee

<sup>6</sup> listed

• Membership in statutory supervisory boards

**Prof. Dr.-Ing. Holger Hanselka**

President of the Karlsruhe Institute of Technology (KIT), Karlsruhe

- Harmonic Drive AG, Limburg an der Lahn
- MAFA-Beteiligungsverwaltungsgesellschaft mbH, Aalen

**Thomas Hohmann<sup>3</sup>**

Head of Personnel at Dürr Systems GmbH, Stuttgart

**Guido Lesch<sup>1,3</sup>**

Second Authorized Representative of IG Metall administrative offices, Völklingen

- Saarschmiede GmbH Freiformschmiede, Völklingen (Deputy Chairman)

**Dr. Herbert Müller<sup>2</sup>**

Lawyer

**Dr. Anja Schuler**

Specialist for psychiatry and psychotherapy, Basel, Switzerland (since February 3, 2016)

- HOMAG Group AG, Schopfloch<sup>6</sup>

**Dr. Martin Schwarz-Kocher<sup>2,3</sup>**

General manager of IMU Institut GmbH, Stuttgart

**Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer**

General manager of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH, Erlangen (until December 31, 2015)

- Festo AG & Co. KG, Esslingen (Chairman)
- Heitec AG, Erlangen (Deputy Chairman)
- Leoni AG, Nuremberg<sup>6</sup> (Deputy Chairman)
- SAP SE, Walldorf<sup>6</sup>

**Dr.-Ing. E.h. Heinz Dürr**

Honorary Chairman of the Supervisory Board

<sup>1</sup> Member of the Executive Committee and Personnel Committee

• Membership in statutory supervisory boards

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Employee representative

<sup>4</sup> Member of the Mediation Committee

<sup>5</sup> Member of the Nomination Committee

<sup>6</sup> listed

The table below shows a breakdown into components of the remuneration of individual Supervisory Board members in the 2015 reporting period.

### 3.113 – REMUNERATION OF THE SUPERVISORY BOARD IN 2015

€	Basic remuneration	Remuneration for committee membership	Attendance fees <sup>3</sup>	Variable remuneration	Total
Klaus Eberhardt, Chairman	60,000	11,250	9,000	105,000	185,250
(2014)	(60,000)	(11,250)	(9,000)	(105,000)	(185,250)
Hayo Raich* <sup>1,2</sup> , Deputy Chairman	33,000	5,000	9,900	52,500	100,400
(2014)	(33,000)	(5,000)	(9,900)	(52,500)	(100,400)
Prof. Dr. Norbert Loos, Deputy Chairman (until April 30, 2014)	–	–	–	–	–
(2014)	(10,000)	(10,167)	(4,000)	(17,500)	(41,667)
Karl-Heinz Streibich, Deputy Chairman since April 30, 2014	30,000	7,500	9,000	52,500	99,000
(2014)	(26,667)	(3,333)	(6,000)	(46,667)	(82,667)
Stefan Albert* <sup>2</sup>	20,000	–	7,000	35,000	62,000
(2014)	(20,000)	(–)	(7,000)	(35,000)	(62,000)
Mirko Becker* <sup>2</sup>	20,000	9,000	11,000	35,000	75,000
(2014)	(20,000)	(9,000)	(10,000)	(35,000)	(74,000)
Prof. Dr. Alexandra Dürr	20,000	11,500	11,000	35,000	77,500
(2014)	(20,000)	(11,500)	(10,000)	(35,000)	(76,500)
Prof. Dr.-Ing. Holger Hanselka (since April 30, 2014)	20,000	–	6,000	35,000	61,000
(2014)	(13,333)	(–)	(4,000)	(23,333)	(40,666)
Thomas Hohmann*	20,000	–	7,000	35,000	62,000
(2014)	(20,000)	(–)	(7,000)	(35,000)	(62,000)
Guido Lesch* <sup>2</sup>	20,000	5,000	8,000	35,000	68,000
(2014)	(20,000)	(5,000)	(9,000)	(35,000)	(69,000)
Dr. Herbert Müller	20,000	18,000	11,000	35,000	84,000
(2014)	(20,000)	(12,000)	(9,000)	(35,000)	(76,000)
Dr. Martin Schwarz-Kocher* <sup>2</sup>	20,000	9,000	10,000	35,000	74,000
(2014)	(20,000)	(9,000)	(9,000)	(35,000)	(73,000)
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	20,000	–	6,000	35,000	61,000
(2014)	(20,000)	(–)	(6,000)	(35,000)	(61,000)
<b>Total</b>	<b>303,000</b>	<b>76,250</b>	<b>104,900</b>	<b>525,000</b>	<b>1,009,150</b>
(2014)	(303,000)	(76,250)	(99,900)	(525,000)	(1,004,150)

\* Employee representative

<sup>1</sup> Also member of the Supervisory Board of Dürr Systems GmbH

<sup>2</sup> 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.

<sup>3</sup> For Supervisory Board and committee meetings

## 43. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

## 3.114 – INTANGIBLE ASSETS

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
<b>Accumulated cost as of January 1, 2014</b>	<b>286,971</b>	<b>86,262</b>	<b>24,984</b>	<b>102</b>	<b>398,319</b>
Exchange difference	5,850	1,254	55	-72	7,087
Changes in the consolidated group	-	151,189	18,373	20,849	190,411
Additions	109,892	6,471	4,133	4,372	124,868
Disposals	-	-2,367	-623	-413	-3,403
Reclassification to held for sale	-5,402	-145	-620	-	-6,167
Reclassifications	-	426	707	-1,061	72
<b>Accumulated cost as of December 31, 2014</b>	<b>397,311</b>	<b>243,090</b>	<b>47,009</b>	<b>23,777</b>	<b>711,187</b>
Exchange difference	5,425	1,154	74	12	6,665
Changes in the consolidated group	-	24,557	3,921	-	28,478
Additions	12,426	11,494	9,743	5,784	39,447
Disposals	-	-11,240	-330	-1,690	-13,260
Reclassifications	-	6,481	6,383	-11,171	1,693
<b>Accumulated cost as of December 31, 2015</b>	<b>415,162</b>	<b>275,536</b>	<b>66,800</b>	<b>16,712</b>	<b>774,210</b>
<b>Accumulated amortization and impairment as of January 1, 2014</b>	<b>-</b>	<b>62,626</b>	<b>13,659</b>	<b>-</b>	<b>76,285</b>
Exchange difference	-	708	49	-	757
Amortization for the year	-	14,598	4,328	-	18,926
Impairment losses for the year	-	-	395	-	395
Disposals	-	-1,927	-403	-	-2,330
Reclassification to held for sale	-	-116	-586	-	-702
<b>Accumulated amortization and impairment as of December 31, 2014</b>	<b>-</b>	<b>75,889</b>	<b>17,442</b>	<b>-</b>	<b>93,331</b>
Exchange difference	-	390	54	-	444
Amortization for the year	-	29,662	10,427	-	40,089
Impairment losses for the year	-	239	-	2,116	2,355
Disposals	-	-10,771	-263	-	-11,034
Reclassifications	-	119	-	-	119
<b>Accumulated amortization and impairment as of December 31, 2015</b>	<b>-</b>	<b>95,528</b>	<b>27,660</b>	<b>2,116</b>	<b>125,304</b>
<b>Net carrying amount as of December 31, 2015</b>	<b>415,162</b>	<b>180,008</b>	<b>39,140</b>	<b>14,596</b>	<b>648,906</b>
Net carrying amount as of December 31, 2014	397,311	167,201	29,567	23,777	617,856
Net carrying amount as of January 1, 2014	286,971	23,636	11,325	102	322,034

## 3.115 – PROPERTY, PLANT AND EQUIPMENT

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Prepayments and assets under construction	Dürr Group
<b>Accumulated cost as of January 1, 2014</b>	<b>182,352</b>	<b>42,375</b>	<b>34,146</b>	<b>84,523</b>	<b>5,945</b>	<b>349,341</b>
Exchange difference	2,908	–	1,285	2,379	276	6,848
Changes in the consolidated group	130,242	–	18,085	22,968	1,365	172,660
Additions	13,572	518	5,353	16,618	3,868	39,929
Disposals	–1,621	–48	–768	–5,075	–217	–7,729
Reclassification to held for sale	–5,365	–	–866	–708	–	–6,939
Reclassifications	3,288	–	1,200	1,064	–5,749	–197
<b>Accumulated cost as of December 31, 2014</b>	<b>325,376</b>	<b>42,845</b>	<b>58,435</b>	<b>121,769</b>	<b>5,488</b>	<b>553,913</b>
Exchange difference	1,789	–	719	1,459	689	4,656
Changes in the consolidated group	1,082	–	67	778	–	1,927
Additions	14,320	609	5,559	21,657	33,095	75,240
Disposals	–1,130	–89	–1,620	–8,381	–67	–11,287
Reclassification to held for sale	–11,672	–	–17	–97	–	–11,786
Reclassifications	924	–	1,494	718	–2,997	139
<b>Accumulated cost as of December 31, 2015</b>	<b>330,689</b>	<b>43,365</b>	<b>64,637</b>	<b>137,903</b>	<b>36,208</b>	<b>612,802</b>
<b>Accumulated depreciation and impairment</b>						
<b>as of January 1, 2014</b>	<b>55,626</b>	<b>20,130</b>	<b>22,359</b>	<b>55,132</b>	<b>–</b>	<b>153,247</b>
Exchange difference	1,119	–	869	1,707	–	3,695
Depreciation for the year	7,122	1,154	3,419	11,160	–	22,855
Impairment losses for the year	–	–	16	–	160	176
Reversal of impairment losses	–	–	–	–141	–	–141
Disposals	–850	–40	–650	–4,140	–	–5,680
Reclassification to held for sale	–3,352	–	–120	–315	–	–3,787
Reclassifications	834	–	–823	–136	–	–125
<b>Accumulated depreciation and impairment as of December 31, 2014</b>	<b>60,499</b>	<b>21,244</b>	<b>25,070</b>	<b>63,267</b>	<b>160</b>	<b>170,240</b>
Exchange difference	707	–	650	1,148	–	2,505
Depreciation for the year	13,239	949	6,599	18,447	–	39,234
Impairment losses for the year	–	–	13	–	–	13
Disposals	–831	–89	–1,340	–6,817	–	–9,077
Reclassification to held for sale	–6,321	–	–3	–25	–	–6,349
Reclassifications	1	–	620	–362	–	259
<b>Accumulated depreciation and impairment as of December 31, 2015</b>	<b>67,294</b>	<b>22,104</b>	<b>31,609</b>	<b>75,658</b>	<b>160</b>	<b>196,825</b>
<b>Net carrying amount as of December 31, 2015</b>	<b>263,395</b>	<b>21,261</b>	<b>33,028</b>	<b>62,245</b>	<b>36,048</b>	<b>415,977</b>
Net carrying amount as of December 31, 2014	264,877	21,601	33,365	58,502	5,328	383,673
Net carrying amount as of January 1, 2014	126,726	22,245	11,787	29,391	5,945	196,094

## 3.116 – FINANCIAL ASSETS

€ k	Investments in entities accounted for using the equity method	Other investments	Securities classified as non-current assets	Other loans	Dürr Group
<b>Accumulated cost as of January 1, 2014</b>	<b>12,151</b>	<b>2,482</b>	<b>28,405</b>	<b>602</b>	<b>43,640</b>
Exchange difference	192	-8	-	-4	180
Changes in the consolidated group	11,308	472	-	217	11,997
Additions	2,188	12,660	4,043	3	18,894
Disposals	-418	-	-5,863	-109	-6,390
<b>Accumulated cost as of December 31, 2014</b>	<b>25,421</b>	<b>15,606</b>	<b>26,585</b>	<b>709</b>	<b>68,321</b>
Exchange difference	2,106	-10	-	-	2,096
Additions	3,299	315	6	-	3,620
Disposals	-1,740	-	-6	-107	-1,853
Reclassifications	-471	59	-	-	-412
<b>Accumulated cost as of December 31, 2015</b>	<b>28,615</b>	<b>15,970</b>	<b>26,585</b>	<b>602</b>	<b>71,772</b>
<b>Accumulated write-downs as of January 1, 2014</b>	<b>452</b>	<b>26</b>	<b>694</b>	<b>151</b>	<b>1,323</b>
Exchange difference	33	-8	-	-	25
Depreciation for the year	-	-	629	-	629
Impairment losses for the year	349	-	-	-	349
Reversal of impairment losses	-	-	-	-10	-10
Disposals	-	-	-436	-	-436
<b>Accumulated write-downs as of December 31, 2014</b>	<b>834</b>	<b>18</b>	<b>887</b>	<b>141</b>	<b>1,880</b>
Exchange difference	30	-10	-	-	20
Depreciation for the year	-	-	441	-	441
Impairment losses for the year	-	58	-	156	214
Reversal of impairment losses	-17	-	-	-	-17
Reclassifications	-454	59	-	-	-395
<b>Accumulated write-downs as of December 31, 2015</b>	<b>393</b>	<b>125</b>	<b>1,328</b>	<b>297</b>	<b>2,143</b>
<b>Net carrying amount as of December 31, 2015</b>	<b>28,222</b>	<b>15,845</b>	<b>25,257</b>	<b>305</b>	<b>69,629</b>
Net carrying amount as of December 31, 2014	24,587	15,588	25,698	568	66,441
Net carrying amount as of January 1, 2014	11,699	2,456	27,711	451	42,317

#### 44. LIST OF GROUP SHAREHOLDINGS

##### 3.117 – LIST OF GROUP SHAREHOLDINGS

Name and location	Share in capital %*
<b>A. FULLY CONSOLIDATED SUBSIDIARIES</b>	
<b>Germany</b>	
Benz GmbH Werkzeugsysteme, Haslach im Kinzigtal	51.0
Brandt Kantentechnik GmbH, Lemgo <sup>1,2</sup>	100.0
Carl Schenck AG, Darmstadt <sup>1,2</sup>	100.0
Dürr Assembly Products GmbH, Püttlingen <sup>1,2</sup>	100.0
Dürr Clean Energy GmbH, Stuttgart (formerly: Dürr Parata GmbH)	100.0
Dürr Ecoclean GmbH, Filderstadt <sup>1,2</sup>	100.0
Dürr International GmbH, Stuttgart <sup>1,2</sup>	100.0
Dürr IT Service GmbH, Stuttgart <sup>1,2</sup>	100.0
Dürr Somac GmbH, Stollberg <sup>1,2</sup>	100.0
Dürr Systems GmbH, Stuttgart <sup>1,2</sup>	100.0
Dürr Systems Wolfsburg GmbH, Wolfsburg <sup>1,2</sup>	100.0
Dürr Technologies GmbH, Stuttgart <sup>1,2</sup>	100.0
Dürr Thermea GmbH, Ottendorf-Okrilla (formerly: Thermea Energiesysteme GmbH)	87.6
Friz Kaschieretechnik GmbH, Weinsberg	100.0
Holzma Plattenaufteiltechnik GmbH, Calw <sup>1,2</sup>	100.0
Homag Automation GmbH, Lichtenberg im Erzgebirge <sup>1,2</sup>	100.0
Homag Deutschland GmbH, Schopfloch	100.0
Homag eSolution GmbH, Schopfloch	51.0
Homag Finance GmbH, Schopfloch	100.0
Homag Group AG, Schopfloch	55.9
Homag Holzbearbeitungssysteme GmbH, Schopfloch <sup>1,2</sup>	100.0
iTAC Software AG, Montabaur	100.0
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach <sup>1,2</sup>	100.0
Schenck RoTec GmbH, Darmstadt <sup>1,2</sup>	100.0
Schenck Technologie- und Industriepark GmbH, Darmstadt <sup>1,2</sup>	100.0
Schuler Consulting GmbH, Pfalzgrafenweiler	100.0
Torwegge Holzbearbeitungsmaschinen GmbH, Löhne	100.0
Weeke Bohrsysteme GmbH, Herzebrock-Clarholz	100.0
Weinmann Holzbausystemtechnik GmbH, St. Johann-Lonsingen	75.9

Name and location	Share in capital %*
<b>Other EU countries</b>	
Agramkow Fluid Systems A/S, Sønderborg/Denmark	100.0
Carl Schenck Denmark ApS, Sønderborg/Denmark	100.0
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands	100.0
CPM S.p.A., Beinasco/Italy	51.0
Datatech S.A.S., Uxegney/France	100.0
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria	100.0
Dürr Cleaning France S.A.S., Le Mans/France	100.0
Dürr Cyplan Ltd., Aldermaston/UK <sup>3</sup>	50.0
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic	100.0
Dürr Ltd., Warwick/UK	100.0
Dürr Poland Sp. z o.o., Radom/Poland	100.0
Dürr Systems Czech Republic a.s., Ledec nad Sázavou/Czech Republic	100.0
Dürr Systems S.A.S., Guyancourt/France	100.0
Dürr Systems Spain S.A., San Sebastián/Spain	100.0
Holzma Plattenaufteiltechnik S.A. Unipersonal, L'Ametlla del Vallès/Spain	100.0
Homag Austria Gesellschaft mbH, Oberhofen am Irrsee/Austria	100.0
Homag Danmark A/S, Galten/Denmark	100.0
Homag España Maquinaria S.A., Llinars del Vallès/Spain	100.0
Homag France S.A.S., Schiltigheim/France	100.0
Homag Italia S.p.A., Giussano/Italy	100.0
Homag Machinery Środa Sp. z o. o., Środa Wielkopolska/Poland	100.0
Homag Polska Sp. z o.o., Środa Wielkopolska/Poland	100.0
Homag U.K. Ltd., Castle Donington/UK	100.0
Olpidürr S.p.A., Novegro di Segrate/Italy	65.0
Schenck Italia S.r.l., Paderno Dugnano/Italy	100.0
Schenck Ltd., Warwick/UK	100.0
Schenck S.A.S., Jouy-le-Moutier/France	100.0
Stimas Engineering S.r.l., Turin/Italy	51.0
Verind S.p.A., Rodano/Italy <sup>3</sup>	50.0



Name and location	Share in capital %*
<b>Other European countries</b>	
CPM Automation d.o.o. Beograd, Belgrade/Serbia	100.0
Dürr Systems Makine Mühendislik Proje İthalat ve İhracat Ltd. Şirketi, İzmit/Turkey	100.0
Homag (Schweiz) AG, Höri/Switzerland	100.0
OOO "Homag Russland", Moscow/Russia	100.0
OOO Dürr Systems RUS, Moscow/Russia	100.0
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland	100.0
UCM AG, Rheineck/Switzerland	100.0
<b>North America/Central America</b>	
Benz Incorporated, Charlotte, North Carolina/USA	100.0
Dürr de México, S.A. de C.V., Santiago de Querétaro/Mexico	100.0
Dürr Ecoclean Inc., Auburn Hills, Michigan/USA	100.0
Dürr Inc., Plymouth, Michigan/USA	100.0
Dürr Systems Canada Corp., Windsor, Ontario/Canada	100.0
Dürr Systems Inc., Plymouth, Michigan/USA	100.0
Homag Canada Inc., Mississauga, Ontario/Canada	100.0
ITAC Software Inc., Novi, Michigan/USA	100.0
Schenck Corporation, Deer Park, New York/USA	100.0
Schenck México S.A. de C.V., Ciudad de México/Mexico	100.0
Schenck RoTec Corporation, Auburn Hills, Michigan/USA	100.0
Schenck Trebel Corporation, Deer Park, New York/USA	100.0
Stiles Machinery Inc., Grand Rapids, Michigan/USA	100.0
Weeke North America, Inc., Grand Rapids, Michigan/USA	100.0
<b>South America</b>	
Agramkow do Brasil Ltda., Indaiatuba/Brazil	100.0
Dürr Brasil Ltda., São Paulo/Brazil	100.0
Homag Indústria e Comércio de Máquinas para Madeira Ltda., Taboão da Serra/Brazil (formerly: Homag Machinery (São Paulo) Maquinas Especias para Madeira Ltda.)	100.0
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina	100.0

Name and location	Share in capital %*
<b>Africa/Asia/Australia</b>	
Agramkow Asia Pacific Pte. Ltd., Singapore/Singapore	100.0
Dürr (Thailand) Co., Ltd., Bangkok/Thailand	100.0
Dürr Africa (Pty.) Ltd., Port Elizabeth/South Africa	100.0
Dürr India Private Ltd., Chennai/India	100.0
Dürr Japan K.K., Tokyo/Japan	100.0
Dürr Korea Inc., Seoul/South Korea	100.0
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/PR China	100.0
Durr Systems (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100.0
Dürr Systems Maroc sarl au, Tanger/Morocco	100.0
HA (Thailand) Co. Ltd., Bangkok/Thailand	100.0
HA Malaysia SDN Bhd, Puchong/Malaysia	100.0
Homag Asia (PTE) Ltd., Singapore/Singapore	100.0
Homag Australia Pty. Ltd., Sydney/Australia	100.0
Homag India Private Ltd., Bangalore/India	99.9
Homag Japan Co. Ltd., Higashiosaka/Japan	100.0
Homag Korea Co. Ltd., Bucheon City/South Korea	54.6
Homag Machinery (Shanghai) Co. Ltd., Shanghai/PR China	81.3
Homag Machinery Bangalore Pvt. Ltd., Bangalore/India	100.0
Homag New Zealand Ltd., Auckland/New Zealand	100.0
Mhitraa Engineering Equipments Private Limited, Sriperumbudur/India	100.0
PT Durr Systems Indonesia, Jakarta/Indonesia	100.0
Schenck RoTec India Limited, Noida/India	100.0
Schenck Shanghai Machinery Corporation Ltd., Shanghai/PR China	100.0
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/PR China	100.0
<b>B. NON-CONSOLIDATED SUBSIDIARIES</b>	
Aviva Vermögensverwaltung GmbH, Munich/Germany	100.0
Futura GmbH, Schopfloch/Germany	100.0
Homag Arabia FZE, Dubai/United Arab Emirates	100.0
Homag Equipment Machinery Trading LLC, Dubai/United Arab Emirates <sup>4</sup>	49.0
Homag Group Trading SEE EOOD, Plovdiv/Bulgaria	100.0
Hüllhorst GmbH, Barntrop/Germany	100.0
OOO "FAYZ-Homag GUS", Tashkent/Uzbekistan	33.0
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt/Germany	100.0

Name and location	Share in capital %*
<b>C. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>	
Homag China Golden Field Ltd., Hong Kong/PR China	25.0
LaTherm GmbH, Dortmund/Germany	28.1
Nagahama Seisakusho Ltd., Osaka/Japan	50.0
Prime Contractor Consortium FAL China, Stuttgart/Germany	50.0

**D. OTHER INVESTMENTS**

Fludicon GmbH, Darmstadt/Germany	1.4
HeatMatrix Group BV, Utrecht/Netherlands	14.8
Parker Engineering Co., Ltd., Tokyo/Japan	10.0
Tec4Aero GmbH, Wiefelstede/Germany	11.0

\* Investment pursuant to Sec. 16 AktG

<sup>1</sup> Profit and loss transfer agreement with the respective parent company

<sup>2</sup> Exemption pursuant to Sec. 264 (3) HGB

<sup>3</sup> Controlling influence as a result of contractual arrangements to control the relevant activities

<sup>4</sup> 100% share in voting right


Bietigheim-Bissingen, March 8, 2016

Dürr Aktiengesellschaft

The Board of Management



RALF W. DIETER



RALPH HEUWING

## 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, which was combined with the management report of the Company, for the fiscal year from January 1 to December 31, 2015. 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] are 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, March 8, 2016

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft



**SKIRK**  
Wirtschaftsprüfer  
(German public auditor)



**HUMMEL**  
Wirtschaftsprüfer  
(German public auditor)

## RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.



RALF W. DIETER  
CEO



RALPH HEUWING  
CFO

BIETIGHEIM-BISSINGEN, MARCH 8, 2016

## 4.1 – TEN-YEAR SUMMARY DÜRR GROUP<sup>1</sup>

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Incoming orders	€ million	3,467.5	2,793.0	2,387.1	2,596.8	2,684.9	1,642.2	1,184.7	1,464.0	1,781.5	1,459.8
Orders on hand (Dec. 31)	€ million	2,465.7	2,725.3	2,150.1	2,316.8	2,142.7	1,359.1	1,002.4	925.0	1,082.0	805.2
Sales revenues	€ million	3,767.1	2,574.9	2,406.9	2,399.8	1,922.0	1,261.4	1,077.6	1,602.8	1,476.6	1,361.2
Gross profit on sales	€ million	828.0	591.1	487.3	437.8	331.4	237.5	210.8	287.1	240.0	220.2
Overhead costs (incl. R&D costs)	€ million	-566.4	-359.5	-280.7	-262.9	-225.5	-201.6	-202.5	-211.0	-203.3	-198.9
EBITDA	€ million	348.2	262.9	230.4	205.4	127.1	54.6	25.6	87.1	73.5	52.7
EBIT	€ million	267.8	220.9	203.0	176.9	106.5	36.6	5.7	72.7	55.7	33.1
Financial result	€ million	-23.3	-16.2	-18.4	-29.2	-20.7	-24.1	-17.9	-26.3	-21.0	-18.3
EBT	€ million	244.5	204.7	184.6	147.7	85.8	12.5	-12.2	46.4	34.8	14.8
Income taxes	€ million	-78.0	-54.4	-43.7	-36.3	-21.6	-5.4	-13.5	-12.7	-13.6	-6.6
Net income/loss	€ million	166.6	150.3	140.9	111.4	64.3	7.1	-25.7	33.7	21.2	8.2
Profit/loss attributable to Dürr AG shareholders	€ million	161.6	149.8	140.1	107.2	61.9	6.3	-26.9	29.9	20.9	7.8
<b>STOCK</b>											
Earnings per share	€	4.67	4.33	4.05	3.10	1.79	0.19	-0.78	0.91	0.67	0.25
Dividend per share	€	1.85 <sup>2</sup>	1.65	1.45	1.13	0.60	0.15	0.00	0.35	0.20	0.00
Book value per share (Dec. 31)	€	20.15	17.78	14.58	12.25	10.37	9.05	8.52	10.11	8.12	7.76
Operating cash flow per share	€	5.00	8.42	9.51	3.40	3.70	1.60	2.76	0.94	2.73	-0.32
Closing price <sup>3</sup> (Dec. 31)	€	73.60	73.26	64.81	33.75	17.00	11.94	8.50	6.13	13.30	10.50
Number of shares (weighted average)	thousand	34,601	34,601	34,601	34,601	34,601	34,601	34,601	33,072	31,456	31,456
Market capitalization (Dec. 31)	€ million	2,547	2,535	2,243	1,168	588	413	294	203	418	330
<b>INCOME STATEMENT</b>											
Gross margin	%	22.0	23.0	20.2	18.2	17.2	18.8	19.6	17.9	16.3	16.2
EBITDA margin	%	9.2	10.2	9.6	8.6	6.6	4.3	2.4	5.4	5.0	3.9
EBIT margin	%	7.1	8.6	8.4	7.4	5.5	2.9	0.5	4.5	3.8	2.4
EBT margin	%	6.5	8.0	7.7	6.2	4.5	1.0	-1.1	2.9	2.4	1.1
Interest coverage		10.7	12.6	10.7	6.0	5.0	1.5	0.3	2.5	2.4	1.6
Tax rate	%	31.9	26.6	23.7	24.6	25.1	43.3	-	27.3	39.0	44.7
<b>CASH FLOW</b>											
Operating cash flow	€ million	173.0	291.3	329.1	117.6	127.9	55.4	95.4	30.9	85.9	-9.8
Free cash flow	€ million	62.8	221.1	261.9	65.9	91.8	22.9	63.7	-14.5	40.6	-46.5
Capital expenditure (property, plant & equipment and intangible assets)	€ million	102.3	54.9	51.2	32.5	23.4	16.6	21.4	24.3	26.5	18.0
Change in net financial debt	€ million	-38.4	-112.7	183.8	44.9	28.2	20.6	37.4	27.4	34.7	-11.6
<b>BALANCE SHEET</b>											
Non-current assets (Dec. 31)	€ million	1,182.0	1,124.2	590.9	551.9	529.0	462.3	452.6	443.5	424.2	447.1
Current assets (Dec. 31)	€ million	1,804.6	1,851.9	1,400.9	1,255.8	1,132.0	754.1	515.5	644.5	650.6	592.9
of which cash and cash equivalents (Dec. 31)	€ million	435.6	522.0	458.5	349.3	298.6	252.3	103.9	84.4	147.5	101.5
Equity (with non-controlling interests) (Dec. 31)	€ million	714.4	725.8	511.4	432.1	364.3	319.4	301.4	341.4	257.1	245.7
Non-current liabilities (Dec. 31)	€ million	585.0	643.1	394.8	402.6	401.9	328.2	201.1	201.3	305.0	321.7
of which pension obligations (Dec. 31)	€ million	49.7	53.7	49.8	53.5	57.8	55.9	55.1	52.2	50.0	60.7

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Current liabilities (Dec. 31)	€ million	1,687.2	1,607.3	1,085.7	973.0	894.8	568.8	465.6	545.4	512.7	472.7
Financial liabilities (Dec. 31)	€ million	350.9	426.5	271.1	286.1	286.2	232.3	104.0	122.6	214.6	210.3
Total assets (Dec. 31)	€ million	2,986.7	2,976.1	1,991.8	1,807.7	1,661.0	1,216.5	968.1	1,088.0	1,074.8	1,040.1
Net financial status (Dec. 31)	€ million	129.4	167.8	280.5	96.7	51.8	23.6	3.0	-34.4	-61.8	-96.5
Net financial debt/EBITDA		-4	-4	-4	-4	-4	-4	-4	0.4	0.8	1.8
Gearing (Dec. 31)	%	-22.1	-30.1	-121.5	-28.8	-16.6	-8.0	-1.0	9.2	19.4	28.2
Net working capital (Dec. 31)	€ million	236.8	87.6	-33.1	98.6	32.6	27.3	57.4	151.8	128.9	154.7
Days working capital	Days	22.6	12.2	-4.9	14.8	6.1	7.8	19.2	34.1	31.4	40.9
Days sales outstanding	Days	51.9	67.8	47.6	51.9	61.5	52.5	62.4	56.0	66.6	68.6
Inventory turnover	Days	37.0	51.0	22.1	21.7	23.3	21.1	20.9	17.5	14.1	13.4
Equity assets ratio (Dec. 31)	%	60.4	64.6	86.5	78.3	68.9	69.1	66.6	77.0	60.6	55.0
Degree of asset depreciation (Dec. 31)	%	32.1	30.7	43.9	48.4	48.8	56.9	56.9	57.8	59.4	57.4
Depreciation expense ratio	%	6.4	4.2	4.3	4.2	3.3	4.1	4.3	3.9	4.6	4.3
Asset coverage (Dec. 31)	%	109.9	121.8	153.3	151.2	144.8	140.1	111.0	122.4	132.5	126.9
Asset intensity (Dec. 31)	%	39.6	37.8	29.7	30.5	31.8	38.0	46.8	40.8	39.5	43.0
Current assets to total assets (Dec. 31)	%	60.4	62.2	70.3	69.5	68.2	62.0	53.2	59.2	60.5	57.0
Cash ratio (Dec. 31)	%	26.4	32.6	42.4	35.9	33.4	44.4	22.3	15.5	28.8	21.5
Quick ratio (Dec. 31)	%	80.8	85.7	104.5	107.3	103.3	113.3	91.7	96.8	107.8	107.9
Equity ratio (Dec. 31)	%	23.9	24.4	25.7	23.9	21.9	26.3	31.1	31.4	23.9	23.6
Return on equity	%	23.3	20.7	27.6	25.8	17.6	2.2	-8.5	9.9	8.2	3.3
Capital employed (Dec. 31) <sup>5</sup>	€ million	590.6	571.5	266.4	373.0	350.8	339.7	339.7	415.0	357.1	389.4
ROCE <sup>5</sup>	%	45.3	38.7	76.2	47.4	30.4	10.8	1.7	17.6	15.9	8.2
Weighted average cost of capital (WACC)	%	6.98	5.78	6.69	6.58	7.64	8.10	8.08	7.58	7.41	6.66
Economic value added (EVA) <sup>5</sup>	€ million	146.2	121.6	124.3	99.3	47.7	-1.9	-23.4	19.7	13.3	-3.6
<b>EMPLOYEES/R&amp;D</b>											
Employees (Dec. 31)		14,850	14,151	8,142	7,652	6,823	5,915	5,712	6,143	5,936	5,650
Cost per employee (year average)	€	-67,000	-64,800	-65,200	-64,900	-62,700	-59,300	-57,200	-62,200	-63,500	-61,000
Sales per employee (year average)	€	260,000	262,900	301,900	327,100	299,200	218,300	183,100	264,500	254,200	237,500
R&D ratio	%	2.6	2.2	1.8	1.6	1.5	2.0	2.4	1.6	1.4	1.6
R&D employees (Dec. 31)		667	619	248	199	180	162	157	152	158	157
R&D expenditure	€ million	-97.1	-55.4	-43.0	-37.2	-29.5	-25.8	-25.9	-25.5	-20.5	-21.1
R&D cost capitalized	€ million	11.5	5.5	3.4	3.1	2.7	3.6	2.5	3.1	4.7	4.8
Amortization of R&D cost capitalized	€ million	-10.4	-4.3	-3.9	-6.1	-4.0	-3.3	-3.3	-2.9	-2.8	-1.9

All figures according to IFRS

<sup>1</sup> The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted accordingly.

<sup>2</sup> Dividend proposal for the annual general meeting

<sup>3</sup> XETRA

<sup>4</sup> Since 2009, the Group has had a positive net financial status.

<sup>5</sup> The capital employed has been calculated excluding financial assets since 2014. The previous years's figures have been adjusted accordingly.

# GLOSSARY

## Technology and products

### A

#### Application technology

General term for all products related to the application of paint and high-viscosity materials, e.g. painting robots, paint atomizers, and color change systems.

### B

#### Balancing and diagnostic systems

Rotating components such as wheels and turbines must be tested for imbalances. Any imbalance is then removed since it would otherwise cause vibrations or oscillations.

### C

#### Cathodic dip-coating

Process for applying the first prime coat that protects against corrosion. To coat the interior of the body as well, it is immersed. The coating is applied with the aid of an electronic field. The process is called "cathodic" as the car body serves as the cathode.

### D

#### Downsizing

The development of economical combustion engines that have a smaller cubic capacity but deliver a similar performance to larger engines.

#### Drying oven

Tunnel-like systems for curing freshly applied coats of paint.

### E

#### Engineering

Development and design of machinery and plants. At Dürr, engineering often involves developing technical solutions that are geared to customers' specific production goals.

#### ERP System (Enterprise Resource Planning)

Software used to support resource planning within a company. ERP systems should cover all business processes.

### F

#### Filling systems

Equipment designed for filling vehicles with the necessary operating media (e.g. brake fluid, refrigerant) in the course of their final assembly. Filling systems are also employed for charging refrigerators, air conditioners and heat pumps with refrigerant.

### G

#### Glueing technology

Manufacturing process, in which parts such as the sheetmetal components of a car are joined together by means of adhesives.

### H

#### High-speed rotating atomizer

Atomizers ensure a uniform distribution of the spray jet in paint application processes. High rotation atomizers rely on a bell-shaped disk revolving at up to 70,000 r.p.m. Due to this design, the paint fed to the center of the disk is accelerated and separated into fine threads which dissolve into minuscule droplets as they are propelled off the disk.

#### Human-robot collaboration (HRC)

A production system in which workers and robots can directly interact and use their respective strengths. Although there are no safety fences in HRC, the worker's safety is guaranteed. Sensors as well as intelligent software and control technology ensure that in unforeseen circumstances the robot comes to an immediate standstill.

### I

#### Industry 4.0

Industry 4.0 refers to the digitization and networking of industrial production. It is aimed at creating a 'Smart Factory' in which production and logistics systems largely organize themselves.

#### Industrial cleaning systems

Cleaning systems remove from workpieces the contaminants that arise during the machining process.

### L

#### Light vehicles

Cars and light trucks.

#### Lightweight design

In automotive engineering, lightweight design refers to the practice of building cars with weight minimization in mind. The vehicle's fuel consumption and CO<sub>2</sub> emissions can thus be reduced. Low-weight materials such as magnesium, titanium or synthetic fiber composites are becoming increasingly widespread to reduce vehicle weight.

### M

#### Manufacturing depth

The value added (content) which the company itself actually contributes in the manufacture of a product or a plant.

#### Manufacturing execution system (MES)

Software for the management and control of automated production processes. The MES records data from the systems and machines in a factory, for example production figures, material requirements and energy consumption. This makes processes more transparent for factory operators, thus allowing for targeted optimizations.

#### Marriage

Joining and bolting together of the power train, chassis, and body in final vehicle assembly.

### P

#### Pretreatment

This is the first stage in the painting process. When it comes from the body shop, the body shell is first cleaned, degreased and in most cases phosphated in preparation for the next coating. The phosphating produces a corrosion-inhibiting conversion layer (nonmetallic crystalline structure) to which subsequent paint layers will bond more effectively.

#### PLC

Programmable logic controller.

### S

#### Sealing

Process for sealing welding seams created when car body parts are joined. Sealing also includes the application of an undercoating that protects against rock impact.

#### SUV (Sports utility vehicle)

SUVs are passenger cars which are similar in design to off-road vehicles but mostly used on the road.

### T

#### Test systems

End-of-line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

### U

#### Ultrafine cleaning

Cleaning process that removes contamination down to a single-digit µm (micron) scale.

### V

#### VOC (volatile organic compounds)

Volatile organic compounds evaporate at low temperatures and are harmful to health. They can be found, for example, in solvents.



## Financial

### A

#### Asset coverage

A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100 (\%)$$

#### Asset intensity

A ratio that indicates the relative weight of non-current assets in total assets. High asset intensity means high fixed costs and high levels of capital tied up.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100 (\%)$$

### C

#### Capital employed

This is the capital used within the enterprise that is not subject to interest payable to external creditors. It is calculated by deducting liabilities from total non-current and current assets. However, all interest-bearing items are excluded.

### D

#### Days sales outstanding

This ratio indicates the average length of time in days that capital is tied up in receivables.

$$\frac{\text{receivables} \times 360}{\text{sales revenues}}$$

The same method can be used to calculate the average length of time that capital is tied up in inventories and in net working capital.

### E

#### Equity assets ratio

A ratio that indicates the extent to which shareholders' equity and non-current liabilities cover non-current assets.

$$\frac{\text{equity} + \text{non-current liabilities}}{\text{non-current assets}} \times 100 (\%)$$

### F

#### Free cash flow

Free cash flow is the cash flow from operating activities remaining after deducting capital expenditures and net interest paid and received, and represents the amount of cash that is freely available to pay a dividend and to pay off debt.

### G

#### Gearing

This is the ratio of net financial debt to shareholders' equity and net financial debt. The higher the relative weight of net financial debt, the higher the reliance on external lenders. However, a high gearing is not necessarily negative if the interest paid does not reduce profits excessively.

### I

#### Interest coverage

An interest coverage ratio of <1 indicates that the company is not able to meet its interest payments from operating earnings.

$$\frac{\text{earnings before tax} + \text{net interest expense}}{\text{net interest expense}}$$

### L

#### Liquidity ratios: cash ratio and quick ratio

These two liquidity ratios show the degree to which current liabilities are covered by cash and cash equivalents (and other current assets). They serve to measure a company's solvency.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100 (\%)$$

$$\frac{\text{cash and cash equivalents} + \text{short-term trade receivables}}{\text{current liabilities}} \times 100 (\%)$$

### N

#### Net financial status

This represents the balance of the financial liabilities (without financial leases) reported in the balance sheet after deducting liquid funds. If a company's liquid funds exceed its financial liabilities, it is de facto debt free.

$$\text{financial liabilities} - \text{liquid funds}$$

#### Net Working Capital (NWC)

This is a measure of the net funding required to finance current assets. Negative NWC is beneficial since it implies that sales are pre-financed by suppliers and customers. At Dürr, the prepayments received from customers are an important factor affecting NWC. The formula shows a simplified calculation.

$$\text{inventories} + \text{trade receivables} - \text{trade payables}$$

### R

#### Return on Capital Employed (ROCE)

This measures the rate of return on the capital tied up in a company's operating assets (for instance in machinery and equipment, inventories, accounts receivable) and is the ratio of earnings before interest and taxes (EBIT) to capital employed.

$$\frac{\text{EBIT}}{\text{capital employed}} \times 100 (\%)$$

#### Return on Equity (ROE)

This is the rate of return earned on shareholders' equity. It should exceed the rate of return on a comparable investment.

$$\frac{\text{earnings after taxes}}{\text{shareholders' equity}} \times 100 (\%)$$

#### Return on Investment (ROI)

This ratio serves to measure how efficiently a company employs the total resources at its disposal.

$$\frac{\text{earnings after taxes} + \text{interest expense}}{\text{total assets}} \times 100 (\%)$$

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## FINANCIAL CALENDAR

**03/17/2016** Publication annual report 2015

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**05/04/2016** Annual general meeting, Bietigheim-Bissingen

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**05/12/2016** Interim report for the first quarter of 2016

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**08/04/2016** Interim financial report for the first half of 2016

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**11/10/2016** Interim report for the first nine months of 2016

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*The English translation of our 2015 annual report is based on the German version. The German version shall prevail.*

### FORWARD-LOOKING STATEMENTS

*This annual report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the conviction and assumptions of the Board of Management of Dürr AG, as developed from the information currently available. However, the following factors may affect the success of our strategic and operating measures: geopolitical risks, changes in general economic conditions (especially a prolonged recession), exchange rate fluctuations and changes in interest rates, new products launched by competitors, and a lack of customer acceptance for new Dürr products or services, including growing competitive pressure. Should any of these factors or other imponderable circumstances arise, or should the assumptions underlying the forward-looking statements prove incorrect, actual results may differ from those projected. Dürr AG undertakes no obligation to provide continuous updates of forward-looking statements and information. Such statements and information are based upon the circumstances as of the date of their publication.*



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# GLOBAL PRESENCE

14,850 employees at 92 business locations in 28 countries





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