2007 ANNUAL REPORT

DÜRR

KEY FIGURES (IFRS)

(CONTINUING OPERATIONS)

		2007	2006	2005	2004	2006 / 2007 Change in %
Incoming orders	in € m	1,781.5	1,459.8	1,216.9	1,387.4	22.0
(Paint and Assembly Systems)	in € m	1,436.8	1,155.6	931.2	1,086.4	24.3
(Measuring and Process Systems)	in € m	344.7	304.2	285.7	301.0	13.3
Orders on hand (Dec. 31)	in € m	1,082.0	805.2	723.5	859.9	34.4
Sales revenues	in € m	1,476.6	1,361.2	1,400.6	1,725.8	8.5
(Paint and Assembly Systems)	in € m	1,160.4	1,083.9	1,090.0	1,413.8	7.1
(Measuring and Process Systems)	in € m	316.2	277.3	310.6	312.0	14.0
EBIT	in € m	55.7	33.1	–70.3	29.0	68.3
(Paint and Assembly Systems)	in € m	36.6	29.4	–41.4	30.3	24.5
(Measuring and Process Systems)	in € m	19.4	4.6	–19.1	–3.9	321.7
Net income/loss	in € m	21.2	8.2	–104.5	–1.1	158.5
Cash flow from operating activities	in € m	85.9	–9.8	–147.6	–115.5	
Cash flow from investing activities	in € m	–11.2	17.3	283.9	–19.5	
Cash flow from financing activities	in € m	–21.9	–33.8	–76.0	–19.4	
Free cash flow	in € m	40.6	–46.5	–206.1	–150.9	
Equity (with minority interests) (Dec. 31)	in € m	257.1	245.7	248.1	222.7	4.6
Net financial debt[1] (Dec. 31)	in € m	60.7	96.5	84.9	242.8	–37.1
Net working capital (Dec. 31)	in € m	119.9	154.7	171.5	120.5	–22.5
Employees (Dec. 31)		5,936	5,650	5,992	6,240	5.1
(Paint and Assembly Systems)		3,997	3,786	3,979	4,236	5.6
(Measuring and Process Systems)		1,892	1,821	1,966	1,953	3.9
Gearing (Dec. 31)	in %	19.1	28.2	25.5	34.3	–32.2
Equity ratio (Dec. 31)	in %	23.9	23.6	20.9	15.5	1.3
EBIT margin	in %	3.8	2.4	–	1.7	58.3
ROCE (Dec. 31)	in %	15.0	7.6	–	3.9	97.4
Dürr stock ISIN: DE0005565204						
High[2]	in €	34.70	26.90	20.35	21.10	
Low[2]	in €	20.20	17.14	13.23	14.50	
Close[2]	in €	26.60	20.99	20.30	15.11	
Number of shares (weighted average)		15,728,020	15,728,020	14,400,050	14,298,200	
Earnings per share	in €	1.33	0.50	–7.26	0.00	166.0

[1] Without finance leases
[2] XETRA

Immaterial variances may occur in this report due to roundings in the computation of sums and percentages.

DÜRR GROUP

THE DÜRR GROUP CONSISTS OF TWO DIVISIONS, WHICH BREAK DOWN INTO SIX BUSINESS UNITS. DÜRR AG IN STUTTGART OPERATES PURELY AS A MANAGEMENT HOLDING COMPANY.

PAINT AND ASSEMBLY SYSTEMS DIVISION

Paint and Assembly Systems is the world's leading supplier of paint shops for the automotive industry. We also engineer and deliver assembly systems for the automotive and aviation industries. Our portfolio also includes environmental systems – particularly exhaust-air purification systems – for the chemical, pharmaceutical, and automotive industries.

PAINT AND ASSEMBLY SYSTEMS BUSINESS UNITS

- Paint Systems: Paint shops for automobile manufacturers and their suppliers and for general industry
- Application Technology: Systems for automated paint application
- Environmental and Energy Systems: Exhaust-air purification systems and energy-saving concepts
- Factory Assembly Systems: Final assembly, testing, filling, and conveyor systems

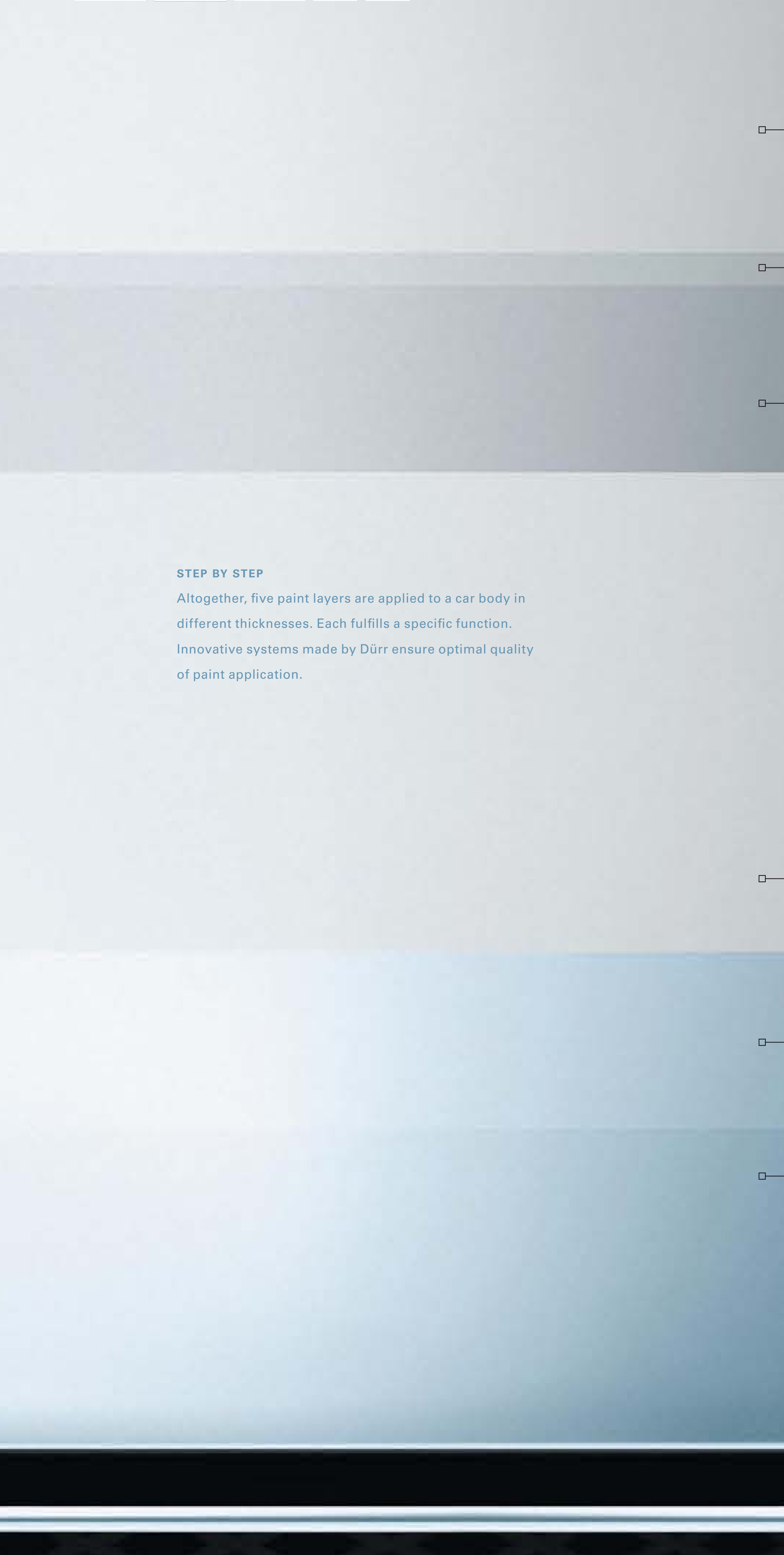
MEASURING AND PROCESS SYSTEMS DIVISION

Measuring and Process Systems includes two areas of activity: balancing and diagnostic systems and cleaning, automation, and filtration systems. Quality, innovative power, and global presence have made us a world market leader in both areas. In addition to the automotive industry, our machines and systems are also used in the aerospace, machinery, and electrical engineering industries.

MEASURING AND PROCESS SYSTEMS BUSINESS UNITS

- Balancing and Diagnostic Systems
- Cleaning and Filtration Systems: Industrial cleaning technology, automation, and filtration systems

This page shows the business unit structure in reporting year 2007. Information about changes we made in the first quarter of 2008 is presented in the section on events subsequent to the reporting date, on page 73.



CAR BODY I Made of steel or aluminum sheet

PHOSPHATING I For protection against corrosion and optimal adhesion of subsequent paint layers

CATHODIC DIP-COATING I For protection against corrosion, first layer of prime coat

STEP BY STEP

Altogether, five paint layers are applied to a car body in different thicknesses. Each fulfills a specific function. Innovative systems made by Dürr ensure optimal quality of paint application.

SURFACER I For filling and leveling out uneven spots, pre-coloring, and protection against stone chipping

BASE COAT I For coloring and metallic effects with aluminum platelets

CLEAR COAT I For gloss and protection against external influences (e.g. detergents and ultraviolet rays)

DÜRR TECHNOLOGY REDUCES COST PER UNIT.

Above all, we offer our customers one thing: machinery and systems that enable them to lower unit production costs and still maintain high quality. This is a fundamental principle underlying our business, whether in developing products, planning new production lines, or modernizing existing plants. From compact cleaning systems to paint shops for large-scale production, Dürr designs and builds innovative solutions that make our customers more competitive. The product photos in this annual report illustrate how we do it. All the products pictured cut cost per unit, with shorter cycle times, less environmental impact, and lower need of materials, energy, and touch-up work.

CONTENTS

LETTER FROM THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS, CUSTOMERS, BUSINESS ASSOCIATES, AND STAFF,

As in 2006, Dürr achieved its goals in the past business year. We managed to increase order intake by 22% and sales by 8.5%. Moreover, we achieved significantly positive operating cash flow and – for the first time in several years – positive free cash flow. We also strongly improved earnings. With pluses of 68% and 159% on the preceding year, EBIT and net income increased much more than proportionately relative to sales.

The strong growth of new orders again shows two things. First, Dürr is a highly capable partner, with its innovative power and project expertise, from whom our customers may expect measurable added value – whether in the form of lower unit costs or higher quality and flexibility. Second, we benefit from our international positioning. Especially in the emerging markets of Asia and Eastern Europe, which contributed 43% to new orders in 2007, our long-standing local presence is a great competitive advantage.

After laying the groundwork for our good business development with completion of the FOCUS program at the beginning of 2007, we defined the Group's future development in an intensive strategizing process. The result is Dürr 2010 – a strategy that points the way, based on our core business, to an EBIT margin of about 6% (2007: 3.8%) and a return on capital employed of about 22% in 2010 (2007: 15.0%). The Dürr 2010 strategy comprises further expansion of the services business, increasing distribution, engineering, and manufacturing capacities in the emerging markets, systematic cost management in manufacturing and administrative processes, and optimizing our financing structure. We are furthermore carrying out strategic reorientation measures. We will significantly expand the growing business in aircraft assembly systems. In the business of turnkey systems for automotive final assembly, we are concentrating on projects in which we can clearly differentiate ourselves from the competition. We also intend to expand our leading position in the world market for balancing technology by means of select acquisitions in order to tap potential for further sales and earnings growth. In the area of cleaning and filtration systems, we will continue our international expansion.

Building the Dürr Campus at the Bietigheim-Bissingen application technology site is a forward-looking project with which we will bundle our capabilities and increase productivity. We will combine our Germany-based activities in painting, assembly, and environmental fields in this new engineering and technology

RALF W. DIETER (47), CHAIRMAN
(left)

- Paint and Assembly Systems
- Measuring and Process Systems
- Quality
- Research and Development
- Human Resources (Employee Affairs Director)
- Internal Auditing
- Public Relations

RALPH HEUWING (42)

- Finance/Controlling
- Investor Relations
- Legal Affairs/Patents
- Information Technology
- Risk Management
- Real Estate
- Dürr Consulting

complex. That has advantages, including more direct communication among the business units, even better-coordinated project execution, and more space for research and development. Moreover, we are expanding our customer center, which will offer extensive educational opportunities. The expansion work on the technology center – the world's largest of its kind – and the new logistics are already finished. Construction of the engineering and administration building will begin in May 2008. In summer 2009, the Dürr Campus will then begin offering ideal working conditions for 1,500 employees.

For the first time in five years, we are able for 2007 to pay our shareholders a dividend – another one of our declared goals. The Dürr stock showed good performance overall in 2007. Despite declines as a result of the financial crisis on the markets, the share price was up 26.7% at year's end and thus clearly outperformed the SDAX. That also reflects the confidence that investors have in Dürr.

We intend to further improve earning power significantly in 2008. The EBIT margin is to rise to 5%, and the return on capital employed to over 16%. We are benefiting in that regard from the good order situation with which we began the current year. Our second goal is to achieve significantly positive free cash flow again in order to further lower financial debt on the basis of our own operating power. Demand in our markets is unabated at present. Against that background and in view of high orders on hand and our full project pipeline, we do not expect any significant impairment of our business due to a cooling of the world economy. We will nevertheless equip ourselves for difficult times by means of further productivity improvements and cost management.

The past two years have demonstrated that Dürr can rely on the expertise and professionalism of its employees when it comes to achieving the goals set for the company. We thank each of them for their personal dedication and willingness to help actively shape the changes. We are also especially grateful to our customers, business associates, and shareholders, who have put their confidence in the company.

Sincerely,

RALF W. DIETER, CEO

RALPH HEUWING, CFO

Stuttgart, March 19, 2008

DR.-ING. E. H. HEINZ DÜRR

REPORT OF THE SUPERVISORY BOARD

The year 2007 confirmed that Dürr is back on track after realignment through the FOCUS program. Earnings increased according to plan, however, the achieved EBIT margin of 3.8% is only an interim stage that must be followed by further improvements. The Supervisory Board is confident that it will be. Business processes were made more efficient, and continuous improvements are now part of the company's daily affairs. Another positive aspect is a broad international positioning, which is becoming ever more important in the Group's increasingly global business. In the past months, the Board of Management has developed in consultation with the Supervisory Board the Dürr 2010 strategy program, which points the way for profitable growth in the coming years. The Supervisory Board will closely follow the implementation of the program's individual measures, which are described on pages 18 to 21.

The Supervisory Board advised and monitored the Board of Management intensively in 2007 and performed the tasks assigned to it by law and by the articles of incorporation. All decisions important for the company were discussed between the Supervisory Board and the Board of Management. Critical issues, such as a project delay in India, for example, were also discussed in the Supervisory Board. The Board of Management informed the Supervisory Board in a timely and comprehensive manner about the economic situation and company planning and about transactions requiring consent, material business processes, and risk management. The Supervisory Board adopted its resolutions after thorough review based on written decision-making materials.

The Supervisory Board held five regular meetings in the year under review. The Personnel Committee met once in 2007, and the Audit Committee twice; the Mediation Committee was not convened. On December 12, the Supervisory Board formed a Nominating Committee consisting of three representatives of the shareholders and thus implemented a new requirement of the German Corporate Governance Code. This Committee's task is to propose suitable candidates to the Supervisory Board for the election of shareholder representatives by the annual meeting. The Nominating Committee's procedures are specified in the Supervisory Board's rules of order. Furthermore, the Supervisory Board wrote into the rules of order that the Audit Committee is to perform a control function regarding compliance with capital market regulations in addition to its auditing function.

The Supervisory Board Chairman was also in regular contact with the Board of Management outside the meetings. He informed the full body concerning the results of those talks. The Supervisory Board Chairman furthermore supported the Board of Management in representing the company and in connection with important events.

The Supervisory Board and the Board of Management regularly discussed the Group's situation regarding orders, sales, and earnings and its financial position. In several meetings, the Board of Management reported on two projects that arose from the FOCUS program: the establishment of a continuous improvement process and the Group-wide introduction of a standard business software platform. Much attention was also devoted to the topic of the Campus project, which will expand the Bietigheim-Bissingen facility into the Group's central site. In this connection, the Supervisory Board approved on September 17, 2007, the operate-lease financing arrangement proposed by the Board of Management. At the same meeting, the Supervisory Board was informed about the strategic plans for the Group and the six business units in the framework of the Dürr 2010 program. The focal points of the discussion were expanding the aviation business area (aircraft assembly systems), realigning the Factory Assembly Systems business unit, and widening Dürr Consulting's business operations. Two personnel reports informed the Supervisory Board about progress in the qualification and development of management and staff personnel. The Supervisory Board also participated in planning future R&D projects. For example, members Dr. Dr. Alexandra Dürr and Prof. Holger Hanselka took part in an innovation workshop embracing multiple business units. The Board of Management reported continuously and in a timely manner to the Supervisory Board about existing risks. The Supervisory Board advised the Board of Management regarding the risk control and monitoring system's expansion.

At its meeting of December 12, 2007, the Supervisory Board approved the company planning for the year 2008, acknowledged the planning for the two subsequent years, and was informed about the intended business policy. At the same meeting, the Supervisory Board performed an efficiency audit, the results of which have been incorporated into the Supervisory Board's work. On December 12, the Supervisory Board Chairman and the Board of Management Chairman also signed an updated declaration of compliance pursuant to Sec. 161 of the German Stock Corporation Law. Detailed information on Dürr's corporate governance can be found on pages 11 to 14 of this report.

CHANGES IN THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Mirko Becker joined the Supervisory Board as employee representative effective August 1, 2007. As elected substitute member, he succeeded Bernhard Ackermann, who left the Supervisory Board on July 31, 2007 because he was appointed managing director of Dürr Poland Sp. z o.o. Representative of management employees Harald Lambacher left the Supervisory Board and the company on December 31, 2007. As substitute member, Thomas Hohmann succeeded him on January 1, 2008. The Supervisory Board thanks Mr. Ackermann and Mr. Lambacher for their constructive collaboration.

At its meeting of March 28, 2007, the Supervisory Board appointed Ralph Heuwing as a regular member of the Board of Management effective May 14, 2007 for a period of three years. As Chief Financial Officer, Mr. Heuwing is responsible for business administration and for legal affairs and patents, information technology, risk management, investor relations, real estate, and Dürr Consulting. He succeeded Martin Hollenhorst, who resigned as of May 21, 2007 and whose employment contract was ended early by mutual agreement. The Supervisory Board thanks Mr. Hollenhorst for his successful efforts.

AUDIT AND RATIFICATION OF THE ANNUAL FINANCIAL STATEMENTS

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft examined the annual financial statements, the consolidated financial statements, the management report, and the Group management report for Dürr AG prepared by the Board of Management for the period ended December 31, 2007 and issued an unqualified auditor’s certificate.

The annual financial statements, the consolidated financial statements, the management report, the Group management report, and the auditor’s reports were submitted to the members of the Supervisory Board in good time. They were discussed in detail with the Board of Management at the Supervisory Board meeting held to approve the financial statements on March 19, 2008. The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting on March 17, 2008. They reported on their audit and were available to provide further explanations.

The Supervisory Board examined and accepted the annual financial statements, the consolidated financial statements, the management report, and the Group management report. The Supervisory Board approves the results of the audits of both sets of financial statements and approves the annual financial statements and consolidated financial statements prepared for the period ended December 31, 2007. The annual financial statements are thereby ratified. The Supervisory Board approves the Board of Management´s proposal for the use of the unappropriated profit.

The Supervisory Board has examined the report prepared by the Board of Management pursuant to Sec. 312 of the German Stock Corporation Act concerning relationships with associated enterprises (dependent company report) for 2007. The auditor issued the following unqualified report pursuant to Sec. 313 (3) of the German Stock Corporation Act: “After examination and assessment in accordance with our professional duties, we confirm that:

1. the factual information given in the report is correct,
2. the consideration paid by the company in connection with the transactions mentioned in the report was not unduly high, and
3. regarding the measures mentioned in the report, no circumstances argue in favor of a materially different judgment than that made by the Board of Management.”

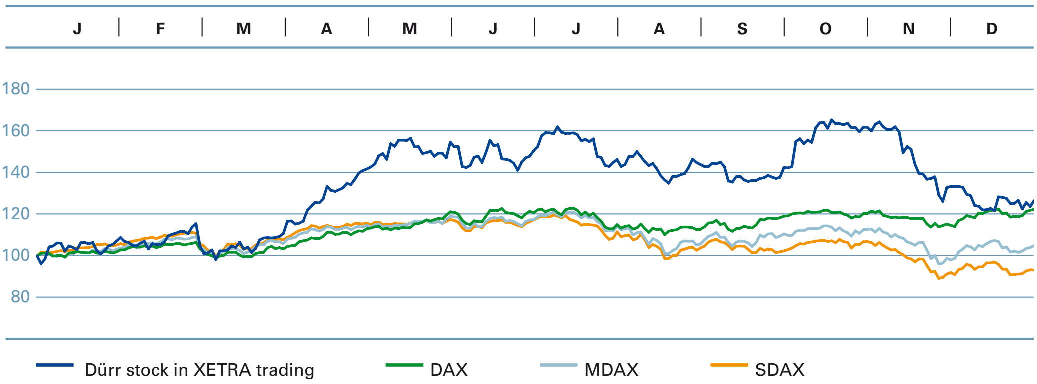
The Supervisory Board concurs with this audit result. According to the final result of the examination by the Supervisory Board, there are no objections to be raised against the declaration by the Board of Management at the end of the dependent company report.

The Supervisory Board thanks the Board of Management, the employee representatives, and all employees for their dedication in 2007, as well as the shareholders for the confidence they have placed in the company.

DR.-ING. E. H. HEINZ DÜRR

Chairman of the Supervisory Board
Stuttgart, March 19, 2008

PRICE TREND OF DÜRR STOCK IN XETRA TRADING FROM JANUARY – DECEMBER 2007
COMPARED WITH DEVELOPMENT OF THE DAX, MDAX, AND SDAX (INDEXED VALUES) IN %



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DÜRR ON THE CAPITAL MARKET

DÜRR STOCK BETTER THAN THE MARKET IN 2007

In the first half of 2007, the stock markets continued the positive trend of the previous years without a hitch. But the second half saw a major consolidation process triggered by the subprime mortgage crisis. As banks reported massive write-downs, the markets grew increasingly uncertain. The central banks quickly injected liquidity to calm the markets. Cyclical stocks, including those in the mechanical engineering sector, showed significantly weaker performance because of growing concerns about an economic slowdown resulting from the crisis.

Most of the major stock markets still registered a slight gain for the year as a whole, but Japanese stocks suffered heavy losses. With a total gain of 22.3%, the DAX index made an excellent showing among Western stock markets. The MDAX closed the year up 4.9%, while the SDAX closed down 6.8% for the year. However, it should be noted that small stocks had performed better than blue chips in the previous years and had attained a higher average valuation.

Dürr stock gained ground despite the unfavorable circumstances. Its price advanced 26.7% during the year. There are several reasons for this good performance. First, the stock price had not kept pace with the general market trend in 2006 and was able to make up some of that in 2007. Second, readmission to the SDAX benefited our stock. Third, and most importantly, we achieved the business targets we had set for 2006 and 2007, sometimes even beating market expectations. Investors also rewarded our high level of new orders for 2007 and successful realignment.

Our stock began 2007 with a XETRA price of € 20.50. The price rose sharply after we released our financial statements for 2006 and the first quarter of 2007, with many investors clearly impressed by our earnings turnaround and positive outlook. In the third quarter, the share price climbed to € 34.70, the high for the year, before giving up much of the ground it had gained. Major forces driving the price down were outflows from small and mid cap funds and a decline in institutional investors' interest in comparatively cyclical mechanical and plant engineering stocks. At the start of 2008, the Dürr share was still caught in the markets' massive downward swing, however, in February it clearly recovered.

KEY FIGURES FOR DÜRR STOCK

	2007	2006	2005	2004
Earnings per share, Group (in €)	1.39	0.45	0.30	0.40
Earnings per share, continuing operations (in €)	1.33	0.50	–7.26	0.00
Book value per share, continuing operations (in €)	16.35	15.50	15.70	15.30
Cash flow per share, continuing operations (in €)	5.46	–0.63	–10.25	–8.08
Dividend per share (in €)	0.40[1]	–	–	–
High (in €)	34.70	26.90	20.35	21.10
Low (in €)	20.20	17.14	13.23	14.50
Close (in €)	26.60	20.99	20.30	15.11
Average daily trading volume (in shares)	35,925	19,244	12,726	7,801
Market capitalization at Dec. 31 (in € m)	418.4	330.1	319.3	216.0
Number of shares (weighted average)	15,728,020	15,728,020	14,400,050	14,298,200

[1] Dividend proposed to the annual shareholders' meeting

DÜRR REJOINS THE SDAX

Dürr stock is listed in Deutsche Börse's Prime Standard segment and is traded on all German stock exchanges. More than 90% of its volume is traded on the XETRA platform. Since the end of January 2007, we have also been included again in the SDAX, Deutsche Börse's index comprising the 50 largest German small caps. Our return to the SDAX was based on our stock's increased trading volume and the increased market capitalization of our free float.

INTENSIVE CAPITAL MARKET COMMUNICATION

The following firms regularly published reports on Dürr:

Bayerische Landesbank: Hold
Berenberg Bank: Buy
BHF-Bank: Buy
Cazenove: Buy
Deutsche Bank: Hold
HSBC Trinkaus & Burkhardt: Buy
Landesbank Baden-Württemberg: Buy
Merck Finck & Co.: Buy
Solventis Wertpapierhandelsbank: Hold

Recommendations as of February 2008

The number of analysts watching our stock rose again in 2007. Most made buy recommendations on our stock and raised their price targets. No analysts made sell recommendations.

Transparency, continuity, and up-to-date information are our key goals in communicating with investors. In 2007, we presented Dürr at several international road shows, not only in capitals like Frankfurt, London, and Paris, but also in Cologne, Düsseldorf, Stuttgart, Brussels, Antwerp, Zurich, and Vienna. We also regularly receive investors at our offices. After meeting with us in our offices, Harris Associates purchased Dürr shares. The Chicago-based investment firm now holds 7.0% of our capital (December 31, 2007: 5.0%). In September 2007, we held an investors' conference for around 40 participants at our Bietigheim-Bissingen location, where we focused on technology and strategy topics.

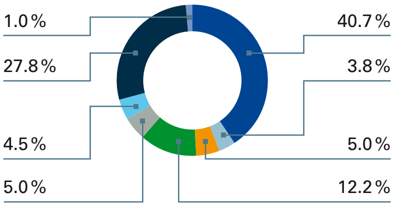
Investors can find the latest, comprehensive information at www.durr.com. The Investor Relations section of the website includes the outlook for 2008, trend forecasts through 2010, and information about corporate governance. Information on analyst events, press conferences, and the annual shareholders' meeting is always available up to date for downloading. Those interested in receiving our ad-hoc announcements and press releases directly via e-mail can subscribe to our online news service.

AWARD FOR DÜRR'S 2006 ANNUAL REPORT

In 2007, we received an award in Manager Magazin's Best Annual Reports competition for the first time. In the SDAX category, we took third place among 50 companies. In the overall competition for all indexes (including the Euro STOXX 50), we ranked 40th and thus in the top quarter.

SHAREHOLDER STRUCTURE

December 31, 2007



- Heinz Dürr GmbH, Berlin
- Heinz und Heide Dürr Stiftung GmbH, Berlin
- Süd-Kapitalbeteiligungs-Gesellschaft mbH, Stuttgart
- Aton GmbH, Fulda
- Harris Associates, Chicago
- M&G Investment Management Limited, London
- Institutional and private investors
- Management

According to Deutsche Börse's calculations, the free float is 40.4%.

40.4 % OF SHARES IN FREE FLOAT

Our stock's free float, calculated using the Deutsche Börse's model, was 40.4% at the end of 2007. At the end of 2006, it was 47%. The Dürr family, our largest shareholder, increased its holding in April 2007. Heinz Dürr GmbH and Heinz und Heide Dürr Stiftung now have a combined holding of 44.5%. Heinz Dürr GmbH, Heinz und Heide Dürr Stiftung, BWK GmbH Unternehmensbeteiligungsgesellschaft, and Süd-Kapitalbeteiligungs-Gesellschaft mbH mutually agreed to cancel the pool arrangement that had been in place since 2001.

ATON GMBH IS NOW OUR SECOND-LARGEST SHAREHOLDER

In June 2007, Aton GmbH, Fulda, Germany acquired 10.1% of the shares of Dürr from Süd-Kapitalbeteiligungs-Gesellschaft mbH (5%) and Kreissparkasse Biberach (5.1%). Süd-Kapitalbeteiligungs-Gesellschaft mbH intends to retain its remaining 5% stake in Dürr AG. Aton GmbH states that it has purchased an additional 2.1% in Dürr in 2007. Aton was established in 2001 and is wholly owned by the Dr. Lutz Helmig family.

The Board of Management of Dürr AG held 1.0% of Dürr's stock at the end of 2007. Ralf W. Dieter held 50,000 shares and Ralph Heuwing 100,000 shares. In January 2008, both members of the Board of Management purchased additional shares, increasing their combined stake to 1.2%.

Bond buyback conditions

On or after July 15, 2008, at 105.250%

On or after July 15, 2009, at 102.625%

On or after July 15, 2010, at 100.000%

Bond

ISIN (Reg S): XS0195957658

ISIN (144a): XS0195957815

PROPOSED DIVIDEND: € 0.40 PER SHARE

The Board of Management and Supervisory Board have decided to propose to the annual meeting that Dürr pay a dividend for 2007, which will be the first time since 2002. Based on Dürr AG's significantly improved unappropriated profit, a dividend of € 0.40 per share is to be paid.

BOND

Our fixed-rate bond was issued in 2004 with a nominal total of € 200 million and a term of seven years. The bond is subordinated to our syndicated loan, which was also established in 2004. This is a major reason why the bond, at 9.75%, carries a higher interest rate than a bank loan. We can call in the bond wholly or in part at the terms and conditions shown here. We are currently examining various refinancing possibilities.

CORPORATE GOVERNANCE REPORT

GERMAN CORPORATE GOVERNANCE CODE LARGELY IMPLEMENTED

The German Corporate Governance Code has become a fixture of Germany's equity culture over the past several years. Its rules are broadly accepted by the public and the business community. Dürr also welcomes the Code and its contribution to transparent, responsible corporate governance. We have thus implemented most of the recommendations and suggestions. Upon careful consideration, we did not comply with three recommendations in 2007; last year there were five. The relevant passages from the Code and our reasons for not conforming are cited in the excerpt from our declaration of compliance from December 12, 2007 below.

- **ITEM 3.8, PARAGRAPH 2: If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.**
  A D&O insurance policy with no deductibles exists for the members of the Board of Management and the Supervisory Board. This is a group insurance policy for executives at home and abroad, although a differentiation between members of the executive body and employees does not appear appropriate. In addition, a deductible is not usual abroad and would therefore make it difficult to recruit executives from abroad.

- **ITEM 5.4.1, SENTENCE 2: … an age limit to be specified for the members of the Supervisory Board shall be taken into account.**
  Dürr sees no necessity for defining an age limit for members of its Supervisory Board.

- **ITEM 5.4.7, PARAGRAPH 3: The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall be listed separately in the Corporate Governance Report.**
  We report the sum of compensation of the members of our Supervisory Board in the Notes to our consolidated financial statements. In our view a special, individualized disclosure by components would not provide any additional benefit for the shareholders.

MORE ON CORPORATE GOVERNANCE AT DÜRR

TRANSPARENT COMMUNICATION

Shareholders and other interested parties can find comprehensive, up-to-date information about Dürr at www.durr.com. The site includes our quarterly reports, information on all aspects of our stock and our corporate bond, and all of our financial and technical press releases. The site also offers detailed descriptions of our range of products and services. Our Corporate Communications & Investor Relations department is also available for one-on-one and e-mail consultations.

COMPENSATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The German Corporate Governance Code recommends that companies report on the compensation of members of the Supervisory Board and Board of Management in the corporate governance report. The German Commercial Code requires that information on the compensation of both boards be disclosed in the management report and in the notes to the consolidated financial statements (Secs. 315 and 314 of the German Commercial Code). Thus, in addition to the information provided in the two paragraphs below, we refer readers to the corresponding information in the notes to the consolidated financial statements (item 37), which shall be deemed part of this corporate governance report. The information provided in the two paragraphs below fulfills the disclosure requirements pursuant to Sec. 315 of the German Commercial Code. These disclosures constitute part of the consolidated management report.

Total expenses for the compensation paid to the members of the Board of Management of Dürr AG in 2007 were € 1,902 thousand (2006: € 2,478 thousand). € 780 thousand were paid as pensions to former members of the Board of Management in fiscal 2007 (2006: € 899 thousand). The structure of the compensation system for the Board of Management is discussed and reviewed by the Supervisory Board on a regular basis at the suggestion of the Personnel Committee. Compensation for the members of the Board of Management comprises performance-related and non-performance-related components. Their non-cash remuneration consists essentially of the use of company cars on which taxes have been paid by the company. The performance-related component is a profit share bonus. Criteria for determining the appropriateness of the compensation include, but are not limited to, the tasks of the respective member of the Board of Management, his personal performance, the performance of the Board of Management as a whole, and the economic situation, performance, and outlook of the enterprise, taking into account its peer companies. The fixed amount, which is the non-performance-related base pay, is paid out

REPORTED TRANSACTIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT

	Off-exchange buy of shares [1]	Sale of shares XETRA [1]	Price in €	Number	Transaction volume in €
2007					
Martin Hollenhorst, Board member		Apr. 02, 2007	24.00	5,000	120,000.00
Martin Hollenhorst, Board member		Apr. 13, 2007	26.00	5,000	130,000.00
Ralf W. Dieter, Board member	Apr. 23, 2007		23.25	34,000	790,500.00
Ralph Heuwing, Board member [2]	Apr. 23, 2007		23.25	100,000	2,325,000.00
2008					
Ralf W. Dieter, Board member	Jan. 18, 2008		18.00	20,000	360,000.00
Ralph Heuwing, Board member	Jan. 18, 2008		18.00	20,000	360,000.00

[1] Sec. 15 a (1) 1 of the Securities Trading Act
No-par bearer common stock of Dürr AG (DE0005565204)
[2] Transaction before becoming employed at Dürr

monthly as a salary. This salary is reviewed at regular intervals based on factors including general salary trends within the Group and salary trends at comparable companies. The target profit share bonus amounts to 100 % of the relevant board member's annual base salary. The actual amount of the bonus depends heavily on the Dürr Group's achievement of its earnings targets (EBT). No loans or advances were granted to members of the Board of Management during 2007.

Total remuneration paid to the Supervisory Board in 2007 amounted to € 493 thousand (2006: € 374 thousand). The members of the Supervisory Board receive annual fixed remuneration of € 15,000 and an attendance fee of € 500 for each meeting attended in addition to reimbursement for their expenses. Furthermore, they receive variable compensation equal to 0.4‰ of the reported consolidated earnings before taxes (EBT). This variable compensation cannot exceed € 25,000. The Chairman receives three times the total compensation paid to a regular member; each Deputy Chairman of the Supervisory Board receives one and a half times the total compensation paid to a regular member. Compensation of the Supervisory Board is governed by Article 15 of the articles of incorporation, which can be found online at www.durr.com/en/investor/corporate-governance/articles-of-incorporation.

SIDELINE ACTIVITIES

The members of the Board of Management do not carry on significant sideline activities other than those listed under item 37 of the notes to the consolidated financial statements. Moreover, they hold no significant stakes in other companies.

SECURITIES TRANSACTIONS THAT MUST BE REPORTED (DIRECTORS' DEALINGS)

Under Sec. 15a of the German Securities Trading Act, members of the Supervisory Board and Board of Management, and management employees must report transactions in which they buy or sell shares (including any related financial instruments) in their company if the value of the transactions equals or exceeds € 5,000 within a calendar year. An overview of the directors' dealings that have been reported to Dürr AG can be found online at www.durr.com/en/investor/corporate-governance/directors-dealings. In 2007, the overwhelming majority of the securities transactions subject to the reporting requirement were carried out by Heinz Dürr GmbH.

Above is an overview of the transactions that the members of the Board of Management have reported to us.

COMPLIANCE

Within the Board of Management of Dürr AG, the Chief Financial Officer is responsible for matters relating to corporate governance and compliance. In addition, Dürr AG has a compliance officer within its legal department, who ensures compliance with the rules governing capital market behavior.

RISK MANAGEMENT

Our risk management system is oriented toward the special demands of mechanical and plant engineering. It provides tools for early detection and assessment of risks and is designed to enable rapid action to counteract risks. Details can be found in the risk report beginning on page 64.

AUDITOR

The annual shareholders' meeting on May 18, 2007, appointed Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart as the independent auditor for fiscal 2007. Before the Supervisory Board proposed Ernst & Young for election, it received a statement from Ernst & Young stating that no relationships exist between the auditor, its bodies, and its head auditors, on the one hand, and Dürr or members of Dürr's bodies, on the other hand, that could cast doubt on Ernst & Young's independence. The auditor is required to inform the Supervisory Board if it encounters any deviations from the declaration of compliance provided by the Supervisory Board and the Board of Management.

HIGHLIGHTS FROM 2007

OPPORTUNITIES IN GROWTH MARKETS UTILIZED

Dürr further expanded its outstanding position on the market in 2007. New orders rose 22 %, after we had already achieved a plus of 20 % in the previous year. One critical factor for this success was the fact that we are active in all the world's major markets. Our direct production and execution presence in all the emerging regions of Asia and Eastern Europe is a strong competitive advantage. We intensified our business with the Japanese automotive industry as planned. Revenues in our services business grew further, to € 383.7 million (2006: € 353.9 million). That corresponds to 26 % of total revenues.

PAINT SYSTEMS

Paint Systems expanded its position as the world market leader, particularly in the emerging markets. In Russia, we received orders to build paint shops for Ford, GM, Nissan, Tagaz, and VW. In the Czech Republic, we received a large order from Hyundai. In India, we booked large orders from VW and Tata, where we are delivering the paint systems for the Nano micro-compact car. In China, we reinforced our strong position by expanding capacities for planning, ▸ ENGINEERING, and project execution and received major orders from Nissan and Hyundai. Our largest project for 2007 came at the end of the year from the United States, where the BMW Group added the construction contract to the planning contract we had already secured for expansion of the paint shop in Spartanburg, South Carolina. We expanded our service business, with a focus on revamping existing plants and equipment. Two projects illustrate our particular expertise in modernizing existing systems and boosting their efficiency. At Volvo in Gothenburg, Sweden, we installed new equipment for ▸ PAINT SLUDGE DISPOSAL as well as 1.2 kilometers of conveyors. At VW's plant in Poznán, Poland, we performed major renovations in the ▸ TOP-COAT application area. Together with the Application Technology business unit we replaced the painting machines with more efficient robots to boost capacity and flexibility.

▸ GLOSSARY: P. 148

APPLICATION TECHNOLOGY

Business with painting robots grew further in 2007. We sold more than 600 robots, bringing our market share up to around 50%. Contributing significantly to this improvement was the new generation of our ***Eco***RP painting robot, which features a smaller footprint, shorter commissioning times, and greater flexibility. The robot is used for high production rates like those at the Opel plant in Rüsselsheim, Germany, where we are converting two ▸ TOP COAT lines from painting machines to robots. We carried out other large robot installations at VW in Pamplona, Spain, and Emden, Germany, and at several Fiat plants. Dürr robots will also be used to paint the Tata Nano in India. We celebrated a small milestone at the Honda plant in Swindon, England, where the 3,000th Dürr painting robot was put into operation. We also expanded our innovation lead in ▸ ATOMIZER TECHNOLOGY. The ***Eco***Bell2 HD now reduces paint consumption for interior painting by more than 25% thanks to a novel ▸ BELL CUP and shaping air ring system. This model is already in use at Daimler, AUDI, Fiat, and the Korean joint venture GM-Daewoo. Information about ***Eco***Bell2 ICC, another innovation in atomizer technology, is on page 43.

ENVIRONMENTAL AND ENERGY SYSTEMS

Environmental and Energy Systems is one of Dürr's fastest-growing business units. In 2007, we successfully continued our strategy of using proven processes to tap new market segments. Some 85% of our new orders came from customers outside the automotive industry, including chemical and pharmaceutical companies such as BASF, Novartis, and Pfizer, who trust Dürr to deliver consistently high quality worldwide. We also cemented our market position in the composite industry (e.g. carbon fiber production). We installed ▸ VAR and ▸ RTO SYSTEMS for a German manufacturer that not only incinerate pollutants from exhaust-air flows, but also guide the purified exhaust-air as thermal energy into the customer's production processes. This reduces energy costs and cuts CO_2 and nitrogen oxide emissions. In business with the automotive industry stricter emissions standards led to new orders. For General Motors in Spain, we realized the largest exhaust-air purification system ever installed in a paint shop, all in just nine months.

FACTORY ASSEMBLY SYSTEMS

Our business with products and systems for vehicle final assembly benefited particularly from growing demand in Eastern Europe. For example, we installed an assembly line at the Russian manufacturer Severstal's plant in Elabuga, Tatarstan, where Fiat models are produced. A technological highlight of this project is our modular FAS*tplant*® assembly system, which has also been used successfully in many other projects. FAS*tplant*® offers competitive advantages in the form of increased flexibility and time savings. The pre-manufactured FAS*tplant*® modules make for quick assembly of complete lines and equally fast conversions and extensions. Our ▸ TURNKEY expertise is also in high demand in China. The Dongfeng Peugeot Citroën Automobile joint venture commissioned us to install a complete conveyor system for an assembly line in Wuhan. We expanded our business with systems for aircraft assembly (aviation) following initial successes in past years. A large contract for the planning and delivery of a final assembly line for

▸ GLOSSARY: P. 148

Photo, p. 15: Dürr's new generation of painting robots saves space and is very flexible.

Photo, left: Flexibility is also the key in cleaning technology. The picture shows a full *EcoC***Flex** system with cleaning module, vacuum drying, and additional cooling area.

the Airbus plant in Tianjin, China, was an important milestone here. This order, which we are executing in collaboration with our partner EDAG, allows us to utilize our expertise as a successful plant builder. That includes experience with international projects and expertise in assembly processes, project management, and ▸ ENGINEERING as well as systems expertise. The latter is especially crucial since the aviation industry – like the automotive industry – is increasingly looking for large, capable suppliers that are able to deliver turnkey assembly plants.

BALANCING AND DIAGNOSTIC SYSTEMS

New orders were up significantly in Balancing and Diagnostic Systems (brand name: Schenck RoTec). This increase is largely due to brisk demand in Asia, where we are benefiting from the surge in capital spending on power plant equipment. For instance, we received an order for a balancing and spin ▸ TEST SYSTEM for turbines and generators at China's Three Gorges Dam, one of the world's largest hydroelectric power stations. We also demonstrated our innovative power in other projects in 2007. For Bosch, we developed a five-station ▸ ROUND TRANSFER SYSTEM capable of balancing alternators in just nine seconds – a world record in this weight class. We unveiled our new, fully automatic RBRQ machine series for balancing drive shafts. And within a few months of the market launch, all three major manufacturers of drive shafts had ordered the machine. Our services business continued to grow, particularly consulting, which increased more than 20%. Our contract balancing service also developed very well. In France, we opened a new service location as part of our expansion efforts in this area.

CLEANING AND FILTRATION SYSTEMS

In ▸ CLEANING TECHNOLOGY, a business that we run under the brand name Dürr Ecoclean, 2007 was dominated by our new *Eco***Lution** product line. Launched in March, the new machine types *EcoC***Trans** and *EcoC***Flex** met with immediate interest on the market. Both are modular systems, meet the most stringent demands for purity, and reduce manufacturing costs. We were also successful in winning new customers. In North America, we received our first extensive order for filtration technology from Toyota and delivered cleaning and ▸ FILTRATION SYSTEMS to another Japanese customer.

We have made some adjustments in the structure of the business units in the first quarter of 2008 which are outlined in the report on events subsequent to the reporting date.

FOCUS

RESTRUCTURING

2005 – 2007

- Focus on profitable business
- Leaner organizational structure
- Higher efficiency
- Reduced capacities and costs
- Improved planning and controlling systems

DÜRR 2010

PROFITABLE GROWTH

2008 – 2010

- Customer benefit
- Growth initiatives
- Process optimization
- Value creation

DÜRR 2010 STRATEGY[1]

PROFITABLE GROWTH

In the years 2005 to 2007, we realigned Dürr and streamlined our business processes with the Group-wide FOCUS program. Following the successful implementation of FOCUS, we conducted an analysis of the perspectives and potential of our business units and the Group as a whole in the second half of 2007 and used the results to draft our Dürr 2010 strategy. The four cornerstones of this strategy are: increasing customer benefit, pursuing growth initiatives, optimizing processes, and value creation.

1. CUSTOMER BENEFIT

By systematically focusing on our customers' needs, we generate competitive advantages for ourselves. We follow three main principles to create customer benefit:

- Reducing unit costs in our customers' production: We look at our customers' overall costs – that is, capital costs and operating costs – and offer the best possible solution for minimizing production costs for the long term. This can mean that initial capital outlay is higher as long as it results in lower subsequent expenditures (for instance, for energy, materials, maintenance, and repairs) and lower costs per unit over the equipment's entire service life. Systematic analysis of the plant and machinery that we have installed provides us with a reliable database for evaluating unit cost advantages.
- Innovative solutions: The market's acceptance of new technologies depends heavily on the added value they offer customers – whether in terms of unit costs, quality, or flexibility. To set ourselves apart from the competition, we are systematically focusing our innovation management on developing solutions that give customers a quantifiable return on investment. In the years ahead, we will increase R&D spending to widen our technology lead further.

[1] This section is part of the consolidated management report.

FINANCIAL TARGETS FOR 2010

	2010
Sales revenues	at least € 1.7 billion
EBIT margin	about 6%
ROCE	about 22%
Equity ratio	30–35%

By systematically focusing on our customers' needs, we generate competitive advantages for ourselves.

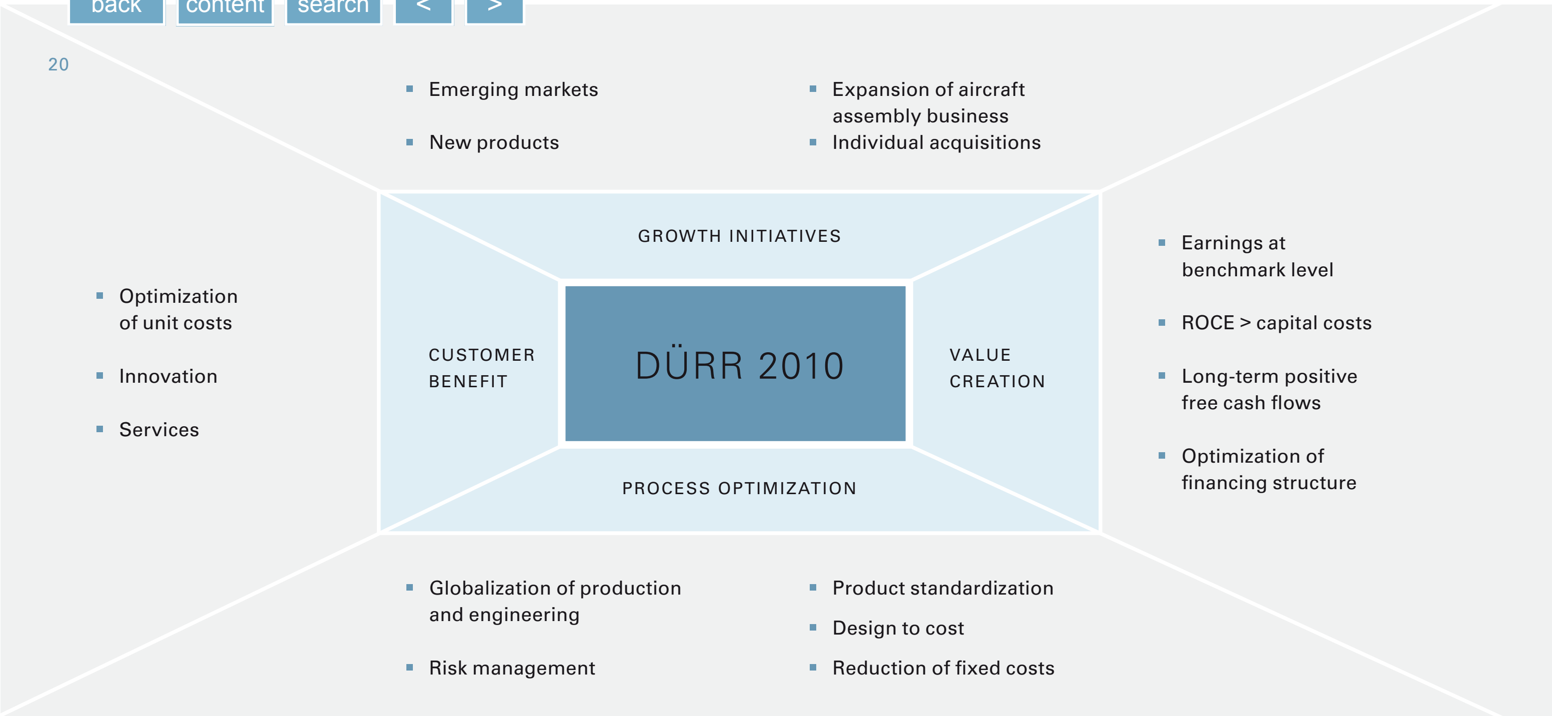
- Comprehensive range of services: Plant-related services are in demand because they help optimize production, reduce own expense, and shorten downtimes. We will expand our services business further with the aim that it should generate more than 30% of our revenues. Apart from stepping up our local sales presence, we also offer new services such as energy consulting, factory planning, and productivity enhancement programs.

2. GROWTH INITIATIVES

We will move forward with the following growth initiatives in our business units:

- Paint Systems will step up expansion in new markets. Target markets include agricultural and construction machinery as well as plastic coating.
- Environmental and Energy Systems will use its proven processes to continue growing outside the automotive industry, particularly in the chemical, pharmaceutical, and printing technology industries. The business unit is also continuing its expansion course in the emerging markets.
- Business in aircraft assembly systems from Factory Assembly Systems holds great potential for growth and will be expanded within a business unit of its own in the future. Our expertise in planning and building ▸ TURNKEY assembly lines will serve as an important tool here. We will systematically pursue further development and marketing of our FAS*tplant*® assembly and conveyor system concept. In addition, we will expand the consulting business of Dürr Consulting (e.g. factory planning).
- Application Technology is strengthening its position in North America and Asia and intensifying business with automotive industry suppliers. Following developments in currency relations, we will expand our supplier base outside the euro area. We are furthermore pursuing the goal of moving into related business areas. That includes the area of ▸ SEALING, in which we supply, for example, automated applications for sealing weld and hemflange seams and injecting insulation matting.
- Balancing and Diagnostic Systems will further expand its outstanding market position by means of smaller, select acquisitions to round out its portfolio. The business unit also plans further increases in service business.

▸ GLOSSARY: P. 148



We will increase our workforce in the emerging markets so that it makes up around 22 % of our total staff by 2010.

- Cleaning and Filtration Systems will continue to push the internationalization of its business with a newly developed product range. The emerging markets of Eastern Europe and Asia, where the business unit has scarcely been represented, are the primary target. To tap these markets, we are adding simpler machine types that meet local requirements to our product range.

3. OPTIMIZING PROCESSES

Optimizing business processes ties in with our FOCUS program. Important measures include:

- We will increase our workforce in the emerging markets so that it makes up around 22% of our total staff by 2010 (2007: 19.5%). Our aim is to cover major stages of the value chain, including sales, service, assembly, and – to a certain extent – ▸ ENGINEERING and production. The engineering center at the site in Chennai, India is being enlarged. In addition, we will differentiate the division of labor further among our international production sites to derive advantages in costs and currency hedging. Technically simpler products will increasingly be produced in low-cost countries, while the production of high-tech components will remain at our central sites.
- Our systematic cost management will continue. Key initiatives here are ▸ DESIGN TO COST programs, continued product standardization, more international procurement, and relative reduction of overhead costs. The primary aim is to prepare for a possible weakening of the global economy in the years ahead. Lowering our break-even point and enhancing our ability to react within our cost structures will enable us to limit any negative effects of such a slowdown.
- Another process improvement is the combination of ▸ TURNKEY businesses in the areas of final assembly and paint systems technology. By bundling them in the new Paint and Final Assembly Systems business unit, synergy can be achieved, for example, in execution and engineering. Moreover, we can conduct the business in turnkey final assembly lines more selectively and with greater profit orientation. We will only get involved in projects with a balanced opportunity/risk profile. We have put the product business in final assembly technology into the Balancing and Diagnostic Systems busi-

▸ GLOSSARY: P. 148

We are targeting EBIT margins of 4 % to 6 % in plant engineering and 8 % to 10 % in our mechanical engineering business.

ness unit, which has been doing business as Balancing and Assembly Products since the beginning of 2008. The operations bundled in it have the same structures, and international expansion can also be realized faster. We expect the organizational improvements to have positive effects on the earnings situation. Further information on the changes may be found in the section on events subsequent to the reporting date.

- Our risk management will be further professionalized and coordinated with all operating processes. You will find further information in the section on risks.

4. VALUE CREATION

Our overarching financial goals are:

- We intend to increase Dürr's earning power at least to the level of our peer companies. We are targeting EBIT margins of 4% to 6% in plant engineering and 8% to 10% in our mechanical engineering business. For 2010, we are targeting a consolidated EBIT margin of about 6%. We intend to increase sales to at least € 1.7 billion by 2010. We will rely primarily on organic growth to achieve that.
- We are intensifying our focus on more efficient use of capital and targeting a return on capital employed (ROCE) of about 22% for the medium term. To achieve that, we are stepping up our net working capital management and fixed asset management. The desired ROCE would significantly exceed our cost of capital currently at 10.5%. That means we will create value and ensure our independence. We also intend to generate sustainable positive free cash flow to reduce our financial debt and interest expense on our own operating power. ROCE and free cash flow have been key figures for managing and setting incentives since the beginning of 2008.
- We are examining the possibilities for optimizing the structure of our financing. The goal is a less costly form of financing that offers us more flexibility but ensures the required stability.

BUSINESS UNITS AND BUSINESS TYPES AT DÜRR

BUSINESS UNIT	MECHANICAL ENGINEERING	PLANT ENGINEERING
Paint Systems		Paint shops
Application Technology	Application technology	
Environmental and Energy Systems		Exhaust-air purification systems
Factory Assembly Systems	Assembly, testing, and filling machines	Turnkey assembly systems and conveyor systems
Balancing and Diagnostic Systems	Balancing machines	
Cleaning and Filtration Systems	Cleaning technology	

BUSINESS TYPES

COMPARISON OF PLANT AND MECHANICAL ENGINEERING

Dürr is a company with two different business types. Mechanical engineering, on the one hand, and plant engineering, on the other, each have special characteristics that find expression in the balance sheet and income statement.

We generate around 60 % of our sales revenues in plant engineering, and around 40 % in mechanical engineering, which we also refer to as “product business.” We are often working with the same customers in both areas. Moreover, we often supply products from the mechanical engineering side for large plant engineering projects – for instance, painting robots and atomizers for the construction of complete paint shops.

LOW VERTICAL DEPTH IN PLANT ENGINEERING

In plant engineering, we often deliver ▸ TURNKEY plants, integrating individual pieces of equipment into a complete system. For paint shops, that includes spraying booths, ▸ DRYING OVENS, and conveyor systems. The added value from Dürr consists primarily of planning, design, project execution, integration, assembly, and commissioning. Our own production constitutes only a small share, around 20 %, of the order total. We buy in most of the materials needed, which are primarily components and semi-finished goods, mostly on a project-specific basis and to our own design drawings. An advantage of this large share of purchased goods is that our earnings situation is not heavily burdened by overly high fixed costs, especially in times of low capacity utilization.

Given such low vertical depth, the return on sales is lower in plant engineering than in mechanical engineering, even when demand is high. However, plant engineering provides a higher return on capital employed. We receive prepayments from our customers in line with the stage of completion of projects and use these payments to finance the projects. This reduces net working capital.

▸ GLOSSARY: P. 148

PREPAYMENTS IN PLANT ENGINEERING

In our plant engineering business, we generally realize revenues in accordance with the stage of completion and therefore apply the percentage of completion method (POC) of accounting. Because costs are incurred on an ongoing basis, the income statement always contains the proportional earnings on a contract in accordance with the stage of completion. The impact on the balance sheet is more varied. At the start of a contract, we generally receive a downpayment, which increases the cash assets item and is recognized as prepayments received under trade payables on the liability side. The first services we render after receiving a contract are primarily planning services, for which the costs are largely personnel-related. The second payment is usually received for the next stage, the preprocessing stage. On the balance sheet, this stage influences primarily the items trade receivables and/or trade payables. Any prepayments that have already been used are netted with receivables.

TIME TO COMPLETION CAN BE UP TO 24 MONTHS

The time to completion of large projects is generally 12 to 24 months, and often the same amount of time passes from the first contact with the customer until the order is placed. Because of the long-term nature of plant engineering business, it offers relatively good predictability. In addition, our sales database ensures that we can maintain a clear overview of our customers' capital projects.

MECHANICAL ENGINEERING MORE CAPITAL-INTENSIVE THAN PLANT ENGINEERING

In the mechanical engineering business, lead times – that is, the time from order placement to product delivery – are usually only two to six months. The capital tied up is higher as we have more in-house manufacturing capacities and maintain higher inventories. In our mechanical engineering business, as in our plant engineering business, we seek to limit vertical depth of production in order to remain flexible and keep fixed costs down. Our added value is only around 30% of the contract total. Similar to plant engineering, our revenues here are also mostly recognized according to the POC method – revenues and earnings enter the income statement according to the stage of completion of the ordered machine.

SERVICES BUSINESS

In plant engineering and mechanical engineering alike, we have expanded our services business considerably in the past two years. On the whole, we generate 26% of revenues with services. In mechanical engineering, these are primarily traditional services such as spare parts supply. In plant engineering, the focus is on plant conversions and optimizing individual plant modules. The most important earnings figure in the services business is the gross margin, which is the difference between revenues and the cost of sales in relation to revenues.

ORGANIZATIONAL AND LEGAL STRUCTURE

GENERAL

Dürr is a globally oriented mechanical and plant engineering group with 47 locations in 21 countries. We generate about 90% of our sales with automobile manufacturers and their suppliers. We also supply the aviation industry, the mechanical engineering sector, and the chemical, pharmaceutical and printing industries. About 50% of our 5,936 employees are located outside Germany. Painting technology is our largest area of activity, accounting for about 55% of Group sales.

DIVISIONS AND BUSINESS UNITS

Our operative business is conducted by the two divisions Paint and Assembly Systems and Measuring and Process Systems, with a total of six business units. We hold leading market and technology positions in all the business units. Dürr AG, Stuttgart, functions as a management holding company and performs corporate functions in areas such as finance, controlling, legal affairs and communication.

BUSINESS UNITS AND MARKET SITUATION

▸ GLOSSARY: P. 148

PAINT SYSTEMS plans and builds complete paint shops for the automobile industry, and is responsible for the ▸ ENGINEERING, order management, installation and start-up of most of the process stations, such as the ▸ DIP-PAINTING TANKS, ▸ DRYING OVENS, spraying booths and conveyor systems. The business unit is the world leader for complete paint shops and painting lines with a market share of about 40%. The two largest competitors, one based in Germany and the other in Japan, have market shares of approximately 20% each. There are also a few regional suppliers based in Italy, the USA, China and Japan which, however, only compete with Dürr in individual markets.

APPLICATION TECHNOLOGY develops and supplies paint application systems. This includes all products connected with paint application by spraying, such as painting robots, atomizers, paint supply systems and software. Systems for ▸ SEALING applications (for instance, seam sealing, underbody protection) round off the product portfolio. Application Technology supplies Paint Systems with components for the construction of ▸ TURNKEY paint shops. The greater part of its sales come from own projects either in new plant business or for modernizing and expanding

GROUP STRUCTURE

PAINT AND ASSEMBLY SYSTEMS DIVISION		MEASURING AND PROCESS SYSTEMS DIVISION
Paint Systems	BUSINESS UNITS	Balancing and Diagnostic Systems
Application Technology		Cleaning and Filtration Systems
Environmental and Energy Systems		
Factory Assembly Systems		

▸ GLOSSARY: P. 148

existing paint facilities. Application Technology is the world leader in ▸ APPLICATION TECHNOLOGY with a market share of about 50%, followed by two suppliers in second and third place with market shares in the region of 15% each. Our leadership derives from our integration expertise that enables us to supply optimized and fine-tuned end-to-end systems – from painting robots, via ▸ ATOMIZERS, through to the software – from one source.

ENVIRONMENTAL AND ENERGY SYSTEMS offers systems for the combustion of harmful substances contained in the emissions from manufacturing processes. Not long ago we only supplied paint shops. Today, some 85% of our orders come from industries such as pharmaceuticals, chemicals, printing and woodworking. In a fairly fragmented market we rank as one of the few global players. We are the world leader for waste-air purification systems for automobile paint shops with a market share of about 30%. The next largest supplier has a market share of about 25%, and the third largest a market share of about 10%. We have meanwhile also achieved leading positions in business outside the automotive industry.

FACTORY ASSEMBLY SYSTEMS supplies final assembly systems for the automobile industry. This business unit also supplies assembly systems for aircraft manufacture – a business which we will be further expanding. The consulting activities performed by Dürr Consulting are also part of the Factory Assembly Systems business unit for organizational purposes. In the fast-growing consulting business we provide customers with support on matters of location and factory planning and with productivity enhancement and energy management concepts.

The market for final assembly lines and systems in the automobile industry is fragmented. Dürr has a market share of about 9%, followed by companies from Japan and Germany with market shares of 8% and 5%, respectively. The market for aircraft assembly technology, too, is still characterized by many fairly small players with market shares in the single digits. However, the supplier industry is currently in a process of consolidation as the aviation industry is turning more and more to larger, efficient suppliers with turnkey competence – a trend that is in our favor.

BALANCING AND DIAGNOSTIC SYSTEMS is by far the largest supplier of ▸ BALANCING and imbalance ▸ DIAGNOSTIC SYSTEMS with a market share of over 30%. The business unit is the only player with a global distribution, service and production network covering all customer groups. Balancing and Diagnostic Systems has an extensive services business, which contributes about 35% of its sales revenues. This also includes consulting services in connection with customers' product development and balancing processes. The two largest competitors have market shares of about 15% and 10% each.

ACTIVITIES AND CUSTOMERS BY BUSINESS UNIT[1]

PAINT AND ASSEMBLY SYSTEMS DIVISION

Business unit	Business type	Activities	Customer groups
PAINT SYSTEMS	■ Plant engineering	■ Complete paint shops ■ Individual painting process stations ■ Services	■ Automobile manufacturers ■ Automotive suppliers ■ General industry (e.g. construction equipment, farm machinery, aviation)
APPLICATION TECHNOLOGY	■ Mechanical engineering	■ Products for automated spray painting ■ Sealing technology ■ Services	■ Automobile manufacturers ■ Automotive suppliers ■ General industry (e.g. construction equipment, farm machinery)
ENVIRONMENTAL AND ENERGY SYSTEMS	■ Plant engineering	■ Waste-air purification systems ■ Energy management and consulting ■ Other services	■ Automobile manufacturers (paint shops) ■ Automotive suppliers (paint shops) ■ Pharmaceuticals ■ Chemicals ■ Printing/coating ■ Woodworking
FACTORY ASSEMBLY SYSTEMS	■ Plant engineering ■ Mechanical engineering	■ Assembly systems for the automobile and aviation industry ■ Assembly, filling and testing products for vehicle final assembly and end-of-line applications ■ Consulting ■ Services	■ Automobile manufacturers ■ Automotive suppliers ■ Aviation ■ General industry

MEASURING AND PROCESS SYSTEMS DIVISION

Business unit	Business type	Activities	Customer groups
BALANCING AND DIAGNOSTIC SYSTEMS	■ Mechanical engineering	■ Balancing and diagnostic systems ■ Services	■ Automobile manufacturers ■ Automotive suppliers ■ Electrical engineering & electronics ■ Mechanical engineering ■ Aerospace ■ Turbines/power stations
CLEANING AND FILTRATION SYSTEMS	■ Mechanical engineering	■ Industrial cleaning systems ■ Automation technology (work-piece handling, automation) ■ Filtration systems ■ Services	■ Automobile manufacturers ■ Automotive suppliers ■ Electrical engineering & electronics ■ Mechanical engineering ■ Aerospace ■ Medical and laboratory equipment

[1] We have made some adjustments in the structure of the business units in the first quarter of 2008 which are outlined in the report on events subsequent to the reporting date.

RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	RALF W. DIETER (CHAIRMAN)	RALPH HEUWING (CFO)
DIVISIONAL / OPERATIVE RESPONSIBILITIES	▪ Paint and Assembly Systems ▪ Measuring and Process Systems	▪ Dürr Consulting
CORPORATE FUNCTIONS	▪ Quality Management ▪ Research & Development ▪ Human Resources (Employee Affairs Director) ▪ Internal Auditing ▪ Public Relations	▪ Finance/Controlling ▪ Investor Relations ▪ Legal Affairs/Patents ▪ Information Technology ▪ Risk Management ▪ Real Estate

▸ GLOSSARY: P. 148

CLEANING AND FILTRATION SYSTEMS is the only global player in the market for ▸ INDUSTRIAL CLEANING technology, ▸ FILTRATION SYSTEMS and automation technology. In addition to stand-alone systems, the business unit also offers ▸ SYSTEM INTEGRATION for complete engine and transmission production lines. Thanks to its international positioning, Cleaning and Filtration Systems can equip a customer's factories in different countries with standardized technology (so-called "common tooling" projects). The business unit is the world leader and, with a market share of about 35%, is well ahead of its closest competitors, which have market shares of about 15% and 12% each.

PROPERTY SERVICES

Schenck Technologie- und Industriepark GmbH is part of the Measuring and Process Systems division. It is based in Darmstadt and provides property services in the areas of facility management, logistics and training. The portfolio comprises 105,000 m^2 of land and 134,000 m^2 of lettable space. 53% of the lettable area is office space; the remainder is warehouse space and production buildings.

LEGAL STRUCTURE

Dürr AG is a management holding company without any operating business of its own. As the ultimate holding company of the Group, it has concluded profit and loss transfer agreements with various companies in Germany. A further profit and loss transfer agreement, to be concluded with Carl Schenck AG, will be presented for approval at the annual shareholders' meeting on May 2, 2008.

Virtually all of the operating companies are wholly owned by Dürr Systems GmbH, Carl Schenck AG and Dürr Inc. (USA). There are smaller ownership interests in three Italian companies in which Dürr holds 51% (CPM S.p.A.), 26.01% (Stimas Engineering S.r.l.) and 65% (Olpidürr S.p.A.) of the shares. The members of the Board of Management of Dürr AG and the managing directors of Dürr Systems GmbH are represented on the supervisory boards of all the principal foreign companies.

We established new companies in Russia and Turkey in 2007. Further information on this and on the circle of consolidated companies can be found in item 4 in the notes to the consolidated financial statements.

DÜRR LOCATIONS

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

Europe
- Zistersdorf[1] (A)
- Oslavany-Padochov[1] (CZ)
- Madrid[2] (E)
- San Sebastian[2] (E)
- Valladolid (E)
- Viladecans[2] (E)
- Cergy-Pontoise[1] (F)
- Loué[1,2] (F)
- Montigny-le-Bretonneux[2] (F)
- Warwick[1,2] (GB)
- Beinasco[1,2] (I)
- Novegro di Segrate[2] (I)
- Paderno Dugnano (I)
- Rodano[1,2] (I)
- Rotterdam (NL)
- Radom[1,2] (PL)
- Moscow (RUS)
- St. Petersburg (RUS)
- Bratislava (SK)
- Istanbul (TR)

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

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

[1] Production or assembly location
[2] Engineering location

LOCATIONS AND DIVISION OF LABOR WITH THE GROUP

▸ GLOSSARY: P. 148

The Group's largest locations are Stuttgart, Bietigheim-Bissingen and Darmstadt. Stuttgart is the Group headquarters and the central hub of the Group's plant engineering business. Bietigheim-Bissingen is the center of competence for ▸ APPLICATION TECHNOLOGY. We are currently expanding and modernizing this location under the "Campus Project", and will be transferring our Stuttgart activities there. From mid-2009, the Campus in Bietigheim-Bissingen will then be the Group's new headquarters. However, Dürr AG's legal domicile will continue to be situated in Stuttgart. Darmstadt is the center of our balancing systems business. Other major locations are Shanghai, Plymouth, Chennai and São Paulo. Monschau is the central location for Cleaning and Filtration Systems.

Within our global network it is regulated which Group companies are responsible for what tasks. Within the Paint and Assembly Systems division, for instance, the so-called "system centers" in Stuttgart and Plymouth have overall responsibility for the execution of all large projects. Stuttgart is responsible for Asia and Europe, Plymouth for North and South America. All other companies of the Paint and Assembly Systems division serve as local "business centers" and are responsible primarily for local sales and service activities, but also perform ▸ ENGINEERING and production functions.

Dürr's core competence lies in plant and equipment engineering. The Group's own manufacturing input is comparatively low at 25%. In the plant engineering activities it is about 20%, and in mechanical engineering about 30%. This has two advantages: firstly, low capital intensity and, secondly, a low fixed cost base with corresponding flexibility to respond to fluctuations in order levels. We manufacture and assemble products and systems at 28 locations in the Americas, Europe and Asia. This enables us to exploit advantages through low-cost sourcing and meet the specific local requirements of our markets.

DISCONTINUED OPERATIONS

We divested no activities in fiscal 2007. However, the figures for 2007 contain marginal aftereffects of the divestments in 2005. Further information on this can be found in item 6 of the notes to the consolidated financial statements.

REPORT ON RELATIONSHIPS WITH RELATED COMPANIES

In conformity with Sec. 312 of the German Stock Corporation Act, the Board of Management of Dürr AG prepared a report on relationships with related companies, in which it issued the following concluding declaration: „Our company and the companies affiliated to our company received fair and reasonable consideration in each transaction listed in the report on relationships with related companies. No measures placing any of the companies at a disadvantage were implemented or refrained from in the interest of Dr.-Ing. E.H. Heinz Dürr. This assessment is based on circumstances known to us at the time the reportable events took place."

DISCLOSURES PURSUANT TO THE GERMAN EU TAKEOVER DIRECTIVE IMPLEMENTING ACT

The following disclosures are made in compliance with the disclosure requirements as formulated in Sec. 289 (4) and Sec. 315 (4) of the German Commercial Code (HGB). The requirements result from the German EU Takeover Directive Implementing Act introduced in 2006.

- **STRUCTURE OF SUBSCRIBED CAPITAL**: Dürr AG's subscribed capital is divided into 15,728,020 bearer ordinary shares with full voting rights. The rights and obligations arising from the ownership of ordinary shares are regulated in the German Stock Corporation Act.
- **RESTRICTIONS ON VOTING RIGHTS/THE TRANSFER OF SHARES AND RELATED AGREEMENTS**: The Board of Management has no knowledge of any pool arrangements between shareholders of Dürr AG. The pool arrangement that had existed between Heinz Dürr GmbH, Heinz und Heide Dürr Stiftung GmbH, Süd-Kapitalbeteiligungs-Gesellschaft mbH and BWK GmbH Unternehmensbeteiligungsgesellschaft was dissolved in April 2007.
- **SHAREHOLDINGS WHICH EXCEED 10 %**: Heinz Dürr GmbH holds 40.5 % of Dürr AG's capital stock. Aton GmbH holds 12.2 %.
- **SHARES CONFERRING SPECIAL RIGHTS**: There are no shares of Dürr AG which confer special rights.
- **VOTING RIGHT CONTROL OF ANY EMPLOYEE STOCK OWNERSHIP PLAN WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES**: There are no employee stock ownership plans where the control rights are not exercised directly by the employees.
- **RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF MANAGEMENT**: The relevant statutory rules are regulated in Sections 84 and 85 of the German Stock Corporation Act. Dürr AG's articles of incorporation do not provide for any other rules in this regard.

"Customer orientation means, for example, gearing ourselves to the needs of the automotive industry in the emerging markets. We have both local suppliers and large, globally operating manufacturers in mind. To give our customers optimal support, we are strengthening our organization in Asia and Eastern Europe and pushing the development of low-cost, functional LeanLine plants."

HARALD RÜBER (55)
HEAD OF PAINT AND FINAL ASSEMBLY SYSTEMS

- **RULES GOVERNING THE AMENDMENT OF THE ARTICLES OF INCORPORATION**: We refer to Sec. 179 of the German Stock Corporation Act which requires the consent of the shareholders' meeting to amendments of the articles of incorporation. Dürr AG's articles of incorporation do not provide for any other rules in this regard.
- **POWERS OF THE BOARD OF MANAGEMENT TO ISSUE OR BUY BACK SHARES**:

  The annual shareholders' meeting on May 18, 2007 authorized the Board of Management to acquire on one or more occasions on or before October 31, 2008 own bearer shares of Dürr AG and to resell them subject to the consent of the Supervisory Board. The total shares acquired may not exceed 10% of the capital stock.

  The annual shareholders' meeting on May 24, 2006 authorized the Board of Management to increase the capital stock, subject to the consent of the Supervisory Board, by up to € 20,131,840 by the issuance of up to 7,864,000 bearer shares on one or more occasions on or before May 23, 2011 (authorized capital).

  The annual shareholders' meeting on May 18, 2007 authorized the Board of Management to issue, subject to the consent of the Supervisory Board, on one or more occasions on or before May 17, 2012 bearer or registered convertible bonds, warrant bonds, profit participation rights or participating bonds, or combinations of these instruments, with a finite or indefinite life, in a total nominal amount of up to € 201,318,400. For this purpose, the capital stock is increased conditionally by up to € 20,131,840 for the issuance of up to 7,864,000 new bearer shares in the form of ordinary shares (conditional capital).

  The aforesaid authorizations by the annual shareholders' meeting are contingency resolutions which allow Dürr greater room for maneuver in its financing in case of need.

  The previous Contingent Capital I and Contingent Capital II resolved at the annual shareholders' meetings on May 24, 2006 and May 30, 2001 were annulled by the annual shareholders' meeting on May 18, 2007.
- **AGREEMENTS IN THE EVENT OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID**: The terms of our corporate bond issued in July 2004 include a covenant which obligates us, in the event of a change of control, to make an offer to the holders of the bond to redeem the bond at 101% of its nominal value plus the accrued interest. A change of control is deemed to take place if one or more persons, acting in unison, acquire at least 35% of the voting shares of Dürr AG while, simultaneously, members of the Dürr family who were shareholders of the

company, directly or indirectly, at the time the bond was issued hold less than 35% of the voting shares. Such covenants are customary practice, and are incorporated in comparable form in the terms and conditions of bonds of other issuers. They serve to protect the interests of the bondholders.

- **AGREEMENTS PROVIDING FOR COMPENSATION IN THE EVENT OF TAKEOVER BIDS:** In the event of a takeover the members of the Board of Management have an option either to remain with the company or to leave the company in return for compensation. There are no other agreements in this regard.

DISCLOSURES ON THE COMPENSATION OF THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

The corporate governance report discloses information on the compensation of the Supervisory Board and the Board of Management of Dürr AG. The compensation report reproduced there is an integral part of this management report.

EXOGENOUS FACTORS

AUTOMOBILE INDUSTRY'S LONG-RANGE INVESTMENT PLANS

▸ GLOSSARY: P. 148

As a supplier of plant and equipment, Dürr is especially reliant on investment activity in the automotive industry, but also increasingly on demand in the aircraft industry and in industry generally. The expected growth in global vehicle sales is a key determinant of investment activity in the automotive industry. Owing to the comparatively long model cycles and the heavy investment that is required automobile manufacturers plan long term. The automobile industry expects further significant growth in the coming years: while 68.8 million ▸ LIGHT VEHICLES were produced worldwide in 2007, experts estimate a figure of approximately 82 million by 2012. This should also lead to sustained growth in capital investment in the automotive industry.

AUTOMOTIVE INDUSTRY: GROWTH IN PRODUCTION AND MODERNIZATION

An important factor for Dürr is not only the growth in absolute terms but also how the production volumes and growth are distributed geographically. Since much of the growth is in the emerging markets of Asia and Eastern Europe, a growing proportion of the capital spending is being invested in these regions. Besides the growth in production, the modernization of exist-

"We will continue to strengthen our world market leadership in application technology. We see growth potential in North America and Asia, for example, and in business with parts suppliers. We are also expanding our sealing business. To cultivate cost advantages, we are stepping up procurement from outside the euro area."

DR. HANS SCHUMACHER (53)
HEAD OF APPLICATION TECHNOLOGY

ing plants is an important driver of demand for manufacturing technology. This is true especially in Western Europe and North America, where the automobile industry is increasing its productivity and flexibility through plant revamps. Depending on the respective growth targets, this can give rise to special cycles and trends at individual automobile manufacturers and in specific markets.

NORTH AMERICA: GROWING IMPORTANCE OF MEXICO

Given poor unit sales of the US automobile manufacturers, investment activity in the North American market has been weak in recent years. We expect a slight recovery in the medium term. Stimulus will arise when European and Asian automobile manufacturers expand their production capacities in North America to offset the disadvantages of the US dollar's weakness (natural hedge). The BMW Group, for instance, placed a large order with us at the end of 2007 for the expansion of the paint shop at its Spartanburg plant in the USA. Sustained buoyant conditions are presented in the growth market of Mexico, where we are strongly expanding our Querétaro location. Market volume in Mexico will continue growing in the coming years as many manufacturers are planning to invest in order to exploit cost advantages.

EXCHANGE RATE DEVELOPMENTS: LIMITED INFLUENCE

The development of exchange rates has only a limited impact on our business. Much of our value added is generated in the countries where we install the plant and equipment. As we therefore export relatively little to the US dollar area from euro countries, for us the impact is limited mostly to currency translation effects when converting income statement and balance sheet items into euros. However, our Japanese competitors benefit from the weakness of the yen.

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT OF BUSINESS DEVELOPMENT IN 2007

TARGETS ACHIEVED

As a result of the subprime crisis, the macroeconomic situation developed worse than expected, especially in the second half of 2007. The weakness of the US dollar and yen were also more pronounced than had been anticipated. Despite these factors we achieved our targets for 2007. Sales were up 8.5%, in line with the target range of 5% to 10%. Incoming orders were well above plan. With growth of 22%, we clearly beat our original forecast, which was for order intake level with the previous year.

As planned, gross profit, EBIT and net income were increased significantly again. A stronger earnings improvement would have been achieved had it not been for unexpected burdens from a loss-making large project in India. Administrative and selling expenses rose less than proportionally compared to sales. The net interest position deteriorated slightly; the previous year's figure had included about € 2 million of non-recurring income.

Both divisions posted positive earnings performances. Measuring and Process Systems was well above plan: firstly, the turnaround in the Cleaning and Filtration Systems business unit was stronger than had been expected and, secondly, Balancing and Diagnostic Systems again significantly improved on its already high result. Earnings at Paint and Assembly Systems rose strongly in the fourth quarter, driven by a high volume of settlements, and for the full year 2007 were appreciably above the previous year's level. The growth would have been more pronounced had it not been for the burdens at Paint Systems in India and the fact that the turnaround was not yet achieved at Factory Assembly Systems. We have responded promptly to this situation with a realignment of the assembly and conveyor systems activities at the beginning of 2008 (see the report on events subsequent to the reporting date). Paint Systems, Application Technology and Environmental and Energy Systems all improved their EBIT at double-digit rates year over year.

At € 85.9 million, cash flow from operating activities was higher than planned. Free cash flow was positive for the first time for some years, and amounted to € 40.6 million. This enabled us to reduce net financial debt to € 60.7 million as of December 31, 2007 (December 31, 2006: € 96.5 million).

We increased the number of employees by 5.1% to 5,936 (as of December 31, 2007) as demand developed more strongly than expected. Additional employees were recruited mostly in the emerging markets.

–15.9% COST REDUCTION

PAINT SYSTEMS | Pretreatment and dip-painting protect cars from corrosion and form the basis for a glossy surface. In Dürr's RoDip process, the car body turns a somersault through the paint bath. That results not only in quality advantages, but also in measurable savings compared with conventional systems: for example, 36% less energy consumption, 18% less chemical consumption, and 8% lower investment costs. When all the savings are taken together, the cost of pretreating and dip-painting a car body is reduced by 15.9%.

ECONOMY AND INDUSTRY ENVIRONMENT

GDP GROWTH

in %	2007[1]	2006
World	5.1	5.4
Germany	2.5	2.9
EU 27	2.9	3.0
Russia	7.7	6.7
USA	2.1	2.9
China	11.2	11.1
India	8.5	9.2
Japan	1.9	2.2
Brazil	4.7	3.7

Source: European Commission
[1] Estimate

PRODUCTION OF LIGHT VEHICLES

in million units	2007[1]	2006
World	68.8	66.2
Western Europe	16.2	16.1
Germany	5.7	5.4
Eastern Europe	5.8	5.0
Russia	1.5	1.4
North America[2]	15.1	15.2
USA	10.6	10.9
Mercosur	3.2	2.7
Brazil	2.5	2.2
Asia	26.0	24.9
China	7.1	6.5
Japan	10.6	10.6
India	1.8	1.6

Sources: J.D. Power, PwC, own estimates
[1] Forecast
[2] Incl. Mexico

5.1% GROWTH OF WORLD ECONOMY

The world economy developed positively on the whole in 2007. However, in the second half of the year, the crisis on the financial markets triggered in the USA spilled over increasingly to the real economy. This caused growth in the USA to slow, prompting the US Fed to make three rate cuts by the end of the year. In Europe, gross domestic product grew more strongly than expected at first, especially in Germany. The main growth drivers continued to be exports, despite the strength of the euro, and investment in plant and equipment. Although the number of persons in employment and real wages rose, consumption in Germany remained subdued. The strong dynamic in Asia continued; China, which is acquiring ever greater importance for the global economy, was the main growth engine.

FURTHER GROWTH IN AUTOMOBILE PRODUCTION

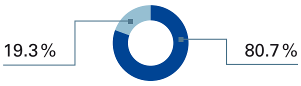
The development of demand in the automobile markets was very mixed from region to region. In the USA, Western Europe and Japan, unit sales came under pressure above all as a result of the high fuel costs and the effects of the subprime crisis; in Germany, an added factor was the hike in the rate of value-added tax. In the emerging markets, on the other hand, there was strong growth in demand. Above all, India, China and Eastern Europe including Russia are moving increasingly into the focus of the automobile industry as these markets are not only growing fast but now also offer large sales volumes. China's production is meanwhile a good deal higher than Germany's.

Production figures for the automobile industry deviated significantly from demand in some cases. In Germany, for instance, new vehicle registrations were down about 9%, while production was up nearly 6% due to a rising share of exports. World production of light vehicles was up almost 4% in 2007.

Demand from our customers continued to pick up in 2007 after a marked recovery already the year before. This was mainly due to the heavy investments being undertaken by manufacturers and suppliers to position themselves in the growth markets of the automobile industry. On top of that, some of our customers, especially local suppliers in Asia, are pursuing aggressive growth strategies with corresponding capital investment programs. Furthermore, demand in North America has stabilized.

CONSOLIDATED INCOMING ORDERS

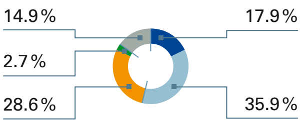
2007



in € million	2007	2006	2005	2004
Paint and Assembly Systems	1,436.8	1,155.6	931.2	1,086.4
Measuring and Process Systems	344.7	304.2	285.7	301.0
Total	**1,781.5**	**1,459.8**	**1,216.9**	**1,387.4**

CONSOLIDATED INCOMING ORDERS BY REGION

2007



in € million	2007	2006	2005	2004
Germany	318.8	237.8	249.3	374.5
Rest of Europe	639.2	509.4	453.2	501.3
North and Central America	510.2	263.8	254.2	292.6
South America	47.4	26.3	20.3	13.0
Asia, Africa, Australia	265.9	422.5	239.9	206.0
Total	**1,781.5**	**1,459.8**	**1,216.9**	**1,387.4**

AVIATION INDUSTRY

2007 was a boom year for the aviation industry. The two largest manufacturers, Airbus and Boeing, witnessed a new record with orders for over 2,500 aircraft; the previous record had been 2,057 orders in 2005. In all, the volume of orders was probably worth over USD 300 billion. The EADS Group, to which Airbus belongs, invested about € 2.4 billion in 2007, while Boeing invested about USD 1.7 billion.

BOOM IN MECHANICAL AND PLANT ENGINEERING

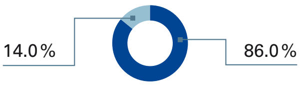
Driven by the robustness of the world economy and rising investment in infrastructure, the mechanical and plant engineering industry remained on a growth track worldwide. In Germany especially, the industry profited from the strong demand, which mainly came from abroad. Its production rose by about 11 % in 2007. The large-scale plant contracting industry in Germany witnessed growth of about 20 %.

BUSINESS DEVELOPMENT

Unless indicated otherwise, the details in this management report refer to the continuing operations. The business figures for the continuing operations for 2006 and 2007 are fully comparable. EBIT – as referred to in the following – is earnings before interest, income taxes and investment income. The charts and tables in this management report contain figures for the years 2004 to 2007. We have deliberately refrained from including figures for years before 2004 as their comparability is limited owing to changes in the circle of consolidated companies, and the figures were calculated on the basis of US GAAP. Accounting policies (accounting and valuation methods) have remained largely unchanged since 2004. We have merely adjusted the accounting and valuation methods to the respectively prevailing legal requirements. Changes in the International Financial Reporting Standards (IFRS) had no material effect on the presentation of the company's position.

CONSOLIDATED ORDERS ON HAND (DECEMBER 31)

2007



in € million	2007	2006	2005	2004
■ Paint and Assembly Systems	930.5	671.9	612.1	730.9
■ Measuring and Process Systems	151.5	133.3	111.4	129.0
Total	**1,082.0**	**805.2**	**723.5**	**859.9**

NEW ORDERS AND ORDERS ON HAND WELL ABOVE THE PREVIOUS YEAR'S LEVEL

Order intake by the Dürr Group developed very well in fiscal 2007. We booked orders worth € 1,781.5 million (2006: € 1,459.8 million); this is another strong increase (22.0%) after the 20% we already achieved in 2006. We witnessed strong growth in Germany. New orders appreciably exceeded the high previous year's level in the rest of Europe, too. Sizeable orders were received from Poland and the Czech Republic, while in 2006 there had been strong growth above all in orders from Italy. The Russian market was very dynamic. In the USA, we won the largest order of the year, worth well over € 100 million, from the BMW Group. Demand also grew in Mexico. In Asia, incoming orders fell off after the very strong showing in 2006. This was due to a temporary lull in China.

Driven by a number of large orders, the Paint and Assembly Systems division increased its order intake by 24.3%, and thus more strongly than Measuring and Process Systems (13.3%). The Paint Systems, Application Technology, Factory Assembly Systems, Cleaning and Filtration Systems, and Balancing and Diagnostic Systems business units all posted double-digit rates of growth.

Orders on hand as of December 31, 2007 were up 34.4% to € 1,082.0 million (December 31, 2006: € 805.2 million). Our reach of orders was 8.8 months, up 23.9% versus the end of 2006 (7.1), and 39.7% above the German mechanical and plant engineering industry average (6.3).[1] However, there are significant differences between the two divisions: Paint and Assembly Systems had a reach of orders of 9.6 months due to its longer-term plant engineering business, while the reach of orders at Measuring and Process Systems with its focus on mechanical engineering was 5.7 months. The Group's book-to-bill ratio, in other words the ratio of new orders to sales, rose from 1.1 to 1.2. Incoming orders therefore appreciably exceeded sales for the second year running – a good starting position for 2008.

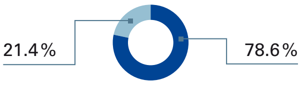
ALMOST 9% SALES GROWTH DUE TO MORE BUOYANT DEMAND

At € 1,476.6 million, consolidated sales were up 8.5% on the previous year (€ 1,361.2 million). This was mainly due to the higher orders on hand at the end of 2006 and the continued buoyant level of new orders during 2007. Measuring and Process Systems achieved double-digit growth of 14.0%, with sales exceeding year-earlier levels in all four quarters. Paint and Assembly

[1] Source: German Mechanical and Plant Engineering Industry Association (VDMA), 10/2007

CONSOLIDATED SALES

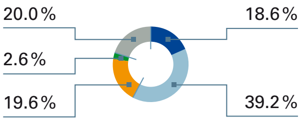
2007



in € million	2007	2006	2005	2004
Paint and Assembly Systems	1,160.4	1,083.9	1,090.0	1,413.8
Measuring and Process Systems	316.2	277.3	310.6	312.0
Total	**1,476.6**	**1,361.2**	**1,400.6**	**1,725.8**

CONSOLIDATED SALES BY REGION

2007



in € million	2007	2006	2005	2004
Germany	274.0	281.4	310.1	436.5
Rest of Europe	579.0	513.5	502.5	391.6
North and Central America	289.6	258.9	397.7	654.7
South America	38.8	27.2	15.2	5.2
Asia, Africa, Australia	295.2	280.2	175.1	237.8
Total	**1,476.6**	**1,361.2**	**1,400.6**	**1,725.8**

Systems only managed to increase its sales significantly in the fourth quarter. Besides the typical seasonality of the business, this was due to project delays earlier in the year that were not caught up until the last quarter.

Sales in the rest of Europe (excluding Germany) were a good deal higher than in 2006. We also grew sales in Asia. In China, which is by far our biggest single market in Asia, the growth was 26%. There were small declines again in Germany. On the other hand, the situation in the North American market improved. This applied especially to Mexico, but held for the USA, too, where sales did not fall further. A trend reversal appears realistic in North America, especially as our order intake from this region picked up strongly in 2007. Sales increased nicely in South America.

GROSS MARGIN SLIGHTLY IMPROVED

We increased our gross margin, which is the difference between sales and the cost of sales expressed as a percentage of sales, to 16.3% in fiscal 2007 (2006: 16.2%). The cost of sales rose by 8.4%. In the fourth quarter we achieved a gross margin of 16.9%, after it had been below 16% in the second and third quarters. The rise in the cost of sales was due among other things to delays on a project in India which burdened earnings by just over € 10 million in the second and third quarters. Without these burdens the gross margin would have been about 17% for the full year.

We responded immediately to the delays in the second quarter with a comprehensive package of measures. Among other things, we broadened the supplier base and strengthened the local management. This puts our India business on a good footing for the future. In addition to the delays, gross profit was also squeezed by the execution of painting and assembly technology projects which had been taken on at poorer margins in the first half of 2006. On the other hand, benefits were felt from the improvements in internal processes implemented under the FOCUS program.

INCOME STATEMENT

in € million	2007	2006	2005	2004
Sales revenues	1,476.6	1,361.2	1,400.6	1,725.8
Gross profit	240.0	220.2	220.2	240.6
as % of sales	16.3	16.2	15.7	13.9
Gain or loss on restructuring/onerous contracts and impairments	1.0	–5.9	–73.8	–6.8
EBIT	55.7	33.1	–70.3	29.0
as % of sales	3.8	2.4	–5.0	1.7
Financial result and investment income	–20.9	–18.3	–36.3	–24.5
Income taxes	–13.6	–6.6	2.1	–5.6
Earnings after tax	21.2	8.2	–104.5	–1.1
as % of sales	1.4	0.6	–7.5	–0.0
Group net income	**22.2**	**7.5**	**4.3**	**4.7**

OVERHEADS ONLY SLIGHTLY INCREASED

Despite the substantial growth in incoming orders and sales revenues, selling expenses were more or less stable in 2007 – an indication of the efficiency we have achieved in our sales organization. General administrative expenses increased by 5.5 %, and thus, also, less than proportionally compared to sales. Research and development expenses fell slightly by 3.2 %. This was mainly due to the better coordination of R&D activities between the business units. Other operating income and expenses showed a positive net balance of € 18.0 million in 2007 (2006: € +17.8 million). Both income and expenses were well down from their previous year's levels. The other operating income resulted among other things from book profits from asset disposals and the release of provisions; additionally, there was extraordinary income from the deconsolidation of five companies. In connection with the Campus project there were not only expenditures; we also booked income in our favor. The biggest single items under other operating income and expenses included the effects from exchange rate movements. However, these more or less cancelled each other out. Further information on this can be found in item 11 in the notes to the consolidated financial statements.

At the Corporate Center (Dürr AG), which is responsible for Group functions such as finance, controlling, legal affairs, internal auditing and communication, EBIT was € –0.4 million (2006: € –0.9 million). After booking extraordinary income in connection with the Campus project in the third quarter of 2007, we incurred first significant expenses for Campus relocations in the fourth quarter.

PERSONNEL EXPENSE RATIO REDUCED

▸ **View table:** p. 40

The number of employees rose in 2007 for the first time since 2004. This was in response to the continuing demand and our strategic decision to expand in the growth markets of Asia and Eastern Europe as well as in Mexico and Brazil. All the same, the personnel expense ratio declined in 2007 due to the lower wage levels in the growth markets. Personnel expenses are subsumed in all the categories of operating costs in the income statement.

EBIT

in € million	2007 EBIT	2007 as % of sales	2006 EBIT	2006 as % of sales	2005 EBIT	2005 as % of sales	2004 EBIT	2004 as % of sales
Paint and Assembly Systems	36.6	3.2	29.4	2.7	–41.4	–3.8	30.3	2.1
Measuring and Process Systems	19.4	6.1	4.6	1.7	–19.1	–6.1	–3.9	–1.3
Corporate Center/Consolidation	–0.3	–	–0.9	–	–9.8	–	2.6	–
Total	**55.7**	**3.8**	**33.1**	**2.4**	**–70.3**	**–5.0**	**29.0**	**1.7**

EMPLOYEES AND PERSONNEL EXPENSES

	2007	2006	2005	2004
Employees (December 31)	5,936	5,650	5,992	6,240
Employees (annual average)	5,809	5,732	6,089	6,507
Personnel expenses (in € million)	368.8	349.8	381.3	398.4
Personnel expense ratio (%)	25.0	25.7	27.2	23.1

FEW EXTRAORDINARY FACTORS IN 2007

In 2005 and 2006 we had booked restructuring expense of € 45.9 million and € 5.4 million for the Group-wide FOCUS program that was completed at the beginning of 2007. In 2007, the small unutilized restructuring provisions (€ 0.9 million) could be written back to income.

The yearly impairment test of our assets led to no write-downs in 2007 (2006: € 0.5 million). In 2005, the FOCUS program had still resulted in impairments of € 27.9 million.

FINANCIAL RESULT BELOW 2006 LEVEL

The net interest position was € 1.9 million lower than in 2006 at € –22.9 million. However, the previous year's result had included one-off additional interest income of about € 2 million due, among other things, to interest effects from a tax refund.

Much of the interest expense in the amount of € 26.7 million (2006: € 27.6 million) resulted from the € 200 million corporate bond issued in 2004. With a coupon of 9.75 %, the annual interest payments on this bond amount to € 19.5 million. Another € 2.6 million was incurred in the form of interest-related expenses (2006: € 2.3 million). This includes the amortization of transaction costs and the discount on the bond. Investment income was € 0.8 million lower at € 1.9 million in 2007. In 2006, this item had included a write-up of € 1.0 million on shares in an associated company.

NET INCOME FROM CONTINUING OPERATIONS AND AT GROUP LEVEL

Earnings before income taxes reached € 34.8 million (2006: € 14.8 million), which is an increase of 135 %. Given an effective tax rate of 39.0 %, income taxes amounted to € 13.6 million. The effective tax rate was higher than budgeted, partly due to one-off effects from a tax audit that was completed. Among other things, write-downs charged on loans and investments were not recognized in full for tax purposes. Excluding the effects of the tax audit, reported tax expense would have been € 1.7 million lower. Another negative factor was a write-down of € 4.5 million on deferred taxes. The higher tax rate had no influence on the actual tax payment (for details refer also to the cash flow discussion). The impact which the tax reform that came into force at the beginning of 2008 had on deferred taxes increased earnings by € 1.8 million in 2007.

Net income from the continuing operations rose from € 8.2 million to € 21.2 million. There was a net profit of € 1.0 million from discontinued operations (2006: € –0.7 million). This resulted in net income of € 22.2 million for 2007 at the Group level (2006: € 7.5 million).

DISCONTINUED OPERATIONS

in € million	2007	2006	2005	2004
Incoming orders	–	0.1	399.6	461.4
Sales revenues	–	0.1	379.3	410.5
Net income / loss	1.0	–0.7	108.9	5.8
Employees (December 31)	–	–	3	7,055

The Board of Management and the Supervisory Board will propose to the annual shareholders' meeting that a dividend be paid for fiscal 2007 for the first time since 2002. A dividend of € 0.40 per share is proposed, representing a total dividend payout of € 6.3 million. Dürr AG's remaining unappropriated profit of € 0.8 million will be carried forward.

Earnings per share amounted to € 1.33 (2006: € 0.50) for the continuing operations and to € 1.39 (2006: € 0.45) at the Group level.

ANNUAL FINANCIAL STATEMENTS OF DÜRR AG

Below, we present the income statement and balance sheet figures from the individual financial statements of Dürr AG for 2007. The full annual financial statements are available at www.durr.com/de/investor/financialreports.html. Dürr AG's results, which are calculated on the basis of German HGB accounting standards, are determined largely by the business development and the results of its affiliated companies.

INCOME STATEMENT, DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS (HGB)

in € million	2007	2006
Income from profit and loss transfer agreements	10.3	1.3
Income from investments	20.2	30.0
Changes in inventory	1.8	–
Other operating income and expenses	6.8	6.0
Cost of purchased services	–1.8	–
Personnel expenses	–6.5	–6.3
Depreciation and amortization (including financial assets)	–0.3	–9.1
Financial result	–25.0	–22.9
Profit/loss from ordinary activities	**5.5**	**–0.9**
Taxes	–0.7	3.2
Net income	**4.8**	**2.3**
Profit brought forward from the previous year	2.3	–
Unappropriated profit	**7.1**	**2.3**

BALANCE SHEET, DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS (HGB)

in € million	Dec. 31, 2007	Dec. 31, 2006
ASSETS		
Fixed assets		
Intangible assets	1.6	1.5
Property, plant and equipment	0.2	0.1
Financial assets	490.3	489.8
	492.1	**491.4**
Current assets		
Work in progress	1.8	–
Prepayments	–1.7	–
Receivables and other assets	15.9	21.3
Cash and cash equivalents	84.4	58.8
Prepaid expenses	4.5	5.4
Total assets	**597.0**	**576.9**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	40.3	40.3
Capital reserve	160.5	160.5
Unappropriated profit	7.1	2.3
	207.9	**203.1**
Liabilities		
Provisions	19.1	20.3
Liabilities	370.0	353.5
Total equity and liabilities	**597.0**	**576.9**

+7,500 CAR BODIES

APPLICATION TECHNOLOGY | We have further developed our ***Eco***Bell 2 atomizer to minimize losses of material when colors are changed. In the ICC model (Integrated Color Changer), the color changer for up to six colors has been built directly into the atomizer. Moreover, every color has a separate dosing pump. The two features lead to considerable savings. In the case of high runners – that is what the most popular colors are called – paint loss on color changes is reduced to 2–4 ml per atomizer and hence to at most one-tenth of the previous value. Moreover, the time it takes to change colors is shortened to about 6 seconds. At 30 painted car bodies per hour, this allows a capacity increase of 5 %. That makes a production plus of 7,500 cars on an annual output of 150,000.

PAINT AND ASSEMBLY SYSTEMS DIVISION

in € million	2007	2006	2005	2004
Incoming orders	1,436.8	1,155.6	931.2	1,086.4
Sales revenues	1,160.4	1,083.9	1,090.0	1,413.8
EBIT	36.6	29.4	–41.4	30.3
Capital expenditure[1]	18.9	12.1	16.8	15.4
Employees (December 31)	3,997	3,786	3,979	4,236

[1] In property, plant and equipment and intangible assets

PAINT AND ASSEMBLY SYSTEMS DIVISION

Paint and Assembly Systems profited from the buoyant demand, and increased its order intake by a substantial 24.3 %. We received our biggest order in 2007 from North America: we are expanding BMW Group's paint shop in Spartanburg for well over € 100 million. Other large painting technology orders for the Paint Systems business unit came from the Czech Republic, Russia and India. Factory Assembly Systems and Application Technology also witnessed strong growth, while new orders at Environmental and Energy Systems were at the previous year's level. Despite a modest start to the year Paint and Assembly Systems increased its sales revenues by 7.1 %. The book-to-bill ratio improved from 1.07 to 1.24.

EBIT reached € 36.6 million, and thus rose more strongly in percentage terms than sales revenues. Paint Systems managed to catch up its EBIT shortfall versus a year earlier after the first nine months of 2007 with a strong fourth quarter. The project delays in India burdened earnings by just over € 10 million. Factory Assembly Systems did not yet achieve the planned turnaround in 2007. In order to turn earnings around in the assembly and conveyor systems business we realigned these activities at the beginning of 2008. Further information on this can be found in the "Strategy" section and in the report on events subsequent to the reporting date.

MEASURING AND PROCESS SYSTEMS DIVISION

Measuring and Process Systems booked a strong order intake in the second half of 2007, which helped it to increase its incoming orders for the full year by 13.3 %. The good order intake at Cleaning and Filtration Systems was driven by the launch of the new *Eco***Lution** and *Eco***Base** product lines in March 2007. The order situation at Balancing and Diagnostic Systems was improved again as well. Sales revenues at Measuring and Process Systems were up 14.0 %. Here, too, both business units contributed to the growth.

The strong EBIT improvement was driven by a number of factors. Firstly, Balancing and Diagnostic Systems managed to improve on its already high level of earnings, and posted the best result in the company's history. Secondly, the restructuring completed at Cleaning and Filtration Systems paid off: with improved processes, adjusted capacities and an optimized product mix the business unit achieved the turnaround, and increased its EBIT more strongly than planned.

SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK GMBH

As in 2006, Schenck Technologie- und Industriepark GmbH achieved a positive EBIT in the low single-digit millions.

MEASURING AND PROCESS SYSTEMS DIVISION

in € million	2007	2006	2005	2004
Incoming orders	344.7	304.2	285.7	301.0
Sales revenues	316.2	277.3	310.6	312.0
EBIT	19.4	4.6	–19.1	–3.9
Capital expenditure[1]	7.1	5.4	8.3	6.3
Employees (December 31)	1,892	1,821	1,966	1,953

[1] In property, plant and equipment and intangible assets

SCHENCK TECHNOLOGIE- UND INDUSTRIEPARK GMBH

in € million	2007	2006	2005	2004
External sales	15.1	13.7	6.5	4.5
Rental income	9.8	9.6	9.7	11.0

FINANCIAL DEVELOPMENT

FUNDING AND LIQUIDITY MANAGEMENT

Dürr AG's central funding and liquidity management pursues two principal financial objectives: to control risk and to optimize income and costs. Risk control encompasses all financial risks that could threaten the company's existence. Another focus is assuring sufficient liquidity at all times so that the company is able to meet its payment obligations. Funding and liquidity management also helps to lower financing costs.

As the central funding platform, Dürr AG raises the overwhelming majority of the debt needed within the Group and distributes this to the companies as required. For the purposes of liquidity management the Treasury department of Dürr AG organizes a cash pool with the principal Group companies. Surplus cash is taken over from Group companies and made available to other Group companies.

DEBT FINANCING

The two core elements of our debt financing are the syndicated loan facility which we arranged in 2004 and the corporate bond we issued in the same year. Additionally, we have bilateral credit lines at our disposal on a fairly small scale. The corporate bond, which is due in 2011, is subordinated in relation to the syndicated loan facility (due 2009) and therefore carries a higher rate of interest compared to a bank loan. The credit line and the loans can be drawn in different currencies and for different terms. We also employ money and capital market instruments, and make selective use of off-balance sheet financing instruments such as accounts receivable financing programs and operating leases. Detailed information on the syndicated loan facility and the corporate bond can be found in item 25 in the notes to the consolidated financial statements.

The credit line available to us under the syndicated loan facility amounted to € 100 million as of December 31, 2007 (December 31, 2006: € 100 million). It was not drawn at the end of 2007; the average amount drawn in 2007 was € 19.2 million. We also have bilateral credit lines in a total amount of € 17.5 million at our disposal. Our guarantee lines amounted to € 377.4 million as of December 31, 2007 (December 31, 2006: € 368.3 million). Together with cash and cash equivalents, our available credit and guarantee lines should be sufficient to cover our financing needs in 2008, especially as we expect to generate a net cash surplus from operating activities (further information can be found in the Outlook).

The banking syndicate can only call the syndicated loan facility prematurely should we fail to meet the agreed financial ratios (covenants). Such a call requires a majority of two-thirds in the syndicate. To take account of the company's current development it was agreed in autumn 2007 to adjust one covenant as of December 31, 2007 and as of March 31, 2008. According to our calculations we complied with the covenants as of the year-end 2007 reporting date and, from today's vantage point, will also meet them in 2008. The syndicated loan facility carries interest at the refinancing rate for the respective currency and maturity (EURIBOR, LIBOR) plus a spread calculated on the basis of the ratio of total net debt to EBITDA. Shares in subsidiaries and second-tier subsidiaries are pledged as security for the bond and the syndicated loan facility.

Information on Dürr AG's credit ratings can be found in the "Opportunities and Risks" section.

Our principal cash obligations in connection with our ordinary operating activities are the repayment of financial debt, purchasing obligations and obligations under operating leases that we employ in addition to the assets reported in the consolidated balance sheet.

OFF-BALANCE SHEET FINANCING INSTRUMENTS

Our payment obligations under operating leases amounted to € 145.5 million as of December 31, 2007 (December 31, 2006: € 73.3 million). The increase is largely due to leases in connection with the Campus project. A list can be found in item 33 in the notes to the consolidated financial statements. The Group also makes selective use of accounts receivable financing programs (forfaiting, factoring) to reduce the amount of capital tied up. At the end of 2007, our forfaiting volume amounted to € 20.8 million (December 31, 2006: € 0 million) and our factoring volume was € 14.2 million (December 31, 2006: € 11.9 million). The total volume of off-balance sheet financing instruments stands in reasonable relation to our business volume.

CASH FLOW

in € million	2007	2006	2005	2004
Earnings before income taxes	34.8	14.8	–106.6	4.5
Depreciation and amortization of non-current assets	17.8	19.1	54.2	21.3
Interest result	22.9	21.0	35.1	24.5
Income taxes paid	–5.8	–5.6	–4.6	0.8
Change in provisions	–4.1	–20.2	–25.1	–21.8
Change in net working capital	37.0	8.8	–82.1	–110.8
Other	–16.7	–47.7	–18.5	–34.0
Cash flow from operating activities	**85.9**	**–9.8**	**–147.6**	**–115.5**
Interest paid (net)	–19.4	–18.7	–32.8	–14.0
Capital expenditure	–25.9	–18.0	–25.7	–21.4
Free cash flow	**40.6**	**–46.5**	**–206.1**	**–150.9**
Other cash flows	–4.8	34.9	364.0	–4.6
Decrease (+), increase (–) in net financial debt	+35.8	–11.6	+157.9	–155.5

CASH FLOW FROM OPERATING ACTIVITIES AND FREE CASH FLOW MUCH IMPROVED[1]

Cash flow from operating activities improved significantly in fiscal 2007. After € –9.8 million in 2006, it was well into positive territory at € 85.9 million. The development in the fourth quarter was particularly notable when we achieved an operating cash flow of € 118.6 million after € –32.7 million in the months from January to September. The improvement was mainly due to higher earnings and income. The growth in trade payables had a beneficial effect, too. The selective forfaiting of accounts receivable contributed additionally to the reduction in net working capital. Prepayments received rose by € 3.2 million and did not have much impact on the change in net working capital. The largest single items under "Other" were the net proceeds from asset disposals and the reduction of other liabilities. The latter resulted in large part from the decrease of € 10.2 million in restructuring liabilities.

Cash flow from investing activities was negative to the tune of € –11.2 million (2006: € +17.3 million). In 2006, there had been an inflow of € 20.0 million not recognized in the income statement which we received in connection with an out-of-court settlement.

Cash flow from financing activities amounted to € –21.9 million (2006: € –33.8 million), due primarily to interest payments of € 23.0 million.

Free cash flow indicates the remaining cash available for dividend payments and share buy backs, and for reducing net financial debt. In addition to the cash flow from operating activities, this includes interest received and capital expenditures (included in cash flow from investing activities) and interest paid (included in cash flow from financing activities). Free cash flow was turned around in 2007 and was well into positive territory at € 40.6 million (2006: € –46.5 million). Free cash flow had been highly negative in 2005 and 2004. The biggest item under "Other cash flows" was the proceeds of € 14.2 million from asset disposals.

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

EBIT, cash flow from operating activities and free cash flow are important benchmarks for managing our business units and for project control. Our EBIT target for 2008 is 5%. Cash flow from operating activities and free cash flow are to be held at least at the 2007 level.

[1] Exchange rate effects have been eliminated in the cash flow statement, so the changes in balance sheet items shown there cannot be matched directly with the balance sheet.

FINANCIAL POSITION (DECEMBER 31)

in € million	2007	2006	2005	2004
Cash and cash equivalents	147.5	101.5	124.7	46.4
Loans	–	4.9	–	–
Financial liabilities (bond, liabilities to banks)	208.2	202.9	209.6	289.2
Net financial debt	60.7	96.5	84.9	242.8

NET ASSET POSITION (DECEMBER 31)

in € million	2007	2006	2005	2004
Total assets (Group)	1,074.8	1,040.1	1,189.1	1,435.8
Equity with minority interests	257.1	245.7	248.1	222.7
Net working capital	119.9	154.7	171.5	120.5
Net working capital as % of sales revenues	8.1	11.4	12.2	7.0

In the current fiscal year we have introduced ROCE (return on capital employed, based on EBIT) as a further performance indicator. In future, we will be measuring the performance of the Group's top management on the basis of ROCE targets. In 2007, the Group's ROCE was 15.0% (2006: 7.6%) and was therefore above its weighted average cost of capital of about 10.5% before tax. This means that the Group created value for the first time for some years. Our target for 2008 is over 16%. There were substantial improvements in ROCE at the level of the two divisions in 2007. Paint and Assembly Systems achieved a ROCE of 16.3% (2006: 11.4%), and Measuring and Process Systems a ROCE of 10.9% (2006: 1.7%). Both divisions created value. The Corporate Center's ROCE is negative for structural reasons.

DEBT REDUCED AS OF YEAR-END

Thanks to our much improved free cash flow, net financial debt (excluding finance leases) sank to € 60.7 million as of December 31, 2007, a decrease of € 35.8 million versus the end of 2006. Cash and cash equivalents rose to € 147.5 million, an increase of € 46.0 million versus December 31, 2006. Financial liabilities (corporate bond, liabilities to banks) increased by € 5.3 million to € 208.2 million.

NET WORKING CAPITAL REDUCED

The balance sheet expanded by 3.3% versus the end of 2006 to € 1,074.8 million as of December 31, 2007, and thus less strongly than the growth in business volume. On the assets side, there was a slight decrease in non-current assets. This was mainly due to the reduction in deferred tax assets from € 19.2 million to € 3.7 million. Among other things, this was a result of two factors: firstly, a reduced tax rate in Germany, which affected the valuation of tax losses carried forward in the balance sheet, and, secondly, the decline in deferred tax assets related to pensions due to a higher actuarial discount factor. Property, plant and equipment declined from € 106.5 million to € 89.8 million. One reason for this was the reclassification of land and buildings worth € 6.8 million which are due to be sold. The increase in current assets as of the end of 2007 was mainly due to the growth in cash and cash equivalents. Trade receivables decreased slightly, reflecting higher prepayments deducted directly from this item.

BALANCE SHEET STRUCTURE (DECEMBER 31)

in %	2007	2006	2005	2004
Non-current assets	39.5	43.0	40.8	39.1
Current assets	60.5	57.0	59.2	60.9
Total assets	**100**	**100**	**100**	**100**
Equity with minority interests	23.9	23.6	20.9	15.5
Non-current liabilities	28.4	30.9	27.3	23.6
Current liabilities	47.7	45.5	51.8	60.9
Total equity and liabilities	**100**	**100**	**100**	**100**

Non-current assets include € 263.2 million of goodwill arising from acquisitions. The yearly impairment test confirmed the value of our goodwill. The value of Dürr as an engineering company is closely linked with the Dürr brand name and our reputation with customers. Our success derives from our competence to deliver complex plants and systems on time and in the specified quality. This is founded on the know-how of our employees. Also important for the success of our business model are stable and reliable long-term relationships with our suppliers. By comparison, property, plant and equipment are of less importance.

Liquidity on the strict acid test measure (cash and equivalents to current liabilities) improved substantially to 28.8%, from 21.5% at the end of 2006. The broader current ratio (accounts receivable plus cash and equivalents to current liabilities) was virtually unchanged at 107.8% as of December 31, 2007 (December 31, 2006: 107.9%).

On the equity and liabilities side, there were more pronounced changes versus the end of 2006. Equity was increased by net income but reduced by currency translation losses. The equity ratio rose slightly to 23.9% (December 31, 2006: 23.6%). Pension provisions decreased by € 10.7 million to € 50.0 million. This was mainly due to a higher discount rate (5.6% versus 4.7% in 2006).

Trade payables rose by € 41.2 million to € 344.8 million as a result of the higher volume of business. Through active management we were able to reduce net working capital significantly from € 154.7 million to € 119.9 million. On the balance sheet date it was equivalent to only 8.1% of sales revenues (December 31, 2006: 11.4%).

The book values of our on-balance sheet assets (such as property, plant and equipment), which are carried at acquisition or production cost, did not exceed their current market value on the reporting date.

CURRENT AND NON-CURRENT LIABILITIES (DECEMBER 31)

in € million	2007	2006	2005	2004
Financial liabilities (excl. bond)	22.9	20.5	30.0	112.0
of which current	15.1	9.9	17.4	85.3
of which non-current	7.8	10.6	12.6	26.7
Bond	191.7	189.8	187.9	186.5
Trade payables	344.8	303.6	347.8	492.7
of which prepayments received	129.4	126.2	118.7	207.5
Income tax liabilities	31.4	25.7	27.8	6.1
Other liabilities	90.7	90.8	138.9	117.6
Total	**681.5**	**630.4**	**732.4**	**914.9**

NON-FINANCIAL PERFORMANCE INDICATORS

The Group-wide FOCUS program has optimized our business processes and structures. Building on this, we introduced a **continuous improvement process** at the beginning of 2007 in order to firmly anchor the pursuit of efficiency enhancements as an institutionalized process within Dürr. An important routine within the continuous improvement process is the development and application of so-called key performance indicators for the different operational processes. We use these on all projects to measure the efficiency of individual standard processes, for instance the smooth supply of materials to the sites or the meeting of deadlines. Their analysis enables us to identify weaknesses and to take action to eliminate them.

With the harmonization of our IT infrastructure our aim is also to further **optimize our project execution** and other processes. By the end of 2009 we will be introducing SAP R/3 with a uniform Dürr template as standard business management software throughout the Group. This will create the organizational backbone for standardized Group-wide processes, methods and data processing.

Our **international presence**, and thus our ability to execute projects in all the markets of the automobile industry, is a competitive advantage which we are systematically underpinning. This includes the continuous adjustment of our organization and capacities in the respective regions to market requirements. New companies were established for instance in the growth markets of Russia and Turkey in 2007. In India's booming market we increased our headcount by 49%.

All the automobile manufacturers and the majority of the large parts suppliers are customers of Dürr. These **customer relationships** are nurtured through a continuous dialogue – not only by the sales specialists and the Global Customer Directors but also directly by the heads of the business units and the Board of Management. We also follow our customers into new markets so as to be able to serve their needs locally.

Our **brands**, Dürr and Schenck, are excellently established and are associated with values such as technological competence, reliability and quality. We profit from this – not only in the established automobile markets in the West but also in the emerging markets. This is demonstrated not least by our close business relationships with aspiring Chinese and Indian automobile manufacturers.

DEPRECIATION AND AMORTIZATION[1]

in € million	2007	2006	2005	2004
Paint and Assembly Systems	10.8	10.4	14.6	14.0
Measuring and Process Systems	5.6	4.8	7.0	6.0
Corporate Center	1.5	3.9	2.0	1.1
Total	**17.9**	**19.1**	**23.6**	**21.1**

[1] Excluding impairment losses

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

in € million	2007	2006	2005	2004
Paint and Assembly Systems	18.9	12.1	16.8	15.4
Measuring and Process Systems	7.1	5.4	8.3	6.3
Corporate Center	0.5	0.5	0.9	5.7
Total	**26.5**	**18.0**	**26.0**	**27.4**

Our **employees** are the crucial factor for our capabilities as an engineering group. We therefore extended our offering of training programs in 2007. We placed the focus on our core process, project execution. Among other things, we introduced a new modular training program for project managers. Further information on our personnel development measures can be found in the “Employees” section.

CAPITAL EXPENDITURE

At € 26.5 million, capital expenditure on property, plant and equipment and intangible assets was much higher in 2007 than in 2006 (€ 18.0 million). In addition to regular replacement investments, the focus was on Group-wide IT harmonization, a key project for further efficiency improvements in the future. As a result, capital spending on intangible assets rose from € 9.2 million in 2006 to € 15.6 million in 2007.

Capital expenditure on property, plant and equipment, on the other hand, increased only slightly (2006: € 8.8 million; 2007: € 10.8 million). Roughly half was on factory and office equipment. In addition, we invested for instance in painting robot and conveyor technology, as well as in oven technology and software development. Depreciation and amortization totaled € 17.9 million (2006: € 19.1 million); this puts the reinvestment ratio at 68 % (2006: 106 %).

We acquired no companies in 2007 or the year before. In 2007, we increased our stake in CPM S.p.A. of Italy by 1 % for € 0.1 million. We therefore now hold 51 % of the shares of CPM, so the company is fully consolidated. Under an asset deal we acquired the “Equilibrage Service” business of CAMM Services S.A.S. for € 0.2 million. Further details can be found in item 16 in the notes to the consolidated financial statements.

Owing to our value-added structure we have less need to invest in property, plant and equipment. At our production sites our own manufacturing input is comparatively low and outsourced content is high. The expansion of our position in Asia and Eastern Europe is not all that capital-intensive either. There, the focus is on expenditures for the recruitment, training and coaching of new employees.

+25% PRODUCTIVITY

BALANCING TECHNOLOGY | Because of the trend toward all-wheel-drive vehicles, the automotive industry needs more drive shafts to get engine output to the wheels and on the road. We have responded to that. Dürr engineers from America and Europe have jointly developed the RBRQ modular balancing machine, which can easily be adapted to country-specific conditions. Besides significantly reduced space requirements (50%!), an optimized balancing and equalizing process is the machine's most convincing feature. As a result, 25% more drive shafts can be balanced in the same time compared with the predecessor model.

RESEARCH AND DEVELOPMENT

Direct expenses for research and development (R&D) of € 20.5 million are shown in the 2007 income statement (previous year: € 21.1 million). At 1.4 %, the R&D ratio was slightly lower than in the previous year (1.6 %). As usual in the plant engineering sector, Dürr also incurred expenses for project-related development. Since these expenses are attributable to individual customer orders, they are treated as cost of sales and are not recognized under research and development costs. € 4.7 million were capitalized (2006: € 4.8 million) and not recognized under R&D costs. More information regarding the recognition of development costs can be found under item 7 of the notes to the consolidated financial statements.

On December 31, 2007, the number of employees in R&D was 158 (December 31, 2006: 157). That is 2.7 % of Dürr's total workforce. However, to assess our performance capability in development properly, one must also take into account the numerous employees who work on new products and processes for customer-specific orders. Our patents pay tribute to the innovative power of our employees. In 2007 alone, we applied for 42 patents (2006: 44). And at the end of 2007, Dürr had 557 patents pending or granted.

RAPID ACCESS TO THE LATEST RESEARCH RESULTS

We work closely with several research institutions to ensure that we have rapid access to new scientific findings. For competitive reasons, we do not wish to make any statements regarding the content of these cooperative ventures. We maintain contact with more than 50 universities and institutions in Germany and abroad. Our most important partners from the academic sector are the universities in Darmstadt, Dortmund, and Stuttgart, Germany, and various Fraunhofer Institutes. We purchase external R&D services only to a small extent. External R&D services amount to less than € 1.0 million annually.

TREND SCOUTS PROBE THE INNOVATIVE ENVIRONMENT

The Group-wide R&D process that was launched in 2006 has proven worthwhile. The system includes uniform methods, tools, and protocols as well as the following standard process stages: idea gathering, project selection, project implementation, and product release. It has enabled us to improve the transparency of each of our development projects and the exchange of knowledge and findings across the business units. Trend scouts are a new addition to our R&D organization. They are experienced R&D managers who work on new developments, products, and processes independently of ongoing innovation projects.

FOCUSING ON UNIT COST, SUSTAINABILITY, AND LEANLINE SOLUTIONS

The most important goal of our R&D efforts is to develop products and solutions that enable significant reductions in unit production costs. This is one of the biggest needs of our customers in the automotive industry. Another strategic aim of our R&D activities is to reduce emissions, energy consumption, and materials use. In this way, we can make a major contribution to ensuring the sustainability of our customers' production.

Demand in the growth markets of Asia was a major force driving development of our LeanLine solutions. These are inexpensive, functional products and equipment that meet basic quality requirements. LeanLine solutions strengthen our position because they enable us to participate in the trend toward low-priced cars for the emerging markets, especially in Asia. We made particular progress with our LeanLine development for paint systems. Our Indian customer Tata will paint its Nano micro-compact cars in a Dürr paint shop designed entirely in keeping with the LeanLine concept. LeanLine components are now used in many paint systems orders.

Two more key criteria shape our development work: making the production systems that we deliver more flexible and ensuring the quality our technology delivers, be it paint durability, workpiece cleanliness, or vibration-free operation of rotating parts.

PAINT SYSTEMS: SOFTWARE DEVELOPMENT FOR THE GENERAL MARKET

▸ GLOSSARY: P. 148

Paint Systems will supply its ***Eco***Screen ▸ VISUALIZATION software and ***Eco***Emos ▸ SUPERVISORY CONTROL software to a greater extent outside the automobile industry. ***Eco***Screen and ***Eco***Emos have proven their value many times in the factories of automakers and are now to be offered, for example, to auto industry suppliers and to steel and aluminum mills. The business unit has further developed and adapted the systems for that purpose. Both systems are web-based and are very easy to adapt because of their PowerPoint interface. Another important innovation project from Paint Systems is the extension of our standard product range for auto industry suppliers and general industry. We systematically develop solutions for all core processes related to painting, including recently, for example, an efficient skid conveyor set up especially to handle large unit numbers for parts suppliers. In the automotive paint systems area, we have expanded

R&D COSTS

	2007		2006		2005		2004	
in € million	**Costs**	**Ratio**	**Costs**	**Ratio**	**Costs**	**Ratio**	**Costs**	**Ratio**
Paint and Assembly Systems	16.4	1.4%	17.6	1.6%	17.5	1.6%	16.2	1.1%
Measuring and Process Systems	4.1	1.3%	3.5	1.3%	3.6	1.2%	4.1	1.3%
Total	**20.5**	**1.4%**	**21.1**	**1.6%**	**21.1**	**1.5%**	**20.3**	**1.2%**

our database system for determining unit costs at our customers' locations. We store benchmark information there about all aspects of the painting process, which enables us to configure solutions that exactly meet each customer's needs. We also take into account regional parameters such as labor costs, automation requirements, energy availability, and climatic conditions.

APPLICATION TECHNOLOGY: NEW ROBOT FOR INTERIOR PAINTING

▸ GLOSSARY: P. 148

At our Open House in September 2007, we presented several new developments for reducing unit cost in automatic paint application. Besides innovations in ▸ ATOMIZER TECHNOLOGY, we presented, as a complement to the ***Eco***RP E33/32 painting robot, the ***Eco***RP L33/32 version for interior painting and the related ▸ HANDLING ROBOTS. The ***Eco***RP L33/32 features a modular design and is extremely compact. The dosing pumps are located close to the atomizer, which reduces consumption of paint and cleaning agents considerably. Depending on what is required, the robot can be either stationary or movable on rails within the booth. The concept, which features two rails positioned one above the other, saves space since it allows for shorter and narrower booths. This model also features easy access to all surfaces and great flexibility.

ENVIRONMENTAL AND ENERGY SYSTEMS: COMBINATION PROCESSES FOR EXHAUST-AIR PURIFICATION

In light of rising energy costs, we are developing more and more combination processes for exhaust-air purification. In these processes, the exhaust air that is heated to over 750 degrees Celsius to incinerate pollutants is not released into the atmosphere after incineration but is captured and reused as heat energy for the production process. In this way, our systems help reduce energy consumption significantly. Another example of innovative energy management is the reduction of the use of primary energy for exhaust-air purification. For a furniture maker, we developed a process in which the solvents used for painting are collected after use and then injected straight into the combustion chamber where they serve as fuel for the incineration process. As a result, the system uses less primary energy (natural gas) and eliminates the cost of solvent disposal. Another key focus of our innovation management in 2007 was the continued evolution of exhaust-air purification systems for the chemical, pharmaceutical, and printing industries.

"Environmental technology is a cross-sector product. We are therefore cultivating new customers in the pharmaceutical, chemical, printing, and carbon fiber industries. Besides technological expertise, what distinguishes us is our global execution capability. That is an advantage in business with large international customers."

JOACHIM KAUFMANN (51)
HEAD OF ENVIRONMENTAL AND ENERGY SYSTEMS

▸ GLOSSARY: P. 148

FACTORY ASSEMBLY SYSTEMS: EXPANDED PRODUCT RANGE FOR AIRCRAFT ASSEMBLY

In 2007, we further developed the X-3Dprofile laser measuring system for measuring ▸ WHEEL GEOMETRY for vehicle final assembly. Another important project was the evolution of the FAS*tplant*® assembly and conveyor concept for ▸ CHASSIS assembly. FAS*tplant*® has now become established in the market and gives our customers competitive advantages because the system can be installed and put into operation quickly and can be modified and extended flexibly.

Broadening our product range was a key part of our strategic effort to grow our aviation business. The focus here was on stations for assembling individual sections like cockpits and fuselage segments and stations for equipping larger assemblies with electrical, hydraulic, and other components. We also develop the systems needed for manufacturing components from carbon fiber-reinforced plastics, such as fuselage shells.

BALANCING AND DIAGNOSTIC SYSTEMS: NEW VIRIO MACHINE SERIES UNVEILED

In 2007, Balancing and Diagnostic Systems developed more compact systems that require less energy and space. In China, we designed a semiautomatic series for balancing electric motor rotors and brake discs in small batches. Their advantages include shorter cycle times, lower production costs, and easy operation. The new generation of machines was originally designed for the Asian market, but is also becoming popular in America and Europe. We presented the VIRIO – the new generation of ▸ VERTICAL BALANCING MACHINES – at the EMO trade fair in Hanover. Modular design makes the VIRIO easy to change over and adapt to a wide variety of tasks and workpieces. Stepless speed control makes it possible to balance a wide range of rotor sizes with utmost precision. In measuring systems, the focus was on simplifying human-machine communication. We also developed optimized balancing algorithms in collaboration with various universities.

CLEANING AND FILTRATION SYSTEMS: NEW CORE PRODUCTS ECOCTRANS AND ECOCFLEX UNVEILED

In industrial cleaning technology, we added to our new generation of machines two modular products that meet different market demands. *EcoC***Trans** is a transfer cleaning system that offers options beyond the basic components. Compared with similar systems, it is extremely compact and therefore saves space and costs. While *EcoC***Trans** is recommended for large batches because of its high throughput, the other new machine, *EcoC***Flex**, is ideal for production of a variety of workpiece types thanks to an integrated 6-axis handling robot equipped with a universal gripper.

Another new development is the *EcoC***Speed** cleaning system, which makes it possible for the first time to clean complex workpiece geometries inline – that is, during the manufacturing cycle – using non-halogenated hydrocarbons. Unlike conventional hydrocarbon processes, this one does not require workpieces to be collected in baskets or on racks before cleaning and then separated again after cleaning.

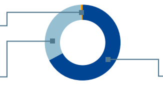
PURCHASING

In fiscal 2007, our purchasing volume represented roughly 70 % of Group sales revenues. The prices of the raw materials we use – such as steel, stainless steel and aluminized sheet – saw further rises. The same applied to energy and logistics costs and, especially in Eastern Europe, to wage costs, too. As a result of these effects, and the cyclically induced high levels of capacity utilization at fabrication subcontractors, prices also rose in material-intensive commodities such as structural steelwork.

We took advantage of long-term framework agreements with first-line suppliers, intensified our global ▸ POOLING and expanded local sourcing activities in low-cost markets – for instance in Mexico and Eastern Europe. We strengthened our purchasing team in India. It identifies efficient suppliers that are in a position to supply us in India as well as other markets. The expansion of our production capacities in China – we are meanwhile making shipments worldwide from there – helps us to reduce costs, too. We have increased our production capacities in Mexico as well. Moreover, we are building up a purchasing organization at our new location in Russia.

EMPLOYEES BY DIVISION (DECEMBER 31)

2007



	2007	2006	2005	2004
Paint and Assembly Systems	3,997	3,786	3,979	4,236
Measuring and Process Systems	1,892	1,821	1,966	1,953
Corporate Center	47	43	47	51
Total	**5,936**	**5,650**	**5,992**	**6,240**

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The Global Sourcing Committee, a body of purchasing managers that awards POOLING contracts, plays the central role in coordinating our international purchasing activities.

In order to make our operations more cost-efficient, we are optimizing and speeding up our purchasing processes. One example is the global roll-out of SAP R/3. The system will harmonize the purchasing processes at different locations, for instance through the use of globally standardized materials master datasets, and improve the cooperation with order execution. The use of e-commerce and competitive bidding platforms on the Internet also helps to save time and costs. The total cost method in purchasing creates greater transparency and allows more precise costing. This takes account of all the costs incurred in the procurement of a product and allocates them accordingly – from the basic price, via customs duties, through to quality control costs. Another important tool is the Group-wide Sourcing Information System database, from which all purchasing data can be retrieved worldwide.

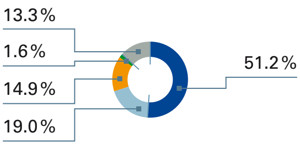
EMPLOYEES

As a result of the good order situation we expanded the Group's workforce in fiscal 2007: from 5,650 (December 31, 2006) to 5,936 employees as of December 31, 2007 (+5.1%). Much of the increase was in the growth markets of Asia, where our headcount rose 25.6% to 755 employees (December 31, 2006: 601). New personnel were recruited at all the Asian companies, the strongest growth being in India, where the number of employees was increased by 49.4% to 251. The full consolidation of CPM S.p.A., Italy, for the first time and the establishment of two new companies, Dürr Systems Limited Şirketi, Turkey, and OOO Dürr Systems RUS, Russia, added another 56 employees. In Germany, the number of employees was increased by 45.

In Germany, 1,439 employees undertook further training. That was 47% of the German workforce. As many employees took part in more than one training measure, the total number of attendances was 2,867. Besides language courses, the main demand was for project management seminars and intercultural training schemes. With a budget of € 600 per employee for further training, we lie well above the German industry average. After each training measure we monitor its success.

EMPLOYEES BY REGION (DECEMBER 31)

2007



	2007	2006	2005	2004
Germany	3,040	2,995	3,205	3,311
Rest of Europe	1,125	1,145	1,303	1,332
North and Central America	886	801	886	1,036
South America	97	78	83	84
Asia, Africa, Australia	788	631	515	477
Total	**5,936**	**5,650**	**5,992**	**6,240**

INDIVIDUAL DEVELOPMENT PLANS

A focus of our personnel activities was on the development of a management competence model. As a first step, the management competences that are crucial to Dürr's corporate success were defined at the top management's spring conference. Four key competences crystallized from the discussion: entrepreneurial thinking and action, leadership and control, know-how and methods, and personality and social skills. On this basis, we are conducting appraisal interviews with management personnel in order to draw up individual development plans. Similar interviews will be conducted with all employees by the end of 2008.

ATTRACTING YOUNG TALENT

121 young people were doing apprenticeships with Dürr at the end of 2007 (December 31, 2006: 128), 72 in commercial professions and 49 in technical professions. In Germany, apprentices made up 3.5% of the workforce (December 31, 2006: 3.8%). Additionally, there were another 48 students from the vocational training academies in Stuttgart and Darmstadt who were doing internships with Dürr (December 31, 2006: 49). We see both forms of training as part of our social responsibility. Besides, furthering young people also helps to meet our own requirements for well-qualified skilled personnel. We pursue the same aim with our university marketing, where we address students in disciplines which are relevant for us, such as electrical engineering, mechanical engineering and business studies. In 2007, we employed 106 students who were either on internships or working on projects for their final theses. That, too, is an important way of attracting promising young talent to the company. In October 2007, we organized a careers day at our Bietigheim location to inform university graduates and professionals about the opportunities offered at Dürr. It was very well attended.

SUSTAINABILITY

Operating sustainably is a key concern for Dürr. Three aspects are especially important to us. First, we feel an obligation to our employees, as we depend on their expertise in our highly specialized fields of engineering. Second, promoting education and training are a major priority for our civic involvement. And third, we are pushing ahead the development of environmentally sound production processes. That is part of our responsibility and also offers us growing business opportunities.

EMPLOYEES: EXPANDED HUMAN RESOURCES DEVELOPMENT

As a technology leader, we regard helping our employees obtain knowledge of specialized subjects and methods and securing their loyalty as critical to our success. Lifelong learning at the individual level plays an important role, as described in the chapter of this report on our employees. Individual and institutional knowledge transfer within the Group is also crucial. We conduct systematic surveys of management and employees to gain insight on the acceptance of measures taken and on expectations, needs, and sentiment. Such surveys have covered topics like our existing IT infrastructure and our Group-wide FOCUS program. We are also including employees in the planning of the new Dürr Campus in Bietigheim-Bissingen by way of surveys, workshops, and user teams.

In mid-2007, we conducted one-on-one interviews with 116 managers within the Group to obtain a picture of current sentiment. We are pleased with the results. The vast majority of managers surveyed feel that the mood at Dürr has improved noticeably since 2002. In particular, they emphasized progress made in management, communication, and interpersonal interaction. The general consensus is that human resources development and relationships among management-level employees have improved. The same is true of the focus on shared values like promoting innovation, thinking and acting in an entrepreneurial spirit, and ensuring sustainability and diversity.

An important part of Dürr's corporate culture is employees' identification with the company. We aim to maintain long-term employment relationships that mutually benefit our employees and our company, as the following human resources statistics illustrate. The average length of service at Dürr in Germany is 14.3 years – longer than the national average of four to six years. Employee turnover in Germany was very low, 1.8%, in 2007. It is also lower than in 2006, when turnover was 4.7% due to job cuts. At 3.1%, our absenteeism rate in Germany was lower than the German national average of 3.9% in 2007. In the Group as a whole, absenteeism was 2.3%, down slightly from the previous year (2.4%).

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In the interest of good corporate governance, Dürr uses the German Corporate Governance Code as its guide. Business processes, responsibilities, and collaboration within the Group are governed by policies, organizational guidelines, and manuals. Important areas covered by these policies include cooperation on SYSTEM ORDERS and financial management. All management-level employees at Dürr sign a declaration that they will adhere to ethical principles, including complying unconditionally with applicable law and handling confidential information responsibly. In the past fiscal year, we developed a leadership skills model that defines the demands we place on our top management and serves as the basis for future management development.

–40% RETOOLING TIME

CLEANING TECHNOLOGY | For the new *EcoC***Flex** cleaning machine, the name says it all. The system with the robotic gripper can be retooled extremely quickly and thus used flexibly to clean a wide variety of workpieces. That saves time. Compared with the predecessor model, retooling time when changing workpieces is reduced by 40% – a considerable plus for customers with a broad manufacturing spectrum. And as if that were not enough, the *EcoC***Flex** also saves space with a 35% smaller footprint.

SOCIAL RESPONSIBILITY: FOCUS ON PROMOTING EDUCATION

The students of today are the potential employees of tomorrow. That is why we promote innovative educational and training concepts through memberships and contributions. Our focus here is on various engineering fields and business engineering. We are members of the Stifterverband für die Deutsche Wissenschaft (Endowment Association for Germany's Sciences and Humanities), the Vereinigung von Freunden der Technischen Universität zu Darmstadt e.V. (Association of Friends of Darmstadt University of Technology), and various sponsoring groups of the Universities of Mannheim and Karlsruhe, Germany. We also support the Stuttgart Institute of Management and Technology (SIMT), an institution of higher learning established by several well-known business enterprises in the Stuttgart area. Management employees from our Group regularly take part in SIMT's Management Education Network, a part-time professional development program. In the future, we will also step up our support of training initiatives in the areas of IT management and human resources management. Because the Group operates globally, we also support several institutions that promote international exchanges in education and business. These include the American Academy in Berlin and the American Chamber of Commerce in Frankfurt/Main. Apart from providing financial assistance, we also support training and education through our employees' teaching activities, for instance in the areas of surface technology and ▸ BALANCING technology.

▸ GLOSSARY: P. 148

ENVIRONMENTAL SUSTAINABILITY: OPERATING EFFICIENTLY AND DEVELOPING ENVIRONMENTALLY SOUND PRODUCTS

When it comes to the environmental sustainability of our activities, we look at two levels: our own environmental footprint and the impact our products have on the environment.

Environmental pollution and resources use at our production sites are comparatively low since most of our assembly processes are low on energy consumption and on waste and pollutant generation. We have based our operations-related environmental protection efforts on the requirements of the ISO 14001 standard on environmental management systems. Around 50% of our sites are ISO 14001-certified.

When choosing and planning our buildings, we place special emphasis on energy efficiency. For the Dürr Campus – our expanded headquarters in Bietigheim-Bissingen, which we will move into in mid-2009 – we developed a pioneering energy concept that uses a variety of renewable energy sources. These sources will include deep geothermal, geothermal heat pumps, heat recovery, and photovoltaics. Compared to conventional energy supply our concept reduces energy costs by about 40%. Moreover, emissions will also be lowered significantly. For example, CO_2 emissions will be down by at least 2,100 metric tons per year compared with a conventional energy concept. Energy and cost were also key considerations in the design. With state-of-the-art insulation materials and intelligent building technology, the energy efficiency ratings on the Campus outperform those prescribed by the German energy-saving regulation (Energieeinsparverordnung – EnEV) by around 60%.

High energy prices, stricter emissions regulations, and growing environmental awareness are putting increasing focus on the environmental footprint of production plants and equipment. Improvements in resource consumption and environmental compatibility are now among the biggest factors motivating capital spending on the part of our customers. We are using this trend as a guide for our product development. Examples include the following:

- In the field of painting technology, our Green Paint Shop model makes possible lower consumption ratings. For instance, gas consumption can be reduced by around 50% depending on the climate and production capacity.
- Our latest paint atomizers in the ***Eco***Bell2 family save paint and cleaning agents during color changes.
- For cleaning workpieces, we develop processes that use polar cleaning media, which are gentler on the environment than chlorinated or halogenated solvents because they contain no halogens (e.g. fluorine, chlorine) and generate less emission.
- We are reducing the amount of primary energy used by our exhaust-air purification systems and developing combination systems for heat recovery. For more on this topic, please see the R&D section.
- We helped Airbus convert to chromate-free pretreatment of aircraft parts as part of the painting process at its Nordenham, Germany, plant. As a result, the plant now fulfills the requirements under the new REACH Directive on the use of hazardous materials.
- We reduced the energy consumption of our balancing machines by a total of 30% during the past years.

"We are expanding our services business in balancing technology, including our balancing service and consulting. Smaller acquisitions are also planned to strengthen our leading position. Internally, the emphasis in the newly formed Balancing and Assembly Products business unit is on cultivating best-practice synergies between balancing, assembly, and filling technologies."

DR. RALF-MICHAEL FUCHS (49)
HEAD OF BALANCING AND ASSEMBLY PRODUCTS

OPPORTUNITIES AND RISKS

We use a range of management systems and tools for identifying and evaluating risks in a timely and systematic manner, and for taking appropriate action.

RISK MANAGEMENT SYSTEM

In the past year we continued to refine our risk management processes and tools with which we are improving the early detection of risks and our ability to react to them. An important innovation is the more precise definition of the nine steps in our standard risk management process. They are part of the risk management cycle which is now carried out every six months. The most important step in each cycle is the risk inventory, which is carried out by the management of the operating units. Here, risks are identified and are analyzed to assess the potential loss and the probability of their occurrence. Reviewing the effectiveness of any counter measures already initiated is also part of the analysis. The results of the individual risk inventories are documented in risk structure spreadsheets, compiled into a Group risk report and discussed by the Board of Management. Acute risks of critical importance are reported to the Board of Management on an ad hoc basis. There are risk managers at the Group and business unit level who are responsible for initiating and overseeing the standard risk management process. From an organizational point of view, they form the first pillar of our risk management system, and represent the early warning system in the narrower sense. The other two pillars are controlling and internal auditing.

The management of currency, interest rate and especially liquidity risks is regulated by a special guideline, which is an integral part of the general risk management system. Next to the Board of Management, the top corporate body responsible for this area is the Financial Risk Committee. This committee consists of the Chief Financial Officer, the Head of Group Treasury, the Head of Group Controlling and the financial officers of the business units. It serves to coordinate strategic policy matters. For us, financial risk management only involves the hedging of risks arising from business operations; no speculative transactions are undertaken.

CURRENCY RISKS

In the case of projects exposed to currency risks, when the order is received we hedge that portion of the sales revenues over and above the costs incurred in local currency. The transactions are mostly in the form of allocable micro-hedges for the respective individual project. In the low-volume standard machinery business we make selective use of macro-hedges, which are sanctioned beforehand by the Financial Risk Committee. Our hedging transactions are conducted almost entirely through Group Treasury. In this way, all currency risks are apparent at the Group level and can be eliminated.

INTEREST RATE RISKS

The interest rate risk management system relates to interest-bearing and interest-sensitive balance sheet items. Since the external funding and the investment of free cash is conducted almost entirely through Dürr AG, Group Treasury, located at Dürr AG, is responsible for interest rate hedging. Exceptions have to be expressly authorized.

LIQUIDITY RISKS

One of our core financial management objectives is to see that adequate liquidity is assured at all times. The Group's liquidity requirements follow from the rolling 18-month liquidity plan, a short-term liquidity forecast and from strategic considerations.

INDIVIDUAL RISKS

ECONOMIC RISKS

As a supplier of capital goods, we feel the effects of **cyclical fluctuations** comparatively late on in the cycle. In addition, the balanced regional distribution of our business reduces risks since it makes us less dependent on developments in individual markets. The US economy has cooled off appreciably in the wake of the subprime mortgage crisis. However, so far at least the impact on the world economy has been compensated by the robust growth in the emerging markets. At the moment there are no indications to suggest any incisive changes in the political, legal and tax framework in our markets.

INDUSTRY RISKS

We maintain business relationships with all the automobile manufacturers and with numerous parts suppliers worldwide. This enables us to offset **customer-specific falls in demand** at least partly through growth in business with other customers. In 2007, we derived 40% of our sales revenues from business with our five largest customers (2006: 46%). However, since customers' investment cycles vary the composition of the group of top five changes each year. Currently, the fastest-growing automobile manufacturers – apart from Toyota – rank among our most important customers.

We rate the risk of **payment defaults** among our customers as comparatively low since most are large groups with good liquidity positions. In some cases we use credit insurance and letters of credit to limit default risks. On the whole, the liquidity situation of the major automobile manufacturers, especially in Germany, has developed positively of late. We have introduced a continuous monitoring system for customers of poorer credit standing. In the case of large projects risks are reduced by advance payments from customers and progress payments. We endeavor to keep our orders cash positive as far as possible.

Our business with the automotive industry continues to be subject to considerable **price pressure**. We see this as a challenge that is inherent in this business, and seek to counter it with different strategies. Firstly, in our sales argumentation we are increasingly stressing the advantages of using high-end technology in terms of operating costs and total cost. We demonstrate this underlying return-on-investment view to customers by quantifying the potential savings that can be realized with our systems in terms of operating costs by reference to other projects. At the same time, under the catchword "LeanLine" we are developing low-cost, functional products with which we are also competitive for customers with low investment budgets, for instance in the emerging markets. Naturally, another way in which we are seeking to cushion the pricing pressure is to continuously reduce our own costs. With the completion of the Group-wide FOCUS program (at the beginning of 2007) we therefore launched a continuous improvement process, in which DESIGN TO COST projects are a special focus.

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STRATEGIC RISKS

With **globalization**, our business is becoming ever more international. Above all, the volume of business in the emerging markets of Asia and Eastern Europe is growing. Undertakings abroad harbor risks, for instance as a result of cultural and language barriers or insufficient knowledge of the market and business environment.

"There is great growth potential in cleaning technology. We are increasing our market penetration efforts especially in Eastern Europe and Asia. We have laid the foundation for that with the new EcoBase and EcoLution product lines and with a streamlined organization of the business unit."

DR. FRITZ DORNER (45)
HEAD OF CLEANING AND FILTRATION SYSTEMS

On the whole, we rate the risk of a **heightening competitive situation** as relatively small. At present we see no technological developments and processes at our competitors that could materially impair our expected business development.

In our R&D work there is basically the risk of **poor market acceptance of new products**. We protect ourselves against this risk by keeping ourselves thoroughly informed about market needs. We benefit here from our comparatively small circle of customers and the close contacts this allows. Through our intensive analysis of market requirements the risk of write-downs on capitalized own development work due to impairment is also very small. Moreover, IAS 38 only allows development work to be capitalized once its market success is sufficiently probable.

OPERATIONAL RISKS

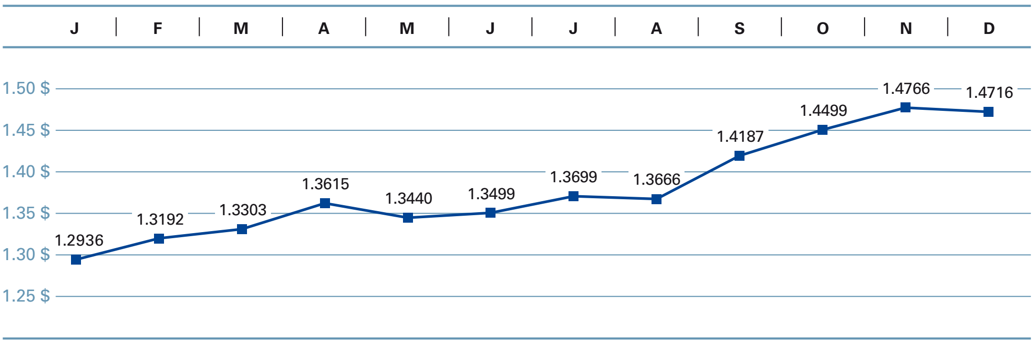
In the **execution of complex large projects** failure to meet deadlines or other agreements can lead to additional costs. This risk is higher in the emerging markets since the imponderables, for instance with regard to supplier reliability, the legal framework and infrastructure, are greater. In fiscal 2007, we incurred additional sales costs in the construction of a paint shop in India because suppliers did not deliver on time and in sufficient quality. We analyzed this and took the findings into account in our project execution strategy for India and other emerging markets, and in our risk management. Important improvements are for instance strengthened contract and ▸ CLAIMS MANAGEMENT, more intensive manufacturing and assembly supervision, and regular project reviews. We are also expanding our organization and capacities in Asia, and are sending more experienced expatriates to India, for instance in purchasing and site management. The six-monthly risk inventory with close-knit risk monitoring we described at the beginning of the chapter will also help to minimize execution risks.

▸ GLOSSARY: P. 148

Further measures and instruments we are using to minimize project execution risks are training, manuals and tools such as opportunity-risk charts, cockpit charts with project progress metrics and regular cost reviews. These are supplemented by lessons learned analyses after a project is completed and key performance indicators to measure how efficiently projects are executed. The transparently structured division of labor within the international Paint and Assembly Systems location network is also helping to improve execution quality in our plant engineering business, with overall responsibility for the management of large projects placed in the hands of the experienced system centers in Plymouth/Detroit and Stuttgart.

APPRECIATION OF THE EURO

DEVELOPMENT OF THE US DOLLAR VERSUS 1 EURO IN 2007 (MONTHLY CLOSING PRICES)



Procurement risks can arise above all as a result of rising raw material prices (mainly steel prices). To minimize these risks we conclude international framework agreements with first-line suppliers and bundle procurement volumes. The risk of the actual procurement prices rising above the prices on which we base our costing is limited in time to the period from the submission of our quotation to our receipt of the customer's order. As soon as the order is received we agree on fixed prices with our suppliers for the entire duration of the project.

CURRENCY, INTEREST RATE AND LIQUIDITY RISKS

In compliance with IFRS 7 "Financial Instruments: Disclosures", which had to be applied for the first time in fiscal 2007, we have considerably expanded on the information on currency, interest rate and liquidity risks disclosed in the notes to the consolidated financial statements. To avoid unnecessary duplication we will discuss these risks only in broad outline in the management report and refer readers to item 35 in the notes to the consolidated financial statements.

We distinguish between two types of **currency risks**: We view the *translation risk*, in other words possible negative effects when we convert foreign currency items into euros, to be of a normal order usual in business. We consider the *transaction risk* from product exports to be relatively low despite the current weakness of the dollar since we export relatively few products and source the bulk of the goods required for executing projects in local currency or manufacture them locally. We use forward exchange contracts to protect ourselves against remaining currency risks. The weakness of the yen means a relative competitive disadvantage compared with Japanese competitors that could become more pronounced if the currency depreciates further.

Since our corporate bond issued in summer 2004 carries a fixed rate of interest, our **interest rate risk** is marginal. We do not hedge interest rate risks arising from our use of loans since only small volumes are involved. In addition, set against the loans there are usually credit balances carrying variable rates of interest.

No exceptional **liquidity and debt risks** are discernible at the present time. Our corporate bond matures in 2011 and is therefore a stable, long-term source of finance. With cash and cash equivalents of € 147.5 million (December 31, 2007) our liquidity position is good. Thus, we are not exposed to risks from the present crisis on the financial markets.

In 2007 we complied with the respective covenants at each calculation date. The covenants are based on a rolling twelve-month review. From today's perspective, we see no risk of failing to comply with the covenants in the next twelve months on the basis of our planning.

Our corporate bond imposes certain limitations and obligations on the company which are documented in the issuing agreement. Failure to adhere to these could result in the bond plus accrued interest being called due.

OTHER RISKS

The risk of a total breakdown of our **IT systems** is small since we have back-up servers, redundant data lines, and a no-break power supply with emergency standby generator. We use effective firewall and antivirus software to protect against attacks from outside. We consider the risk of damages which could possibly still be caused by hackers to be of a normal order usual in business.

In some areas such as industrial cleaning and painting technology we use materials that are a hazard to health and the environment. The storage and handling of such materials is governed by strict internal rules and procedures. In addition, we comply with the standards of the respective certification systems. Owing to our low own manufacturing input, the **environmental risks** from assembling and production processes are small.

The comparatively **small numbers of science and engineering graduates** in Germany could lead to shortages in the recruitment of suitably qualified employees. To avoid this, we are pursuing an active, long-term personnel marketing strategy. We seek to keep high potentials with the company through focused development and career planning. We prevent an **over-ageing of our workforce** by systematically canvassing university graduates. In addition, we endeavor as far as possible to take on all trainees, vocational training academy students and apprentices as regular employees after their training.

OPPORTUNITIES MANAGEMENT

We see opportunities management as a strategy process that answers two overarching questions:

1. Which activities offer us the best opportunities in the medium and long term in terms of growth, return on capital employed and risk minimization?
2. How do we need to position ourselves organizationally to exploit these opportunities?

In this process we have identified the following opportunities:

AUTOMOTIVE

- Further **expansion of the services business**: Here, we can profit from the large installed base of our systems. Approximately 60% of the paint shops and about 50% of all assembly plants in the automotive industry use Dürr technology.
- Further **growth in the emerging markets**: The automotive industry's investment in plant and equipment in Eastern Europe and Asia will continue to rise. We can profit from this: thanks to our global reach, market-oriented LeanLine concepts and our acknowledged competence in project execution.
- **Growing demand among automotive suppliers**: It is estimated that by the year 2015 parts suppliers will assume about 77% of value added in the automotive industry. For this, they will need to invest in appropriate production technology.
- **Focus on unit costs**: Our customers are focusing not only on the capital cost of an investment but increasingly also on a system's advantages in terms of operating costs. This reduces the pricing pressure in new plant business and creates incentives to buy production technology with a measurable return on investment.
- **Rising environmental standards in production**: Our customers value us as a partner when it comes to realizing sustainable manufacturing processes. Our R&D work is strongly oriented to sustainability.
- **Construction of new plants in North America**: A number of European and Asian automobile manufacturers are planning to build additional plants in North America in order to avoid exchange rate disadvantages and trade barriers. We can profit from this thanks to our very good positioning in the USA.

RATINGS

	March 2008		June 2004 (first rating)	
	Standard & Poor's	**Moody's**	**Standard & Poor's**	**Moody's**
Corporate credit rating	B	B2	BB-	Ba3
Outlook	positive	stable	stable	stable
Bond rating	CCC+	Caa1	B	B2

NON-AUTOMOTIVE

- **Tapping new markets for environmental and painting technology:**
  - We are increasingly offering our waste-air purification systems in other sectors outside the automotive industry such as chemicals and pharmaceuticals. The potential these markets offer is far from exhausted, so we will continue to intensify our efforts to work these markets.
  - In painting technology, too, there is potential for us to enter or expand our position in new markets with existing technologies. Interesting areas for instance are the manufacture of construction equipment and farm machinery, and plastic coating.
- **Expansion of the aviation business:** The aircraft industry is looking for efficient partners like Dürr who plan and build ▸ TURNKEY production systems worldwide.

▸ GLOSSARY: P. 148

OVERALL ASSESSMENT OF THE OPPORTUNITY/RISK SITUATION AND RATINGS

We see no risks at present or in the foreseeable future that could threaten the continued existence of Dürr as a going concern. Problems in project execution are the most important individual risk in terms of the probability of its occurrence and its impact on earnings. We are countering this by aligning our execution strategy to special conditions in the emerging markets, further improving project management and selectively expanding our local organizations.

We assess the overall relationship between opportunities and risks to be reasonable. We consider the risks currently discernible to be typical of our business; the opportunities are clearly visible and attractive, but not exceptional. The extension of our risk management system described earlier will help enable us to respond faster and more effectively to risks in the future.

The **rating** agencies Standard & Poor´s (S&P) and Moody´s have been publishing ratings for Dürr since our corporate bond was issued in fiscal 2004. The credit ratings for the company and for the subordinated bond did not change in 2007. However, in June 2007 Moody´s raised its rating outlook from "negative" to "stable". S&P's raised its outlook from "stable" to "positive" in March 2008. Important factors which, in the view of the agencies, could lead to an upgrade of the ratings are improvements in cash flow, net debt and EBITDA.

+30 % ENERGY GAIN

ENVIRONMENTAL TECHNOLOGY | In view of rising oil and gas prices, we are developing alternative energy concepts for our customers. In the area of environmental technology, for example, we have realized an exhaust-air purification system for a carbon fiber producer that not only disposes of pollutants, but also generates energy in the process. Through the combustion process, the system generates 30 % more energy than it consumes. This excess thermal energy is fed with heat recovery systems into the production process.

GROUP STRUCTURE SINCE MARCH 1, 2008

PAINT AND ASSEMBLY SYSTEMS DIVISION		MEASURING AND PROCESS SYSTEMS DIVISION
Paint and Final Assembly Systems	BUSINESS UNITS	Balancing and Assembly Products
Application Technology		Cleaning and Filtration Systems
Environmental and Energy Systems		
Aircraft and Technology Systems		

EVENTS SUBSEQUENT TO THE REPORTING DATE

ORGANIZATIONAL CHANGES

In the first quarter of 2008 we changed the Group’s structure in connection with the Dürr 2010 strategy process. The Factory Assembly Systems business unit was wound up and its activities were assigned to three other business units.

GLOSSARY: P. 148

- The assembly, FILLING and TESTING PRODUCTS business has been merged with the former Balancing and Diagnostic Systems business unit into the newly created business unit Balancing and Assembly Products. All the Balancing and Assembly Products activities are mechanical engineering activities, offer technologically sophisticated products, and operate with similar processes. We expect to realize synergies for instance in manufacturing, assembly and international sales.
- We have integrated the business with final assembly systems for the automobile industry (including FAS*tplant*®) into the former Paint Systems business unit, which since March 1, 2008 has been operating under the name Paint and Final Assembly Systems. The bundling together of paint and final assembly systems makes sense because both are active in the plant engineering business and address the automotive industry. In addition, we can realize synergies in technology, ENGINEERING, project management and execution.
- Owing to its growth potential, the aircraft assembly systems business has been reorganized as a separate business unit called Aircraft and Technology Systems. The consulting activities at Dürr Consulting are also grouped under this business unit.

The reorganization transfers the assembly, filling and testing products business from the Paint and Assembly Systems division to the Measuring and Process Systems division. This affects our segment reporting, which is aligned to the two divisions. We will be publishing the figures based on the new structure for the first time in our interim report for the first quarter of 2008. In fiscal 2007 the assembly, filling and testing products business had approximately 440 employees and generated sales of around € 88 million.

OUTLOOK

GLOBAL ECONOMY: MOMENTUM EXPECTED TO FLAG

The world economy is likely to lose momentum in 2008. In its latest report the European Commission forecasts growth of about 4.7%, after 5.1% in 2007. In our view, this estimate is on the high side given the persisting financial crisis. Nonetheless, important stimulus for the world economy will continue to come from Asia, especially China and India. However, Eastern Europe and Latin America should also see further significant growth. In the USA, all the signs point to a recession. GDP growth of 2.4% is forecast for the European Union (EU 27). However, this forecast does not allow for the more recent effects of the financial crisis. Investment in plant and equipment and exports are again likely to be the main growth drivers in the EU, and especially in Germany. Risks for the world economy could emerge in the event of further exchange rate distortions in the course of the year.

GDP GROWTH

	2008[1]	2009[1]
World	4.7	4.8
EU 27	2.4	2.4
USA	1.7	2.6
China	10.3	9.9
Japan	1.9	2.3

Source: European Commission; Autumn Report 2007

[1] Forecast (year-over-year change in %)

AUTOMOTIVE INDUSTRY: STRONGER DEMAND EXPECTED FOR MODERNIZATION AND SERVICES BUSINESS

▸ GLOSSARY: P. 148

We anticipate that global production of ▸ LIGHT VEHICLES will increase by 2.5% in 2008, after higher-than-expected growth of 3.9% in 2007. Growth should also be between 3% and 4% in 2009 and subsequent years. The strongest rates of growth will probably be in China, India and Eastern Europe. In the longer term unit sales in Western Europe are likely to stabilize; in North America volumes should rise slightly.

We estimate the automotive industry's demand for production technology as follows: new plants will continue to be built primarily in Asia and Eastern Europe. Our customers will invest more than hitherto in revamping existing capacities in order to increase their productivity and flexibility. This applies especially to Western Europe and North America.

All in all, we expect that capital spending in the automotive industry will rise on a similar scale as production. Manufacturers are seeking to limit their own capital expenditure by outsourcing more parts of their production to their suppliers. In view of this trend, studies estimate that capital expenditure per vehicle produced will at least remain constant over the long term in the western countries.

After the restrained level of capital spending in production plants by the three big US auto makers (General Motors, Ford, Chrysler) of late, it remains to be seen when the investment logjam will start to unwind. Experts expect production in North America to run to 14.5 million units in 2008

"Dürr is expanding its business in systems for assembling and painting aircraft. We benefit in that regard from our ability to deliver turnkey plants worldwide. That is becoming more and more important because our customers are increasingly looking to work with efficient, full-range suppliers."

DR. UWE SIEWERT (47)
HEAD OF AIRCRAFT AND TECHNOLOGY SYSTEMS

(2007: 15.1 million). However, after this low, the North American automobile market should grow slightly over the longer term; a light vehicle production of a good 16 million units is forecast for 2012. European and Asian automobile manufacturers are likely to expand their production capacities in North America in order to manage currency risks and trade barriers. The order we received from the BMW Group at the end of 2007 (expansion of paint shop capacities in Spartanburg) is a good example of this trend.

AVIATION INDUSTRY

A falloff in aircraft orders is likely after the record year in 2007. Many customers already placed their big-ticket orders in 2007. Furthermore, the higher oil price is leading to cuts in capacity and capital investment at some airlines. Boeing and Airbus plan to invest about the same as last year in 2008. However, the US military contract won by Airbus could increase capital spending at Airbus.

R&D

We plan to increase our R&D spending slightly in 2008. The number of R&D employees will probably remain constant. An important driver of our R&D work will continue to be the automobile industry's efforts to produce environmentally friendly products with sustainable processes. In filling technology, for instance, we will be offering a system plus adapter for charging watery urea solutions on diesel engines. The injection of this fluid enables nitrogen oxide emissions to be reduced by about 90%. In painting technology, we are working on further improvements to make our systems more energy-efficient, for instance in the air supply in spraying booths or in the emtrainment of paint ▸ OVERSPRAY.

▸ GLOSSARY: P. 148

PURCHASING

We expect the prices of raw materials relevant for us to remain constant or even fall in 2008 in view of the weaker economic growth. However, this could be followed by stronger price increases again in 2009. We are extending our international sourcing in order to achieve cost advantages; the focus is on the growth markets in Eastern Europe and Asia. We are also continuing to push ahead with our efforts to standardize products, bundle major demands, and harmonize procurement prices.

EMPLOYEES

The number of employees will rise slightly in 2008 especially in the emerging markets (mainly in Asia and Eastern Europe). From today's perspective, we expect to have around 6,150 employees at the end of 2008 (December 31, 2007: 5,936). We also plan another slight increase in the Group's headcount in 2009, again mostly in the emerging markets. About 22% of our employees will probably be located there in 2010 (December 31, 2007: 19.5%). Should the outlook for the world economy take a more lasting turn for the worse, we will adjust our planning accordingly.

NEW ORDERS, SALES REVENUES, AND EARNINGS

Overall, our view of the business environment is positive. We expect continued demand for new automobile plants, especially in Asia and Eastern Europe. Quite a number of new projects are also planned in Europe and the Americas.

For the Group we target annual average growth of 5% over the longer term. At 22% and 20%, respectively, we witnessed very strong growth in incoming orders in 2007 and 2006. In the current year we want to reach last year's high level, even though our order intake in 2007 had included the large order worth well over € 100 million from the BMW Group. We expect to see further growth in new orders in the revamp and services business in 2008. Given the high orders on hand at the end of 2007 Group sales should again increase by between 5% and 10% in 2008. For 2009 we expect a further rise in the Group's new orders and sales revenues.

As announced, we expect a further earnings improvement in 2008. Our target at the EBIT level continues to be a margin of 5%. This is based on the planned increase in our gross margin through improved internal processes. In addition, selling and administrative costs should rise less than proportionally compared to sales. Our net interest position will be marginally better in 2008; interest expenses for servicing the bond and interest-related expenses such as the accrued discount from the bond will remain unchanged.

We see potential for earnings improvements mainly in the Paint and Assembly Systems division. The Paint Systems business unit (as from March 1, 2008 Paint and Final Assembly Systems) has considerably strengthened its organization in India and other emerging markets. Moreover, higher-margin orders will be due for settlement in 2008. With the realignment of the assembly and conveyor systems business (included since the beginning of 2008 in the Paint and Final Assembly Systems, Aircraft and Technology Systems, and Balancing and Assembly Products business units) we have laid the foundations for a successful turnaround of these activities in 2008.

–80% MATERIAL RESIDUE

FILLING SYSTEMS | The quantity of materials needed to manufacture an automobile often depends on the production technology used. That is true, for example, in the case of painting, but also of filling completely assembled autos with materials essential to their operation such as oil and brake fluid. We have developed a new, highly efficient adapter for filling air-conditioning units with refrigerant. This model reduces the refrigerant residue left in the adapter after each filling operation by up to 80%. As a result, less of the hydrocarbon-containing material must be used. That saves costs and spares the environment.

FINANCIAL TARGETS FOR 2010

	2010
Sales revenues	at least € 1.7 billion
EBIT margin	about 6 %
ROCE	about 22 %
Equity ratio	30 – 35 %

We expect another substantial increase in net income versus 2007. The tax rate should decrease to a future normal level of 30 % (2007: 39.0 %). Net income should allow a higher dividend to be paid. From today's vantage point, we expect a further earnings improvement in 2009.

In our Dürr 2010 strategy process we have set ourselves ambitious earnings targets for 2010: while production in the automobile industry is forecast to grow at an average annual rate of around 3.5 %, our aim is average sales growth of 5 % and an EBIT margin of about 6 %.

DIVISIONS

On a comparable basis, sales at Paint and Assembly Systems will probably rise by up to 10 % in 2008. We expect earnings to rise more strongly than sales. This is supported by the expected turnaround in the final assembly systems business and more efficient business processes. In view of the large order we received from the BMW Group at the end of 2007, order intake should remain more or less stable.

After the strong growth in 2007 we expect a small increase in sales at Measuring and Process Systems this year on a comparable basis. Although EBIT reached a high level in 2007, a further improvement appears realistic. Earnings potential is presented above all in the Cleaning and Filtration Systems business unit, which is aiming to expand its market share in Asia. After the strong growth in the previous years, new orders booked by Measuring and Process Systems will at least be stable.

CASH FLOW FROM OPERATING ACTIVITIES AND FREE CASH FLOW

We expect cash flow from operating activities in 2008 to at least reach the 2007 level. On a like-for-like basis net working capital should not increase despite rising sales revenues. We will continue to keep a close focus on improving net working capital management. We aim to at least hold free cash flow at the 2007 level, so net financial debt should be reduced and liquidity improved.

CAPITAL EXPENDITURE

We plan continued high investments in property, plant and equipment and intangible assets in 2008. This is due to expenditures on standardizing our IT systems to improve our internal processes. The most important measure is the Group-wide introduction of a standard ERP (enterprise resource planning) system. Capital expenditure is expected to total around € 27 million in 2008.

Our investment planning for 2008 and 2009 includes smallish investments to round out our activities in the Balancing and Assembly Products business unit. Our capital expenditure on property, plant and equipment and intangible assets should return to a normal level of around € 15 to 20 million again from 2009 when the IT investments are completed. Much of the capital spending will then be on replacement. The construction of the Dürr Campus in Bietigheim-Bissingen is being financed off the balance sheet on an operating lease basis.

NET FINANCIAL DEBT AND EQUITY

We expect a reduction in net financial debt in 2008. Equity is expected to rise; the equity ratio should come closer to our target of 30%.

We are currently reviewing all possibilities for optimizing our financial structure. The aim is a more favorable funding that will allow a maximum of flexibility. Further information on this can be found in the “Strategy” section.

SUMMARY

We expect a significant earnings improvement in 2008, which should allow a reasonable dividend to be paid to our shareholders. We assume that the positive earnings trend will continue in 2009.

Stuttgart, March 11, 2008

Dürr Aktiengesellschaft

The Board of Management

CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2007 REPORTING PERIOD

INDEPENDENT AUDITORS' REPORT

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by Dürr Aktiengesellschaft, Stuttgart, comprising the balance sheet, the income statement, statement of changes in equity, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. 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 parent 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 11, 2008
Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

ELKART	BAIERL
WIRTSCHAFTSPRÜFER	WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)	(GERMAN PUBLIC AUDITOR)

CONSOLIDATED INCOME STATEMENT

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR FISCAL YEAR 2007

in € k	Note	2007	2006
Sales revenues	(8)	1,476,641	1,361,190
Cost of sales		–1,236,662	–1,141,035
Gross profit on sales		**239,979**	**220,155**
Selling expenses		–95,110	–94,668
General and administrative expenses		–87,675	–83,117
Research and development costs		–20,471	–21,148
Other operating income and expenses	(11)	17,980	17,838
		54,703	**39,060**
Gain or loss on restructuring/onerous contracts	(12)	886	–5,430
Impairment losses net of insurance indemnification/reversal of impairment losses	(12)	131	–511
Earnings before investment income, interest and similar income, interest and similar expenses, and income taxes		**55,720**	**33,119**
Profit/loss from entities accounted for using the equity method	(13)	1,924	2,694
Other investment income		–	7
Interest and similar income	(14)	3,805	6,655
Interest and similar expenses	(14)	–26,690	–27,640
Earnings before income taxes from continuing operations		**34,759**	**14,835**
Income taxes	(15)	–13,565	–6,634
Profit / loss from continuing operations		**21,194**	**8,201**
Profit / loss from discontinued operations		**981**	**–730**
Net income of the Dürr Group		**22,175**	**7,471**
Profit share of minority interests			
Continuing operations		265	414
Discontinued operations		–	3
Dürr Group		265	417
Profit/loss share of shareholders of Dürr Aktiengesellschaft			
Continuing operations		**20,929**	**7,787**
Discontinued operations		**981**	**–733**
Dürr Group		**21,910**	**7,054**
Profit share of shareholders of Dürr Aktiengesellschaft (basic and diluted)	(7)		
Continuing operations		1.33	0.50
Discontinued operations		0.06	–0.05
Dürr Group		1.39	0.45

CONSOLIDATED BALANCE SHEET

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, AS OF DECEMBER 31, 2007

in € k	Note	2007	2006
ASSETS			
Goodwill	(16, 38)	263,180	262,296
Other intangible assets	(16, 38)	31,666	22,367
Property, plant and equipment	(16, 38)	89,802	106,539
Investment property	(16)	13,575	13,269
Investments in entities accounted for using the equity method	(17, 39)	11,837	12,981
Other financial assets	(38)	350	5,221
Trade receivables	(19)	2,706	1,701
Income tax receivables	(15)	156	319
Other receivables and other assets	(20)	6,787	2,727
Deferred taxes	(15)	3,666	19,151
Prepaid expenses		445	573
Non-current assets		**424,170**	**447,144**
Inventories and prepayments	(18)	57,966	50,664
Trade receivables	(19)	405,357	408,646
Income tax receivables	(15)	10,099	7,370
Other receivables and other assets	(20)	20,283	21,707
Cash and cash equivalents		147,489	101,482
Prepaid expenses		2,624	1,924
		643,818	**591,793**
Non-current assets classified as held for sale	(6)	6,782	1,129
Current assets		**650,600**	**592,922**
Total assets Dürr Group		**1,074,770**	**1,040,066**
EQUITY AND LIABILITIES			
Subscribed capital	(21)	40,264	40,264
Capital reserve	(21)	160,459	160,459
Revenue reserves	(21)	94,911	73,021
Accumulated other comprehensive income	(21)	–37,294	–29,257
Amounts recorded directly in equity from non-current assets classified as held for sale		–2,800	–495
Equity without minority interests		**255,540**	**243,992**
Minority interests	(22)	1,569	1,708
Equity with minority interests		**257,109**	**245,700**
Provisions for post-employment benefit obligations	(23)	50,007	60,739
Other provisions	(24)	6,180	7,319
Bond	(25)	191,699	189,840
Other financial liabilities	(25)	7,831	10,639
Income tax liabilities	(27)	15,609	12,585
Other liabilities	(27)	14,289	13,343
Deferred taxes	(15)	18,152	25,725
Deferred income		1,205	1,485
Non-current liabilities		**304,972**	**321,675**
Other provisions	(24)	59,626	66,197
Trade payables	(26)	344,763	303,575
Financial liabilities	(25)	15,054	9,869
Income tax liabilities	(27)	15,842	13,070
Other liabilities	(27)	76,454	77,460
Deferred income		950	2,520
Current liabilities		**512,689**	**472,691**
Total equity and liabilities Dürr Group		**1,074,770**	**1,040,066**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR FISCAL YEAR 2007

	Subscribed capital	Capital reserve	Revenue reserves	Unrealized gains / losses from cash flow hedges
in € k	**(21)**	**(21)**	**(21)**	**(21)**
December 31, 2005	**40,264**	**160,459**	**65,967**	**–710**
Other changes	–	–	–	–
Accumulated other comprehensive income	–	–	–	318
Profit/loss from continuing operations	–	–	7,787	–
Profit/loss from discontinued operations	–	–	–733	–
December 31, 2006	**40,264**	**160,459**	**73,021**	**–392**
Other changes	–	–	–20	–
Accumulated other comprehensive income	–	–	–	–509
Profit/loss from continuing operations	–	–	20,929	–
Profit/loss from discontinued operations	–	–	981	–
December 31, 2007	**40,264**	**160,459**	**94,911**	**–901**

Accumulated other comprehensive income								
Unrealized gains / losses from available-for-sale securities	**Unrealized gains / losses from a put option**	**Unrealized actuarial gains / losses**	**Currency translation**	**Accumulated other comprehensive income**	**Amounts resulting from assets held for sale**	**Equity without minority interests**	**Minority interests**	**Equity with minority interests**
(21)	(21)	(21)	(21)	(21)	(21)		(22)	
–	**–**	**–14,299**	**–5,131**	**–20,140**	**–**	**246,550**	**1,517**	**248,067**
–	–	–	–	–	–	–	–231	–231
–9	–	1,503	–10,929	–9,117	–495	–9,612	5	–9,607
–	–	–	–	–	–	7,787	414	8,201
–	–	–	–	–	–	–733	3	–730
–9	**–**	**–12,796**	**–16,060**	**–29,257**	**–495**	**243,992**	**1,708**	**245,700**
–	–	–	–	–	–	–20	–205	–225
–9	–465	6,885	–13,939	–8,037	–2,305	–10,342	–199	–10,541
–	–	–	–	–	–	20,929	265	21,194
–	–	–	–	–	–	981	–	981
–18	**–465**	**–5,911**	**–29,999**	**–37,294**	**–2,800**	**255,540**	**1,569**	**257,109**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE IN THE CONSOLIDATED FINANCIAL STATEMENTS

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR FISCAL YEAR 2007

in € k	2007	2006
Changes in fair value of financial instruments used for hedging purposes recognized in equity	–507	525
Changes in fair value of available-for-sale securities recognized in equity	–9	–9
Changes in fair value of a put option recognized in equity	–680	–
Special reserve for currency translation of foreign subsidiaries	–13,939	–10,924
Amounts recognized directly in equity from non-current assets classified as held for sale	–2,305	–495
Actuarial gains/losses from defined benefit obligations and similar obligations	10,755	3,035
Deferred taxes on revaluations recognized directly in equity	–3,856	–1,739
Revaluations recognized directly in equity	**–10,541**	**–9,607**
of which attributable to minority interests	–199	5
Profit after tax	**22,175**	**7,471**
of which attributable to minority interests	265	417
Total profit for the period and revaluations recognized directly in equity in the period	**11,634**	**–2,136**
of which attributable to minority interests	66	422

CONSOLIDATED CASH FLOW STATEMENT

OF DÜRR AKTIENGESELLSCHAFT, STUTTGART, FOR FISCAL YEAR 2007

in € k	2007	2006
Earnings before income taxes	34,759	14,835
Income taxes paid	–5,779	–5,621
Net interest	22,885	20,985
Profit/loss from entities accounted for using the equity method	–1,924	–2,694
Dividends from entities accounted for using the equity method	155	810
Amortization and depreciation of non-current assets	17,816	19,073
Net gain/loss on the disposal of non-current assets	–7,124	–2,798
Other non-cash income and expenses	-47	–112
Changes in operating assets and liabilities		
Inventories	–8,487	–8,783
Trade receivables	3,113	54,067
Other receivables and assets	264	1,661
Provisions	–4,104	–20,217
Trade payables	42,338	–36,504
Other liabilities (other than bank)	–7,321	–48,867
Other assets and liabilities	–667	4,333
Cash flow from operating activities of continuing operations	**85,877**	**–9,832**
Cash flow from operating activities of discontinued operations	–	1,383
Cash flow from operating activities	85,877	–8,449
Purchase of intangible assets	–15,098	–9,178
Purchase of property, plant and equipment	–10,806	–8,831
Purchase of entities accounted for using the equity method	–10	–
Purchase of other financial assets	–	–1,644
Cash received from out-of-court agreement	–	20,000
Acquisitions, net of cash acquired	100	–
Proceeds from the sale of non-current assets	14,237	10,660
Disposal of discontinued operations, net of cash disposed of	–3,148	1,745
Interest received	3,561	4,579
Cash flow from investing activities of continuing operations	**–11,164**	**17,331**
Cash flow from investing activities of discontinued operations	–	–3
Cash flow from investing activities	–11,164	17,328
Change in current bank liabilities	2,659	–10,764
Proceeds from non-current financial liabilities	179	–
Repayment of non-current financial liabilities	–932	–
Payment of finance lease liabilities	–881	–908
Borrowing (repayment) of financial liabilities due to entities accounted for using the equity method	29	–33
Sale of securities	23	–
Internal financing	–	1,227
Interest paid	–22,967	–23,308
Cash flow from financing activities of continuing operations	**–21,890**	**–33,786**
Cash flow from financing activities of discontinued operations	–	–1,245
Cash flow from financing activities	–21,890	–35,031
Effects of exchange rate changes	–6,816	2,777
Change in cash and cash equivalents	46,007	–23,375
Cash and cash equivalents		
At the beginning of the period	101,482	124,857
At the end of the period	147,489	101,482
Of continuing operations	147,489	101,482
Of discontinued operations	–	–
Dürr Group	**147,489**	**101,482**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2007 REPORTING PERIOD

BASIS OF PRESENTATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Dürr Aktiengesellschaft ("Dürr AG" or the "Company") is headquartered at Otto-Dürr-Strasse 8, 70435 Stuttgart, Germany. The Dürr Group ("Dürr" or the "Group") consists of Dürr AG and its subsidiaries. The Dürr Group specializes in mechanical and plant engineering and is one of the global market leaders in almost all of its fields of business. It generates some 90% of sales revenue with the automotive industry, but also acts as supplier of production technology for other industries including the aviation, mechanical engineering as well as the chemical and pharmaceutical industries. Dürr serves the market with two divisions: the Paint and Assembly Systems division offers production and paint finishing technology, mainly for automotive bodyshells. The machines and systems produced by the Measuring and Process Systems division are used in engine and drive construction as well as final assembly.

ACCOUNTING POLICIES

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

The accounting policies used generally correspond to the policies applied in the prior period. In addition, the Group has applied the new and/or revised standards that are effective for reporting periods beginning on or after January 1, 2007.

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

Amendments to IAS 1 "Presentation of Financial Statements" (capital disclosures): This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The additional disclosure requirements were observed in the consolidated financial statements as of December 31, 2007.

IFRS 7 "Financial Instruments: Disclosures": IFRS 7 governs the disclosure requirements for financial instruments for industrial entities as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosure and Presentation" and requires disclosures that enable users of financial statements to evaluate the significance of the Group's financial instruments for the financial position and performance of the Group and the nature and extent of risks arising from those financial instruments. Adoption of the standard in the consolidated financial statements as of December 31, 2007 gave rise to significant additions to the disclosures in the notes on financial instruments.

International Financial Reporting Interpretations Committee (IFRIC) 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies": This interpretation contains explanations on IAS 29 on the question of adjusting the financial statements in the event that the functional currency of an entity is qualified as highly inflationary for the first time. IFRIC 7 is effective for the first time for reporting periods beginning on or after March 1, 2006. This amendment did not have any effect on the consolidated financial statements as of December 31, 2007.

IFRIC 8 "Scope of IFRS 2": The amendments are effective for the first time for reporting periods beginning on or after May 1, 2006. This amendment did not have any effect on the consolidated financial statements as of December 31, 2007.

IFRIC 9 "Reassessment of Embedded Derivatives": IFRIC 9 relates to accounting for embedded derivatives in accordance with IAS 39. Pursuant to IFRIC 9, the assessment whether an embedded derivative has to be accounted for separately from the host contract generally takes place when the contract is concluded. A reassessment during the term of the contract is only permitted if the underlying contractual conditions and the associated cash flows change significantly. The extent to which the payments from the embedded derivative and/or the host contract have changed compared to the original cash flows is taken as the basis here. IFRIC 9 is effective for reporting periods beginning on or after June 1, 2006. This amendment did not have any effect on the consolidated financial statements as of December 31, 2007.

IFRIC 10 "Interim Financial Reporting and Impairment": This interpretation deals with the alleged contradiction between the provisions of IAS 34 "Interim Reporting" and those in other standards pertaining to the recognition and reversal of impairment losses on goodwill and certain financial assets in the financial statements. IFRIC 10 states that an entity must not reverse impairment losses recognized in a previous interim period on goodwill, investments in equity instruments and in financial assets carried at cost and that an entity may not extend this consensus by analogy to other areas where there may be contradictions between IAS 34 and other standards. IFRIC 10 is effective for reporting periods beginning on or after November 1, 2006. This amendment did not have an effect on the consolidated financial statements as of December 31, 2007.

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

IFRSs and IFRIC interpretations adopted by the EU in the comitology procedures, which have not yet entered into force, are:

IFRS 8 "Operating Segments": IFRS 8 replaces IAS 14 "Segment Reporting". The standard was subject to comprehensive revision within the scope of the IASB and FASB convergence project. IFRS 8 requires the disclosure of financial and narrative information on the reportable segments. Reportable segments are either operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance (management approach). The standard is effective for reporting periods beginning on or after January 1, 2009. Early adoption is permitted. The new standard will have an effect on the form in which financial information on the Group's divisions is published, but not on the recognition and measurement of assets and liabilities in the consolidated financial statements.

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions": IFRIC 11 addresses the question of how IFRS 2 "Share-based Payment" applies to share-based payment arrangements involving the entity's own equity instruments or equity instruments of another group entity. IFRIC 11 is effective for reporting periods beginning on or after March 1, 2007. Early adoption is permitted. IFRIC 11 is not expected to have any effect on the consolidated financial statements.

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

Amendments to IAS 1 "Presentation of Financial Statements": One significant change compared to the previous version is the presentation of changes in equity. IAS 1 now provides for all changes other than those arising from transactions with owners to be presented either in a statement of comprehensive income or based on two separate statements. Components of comprehensive income are no longer permitted to be presented in the statement of changes in equity. In addition, IAS 1 requires income tax relating to each component of other comprehensive income and reclassification adjustments to be disclosed separately. Besides these content changes, IAS 1 introduces new titles for the individual financial statement elements; however, entities may use other titles than those set forth in the standard. The revised IAS 1 is effective for reporting periods beginning on or after January 1, 2009. The new standard will have an effect on the form in which the Group's financial information is published, but not on the recognition and measurement of assets and liabilities in the consolidated financial statements.

Amendment to IAS 23 "Borrowing Costs": The IASB issued an amended version of IAS 23 in March 2007. It requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalized. The current option of immediately recognizing borrowing costs as an expense will be eliminated. The revised standard is effective for reporting periods beginning on or after January 1, 2009. The revised IAS 23 generally applies prospectively. Borrowing costs will be capitalized in relation to long-term construction contracts. The Group had not completed the quantitative analysis of the effects of this amendment by the time the consolidated financial statements were prepared.

IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations": The IASB published these two revised standards in January 2008. The main changes compared to the previous standards concern the cost of a business combination, the full goodwill method, accounting for business combinations achieved in stages, accounting for changes in investments in subsidiaries without the loss of control and the scope of IFRS 3. The revised versions of IAS 27 and IFRS 3 are effective for reporting periods beginning on or after January 1, 2009. The revised standards will have an effect on accounting for future business combinations. Consequently, the effects cannot be assessed in full until a future business combination takes place.

Amendments to IAS 32 "Financial Instruments: Presentation": The IASB published the revised standard in February 2008. It allows puttable financial instruments to be classified as equity under certain conditions. The revised standard, which also gave rise to changes in IAS 1, is effective for reporting periods beginning on or after January 1, 2009. These changes are not relevant for the Company and will accordingly not affect the consolidated financial statements.

IFRS 2 "Share-based Payment": In January 2008, the IASB published a revised version of IFRS 2, which contains guidance on the definition of vesting conditions and cancellation of share-based payment arrangements. The revised standard is effective for reporting periods beginning on or after January 1, 2009. These changes are not relevant for the Company and will presumably not affect the consolidated financial statements.

IFRIC 12 "Service Concession Arrangements": The scope of IFRIC 12 is limited to accounting for service concessions (e.g. for the operation of motorways or hospitals) from the perspective of the operator and relates solely to arrangements with public grantors. IFRIC 12 is effective for the first time for reporting periods beginning on or after January 1, 2008. This interpretation is not relevant for the Company and will accordingly not affect the consolidated financial statements.

IFRIC 13 "Customer Loyalty Programmes": IFRIC 13 deals with accounting of customer loyalty programs operated by manufacturers or service providers themselves or by third parties. IFRIC 13 is effective for reporting periods beginning on or after July 1, 2008. This interpretation is not relevant for the Company and will accordingly not affect the consolidated financial statements.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset (asset ceiling) under IAS 19 "Employee Benefits". In addition, the interpretation provides explanations of the potential effects of statutory or contractual minimum funding requirements on plan assets or liabilities. IFRIC 14 is effective for reporting periods beginning on or after January 1, 2008. This interpretation is not expected to affect the Group's accounting for benefit obligations.

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 Company.

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

All assets and liabilities are measured at historical or amortized cost. An exception to the rule are derivative financial instruments and financial assets classified as available for sale, which are measured at fair value.

Assets and liabilities are treated as current if they are realized or settled within a period of twelve months after the balance sheet date.

AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

The consolidated financial statements and group management report of Dürr Aktiengesellschaft prepared by the Board of Management as of December 31, 2007 were authorized at the meeting of the Board of Management on March 11, 2008 for issue to the Supervisory Board.

2. BASIS OF CONSOLIDATION

The consolidated financial statements of Dürr are based on the IFRS financial statements of Dürr AG and the subsidiaries and entities accounted for using the equity method included in consolidation as of December 31, 2007, prepared in accordance with uniform rules and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, capital consolidation is performed according to the purchase method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against pro rata equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated balance sheet 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.

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

Intragroup sales, other income and expenses and all intragroup receivables, liabilities and provisions are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

3. CONSOLIDATED GROUP

Besides Dürr AG, the consolidated financial statements as of December 31, 2007 contain all domestic and foreign companies which Dürr AG can control, directly or indirectly (control concept). The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. Joint ventures and associates are included in the consolidated financial statements using the equity method from the date on which joint control or the possibility of significant influence, respectively, existed.

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

Number of fully consolidated entities	2007	2006
Germany	10	11
Other countries	40	39
	50	**50**

Number of entities accounted for using the equity method	2007	2006
Germany	2	–
Other countries	2	4
	4	**4**

The consolidated financial statements contain three companies (December 31, 2006: one) in which minority shareholders hold interests. An associate was reclassified to assets held for sale during the 2006 reporting period. This entity was sold in the second quarter of 2007.

4. CHANGES IN THE CONSOLIDATED GROUP

With economic effect as of January 1, 2007, Dürr Special Material Handling GmbH, Wyhlen, was merged into Dürr Systems GmbH, Stuttgart.

As of January 31, 2007, Dürr Systems Limited Şirketi was incorporated in Istanbul, Turkey.

As of April 30, 2007, Dürr acquired another percent of the shares in CPM S.p.A., Beinasco, Italy, bringing its shareholding in CPM S.p.A. up to 51 %. As a result, CPM S.p.A. was included in full in the consolidated financial statements of Dürr AG for the first time effective May 1, 2007. Up to and including April 30, 2007, the investment in CPM S.p.A. had been accounted for as an associate using the equity method.

Full consolidation of CPM S.p.A. for the first time involves including Stimas Engineering S.r.l., Turin, Italy, in which CPM S.p.A. has a shareholding of 51 %, as a fully consolidated entity in the consolidated financial statements.

In addition, Polisistem S.r.l., Turin, Italy, was liquidated as of May 2, 2007. As an associate, the entity had been accounted for using the equity method.

As of June 8, 2007, Schenck Vaegt-og Maskinfabrik ApS., Copenhagen, Denmark, was liquidated.

As of August 1, 2007, OOO Dürr Systems RUS was incorporated in Moscow, Russia.

Dürr Systems GmbH (Dürr) set up a contractual joint venture trading under the name Prime Contractor Consortium FAL China (PCC) together with EDAG Engineering + Design AG (now: EDAG GmbH & Co. KGaA, EDAG), Fulda. The joint venture develops and builds the assembly line for the new Airbus plant in the Chinese city of Tianjin. PCC signed a master agreement with Airbus and the latter's Chinese party to the joint venture. This governs the cooperation between Airbus, the Chinese joint venture partner as well as EDAG and Dürr. As a joint venture, PCC is accounted for using the equity method in the consolidated financial statements.

As of October 23, 2007, Dürr Energy Management Inc., Plymouth, USA, (formerly: Dürr Sigma Systems Inc.) was liquidated.

As of December 12, 2007, Schenck Automation Systems Ltd., Warwick, UK, was liquidated.

In December 2007, all the capital shares in TARAX GmbH & Co. KG (renamed Dürr GmbH & Co. Campus KG), Pöcking, were acquired. It is a special purpose entity whose business purpose is to purchase, develop, manage and lease real estate. Dürr GmbH & Co. Campus KG is one of the owners of the land and buildings at the Bietigheim-Bissingen location, which Dürr is currently expanding. Dürr Systems GmbH is the limited partner of the entity. Dürr GmbH & Co. Campus KG is managed by a general partner incorporated as a German limited liability company (GmbH) that does not belong to the Group. At the partners' meetings of Dürr GmbH & Co. Campus KG, Dürr Systems GmbH and the general partner each hold 50% of the voting rights. Dürr GmbH & Co. Campus KG is consequently accounted for as an associate using the equity method.

5. CURRENCY TRANSLATION

Financial statements denominated in the foreign currency of the subsidiaries included in the consolidation are translated to the euro on the basis of the functional currency concept pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates". The functional currency is the local currency for all foreign subsidiaries of the Group, 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 as of balance sheet date, while income and expenses are generally translated at average rates. Any currency translation differences are recorded without effect on profit or loss in accumulated 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 as of the balance sheet date are included in the income statement. For further explanations of the exchange rate gains and losses recognized in profit or loss, reference is made to note 11.

The following main exchange rates are decisive for currency translation in the Group (in relation to € 1):

	Closing rate		Average rate	
	Dec. 31, 2007	Dec. 31, 2006	2007	2006
US dollar	1.4716	1.3181	1.3790	1.2631
Pound sterling	0.7346	0.6714	0.6873	0.6819
Australian dollar	1.6775	1.6681	1.6361	1.6679
Canadian dollar	1.4440	1.5294	1.4651	1.4259
Brazilian real	2.6205	2.8138	2.6604	2.7455
Renminbi yuan	10.7400	10.2915	10.4424	10.0499
Korean won	1,377.0000	1,226.0000	1,278.7500	1,200.4167
Polish zloty	3.5928	3.8413	3.7834	3.9074

In the separate financial statements of the foreign subsidiaries, goodwill is translated at the rate prevailing on the Group's balance sheet date. Applying the transitional ruling of IAS 21.59, goodwill that already existed as of January 1, 2005 and is not accounted for in the separate financial statements of the subsidiaries is still accounted for at the historical exchange rate (at the date of acquisition) as of the Group balance sheet date. Hidden reserves disclosed in the course of business combinations are accounted for in euros as these were only recorded by entities whose local currency is the euro.

6. DISCONTINUED OPERATIONS / ASSETS CLASSIFIED AS HELD FOR SALE

An asset is classified as held for sale when the associated carrying amount will be recovered principally through a sale transaction and not through continuing use. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", an operation of an entity is classified as a discontinued operation at the date the operation meets the criteria to be classified as held for sale or is actually discontinued. Such an operation represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

DISCONTINUED OPERATIONS

In the 2006 reporting period, SRH Systems Ltd., Worcester, UK, which had been allocated to what used to be the Development Test Systems (DTS) business unit, was sold to Horiba Ltd., Japan, effective as of March 10, 2006.

In addition, the financial statements for the 2007 and 2006 reporting periods include subsequent effects from the sale of the Services, Development Test Systems (DTS) and Measuring and Process Technologies (MPT) business units effected in the 2005 reporting period.

The profit/loss from discontinued operations breaks down as follows:

in € k	2007	2006
Discontinued operations		
Revenue	1,807	2,071
Expenses	724	3,287
Earnings before taxes	1,083	–1,216
Income tax expense/income (–)	102	–244
Profit (loss) after taxes	**981**	**–972**
Profit from sale before taxes	–	242
Income tax expense from sale	–	–
Profit from sale after taxes	**–**	**242**

The effect of the discontinued operations on the consolidated cash flow statement is shown below:

in € k	2007	2006
Discontinued operations		
Cash flows from operating activities	–	1,383
Cash flows from investing activities	–	–3
Cash flows from financing activities	–	–1,245
Effects of exchange rate changes on cash and cash equivalents	–	6
Change in cash and cash equivalents	**–**	**141**

No discontinued operations were sold in the reporting period. However, net cash outflows of € 3,148 thousand were recorded in relation to the sale effected in the 2005 reporting period of the business units Services (€ 602 thousand), Development Test Systems (€ 2,385 thousand) and Measuring and Process Technologies (€ 161 thousand). These are attributable to the utilization of provisions.

At the time of sale, the net assets of the discontinued operations were as follows in the 2006 reporting period:

in € k	2006
Discontinued operations	
Non-current assets	2,657
Current assets net of bank balances and cash	588
Bank balances and cash	340
Non-current liabilities	669
Current liabilities	2,385
	531
Total consideration	2,031
Net cash inflow from the sale	
Cash consideration in the reporting period	2,031
less bank balances and cash sold	340
	1,691

All sales were made for a consideration.

In the 2006 reporting period, the Company also received a payment of € 169 thousand from a purchase price claim resulting from the sale of the Premier group. On the other hand, the Company repaid an amount of € 115 thousand from sales proceeds for the Measuring and Process Technologies business unit. Cash received from the sale of discontinued operations net of cash and cash equivalents paid thus comes to a total of € 1,745 thousand.

ASSETS CLASSIFIED AS HELD FOR SALE

As of December 31, 2007, the carrying amounts of land and buildings of Dürr Systems Inc., Plymouth, USA, and Dürr Ecoclean Inc., Wixom, USA, of € 6,782 thousand were presented in the balance sheet under “Non-current assets classified as held for sale”. There are plans to sell this real estate and lease it back under an operating lease in a sale-and-leaseback transaction. € 3,578 thousand of this amount is accounted for by the Paint and Assembly Systems division and € 3,204 thousand by the Measuring and Process Systems division.

Schenck Shanghai Testing Machinery Corporation Ltd., Shanghai, China, was sold in the reporting period. As of December 31, 2006, the investment’s carrying amount of € 903 thousand was disclosed in the balance sheet item “Non-current assets classified as held for sale”. Until it was sold, this entity had been consolidated as an associate in accordance with the provisions of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The gain on sale was posted to the item “Other operating income and expenses”. The net cash inflow from the sale after deducting transaction costs and taxes came to € 2,280 thousand.

In addition, a building owned by Dürr Ecoclean S.A., Barcelona, Spain, was sold. It had been held for sale as a result of the restructuring of the entity. The carrying amount of € 226 thousand as of December 31, 2006 was disclosed in the balance sheet item “Non-current assets classified as held for sale”. The gain on sale was posted to the item “Other operating income and expenses”.

7. ACCOUNTING POLICIES

INTANGIBLE ASSETS

Intangible assets comprise goodwill, franchises, industrial rights and similar rights as well as capitalized development costs.

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 intangible assets with indefinite useful lives are not amortized.

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

- Technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The use of the asset must generate probable future economic benefits,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Cost is the sum of 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 in the income statement under research and development costs.

The useful life of intangible assets is estimated as follows:

in years	
Franchises, industrial rights and similar rights	1 to 10
Capitalized development costs	3 to 8

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 can be allocated directly to the production process.

The useful life of property, plant and equipment is estimated as follows:

in years	
IT hardware	3 to 5
Furniture and fixtures	1 to 25
Machines and equipment	1 to 21
Buildings and leasehold improvements	5 to 60

Further comments on the balance sheet item property, plant and equipment can be found in note 16.

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

INVESTMENT PROPERTY

An investment property is measured initially at amortized cost including any incidental 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. The carrying amount does not include the costs of day-to-day maintenance of these properties. In the course of subsequent measurement, the investment property is carried at amortized cost, i.e. at cost less accumulated depreciation and accumulated impairment losses.

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

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

IMPAIRMENT 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 impairment test by external valuers.

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

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 are deducted from the carrying amount of the subsidized asset.

LEASES

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

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

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

INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

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

FINANCIAL INSTRUMENTS

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

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

Purchases or sales of financial assets are recognized using the 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 held-for-trading financial assets. All other financial assets apart from loans and receivables originated by the entity pursuant to IAS 39 are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets. This does not apply if they are due within one year of the balance sheet date. Held-for-trading financial assets 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 balance sheet date.

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. For this purpose, the fair value of a financial instrument is the amount that can be generated 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 a 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 as of the balance sheet date.

Available-for-sale financial assets are accounted for at market value. Unrealized gains and losses are disclosed in accumulated 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 net 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.

To date, the Group has not 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 HEDGES

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

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

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

- Fair value hedges if they hedge exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment that could affect profit or loss;
- Cash flow hedges if they hedge exposure to variability in cash flows that is attributable to a recognized asset or liability or a forecast transaction and could affect profit or loss; or
- Hedge of a net investment in a foreign operation.

FAIR VALUE HEDGE ACCOUNTING

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

If an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated changes in its fair value that is attributable to the hedged risk are 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 expires or is sold, terminated or exercised, 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 transaction affects the net profit or loss of 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 expires, is sold or terminated, 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, the amount is recognized in profit or loss.

Dürr mainly uses cash flow hedges to hedge against foreign currency or interest exposure.

Further explanations on derivative financial instruments are given in note 35.

OTHER FINANCIAL ASSETS

The marketable securities disclosed under other financial assets include securities classified as available for sale, which are measured at market value on the balance sheet date, and securities classified as held to maturity, which are measured at amortized cost. As of the balance sheet date, the available-for-sale securities had a fair value of € 316 thousand (2006: € 329 thousand).

INVENTORIES AND PREPAYMENTS

Inventories of materials and supplies, work in process from small series production and finished goods are carried at the lower of cost or net realizable value on the balance sheet date. Write-downs are recorded for obsolete and slow-moving inventories.

Costs of conversion comprise direct materials costs, direct labor costs as well as all production-related overheads and depreciation. Borrowing costs are not included.

LONG-TERM CONSTRUCTION CONTRACTS

Dürr generates most of its sales revenues from long-term construction contracts. Contract revenue is generally disclosed using the percentage-of-completion method (POC method). 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 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 cost and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of cost and estimated earnings.

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

Also included in cost and estimated earnings in excess of billings on uncompleted contracts are amounts that Dürr seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is probable and 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 potential losses from pending transactions are recognized in the period in which losses are identified.

TRADE RECEIVABLES

Receivables are carried at the lower of amortized cost or net realizable amount.

The Group assesses the recoverability of its receivables by referring to a number of factors. Should Dürr become aware of any issues which would impinge on the ability of certain customers to meet their financial obligations, it posts a specific bad debt allowance to write down the net receivable due to the Group to the reasonably expected recoverable amount. Impairment losses on trade receivables are posted via allowance accounts. Receivables are derecognized as soon as they become uncollectible.

The assessment of the separate accounts receivable as overdue or in default is made by management. For all other customers, the Group records bad debt allowances on a portfolio basis depending on the days past due, current business circumstances and past experience. A local collection management system counters the risk of bad debts. The collection management 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

All short-term liquid investments with an original term of less than three months are carried at face value as cash and cash equivalents.

ACCUMULATED OTHER COMPREHENSIVE INCOME

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

BORROWING COSTS IN CONNECTION WITH THE REFINANCING OF THE GROUP

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 balance sheet. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond.

Transaction costs incurred in connection with the syndicated loan are shown in the consolidated balance sheet as other intangible assets and amortized over the term of the syndicated loan.

PROVISIONS

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

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

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

Dürr has applied IAS 19 (revised) for the measurement of the benefit obligations since the 2005 reporting period. Accordingly, actuarial gains and losses are recorded directly in equity net of deferred taxes. Provisions for reinsured pension obligations are offset against plan assets in accordance with the criteria of IAS 19 (revised).

Other provisions are recorded if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and which can be determined reliably. They represent contingent liabilities which are recognized at the best estimate of the amounts necessary to settle them. Provisions with a residual term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.

LIABILITIES

At the inception of the lease, liabilities from finance leases are carried at the lower of fair value of the leased asset or the present value of the minimum lease payments (we refer to the explanations on leases); other liabilities are accounted for at amortized cost.

DEFERRED TAXES

Deferred taxes are accounted for using the balance sheet oriented liability method according to IAS 12 "Income Taxes".

This involves creating deferred tax items for all temporary accounting and measurement differences between IFRS and tax carrying amounts. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which impacts neither the taxable nor the accounting profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from shares 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 must be 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 apply in the individual countries at the time of realization or which are expected (basis: applicable tax law). Impairments are only recorded on deferred tax assets 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 only 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 income statement unless they relate to items recorded directly in equity; in this case, the deferred taxes are also recorded directly in equity.

CONTINGENT LIABILITIES

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

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

RESEARCH AND NON-CAPITALIZABLE DEVELOPMENT COSTS

Research and non-capitalizable development costs are recorded in profit or loss as incurred.

EARNINGS PER SHARE

Earnings per share are determined pursuant to IAS 33 "Earnings Per Share". Earnings per share are calculated as the earnings of the shareholders of Dürr Aktiengesellschaft divided by the weighted average number of shares issued. The calculation is presented in the following table. There were no dilutive effects in the 2007 and 2006 reporting periods.

in € k (with the exception of disclosures per share)	2007	2006
Profit/loss attributable to the shareholders of Dürr Aktiengesellschaft	21,910	7,054
of which continuing operations	20,929	7,787
of which discontinued operations	981	–733
Number of shares outstanding in thousand (weighted average)	15,728.0	15,728.0
Earnings per share (basic and diluted)	1.39	0.45
of which continuing operations	1.33	0.50
of which discontinued operations	0.06	–0.05

USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements pursuant to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the balance sheet date 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 made the following judgments which had 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.

ESTIMATES AND ASSUMPTIONS

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

Impairment of goodwill
The Group determines at least on an annual basis whether goodwill is impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2007 was € 263,180 thousand (2006: € 262,296 thousand). Reference is made to note 16.

Pensions and other post-employment benefits
The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Pension provisions amounted to € 50,007 thousand as of December 31, 2007 (2006: € 60,739 thousand). Reference is made to note 23.

Development costs
Development costs are capitalized in accordance with the accounting policy presented in note 7. 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 best estimate of the carrying amount of capitalized development costs as of December 31, 2007 was € 14,863 thousand (2006: € 13,397 thousand).

Assumptions and estimates are also required for the recognition and measurement of cost and estimated earnings in excess of billings on uncompleted contracts, for bad debt allowances 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 and the recognition of deferred taxes on unused tax losses (we refer to the explanations on deferred taxes in note 15).

NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. SALES REVENUES

Sales revenues break down as follows:

in € k	2007	2006
Contract revenues	1,046,417	1,017,167
Revenues from services	383,726	297,956
Other sales revenues	46,498	46,067
	1,476,641	**1,361,190**

9. PERSONNEL EXPENSES

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

in € k	2007	2006
Wages and salaries	305,956	288,920
Social security contributions	62,830	60,846
	368,786	**349,766**
of which post-employment benefits	6,659	4,665

10. COSTS OF MATERIALS

The expense positions of the income statement contain cost of materials of € 1,050,177 thousand (2006: € 900,393 thousand).

11. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses consist of the following:

in € k	2007	2006
Other operating income		
Exchange rate gains	5,113	12,998
Reversal of provisions	2,274	5,277
Gains on disposal of non-current assets	7,474	3,294
Income from the sale or liquidation of entities	5,464	3,346
Insurance and other reimbursements	5,912	–
Distribution agreement	725	3,930
Other	6,130	9,590
Other operating expenses		
Exchange rate losses	5,060	13,103
Losses on disposal of non-current assets	350	496
Impairment of receivables and other current assets	136	408
Other	9,566	6,590
	17,980	**17,838**

12. GAIN OR LOSS ON RESTRUCTURING / ONEROUS CONTRACTS AND IMPAIRMENT LOSSES NET OF INSURANCE REIMBURSEMENTS / REVERSALS OF IMPAIRMENT LOSSES

GAIN OR LOSS ON RESTRUCTURING

In the course of the Group-wide program FOCUS, which was completed in 2007, Dürr restructured the Paint and Assembly Systems division and the Cleaning and Filtration Systems business unit. The largest part of the restructuring expense was accounted for by the Paint and Assembly Systems division.

The balance of restructuring expenses, on the one hand, and income from the reversal of restructuring provisions no longer needed, on the other, came to € 886 thousand in the reporting period (2006: expense of € 5,430 thousand). Expenses of € 306 thousand relate to measures already implemented in the 2007 reporting period; the remaining expenses and income result from changes in other liabilities. Provisions for restructuring measures have developed as follows:

in € k	Paint and Assembly Systems	Measuring and Process Systems	Dürr Group
January 1, 2006	**23,052**	**12,605**	**35,657**
Exchange difference	–274	–41	–315
Utilization	9,790	2,781	12,571
Reversal	6,739	2,404	9,143
Addition	2,432	3,316	5,748
December 31, 2006	**8,681**	**10,695**	**19,376**
Changes in consolidated group	225	–	225
Exchange difference	61	–15	46
Utilization	4,747	4,525	9,272
Reversal	791	422	1,213
Addition	21	–	21
December 31, 2007	**3,450**	**5,733**	**9,183**

The net income from restructuring/onerous contracts can be allocated to the individual functional costs as follows: € 147 thousand (2006: expense of € 353 thousand) relates to cost of sales, € 106 thousand (2006: expense of € 671 thousand) to selling expenses, € 618 thousand (2006: expense of € 4,311 thousand) to administrative expenses and € 15 thousand (2006: expense of € 95 thousand) to research and development costs.

IMPAIRMENT LOSSES/ REVERSAL OF IMPAIRMENT LOSSES

No impairment losses were recorded in the 2007 reporting period. The continuing use of leasehold improvements in a warehouse in Poland, which had been written off in 2005, led to a reversal of impairment losses of € 131 thousand, which would be reported under cost of sales if allocated to the functional costs.

In the 2006 reporting period, a building in the US was marked to market by recording an impairment loss of € 511 thousand. The property was sold in the 2006 reporting period as it was no longer needed following restructuring.

An impairment loss of € 331 thousand was also recorded in the 2006 reporting period on a building in Brazil that had been partially destroyed in a fire. In the income statement, this impairment loss was netted with the expected insurance reimbursement. If the impairment losses were broken down by functional costs, the entire amount of € 511 thousand would be allocated to cost of sales.

13. PROFIT / LOSS FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

The profit from entities accounted for using the equity method amounted to € 1,924 thousand (2006: € 2,694 thousand). This disclosure comprises the profit shares from entities accounted for using the equity method. In the prior period, this line item also included a reversal of an impairment loss on an associate of € 950 thousand.

Currency effects were recorded directly in equity under accumulated other comprehensive income.

14. NET INTEREST

Net interest breaks down as follows:

in € k	2007	2006
Interest and similar income	3,805	6,655
Interest expense	–26,690	–27,640
of which from:		
Amortization of transaction costs/debt discount from a bond issue and from a syndicated loan	–2,598	–2,348
Interest expenses from finance leases	–490	–273
Other interest expenses	–23,602	–25,019
Net interest	**–22,885**	**–20,985**
of which from financial instruments under the measurement categories in accordance with IAS 39:		
Loans and receivables (amortized cost)	3,791	6,655
Available-for-sale financial assets	14	–
Financial liabilities measured at amortized cost	–26,448	–27,087

Other interest expenses also comprise the net interest expense of € 242 thousand from the interest/currency swaps accounted for at fair value (prior period: € 553 thousand).

For details of the Group financing structure, please refer to note 25.

15. INCOME TAXES

The income taxes relate to the German corporate income tax including a solidarity surcharge and trade tax on income. Comparable taxes of foreign subsidiaries are also shown under this heading. The tax expense for discontinued operations is explained in note 6.

The German 2008 Business Tax Reform Act reduced the nominal corporate tax rates for German entities considerably. From the 2008 assessment period onwards, the corporate income tax rate will be lowered from 25% to 15%. The trade tax base rate will be reduced from a current level of 5% to 3.5%. However, trade tax will no longer be deductible as an operating expense for tax purposes.

Deferred taxes in Germany have been computed using a tax rate of 29.9% (2006: 39.0%).

The tax expense on income comprises the following:

in € k	2007	2006
Current income taxes		
Income tax expense for the reporting period	9,986	6,559
Adjustment of tax expense prior years	–375	–3,766
	9,611	2,793
Deferred taxes		
Origin and reversal of temporary differences	4,056	3,597
Total tax expense	**13,667**	**6,390**
less tax income/expense from discontinued operations	102	–244
Tax expense/income	**13,565**	**6,634**

As a result of accumulated losses in the past three years in certain tax jurisdictions, Dürr did not record any deferred tax assets on unused tax losses in the 2007 reporting period. Moreover, deferred tax assets were only created if it can be assumed that a future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets have thus initially been carried at the amount equivalent to the existing deferred tax liabilities to the same tax authorities and from the same taxable entity, taking into account minimum taxation and provided the tax assets can be utilized before they are forfeited.

Dürr assesses its deferred taxes regularly. The ability to recognize tax income from deferred taxes depends on the possibility of generating taxable income in the future and utilizing unused tax losses before they expire. In Germany, minimum taxation was taken into account when considering the possibilities of utilizing losses.

The following table shows the reconciliation of theoretical income tax expense to the current income tax expense disclosed. The reconciliation is based on the total effective tax rate in Germany of 39.0% (2006: 39.0%):

in € k	**2007**	**2006**
Earnings before income taxes from continuing operations	34,759	14,835
Earnings before income taxes from discontinued operations	1,083	–974
Profit before income taxes	**35,842**	**13,861**
Theoretical income tax expense in Germany of 39.0% (2006: 39.0%)	13,978	5,406
Adjustments of current and deferred income tax incurred in prior years	1,715	–3,691
Non-deductible operating expenses	5,089	4,247
Foreign tax rate differential	–2,294	–659
Tax rate difference (effects from the German business tax reform)	–1,830	–
Unrecognized deferred tax assets especially on unused tax losses	798	17,052
Utilization of unrecognized unused tax losses	–4,099	–307
Change in impairments of deferred tax assets	4,495	–10,769
Subsequent recognition of deferred taxes on unused tax losses	–1,467	–1,510
Zero-rated income	–3,206	–2,700
Other	488	–679
Current income tax expense of the Group	**13,667**	**6,390**
Income tax expense/income reported in consolidated income statement	13,565	6,634
Current income taxes attributable to discontinued operations	41	–406
Deferred income taxes attributable to discontinued operations	61	162
	13,667	**6,390**

The deferred tax assets and liabilities break down as follows:

in € k	Consolidated balance sheet 2007	Consolidated balance sheet 2006	Offsetting against equity 2007	Consolidated income statement 2007
Deferred tax assets				
Accounting for intangible assets	331	980		–649
Revaluation of land and buildings	915	623		292
Revaluation of financial assets	1,255	1,409		–154
Bad debt allowances	435	485		–50
Interest/currency transactions	633	562	–2	73
Long-term construction contracts	1,573	1,989		–416
Post-employment benefits	4,831	10,419	–3,854	–1,734
Restructuring, provisions not recognized for tax purposes	2,215	2,547		–332
Other assets	–	325		–325
Unused tax losses	19,497	26,125		–6,628
Total deferred tax assets before impairments	**31,685**	**45,464**		
Impairment losses	–9,840	–5,345		–4,495
Total deferred tax assets	21,845	40,119		
Netting	–18,179	–20,968		
All deferred tax assets	**3,666**	**19,151**		
Deferred tax liabilities				
Accounting for intangible assets	–936	–2,473		1,537
Capitalized development costs	–2,810	–3,311		501
Tax-deductible goodwill	–6,431	–7,920		1,489
Revaluation of land and buildings	–12,272	–15,245		2,973
Revaluation of financial assets	–2,361	–4,250		1,889
Long-term construction contracts	–9,937	–11,120		1,183
Amortization of costs related to bonds and syndicated loan facilities	–1,584	–2,374		790
Total deferred tax liabilities	**–36,331**	**–46,693**		
Netting	18,179	20,968		
All deferred tax liabilities	**–18,152**	**–25,725**		
Offset directly against equity			**–3,856**	
Deferred tax expense				**–4,056**

In the 2007 reporting period, deferred taxes of € 3,856 thousand were recognized directly in equity (2006: € 1,739 thousand).

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

Unused tax losses for which no deferred tax assets were recognized came to € 179,924 thousand (2006: € 204,325 thousand). The decrease is primarily attributable to the utilization of tax losses. Of these, tax losses carried forward of € 9,068 thousand have to be used by 2011 at the latest (prior period: € 12,560 thousand by 2010) and unused tax losses of € 11,810 thousand have to be used by 2024 at the latest (prior period: € 34,058 thousand by 2025).

As of December 31, 2007, the distributable reserves of foreign subsidiaries amounted to around € 88,813 thousand (2006: € 98,085 thousand). As Dürr AG intends to reinvest these gains for an indefinite period of time, no tax implications from possible distributions or dividend payments of foreign subsidiaries were considered in the consolidated financial statements.

EFFECTS OF THE GERMAN ACT ON TAX MEASURES ACCOMPANYING THE INTRODUCTION OF THE EUROPEAN COMPANY AND THE AMENDMENT OF OTHER TAX LAW PROVISIONS (SESTEG) AND EFFECTS OF THE GERMAN 2008 ANNUAL TAX ACT (JSTG 2008)

As a result of the German act on tax measures accompanying the introduction of the European Company and the amendment of other tax law provisions (SEStEG), the corporate income tax credit of subsidiaries of Dürr AG of € 407 thousand has to be paid out in ten equal annual installments as of September 30 each year beginning in 2008; the payment is no longer dependent on distributions. As of December 31, 2006, this credit was recognized at the present value of € 319 thousand and thus gave rise to income.

On account of the German 2008 Annual Tax Act, the equity components (Equity 02) of an entity are subject to clawback taxation of 3% and the increase calculated for corporate income tax is payable in ten equal annual installments.

Overall, Dürr has calculated corporate income tax credits after adjustments from the tax field audit (€ 178 thousand) and back taxation (€ 7 thousand) of € 171 thousand as of December 31, 2007 (2006: € 319 thousand).

The effects from back taxation and the adjustment of the corporate income tax credit gave rise to a net expense of € 148 thousand.

NOTES TO THE CONSOLIDATED BALANCE SHEET: ASSETS

16. 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 the Group in note 38.

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

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

in € k	2007	2006
Cost of sales	7,434	8,499
Selling expenses	890	945
General administrative expenses	3,976	6,567
Research and development costs	3,845	2,266
Other operating income and expenses	1,024	88
Interest expense	775	702
	17,944	**19,067**

In the prior period, assets were also written down to the recoverable amount by recording impairment losses. The recoverable amount is generally determined on the basis of the value in use and at the level of the cash-generating unit. The recoverable amount was only determined on the basis of fair values when determining the impairment loss on investment property. To improve insight into the earnings situation, this was disclosed separately in the income statement. For additional information, we refer to note 12.

IMPAIRMENT TEST FOR GOODWILL

The goodwill acquired from business combinations was allocated to the cash-generating units for impairment testing. For the purpose of impairment testing, Dürr has defined the business units within the Paint and Assembly Systems and Measuring and Process Systems divisions as the cash-generating units. The calculation model is used in exactly the same way for all cash-generating units (for the business units of the Paint and Assembly Systems division, the division balance sheet was split between the business units in a pro forma statement) as the key parameters pertain equally to all business units.

The net realizable amount of the cash-generating units is determined on the basis of value in use. This calculation is prepared on the basis of cash flow forecasts which are based on the three-year business plan approved by management. In the reporting period, the discount rate before taxes for the cash flow forecast was within the range of 10.43 % to 10.58 % (2006: 9.63 % to 9.80 %). Cash flows after the three-year period are extrapolated using a growth rate of 1.5 % (2006: 1.5 %) based on the long-term growth rate of the business units.

PLANNED GROSS PROFIT MARGINS

The gross profit margins are determined in the subsidiaries' bottom-up planning. These are based on the figures determined for the previous reporting period taking anticipated efficiency increases into account.

COST OF CAPITAL (DISCOUNT RATE)

The cost of capital is the weighted average cost of debt and equity before tax. The cost of debt is based both on the credit rating and also the rating for the bond issued in 2004. When calculating the cost of capital, a beta factor is also assumed which is derived from the capital market data of comparable companies and the capital structure of Dürr.

INCREASE IN THE PRICE OF RAW MATERIALS

Price increases in raw materials are determined from the forecast price indices of the countries from which the raw materials are procured by the respective subsidiaries.

INCREASE IN SALARY COSTS

In the three-year plan, the German subsidiaries have assumed annual salary increases of 2.75 % (2006: 3 %). The foreign subsidiaries have used the applicable local rate of increase for the respective planning period.

The table below shows the development of goodwill, broken down by division and business unit:

in € k	Carrying amount as of January 1, 2006	Exchange difference	Carrying amount as of December 31, 2006	Changes in the consolidated group	Exchange difference	Additions	Disposals	Carrying amount as of December 31, 2007
Paint Systems	84,412	–2,425	81,987	–	–2,401	–	–	79,586
Application Technology	55,906	–434	55,472	–	–294	–	–	55,178
Environmental and Energy Systems	6,118	–625	5,493	–	–573	–	–	4,920
Factory Assembly Systems	75,943	–4	75,939	5,154	42	172	–	81,307
Paint and Assembly Systems	**222,379**	**–3,488**	**218,891**	**5,154**	**–3,226**	**172**	**–**	**220,991**
Balancing and Diagnostic Systems	27,733	–	27,733	–	–	245	–	27,978
Cleaning and Filtration Systems	17,265	–1,593	15,672	–	–1,461	–	–	14,211
Measuring and Process Technologies	–	–	–	–	–	125	–125	–
Measuring and Process Systems	**44,998**	**–1,593**	**43,405**	**–**	**–1,461**	**370**	**–125**	**42,189**
Dürr Group	**267,377**	**–5,081**	**262,296**	**5,154**	**–4,687**	**542**	**–125**	**263,180**

The changes in goodwill in the 2007 reporting period are explained below.

ACQUISITIONS

Dürr acquired another percent of the shares in CPM S.p.A., Beinasco, Italy, in the reporting period for € 93 thousand. Thus 51 % of the CPM S.p.A. shares are now held by Dürr. Prior to this acquisition, the investment in CPM S.p.A. had been accounted for as an associate using the equity method. In addition, in the course of consolidating CPM S.p.A. in full for the first time, the existing put option of the minority shareholders for the shares held by them was measured at fair value in accordance with IAS 32 and recognized under other liabilities. The minority shareholders can exercise the option for the first time as of May 2009.

Full consolidation of CPM S.p.A. for the first time involves including Stimas Engineering S.r.l., Turin, Italy, in which CPM S.p.A. has a shareholding of 51 %, as a fully consolidated entity in the consolidated financial statements.

The transaction gave rise to an increase of € 5,154 thousand in goodwill. The goodwill mainly reflects synergies in distribution and marketing, in particular in the business with Italian automotive manufacturers. It also reflects an increase in efficiency in procurement, processing and technology.

At the date of acquisition, CPM S.p.A. had recognized the following items:

in € k	
Non-current assets	630
Current assets	13,519
of which cash and cash equivalents	393
Non-current liabilities	2,022
Current liabilities	11,600
Equity	527

The profit contribution made by CPM S.p.A. since the date of acquisition amounted to € 835 thousand. If the acquisition had taken place as of January 1, 2007, the Group's sales revenues would have amounted to € 1,477,935 thousand and profit of continuing operations to € 21,191 thousand.

Schenck S.A.S., Cergy-Pontoise, France, acquired the "Equilibrage Service" operations from CAMM Services S.A.S., Houilles, France, in the reporting period. These operations process customer orders for balancing workpieces (from repair workshops and production plants) and provide maintenance services for rotating components. The acquisition was an asset deal. The purchase price amounted to € 200 thousand, of which € 25 thousand was allocated to the equipment, furniture and fixtures acquired. No cash and cash equivalents were acquired. The acquisition of these operations will allow synergies to be achieved above all in the areas of distribution and production; these are reflected in the goodwill of € 175 thousand.

The arbitration proceedings that have been pending since 2004 in relation to the squeeze-out of the minority interests in Carl Schenck AG were brought to conclusion by a ruling in first instance of the Frankfurt/Main Regional Court. According to the court ruling, Dürr had to pay a total of € 367 thousand to minority shareholders of Carl Schenck AG. This amount was subsequently recognized as goodwill, and € 125 thousand thereof was allocated to the Measuring and Process Technologies business unit sold. The resulting disposal of goodwill of € 125 thousand was recognized in profit or loss and posted to profit from discontinued operations.

LAND AND BUILDINGS

A building of Dürr Ecoclean S.A., Barcelona, Spain, which had been disclosed in the balance sheet item "Non-current assets classified as held for sale" as of December 31, 2006, was sold in the reporting period.

In addition, a building owned by Dürr Systems S.A., San Sebastian, Spain, was sold in a sale-and-lease-back transaction. The building is still used by the entity and was leased back under an operating lease.

In connection with the new construction project (Campus project) and the business relocation to Bietigheim-Bissingen, Dürr Systems GmbH, Stuttgart, and Dürr Grundstücks-GmbH, Stuttgart, sold two plots of land and one plot of land, respectively.

In the prior period, a piece of land and a building in Mexico and three buildings in the USA were sold in accordance with a resolution taken by the Board of Management of Dürr AG on January 18, 2006. The property was sold because it was no longer needed following restructuring. One of the properties in the US had belonged to the Measuring and Process Systems division, the other three to the Paint and Assembly Systems division; for further information we refer to note 12.

As in the prior period, three buildings in the United Kingdom, Germany and Poland were capitalized as finance leases in the reporting period; Dürr does not have legal title to these buildings.

The depreciation expense recorded on these buildings is included in the depreciation of property, plant and equipment.

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

in € k	Dec. 31, 2007	Dec. 31, 2006
Historical cost	16,606	17,425
Accumulated depreciation and impairment losses	9,924	9,129
Net carrying amount	7,312	8,296

INVESTMENT PROPERTY

Dürr distinguishes between property that is largely owner occupied and property that is let to third parties. A property is considered to be largely used by third parties if more than 90% of it is let to third parties. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area on the factory premises in Darmstadt. The composition of the cash-generating unit that was formed for this reason in the 2005 reporting period is unchanged as there were only minor changes in use in the 2007 and 2006 reporting periods.

In the 2007 reporting period, these properties generated rental income of € 2,223 thousand (2006: € 2,065 thousand). The future rental income based on the existing agreements breaks down as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006
Within one year	2,053	1,656
Between one and five years	3,497	3,656
More than five years	661	105
	6,211	**5,417**

Directly attributable expenses amounted to € 1,299 thousand (2006: € 1,239 thousand). Expenses of € 217 thousand (2006: € 248 thousand) are directly 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 addition, property that is mainly let to third parties was subjected to an impairment test by an external valuer. In its report, the valuer estimates that all the buildings have a residual useful life of on average of 20 years. For each building, the valuer estimates the rental income and expenses for this period and, where contracts exist, adjusts the rental income in the appraisal to reflect the current contractual situation. Based on this expert appraisal, an impairment loss of € 5,471 thousand was recorded in the 2005 reporting period to write the property down to fair value. The Company assumes that the fair value as of December 31, 2007 has not changed materially and is thus around € 13.6 million, taking into account additions due to subsequent expenditure.

The accumulated historical cost of land and buildings as of January 1, 2007 came to € 29,387 thousand. On December 31, 2007 it came to € 30,057 thousand. The accumulated depreciation including all impairment losses has increased from € 16,118 thousand as of January 1, 2007 to € 16,482 thousand as of December 31, 2007.

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 at the beginning and end of the reporting period.

in € k	2007	2006
As of January 1	**13,269**	**13,068**
Additions subsequent expenditure	820	677
Disposal of acquisition costs	–150	–
Depreciation	–501	–476
Disposal of accumulated depreciation and impairment losses	137	–
As of December 31	**13,575**	**13,269**

17. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

Details of the investments in entities accounted for using the equity method are presented in the table below:

in € k	2007	2006
Total assets	64,955	67,526
Liabilities	43,717	47,373
Sales revenues	84,646	71,800
Profit or loss of the period	3,897	3,994

The balance sheet date of one associate is September 30; it is included at equity 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 additional information about the consolidated entities, we refer to notes 3 and 4.

18. INVENTORIES AND PREPAYMENTS

Inventories and prepayments break down as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006
Materials and supplies	44,261	39,313
less write-downs	–7,028	–6,190
Work in process from small series production	9,188	3,345
less write-downs	–619	–41
Finished goods	7,091	6,980
less write-downs	–1,007	–760
Prepayments	6,080	8,017
	57,966	**50,664**

Materials and supplies of € 40,977 thousand (2006: € 34,361 thousand) were measured at average cost and € 3,284 thousand (2006: € 4,952 thousand) using the FIFO method (first in, first out). On aggregate, write-downs increased to € 8,654 thousand (2006: € 6,991 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the reporting period of € 2,581 thousand (2006: reversal of € 235 thousand) were recognized in profit or loss.

19. TRADE RECEIVABLES Trade receivables break down as follows:

	Dec. 31, 2007			Dec. 31, 2006		
in € k	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	134,880	134,880	–	150,877	150,877	–
Trade receivables due from third parties	267,028	264,402	2,626	254,711	253,071	1,640
Trade receivables due from entities accounted for using the equity method	6,155	6,075	80	4,759	4,698	61
	408,063	**405,357**	**2,706**	**410,347**	**408,646**	**1,701**

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

	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	
in € k	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Neither past due nor impaired as of the balance sheet date	134,880	150,877	195,565	182,165	5,263	3,954
Not impaired as of balance sheet date, but past due by						
less than 3 months	–	–	53,945	40,865	717	446
between 3 and 6 months	–	–	6,678	13,657	55	129
between 6 and 9 months	–	–	1,370	3,191	16	48
between 9 and 12 months	–	–	2,951	3,766	24	–
more than 12 months	–	–	4,599	7,950	80	182
Total	–	–	69,543	69,429	892	805
Net receivables on which specific bad debt allowances have been recognized	–	–	1,920	3,117	–	–
Carrying amount (net)	**134,880**	**150,877**	**267,028**	**254,711**	**6,155**	**4,759**

With respect to the trade receivables that were neither impaired nor past due, there was no indication as of the balance sheet that the debtors would not meet their payment obligations.

No contractual terms and conditions were renegotiated in the 2007 and 2006 reporting period where the underlying trade receivables would otherwise have been impaired or past due.

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

in € k	2007	2006
January 1	**10,173**	**17,199**
Changes in consolidated group	72	–
Exchange difference	–142	–607
Utilization	2,655	7,868
Reversal	1,539	2,011
Increases (expenses for bad debt allowances)	2,576	3,460
December 31	**8,485**	**10,173**

Receivables of € 2,853 thousand (prior period: € 7,868 thousand) were derecognized in the 2007 reporting period; € 2,655 thousand thereof had already been written down in the prior period. The remaining € 198 thousand (prior period: € 0 thousand) was derecognized with effect on profit or loss in the 2007 reporting period.

The following table provides a summary of the cost and estimated earnings in excess of billings on uncompleted contracts:

	Dec. 31, 2007			Dec. 31, 2006		
in € k	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**
Costs and estimated earnings	638,068	638,068	–	330,456	330,456	–
less billings	621,716	621,716	–	288,919	288,919	–
	16,352	**16,352**	**–**	**41,537**	**41,537**	**–**

These amounts are offset on a contract basis and are included in either cost and estimated earnings in excess of billings or billings in excess of cost and estimated earnings (see note 26).

The item costs and estimated earnings in excess of billings contains prepayments (assets) of € 503,188 thousand (2006: € 179,579 thousand) offset against construction contracts in process.

	Dec. 31, 2007			Dec. 31, 2006		
in € k	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**
Costs and estimated earnings in excess of billings	134,880	134,880	–	150,877	150,877	–
less billings in excess of cost and estimated earnings	118,528	118,528	–	109,340	109,340	–
	16,352	**16,352**	**–**	**41,537**	**41,537**	**–**

20. OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets break down as follows:

	Dec. 31, 2007			Dec. 31, 2006		
in € k	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**
Receivables from financing provided to entities accounted for using the equity method	–	–	–	750	750	–
Other assets	27,070	20,283	6,787	23,684	20,957	2,727
	27,070	**20,283**	**6,787**	**24,434**	**21,707**	**2,727**

Other assets include in particular tax refund claims not relating to income taxes of € 8,811 thousand (2006: € 10,447 thousand), forward exchange contracts recorded at fair value of € 5,155 thousand (2006: € 1,793 thousand), credit notes from suppliers of € 1,236 thousand (2006: € 1,825 thousand), receivables due from employees of € 1,154 thousand (2006: € 857 thousand) and rent deposits as well as security deposits of € 5,008 thousand.

NOTES TO THE CONSOLIDATED BALANCE SHEET: EQUITY AND LIABILITIES

21. EQUITY WITHOUT MINORITY INTERESTS

SUBSCRIBED CAPITAL

As of December 31, 2007, the capital stock of Dürr AG was unchanged compared to the prior-period balance sheet date at € 40,264 thousand and was made up of 15,728,020 shares. Each share represents € 2.56 of the subscribed capital and is made out to the bearer.

The shares issued were fully paid in as of the balance sheet date.

AUTHORIZED CAPITAL (DÜRR AG)

The annual general meeting of May 24, 2006 authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times until May 23, 2011 by up to an amount of € 20,132 thousand by issuing up to 7,864,000 no-par value shares made out to the bearer (authorized capital).

CONDITIONAL CAPITAL (DÜRR AG)

The annual general meeting on May 18, 2007 authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until May 17, 2012 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 € 201,318 thousand. For this purpose, the share capital has been conditionally increased by a maximum of € 20,132 thousand by issue of up to 7,864,000 new no-par value bearer shares in the form of common stock (conditional capital).

The previous conditional capital I and II approved by the annual general meetings on May 24, 2006 and May 30, 2001 was cancelled.

CAPITAL RESERVE (DÜRR AG)

As of December 31, 2007 the capital reserve came to € 160,459 thousand (prior period: € 160,459 thousand). The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG ["Aktiengesetz": German Stock Corporation Act].

REVENUE RESERVES

As of December 31, 2007, the revenue reserves amounted to € 94,911 thousand (prior period: € 73,021 thousand). The change was essentially due to the transfer of the net income for the period.

DIVIDENDS

The Board of Management and Supervisory Board decided to propose to the annual general meeting that a dividend be distributed for the 2007 reporting period for the first time since 2002. Based on the considerable improvement in the retained earnings of Dürr AG, € 0.40 per share is to be distributed. In proportion to the net income for the period, this is a distribution rate of 30%. When distributing the dividend, tax on investment income, including solidarity surcharge, totaling € 1.3 million will have to be withheld.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The table below presents the development of accumulated other comprehensive income and the associated tax effects, taking into account the changes of the items "Amounts resulting from assets held for sale" and "Minority interests".

	2007			2006		
in € k	**Before tax**	**Tax effect**	**Net**	**Before tax**	**Tax effect**	**Net**
Net gains/losses (–) from derivatives used to hedge cash flows	–507	–2	–509	525	–207	318
Change in net actuarial gains and losses from benefit obligations	10,755	–3,854	6,901	3,035	–1,532	1,503
Change in unrealized gains/losses (–) from available-for-sale financial assets	–9	–	–9	–9	–	–9
Change in unrealized gains/losses (–) from a put option	–680	–	–680	–	–	–
Exchange differences	–13,939	–	–13,939	–10,924	–	–10,924
Amounts recorded directly in equity from non-current assets classified as held for sale	–2,305	–	–2,305	–495	–	–495
Changes in accumulated other comprehensive income	**–6,685**	**–3,856**	**–10,541**	**–7,868**	**–1,739**	**–9,607**

22. MINORITY INTERESTS

Minority interests contain adjustment items from the capital consolidation for minority interests in capital required to be consolidated and the profits and losses attributable to them. The consolidated financial statements contain three entities (2006: one) in which minority shareholders hold interests.

23. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

DEFINED CONTRIBUTION PLANS

The post-employment benefits available to the employees of Dürr's German entities include a life insurance program (BZV) in line with the respective tariff group for which the Company recorded contributions of € 716 thousand (2006: € 689 thousand) as an expense. In addition, Dürr pays contributions to the German statutory pension scheme, which also constitutes a defined contribution plan. The US subsidiaries contribute to external pension funds for union employees. In the reporting period, pension expenses for these employees amounted to approx. € 1,437 thousand (2006: € 2,432 thousand).

In addition, Dürr's US subsidiaries have a "401(k)" profit-sharing plan for certain employees. Profit-sharing is based on years of service and the employees' compensation. The Group's contribution is discretionary and is determined annually by management. In the reporting period, expenses came to € 461 thousand (2006: € 89 thousand).

DEFINED BENEFIT PLANS

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the Board of Management and general managers of German subsidiaries based on their most recent fixed salary and years of service.

In addition, employees at Dürr AG and the German subsidiaries are offered deferred compensation. Under these plans, Dürr offers employees the possibility of converting certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligation, Dürr has taken out employer's pension liability insurance for the life of the beneficiaries. Dürr has the exclusive right to the respective benefits. The amount of post-employment benefits equals the benefit paid out under the employer's pension liability insurance concluded by Dürr, which consists of a guaranteed pension and the divisible surplus allocated by the insurance company. Dürr reports the benefit obligation net of plan assets from the employer's pension liability insurance, with actuarial gains and losses potentially giving rise to a surplus or deficit.

At Dürr subsidiaries, those workers who were employed at the German locations in Filderstadt and Wyhlen and at the Schenck entities at the time their entities were acquired were entitled to post-employment benefits. The post-employment benefits are based on years of service. The payments foreseen by the pension plan are calculated on actual contributions plus an element that is dependent on years of service.

The US subsidiaries of Dürr have pension plans covering all non-union employees at these subsidiaries. The plan provides benefits based on the average salaries earned in the past five years before the employees reach retiring age.

The following table presents information on these pension plans:

in € k	Dec. 31, 2007	Dec. 31, 2006
Changes in the present value of defined benefit obligations		
Defined benefit obligation at the beginning of the year	81,848	88,296
Changes in the consolidated group	1,148	–
Exchange differences	–2,006	–2,371
Service cost	2,309	3,535
Interest cost	3,815	3,541
Actuarial gains and losses	–11,011	–2,998
Benefits paid for direct and indirect commitments	–4,861	–4,951
Curtailments	–39	–3,459
Other	–23	255
Defined benefit obligation at the end of the year	**71,180**	**81,848**

in € k	Dec. 31, 2007	Dec. 31, 2006
Change in plan assets		
Fair value of plan assets at the beginning of the year	21,185	20,558
Changes in the consolidated group	306	–
Exchange differences	–1,657	–1,668
Expected return on plan assets	1,136	1,279
Actuarial gains and losses	–256	37
Employer contributions	1,604	1,207
Benefits paid for direct and indirect commitments	–1,076	–1,843
Plan assets from employer's pension liability insurance	367	1,615
Fair value of plan assets at the end of the year	**21,609**	**21,185**
Funded status[1]	49,571	60,663

in € k	Dec. 31, 2007	Dec. 31, 2006
Present value of funded obligations	23,498	26,302
Plan assets at fair value	21,609	21,185
Defined benefit obligation in excess of plan assets	1,889	5,117
Present value of non-funded obligations	47,682	55,546
Funded status[1]	49,571	60,663

[1] Difference between the defined benefit obligation and the plan assets

The following balance sheet items are affected by the accounting for post-employment benefit obligations:

in € k	Dec. 31, 2007	Dec. 31, 2006
Prepaid expenses	–436	–76
Accumulated other comprehensive income (including exchange differences)	–5,176	–16,636
Pension provisions	50,007	60,739

As of December 31, 2007, the plan assets were invested in various portfolios consisting mostly of fixed-interest securities and shares. At the end of the reporting period, plan assets break down as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006
Shares	7,396	8,211
Fixed-interest securities	13,781	12,452
Property	401	522
Other	31	–
	21,609	**21,185**

The plan assets of the German entities mainly consist of employer's pension liability insurance policies. These plan assets cover the benefit obligations acquired. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities (including government bonds and mortgage bonds). When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers.

Total return expected on plan assets is generally calculated on the basis of the market prices at this point in time. These apply for the period of time over which the obligation is settled. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest receipts on the other. This strategy leads to somewhat more volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term accumulation of capital is to be achieved above all by equity investments. Fixed-interest securities intended to secure ongoing interest receivables are an equally important part of the investment portfolio. The planned long-term return on plan assets for the main benefit plans in the US ranges between 6.75% and 8.5%. Depending on the investment strategy, stocks account for 20% and 60% of the portfolio, respectively.

Experience adjustments of the post-employment benefit obligations and the plan assets are presented below:

in € k	2007	2006
Post-employment benefit obligations	2,611	1,416
Plan assets	244	158

For the 2008 reporting period, employer contributions to the plans of € 863 thousand are expected.

Composition of net periodic pension cost:

in € k	2007	2006
Service cost	2,309	3,535
Interest cost	3,815	3,541
Expected return on plan assets	–1,136	–1,279
Curtailments	39	–3,459
Other	–59	133
	4,968	**2,471**

In the 2007 reporting period, the return on plan assets totaled € 880 thousand (prior period: € 1,316 thousand).

The net periodic pension cost is contained in the following items of the income statement:

in € k	2007	2006
Cost of sales	467	–860
Selling expenses	337	–13
General administrative expenses	4,112	3,297
Research and development costs	19	16
Other operating income and expenses	33	31
	4,968	**2,471**

The cut-off date for the measurement of benefit obligations and plan assets is December 31 of each year; the measurement date for pension cost is January 1 of each year.

The following averages were used to calculate benefit obligations:

in %	2007	2006
Discount rate	5.57	4.70
Long-term salary increases	2.14	2.29

The following averages were used to calculate pension cost:

in %	2007	2006
Discount rate	4.70	4.33
Estimated long-term return on plan assets	7.67	7.76
Long-term salary increases	2.29	2.09

The estimated long-term return on plan assets is based on historical and projected returns and volatilities of the individual categories of the portfolio of plan assets, taking the customary benchmarks into account.

Amounts for the current and previous reporting periods are as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Defined benefit obligation	71,180	81,848	88,296	67,784
Plan assets at fair value	21,609	21,185	20,558	14,228
Surplus/deficit (–)	–49,571	–60,663	–67,738	–53,556
Experience adjustments on post-employment benefit obligations	2,611	1,416	–2,735	–
Experience adjustments on plan assets	244	158	–518	–

24. OTHER PROVISIONS

Other provisions break down as follows:

	Dec. 31, 2007			Dec. 31, 2006		
in € k	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	51,272	49,617	1,655	57,725	54,710	3,015
Personnel provisions	10,726	6,201	4,525	8,560	4,256	4,304
Other provisions	3,808	3,808	–	7,231	7,231	–
	65,806	**59,626**	**6,180**	**73,516**	**66,197**	**7,319**

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. The personnel provisions mainly contain provisions for long-service awards and obligations for phased retirement. Other provisions relate to various identifiable specific risks and contingent liabilities.

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years.

Other provisions developed as follows in the reporting period:

in € k	Contract-related provisions	Personnel provisions	Other provisions
As of January 1, 2007	**57,725**	**8,560**	**7,231**
Exchange difference	–572	–50	–9
Utilization	–47,526	–2,148	–3,544
Reversal	–3,542	–85	–2,035
Addition	45,187	4,449	2,165
As of December 31, 2007	**51,272**	**10,726**	**3,808**

25. BONDS AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under the item bonds and other financial liabilities. They break down as follows:

in € k	Total	Short	Total	Medium	Long
Bond	191,699	–	191,699	191,699	–
(2006)	(189,840)	(–)	(189,840)	(189,840)	(–)
Liabilities to banks	16,510	12,879	3,631	1,845	1,786
(2006)	(13,050)	(8,569)	(4,481)	(2,152)	(2,329)
Financial liabilities to entities accounted for using the equity method	1,064	1,064	–	–	–
(2006)	(1,035)	(115)	(920)	(920)	(–)
Finance lease liabilities	5,311	1,111	4,200	3,278	922
(2006)	(6,423)	(1,185)	(5,238)	(4,186)	(1,052)
December 31, 2007	**214,584**	**15,054**	**199,530**	**196,822**	**2,708**
(December 31, 2006)	**(210,348)**	**(9,869)**	**(200,479)**	**(197,098)**	**(3,381)**

Those liabilities with a residual term of between one and five years are disclosed as medium term; otherwise as short or long-term.

Dürr AG issued a fixed-interest bond with a total volume of € 200,000 thousand, a coupon of 9.75% and a term of seven years on July 6, 2004. The purpose of the bond is to serve the long-term financing of the Group.

A syndicated loan facility of € 271,000 thousand is also in place with a bank syndicate, consisting of a revolving cash line and bank guarantee line. While the cash line was not used as of the balance sheet date, € 82,199 thousand of the guarantee line was used. The loan expires in 2009. Premature termination by the bank syndicate is only possible if the covenants are infringed and with a two-third majority of the lending banks. To take account of the restructuring measures initiated, it was agreed in 2005 and 2007 to adjust the covenants for the period until March 31, 2008. In addition, it was arranged in 2007 that one covenant does not need to be complied with any more. Based on the calculations of the Board of Management, the other agreed covenants were complied with as of the balance sheet date. Depending on the currency, the interest is based on the refinancing rate with the same maturity (EURIBOR or LIBOR) plus a margin determined in relation to the financial ratio of total net debt to EBITDA.

Shares in subsidiaries have been pledged as collateral for the bond and the syndicated loan facility.

Besides the syndicated loan facility, the Company has lines of credit (€ 17.0 million) for working capital, bank guarantees (€ 199.7 million) as well as smaller loan facilities with various banks and insurance firms. These lines of credit have terms of up to 13 years, interest is charged once every three or six months (between 3.54% and 8.00% p.a. or the three-month EURIBOR or 1-week USD-LIBOR plus a customary bank margin) and are secured by mortgages of € 595 thousand (2006: € 1,235 thousand).

The total lines of credit and bank guarantees can be broken down as follows:

in € k	**Dec. 31, 2007**	**Dec. 31, 2006**
Total amount of lines of credit and bank guarantees	494,901	489,016
Total amount of credit lines/guarantees utilized	229,027	232,109
of which due within one year	182,977	197,061
of which due in more than one year	46,050	35,048

€ 1,903 thousand (2006: € 2,277 thousand) of the liabilities to banks are payable in US dollars. The remainder is generally payable in euros.

The weighted average interest rate for current liabilities to banks in 2007 was 5.91% (2006: 5.55%) and for non-current liabilities to banks 4.26% (2006: 3.63%).

26. TRADE PAYABLES

Trade payables break down as follows:

in € k	Total	Short	Total	Medium	Long
Billings in excess of costs on uncompleted contracts (resulting from small series production)	10,917	10,917	–	–	–
(2006)	(16,872)	(16,872)	(–)	(–)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	118,528	118,528	–	–	–
(2006)	(109,340)	(109,340)	(–)	(–)	(–)
Trade payables	212,195	212,195	–	–	–
(2006)	(171,541)	(171,541)	(–)	(–)	(–)
Liabilities to entities accounted for using the equity method	3,123	3,123	–	–	–
(2006)	(5,822)	(5,822)	(–)	(–)	(–)
December 31, 2007	**344,763**	**344,763**	**–**	**–**	**–**
(December 31, 2006)	**(303,575)**	**(303,575)**	**(–)**	**(–)**	**(–)**

Those liabilities with a residual term of between one and five years are disclosed as medium term; all others as short or long-term.

27. TAX LIABILITIES AND OTHER LIABILITIES

Tax liabilities and other liabilities are summarized as follows:

in € k	Total	Short	Total	Medium	Long
Tax liabilities	31,451	15,842	15,609	15,609	–
(2006)	(25,655)	(13,070)	(12,585)	(12,475)	(110)
Other liabilities	90,743	76,454	14,289	14,289	–
(2006)	(90,803)	(77,460)	(13,343)	(13,136)	(207)
December 31, 2007	**122,194**	**92,296**	**29,898**	**29,898**	**–**
(December 31, 2006)	**(116,458)**	**(90,530)**	**(25,928)**	**(25,611)**	**(317)**

Those liabilities with a residual term of between one and five years are disclosed as medium term; all others as short or long-term.

Other liabilities include the following material items:

- Tax liabilities not relating to income taxes of € 19,874 thousand (2006: € 14,902 thousand),
- liabilities relating to social security of € 4,566 thousand (2006: € 4,328 thousand),
- liabilities to employees of € 37,871 thousand (2006: € 31,893 thousand),
- derivative financial instruments of € 2,060 thousand (2006: € 1,438 thousand) and
- obligations from an existing put option for the shares held by minority interests in CPM S.p.A. of € 3,925 thousand.

There are also obligations from restructuring measures of € 9,183 thousand (2006: € 19,376 thousand), which are explained in note 12.

28. OTHER NOTES ON FINANCIAL INSTRUMENTS

MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

Based on the balance sheet items, the relationship between the classification of financial instruments pursuant to IAS 39, the classification of financial instruments pursuant to IFRS 7 and the carrying amounts of financial instruments are presented in the table below.

		Valuation			
in € k	Carrying amount as of December 31, 2007	Cost	Amortized cost	Fair value (recognized directly in equity)	Fair value (recognized in profit or loss)
ASSETS					
Cash and cash equivalents	147,489	–	147,489	–	–
Costs and estimated earnings in excess of billings	134,880	–	134,880	–	–
Trade receivables due from third parties	267,028	–	267,028	–	–
Trade receivables due from entities accounted for using the equity method	6,155	–	6,155	–	–
Other receivables	12,490	–	12,490	–	–
Other primary financial instruments					
Held-to-maturity investments	32	–	32	–	–
Available-for-sale financial assets	318	2	–	316	–
Derivative financial assets					
Derivatives without hedging relationship	258	–	–	–	258
Derivatives with hedging relationship	4,897	–	–	4,347	550
EQUITY AND LIABILITIES					
Trade payables	212,195	–	212,195	–	–
Trade payables to entities accounted for using the equity method	3,123	–	3,123	–	–
Other financial liabilities	15,266	–	15,266	–	–
Bond	191,699	–	191,699	–	–
Liabilities to banks	16,510	–	16,510	–	–
Financial liabilities to entities accounted for using the equity method	1,064	–	1,064	–	–
Finance lease liabilities	5,311	–	5,311	–	–
Derivative financial liabilities					
Derivatives without hedging relationship	273	–	–	–	273
Derivatives with hedging relationship	1,787	–	–	1,408	379
of which combined according to the measurement categories in accordance with IAS 39:					
Held-for-trading financial assets	258	–	–	–	258
Loans and receivables	568,042	–	568,042	–	–
Held-to-maturity investments	32	–	32	–	–
Available-for-sale financial assets	318	2	–	316	–
Financial liabilities at fair value through profit or loss	273	–	–	–	273
Financial liabilities measured at amortized cost	445,168	–	445,168	–	–

in € k	Carrying amount Dec. 31, 2006	Valuation			
		Cost	Amortized cost	Fair value (recognized directly in equity)	Fair value (recognized in profit or loss)
ASSETS					
Cash and cash equivalents	101,482	–	101,482	–	–
Costs and estimated earnings in excess of billings	150,877	–	150,877	–	–
Trade receivables due from third parties	254,711	–	254,711	–	–
Trade receivables due from entities accounted for using the equity method	4,759	–	4,759	–	–
Other receivables	12,194	–	12,194	–	–
Other loans	4,852	–	4,852	–	–
Other primary financial instruments					
Held-to-maturity investments	38	–	38	–	–
Available-for-sale financial assets	331	2	–	329	–
Derivative financial assets					
Derivatives without hedging relationship	508	–	–	–	508
Derivatives with hedging relationship	1,285	–	–	1,285	–
EQUITY AND LIABILITIES					
Trade payables	171,541	–	171,541	–	–
Trade payables to entities accounted for using the equity method	5,822	–	5,822	–	–
Other financial liabilities	12,730	–	12,730	–	–
Bond	189,840	–	189,840	–	–
Liabilities to banks	13,050	–	13,050	–	–
Financial liabilities to entities accounted for using the equity method	1,035	–	1,035	–	–
Finance lease liabilities	6,423	–	6,423	–	–
Derivative financial liabilities					
Derivatives without hedging relationship	152	–	–	–	152
Derivatives with hedging relationship	1,286	–	–	1,286	–
of which combined according to the measurement categories in accordance with IAS 39:					
Held-for-trading financial assets	508	–	–	–	508
Loans and receivables	528,875	–	528,875	–	–
Held-to-maturity investments	38	–	38	–	–
Available-for-sale financial assets	331	2	–	329	–
Financial liabilities at fair value through profit or loss	152	–	–	–	152
Financial liabilities measured at amortized cost	400,441	–	400,441	–	–

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).

	Dec. 31, 2007		Dec. 31, 2006	
in € k	Fair value	Carrying amount	Fair value	Carrying amount
ASSETS				
Cash and cash equivalents	147,489	147,489	101,482	101,482
Costs and estimated earnings in excess of billings	134,880	134,880	150,877	150,877
Trade receivables due from third parties	267,028	267,028	254,711	254,711
Trade receivables due from entities accounted for using the equity method	6,155	6,155	4,759	4,759
Other receivables	12,490	12,490	12,194	12,194
Other loans	–	–	4,852	4,852
Other primary financial instruments				
Held-to-maturity investments	32	32	38	38
EQUITY AND LIABILITIES				
Trade payables	212,195	212,195	171,541	171,541
Trade payables to entities accounted for using the equity method	3,123	3,123	5,822	5,822
Other liabilities	15,266	15,266	12,730	12,730
Bond	210,900	191,699	216,000	189,840
Liabilities to banks	16,510	16,510	13,050	13,050
Financial liabilities to entities accounted for using the equity method	1,064	1,064	1,035	1,035
Finance lease liabilities	6,119	5,311	7,732	6,423
of which combined according to the measurement categories in accordance with IAS 39:				
Loans and receivables	568,042	568,042	528,875	528,875
Held-to-maturity investments	32	32	38	38
Financial liabilities measured at amortized cost	465,177	445,168	427,910	400,441

Cash and cash equivalents, trade receivables, other receivables, trade payables, other liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts as of the balance sheet date approximate their fair value.

It was not possible to determine the fair values of equity interests measured at cost because market prices were not available as no active markets exist. These are interests in two non-listed entities where the estimated future cash flows were not discounted because they could not be determined reliably. It was assumed that their fair value approximates their carrying amount.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with the same due date and credit rating. With the exception of the bond, the fair value of debt capital corresponds closely to the net carrying amount. The fair value of the bond is equal to the nominal value multiplied by the quoted price as of the balance sheet date. As of December 31, 2007, the bond was listed at 105.45 %, which is equal to a market value of € 210,900 thousand (2006: 108.00 %; € 216,000 thousand).

NET GAIN OR LOSS BY MEASUREMENT CATEGORIES

		From subsequent measurement				Net gain or loss	
in € k	From interest	At fair value	Currency translation	Impairment	From disposals	2007	2006
Held-for-trading financial assets	–	448	–	–	–	448	508
Loans and receivables	3,791	–	585	–1,034	–198	3,144	5,771
Available-for-sale financial assets	14	–	–	–	–	14	–
Financial liabilities at fair value through profit or loss	–	–981	–	–	–	–981	–152
Financial liabilities measured at amortized cost	–26,690	–	–1,097	–	–	–27,787	–27,640
	–22,885	**–533**	**–512**	**–1,034**	**–198**	**–25,162**	**–21,513**

Measurement of available-for-sale securities gave rise to a loss of € 9 thousand, which was offset directly against equity.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the cash and cash equivalents of the Group changed in the course of the reporting period as a result of cash received and paid. In accordance with IAS 7 “Cash Flow Statements” a distinction is made between the cash flows from operating, investing and financing activities.

The cash and cash equivalents presented in the cash flow statement contain all liquid assets shown in the balance sheet, i.e. cash in hand, checks and bank balances with an original term to maturity of less than three months.

The cash flow from investing and financing activities is determined on the basis of payments made or received. The cash flow from operating activities, on the other hand, is derived indirectly from the earnings before taxes. When performing the indirect calculation, changes in balance sheet items considered in connection with ordinary activities are adjusted for effects from currency translation and changes in the consolidated group. There are therefore differences compared to changes in the relevant balance sheet items in the consolidated financial statements.

For information about the cash flows from business acquisitions and sales, we refer to notes 6 and 16.

OTHER NOTES

30. SEGMENT REPORTING

The segment reporting was prepared according to IAS 14 “Segment Reporting”. Based on the internal reporting and organizational structure of the Group, the consolidated financial statement data is presented by division and region. The segmentation provides details on the results of operations, net assets and financial situation and the regional spread of the activities.

The primary reporting is based on the divisions of the Group. The Dürr Group consists of a management holding company and two divisions, each with global responsibility for their earnings.

PAINT AND ASSEMBLY SYSTEMS DIVISION

Paint and Assembly Systems develops and builds paint shops and final assembly lines for the automotive industry. The portfolio also includes exhaust cleaning systems for various industries as well as assembly systems for aircraft construction.

MEASURING AND PROCESS SYSTEMS DIVISION

Measuring and Process Systems offers balancing or diagnosis technology as well as industrial cleaning and filtration technology. Besides the automotive industry, the division serves industries like machine engineering, electrical engineering industry or the aerospace industry.

Details of the discontinued operations in the reporting period can be found in note 6.

The Corporate Center essentially consists of Dürr AG.

The principles underlying the Group’s management reporting and controlling are substantially the same as those described in these consolidated financial statements according to IFRS. Dürr measures the performance of its divisions by earnings before interest and taxes (EBIT) in accordance with the disclosure in the consolidated income statement. Transactions between the divisions are carried out at arm’s length prices. Sales revenues are generally allocated to regions based on the location of the customer. Assets of the divisions are allocated on the basis of the location of the subsidiary reporting these assets.

in € k	Paint and Assembly Systems	Measuring and Process Systems	Corporate Center	Consolidation	Continuing operations	Discontinued operations	Total divisions
2007							
External sales revenues	1,160,390	316,251	–	–	1,476,641	–	1,476,641
Sales revenues with other divisions	347	5,484	–	–5,831	–	–	–
Total sales revenues	**1,160,737**	**321,735**	**–**	**–5,831**	**1,476,641**	**–**	**1,476,641**
Earnings before interest and taxes (EBIT)	36,601	19,381	–376	114	55,720	1,087	56,807
Profit/loss from entities accounted for using the equity method	797	1,127	–	–	1,924	–	1,924
Amortization and depreciation	–10,741	–5,577	–1,498	–	–17,816	–	–17,816
Other non-cash income and expenses	75	–28	–	–	47	–	47
Capital expenditures	5,477	5,262	92	–	10,831	–	10,831
Investments in entities accounted for using the equity method	3,864	7,973	–	–	11,837	–	11,837
Assets	645,122	295,344	494,096	–539,821	894,741	–	894,741
Liabilities	425,665	114,135	22,086	–10,656	551,230	–	551,230
Employees (as of December 31)	3,997	1,892	47	–	5,936	–	5,936

in € k	Paint and Assembly Systems	Measuring and Process Systems	Corporate Center	Consolidation	Continuing operations	Discontinued operations	Total divisions
2006							
External sales revenues	1,083,846	277,344	–	–	1,361,190	144	1,361,334
Sales revenues with other divisions	347	4,104	–	–4,451	–	–	–
Total sales revenues	**1,084,193**	**281,448**	**–**	**–4,451**	**1,361,190**	**144**	**1,361,334**
Earnings before interest and taxes (EBIT)	29,359	4,585	–888	63	33,119	–917	32,202
Profit/loss from entities accounted for using the equity method	1,629	1,065	–	–	2,694	–	2,694
Amortization and depreciation	–11,341	–4,771	–3,911	–	–20,023	–	–20,023
Other non-cash income and expenses	528	–142	–274	–	112	–	112
Capital expenditures	5,779	2,969	83	–	8,831	3	8,834
Investments in entities accounted for using the equity method	5,752	7,229	–	–	12,981	–	12,981
Assets	653,447	294,463	501,193	–551,469	897,634	–	897,634
Liabilities	396,636	126,432	22,921	–15,385	530,604	–	530,604
Employees (as of December 31)	3,786	1,821	43	–	5,650	–	5,650

The net profit/loss from continuing operations is derived as follows from the earnings before interest and taxes (EBIT):

in € k	2007	2006
Earnings before interest and taxes (EBIT) of continuing operations	55,720	33,119
Profit/loss from entities accounted for using the equity method	1,924	2,694
Other investment income	–	7
Interest and similar income	3,805	6,655
Interest and similar expenses	–26,690	–27,640
Income taxes	–13,565	–6,634
Profit/loss from continuing operations	**21,194**	**8,201**
Earnings before interest and taxes (EBIT) of discontinued operations	1,087	–917
Interest and similar expenses	–4	–57
Income taxes	–102	244
Profit/loss from discontinued operations	**981**	**–730**

Gross assets and gross liabilities from continuing operations are derived as follows from the segment assets and segment liabilities:

in € k	Dec. 31, 2007	Dec. 31, 2006
Segment assets of continuing operations	894,741	897,634
Cash and cash equivalents	147,489	101,482
Tax receivables	10,255	7,689
Investments in entities accounted for using the equity method	11,837	12,981
Deferred tax assets	3,666	19,151
Non-current assets classified as held for sale	6,782	1,129
Gross assets of continuing operations	**1,074,770**	**1,040,066**

in € k	Dec. 31, 2007	Dec. 31, 2006
Segment liabilities of continuing operations	551,230	530,604
Bond	191,699	189,840
Liabilities to banks	16,510	13,050
Finance lease liabilities	5,311	6,423
Tax liabilities	31,451	25,655
Other taxes	3,308	3,069
Deferred tax liabilities	18,152	25,725
Gross liabilities of continuing operations[1]	**817,661**	**794,366**

[1] Consolidated balance sheet total less equity including minority interests

in € k	Germany	Other European countries	North / Central America	South America	Asia / Africa / Australia	Continuing operations
2007						
External sales revenues	273,993	578,983	289,604	38,831	295,230	1,476,641
Capital expenditures	4,778	2,117	1,486	1,333	1,117	10,831
Assets	379,344	239,039	203,553	21,680	51,145	894,741
Employees (as of December 31)	3,040	1,125	886	97	788	5,936
2006						
External sales revenues	281,382	513,546	258,832	27,235	280,195	1,361,190
Capital expenditures	5,114	1,084	1,793	84	756	8,831
Assets	396,708	250,872	192,196	20,668	37,190	897,634
Employees (as of December 31)	2,995	1,145	801	78	631	5,650

In the 2007 reporting period, sales with one customer accounted for 9.4% of consolidated net sales revenues compared to 15.1% in the prior period. The second and third-largest customers accounted for 8.4% (2006: 9.9%) and 7.9% (2006: 8.7%) respectively. Entities that are known to be under common control are considered together as one customer.

31. RELATED-PARTY TRANSACTIONS

Dr.-Ing. E. h. Heinz Dürr is the chairman of the Supervisory Board of Dürr AG, Dürr Systems GmbH and until March 19, 2007 of Carl Schenck AG. Dr.-Ing. E. h. Heinz Dürr received remuneration of € 127 thousand (2006: € 68 thousand) for these activities. Dr.-Ing. E. h. Heinz Dürr is also a member of the supervisory board of Landesbank Baden-Württemberg. Expenses of € 344 thousand (2006: € 309 thousand) were payable to Heinz Dürr GmbH, Berlin, of which Dr.-Ing. E. h. Heinz Dürr is general manager, for reimbursement of office and travel expenses relating to supervisory board activities and for cost reimbursements for the Dürr office in the German capital, Berlin. In addition, Heinz Dürr GmbH, Berlin, was refunded for the prepayments it had made on behalf of Dürr AG for personnel consulting costs of € 200 thousand. For his former activity as general manager, Dr.-Ing. E. h. Heinz Dürr also received benefits from the pension commitment (of April 2, 1978, supplemented December 21, 1988) of € 212 thousand (2006: € 212 thousand). In the 2006 reporting year, the Company purchased a car from Heinz Dürr GmbH for € 81 thousand.

Mr. Joachim Schielke is a Supervisory Board member of Dürr AG, member of the Board of Management of Landesbank Baden-Württemberg and Chairman of the Board of Management of Baden-Württembergische Bank. From the current business relationship, there was a balance at Baden-Württembergische Bank of

€ 57,492 thousand (2006: € 49,607 thousand). From these transactions with Baden-Württembergische Bank there are interest expenses in the reporting period of € 525 thousand (2006: € 375 thousand). The warranties and guarantees issued by Baden-Württembergische Bank on behalf of Dürr amounted to € 19,650 thousand as of the balance sheet date (2006: € 24,206 thousand).

For further information about members of the Supervisory Board of Dürr Aktiengesellschaft, please refer to note 37.

The forward exchange transactions and interest hedges are mainly processed by Baden-Württembergische Bank and Deutsche Bank AG. For details of the forward exchange transactions and interest hedges, please refer to note 35.

The Board of Management confirms that all the related-party transactions described below were carried out at arm's length conditions.

The members of the Board of Management purchased a total of 134,000 Dürr AG shares from Heinz Dürr GmbH, Berlin, in 2007 for a purchase price of € 23.25 per share. To finance part of the purchase price, Heinz Dürr GmbH granted the members of the Board of Management an on-call loan at market conditions; the remaining purchase price was financed privately by the members of the Board of Management. Respite has been granted for no more than five years as of conclusion of the agreement for the outstanding amount repayable of the loan of € 2,256 thousand. The Board of Management has pledged the shares purchased to Heinz Dürr GmbH as collateral for the loan.

32. CONTINGENT LIABILITIES

As of the balance sheet date contingent liabilities were as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006
Contingent liabilities from guarantees, notes and check guarantees	123,160	17,524
Other	32,135	11,614
	155,295	**29,138**

The increase in contingent liabilities is principally due to guarantees and warranties resulting from the greater volume of business. The Company assumes that these contingent liabilities will not lead to any liabilities and thus cash outflows.

33. OTHER FINANCIAL OBLIGATIONS

RENT AND LEASE AGREEMENTS (OPERATING LEASES)

Besides liabilities, provisions and contingent liabilities, the Company has other financial obligations, in particular from rental and lease agreements for buildings, furniture and fixtures, office space and vehicles. Future minimum payments up to the first contractually agreed termination date are as follows:

in € k	Dec. 31, 2007	Dec. 31, 2006
Within one year	19,931	15,048
Between one and five years	54,444	35,054
More than five years	71,146	23,206
	145,521	**73,308**

The increase in the obligations from operating leases is mainly attributable to lease agreements at the Bietigheim-Bissingen location, which were concluded as part of the Campus project. In the 2007 reporting period, expenses of € 19,866 thousand (2006: € 19,196 thousand) were recorded in the income statement for operating leases.

FINANCE LEASES

The Group has entered into finance leases for various items of property, plant and equipment. The future minimum lease payments from finance leases can be reconciled with their present value as follows:

	Dec. 31, 2007			Dec. 31, 2006		
in € k	Minimum lease payments	Interest expense due to discounting	Present value	Minimum lease payments	Interest expense due to discounting	Present value
Within one year	1,523	412	1,111	1,691	505	1,186
Between one and five years	4,351	1,073	3,278	5,601	1,415	4,186
More than five years	1,184	262	922	1,507	456	1,051
	7,058	**1,747**	**5,311**	**8,799**	**2,376**	**6,423**

OTHER FINANCIAL OBLIGATIONS

The other financial obligations that do not result from rental and lease agreements are listed below.

in € k	2008	2009	2010	2011	2012	Total
Liabilities from other continuous obligations	9,629	5,137	5,128	5,167	326	25,387

34. RISKS

The Group operates in countries in which there are political and commercial risks. These risks did not have any effects on the Group in the reporting period.

Dürr may be involved in lawsuits, including product liability, in the ordinary course of business. There are no such matters pending that the Management Board expects to be material in relation to the Group's business or financial position. Provision has been made for litigation costs.

There is litigation pending related to a tax field audit conducted in the 2000 reporting period. A claim for back-tax of € 900 thousand plus possible interest is currently being heard. The Board of Management estimates the chances of the Company winning the litigation as more likely than not. Fees for legal counsel and consulting associated with the case have been posted against earnings.

35. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Dürr is generally exposed to financial risks. These include above all credit risks, liquidity risks and exposure to interest rate changes or currency risks. The general regulations for a Group-wide risk policy are set forth in the Group guidelines.

CREDIT RISK

The credit risk relates to the possibility that business partners may fail to perform their obligation with primary and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for all new customers. The payment patterns of regular customers are analyzed on an ongoing basis.

As we do not conclude any general netting agreements with our customers, the sum of the financial assets reported in the balance sheet (including derivative financial instruments with a positive market value) also represents the maximum credit risk. For a presentation of the figures, we refer to note 28. There is no apparent concentration of credit risk from exposures to a single debtor or to groups of debtors. As of the balance sheet date, there were no significant agreements that would mitigate the maximum credit risk (such as netting agreements, guarantees).

In connection with the investment of cash and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the banks fail to meet their obligations. Dürr manages the resulting risk position by diversifying its portfolio and selecting its counterparties carefully. No cash and cash equivalents or derivative financial assets were past due or impaired due to credit defaults.

DEPENDENCE ON A FEW CUSTOMERS

The development of Dürr hinges on the willingness of the automotive industry to invest. A significant portion of the Group's sales revenues is generated with a limited number of customers because the number of manufacturers on the worldwide market for automobiles is comparatively small. The majority of the Group's receivables are due from automobile manufacturers. Generally these receivables are not secured by bank guarantees or collateral. As of December 31, 2007, 51.4% (2006: 50.3%) of the trade receivables were due from seven (2006: six) customers. The total receivables disclosed contain bad debt allowances for doubtful debts of € 8,485 thousand (2006: € 10,173 thousand).

LIQUIDITY RISK

The liquidity risk is the risk that the Group may not be in a position in the future to meet its obligations when they fall due or not at a reasonable price.

The liquidity situation is secured by a liquidity forecast with a planning horizon of 18 months, supplemented by a short-term liquidity plan as well as unused credit lines that are at the disposal of the Group.

In addition, use of cross-border cash pooling systems has improved the balance sheet structure 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 needs of other group entities internally. For additional information, we refer to note 25.

On account of the corporate bond, Dürr is subject to certain restrictions and obligations that are documented in the loan agreement. Should any of these not be complied with, the principal and accumulated interest could be called. In the 2007 reporting period, the covenants applicable were complied with as of each cut-off date. Covenants are calculated for a rolling period of twelve months. Based on the planning, from today's perspective there is no risk of non-compliance with the covenants.

The table below shows the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments. The cash flows presented for the forward exchange contracts correspond to the market values as of December 31, 2007. The negative amount under interest/currency swaps in 2011 represents a cash inflow.

in € k	Carrying amount Dec. 31, 2007	Cash flows 2008	2009	2010	2011	From 2012 onwards
Primary financial liabilities						
Trade payables	212,195	212,195	–	–	–	–
Trade payables to entities accounted for using the equity method	3,123	3,123	–	–	–	–
Other financial liabilities	15,266	11,159	4,045	62	–	–
Bond	191,699	19,500	19,500	19,500	219,500	–
Liabilities to banks	16,510	13,122	634	614	596	2,630
Financial liabilities to entities accounted for using the equity method	1,064	1,064	–	–	–	–
Finance lease liabilities	5,311	1,523	1,495	1,047	920	2,073
Derivative financial liabilities						
Forward exchange contracts without hedging relationship	273	273	–	–	–	–
Forward exchange contracts with hedging relationship	1,787	1,784	3	–	–	–
Derivative financial assets						
Interest and currency swaps with hedging relationship	2,122	123	123	123	–3,221	–

in € k	Carrying amount Dec. 31, 2006	Cash flows 2007	2008	2009	2010	From 2011 onwards
Primary financial liabilities						
Trade payables	171,541	171,541	–	–	–	–
Trade payables to entities accounted for using the equity method	5,822	5,822	–	–	–	–
Other financial liabilities	12,730	12,730	–	–	–	–
Bond	189,840	19,500	19,500	19,500	19,500	219,500
Liabilities to banks	13,050	8,775	1,037	449	442	2,797
Financial liabilities to entities accounted for using the equity method	1,035	1,035	–	–	–	–
Finance lease liabilities	6,423	1,691	1,563	1,543	1,808	2,194
Derivative financial liabilities						
Interest and currency swaps	205	468	468	469	469	–105
Forward exchange contracts without hedging relationship	152	152	–	–	–	–
Forward exchange contracts with hedging relationship	1,081	1,081	–	–	–	–

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 balance sheet items of foreign operations to the euro, the Group's reporting currency), however, are generally not hedged. Forward exchange transactions are entered into to hedge against exchange rate fluctuations from cash flows relating to forecast purchasing and sales transactions with terms of up to 35 months (2006: 26 months).

In addition, there are foreign currency risks in the area of financing arising from loans denominated in foreign currency that are issued to group entities for financing purposes. These were hedged by forward exchange contracts and interest and currency swaps. The terms range between 4 and 44 months.

Regarding the presentation of market risks, IFRS 7 requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variable. The periodic expenses are determined by setting the hypothetical changes in the risk variables in relation to the portfolio of financial instruments as of the balance sheet date. The presentation is based on the assumption that the portfolio was representative for the whole year at the balance sheet date. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which Dürr enters into financial instruments are relevant risk variables.

Material primary 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. Intragroup loans which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges.

The sensitivity analyses for currency risks refers to the currency pairs that are most relevant for Dürr: EUR/USD, EUR/GBP, USD/MXN and USD/CAD. If the euro had appreciated (depreciated) against the US dollar and the pound sterling, and the US dollar against the Mexican peso and Canadian dollar by 10%, the profit would have been € 5.1 million higher (€ 5.9 million lower) (prior period: € 3.3 million higher and € 3.8 million lower, respectively).

In addition, Dürr is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of any fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the hedge reserve in equity and the fair value of the hedges. The following sensitivities were computed. If the euro had appreciated (depreciated) against the US dollar, pound sterling and the Korean won, or the US dollar against the Korean won by 10%, the hedge reserve in equity would have been € 1.6 million higher (€ 2.0 million lower) (prior period: € 3.2 million higher and € 2.4 million lower, respectively).

INTEREST RATE RISK

Interest rate risks result from interest rate changes that have a negative effect on the Group's net assets, financial position and results of operations. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the assets subject to interest. Changes in the interest rates applicable to primary financial instruments with fixed interest rates only affect profit or loss if they are measured at fair value. Since Dürr measures all primary financial instruments at amortized cost, there are no interest rate risks inherent in them within the meaning of IFRS 7. Dürr's liabilities with floating interest rates are counterbalanced by bank balances with floating interest rates of a similar amount. This functions like a natural hedge so that there is no significant interest rate risk and, consequently, no other derivative financial instruments are used to hedge interest risks. Dürr only has exposure to interest rate risks from interest/currency swaps that are reported as cash flow hedges. They are carried at fair value and changes in their market value are recognized directly in equity. This risk is presented in a sensitivity analysis in accordance with IFRS 7, based on assumptions concerning changes in the EUR and USD yield curves. The table below shows the changes in the hedge reserve under equity that would result from a hypothetical change in the market value of the interest/currency swaps.

Change in interest rates (in base points) €	Change in interest rates (in base points) US$	Change in equity as of Dec. 31, 2007 (in € k)	Change in equity as of Dec. 31, 2006 (in € k)
+0	+100	871	1,190
+0	–100	–908	–1,250
+100	+0	–941	–1,230
–100	+0	981	1,293

OTHER PRICE RISKS

In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variable on the price of financial instruments. The main risk variables include stock market prices and indices.

As of December 31, 2007, the Company did not have any significant investments classified as available for sale, and price risks therefore play only a minor role at Dürr.

USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates, interest rates or cash flows and the change in fair value of receivables and liabilities. Dürr is exposed to credit risk in the event of non-performance by counterparties (banks) to the financial instruments described below. All financial derivatives as well as their underlyings 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 transaction's cash flows that is attributable to the hedged risk. Such hedges are considered to be highly effective in offsetting the risks from changes in the fair value or in the cash flow. They are continuously assessed whether they were in fact highly effective for the whole reporting period for which the hedge is designated.

Depending on their fair value on the balance sheet date, derivative financial instruments are reported under other assets (positive fair value) or other liabilities (negative fair value) respectively.

The scope and fair value of the financial instruments as of December 31, 2007 are shown below:

	Nominal value		Positive market value		Negative market value	
in € k	2007	2006	2007	2006	2007	2006
Interest/currency swaps in connection with cash flow hedges	27,127	27,127	2,122	–	–	205
Forward exchange contracts	98,267	109,475	3,033	1,793	2,060	1,233
of which in connection with cash flow hedges	52,639	46,652	2,225	990	1,408	1,041
of which in connection with fair value hedges	21,410	21,157	550	295	379	40
of which without hedging relationship	24,218	41,666	258	508	273	152

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 exchange rates and forward rate prevailing on the balance sheet date. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows.

ACCOUNTING AND DISCLOSURE OF DERIVATIVE FINANCIAL INSTRUMENTS AND CASH FLOW HEDGE ACCOUNTING

Currency hedges and interest/currency swaps that can clearly be allocated to the hedging of 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 equity as accumulated other comprehensive income until the hedged transaction is realized. Upon realization of the future transaction (hedged transaction), the accumulated other comprehensive income recorded in equity is transferred to profit or loss and recognized in sales revenues or cost of sales (forward exchange contracts) or other operating income and expenses (interest/currency swap) in the income statement.

In the 2007 reporting period, an unrealized loss of € 66 thousand was recognized directly in equity under accumulated other comprehensive income (prior period: gain of € 307 thousand). It is attributable to the recognition of the fluctuation in fair value from forward exchange contracts being recognized directly in equity. A loss after tax of € 441 thousand from the interest/currency swaps and the foreign exchange loans (prior period: gain of € 218 thousand) was recognized directly in equity.

In addition, € 764 thousand was reclassified due to the realization of hedged transactions in the course of the reporting period from accumulated other comprehensive income to profit or loss and disclosed in sales revenues and cost of sales in the income statement. The effect on earnings (before taxes) expected for the following reporting period from the amounts recognized directly in equity as of the balance sheet date under accumulated other comprehensive income came to € –10 thousand. In the 2009 and 2011 reporting periods, effects on earnings are expected to total € 179 thousand and € –1,222 thousand, respectively.

There were no effects on earnings from ineffective hedges in the 2007 and 2006 reporting periods.

A gain of € 171 thousand was recognized in profit or loss from derivative financial instruments classified as fair value hedges (prior period: € 255 thousand). Measuring the hedged transactions at the closing rate gave rise to an expense in the same amount.

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 as of the balance sheet date.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

Dürr monitors capital on a monthly basis using a gearing ratio, which is net debt divided by total capital plus net debt. Pursuant to the Group's internal policy, the ratio should not exceed 30 %. On account of the substantially reduced net financial liabilities, at 19.1 % the Group's ratio in 2007 is clearly below that maximum.

in € k	Dec. 31, 2007	Dec. 31, 2006
Cash and cash equivalents	147,489	101,482
Securities (current)	–	23
Other loans	–	4,852
Bond	–191,699	–189,840
Liabilities to banks, non-current	–3,631	–4,481
Liabilities to banks, current	–12,879	–8,569
Net financial liabilities	**–60,720**	**–96,533**
Equity	257,109	245,700
Net financial liabilities and equity	317,829	342,233
Gearing ratio	19.1 %	28.2 %

The equity is also included in the calculation of a net worth covenant, stipulated by the agreement on the syndicated loan. The net worth covenant may not fall below a certain value. This covenant was always complied with in the 2007 and 2006 reporting periods.

36. 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

37. OTHER NOTES

SUBSEQUENT EVENTS

As of March 1, 2008, Dürr created the Aircraft and Technology Systems business unit, which is part of the Paint and Assembly Systems division. On the one hand, it comprises the aircraft assembly technology and, on the other, the consulting business of Dürr Consulting. Both had previously been incorporated in the Factory Assembly Systems business unit.

The business with final assembly systems for the automotive industry, which also used to be part of Factory Assembly Systems, was allocated to the former Paint Systems business unit which, as a result, changed its name to Paint and Final Assembly Systems in March 2008.

The product business with assembly, filling and testing technology was spun off from the Factory Assembly Systems business unit in early 2008. Together with the previous Balancing and Diagnostic Systems business unit, it now makes up the new Balancing and Assembly Products business unit, which is part of the Measuring and Process Systems division.

The Factory Assembly Systems business unit, which had no operations left following the changes described, was dissolved as of March 1, 2008.

GERMAN CORPORATE GOVERNANCE CODE: DECLARATION OF COMPLIANCE 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 Stuttgart on December 12, 2007 and made accessible to the shareholders in the internet.

AVERAGE HEADCOUNT

Annual average number of employees:

	2007	2006
Wage earners	2,215	1,998
Salaried employees	3,301	3,434
Trainees/apprentices	293	300
	5,809	**5,732**

As of December 31, 2007, Dürr had 5,936 employees (2006: 5,650).

FEES OF THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS

The audit fees of the auditors of the consolidated financial statements recorded as an expense for the reporting period break down as follows:

in € k	2007	2006
Statutory audit	666	457
Tax advisory services	158	235
Other services rendered for the parent company or subsidiaries	235	260
	1,059	**952**

MEMBERS OF THE BOARD OF MANAGEMENT

RALF W. DIETER
Chairman
Chairman of the Board of Management of Carl Schenck AG

- ● Paint and Assembly Systems
- ● Measuring and Process Systems
- ● Quality, Research and Development, Human Resources (Employee Affairs Director), Internal Auditing (since May 14, 2007), Public Relations (since May 14, 2007)

- □ Dürr, Inc.* (Chairman)

RALPH HEUWING
(since May 14, 2007)

- ● Finance/Controlling, Investor Relations, Legal Affairs/Patents, Information Technology, Risk Management, Real Estate
- ● Dürr Consulting

- ■ Carl Schenck AG* (since July 11, 2007, Chairman)
- ■ MCH Management Capital Holding AG (since October 9, 2007)

MARTIN HOLLENHORST
(until May 21, 2007)

- ● Business Administration, Legal Affairs/Patents, Risk Management, Investor Relations, Information Technology, Public Relations, Internal Auditing

The total expense for remuneration of the Board of Management in the reporting period was € 1,902 thousand and can be broken down as follows: short-term employee benefits of € 1,842 thousand (2006: € 1,720 thousand) and termination benefits of € 0 thousand (2006: € 700 thousand). The addition to the pension provisions for this group of persons in the 2007 reporting period amounted to € 60 thousand (2006: € 58 thousand).

In the 2007 reporting period, € 780 thousand (2006: € 899 thousand) were paid as pensions to the former members of the Board of Management. Pension provisions for this group of persons amounted to € 12,524 thousand as of December 31, 2007 (2006: € 14,523 thousand).

● Offices held by members of the Board of Management
■ Membership in statutory supervisory boards
□ Membership in comparable domestic and foreign control bodies (of business entities).
* Group boards

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. E.H. HEINZ DÜRR[1, 4, 5]

Entrepreneur, Berlin
Chairman

- Carl Schenck AG (until March 19, 2007, Chairman)
- Dürr Systems GmbH (Chairman)
- Dussmann AG & Co. KGaA
- ADC Krone GmbH (Chairman)

- Landesbank Baden-Württemberg (member of the supervisory board)

PROF. DR. NORBERT LOOS[1, 2, 4, 5]

Managing partner of
Loos Beteiligungs-GmbH, Stuttgart
Deputy Chairman

- BHS-tabletop AG (Chairman)
- Carl Schenck AG (until March 19, 2007)
- Hans R. Schmid Holding AG (Chairman)
- LTS Lohmann Therapie-Systeme AG (Chairman)
- MVV-Energie AG
- Trumpf GmbH + Co. KG

- LTS Corp., USA (Chairman)
- Mannheimer Kongress- und Touristik GmbH
- Stadt Mannheim Beteiligungsgesellschaft mbH

HAYO RAICH[1, 3, 4]

Chairman of the Group Works Council
of Dürr AG, Stuttgart, Deputy Chairman

- Dürr Systems GmbH (Deputy Chairman)

BERNHARD ACKERMANN[2, 3]

(until July 31, 2007)

Chairman of the Works Council of Dürr
Systems GmbH at the Bietigheim-Bissingen site
(until April 30, 2007)

MIRKO BECKER[3]

(since August 1, 2007)
Deputy Chairman of the Works Council of Dürr
Systems GmbH at the Bietigheim-Bissingen site
(since May 11, 2007)

DR. DR. ALEXANDRA DÜRR[5]

Senior physician at the Neurogenetic
Clinic of Département de Génétique, Hôpital
de la Salpêtrière, Paris

BENNO EBERL[1, 3]

Senior physician at the Neurogenetic Clinic
of Département de Génétique, Hôpital
de la Salpêtrière, Paris

- ThyssenKrupp Elevator AG (Deputy Chairman)
- Alcatel-Lucent Holding GmbH (since June 14, 2007

- ThyssenKrupp Aufzüge GmbH (Deputy Chairman)

PROF. DR.-ING. HOLGER HANSELKA

Professor for Systems Reliability and Machine
Acoustics at the faculty of Mechanical and
Process Engineering at Darmstadt Technical
University
Head of the Fraunhofer-Institute for Structural
Durability and System Reliability LBF
in Darmstadt

THOMAS HOHMANN[3]

(since January 1, 2008)
Head of personnel at Dürr Systems GmbH,
Stuttgart

ERICH HORST[2, 3, 4]

(since May 24, 2006)
Chairman of the Works Council of Dürr Ecoclean
GmbH at the Monschau facility
Deputy Chairman of the Group Works Council
of Dürr AG, Stuttgart

HARALD LAMBACHER[3]
(until December 31, 2007)
Senior employee at Dürr Systems GmbH, Stuttgart

GÜNTER LORENZ[2, 3]
Principal Authorized Representative of IG Metall administrative offices, Darmstadt

- ■ Carl Schenck AG (until March 19, 2007)

JOACHIM SCHIELKE[2]
Chairman of the management board of Baden-Württembergische Bank, Stuttgart
Member of the management board of Landesbank Baden-Württemberg, Stuttgart

- ■ Allgaier Werke GmbH (since July 23, 2007)
- ■ ICS Informatik Consulting Systems AG
- ■ LRP Landesbank Rheinland-Pfalz (deputy member of the supervisory board)
- ■ Landesbank Sachsen AG (since February 24, 2008; since February 28, 2008 Deputy Chairman)
- ■ Süd Private Equity Management GmbH & Co. KGaA (Deputy Chairman)
- ■ Wüstenrot & Württembergische AG

- □ Behr Verwaltung GmbH
- □ BWK GmbH Unternehmensbeteiligungsgesellschaft (Chairman)
- □ LBBW Immobilien Kommunalentwicklung GmbH (until March 26, 2007)
- □ Leitz GmbH Verwaltungen
- □ Leitz Metalworking Technologies GmbH & Co. KG
- □ LHI Leasing GmbH (Chairman)
- □ MKB Mittelrheinische Bank GmbH (Chairman)
- □ MMV Leasing GmbH (Chairman of the advisory board)

DR. HANS MICHAEL SCHMIDT-DENCKER
General manager of Süddeutsche Beteiligung GmbH, Stuttgart

- ■ Sick AG (until May 21, 2007)

- □ Aebi-Schmidt Holding (since July 15, 2007)
- □ Behr GmbH & Co. KG (until November 16, 2007)
- □ Bizerba GmbH & Co. KG (until November 16, 2007)
- □ BW Mergers & Acquisitions GmbH (until September 30, 2007)
- □ Dr. Haas GmbH (until November 16, 2007)
- □ LOBA GmbH & Co. KG (Chairman of the advisory board)
- □ Schmidt Holding GmbH (until February 15, 2008, Chairman)

In the reporting period, total remuneration of the Supervisory Board came to € 493 thousand (2006: € 374 thousand).

[1] Member of the executive committee and personnel committee
[2] Member of the audit committee
[3] Employee representative
[4] Member of the mediation committee
[5] Member of the nomination committee
■ Membership in statutory supervisory boards
□ Membership in comparable domestic and foreign control bodies (of business entities)

38. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

INTANGIBLE ASSETS

in € k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Continuing operations
Accumulated cost as of January 1, 2006	**267,377**	**50,470**	**13,511**	**1,888**	**333,246**
Exchange difference	–5,081	–508	–736	–13	–6,338
Additions	–	1,344	4,808	3,026	9,178
Reclassifications	–	1,544	–11	–1,533	–
Disposals	–	–2,966	–257	–198	–3,421
Accumulated cost as of December 31, 2006	**262,296**	**49,884**	**17,315**	**3,170**	**332,665**
Exchange difference	–4,687	–418	–705	–26	–5,836
Changes in the consolidated group	5,154	330	–	–	5,484
Additions	542	9,958	4,710	430	15,640
Disposals	–125	–266	–189	–	–580
Reclassifications	–	3,461	–	–3,106	355
Accumulated cost as of December 31, 2007	**263,180**	**62,949**	**21,131**	**468**	**347,728**
Accumulated amortization as of January 1, 2006	**–**	**42,425**	**2,456**	**211**	**45,092**
Exchange difference	–	–484	–256	–13	–753
Scheduled amortization	–	5,109	1,933	–	7,042
Disposals	–	–2,966	–215	–198	–3,379
Accumulated amortization as of December 31, 2006	**–**	**44,084**	**3,918**	**–**	**48,002**
Exchange difference	–	–408	–352	–	–760
Changes in the consolidated group	–	288	–	–	288
Scheduled amortization	–	2,571	2,840	–	5,411
Disposals	–	–261	–138	–	–399
Reclassifications	–	340	–	–	340
Accumulated amortization as of December 31, 2007	**–**	**46,614**	**6,268**	**–**	**52,882**
Net carrying amount as of December 31, 2007	**263,180**	**16,335**	**14,863**	**468**	**294,846**
Net carrying amount as of December 31, 2006	262,296	5,800	13,397	3,170	284,663
Net carrying amount as of January 1, 2006	267,377	8,045	11,055	1,677	288,154

PROPERTY, PLANT AND EQUIPMENT

in € 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	Continuing operations
Accumulated cost as of January 1, 2006	**164,932**	**28,710**	**39,949**	**85,601**	**2,361**	**321,553**
Exchange difference	–5,313	–	–1,815	–2,687	–155	–9,970
Additions	1,723	677	1,662	4,092	680	8,834
Reclassifications	113	–	2,280	–359	–2,034	–
Disposals	–18,511	–	–4,812	–15,067	–63	–38,453
Reclassification to assets held for sale	–467	–	–	–	–	–467
Accumulated cost as of December 31, 2006	**142,477**	**29,387**	**37,264**	**71,580**	**789**	**281,497**
Exchange difference	–4,009	–	–1,636	–1,970	–13	–7,628
Changes in the consolidated group	–	–	1,163	867	–	2,030
Additions	960	820	1,026	5,252	2,773	10,831
Disposals	–6,051	–150	–2,458	–6,663	–5	–15,327
Reclassifications	–	–	24	–178	–201	–355
Reclassification to assets held for sale	–16,876	–	–	–	–	–16,876
Accumulated cost as of December 31, 2007	**116,501**	**30,057**	**35,383**	**68,888**	**3,343**	**254,172**
Accumulated depreciation as of January 1, 2006	**70,449**	**15,642**	**32,103**	**68,620**	**–**	**186,814**
Exchange difference	–2,665	–	–1,288	–2,022	–	–5,975
Scheduled depreciation	3,745	476	2,223	5,581	–	12,025
Impairment losses	842	–	–	–	–	842
Reclassifications	–	–	406	–406	–	–
Disposals	–12,865	–	–4,634	–14,277	–	–31,776
Reclassification to assets held for sale	–241	–	–	–	–	–241
Accumulated depreciation as of December 31, 2006	**59,265**	**16,118**	**28,810**	**57,496**	**–**	**161,689**
Exchange difference	–2,012	–	–1,173	–1,542	–	–4,727
Changes in the consolidated group	–	–	839	696	–	1,535
Scheduled depreciation	4,648	501	2,121	5,263	–	12,533
Reversal of impairment losses	–131	–	–	–	–	–131
Reclassifications	–	–	78	–418	–	–340
Disposals	–835	–137	–2,378	–6,320	–	–9,670
Reclassification to assets held for sale	–10,094	–	–	–	–	–10,094
Accumulated depreciation as of December 31, 2007	**50,841**	**16,482**	**28,297**	**55,175**	**–**	**150,795**
Net carrying amount as of December 31, 2007	**65,660**	**13,575**	**7,086**	**13,713**	**3,343**	**103,377**
Net carrying amount as of December 31, 2006	83,212	13,269	8,454	14,084	789	119,808
Net carrying amount as of January 1, 2006	94,483	13,068	7,846	16,981	2,361	134,739

FINANCIAL ASSETS

in € k	Investments in entities accounted for using the equity method	Other investments	Long-term securities	Other loans	Continuing operations
Accumulated cost as of January 1, 2006	**17,245**	**1,857**	**377**	**3,442**	**22,921**
Reclassification to assets held for sale	–1,540	–	–	–	–1,540
Exchange difference	–878	–	–1	–115	–994
Additions	2,329	–	–	1,644	3,973
Disposals	–772	–1,828	–9	–5	–2,614
Accumulated cost as of December 31, 2006	**16,384**	**29**	**367**	**4,966**	**21,746**
Exchange difference	–382	–	–1	33	–350
Changes in the consolidated group	–4,022	–	–	28	–3,994
Additions	1,857	–	–	–	1,857
Disposals	–1,263	–5	–18	–5,027	–6,313
Reclassifications	–5	5	–	–	–
Accumulated cost as of December 31, 2007	**12,569**	**29**	**348**	**–**	**12,946**
Accumulated impairment losses as of January 1, 2006	**4,353**	**726**	**–**	**–**	**5,079**
Impairment losses	–	–	–	114	114
Reversal of impairment losses	–950	–	–	–	–950
Disposals	–	–699	–	–	–699
Accumulated impairment losses as of December 31, 2006	**3,403**	**27**	**–**	**114**	**3,544**
Changes in the consolidated group	–1,697	–	–	–	–1,697
Impairment losses	–	–	–	3	3
Disposals	–974	–	–	–117	–1,091
Accumulated impairment losses as of December 31, 2007	**732**	**27**	**–**	**–**	**759**
Net carrying amount as of December 31, 2007	**11,837**	**2**	**348**	**–**	**12,187**
Net carrying amount as of December 31, 2006	12,981	2	367	4,852	18,202
Net carrying amount as of January 1, 2006	12,892	1,131	377	3,442	17,842

39. LIST OF GROUP SHAREHOLDINGS

Name and location	Share of capital in %
Germany	
Dürr Systems GmbH, Stuttgart[1,2]	100
Dürr Ecoclean GmbH, Filderstadt[1,2]	100
Dürr Grundstücks-GmbH, Stuttgart[2]	100
Dürr International GmbH, Stuttgart[1,2]	100
Dürr Somac GmbH, Stollberg[1,2]	100
Carl Schenck AG, Darmstadt[2]	100
Schenck RoTec GmbH, Darmstadt[1,2]	100
Schenck Atis GmbH, Darmstadt[1,2]	100
Schenck Technologie- und IndustriePark GmbH, Darmstadt[1,2]	100
Dürr Assembly Products GmbH, Püttlingen[1,2]	100
Prime Contractor Consortium FAL China, Stuttgart[3]	50
Dürr GmbH & Co. Campus KG, Pöcking[3]	100
Fludicon GmbH, Darmstadt[4]	5
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt[4]	100
Dürr Verwaltungs GmbH, Stuttgart[4]	100
Other EU countries	
Dürr Anlagenbau Ges. m.b.H., Zistersdorf/Austria[2]	100
Dürr Ltd., Warwick/UK[2]	100
Schenck Ltd., Warwick/UK[2]	100
Schenck Test Automation Ltd., Warwick/UK[2]	100
Dürr Ecoclean S.A.S., Loué/France[2]	100
Dürr Systems S.A.S., Montigny-le-Bretonneux/France[2]	100
Schenck S.A.S., Cergy-Pontoise/France[2]	100
Dürr Systems Spain S.A., San Sebastian/Spain[2]	100
Dürr Ecoclean S.A., Barcelona/Spain[2]	100
Olpidürr S.p.A., Novegro di Segrate/Italy[2]	65
Verind S.p.A., Rodano/Italy[3]	50
CPM S.p.A., Beinasco/Italy[2]	51
Schenck Italia S.r.l., Paderno Dugnano/Italy[2]	100
Stimas Engineering S.r.l., Turin/Italy[2]	26
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands[2]	100
Dürr Poland Sp. z o.o., Radom/Poland[2]	100
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic[2]	100
Dürr Systems Slovakia spol. s r.o., Bratislava/Slovakia[2]	100
Other European countries	
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland[2]	100
Dürr Systems Ltd. Şirketi, Istanbul/Turkey[2]	100
OOO Dürr Systems RUS, Moscow/Russia[2]	100

[1] Profit and loss transfer agreement with the respective parent company
[2] Fully consolidated entity in the Dürr Group
[3] Entity accounted for using the equity method in the Dürr Group
[4] Non-consolidated entity in the Dürr Group

Name and location	Share of capital in %
North America/Central America	
Dürr Inc., Plymouth, Michigan/USA[2]	100
Dürr Systems Inc., Plymouth, Michigan/USA[2]	100
Dürr Ecoclean Inc., Wixom, Michigan/USA[2]	100
Schenck Corporation, Deer Park, New York/USA[2]	100
Schenck RoTec Corporation, Troy, Michigan/USA[2]	100
Schenck Trebel Corporation, Deer Park, New York/USA[2]	100
Dürr Canada Corp., Halifax, Nova Scotia/Canada[2]	100
Dürr Acco Canada Inc., Windsor, Ontario/Canada[2]	100
Behr Industrial Systems Inc., Windsor, Ontario/Canada[2]	100
Dürr de México, S.A. de C.V., Querétaro/Mexico[2]	100
South America	
Dürr Brasil Ltda., São Paulo/Brazil[2]	100
Irigoyen 330 S.A., Cap. Fed. Buenos Aires/Argentina[2]	100
Africa/Asia/Australia	
Dürr South Africa (Pty.) Ltd., Port Elizabeth/South Africa[2]	100
Dürr India Private Ltd., Chennai/India[2]	100
Schenck RoTec India Limited, Noida/India[2]	100
Dürr Korea Inc., Seoul/South Korea[2]	100
Schenck Shanghai Machinery Corporation Ltd., Shanghai/China[2]	99
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/China[2]	100
Dürr Japan K.K., Yokohama/Japan[2]	100
Nagahama Seisakusho Ltd., Osaka/Japan[3]	50
Dürr Pty. Ltd., Adelaide/Australia[2]	100

[1] Profit and loss transfer agreement with the respective parent company
[2] Fully consolidated entity in the Dürr Group
[3] Entity accounted for using the equity method in the Dürr Group
[4] Non-consolidated entity in the Dürr Group

Stuttgart, March 11, 2008

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER

RALPH HEUWING

OTHER

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

RALF W. DIETER, CEO

RALPH HEUWING, CFO

Stuttgart, March 11, 2008

GLOSSARY

A

APPLICATION TECHNOLOGY
General term for all products related to the application of paint and high-viscosity materials. Important products that fall under the heading "application technology" include painting robots, paint atomizers, and color change systems.

ATOMIZER TECHNOLOGY
Paint atomizers ensure that the paint is applied in a consistent spray jet. High-speed rotary atomizers and air atomizers should be distinguished. The use of electrostatics in high-speed rotary atomizers generates a high degree of application efficiency.

B

BALANCING AND DIAGNOSTIC SYSTEMS
Rotating components such as wheels and turbines must be tested for imbalances. The imbalances are equalized because they result in vibrations or oscillations that impair functionality and reduce service life.

BELL CUP
Bell-shaped component of a high-speed rotary atomizer that turns at up to 70,000 rpm. The centrifugal force atomizes the paint flowing in the middle of the bell cup into fine droplets. Those are led to the surface with the help of guiding air or the conventional high-voltage method.

C

CHASSIS
The chassis is the frame of an automobile plus the power train.

CLAIM MANAGEMENT
Claim management deals with customers' departures from contractual specifications and provisions, e.g. technical changes and delays. The resulting additional expense is charged to the customer.

D

DESIGN TO COST
Development of products from the standpoint of costs. Products are designed so that a certain previously defined price is not exceeded.

DIP TANK
The first stages of the painting processes usually take place in dip tanks. In pretreatment, the car body is cleaned, degreased, and given a zinc phosphate coating to provide initial corrosion protection. Then follows the cathodic dip painting in which a layer of paint is applied to the car body inside and out as further corrosion protection.

DRYING OVEN
Tunnel-like system for curing freshly applied coats of paint.

E

END OF LINE
The area at the end of vehicle final assembly where fully assembled vehicles are tuned, tested, and prepared for shipping.

ENGINEERING
Development and design of machinery and plants. At Dürr, engineering often involves developing solutions and processes that are geared to customers' specific production goals.

F

FILLING SYSTEMS
Systems that dispense materials essential for vehicle operation (e.g. brake fluid and air-conditioning refrigerant) in the final assembly stage of production.

FILTRATION SYSTEMS (coolant recycling)
Coolants are used in the machining of workpieces. They cool the workpieces and tools, reduce friction and wear, and bind metal shavings. The recycling or filtration systems cool the used coolant and remove the shavings so the coolant can be reused in the machining process.

H

HANDLING ROBOTS
Robots that open car doors and hoods in the painting process in order to enable painting of the interior.

HIGH-VISCOSITY MATERIALS
Sprayable materials, often containing PVC, which are used for example to seal weld seams or to protect car underbodies.

I

INDUSTRIAL CLEANING SYSTEMS
Cleaning systems remove contaminants from workpieces that arise during the machining process.

L

LIGHT VEHICLES
Cars and light trucks.

O

OVERSPRAY
Paint that is sprayed but misses the surface.

P

PAINT SLUDGE DISPOSAL
In the painting process, some of the sprayed paint misses the surface. This overspray is separated in washing plants. A water curtain is broken up into droplets in the plant, which bind with the overspray. The overspray is detackified by chemical additives, and disposal of the resulting paint sludge is accomplished by incineration.

POOLING
Bundling of procurement volumes in order to reduce purchasing costs.

R

ROUND TRANSFER SYSTEM
Fully automatic balancing machine in which a transport system moves the component being balanced from one station to the next. The circular arrangement of the stations saves space.

RTO PLANTS
Plants for **r**egenerative **t**hermal **o**xidation (= incineration) of hazardous materials in exhaust air, primarily used in the chemical, pharmaceutical, painting, and printing industries.

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 SYSTEMS
Centralized computer system for controlling and supervising control of a complete production plant.

SYSTEM INTEGRATION
A system integrator joins on a customer's behalf several products that may be supplied by different manufacturers together into a turnkey production line.

SYSTEM ORDER
Realization of a complete system consisting of several individual products or plant modules, e.g. a paint shop or a final assembly line.

T

TEST SYSTEMS
End-of-line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

TOP COAT
In painting automobiles, the base coat for color and effect and the protective, glossy clear coat are applied as the final layers, which are called the top coat.

TURNKEY
Complete construction of a plant by a single general contractor.

V

VAR SYSTEMS
VAR systems are used to burn exhaust gases and fluid residues (e.g. solvents) mainly in the chemical, petrochemical, and pharmaceutical industries.

VERTICAL BALANCING MACHINES
Balancing machines with a vertical measuring axis. They are suitable for disc-shaped rotors such as brake discs or fans.

VISUALIZATION TECHNOLOGY
Software for the operation and observation of machinery and equipment with the aid of graphic user interfaces.

W

WHEEL GEOMETRY MEASURING SYSTEM
These systems determine the correct alignment of vehicle wheels. The wheels are aligned so that the vehicle's steering wheel is centered when the vehicle is moving straight ahead, to prevent uneven wear on the tires.

FINANCIAL CALENDAR 2008

05-02-2008	Annual shareholders' meeting, Stuttgart
05-08-2008	Interim report on the first quarter of 2008
08-07-2008	Interim report on the first half of 2008
11-06-2008	Interim report on the first nine months of 2008

CONTACT

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MAJOR MILESTONES OF 2007

JANUARY
Dürr rejoins the SDAX
Dürr returns to the SDAX on January 29 thanks to its strong performance on the stock exchanges since late 2005 and increased trading volumes. (image 1)

FEBRUARY
Heinz Dürr Innovation Award
Supervisory Board Chairman Heinz Dürr honors five teams of Dürr employees for special achievements in terms of innovative power and customer focus. (image 2)

MARCH
Technological leadership reinforced
Dürr presents new technologies at customer events in Stuttgart and Monschau, Germany: the *Eco***Lution** cleaning technology product line and the RoDip 4 rotational painting system. (image 3)

Large order from Airbus
Airbus commissions Dürr and partner EDAG with the planning and construction of an assembly line for its plant in Tianjin, China. The contract value for Dürr is around € 30 million, making this our largest aviation project so far.


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APRIL
Special recognition from Kia
Dürr receives special recognition for its key role in creating the new Kia plant in Žilina, Slovakia. We built the paint shop and the final assembly plant there as a twin project. (image 4)

MAY
Ralph Heuwing new CFO
Ralph Heuwing takes over as the new CFO of Dürr AG on May 14. (image 5)

JUNE
Aton buys in to Dürr
Aton GmbH acquires 10.1% of the shares of Dürr AG to become the company's second-largest shareholder.

JULY
100 years of balancing systems from Schenck RoTec
Balancing and Diagnostic Systems celebrates 100 years of balancing technology. A success story: the market leader's name stands for top quality worldwide. (image 6)

AUGUST
World premiere for VIRIO
Balancing and Diagnostic Systems unveils the new VIRIO vertical balancing machine. (image 7)

SEPTEMBER
Record number of visitors
More than 750 guests attend our open house in Bietigheim-Bissingen to learn about our innovations in paint systems. Highlights include the new ***Eco***RP L painting robot and new, paint-saving atomizer models from the ***Eco***Bell 2 series. (image 8)


6


7


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10

OCTOBER
Product offensive continues
Dürr unveils *EcoC***Speed**, its third new cleaning system in 2007. (image 9)

NOVEMBER
Groundbreaking ceremony for Dürr Campus
CEO Ralf Dieter and Mayor Jürgen Kessing kick off construction of the Dürr Campus in Bietigheim-Bissingen. (image 10)

DECEMBER
Largest order of the year
The BMW Group commissions Dürr to remodel the paint shop in its US plant in Spartanburg, South Carolina. Worth significantly more than € 100 million, it is the biggest project of 2007.

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DÜRR

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