LEADING IN PRODUCTION EFFICIENCY

NEXT LEVEL

Annual Report 2014

Key figures (IFRS)

		2014	2013	2012	2014/2013 CHANGE IN %
Incoming orders	€ million	2,793.0	2,387.1	2,596.8	17.0
Orders on hand (Dec. 31)	€ million	2,725.3	2,150.1	2,316.8	26.8
Sales revenues	€ million	2,574.9	2,406.9	2,399.8	7.0
of which abroad	%	84.8	84.2	86.5	0.6 % ppts
EBIT	€ million	220.9	203.0	176.9	8.8
EBT	€ million	204.7	184.6	147.7	10.9
Net profit	€ million	150.3	140.9	111.4	6.7
Cash flow from operating activities	€ million	291.3	329.1	117.6	− 11.5
Cash flow from investing activities	€ million	− 224.3	− 111.4	− 23.4	–
Cash flow from financing activities	€ million	− 20.0	− 100.9	− 43.6	–
Free cash flow	€ million	221.1	261.9	65.9	− 15.6
Equity (with non-controlling interests) (Dec. 31)	€ million	725.8	511.4	432.1	41.9
Net financial status (Dec. 31)	€ million	167.8	280.5	96.7	− 40.2
Net working capital (Dec. 31)	€ million	87.6	− 33.1	98.6	–
Employees (Dec. 31)		14,151	8,142	7,652	73.8
of which abroad	%	45.3	54.0	55.4	− 8.7 % ppts
Gearing (Dec. 31)	%	− 30.1	− 121.5	− 28.8	–
Equity ratio (Dec. 31)	%	24.4	25.7	23.9	− 1.3 % ppts
EBIT margin	%	8.6	8.4	7.4	0.2 % ppts
ROCE[1]	%	38.7	76.2	47.4	− 37.5 % ppts
EVA[1]	€ million	121.6	124.3	99.3	− 2.2
Dürr stock[2] (ISIN: DE0005565204)					
High[3]	€	74.50	66.29	34.88	
Low[3]	€	49.09	33.73	16.86	
Close[3]	€	73.26	64.81	33.75	
Number of shares		34,601,040	34,601,040	34,601,040	
Earnings per share	€	4.33	4.05	3.10	6.9
Dividend per share	€	1.65[4]	1.45	1.13	13.8

[1] The capital employed has been calculated excluding financial assets since 2014. The previous years´ figures have been adjusted accordingly.
[2] On May 27, 2013, Dürr issued bonus shares in a ratio of 1:1. As a result, the total number of shares doubled to 34,601,040. For reasons of comparability, the 2012 figures for Dürr stock have been adjusted accordingly.
[3] XETRA
[4] Dividend proposal for the annual general meeting

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

92 locations worldwide

LOCATIONS WORLDWIDE

NEXT LEVEL

Dürr has performed well in the last few years. This is underlined by the figures of the current annual report. We have worked hard to achieve this success – through innovation, service, process optimization and by expanding our position in the emerging markets.

We have thus laid the foundation for the next level. Our aim is to expand Dürr's mechanical engineering business and establish ourselves as a cross-sector specialist for efficient production technology. The acquisition of the HOMAG Group, which we introduce on page 18, is a major step in this direction.

We are combining new and proven ideas. Dürr will continue to support the automotive industry with drive and commitment. In addition, we are broadening our technology and market basis to create values and to grow.

P. 45 PAGE REFERENCE
P. 256 GLOSSARY REFERENCE
WWW INTERNET REFERENCE

Next Level

Letter from the Board of Management

DEAR READERS,

Dürr's development has been gratifying for a number of years now. The volume of business is at a high level, the balance sheet is solid, and we are generating cash surpluses in tandem with appropriate earnings. The basis for this is a strategy shaped by continuity and sustainability.

Yet we certainly will not rest on our laurels, no matter how positive this stock-taking exercise has turned out. A year ago, we announced our plans to you for Dürr's further development. And we have put this plan into practice. In October 2014, Dürr took over the HOMAG Group, the world market leader for woodworking machinery.

This acquisition has changed our Group's profile: Dürr has grown by 40 %, its market base has broadened, and the share of the portfolio accounted for by mechanical engineering has expanded. The HOMAG Group has immense sales potential and is capable of reaching the margin level of our previous activities in the long run. We plan to exploit this potential in the coming years in cooperation with the HOMAG Group's team. The HOMAG Group will make a positive contribution to earnings as early as 2015.

Initially, we were asked quite frequently in 2014 why Dürr took over the HOMAG Group. Admittedly, there seem to be no common features between Dürr and HOMAG in terms of customer segments. Nevertheless, the two companies are a perfect match: Dürr and the HOMAG Group are mechanical and plant engineering companies with an SME-based, hardworking and prudent Swabian-style philosophy, backed by highly dedicated founder families. They stand for reliability and quality, are world market leaders and set pioneering standards in their markets in terms of technology. And in both organizations, three success factors are of particular importance: efficient business processes, individually tailored customer service and a strong presence in the emerging markets. While at Dürr these factors have been key for years, within the HOMAG Group they now also provide the necessary guidance for internal optimization.

RALPH HEUWING (48)
CFO

- Clean Technology Systems
- Woodworking Machinery and Systems
- Dürr Consulting

- Finance/Controlling
- Investor Relations
- Risk Management
- Legal Affairs/Patents
- Information Technology
- Global Sourcing

RALF W. DIETER (54)
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

The capital market has meanwhile fathomed the industrial logic of this transaction. Since mid-October, Dürr's share price has soared by approximately 100 %. This demonstrates that the investors have confidence in the ability of Dürr and the HOMAG Group to create value by having joined forces.

The takeover of the HOMAG Group is also a result of the success in our core business. Dürr is a well-established supplier to the automotive industry. By focusing on innovation, cost optimization and customer focus, we have succeeded in gaining significant market share. A consequence of this, however, is that the added potential in this business is lower than it was only five years ago. Accordingly, in joining forces with the HOMAG Group we are developing a new growth segment. It goes without saying that we will continue to support the automotive industry with the quality they have come to expect from us. Hardly any other industry segment uses production processes as challenging and sophisticated as those of our automotive customers. In cooperation with them, we look forward to continuing to set new standards in production efficiency.

2014 was a good year for our previous activities. In the field of paint shop technology, our strong position in the emerging markets contributed to a 15 % increase in incoming orders. In the robot business of our Application Technology division, we benefited from the advancing automation in automotive painting; at the same time, we expanded further into the business field of industrial painting, which yields huge opportunities. Measuring and Process Systems performed strongly in the fields of balancing, filling and testing technology. In industrial cleaning technology, the division benefited from its focus on its core business, generating a convincing turnaround in earnings. The environmental technology division Clean Technology Systems continued its profitable growth.

Even without taking account of the HOMAG Group, which has been consolidated since October 2014, incoming orders were up by 8 %, to just under € 2.6 billion. EBIT – again excluding the HOMAG Group – increased by 13 %, to € 228.8 million. Including the HOMAG Group it turned out slightly lower (€ 220.9 million), due to first-time consolidation effects. Our dividend proposal for fiscal 2014 is based on the increase in operating earnings and provides for the payout to be raised by just under 14 %, to € 1.65 per share.

Our objective is to establish Dürr in the coming years as a cross-sector specialist for efficient production technology with € 4 to 5 billion in sales. The further development of our company would not be possible if we could not fully rely on our executives and employees in our core business. We are proud to be able to collaborate with an experienced team – at the level of division heads and managing directors as well as in our operating business and support functions. The good result recorded in 2014 is attributable to the expertise and dedication of our workforce throughout the Group. We wish to thank all employees for their immense contribution.

In 2015, we plan to continue the good results recorded last year. Forecasts indicate that global automobile production is likely to rise by about 6 %. Our previous activities should also expand on a similar scale. Thanks to the full-year consolidation of the HOMAG Group, consolidated sales are set to reach € 3.4 to 3.5 billion and incoming orders hitting € 3.2 to 3.5 billion. EBIT is expected to grow by an amount in the double-digit millions even though additional extraordinary post-consolidation charges of just under € 20 million will be incurred.

Dürr is in one of the most dynamic phases of its 120-year history. We are developing new growth opportunities while working on further improving our position in our core activities – thanks to innovation and customer proximity as well as by extending our services offering. We wish to express our cordial thanks to all those who have placed their trust and confidence in us – our shareholders, customers, suppliers and business associates alike.

Sincerely,

RALF W. DIETER / *CEO*

RALPH HEUWING / *CFO*

Bietigheim-Bissingen, March, 27, 2015

Report of the Supervisory Board

DEAR SHAREHOLDERS,

Dürr continued its good business performance in 2014, while making strategic decisions to promote future growth. The Group's operating performance was reflected in the good cash flow, improved margins and high levels of incoming orders and order backlog. The growth in the service business is also a positive development, encouraging the Supervisory Board, Board of Management and employees to continue the path of the CustomerExcellence@Dürr program.

Strategically, Dürr has taken an important step with the acquisition of a majority stake in HOMAG Group AG. The HOMAG Group offers Dürr another mainstay, expands its market and customer base and secures additional growth and profit opportunities. Dürr will nevertheless continue to focus its full attention on the automotive industry. At the same time, the company will use its mechanical and plant engineering expertise to explore new areas of business. This also applies to the industrial painting business of the Application Technology division. The Supervisory Board is convinced that this approach will allow Dürr to create additional value, and it will support the Board of Management by offering constructive and critical advice.

The Supervisory Board advised the Board of Management extensively in 2014 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 a critical review and discussion of the relevant written decision-making materials.

The Supervisory Board closely 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 regularly consulted the Compliance and Legal Departments as well as 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.

KLAUS EBERHARDT

The Supervisory Board held six regular meetings and one extraordinary meeting in 2014. No member attended fewer than five meetings. The Chairman of the Supervisory Board communicated with the Board of Management on a regular basis, both in person and by telephone. The other members of the Supervisory Board were informed of the outcome of these discussions in a timely manner.

KEY TOPICS OF THE MEETINGS

The analysis of the business performance and financial position of the Group and its divisions played an important role at all meetings held in 2014. The Supervisory Board focused particularly on the economic development by investigating essential key figures such as incoming orders, sales, EBIT, EBIT margin and ROCE. Other focal points were the service business and the CustomerExcellence@Dürr optimization project. In addition, the Board of Management provided regular information on the market volume and projects due to be awarded in the automotive industry.

The main topic of the meeting held on March 17, 2014, was the review of the 2013 annual financial statements. The agenda for the annual general meeting on April 30, 2014, was also addressed. In the context of the Board of Management's compensation, the Supervisory Board approved the new long-term incentive tranche and drew a vertical comparison between the compensation paid to the Board of Management and the levels of compensation for the top management team and the workforce. Further focal points were the first personnel report of the year, the economic effects of the Ukraine crisis on business in Russia, and the expansion of the Application Technology division into the area of industrial painting. In addition, the Supervisory Board authorized the Board of Management to issue a new bond and enter into a new syndicated loan agreement.

Two meetings were held on April 30, the day of the annual general meeting. Prior to the shareholder meeting, the Supervisory Board was informed about the market situation in China and the planned acquisition of the application technology companies Bersch & Fratscher and EST+. In addition, it discussed the Board of Management's plans to sell the aircraft assembly technology business and integrate it into the Broetje Group. At the meeting held after the annual general meeting, the Supervisory Board elected a new member for each of its four committees as well as a new further deputy chairman of the Supervisory Board. This was necessary as Prof. Dr. Norbert Loos had stepped down from the Supervisory Board at the end of the annual general meeting due to retirement. Further information can be found in the section "Changes in the Supervisory Board".

At the extraordinary meeting held on July 15, 2014, the Supervisory Board authorized the Board of Management to acquire a majority stake in HOMAG Group AG, having received detailed information on the project and discussed all key aspects of the transaction with the Board of Management.

An important agenda item for the meeting held on July 30, 2014, were the figures for the first six months of 2014. The Supervisory Board examined, among other things, the subdued sales performance resulting from customer-induced project delays. This was followed by a discussion of the second personnel report and the first risk report of the year. The head of the Application Technology division, Dr. Hans Schumacher, who attended the meeting as a guest, explained the implications of the Industry 4.0 topic for Dürr. The Supervisory Board then discussed the status of the acquisition of the majority stake in HOMAG Group. To secure the company's success in China in the long term, the Supervisory Board approved the investment in a new high-tech center for painting and environmental technology in Shanghai, which will be completed by 2016.

The meeting held on October 2, 2014, focused on the growth in the service business and the earnings turnaround in industrial cleaning technology. In connection with the HOMAG transaction, the Supervisory Board authorized the Board of Management to prepare a domination agreement as well as a profit and loss transfer agreement, if applicable. In addition, the Board of Management provided information on the status of the integration of the aircraft assembly technology business into the Broetje Group. And finally, the Supervisory Board approved the investment for the construction of a central Campus site in Southfield (Michigan, United States), which will accommodate all Dürr activities located in the Detroit area from 2016.

The focus of the meeting held on December 10, 2014, was the future development of the Group. The Board of Management and the division heads presented the strategy for 2015 to 2020. On this basis the Supervisory Board approved the budget for 2015 and acknowledged the planning for 2016 to 2018. During the course of the meeting, the Supervisory Board also discussed the current risk report. In view of Mr. Heuwing's appointment as CEO of HOMAG Group AG, his employment contract as well as the allocation of responsibilities within the Board of Management were adjusted. The Chairmen of the Board of Management and the Supervisory Board signed the new declaration of compliance on Corporate Governance; more detailed information can be found in the management report (pages 63 to 71).

CHANGES IN THE SUPERVISORY BOARD

The retirement of Prof. Dr. Loos called for several personnel changes to the Supervisory Board and its committees. Following the proposal of the Nominating Committee, Prof. Dr. Holger Hanselka was elected by the annual general meeting as a regular member of the Supervisory Board. Karl-Heinz Streibich was appointed by the Supervisory Board as its new further deputy chairman to replace Prof. Dr. Loos. In addition, Mr. Streibich was elected as a member of the Personnel, Mediation and Nominating Committees, while Dr. Herbert Müller joined the Audit Committee as its chairman. The Supervisory Board would like to thank Prof. Dr. Loos once again for his valuable contribution and long-term commitment to the Dürr Group.

WORK OF THE COMMITTEES

The Personnel Committee, which is also the Executive Committee, met twice during 2014. It was primarily concerned with issues relating to Management Board compensation, including the vertical comparison, the preparation of the new LTI tranche as well as the adjustment of Mr. Heuwing's employment contract and the allocation of responsibilities within the Board of Management.

The Nominating Committee held one meeting. On March 17, 2014, it recommended to the plenary that Prof. Dr. Hanselka be nominated for election to the Supervisory Board at the annual general meeting.

The Audit Committee, which held three meetings, worked intensively on the quarterly, annual and consolidated financial statements and dealt with various accounting matters. Further key topics included the analysis of Dürr's pension plan in the United States, the refinancing in March/April 2014, the financing of the HOMAG transaction, and cost estimates in contract accounting using the POC method. The Audit Committee also proposed the key points for the external audit and monitored compliance with capital market regulations.

The Committee reviewed 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 10, 2014, and discussed in plenary session. The Audit Committee delivered further reports at the meetings held on March 17 and July 30, 2014. 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 the annual financial statements, the consolidated financial statements and the combined management report of Dürr AG and the Dürr Group prepared by the Board of Management for the period ended December 31, 2014, and issued an unqualified auditors´ certificate. 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 27, 2015. 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. At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Dr. 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 € 1.65 per share for 2014. In addition, he commented in detail on the key points of the audit, including the first-time consolidation of HOMAG Group and the presentation of the acquisition of HOMAG Group shares in the notes to the consolidated financial statements.

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, 2014. 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.

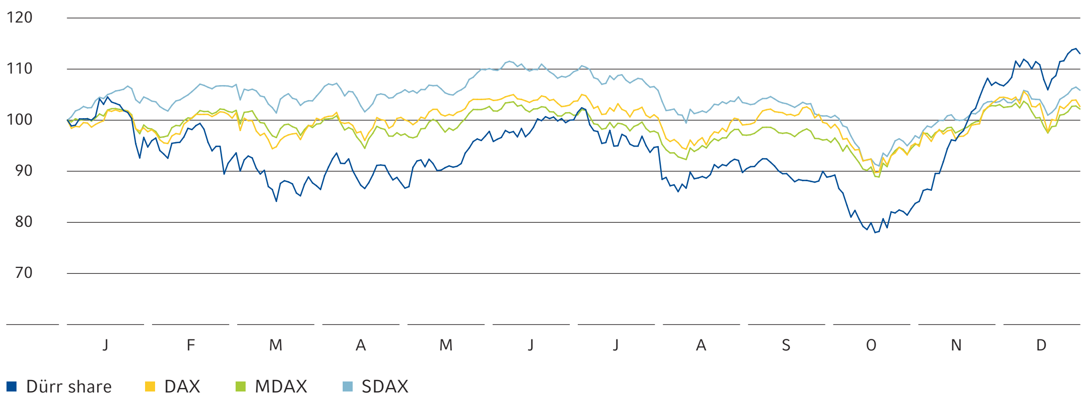
The Supervisory Board thanks the Board of Management as well as the division heads, employee representatives and all employees for their dedication in 2014. The Supervisory Board also thanks the shareholders of Dürr AG for the confidence they have placed in the company.

KLAUS EBERHARDT / *Chairman of the Supervisory Board*

Bietigheim-Bissingen, March 27, 2015

Dürr on the capital market: New all-time high reached by Dürr stock

1.1 PERFORMANCE OF DÜRR STOCK IN XETRA TRADING, JANUARY – DECEMBER 2014
compared with development of the DAX, MDAX, and SDAX (indexed values)



We pursue professional investor-relations activities to contribute to a fair valuation of Dürr stock, creating transparency and visibility by means of reliable and factual communications. At the same time, we maintain continuous contacts with analysts and key investors.

In 2014, Dürr's investor-relations activities were dominated by the acquisition of a majority interest in HOMAG Group AG. In the wake of this transaction, we intensified our communications activities to address investors' pronounced information requirements. Consequently, we were able to convince market participants of the logic of the acquisition and to convey to them the improved outlook for Dürr. This prompted many analysts to raise their profit estimates, something which spurred the stock considerably in the fourth quarter and beyond. The current consensus estimates on sales, profit and dividend can be found under "Investor Relations – Share" at **WWW.DURR.COM.**

www

At the end of 2014, Dürr stock was trading at a slight premium over the listed peer average. This is reflected in valuation multiples such as the price/earnings ratio, enterprise value to EBIT/EBITDA, enterprise value to sales and stock price to book value.

VOLATILE CONDITIONS IN THE EQUITIES MARKETS

The equities markets were very volatile in 2014, although the upward forces prevailed towards the end of the year. Equities trading benefited from the central banks' persistently accommodative monetary policies and the copious liquidity available to investors. At the same time, declining bond yields meant that there was an absence of any lucrative investment alternatives. Yields on ten-year German government bonds dropped to an all-time low of 0.5 % at the end of 2014 from around 2.1 %

in the previous year. Declining commodity prices, particularly oil, spurred the economic outlook, propelling equities markets in the established industrialized nations upwards. In the Eurozone, export-oriented companies additionally benefited from the depreciation of the euro. On the other hand, the crises in the Middle East, Ukraine and Russia triggered uncertainty.

DÜRR STOCK OUTPERFORMING THE MDAX AGAIN WITH GAINS OF 13 %

Dürr stock advanced by another 13 % in 2014 after rising by some 100 % in each of the previous two years. On December 29, 2014, it reached a new all-time high of € 74.50, continuing to rise to € 105.70 by March 16, 2015. Once again, it outperformed most of the other equities listed in the DAX, MDAX, SDAX and TecDAX in 2014. Including the dividend (€ 1.45 per share), Dürr stock achieved a total return of 15.2 %, thus exceeding the DAX (up 3 %) and MDAX (up 2 %) performance indices, which also include dividend payments. Equities indices in other countries performed more favorably, with the Dow Jones in New York climbing by 9 % on the upbeat economic outlook.

DIVIDEND TO BE INCREASED BY 13.8 %

Consolidated net profit for 2014 rose by 6.7 % but includes accounting-related non-recurring expense in connection with the first-time consolidation of the HOMAG Group. Adjusted for the consolidation of the HOMAG Group, consolidated net profit would have risen by 13.6 %. This is reflected in the dividend proposed by the Board of Management and the Supervisory Board, who will be asking the shareholders to approve a 13.8 % increase in the dividend per share to € 1.65 (2013: € 1.45). This translates into a total distribution of € 57.1 million and a payout 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.

We established a position in the top third of Deutsche Börse's combined ranking of SDAX and MDAX companies, which covers a total of 100 companies, reaching 23rd (2013: 27th; 2012: 38th) position in market capitalization and retaining 28th (2013: 28th; 2012: 31st) position in trading volumes at the end of 2014.

1.2 KEY FIGURES FOR DÜRR STOCK[1]

		2014	2013	2012
Earnings per share	€	4.33	4.05	3.10
Book value per share	€	17.78	14.58	12.25
Cash flow per share	€	8.42	9.51	3.40
Dividend per share	€	1.65[2]	1.45	1.13
High	€	74.50	66.29	34.88
Low	€	49.09	33.73	16.86
Close	€	73.26	64.81	33.75
Average daily trading volume	shares	124,000	153,000	207,900
Market capitalization (Dec. 31)	€ million	2,534.9	2,242.5	1,167.8
Number of shares		34,601,040	34,601,040	34,601,040

[1] The figures for 2012 have been adjusted to reflect the number of shares outstanding as of May 27, 2013; on this day, the number of shares doubled due to the issue of bonus shares.
[2] Dividend proposed to the annual general meeting

An average of 124,000 Dürr shares were traded per day in 2014, a decline of 19 % over the previous year. In euro terms, daily trading volumes remained steady at an average of € 7.5 million. XETRA trading volumes of all shares listed by Deutsche Börse rose by 28 % to € 85.6 billion.

A member of the Deutsche Börse's high-quality Prime Standard segment, Dürr stock is traded in all German stock exchanges. More than 95 % of trading volumes are performed electronically via XETRA. In the last few years, there has been a sharp rise in over-the-counter trading, which now accounts for over 60 % of the Dürr shares traded.

FURTHER AWARDS FOR IR ACTIVITIES

In the "Investor's Darling" competition organized for the first time by business journal Manager Magazin, Dürr's capital market communications ranked 2nd out of a total of 50 MDAX companies. This new competition replaced the previous "Best Annual Reports" rankings, in which Dürr had consistently scored highly in the previous years. In the 2014 German Investor Relations Award competition, which was organized jointly by Thomson Reuters Extel Surveys, business weekly Wirtschaftswoche and the German Investor Relations Association (DIRK), Dürr again ranked at the top of the middle field in the MDAX segment.

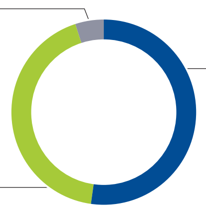
MAJORITY OF ANALYSTS SEE DÜRR AS A "BUY"

Following the substantial increase in the stock price and multiples, Dürr stock reached some analysts' price targets at the end of 2014. As in the previous year, however, 95 % of the analysts continued to give our stock a "Hold" or "Buy" rating. In 2014, the number of analysts covering our stock rose from 20 to 21 following the addition of Quirin Bank.

The expansion of our investor-relations activities is also reflected in the following figures: The Board of Management and the IR team attended 27 capital market conferences and 24 roadshows throughout Europe and the United States (2013: 24 and 23, respectively). The number of one-on-ones with institutional investors rose from 300 in the previous year to around 350. In response to the heightened communications requirements of the capital market, we enlarged our IR team and broadened our online activities. Detailed figures as well as information on the acquisition of the HOMAG Group, the sustainability report and the corporate magazine ECO can be found at

www **WWW.DURR.COM/INVESTOR.** In addition, various presentations provide a current overview of Dürr.

1.3 ANALYST RECOMMENDATIONS (DECEMBER 31, 2014)



Buy	Hold
Bankhaus B. Metzler	Baader Bank
Bankhaus Lampe	BHF-Bank
Berenberg Bank	Deutsche Bank
Close Brothers Seydler	HSBC Trinkaus
Commerzbank	Landesbank Baden-Württemberg
DZ Bank	Macquarie Capital
Hauck & Aufhäuser	Quirin Bank AG
Kepler Cheuvreux	Solventis Wertpapierhandelsbank
Mainfirst	UBS
M.M. Warburg	
Montega	Nord LB

SHAREHOLDER STRUCTURE: FREE FLOAT UNCHANGED AT 71 %

With a share of 25.2 % of Dürr AG's subscribed capital, Heinz Dürr GmbH, remains the anchor shareholder. Together with the interests of a further 3.5 % held by Heinz und Heide Dürr Stiftung, a total of 28.7 % of the stock is attributable to the Dürr family (December 31, 2014). The family plans to continue holding a minimum aggregate 25 % of the subscribed capital. The two investors BlackRock and Alecta Pensionsförsäkring each held between 3 % and 5 % of our stock at the end of 2014. Members of the Dürr AG Board of Management accounted for a total of 0.7 %. According to Deutsche Börse's calculations, the free float stands at 71 %.

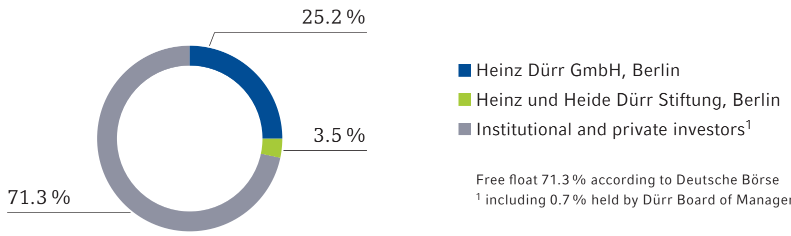
NEW DÜRR BOND WITH A YIELD OF 1.8 % AT THE END OF 2014

In spring 2014, we restructured the Group's long-term funding. In doing so, we were able to benefit from favorable market conditions and our good economic situation to obtain substantially better terms. One element of the new funding package is a seven-year bond of € 300 million with a 2.875 % coupon placed at an issue price of 99.2 %. It is supplemented by a new syndicated loan for € 300 million expiring in 2019 with an option for renewal by two further years. On this basis, we were able to redeem a bond issued in 2010 (coupon 7.25 %) one year ahead of maturity in September 2014, thus achieving interest savings.

The new bond was traded for the first time on April 3, 2014, at a price of 100.5 %, closing the year at 106.5 %. In terms of its duration (expiring April 2021), the yield stood at 1.8 % at the end of 2014, down from 3.0 % on the issue date. Average trading volumes for the bond came to a nominal € 326,000 per day in 2014.

We have not sought any issue or issuer rating since 2010 as we do not consider the benefits of such a rating to justify the expense involved. The fact that the new bond was issued without any problems in spring 2014 again confirms this view. Investors are able to obtain a nuanced impression of Dürr via our various communication activities targeted at the capital market.

1.4 SHAREHOLDER STRUCTURE (DECEMBER 31, 2014)



Free float 71.3 % according to Deutsche Börse

[1] including 0.7 % held by Dürr Board of Management

PASSION

The HOMAG Group has been part of the Dürr Group since October 2014. The world's leading supplier of woodworking machinery and systems is known for its high-quality technology and clever product ideas. The company owes its market success to its workforce of around 5,700 employees and their extraordinary passion for innovation.

18 – 25
Text: *Heimo Fischer*
Photos: *Marcus Pietrek*

The factory building is larger than four soccer pitches. It contains three production lines, each 80 meters long, ready for final assembly. The engineers start the conveyors, watch carriages move through the building along guide rails, and check the electronics using measuring devices. If the tests are successful, the systems are dismantled and sent to customers around the world. It is almost impossible for a layperson to determine whether the systems will be used for making fitted kitchens, wall units or floor boards. What is certain, however, is that these machines are something special. The HOMAG Group, based in the village of Schopfloch in the Black Forest, is the technology leader in woodworking machinery. The employees are proud that their machines run like clockwork. “This is what our customers expect”, says Martin Wennagel, Head of Assembly at HOMAG Holzbearbeitungssysteme GmbH.

“I LIVE AND BREATHE HOMAG”

Like many others working here, the 51-year-old has been with the company for decades. During this time he has got to know many areas within the company. Warehousing, transport, spare parts production or component assembly – he is familiar with every department. He walks purposefully through the buildings, exchanging a few words with colleagues, who give him a friendly smile. “I’m on first-name terms with 70 percent of people here”, he laughs. He likes the company and he likes its products. His work in Schopfloch is more than just a job for him. “I live and breathe HOMAG”, says Wennagel.

30 %
world market share

€ 915 MILLION
sales in 2014

55
years of tradition

“I live and breathe HOMAG” – Martin Wennagel, Head of Assembly at HOMAG Holzbearbeitungssysteme GmbH

Thanks to the inventive talent, entrepreneurial thinking and passion of its employees, the HOMAG Group has secured a leading position among suppliers to the woodworking industry over the last few decades. It has a world market share of almost 30 percent. One of its success factors is its wide range of products. If a furniture manufacturer wants to expand its factory, the HOMAG Group plans the new production line, from beginning to end. If a door manufacturer is looking for machines to drill and install fittings, this is where to find them. And if a carpenter wants to use the latest CNC technology for flexible production, the HOMAG Group offers him the right solution.

PERFECTING QUALITY

The backbone of the HOMAG Group consists of more than a dozen national and international production companies that develop and manufacture highly specialized machines. The machines are either delivered directly to the customer, or they are used to create customized production lines in the huge buildings in Schopfloch. Distributors and trading partners in more than 100 countries take care of sales and marketing.

Production plants for the furniture industry must constantly keep up with the latest trends. Shapes and functions change frequently in the world of interiors. In the modern home, furniture has to be tailored to personal needs: a slightly longer table, shelving units requiring two extra drawers, and cupboard doors with white rather than black veneer. In the past these special requests were always processed manually. “Today this is usually far too expensive”, says Martin Wennagel. Industrial furniture makers, in particular, want to produce bespoke items just as efficiently as standard pieces – a constant challenge and opportunity for the HOMAG Group.

In addition, major furniture producers such as IKEA Industry demand innovative and reliable machines. They produce high-quality furniture in large numbers and are keen to lower manufacturing costs through automation, seamless processes and networked systems. Together with the HOMAG Group, they continue to optimize production processes. “IKEA Industry is a very important innovation driver for our industry”, says Wennagel. For many years the Swedish furniture producer has been using the HOMAG Group’s systems, among others, in its factories.

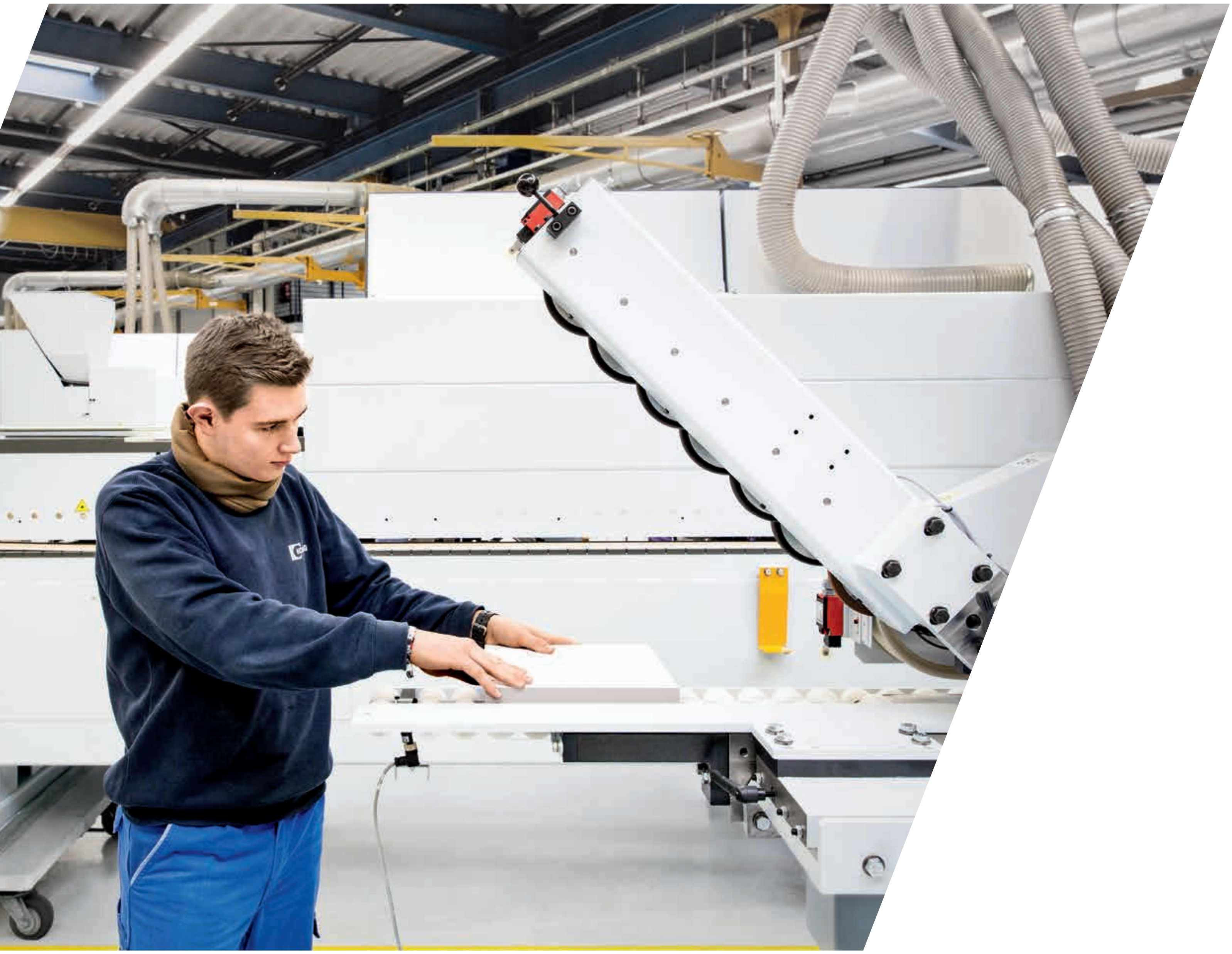
The HOMAG Group creates innovations through systematic development planning. Ideas are collected throughout the Group and processed by teams of product managers, designers, buyers and production specialists. The software and electronics for controlling the machines and systems are continuously improved. One of the innovations that has recently caused a stir is called power**Touch**. The name refers to an intuitive control panel for machines that looks like a tablet PC and helps users to make the right decisions.

The HOMAG Group developers are constantly thinking up ways to make woodworking even more efficient. One example is the joint: most pieces of furniture are made of chipboard covered on both sides with decorative film. At the narrow sides of the workpiece, edge banding is applied in the matching color. In the past this left adhesive residue; the joints were visible and would become unsightly over time. The HOMAG Group has therefore developed a new process, whereby a laser beam melts the adhesive on the edge, and the edge banding is immediately pressed onto the workpiece. The result: no more joints. "This is how we have perfected the quality of edge banding", says Martin Wennagel.

CUTTING THE RIGHT PANEL AT THE RIGHT TIME

Making products better and better is what also motivates Darko Zimbakov. The engineer is Head of Development at the HOMAG Group subsidiary HOLZMA in Calw, around 40 kilometers from Schopfloch. HOLZMA is the world's most important manufacturer of panel dividing saws – great and small. During a tour Zimbakov points out that it is not about individual saws: "We look at the entire cutting process."

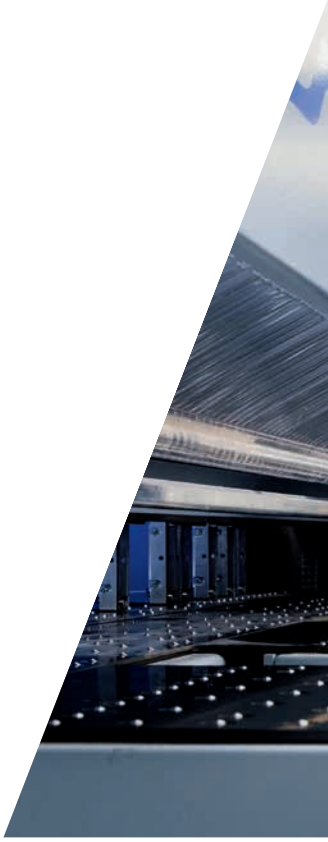
Maximum precision, strong team: assembly workers at HOMAG Holzbearbeitungssysteme GmbH in Schopfloch.



Attracting young people too: the HOMAG Group is a sought-after provider of vocational training.

In a modern factory a lot of customized pieces of furniture are produced one after the other. The same sawing machine is used to cut a wide variety of panels. This calls for flexibility. "The trick is always to have the right panel under the saw at the right time", says Zimbakov. This is where the HOMAG Group's intelligent warehouse management software comes in. It controls the automated warehouse, which presorts the panels overnight and feeds them into the saw just in time. Without a break one panel after the other is delivered to the sawing machine. The software program knows whether it is worth sending offcuts back to the warehouse for processing at a later date. Customers report that these "saw-warehouse combinations" have made their production significantly more efficient.

Zimbakow likes to demonstrate one of the fully automated sawing machines to visitors at the Calw innovation center. Thanks to the system's clever design, panels can be cut first crossways and then immediately lengthways. And out comes the finished component.



WINNING THE BATTLE AGAINST SAWDUST

The saws do not screech, and there is no sawdust flying around. Sawdust is dangerous; it can lead to damage and failures in production. HOLZMA has won the battle against sawdust thanks to a technology called dustEx. Darko Zimbakov demonstrates the principle, consisting of many small nozzles along the cutting line. These blow the sawdust over the work surface until it disappears in a suction device. In addition, a dust curtain seals off the work area.

This type of technology can only be developed with experienced and specially trained staff. Therefore the HOMAG Group trains many employees in-house. At the German sites there are more than 300 trainee electronics engineers, mechatronics engineers, industrial mechanics, construction mechanics and IT specialists.

In the future, employees will have to know more and more about international business. Take Asia: "China is becoming one of the key markets for the HOMAG Group", explains Head of Assembly, Wennagel. Just under 20 percent of sales are generated in Germany, closely followed by the People's Republic. However, it is difficult to predict from Schopfloch what the preferences of Asian furniture manufacturers will be. For this reason the company is employing an increasing number of people at its Shanghai plant and training them in-house. Most recently, students from China have been completing a dual training program within the company, with a view to taking over important positions for the Group in their home country. After all, more and more Chinese furniture manufacturers now take pride in showing off systems made by the HOMAG Group in their production facilities.

In his element: Darko Zimbakov, Head of Development at HOLZMA, explains a high-end cutting center.

Blows away sawdust: dustEx, a patented system of small air nozzles on the work surface.

Concentrating during assembly: an employee of HOLZMA in Calw.

FURTHER INFORMATION ON THE HOMAG GROUP CAN BE FOUND AT WWW.HOMAG.COM

GROWTH

Dürr stands for highly efficient production technology for the automotive industry. And this is not going to change. In addition, the Group is positioning itself more broadly in the mechanical engineering business. In the following interview Ralf W. Dieter and Ralph Heuwing explain Dürr's value-based growth strategy.

26 – 29

Photos: *Marcus Pietrek*

The acquisition of a majority stake in the HOMAG Group came as a surprise to many people. Why did Dürr not invest in its core automotive business?
Ralf W. Dieter: Dürr's focus clearly remains on the automotive industry. We will continue supporting our long-term customers with the same level of commitment as before. After the frenzied development that started in 2010, growth in the automotive business has now plateaued. This was expected in view of our market share. Due to the position we have reached, acquisitions in the automotive sector would have made little sense. That's why we are creating another mainstay for Dürr with the HOMAG Group.

Why have you opted for the woodworking machinery sector?
Ralf W. Dieter: Wood is a fascinating material, but this was not the deciding factor. More importantly, the HOMAG Group fulfils all the criteria we have defined for our acquisition targets. The HOMAG Group is a mechanical and plant engineering firm, and we understand what matters in this sector. The company has committed employees with unique know-how and strong loyalty. The HOMAG Group is the world market and technology leader but still has great potential and remains on an upward trend. It has accomplished a great deal since its restructuring in 2011, and this is a good basis for further development.

You have mentioned the potential of the HOMAG Group. Can you be more specific?
Ralph Heuwing: There is great potential for business expansion in the emerging markets. The Chinese furniture market is growing by an average of 6 % a year, while the market for the woodworking industry is increasing even more rapidly. The HOMAG Group wants to participate more than ever in that growth, which is why we are expanding our position there. The second potential lies in internal optimization. This includes topics such as process efficiency, cooperation between the sites and globally seamless IT systems. In addition, we can see great potential in the area of service – as is the case at Dürr.

Ralf W. Dieter, CEO of Dürr AG (left), and Ralph Heuwing, CFO of Dürr AG and CEO of HOMAG Group AG

»The HOMAG Group still has great potential and remains on an upward trend.«

To what extent will the HOMAG Group benefit from its affiliation with Dürr?
Ralph Heuwing: The HOMAG Group has found a robust new owner in Dürr that has a long-term interest in the industry. A lot of the optimization work planned for the HOMAG Group has already been completed at Dürr. We can draw from this experience and make use of the Dürr 'toolkit' where appropriate. The bulk of the work, however, has to be carried out at the HOMAG Group: on the basis of a comprehensive analysis, the company is currently developing an optimization program, which will be implemented from mid-2015.

What role do synergies between Dürr and the HOMAG Group play?
Ralph Heuwing: We want to achieve cost savings, for example through combining our purchasing activities. For this we require the domination and profit and loss transfer agreement, which has been effective since March 17, 2015. The two companies can also benefit from each other technologically. Dürr can share its robot integration expertise, while the HOMAG Group has innovative system operation solutions. However, the focus is not on typical synergies but on the exchange of information. We want to make the HOMAG Group even more efficient, with the help of all managers and employees.

The HOMAG Group's profitability is currently below Dürr's level. What potential do you see here?
Ralph Heuwing: The HOMAG Group will make a clearly positive contribution toward the Dürr Group´s EBIT in 2015. In the long term, it is capable of reaching the same margins as our activities so far. The optimization measures offer a considerable upward potential.

What other acquisition plans do you have?
Ralf W. Dieter: We want Dürr to develop into a cross-sectoral specialist for efficient production technology with a sales target of € 4 to 5 billion. For this we need further acquisitions in mechanical and plant engineering. However, there are no major transactions planned for 2015; we are initially focusing on the further development of the HOMAG Group.

What organic growth potential do you see for Dürr?
Ralf W. Dieter: As far as the automotive business is concerned, we are aiming for growth at least in line with worldwide automotive production, in other words an average of around 5 % per year. In addition, we are using existing competences to develop new areas of business, for example we are expanding the application technology business with customers in general industry. Here, the annual market volume is around € 3 billion, and we want to participate in this.

You have unveiled plans to optimize and expand the service business. Where does Dürr stand here?
Ralf W. Dieter: In 2014 service-related sales rose more strongly than in previous years and exceeded € 600 million for the first time. The most important element in our business, and especially in service, is customer focus: How can we tailor our advice to customers' needs? How can we ensure that spare parts reach customers as quickly as possible? How can an existing production system be made even more efficient? These and similar questions are being explored to ensure that we become an even better partner for our customers in the area of service.


DÜRR

NICHE SUCCESS

Dürr enjoys a global reputation for painting technology in particular. But it has more strings to its bow. The Group is also the global market leader in other niche engineering fields, for example in filling technology under the Dürr Somac and Agramkow brands.

30–39

Text: *Heimo Fischer*
Photos: *Marcus Pietrek, Daniel Fischer*

The car is almost finished when it reaches the filling system in the plant. The worker there takes an adapter with a hose, bends over the engine compartment and locates the adapter unerringly on the filler opening. The system hums and pumps, and then fluid flows into the relevant reservoir in the vehicle. This process is repeated until the car is filled with everything it needs to be driven. For the casual observer it all looks very simple. "In reality it's a complex process," says Bernd Preißler, Managing Director of Dürr Somac GmbH.

His company, based in Stollberg in the German state of Saxony, and Danish company Agramkow together make up the business field within the Dürr Group which specializes in filling systems for various sectors. Automakers form the largest customer group. During final assembly they fill a vehicle with up to twelve different fluids or gases. These media include, for example, brake fluid, refrigerant for the air-conditioning system, radiator coolant and fuel. And then, of course, the hydraulic steering system and the windshield washer system also need the right media.

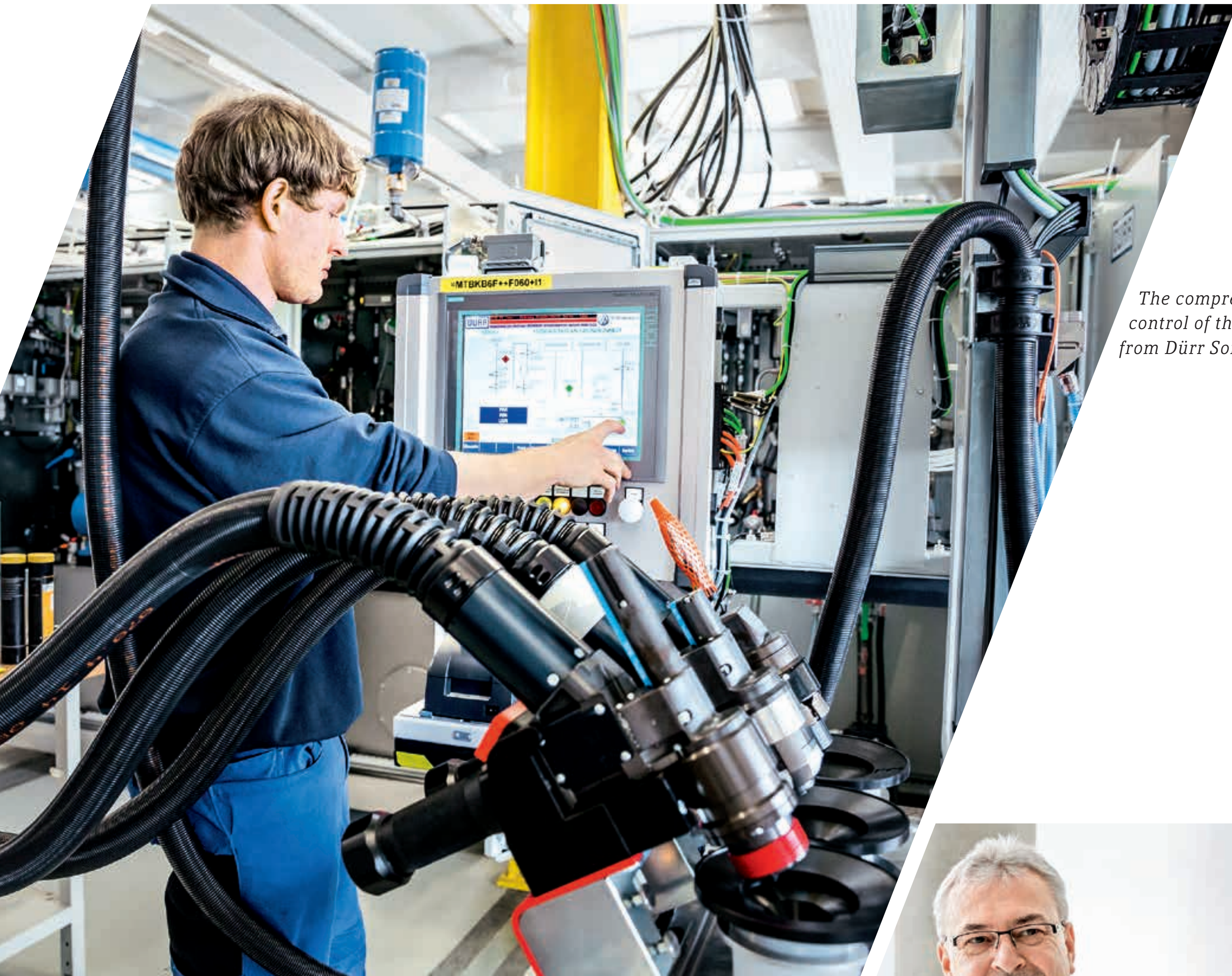
"Manual filling, as done in a workshop, would be inconceivable for series production," says Bernd Preißler. Too time-consuming and too expensive. Automakers require machines which dispense very specific volumes economically, quickly and precisely. Spillages or dribbles are unacceptable. Engine oil on the shop floor? Coolant in the engine compartment? Brake fluid on the paintwork? Every vehicle manufacturer's worst nightmare!

ALL-IN-ONE PACKAGE FOR THE CUSTOMER

Simply supplying the filling system is not enough. "We offer the customer an all-in-one package, from process and layout planning, to custom-fit installation and commissioning, through to service," says Bernd Preißler. Filling systems in an automotive assembly line consist of four sections: base unit, control cabinet, console and adapter. During installation in the customer's final assembly plant, lines and pipes have to be laid and the steelwork sometimes has to be adapted. Dürr Somac also takes care of communication between the filling system and host computers.

The filling process runs fully automatically. All the workers on the assembly line have to do is attach and then detach the adapters. The other steps proceed invisibly. Take safety tests, for example. These are important with the brakes in particular. The system creates overpressure in the brake system before filling, and a vacuum afterwards. A leak in the brake line would be detected immediately. Filling only takes place if the leak test readings are correct. The filling system controller logs every step.

Although the operations required of the workers are straightforward, they can be very physically demanding. Workers have to locate the adapter around 120 times an hour, sometimes with the upper body bent well forward. Dürr Somac has therefore developed an adapter which is 20 percent lighter than the previous solution. This reduces the amount workers have to lift every day by up to a ton. Ergonomic requirements were taken into account in the development of the adapter, named G^{3}Blue, to ensure reduced strain on muscles and joints.



The comprehensive software control of the systems also comes from Dürr Somac.

The layout of the filling system is designed on the computer.

"Manual filling, as done in a workshop, would be inconceivable for series production", says Bernd Preißler, Managing Director of Dürr Somac GmbH.

Filling systems experts together: Dürr Somac employees discuss the G³Blue adapter.

Agramkow head Bjarne Ravn Sørensen. His company offers innovative filling technology for environment-friendly refrigerants.

Thanks to innovations such as these, more and more automakers swear by solutions from Dürr Somac. Sales have risen by more than 80 percent in the past five years. One of the strengths of the company and its 250 employees worldwide is the ability to take proven technologies and then refine them further. Effective 2017, for example, vehicle manufacturers will only be allowed to use refrigerants with minimum greenhouse gas potential in their air-conditioning systems if they wish to sell their products on the European market. Dürr Somac already has the relevant technology in place for this, too.

CHINA IS THE MOST IMPORTANT MARKET

Filling systems are lined up in the assembly plant in Stollberg – ready for shipping to the customers. Small signs indicate the recipients – automotive plants in Mexico, Brazil or China.

Many systems from Agramkow, based in Sønderborg, Denmark, are also destined for such growth markets. The company, which has been owned by Dürr since 2011, specializes in systems for filling refrigerators and air-conditioning systems with refrigerant. Climate protection is a major issue in this market, too. “Increasingly, manufacturers of domestic appliances are demanding environment-friendly refrigerants in their cooling systems,” says Agramkow Managing Director Bjarne Ravn Sørensen. The companies therefore need new **FILLING TECHNOLOGY** – and the Dürr subsidiary provides them with it.

P. 256

For Agramkow’s filling systems, too, China is the most important market. “Two out of every three refrigerators are manufactured there,” says Sørensen. The company is expanding its position in the People’s Republic. Having the backing of a strong parent company makes it easier to process the market. “Being part of Dürr is a blessing for us.”

For example, Agramkow can use the shared Schenck site in Shanghai-Baoshan – just like Dürr Somac. The new mechanical engineering complex houses a state-of-the-art assembly section. Local experts, for instance for engineering, procurement and service, provide assistance with market processing. There are close contacts between the partner companies. Managers and engineers communicate with each other and can consider, for example, what features are required of a system especially designed for the Chinese market.

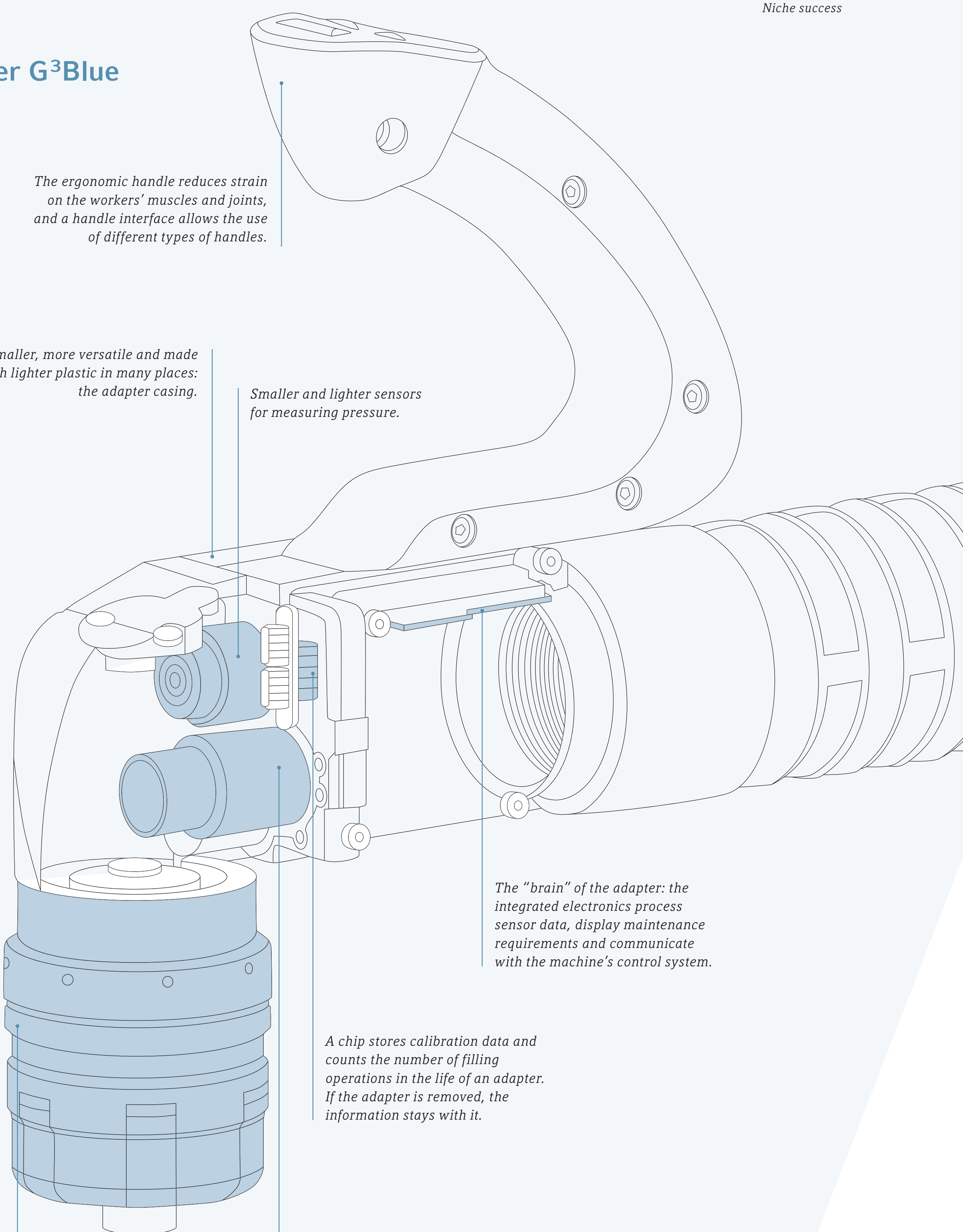
Dürr Somac and Agramkow plan to stay ahead of their competitors in future, too – both in the high-end market and for functional filling systems for the emerging markets. They therefore set great store by innovation. Dürr Somac boss Preißler sums it up perfectly: “We aim to increase our customers’ production efficiency. To do so, we need to develop ever better and more modern products.”

1 t/day
less weight to lift

20 %
lighter and faster

The success of our filling technology business is due to innovations such as the G³Blue. The new adapter for fully automatic filling in final vehicle assembly is considerably lighter and faster than previous generations. The health of the workers on the assembly line was another aspect taken into account by our developers: the ergonomic handle and lower weight reduce the amount workers have to lift every day by 1 ton, lessening muscle and joint strain. This way we ensure that our customers have a firm grip on the filling process.

Adapter G³Blue



The ergonomic handle reduces strain on the workers' muscles and joints, and a handle interface allows the use of different types of handles.

Smaller, more versatile and made with lighter plastic in many places: the adapter casing.

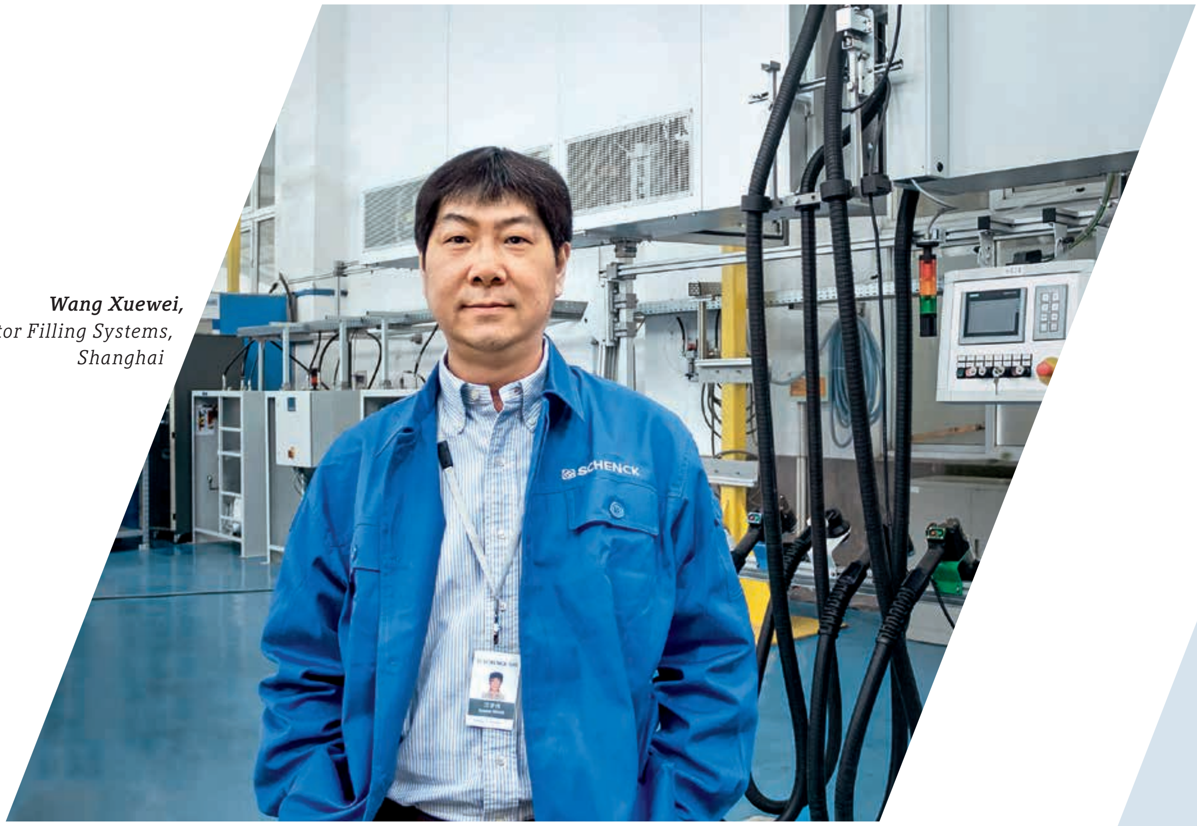
Smaller and lighter sensors for measuring pressure.

The "brain" of the adapter: the integrated electronics process sensor data, display maintenance requirements and communicate with the machine's control system.

A chip stores calibration data and counts the number of filling operations in the life of an adapter. If the adapter is removed, the information stays with it.

Valves can cause bottlenecks in the filling process. The newly designed valves increase the flow rate, thus reducing filling times considerably.

The use of more standard parts in the clamping system reduces the complexity of the design and production while increasing reliability.

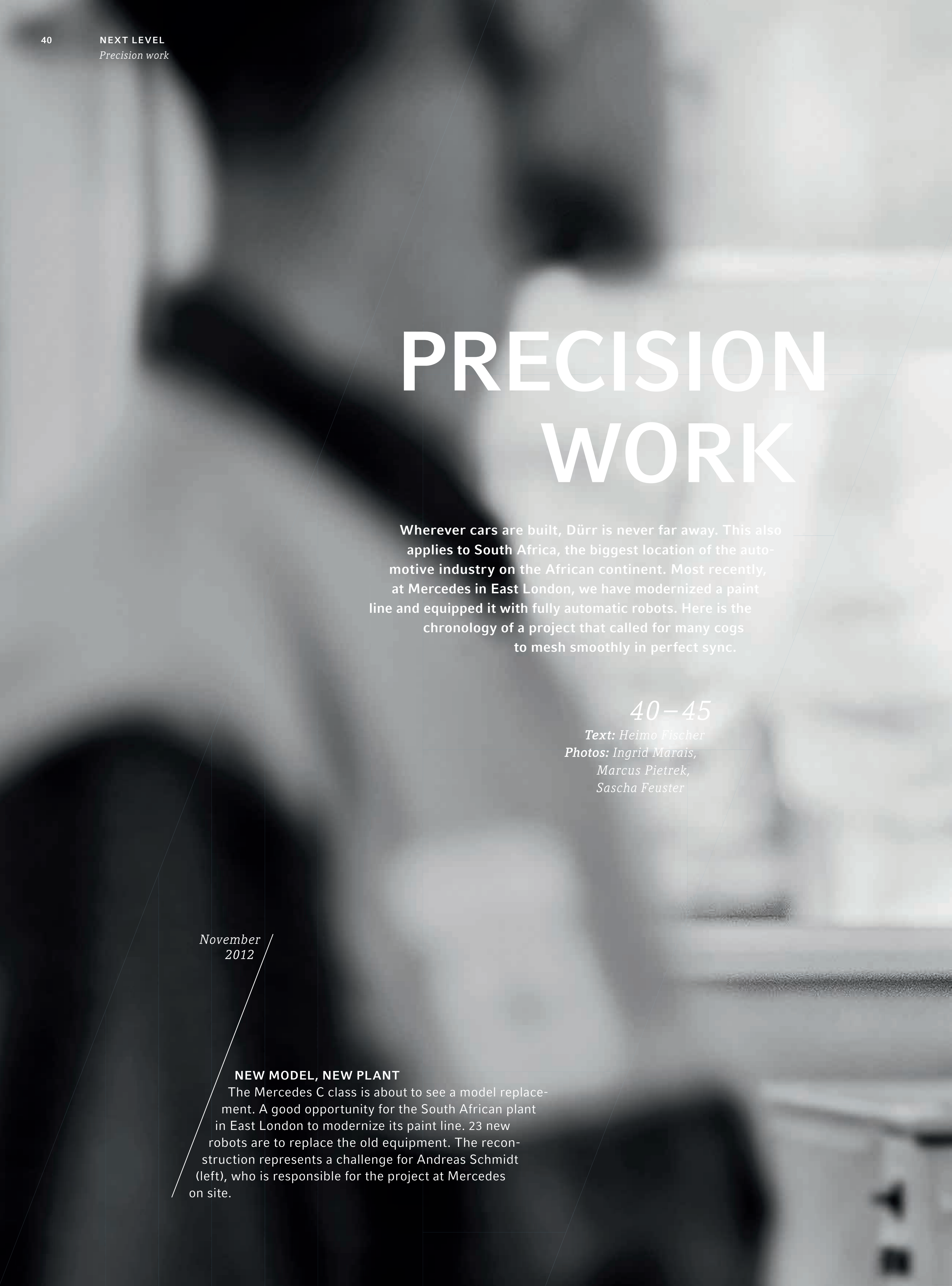


Wang Xuewei,
Sales Director Filling Systems,
Shanghai

»We have installed around 500 filling systems in China now. Customers trust us because we execute projects professionally, our systems operate safely, and our service staff is always quick to assist. One of our key strengths is our local production in Shanghai. It sharpens our competitive edge and allows us to offer products that are precisely tailored to the requirements in China. We are looking to the future with confidence, as many automotive plants are being built, especially in Western China. We want to support our customers in this process.«

»The appliance industry is gaining momentum. Big players are continuing to build new factories in countries like China, Brazil, India, Bangladesh or Indonesia. This offers huge opportunities for us. As part of a global group, we can follow our key clients all over the world to help them setting up additional production capacities. We consider ourselves the only supplier in our market who is able to do this, as our main competitors have a more regional focus.«

Hans Jørn Petersen,
Managing Director Agramkow Asia Pacific, Singapore



PRECISION WORK

Wherever cars are built, Dürr is never far away. This also applies to South Africa, the biggest location of the automotive industry on the African continent. Most recently, at Mercedes in East London, we have modernized a paint line and equipped it with fully automatic robots. Here is the chronology of a project that called for many cogs to mesh smoothly in perfect sync.

40–45

Text: *Heimo Fischer*
Photos: *Ingrid Marais, Marcus Pietrek, Sascha Feuster*

November 2012

NEW MODEL, NEW PLANT
The Mercedes C class is about to see a model replacement. A good opportunity for the South African plant in East London to modernize its paint line. 23 new robots are to replace the old equipment. The reconstruction represents a challenge for Andreas Schmidt (left), who is responsible for the project at Mercedes on site.

March 2013

30 containers
50 tons of steel
23 robots
70 specialists

AND THE CONTRACT AWARD GOES TO DÜRR

In January 2013, two months after the public tender was opened by Mercedes, the bid presented by Dürr is received by the customer. Sales experts Gino Caparelli (right) and Meinhard Lutsch have calculated the costs. To do so, they had traveled to South Africa several times. Dürr receives the contract award at the beginning of March. The clock starts ticking. Which supplier will be awarded the steel construction work? Who is going to take care of the software internally? Who is to keep in touch with Mercedes? How will the project team be assembled?

September 2013

May 2013

ROBOTS IN TRANSIT

The conversion of a paint line located just under 10,000 kilometers away must be planned with precision. If an important part is left at home, this can be an expensive exercise. 70 meters of booth wall, 50 tons of steel and 23 robots are only part of the cargo shipped en route to South Africa, packed in overseas containers. Four weeks later, the precious material arrives in East London.

ALL STATIONS GO

Dürr's experts analyze the entire project in East London. They establish how control cabinets, booth walls and robots can be ideally positioned. The construction work begins in Bietigheim-Bissingen, with programmers making the necessary software adjustments. Next, assembly work begins on the robots, followed by the pre-commissioning of the entire paint line. In the summer, Mercedes inspects and accepts the paint line at Dürr's headquarters – and is satisfied. At Dürr, Christian Schmelz (right) is responsible for the robots; he and his colleagues prepared this visit from the customer.

November/December 2013

October 2013

A SOLUTION TO EACH PROBLEM

There is never a project without complications: the conversion work is scheduled to begin at the end of October. However, it takes longer than usual to issue the visas for some of the roughly 70 European specialists. It's full steam ahead on the administrative front. Then a strike in South Africa's automotive industry throws a spanner into the already tight time schedule. Bernd Scheel (left) knows how to deal with problems of this kind. The project head for conveyor and process technology finds a solution with Christian Schmelz: additional workers make up the three lost weeks.

CONVERSION IN EAST LONDON

The conversion begins with energy-sapping manual labor. Old plant and equipment must be dismantled and transported away. The critical phase begins: the Dürr crew installs new steel supports, soon followed by the new paint booths and conveyor technology. The robot assembly is the final stage of the conversion project. During the Christmas break automobile production comes to a standstill while Dürr's work continues unabated: during testing, the robots spray paint for the very first time. Nothing is left to chance; after all, time is scarce.

Nothing is left to chance. After all, time is scarce.

January 2014

THE BIG PRACTICAL TEST

When Mercedes resumes production, the system is already fully operational. In mid-January, the first bodies of a preliminary series glide through the new line. The technology is fine-tuned, and the paint jobs are subjected to intense scrutiny by Mercedes. Every minute detail is checked: is the quality of the car bodies perfect? Does the paint job keep its promises? A few weeks later, there is nothing left to correct: the first new C class leaves the paint shop with a perfect finish.

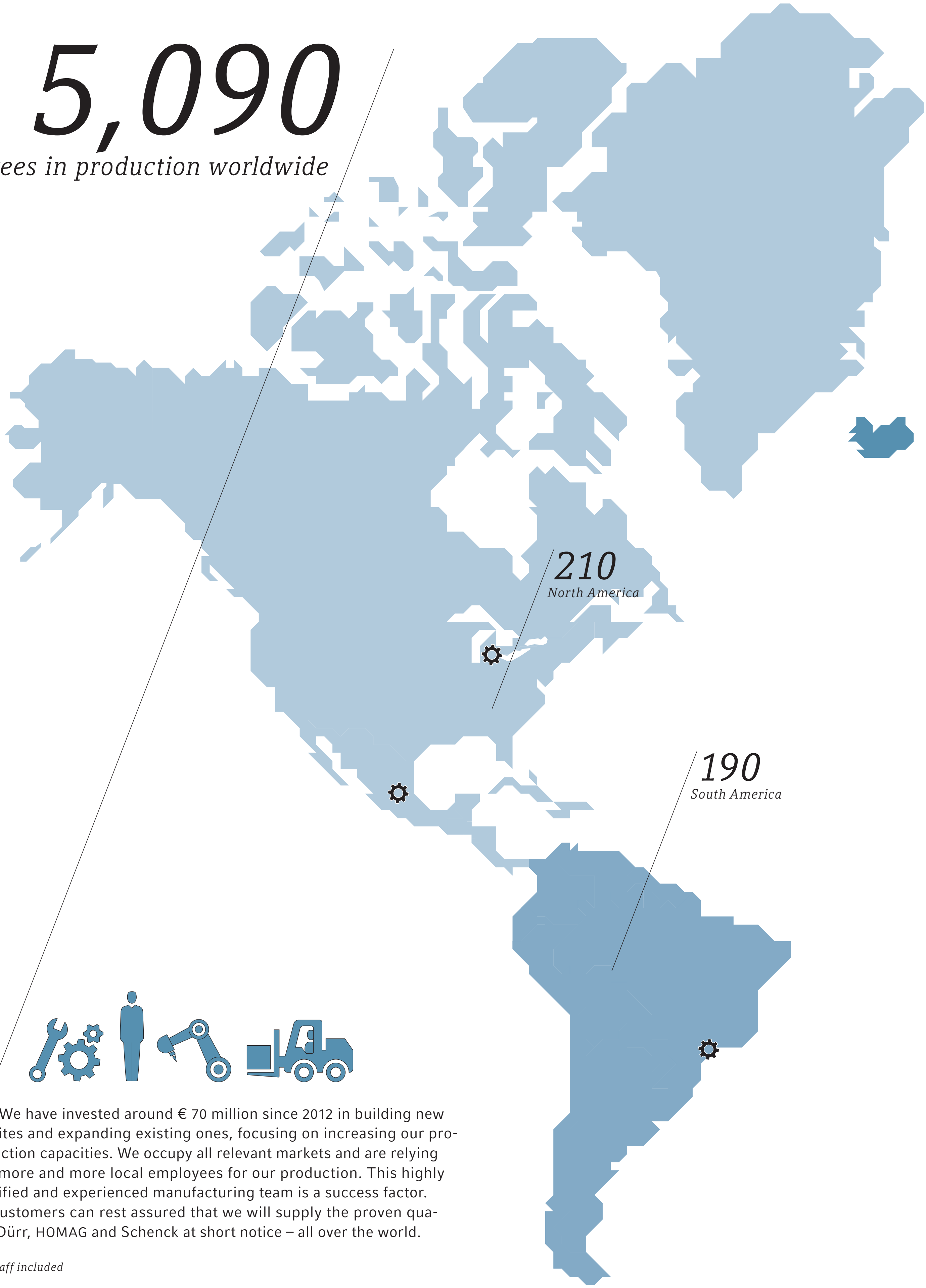
March 2015

RELIABLE SERVICE

Meanwhile the Daimler crew is fully up to speed with the new system. If desired, Dürr is avaliable for local service operations at any time.

5,090

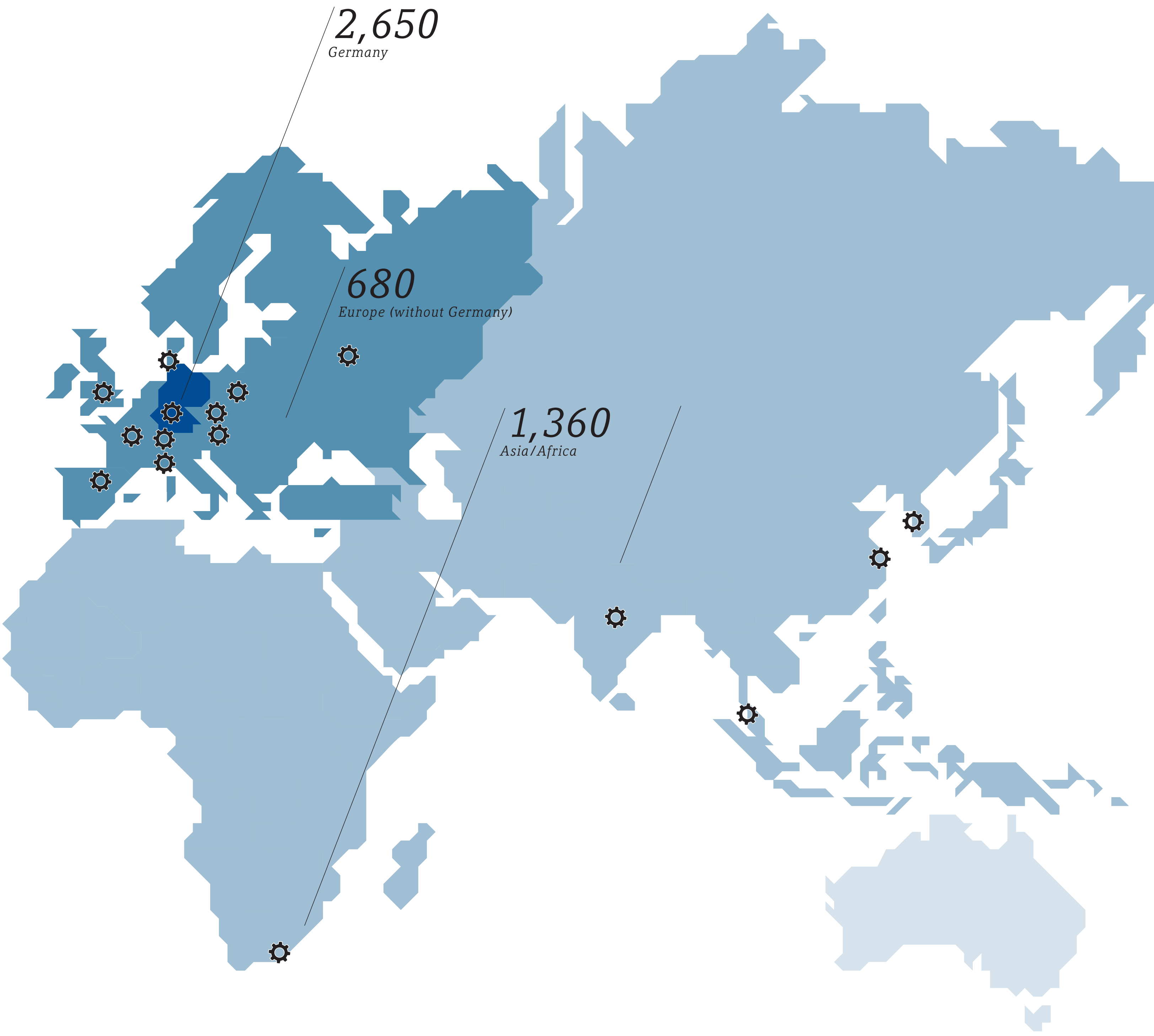
Employees in production worldwide



We have invested around € 70 million since 2012 in building new sites and expanding existing ones, focusing on increasing our production capacities. We occupy all relevant markets and are relying on more and more local employees for our production. This highly qualified and experienced manufacturing team is a success factor. Our customers can rest assured that we will supply the proven quality of Dürr, HOMAG and Schenck at short notice – all over the world.

External staff included

Thanks to our strong local production teams, we can provide a prompt service to all markets worldwide.



COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

We have combined the Dürr Group management report with the management report for Dürr AG for the first time this year in accordance with Section 315 (3) of the German Commercial Code in connection with Section 298 (3) of the German Commercial Code. Accordingly, the management report is now referred to as the combined management report. In the absence of any indication to the contrary, the following information applies to both the Dürr Group and to Dürr AG. Any statements referring solely to Dürr AG are designated accordingly and are located at the end of the combined management report.

The Group at a glance

PROFILE

Dürr is one of the world's leading companies in the field of mechanical and plant engineering. The largest sector we serve is the automotive industry, which represents around 65 % of Group sales. In previous years automotive business contributed a good 80 %. However, as a result of the majority takeover of HOMAG Group AG, the activities outside the automotive industry as a proportion of sales grew significantly in 2014. The HOMAG Group is the world's leading supplier of woodworking machines and systems and has been fully consolidated in Dürr since October 3, 2014. Other sectors we serve include mechanical engineering, the chemical, pharmaceutical and electrical industries, aerospace and the energy sector.

Our business is global, with around 60 % coming from mechanical engineering and about 40 % from plant engineering. We operate 92 sites in 28 countries and, in addition to North America and Western Europe, are strongly represented in the high-growth emerging markets[1]. These accounted for 58 % of our order intake, 54 % of our sales and 28 % of our workforce in fiscal 2014.

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 communication and human resources management. Together with 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

The Woodworking Machinery and Systems division was set up in October 2014 and encompasses the HOMAG Group's activities. The Paint and Final Assembly Systems division was known as Paint and Assembly Systems until December 2014. We renamed it after spinning off the aircraft assembly technology business from this division and transferring it to the Broetje Group. Further information can be found in this chapter under the sub-title "Acquisitions, new companies and divestments".

2.1 GROUP STRUCTURE

Management holding company	Dürr AG				
Divisions	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Woodworking Machinery and Systems

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

DIVISIONS, BUSINESS MARKETS, MARKET POSITIONS, IMPORTANT PRODUCTS AND SERVICES

Paint and Final Assembly Systems

Paint and Final Assembly Systems plans and builds 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 system start-up. 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 our compact **Eco**ReBooth paint booth with the energy-efficient **Eco**DryScrubber **PAINT SEPARATION SYSTEM**; primer, base coat and clear coat are applied in this booth. As a rule, our supply specification also covers ovens, conveyor systems, and control and supervisory control systems under the **Eco**EMOS product brand name.

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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.

Dürr Consulting is also part of the Paint and Final Assembly Systems division. It advises customers on planning and optimizing their production operations, particularly in the fields of painting and final assembly technology as well as 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 **Eco**Bell3 **HIGH-SPEED ROTATING ATOMIZER**, the **Eco**LCC2 color changer and the **Eco**RP 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 %.

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Besides paint application technology, we are active in two related business fields, i.e. **SEALING TECHNOLOGY** and **GLUEING TECHNOLOGY**. 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 an alternative to welding and is increasingly being used in response to the growing trend in the automotive industry towards the use of new, non-weldable materials. These reduce vehicle weight and fuel consumption and increase the stiffness of the body. During final assembly, glueing technology is used, for instance, for fitting windows, glass roofs and cockpits.

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Whereas in the past we concentrated almost exclusively on the automotive industry, since 2014 we have also been extending our **APPLICATION TECHNOLOGY** business to general industry. Application Technology's Industrial Products unit was set up for this purpose and offers, for example, products for the plastics, ceramics, shipbuilding, timber and furniture industries.

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Measuring and Process Systems

Measuring and Process Systems offers **BALANCING AND DIAGNOSTIC SYSTEMS** and also assembly, **TEST** and **FILLING PRODUCTS**. These activities are housed in the Balancing and Assembly Products sector. Our second field of activity – Cleaning and Surface Processing – specializes in industrial **CLEANING TECHNOLOGY** and surface processing systems.

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Balancing systems under the Schenck brand are used in a range of sectors. With a market share of some 40 %, we are the world's largest supplier and offer the broadest portfolio of products and services. Our nearest two competitors have market shares of around 15 and 10 %.

With regard to assembly, test and filling technology, we mainly supply the automotive industry. We are also the global leader in these areas, with market shares of 25 to 30 % each. With reference to 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 products in testing technology are test stands for brakes and electronics, together with the x-wheel truck d wheel alignment stand for trucks and buses. In assembly technology, the key area is **MARRIAGE STATIONS**, in which the vehicle body and drive train are joined.

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We operate our business with systems for workpiece cleaning and surface processing under the brand names Dürr Ecoclean and UCM. With a market share of about 40 %, we are the world's largest supplier. Our largest competitors are mainly medium-sized companies operating at a regional level. The **EcoC**Core and **EcoC**Wave universal cleaning systems are among our key products, to which the **EcoC**Booster system can be added. This is used to process workpiece surfaces with a high-pressure water jet.

Clean Technology Systems

Clean Technology Systems supplies exhaust-air purification technology and products to enhance the energy efficiency of industrial processes. Our **Ecopure** line of exhaust-air purification systems is mainly used in the chemical and pharmaceutical industries, but also in sectors such as printing, woodworking and carbon fiber production. Around 20 % of sales are attributable to equipping and upgrading automotive paint shops. In this business we have a market share of between 40 and 50 %. We are also one of 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. Because of their high energy demand, we often incorporate heat-recovery technologies in these exhaust-air purification systems. This focus on sustainable processes forms the link to our energy efficiency business field, which was set up in 2011 and offers a technology portfolio addressing all aspects of the efficient generation and use of heat, cold and electricity. This covers ORC technology (Organic Rankine Cycle) and the Dürr Compact Power System (micro gas turbine) for electricity generation, plus Thermea-branded large-scale heat pumps and heat exchangers.

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 almost 30 %, we have a significant lead over the two next-placed competitors with shares of 10 % and 7 %, respectively. Using our machines and systems, our customers produce household and office furniture, kitchens, parquet and laminate flooring, windows, doors, stairs and complete timber system buildings. The range extends from entry-level machines to complete production lines. Our core products include saws, drilling machines and **LAMINATING SYSTEMS** for surfaces and edges, plus edge-banding machines, CNC machines and handling systems. Our all-in-one systems for machining composite/lightweight panels for the furniture and structural elements industries are composed of these products. Current innovations with a large demand potential include the power**Touch** machine operation system as well as the **laser**Tec and **air**Tec edge-banding processes.

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2.2 ACTIVITIES AND BUSINESS MARKETS

PAINT AND FINAL ASSEMBLY SYSTEMS DIVISION

BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS/BUSINESS MARKETS
/ Plant engineering	/ Complete paint shops / Individual painting process stations / Final assembly systems / Services	/ Automobile manufacturers / Automotive suppliers / General industry (e.g. construction equipment and farm machinery)
/ Consulting	/ Consulting	/ Automobile manufacturers / Automotive suppliers / General industry

APPLICATION TECHNOLOGY DIVISION

BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS/BUSINESS MARKETS
/ Mechanical engineering and component business	/ Products for automated spray painting / Sealing technology Glueing technology / Services	/ Automobile manufacturers / Automotive suppliers / General industry (e.g. plastics, ceramics, timber, shipbuilding)

MEASURING AND PROCESS SYSTEMS DIVISION

BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS/BUSINESS MARKETS
/ Mechanical engineering	/ Balancing and diagnostic systems / Assembly technology for vehicle final assembly / Testing technology for vehicle final assembly / Filling technology / Industrial cleaning systems / Surface processing systems / Services	/ Automobile manufacturers / Automotive suppliers / Electrical/electronic engineering / Turbines/power plants / Mechanical engineering / Aerospace industry / Household appliance industry / Medical and laboratory equipment

CLEAN TECHNOLOGY SYSTEMS DIVISION

BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS/BUSINESS MARKETS
/ Plant engineering and component business	/ Exhaust-air purification systems / Energy management and consulting / Services / Energy efficiency technologies (electricity generation from heat, heat pumps and heat exchangers)	/ Chemical industry / Pharmaceutical industry / Carbon fiber production / Printing/coating / Automobile manufacturers (paint shops) / Automotive suppliers (paint shops) / Woodworking / Operators of decentralized power plants (CHP plants, biogas systems, stationary combustion engines) / Process industry / Energy sector / General industry

WOODWORKING MACHINERY AND SYSTEMS DIVISION

BUSINESS TYPE	ACTIVITIES	CUSTOMER GROUPS/BUSINESS MARKETS
/ Mechanical and plant engineering	/ Woodworking technology / Services	/ Woodworking industry / Woodworking trade

EXTENSIVE RANGE OF SERVICES

Our installed base, i.e. the sum of all the Dürr machines and systems operating in the market, has increased greatly since the end of the economic crisis of 2008/2009. In conjunction with this, our potential in after-sales business has grown significantly. We are therefore specifically expanding our service activities using the Group-wide CustomerExcellence@Dürr optimization program. Please turn to the STRATEGY chapter for detailed information.

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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 2014 service sales grew by 18.4 % to € 634.1 million and reached a proportion of 24.6 % of Group sales (2013: 22.3 %). Our medium-term target is to achieve a service proportion of up to 27 %. As a result of CustomerExcellence@Dürr and the consolidation of the HOMAG Group the number of service staff rose to 2,087 employees in 2014 (December 31, 2013: 1,030 employees). Their proportion of the total workforce grew from 13 % to 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 in Darmstadt, where Schenck is headquartered. The floorspace for rent amounts to 109,900 m² on 105,000 m² of land, of which offices account for 46 %. The Dürr Group requires around 35 % of the floorspace for its own needs.

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. In the paint shop business our systems expertise is the main factor, i.e. the ability to implement turnkey systems. A central prerequisite in this regard is our know-how in order execution and project management. The **Eco**RP painting robot for automated paint application is an important APPLICATION TECHNOLOGY product. In the other divisions, too, which operate in various sectors, individual products do not exert any major influence on revenue. Service business plays an important role in every division and makes a disproportionate contribution to profitability. Because of our broad-based international structure, we achieve 85 % of our Group sales outside Germany. The regional contribution to profitability corresponds approximately to the regional sales breakdown. We tended to achieve slightly higher margins in regions in which we enjoy above-average market share.

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LEGAL STRUCTURE

Each of the following companies is wholly owned by Dürr AG: Dürr Systems GmbH, Dürr International GmbH, Dürr IT Service GmbH, Dürr Technologies GmbH and Carl Schenck AG. The first two of these companies have, in turn, entered into domination and profit and loss transfer agreements with Dürr AG. A profit and loss transfer agreement is in place between Dürr AG and Dürr IT Service GmbH, and Dürr AG has concluded a domination agreement with Carl Schenck AG. On March 5, 2015, the extraordinary general meeting of HOMAG Group AG voted in favor of a domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG. The contract was entered in the Commercial Register on March 17, 2015, and has been effective since that date. The profit and loss transfer agreement, however, will not take effect until January 1, 2016.

There are also plans to conclude a domination and profit and loss transfer agreement between Dürr AG and Dürr Technologies GmbH. A motion is to be submitted to Dürr AG's annual general meeting on May 15, 2015, for the adoption of the relevant resolution. Dürr Systems GmbH, Dürr International GmbH, Carl Schenck AG and HOMAG Group AG hold direct or indirect stakes in all the other Group companies. In most cases, those are 100 % stakes, as presented in the overview under

P. 248 ITEM 44 in the notes to the consolidated financial statements. 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, NEW COMPANIES AND DIVESTMENTS

In 2014 we acquired five companies and shareholdings and divested ourselves of one operation. The most important transaction was the majority takeover of HOMAG Group AG, which has enabled us to substantially broaden our mechanical and plant engineering base.

Acquisitions/new companies

- The majority takeover of HOMAG Group AG, announced on July 15, 2014, was completed in October 2014. The HOMAG shares were purchased by Dürr Technologies GmbH, a wholly owned subsidiary of Dürr AG. With a global market share of almost 30 %, the HOMAG Group is the largest supplier of machinery and systems for the woodworking industry and trade. From the first-time consolidation on October 3 until December 31, 2014, the HOMAG Group contributed € 252.8 million to the Dürr Group's sales, and in 2014 as a whole the HOMAG Group recorded sales of € 914.8 million. In October 2014, Dürr Technologies GmbH acquired 53.7 % of the HOMAG Group shares from various principal shareholders of HOMAG Group AG. These include Deutsche Beteiligungs AG, which relinquished its entire package of shares in the HOMAG Group (39.5 %), the Schuler/Klessmann shareholder group, which sold 3.0 % of HOMAG Group shares to Dürr, and two further shareholder groups. Under the voluntary public takeover bid, which was closed in October 2014, Dürr Technologies GmbH acquired a further 2.1 % of the HOMAG Group's shares. In total we held 55.9 % of the shares in the HOMAG Group at the balance sheet date, paying a purchase price of € 228.1 million. The Schuler/Klessmann shareholder group currently owns 22.1 % of the shares. This group is made up of the family of Gerhard Schuler, who set up the HOMAG Group, and the Klessmann Foundation. We joined the share pool of the Schuler/Klessmann shareholder group with 3.0 % of the shares in the HOMAG Group, meaning that the pool therefore represents 25.1 % of the shares. By joining the pool and as a result of corresponding agreements for certain measures, we hold 77.9 % of the voting rights at the annual general meeting of HOMAG Group AG. On this basis Dürr Technologies GmbH was able to conclude a domination and profit and loss transfer agreement with HOMAG Group AG. This contract was approved at the extraordinary general meeting of HOMAG Group AG on March 5, 2015. It was entered in the Commercial Register on March 17, 2015, and has been effective since that date.

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- In the APPLICATION TECHNOLOGY field we acquired two relatively small companies in Germany and the Czech Republic. The two acquisitions will support our expansion in industrial paint application technology. On June 17, 2014, we acquired 100 % of the shares in Bersch & Fratscher GmbH, and on June 25, 2014, the purchase of 100 % of the shares in EST+ a.s. was completed. The two companies supply spray guns and other products for the application of paint and sealants. Bersch & Fratscher has been renamed Dürr Systems Karlstein GmbH, while EST+ is now trading as Dürr Systems Czech Republic a.s. The sales of the two companies totaled € 3.1 million in 2014 since the start of consolidation.

- In Southeast Asia we bolstered our local presence by establishing a new company and via one acquisition. We established Durr Systems Malaysia Sdn. Bhd. in Malaysia, effective March 10, 2014. In Indonesia, effective July 14, 2014, we acquired 100 % of the shares of PT Durr Systems Indonesia. In both cases, these are sales and service companies. In 2014 they achieved sales of € 3.4 million in total since consolidation.

- Effective December 30, 2014, we increased our holding in Luft- und Thermotechnik Bayreuth GmbH (LTB) to 100 %. In fiscal 2013 we had originally acquired 80.1 % of the shares in the environmental technology company. With LTB we have reinforced our position in exhaust-air purification technology and gained access to new customer groups, such as the graphite industry.

2.3 ACQUISITIONS/SHAREHOLDING PURCHASES

	Shareholding	Consolidation type	Included in the consolidated financial statements since	No. of employees[1]	Purchase price	Goodwill[2]
Bersch & Fratscher GmbH[3] Application Technology	100.0 %	Fully consolidated	June 17, 2014	74	€ 5.5 million	€ 0.7 million
EST+ a.s.[4] Application Technology	100.0 %	Fully consolidated	June 25, 2014	57	€ 4.9 million	€ 2.4 million
PT Durr Systems Indonesia Paint and Final Assembly Systems	100.0 %	Fully consolidated	July 14, 2014	1	€ 0.5 million	€ 0.5 million
HOMAG Group AG Woodworking Machinery and Systems	55.9 %	Fully consolidated	October 3, 2014	5,635	€ 228.1 million	€ 105.7 million
Luft- und Thermotechnik Bayreuth GmbH Clean Technology Systems	100.0 % (2014: 19.9 %, 2013: 80.1 %)	Fully consolidated	July 4, 2013	115	€ 10.4 million (of which € 1.4 million in 2014)	€ 2.1 million

[1] At time of first consolidation or acquisition of holding
[2] Included in purchase price
[3] Now renamed Dürr Systems Karlstein GmbH
[4] Now renamed Dürr Systems Czech Republic a.s.

Divestments

- Effective December 12, 2014, we transferred our aircraft assembly technology business to the Broetje Group. In return we received an 11 % stake in Tec4Aero GmbH, which belongs to the Broetje Group. The background to the transaction was that our aircraft activities had reached strategic growth limits with the previous product portfolio. Sales in this sector totaled € 40.0 million in the period January 1 to December 12, 2014. The transfer to Broetje resulted in the world's largest supplier of aircraft assembly technology. Thanks to its broad product portfolio, it has growth opportunities which would not have been accessible to Dürr and Broetje in isolation. Within the Dürr Group, aircraft assembly technology was part of the Paint and Assembly Systems division. The transaction yielded a profit of € 2.8 million.

- On December 17, 2014, we signed an agreement on the sale of Dürr Automation S.A.S. (France) to Automation Holding GmbH, a subsidiary of Quantum International Partners GmbH. Dürr Automation S.A.S. specializes in automation technology (for example interlinking systems, workpiece handling). We had put this business up for sale in December 2013. The sale is part of the strategic reorientation in INDUSTRIAL CLEANING TECHNOLOGY, in which we are now focusing exclusively on the core business. This transaction had a negative impact on earnings in fiscal 2014 to the sum of € 4.3 million. EVENTS SUBSEQUENT TO THE REPORTING DATE contains further information on the transaction.

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For further details of our acquisitions and divestments, please see table 2.3 and the STRATEGY chapter. In addition, please refer to ITEM 18 of the notes to the consolidated financial statements. You will also find information there on other transactions which we have not detailed in the management report in light of the materiality principle.

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2.4 PROCESSES IN PLANT ENGINEERING

PROJECT INQUIRY FROM CUSTOMER	PLANNING PHASE		ORDER INTAKE	DELIVERY ORDER						SERVICE
	Planning	Bid		Technical analysis	Design	Manufacture	Installation	Commis-sioning	Final acceptance	Spares, upgrades etc.

BUSINESS PROCESSES/PROCESS ADVANTAGES

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The most important business processes in the Dürr Group are planning, **ENGINEERING**, order execution and service. In recent years we have gradually expanded our level of in-house manufacturing and, as a result, improved quality assurance, delivery reliability and protection of intellectual property. The newly acquired HOMAG Group also offers substantial manufacturing capacity. Professional project management is the key to smooth order execution in plant engineering. Our project managers control in-house teams but also numerous suppliers; in addition, they bear overall responsibility for compliance with deadlines, quality specifications, budgets and project cash flows. Executing a large plant engineering order usually requires 15 to 24 months, and mechanical engineering orders between 2 and 12 months. Smaller remodeling, upgrading and service projects are generally of shorter duration.

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Smooth cooperation between various departments and facilities within the Group is critical to the business success of our projects. In recent years, therefore, we have standardized the processes worldwide in planning, order execution, procurement, service and administration. Uniform IT systems cut out interfaces, automate processes and allow the international exchange of work packages; as a result, they enable effective resource management. The standardized Dürr **ERP SYSTEM** structures our business processes from an IT perspective and makes them transparent. The process standardizations mean that we can process more orders simultaneously than before, with reduced risk. The HOMAG Group was not yet incorporated in the Dürr Group's processes and IT systems in fiscal 2014.

CUSTOMER RELATIONS

Most vehicle manufacturers and many suppliers use Dürr technology in their production operations. We maintain close contacts with them because our business is complex, long-term and technically advanced and therefore requires regular liaison. We see ourselves not just as a system supplier, but also as a consultant and planning partner. This is why we are sometimes consulted up to two years before an order is placed in the case of major capital projects. As a service partner, we support our customers throughout the system's life cycle, for instance with spare parts, modifications and upgrades. In product development, too, we involve our customers in order to be able to offer solutions that meet market demands. It also works the other way around, i.e. customers often include us in their product development process to ensure that we can supply the appropriate production technology at the time required.

Close cooperation on projects with relatively few customers is also a characteristic feature of Clean Technology Systems' plant engineering business. The mechanical engineering divisions, Measuring and Process Systems and Woodworking Machinery and Systems, on the other hand, have a very broad market base with tens of thousands of customers. In addition to supplying individual machines, however, these divisions are also involved in major, relatively long-term projects which require correspondingly intensive cooperation.

SUPPLIER RELATIONS

Worldwide we obtain goods, raw materials and services from over 12,000 suppliers. Most of these are parts and component suppliers and contract manufacturers, but we also frequently use the services of engineering consultancies and logistics companies. In many cases we enter into internationally valid framework agreements with proficient preferred suppliers to secure the procurement of crucial commodity groups such as pumps, drives and fittings. The ability to deliver internationally is an important criterion when selecting partners for framework agreements, in addition to the capacity for long-term collaboration. This allows the needs of several Group companies to be pooled, thereby enabling economies of scale to be achieved. Further information is presented in the **PROCUREMENT** chapter. P. 116

FEATURES OF OUR BUSINESS MODEL

Alongside order execution and project management, the engineering of efficient products, systems and processes is a core competence of our Group. In addition, we have gradually increased the level of in-house production in recent years. The majority acquisition of HOMAG Group AG also resulted in a rise in the real net output ratio. In **APPLICATION TECHNOLOGY** we are expanding our in-house production since our move into the industrial products business field is resulting in higher unit quantities and thus more efficiency. At present the Group's vertical depth of production is 35 % (including the HOMAG Group). In mechanical engineering (Measuring and Process Systems division) it is 36 %, but in plant engineering only 28 %. P. 256

In plant engineering we receive prepayments and progress payments from customers. The capital tie-up and fixed cost base there are correspondingly low, which has a positive impact on our return on capital employed and enables us to respond more flexibly to cyclical fluctuations of orders. In addition, in plant engineering we need at most a low **NET WORKING CAPITAL (NWC)**, and often it is even negative. This means that inventories and receivables in current assets are usually covered by trade payables of the same or slightly higher amount. The prepayments from customers posted as liabilities are an important factor here. In the Group as a whole the net working capital totaled € 87.6 million at year's end 2014 as a result of the inclusion of the HOMAG Group. On average we needed 12.2 days in 2014 to convert our net working capital into sales (days working capital). Normally, we aim for 20 to 25 days working capital. P. 257

Measured against our sales, our need for capital expenditure is relatively low. In the Dürr Group (excluding the HOMAG Group) the average figure was € 20 to 30 million per year since the expertise of our employees is more important than large tangible assets. In the period 2012 to 2016, however, capital expenditure will be higher since we are carrying out a comprehensive expansion program for our site network. Because of its higher **ASSET INTENSITY**, the HOMAG Group, which has been consolidated since October 3, 2014, has a greater need for capital expenditure. In 2011 to 2013 it had average capital expenditure of € 31 million. This means that, in future, the Dürr Group including the HOMAG Group will normally have an annual need for capital expenditure of € 50 to 70 million. P. 257

As a consequence of the increased real net output ratio, cost of materials fell in 2013 and 2014; since we are carrying out more production ourselves, we need less recourse to external manufacturing partners. In 2014 the proportion of cost of materials (including purchased services) fell to 38.7 % of sales, compared with 42.9 % (2013) and 46.8 % (2012), respectively, in the two previous years. Within the HOMAG Group the ratio of material costs to sales is 43.0 %. Consequently, the Dürr Group's material cost ratio is likely to be slightly higher from 2015 onwards.

The Group's previous activities have a moderate currency risk. Since we have local added-value and procurement structures in all the key markets, export-related transaction effects play a minor role. Translation effects arising from the conversion of foreign currency items into euros have a greater impact. The HOMAG Group produces a major portion of its machinery and plant in Germany. The export ratio and currency risk as a result of transaction effects are correspondingly higher.

Our business with the automotive industry has a high level of visibility since many projects have lead times of several months, while as much as one to two years must be allowed for planning with large orders. We can therefore predict our future sales, capacity utilization and income situation for a major portion of the business relatively accurately.

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

The Dürr Group has a total of 92 locations. Our Dürr, HOMAG and Schenck brands are therefore close to our customers throughout the world. Our locations in the emerging markets have become increasingly important in recent years since this is where the majority of our business is generated. We now employ 3,973 staff there, 3,031 of whom are engaged in what were our activities in the past, while 942 are part of the HOMAG Group. By far the largest location in the emerging markets is Shanghai with more than 2,000 employees (including external staff).

The German locations play a leading role in managing our global operations. With almost 2,000 employees, the Dürr Campus in Bietigheim-Bissingen – the Group headquarters – is the hub for the international business of Paint and Final Assembly Systems, Application Technology and Clean Technology Systems. Darmstadt (around 500 employees) manages the activities of Measuring and Process Systems and is our center of competence for **BALANCING TECHNOLOGY**. The headquarters of the HOMAG Group in Schopfloch, Germany, which has almost 1,700 employees, is the heart of Woodworking Machinery and Systems.

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Between 2012 and 2014 we upgraded and expanded numerous locations in order to adapt our capacities to the rise in the volume of business. The focus was on expanding the production and assembly shop floors. Additional test and technology centers also started operation in, for example, Germany, Japan and the US. In total, the investments in expanding our locations came to € 70.2 million in the period 2012 to 2014 (not including the HOMAG Group). We are also planning two further major site projects: in the US and China we intend concentrating Dürr activities which were previously based at various sites in new campus locations. This will create shorter channels and improve customer service, operational processes and inter-departmental communication.

Guidelines and process standards determine how the Group companies cooperate on cross-border systems projects in plant engineering. Responsibility for project leadership in connection with large orders in the Paint and Final Assembly Systems division always lies with the system center in Bietigheim-Bissingen. 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 directed and supported by the principal German business locations.

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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 25.2 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung (3.5 %), the Dürr family controls 28.7 % of the shares (as at December 31, 2014).

- **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 25 in the notes to the consolidated financial statements.

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- **Agreements in the event of a change of control following a takeover bid**
  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, every lender can cancel the credit commitments he has made, which could result in the syndicated 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.

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Corporate governance report

Dürr is committed to the objectives of the German Corporate Governance Code. We are convinced that sustainable value creation is only possible if we comply with the principles of legality, responsibility and transparency. Good corporate governance is necessary to establish and maintain trust – from investors, customers and business partners as well as from employees and the general public. We see corporate governance as a living system which must be continually adapted to new requirements. We are deeply involved not only in new regulations – for instance regarding the percentage of supervisory board positions held by women – but also in public discussions about topics such as compensation paid to corporate governance bodies or directors' and officers' liability.

CORPORATE GOVERNANCE CODE

There were no changes to the German Corporate Governance Code in 2014, apart from some specifications made by the Code Commission in the footnotes to the model tables for Management Board compensation. The model tables were added to the annex of the Code in 2013 and have been applicable since 2014. We have therefore included them for the first time in the current compensation report.

The declaration of compliance, which was signed by the Chairmen of the Supervisory Board and the Board of Management on December 10, 2014, shows in which points and for which reasons we deviate from the recommendations of the Code. The declaration refers to the old version of the Code for the period between December 12, 2013, and June 24, 2014, and to the new version from June 25, 2014, onwards. The full text can be found at **WWW.DURR.COM/INVESTOR/CORPORATE-GOVERNANCE/DECLARATION-ON-CORPORATE-GOVERNANCE/DECLARATION-OF-COMPLIANCE/**.

www

Our declaration of compliance contains three deviations from the recommendations of the Code; the relevant excerpt can be found below. We apply most of the Code's suggestions.

EXCERPT FROM THE DECLARATION OF COMPLIANCE AS OF DECEMBER 10, 2014

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
(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 Supervisory Board will therefore deliberate on the desired composition of the Board only when its proposals to the general meeting of the shareholders on the election of Supervisory Board members are due to be resolved upon. At the same time, it will also consider other criteria besides those set forth in Item 5.4.1, Paragraph 2 of the Code. As of the date on which this declaration is issued, the Supervisory Board has one female member and several members with well-established international experience.

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

Variable remuneration of the members of the Supervisory Board (Item 5.4.6 Paragraph 2, Sentence 2)

The system of tying the variable remuneration paid to members of the Supervisory Board to consolidated earnings before tax (EBT) has been approved in a resolution passed by the shareholders and is governed by Article 15 (1) of the Articles of Incorporation. It has proven itself. Dürr does not wish to follow the general trend of converting variable remuneration components into fixed remuneration. Dürr 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.

OTHER INFORMATION ON CORPORATE GOVERNANCE AT DÜRR

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 reports to 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 business locations in Germany. The chairman has the casting vote in the event of a tie. Particularly urgent resolutions can be taken by the Supervisory Board by written circulation. This was not the case in 2014.

Regular elections are held every five years to appoint new members to the Supervisory Board; the next elections are scheduled for 2016. 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 the key topics of 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 suitable candidates to the Supervisory Board for the election of shareholder representatives at the annual general meeting. In line with the principle of diversity, the committee aims to give due consideration to female members and 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 drawn up by the company in time for the annual general meeting. The annual general meeting is presided over by the Chairman of the Supervisory Board. He informs the shareholders of the activities of the Supervisory Board and its committees in the previous fiscal year.

TRANSPARENCY

As part of our public relations work, 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.** Any questions will be answered by our Corporate Communications and Investor Relations department.

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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 2014 at the annual general meeting on the basis of a proposal put forward by the Supervisory Board. It audits the consolidated financial statements 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

2.5 RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	RALF W. DIETER (CEO)	RALPH HEUWING (CFO)
/ Divisional/ operative responsibilities	/ Paint and Final Assembly Systems / Application Technology / Measuring and Process Systems	/ Clean Technology Systems / Woodworking Machinery and Systems / Dürr Consulting
/ Corporate functions	/ Corporate Communications / Human Resources (Employee Affairs Director) / Research & Development / Quality Management / Internal Auditing / Corporate Compliance	/ Finance/Controlling / Investor Relations / Risk Management / Legal Affairs/Patents / Information Technology / Global Sourcing

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.

PERFORMANCE INDICATORS, CONTROL SYSTEM, INSIDER REGISTER

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The key indicators for corporate management are incoming orders, sales, EBIT, EBIT margin and **ROCE**. The **FINANCIAL DEVELOPMENT** chapter provides information on our 2014 figures and on the methods of calculation.

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We have implemented a comprehensive risk management system, which includes 15 specific risk fields and provides transparency on the risk situation of the Group. One of the elements of the risk management system is the internal control system for the accounting process. More detailed information on this topic can be found in the **RISK REPORT**.

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

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On the basis of the domination agreement and the profit and loss transfer agreement, the HOMAG Group is to be included in the corporate management system and the risk management system of the Dürr Group. Information on the HOMAG Group's previous risk management system can be found in the **RISK REPORT**. The key figures used for managing the HOMAG Group in 2014 are operating EBITDA, EBT, ROCE and net financial debt. As the HOMAG Group is listed on the stock exchange, the company also has its own insider register.

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 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.

2.6 DIRECTORS' DEALINGS IN DÜRR SHARES IN 2014

Purchaser/seller	Purchase of shares	Sale of shares	Price per share in €[1]	Number of shares	Transaction volume in €
Ralf W. Dieter	Feb. 25, 2014		58.25	2,600	151,450.00
Ralph Heuwing	Feb. 25, 2014		57.64	4,250	244,978.50
Ralph Heuwing	Aug. 6, 2014		55.48	4,250	235,790.00

[1] rounded

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. On December 1, 2014, Chief Financial Officer Ralph Heuwing was concurrently appointed Chairman of the Board of Management of HOMAG Group AG. In this capacity, he is responsible for the activities of the Woodworking Machinery and Systems division. In addition, Mr. Heuwing is in charge of the Clean Technology Systems division, Dürr Consulting and several corporate functions. Table 2.5 offers a complete overview of the responsibilities within the 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 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** in the notes to the consolidated financial statements.

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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 of these transactions can be found in table 2.6.

The members of the Supervisory Board hold 0.1 % of the shares of Dürr AG (Dec. 31, 2014). The Board of Management holds a total of 0.6 % of the shares, with Ralf W. Dieter and Ralph Heuwing each owning 0.3 % (March 19, 2015).

COMPENSATION REPORT

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

SIDELINE ACTIVITIES

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On October 27, 2014, Mr. Heuwing joined the Board of Management of HOMAG Group AG and became its chairman on December 1, 2014. Mr. Dieter and Mr. Heuwing do not carry out any sideline activities other than those listed in ITEM 42 in the notes to the consolidated financial statements. No loan agreements, guarantees or other liabilities exist between the 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 prepares recommendations for its further development where necessary. The Supervisory Board examines these proposals 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 monitors 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, and no changes to its structure were made during the reporting period. 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 other benefits. The latter include the use of a company car and term life insurance contributions, both of which are subject to tax payable by Dürr. Since Mr. Heuwing became CEO of HOMAG Group AG on December 1, 2014, Dürr AG and HOMAG Group AG have each paid 50 % 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.

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; five 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 2014 Ralf W. Dieter received 25,000 and Ralph Heuwing 22,500 performance share units (2013: 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. Both the LTI payment and the EBIT multiplier are subject to caps. There is 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 fixed 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. Special bonuses 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 must purchase an individually defined number of Dürr shares, which they must hold for the entire duration of their participation in the scheme.

On January 1, 2014, the Supervisory Board raised the basic compensation for both members of the Board of Management – from € 600 thousand to € 700 thousand for Mr. Dieter, and from € 500 thousand to € 575 thousand for Mr. Heuwing. There will be a further increase in basic compensation in 2015. The Supervisory Board had reduced the LTI payment cap in 2013 in anticipation of these two increases. Since the 2013 to 2015 tranche, the LTI payment has been capped at € 1.2 million per tranche and per person; previously it was capped at € 1.5 million.

COMPENSATION FOR 2014

Total compensation expense for the Board of Management in 2014 was € 6,547 thousand (2013: € 6,174 thousand). Former members of the Board of Management received pension benefits amounting to € 948 thousand (2013: € 926 thousand).

The LTI expenses shown in table 2.7 include the amounts recognized as liabilities in 2014 and 2013 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 2014 and 2013 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 2011 to 2013 LTI tranche. € 2,440 thousand of this was paid after the 2014 annual general meeting; a down-payment of € 560 thousand had already been made in 2012. No down-payment was made for the LTI tranches issued since 2012.

Down-payments can also be made under the STI scheme. These will then be offset against the STI payment which is due after the approval of the consolidated financial statements for the relevant fiscal year. In 2014 the Board of Management received an STI down-payment of € 1,500 thousand (2013: € 1,500 thousand).

2.7 COMPENSATION FOR THE BOARD OF MANAGEMENT: BENEFITS GRANTED

	RALF W. DIETER CEO				RALPH HEUWING CFO			
€	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Basic compensation (fixed compensation)	600,000.00	700,000.00	700,000.00	700,000.00	500,000.00	575,000.00	575,000.00	575,000.00
Other compensation[1] (fringe benefits)	47,153.18	26,103.31	26,103.31	26,103.31	26,784.54	28,022.62	28,022.62	28,022.62
Total	**647,153.18**	**726,103.31**	**726,103.31**	**726,103.31**	**526,784.54**	**603,022.62**	**603,022.62**	**603,022.62**
One-year variable compensation (incl. short-term incentive, STI)	1,000,000.00	1,200,000.00	0.00	1,200,000.00	900,000.00,	1,100,000.00	0.00	1,100,000.00
Multi-year variable compensation (incl. long-term incentive, LTI)	1,400,000.00	1,300,000.00	0.00	1,300,000.00	1,400,000.00	1,300,000.00	0.00	1,300,000.00
LTI tranche 2011–2013	500,000.00	0.00	0.00	0.00	500,000.00	0.00	0.00	0.00
LTI tranche 2012–2014	500,000.00	500,000.00	0.00	500,000.00	500,000.00	500,000.00	0.00	500,000.00
LTI tranche 2013–2015	400,000.00	400,000.00	0.00	400,000.00	400,000.00	400,000.00	0.00	400,000.00
LTI tranche 2014–2016	0.00	400,000.00	0.00	400,000.00	0.00	400,000.00	0.00	400,000.00
Other variable compensation	0.00	0.00	0.00	350,000.00	0.00	0.00	0.00	300,000.00
Total	**3,047,153.18**	**3,226,103.31**	**726,103.31**	**3,576,103.31**	**2,826,784.54**	**3,003,022.62**	**603,022.62**	**3,303,022.62**
Pension benefit expense[2]	160,000.00	170,000.00	170,000.00	170,000.00	140,000.00	147,500.00	147,500.00	147,500.00
Total compensation	**3,207,153.18**	**3,396,103.31**	**896,103.31**	**3,746,103.31**	**2,966,784.54**	**3,150,522.62**	**750,522.62**	**3,450,522.62**

[1] Payments in kind, allowances related to insurance premiums etc.
[2] Service cost recorded during the reporting period

2.8 COMPENSATION FOR THE BOARD OF MANAGEMENT: PAYMENTS MADE

	RALF W. DIETER CEO		RALPH HEUWING CFO	
€	2013	2014	2013	2014
Basic compensation (fixed compensation)	600,000.00	700,000.00	500,000.00	575,000.00
Other compensation[1] (fringe benefits)	47,153.18	26,103.31	26,784.54	28,022.62
Total	**647,153.18**	**726,103.31**	**526,784.54**	**603,022.62**
One-year variable compensation (incl. short-term incentive, STI)	1,000,000.00	1,000,000.00	900,000.00	900,000.00
Multi-year variable compensation (incl. long-term incentive, LTI)	1,325,000.00	1,200,000.00	1,350,000.00	1,240,000.00
LTI tranche 2010–2012	1,500,000.00	0.00	1,500,000.00	0.00
LTI tranche 2011–2013	0.00	1,500,000.00	0.00	1,500,000.00
Other[2]	– 175,000.00	– 300,000.00	– 150,000.00	– 260,000.00
Total	**2,972,153.18**	**2,926,103.31**	**2,776,784.54**	**2,743,022.62**
Pension benefit expense[3]	160,000.00	170,000.00	140,000.00	147,500.00
Total compensation	**3,132,153.18**	**3,096,103.31**	**2,916,784.54**	**2,890,522.62**

[1] Payments in kind, allowances related to insurance premiums etc.
[2] Down-payments from previous years
[3] Service cost recorded during the reporting period

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 contracts of employment of both members of the Board of Management run for a term of five years. Ralf W. Dieter's contract ends on December 31, 2015, while Ralph 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 exercise their right to voluntary resignation, which allows them to resign and terminate their contract of employment within five months after the date on which the takeover is announced. Any member exercising this right is 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 text can be found at **WWW.DURR.COM** under **INVESTOR RELATIONS/ CORPORATE GOVERNANCE/ARTICLES OF INCORPORATION**. The compensation system can only be adjusted by an amendment of the articles of incorporation by the annual general meeting.

www

Total compensation paid to the members of the Supervisory Board in 2014 was € 1,004 thousand (2013: € 991 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **ITEM 42** in the notes to the consolidated financial statements. The members of the Supervisory Board receive a fixed compensation payment of € 20,000 per year and an attendance fee of € 1,000 for each meeting attended, plus reimbursement of expenses. As is the case with all Dürr employees based in Germany, the members of the Supervisory Board also receive variable compensation. This generally amounts to 0.4 ‰ of the consolidated earnings before taxes but may not exceed € 35,000. The fixed compensation is payable at the end of each fiscal year. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each deputy chairman receives one and a half times the total compensation paid to a regular member. The compensation paid to the members of the Audit Committee is € 9,000 per year; the committee chairman receives two times that amount. The members of the Personnel Committee 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 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.

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Performance-related compensation for other employees

Compensation paid to non-tariff employees comprises a basic annual salary and a performance-related bonus. The bonus is linked to Group earnings and the achievement of personal performance targets. In most cases the variable component is between 5 % and 10 % of the basic salary, but higher for managers. Tariff employees in Germany also receive a profit-sharing bonus, which is subject to Group earnings exceeding a certain value pre-agreed with the Works Council. As in the previous year, the profit-sharing bonus for 2014 is € 2,750; all full-time tariff employees of Dürr and Schenck in Germany are entitled to this payment. The German business locations of the HOMAG Group did not participate in the profit-sharing scheme in 2014. There are employee participation schemes available at several HOMAG Group locations, whereby employees are granted the option of acquiring a silent participation in the company.

Strategy

"DÜRR 2020" STRATEGY

The "Dürr 2020" strategy is our roadmap for the Group's development from 2015 through 2020. Based on a comprehensive analysis of the company, the market and the competition, it enhances the proven strategic elements.

TARGET KEY FIGURES

With "Dürr 2020" we want to continue growing profitably and increasing our enterprise value for our shareholders. The following target key figures have been defined as the benchmark for measuring the success of our strategy:

- Sales: We want to increase consolidated sales to € 4 to 5 billion by 2020. The lower edge of this range can be reached through organic growth, while the figure of € 5 billion is possible only as a result of further acquisitions.
- EBIT margin: The Group's EBIT margin is to widen to 8 to 10 % by 2020.
- P. 257 **ROCE**: We are seeking a return on capital employed of consistently over 30 % for the Group in the period from 2015 through 2020.

By comparison, if we had consolidated the HOMAG Group from January 1, 2014, we would have achieved consolidated sales revenues of € 3,236.8 million and an EBIT margin of 7.3 %. Aside from 2008/2009, i.e. the years affected by the global financial crisis, we have always achieved our strategic target key figures over the last few years. At the same time, we have been setting increasingly ambitious targets from year to year. We materially owe our success to our good market position, the ongoing globalization of our business and the enduring optimization of our processes.

Our divisions are to achieve average organic top-line growth of 3 to 6 % per year by 2020. Supported by acquisitions, individual divisions should be able to grow more quickly. The ROCE targets vary from division to division. Paint and Final Assembly Systems normally generates a very high ROCE due to the low working capital requirements in this division among other things. We are targeting a ROCE of 20 to 30 % for 2015 through 2020 in the other divisions with the exception of Woodworking Machinery and Systems. Further information on the targets defined for the Group and the divisions can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**. P. 139

BROADER POSITIONING IN MECHANICAL AND PLANT ENGINEERING

Following the financial crisis of 2008/2009, our core business in the automotive industry has grown sharply. Whereas our business was worth around € 1.5 billion per year on average in the pre-crisis years, it has expanded to € 2.3 to 2.5 billion since 2010. However, given our large share of the market, we are increasingly facing organic limits to growth in automotive business. Looking ahead over the next few years, we project more moderate growth of 3 to 5 % per year in this segment, i.e. roughly equivalent to the annual growth rate of global automotive production.

We have responded to this outlook for growth in our core business. Our strategy is to leverage Dürr's good capital resources and expertise in technology, processes and internationalization to a greater extent than before to enter additional growth segments of the mechanical and plant engineering sector. In the long term, we want to position Dürr as a cross-sector specialist in efficient production technology. However, by no means does this strategy mean that we are withdrawing from our core automotive business. On the contrary, we will be continuing to address the automotive industry with our full commitment and the necessary resources.

HOMAG GROUP AG

The acquisition of a majority interest in HOMAG Group AG in October 2014 marked a major step forward in broadening our range of mechanical engineering activities. Not only have we gained additional business worth over € 900 million, but we have also acquired a company offering opportunities for growth and earnings: The HOMAG Group is the global market leader in wood processing machinery and, following the successful completion of restructuring, is on an upward trajectory with first-class products. We assume that it will be able to leverage its potential under the Dürr Group's umbrella even more systematically than before. Thanks to Group-wide process optimization, closer collaboration between the individual facilities and growth in business in China and other emerging markets, the HOMAG Group will have the possibility of additionally widening its market share (currently just under 30 %) and accelerating its profitable growth. We will be helping the company on this path by offering our skills in areas such as IT, standardization and services, our experience in local production in the emerging markets and synergistic effects arising from shared purchasing and technology. At the end of the day, we want to contribute to making the HOMAG Group, which is already in a strong position, a more efficient and profitable company by means of systematic optimization.

The optimization strategy which we are implementing with the assistance of the management and staff of the HOMAG Group provides a blueprint for the integration of possible future acquisitions. We particularly see mid-size mechanical engineering companies which do not have sufficient resources of their own for global expansion as interesting candidates. We have clearly defined criteria for the acquisition of potential target companies:

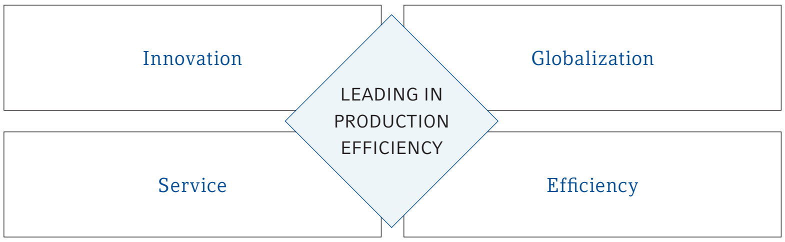
- Mechanical and plant engineering (particularly automation, measuring technology, environmental engineering)
- Market and technological leadership
- Niche market operators not competing with any major companies
- Not in need of restructuring but offering potential for improving earnings:
  - Potential for expansion in the emerging markets
  - Potential for process and structural optimization

We are taking a judicious approach to expanding our portfolio and will initially be concentrating on optimizing the HOMAG Group. For this reason, we are not contemplating any major new acquisitions before 2016.

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 "Leading in Production Efficiency" corporate slogan, which embodies the promise to our customers of enhancing the efficiency of their production processes. The four strategic fields seek to act on this promise on an enduring basis by offering our customers the "best in class" in every respect. They apply equally to all five divisions, although they specifically factor in specific aspects relating to the individual divisions.

2.9 "DÜRR 2020": FOUR STRATEGIC FIELDS



STRATEGIC FIELD: INNOVATION

Innovative products and services allow us to protect the edge which we have over our peers. Dürr's innovation management places customers' requirements at the core of its activities. We want all our new developments to help our customers boost the efficiency of their production activities, e.g. by reducing unit costs or improving plant availability or quality.

Over the last few years, we have steadily increased our R&D budgets and plan to continue on this course. In this way, we are able to launch new technologies more quickly and in greater quantities than our peers. Our R&D expenditure rose by 172 % between 2007 and 2014.

A further important aspect of innovation as a strategic field is the expansion of business in energy-efficient technologies. This prompted us to establish our Clean Technology Systems division in 2011 with a flexible range of technologies targeted at the efficient use of surplus and waste heat. The core energy efficiency products include the Dürr Compact Power System, which uses micro gas turbine technology to generate heat and electricity, ORC (Organic Rankine Cycle) technology and the large heat pumps with a minimum environment impact developed by our associate Thermea.

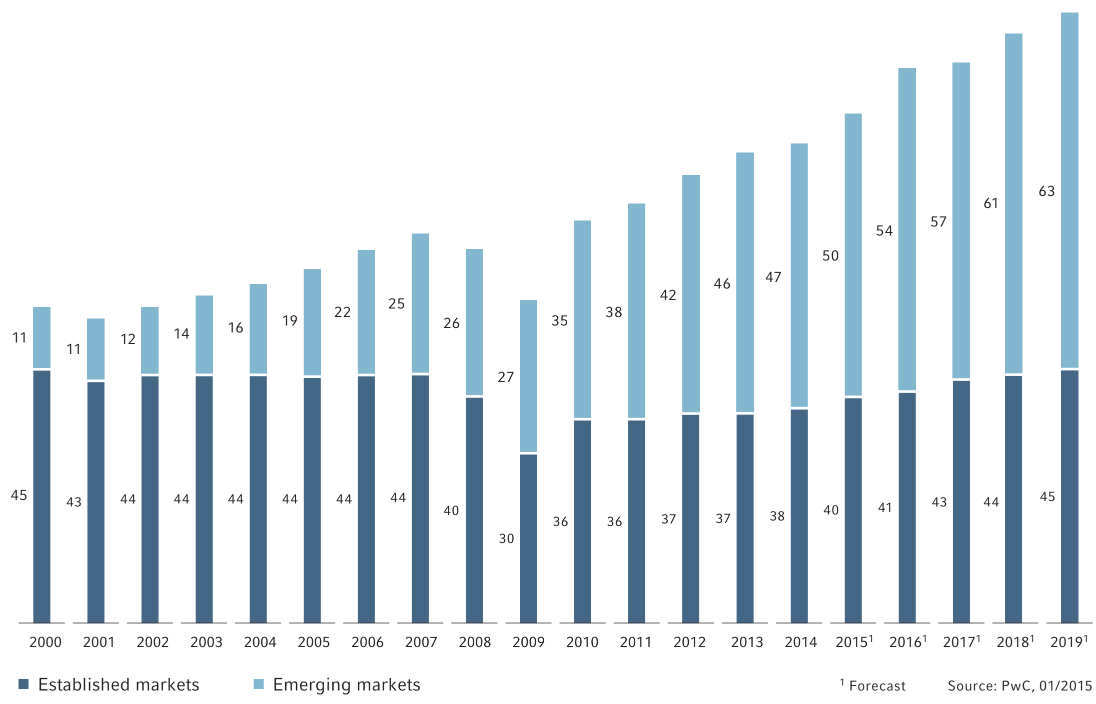
STRATEGIC FIELD: GLOBALIZATION

Leveraging potential for expansion in the emerging markets

Dürr has an above-average international presence. Between 2012 and 2014, we expanded and modernized our global network at a cost of € 70.2 million.

Over the last ten years, we have systematically expanded our position in the emerging markets in particular. We have increased local headcounts substantially, established additional skills and integrated local Dürr and Schenck facilities in our worldwide Group network effectively by implementing uniform processes and IT systems. Thanks to a high degree of localization, we are able to supply technologically leading products, meeting the requirements of the individual markets quickly, competitively and with a high level of quality. This allows us to leverage the market potential of the emerging markets and to support our customers with their extensive investment projects.

2.10 GLOBAL LIGHT VEHICLE PRODUCTION
millions of units



[1] Forecast Source: PwC, 01/2015

2.11 ADDITIONS TO WORKFORCE IN THE EMERGING MARKETS

	December 31, 2014[1]	December 31, 2005[2]
China	1,762	271
Brazil	419	83
Mexico	246	64
India	512	148
Eastern Europe/other emerging markets	1.034	294
Total	**3,973**	**860**

[1] including HOMAG Group
[2] excluding HOMAG Group

Current forecasts indicate that global automotive production will increase by just under 23 million units between 2014 and 2019, with the emerging markets likely to account for around two thirds of this. Annual average growth of 7 % is expected for China, the single largest automotive market, through 2019, with just under 11 % projected for India and 9 % for Brazil. Southeast Asia is increasingly coming to the fore as a new growth market. Automotive production in this region is likely to expand by an annual average of 10 % to over 6 million units by 2019. This was the rationale behind our decision to establish national companies in Indonesia and Malaysia in 2014.

The greatest growth potential for the HOMAG Group's woodworking technology is also to be found in the emerging markets. In China, the furniture market is growing by an annual average of 6 %. For this reason, the HOMAG Group will be additionally expanding its presence in that market, increasing local manufacturing input and widening its range in the mid-end segment in particular as a basis for substantially increasing its share of the Chinese market.

Global expansion into new business fields

Globalization as a strategic field also entails the goal of entering new areas related to the Group's core business and of expanding its international footprint in them.

In 2014, we began opening up new markets for paint and sealant **APPLICATION TECHNOLOGY**. In addition to the automotive industry, we now also offer application components to the plastics, shipbuilding, ceramics, wood and furniture industries. These products are sold via system integrators and distributors as well as our new online web shop. This business is being handled by the Industrial Products unit within the Application Technology division. We see great potential for growth driven by our technological skills, many decades of experience in application technology and our global presence. According to experts, application technology for general industry is a market with an annual value of around € 3 billion. In the medium term, we want to evolve into one of the leading players in industrial business. This range will be widened by means of buy-ins and new product developments. The range of industrial products includes, among others, pumps, paint supply systems and electrostatic atomizers for paint application. We also have a wide range of spray guns. These activities were reinforced with the acquisition of two specialists – Bersch & Fratscher (Germany) and EST+ (Czech Republic) – in 2014.

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Over the last few years, we have entered further areas of business:

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- We have broadened our GLUEING TECHNOLOGY activities with the acquisition of specialists Rickert and Kleinmichel in 2010. Glueing is growing in importance in the automotive industry as an inexpensive alternative to welding as well as in LIGHTWEIGHT DESIGN, which works with new materials, some of which cannot be welded (e.g. carbon).

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- In the FILLING TECHNOLOGY segment, we are expanding beyond the automotive sector into non-automotive industries. The basis for this was the acquisition of the Danish Agramkow Group, the leading global vendor of filling systems for refrigerators, air-conditioning systems and heat pumps (2011).

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- In BALANCING TECHNOLOGY for turbochargers, we have pooled our own skills with those of niche operator Datatechnic (France), which we acquired in 2009.

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- With the acquisition of UCM AG, we have broadened our range of ULTRAFINE CLEANING systems. Based in Switzerland, this company supplies sectors such as medical technology and precision optics.

STRATEGIC FIELD: SERVICE

Systematic expansion of service business

Since the end of the financial crisis of 2008/2009, we have supplied an above-average amount of machinery and equipment to our customers. This sharp growth in the installed base offers us additional potential in service business as each production unit must be serviced, supplied with spare parts, modernized or converted. In 2013, we launched the Group-wide CustomerExcellence@Dürr optimization program to harness additional potential from service business. The purpose is to serve customers even more effectively and to gradually widen the contribution which service business makes to consolidated sales to 27 % (2014: 24.6 %).

CustomerExcellence@Dürr has two thrusts: the systematic improvement in customer satisfaction in the "Customer Experience" sub-project and the expansion and optimization of our service activities in the "Service Excellence" sub-project.

- **Customer Experience:** At the core of this sub-project is the implementation of the "Dürr Promoter Score". We use this tool continuously to track our customers' satisfaction with the way we execute orders. The feedback we receive is evaluated and forms the basis for process improvements, allowing us to support our customers even more effectively. The second main aspect of Customer Experience is a global training program aimed at improving our employees' interaction with customers.

- **Service Excellence:** The "Service Excellence" sub-project creates the basis for offering our customers even better service and for harnessing the business potential in this sector effectively. Among other things, we are implementing new IT systems for the systematic analysis of the installed base. In spare-parts business, we are shortening delivery times by means of local warehouses and optimized logistics. Further measures include the establishment of a global service hotline for painting technology, training for service staff and the expansion of our service network and capacities particularly in the emerging markets, where the proportion of service business is substantially smaller than in the Group as a whole.

Modernization business offering growing business potential
We also see growing market volumes in major brownfield plant modernization. Around half of the roughly 500 automotive paint shops around the world are more than 20 years old. In North America this applies to around 75 % and in the European Union to over 60 % of existing facilities, while plants in China are also increasingly in need of modernization. Investments in this area generally have short amortization periods as they generate significant productivity gains, e.g. as a result of greater automation and flexibility or reduced energy and material consumption. What is more, we have launched a large number of product innovations over the last few years, resulting in efficiency gains and short payback periods.

STRATEGIC FIELD: EFFICIENCY

The ongoing optimization of processes and structures is necessary for us to successfully engage in our complex business. We can support our customers even more effectively and cut costs by leveraging internal efficiency potential. One key aspect of process optimization involves the shared activities of our international facilities, e.g. purchasing, ENGINEERING and order execution. We have improved many things in this area at Dürr over the last few years. International collaboration also forms a key element of the optimization activities at the HOMAG Group. The decisive elements in our efforts to generate efficiency gains from cross-facility sharing are:

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- **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 allow work packages to be assigned to different Group companies. Since 2006, we have spent more than € 30 million on implementing global systems for ENTERPRISE RESOURCE PLANNING, CAD, cooperation, communications and the management of customer data.

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- **Global technology:** We develop modular products which can be used all around the world and adjusted easily and at reasonable expense to meet customers' specific requirements. This saves costs, reduces design and cost-accounting risks, speeds up the start-up time and heightens reliability during operations.
- **Global knowledge management:** We create the basis for allowing our employees to benefit from the expertise and experience of their colleagues across the entire Group. Worldwide knowledge sharing is underpinned by the intranet and global product and process training.

Economy and industry environment

EASING MOMENTUM IN THE COURSE OF 2014

At 3.3 %, global gross domestic product (GDP) expanded somewhat more quickly in 2014 than in the previous year. Originally, the global economy had been expected to achieve greater growth; however, the muted momentum of the emerging markets and developing countries plus the crises in Ukraine and the Middle East put paid to this forecast. In China, GDP growth slowed down to 7.3 % in 2014 as a whole, while Russia slipped into a recession in the fourth quarter. In India, the change of government ushered in a stabilization of economic conditions. After two subdued years, Europe saw the emergence of a faltering upswing; Germany achieved relatively strong GDP growth of 1.4 %. The global economy was driven by low commodity and energy prices, with North America and China particularly benefiting from this.

The euro depreciated substantially against the US dollar in the second half of 2014, reflecting the differences between the Eurozone and the United States in the outlook for growth and interest rates. Over the year as a whole, the euro also weakened against pound sterling and the Chinese renminbi. By the same token, the weaker euro improved European countries' competitiveness. On the other hand, the euro gained significantly against the Japanese yen for the second consecutive year.

Under the influence of the central banks, interest rates remained low in 2014 in the wake of declining inflation and moderate economic growth. The European Central Bank introduced a negative rate for the first time. Yields on longer-dated bonds reached new lows, with the current yield on fixed-income securities in Germany dropping to around 0.5 %. Despite the crises in the Middle East and Ukraine, sentiment in the capital markets remained upbeat. Against this backdrop, many companies made use of the resultant lower funding costs.

2.12 GROWTH IN GROSS DOMESTIC PRODUCT

% year-on-year change	2014	2013	2012
World	3.3	3.2	3.0
Germany	1.4	0.1	0.7
Eurozone	0.8	−0.4	−0.6
Russia	0.5	1.5	3.4
United States	2.5	2.2	2.8
China	7.3	7.7	7.8
India	5.5	4.7	4.1
Japan	0.3	1.6	1.4
Brazil	0.1	2.2	0.9

Source: Deutsche Bank 12/2014

2.13 AVERAGE EXCHANGE RATES

€ 1 equals	2014	2013	2012
USD	1.3217	1.3301	1.2927
GBP	0.8034	0.8503	0.8115
JPY	140.4908	130.1308	103.5000
CNY	8.1544	8.1691	8.1462

Source: Commerzbank

2.14 CURRENT YIELD IN GERMANY IN 2014

Source: Deutsche Bundesbank

GLOBAL AUTOMOTIVE PRODUCTION UP 3.1 %

Global automotive production (passenger cars and light commercial vehicles) reached a peak of 85.2 million units in 2014, increasing by 3.1 % over the previous year. At 10.4 %, production in China, the world's largest automotive market, was well up on the previous year (2013: up 16.3 %). On the other hand, the Brazilian automotive market sagged after the strong gains in 2012 and 2013, with the Indian market also contracting. Production in the North American market expanded again by almost 5 %.

Despite weak market conditions in Russia and Brazil, capacity utilization was good at most automotive plants. The situation stabilized in Europe, while in China, where numerous local and foreign OEMs have operations, capacity utilization varied from producer to producer. Most of the globally active automotive OEMs generated high earnings and cash flows again in 2014, with Japanese producers benefiting from the weak yen. Driven by upbeat economic conditions, capital spending in the automotive industry remained at a persistently high level.

2.15 PRODUCTION OF LIGHT VEHICLES

Million units	2014	2013	2012
World	85.2	82.6	79.2
Western Europe	13.2	12.4	12.4
Germany	5.9	5.7	5.6
Eastern Europe	6.9	7.1	6.9
Russia	1.8	2.0	2.1
North America (incl. Mexico)	17.0	16.2	15.4
United States	11.5	11.0	10.1
South America	4.0	4.6	4.2
Brazil	3.1	3.5	3.1
Asia	42.3	40.8	38.4
China	21.3	19.3	16.6
Japan	8.9	8.9	9.3
India	3.3	3.4	3.4

Sources: PwC 01/2015, own estimates

STRONGER DEMAND IN MECHANICAL AND PLANT ENGINEERING

The German industry as a whole recorded a 3.0 % rise in orders in 2014. Industry association VDMA reported a 2 % increase in order intake and a 1 % increase in production in the mechanical and plant engineering sector. At € 199 billion, production output exceeded the pre-crisis level recorded in 2008 for the first time. By comparison, Dürr was able to increase its sales revenues from € 1.6 billion to € 2.6 billion between 2008 and 2014 – very largely through organic growth.

VDMA reported a 1 % increase in revenues and a 2 % increase in orders for wood processing machinery in 2014. However, the economic crisis in Russia increasingly left traces in the fourth quarter. Russia is the most important export market for German wood processing machinery. However, with its diversified international footprint, the HOMAG Group is shielded from the effects of declining demand in that market to a greater extent.

Overall assessment by the Board of Management and target achievement

The Group's business performance was satisfactory in 2014 in the Board of Management's view. Adjusted for HOMAG Group AG, which was consolidated for the first time on October 3, 2014, the Dürr Group reached new highs in terms of earnings, EBIT margin and **ROCE**. Similarly, order intake was strong.

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COMPARISON OF TARGETS AND ACTUAL FIGURES FOR 2014 EXCLUDING THE HOMAG GROUP

The following analysis compares the targets formulated at the beginning of the year for 2014 and the figures achieved by Dürr without the HOMAG Group. By contrast, the comparison of the targets with actual figures including the HOMAG Group, which is set out in table 2.16, does not permit any meaningful conclusions to be drawn.

At € 2,574.8 million, order intake exceeded the original forecast range (€ 2.3 to 2.5 billion). This is particularly gratifying given the difficult market conditions in Russia, India and Brazil. We registered the strongest growth in China, Europe and, to a lesser extent, in the United States.

At € 2,322.1 million, sales fell short of the original target range of € 2.4 to 2.5 billion but still marginally exceeded the target revised in the fall of € 2.3 billion. The decline in sales was caused by customer-induced project delays in plant engineering. However, we should be able to recoup these in 2015. EBIT rose by 12.7 % to € 228.8 million, reflecting the quality of our order execution, pro-

2.16 GROUP TARGET ACHIEVEMENT IN 2014

		2013 ACT.	2014 TARGET (FEBRUARY 2014 FORECAST)	2014 ACT. (DÜRR GROUP EXCLUDING HOMAG GROUP)	2014 ACT. (DÜRR-GROUP INCLUDING HOMAG GROUP[1])
/ Sales revenues	€ million	2,406.9	2,400–2,500	2,322.1	2,574.9
/ Order intake	€ million	2,387.1	2,300–2,500	2,574.8	2,793.0
/ Orders on hand (Dec. 31)	€ million	2,150.1	1,950–2,250	2,421.3	2,725.3
/ EBIT margin	%	8.4	8.0–8.5	9.9	8.6
/ ROCE[2]	%	76.2	30–40	161.9	38.7
/ Net finance expense	€ million	–18.4	Slightly weaker	–14.2	–16.2
/ Earnings after tax	€ million	140.9	Stable	160.0	150.3
/ Cash flow from operating activities	€ million	329.1	Substantially weaker	241.7	291.3
/ Free cash flow	€ million	261.9	Slightly negative	185.6	221.1
/ Net financial status (Dec. 31)	€ million	280.5	+150 – +250	424.0	167.8
/ Liquidity	€ million	458.5	330–430	700.1	522.0
/ Capital expenditure[3]	€ million	51.2	40–50	42.1	54.9

[1] HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[2] The method for calculating ROCE was modified in 2014 as we eliminated financial assets from assets on the grounds that net finance income/finance expense is not included in EBIT. The comparison figures for 2013 have been adjusted accordingly.
[3] On property, plant and equipment and on intangible assets (excluding acquisitions)

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ductivity gains in mechanical engineering, the earnings turnaround in **CLEANING TECHNOLOGY** and continued growth in service business. The EBIT margin reached a high 9.9 %. We had originally projected a figure of 8.0 to 8.5 % at the beginning of 2014, but raised this to around 9 % in November. At 161.9 %, **ROCE** far exceeded thve target of 30 to 40 % thanks to strong EBIT and a low capital lock-up.

Net finance expense came to € 14.2 million and was thus somewhat better than expected. Earnings after tax rose by 13.6 %; at the beginning of the year, we had been expecting it to remain steady.

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The high EBIT and declining **NET WORKING CAPITAL** provided the underpinnings for cash flow from operating activities of € 241.7 million, which outstripped our expectations again substantially. At € 185.6 million, **FREE CASH FLOW** was also good despite high capital expenditure. The same thing applies to the **NET FINANCIAL STATUS**, which at € 424.0 million was substantially beyond the target corridor. This does not include the outflow of € 228.1 million for the acquisition of the majority interest in the HOMAG Group. At € 700.1 million (before the acquisition of the HOMAG Group), cash and cash equivalents were also well up on the target formulated at the beginning of the year. The capital expenditure (excluding equity investments) of € 42.1 million was at the lower end of the target corridor. Roughly half of this was for the expansion of our network of facilities and internally-sourced production – also in connection with the entry into industrial painting business.

KEY PERFORMANCE INDICATORS

The key performance indicators used for managing the Dürr Group are:

- Order intake
- Sales
- EBIT and EBIT margin
- ROCE (EBIT to capital employed).

Cash flow from operating activities and free cash flow are also important parameters particularly at the Group level.

DIVISION ORDER INTAKE TARGETS ACHIEVED OR EXCEEDED

The following analysis of targets and actual figures refers to the four divisions forming part of the Group throughout all of 2014. The Woodworking Machinery and Systems division was not included as the HOMAG Group was only consolidated for the first time on October 3, 2014.

Order intake for Paint and Final Assembly Systems exceeded expectations substantially as the global automotive industry spent heavily on expanding and converting paint shops. In the three other divisions, order intake matched expectations.

Sales in the Measuring and Process Systems and Clean Technology Systems divisions reached the target corridor in 2014. By contrast, Paint and Final Assembly Systems fell short of the planned range due to the aforementioned project delays. Application Technology sales were only slightly below the target figure.

2.17 TARGET ACHIEVEMENT OF THE DIVISIONS 2014[1]

	SALES (€ MILLION)		ORDER INTAKE (€ MILLION)		EBIT MARGIN (%)	
	2014 target	2014 act.	2014 target	2014 act.	2014 target	2014 act.
Paint and Final Assembly Systems	1,100 to 1,200	1,078.2	1,050 to 1,150	1,291.8	7 to 8.4	9.8
Application Technology	550 to 580	526.0	550 to 600	560.9	11 to 12	10.5
Measuring and Process Systems	580 to 630	581.9	560 to 620	577.1	8 to 9	12.1
Clean Technology Systems	120 to 140	136.0	120 to 150	144.9	5 to 6	5.6

[1] No targets have been defined for Woodworking Machinery and Systems as this division was only established on October 3, 2014, with the consolidation of the HOMAG Group.

Paint and Final Assembly Systems and Measuring and Process Systems substantially outperformed their EBIT margin targets with figures of 9.8 % and 12.1 %, respectively (2013: 8.4 % and 7.9 %, respectively). Key factors in this respect were our growing service business, productivity gains and good order execution. Moreover, the earnings turnaround in the industrial cleaning technology field spurred Measuring and Process Systems. At 10.5 %, the EBIT margin in the Application Technology division reached a high level but fell slightly short of the target corridor due to start-up costs for the new activities in industrial painting. At 5.6 %, Clean Technology Systems achieved the target level. The targets for the divisions for 2015 can be found in the **REPORT ON EXPECTED FUTURE DEVELOPMENT**.

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MAIN EVENTS DRIVING BUSINESS PERFORMANCE

The growth in automotive production and, in tandem with this, heavy capital spending throughout the sector were the main driving forces behind our business performance in 2014. The acquisition of a majority interest in the HOMAG Group affected sales and earnings for only part of the year as the company was not consolidated until October 3, 2014. With total business valued at over € 950 million, the HOMAG Group will have a significant impact on Dürr's figures in 2015. The consolidation of the HOMAG Group was fully reflected in Dürr's financial condition and net assets as at the 2014 balance sheet date. Further details can be found in the chapter entitled **FINANCIAL DEVELOPMENT**. All in all, the Dürr Group's balance sheet and financial ratios can still be considered to be solid after the acquisition of the majority interest in the HOMAG Group.

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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 2012 through 2014. EBIT is defined as earnings before interest, income taxes and income from investments.

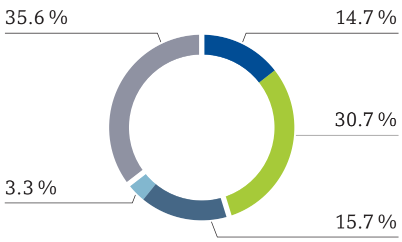
Amendments to the IFRS did not have any material impact on the presentation of our economic position in 2014. Relatively few reporting options are available under the IFRS and their utilization impacts our net assets, financial position and results of operations only minimally. Reporting options are 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 2014. The use of accounting measures has virtually no influence on the presentation of our results of operation. Moreover, it is inconsistent in many cases with our commitment to continuity and cross-period transparency.

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 following figures relating to the Dürr Group for 2013 and 2012. For this reason, there are considerable differences in absolute figures and growth rates between 2014 (including the HOMAG Group) and earlier years in some cases.

SUBSTANTIAL INCREASE IN ORDER INTAKE IN 2014

Order intake rose by 17 % to € 2,793.0 million in 2014. A good half of this growth came from the consolidation of the HOMAG Group from October 3, 2014. In the Dürr Group excluding the HOMAG Group, the growth in order intake was particularly accounted for by the Paint and Final Assembly Systems division, which received several major contracts from China, Germany, Italy, Mexico, Poland and elsewhere. Most of the Group's new orders were generated in the automotive industry, where capital spending remained at a high level. Roughly two thirds of the orders received from this sector entailed capacity expansion projects, although modernization spending is also growing in importance. We operated at full capacity utilization in 2014 thanks to the high order intake.

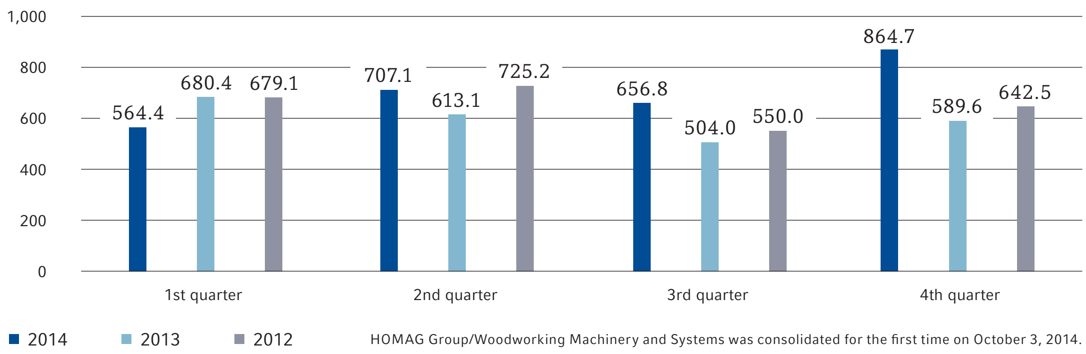
2.18 CONSOLIDATED ORDER INTAKE BY REGION



€ million	2014	2013	2012
Germany	411.9	323.1	387.1
Other European countries	856.1	566.3	742.0
North/Central America	438.5	507.1	381.1
South America	91.8	224.9	102.6
Asia, Africa, Australia	994.7	765.7	984.0
Total	**2,793.0**	**2,387.1**	**2,596.8**

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

2.19 **CONSOLIDATED ORDER INTAKE BY QUARTER**
€ million



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

Order intake from the emerging markets (Mexico, Brazil, Eastern Europe, Asia excluding Japan) grew by 24.8 %. All told, we received orders worth € 1,605.4 million from these markets, equivalent to 57.5 % of the Group's total order intake (2013: 53.9 %), a good indicator of our strength in the emerging markets. In China, our largest single market, new orders were up a strong 34.8 %, reaching a new record of € 878.0 million. Order intake in China also exceeded the previous record year of 2011 on a like-for-like basis, i.e. excluding the HOMAG Group.

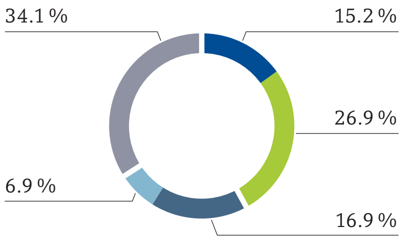
Orders in Brazil and Russia dropped substantially compared with the previous year, but rose slightly in India, from a low level in the previous year. North America saw a decline due to baseline effects after the receipt of a large contract in Mexico in the previous year. Orders in Germany and other European countries rose significantly by 27.5 % and 51.2 %, respectively, following the award of several large contracts. Both regions were also up substantially on a like-for-like basis, i.e. excluding the HOMAG Group.

After muted conditions in the first quarter of 2014, demand picked up encouragingly in the following quarters. However, it should be noted that fluctuation from one quarter to the next is typical of our business, hence no meaningful conclusions can be drawn from comparisons of individual quarters. The HOMAG Group contributed € 218.3 million to order intake in the fourth quarter of 2014.

TOP-LINE GROWTH DRIVEN BY THE CONSOLIDATION OF THE HOMAG GROUP

Consolidated sales rose by 7.0 % to € 2,574.9 million in 2014 due to the inclusion of the HOMAG Group. Excluding the HOMAG Group, sales would have dropped by 3.5 % despite the good order situation as customer-induced delays arose in the execution of a number of large-scale projects. After remaining muted in the first half of the year, sales picked up in the second half, with the fourth quarter making the largest contribution: the inclusion of the HOMAG Group resulted in a figure of € 933.2 million, up 41.2 % on the same period of the previous year. Even excluding the HOMAG Group, sales came to € 680.4 million in the final quarter of the year, thus exceeding the previous three quarters. Dürr's final quarter is customarily strong as more projects are invoiced at the end of the year.

2.20 CONSOLIDATED SALES BY REGION



€ million	2014	2013	2012
Germany	391.8	381.2	325.0
Other European countries	693.3	654.2	555.4
North/Central America	434.4	316.7	478.5
South America	178.0	124.1	127.4
Asia, Africa, Australia	877.4	930.7	913.5
Total	**2,574.9**	**2,406.9**	**2,399.8**

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

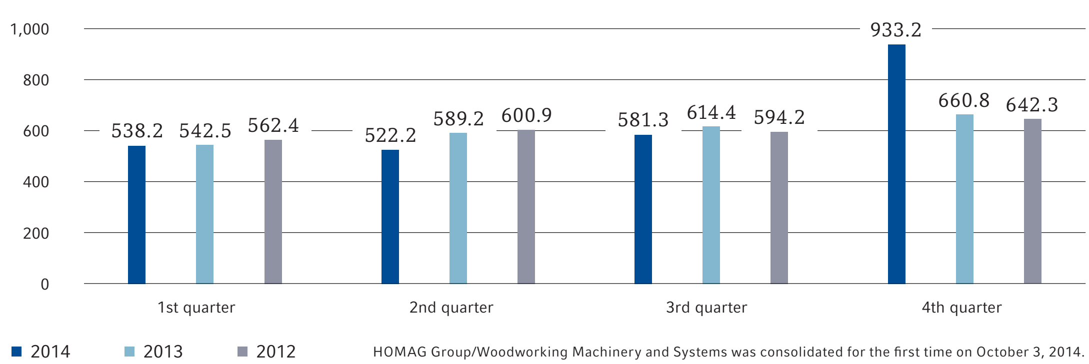
Sales from service business were encouraging in 2014, rising by 18.4 % and, hence, more quickly than total sales, to € 634.1 million. As a result, the proportion of service business in consolidated sales widened from 22.3 % to 24.6 %. One key factor in this positive trend was the CustomerExcellence@ Dürr optimization program, which we had launched in 2013 to improve our range for customers and to enhance our internal structures. This allows us to make even more effective use of the service potential offered by our broad installed base.

Looking further down the road, we want to additionally widen the share of service business in consolidated sales. After originally defining a target of 30 %, we are now looking for a figure of 24 % to 27 % as the proportion of service business in the HOMAG Group's sales currently stands at 19 % (consolidation period 2014) and is therefore below the Group average. Accordingly, we now expect service to contribute 22 % to consolidated sales in 2015. The HOMAG Group's service business is also to be expanded step by step by means of targeted optimization.

The geographic breakdown of sales revenues was balanced in 2014. Once again, the strongest region was Asia (including Africa and Australia) with a share of 34.1 % of consolidated sales. However, the aforementioned project delays caused a 5.7 % decline to € 877.4 million in this region. Sales revenues rose significantly in Brazil, where we had entered the year with a high order backlog. At 53.5 %, the top-line contribution made by the emerging markets remained at a high level (2013: 55.4 %) thanks to the BRIC nations as well as Mexico. Germany accounted for 15.2 % of sales, the rest of Europe for 26.9 % and North and South America for 23.8 %.

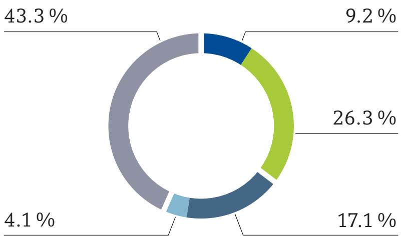
2.21 CONSOLIDATED SALES BY QUARTER

€ million



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

2.22 **CONSOLIDATED ORDER BACKLOG (DEC. 31) BY REGION**



€ million	2014	2013	2012
Germany	250.6	193.8	255.1
Other European countries	716.8	471.4	585.1
North/Central America	465.4	365.8	193.2
South America	112.6	194.3	104.7
Asia, Africa, Australia	1,179.9	924.8	1,178.7
Total	**2,725.3**	**2,150.1**	**2,316.8**

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

NEW RECORD REACHED IN ORDER BACKLOG

The order backlog climbed by 26.8 % over December 31, 2013, to € 2,725.3 million at the end of 2014. Adjusted for the contribution made by the HOMAG Group, it also reached a new record of € 2,421.3 million. Asia (including Africa and Australia), particularly China, accounted for 43.3 % of the order backlog and Europe (including Germany) for 35.5 %.

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 3.5 billion in 2015. Excluding short-term service business, orders on hand are sufficient to cover just under 80 % of our sales target for 2015.

2.23 **INCOME STATEMENT AND PROFITABILITY RATIOS**

		2014	2013	2012
Sales revenues	€ million	2,574.9	2,406.9	2,399.8
Gross profit	€ million	591.1	487.3	437.8
Overhead costs[1]	€ million	– 359.5	– 280.7	– 262.9
EBITDA	€ million	262.9	230.4	205.4
EBIT	€ million	220.9	203.0	176.9
Net finance expense	€ million	– 16.2	– 18.4	– 29.2
EBT	€ million	204.7	184.6	147.7
Income taxes	€ million	– 54.4	– 43.7	– 36.3
Earnings after tax	€ million	150.3	140.9	111.4
Earnings per share[2]	€	4.33	4.05	3.10
Gross margin	%	23.0	20.2	18.2
EBITDA margin	%	10.2	9.6	8.6
EBIT margin	%	8.6	8.4	7.4
EBT margin	%	8.0	7.7	6.2
Return on sales after taxes	%	5.8	5.9	4.6
Interest coverage		12.6	10.7	6.0
Tax rate	%	26.6	23.7	24.6
Return on equity	%	20.7	27.6	25.8
Return on investment	%	5.9	8.2	8.0
ROCE[3]	%	38.7	76.2	47.4

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] Selling, administrative and R&D expenses
[2] The 2012 figure has been adjusted following the issue of bonus shares on May 27, 2013, (number of shares doubled to 34,601,040).
[3] The method for calculating ROCE was modified in 2014 as we eliminated financial assets from assets on the grounds that net finance income/finance expense is not included in EBIT. The comparison figures for 2012 and 2013 have been adjusted accordingly.

EXTRAORDINARY EXPENSE IN CONNECTION WITH THE ACQUISITION OF THE HOMAG GROUP

The income statement was affected by the inclusion of the HOMAG Group/Woodworking Machinery and Systems division from October 3, 2014. With sales coming to € 252.8 million, the Woodworking Machinery and Systems division contributed a loss of € 7.9 million at the EBIT level and earnings of € 6.0 million at the EBITDA level. This was mainly due to extraordinary expense of € 16.5 million arising in the fourth quarter in connection with purchase price allocation. In operating terms, the HOMAG Group performed encouragingly in the fourth quarter of 2014, although the EBIT margin fell short of the Group average. As a result of purchase price allocation, the Woodworking Machinery and Systems division will again incur expense of around € 17 million in 2015 and a further amount of substantially under € 10 million per year from 2016. Further information can be found in **ITEM 18** in the notes to the consolidated financial statements.

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FURTHER IMPROVEMENT IN GROSS MARGIN

Total costs (cost of sales, selling, administrative, R&D and other operating expenses) rose by 7.5 % to € 2,391.2 million in 2014 (2013: € 2,224.9 million). At € 1,983.8 million, the cost of sales grew by 3.3 % and, thus, at a substantially slower rate than sales. This item includes all sourcing and production costs for our products and services. The gross margin, i.e. the difference between sales and the cost of sales relative to sales, came to 23.0 %, thus widening by 2.8 percentage points over 2013 and reaching a new record. In addition to moderate costs, this was due to a further three factors: the quality of our order execution, the disproportionately strong growth of service business and the earnings turnaround in **INDUSTRIAL CLEANING TECHNOLOGY**. In absolute terms, gross profit climbed by € 103.8 million to € 591.1 million.

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COST OF MATERIALS ALSO DOWN IN ABSOLUTE TERMS

With sales up 7.0 %, the consolidated cost of materials[1] dropped by 3.5 % to € 996.2 million. Accordingly, its proportion in sales contracted from 42.9 % to 38.7 %, one reason for this being moderate prices of materials and economies of scale. At the same time, we expanded our internally-sourced production and reduced the volume of external sourcing accordingly. With its greater vertical depth of production, the HOMAG Group also displayed moderate cost of materials levels. The cost of materials is fully included in the cost of sales and mainly comprises the sourcing of parts as well as production and assembly services. Further information can be found in the chapter entitled **PROCUREMENT**.

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STRUCTURAL INCREASE IN OVERHEAD COSTS

The HOMAG Group has a smaller proportion of cost of sales than our other activities. However, selling expenses figure more prominently due to the larger and more fragmented customer base. Against this backdrop, the Dürr Group's selling expenses rose by 33.7 % to € 171.4 million in 2014. This item also includes the costs of the bi-annual "Dürr Open House" exhibition. Further factors in the higher selling expenses included the increased headcount and rising remuneration. Both elements were also reflected in administrative expenses, which rose by 21.2 % to € 132.7 million in 2014.

Reflecting the growing strategic importance which we are attaching to innovation, research and development expenses were increased by 28.8 % to € 55.4 million. In addition to the consolidation of the HOMAG Group, this is also due to the "Dürr Open House", which was held in May 2014.

[1] The consolidated cost of materials is made up of the cost of raw materials, supplies and consumables as well as parts procured from sub-contractors.

2.24 OVERHEAD COSTS AND EMPLOYEES IN 2014

	Employees	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	1,507	– 171.4	– 118.2	– 2.8	– 50.4
(2013)	887	– 128.2	– 92.9	– 1.6	– 33.7
Administrative	1,296	– 132.7	– 83.4	– 5.0	– 44.3
(2013)	836	– 109.5	– 68.9	– 4.2	– 36.4
R&D	619	– 55.4	– 35.2	– 3.9	– 16.3
(2013)	248	– 43.0	– 20.6	– 5.2	– 17.2

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

2.25 PERSONNEL-RELATED INDICATORS

	2014	2013	2012
Employees (Dec. 31)	14,151	8,142	7,652
Employees (annual average)	9,794	7,973	7,337
Personnel expense (€ million)	– 634.9	– 519.9	– 476.4
Personnel expense ratio (%)	24.7	21.6	19.9
Personnel expense per employee (annual average) (€)	– 64,800	– 65,200	– 64,900
Sales per employee (annual average) (€)	262,900	301,900	327,100

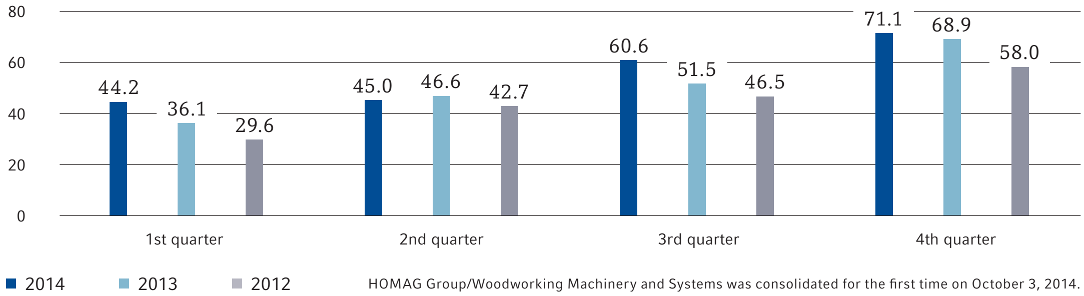
HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.

The Dürr Group's headcount rose by 73.8 % to 14,151 employees as of the end of 2014 primarily as a result of the acquisition of a majority interest in the HOMAG Group. Adjusted for the HOMAG Group, the headcount would have risen by 4.3 %. Employee numbers climbed by an annual average of 22.8 % to 9,794.

Personnel expense rose by 22.1 %, i.e. at roughly the same rate as employee numbers, to € 634.9 million. It is spread across all operating expense items in the income statement. Costs per employee dropped slightly to € 64,800. As personnel expense grew more quickly than sales, the personnel expense ratio widened from 21.6 % to 24.7 %. The inclusion of the HOMAG Group and expansion of our own internally-sourced production activities caused sales per employee to drop by 12.9 % to € 262.9 thousand.

Other operating expense net of other operating income came to € 10.7 million (2013: € 3.7 million) due, among other things, to transaction costs in connection with the acquisitions in 2014. In addition, it includes net book losses from the sale of aircraft assembly technology business and the French company Dürr Automation S.A.S. The most important individual items were currency translation expense (€ 27.5 million) and income (€ 26.4 million).

2.26 EBIT BY QUARTER
€ million



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

FURTHER IMPROVEMENT IN EBIT

EBIT – the most important earnings parameter in our overall management process – improved by 8.8 % to € 220.9 million in 2014 (2013: € 203.0 million). Among other things, this was due to the fact that the increase in gross profit more than made up for the higher overhead costs and net other operating expense. The EBIT margin widened again slightly, reaching a good figure of 8.6 % (2013: 8.4 %). In the fourth quarter, the EBIT margin came to 7.6 %, reflecting the extraordinary expenses in the Woodworking Machinery and Systems division. At € 262.9 million (2013: € 230.4 million), EBITDA increased at a significantly swifter rate than EBIT in 2014. Once again, impairment testing did not reveal any evidence of goodwill impairment.

NET FINANCE EXPENSE REDUCED

Net finance expense dropped by € 2.2 million in 2014, coming to € 16.2 million. In the second and third quarters, this included interest expense on two parallel bonds: the bond for € 300 million issued in April 2014 and the legacy 2010 bond for € 225 million. The legacy bond was called in on September 28, 2014, one year ahead of maturity, thus taking considerable pressure off net finance expense in the fourth quarter. The higher cash and cash equivalents during the year generated greater interest income than in the previous year. Investment income rose by € 0.9 million to € 1.5 million. Net finance expense includes interest and interest-like expense of € 26.4 million primarily incurred in connection with our two corporate bonds.

RETURN ON SALES AFTER TAXES AT A HIGH LEVEL

With tax expense coming to € 54.4 million (2013: € 43.7 million), earnings after tax rose to € 150.3 million in 2014 (2013: € 140.9 million). The tax rate increased from 23.7 % in the previous year to 26.6 % as our unused tax loss carry-forwards are increasingly becoming exhausted due to the good earnings situation. In the United States, we were able to capitalize the remaining unused tax loss carry-forwards in full as earnings rose more sharply than expected there. At 5.8 %, the return on sales after tax was virtually unchanged as earnings after tax rose at roughly the same rate as sales due to the higher tax rate. Net of non-controlling interests, earnings per share rose to € 4.33 (2013: € 4.05).

We want our shareholders to participate in the extraordinarily good earnings which we achieved in 2014 and are therefore proposing a dividend of € 1.65 per share for 2014, an increase of 13.8 % over the previous year (€ 1.45). The total payout will increase to € 57.1 million (2013: € 50.2 million), with the payout ratio widening from 36 to 38 % of consolidated net profit after tax. This puts it at the upper end of the range of 30 to 40 % which we are striving for with our long-term dividend policy. Dürr AG's remaining net retained profit of € 226.0 million (2013: € 217.6 million) is to be carried forward.

SEGMENT REPORT: DIVISIONS

Corporate Center loss at the EBIT level widened by € 3.1 million to € 10.4 million in 2014 mainly as a result of the transaction costs in connection with the acquisition of the HOMAG Group. This was partly offset by income of € 2.8 million from the sale of aircraft assembly technology business. The consolidation effects included in Corporate Center EBIT came to € 0.4 million (2013: € −0.8 million). The Corporate Center only generates small external revenues and it comprises Dürr AG and Dürr IT Service GmbH. It pools the Group's IT activities, which is why IT capital spending is reported within the Corporate Center.

2.27 EBIT BY DIVISION

€ million	2014	2013	2012
Paint and Final Assembly Systems	106.2	98.3	75.2
Application Technology	55.1	59.6	53.4
Measuring and Process Systems	70.3	46.3	57.6
Clean Technology Systems	7.6	6.1	4.0
Woodworking Machinery and Systems	−7.9	–	–
Corporate Center/consolidation	−10.4	−7.3	−13.3
Total	**220.9**	**203.0**	**176.9**

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[1]

€ million	2014	2013	2012
Paint and Final Assembly Systems	13.9	12.2	11.3
Application Technology	11.1	16.0	7.1
Measuring and Process Systems	9.8	14.4	5.7
Clean Technology Systems	3.9	5.3	3.7
Woodworking Machinery and Systems	12.8	–	–
Corporate Center/consolidation	3.4	3.3	4.7
Total	**54.9**	**51.2**	**32.5**

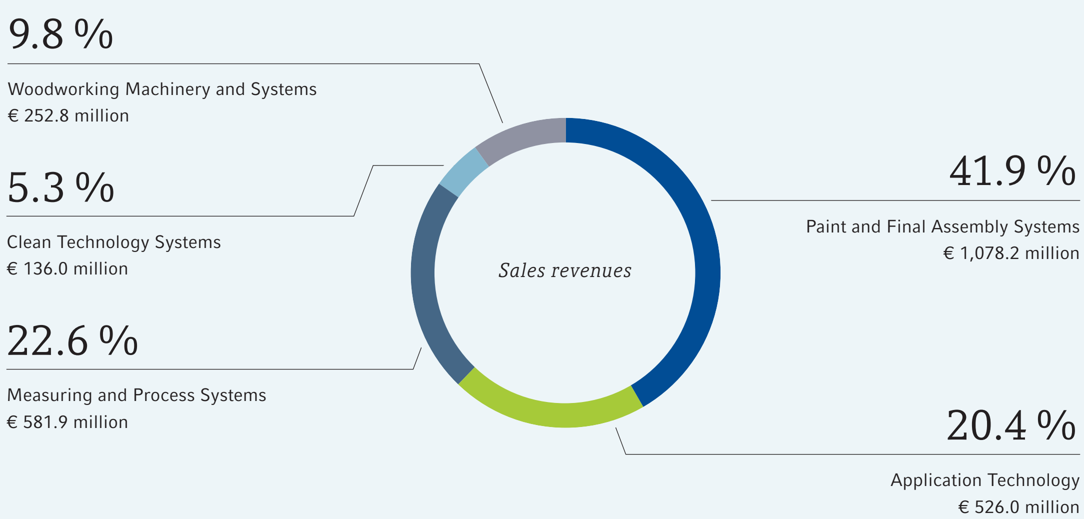
HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] Net of acquisitions

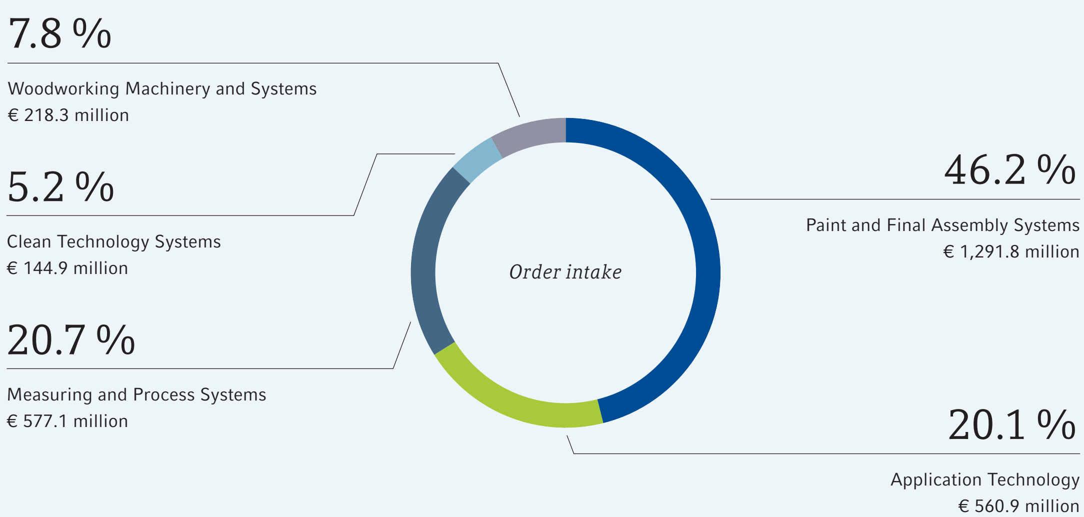
2.29 DEPRECIATION AND AMORTIZATION (INCL. IMPAIRMENT LOSSES AND REVERSALS) BY DIVISION[1]

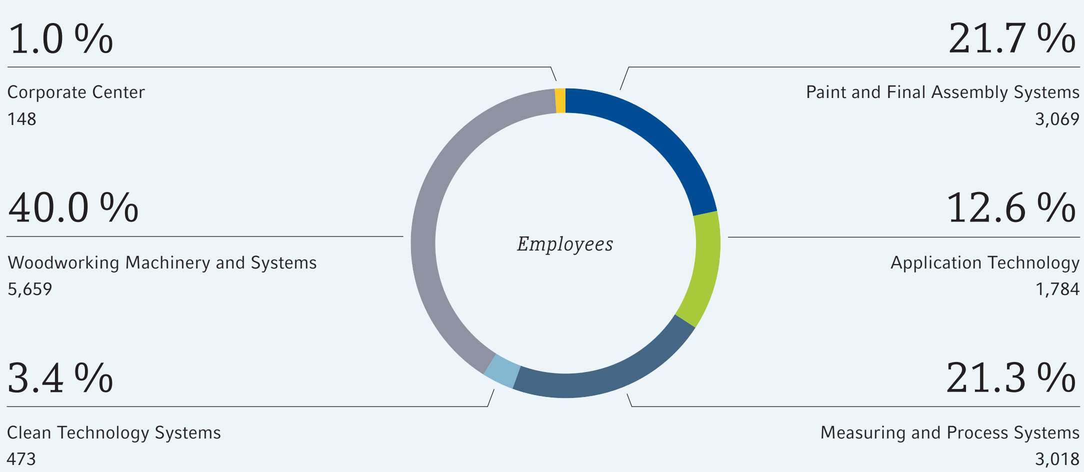
€ million	2014	2013	2012
Paint and Final Assembly Systems	−7.0	−5.8	−5.4
Application Technology	−6.7	−5.0	−7.7
Measuring and Process Systems	−9.0	−10.8	−10.6
Clean Technology Systems	−2.1	−1.5	−0.6
Woodworking Machinery and Systems	−13.9	–	–
Corporate Center/consolidation	−3.3	−4.3	−4.2
Total	**−42.0**	**−27.4**	**−28.5**

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] Amortization taken into account in net interest expense is not included.

2.30 **SALES, ORDER INTAKE AND EMPLOYEES (DEC. 31, 2014) BY DIVISION**







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

2.31 PAINT AND ASSEMBLY SYSTEMS – KEY FIGURES

€ million	2014	2013	2012	2011
Order intake	1,291.8	1,124.7	1,326.1	1,340.4
Sales revenues	1,078.2	1,176.9	1,125.2	878.7
Cost of materials (consolidated)	–493.6	–602.0	–619.9	–511.9
EBITDA	113.2	104.1	80.6	44.4
EBIT	106.2	98.3	75.2	40.6
Capital expenditure	13.9	12.2	11.3	4.9
Employees (December 31)	3,069	3,075	2,856	2,524

Paint and Final Assembly Systems
Order intake for Paint and Final Assembly Systems was well up on the previous year in 2014, falling only slightly short of the records achieved in 2011 and 2012. We noted brisk spending on capacity expansion and modernization in the automotive industry. The Chinese market in particular gained momentum during the year. In Poland we received an extraordinarily large contract for the construction of a paint shop. Even without this contract, demand was stable in Europe. Further major contracts were awarded in China, Italy, the United Kingdom, Germany, Mexico and the United States. The percentage of orders from the emerging markets came to a very high 70.4 % (2013: 54.1 %).

Sales failed to meet our expectations, falling short of the previous year by € 98.7 million primarily as a result of customer-induced delays in the execution of large projects. As order intake exceeded sales by € 213.6 million, orders on hand rose significantly as of the end of 2014. The EBIT margin widened from 8.4 % to an extraordinarily high 9.8 %. Important factors in this respect were our high capacity utilization and good order execution. However, we see hardly any room for further improvement in margins. Capital expenditure rose by 13.9 % and was primarily channeled into capacity expansion, site modernization and the construction of new test centers.

Previously operated by Paint and Final Assembly Systems, aircraft assembly technology business was sold to the Broetje Group on December 12, 2014. In return, we received an 11 % interest in Tec4Aero GmbH, which belongs to Broetje. The discontinued activities contributed sales of € 40.0 million in 2014. The income of € 2.8 million from the transaction was allocated to the Corporate Center, as will any future effects arising from the investment in the Broetje Group. Further information on this transaction can be found in the chapter entitled **THE GROUP AT A GLANCE**.

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Application Technology
Order intake in the Application Technology division almost reached the previous year´s figure in 2014. Major contracts for the delivery of painting robots and **APPLICATION TECHNOLOGY** were received from China, Mexico, the United States, Poland and Germany, for example.

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The customer-induced project delays affecting Paint and Final Assembly Systems also left traces on Application Technology sales revenues. However, they declined by only 2.6 %. As order intake again exceeded sales, the book-to-bill ratio came to just under 1.1.

2.32 APPLICATION TECHNOLOGY – KEY FIGURES

€ million	2014	2013	2012	2011
Order intake	560.9	567.6	556.6	580.8
Sales revenues	526.0	540.0	531.2	406.8
Cost of materials (consolidated)	–213.4	–211.1	–241.2	–198.9
EBITDA	61.8	64.6	61.1	35.9
EBIT	55.1	59.6	53.4	31.2
Capital expenditure	11.1	16.0	7.1	4.0
Employees (December 31)	1,784	1,546	1,379	1,203

EBIT came to an encouraging € 55.1 million, translating into an equally gratifying EBIT margin of 10.5 %. The small decline over the previous year (2013: € 59.6 million and 11.0 %, respectively) is due solely to the start-up costs of just under € 6 million for the expansion of application technology business to include general industry. This market offers additional opportunities for growth, e.g. with products for sectors such as plastics, wagon and shipbuilding, ceramics, wood and furniture. In the medium term, we want to become one of the leading providers of industrial painting technology. Further information can be found in the chapter entitled STRATEGY.

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In connection with our forays into industrial painting business, we acquired two fairly small companies in Germany and the Czech Republic. Against this backdrop, our headcount rose by 15.4 % to 1,784 employees. After peaking in the previous year, capital expenditure tapered off somewhat but still remained at a high € 11.1 million. One important capital spending project was the construction of a test center in Tokyo to intensify our contacts with the Japanese automotive industry.

Measuring and Process Systems

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Measuring and Process Systems continued its focus strategy in INDUSTRIAL CLEANING TECHNOLOGY. At the beginning of 2015, the division sold French company Dürr Automation S.A.S. (linking and handling systems), which no longer formed part of the division's core activities. This adjustment resulted in final non-recurring expense of € 4.3 million in 2014. At the same time, the focus on

2.33 MEASURING AND PROCESS SYSTEMS – KEY FIGURES

€ million	2014	2013	2012	2011
Order intake	577.1	561.1	600.6	662.7
Sales revenues	581.9	583.6	647.9	550.4
Cost of materials (consolidated)	–187.5	–211.4	–253.3	–225.8
EBITDA	79.3	57.2	68.2	40.5
EBIT	70.3	46.3	57.6	31.4
Capital expenditure	9.8	14.4	5.7	8.6
Employees (December 31)	3,018	2,967	3,017	2,790

2.34 SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK – KEY FIGURES

€ million	2014	2013	2012	2011
External sales	11.1	12.0	14.5	13.0
of which external rental income	5.6	6.1	6.9	6.5

product business in cleaning and surface processing technology yielded first successes. Cleaning and Surface Processing achieved a substantial turnaround, with EBIT rising by € 11.4 million over the previous year.

Order intake in the Measuring and Process Systems division exceeded that of the previous year by 2.9 %. With sales remaining steady, the book-to-bill ratio came to just under 1. There were two main reasons for the sharp rise in the EBIT margin to 12.1 % (2013: 7.9 %): the earnings turnaround in Cleaning and Surface Processing and productivity gains in the international production and site network. Capital expenditure returned to normal levels in 2014, after rising sharply in the previous year due to the construction of a new facility in Shanghai.

The external sales of Schenck Technologie- und Industriepark (TIP) fell to € 11.1 million in 2014, with external rental income dropping to € 5.6 million. This was due to a reduction in the leased floor space as we returned leased buildings to the lessor. However, earnings remained at a satisfactory level. We expect sales revenues to hold steady in 2015.

Clean Technology Systems

Clean Technology Systems business primarily entails exhaust-air purification technology. In addition, we are expanding the Energy Efficiency Technology segment, which we established in 2011.

Clean Technology Systems recorded a further increase in business volumes in 2014, aided by environmental engineering company LTB, which had been acquired in mid-2013. At € 144.9 million, order intake was up 8.4 %, thus exceeding sales (€ 136.0 million) by 6.5 % despite the sharp 27.9 % increase in the top line. Reflecting this, orders on hand were up at the end of 2014. EBIT closely tracked sales revenues, rising to € 7.6 million. The EBIT margin came to 5.6 %.

2.35 CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES

€ million	2014	2013	2012	2011
Order intake	144.9	133.7	113.5	101.0
Sales revenues	136.0	106.3	95.5	86.1
Cost of materials (consolidated)	– 73.4	– 57.2	– 54.7	– 48.0
EBITDA	9.8	7.5	4.6	5.3
EBIT	7.6	6.1	4.0	4.9
Capital expenditure	3.9	5.3	3.7	0.5
Employees (December 31)	473	426	278	205

2.36 WOODWORKING MACHINERY AND SYSTEMS – KEY FIGURES (FROM OCTOBER 3, 2014)

€ million	2014
Order intake	218.3
Sales revenues	252.8
Cost of materials (consolidated)	– 86.0
EBITDA	6.0
EBIT	– 7.9
Capital expenditure	12.8
Employees (December 31)	5,659

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

Woodworking Machinery and Systems

The HOMAG Group forms the Woodworking Machinery and Systems division within the Dürr Group and has been consolidated since October 3, 2014. For this reason, table 2.36 includes figures for only part of 2014. As previously mentioned, the EBIT stated for the Woodworking Machinery and Systems division in this report includes expense of € 16.5 million arising in connection with purchase price allocation for the HOMAG Group. This expense is not included in the time-proportionate EBIT shown in the consolidated financial statements of HOMAG Group AG. Further information can be found in **ITEM 18** in the notes to the consolidated financial statements. The expense arising from purchase price allocation will come to around € 17 million in 2015 but drop substantially below € 10 million per year from 2016.

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The HOMAG Group achieved record sales revenues of € 914.8 million in 2014 as a whole, an increase of 16.0 % over the previous year. Around half of this top-line growth resulted from the acquisition of all of the capital of US sales company Stiles Machinery (February 2014), in which the HOMAG Group had previously held a 29.4 % interest. EBIT after employee participation rose slightly to € 36.7 million (2013: € 34.6 million). Earnings are expected to rise substantially in 2015 due to the elimination of non-recurring effects among other things.

Financial development

FUNDING AND LIQUIDITY MANAGEMENT

The centralized funding and liquidity management of the Dürr Group is targeted at optimizing earnings and costs and at mitigating financial risks that might endanger the Group's status as a going concern. In addition, its purpose is to achieve transparency concerning the Group's funding and liquidity needs. We always ensure adequate liquidity reserves so as to be able to meet our payment obligations at all times.

The HOMAG Group was not integrated into our funding and liquidity management regime in 2014 but used systems of its own. However, in accordance with the domination and profit and loss transfer agreement with Dürr Technologies GmbH, the HOMAG Group is to be included in Dürr's funding and liquidity management program.

Our key sources of funding are cash flows from our operating activities. Debt finance is commonly raised by Dürr AG and made available to the Group companies as required. The liquidity management system is also in the hands of Dürr AG, which 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.

Group Treasury controls the investment of excess liquidity. We only choose banks with good credit ratings as our partners, and we use a limit system to reduce counterparty risks. Cash and cash equivalents within the Group (including the HOMAG Group) reached a high level of € 522.0 million at the end of fiscal 2014, even though the acquisition of the majority holding in HOMAG Group AG in the fourth quarter resulted in an outflow of € 228.1 million. The share of total assets accounted for by cash and cash equivalents amounted to 17.5 % (December 31, 2013: 23.0 %). Our total liquidity, which also extends to include fixed-term deposits and financial investments, amounted to € 582.0 million at the end of 2014 (December 31, 2013: € 547.6 million).

Our active **NET WORKING CAPITAL** management system optimizes the Group's internal funding capabilities and volume of funds tied down. This has a positive impact on key financials such as our balance sheet structure and return on capital employed. The divisions are responsible for net working capital management. In the process, they take account of the funding requirements in the field of operations along with the parameters laid down by Dürr AG. P. 257

For information on the deployment of financial instruments, please refer to the section "Currency, interest rate and liquidity risks as well as financial instruments for risk mitigation purposes" in the **RISK REPORT**. P. 124

REFINANCING IN FISCAL 2014

At the beginning of April 2014, we closed an early, long-term refinancing operation with a total volume of € 600 million. In the process, we managed to benefit from our improved financial situation as well as the positive market environment, securing significantly more favorable terms. The financing package consists of a bond and a syndicated loan, each amounting to € 300 million.

- Dürr AG's bond has a term to maturity of seven years. At an issue price of 99.2 % and a coupon of 2.875 %, its effective interest rate amounts to 3.085 %. This bond cannot be terminated prior to maturity. As at December 31, 2014, it was traded at 106.5 %; in relation to its final maturity (April 2021), its yield amounted to 1.8 %.
- Dürr AG's syndicated loan consists of a cash credit line for € 100 million and a guarantee line of € 200 million. The guarantee line is predominantly intended to secure the prepayments received from customers. The syndicated loan matures in 2019 but can be extended by two more years without incurring any additional costs.

The new syndicated loan replaced the previous syndicated loan of € 230 million that would have expired in 2015. Effective September 28, 2014, we terminated our legacy bond issued in 2010 (€ 225 million) one year prior to maturity and repaid it at 100.00 % This early termination was effected in accordance with the terms of the bond and represents significant relief in terms of our net finance expense.

FUNDING STRUCTURE OF THE DÜRR GROUP

Dürr AG's bond issued in 2014 and the syndicated loan, amounting to € 300 million each, constitute the basis of our funding. A syndicated loan is also available to HOMAG Group AG. Its volume of € 207.5 million comprises a cash redemption loan of € 57.5 million (tranche A) and a cash credit line of € 150.0 million (tranche B). In 2014 its term to maturity was prolonged until 2019.

At the end of 2014, within the scope of the two syndicated loans, cash credit lines (including the cash redemption loan) of up to € 307.5 million were available (December 31, 2013: € 50.0 million). In addition, there were bilateral credit facilities amounting to € 33.7 million (including the HOMAG Group) as well as guarantee lines provided by insurance companies equivalent to a total of € 511.3 million. The total amount of all credit and guarantee lines came to € 1,111.2 million (December 31, 2013: € 719.5 million).

The cash credit line under Dürr AG's syndicated loan remained unutilized in 2014. At HOMAG Group AG, the cash utilization of both tranches came to € 60.1 million as at December 31, 2014. The total utilization of all available credit and guarantee lines reached € 495.7 million (December 31, 2013: € 416.2 million).

In addition to the elements described above, our debt financing comprises two additional modules:

- When we acquired the Dürr Campus in Bietigheim-Bissingen at the end of 2011, we took over the related funding arrangement amounting to € 47.1 million. The book value of the loans came to € 39.9 million as at December 31, 2014 (December 31, 2013: € 41.9 million). The long-term fixed and annuity loans run until September 30, 2024, but may be repaid earlier subject to a premature repayment penalty. On expiry of the interest lock-in period in 2017, the loans can also be repaid without a premature repayment penalty being charged.
- In addition, there are finance lease liabilities amounting to € 11.7 million. Apart from money and capital market instruments, we also use off-balance sheet funding instruments such as operating leases (December 31, 2014: € 150.7 million) as well as forfait financing transactions. The latter were accounted for in full by the HOMAG Group in 2014, reaching a volume of € 25.0 million at the balance sheet date.

We complied with the financial covenant of Dürr AG's syndicated loan at every reference date in fiscal 2014. The same applies to the financial covenants of the syndicated loan of HOMAG Group AG. Interest on both loans corresponds to the refinancing rate with matching maturities plus a variable margin. Further particulars on debt funding are listed in **ITEM 29** of the notes to the consolidated financial statements.

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2.37 FINANCIAL LIABILITIES (DECEMBER 31)

€ million	2014	2013	2012
Bond	296.4	225.2	225.4
Liabilities to banks	118.4	41.9	56.5
Liabilities to associated companies accounted for according to the equity method	0.0	0.0	0.0
Liabilities under finance leases	11.7	4.0	4.2
Total	**426.5**	**271.1**	**286.1**
of which due within one year	17.1	2.5	14.8

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

2.38 CASH FLOW

€ million	2014	2013	2012
Earnings before income taxes	204.7	184.6	147.7
Depreciation and amortization	42.0	27.4	28.5
Interest result	17.7	19.0	29.6
Income tax payments	– 51.6	– 35.9	– 21.3
Change in provisions	– 4.6	12.8	– 17.2
Change in net working capital	74.3	122.6	– 69.1
Other	8.8	– 1.4	19.4
Cash flow from operating activities	**291.3**	**329.1**	**117.6**
Interest payments (net)	– 16.6	– 16.2	– 20.3
Investment in property, plant and equipment and intangible assets	– 53.6	– 51.0	– 31.4
Free cash flow	**221.1**	**261.9**	**65.9**
Other cash flows	– 333.8	– 78.1	– 21.0
Change in net financial status	**– 112.7**	**+183.8**	**+44.9**

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

HIGH OPERATING CASH FLOW

Cash flow from operating activities turned out high at € 291.3 million, significantly exceeding our expectations. At the beginning of 2014 we had anticipated a reduction in the high volume of prepayments from customers and an increase in **NET WORKING CAPITAL**. In fact, however, the volume of prepayments increased further, contributing to a decline in net working capital by € 74.3 million on an operational basis. High income and revenues represented a further basis for the good operating cash flow. In contrast, the ongoing external funding of pension obligations amounting to € 13.8 million was a burden. On the other hand, it leads to lower pension provisions and reduces current expenditure on pensions to an appreciable degree. The substantial increase in depreciation and amortization was due to the high extension investments made in earlier years; this was compounded by the consolidation of HOMAG Group AG, including the corresponding depreciation and amortization on account of the purchase price allocation.

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Cash flow from investing activities amounted to € –224.3 million in fiscal 2014 (2013: € –111.4 million). The biggest single influential factor was the outflow of € 228.1 million for the acquisition of the HOMAG Group.

Cash flow from financing activities reached € –20.0 million (2013: € –100.9 million). It includes a net inflow of € 71.0 million resulting from the new bond issue and the redemption of the legacy bond. Other key factors were the higher dividend payment as well as interest payments made.

Based on the high operating cash flow, **FREE CASH FLOW** was in clearly positive territory at € 221.1 million (2013: € 261.9 million). It expresses what means are available for dividend payouts, stock redemptions, acquisitions and improvements in the **NET FINANCIAL STATUS**. 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 expenditure (included in the cash flow from financing activities). The net financial status at the end of 2014 declined by € 112.7 million, to € 167.8 million. This resulted above all from the outflow of funds occasioned by the acquisition of the HOMAG Group (€ 228.1 million) but was also due to the negative net financial status of the HOMAG Group (€ –28.5 million) and the dividend payment (€ 50.2 million).

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In analyzing the high cash flow of 2014, the following should be borne in mind: due to extensive payment receipts from customers, prepayments reported under liabilities increased to € 763.3 million at the end of 2014. On the other hand, the assets side of our balance sheet includes future receivables from construction contracts that correspond directly to the prepayments reported under liabilities.

For this reason, these prepayments reported under liabilities should not be viewed separately. A more meaningful figure is the balance of future receivables from construction contracts and prepayments received. It reflects the amount by which orders are pre-financed by our customers. As at December 31, 2014, the negative balance (including small series production) increased by € 109.7 million year-on-year, to reach € 316.2 million. A volume of about € 100 million is more typical of our business model. We expect a gradual outflow of the surplus of around € 200 million in the coming quarters as orders are continually executed.

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

In controlling our company, the primary focus is on four key financials: incoming orders, sales, EBIT/EBIT margin and **ROCE** (EBIT to **CAPITAL EMPLOYED**). Moreover, we assign a great deal of importance, especially at Group level, to operating and free cash flow. At divisional level, we pay particular attention to the margins of individual orders and to EBIT. Non-financial performance indicators such as employee satisfaction or key ecological figures are also determined within the Group on a regular basis but are not deployed in our monthly business management activities. For further particulars, please refer to the chapter on **SUSTAINABILITY**.

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The analysis of incoming orders and the resulting sales is particularly important for managing our capacity utilization in a forward-looking manner. In 2014, our incoming orders exceeded the target corridor, while sales did not reach the planned scope owing to customer-induced project delays.

EBIT and EBIT margin are indicators of operating profitability. In 2014, the EBIT margin was above the original target level. ROCE provides information on whether we generate appropriate interest on the capital employed for our operating activities. Effective allocation of resources is possible on this basis. In 2014, ROCE amounted to 38.7 %, falling short of the high value recorded a year earlier. This was due to the first-time consolidation of HOMAG Group AG. It caused the level of capital employed to reach € 571.5 million as at the 2014 balance sheet date, i.e. more than double the previous year's figure. At the same time, the EBIT contribution of Woodworking Machinery and Systems was still negative in the consolidation period from October 3 through December 31, 2014. Despite the consolidation-related decline, the ROCE of 38.7 % can be classified as a good result compared with other enterprises in our industry segment.

ROCE (in %) is calculated as follows:

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

Capital employed is the capital tied down in our operating activities. It takes account of all assets except cash and cash equivalents and financial assets, less non-interest-bearing liabilities. In previous years, we had not eliminated financial assets. The adjustment that has now been introduced takes account of the fact that net finance expense is not included in EBIT either. We have adjusted the ROCE figure for previous years accordingly in the present report. The modified ROCE calculation also has an impact on economic value added (EVA). For this reason, we have also adjusted the EVA statement for previous years.

2.39 PERFORMANCE INDICATORS

		2014	2013	2012
Incoming orders	€ million	2,793.0	2,387.1	2,596.8
Sales	€ million	2,574.9	2,406.9	2,399.8
EBIT	€ million	220.9	203.0	176.9
ROCE[1]	%	38.7	76.2	47.4

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] The method for calculating ROCE was modified in 2014 as we eliminated financial assets from assets on the grounds that net finance income/finance expense is not included in EBIT. The comparison figures for 2012 and 2013 have been adjusted accordingly.

Economic value added (EVA) reflects the value that a company generates or destroys in a financial year. In 2014 it declined to € 121.6 million in spite of the further increase in earnings owing to the sharp expansion in the level of capital employed.

EVA is calculated as follows:

EVA = NOPAT – (WACC × capital employed)

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

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

$$\left(89.75\,\% \times 6.21\,\%\right) + \left(10.25\,\% \times 2.76\,\%\right) \times \left(1 - 28.70\,\%\right) = 5.78\,\%$$

Cost of equity: risk-free interest (1.75 %) + risk premium (6.00 %) × beta factor (0.744) = 6.21 %

In the Measuring and Process Systems as well as Clean Technology Systems divisions, due to higher earnings, ROCE increased to 28.0 % and 17.5 %, respectively. The ROCE of Application Technology, at 32.3 %, clearly exceeded the cost of capital even though EBIT was impacted by the start-up costs of the new industrial painting business field. In the Paint and Final Assembly Systems division, the ROCE calculation does not produce a meaningful result as the capital employed was negative. Woodworking Machinery and Systems has a ROCE of –1.8 %. However, in this context the short consolidation period and extraordinary EBIT charges on account of the purchase price allocation for the HOMAG Group need to be taken into consideration. In contrast, the consolidated financial statements of HOMAG Group AG show a ROCE of 16.8 % for the year 2014 as a whole. When comparing the ROCE of the divisions, it should be borne in mind that the level of capital employed is generally lower in plant engineering than it is in mechanical engineering.

2.40 VALUE ADDED

		2014	2013	2012
Capital employed (Dec. 31)	€ million	571.5	266.4	373.0
ROCE	%	38.7	76.2	47.4
NOPAT	€ million	154.6	142.1	123.8
Weighted average cost of capital (WACC)	%	5.78	6.69	6.58
EVA	€ million	121.6	124.3	99.3

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

2.41 ROCE BY DIVISION

%	2014	2013	2012
Paint and Final Assembly Systems[2]	> 100	> 100	> 100
Application Technology	32.3	42.9	40.8
Measuring and Process Systems	28.0	16.7	20.5
Clean Technology Systems	17.5	16.9	14.8
Woodworking Machinery and Systems	– 1.8	–	–

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[2] negative capital employed

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

2.42 **KEY BALANCE SHEET FIGURES**

		2014	2013	2012
Net financial status (Dec. 31)	€ million	167.8	280.5	96.7
Net financial liabilities to EBITDA		–	–	–
Gearing (Dec. 31)	%	–30.1	–121.5	–28.8
Net working capital (Dec. 31)	€ million	87.6	–33.1	98.6
Days working capital	days	12.2	–4.9	14.8
Inventory turnover	days	51.0	22.1	21.7
Days sales outstanding[1]	days	67.8	47.6	51.9
Equity assets ratio (Dec. 31)	%	64.6	86.5	78.3
Asset coverage (Dec. 31)	%	121.8	153.3	151.2
Asset intensity (Dec. 31)	%	37.8	29.7	30.5
Current assets to total assets (Dec. 31)	%	62.2	70.3	69.5
Degree of asset depreciation	%	30.7	43.9	48.4
Depreciation expense ratio	%	4.2	4.3	4.2
Cash ratio (Dec. 31)	%	32.6	42.4	35.9
Quick ratio (Dec. 31)	%	85.7	104.5	107.3
Equity ratio (Dec. 31)	%	24.4	25.7	23.9
Total assets (Dec. 31)	€ million	2,976.1	1,991.8	1,807.7

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] Unlike in previous years, the calculation only includes trade receivables already billed. The previous years´ figures have been adjusted accordingly.

BALANCE SHEET SIGNIFICANTLY INFLUENCED BY HOMAG GROUP TAKEOVER

Owing to the takeover of the HOMAG Group, our balance sheet features typical characteristics of the mechanical engineering business to a greater degree than before. For instance, these include higher net working capital requirements, more extensive **CAPITAL EMPLOYED** and increased value added. As a result of the acquisition, our total assets increased by 49.4 % as at December 31, 2014, to reach € 2,976.1 million.

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On the assets side, non-current assets saw substantial growth. This applies in particular to such items as goodwill, other intangible assets (e.g. brand names, technologies), as well as property, plant and equipment. Intangible assets were up by 91.9 %, to reach a total of € 617.9 million and a share of total assets equivalent to 20.8 %, whereas property, plant and equipment accounted for 12.2 %.

In terms of current assets, the consolidation of the HOMAG Group led to a significant increase in inventories and trade receivables. They increased by a total of € 390.5 million and now account for 40.8 % of total assets. Despite the corporate acquisitions and higher capital spending, the volume of cash and cash equivalents was up by € 63.5 million, to reach € 522.0 million.

On the liabilities side, trade payables at year-end increased by € 271.5 million, to € 1,128.3 million. In addition to the inclusion of the HOMAG Group, the higher prepayments from customers (€ 763.3 million) were another factor. On account of the HOMAG Group consolidation, **NET WORKING CAPITAL** was up by € 120.7 million, to € 87.6 million. Adjusted for the effects of the HOMAG Group consolidation, net working capital would have amounted to € –61.7 million. The number of days working capital amounted to 12.2 days as at the reporting date – a very good value that undercuts our target corridor of 20 to 25 days.

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

€ million	2014	% of total assets	2013	2012
Intangible assets	617.9	20.8	322.0	326.3
Property, plant and equipment	362.1	12.2	173.8	152.3
Other non-current assets	144.2	4.8	95.1	73.3
Non-current assets	**1,124.2**	**37.8**	**590.9**	**551.9**
Inventories	364.8	12.3	148.0	144.5
Trade receivables	849.4	28.5	675.7	694.6
Cash and cash equivalents	522.0	17.5	458.5	349.3
Other current assets	115.7	3.9	118.7	67.4
Current assets	**1,851.9**	**62.2**	**1,400.9**	**1,255.8**

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

2.44 EQUITY (DEC. 31)

€ million	2014	% of total assets	2013	2012
Subscribed capital	88.6	3.0	88.6	44.3
Other equity	526.7	17.7	415.9	379.5
Equity attributable to shareholders	**615.3**	**20.7**	**504.5**	**423.8**
Non-controlling interests	110.4	3.7	6.9	8.3
Total equity	**725.8**	**24.4**	**511.4**	**432.1**

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

Equity attributable to shareholders of Dürr AG was up by 22.0 % as at December 31, 2014, to € 615.3 million. We succeeded in offsetting negative effects such as the dividend payment (€ 50.2 million) and the lower discount factor on pension provisions by means of the high consolidated after-tax earnings. The latter were essentially the result of higher gross profit. Moreover, the level of equity benefited from exchange rate translation gains. The equity ratio (including non-controlling interests) amounted to 24.4 % at the end of 2014.

The sharp increase in non-controlling interests was the result of the acquisition of HOMAG Group AG. This item took account of the interests of the shareholders of HOMAG Group AG who do not belong to the Schuler/Klessmann group of shareholders and hence not to the voting pool with Dürr. The free shareholders account for 22.1 % of the capital of HOMAG Group AG. As the domination and profit and loss transfer agreement has been effective since March 17, 2015, we will transfer all their interests in accordance with IFRS from the equity line item “Non-controlling interests” to the category of financial liabilities. The reason for this is that Dürr has control of the HOMAG Group and the free shareholders of the HOMAG Group will receive a guarantee dividend but will no longer have a variable entitlement to profits. The entitlements under the guarantee dividend will likewise be reported under financial liabilities.

The consolidation of HOMAG Group AG also had a substantial impact on current and non-current liabilities. Since end-2013 these had risen by 52.0 %, to € 2,250.4 million. Trade payables remained the biggest single item on the liabilities side, increasing by € 271.5 million to reach € 1,128.3 million. Prepayments from customers taken into account in this item had increased by a further € 166.5 million since end-2013, to € 763.3 million. Financial liabilities – the second biggest line item – rose to

2.45 **CURRENT AND NON-CURRENT LIABILITIES (DEC. 31)**

€ million	2014	% of total assets	2013	2012
Financial liabilities (incl. bond)	426.5	14.3	271.1	286.1
Provisions (incl. pensions)	180.8	6.1	122.8	113.5
Trade payables	1,128.3	37.9	856.8	740.9
of which prepayments received	763.3	25.6	596.8	486.3
Income tax liabilities	29.5	1.0	30.7	19.0
Other liabilities (incl. deferred taxes, deferred income)	485.3	16.3	199.0	216.1
Total	**2,250.4**	**75.6**	**1,480.4**	**1,375.6**

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

€ 426.5 million (December 31, 2013: € 271.1 million). This was due on the one hand to the HOMAG Group consolidation and, on the other, to the bond issued in April 2014, which exceeded the volume of the legacy bond terminated in September 2014 by € 71.0 million. Financial liabilities must be viewed in the context of a total liquidity of € 582.0 million; in addition to cash and cash equivalents, this also includes fixed-term deposits and other investments such as bonds.

The increase in provisions to € 180.8 million (December 31, 2013: € 122.8 million) is, among other things, based on provisions in connection with the employee participation program of HOMAG Group AG as well as a higher level of other provisions. These include, among others, increased provisions for warranties. Pension provisions only increased by € 3.9 million (December 31, 2013: € 53.7 million), even though the discount rate for calculating pension obligations declined from 3.5 % to 2.0 %. In this context, we benefited from the external funding of further pension obligations. The level of other liabilities increased – predominantly due to the inclusion of the HOMAG Group – by € 286.3 million to € 485.3 million. The deferred taxes included in this figure were up by € 83.7 million, especially due to the purchase price allocation, to € 125.9 million. Within the scope of the purchase price allocation, various assets were capitalized and hidden reserves disclosed in the context of existing assets; in return, deferred taxes had to be accounted for.

Other liabilities include a put option of the Schuler/Klessmann shareholder group for the sale of additional shares in HOMAG Group AG to Dürr, amounting to € 86.5 million. The Schuler/Klessmann shareholder group holds 22.1 % of the shares in HOMAG Group AG and forms a voting pool together with Dürr, holding a combined 25.1 % of the shares in HOMAG Group AG. Dürr, in turn, is entitled via a call option to acquire 7.1 % of the shares in HOMAG Group AG from the Schuler/Klessmann shareholder group from 2018.

HIDDEN RESERVES/FAIR VALUES

We generally report assets and liabilities at amortized cost of acquisition or production on the basis of lower-of-cost-or-market tests. Customer-specific construction contracts are reported in accordance with the percentage-of-completion (POC) method. Derivative financial instruments, financial assets available for sale, financial assets held for trading as well as obligations arising from put options, 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 34** in the notes to the consolidated financial statements.

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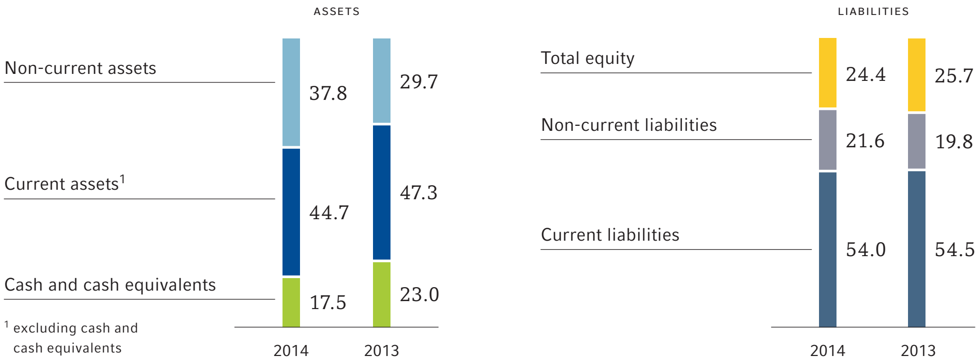
On the assets side, other intangible assets with a determinable period of use, which mainly comprise rights, concessions and capitalized development costs, are depreciated to reflect their expected period of use. Mostly, no hidden reserves can be created in this item. Property, plant and equipment may contain hidden reserves, especially in the case of land and buildings. Schenck Technologie-

2.46 **ASSET AND CAPITAL STRUCTURE (DEC. 31)**
%



[1] excluding cash and cash equivalents

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

und Industriepark GmbH (TIP) in Darmstadt is worthy of mention in this regard. According to our assessment, the fair value of this company exceeds its book value by a double-digit million euro amount. In the category of non-current assets, € 41.0 million in deferred taxes have been capitalized. Tax loss carry-forwards exist in particular in France; owing to the local earnings prospects, they can only be utilized to a slight degree. Accordingly, the non-balance sheet value of our tax loss carry-forwards has now reached a low level. Uncapitalized R&D costs are taken into account under R&D expenditure. They also concern the expenditure for patents amounting to € 6.0 million (2013: € 3.9 million). We have over 5,000 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 € 0.8 million; the difference exists in financial investments held to final maturity.

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 arising under finance leases, and various loans. The difference totals € 28.1 million (December 31, 2013: € 20.3 million; cf. **NOTE 34** of the notes to the consolidated financial statements).

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CAPITAL SPENDING AT A HIGH LEVEL

During fiscal 2014, investments (excluding acquisitions) were up by 7.2 %, amounting to € 54.9 million. On a comparable basis (excluding the HOMAG Group), capital spending was down by 17.8 % compared with the all-time high of fiscal 2013.

Capital spending on property, plant and equipment (€ 39.9 million) declined by 6.9 % but nevertheless accounted for a 72.7 % share of capital spending (excluding acquisitions). We continued the investment program launched for our network of locations in 2012. Among other things, new test centers were opened in Japan and the US. Within the scope of the program we also extended our production capacities and boosted our internal value added. Sophisticated products and components, in particular, are now being increasingly produced in-house, including products for the new industrial painting business field.

Investments in licenses, software and other intangible assets rose substantially, from € 8.3 million to € 15.0 million. The reason for this was the inclusion of the HOMAG Group, which capitalized development services for an IT innovation program, among other items.

2.47 CAPITAL EXPENDITURE[1], DEPRECIATION AND AMORTIZATION[2]

€ million	2014	2013	2012
Investments in property, plant and equipment	39.9	42.9	23.5
Investments in intangible assets	15.0	8.3	9.0
Equity investments	242.1	34.8	2.9
Depreciation and amortization	−42.0	−27.4	−28.5

HOMAG Group/Woodworking Machinery and Systems was consolidated for the first time on October 3, 2014.
[1] According to IFRS rules, the capital expenditures in this overview deviate from the figures in the statements of cash flows.
[2] Including impairment losses and reversals. Amortization taken into account in net interest expense is not included.

2.48 INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT: REPLACEMENT AND EXTENSION INVESTMENTS

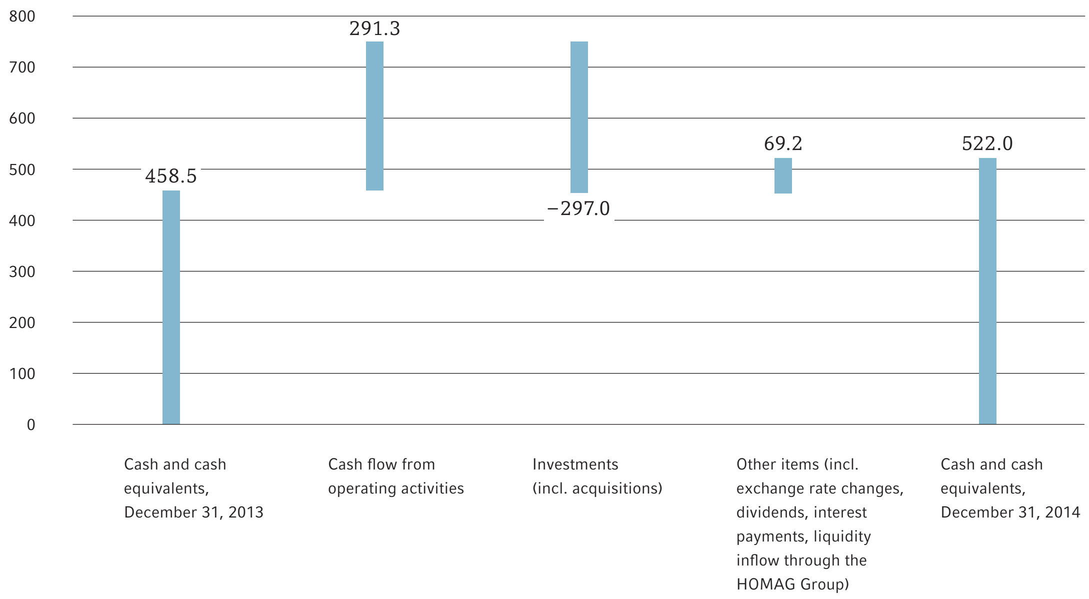
€ million	2014	2013	2012
Replacement investments	18.0	8.0	8.4
Extension investments	21.9	34.9	15.1
Investments in property, plant and equipment	39.9	42.9	23.5

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

The significant increase in equity investments includes the purchase price of € 228.1 million for HOMAG Group AG. The remaining € 14.0 million are the result of increased interests in LTB, the two acquisitions in the business field of industrial painting (Bersch & Fratscher, EST+) and the acquisition of PT Durr Systems Indonesia. Further particulars in this regard are listed in the chapter **THE GROUP AT A GLANCE**. P. 51

As in previous years, extension investments exceeded replacement investments. The consolidation of the HOMAG Group is responsible for the increase in replacement investments.

2.49 LIQUIDITY DEVELOPMENT
€ million



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

The high operating cash flow almost covered the level of investments (including acquisitions) in full. It was possible for the dividend and the interest payments to be offset by net inflows resulting from the bond issue and the redemption of the legacy bond, as well as the cancellation of fixed-term deposits. "Other items" also includes the liquidity inflow in the wake of the consolidation of the HOMAG Group. Cash and cash equivalents continued to grow, reaching € 522.0 million; the **NET FINANCIAL STATUS** declined by € 112.7 million, to € 167.8 million.

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The cash flow and high volume of financial resources are likely to cover our operating financing needs once again without any difficulty in 2015. Moreover, we have access to our credit and guarantee lines if necessary. Payment obligations from operating leases amount to € 26.9 million in 2015. A sum of € 4.4 million is due from finance leases and a further € 2.2 million from the obligation to acquire property, plant and equipment. The volume of financial debt maturing in 2015 amounts to as little as € 17.1 million.

OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Our off-balance sheet financing instruments and obligations comprise operating leases and liabilities arising from procurement contracts. The volume of forfait financing transactions reached € 25.0 million and was completely accounted for by the HOMAG Group. At the end of 2014, future minimum payments arising from operating leases rose to € 135.1 million (December 31, 2013: € 97.6 million) due to consolidation reasons. Further particulars are listed in **ITEM 39** of the notes to the consolidated financial statements. Apart from procurement contracts, there were no further material off-balance sheet obligations.

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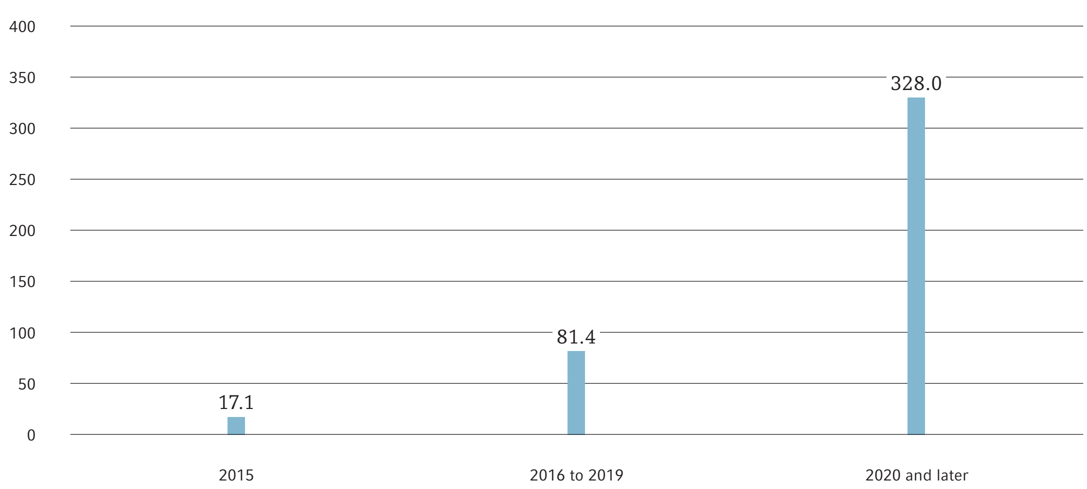
Off-balance sheet financing instruments reduce the volume of total assets and improve certain key capital ratios. Their volume is reasonable at Dürr in relation to the business volume. Operating leases constitute the single biggest off-balance sheet financing item by far. Excluding operating leases, total assets would rise by roughly 5 % and the equity ratio would decline by 1.1 percentage points. The earnings structure would likewise change: EBIT would rise by roughly the same amount by which the interest result would decline. The impact on pre-tax earnings would therefore be quite manageable.

2.50 MATURITY STRUCTURE OF FINANCIAL LIABILITIES
€ million



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

Research and development

R&D OBJECTIVES

Our aim is to develop innovations which enable our customers to increase the efficiency of their production processes, hence our corporate slogan "Leading in Production Efficiency". At the same time, our R&D work is a central means of differentiating ourselves from our competitors and maintaining our leading market position. Innovation therefore forms one of the four fields of the "Dürr 2020" strategy.

R&D KEY FIGURES AND EMPLOYEES

Fiscal 2014 saw us once again increase our direct expenditure on research and development. At 28.8 % higher, expenditure reached € 55.4 million, of which € 9.6 million was attributable to the HOMAG Group consolidated since October 3, 2014. The R&D ratio rose from the previous year's 1.8 % to 2.2 %. Other development costs accruing through the processing of individual orders have been taken into account under the cost of sales. Capitalized development costs totaled € 5.5 million (2013: € 3.4 million). Measured against the direct R&D costs, this represents a capitalization rate of 9.9 %. For further information please refer to **ITEM 6** of the notes to the consolidated financial statements.

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Worldwide there are 619 employees working in R&D (December 31, 2013: 248). The R&D staff make up 4.4 % of the Group's workforce. In addition, a large number of experts are involved in innovations and further developments in connection with customer orders. The Application Technology and Woodworking Machinery and Systems divisions have the highest R&D ratios, at 3.9 % and 3.8 % respectively, within the Group.

Our R&D process ensures that new and further developments meet market requirements. Representatives from sales, **ENGINEERING** and procurement departments are always involved in R&D projects within the divisions in addition to the R&D department. As a result, customer needs, design requirements and the availability of the necessary suppliers and production capacity are given equal consideration. The "R&D/Technology" multidisciplinary team coordinates innovation activities and organizes knowledge transfer between the divisions. Around 70 % of our R&D resources are expended on developing new products and processes. We use about 30 % for improving, standardizing and modularizing existing products.

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The innovation process in the HOMAG Group has a fundamentally similar structure to that of Dürr and also takes account of further company-specific aspects.

2.51 R&D KEY FIGURES

		2014	2013	2012
R&D ratio	%	2.2	1.8	1.6
Paint and Final Assembly Systems	%	1.0	0.9	0.8
Application Technology	%	3.9	3.6	3.6
Measuring and Process Systems	%	1.9	1.8	1.2
Clean Technology Systems	%	1.5	1.6	1.2
Woodworking Machinery and Systems	%	3.8	–	–
Capitalized R&D costs	€ million	5.5	3.4	3.1
Amortization of capitalized R&D costs	€ million	–4.3	–3.9	–6.1
R&D employees (Dec. 31)		619	248	199
R&D personnel costs	€ million	–35.2	–20.6	–16.4

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

2.52 R&D EMPLOYEES 2014

	Group	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Woodworking Machinery and Systems
Total	619	27	156	87	20	329
% of workforce	4.4	0.9	8.7	2.9	4.2	5.8

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

NEW DEVELOPMENTS AND PATENTS

In the course of 2014 Dürr and the HOMAG Group progressed 90 product innovations to the marketability stage and presented at 141 trade shows and industry conferences. As at December 31, 2014, our portfolio of patent families numbered 1,033, of which 372 were assigned to the HOMAG Group. Of our 5,090 individual patents 20 % were assigned to the HOMAG Group and 39 % to Application Technology. The costs for protecting our intellectual property came to € 6.0 million.

COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

Dürr and the HOMAG Group maintain active contacts with around 120 scientific institutions and external development partners. This enables us to ensure that we have access to the latest research in those fields of relevance to us.

In fiscal 2014 our expenditure on externally sourced R&D services came to € 21.8 million (2013: € 20.7 million). Dürr and the HOMAG Group received state research grants and subsidies to the sum of € 0.8 million (2013: € 1.5 million); this represents 1.4 % of the total R&D costs.

R&D ORIENTATION

Customer requirements drive our innovation management. The key trends in the development of new solutions are:

- **Increased flexibility:** Our customers require flexible production lines with short cycle times in order to efficiently manufacture a broad range of models and variants.
- **Optimization of cost per unit:** In a global competitive environment our customers are continually looking for ways of increasing the cost effectiveness of their production operations. We assist them in this endeavor by means of new products and processes with reduced material, energy, maintenance and personnel requirements.
- **Automation:** Automation is now almost the only means of achieving further increases in efficiency and quality in highly developed production processes. We are directing our efforts accordingly, for example with robot applications for interior painting of vehicles, fully automatic balancing systems for crankshafts and linked furniture production systems for batch size 1 manufacturing.
- **Energy efficiency and conservation of resources:** Requirements relating to the energy and resource efficiency of production processes are rising constantly. This situation is being driven by cost and sustainability considerations. Consequently, we are developing systems with low material and energy consumption, plus concepts for energy recovery.
- **Rapid market launch:** Planning and construction times for new plants influence how quickly new products can be brought to the market. Special software tools allow production systems to be simulated, optimized and virtually commissioned in advance. As a result, our customers can start production sooner.

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- **Downsizing and lightweight design:** The automotive industry is cutting fuel consumption and CO_2 emissions by reducing vehicle weights and using DOWNSIZED engines. Demand for GLUEING TECHNOLOGY systems is rising because of the use of non-weldable LIGHTWEIGHT materials. The building of complex downsized engines increases the demand for our cleaning and BALANCING TECHNOLOGY.
- **Driver assistance systems:** Modern vehicles use an increasing number of driver assistance systems, for example lane-keeping assistants. We are developing highly sensitive test systems for testing and calibrating these applications in final vehicle assembly.
- **Modularization:** In order to minimize their production costs, automakers order complete vehicle modules from suppliers. We are supporting these suppliers with special production technology, for instance plastic painting systems.

R&D RESULTS

Paint and Final Assembly Systems

The **Eco**DryScrubber system is our solution for the dry removal of paint overspray. In this, paint which was sprayed but did not land on the vehicle body is no longer removed from the booth atmosphere with water, but instead with the aid of plastic filters coated with limestone powder. This means the operator can reuse the specially conditioned air in the booth, which significantly reduces the energy requirement. The limestone powder has to be replaced as soon as it is saturated with paint particles. This is where an important innovation comes in: In 2014 we launched a fluidized-bed furnace which burns off the paint particles bound in the limestone powder. This restores the paint-binding properties to the powder, which can be used up to four times – reducing material consumption and the cost of supply and disposal.

We developed the **Eco**Dry X separation system for paint booths with low to medium overspray. This multi-stage filter system works with disposable cardboard filters, which the operators can replace quickly and easily – even during the production process, if necessary.

Another key innovation is the Eco+Speed spray booth concept for interior painting. This combines time- and material-saving paint application products with particularly fast conveyor technology. Eco+Speed halves the time required for changing the color and transferring the body from station to station to 8 seconds. More vehicles therefore pass through the painting process in the same time, allowing the system capacity to be increased by up to 15 %. That means more cost-effective utilization of the systems. Energy costs and CO_2 emissions per painted body are cut by as much as 15 %. Alternatively, the time gain can be used to improve the quality of the paint finish by slowing the spray process down, as a result of which reworking costs fall.

Application Technology

The atomizer at the end of the painting robot arm converts liquid paint into a fine mist and applies it uniformly to the body. Small but highly efficient atomizers are required for painting the vehicle interiors in order to reach every corner and angle. We developed the **Eco**Bell3 Ci atomizer especially with this in mind. It is particularly compact, applies the paint with great precision and only shows a low level of soiling with paint particles after the spray process. That shortens the waiting times while the atomizer is being cleaned and saves on paint and solvent. Furthermore, VOC emissions and wastage are reduced.

One of the focuses of our innovation work is on developing smart products for the painting process. Smart products are components which are monitored, regulated and optimized in terms of their operation with the aid of intelligent software. A good example are our smart dosage pumps, which allow a high level of precision to be achieved in the amount of paint dispensed. Smart applications also offer benefits in system diagnostics, wear monitoring, maintenance and documentation. Furthermore, our smart products can be conveniently operated with the aid of a tablet computer.

Measuring and Process Systems
Schenck RoTec developed and launched a new, fully automatic balancing machine for crankshafts in the shape of the BARIO model. The trouble-free access to all components, standardized retooling kits and ease of operation shorten the retooling time when changing from one crankshaft type to another. This enables us to enhance our customers' flexibility. System servicing is simplified by means of our Fingerprint analysis tool. BARIO requires 15 % less energy than its predecessor, while an optimized footprint also reduces the space requirement.

Modern vehicles are equipped with numerous driver assistance systems, such as reversing cameras, intelligent headlight systems and lane-keeping assistants. After final vehicle assembly these systems are tested on special Dürr test stands and aligned with the chassis geometry. In 2014 we further developed our product portfolio successfully in this field. The focus was on increasing the flexibility of the systems by using standardized modules. This allows our test stands to be modified easily and expanded to include new functionalities, while also shortening delivery times.

In INDUSTRIAL CLEANING TECHNOLOGY we introduced the **EcoC**Wave universal chamber cleaning system. This cleans components using aqueous cleaning media and reliably removes machining residues such as chips, particles and cooling lubricants. **EcoC**Wave is used in the manufacture of industrial components, particularly by vehicle manufacturers and automotive suppliers. The system can be incorporated in any production line thanks to its modest space requirement. Compared with previous system types, **EcoC**Wave offers greater process reliability, shorter non-productive times and significantly reduced energy consumption. Two or three optimized cleaning baths, as specified by the operator, and high-performance spray/flood pumps ensure ultimate cleaning quality.

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Clean Technology Systems
In exhaust-air purification technology we have reduced the gas consumption of our systems for pollutant incineration. Under-stoichiometric operation of the gas burner is the key to this. After heating up, the ratio of air to gas is reduced so that an artificial air deficiency is created. This yields gas savings of up to 15 % and thus greater cost effectiveness and sustainability in production. This innovation will be used with immediate effect in all new systems, and it can also prove useful for upgrades.

In the energy efficiency business field we further developed the **Eco+Energy** CPS 100 micro gas turbine system. This enables users to generate process steam and electricity decentrally. The turbine exhaust-gas temperature and thus the effective thermal output can be individually adjusted. Depending on the application, the turbine exhaust gas can be used either for direct firing of waste heat boilers and combi steam boilers or for preheating the combustion air of a shell boiler. Overall efficiencies of up to 97 % are therefore feasible. The **Eco+Energy** CPS 100 can be used, for example, in dairies and breweries, but also in hospitals and for plastics production. The system is also suitable for upgrading existing steam boiler systems.

Woodworking Machinery and Systems

In order to increase our production efficiency and reduce the complexity of the product portfolio, we will in future offer most of our machinery series on the basis of a limited number of platforms. The new Ambition series, which we launched in 2014, was the first platform introduced in the field of **THROUGHFEED MACHINES** for edge-banding processes. In addition, we have developed new, more powerful processing unit technologies for this and improved their operation and serviceability. The Ambition series has a fixed basic configuration, with which modular equipment packages that we offer for different requirements can be combined. Consequently, we can ship the machines faster and at lower cost.

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Another innovation is the new BHX 200 series for vertical, high-speed drilling. Since the components move vertically, the machine has a significantly smaller footprint. It also permits rapid, high-precision machining of rows of holes. The BHX 200 also enables the dowels to be automatically inserted for furniture assembly.

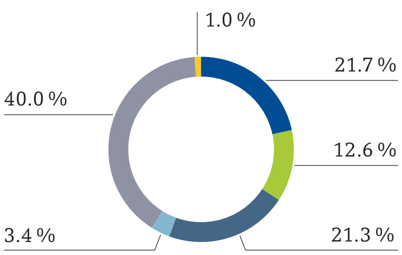
In wood**WOP7** we introduced a new software for CNC programming of woodworking machines. It enables, among other things, innovative 3D programming, with which workpieces can be conveniently designed three-dimensionally. Thus, routing, bores and saw cuts can be quickly and simply programmed and displayed realistically on the basis of their machining parameters.

Employees

The Group had 14,151 employees as at December 31, 2014 (December 31, 2013: 8,142). 5,659 of those came to Dürr following the takeover of the majority stake in HOMAG Group AG. Over the course of the year, Dürr gained 163 employees through another three acquisitions and the foundation of a company (Bersch & Fratscher GmbH, EST+ a.s., PT Durr Systems Indonesia, Durr Systems Malaysia Sdn. Bhd). We take on external staff alongside our regular workforce to increase our flexibility.

In Germany, where 69 % of the HOMAG Group staff are based, we recorded the highest increase in the number of employees in 2014 (up 107 %). At the end of 2014 a total of 7,749 employees were working in Germany, which corresponds to 54.7 % of the Group's workforce. In China – the second most important country for Dürr in terms of employment – the regular workforce grew by 29.9 %, to 1,762 people. The first-time consolidation of the HOMAG Group accounted for 71.9 % of this increase. 3,973 employees (up 43.4 %) were working in the emerging markets (including China) as at December 31, 2014. They accounted for 28 % of the Group's workforce, a relatively high percentage even after the consolidation of the HOMAG Group (December 31, 2013: 34 %).

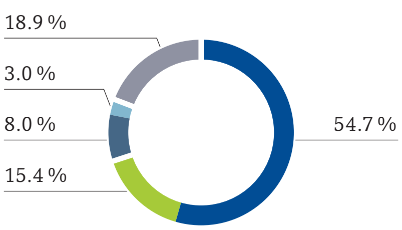
2.53 EMPLOYEES BY DIVISIONS (DEC. 31)



	2014	2013	2012
Paint and Final Assembly Systems	3,069	3,075	2,856
Application Technology	1,784	1,546	1,379
Measuring and Process Systems	3,018	2,967	3,017
Clean Technology Systems	473	426	278
Woodworking Machinery and Systems	5,659	–	–
Corporate Center	148	128	122
Total	**14,151**	**8,142**	**7,652**

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

2.54 EMPLOYEES BY REGION (DEC. 31)



	2014	2013	2012
Germany	7,749	3,749	3,412
Other European countries	2,180	1,361	1,282
North/Central America	1,134	726	850
South America	419	335	281
Asia, Africa, Australia	2,669	1,971	1,827
Total	**14,151**	**8,142**	**7,652**

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

TRAINING AND PERSONNEL DEVELOPMENT

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As an ENGINEERING group, we rely heavily on the knowledge and professionalism of our workforce. For this reason, we increased the training budget per employee in Germany from € 650 to € 720 in 2014; the number of training attendances rose by 10 %, to 7,739 (both figures exclude the HOMAG Group). The latter is primarily due to the CustomerExcellence@Dürr program, aimed at further improving customer focus and service quality. We train almost all Dürr and Schenck employees worldwide as part of this program in order to enhance interaction with customers. Depending on the frequency and intensity of customer contact, there are a number of different types of training available. The customer contact training, which is the most comprehensive training measure in the history of Dürr, will be completed by 2016.

In 2014 CustomerExcellence@Dürr accounted for 21 % of all training sessions at Dürr (excluding the HOMAG Group). IT training constituted the second largest training complex, followed by training in the areas of leadership, technology, commercial know-how as well as management systems, intranet and languages. The two-day introduction events for new staff were also well attended. We place special emphasis on the centrally designed corporate training program, where employees from different countries and business locations learn best practices in leadership, sales and project management. Many of Dürr's training events are run by in-house experts. This ensures a strong practice-oriented approach and reduces costs.

We support our managers with special training programs on Dürr values and specific modules of our Leadership Skills Model, for example communication and multiculturalism. In addition, these programs teach methods on how to lead projects. Our training modules for young managers include leadership workshops, the junior leadership program "Fit for Management" and Dürr's management simulation game.

The new "People Development" personnel development process enables us to evaluate the skills of managers worldwide even better and to identify high-potential employees and high performers. After a successful pilot phase, "People Development" was introduced at several large business locations in 2014.

PERSONNEL AND UNIVERSITY MARKETING

In 2014 we were generally able to fill all vacant as well as new positions quite easily. An important basis for this was Dürr's economic success and good reputation, but also our intensive personnel marketing using both internet and print media as well as various employer awards (see SUSTAINABILITY chapter). We have an attractive employer profile based on central elements such as world market leadership, innovative strength and an international focus. Added to that are SME values such as individual responsibility and flexibility as well as an attractive compensation package, flat hierarchies and good career prospects.

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Work/life balance is becoming an increasingly important factor in employer attractiveness. We are continuing to enhance the options we offer in this area, ranging from flexible working hours and part-time employment to exercise and health programs as well as childcare support. One of the options available to staff, which is not common even in large organizations, is the holiday exchange program for children of Schenck employees.

We target qualified graduates through university marketing activities. In 2014 we visited 32 university and recruitment fairs, of which 20 took place in Germany. As part of our in-house technology fair, Open House 2014, we organized the first StudentsTechnologyDay@Dürr, which was attended by around 90 students from technical fields. In the reporting year, 123 prospective graduates completed an internship at Dürr, 103 people worked for us as student employees, and 46 students wrote their theses with us (all figures exclude the HOMAG Group). We use these contacts to meet potential young professionals and recruit them for Dürr.

HOMAG GROUP AG

In fiscal 2014 the HOMAG Group was not integrated into Dürr's HR processes described above under the headings "training and personnel development" and "personnel and university marketing". The figures quoted here therefore do not include the HOMAG Group. In Germany, HOMAG Group AG offers a nationwide training program with around 2,400 participants per year. The key components in 2014 were management, product, special skills and compliance training. Personnel development and university marketing at the HOMAG Group are currently organized at business location level. In 2014 the company attended 8 graduate career fairs and had 146 interns, 17 student employees as well as 27 students completing their bachelor's and master's theses. As part of its integration into the Dürr Group on the basis of the domination and profit and loss transfer agreement, the HOMAG Group will gradually adopt Dürr's HR processes.

VOCATIONAL TRAINING

By training people ourselves, we ensure that employees are highly qualified and familiar with our business so they can ultimately take on responsibility. In 2014 we employed a total of 488 apprentices as well as students from cooperative state universities and "Studium Plus" students. The majority of those (330 people) were accounted for by the HOMAG Group. The classic vocational training we offer covers 11 commercial and industrial/technical fields – from electronics and computer science to logistics, product design and various mechanical fields. The 11 cooperative state university courses we support are based on our range of requirements. The options include, for instance, electrical engineering and electronics, mechanical engineering, mechatronics and industrial engineering, IT and business studies as well as consulting and controlling. Many students within the Group spend some of their practical training at foreign subsidiaries to learn more about the international nature of our business.

Procurement

The consolidated material costs, i.e. the orders placed with suppliers and posted as expenditure in the year under review, fell by 3.5 % to € 996.2 million during fiscal 2014 (2013: € 1,032.6 million) despite the consolidation of the HOMAG Group. The primary contribution in this regard came from the Paint and Final Assembly Systems division, in which the consolidated material costs fell significantly more than sales. An important factor in the moderate cost development was our higher vertical depth of production, resulting from the expansion of our manufacturing capacities in recent years. To this can be added economies of scale and an overall favorable development in material prices.

Finished and semi-finished products, together with manufacturing and engineering services, make up the major part of our procurements. We have a comparatively low demand for unprocessed raw materials. The price of copper continued to fall in 2014. The price of stainless steel rose slightly, while normal steel became a little cheaper; taking the long-term view, the price of both types is at a relatively low level. While energy prices fell, we saw a stable overall price level for bought-in parts. The prices for manufacturing and assembly services increased slightly as a consequence of higher wages and salaries. In China significant rises in labor costs and many suppliers' healthy order books resulted in higher prices as a general trend.

In order to keep procurement costs down, we conclude master agreements with preferred suppliers and pool our requirements internationally. Thanks to lead buyers with global responsibility who specialize in individual commodity groups, we are able to form an accurate assessment of the price/performance ratio of different suppliers.

Overall, we were able to safely provide for our procurement requirements in 2014. In this regard we benefited from the further expansion of our in-house production capacities, as a result of which we are less dependent on suppliers. In plant engineering, coordinating requirements, suppliers and deadlines was as demanding as ever since Procurement is often supporting multiple large projects in this field in parallel. The fact that we have already completed preparatory work on procurement for several system projects to run in 2015 contributed to the high level of capacity utilization.

We made greater use of local procurement in China and other emerging markets. This enabled us to achieve cost benefits and reduce logistics expenditure. In China, in particular, we also use our local procurement organization to supply materials for Group companies and projects in other parts of the world where this yields overall cost benefits.

We are constantly seeking to improve the effectiveness of our procurement processes. For example, we added new functions to our international supplier relationship management tool (SRM). We are increasing use of the SRM tool by means of regular training courses. We also progressed the "Procurement IT Concept" project. This addresses IT-assisted improvements in operational procurement processes such as checking order confirmations, master data and document management, and WEB-EDI integration of smaller suppliers. We ensure that our suppliers meet deadlines and deliver punctually by expediting and monitoring deadlines closely.

In our mechanical engineering divisions, in particular, we have increased the involvement of Procurement in product development. This enables us to optimize the costs of future products right from the initial design phase. The second Dürr Supplier Day, which took place in Bietigheim-Bissingen in May 2014, was a forum for sharing views and ideas with key procurement partners. During the event we presented Dürr Supplier Awards for the first time to especially high-performing suppliers.

The procurement departments of newly acquired companies are being systematically integrated and incorporated in our tools, processes and methods. The Global Sourcing Board (GSB), made up of the heads of procurement within the divisions, is responsible for managing procurement operations. In our Paint and Final Assembly Systems, Application Technology, and Clean Technology Systems divisions, the Global Sourcing Committee (GSC) evaluates international pooling opportunities, and approves major contract awards and master agreements. The mechanical engineering divisions of Measuring and Process Systems and Application Technology liaise when it comes to purchasing important commodity groups. If needed, the Group companies can call on the assistance of the central Coordination International Purchasing team (CIP) for procurement-related issues.

HOMAG GROUP AG

Following its incorporation into the Dürr Group, the HOMAG Group initially continued to operate its existing procurement system. During the integration process we set up a team of procurement experts from Dürr and the HOMAG Group to analyze opportunities for cooperation and potentials for synergy. In addition, the plan is for the HOMAG Group to gradually become part of the global Dürr procurement network. This is based on the domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG.

Apart from steel and copper, the HOMAG Group's most important raw material is aluminum, whose price rose markedly in 2014. Every HOMAG Group production site has an operational and strategic procurement department. By purchasing globally, the HOMAG Group exploits regional price benefits. Lead buyers operating across the Group coordinate the procurement of important commodity groups. Demand is pooled across sites using a pooling structure. Procurement works closely with R&D to reduce product costs. The Purchasing Board, the oversight body made up of the heads of procurement of the major production companies, meets monthly.

Sustainability

Our customers value Dürr because we help them to achieve premium-quality products from environment- and resource-friendly manufacturing operations. We also exercise our responsibility with regard to our employees and to society. Good working conditions, individual professional development measures, protection against discrimination and a commitment to justice and the law are essential elements of our sustainability strategy. The performance indicators for the sustainability of our actions include employee satisfaction and the consumption and emissions figures for our products and locations.

COMPLIANCE

At Dürr, we hold to the principle of legality – and compliance with it and also with ethical and moral standards without exception is expected. Dürr's worldwide compliance organization provides active support for our workforce in this regard:

- The Dürr Code of Conduct published in 2011 outlaws illegal business practices such as price-fixing or market agreements, bribery or misleading advertising. It emphasizes the right of all employees to fair treatment and prohibits any kind of discrimination. Finally, the Code explains issues such as how to handle confidential data, insider information and conflicts of interest correctly.
- The Code of Conduct is available to our workforce in ten languages and is the subject of training courses and staff meetings throughout the Group.
- Employees can also obtain information on the intranet. The Compliance section introduces contacts, explains how to report matters and provides guidance in correct conduct in the form of a question-and-answer list.
- Trained compliance managers have been available to advise employees on compliance issues in most of the Group's companies since 2013. If required, these managers can call on the assistance of the Corporate Compliance Officer. All employees can, of course, also contact the Corporate Compliance Officer anonymously. In addition, appropriate staff training courses are held regularly.

We have established an effective compliance management system, which is set out in a Group-wide organizational instruction. At its heart is the Corporate Compliance Board. This is made up of 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 constantly examines methods of refining the compliance rules. The Corporate Compliance Officer is the person to contact if any compliance violations are suspected. He analyzes them in the event of justified suspicion, and reports to the CEO and the Corporate Compliance Board. In his research he works closely with the Internal Auditing colleagues.

We also expect suppliers to act in accordance with our Code of Conduct. We have summarized the passages of the Code of Conduct relevant to them in a special Suppliers' Code, which forms part of all supplier contracts.

The compliance system described covers the whole of the Dürr Group with the exception of HOMAG Group AG, which has been consolidated since October 2014. The HOMAG Group has its own, effective compliance system. In 2014 it adopted a code of conduct, an anti-trust guideline, an anti-corruption guideline and instructions for working with business partners. The workforce was given relevant training via an online tool and workplace events. The compliance organization set up by a Compliance Manager is subject to continual refinement. The compliance system operates in close conjunction with the operational risk management system, the internal control system and Internal Auditing. The Compliance Manager reports to the Chief Finance Officer of HOMAG Group AG, who is also the Chief Compliance Officer.

PERSONNEL

The expertise and experience of our employees are key prerequisites for sustainable corporate success. We therefore provide a stimulating framework to promote performance, creativity and personal development. Individual development is ensured by means of a broad range of training courses. Intercultural exchange, but also sporting, health and cultural opportunities backed up with childcare provision complete the program for our workforce. Further information is presented in the EMPLOYEES chapter.

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We have been able to significantly raise our recognition level among students and graduates in recent years. That is attributable not least to the "Dürr Challenge". In this innovative film competition we dispatch teams of students to different cities with the brief to film reports about living and working there. In the summer of 2014 three student teams filmed in Seoul, Istanbul and New York. We selected the members of the three teams from hundreds of applicants. The huge interest and positive response in various university magazines are proof that the "Dürr Challenge" strikes a chord with the target group.

Employer attractiveness

Various awards in employer competitions and certifications confirm our attractiveness as an employer:

- In 2014 for the first time Dürr took first place in the "Large Companies, Mechanical and Plant Engineering, Multitechnologies" category in the "Germany's Best Employers" ranking published by German magazine FOCUS. In the overall ranking of all the companies under assessment (some 2,000) we moved up to 24th place. In February 2015 the magazine published new rankings: we actually featured twice in the top ten of the "Mechanical and Plant Engineering" category, with 6th place for Dürr and 9th place for the HOMAG Group.
- We offer a trainee program with fair remuneration and carefully structured content. For this we were awarded the "Outstanding Trainee Program" quality mark by the University of Munich and Süddeutsche Zeitung.
- We do not employ university graduates as interns, but offer them appropriately salaried positions. For this we received the "Fair Company" certificate.
- In 2012 we joined the German government's "Family Success Factor" corporate network, in which companies commit to a family-friendly HR policy.

2.55 PERSONNEL KEY FIGURES (EXCLUDING HOMAG GROUP)

	2014	2013	2012
Number of employees (Dec. 31)	8,492	8,142	7,652
of whom apprentices and students at cooperative state universities (Dec. 31)	158	148	141
Proportion of female employees (Dec. 31) (%)	18	17	17
Part-time employees (Dec. 31)	213	198	179
Average length of service (years)	10	10	10
Absenteeism rate (%)	2.1	2.1	1.9
Employee turnover (%)	4.4	6.0	4.6
Number of accidents per 1,000 employees (Germany)	7.8	13.1	12.9

As an employer, the HOMAG Group is particularly committed to promoting new blood and continual staff development and, at its Schopfloch headquarters, was the first company in the region to be awarded the "Outstanding provider of vocational training" seal by the Chamber of Industry and Commerce.

ENVIRONMENT AND COMPANY SITES

Although we have expanded our level of in-house production in recent years, the environmental footprint of our activities to date remains comparatively small. One reason for this is that, at 35 %, the real net output ratio is still moderate. Tables 2.56 and 2.57 show that resource consumption, emissions and waste increased slightly in some cases in 2014. This is largely attributable to the further expansion of our in-house production. With regard to the CO_2 emissions, the increased figure for 2014 is the result of more accurate capturing of the data from the fleet vehicles outside Germany.

2.56 ENVIRONMENTAL KEY FIGURES (ABSOLUTE, EXCLUDING HOMAG GROUP)

	2014	2013	2012
Number of sites	53	50	51
of which ISO 9001 quality management certified	38	39	39
of which ISO 14001[1] environmental management certified	18	19	20
Consumption			
Electricity (MWh)	33,443	32,723	32,489
Gas/oil/district heat (MWh)	39,667	42,478	40,342
Water (m^3)	130,685	124,555	113,174
Waste water output (m^3)	122,022	119,663	110,328
Waste (t)	4,525	4,797	4,066
of which recycled (t)	3,191	3,232	3,028
Emissions			
CO_2 (t)	33,493	33,254	32,597
of which attributable to Dürr vehicle fleet (t)	3,965	3,555	3,520
SO_2 (t)	18	17	17
NO_x (t)	27	27	27

[1] Sites used by several Dürr companies sometimes have multiple environmental management certificates to ISO 14001.

2.57 ENVIRONMENTAL KEY FIGURES (INDEXED, EXCLUDING HOMAG GROUP)

	2014	2013	2012
Consumption			
Electricity	64.6	61.0	60.8
Gas/oil/district heat	51.7	53.4	50.9
Water	92.3	84.9	77.4
Waste water output	97.2	92.0	85.0
Waste	85.0	86.7	73.9
of which recycled	78.5	76.7	72.1
Emissions			
CO_2	60.5	58.0	57.0
of which attributable to Dürr vehicle fleet	63.0	54.5	54.1
SO_2	63.9	59.4	59.6
NO_x	61.0	59.0	59.1

(2010 = 100; in relation to sales)

To keep emissions and consumption down, we are constantly working on improving our production processes, for example by reducing energy, material and resource requirements. We also set great store by recycling, so we recycle used paper, plastics, steel, timber, and electrical equipment. At our sites we exploit the potential for saving electricity, heating energy and water. For instance, we replace fluorescent tubes with environment-friendly LED lights and replace old heating systems with modern and significantly more efficient ones.

When we construct buildings anywhere in the world, energy efficiency is a priority. In China we recently merged several locations, thereby avoiding costly logistics and emissions. We are involved in the Mai Ndombe REDD rainforest protection project in the Democratic Republic of Congo. The project works to prevent deforestation and to ensure that forests contribute to neutralizing climate-damaging greenhouse gases. By taking part in this project, we are offsetting the CO_2 emissions generated by the consumption of natural gas by Schenck Technologie- und Industriepark in Darmstadt (around 487 tons p.a.) to achieve a climate-neutral impact. We only use a small amount of hazardous materials.

A number of Group locations have been constructed from new or upgraded since 2011. The role model for numerous construction projects was the Dürr Campus in Bietigheim-Bissingen with its "Campus Energy 21" sustainable energy concept.

The international Carbon Disclosure Project operates the world's largest database of corporate environmental data. As a participating corporation, we can provide information there on consumption figures, emissions data and climate risks, but also on savings targets and sustainable products.

Consumption-optimized products
Reducing energy and material consumption is a determining factor in our product development activities. Our innovations are making a substantial contribution to more sustainable production processes, particularly in the energy-intensive field of automotive painting, but also in other fields. Our Clean Technology Systems division deals solely with environmental and energy efficiency technology. For current examples of sustainability-related innovations please refer to the **RESEARCH AND DEVELOPMENT** chapter.

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HOMAG Group
The HOMAG Group also sets great store by developing resource-friendly machinery, plant and processes. Examples include minimizing wastage in woodworking and improved chip extraction with reduced energy consumption. The HOMAG Group's production sites are investing in modern, environment-friendly technologies to lower their energy demand. Recently, for instance, the main site in Schopfloch has installed better insulation in its production buildings and as a result substantially reduced its air-conditioning costs. The total expenditure for the upgrade came to some € 1.4 million.

SOCIAL COMMITMENT

In 2014 Dürr and the HOMAG Group made charitable donations to the sum of € 1.1 million. This money mostly went to education, the arts, youth and disability sport and humanitarian aid projects.

Our cooperation with a children's day care center in Bietigheim-Bissingen focuses our sponsorship on the youngest in our society. Together with Heinz und Heide Dürr Stiftung, we support this as a partner for promoting early-years education. To ensure that our employees can achieve a better work/life balance, we have reserved places in the day care center. Another children's day care center in the form of a public-private partnership is currently being planned.

Cooperation agreements are in place with schools under which we offer internships, career consulting services, and job applicant training schemes. We support local high schools as educational mentors. School graduates from Bissingen Secondary School who have performed particularly well in the MINT subjects (math, IT, natural sciences, technology) are awarded the Dürr MINT Prize and have good prospects of being accepted for an apprenticeship in our company. 2014 saw two prize-winners start apprenticeships as mechatronic technicians at Dürr. We have donated for many years to a school for children with learning difficulties in Stuttgart. The children sell things that they have made themselves at an annual bazaar on the Dürr Campus in Bietigheim. In addition, we support the START Foundation, which offers bursaries to children from ethnic minorities. Dürr is also involved in the All-German Grants Initiative under which we fund ten bursaries per year and sit on some of the selection committees. In addition to financial assistance, the students in receipt of these bursaries are also offered a comprehensive range of training and development opportunities. Several employees teach at universities. Among the associations and universities for which we provide financial support are the Donors' Association for the Promotion of Humanities and Sciences in Germany and Baden-Württemberg State Cooperative University in Stuttgart.

As the largest employer in Bietigheim-Bissingen, we feel a special commitment to the community and its citizens. In 2014 early-years music education, cultural events, youth activities in sports clubs, and social organizations such as the Civic Foundation were among the beneficiaries of our financial support. We organize the "Kultur erlebt" scheme to enable employees and their families and friends to attend concert, theater and cabaret performances.

Other sites in Germany and abroad are also involved in charity work. Dürr employees from the UK took part in a day of action against breast cancer and donated part of their salary to cancer research, a hospice and a children's charity. Worldwide, a number of employees took part in fund-raising runs and other charity events. We also support junior sports teams at grassroots level at several locations.

HOMAG Group

The HOMAG Cares program supports various institutions, such as kindergartens, the AMSEL contact group (for multiple sclerosis sufferers) in Freudenstadt and the Rollimaus Association, which works with physically disabled and chronically ill children and young people in Dresden. The idea behind HOMAG Cares is based on the company's numerous trade show appearances around the world. The HOMAG Group manufactures furniture in a demonstration workshop at the shows. This furniture is then sold, and the revenue – topped up by a donation from the company – is donated to a good cause.

Events subsequent to the reporting date

We sold Dürr Automation S.A.S. (France) effective January 14, 2015. The purchaser was Automation Holding GmbH, a subsidiary of Quantum International Partners GmbH. The activities sold were part of the **INDUSTRIAL CLEANING TECHNOLOGY** arm of Measuring and Process Systems and no longer featured as the core business. The transaction gave rise to a loss of € 4.3 million.

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On March 5, 2015, at the extraordinary general meeting of HOMAG Group AG, the conclusion of a domination and profit and loss transfer agreement between HOMAG Group AG and Dürr Technologies GmbH was approved. The contract was entered in the Commercial Register on March 17, 2015, and has been effective since that date.

Report on risks, opportunities, and expected future development

RISKS

We weigh the relevant opportunities and risks carefully in all transactions we engage in. We pursue the strategy of controlling and reducing our risks with the aid of an effective risk management system to ensure that the opportunities clearly outweigh the risks involved.

SCOPE OF APPLICATION OF DÜRR'S RISK MANAGEMENT SYSTEM

In the year under review, Dürr's risk management system as described below was applied to the entire Group, with the exception of the HOMAG Group consolidated since October 3, 2014. The HOMAG Group utilized its own risk management system cursorily described under the heading "Risk management and the overall risk situation of the HOMAG Group". In accordance with the domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG, the HOMAG Group is to be integrated into the risk management system of the Dürr Group.

OBJECTIVES OF DÜRR'S RISK MANAGEMENT SYSTEM

Dürr's risk management system was introduced in its present form in 2008. While we continually adjust it to take account of new requirements, we did not make any material changes in 2014. Dürr's risk management system is geared to the specific features of our business model. It is targeted first of all at recording, analyzing and evaluating risks systematically in a uniform process. This enables us to acquire a high level of risk transparency and to take effective countermeasures whenever necessary. We document all specific risks of our business to the extent that these are identifiable and specific to an adequate degree. General risks that cannot be assessed in terms of their probability of occurrence are not taken into account in quantitative terms. These include natural disasters, for instance.

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We also record and evaluate the opportunities of our business systematically. The **OPPORTUNITIES REPORT** contains information on this process and on our current opportunity profile.

DÜRR'S RISK MANAGEMENT SYSTEM: METHODS AND PROCESSES

Dürr's risk management system is embedded in the organization's operating business and decision-making processes. We assign a great deal of importance to ensuring that our employees deal with risks openly and are not averse to addressing any negative developments at an early stage. This corresponds to our employee mission statement of the 'entrepreneur within the enterprise': whoever works at Dürr should identify with their task and act independently. In return, our employees can rest assured that we accept risks as part of the business, provided such risks are dealt with in a responsible manner.

Within the scope of our risk management process, the risks of all participating companies are systematically documented. The central risk management at Dürr AG launches the nine-stage process afresh every six months. At the center of this standard risk cycle is the risk inventory conducted by the management of the operating units involved. Individual risks are identified, evaluated and consolidated, i.e. classified into one of 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 carried out by the risk managers of the operating units and Dürr AG; guidance is provided by the risk management manual as well as the Group's risk structure spreadsheets. The evaluation process consists of three steps:

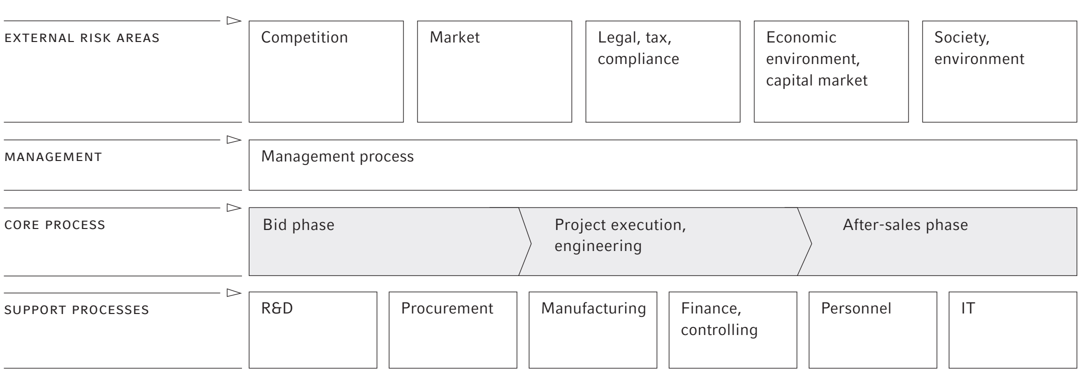
- First of all, the potential damage or loss is calculated, i.e. the maximum effect a risk can have on Group EBIT within the next 24 months. The potential loss or damage of each individual risk is assigned to one of four categories: low (up to € 5 million), medium (> € 5 to € 10 million), high (> € 10 to € 20 million), existential threat (> € 20 million).
- Next, the probability of the individual risk occurring is determined and assigned to one of the following categories: low (approx. 5 %), medium (approx. 15 %), high (approx. 40 %), and very high (approx. 60 %).
- In a third step, the effectiveness of possible countermeasures is examined and evaluated with a risk-reducing factor. The effectiveness of the measures is likewise divided up into four categories: high, satisfactory, low and ineffective; the latter means that no suitable measures exist.

The lower the probability of occurrence and the higher the effectiveness of countermeasures adopted, the more sharply the EBIT risk, i.e. the specific potential loss or damage, will be reduced. The bottom line is the net risk potential, i.e. the EBIT risk that remains after taking account of the probability of occurrence and the effectiveness of suitable countermeasures. The sum total of all the individual risk potentials corresponds to the overall risk potential of the Dürr companies involved. Portfolio and correlation effects are not taken into account in this regard. The overall risk potential can be divided up into divisional and general risks.

After the risk inventory has been conducted, decentralized risk reports are initially prepared for the companies and divisions, and discussed as part of the management processes. On that basis, Dürr AG's risk management prepares the Group risk report, which provides information on all individual risks and the overall risk situation. Following an analysis by the Dürr Management Board and the Board of Management, the Group risk report is discussed by the Audit Committee of the Supervisory Board. Its chairman then presents a statement to the Supervisory Board.

Acute risks are reported immediately to the Board of Management and the head of the division concerned. The risk managers of the Group, the divisions and the subsidiaries are responsible for the standard risk cycle; as a rule, these are the heads of the Controlling departments. The Internal Auditing department is also closely integrated into this process.

2.58 DÜRR'S RISK FIELDS



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 part and parcel 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 ensures that the financial statements of the Group and its companies are 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. The Internal Auditing department of Dürr AG is responsible for monitoring the ICS/RMS.

The internal control system described below was used in all Group companies in fiscal 2014, with the exception of the HOMAG Group companies. These companies, which have been consolidated since October 2014, use the ICS/RMS of the HOMAG Group but are to be integrated into Dürr's ICS/RMS in accordance with the domination and profit and loss transfer agreement.

Dürr's ICS/RMS 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:

- 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 deals with 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 regarding the financial accounting. Five levels of the corporate structure participate in this: the operating companies, divisions, Group Controlling, Group Accounting, and Internal Auditing. 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 Dürr AG's risk management. Next, they are sent to the Audit Committee of the Supervisory Board; following an in-depth inspection of the results documentation, the committee 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.

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- Our **ERP SYSTEM** 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. Additional manual checks are likewise part of the company's risk management.
- Only selected employees are given access authorization to the consolidation system. And only a small group of employees from Group Accounting and Group Controlling at Dürr AG has access to all data. All other users' access is confined to the data of relevance for their specific activities. Data entered at Group company level must be checked as part of a two-stage process. Initially an inspection is made by the Controlling department of the division responsible; the second check is carried out by Group Accounting.

- Commercial processes based on booking entries in the consolidation system are subject to the "four-eyes principle" of simultaneous double checks. Moreover, clearance for invoices may be given only if an appropriate order was triggered in Procurement. Depending on the invoice amount, clearance must be given by the department head, managerial staff or the Board of Management.

In order to prevent risks and ensure flawless financial statements, we deal intensively with central topics and new developments in the field of financial accounting and reporting. A focal point is the accounting for construction contracts according to the percentage of completion (POC) method. Other key aspects are the impairment test for goodwill and the reliability of qualitative statements in the management report and the corporate governance report.

Within the scope of ICS/RMS, we continually prepare the employees of our finance departments for new aspects involved in their work. For instance, our qualification measures comprise training sessions on the application of accounting standards, accounting rules and the relevant software tools. In the course of the HOMAG Group's integration, the adjustment to the accounting processes at Dürr plays an important part. As soon as the takeover of the majority stake had been finalized, appropriate training sessions began at the HOMAG Group in order to ensure reliable completion of the financial statements.

OVERALL RISK SITUATION (EXCLUDING THE HOMAG GROUP): RISK POTENTIAL SLIGHTLY LOWER

The following assessment of the overall risk situation refers to the Dürr Group without the aircraft business (aircraft assembly technology) integrated into the Broetje Group and without HOMAG Group AG. Since Dürr and the HOMAG Group deployed different risk management systems in the past, an overall statement would not really be meaningful. A separate statement on the overall risk situation prevailing in the HOMAG Group can be found further below.

From today's perspective, we assess our overall risk situation as easily manageable. No risks are currently identifiable that might endanger the Group's continued existence as a going concern, either separately or by interaction with other risks. Compared to the end of 2013, the overall risk potential declined slightly, reaching approx. € 90 million. One factor responsible for the decline was the divesting of Dürr's business in aircraft assembly technology, which had been generating above-average sales in Russia. The overall risk potential is the sum total of the net risk potentials of 163 specific risks identified, which were assigned to Dürr's 15 risk fields. Acquisition risks in connection with the takeover of the majority stake in the HOMAG Group were not included in the overall risk potential as we had already finalized the risk inventory for the present report in October 2014.

2.59 THE 10 MAJOR RISK FIELDS AT DÜRR (EXCLUDING THE HOMAG GROUP)[1]

1.	Project execution, engineering
2.	Finance, controlling
3.	Competition
4.	Economic environment, capital market
5.	Market
6.	Procurement
7.	Legal, tax, compliance
8.	Human resources
9.	After-sales phase
10.	Bid phase

[1] measured in terms of their share of the overall risk potential

Measured by the volume of business and general economic situation, we consider the overall risk potential appropriate. In the main risk field, "project execution, engineering", our net risk potential has declined by just under 10 % since end-2013 as we have adjusted our capacities to the high volume of business and now have more efficient execution processes at our disposal. The second most important risk field is "finance, controlling", followed by the risk field "competition". In total, the three most important risk fields contributed 47 % to the overall risk potential (2013: 51 %).

RISK MANAGEMENT AND THE OVERALL RISK SITUATION OF THE HOMAG GROUP

The risk management system of the HOMAG Group covers all of the company's activities. Regular risk inventories are carried out, during which the risks of all relevant companies are identified, evaluated and (with the aid of suitable countermeasures) controlled and mitigated. Further steps are the documentation and communication of all risks, as well as permanent monitoring of all system steps taken. Risk management is an integral element of business processes as well as of the planning and control process. The Controlling departments of the HOMAG Group play an important part. With the aid of the monthly reporting system, they monitor whether the targets laid down are met and what reasons there are for possible departures from such targets.

The internal control system (ICS) for the accounting process comprises the identification of potential risks for the accounting process as well as all measures for secure, IT-supported processing of relevant data and factual situations. Accounting data are subjected to random sampling on a regular basis to ensure they are correct, complete and plausible. In addition, there are multiple controls for the accounting process, which are reviewed by the Internal Auditing department. The Audit Committee of the Supervisory Board verifies the functionality of the ICS for the accounting process.

The overall risk portfolio of the HOMAG Group reflects an appropriate ratio to the volume of business. No risks are currently identifiable that might endanger the Group's future existence as a going concern. The most significant risk field of the HOMAG Group is the "market" sector. This category includes, for instance, the risk of short-term investment cuts in cyclical cool-down phases. The risk fields "finance, controlling" and "competition" rank in second and third position, respectively. At the HOMAG Group, a mechanical engineering enterprise, risks in the field of "project execution, engineering" are significantly lower than for the rest of the Dürr Group and its extensive plant construction business.

2.60 THE 10 MAJOR RISK FIELDS AT THE HOMAG GROUP[1]

1.	Market
2.	Finance, controlling
3.	Competition
4.	Project execution, engineering
5.	Procurement
6.	Legal, tax, compliance
7.	IT
8.	Manufacturing
9.	Human resources
10.	R&D

[1] measured in terms of their share of the overall risk potential

INDIVIDUAL RISKS

ECONOMIC RISKS

The overall economic environment is comparatively heterogeneous and volatile. However, in our key markets we assess the economic risks as transparent and manageable. In the US, GDP growth currently exceeds forecasts. In 2014 the Chinese economy developed in line with expectations, with a GDP increase of 7.3 %. No serious cyclical downturn is expected in China at this time. Should it happen nevertheless, this would have a substantial impact on Dürr's sales and earnings. In Brazil, the economic slump and decline in automobile sales were responsible for the fact that hardly any major investments were made by the automotive industry in the year under review. On the other hand, Dürr Brasil has a substantial order backlog and receives sufficient small-scale orders to enable the company to bridge the temporary market weakness. From 2015, we expect another surge in automobile production and sales in Brazil. In Western Europe, there is a risk of the political course of the new Greek government inducing other European states to abandon their policy of debt reduction. Should there be a military escalation of the conflict between Russia and Ukraine, this would result in significant uncertainties for the European economies. The risks occasioned by the economic sanctions against Russia are limited. While the investment climate in Russia has deteriorated considerably, business with Russia generally only contributes about 2 % to Dürr's total volume of business; in 2014, Russia's share of the order intake came to 1 %. In the past, the HOMAG Group generated roughly 3 % of its sales in Russia; in 2014 the relevant share came to 2 %.

Regular scenario analyses confirm that Dürr has become more robust when faced with cyclical fluctuations. Thanks to our global presence, we are better able to withstand periods of weakness in specific markets. The high proportion of our business in the emerging markets means that we are not dependent on Western Europe's markets, where growth is weaker at present. Owing to our large order backlog, our capacity utilization and sales are largely secure for fiscal 2015. Furthermore, our wide installed base and the growing service business contribute toward stabilizing our earnings position.

In the field of plant construction, which is shaped by long-term investment decisions of the automotive industry, there is a time lag before weak cyclical phases take effect. This gives us time to adopt suitable countermeasures. The early cyclical mechanical engineering business tends to respond faster whenever macroeconomic cool-down phases occur. Following the takeover of the majority holding in the HOMAG Group, the mechanical engineering share of our operations climbed to approx. 60 %; accordingly our business will tend to react more quickly to cyclical changes than in the past.

CAPITAL MARKET

A renewed escalation of the European sovereign debt crisis or a sharp economic slump in Russia might have repercussions on the stability of the capital markets. On the other hand, there is little indication of a major crisis at this time. Moreover, we engaged in long-term refinancing in 2014; as a result, we do not need to resort to borrowing on the capital market at present.

We consider the risk of a hostile takeover of Dürr AG to be relatively low. The founder family Dürr, whose shares are held by Heinz Dürr GmbH and the foundation Heinz und Heide Dürr Stiftung, is the biggest shareholder with a stake of 28.7 % and therefore has a strong voting position at the annual general meeting. Just under 55 % of the shares in Heinz Dürr GmbH were contributed to the newly established Dürr family foundation in 2013; in doing so, the Dürr family underscored its commitment to the company. We provide information on the change-of-control clauses in connection with our corporate bond pursuant to Sections 289 paragraphs 4 and 315 paragraph 4 of the German Commercial Code (HGB) in the chapter **THE GROUP AT A GLANCE**.

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OPERATING RISKS: BID PHASE

In a phase of high competitive intensity, it cannot be ruled out that we may fail to achieve our margin targets. When calculating long-term orders in the field of plant construction, there is a risk of project costs being estimated incorrectly, giving rise to margin risks. We counteract this by always obtaining current market prices on the procurement side and having our calculation assumptions for our projects verified by the central Global Proposal Assurance department. In the mechanical engineering business characterized by small-batch production and continual procurement, the calculation risk is lower.

OPERATING RISKS: PROJECT EXECUTION/ENGINEERING

Possible additional costs in order execution represent some of the key risks in our business. They may arise if we fail to meet deadlines or other commitments owing to capacity bottlenecks or technical problems, for instance. Risks in the field of order execution declined in 2014 as we adjusted our capacities to take account of the higher volume of business. Thanks to standardized products, business processes and IT systems, we are in a position to execute projects efficiently even in times of high capacity utilization.

Logistical problems or the technical complexity of projects can likewise give rise to risks. We deploy special risk management instruments to prevent this from occurring. These include the integration of the Bietigheim-Bissingen system center, close supplier monitoring, contract management, as well as regular project reviews.

LAWS AND TAXES

As an organization operating with a global reach, we are required to observe a large number of different legal standards. To avoid legal violations, we cooperate with and consult experts in the law of each nation. Legislative or tax-related changes as well as new trade barriers could increase our costs and lower our sales opportunities. At present, however, we do not perceive any specific tax and legislative plans that might lead to serious disadvantages for our organization. Nevertheless, in view of high public-sector deficits in numerous countries, tax hikes cannot be ruled out.

In 2014, the German tax authorities continued the tax audits for the years 2005 to 2010 at all key German Dürr subsidiaries. We set up appropriate provisions to take account of identifiable back taxes falling due. We expect the domestic tax audits to be concluded in 2015. The external tax audits being conducted at various foreign companies suggest no need for additional tax payments at present.

MARKET

Owing to the persistent economic difficulties, the level of investments on the European market remains low. This applies both to our customers from the automotive industry and to purchasers from other industry segments. On the other hand, we can offset the subdued demand thanks to positive trends unfolding in other markets. Moreover, only a relatively small portion of our order intake is attributable to Western Europe (2014: 15.8 %, excluding Germany).

The number of carmakers throughout the world is limited. Accordingly, our customer base is relatively concentrated, which can lead to dependency risks. In 2014, 50.5 % of our sales were accounted for by the ten biggest customers (2013: 56.9 %), with the single biggest customer contributing 14.7 % to total Group sales (2013: 13.4 %).

We have a very broad customer base in our activities outside the automotive industry, such as at the HOMAG Group and parts of Schenck. Accordingly, the dependency risk is significantly lower. The HOMAG Group offers its (mostly smaller-scale) customers financing options in order to dismantle investment barriers.

We are exposed to constant price pressure in our markets, which we counteract with innovations, process optimizations and cost controls. As a rule, the risk of losses on receivables is easily manageable. The total volume of receivables is moderate. A substantial share of our trade receivables is offset by prepayments received from customers. High trade receivables exist in particular from carmakers, most of whom have good earnings and cash flows as well as investment grade ratings. We closely monitor payment receipts from customers without an investment grade rating. Nevertheless, a default of receivables due to our customers from their clients cannot be ruled out, and this might have a negative impact on us.

STRATEGIC RISKS

Business focus: emerging markets

In the past ten years we have shifted the main emphasis of our business to the **emerging markets** characterized by robust demand. The HOMAG Group pursues a similar strategy and plans to further extend its share of business in China and other emerging market countries. The strong orientation of our business to the emerging markets entails a number of special risks:

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

  The level of personnel turnover is higher in emerging market countries like China and India than it is in Germany based on the industry average. At Dürr, however, it is at a very low level. Attractive remuneration packages, our status as a world market leader as well as a respectful corporate culture and targeted investments in human resources and career development help us to ensure that top-performing employees remain loyal to our company.

  Product and brand piracy is more prolific in the emerging economies than in the established markets. We classify the risks arising in this regard as manageable. We develop our core technologies exclusively in Germany. They are protected by patents and call for immense process know-how and specialist expertise; accordingly, they are virtually impossible to copy without sustaining quality losses.

  We meet the challenge of low-cost competitors in the emerging markets with a combination of technology leadership and localization. We secure our technological lead by means of continual product innovations. We adjust our costs to market levels by local product development (local design) and local value added.

  To avoid risks of capacity bottlenecks, we have adjusted our capacities to the high volume of business in the emerging markets. At the end of 2014, 3,973 employees were working in these markets for our Group; in 2005 there had been as few as 860.

- We counteract the risk of inadequate capacity utilization in the **established markets** (Western Europe and North America) by means of forward-looking capacity planning and control. In those countries in which the level of demand declines for structural reasons, we adjust our capacities accordingly. The large-scale German Group member companies have a special status in this regard: as lead companies they support the business across the globe, which is why the size of their workforce has grown in recent years.

Acquisitions/new business fields

Despite due diligence audits being carried out, it is possible, in the wake of corporate acquisitions, that the relevant targets in terms of sales, earnings and synergy effects are not achieved. This risk also applies to the takeover of the majority holding in the HOMAG Group. We made the decision in favor of the acquisition of the HOMAG Group based on meticulous checks and analyses. The integration into the Dürr Group is being carried out in accordance with a comprehensive integration timetable: a high-level steering committee, a project management team as well as over 20 topic-related integration teams consisting of specialists from Dürr and the HOMAG Group ensure a structured approach in this regard. The fact that Ralph Heuwing, an experienced representative of Dürr's Board of Management, has been appointed Chairman of the Board of Management of HOMAG Group AG, shows just how important the integration and further development of the HOMAG Group is.

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Entering into new business fields, such as **GLUEING TECHNOLOGY**, energy efficiency technology and **APPLICATION TECHNOLOGY** for general industry, entails risks. For instance, we cannot rule out misguided estimates of customer requirements and price targets, of the demand and competitive situation, of the required deployment of resources or of the potential of products to establish themselves in the market. This may lead to an increased risk of impairment of investments and equity interests in companies. However, we classify the risks specified as manageable: after all, the new business fields are related to our core business. In developing these fields, we can rely on tried-and-tested technologies and processes as well as on the backing of our global network of locations. Besides, we carried out intensive analyses and systematically weighed the risks and returns involved before engaging in this business.

CUSTOMERS/PRODUCTS

From today's perspective, our customers are not planning any innovations, process changes or business models that might result in serious drawbacks for our organization. The internal combustion engine is likely to remain by far the key drive technology in the automotive industry, at least in the medium term. A breakthrough of electrical mobility in the mass market is not foreseeable as yet; instead, the industry is investing heavily in the development of fuel-efficient combustion engines. This opens up good opportunities for our business in cleaning and **BALANCING TECHNOLOGY**.

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In car body construction, there are no signs of aluminum, steel and plastics being replaced by other materials in the near future. For this reason, we do not perceive any serious substitution risks in the painting technology business. The automotive industry is increasingly using plastic and composite materials to lower the vehicle weight and fuel consumption. New materials also need to be painted; for this reason we are developing special products for painting plastic parts. Plastic and composite materials cannot be welded and therefore need to be glued. This results in growing demand for glueing technology.

R&D AND PRODUCT LIABILITY RISKS

We protect ourselves from a lack of market acceptance of new products and services by precisely analyzing demand, involving pilot customers in the innovation process and developing products with a high return on investment for customers. This also reduces the risk of impairment charges on capitalized development costs.

We follow the relevant patent registrations to ensure that new products do not conflict with intellectual property rights of third parties. While product liability cases rarely occur in our business, we take out product liability insurance nevertheless and ensure that our products meet occupational safety regulations.

COMPETITIVE RISKS

Our customers closely follow the competition among their suppliers. In view of our very substantial market share, a number of purchasers are broadening their supplier base by cooperating with smaller-scale competitors.

We are not aware of any planned mergers between competitors. There are no signs of any rival products that could endanger our market position either. Neither in China nor in any other key markets are domestic competitors systematically given preference over us.

Our business is generally characterized by high technological barriers to market entry. On account of the lower technical complexity, however, we perceive an increasing number of rival products in the lower market segment.

PROCUREMENT RISKS

Procurement risks have declined in comparison with the previous year. By expanding our own production, we are less dependent on suppliers; moreover, we have further extended our supplier base in the emerging markets. Both measures have reduced the risk of scheduling and quality problems in supplying our construction sites. In order to protect our intellectual property rights, we do not farm out any sophisticated construction work to contractors.

If our suppliers raise their prices, there is a risk that we might not be able to pass on the higher costs to our customers in full. However, the risk of price hikes is manageable in our procurement markets at present. Prices of such commodities as steel and copper are at a relatively low level, and energy prices have fallen. In addition, our material costs were significantly lowered by the expansion of our own production facilities. The insolvency risk of suppliers is low in most countries. To protect ourselves against availability and price risks in the field of procurement, we enter into framework agreements with preferred suppliers and pool our procurement volumes. We rate our dependency on individual companies as low since we have a broad supplier base. Framework agreements governing higher volumes are only entered into with preferred suppliers that have a good credit standing.

PERSONNEL RISKS

Many of our employees are highly specialized in their particular field of activity. We confine the risk of know-how losses when employees leave the company by distributing special expertise across a number of knowledge holders in our organization. To this end, we promote internal knowledge transfer by means of documentation, training and mentoring programs as well as our Group-wide intranet.

We hire external temporary workers to avoid risks of capacity bottlenecks.

We are also exposed to the risk of not being able to recruit an adequate number of highly qualified employees. This applies in particular to professions in the fields of engineering and information technology. We counter this risk by tying experts to our company with long-term career planning programs. Moreover, we have significantly increased our personnel and university marketing activities. If possible, we offer apprentices, trainees as well as students at cooperative state universities permanent employment.

IT RISKS

The main risks in the field of IT are data loss, hacking and virus attacks. In recent years these risks have risen sharply in tandem with the increased deployment of IT solutions. We protect ourselves by means of a Group-wide IT security organization, seamless IT security directives and a robust IT infrastructure with modern firewalls and antivirus programs. We reduce the risk of productivity losses or even total outages by means of backup servers, redundant data lines, and uninterruptible power supply systems. We rate our risk of being exposed to hacker attacks and data theft as normal for the industry in which we operate.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY RISKS

We may be exposed to occupational safety risks at our plants and construction sites. For this reason, we have developed appropriate occupational safety standards and consolidated these in a health and safety directive for the Group as a whole. Moreover, we carry out regular training sessions and cooperate closely with our customers to ensure a high level of occupational safety on our construction sites. We have recently built numerous new production sites or modernized existing factories, equipping them with machinery that meets high occupational safety standards. Materials that present health or environmental hazards are only used to a limited extent, e.g. when carrying out tests in cleaning and painting technology. In addition to the statutory rules and regulations in all fields of emission and occupational safety, we also observe internal guidelines and parameters of the relevant certification systems.

LEGAL RISKS

Our most significant risks are warranty claims and claims for damages from customers in the event of production outages. If we fail to meet our contractual obligations in performing our services, we may be liable to penalties. Before we make binding commitments, for example on the availability of a system, we analyze possible liability-related consequences. We rule out any claims that we cannot fulfill as a matter of principle. Patent disputes are also possible. We are not involved in any extraordinary legal disputes at present. None of the pending cases exceeds a claim value in the single-digit million euro range. The integration of the aircraft production technology business into the Broetje Group entails the liability risks generally associated with transactions of this kind. Among other matters dealt with, we issued a guarantee in connection with the execution of a large-scale order.

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

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Currency, interest rate, and liquidity risks are explained in detail in the notes to the consolidated financial statements. Please also refer to **NOTE 40**. The management of currency, interest rate and liquidity risks is defined in 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 deals with strategic financial policy issues and prepares the relevant resolutions for the Board of Management.

Hedging currency risks

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Within the scope of our risk management, we deploy financial derivatives for hedging purposes. The primary focus is on forward exchange transactions to hedge currency effects. The nominal value of forward exchange contracts in the Group amounted to € 522.0 million as at December 31, 2014 (December 31, 2013: € 250.9 million). In particular, payment flows were hedged in the key currencies listed under **ITEM 5** of the notes to the consolidated financial statements. No financial derivatives for interest hedging purposes were deployed in the past activities of the Dürr Group in fiscal 2014; at the HOMAG Group, their total value came to € 52.5 million.

For projects subject to currency risks, we hedge that portion of our sales immediately on receipt of the order that exceeds the costs in the relevant currency. In principle, we enter into a separate (micro) hedge for each individual project. In view of the smaller-scale order volumes prevailing in the standard machinery and spares business, we also use macro hedges for multiple orders to lower the transaction effort and expense.

All financial derivatives and their underlying transactions are subject to regular internal control and evaluation. The conclusion of financial derivatives is confined to commercial hedging of the operating business.

On the currency side, we are subject to the usual translation risk in converting foreign-currency items into euros. Transaction risks due to exports of products have been of lesser significance in our past activities since many of the goods required are produced locally or purchased in national currency (natural hedge). However, in the wake of the takeover of the majority holding in the HOMAG Group, which has a substantial share of manufacturing in Germany and corresponding extensive exports, the transaction risk has increased.

Hedging interest rate risks

We pursue a conservative interest rate and financing strategy. Its primary characteristics are long-term interest and financing security, matching maturities and a prohibition of speculation. Our financial liability chiefly comprises the fixed-interest bond issued in April 2014 and the long-term Campus financing. The financial liabilities of the HOMAG Group are predominantly attributable to a syndicated loan. On the whole, there is a limited risk of interest-rate fluctuations as regards Group financing.

Our interest rate risk management covers all interest-bearing and interest-sensitive balance sheet items. Regular interest analyses enable us to identify risks at an early stage and simulate their impact. Group Treasury is generally 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.

In the case of pension obligations, there is a risk that we may need to further increase provisions on account of the low level of interest rates and the correspondingly low discount rate. In 2014 the discount rate was lowered from 3.5 % to 2.0 %; a further reduction by one percentage point would result in an increase in pension provisions by 25.6 %, to € 67.4 million.

Hedging liquidity risks

Our objective is to cover our liquidity needs as far as possible from our cash flow. In the event of temporary negative cash flows – such as in phases in which higher net working capital is required – our good liquidity position and the credit line of the syndicated loan provide room for maneuver. Further particulars in this regard can be found in the FINANCIAL DEVELOPMENT chapter. Thanks to our international cash pooling system, we can make excess liquidity of individual companies available to other Group subsidiaries. In doing so, we avoid utilizing external loans and incurring interest expenses. Certain national companies do not participate in the cash pooling system since national legislation restricts the transfer of capital.

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Financing risks

We do not perceive any borrowing risks for the year 2015. Our corporate bond issued in April 2014 has a term to maturity of seven years. The syndicated loan maturing in 2019 can be extended until 2021 at no additional cost.

The terms of the bond are open to inspection at WWW.DURR.COM under "Investor Relations" and comprise the usual restrictions and obligations prevailing on the market. Failure to comply with them could result in the bond plus accrued interest being called due for immediate payment.

WWW

The contracts concerning the syndicated loans of Dürr AG and HOMAG Group AG provide that certain key financials must be complied with. Failure to comply with these financial covenants may lead to the banking syndicates terminating the relevant agreements prematurely. In 2014, the financial covenants were complied with on each measurement date.

Hedging investment risks

With the aid of a guideline for financial asset management, we reduce the risks involved in investing liquid funds. For instance, this guideline governs permissible asset classes, credit rating requirements and how to deal with cluster risks. In conformity with the guideline, we do not own any sovereign bonds whose repayment according to schedule is uncertain. For this reason, there is no increased risk of impairment charges on our financial assets or financial investments.

HOMAG Group AG
HOMAG Group AG currently still uses its own processes and systems for hedging currency, interest rate and liquidity risks, for cash pooling purposes, and for investment of disposable funds. The HOMAG Group is to be integrated into Dürr's processes and systems in accordance with the domination and profit and loss transfer agreement.

A sum of € 228.1 million was spent in the fourth quarter of 2014 on acquiring the majority holding in HOMAG Group AG. Nevertheless, we have a comfortable liquidity buffer of € 522.0 million. From today's perspective, there are no extraordinary liquidity and debt risks. Of the cash credit lines sourced from the syndicated loans of Dürr AG and HOMAG Group AG (totaling € 307.5 million, including cash redemption loan), € 60.1 million was utilized as at December 31, 2014.

RATINGS

Neither Dürr nor the HOMAG Group has its credit standing assessed by credit rating agencies.

OPPORTUNITIES

New opportunities unfold in our markets all the time. A key factor to ensure sustainable and profitable growth is the ability to identify, correctly assess and exploit these opportunities.

OPPORTUNITIES MANAGEMENT SYSTEM

Our experts within the divisions know the markets and are in close contact with customers and suppliers. They are the first to identify new potential in their respective business fields. Accordingly, our opportunities management system is based on their assessment. The findings made at expert level are initially discussed within the divisions, consolidated into opportunity clusters and evaluated. Clusters of opportunities that provide sustainable business potential are presented and analyzed as part of strategy workshops with the Board of Management. If the decision is positive, we incorporate the relevant project into our strategy, define objectives and allocate resources.

The identification and evaluation of business opportunities is a continual process controlled by the heads of the divisions. Where opportunities promise to be of substantial strategic importance, we form interdisciplinary teams for potential analysis, for setting up organizational structures and – where necessary – for acquisition processes.

In addition to market observation, cooperation with universities and research institutions represents a further instrument within the opportunities management system. This enables us to study scientific advances to establish whether they are suitable for our business. Legislative amendments may also give rise to new opportunities. For instance, this applies to the further development of legal standards in the field of emission control, which frequently generate demand for more environmentally compatible production processes. Dürr's opportunities management system comprises global and regional opportunities as well as potential regarding certain products, customers or business models.

At HOMAG Group AG, the Board of Management and the management of the subsidiaries are responsible for identifying, analyzing and implementing opportunities. The opportunities analysis constitutes the basis for the Group's strategy.

OPPORTUNITIES POTENTIAL

Below is an outline of the essential strategic and operational opportunities of the Dürr Group and its divisions. In our business planning activities for 2015 and our strategic planning until 2018, we have taken realistic account of the sales and earnings potential that can be leveraged from the opportunities available. Should we succeed in making better use of the opportunities than expected, our sales could be up to 8 % higher and our EBIT up to 7 % higher in 2015 than planned or assumed in terms of our outlook. These values apply to the Dürr Group excluding the HOMAG Group. The opportunities potential of the HOMAG Group was not taken into account; quantification will follow only as of 2016. We wish to point out explicitly that the additional potential with regard to sales and EBIT reflects best case scenario values.

STRATEGIC OPPORTUNITIES

- **Growth in the emerging markets:** Until 2019, experts believe that global automobile production will grow by an average of just under 5 % per annum. Disproportionately higher growth rates are anticipated for emerging market countries like China, Mexico, and Brazil. This will lead to further expansion in local production capacities, from which we wish to benefit thanks to our strong market position.
- **Southeast Asia – market with a good future:** Automobile production in Southeast Asia is expected to grow by an average of just over 10 % per annum until 2019. Accordingly, capex investments in additional production capacities are also likely to increase. To leverage this potential, in 2012 we established a local company in Thailand, followed by two additional sales and service companies in Malaysia and Indonesia. The Southeast Asian market is dominated by Japanese carmakers. To improve access to them, in 2014 we opened a test center in Tokyo, where customers are welcome to inspect our painting technology.
- **Growing modernization business:** In addition to the construction of new production facilities, the modernization of existing plants yields significant opportunities. By making modernization investments with short payback times, manufacturers can expand their capacities, lower production costs and manufacture more sustainably. Our customers appear increasingly willing to engage in modernization investments – also in younger markets like China.
- **Service business / CustomerExcellence@Dürr:** Our installed base grows with each plant and piece of machinery we sell. The potential for further growth in our service business increases accordingly. In order to exploit this potential effectively, we optimize our structures and processes in service with the aid of the CustomerExcellence@Dürr program. This also includes increasing the size of our service team and of the network of service locations, particularly in the emerging markets.
- **Takeover of the HOMAG Group:** The takeover of the majority holding in the HOMAG Group opens up numerous opportunities. By optimizing its business processes and IT structures as well as its presence in the emerging markets, the HOMAG Group has an opportunity to further extend its market share (currently just under 30 %) and generate additional contributions to sales and earnings. Together with the HOMAG Group, we plan to develop Dürr into a mechanical and plant engineering group with a broader base, making us less susceptible to cyclical fluctuations in the automotive sector.
- **High order backlog:** We began the year 2015 with a high volume of orders on hand, amounting to € 2.7 billion. As a result, a substantial share of our anticipated Group sales of € 3.4 to 3.5 billion (including the HOMAG Group) is already covered.
- **Long-term financing:** The new Group financing arrangement we entered into in April 2014 provides us with substantially better conditions. Moreover, the long-term financing package gives us entrepreneurial scope for further development of our business.
- **Internal efficiency enhancement:** We continually review our internal processes, structures and systems. We can leverage additional efficiency potential by further improving the collaboration of our international locations.

OPPORTUNITIES IN THE DIVISIONS

- **Paint and Final Assembly Systems** perceives growth opportunities in the field of painting plastic parts and in Southeast Asia. Moreover, the new test center in Tokyo creates a better position for expanding business with Japanese carmakers. Additional test and technology centers are planned to be opened in China and the US.

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- **Application Technology** sees further growth potential for GLUEING TECHNOLOGY in body-in-white production and final assembly in the automotive industry. By improving its presence in Southeast Asia, this division has good opportunities to expand its business activities in the region. Like the Paint and Final Assembly Systems division, Application Technology will be using the new test center in Tokyo to intensify contacts with Japanese customers. Good prospects also exist for the expansion into general industry, which began in 2014. Our objective is to generate € 100 million in sales in this business in the medium term. The annual market volume for APPLICATION TECHNOLOGY in the non-auto sector amounts to some € 3 billion; about half this volume is directly accessible to us at present. Our key target sectors include plastics, shipbuilding, ceramics, woodworking, and furniture.

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- **Measuring and Process Systems** sees opportunities through a further internationalization of its business. This applies in particular to the fields of ULTRA-FINE CLEANING TECHNOLOGY as well as FILLING TECHNOLOGY for household appliances. There is growing demand for TESTING TECHNOLOGY in the commercial vehicle industry, which is increasingly adopting production methods from the passenger car sector and automating its testing processes. Two opportunity clusters exist in BALANCING TECHNOLOGY: growth in balancing facilities for turbochargers and the expansion of our market position for standard machinery.

- **Clean Technology Systems** plans to further expand its business in the emerging markets for exhaust-air purification systems. The focus is on China, which assigns increasing importance to low-emission production methods. China also holds the biggest potential for the business field of VAM (Ventilation Air Methane), in which Clean Technology Systems provides equipment for cleaning and generating electricity from methane-containing waste air from mines. Moreover, the division plans to market the product range of the exhaust-air purification specialist LTB, acquired in 2013, more broadly at international level (for instance scrubber technology, dust removal). A further growth driver is the international marketing of the range of energy efficiency technology products, thus utilizing, among other things, the trend toward decentralized energy supply. In particular, the division expects the optimization program CTS Fit 2016 to bring about an internal efficiency enhancement.

- **Woodworking Machinery and Systems** perceives extensive potential for process optimizations and corresponding efficiency and cost effects, for example in the fields of IT and cooperative ventures across locations. The complexity of the product portfolio is to be reduced by means of a platform strategy. In regional terms, there are particularly good growth prospects in the emerging markets. To this end, the presence and local expertise prevailing in various emerging markets are to be enhanced; in doing so, the HOMAG Group can also rely on the Dürr Group's international network. The ongoing trend toward individualization in purchasing furniture should yield additional business potential for intelligent batch size 1 plants. There is also growing demand for machinery to produce flat-pack furniture. Opportunities exist in the service business as customers assign increasing importance to services so as to boost the availability of their plants. Moreover, the HOMAG Group has the world's densest network of service locations in its industry segment.

EXPECTED FUTURE DEVELOPMENT

CONSTANT ECONOMIC DEVELOPMENT ANTICIPATED

In view of the low interest rates worldwide, the robust money supply expansion as well as low oil and commodity prices, economists expect the world economy to grow by 3.6 % in 2015 in spite of various political crises. This would mean a slight increase in the pace of growth year-on-year. In the US, a GDP increase of 3.7 % is anticipated on the back of positive labor market data. In the Eurozone, the depreciation of the single currency is likely to cause GDP growth to rise from 0.8 % most recently to a present level of 1.0 %. A growth rate of about 1 % is also expected for Germany. The emerging market economies are expected to grow by 4.5 % again; a GDP increase of around 7 % is forecast for each of the two most densely populated states, namely China and India. Economic growth in Japan, at 1.3 %, is likely to be similarly subdued as in Europe.

As the macroeconomic outlook has improved only slightly, the central banks are expected to continue adhering to their generous money supply policy. Only in the US is the Federal Reserve likely to opt in favor of a gradual restriction. An overview of growth expectations for 2015 and 2016 is presented in table 2.61.

AUTOMOBILE PRODUCTION: GROWTH CONTINUES

According to forecasts by PricewaterhouseCoopers (PwC), worldwide automobile production will increase by 5.6 % in 2015. Demand for new cars is likely to benefit from declining fuel prices and low financing costs. PwC anticipates a production increase of just over 5 % for 2016.

Of the 90 million passenger cars and light commercial vehicles expected to be built in 2015, more than one quarter is likely to be accounted for by China. While growth rates in China are set to decline slightly in future following the extremely robust production growth in the past several years, they should still reach a respectable 7 to 8 %. In the US, PwC expects an increase of just under 3 %, a more moderate trend than in the preceding years. However, this forecast appears to be rather conservative, especially against the backdrop of oil price developments. In Western Europe, the course of recovery of the automotive industry is likely to continue, with 6 % production growth anticipated. The further development in Russia is uncertain at present, but a speedy recovery is considered unlikely. In India, following a number of weak years, PwC expects the level of demand for automobiles to rise in 2015 and 2016; against this backdrop, production increases in excess of 10 % for each year appear to be realistic. Brazil is also likely to generate encouraging growth rates again from 2015 after the slump of 2014.

2.61 GROWTH FORECAST FOR GROSS DOMESTIC PRODUCT

Change year-on-year (%)	2014	2015	2016
World	3.3	3.6	3.8
Eurozone	0.8	1.0	1.3
USA	2.5	3.7	3.1
China	7.3	7.0	6.7
India	5.5	6.5	6.5
Brazil	0.1	0.7	1.9
Japan	0.3	1.3	1.7

Source: Deutsche Bank 01/2015

2.62 LIGHT VEHICLE PRODUCTION IN MILLIONS OF UNITS
(change year-on-year)

Region	2014	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	CAGR[2] 2014–2019
North America	17.0 (4.9 %)	17.2 (1.2 %)	17.5 (1.7 %)	18.3 (4.6 %)	18.8 (2.7 %)	19.6 (4.3 %)	2.9 %
Mercosur	4.0 (–13.0 %)	4.4 (10.0 %)	5.1 (15.9 %)	5.6 (9.8 %)	6.0 (7.1 %)	6.1 (1.7 %)	8.8 %
Western Europe	13.2 (6.5 %)	14.0 (6.1 %)	14.1 (0.7 %)	15.1 (7.1 %)	15.7 (4.0 %)	15.8 (0.6 %)	3.7 %
Eastern Europe	6.9 (–2.8 %)	7.2 (4.3 %)	7.6 (5.6 %)	8.0 (5.3 %)	8.2 (2.5 %)	8.4 (2.4 %)	4.0 %
Asia	42.3 (3.7 %)	45.3 (7.1 %)	48.3 (6.6 %)	51.6 (6.8 %)	54.0 (4.7 %)	55.4 (2.6 %)	5.5 %
therof China	21.3 (10.4 %)	23.1 (8.5 %)	25.0 (8.2 %)	27.4 (9.6 %)	29.0 (5.8 %)	29.9 (3.1 %)	7.0 %
Others	1.8 (20.0 %)	1.9 (5.6 %)	2.1 (10.5 %)	2.3 (9.5 %)	2.4 (4.3 %)	2.6 (8.3 %)	7.6 %
Total	**85.2 (3.1 %)**	**90.0 (5.6 %)**	**94.7 (5.2 %)**	**100.9 (6.5 %)**	**105.1 (4.2 %)**	**107.9 (2.7 %)**	**4.8 %**

[1] Forecast
[2] CAGR = Compound Annual Growth Rate
Source: PwC 01/2015, own estimates

INDUSTRY ASSOCIATION HAS POSITIVE OUTLOOK IN MECHANICAL AND PLANT ENGINEERING

The German mechanical and plant engineering association (Verband Deutscher Maschinen- und Anlagenbau – VDMA) anticipates a production rise of 2 % for 2015. In the process, the significant recent weakening of the euro is likely to stimulate the export business of this industry segment. According to a current analysis by the Centre for Industrial Studies (CSIL), the global furniture industry – the key customer group of the HOMAG Group – is growing more or less in tandem with the world economy. For 2015, the CSIL forecasts a worldwide surge in demand by 3.7 %; growth in China is expected to reach 6 %.

THE AUTOMOTIVE INDUSTRY REMAINS BY FAR THE MOST IMPORTANT CUSTOMER SEGMENT FOR DÜRR

The project and investment volume of relevance to us in the automotive industry increased slightly in 2014 and should develop at least on a similar scale in 2015. The automotive industry remains our most important sales market by far. In the next several years it is likely to account for roughly 65 % of sales. In view of the generally positive sales outlook for the automotive industry, investments in new plants (greenfield projects) are expected to remain at the high level of 2014 or witness a marginal decline. In the category of replacement and modernization investments (brownfield projects), we anticipate growth in view of the age structure of the existing facilities. The key investment motives of carmakers are growing capacity needs as well as lower unit costs thanks to more efficient and more flexible production facilities.

The significance of additional buyer industry segments for Dürr is expected to grow even further in future. This applies in particular to the furniture industry – the primary customer of the HOMAG Group; in addition, we are expanding in the industrial painting segment in sectors like plastics, woodworking or shipbuilding and rail wagon construction.

CONSOLIDATION OF HOMAG GROUP TO PRODUCE SURGE IN SALES IN 2015

Our business outlook for 2015 rests on the assumption that the world economy will continue to develop as positively as forecast and that economic development in China will lose only a slight degree of momentum, if at all.

In view of our good positioning in the emerging markets, we anticipate contributions of 40 to 50 % to sales and incoming orders for fiscal 2015. This is slightly lower than in previous years as the HOMAG Group has a lower share of business in the emerging markets. The Western European market, which has lost some significance in recent years, is likely to regain some degree of prominence. North America will remain one of our most important sales regions.

In the long run, we aim to generate sustainable organic sales growth of up to 5 % per annum. In fiscal 2015, we plan to achieve € 3.4 to 3.5 billion in sales from today's perspective. The HOMAG Group is likely to contribute just under € 1 billion to this target. In 2014, the HOMAG Group's contribution since the start of consolidation (October 3, 2014) came to € 252.8 million. We also anticipate a rising contribution to overall sales from Dürr's plant engineering business as delayed projects reach their settlement phases. In contrast, around € 60 million will fall away owing to deconsolidations (aircraft assembly technology and Dürr Automation France).

We anticipate a range of € 3.2 to 3.5 billion in terms of incoming orders for 2015. The volume of orders on hand is likely to reach a scale of € 2.4 to 2.8 billion by the end of 2015.

In 2015 total costs (cost of sales and overheads as well as other operating costs) are set to increase at a slightly higher rate than sales owing to the consolidation of the HOMAG Group. Human resources and cost of materials remain the biggest single line items. Personnel costs are expected to rise at a slightly higher rate than sales. One reason for this is that the average number of employees is likely to grow more sharply than sales. Additional factors are wage increases, especially in the emerging markets. The cost of materials is likely to rise a little more slowly than sales as we continue to increase the proportion of our own manufacturing. Moreover, we will further expand our procurement operations in Eastern Europe and Asia to take cost advantages.

OPERATING RESULT: SUBSTANTIAL INCREASE ANTICIPATED FOR 2015

For 2015, we plan to achieve a double-digit percentage improvement in EBIT. However, sales are likely to outperform EBIT since the HOMAG Group currently generates a lower margin than the Group as a whole. For the Dürr Group in total, we expect an EBIT margin of between 7.0 and 7.5 %.

Net finance expense will increase substantially in 2015 as a result of the domination and profit and loss transfer agreement with HOMAG Group AG. Possible valuation proceedings in connection with the domination and profit and loss transfer agreement would put a further strain on the net finance expense.

The tax expense is expected to rise as the utilization of tax loss carry-forwards is only possible to a limited degree. Mainly as a consequence of this, a tax rate above 30 % is anticipated for 2015 (2014: 26.6 %). We nevertheless expect our earnings after taxes to rise slightly.

As part of our dividend policy, we again plan a distribution of 30 to 40 % of Group net profit for fiscal 2015. Our dividend proposal for 2014 corresponds to a payout ratio of 38 %. In 2015, the ratio is to remain more or less constant, which means that the payout should be slightly higher.

In the **ROCE** calculation for 2014 (38.7 %), the **CAPITAL EMPLOYED** of the HOMAG Group was already taken into account. For 2015, we once again plan to achieve a high ROCE level of 30 to 40 %, even though a normalization of **NET WORKING CAPITAL** is anticipated.

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2.63 GROUP OUTLOOK

	2014	TARGET 2015
/ Incoming orders	€ 2,793.0 million	€ 3,200 to € 3,500 million
/ Orders on hand (Dec. 31)	€ 2,725.3 million	€ 2,400 to € 2,800 million
/ Sales	€ 2,574.9 million	€ 3,400 to € 3,500 million
/ EBIT margin	8.6 %	7.0 to 7.5 %
/ ROCE	38.7 %	30 to 40 %
/ Net finance expense	€ –16.2 million	weaker
/ Tax rate	26.6 %	> 30 %
/ Earnings after tax	€ 150.3 million	slightly higher
/ Operating cash flow	€ 291.3 million	weaker
/ Free cash flow	€ 221.1 million	weaker
/ Net financial status (Dec. 31)	€ 167.8 million	€ 50 to € 150 million
/ Liquidity (Dec. 31)	€ 522.0 million	€ 400 to € 500 million
/ Capital expenditure[1]	€ 54.9 million	€ 70 to € 80 million

[1] in property, plant and equipment and intangible assets (excl. acquisitions)

DIVISIONS

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Following its exceptionally high EBIT margin in 2014, Paint and Final Assembly Systems anticipates a moderate decline for 2015. Sales are likely to rise due to project billing. We forecast **ROCE** of the division as greater than 100 % since the **CAPITAL EMPLOYED** is negative owing to high prepayments and progress payments. The Clean Technology Systems and Application Technology divisions plan to achieve higher sales in 2015 and more or less constant EBIT margins. In the Application Technology division, business development also depends on the advances made in market penetration of the new business field, namely industrial painting. In the Measuring and Process Systems division, the EBIT margin is likely to decline slightly on more or less constant sales.

The following is to be taken into account in Woodworking Machinery and Systems:

- The HOMAG Group will be consolidated over twelve months for the first time in 2015. Accordingly, the target figures for sales and order intake (table 2.64) are considerably higher than the actual values for 2014, in which HOMAG Group AG was only consolidated after October 3.
- The negative EBIT in the fourth quarter of 2014 was the result of extraordinary charges in the wake of the purchase price allocation for HOMAG Group. There will be additional extraordinary effects in 2015. In 2016, these extraordinary effects will turn out considerably lower.
- EBIT of Woodworking Machinery and Systems for 2014 listed in the present report is lower than EBIT in the consolidated financial statements of HOMAG Group AG as the effects in connection with the purchase price allocation only occurred at Dürr.

For 2015, we anticipate charges of approx. € 17 million in Woodworking Machinery and Systems in connection with the HOMAG Group purchase price allocation. Nevertheless, Woodworking Machinery and Systems will make a clearly positive earnings contribution, which will also have a favorable impact on the ROCE of the division. From 2016, the expenditure (depreciation and amortization) in connection with the purchase price allocation will be considerably lower. The EBIT margin of 3.5 to 4.0 % and ROCE of 8 to 10 % expected for 2015 are interim targets. In the longer term, we perceive further potential thanks to the optimization measures within the HOMAG Group.

2.64 OUTLOOK BY DIVISION

	SALES (€ MILLION)		INCOMING ORDERS (€ MILLION)		EBIT MARGIN (%)		ROCE (%)	
	2014	Target 2015	2014	Target 2015	2014	Target 2015	2014	Target 2015
Paint and Final Assembly Systems	1,078.2	1,100 – 1,180	1,291.8	1,050 – 1,200	9.8	7.5 – 8.0	> 100[1]	> 100[1]
Application Technology	526.0	570 – 600	560.9	550 – 600	10.5	10 – 11	32.3	30 – 35
Measuring and Process Systems	581.9	570 – 600	577.1	560 – 600	12.1	10.5 – 11.5	28.0	20 – 25
Clean Technology Systems	136.0	150 – 170	144.9	160 – 180	5.6	5 – 6	17.5	15 – 20
Woodworking Machinery and Systems	252.8	950 – 980	218.3	820 – 850	– 3.1	3.5 – 4.0	– 1.8	8 – 10

[1] negative capital employed

In 2015, the development of costs at divisional level is likely to be similar to the trend prevailing in the Group. However, the individual divisions have different cost structures. For instance, in the plant engineering division Paint and Final Assembly Systems, only 18 % of sales are accounted for by personnel costs; in the mechanical engineering divisions the corresponding figure is over 30 % thanks to the higher value added.

CASH FLOW

As in the preceding year, the high cash flow of 2014 was caused by exceptionally extensive and partly early prepayments in the second half of the year. In 2015, we expect prepayments to normalize, with a corresponding decline in operating and free cash flow. The operating cash flow, adjusted for net working capital fluctuations, should once again reach € 250 to 300 million. We expect the cash flow and extensive cash and cash equivalents to cover the operating finance needs (investments, interest payments, etc.) and the dividend payment in 2015 quite comfortably.

CAPITAL EXPENDITURE

In 2014, capex investments in property, plant and equipment as well as intangible assets amounted to € 54.9 million. In 2015, we will exceed this level owing to the full-year inclusion of the HOMAG Group in the consolidated financial statements, and expect to invest € 70 to 80 million (excluding acquisitions). About 55 % of capital expenditure is likely to be spent on replacements and about 45 % on location-based projects. The latter include, in particular, the construction of new campus facilities in China and the US.

Minor corporate and technology acquisitions are also conceivable for 2015 to round off our portfolio. Additional acquisitions on the scale of the HOMAG Group are not anticipated, however. For financing purposes, we can make use of the high level of cash and cash equivalents as well as our cash flow. We cannot make a statement on the volume of possible additional acquisitions yet at this time.

LIQUIDITY, EQUITY AND FINANCING

For the end of 2015, from today's perspective we expect a **NET FINANCIAL STATUS** of € 50 to 150 million. Possible acquisitions have not been taken into account in this figure. Cash and cash equivalents are likely to range from € 400 to 500 million. Information on probable disbursements from financial liabilities and financial derivatives is contained in **ITEM 40** of the notes to the consolidated financial statements. The level of equity is not expected to change much: net retained earnings are likely to turn out high once again. However, due to the domination and profit and loss transfer agreement, we will book out the interests of the free shareholders of HOMAG Group AG from the equity item "non-controlling interests" in accordance with IFRS. This is necessary because the free shareholders of the HOMAG Group are no longer entitled to profits since the agreement has entered into force; instead, they will receive a guarantee dividend taken into account under liabilities. Should the approval resolution at the annual general meeting of HOMAG Group AG on the domination and profit and loss transfer agreement be challenged, no removal from equity would initially be made.

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We assume that we will need Dürr AG's syndicated loan only to settle temporary fluctuations in net working capital. At present, neither a capital increase nor any further borrowing is planned since we are fully funded until 2021 following the previous year's refinancing in 2014.

EMPLOYEES

The size of the Group's workforce is expected to increase by 3 to 5 % by the end of 2015. This growth will chiefly be accounted for by the emerging markets, in which some 29 % of all employees will be working by the end of the year. There is likely to be a marginal rise in the number of employees in the established markets.

RESEARCH AND DEVELOPMENT

R&D expenditure and the size of the R&D workforce are likely to continue to grow in 2015. The primary focus of our innovation work will remain on the automation and increased flexibility of our plant and machinery. A further key factor is the need to lower unit costs in our customers' production processes.

2016: POSITIVE OUTLOOK

From today's perspective and in the absence of any deterioration in general economic conditions, we assume that the volume of business will increase moderately in fiscal 2016, when we plan to continue the high earnings level we will have generated in 2015. In the Woodworking Machinery and Systems division the charges in connection with the purchase price allocation will decline considerably. The Group's operating and free cash flow should turn out to be clearly positive. We will give a more specific forecast for 2015 in due course.

SUMMARIZED STATEMENT BY THE BOARD OF MANAGEMENT ON PROJECTED DEVELOPMENTS

Our business planning activities for 2015 and 2016 are based on expectations of accelerated world economic growth and an increase in automobile production of just over 5 % in each year. Capex investments by the automotive industry are likely to remain at the high level of 2014. Demand for modernization investments is increasing as numerous factories for cars and trucks have aged. We envisage greenfield investments in new factories particularly in the emerging markets. China will also retain its role as the most important market for the automotive industry in the long run. With annual market growth of 6 %, China is also the focus of the furniture industry; we expect a growth rate of about 3.7 % per annum in this market across the globe.

Group sales are expected to reach € 3.4 to 3.5 billion in 2015; this is due above all to the consolidation of the HOMAG Group. Group EBIT is to grow substantially as well, and we have targeted a level of 7.0 to 7.5 % for 2015 for the EBIT margin. In the long run, based on the optimization measures within the HOMAG Group, we plan to return to an EBIT margin level of 8 to 10 % for the Group as a whole. The cash flow in 2015 is unlikely to reach the previous year's high level. Nevertheless, the

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NET FINANCIAL STATUS will probably reach € 50 to 150 million. The payout ratio for fiscal 2014 will amount to 38 % of Group net profit if our dividend proposal is approved. We have also targeted a ratio of 30 to 40 % for the subsequent year; in absolute terms, the dividend is to rise more or less in tandem with earnings.

The automotive industry business remains our core field of activity. In addition, we are broadening our market and customer base. The Application Technology division will drive the expansion in the business field of industrial painting. Thanks to our takeover of the majority holding in the HOMAG Group, we have a further mainstay with attractive potential for growth and earnings. Together with the HOMAG Group team, we will do our utmost to make the company even more efficient and more successful. We plan to take advantage of the opportunities unfolding in the emerging markets and to further develop the HOMAG Group with the aid of internal optimization measures. In all of the Group's activities, we will further accelerate the course of innovation embarked on and extend our service operations.

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 corporate 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 124 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**.

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RESULTS OF OPERATIONS

Dürr AG's investment income contracted to € 90.2 million in 2014 as the profit of € 47.5 million transferred by Dürr Systems GmbH was lower than in the previous year (€ 195.9 million). This was mainly due to appreciations of € 112.5 million on the fair value of the shares in Dürr Systems GmbH´s US subsidiary Dürr Inc. in the previous year. On the other hand, the fair value of these shares was impaired by € 32.3 million in 2014. In addition, we waived a dividend payout by our Chinese subsidiaries in 2014 as a double-taxation treaty between Germany and China is about to take effect and will result in a lower tax being imposed on dividends.

At € 6.0 million, other operating income net of other operating expense was roughly the same as in the previous year. The largest single items were currency-translation gains and losses, which, however, largely canceled each other out. Personnel expenses climbed by € 1.6 million primarily as a result of salary increases and a slightly higher annual average headcount.

Net finance expense fell from € 24.3 million to € 10.1 million. This is due to the refinancing operations completed in spring 2014 and the early call-in of the 2010 bond. In addition we had incurred impairments on financial assets and securities in the previous year. The lower investment income caused Dürr AG's net income for the year to drop by 66.2 %. Still, at € 65.5 million, it exceeded the proposed dividend amount.

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

€ million	2014	2013
Income/expense under profit and loss transfer agreements	47.5	196.0
Income from investments	42.7	32.6
Investment income	**90.2**	**228.6**
Other operating income and expenses	6.0	7.8
Personnel expenses	– 14.2	– 12.5
Depreciation and amortization	– 0.4	– 0.3
Net finance expense	– 10.1	– 24.3
Profit from ordinary activities	**71.6**	**199.3**
Taxes	– 6.1	– 5.6
Net income	**65.5**	**193.7**
Profit brought forward from the previous year	217.6	74.1
Net retained profit	**283.1**	**267.8**

NET ASSETS AND FINANCIAL CONDITION

Dürr AG's total assets rose by 5.2 % to € 1,128.7 million as of December 31, 2014. Within non-current assets, intangible assets climbed from € 0.3 million to € 11.1 million as brand rights were acquired from US subsidiaries. The substantial increase of € 235.7 million in financial assets to € 748.3 million is primarily due to a capital increase of € 228.1 million at Dürr Technologies GmbH, enabling it to acquire the stake in HOMAG Group AG.

Receivables and other assets declined by € 149.8 million and, at € 152.4 million, have returned to their normal level. Most of this decline was accounted for by receivables from affiliated companies, which dropped by € 140.5 million to € 107.5 million as the receivable under the profit and loss transfer agreement with Dürr Systems GmbH was substantially lower compared with the 2013 reporting date.

Liabilities rose by € 43.5 million to € 585.9 million. This mainly reflects the bond issue (€ 300 million) and the early call-in of the 2010 legacy bond (€ 225 million).

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

€ million	Dec. 31, 2014	Dec. 31, 2013
ASSETS		
Non-current assets		
Intangible assets	11.1	0.3
Property, plant and equipment	0.1	0.1
Financial assets	748.3	512.6
	759.5	**513.0**
Current assets		
Receivables and other assets	152.4	302.2
Securities	5.0	9.9
Cash and cash equivalents	205.7	246.7
Prepaid expenses, sundry items	6.1	1.4
	369.2	**560.2**
Total assets	**1,128.7**	**1,073.2**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	88.6	88.6
Capital reserve	156.2	156.2
Net retained profit	283.1	267.8
	527.9	**512.5**
Liabilities		
Provisions	14.9	17.0
Liabilities	585.9	542.4
Deferred income	0	1.3
	600.8	**560.7**
Total equity and liabilities	**1,128.7**	**1,073.2**

OPPORTUNITIES AND RISKS

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. Please see also the **RISK REPORT** and the **OPPORTUNITIES REPORT** for further details. In addition, strain may arise from the contingent liabilities in existence between Dürr AG and its subsidiaries.

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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 EXPECTED FUTURE DEVELOPMENT**

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Dürr AG's full individual financial statements can be found in the "financial reports" section at **WWW.DURR.COM.**

WWW

Bietigheim-Bissingen, March 19, 2015

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER

RALPH HEUWING

CONSOLIDATED FINANCIAL STATEMENTS

3.1 Consolidated statement of income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

€k	NOTE	2014	2013
Sales revenues	(7)	2,574,907	2,406,873
Cost of sales	(8)	– 1,983,837	– 1,919,524
Gross profit on sales		**591,070**	**487,349**
Selling expenses	(9)	– 171,394	– 128,209
General administrative expenses	(10)	– 132,678	– 109,488
Research and development costs	(11)	– 55,397	– 42,979
Other operating income	(13)	37,239	21,006
Other operating expenses	(13)	– 47,927	– 24,688
Earnings before investment income, interest and income taxes		**220,913**	**202,991**
Profit from entities accounted for using the equity method	(15)	1,429	594
Other investment income		49	36
Interest and similar income	(16)	8,686	3,788
Interest and similar expenses	(16)	– 26,356	– 22,830
Earnings before income taxes		**204,721**	**184,579**
Income taxes	(17)	– 54,422	– 43,673
Profit of the Dürr Group		**150,299**	**140,906**
Attributable to:			
Non-controlling interests		453	837
Shareholders of Dürr Aktiengesellschaft		**149,846**	**140,069**
Earnings per share in € (basic and diluted)		4.33	4.05

3.2 Consolidated statement of comprehensive income

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

€ k	NOTE	2014	2013
Profit of the Dürr Group		**150,299**	**140,906**
Items of other comprehensive income that are not reclassified to profit or loss			
Remeasurement of defined benefit plans and similar obligations	(25)	– 15,153	1,990
Associated deferred taxes	(25)	4,194	– 471
Items of other comprehensive income that may be reclassified subsequently to profit or loss			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(25)	**– 7,883**	**– 1,074**
Gains/losses from changes in the fair value of available-for-sale securities	(25)	29	9
Reclassifications from currency translation reserve through profit or loss	(25)	– 4	–
Currency translation reserve of foreign subsidiaries	(25)	30,840	– 11,387
Currency translation reserve of foreign entities accounted for using the equity method	(25)	136	– 2,690
Associated deferred taxes	(25)	2,332	272
Other comprehensive income, net of tax	(25)	**14,491**	**– 13,351**
Total comprehensive income, net of tax		**164,790**	**127,555**
Attributable to:			
Non-controlling interests		1,587	779
Shareholders of Dürr Aktiengesellschaft		**163,203**	**126,776**

3.3 Consolidated statement of financial position

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2014

€k	NOTE	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Goodwill	(18, 43)	397,311	286,971
Other intangible assets	(18, 43)	220,545	35,063
Property, plant and equipment	(18, 43)	362,072	173,849
Investment property	(18, 43)	21,601	22,245
Investments in entities accounted for using the equity method	(19, 43)	24,587	11,699
Other financial assets	(19, 43)	41,854	30,618
Trade receivables	(21)	1,759	101
Income tax receivables	(17)	1,190	245
Sundry financial assets	(22)	6,684	4,004
Other assets	(23)	3,042	198
Deferred taxes	(17)	41,030	23,687
Prepaid expenses		2,501	2,267
Non-current assets		**1,124,176**	**590,947**
Inventories and prepayments	(20)	364,846	148,014
Trade receivables	(21)	849,443	675,593
Income tax receivables	(17)	11,343	6,755
Sundry financial assets	(22)	53,606	74,197
Other assets	(23)	36,819	18,759
Cash and cash equivalents		521,957	458,513
Prepaid expenses		5,356	4,483
Assets held for sale	(24)	8,578	14,582
Current assets		**1,851,948**	**1,400,896**
Total assets Dürr Group		**2,976,124**	**1,991,843**
EQUITY AND LIABILITIES			
Subscribed capital	(25)	88,579	88,579
Capital reserves	(25)	155,896	155,896
Revenue reserves	(25)	414,567	317,059
Other comprehensive income	(25)	−43,699	−57,035
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		**615,343**	**504,499**
Non-controlling interests	(26)	110,425	6,875
Total equity		**725,768**	**511,374**
Provisions for post-employment benefit obligations	(27)	53,702	49,762
Other provisions	(28)	30,806	7,758
Trade payables	(30)	5,945	2,026
Bond	(29)	296,388	225,200
Other financial liabilities	(29)	113,039	43,396
Sundry financial liabilities	(31)	12,225	19,737
Income tax liabilities	(17, 32)	478	205
Other liabilities	(32)	4,222	4,344
Deferred taxes	(17)	125,896	42,246
Deferred income		374	120
Non-current liabilities		**643,075**	**394,794**
Other provisions	(28)	96,328	65,296
Trade payables	(30)	1,122,351	854,772
Financial liabilities	(29)	17,110	2,460
Sundry financial liabilities	(31)	157,068	16,254
Income tax liabilities	(17, 32)	28,996	30,506
Other liabilities	(32)	177,047	107,742
Deferred income		1,782	390
Liabilities held for sale	(24)	6,599	8,255
Current liabilities		**1,607,281**	**1,085,675**
Total equity and liabilities Dürr Group		**2,976,124**	**1,991,843**

3.4 Consolidated statement of cash flows

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

€ k	NOTE	2014	2013
	(35)		
Earnings before income taxes		204,721	184,579
Income taxes paid		– 51,554	– 35,864
Net interest		17,670	19,042
Profit from entities accounted for using the equity method		– 1,429	– 594
Amortization and depreciation of non-current assets		41,966	27,379
Net gain/loss on the disposal of non-current assets		341	– 261
Other non-cash income and expenses		1,007	3,986
Changes in operating assets and liabilities			
Inventories		– 1,165	– 7,672
Trade receivables		– 6,003	– 5,314
Other receivables and assets		– 4,034	6,190
Provisions		– 4,552	12,770
Trade payables		81,419	135,625
Other liabilities (other than bank)		7,568	– 10,638
Other assets and liabilities		5,298	– 163
Cash flow from operating activities		**291,253**	**329,065**
Purchase of intangible assets		– 14,976	– 8,323
Purchase of property, plant and equipment		– 38,605	– 42,666
Purchase of entities accounted for using the equity method		–	– 348
Purchase of other financial assets		– 4,317	– 19,990
Proceeds from the sale of non-current assets		8,317	6,054
Acquisitions, net of cash acquired		– 207,349	– 10,298
Investments in time deposits		26,593	– 43,553
Proceeds from the sale of assets and liabilities classified as held for sale		– 2,500	3,513
Interest received		8,518	4,194
Cash flow from investing activities		**– 224,319**	**– 111,417**
Change in current bank liabilities and other financing activities		– 5,511	– 12,569
Issue of non-current financial liabilities		27	–
Repayment of non-current financial liabilities		– 6,770	– 2,146
Redemption of the 2010 corporate bond		– 225,000	–
Bond issue		296,021	–
Payments of finance lease liabilities		– 1,079	– 418
Cash received from transactions with non-controlling interests		500	–
Cash paid for transactions with non-controlling interests		– 1,405	– 24,500
Dividends paid to the shareholders of Dürr Aktiengesellschaft		– 50,172	– 38,926
Dividends paid to non-controlling interests		– 1,463	– 1,947
Interest paid		– 25,136	– 20,397
Cash flow from financing activities		**– 19,988**	**– 100,903**
Effects of exchange rate changes		16,498	– 7,587
Changes in cash and cash equivalents related to changes in the consolidated group		–	73
Change in cash and cash equivalents		63,444	109,231
Cash and cash equivalents			
At the beginning of the period		458,513	349,282
At the end of the period		521,957	458,513

3.5 Consolidated statement of changes in equity

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

	Subscribed capital	Capital reserve	Revenue reserves
€ k	(25)	(25)	(25)
January 1, 2013	**44,289**	**200,186**	**223,073**
Profit for the year	–	–	140,069
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	**–**	**–**	**140,069**
Increase in capital of Dürr Aktiengesellschaft from company funds	44,290	– 44,290	–
Dividends	–	–	– 38,926
Options of non-controlling interests	–	–	– 6,394
Other changes	–	–	– 763
December 31, 2013	**88,579**	**155,896**	**317,059**
Profit for the year	–	–	149,846
Other comprehensive income	–	–	–
Total comprehensive income, net of tax	**–**	**–**	**149,846**
Dividends	–	–	– 50,172
Options of non-controlling interests	–	–	– 2,287
Other changes	–	–	121
December 31, 2014	**88,579**	**155,896**	**414,567**

OTHER COMPREHENSIVE INCOME								
Items that are not reclassified to profit or loss	**Items that may be reclassified subsequently to profit or loss**							
Remeasurement of defined benefit plans	Unrealized gains/losses from cash flow hedges	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 share-holders of Dürr Aktien-gesellschaft	Non-controlling interests	**Total equity**
(25)	(25)	(25)		(25)	(25)		(26)	
−28,514	**1,677**	**23**	**737**	**−17,643**	**−43,720**	**423,828**	**8,254**	**432,082**
–	–	–	–	–	–	140,069	837	140,906
1,575	−800	7	–	−14,075	−13,293	−13,293	−58	−13,351
1,575	**−800**	**7**	**–**	**−14,075**	**−13,293**	**126,776**	**779**	**127,555**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	−38,926	−1,947	−40,873
–	–	–	–	–	–	−6,394	−1,409	−7,803
–	–	–	−22	–	−22	−785	1,198	413
−26,939	**877**	**30**	**715**	**−31,718**	**−57,035**	**504,499**	**6,875**	**511,374**
–	–	–	–	–	–	149,846	453	150,299
−10,839	−5,553	22	–	29,727	13,357	13,357	1,134	14,491
−10,839	**−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
−37,778	**−4,676**	**52**	**694**	**−1,991**	**−43,699**	**615,343**	**110,425**	**725,768**

Notes to the consolidated financial statements for the 2014 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. In the 2014 reporting period, it generated approximately 75 % of sales revenues with the automotive industry, but also acts as supplier of production technology for other industries including the aviation, mechanical engineering, energy, chemical and pharmaceutical industries as well as the woodworking industry. Dürr serves the market with five divisions: Paint and Final Assembly Systems offers assembly and paint finishing technology, mainly for the automotive industry. 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 offers technology for purifying exhaust gases and products to increase the energy efficiency of industrial processes. Woodworking Machinery and Systems develops and manufactures woodprocessing technology.

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

The accounting policies used generally correspond to the policies applied in the prior period. In addition, the Group has applied the new and/or revised standards that are effective for the 2014 reporting period.

The change in accounting policies results from the adoption of the following new or revised standards

- IFRS 10 "Consolidated Financial Statements": IFRS 10 introduces a uniform concept of control to be used in determining which entities should be included in the consolidated financial statements. IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" for the consolidated financial statements and Standing Interpretations Committee (SIC)-12 "Consolidation – Special Purpose Entities". As of January 1, 2014, there are no changes to the entities included in the consolidated financial statements and therefore no effect on the net assets, financial position and results of operations of the Group as the application of IFRS 10 does not lead to any changes in the basis of consolidation.
- IFRS 11 "Joint Arrangements": IFRS 11 governs the financial reporting by parties to a joint arrangement. It replaces International Accounting Standard (IAS) 31 "Interests in Joint Ventures" and SIC-13 "Jointly controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation.

As Dürr already measures its joint ventures and associates in accordance with the equity method and the application of IFRS 11 does not have any effect on the composition of these companies, the introduction of the standard does not have any effect on the net assets, financial position or results of operations of the Group.

- IFRS 12 “Disclosure of Interests in Other Entities”: IFRS 12 governs the disclosures required for reporting on the interests held by the reporting entity in subsidiaries, joint ventures, associates, and structured entities and results in extended disclosure requirements. This replaces the disclosure requirements previously contained in a number of standards (IAS 27, IAS 28 and IAS 31).
- Amendments to the transitional provisions for IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”: These define the date of first-time adoption and the applicable wording of IFRS 3 “Business Combinations” and IAS 27 “Separate Financial Statements” when applying IFRS 10 retrospectively. They also provide for exemptions in IFRS 11 and IFRS 12. The amendments do not have an effect on the consolidated financial statements.
- Amendment to IAS 28 “Investments in Associates”: This standard was renamed “Investments in Associates and Joint Ventures”. The amended IAS 28 now incorporates SIC-13 “Jointly controlled Entities – Non-monetary Contributions by Venturers” and clarifies other issues as well. The amendment does not have any effect on the consolidated financial statements.
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” regarding novation of derivatives and continuation of hedge accounting. Extensive regulatory changes were introduced to improve the transparency and regulatory oversight of over-the-counter (OTC) derivatives. Companies must therefore transfer derivatives to central counterparties to avoid any risks of default (novation). Previously, pursuant to IAS 39, accounting for derivatives as a hedging instrument had to be ended if the original derivate no longer existed. The International Accounting Standards Board (IASB) added a simplification to IAS 39, according to which the hedge accounting does not have to be ended if the novation of a hedging instrument with a central counterparty satisfies certain criteria. Dürr does enter into OTC derivatives, but due to various exemptions, the amendment does not have any effect on the consolidated financial statements.
- 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 effect, or no material effect, on the consolidated financial statements.

The following new or revised standards adopted by the EU in the comitology procedures have not yet entered into effect

- Amendments to IAS 19 “Employee Benefits”: The amendment regulates the recognition of employee or third-party contributions to defined benefit plans as a reduction of service cost should these reflect the work performed in the reporting period. The amended standard will become effective for reporting periods beginning on or after July 1, 2014. The amendment will only have a slight effect in the Dürr Group as only a few pension plans in certain countries will be affected by the amendment.

The amendments contained in the 2010 – 2012 and 2011 – 2013 annual improvements projects are effective for reporting periods beginning on or after July 1, 2014, and will not have any effects, or no material effects, on the consolidated financial statements of the Company.

Annual improvements project (2010 – 2012 cycle)

- IFRS 2 "Share-based Payment": The amendment clarifies the definition of vesting conditions and market conditions.
- IFRS 3 "Business Combinations": By amending this standard and making subsequent changes to other standards, all contingent considerations not classified as equity are subsequently measured at fair value recognizing all resulting effects in profit or loss.
- IFRS 8: "Operating Segments": Newly included in IFRS 8 was the clarification that the underlying considerations made when merging business segments into reportable segments must be stated and a reconciliation of segment assets to the corresponding accounts in the statement of financial position is only necessary when disclosures on segment assets are regularly reported to the chief operating decision maker.
- IFRS 13 "Fair Value Measurement": An amendment to the "Basis for Conclusions" in IFRS 13 clarifies that the IASB, in making the amendments to IFRS 9 and IAS 39 resulting from IFRS 13, did not want to eliminate the possibility of opting out of discounting for current receivables and liabilities in the event of immateriality.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": The amendment clarifies how to determine accumulated impairment as of the measurement date applying the remeasurement model pursuant to IAS 16 and IAS 38.

Annual improvements project (2011 – 2013 cycle)

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": The amendment clarifies the meaning of effective date in connection with IFRS 1.
- IFRS 3 "Business Combinations": The amendment establishes the existing exemption of joint ventures from the scope of IFRS 3.
- IFRS 13 "Fair Value Measurement": IFRS 13 allows entities managing a group of financial assets and financial liabilities on the basis of their net market risk or risk of default to calculate the fair value of this group in accordance with the standard, as market participants would measure the net risk position on the measurement date (portfolio exception). The suggested amendment clarifies that this exception for determining the fair value relates to all agreements in the scope of IAS 39 "Financial instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments", even if these 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 scope of IAS 40 and IFRS 3 "Business Combinations" are independent of each other, i.e., never mutually exclusive.

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

- IFRS 9 "Financial Instruments": IFRS 9 governs the classification and measurement of financial assets. The IASB issued the final version of IFRS 9 on July 24, 2014. 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. These new regulations are effective for reporting periods beginning on or after January 1, 2018. Dürr has not yet concluded its review of what effects the application of IFRS 9 will have on the consolidated financial statements.

- IFRS 11 "Joint Arrangements": The publication from May 6, 2014 clarifies that both the first-time acquisition as well as the acquisition of further interests in a joint operation in which the activity constitutes a business are to be accounted for by applying the accounting principles on business combinations in IFRS 3, except for those principles that conflict with the guidance in IFRS 11. It also clarifies that the acquirer must disclose the information required by IFRS 3 and other standards for business combinations. The amendments are effective for reporting periods beginning on or after January 1, 2016 and are not expected to have any effect on the consolidated financial statements.

- IFRS 15 "Revenue from Contracts with Customers": The aim of the standard issued on May 28, 2014, concerning revenue recognition is the combination of the rules previously contained in various standards and interpretations. Common basic principles have been created that can be applied to all industries and all types of sales revenue transactions. The question of what amount and at what time/over what period of time sales revenue is 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 new standard will become effective for reporting periods beginning on or after January 1, 2017. The first-time application is to be performed retrospectively, although there are various simplification options available. Dürr has not yet concluded its review of what effects the application of IFRS 15 will have on the consolidated financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements": In the amendments from December 18, 2014, the IASB clarifies the definition of materiality in IAS 1. In addition, they clarify sub-classifications of items in the statement of financial position and the statement of comprehensive income, the presentation of subtotals and requirements regarding the structure of the notes. Furthermore, requirements regarding the presentation of significant accounting policies as an integral part of the disclosures in the notes were revoked. The amendments are effective for reporting periods beginning on or after January 1, 2016. The amendments are not expected to have any effects, or no material effects, on the consolidated financial statements.

- Amendment to IAS 27 "Separate Financial Statements": The amendment again permits the equity method as an accounting option for shares in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments are effective for reporting periods beginning on or after January 1, 2016. The amendments do not have any effect on the consolidated financial statements as they regulate accounting for separate financial statements.

Annual improvements project (2012 – 2014 cycle): In September 2014, the IASB issued the final omnibus standards with changes to existing IFRSs in the course of its annual improvements project. The annual improvements project included minor amendments or clarifications. These amendments are effective for reporting periods beginning on or after July 1, 2016, and will not have any effects, or no material effects, on the consolidated financial statements.

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": The amendment contains the addition of special guidance for an entity that reclassifies an asset from being held for sale to being held for distribution (or vice versa) and the addition of special guidance for when the accounting of assets held for distribution is terminated.
- IFRS 7 "Financial Instruments: Disclosures" with subsequent amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards": Inclusion of additional guidance to clarify whether a management agreement constitutes continuing involvement in a transferred asset (in order to determine disclosures required). It also clarifies the application of the amendments to IFRS 7 with respect to offsetting in condensed interim financial statements.
- IAS 19: "Employee Benefits": This amendment clarifies that high quality corporate bonds that are used in determining the discount rate for post-employment benefits are to be denominated in the currency of the amounts payable and as a result the depth of the market for high quality corporate bonds is to be assessed at currency level.
- IAS 34 "Interim Financial Reporting": The amendment clarifies the meaning of 'elsewhere in the interim financial report' and requires that a disclosure must be incorporated by cross-reference if this information has not been included in the main section of the report.

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, liabilities 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, purchase options for shares in entities and assets and liabilities held for sale 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. Assets and liabilities with a remaining term of more than twelve months are disclosed as non-current. Furthermore, 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, 2014, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, capital consolidation is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against proportionate equity of the subsidiaries. All assets, liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date taking hidden reserves and encumbrances into account. Any remaining debit difference is shown as goodwill. When the entity is removed from consolidation, the goodwill is released to profit or loss. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100 % of the shares are purchased, IFRS 3 provides for a choice between the purchased goodwill method and the full goodwill method. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition. Changes in interests for 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 operating 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 amortized 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. The equity method is also applied for joint ventures in which Dürr together with other venturers undertakes an economic activity which is subject to joint control. 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 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 or decrease the carrying amount of the entity accounted for using the equity method. Dividends received are deducted from the carrying amount. If the losses of an entity accounted for using the equity method attributable to 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, 2014, 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. Pursuant to the contractual arrangements, Dürr has the power to exercise control over three entities. Consolidation of an entity included in the consolidated financial statements ceases when Dürr loses control over the entity.

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

3.6 NUMBER OF FULLY CONSOLIDATED ENTITIES

	Dec. 31, 2014	Dec. 31, 2013
Germany	30	14
Other countries	79	48
	109	**62**

The consolidated financial statements contain 51 entities (prior period: eight) which have non-controlling interests. The increase in fully consolidated entities as well as entities with non-controlling interests is primarily due to the acquisition of the HOMAG Group.

There are seven entities that are 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 %. For joint ventures, Dürr together with other venturers undertakes an economic activity which is subject to joint control. The parties which participate in joint control have rights to the net assets of the arrangement, but not to the individual assets and liabilities. Joint ventures and associates are included in the consolidated financial statements using the equity method from the date on which joint control or the possibility of significant influence existed. There were no material joint ventures as of December 31, 2014.

3.7 NUMBER OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

	Dec. 31, 2014	Dec. 31, 2013
Germany	2	2
Other countries	3	2
	5	**4**

Other investments

For shares of voting rights below 20 %, interests in entities are as a rule recognized under other investments. One exception is Homag China Golden Field Ltd. based in Hong Kong, P. R. China, which is already included in the HOMAG Group as an associate using the equity method. This accounting treatment is left unchanged within the Dürr Group as Dürr exercises significant influence.

3.8 NUMBER OF OTHER INVESTMENTS

	Dec. 31, 2014	Dec. 31, 2013
Germany	2	1
Other countries	2	2
	4	**3**

4. CHANGES IN THE CONSOLIDATED GROUP

3.9 ADDITIONS OF FULLY CONSOLIDATED ENTITIES

Entity	Interest[1]	Effective as of	Interest acquired by	Note
Durr Systems (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100.0 %	March 10, 2014	Foundation, asset deal	
Bersch & Fratscher GmbH, Karlstein am Main/Germany	100.0 %	June 17, 2014	Acquisition	Renamed Dürr Systems Karlstein GmbH
Kronen zweitausend25 GmbH, Stuttgart/Germany	100.0 %	June 23, 2014	Acquisition	Renamed Dürr Technologies GmbH
EST+ a.s., Ledeč nad Sázavou/Czech Republic	100.0 %	June 25, 2014	Acquisition	Renamed Dürr Systems Czech Republic a.s.
PT Durr Systems Indonesia, Jakarta/Indonesia	100.0 %	July 14, 2014	Acquisition	
Bargstedt Handlingsysteme GmbH, Hemmoor/Germany	77.9 %	October 3, 2014	Acquisition	
Benz GmbH Werkzeugsysteme, Haslach im Kinzigtal/Germany	39.7 %[2]	October 3, 2014	Acquisition	
Brandt Kantentechnik GmbH, Lemgo/Germany	77.9 %	October 3, 2014	Acquisition	
Friz Kaschiertechnik GmbH, Weinsberg/Germany	77.9 %	October 3, 2014	Acquisition	
Holzma Plattenaufteiltechnik GmbH, Calw/Germany	77.9 %	October 3, 2014	Acquisition	
Homag eSolution GmbH, Schopfloch/Germany	39.7 %[2]	October 3, 2014	Acquisition	
Homag Finance GmbH, Schopfloch/Germany	77.9 %	October 3, 2014	Acquisition	
Homag Group AG, Schopfloch/Germany	77.9 %	October 3, 2014	Acquisition	
Homag GUS GmbH, Schopfloch/Germany	77.9 %	October 3, 2014	Acquisition	
Homag Holzbearbeitungssysteme GmbH, Schopfloch/Germany	77.9 %	October 3, 2014	Acquisition	
Homag Vertrieb & Service GmbH, Schopfloch/Germany	77.9 %	October 3, 2014	Acquisition	
Ligmatech Automationssysteme GmbH, Lichtenberg im Erzgebirge/Germany	77.9 %	October 3, 2014	Acquisition	
Schuler Consulting GmbH, Pfalzgrafenweiler/Germany	77.9 %	October 3, 2014	Acquisition	
Torwegge Holzbearbeitungsmaschinen GmbH, Löhne/Germany	77.9 %	October 3, 2014	Acquisition	
Weeke Bohrsysteme GmbH, Herzebrock-Clarholz/Germany	77.9 %	October 3, 2014	Acquisition	
Weinmann Holzbausystemtechnik GmbH, St. Johann-Lonsingen/Germany	59.1 %	October 3, 2014	Acquisition	
Holzma Plattenaufteiltechnik S.A. Unipersonal, L'Ametlla del Vallès/Spain	77.9 %	October 3, 2014	Acquisition	
Homag Austria Gesellschaft mbH, Oberhofen am Irrsee/Austria	77.9 %	October 3, 2014	Acquisition	
Homag Danmark A/S, Galten/Denmark	77.9 %	October 3, 2014	Acquisition	
Homag España Maquinaria S.A., Llinars del Vallès (Barcelona)/Spain	77.9 %	October 3, 2014	Acquisition	
Homag France S.A.S., Schiltigheim/France	77.9 %	October 3, 2014	Acquisition	
Homag Italia S.p.A., Giussano/Italy	77.9 %	October 3, 2014	Acquisition	
Homag Machinery Środa Sp. z o.o., Środa Wielkopolska/Poland	77.9 %	October 3, 2014	Acquisition	
Homag Polska Sp. z o.o., Środa Wielkopolska/Poland	77.9 %	October 3, 2014	Acquisition	
Homag U.K. Ltd., Castle Donington/UK	77.9 %	October 3, 2014	Acquisition	

Entity	Interest[1]	Effective as of	Interest acquired by	Note
Homag (Schweiz) AG, Höri/Switzerland	77.9 %	October 3, 2014	Acquisition	
OOO "Homag Russland", Moscow/Russia	77.9 %	October 3, 2014	Acquisition	
Benz Incorporated, Charlotte, North Carolina/USA	39.7 %[2]	October 3, 2014	Acquisition	
Homag Canada Inc., Mississauga, Ontario/Canada	77.9 %	October 3, 2014	Acquisition	
Homag US, Inc., Grand Rapids, Michigan/USA	77.9 %	October 3, 2014	Acquisition	
Howard S. Twichell Company, Inc., Coppell, Texas/USA	77.9 %	October 3, 2014	Acquisition	
Stiles Machinery Inc., Grand Rapids, Michigan/USA	77.9 %	October 3, 2014	Acquisition	
Weeke North America, Inc., Grand Rapids, Michigan/USA	77.9 %	October 3, 2014	Acquisition	
Homag Machinery (São Paulo) Maquinas Especiais para Madeira Ltda., Taboão da Serra/Brazil	77.9 %	October 3, 2014	Acquisition	
Homag South America Ltda., Taboão da Serra/Brazil	77.9 %	October 3, 2014	Acquisition	
HA (Thailand) Co. Ltd., Bangkok/Thailand	77.9 %	October 3, 2014	Acquisition	
HA Malaysia Sdn Bhd, Puchong/Malaysia	77.9 %	October 3, 2014	Acquisition	
Homag Asia (PTE) Ltd., Singapore/Singapore	77.9 %	October 3, 2014	Acquisition	
Homag Australia Pty. Ltd., Sydney/Australia	77.9 %	October 3, 2014	Acquisition	
Homag India Private Ltd., Bangalore/India	77.9 %	October 3, 2014	Acquisition	
Homag Japan Co. Ltd., Higashiosaka/Japan	77.9 %	October 3, 2014	Acquisition	
Homag Korea Co. Ltd., Bucheon City/South Korea	42.5 %[2]	October 3, 2014	Acquisition	
Homag Machinery (Shanghai) Co. Ltd., Shanghai/P. R. China	63.3 %	October 3, 2014	Acquisition	
Homag Machinery Bangalore Pvt. Ltd., Bangalore/India	77.9 %	October 3, 2014	Acquisition	
Homag New Zealand Ltd., Auckland/New Zealand	77.9 %	December 17, 2014	Foundation	

[1] pursuant to IFRSs, direct and indirect share; for HOMAG Group entities based on a share in capital of 55,85 % in combination with a share of 22,05 % attributable via options
[2] These entities are fully consolidated due to holding the majority voting rights in HOMAG Group AG.

3.10 ADDITIONS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

Entity	Interest[1]	Effective as of	Interest acquired by	Note
Homag China Golden Field Ltd., Hong Kong/P. R. China	19.5 %	October 3, 2014	Acquisition	

[1] pursuant to IFRSs, direct and indirect share; for HOMAG Group entities based on a share in capital of 55,85 % in combination with a share of 22,05 % attributable via options

3.11 DECONSOLIDATIONS/MERGERS

Entity	Effective as of	Note
Landwehr Elfte Vermögensverwaltung GmbH, Darmstadt/Germany	May 22, 2014	Deconsolidation
Dürr Pty. Ltd., Adelaide/Australia	June 22, 2014	Deconsolidation
Ligmatech Automationssysteme GmbH, Lichtenberg im Erzgebirge/Germany	November 20, 2014	Renamed Homag Automation GmbH, Lichtenberg im Erzgebirge/Germany
Bargstedt Handlingsysteme GmbH, Hemmoor/Germany	November 20, 2014	Merged into Homag Automation GmbH, Lichtenberg im Erzgebirge/Germany

5. CURRENCY TRANSLATION

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

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

3.12 SIGNIFICANT EXCHANGE RATES

	CLOSING RATE		AVERAGE RATE	
in relation to one euro	Dec. 31, 2014	Dec. 31, 2013	2014	2013
US dollar (USD)	1.2155	1.3768	1.3217	1.3301
Chinese renminbi (CNY)	7.4373	8.3342	8.1544	8.1691
Brazilian real (BRL)	3.2301	3.2518	3.1027	2.8921
Mexican peso (MXN)	17.8638	18.0270	17.6429	17.1239
Indian rupee (INR)	76.6159	85.1004	80.7120	78.3491
Pound sterling (GBP)	0.7786	0.8328	0.8034	0.8503
Korean won (KRW)	1,324.8649	1,453.3639	1,391.4993	1,454.5862
Danish krone (DKK)	7.4452	7.4597	7.4546	7.4578
Japanese yen (JPY)	145.0300	144.5000	140.4908	130.1308
Australian dollar (AUD)	1.4810	1.5396	1.4720	1.3927
Canadian dollar (CAD)	1.4074	1.4636	1.4633	1.3767
Swiss franc (CHF)	1.2024	1.2269	1.2128	1.2290

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

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

In 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.

3.13 USEFUL LIFE OF INTANGIBLE ASSETS (ESTIMATED)

years	
Franchises, industrial rights and similar rights	2 to 14
Capitalized development costs	3 to 10
Transaction costs	5
Stiles brand name	5
Technological know-how	8
Customer relationships	8 to 10
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.

3.14 USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED)

years	
IT hardware	3 to 5
Machines and equipment	2 to 21
Furniture and fixtures	2 to 25
Buildings, inheritable building rights and leasehold improvements	4 to 50
Land	indefinite

The cost of property, plant and equipment includes major expenditures and replacements which extend useful lives or increase capacity. The historical cost of assets that are either sold or scrapped is derecognized, as is the accumulated depreciation. Any gains or losses from derecognition are determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit or loss as other operating income or expenses in the period in which the item is derecognized. Costs of 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 depreciated 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 18.

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 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 apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest over the period on the remaining balance of the lease liability. Finance charges are taken to profit or loss immediately. A liability is also established at that time for the same amount. The leased asset is depreciated over the shorter of the lease term and its estimated useful life.

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 40.

Other financial assets

The marketable securities disclosed under other financial assets include securities classified as available for sale, which are measured at market value at the end of the reporting period, and securities classified as held to maturity, which are measured at amortized cost 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 generally carried at the lower of cost or net realizable value at the end of the reporting period. As a rule, an average is used or a figure determined using the first in, first out (FIFO) method. Write-downs are recorded for obsolete and slow-moving inventories.

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

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 includes directly allocable costs (materials and labor costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

Also included in 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.

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

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

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. 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.

Costs incurred in connection with the new syndicated loan of Dürr AG are shown in the consolidated statement of financial position as other intangible assets and amortized over the term of the syndicated loan.

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 post-employment benefit systems based on 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 pension obligations are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Pension provisions are calculated taking into account development assumptions (e.g., 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 pension 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

Individual companies in the HOMAG Group, which has been part of the Dürr Group since October 3, 2014, grant their employees the option of acquiring a silent participation in the company. The participation is typically financed through the granting of loans by the company; and the loans are repaid via the profit participation rights of participating employees.

Employees that acquire silent participations are entitled to participate in the profits of the company as recognized in the financial statements prepared according to commercial law. This profit participation is partly used to repay the loan, and the remaining amount is paid out to the participating employee. Loss allocations reduce future profit allocations. Employee benefits in connection with the silent participation program qualify as employee benefits within the meaning of IAS 19. If profit allocable to an employee is paid out directly, this is treated as a short-term employee benefit. If the profit allocable to the employee is used to repay the loan used to finance the silent participation, the company recognizes another long-term employee benefit, which matures upon termination of the silent participation. This is generally the case when the employee leaves the company.

The present value of the obligations from employee profit participation is determined by taking account of biometric data based on actuarial principles. The non-current portion of the obligation is recognized within the personnel provisions; the current portion is accounted for in other liabilities.

Employee profit participation expenses are recognized as personnel expenses under the corresponding functional costs. The interest income from the issue of loans generated in connection with employee profit participation as well as changes to the obligation owing to discounting are recognized in net interest.

Other provisions

Other provisions are recorded pursuant to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and can be reliably determined. These are uncertain liabilities recognized on the basis of a best estimate of the amount needed to settle the 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 accounted for if there are adequate 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.

3.15 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) acquisition cost
Cash and cash equivalents	Nominal value
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 amount applying the projected unit credit method
Other provisions	Settlement amount
Financial liabilities	(Amortized) cost/fair value
Trade payables	(Amortized) cost
Liabilities from share-based payments	At 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 2014 and 2013 reporting periods.

3.16 EARNINGS PER SHARE

		2014	2013
Profit attributable to the shareholders of Dürr AG	€ k	149,846	140,069
Number of shares issued (weighted average)	thousands	34,601	34,601
Earnings per share (basic and diluted)	€	4.33	4.05

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.

First-time consolidation of the HOMAG Group

In October 2014, Dürr acquired 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. 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 at a fixed price. The agreement on voting rights and the option/pre-emptive rights limit the shareholder rights of the shareholder group Schuler/Klessmann. For the remaining 22.10 % of shares owned by independent shareholders, there is no limitation of the shareholder rights. As a result, these shares are not allocated to Dürr, but are instead recognized as non-controlling interests.

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, 2014 was € 397,311 thousand (prior period: € 286,971 thousand). Please refer to note 18 for further details.

Income taxes

Dürr operates in a large number of countries and is consequently subject to different tax jurisdictions. The anticipated current and deferred income taxes have to be determined for each taxable entity. Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors such as future taxable profit in the planning periods and profit actually generated in the past. Dürr uses a planning horizon of four years. The actual amounts may differ from the estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Please refer to note 17 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 € 53,702 thousand as of December 31, 2014 (prior period: € 49,762 thousand). Please refer to note 27 for further details.

Employee profit participation

The obligations from employee profit participation of the HOMAG Group are determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates and expected retirement age of employees. The non-current obligation from employee profit participation as of December 31, 2014, amounted to € 16,047 thousand.

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, 2014, was € 29,567 thousand (prior period: € 11,325 thousand).

Options for shares held by non-controlling interests

In the course of the first-time full consolidation of CPM S.p.A. in the 2007 reporting period and Thermea Energiesysteme GmbH in the 2012 reporting period, put options for the shares held by non-controlling interests were measured at fair value in accordance with IAS 32 and recognized under sundry financial liabilities. The fair value is calculated at the end of each reporting period. In the case of CPM S.p.A, this requires an estimate to be made regarding the future earnings. The higher of the business values determined using a multiplier method and a proportionate fixed price is definitive for the option relating to Thermea Energiesysteme GmbH.

As part of the purchase of Thermea Energiesysteme GmbH, a call option exercisable at any time was concluded covering additional shares held by non-controlling interests. Pursuant to IAS 39, the call option is treated as a financial asset in a similar way to a derivative based on a share in a subsidiary. The exercise price for the call option is capped. The fair value of the call option came to € 0 thousand as of December 31, 2014 (prior period: € 0 thousand). In the event that the proportionate business value of Thermea Energiesysteme GmbH exceeds the capped exercise price in the future the value of the financial asset will be adjusted through profit or loss.

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.

Assets and liabilities held for sale

Pursuant to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, 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 21 and 40) as well as for contingent liabilities and other provisions; the same applies to determining the fair value of long-lived items of property, plant and equipment and intangible assets.

NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

7. SALES REVENUES

3.17 SALES REVENUES

€ k	2014	2013
Sales revenues from construction contracts	1,833,413	1,681,816
Other sales revenues	741,494	725,057
Total sales revenues	**2,574,907**	**2,406,873**
thereof revenues from services	634,104	535,634

8. COST OF SALES

Cost of sales includes all costs of purchase and costs of conversion incurred in the sale of goods and services. In the 2014 reporting period, cost of sales amounted to € 1,983,837 thousand (prior period: € 1,919,524 thousand), which led to a gross margin of 23.0 % (prior period: 20.2 %). The exchange rate gains arising from the sales process of € 16,937 thousand (prior period: € 11,436 thousand) and exchange rate losses arising from the sales process of € 15,308 thousand (prior period: € 13,520 thousand) are included in cost of sales. Cost of sales also contains amortization, depreciation and impairment losses of non-current assets of € 30,216 thousand (prior period: € 16,336 thousand). However, cost of sales does not include any finance costs recognized on account of IAS 23 "Borrowing Costs".

Since the 2014 reporting period Dürr has, according to best industry practice, recognized amortization of capitalized development costs under cost of sales and no longer under research and development costs. Of the total amount reported as amortization, depreciation and impairment losses of non-current assets, an amount of € 4,723 thousand is attributable to capitalized development costs.

9. SELLING EXPENSES

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

3.18 SELLING EXPENSES

€ k	2014	2013
Personnel expenses	118,188	92,856
Amortization and depreciation of non-current assets	2,818	1,646
Write-downs of receivables	908	1,772
Additions to and releases of bad debt allowances on trade receivables	3,556	561
Other selling expenses	45,924	31,374
	171,394	**128,209**

For information about bad debt allowances and impairments of receivables, please refer to note 21.

10. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise personnel expenses and non-personnel expenses of the central administrative functions, which are not attributable to contract processing, production, sales or research and development.

3.19 GENERAL ADMINISTRATIVE EXPENSES

€ k	2014	2013
Personnel expenses	83,358	68,858
Amortization and depreciation of non-current assets	4,990	4,199
Other administrative expenses	44,330	36,431
	132,678	**109,488**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs include all the costs of those activities undertaken to gain new scientific or technical knowledge and understanding or 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.

3.20 RESEARCH AND DEVELOPMENT COSTS

€ k	2014	2013
Personnel expenses	35,225	20,579
Amortization and depreciation of non-current assets	3,902	5,165
Capitalized development costs	−5,522	−3,446
Other research and development costs	21,792	20,681
	55,397	**42,979**

Since the 2014 reporting period Dürr has, according to best industry practice, recognized amortization of capitalized development costs under cost of sales and no longer under research and development costs. In the prior period, of the total amount reported as amortization and depreciation of non-current assets, an amount of € 3,901 thousand is attributable to capitalized development costs.

12. PERSONNEL EXPENSES

The expense items of the statement of income contain the following personnel expenses:

3.21 PERSONNEL EXPENSES

€ k	2014	2013
Wages and salaries	534,437	436,024
Social security contributions	100,428	83,832
Total personnel expenses	**634,865**	**519,856**
thereof post-employment benefits	37,380	33,370

Personnel expenses include flat-rate reimbursements from the federal employment agency in Germany of € 8 thousand (prior period: € 142 thousand). These reimbursements were made for filling positions made vacant by individual workers released under phased retirement schemes at various German entities. In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" these reimbursements are disclosed net of the associated costs. Reference is also made to note 14.

13. OTHER OPERATING INCOME AND EXPENSES

3.22 OTHER OPERATING INCOME AND EXPENSES

€k	2014	2013
Other operating income		
Exchange rate gains	26,411	12,538
Income from the remeasurement of assets held for sale	3,045	–
Government grants	2,057	2,462
Income from litigation	1,833	2,001
Reversal of provisions	647	153
Gains on disposal of non-current assets	370	460
Rental and lease income	292	417
Adjustment of contingent purchase price installments	183	17
Insurance claims	–	88
Sundry	2,401	2,870
	37,239	**21,006**
Other operating expenses		
Exchange rate losses	27,503	13,328
Expenses from transaction costs in connection with acquisitions	6,466	38
Expenses from the write-down of assets held for sale	4,267	4,451
Expenses for other local taxes	2,416	1,883
Cost of litigation	1,739	396
Losses on disposal of non-current assets	711	199
Expenses for training facility	621	899
Incidental cost of monetary transactions	333	346
Factoring	45	242
Sundry	3,826	2,906
	47,927	**24,688**

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.

14. GOVERNMENT GRANTS

Government grants of € 2,134 thousand were received in the 2014 reporting period to subsidize expenditures of the Group (prior period: € 2,606 thousand). The grants include subsidies for cost-intensive innovations and reimbursements from the federal employment agency in Germany (see note 12).

In addition, government grants reduced the historical cost of assets by € 77 thousand (prior period: € 0 thousand). Conditions are attached to the government grants. At present it can be assumed that these conditions will be met.

15. EARNINGS FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

The profit from entities accounted for using the equity method amounted to € 1,429 thousand (prior period: € 594 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. The profit from entities accounted for using the equity method contains expenses from the impairment of the investment in Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, P. R. China, of € 349 thousand. Currency effects were recorded in other comprehensive income.

In the prior period, the investment in LaTherm GmbH, Dortmund, Germany, included in the consolidated financial statements as an associate using the equity method, was written down in full by an amount of € 452 thousand as the company had filed for insolvency. A loan granted to LaTherm GmbH of € 98 thousand was derecognized through profit or loss in the 2013 reporting period.

16. NET INTEREST

3.23 **NET INTEREST**

€k	**2014**	2013
Interest and similar income	8,686	3,788
Interest and similar expenses	– 26,356	– 22,830
of which from:		
Nominal interest expenses on corporate bonds	– 18,519	– 16,313
Amortization and impairment of transaction costs, premium from a bond issue and from syndicated loans	– 650	179
Interest expenses from finance leases	– 348	– 335
Net interest expenses from the measurement of pension obligations	– 1,515	– 1,720
Interest expenses from employee profit participation programs	– 810	–
Other interest expenses	– 4,514	– 4,641
Net interest	**– 17,670**	**– 19,042**

In the 2014 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.

17. INCOME TAXES

The income taxes relate to the German corporate income tax including a solidarity surcharge, trade tax on income and comparable taxes levied at foreign subsidiaries.

In Germany, deferred taxes are calculated using a tax rate of 28.7 % (prior period: 29.5 %).

3.24 COMPOSITION OF INCOME TAX EXPENSE

€ k	2014	2013
Current income taxes		
Income tax expense – Germany	13,261	15,634
Income tax expense – other countries	28,168	32,371
Adjustment for prior periods	– 1,588	– 1,766
Total current taxes	**39,841**	**46,239**
Deferred taxes		
Deferred tax expense – Germany	21,920	16,100
Deferred tax income – other countries	– 11,590	– 18,666
Adjustment for prior periods	4,251	–
Total deferred taxes	**14,581**	**– 2,566**
Total income tax expense	**54,422**	**43,673**

The following table shows the reconciliation of theoretical income tax expense to the total income tax expense reported. For the 2014 reporting period, 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 2014 (prior period: 13.7 %). This means that the reconciliation is based on an overall tax rate in Germany of 28.7 % (prior period: 29.5 %).

3.25 RECONCILIATION OF THE INCOME TAX EXPENSE

€ k	2014	2013
Earnings before income taxes	**204,721**	**184,579**
Theoretical income tax expense in Germany of 28.7 % (prior period: 29.5 %)	58,755	54,451
Adjustments of income taxes incurred in prior periods	2,663	– 1,766
Non-deductible operating expenses and withholding taxes	11,742	7,252
Foreign tax rate differential	– 5,925	– 1,904
Unrecognized deferred tax assets especially on unused tax losses	1,861	3,607
Tax losses used for which no deferred tax assets were recognized	– 420	– 4,968
Change in tax rates	– 4,660	72
Change in write-downs on deferred tax assets	1,598	– 3,208
Subsequent recognition of deferred taxes in particular on unused tax losses	– 9,510	– 8,700
Zero-rated income	– 698	– 1,013
Other	– 984	– 150
Total income tax expense of the Dürr Group	**54,422**	**43,673**

As of the date of the acquisition of the shares in HOMAG Group AG, the unused interest and tax losses of the HOMAG Group amounted to € 101,464 thousand. Under current German law, unused tax losses are forfeited in full during a change in ownership if more than 50 % of the shares are transferred to an acquiree, unless the unused tax losses can be covered by hidden reserves. Furthermore, in several jurisdictions outside Germany, unused tax losses may be forfeited in the event of an indirect change in ownership. Through the acquisition of 55.85 % of the shares in HOMAG Group AG by Dürr Technologies GmbH, this means that unused tax losses totaling € 42,253 thousand are affected by the forfeiture and are therefore no longer recognized as unused tax losses.

In Germany, unused tax losses for corporate income tax purposes plus the solidarity surcharge amounted to € 40,282 thousand as of December 31, 2014 (prior period: € 34,031 thousand). Unused tax losses for trade tax purposes amount to € 37,740 thousand (prior period: € 42,567 thousand) and deductible interest expenses carried forward amount to € 8,680 thousand (prior period: € 0 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 (€ 7,005 thousand) were recognized in the US on account of an improved earnings situation.

In sum, unused tax losses amounted to € 161,833 thousand (prior period: € 166,684 thousand) as of December 31, 2014. There were also unused tax losses of € 19,578 thousand (prior period: € 19,601 thousand) which are recognized as assets held for sale and for which no deferred tax assets are recognized. Unused tax losses for which no deferred tax assets were recognized came to € 64,524 thousand (prior period: € 103,620 thousand). The decrease was primarily due to unused tax losses subsequently capitalized in other countries as well as increased use of existing unused tax losses in Germany and other countries. Unused tax losses of € 979 thousand (prior period: € 836 thousand) will lapse within the next five years and € 49,629 thousand (prior period: € 70,648 thousand) within the next 20 years. At present, the remaining unused tax losses do not lapse.

3.26 DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
€ k	**Dec. 31, 2014**	Dec. 31, 2013	**2014**	2013
Deferred tax assets				
Accounting for intangible assets	3,935	1,449	2,486	704
Remeasurement of land and buildings	1,165	372	793	– 218
Remeasurement of financial assets	–	–	–	66
Bad debt allowances	1,554	359	1,195	– 21
Interest/currency transactions	4,268	57	1,879	297
Customer-specific construction contracts and inventories	20,407	17,983	2,424	194
Other assets and other liabilities	11,977	8,210	3,767	–
Post-employment benefits	8,085	5,652	– 1,761	910
Provisions not recognized for tax purposes	8,618	3,816	4,802	373
Interest and tax loss carryforwards	36,279	21,630	14,649	1,494
Total deferred tax assets before write-downs	**96,288**	**59,528**		
Write-downs	– 21,847	– 5,955	– 15,892	– 3,208
Total deferred tax assets	**74,441**	**53,573**		
Netting	– 33,411	– 29,886		
Net deferred tax assets	**41,030**	**23,687**		
Deferred tax liabilities				
Accounting for intangible assets	– 12,365	– 2,689	– 9,676	– 435
Capitalized development costs	– 38,455	– 3,103	– 35,352	346
Tax-deductible impairment of goodwill	– 15,444	– 14,337	– 1,107	50
Remeasurement of land and buildings	– 24,119	– 10,344	– 13,775	– 344
Measurement of shares in subsidiaries	– 12,943	– 6,144	– 6,799	802
Customer-specific construction contracts and inventories	– 46,328	– 35,181	– 11,147	– 2,385
Other assets and other liabilities	– 8,849	–	– 8,849	–
Amortization of costs related to bonds and syndicated loans	– 804	– 334	– 470	– 171
Total deferred tax liabilities	**– 159,307**	**– 72,132**		
Netting	33,411	29,886		
Net deferred tax liabilities	**– 125,896**	**– 42,246**		
Adjustment effect from first-time consolidation, primarily from the HOMAG Group			60,093	–
Currency translation reserve (OCI)			– 1,841	– 1,020
Deferred income tax expense			**– 14,581**	**– 2,566**

The currency effects of € – 1,841 thousand (prior period: € – 1,020 thousand) account for the clerical differences compared to deferred taxes recorded in the statement of income.

In the 2014 reporting period, deferred taxes of € 6,526 thousand were recognized in other comprehensive income (prior period: € – 199 thousand).

The first-time consolidation of the HOMAG Group and other entities resulted in a reconciliation item for deferred taxes of € 60,093 thousand for the 2014 reporting 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 € 318,275 thousand (prior period: € 111,954 thousand) as it is intended to reinvest these profits for an indefinite period.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details regarding the changes in the Group's intangible assets and property, plant and equipment are presented in the statement of changes in non-current assets in note 43.

Brand names, which have an indefinite term and are recognized under intangible assets, amounted to € 58,512 thousand (prior period: € 2,719 thousand). Dürr intends to continue using these brand names in future.

Dürr expects the Stiles brand name to have a limited useful life. However, the Stiles brand name has an excellent reputation on the US market. There are therefore no plans to discontinue this brand name in the short term. As a result, the useful life was cautiously estimated at five years for accounting purposes. The brand name had a carrying amount of € 498 thousand as of December 31, 2014.

Prepayments for intangible assets mainly contain capital expenditure on software products for the HOMAG Group's large-scale IT project ProFuture. The expected useful life for the project is five years.

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, 2014, there were contractual obligations for the purchase of property, plant and equipment for € 2,230 thousand (prior period: € 1,413 thousand). Most of these obligations relate to the modernization of European locations.

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

3.27 **AMORTIZATION AND DEPRECIATION**

	2014			2013		
€k	**Intangible assets**	**Property, plant and equipment**	**Total amortization and depreciation**	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	– 14,891	– 14,895	– 29,786	– 6,350	– 9,986	– 16,336
Selling expenses	– 1,041	– 1,777	– 2,818	– 464	– 1,182	– 1,646
General administrative expenses	– 1,208	– 3,782	– 4,990	– 1,228	– 2,971	– 4,199
Research and development costs	– 1,539	– 2,363	– 3,902	– 4,209	– 956	– 5,165
Other operating expenses	– 2	– 38	– 40	–	– 33	– 33
Interest and similar expenses	– 245	–	– 245	–	–	–
	– 18,926	**– 22,855**	**– 41,781**	**– 12,251**	**– 15,128**	**– 27,379**

Impairment losses

Impairment losses relate 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.

Due to further technical developments and changes in production processes, an asset recognized under capitalized development costs is no longer competitive and can only be used for special customer-specific applications. Therefore an impairment loss of € 395 thousand was recognized.

Under property, plant and equipment, a component of a prototype was found to be non-functional during construction. For this reason, an impairment loss of € 160 thousand was recognized on this component. Likewise, a demonstration unit which has meanwhile become technically obsolete was written down to its fair value.

Impairment test for goodwill

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. Dürr has defined the business activities within its divisions as cash-generating units. The business activities are Paint and Final Assembly Systems, Application Technology, Balancing and Assembly Products, Cleaning and Surface Processing, Clean Technology Systems and Woodworking Machinery and Systems as well as, until the fourth quarter of 2014, Aircraft and Technology 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 7.45 % to 7.58 % in the 2014 reporting period (prior period: 8.78 % to 9.02 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (prior period: 1.5 %) based on the long-term growth rate of the business activities.

Basically, 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 anticipated price and cost developments as well as efficiency increases into account.

Cost of capital (discount rate)

The cost of capital is the weighted average cost of debt and equity before taxes. When calculating the cost of equity, a beta factor is taken into account, which is derived from capital market data and the capital structure of Dürr's benchmark companies. Cost of debt is based on a base interest rate for government bonds and a mark-up derived from the credit rating of benchmark companies.

Increase in the price of raw materials

The increase in the price of upstream products and raw materials purchased by Dürr is 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 payroll costs In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.9 % p.a. from 2015 onwards (prior period: 2.6 % 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 2015 (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 1.0 %

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.

3.28 DEVELOPMENT OF GOODWILL

€k	Carrying amount as of Jan. 1, 2013	Exchange difference	Additions	Reclassification to held for sale	Carrying amount as of Dec. 31, 2013	Exchange difference	Additions	Reclassification to held for sale	Reclassification	Carrying amount as of Dec. 31, 2014
Paint and Final Assembly Systems	89,700	–892	–	–	88,808	1,722	1,032	–	2,161	93,723
Aircraft and Technology Systems	7,563	–	–	–	7,563	–	–	–5,402	–2,161	–
Paint and Final Assembly Systems	**97,263**	**–892**	**–**	**–**	**96,371**	**1,722**	**1,032**	**–5,402**	**–**	**93,723**
Application Technology	62,518	–350	–	–	62,168	454	3,141	–	–	65,763
Application Technology	**62,518**	**–350**	**–**	**–**	**62,168**	**454**	**3,141**	**–**	**–**	**65,763**
Balancing and Assembly Products	100,534	–375	–	–	100,159	1,133	–	–	–	101,292
Cleaning and Surface Processing	17,670	–597	–	–819	16,254	1,715	–	–	–	17,969
Measuring and Process Systems	**118,204**	**–972**	**–**	**–819**	**116,413**	**2,848**	**–**	**–**	**–**	**119,261**
Clean Technology Systems	10,174	–232	2,077	–	12,019	699	–	–	–	12,718
Clean Technology Systems	**10,174**	**–232**	**2,077**	**–**	**12,019**	**699**	**–**	**–**	**–**	**12,718**
Woodworking Machinery and Systems	–	–	–	–	–	127	105,719	–	–	105,846
Woodworking Machinery and Systems	**–**	**–**	**–**	**–**	**–**	**127**	**105,719**	**–**	**–**	**105,846**
Dürr Group	**288,159**	**–2,446**	**2,077**	**–819**	**286,971**	**5,850**	**109,892**	**–5,402**	**–**	**397,311**

The Woodworking Machinery and Systems division was founded in October 2014 and comprises the activities of the HOMAG Group. Until the fourth quarter of 2014, the Paint and Final Assembly Systems division was named Paint and Assembly Systems. The division was renamed after the activities in the area of aircraft assembly technology were spun off from this division and transferred to the Broetje Group.

Following the transfer of the remaining consulting activities from the Aircraft and Technology Systems business activities to the Paint and Final Assembly Systems business activities, goodwill of € 2,161 thousand was reclassified.

The decrease in goodwill from the reclassification to assets held for sale is attributable to the aircraft assembly technology business activities that were sold. The change in goodwill from additions is explained below.

Acquisitions

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 IFRS 3, Dürr has 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 group's customers are from the areas of furniture production, structural element production and wooden house construction. The acquisition has 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 including 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.

3.29 PURCHASE PRICE – HOMAG GROUP

€ k	
Fair value of the shares of HOMAG Group AG	409,127
of which attributable to non-controlling interests	– 94,592
Purchase price of the shares of HOMAG Group AG	**314,535**

The measurement of the portion of fair value attributable to non-controlling interests is 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 are as follows:

3.30 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 of non-controlling interests	9,758
Goodwill	**105,719**

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. Goodwill is not tax deductible and was allocated to the Woodworking Machinery and Systems division.

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

3.31 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
Net assets	**173,556**	**139,610**	**313,166**

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, 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.

3.32 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
	130,672

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:

3.33 EARNINGS CONTRIBUTION BY THE HOMAG GROUP FROM THE DATE OF FIRST-TIME CONSOLIDATION

€ k	
Sales revenues	252,815
Earnings after taxes	– 9,731

Earnings after taxes includes the effects from the subsequent measurement of the hidden reserves and liabilities 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.

3.34 PRO FORMA STATEMENT OF INCOME FOR THE 2014 REPORTING PERIOD

€ k	2014
Sales revenues	3,236,786
Cost of sales	– 2,441,683
Gross profit on sales	**795,103**
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
Earnings before investment income, interest and income taxes	**237,422**
Profit from entities accounted for using the equity method	2,050
Other investment income	49
Net interest	– 23,977
Earnings before income taxes	**215,544**
Income taxes	– 53,687
Profit of the Dürr Group	**161,857**

Other acquisitions

To strengthen its presence in the southeast Asian growth market, Dürr acquired the activities of two entities in Malaysia and Indonesia. In an asset deal, assets were transferred to Durr Systems (Malaysia) Sdn. Bhd. based in Kuala Lumpur, Malaysia, which was founded on March 10, 2014. Effective July 14, 2014, Dürr acquired 100 % of the shares of PT Durr Systems Indonesia based in Jakarta, Indonesia.

To expand the product range of the Application Technology division, Dürr acquired on June 17, 2014, 100 % of the shares in Bersch & Fratscher GmbH based in Karlstein am Main, Germany, (renamed Dürr Systems Karlstein GmbH after the acquisition) and on June 25, 2014, 100 % of the shares in EST+ a.s. based in Ledeč nad Sázavou, Czech Republic (renamed Dürr Systems Czech Republic a.s. after the acquisition). The two entities offer spray guns for manual paint application, pumps and accessories as well as smaller painting and drying systems, and serve a broad range of industries in the general industry sector.

On June 23, 2014, Dürr acquired by shell company purchase 100 % of the shares in Kronen zweitausend25 GmbH based in Stuttgart, Germany. Following the acquisition, the entity was renamed Dürr Technologies GmbH.

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 € 12,322 thousand and was settled in cash. The acquisition-related costs came to € 427 thousand, of which € 411 thousand was expensed in the 2014 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	12,322
Fair value of net assets	– 8,149
Goodwill	**4,173**

Of goodwill, € 1,032 thousand reflects synergies in the area of sales and earnings prospects in the southeast Asian growth market and was allocated to the Paint and Final Assembly Systems division. The other € 3,141 thousand reflects synergies in the areas of research and development, procurement and sales for paint and sealant application technology and the earnings prospects of Dürr Systems Karlstein GmbH and Dürr Systems Czech Republic a.s. and was allocated to the Application Technology division. The goodwill is not tax-deductible.

The purchase prices were 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	13	1,781	1,794
Property, plant and equipment	738	3,437	4,175
Deferred tax assets	–	397	397
Inventories and prepayments	2,494	– 50	2,444
Receivables and other assets	1,106	– 270	836
Cash and cash equivalents	643	–	643
Non-current liabilities	– 26	–	– 26
Deferred tax liabilities	– 8	– 674	– 682
Current liabilities	– 1,041	– 391	– 1,432
Net assets	**3,919**	**4,230**	**8,149**

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, patents and customer relationships were recognized in the purchase price allocation. Furthermore, two 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	250
Patents	230
Customer relationships	1,295
Other intangible assets	6
	1,781

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 fair value of the acquired patents was based on an external appraisal.

The earnings contributed by the first-time consolidated companies as of the date of first-time consolidation until December 31, 2014, are summarized as follows:

3.38 EARNINGS CONTRIBUTION BY OTHER ACQUISITIONS FROM THE DATE OF FIRST-TIME CONSOLIDATION

€ k	
Sales revenues	6,263
Earnings after taxes	– 2,262

Earnings after taxes contains the effects attributable to the 2014 reporting period from identifying hidden reserves and liabilities in the purchase price allocation.

Had the acquired entities been included in the consolidated group as of January 1, 2014, group sales revenues for the 2014 reporting period would have amounted to € 2,578,789 thousand and the Dürr Group's profit for the period would have been € 150,428 thousand.

Land and buildings

In addition to acquiring various buildings and plots of land in the course of the acquisitions, Dürr acquired several properties in the 2014 reporting period to expand its production capacities, including at the Bietigheim-Bissingen and Püttlingen locations in Germany. In Poland, a production hall that was previously rented was purchased. In the prior period, various buildings constructed to expand capacity were completed. A further plot of land with buildings was acquired in Bietigheim-Bissingen. At the Rheineck location in Switzerland an additional building was constructed, again in order to expand capacity. Likewise, a plot of developed land was acquired in Port Elizabeth in South Africa which offers more space than the previous location.

In the prior period, two developed plots of land in the US and France were classified as held for sale and reclassified as current assets. The developed plot of land in the US was sold in the 2014 reporting period. In the course of the acquisitions, a property in Germany classified as held for sale was acquired.

On December 31, 2014, a building in the UK and a heating water distribution grid in Germany as well as a building in Italy 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 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.

3.39 PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS

€ k	Dec. 31, 2014	Dec. 31, 2013
Historical cost	10,076	6,258
Accumulated depreciation and impairment losses	−3,268	−2,770
Net carrying amount	**6,808**	**3,488**

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 more than 90 % of it is let to third parties. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt, Germany. In the 2014 reporting period, these properties generated rental income of € 3,337 thousand (prior period: € 3,449 thousand). The future rental income based on the existing agreements breaks down as follows:

3.40 FUTURE RENTAL INCOME

€ k	Dec. 31, 2014	Dec. 31, 2013
Less than one year	3,296	3,169
Between one and five years	5,512	5,253
More than five years	1,376	1,856
	10,184	**10,278**

Directly attributable expenditure amounted to € 1,587 thousand (prior period: € 1,754 thousand). Of this amount, € 164 thousand (prior period: € 86 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 2014 reporting period, the composition of these properties changed slightly on account of changes to own and third-party use. The fair value came to € 31,070 thousand as of December 31, 2014, taking into account additions due to subsequent expenditure (prior period: € 30,810 thousand) and is allocated to level 3 in the fair value hierarchy (for more information on the fair-value hierarchy levels please see note 34). 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 € 42,375 thousand as of January 1, 2014, and € 42,845 thousand as of December 31, 2014. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 20,130 thousand as of January 1, 2014, to € 21,244 thousand as of December 31, 2014.

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.

3.41 **INVESTMENT PROPERTY**

€ k	2014	2013
As of January 1	**22,245**	**23,178**
Additions of buildings from change in use	390	–
Additions from subsequent expenditure	128	243
Disposals from change in use	–	– 584
Disposal from acquisition costs	– 48	– 80
Depreciation	– 850	– 887
Change in depreciation from change in use	– 304	299
Disposals from accumulated depreciation and impairment losses	40	76
As of December 31	**21,601**	**22,245**

19. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

Investments in entities accounted for using the equity method

In the course of the acquisition of the HOMAG Group, Dürr acquired 19.5 % of the shares in the associate Homag China Golden Field Ltd. based in Hong Kong, P. R. China, with a carrying amount of € 11,308 thousand.

Effective October 12, 2013, 49 % of the shares in Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai, P. R. China, were acquired. The entity is recognized as an associate under "Investments in entities accounted for using the equity method". In the 2014 reporting period, these shares were written down by € 349 thousand.

The investment in LaTherm GmbH, Dortmund, Germany, included in the consolidated financial statements as an associate using the equity method, was written down in full in the prior period as the company had filed for insolvency.

Significant associates

Homag China Golden Field Ltd.

The entity Homag China Golden Field Ltd. is based in Hong Kong, P. R. China, and is a sales and service company which sells the products of manufacturing companies of the HOMAG Group and is responsible for ensuring a functioning service organization and for working the Chinese market.

3.42 CONDENSED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

€ k	Dec. 31, 2014
Non-current assets	6,729
Current assets	75,425
Non-current liabilities	–
Current liabilities	63,675
Equity	18,479
Carrying amount of the investment	11,067
Shares attributable to Dürr (pursuant to IFRSs, direct and indirect share)	19.5 %

3.43 FURTHER FINANCIAL INFORMATION FOR THE 2014 REPORTING PERIOD

€ k	2014
Sales revenues	123,594
Earnings after income taxes	1,814
Dividends received	–

The associate had no contingent liabilities as of December 31, 2014. There are no restrictions with respect to dividend distributions. Sales revenue and earnings after income taxes are reported for the entire reporting period.

3.44 AGGREGATED DISCLOSURES ON THE OTHER ASSOCIATES

€ k	2014	2013
Carrying amount of the investment in the other associates (as of Dec. 31)	13,520	11,699
Earnings after income taxes	3,624	2,759

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

3.45 OTHER FINANCIAL ASSETS

€ k	Dec. 31, 2014	Dec. 31, 2013
Other investments	15,588	2,456
Securities classified as non-current assets	25,698	27,711
Other loans	568	451
	41,854	**30,618**

The increase in other investments is primarily attributable to the acquisition of 11 % of the shares in Tec4Aero GmbH based in Wiefelstede, Germany, with a carrying amount of € 12,360 thousand 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 € 25,313 thousand (prior period: € 27,355 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.

20. INVENTORIES AND PREPAYMENTS

3.46 INVENTORIES AND PREPAYMENTS

€k	Dec. 31, 2014	Dec. 31, 2013
Materials and supplies	151,922	85,555
less write-downs	– 13,331	– 11,723
Work in process from small series production	83,058	34,395
less write-downs	– 2,297	– 1,184
Finished goods and merchandise	115,170	12,696
less write-downs	– 14,129	– 3,428
Prepayments	44,453	31,703
	364,846	**148,014**

Materials and supplies of € 142,601 thousand (prior period: € 76,699 thousand) were measured at average cost and € 9,321 thousand (prior period: € 8,856 thousand) using the FIFO method (first in, first out). On aggregate, write-downs on inventories increased to € 29,757 thousand (prior period: € 16,335 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the 2014 reporting period of € 14,450 thousand (prior period: € 4,976 thousand) were recognized in profit or loss.

21. TRADE RECEIVABLES

3.47 TRADE RECEIVABLES

	DEC. 31, 2014			DEC. 31, 2013		
€k	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	366,308	366,308	–	357,129	357,129	–
Trade receivables due from third parties	479,493	477,734	1,759	318,544	318,443	101
Trade receivables due from entities accounted for using the equity method	5,401	5,401	–	21	21	–
	851,202	**849,443**	**1,759**	**675,694**	**675,593**	**101**

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

3.48 AGEING ANALYSIS OF TRADE RECEIVABLES

	Costs and estimated earnings in excess of billings		Trade receivables due from third parties		Trade receivables due from entities accounted for using the equity method	
€ k	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Neither past due nor impaired at the end of the reporting period	366,308	357,129	350,751	237,139	5,055	21
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	80,711	50,350	248	–
between 3 and 6 months	–	–	18,288	16,053	58	–
between 6 and 9 months	–	–	11,622	4,156	33	–
between 9 and 12 months	–	–	3,246	1,526	2	–
more than 12 months	–	–	12,940	8,671	5	–
Total	–	–	126,807	80,756	346	–
Net receivables on which specific bad debt allowances have been recognized	–	–	1,935	649	–	–
Net carrying amount	**366,308**	**357,129**	**479,493**	**318,544**	**5,401**	**21**

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:

3.49 CHANGES IN BAD DEBT ALLOWANCES

€ k	2014	2013
As of January 1	**5,613**	**7,185**
Exchange difference	133	– 39
Utilization	– 438	– 1,737
Reversal	– 711	– 1,403
Increases (impairment charge)	4,267	1,964
Reclassification to held for sale	33	– 357
As of December 31	**8,897**	**5,613**

Receivables of € 908 thousand (prior period: € 1,772 thousand) were derecognized in the 2014 reporting period; € 438 thousand (prior period: € 1,737 thousand) thereof had already been written down in the prior period. The remaining € 470 thousand (prior period: € 35 thousand) was derecognized through profit or loss in the 2014 reporting period.

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

	DEC. 31, 2014			DEC. 31, 2013		
€k	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs incurred including earnings	1,550,124	1,550,124	–	1,583,275	1,583,275	–
Less billings	1,183,816	1,183,816	–	1,226,146	1,226,146	–
Costs and estimated earnings in excess of billings	**366,308**	**366,308**	**–**	**357,129**	**357,129**	**–**
Liabilities						
Costs incurred including earnings	1,695,009	1,695,009	–	1,202,914	1,202,914	–
Less billings	2,370,218	2,366,316	3,902	1,774,489	1,774,489	–
Billings in excess of costs on uncompleted contracts	**675,209**	**671,307**	**3,902**	**571,575**	**571,575**	**–**
Total						
Costs incurred including earnings	3,245,133	3,245,133	–	2,786,189	2,786,189	–
Less billings	3,554,034	3,550,132	3,902	3,000,635	3,000,635	–
Billings in excess of cost on uncompleted contracts	**308,901**	**304,999**	**3,902**	**214,446**	**214,446**	**–**

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.

22. SUNDRY FINANCIAL ASSETS

3.51 SUNDRY FINANCIAL ASSETS

	DEC. 31, 2014			DEC. 31, 2013		
€k	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	3,099	3,009	90	3,037	2,701	336
Rent deposits and other collateral provided	6,909	3,135	3,774	5,557	2,868	2,689
Time deposits	29,419	29,419	–	51,300	51,300	–
Held-for-trading financial assets	5,350	5,350	–	10,052	10,052	–
Remaining sundry financial assets	15,513	12,693	2,820	8,255	7,276	979
	60,290	**53,606**	**6,684**	**78,201**	**74,197**	**4,004**

Remaining sundry financial assets include balances at suppliers of € 3,083 thousand (prior period: € 3,710 thousand) and receivables from employees totaling € 1,827 thousand (prior period: € 1,861 thousand).

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

With regard to sundry financial assets, no assets were past due or impaired (prior period: € 71 thousand) as of the reporting date. There is no indication that the debtors will not be able to meet their payment obligations.

23. OTHER ASSETS

3.52 OTHER ASSETS

€k	Dec. 31, 2014 Total	Dec. 31, 2014 Current	Dec. 31, 2014 Non-current	Dec. 31, 2013 Total	Dec. 31, 2013 Current	Dec. 31, 2013 Non-current
Tax refund claims without income taxes	37,921	34,879	3,042	18,957	18,759	198
Sundry other assets	1,940	1,940	–	–	–	–
	39,861	**36,819**	**3,042**	**18,957**	**18,759**	**198**

Of the gross amount of tax reimbursement claims excluding income taxes of € 37,942 thousand (prior period: € 18,978 thousand), € 21 thousand (prior period: € 21 thousand) was written down.

24. ASSETS HELD FOR SALE AND RELATED LIABILITIES

On August 1, 2014, the Board of Management resolved to transfer the aircraft assembly technology business activity in Germany and the US to the Broetje Group and, in return, to acquire an interest in the Broetje Group. This creates growth opportunities that would not have been available to Dürr alone. Assets and the related liabilities were classified as held for sale as of this date and accounted for at the lower of their carrying amount and fair value less costs to sell or at their carrying amount. Effective December 12, 2014, the aircraft assembly technology business activity was sold. At the same time, Dürr received an 11 % investment in Tec4Aero GmbH based in Wiefelstede, Germany, of € 12,360 thousand. The net disposal proceeds amounted to € 2,779 thousand and are contained in the statement of income as other operating income. Assets and liabilities sold were allocated to the Paint and Final Assembly 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 since December 20, 2013, 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.

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. Dürr expects these items of property, plant and equipment to be sold in the 2015 reporting period. As of December 31, 2014, these assets classified as held for sale were allocated to the Woodworking Machinery and Systems division.

In the prior period, assets held for sale also contained a plot of land with buildings in the US. Both had previously been identified in a review of the real estate portfolio as real estate not needed for operating purposes. The land and buildings were 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 period, which was recognized as other operating income. The net disposal proceeds amounted to € 1,276 thousand. The assets sold were allocated to the Measuring and Process Systems division.

3.53 ASSETS AND LIABILITIES HELD FOR SALE

€ k	Dec. 31, 2014	Dec. 31, 2013
Intangible assets	–	–
Property, plant and equipment	3,347	3,078
Inventories and prepayments	822	709
Receivables and other assets	4,409	10,795
Cash and cash equivalents	–	–
Non-current liabilities	– 1,823	– 1,886
Current liabilities	– 4,776	– 6,369
Net assets	**1,979**	**6,327**

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

25. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

Subscribed capital (Dürr AG)

As of December 31, 2014, 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 outstanding were fully paid in at the end of the reporting period.

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

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

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

Authorized capital (Dürr AG)

The annual general meeting on April 30, 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, 2014 (prior period: € 155,896 thousand). In the prior period, capital reserves of € 44,290 thousand were converted into subscribed capital in a capital increase from company funds. The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG [“Aktiengesetz”: German Stock Corporations Act].

Revenue reserves

Revenue reserves contain the profits generated in the past by the entities included in the consolidated financial statements that have not been distributed. They totaled € 414,567 thousand as of December 31, 2014 (prior period: € 317,059 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 2013 reporting period. In accordance with Sec. 268 No. 8 HGB, an amount of € 1,455 thousand (prior period: € 1,266 thousand) of the revenue reserves is subject to restrictions on distribution because assets were recognized at fair value in the separate financial statements of Dürr AG prepared in accordance with the BilMoG [“Bilanzrechtsmodernisierungsgesetz”: German Accounting Law Modernization Act].

Dividends

In accordance with the AktG, the distribution of dividends 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 2014 reporting period, Dürr AG distributed a dividend to its shareholders of € 1.45 per share from the net retained profit recorded in 2013 (prior period: € 2.25 based on 17,300,520 shares). The total amount distributed came to € 50,172 thousand (prior period: € 38,926 thousand). On account of the results of operations in the 2014 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 € 1.65 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”.

3.54 **OTHER COMPREHENSIVE INCOME**

	2014			2013		
€k	**Before taxes**	**Tax effect**	**Net**	Before taxes	Tax effect	Net
Items that are not reclassified to profit or loss						
Remeasurement of defined benefit plans and similar obligations	–15,153	4,194	–10,959	1,990	–471	1,519
Items that may be reclassified to profit or loss						
Net gains/losses from derivatives used to hedge cash flows	–7,883	2,339	–5,544	–1,074	274	–800
Gains/losses from the change in fair value of securities held for sale	29	–7	22	9	–2	7
Reclassifications from currency translation through profit and loss	–4	–	–4	–	–	–
Difference arising from currency translation	30,840	–	30,840	–11,387	–	–11,387
Difference arising from currency translation of entities accounted for using the equity method	136	–	136	–2,690	–	–2,690
Change in other comprehensive income	**7,965**	**6,526**	**14,491**	**–13,152**	**–199**	**–13,351**

The increase in currency-related components of other comprehensive income is essentially attributable to the fluctuation of the euro against the US dollar and the Chinese renminbi.

The change in other comprehensive income arising from the remeasurement of benefit obligations contains € 821 thousand (prior period: € –477 thousand) from the asset ceiling. For additional information, please refer to note 27.

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 –30.1 % (prior period: –121.5 %), the ratio at the end of the 2014 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.

3.55 GEARING RATIO

€ k	Dec. 31, 2014	Dec. 31, 2013
Cash and cash equivalents	– 521,957	– 458,513
Time deposits and other short-term securities	– 34,769	– 61,352
Held-to-maturity securities and other loans	– 25,881	– 27,806
Bond	296,388	225,200
Liabilities to banks	118,414	41,932
Net financial debt	**– 167,805**	**– 280,539**
Equity	725,768	511,374
Net financial debt	– 167,805	– 280,539
Equity and net financial debt	**557,963**	**230,835**
Net financial debt	– 167,805	– 280,539
Equity and net financial debt	557,963	230,835
Gearing ratio	**– 30.1 %**	**– 121.5 %**

26. 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 51 entities (prior period: eight) in which there were non-controlling interests.

The financial information on subsidiaries with significant non-controlling interests breaks down as follows:

3.56 SHARES IN HOMAG GROUP AG

%	Dec. 31, 2014
Share in capital	55.85
Shares attributable to Dürr via options	22.05
Shares attributable to Dürr	**77.90**

3.57 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

3.58 FURTHER FINANCIAL INFORMATION FOR THE 2014 REPORTING PERIOD

€ k	HOMAG Group
Sales revenues	914,758
Earnings after income taxes	20,380
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, other comprehensive income, total comprehensive income and cash flow 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 liabilities in the purchase price allocation.

In accordance with IAS 32 "Financial Instruments: Presentation", the options held by non-controlling interests were measured at fair value. The options are recognized under sundry financial liabilities.

27. 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 € 826 thousand (prior period: € 856 thousand) as an expense. In addition, Dürr paid contributions of € 26,073 thousand (prior period: € 19,299 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 2014 reporting period, pension expenses for these employees amounted to € 3,056 thousand (prior period: € 2,842 thousand). Payments for other defined contribution plans, including state pension systems, amounted to € 6,657 thousand (prior period: € 7,270 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 2014 reporting period, expenses came to € 1,150 thousand (prior period: € 666 thousand).

Defined benefit plans

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

At the German Dürr subsidiaries, those workers who were employed at the location in Filderstadt and at the Schenck entities at the time their entities were acquired are 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.

In connection with the acquisition of Luft- und Thermotechnik Bayreuth GmbH, Dürr acquired the pension obligations of those employed at the company as of the acquisition date. Since 2013, Dürr has been building up defined benefit obligations from existing pension obligations by taking into account obligations in the course of first-time consolidation as well as the further actuarial valuation of the obligations in the future. The pension obligations at Luft- und Thermotechnik Bayreuth GmbH provide for an annual fixed pension upon reaching retirement age, which is reduced proportionately if an employee leaves the company prior to reaching retirement age.

At the HOMAG Group there are pension provisions for obligations from future and current post-employment benefits to current and former employees of the HOMAG Group 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.

Employees of Dürr's German subsidiaries are offered deferred compensation. Under these plans, Dürr employees are entitled to convert certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligation, Dürr has taken out employer's pension liability insurance for the life of the beneficiaries. Dürr has the exclusive right to the respective benefits. 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, with actuarial gains and losses potentially giving rise to a surplus or deficit.

One US subsidiary of Dürr has a pension plan covering all non-union employees at that subsidiary. Future pension payments are 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, 2014, unfunded obligations from the plan amounted to € 23,498 thousand (prior period: € 24,625 thousand). For 2015, Dürr expects contributions of € 1,420 thousand (prior period: € 1,254 thousand) to be made into the pension plan.

Risk management

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees as well as their surviving dependents. Pension plans vary according to local legal, tax and economic conditions and are usually based on employees' length of service as well as their remuneration. In the 2014 reporting period, there were obligations in place for 2,290 eligible persons: 1,690 active employees, 129 former employees with vested rights as well as 471 retired employees and surviving dependents.

The defined benefit plans are largely financed via internal 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 assesses all global pension 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 risk and the pension plans have been restructured in such a way that consideration is primarily based on deferred compensation.

Effective March 1, 2014, 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 pension plans

3.59 CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€ k	Dec. 31, 2014	Dec. 31, 2013
Defined benefit obligation at the beginning of the year	88,475	92,359
Exchange difference	1,323	– 515
Current service cost	2,625	2,117
Past service cost	9	224
Interest cost	3,163	3,012
Remeasurement of the defined benefit obligations	20,075	– 2,706
thereof actuarial gains and losses from changes in demographic assumptions	205	– 99
thereof actuarial gains and losses from changes in financial assumptions	18,055	– 2,899
thereof experience adjustments	1,815	292
Contributions by plan participants	689	845
Benefits paid	– 5,657	– 5,278
Settlements	– 154	– 111
Changes in the consolidated group	4,276	8
Reclassification to held for sale	– 414	– 1,302
Other	68	– 178
Defined benefit obligation at the end of the year	**114,478**	**88,475**

3.60 CHANGES IN PLAN ASSETS

€ k	Dec. 31, 2014	Dec. 31, 2013
Fair value of plan assets at the beginning of the year	41,241	40,894
Exchange difference	965	– 357
Interest income	1,691	1,328
Remeasurement of plan assets	4,100	– 239
thereof actuarial gains and losses from changes in financial assumptions	3,778	– 483
thereof experience adjustments	322	244
Employer contributions	15,601	1,123
Contributions by plan participants	1,342	1,340
Benefits paid	– 3,385	– 2,819
Settlements	– 73	– 108
Changes in the consolidated group	1,144	–
Reclassification to held for sale	– 118	–
Other	18	79
Fair value of plan assets at the end of the year	**62,526**	**41,241**
Effect of asset ceiling	– 1,750	– 2,528
Plan assets taking account of the asset ceiling	**60,776**	**38,713**
Funded status[1]	53,702	49,762

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.61 FUNDED STATUS

€ k	Dec. 31, 2014	Dec. 31, 2013
Present value of funded obligations	108,049	78,765
Plan assets taking account of the asset ceiling	60,776	38,713
Defined benefit obligation in excess of plan assets	**47,273**	**40,052**
Present value of non-funded benefit obligations	6,429	9,710
Funded status[1]	**53,702**	**49,762**

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.62 ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED BY ACCOUNTING FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

€ k	Dec. 31, 2014	Dec. 31, 2013
Provisions for post-employment benefit obligations	53,702	49,762
Other comprehensive income (including differences from currency translation)	−49,203	−30,877

At the end of the reporting period, the fair value of plan assets breaks down as follows:

3.63 COMPOSITION OF PLAN ASSETS

€ k	Dec. 31, 2014	Dec. 31, 2013
Employer’s pension liability insurance	50,669	30,797
Fixed-interest securities	10,390	9,247
Shares	575	378
Real estate	424	413
Other	468	406
	62,526	**41,241**

The plan assets of the German entities mainly consist of employer’s pension liability insurance policies which cover the pension entitlements acquired. These employer’s pension liability insurance policies have been invested mainly in fixed-interest securities (including government bonds and mortgage bonds). When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers. 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 remaining material pension plan in the US, the portion of equity instruments in the investment portfolio came to 6.7 % (prior period: 4.3 %).

The pension expenses for defined benefit pension plans recognized through profit and loss in the statement of income comprise the following items:

3.64 SHARE OF NET PENSION COST RECOGNIZED THROUGH PROFIT OR LOSS

€k	2014	2013
Current service cost	2,625	2,117
Past service cost	9	224
Interest cost	1,515	1,720
Other	24	96
	4,173	**4,157**

The net pension cost is contained in the following items of the statement of income:

3.65 NET PENSION COST IN THE STATEMENT OF INCOME

€k	2014	2013
Cost of sales	841	861
Selling expenses	243	224
General administrative expenses	1,551	1,333
Research and development costs	23	19
Net interest	1,515	1,720
	4,173	**4,157**

The asset ceiling resulted in a change of € 778 thousand (prior period: € −513 thousand) in total comprehensive income. Of this amount, € 821 thousand (prior period: € −477 thousand) was recognized directly in equity and € −43 thousand (prior period: € −36 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.

3.66 AVERAGE RATES USED FOR CALCULATING POST-EMPLOYMENT BENEFIT OBLIGATIONS

	2014			2013		
%	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 rate of pension progression, which has a significant impact on the defined benefit obligations as of the end of the reporting period came to 2.00 % in the 2014 reporting period (prior period: 2.00 %).

3.67 AVERAGE RATES USED FOR CALCULATING PENSION COST

	2014			2013		
%	Germany	United States	Rest of world	Germany	United States	Rest of world
Discount rate	3.50	4.25	3.35	3.25	5.00	3.53
Long-term salary increases	3.50	–	2.63	3.00	–	2.91

The average rates are calculated on the basis of the weighted average of the pension obligations.

The average duration of the defined benefit obligations as of the end of the 2014 reporting period was 14 years (prior period: 13 years). Employers are expected to make contributions of € 1,420 thousand to plan assets for the 2015 reporting period.

For the coming reporting periods the following payments for defined pension plans are expected.

3.68 EXPECTED BENEFIT PAYMENTS

€ k	2015	2016	2017	2018	2019	2020 to 2024	Total
Expected benefit payments	5,250	5,451	5,241	5,490	5,341	30,061	**56,834**

Sensitivity analyses

The material actuarial assumptions to determine the provisions for pension obligations globally are the discount rate and, for pension obligations in Germany, also the rate of pension progression. The long-term salary increases and life expectancy, especially in Germany, are immaterial when measuring pension obligations in the Dürr Group.

The sensitivity analyses below in the form of scenario analyses show how the provisions for pension obligations are influenced by potential changes to the respective assumptions.

3.69 SENSITIVITY ANALYSES

€ k	Dec. 31, 2014	Dec. 31, 2013
Discount rate		
+ 1 percentage point	43,092	46,855
– 1 percentage point	67,430	54,450
Rate of pension progression		
+ 0.25 percentage points	56,200	51,549
– 0.25 percentage points	51,476	48,034

There are dependencies between the actuarial assumptions. The sensitivity analyses do not take these dependencies into account.

Employee profit participation

For general explanations on employee profit participation, we refer to note 6.

Expenses from employee profit participation is contained within functional costs as a portion of personnel expenses and in net interest.

3.70 EXPENSES FROM EMPLOYEE PROFIT PARTICIPATION

€ k	2014
Personnel expenses	1,411
Interest expenses from employee profit participation	810
Expenses from employee profit participation	**2,221**

The obligation to the employees was measured on the basis of an actuarial appraisal based on the following assumption:

3.71 DISCOUNT RATE TO CALCULATE EMPLOYEE PROFIT PARTICIPATION

%	Dec. 31, 2014
Discount rate	2.40

28. OTHER PROVISIONS

3.72 OTHER PROVISIONS

	DEC. 31, 2014			DEC. 31, 2013		
€k	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	86,307	84,400	1,907	61,417	59,581	1,836
Personnel provisions	32,632	7,057	25,575	9,778	4,312	5,466
Sundry provisions	8,195	4,871	3,324	1,859	1,403	456
	127,134	**96,328**	**30,806**	**73,054**	**65,296**	**7,758**

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 80 % of the contract-related provisions relate to provisions for warranties and subsequent expenditure. The personnel provisions mainly contain obligations for employee profit participation, 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.

3.73 CHANGES IN OTHER PROVISIONS IN THE 2014 REPORTING PERIOD

€k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2014	**61,417**	**9,778**	**1,859**
Changes in the consolidated group	13,728	19,523	5,786
Exchange difference	2,945	4	24
Utilization	– 29,680	– 2,995	– 1,055
Reversal	– 16,525	– 251	– 457
Additions	54,241	6,662	3,187
Reclassification	1,119	30	– 1,149
Reclassification to held for sale	– 938	– 119	–
As of December 31, 2014	**86,307**	**32,632**	**8,195**

29. BOND AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under the item "Bond and other financial liabilities".

3.74 **FINANCIAL LIABILITIES**

€ k	Total	Current	Total	Medium-term	Long-term
Bond	296,388	–	296,388	–	296,388
(2013)	(225,200)	(–)	(225,200)	(225,200)	(–)
Liabilities to banks	118,414	13,192	105,222	75,806	29,416
(2013)	(41,932)	(2,058)	(39,874)	(9,169)	(30,705)
Finance lease liabilities	11,735	3,918	7,817	5,581	2,236
(2013)	(3,924)	(402)	(3,522)	(1,827)	(1,695)
December 31, 2014	**426,537**	**17,110**	**409,427**	**81,387**	**328,040**
(December 31, 2013)	(271,056)	(2,460)	(268,596)	(236,196)	(32,400)

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. This meant that the earlier syndicated loan of € 230,000 thousand (term until June 30, 2015) was refinanced prematurely. 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 new syndicated loan does not include any collateral on fixed and current assets and is intended for general corporate financing. It consists of a cash line of € 100,000 thousand and a bank guarantee of € 200,000 thousand. The latter is used for guarantees and warranties in the operating business. The former loan agreement consisted of a cash line of € 50,000 thousand and a bank guarantee of € 180,000 thousand. It is possible to extend the new loan agreement at no additional cost by up to two years 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

At the HOMAG Group, there is a syndicated loan with an original amount of € 210,000 thousand and a term until May 16, 2019. The syndicate of banks comprises eleven banks led by Commerzbank AG, Deutsche Bank AG and UniCredit Bank AG. The syndicated loan comprises two tranches. Tranche A is 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 amount to

€ 2,500 thousand every six months. Tranche B is 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 is payable at the matching refinancing rate plus a variable margin. The syndicated loan does not include any collateral.

The HOMAG Group may prematurely terminate the syndicated loan if certain conditions are satisfied without the approval of the lending banks. Premature termination of the syndicated loan is also 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.

The agreed-upon financial covenants for the syndicated loans were complied with on all the specified measurement dates.

3.75 MAJOR LOANS

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

December 31, 2013	Currency	Carrying amount €k	Remaining term months	Effective interest rate %
Loan to finance Dürr Campus properties	EUR	41,926	129	4.49

Credit lines and bank guarantees

At the end of the reporting period, € 116,533 thousand (prior period: € 145,115 thousand) of the guarantee facility of Dürr AG's syndicated loan had been utilized. The cash line of the syndicated loan was not utilized in the 2014 and 2013 reporting periods. € 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 € 60,055 thousand.

In addition, Dürr has bilateral lines of credit of € 33,671 thousand in place for working capital or guarantees, guarantee facilities of € 511,291 thousand as well as smaller credit lines with various banks and insurance firms.

3.76 CREDIT LINES AND BANK GUARANTEES

€k	Dec. 31, 2014	Dec. 31, 2013
Total amount of loans/guarantees available	1,111,240	719,480
Total amount of loans/guarantees utilized	495,650	416,189
of which due within one year	335,467	248,380
of which due in more than one year	160,183	167,809

30. TRADE PAYABLES

3.77 TRADE PAYABLES

€k	Total	Current	Total	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (from small series production)	88,093	86,558	1,535	1,535	–
(2013)	(25,251)	(23,818)	(1,433)	(1,433)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	675,209	671,307	3,902	3,902	–
(2013)	(571,575)	(571,575)	(–)	(–)	(–)
Trade payables	364,538	364,030	508	296	212
(2013)	(259,969)	(259,376)	(593)	(338)	(255)
Trade payables due to entities accounted for using the equity method	456	456	–	–	–
(2013)	(3)	(3)	(–)	(–)	(–)
December 31, 2014	**1,128,296**	**1,122,351**	**5,945**	**5,733**	**212**
(December 31, 2013)	(856,798)	(854,772)	(2,026)	(1,771)	(255)

Billings in excess of costs on uncompleted contracts include € 5,830 thousand (prior period: € 0 thousand) from entities accounted for using the equity method.

31. SUNDRY FINANCIAL LIABILITIES

3.78 SUNDRY FINANCIAL LIABILITIES

€k	Total	Current	Total	Medium-term	Long-term
Derivative financial liabilities	15,702	13,745	1,957	1,957	–
(2013)	(1,261)	(1,143)	(118)	(109)	(9)
Liabilities from interest cut-off	6,576	6,576	–	–	–
(2013)	(4,309)	(4,309)	(–)	(–)	(–)
Obligations from options	105,176	105,176	–	–	–
(2013)	(16,497)	(238)	(16,259)	(16,259)	(–)
Contingent purchase price installments	3,143	1,072	2,071	2,071	–
(2013)	(2,108)	(467)	(1,641)	(1,293)	(348)
Remaining sundry financial liabilities	38,696	30,499	8,197	7,677	520
(2013)	(11,816)	(10,097)	(1,719)	(1,044)	(675)
December 31, 2014	**169,293**	**157,068**	**12,225**	**11,705**	**520**
(December 31, 2013)	(35,991)	(16,254)	(19,737)	(18,705)	(1,032)

The obligations from options relate to non-controlling interests, of which € 86,482 thousand is attributable to HOMAG Group AG, € 18,456 thousand (prior period: € 15,639 thousand) to CPM S.p.A. and € 238 thousand (prior period: € 238 thousand) to Thermea Energiesysteme GmbH.

Effective December 31, 2014, the put option relating to shares outstanding in Luft- und Thermotechnik Bayreuth GmbH, Goldkronach, Germany, was exercised.

The liabilities from contingent purchase price installments include obligations carried for Dürr Systems Wolfsburg GmbH of € 396 thousand (prior period: € 533 thousand) and Dürr Cyplan Ltd. of € 1,847 thousand (prior period: € 1,575 thousand).

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

32. INCOME TAX LIABILITIES AND OTHER LIABILITIES

3.79 INCOME TAX LIABILITIES AND OTHER LIABILITIES

€ k	Total	Current	Total	Medium-term	Non-current
Income tax liabilities	29,474	28,996	478	478	–
(2013)	(30,711)	(30,506)	(205)	(205)	(–)
Other liabilities	181,269	177,047	4,222	4,222	–
(2013)	(112,086)	(107,742)	(4,344)	(4,344)	(–)
December 31, 2014	**210,743**	**206,043**	**4,700**	**4,700**	**–**
(December 31, 2013)	(142,797)	(138,248)	(4,549)	(4,549)	(–)

Other liabilities include the following significant items: tax liabilities not relating to income taxes of € 39,702 thousand (prior period: € 24,792 thousand), liabilities relating to social security of € 6,437 thousand (prior period: € 4,724 thousand), liabilities to employees of € 132,661 thousand (prior period: € 80,905 thousand). There are also obligations from restructuring measures of € 960 thousand (prior period: € 504 thousand).

33. 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, 2014, to December 31, 2016, was issued in the 2014 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 entitled parties receive an individually fixed number of phantom Dürr shares (performance share units). As of December 31, 2014, 207,300 phantom shares had been issued (prior period: 265,050 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. For the first three LTI tranches there is also a cap for the share price 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 2014 reporting period, expenses of € 3,355 thousand (prior period: € 3,379 thousand) were recorded under administrative expenses for the LTI program. The amounts reported under other liabilities as of December 31, 2014 came to € 6,627 thousand (prior period: € 6,480 thousand). For information on the payments for the Board of Management please refer to the comments on Board of Management compensation in note 42.

34. OTHER NOTES ON FINANCIAL INSTRUMENTS

Measurement of financial instruments by category

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below.

3.80 MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

		AMOUNT RECOGNIZED AT			
€ k	Carrying amount as of Dec. 31, 2014	Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	521,957	–	521,957	–	–
Costs and estimated earnings in excess of billings[1]	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
Liabilities					
Trade payables	364,538	–	364,538	–	–
Trade payables due to entities accounted for using the equity method	456	–	456	–	–
Sundry non-derivative financial liabilities	45,272	–	45,272	–	–
Bond	296,388	–	296,388	–	–
Liabilities to banks	118,414	–	118,414	–	–
Finance lease liabilities	11,735	–	11,735	–	–
Obligations from options	105,176	–	–	18,694	86,482
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
of which combined by measurement category in accordance with IAS 39					
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	110,979	–	–	18,694	92,285
Financial liabilities measured at amortized cost	836,803	–	836,803	–	–

[1] Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 “Construction Contracts” and are therefore not included in any of the above categories.

€ k	Carrying amount as of Dec. 31, 2013	AMOUNT RECOGNIZED AT Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	458,513	–	458,513	–	–
Costs and estimated earnings in excess of billings[1]	357,129	–	–	–	–
Trade receivables due from third parties	318,544	–	318,544	–	–
Trade receivables due from entities accounted for using the equity method	21	–	21	–	–
Other non-derivative financial instruments					
Sundry financial assets	65,563	–	65,563	–	–
Held-for-trading financial assets	10,052	–	–	–	10,052
Held-to-maturity investments	27,355	–	27,355	–	–
Available-for-sale financial assets	2,812	2,456	–	356	–
Derivative financial assets					
Derivatives not used for hedging	98	–	–	–	98
Derivatives used for hedging	2,939	–	–	2,434	505
Liabilities					
Trade payables	259,969	–	259,969	–	–
Trade payables due to entities accounted for using the equity method	3	–	3	–	–
Sundry non-derivative financial liabilities	16,125	–	16,125	–	–
Bond	225,200	–	225,200	–	–
Liabilities to banks	41,932	–	41,932	–	–
Finance lease liabilities	3,924	–	3,924	–	–
Obligations from options	16,497	–	–	16,497	–
Contingent purchase price installments	2,108	–	–	–	2,108
Derivative financial liabilities					
Derivatives not used for hedging	149	–	–	–	149
Derivatives used for hedging	1,112	–	–	888	224
of which combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	10,150	–	–	–	10,150
Loans and receivables	1,199,770	–	842,641	–	–
Held-to-maturity investments	27,355	–	27,355	–	–
Available-for-sale financial assets	2,812	2,456	–	356	–
Financial liabilities at fair value	18,754	–	–	16,497	2,257
Financial liabilities measured at amortized cost	547,153	–	547,153	–	–

[1] Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.

In order to make the fair value measurement of financial instruments comparable, a fair value hierarchy has been 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:

3.81 ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

		FAIR VALUE HIERARCHY		
€k	Dec. 31, 2014	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	385	385	–	–
Derivatives used for hedging	1,115	–	1,115	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	1,438	–	1,438	–
Derivatives used for hedging	546	–	546	–
Held-for-trading financial assets	5,350	5,350	–	–
Liabilities at fair value – not through profit or loss				
Obligations from options	18,694	–	–	18,694
Derivatives used for hedging	12,264	–	12,264	–
Liabilities at fair value – through profit or loss				
Obligations from options	86,482	–	–	86,482
Derivatives not used for hedging	2,660	–	2,660	–
Derivatives used for hedging	778	–	778	–
Contingent purchase price installments	3,143	–	–	3,143

		FAIR VALUE HIERARCHY		
€k	Dec. 31, 2013	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	356	356	–	–
Derivatives used for hedging	2,434	–	2,434	–
Assets at fair value – through profit or loss				
Derivatives not used for hedging	98	–	98	–
Derivatives used for hedging	505	–	505	–
Held-for-trading financial assets	10,052	10,052	–	–
Liabilities at fair value – not through profit or loss				
Obligations from options	16,497	–	–	16,497
Derivatives used for hedging	888	–	888	–
Liabilities at fair value – through profit or loss				
Derivatives not used for hedging	149	–	149	–
Derivatives used for hedging	224	–	224	–
Contingent purchase price installments	2,108	–	–	2,108

No reclassifications were made between the fair value hierarchy levels in the 2014 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2014, gave rise to the following total gains and losses:

3.82 TOTAL GAINS AND LOSSES ON ASSETS

€k	2014	2013
Recognized in profit or loss		
Held-for-trading financial assets	286	112
Derivative financial instruments	1,742	25
Recognized in equity		
Available-for-sale financial assets	29	9
Derivative financial instruments	1,141	73

3.83 TOTAL GAINS AND LOSSES ON LIABILITIES

€k	2014	2013
Recognized in profit or loss		
Derivative financial instruments	−2,656	7
Contingent purchase price installments	−152	63
Recognized in equity		
Derivative financial instruments	−11,817	85
Obligations from options	−2,032	−7,863

3.84 DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY

€k	2014	2013
As of January 1	**18,605**	**35,305**
Changes in the consolidated group	87,382	620
Disposals	−1,405	−24,500
Changes in fair value	3,737	7,180
As of December 31	**108,319**	**18,605**

The changes in the fair value of the liabilities reported in level 3 were reported in profit or loss or directly in equity.

In connection with the acquisition of the HOMAG Group, options for shares held by non-controlling interests were measured at the fair value of the future cash outflow and recognized under sundry financial liabilities in the amount of € 86,482 thousand. The financial liability is adjusted through profit or loss in the subsequent measurement. When calculating the fair value of the options, no discounting was necessary as the exercise date of the options cannot be determined, but can occur at any time.

Valuation techniques

The fair value of the derivative financial assets and liabilities allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 "Fair Value Measurement", both the counterparty credit risk and own risk of default have been taken into account during measurement. Input factors to take into account the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institution involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by diversifying its portfolio and selecting its counterparties carefully. To calculate its own risk of default, information Dürr receives from credit institutions and insurance companies is used 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 or internal planning data. This includes expected results of each company as well as expected sales figures of specific products 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 is no sensitivity as a fixed price for the shares was agreed.

For the put option for CPM S.p.A., no sensitivity calculations have to be performed as of December 31, 2014, as the value is already fixed as of the next possible exercise date. Assuming that the underlying parameters (equity and accumulated earnings before income tax) had been 10 % higher (lower) in the prior period, the value of the put option would have been € 1,366 thousand higher (lower).

The liability from contingent purchase price installments associated with the acquisition of Dürr Cyplan Ltd. classified to level 3 of the fair value hierarchy would be € 46 thousand higher (prior period: € 112 thousand) if the terms of the contract were met one year earlier than expected. Furthermore, this would involve a cash outflow of € 500 thousand. If the terms of the contract had been fulfilled one year later than expected, the liability from contingent purchase price installments would be reduced by € 56 thousand (prior period: € 105 thousand).

The put option in connection with the acquisition of Thermea Energiesysteme GmbH would not change if the planned EBIT of the company increased (decreased) by 10 % over the next three years. In such circumstances, the call option (currently € 0 thousand) would also remain unchanged as the proportionate business value of Thermea Energiesysteme 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).

3.85 **FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED**

	DEC. 31, 2014		DEC. 31, 2013	
€k	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and cash equivalents	521,957	521,957	458,513	458,513
Costs and estimated earnings in excess of billings	366,308	366,308	357,129	357,129
Trade receivables due from third parties	479,493	479,493	318,544	318,544
Trade receivables due from entities accounted for using the equity method	5,401	5,401	21	21
Other non-derivative financial instruments				
Sundry financial assets	52,409	52,409	65,563	65,563
Held-to-maturity investments	26,082	25,313	26,350	27,355
Liabilities				
Trade payables	364,538	364,538	259,969	259,969
Trade payables due to entities accounted for using the equity method	456	456	3	3
Sundry non-derivative financial liabilities	45,272	45,272	16,125	16,125
Bond	319,500	296,388	241,425	225,200
Liabilities to banks	121,811	118,414	44,931	41,932
Finance lease liabilities	13,332	11,735	5,028	3,924
of which combined by measurement category in accordance with IAS 39				
Loans and receivables	1,059,260	1,059,260	842,641	842,641
Held-to-maturity investments	26,082	25,313	26,350	27,355
Financial liabilities measured at amortized cost	864,909	836,803	567,481	547,153

Cash and cash equivalents, trade receivables, other receivables, trade payables, sundry non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

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 € 15,588 thousand because market prices were not available as no active markets exist. The equity interests in eleven non-listed entities 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 under 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 bonds (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, 2014, the bond from 2014 was quoted at 106.50 % which is equal to a market value of € 319,500 thousand. On December 31, 2013, the bond from 2010 was quoted at 107.30 % which is equal to a market value of € 241,425 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.

Net gains and losses by measurement category

3.86 NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

		FROM SUBSEQUENT MEASUREMENT				
€ k	From interest	At fair value	Currency translation	Impairment	From disposals	Net gain or loss
Held-for-trading financial assets	286	–	–	–	–	286
(2013)	(112)	(–)	(–)	(–)	(–)	(112)
Loans and receivables	7,514	–	937	– 3,353	– 470	4,628
(2013)	(3,080)	(–)	(– 3,272)	(– 587)	(– 35)	(– 814)
Held-to-maturity investments	675	–	–	–	–	675
(2013)	(512)	(–)	(–)	(–)	(–)	(512)
Financial liabilities at fair value through profit or loss	– 318	183	–	–	–	– 135
(2013)	(46)	(17)	(–)	(–)	(–)	(63)
Financial liabilities measured at amortized cost	– 23,658	–	– 126	–	–	– 23,784
(2013)	(– 21,071)	(–)	(– 19)	(–)	(–)	(– 21,090)
2014	**– 15,501**	**183**	**811**	**– 3,353**	**– 470**	**– 18,330**
(2013)	(– 17,321)	(17)	(– 3,291)	(– 587)	(– 35)	(– 21,217)

An amount of € 29 thousand was recognized directly in equity from measurement of available-for-sale securities (prior period: € 9 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.

3.87 DERIVATIVE FINANCIAL ASSETS SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2014	Dec. 31, 2013
Gross amounts of financial assets	3,099	3,037
Gross amounts of financial liabilities netted in the statement of financial position	–	–
Net amounts of financial assets reported in the statement of financial position	**3,099**	**3,037**
Associated amounts from financial instruments not netted in the statement of financial position	– 1,842	– 795
Net amount	**1,257**	**2,242**

3.88 DERIVATIVE FINANCIAL LIABILITIES SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2014	Dec. 31, 2013
Gross amounts of financial liabilities	15,702	1,261
Gross amounts of financial assets netted in the statement of financial position	–	–
Net amounts of financial liabilities reported in the statement of financial position	**15,702**	**1,261**
Associated amounts from financial instruments not netted in the statement of financial position	– 1,842	– 795
Net amount	**13,860**	**466**

Pledges

At the end of the reporting period, financial assets of € 6,713 thousand (prior period: € 7,702 thousand) were mainly pledged as collateral for prepayments received.

This results in a net amount for the financial assets of € 1,466,748 thousand taking into account the pledges and derivative financial assets.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 2014 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 € 176,213 thousand (prior period: € 110,006 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. The statement of cash flows takes earnings before income taxes as its point of departure and deducts income tax payments, net interest as well as non-cash items, such as 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 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 € 1,213 thousand (prior period: € 1,239 thousand) lower because that amount is already included in the net interest or investment income. Non-cash expenses and income includes € –1,222 thousand from the remeasurement of assets held for sale. Of this amount, € 2,779 thousand relates to the sale of the aircraft assembly technology business activity, € –4,267 thousand to Dürr Automation S.A.S. and € 266 thousand to the property sold in the US. This was offset by the remeasurement of the contingent purchase price installment of Dürr Systems Wolfsburg GmbH of € 183 thousand.

The cash flow from operating activities contains effects of € 8,003 thousand from non-recourse financing (prior period: € 0 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 2014 reporting period, the Dürr Group had cash inflows from the disposals of other financial assets of € 5,427 thousand (prior period: € 2,807 thousand) and investments in time deposits of € 26,593 thousand (prior period: cash outflows of € 43,553 thousand). Cash outflows from the acquisition of other financial assets amounted to € 4,014 thousand (prior period: € 19,890 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 € 207,349 thousand (prior period: € 10,298 thousand) related to business combinations net of cash acquired reported under the cash flow from investing activities include € 228,053 thousand from the purchase of the HOMAG Group and € 12,322 thousand from other acquisitions. The item contains cash and cash equivalents of € 33,026 thousand, of which € 32,383 thousand relates to the acquisition of the HOMAG Group and € 643 thousand to other acquisitions. In the prior period, the cash outflows related to business combinations net of cash acquired resulted from the cash component of the liability due to the previous shareholders of Agramkow Fluid Systems A/S of € 1,316 thousand as well as the acquisition of the assets of Luft- und Thermotechnik Bayreuth GmbH of € 8,982 thousand. This item did not contain any cash received in the 2013 reporting period. For further details on business combinations, please refer to note 18.

The sale of the aircraft assembly technology business activity, which was reclassified as held for sale, to the Broetje Group 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 and liabilities sold. The sale of a developed 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.

Effective December 31, 2014, 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. Pursuant to IAS 7 "Statement of Cash Flows", the cash outflow for the second tranche of shares is 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. A capital increase was performed at Thermea Energiesysteme GmbH of € 1,000 thousand. Of this capital increase, € 500 thousand was attributable to Dürr and € 500 thousand to non-controlling interests.

In the prior period, Dürr acquired the remaining 45 % of the shares in Agramkow Fluid Systems A/S, based in Sønderborg, Denmark, and its subsidiaries Agramkow Asia Pacific Pte. Ltd., Singapore, and Agramkow do Brasil Ltda., Indaiatuba, Brazil. The purchase price for the second tranche amounted to € 24,500 thousand, with the total purchase price for 100 % of the shares amounting to € 32,986 thousand.

The Group has unused credit lines and bank guarantees of € 615,590 thousand (prior period: € 303,291 thousand). For more information on the financing of the Group, please refer to note 29. 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 36.

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

36. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The 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, 2014, 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 management 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

Until the fourth quarter of 2014, the Paint and Final Assembly Systems division was named Paint and Assembly Systems. It was renamed when the aircraft assembly technology business activity was sold. Paint and Final Assembly Systems plans and builds turnkey paint systems and final assembly lines for the automotive industry. As system partners, Dürr oversees the complete product management from the layout planning to the start-up. In the area of paint system technology, Dürr offers hardware and software solutions for all project stages.

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.

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 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. The exhaust gas purification systems are used not only in the chemical and pharmaceutical industries, among others, but also in industries such as printing, woodworking, carbon fiber manufacturing and automotive manufacturing.

Woodworking Machinery and Systems division

The Woodworking Machinery and Systems division's core products include compound and lightweight 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.

Management monitors the EBIT (earnings before investment income, interest and income taxes) 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. The basis for segment reporting in accordance with IFRS 8 is the same as that used internally (management approach). Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

3.89 SEGMENT REPORTING

€ k	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Woodworking Machinery and Systems[1]	**Total segments**	Reconcil- iation	**Dürr Group**
2014								
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	–
Total sales revenues	**1,086,016**	**537,387**	**591,879**	**138,455**	**252,815**	**2,606,552**	**– 31,645**	**2,574,907**
EBIT	106,204	55,108	70,303	7,640	– 7,866	231,389	– 10,476	220,913
Profit/loss 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
Reversal of impairment losses	–	–	10	–	141	151	–	151
Other non-cash income and expenses	– 2	181	– 4,000	– 2	31	– 3,792	2,785	– 1,007
Effects from restructuring/ onerous contracts	– 12	– 960	–	–	18	– 954	–	– 954
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

[1] Figures from the date of first-time consolidation October 3, 2014, including effects from the subsequent measurement of the hidden reserves and liabilities in the course of the purchase price allocation

€ k	Paint and Final Assembly Systems	Application Technology	Measuring and Process Systems	Clean Technology Systems	Total segments	Reconcil-iation	Dürr Group
2013							
External sales revenues	1,176,896	540,018	583,629	106,323	2,406,866	7	2,406,873
Sales revenues with other divisions	3,179	4,345	14,967	2,946	25,437	– 25,437	–
Total sales revenues	**1,180,075**	**544,363**	**598,596**	**109,269**	**2,432,303**	**– 25,430**	**2,406,873**
EBIT	98,316	59,629	46,324	6,057	210,326	– 7,335	202,991
Profit/loss from entities accounted for using the equity method	–	–	1,291	– 697	594	–	594
Cash flow from operating activities	211,275	66,762	62,411	4,299	344,747	– 15,682	329,065
Cash flow from investing activities	– 8,572	– 19,284	13,292	– 10,738	– 25,302	– 86,115	– 111,417
Cash flow from financing activities	– 142,684	– 34,555	– 76,339	4,357	– 249,221	148,318	– 100,903
Amortization and depreciation	– 5,828	– 5,005	– 10,830	– 1,485	– 23,148	– 4,231	– 27,379
Impairment of intangible assets and property, plant and equipment	–	–	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–	–	–
Other non-cash income and expenses	5	14	– 4,454	452	– 3,983	– 3	– 3,986
Effects from restructuring/ onerous contracts	– 300	–	193	–	– 107	–	– 107
Additions to intangible assets	1,684	1,008	1,234	3,953	7,879	2,521	10,400
Additions to property, plant and equipment	10,557	14,955	13,162	3,469	42,143	765	42,908
Investments in entities accounted for using the equity method	–	–	11,699	–	11,699	–	11,699
Assets (as of Dec. 31)	481,845	379,893	480,942	81,325	1,424,005	– 22,219	1,401,786
Liabilities (as of Dec. 31)	647,659	239,236	212,402	42,986	1,142,283	– 5,827	1,136,456
Employees (as of Dec. 31)	3,075	1,546	2,967	426	8,014	128	8,142

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.

3.90 RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€ k	2014	2013
EBIT of the segments	231,389	210,326
EBIT of the Corporate Center	– 10,826	– 6,560
Elimination of consolidation entries	350	– 775
EBIT of the Dürr Group	**220,913**	**202,991**
Profit from entities accounted for using the equity method	1,429	594
Other investment income	49	36
Interest and similar income	8,686	3,788
Interest and similar expenses	– 26,356	– 22,830
Earnings before income taxes	**204,721**	**184,579**
Income taxes	– 54,422	– 43,673
Profit of the Dürr Group	**150,299**	**140,906**

	Dec. 31, 2014	Dec. 31, 2013
Segment assets	2,320,777	1,424,005
Assets of the Corporate Center	827,764	494,913
Elimination of consolidation entries	– 833,174	– 517,132
Cash and cash equivalents	521,957	458,513
Time deposits and other short-term securities	34,769	61,352
Held-to-maturity securities and other loans	25,881	27,806
Investments in entities accounted for using the equity method	24,587	11,699
Income tax receivables	12,533	7,000
Deferred tax assets	41,030	23,687
Total assets of the Dürr Group	**2,976,124**	**1,991,843**
Segment liabilities	1,580,545	1,142,283
Liabilities of the Corporate Center	123,330	26,405
Elimination of consolidation entries	– 35,426	– 32,232
Bond	296,388	225,200
Liabilities to banks	118,414	41,932
Finance lease liabilities	11,735	3,924
Income tax liabilities	29,474	30,711
Deferred tax liabilities	125,896	42,246
Total liabilities of the Dürr Group[1]	**2,250,356**	**1,480,469**

[1] 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.

3.91 REGIONAL SEGMENTATION

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2014						
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

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2013						
External sales revenues	381,152	654,198	316,705	124,087	930,731	2,406,873
Additions to property, plant and equipment	23,116	6,720	2,770	1,187	9,115	42,908
Non-current assets (as of Dec. 31)	293,117	144,756	67,712	9,661	17,093	532,339
Employees (as of Dec. 31)	3,749	1,361	726	335	1,971	8,142

In the 2014 reporting period, sales revenues in China came to € 720,277 thousand (prior period: € 760,974 thousand) and in the US to € 289,777 thousand (prior period: € 221,680 thousand).

In the 2014 reporting period, 14.7 % of consolidated net sales revenues were generated with one customer compared to 13.4 % in the prior period. These are attributable to the divisions Paint and Final Assembly Systems, Application Technology, Measuring and Process Systems and Clean Technology Systems. The second and third-largest customers accounted for 7.0 % (prior period: 10.7 %) and 5.2 % (prior period: 5.9 %) respectively, and were also attributable to the Paint and Final Assembly Systems, Application Technology, Measuring and Process Systems and Clean Technology Systems divisions. Entities that are known to be under common control are considered together as one customer.

37. 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 also include associates, joint ventures and non-consolidated subsidiaries of the Dürr Group.

In the 2014 reporting period, there were intercompany transactions between Dürr and its related parties of € 18,316 thousand (prior period: € 1,137 thousand). As of December 31, 2014, outstanding receivables from related parties totaled € 5,457 thousand (prior period: € 21 thousand), while trade payables to related parties amounted to € 7,051 thousand (prior period: € 3 thousand). Both the receivables and liabilities are current.

The Board of Management confirms that all the related party transactions described above were carried out at arm’s length conditions.

38. CONTINGENT LIABILITIES

3.92 CONTINGENT LIABILITIES

€k	Dec. 31, 2014	Dec. 31, 2013
Contingent liabilities from warranties, guarantees, notes and check guarantees	4,462	51
Collateral pledged for third-party liabilities	16,143	–
Other	38,670	8,444
	59,275	**8,495**

In connection with the transfer of the aircraft assembly technology business activity to the Broetje Group, 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.

The Group provided the following collateral:

3.93 COLLATERAL PROVIDED

€k	Dec. 31, 2014
Group-owned land and buildings	19,421
Group-owned technical equipment and machines	415
	19,836

The syndicated loan agreement of the HOMAG Group is secured by a blanket assignment of receivables from goods, services and work contracts. In addition, obligations from finance lease agreements are secured by rights of the lessors to the leased assets. The leased assets have a carrying amount of € 12,013 thousand.

39. OTHER FINANCIAL OBLIGATIONS

3.94 OTHER FINANCIAL OBLIGATIONS

€k	Dec. 31, 2014	Dec. 31, 2013
Future minimum payments for operating leases	135,106	97,615
Future minimum payments for finance leases	13,380	5,271
Purchase obligations for property, plant and equipment	2,230	1,413
	150,716	**104,299**

In addition, 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:

3.95 **NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES**

€ k	Dec. 31, 2014	Dec. 31, 2013
Less than one year	26,881	18,687
Between one and five years	56,816	41,241
More than five years	51,409	37,687
	135,106	**97,615**

In the 2014 reporting period, expenses of € 29,387 thousand (prior period: € 23,515 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. Future minimum lease payments relating to these are reconciled to the liabilities below:

3.96 **NOMINAL VALUES OF FINANCE LEASES**

	DEC. 31, 2014			DEC. 31, 2013		
€ k	Minimum payments	Interest contained in the lease payments	Finance lease liabilities	Minimum payments	Interest contained in the lease payments	Finance lease liabilities
Less than one year	4,395	477	3,918	716	314	402
Between one and five years	6,541	960	5,581	2,692	865	1,827
More than five years	2,444	208	2,236	1,863	168	1,695
	13,380	**1,645**	**11,735**	**5,271**	**1,347**	**3,924**

40. 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 2014 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 letters of credit, trade credit insurance policies and federal government guarantees to further limit the risk of default.

3.97 RECEIVABLES SECURED AGAINST DEFAULT

€ k	Dec. 31, 2014	Dec. 31, 2013
Letters of credit	5,419	20,852
Trade credit insurance policies	19,045	20,468
Federal government guarantees	1,668	–
	26,132	**41,320**

Furthermore, the HOMAG Group had non-recourse financing of € 25,028 thousand as of December 31, 2014, 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

The development of Dürr hinges on the willingness of the automotive industry to invest. A significant portion of revenue 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, 2014, 51.0 % (prior period: 51.9 %) of the trade receivables were due from ten (prior period: ten) customers. The total receivables disclosed contain bad debt allowances of € 8,897 thousand (prior period: € 5,613 thousand). Owing to its customers' group structure with international subsidiaries, Dürr does not see any concentration of credit risks from its business relations with individual debtors or groups of debtors despite the fact that its business is concentrated on a relatively small number of customers. The level of diversity displayed among the Group's customers is high compared to other automotive suppliers 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 of Dürr AG with a term until March 21, 2019, and the syndicated loan of the HOMAG Group with a term until May 16, 2019, can be terminated prematurely by the syndicate of banks if certain financial covenants are not complied with. The financial covenants include certain targets such as the leverage ratio and the minimum equity. In the 2014 reporting period, the financial covenants were complied with as of each cut-off date. For additional information, please refer to note 29.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities.

3.98 INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

€k	Carrying amount as of Dec. 31, 2014	CASH FLOWS 2015	2016	2017	2018	From 2019 onwards
Non-derivative financial liabilities						
Trade payables	364,538	364,030	161	49	43	255
Trade payables due to 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[1]	–	–	–	–
Contingent purchase price installments	3,143	1,080	180	680	680	680
Derivative financial liabilities						
Derivatives not used for hedging	2,660	2,646	14	–	–	–
Derivatives used for hedging	13,042	11,099	1,943	–	–	–

€k	Carrying amount as of Dec. 31, 2013	CASH FLOWS 2014	2015	2016	2017	From 2018 onwards
Non-derivative financial liabilities						
Trade payables	259,969	259,376	200	50	44	299
Trade payables due to entities accounted for using the equity method	3	3	–	–	–	–
Sundry financial liabilities	16,125	14,406	124	–	–	1,595
Bond	225,200	16,313	237,234	–	–	–
Liabilities to banks	41,932	3,879	3,870	3,870	3,869	40,765
Finance lease liabilities	3,924	716	693	657	676	2,529
Obligations from options	16,497	238	15,735	–	–	650
Contingent purchase price installments	2,108	500	582	–	500	1,000
Derivative financial liabilities						
Derivatives not used for hedging	149	106	43	–	–	–
Derivatives used for hedging	1,112	1,037	66	–	–	9

[1] The cash flows for obligations from options in 2015 primarily relate to options for shares held by non-controlling interests which, in connection with the acquisition of the HOMAG Group, were measured at the fair value of the future cash outflow and recognized under sundry financial liabilities in the amount of € 86,482 thousand. The expected cash flows were also 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: 82 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, the Polish zloty, the Mexican peso and the Russian ruble as well as an appreciation and depreciation of the US dollar against the Mexican peso.

3.99 IMPACT ON THE STATEMENT OF INCOME AND EQUITY

€k	Dec. 31, 2014 Impact on the statement of income	Dec. 31, 2014 Impact on the hedge reserve in equity	Dec. 31, 2013 Impact on the statement of income	Dec. 31, 2013 Impact on the hedge reserve in equity
EUR/USD				
EUR +10 %	3,081	8,630	74	4,090
EUR –10 %	–3,295	–10,572	–53	–4,888
EUR/CNY				
EUR +10 %	–2,691	458	–2,668	–308
EUR –10 %	3,289	–559	3,261	372
EUR/GBP				
EUR +10 %	307	810	426	–316
EUR –10 %	–249	–946	–493	403
EUR/DKK				
EUR +10 %	–366	312	–451	393
EUR –10 %	458	–369	549	–461
EUR/PLN				
EUR +10 %	33	–115	–132	–184
EUR –10 %	201	145	163	228
EUR/MXN				
EUR +10 %	174	127	9	–
EUR –10 %	–118	–154	–10	–
EUR/RUB				
EUR +10 %	–637	–	–142	–
EUR –10 %	783	–	174	–
USD/MXN				
USD +10 %	1,722	–1,779	964	5
USD –10 %	–2,103	2,162	–1,178	–2

Interest rate risk

Interest rate risks are due to fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

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 value of the interest rate swaps amounted 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 (offsetting payments) from the interest rate swap. The aim of the hedging measures is 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 are not hedged.

On account of the growing volume of business, Dürr has cash subject to fluctuation in interest rates as of December 31, 2014. A hypothetical increase in these interest rates of 25 base points per year would have caused a € 1,196 thousand (prior period: € 689 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a € 1,196 thousand (prior period: € 689 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, 2014, Dürr did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

Please refer to note 34 for more information on the price risk of the 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.

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.

3.100 SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
€k	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Interest rate swaps in connection with cash flow hedges	52,500	–	–	–	406	–
Forward exchange contracts	521,960	250,860	3,099	3,037	15,296	1,261
of which in connection with cash flow hedges	232,189	121,461	1,115	2,434	11,858	888
of which in connection with fair value hedges	54,500	55,983	546	505	778	224
of which not used for hedging	235,271	73,416	1,438	98	2,660	149

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 rate swaps were estimated as the discounted value of expected future cash flows based on current market parameters.

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly in other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded in other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales or other operating income and expenses in the statement of income.

In the 2014 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 € -7,895 thousand recognized in equity (prior period: € -1,074 thousand).

In addition, € 5,254 thousand (prior period; € −1,653 thousand) was reclassified in the 2014 reporting period from other comprehensive income to profit or loss and disclosed in sales revenues and cost of sales in the statement of income, thus increasing profit.

The effect on earnings (before income taxes) expected for the 2015 reporting period from the amounts recognized in other comprehensive income at the end of the reporting period came to € −6,128 thousand. In the 2016 and 2017 reporting periods, accumulated effects on earnings are expected to total € −268 thousand.

A loss of € 527 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: loss of € 434 thousand). Measuring the hedged items as of the reporting date gave rise to a gain of approximately the same amount.

In the 2014 and 2013 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.

41. ADDITIONAL DISCLOSURE REQUIREMENTS

Exemption pursuant to Sec. 264 (3) HGB

With reference to Sec. 264 (3) HGB, the financial statements of the following German subsidiaries are not published:

- Dürr Systems GmbH, Stuttgart
- Dürr International GmbH, Stuttgart
- Dürr Somac GmbH, Stollberg
- Carl Schenck AG, Darmstadt
- Dürr Ecoclean GmbH, Filderstadt
- Schenck RoTec GmbH, Darmstadt
- Schenck Technologie- und Industriepark GmbH, Darmstadt
- Dürr Assembly Products GmbH, Püttlingen
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

With reference to Sec. 264 (3) HGB, the following German subsidiaries do not prepare notes to the financial statements or a management report or have them audited:

- Carl Schenck AG, Darmstadt
- Dürr Somac GmbH, Stollberg
- Dürr Assembly Products GmbH, Püttlingen
- Dürr International GmbH, Stuttgart
- Dürr IT Service GmbH, Stuttgart
- Dürr Systems Wolfsburg GmbH, Wolfsburg

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 10, 2014, 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, 2014, and as an average over the 2014 reporting period as follows:

3.101 EMPLOYEES AS OF THE END OF THE REPORTING PERIOD

	Dec. 31, 2014	Dec. 31, 2013
Wage earners	6,374	3,300
Salaried employees	6,919	4,455
Employees without interns/apprentices/others	**13,293**	**7,755**
Interns/apprentices/others	858	387
Total employees	**14,151**	**8,142**

3.102 AVERAGE HEADCOUNT DURING THE YEAR

	2014	2013
Wage earners	4,093	3,167
Salaried employees	5,145	4,408
Employees without interns/apprentices/others	**9,238**	**7,575**
Interns/apprentices/others	556	398
Total employees	**9,794**	**7,973**

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:

3.103 AUDITOR'S FEES

€ k	2014	2013
Audit of the financial statements	1,449	833
Other attest services	106	29
Tax advisory services	168	30
Other services	5	9
	1,728	**901**

The auditor's fees include expenses for the audit and tax advisory services of the HOMAG Group incurred by the auditor of the consolidated financial statements of € 755 thousand.

Subsequent events

On January 14, 2015, Dürr sold Dürr Automation S.A.S. in France to Automation Holding GmbH, a subsidiary of Quantum International Partners GmbH. The activities sold belonged to the industrial cleaning technology business allocated to the Measuring and Process Systems division and were no longer part of Dürr's core business.

On March 5, 2015, the extraordinary general meeting of HOMAG Group AG agreed to the conclusion of a profit and loss transfer agreement between HOMAG Group AG and Dürr Technologies GmbH. The contract was entered in the commercial register on March 17, 2015, and has been effective since that date.

Authorization for issue and publication of the consolidated financial statements as of December 31, 2014

The consolidated financial statements and group management report of Dürr AG prepared by the Board of Management as of December 31, 2014, were authorized at the meeting of the Board of Management on March 19, 2015, for issue to the Supervisory Board and are scheduled for publication in the 2014 annual report on March 31, 2015.

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* (Chairman)
- ■ Dürr Systems GmbH, Stuttgart* (Chairman)
- ■ HOMAG Group AG, Schopfloch* (since October 13, 2014, Chairman)
- ■ Körber AG, Hamburg
- ■ Schuler AG, Göppingen

- □ Andritz AG, Graz, Austria (since March 21, 2014)
- □ Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, P. R. China* (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*
- ■ Dürr Systems GmbH, Stuttgart* (until October 27, 2014)
- ■ MCH Management Capital Holding AG, Munich

- □ Dürr India Pvt. Ltd., Chennai, India*

● Offices held by members of the Board of Management
■ Membership in statutory supervisory boards
□ Membership in comparable German and foreign control bodies (of business entities)
* Group boards

3.104 COMPENSATION FOR THE BOARD OF MANAGEMENT: BENEFITS GRANTED

	RALF W. DIETER CEO				RALPH HEUWING CFO			
€	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Basic compensation (fixed compensation)	600,000.00	700,000.00	700,000.00	700,000.00	500,000.00	575,000.00	575,000.00	575,000.00
Other compensation[1] (fringe benefits)	47,153.18	26,103.31	26,103.31	26,103.31	26,784.54	28,022.62	28,022.62	28,022.62
Total	**647,153.18**	**726,103.31**	**726,103.31**	**726,103.31**	**526,784.54**	**603,022.62**	**603,022.62**	**603,022.62**
One-year variable compensation (including short-term incentive – STI)	1,000,000.00	1,200,000.00	–	1,200,000.00	900,000.00	1,100,000.00	–	1,100,000.00
Multi-year variable compensation (including long-term incentive – LTI)	1,400,000.00	1,300,000.00	–	1,300,000.00	1,400,000.00	1,300,000.00	–	1,300,000.00
LTI tranche 2011–2013	500,000.00	–	–	–	500,000.00	–	–	–
LTI tranche 2012–2014	500,000.00	500,000.00	–	500,000.00	500,000.00	500,000.00	–	500,000.00
LTI tranche 2013–2015	400,000.00	400,000.00	–	400,000.00	400,000.00	400,000.00	–	400,000.00
LTI tranche 2014–2016	–	400,000.00	–	400,000.00	–	400,000.00	–	400,000.00
Other variable compensation	–	–	–	350,000.00	–	–	–	300,000.00
Total	**3,047,153.18**	**3,226,103.31**	**726,103.31**	**3,576,103.31**	**2,826,784.54**	**3,003,022.62**	**603,022.62**	**3,303,022.62**
Pension benefit expense[2]	160,000.00	170,000.00	170,000.00	170,000.00	140,000.00	147,500.00	147,500.00	147,500.00
Total compensation	**3,207,153.18**	**3,396,103.31**	**896,103.31**	**3,746,103.31**	**2,966,784.54**	**3,150,522.62**	**750,522.62**	**3,450,522.62**

[1] Payments in kind, allowances related to insurance premiums, etc.
[2] Service cost recorded during the reporting period

The basic compensation of Mr. Heuwing, who took over as CEO of HOMAG Group AG as of December 1, 2014, has been shared equally by Dürr AG and HOMAG Group AG since then.

3.105 COMPENSATION FOR THE BOARD OF MANAGEMENT: PAYMENTS MADE

	RALF W. DIETER CEO		RALPH HEUWING CFO	
€	2013	2014	2013	2014
Basic compensation (fixed compensation)	600,000.00	700,000.00	500,000.00	575,000.00
Other compensation[1] (fringe benefits)	47,153.18	26,103.31	26,784.54	28,022.62
Total	**647,153.18**	**726,103.31**	**526,784.54**	**603,022.62**
One-year variable compensation	1,000,000.00	1,000,000.00	900,000.00	900,000.00
Multi-year variable compensation	1,325,000.00	1,200,000.00	1,350,000.00	1,240,000.00
LTI tranche 2010 – 2012	1,500,000.00	–	1,500,000.00	–
LTI tranche 2011 – 2013	–	1,500,000.00	–	1,500,000.00
Other[2]	– 175,000.00	– 300,000.00	– 150,000.00	– 260,000.00
Total	**2,972,153.18**	**2,926,103.31**	**2,776,784.54**	**2,743,022.62**
Pension benefit expense[3]	160,000.00	170,000.00	140,000.00	147,500.00
Total compensation	**3,132,153.18**	**3,096,103.31**	**2,916,784.54**	**2,890,522.62**

[1] Payments in kind, allowances related to insurance premiums, etc.
[2] Down-payments from previous years
[3] Service cost recorded during the reporting period

As payment of the second LTI tranche (term between 2011 and 2013), the Board of Management received a total of € 3,000 thousand. 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 the prior period, € 2,675 thousand was paid out to the Board of Management from the first LTI tranche (term from 2010 to 2012) following the 2013 annual general meeting. No advance payments were made on the LTI tranches issued in 2012.

In December 2014, 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 33.

Former members of the Board of Management received pension payments of € 948 thousand in the 2014 reporting period (prior period: € 926 thousand). Pension provisions for this group of persons amounted to € 3,188 thousand as of December 31, 2014 (prior period: € 4,009 thousand).

MEMBERS OF THE SUPERVISORY BOARD

KLAUS EBERHARDT[1, 4, 5]
Former Chairman of the Board of Management of Rheinmetall AG, Düsseldorf
Chairman

- ElringKlinger AG, Dettingen/Erms
- KSPG AG, Neckarsulm (until December 31, 2014, Chairman)
- MTU Aero Engines AG, Munich (Chairman)

HAYO RAICH[1, 3, 4]
Full-time Chairman of the Group Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site
Deputy Chairman

- Dürr Systems GmbH, Stuttgart (Deputy Chairman)

■ **PROF. DR. NORBERT LOOS**[1, 2, 4, 5]
Managing partner of Loos Beteiligungs-GmbH, Stuttgart
Further Deputy Chairman
(until April 30, 2014)

- BHS tabletop AG, Selb (Chairman)
- Hans R. Schmid Holding AG, Offenburg (Chairman)
- LTS Lohmann Therapie-Systeme AG, Andernach (Chairman)

KARL-HEINZ STREIBICH[1, 4, 5]
Chairman of the Board of Management of Software AG, Darmstadt
Further Deputy Chairman
since April 30, 2014

- Deutsche Telekom AG, Bonn
- Deutsche Messe AG, Hanover
- Mann+Hummel GmbH, Ludwigsburg (until April 1, 2014)
- Mann+Hummel Holding GmbH, Ludwigsburg (until April 1, 2014)

STEFAN ALBERT[3, 4]
Full-time Chairman of the Works Council of Schenck RoTec GmbH, Darmstadt

- Betriebspensionskasse der Firma Carl Schenck AG VVaG, Darmstadt

[1] Member of the Executive Committee and Personnel Committee
[2] Member of the Audit Committee
[3] Employee representative
[4] Member of the Mediation Committee
[5] Member of the Nomination Committee

■ Membership in statutory supervisory boards

MIRKO BECKER[2, 3]
Full-time member of the Group Works Council of Dürr AG, Stuttgart
Full-time member of the Works Council of Dürr Systems GmbH, Stuttgart, at the Bietigheim-Bissingen site

PROF. DR. ALEXANDRA DÜRR[2, 5]
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

PROF. DR.-ING. HOLGER HANSELKA
President of the Karlsruhe Institute of Technology (KIT), Karlsruhe (since April 30, 2014)

- ■ Harmonic Drive AG, Limburg an der Lahn
- ■ MAFA-Beteiligungsverwaltungsgesellschaft mbH, Aalen

THOMAS HOHMANN[3]
Head of Personnel at Dürr Systems GmbH, Stuttgart

GUIDO LESCH[1, 3]
Second Authorized Representative of IG Metall administrative offices, Völklingen

- ■ Saarschmiede GmbH Freiformschmiede, Völklingen (Deputy Chairman)

DR. HERBERT MÜLLER[2]
Lawyer

DR. MARTIN SCHWARZ-KOCHER[2, 3]
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

- ■ Festo AG & Co. KG, Esslingen (Chairman)
- ■ Heitec AG, Erlangen (Deputy Chairman)
- ■ Leoni AG, Nuremberg (Deputy Chairman)
- ■ SAP SE, Walldorf

[1] Member of the Executive Committee and Personnel Committee
[2] Member of the Audit Committee
[3] Employee representative
[4] Member of the Mediation Committee
[5] Member of the Nomination Committee

■ Membership in statutory supervisory boards

The table below shows a breakdown into components of the remuneration of individual Supervisory Board members in the 2014 reporting period.

3.106 REMUNERATION OF THE SUPERVISORY BOARD IN 2014

€	Basic remuneration	Remuneration for committee membership	Attendance fees[3]	Variable remuneration	Total
Dr.-Ing. E.h. Heinz Dürr, Chairman (until April 26, 2013)	–	–	–	–	–
(2013)	(20,000.00)	(6,250.00)	(3,000.00)	(35,000.00)	(64,250.00)
Klaus Eberhardt, Chairman	60,000.00	11,250.00	9,000.00	105,000.00	185,250.00
(2013)	(46,666.67)	(5,000.00)	(6,000.00)	(81,666.67)	(139,333.34)
Hayo Raich* [1, 2], Deputy Chairman	33,000.00	5,000.00	9,900.00	52,500.00	100,400.00
(2013)	(33,000.00)	(5,000.00)	(5,900.00)	(52,500.00)	(96,400.00)
Prof. Dr. Norbert Loos, Deputy Chairman (until April 30, 2014)	10,000.00	10,166.67	4,000.00	17,500.00	41,666.67
(2013)	(30,000.00)	(25,500.00)	(10,000.00)	(52,500.00)	(118,000.00)
Karl-Heinz Streibich, Deputy Chairman since April 30, 2014	26,666.67	3,333.33	6,000.00	46,666.67	82,666.67
(2013)	(20,000.00)	(–)	(6,000.00)	(35,000.00)	(61,000.00)
Stefan Albert* [2]	20,000.00	–	7,000.00	35,000.00	62,000.00
(2013)	(20,000.00)	(–)	(6,000.00)	(35,000.00)	(61,000.00)
Mirko Becker* [2]	20,000.00	9,000.00	10,000.00	35,000.00	74,000.00
(2013)	(20,000.00)	(9,000.00)	(9,000.00)	(35,000.00)	(73,000.00)
Prof. Dr. Alexandra Dürr	20,000.00	11,500.00	10,000.00	35,000.00	76,500.00
(2013)	(20,000.00)	(11,500.00)	(9,000.00)	(35,000.00)	(75,500.00)
Prof. Dr.-Ing. Holger Hanselka (since April 30, 2014)	13,333.33	–	4,000.00	23,333.33	40,666.66
(2013)	(–)	(–)	(–)	(–)	(–)
Thomas Hohmann*	20,000.00	–	7,000.00	35,000.00	62,000.00
(2013)	(20,000.00)	(–)	(6,000.00)	(35,000.00)	(61,000.00)
Guido Lesch* [2]	20,000.00	5,000.00	9,000.00	35,000.00	69,000.00
(2013)	(20,000.00)	(5,000.00)	(7,000.00)	(35,000.00)	(67,000.00)
Dr. Herbert Müller	20,000.00	12,000.00	9,000.00	35,000.00	76,000.00
(2013)	(13,333.33)	(–)	(4,000.00)	(23,333.33)	(40,666.66)
Dr. Martin Schwarz-Kocher* [2]	20,000.00	9,000.00	9,000.00	35,000.00	73,000.00
(2013)	(20,000.00)	(9,000.00)	(9,000.00)	(35,000.00)	(73,000.00)
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	20,000.00	–	6,000.00	35,000.00	61,000.00
(2013)	(20,000.00)	(–)	(6,000.00)	(35,000.00)	(61,000.00)
Total	**303,000.00**	**76,250.00**	**99,900.00**	**525,000.00**	**1,004,150.00**
(2013)	(303,000.00)	(76,250.00)	(86,900.00)	(525,000.00)	(991,150.00)

* Employee representative
[1] Also member of the Supervisory Board of Dürr Systems GmbH
[2] These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.
[3] For Supervisory Board and committee meetings

43. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

3.107 **INTANGIBLE ASSETS**

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2013	**288,159**	**88,057**	**31,216**	**137**	**407,569**
Exchange difference	– 2,446	– 704	– 30	– 1	– 3,181
Changes in the consolidated group	–	3,327	–	8	3,335
Additions	2,077	4,873	3,446	4	10,400
Disposals	–	– 4,705	– 9,546	–	– 14,251
Reclassification to held for sale	– 819	– 4,185	– 549	–	– 5,553
Reclassifications	–	– 401	447	– 46	–
Accumulated cost as of December 31, 2013	**286,971**	**86,262**	**24,984**	**102**	**398,319**
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
Accumulated cost as of December 31, 2014	**397,311**	**243,090**	**47,009**	**23,777**	**711,187**
Accumulated amortization and impairment as of January 1, 2013	**–**	**61,848**	**19,448**	**–**	**81,296**
Exchange difference	–	– 516	– 29	–	– 545
Amortization for the year	–	8,350	3,901	–	12,251
Disposals	–	– 2,895	– 9,538	–	– 12,433
Reclassification to held for sale	–	– 3,860	– 424	–	– 4,284
Reclassifications	–	– 301	301	–	–
Accumulated amortization and impairment as of December 31, 2013	**–**	**62,626**	**13,659**	**–**	**76,285**
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
Accumulated amortization and impairment as of December 31, 2014	**–**	**75,889**	**17,442**	**–**	**93,331**
Net carrying amount as of December 31, 2014	**397,311**	**167,201**	**29,567**	**23,777**	**617,856**
Net carrying amount as of December 31, 2013	286,971	23,636	11,325	102	322,034
Net carrying amount as of January 1, 2013	288,159	26,209	11,768	137	326,273

3.108 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
Accumulated cost as of January 1, 2013	**181,038**	**42,796**	**35,419**	**75,583**	**5,194**	**340,030**
Exchange difference	– 1,962	–	– 853	– 1,782	– 61	– 4,658
Changes in the consolidated group	3,418	–	180	218	–	3,816
Additions	15,759	243	4,232	17,019	5,655	42,908
Disposals	– 1,467	– 80	– 1,752	– 6,042	–	– 9,341
Reclassification to held for sale	– 18,584	–	– 3,457	– 1,373	–	– 23,414
Reclassifications	4,150	– 584	377	900	– 4,843	–
Accumulated cost as of December 31, 2013	**182,352**	**42,375**	**34,146**	**84,523**	**5,945**	**349,341**
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
Accumulated cost as of December 31, 2014	**325,376**	**42,845**	**58,435**	**121,769**	**5,488**	**553,913**
Accumulated depreciation and impairment as of January 1, 2013	**63,902**	**19,618**	**24,731**	**56,290**	**–**	**164,541**
Exchange difference	– 793	–	– 494	– 1,212	–	– 2,499
Depreciation for the year	5,062	887	2,116	7,063	–	15,128
Disposals	– 1,337	– 76	– 851	– 5,909	–	– 8,173
Reclassification to held for sale	– 11,613	–	– 3,081	– 1,056	–	– 15,750
Reclassifications	405	– 299	– 62	– 44	–	–
Accumulated depreciation and impairment as of December 31, 2013	**55,626**	**20,130**	**22,359**	**55,132**	**–**	**153,247**
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
Accumulated depreciation and impairment as of December 31, 2014	**60,499**	**21,244**	**25,070**	**63,267**	**160**	**170,240**
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 December 31, 2013	126,726	22,245	11,787	29,391	5,945	196,094
Net carrying amount as of January 1, 2013	117,136	23,178	10,688	19,293	5,194	175,489

3.109 **FINANCIAL ASSETS**

€k	Investments in entities accounted for using the equity method	Other investments	Securities classified as non-current assets	Other loans	Dürr Group
Accumulated cost as of January 1, 2013	**13,419**	**2,382**	**11,496**	**602**	**27,899**
Exchange difference	– 2,709	–	–	–	– 2,709
Changes in the consolidated group	– 51	–	–	–	– 51
Additions	1,639	100	19,899	–	21,638
Disposals	– 147	–	– 2,990	–	– 3,137
Accumulated cost as of December 31, 2013	**12,151**	**2,482**	**28,405**	**602**	**43,640**
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
Accumulated cost as of December 31, 2014	**25,421**	**15,606**	**26,585**	**709**	**68,321**
Accumulated write-downs as of January 1, 2013	**–**	**26**	**241**	**–**	**267**
Depreciation for the year	–	–	636	–	636
Impairment losses for the year	452	–	–	151	603
Disposals	–	–	– 183	–	– 183
Accumulated write-downs as of December 31, 2013	**452**	**26**	**694**	**151**	**1,323**
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
Accumulated write-downs as of December 31, 2014	**834**	**18**	**887**	**141**	**1,880**
Net carrying amount as of December 31, 2014	**24,587**	**15,588**	**25,698**	**568**	**66,441**
Net carrying amount as of December 31, 2013	11,699	2,456	27,711	451	42,317
Net carrying amount as of January 1, 2013	13,419	2,356	11,255	602	27,632

44. LIST OF GROUP SHAREHOLDINGS

3.110 LIST OF GROUP SHAREHOLDINGS

Name and location	Share in capital in %*
A. Fully consolidated subsidiaries	
Germany	
Benz GmbH Werkzeugsysteme, Haslach im Kinzigtal	51.0
Brandt Kantentechnik GmbH, Lemgo[1]	100.0
Carl Schenck AG, Darmstadt	100.0
Dürr Assembly Products GmbH, Püttlingen[1]	100.0
Dürr Ecoclean GmbH, Filderstadt[1]	100.0
Dürr International GmbH, Stuttgart[1]	100.0
Dürr IT Service GmbH, Stuttgart[1]	100.0
Dürr Parata GmbH, Stuttgart	100.0
Dürr Somac GmbH, Stollberg[1]	100.0
Dürr Systems GmbH, Stuttgart[1]	100.0
Dürr Systems Karlstein GmbH, Karlstein am Main	100.0
Dürr Systems Wolfsburg GmbH, Wolfsburg[1]	100.0
Dürr Technologies GmbH, Stuttgart	100.0
Friz Kaschiertechnik GmbH, Weinsberg	100.0
Holzma Plattenaufteiltechnik GmbH, Calw[1]	100.0
Homag Automation GmbH, Lichtenberg im Erzgebirge[1]	100.0
Homag eSolution GmbH, Schopfloch	51.0
Homag Finance GmbH, Schopfloch	100.0
Homag Group AG, Schopfloch	55.9
Homag GUS GmbH, Schopfloch[1]	100.0
Homag Holzbearbeitungssysteme GmbH, Schopfloch[1]	100.0
Homag Vertrieb & Service GmbH, Schopfloch	100.0
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach	100.0
Schenck RoTec GmbH, Darmstadt[1]	100.0
Schenck Technologie- und Industriepark GmbH, Darmstadt[1]	100.0
Schuler Consulting GmbH, Pfalzgrafenweiler	100.0
Thermea Energiesysteme GmbH, Ottendorf-Okrilla	30.0
Torwegge Holzbearbeitungsmaschinen GmbH, Löhne	100.0
Weeke Bohrsysteme GmbH, Herzebrock-Clarholz	100.0
Weinmann Holzbausystemtechnik GmbH, St. Johann-Lonsingen	75.9
Other EU countries	
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
Datatechnic S.A.S., Uxegney/France	100.0
Dürr Anlagenbau Ges.m.b.H., Zistersdorf/Austria	100.0
Dürr Cleaning France S.A.S., Loué/France	100.0
Dürr Cyplan Ltd., Aldermaston/UK	50.0
Dürr Automation S.A.S., Loué/France	100.0
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic	100.0
Dürr Ltd., Warwick/UK	100.0

Name and location	Share in capital in %*
Other EU countries	
Dürr Poland Sp. z o.o., Radom/Poland	100.0
Dürr Systems Czech Republic a.s., Ledeč nad Sázavou/Czech Republic	100.0
Dürr Systems S.A.S., Guyancourt/France	100.0
Dürr Systems spol. s r.o., Bratislava/Slovakia	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 (Barcelona)/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	50.0
Other European countries	
CPM Automation d.o.o. Beograd, Belgrade/Serbia	100.0
Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi, Istanbul/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
North America/Central America	
Benz Incorporated, Charlotte, North Carolina/USA	100.0
Dürr de México, S.A. de C.V., 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
Homag US, Inc., Grand Rapids, Michigan/USA	100.0
Howard S. Twichell Company, Inc., Coppell, Texas/USA	100.0
Schenck Corporation, Deer Park, New York/USA	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

Name and location	Share in capital in %*
South America	
Agramkow do Brasil Ltda., Indaiatuba/Brazil	100.0
Dürr Brasil Ltda., São Paulo/Brazil	100.0
Homag Machinery (São Paulo) Maquinas Especiais para Madeira Ltda., Taboão da Serra/Brazil	100.0
Homag South America Ltda., Taboão da Serra/Brazil	100.0
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina[2]	100.0
Africa/Asia/Australia	
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., Yokohama/Japan	100.0
Dürr Korea Inc., Seoul/South Korea	100.0
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/P. R. 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/P. R. China	81.3
Homag Machinery Bangalore Pvt. Ltd., Bangalore/India	100.0
Homag New Zealand Ltd., Auckland/New Zealand	100.0
PT Durr Systems Indonesia, Jakarta/Indonesia	100.0
Schenck RoTec India Limited, Noida/India	100.0
Schenck Shanghai Machinery Corporation Ltd., Shanghai/P. R. China	100.0
B. Non-consolidated subsidiaries	
Futura GmbH, Schopfloch/Germany	100.0
Homag India GmbH, Schopfloch/Germany	100.0
Hüllhorst GmbH, Barntrup/Germany[2]	100.0
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt/Germany	100.0
Homag Group Trading SEE EOOD, Plovdiv/Bulgaria	100.0
Homag Equipment Machinery Trading LLC, Dubai/United Arab Emirates	80.0[3]
OOO "FAYZ-Homag GUS", Tashkent/Uzbekistan[2]	33.0

Name and location	Share in capital in %*
C. Investments accounted for using the equity method	
LaTherm GmbH, Dortmund/Germany[2]	28.0
Prime Contractor Consortium FAL China, Stuttgart/Germany	50.0
Homag China Golden Field Ltd., Hong Kong/P. R. China	25.0
Nagahama Seisakusho Ltd., Osaka/Japan	50.0
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/P. R. China	49.0
D. Other investments	
Fludicon GmbH, Darmstadt/Germany	0.6
Tec4Aero GmbH, Wiefelstede/Germany	11.0
HeatMatrix Group BV, Utrecht/Netherlands	14.9
Parker Engineering Co., Ltd., Tokyo/Japan	10.0

*Investment pursuant to Sec. 16 AktG
[1] Profit and loss transfer agreement with the respective parent company
[2] In liquidation
[3] 100 % share in voting right

Bietigheim-Bissingen, March 19, 2015

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, 2014. 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 19, 2015

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 19, 2015

4.1 Ten-year summary Dürr Group[1, 2]

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Incoming orders	€ million	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	1,216.9
Orders on hand	€ million	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	723.5
Sales revenues	€ million	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	1,400.6
Gross profit on sales	€ million	591.1	487.3	437.8	331.4	237.5	210.8	287.1	240.0	220.2	220.2
Overhead costs (incl. R&D costs)	€ million	–359.5	–280.7	–262.9	–225.5	–201.6	–202.5	–211.0	–203.3	–198.9	–211.5
Restructuring costs (incl. impairment losses/reversal of impairment losses)	€ million	–[3]	–[3]	–[3]	–[3]	–[3]	–[3]	–[3]	1.0	–5.9	–73.8
EBITDA	€ million	262.9	230.4	205.4	127.1	54.6	25.6	87.1	73.5	52.7	–18.8
EBIT	€ million	220.9	203.0	176.9	106.5	36.6	5.7	72.7	55.7	33.1	–70.3
Financial result	€ million	–16.2	–18.4	–29.2	–20.7	–24.1	–17.9	–26.3	–21.0	–18.3	–36.3
EBT	€ million	204.7	184.6	147.7	85.8	12.5	–12.2	46.4	34.8	14.8	–106.6
Income taxes	€ million	–54.4	–43.7	–36.3	–21.6	–5.4	–13.5	–12.7	–13.6	–6.6	2.1
Net income/loss	€ million	150.3	140.9	111.4	64.3	7.1	–25.7	33.7	21.2	8.2	–104.5
Profit/loss attributable to Dürr AG shareholders	€ million	149.8	140.1	107.2	61.9	6.3	–26.9	29.9	20.9	7.8	–104.6
Stock											
Earnings per share	€	4.33	4.05	3.10	1.79	0.19	–0.78	0.91	0.67	0.25	–3.63
Dividend per share	€	1.65[4]	1.45	1.13	0.60	0.15	0.00	0.35	0.20	0.00	0.00
Book value per share (Dec. 31)	€	17.78	14.58	12.25	10.37	9.05	8.52	10.11	8.12	7.76	8.56
Operating cash flow per share	€	8.42	9.51	3.40	3.70	1.60	2.76	0.94	2.73	–0.32	–5.13
Closing price[5] (Dec. 31)	€	73.26	64.81	33.75	17.00	11.94	8.50	6.13	13.30	10.50	10.15
Number of shares (weighted average)	thousand	34,601	34,601	34,601	34,601	34,601	34,601	33,072	31,456	31,456	28,800
Market capitalization (Dec. 31)	€ million	2,535	2,243	1,168	588	413	294	203	418	330	292
Income statement											
Gross margin	%	23.0	20.2	18.2	17.2	18.8	19.6	17.9	16.3	16.2	15.7
EBITDA margin	%	10.2	9.6	8.6	6.6	4.3	2.4	5.4	5.0	3.9	–1.3
EBIT margin	%	8.6	8.4	7.4	5.5	2.9	0.5	4.5	3.8	2.4	–5.0
EBT margin	%	8.0	7.7	6.2	4.5	1.0	–1.1	2.9	2.4	1.1	–7.6
Interest coverage		12.6	10.7	6.0	5.0	1.5	0.3	2.5	2.4	1.6	–2.0
Tax rate	%	26.6	23.7	24.6	25.1	43.3	–	27.3	39.0	44.7	–
Cash flow											
Operating cash flow	€ million	291.3	329.1	117.6	127.9	55.4	95.4	30.9	85.9	–9.8	–147.6
Free cash flow	€ million	221.1	261.9	65.9	91.8	22.9	63.7	–14.5	40.6	–46.5	–206.1
Capital expenditure (property, plant & equipment and intangible assets)	€ million	54.9	51.2	32.5	23.4	16.6	21.4	24.3	26.5	18.0	26.0
Change in net financial debt	€ million	–112.7	183.8	44.9	28.2	20.6	37.4	27.4	34.7	–11.6	157.9
Balance sheet											
Non-current assets (Dec. 31)	€ million	1,124.2	590.9	551.9	529.0	462.3	452.6	443.5	424.2	447.1	484.9
Current assets (Dec. 31)	€ million	1,851.9	1,400.9	1,255.8	1,132.0	754.1	515.5	644.5	650.6	592.9	704.3
of which cash and cash equivalents (Dec. 31)	€ million	522.0	458.5	349.3	298.6	252.3	103.9	84.4	147.5	101.5	124.7

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Equity (with non-controlling interests) (Dec. 31)	€ million	725.8	511.4	432.1	364.3	319.4	301.4	341.4	257.1	245.7	248.1
Non-current liabilities (Dec. 31)	€ million	643.1	394.8	402.6	401.9	328.2	201.1	201.3	305.0	321.7	324.6
of which pension obligations (Dec. 31)	€ million	53.7	49.8	53.5	57.8	55.9	55.1	52.2	50.0	60.7	67.8
Current liabilities (Dec. 31)	€ million	1,607.3	1,085.7	973.0	894.8	568.8	465.6	545.4	512.7	472.7	616.5
Financial liabilities (Dec. 31)	€ million	426.5	271.1	286.1	286.2	232.3	104.0	122.6	214.6	210.3	217.9
Total assets (Dec. 31)	€ million	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	1,189.1
Net financial status (Dec. 31)	€ million	167.8	280.5	96.7	51.8	23.6	3.0	– 34.4	– 61.8	– 96.5	– 84.9
Net financial debt/EBITDA		–[6]	–[6]	–[6]	–[6]	–[6]	–[6]	0.4	0.8	1.8	– 4.5
Gearing (Dec. 31)	%	– 30.1	– 121.5	– 28.8	– 16.6	– 8.0	– 1.0	9.2	19.4	28.2	25.5
Net working capital (Dec. 31)	€ million	87.6	– 33.1	98.6	32.6	27.3	57.4	151.8	128.9	154.7	171.5
Days working capital	days	12.2	– 4.9	14.8	6.1	7.8	19.2	34.1	31.4	40.9	44.1
Days sales outstanding[7]	days	67.8	47.6	51.9	61.5	52.5	62.4	56.0	66.6	68.6	–
Inventory turnover	days	51.0	22.1	21.7	23.3	21.1	20.9	17.5	14.1	13.4	11.2
Equity assets ratio (Dec. 31)	%	64.6	86.5	78.3	68.9	69.1	66.6	77.0	60.6	55.0	51.2
Degree of asset depreciation (Dec. 31)	%	30.7	43.9	48.4	48.8	56.9	56.9	57.8	59.4	57.4	58.1
Depreciation expense ratio	%	4.2	4.3	4.2	3.3	4.1	4.3	3.9	4.6	4.3	5.2
Asset coverage (Dec. 31)	%	121.8	153.3	151.2	144.8	140.1	111.0	122.4	132.5	126.9	118.1
Asset intensity (Dec. 31)	%	37.8	29.7	30.5	31.8	38.0	46.8	40.8	39.5	43.0	40.8
Current assets to total assets (Dec. 31)	%	62.2	70.3	69.5	68.2	62.0	53.2	59.2	60.5	57.0	59.2
Cash ratio (Dec. 31)	%	32.6	42.4	35.9	33.4	44.4	22.3	15.5	28.8	21.5	20.3
Quick ratio (Dec. 31)	%	85.7	104.5	107.3	103.3	113.3	91.7	96.8	107.8	107.9	98.0
Equity ratio (Dec. 31)	%	24.4	25.7	23.9	21.9	26.3	31.1	31.4	23.9	23.6	20.9
Return on equity	%	20.7	27.6	25.8	17.6	2.2	– 8.5	9.9	8.2	3.3	– 42.1
Capital employed (CE) (Dec. 31)[8]	€ million	571.5	266.4	373.0	350.8	339.7	339.7	415.0	357.1	389.4	–
ROCE[8]	%	38.7	76.2	47.4	30.4	10.8	1.7	17.6	15.9	8.2	–
Weighted average cost of capital (WACC)	%	5.78	6.69	6.58	7.64	8.10	8.08	7.58	7.41	6.66	–
Economic value added (EVA)[8]	€ million	121.6	124.3	99.3	47.7	– 1.9	– 23.4	19.7	13.3	– 3.6	–
Employees / R&D											
Employees (Dec. 31)		14,151	8,142	7,652	6,823	5,915	5,712	6,143	5,936	5,650	5,992
Cost per employee (year average)	€	– 64,800	– 65,200	– 64,900	– 62,700	– 59,300	– 57,200	– 62,200	– 63,500	– 61,000	– 62,600
Sales per employee (year average)	€	262,900	301,900	327,100	299,200	218,300	183,100	264,500	254,200	237,500	230,000
R&D ratio	%	2.2	1.8	1.6	1.5	2.0	2.4	1.6	1.4	1.6	1.5
R&D employees (Dec. 31)		619	248	199	180	162	157	152	158	157	121
R&D expenditure	€ million	– 55.4	– 43.0	– 37.2	– 29.5	– 25.8	– 25.9	– 25.5	– 20.5	– 21.1	– 21.1
R&D cost capitalized	€ million	5.5	3.4	3.1	2.7	3.6	2.5	3.1	4.7	4.8	4.5
Amortiziation of R&D cost capitalized	€ million	– 4.3	– 3.9	– 6.1	– 4.0	– 3.3	– 3.3	– 2.9	– 2.8	– 1.9	– 1.4

All figures according to IFRS.
[1] In 2005, we sold a number of business operations and carried out a major restructuring. The figures for 2005 to 2014 refer to the continuing operations and are fully comparable.
[2] The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted.
[3] In 2010, the major restructuring measures within the Group were completed. As a result, restructuring costs are no longer presented as a separate item but are included in other expense items. The presentation of the income statement items for 2009 and 2008 was adjusted accordingly. No major restructuring costs have been incurred since 2011.
[4] Dividend to be proposed at the annual general meeting.
[5] XETRA
[6] Since 2009, the Group has had a positive net financial status.
[7] Unlike in previous years, the calculation only includes trade receivables already billed. The previous years' figures have been adjusted accordingly.
[8] Capital Employed has been calculated without financial assets since 2014. The previous years' 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

End of line
Refers to the terminal line section in final vehicle assembly where fully assembled cars are inspected and prepared for shipping.

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.

I

Industrial cleaning systems
Cleaning systems remove contaminants from workpieces that arise during the machining process.

L

Lamination
Process for coating wood-based materials with decor materials, used in the manufacturing of structural elements and furniture.

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_2 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 actually contributes itself in the manufacture of a product or a plant.

Marriage
Joining and bolting together of the power train, chassis, and body in final vehicle assembly.

P

Paint separation system
During painting, some of the sprayed paint does not reach the body surface. These paint particles must be separated from the booth atmosphere so that they do not mix with the subsequent paint colors. In the **Eco**DryScrubber technology, this separation is performed with the aid of dry filters.

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.

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.

Supervisory control system
Centralized computer system for controlling and supervising control of a complete production plant.

T

Test systems
End-of-line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

Throughfeed machine
In a throughfeed machine the workpiece, for example a chipboard panel, is conveyed through the machine while it is being processed. Machining can be carried out on one or on both sides. CNC woodworking machines are the alternative. In these, the workpiece is machined while stationary (for instance, sawn, routed and drilled).

U

Ultrafine cleaning
Cleaning process that removes contamination down to a single-digit µm (micron) scale.

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 that capital is tied up in receivables in days.

$$\frac{\text{receivables} \times 360}{\text{sales revenues}}$$

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 run 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 prefinanced 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.

$$\frac{\text{earnings after taxes} + \text{interest expense}}{\text{total assets}} \times 100\ (\%)$$

Index of charts and tables

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FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the 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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The FSC® logo identifies products which contain wood from well-managed forests certified in accordance with rules of the Forest Stewardship Council.

Financial calendar

03/31/2015 / Publication annual report 2014

05/12/2015 / Interim report for the first quarter of 2015 / Investor conference at the Ligna fair, Hannover

05/15/2015 / Annual general meeting, Bietigheim-Bissingen

07/30/2015 / Interim financial report for the first half of 2015

11/11/2015 / Interim report for the first nine months of 2015

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Highlights 2014

January

/ TOP EMPLOYER

For the first time Dürr comes top in the "Large Companies, Mechanical and Plant Engineering, Multitechnologies" category in the "Germany's Best Employers" ranking published by German news magazine FOCUS.

February

/ INNOVATIVE EMPLOYEES

Dürr presents the Heinz Dürr Innovation Award for pioneering innovations to five teams of employees.

March

/ AWARD FROM DAIMLER

Dürr wins the Daimler Supplier Award for outstanding performance in mechanical and plant engineering.

April

/ LONG-TERM FUNDING SECURED

The new corporate financing structure is in place. A bond of € 300 million and a syndicated loan for the same amount mean Dürr has secured permanent financing until 2021 – at substantially better terms than previously.

May

/ RECORD VISITOR NUMBERS

The Dürr Open House innovation show attracts more visitors than ever before to Bietigheim-Bissingen. Dürr demonstrates the latest technologies for higher production efficiency at 24 stations.

/ OPENING IN JAPAN

Dürr officially opens its state-of-the-art test center for painting technology in Tokyo. Japanese customers can evaluate our products on site and conduct painting tests. New test centers for operating painting and handling robots are also opened at Dürr in the US and Germany.

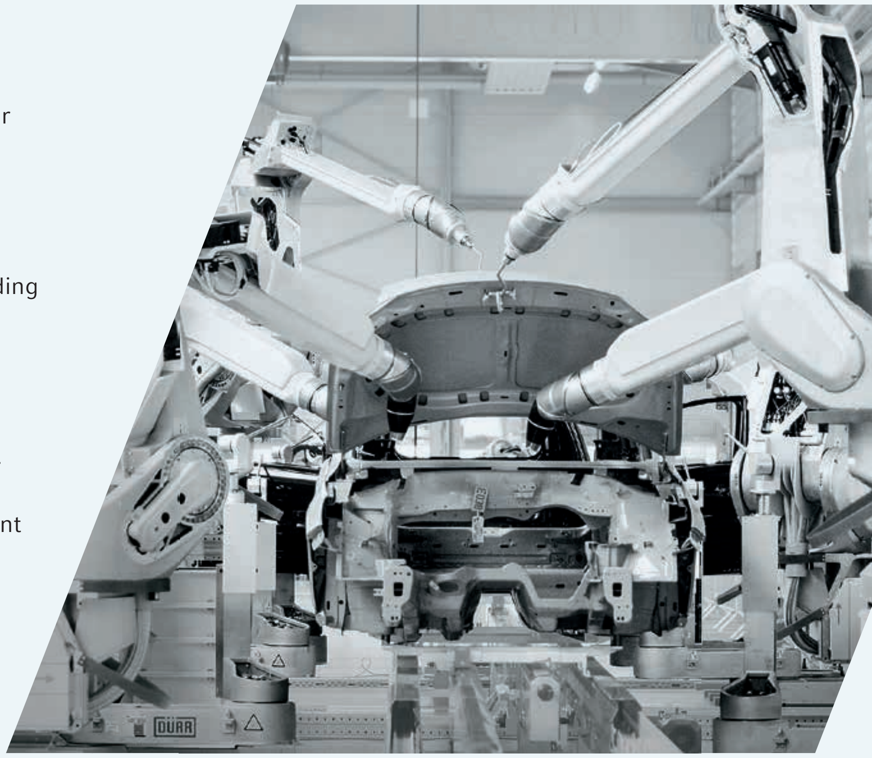
June

/ EXPANSION IN SOUTHEAST ASIA

Dürr strengthens its presence in the growth market of Southeast Asia with two new sales and service companies in Indonesia and Malaysia.

/ MAJOR ORDER IN POLAND

Dürr wins one of the largest orders in the company's history: Volkswagen orders a resource-friendly paint shop with low energy, water and material consumption.



May

July

/ ENTERING THE INDUSTRIAL PAINTING SECTOR

The acquisitions of Bersch & Fratscher and EST+ enable Dürr to expand its application technology portfolio. The two acquisitions are an important basis from which to expand into the general industrial market.

/ ANNOUNCEMENT OF HOMAG GROUP TAKEOVER

Global market leader buys global market leader: Dürr announces the acquisition of HOMAG Group AG, the leading supplier of woodworking machinery and plant.

September

November

October

September

/ INNOVATION

Schenck RoTec unveils the BARIO fully automated crankshaft balancing machine. BARIO has a low energy demand and a small footprint and is easy to operate and retool.

October

/ EXPANSION IN FINAL ASSEMBLY TECHNOLOGY

Two new production buildings go into operation at Dürr Assembly Products' Püttlingen site, ensuring the company is well equipped to cope with the growing business for commercial vehicle test stands.

/ HOMAG GROUP BECOMES PART OF DÜRR GROUP

The majority takeover of HOMAG Group AG is completed. This will enable Dürr to expand its mechanical engineering portfolio and open up new growth and profit potential.

November

/ 50 YEARS OF DURR BRASIL

In Brazil, the Dürr Group's first foreign subsidiary celebrates its 50th anniversary. Keynote speaker Heinz Dürr, who set up Dürr Brazil in 1964, recounts memories from the early days in São Paulo.

December

/ RECORD

On December 29, for a time, Dürr's share price reaches a record high of € 74.50. This was preceded by strong quarterly figures and intensive communication with the capital market on the majority takeover of the HOMAG Group.

LEADING IN PRODUCTION EFFICIENCY

www.durr.com