

Incoming orders up sharply despite difficult business environment

Interim Report on First Nine Months of Fiscal Year 2002

With an increase of consolidated incoming orders by 25 % to EUR 1,775 million (PY: EUR 1,417 million), the Dürr technology group has held its own well in an economically difficult environment in the first nine months of 2002. At EUR 1,427 million, consolidated group sales almost reached the high previous-year level (PY: EUR 1,445 million). Consolidated orders on hand were up 21 %, to EUR 1,515 million (PY: EUR 1,250 million). Important contributions toward this success were provided by major orders from automobile manufacturers in Europe, North America and China.

The operating income (EBITDA – earnings before interest expense, taxes, depreciation and amortization) improved significantly in the third quarter (EUR 28.1 million), bringing total EBITDA for the first nine months of the current year to EUR 50.0 million (PY: EUR 89.2 million). This figure has been influenced significantly by restructuring expenses of roughly EUR 22 million for German and American companies in the Group and by a cyclically induced weakness in demand, especially in connection with high-margin short-term orders. Earnings before taxes (EBT) for the first three quarters were EUR –5.7 million (PY: EUR 20.1 million).

The Dürr Group's workforce was 7 % smaller as of September 30, 2002, not counting new hires for specific projects in the Services business unit. All in all, the number of employees was down 1.7 %, to 12,608 (PY: 12,823).

Capital expenditures for property, plant and equipment to the end of September amounted to EUR 12.8 million (PY: EUR 29.9 million). The emphasis here was on improving IT infrastructure and on acquisitions associated with incoming orders in the Services business unit.

Outlook

Since the situation in strategic large projects is predominantly stable, the Board of Management anticipates that for the entire year 2002 incoming orders and orders on hand will be above last year's, but with different levels of capacity utilization in the various business units. Dürr expects sales to be on the same order of magnitude as in the previous year. But with the world economy and automotive business still weak and competition still intense, total 2002 earnings before restructuring expenses will not match the previous-year figures. Dürr foresees good chances for improving earnings in 2003. Assistance here will come from the large volume of orders on hand, carefully focused restructuring programs to enhance profitability, and the unabated fast pace of innovation with corresponding R&D expenditures.

Report on the business units

Paint Systems

Incoming orders up sharply

The Paint Systems business unit generated total sales of EUR 742.7 million in the first nine months of 2002 (PY: EUR 726.5 million) and total incoming orders of EUR 985.0 million (PY: EUR 673.8 million). EBITDA for the first nine months was EUR 24.7 million (PY: EUR 33.3 million).

The sharp gains in incoming orders were primarily a consequence of large systems orders for paint shops from automotive manufacturers in Europe, China and the USA. There was particularly strong demand for the innovative RoDip paint dipping system and robot application technology, which is now also coming into wider use with powder paints. The business unit achieved significant gains in market share in the segment of the automotive supply industry with several orders for paint systems. Orders in the niche market for aircraft painting totaled more than EUR 30 million in the first nine months, so that the orders picture here was also quite satisfactory. Earnings were adversely affected by restructuring expenses in the Environmental product line, where demand has dropped off drastically in the USA since September 11, 2001.

Final Assembly Systems

Market position expanded

Total sales for the Final Assembly Systems business unit amounted to EUR 250.0 million as of September 30, 2002 (PY: EUR 284.2 million), and total incoming orders rose steeply to EUR 345.1 million (PY: EUR 238.2 million). EBITDA was EUR 4.1 million (PY: EUR 8.4 million).

This new business unit, formed at the beginning of the year, took in major orders to build or update vehicle assembly lines for clients in Germany, the USA and Asia. The ACT product line, with several orders for conveyor systems in paint shops, has had a role in the Paint Systems business unit's success, but also attracted interesting orders in aircraft assembly. Sales and earnings performance has been significantly affected by client postponements of orders, and by restructuring expenses at American companies.

Ecoclean

Weak demand in the USA

The Ecoclean business unit generated total sales of EUR 146.8 million in the first three quarters of 2002 (PY: EUR 187.8 million) and total incoming orders of EUR 172.3 million (PY: EUR 189.2 million). EBITDA was EUR 7.8 million (PY: EUR 15.5 million).

The drop-off in key figures was primarily the result of the weak market in the USA. Demand in Europe was more stable, especially because of the trend toward lower-emission and more fuel-efficient generations of engines and transmissions. The new Ecoclean systems for intermediate cleaning – which offer better cleaning results at a lower cost – met with a very good market response. The world's leading supplier of cleaning and filtration systems expects its markets to recover in the second half of 2003, especially in the USA, and then to return to the growth path it has enjoyed for many years.

Measuring Systems

Restructuring efforts under way

The Measuring Systems business unit, which includes the operations of the Schenck Group in measurement technology, generated total sales of EUR 259.2 million in the first three quarters of 2002 (PY: EUR 269.6 million) and total incoming orders of EUR 292.7 million (PY: EUR 306.5 million). EBITDA was marked by restructuring expenses and amounted to EUR –7.9 million (PY: EUR 4.4 million).

Although businesses in the USA were disappointingly reluctant to invest in capital goods, the European markets remained relatively stable, albeit at low levels. Major projects generated satisfactory demand from China and Australia. But project volume was down overall, causing more intense competition and lower margins. Once the restructuring measures – which emphasize Schenck companies in Germany and the USA – have been completed, this business unit will be well positioned to improve earnings in 2003.

Services

New multi-year contracts

The Services business unit (the Premier Group) boosted total sales to EUR 107.5 million (PY: EUR 97.4 million) and total incoming orders to EUR 109.3 million (PY: EUR 102.4 million). EBITDA was up to EUR 7.5 million (PY: EUR 6.5 million).

Services continued to grow within its sector, signing multi-year service agreements in the USA, Central America, South America and Northern Europe. At the same time, a cost-cutting program improved profitability. Although competition in conventional cleaning services is still on the rise, the business unit's new offerings have preserved its good prospects for growth and earnings. Market opportunities have especially arisen in technical maintenance, production assistance and facilities management, and also in the new automotive plants being built by international automobile manufacturers in low-cost locations such as Eastern Europe and China. Here standardized services make a significant contribution toward meeting these companies' global quality standards faster and more consistently.

Stuttgart, November 20, 2002

Consolidated Statements of Income

for Dürr AG, Stuttgart, for the periods January 1 to September 30, 2002 and 2001

Amounts in € thousands	Jan. 1 – Sep. 30 2002	Jan. 1 – Sep. 30 2001
Net sales	1,427,176	1,445,427
Cost of sales*	– 1,154,804	– 1,155,918
Gross margin	272,372	289,509
Selling, administrative and other operating expenses	– 252,188	– 240,272
Research and development expenses	– 25,336	– 24,125
Other operating income	22,222	22,651
Income before financial income, income taxes and minority interests	17,070	47,763
Financial income (expense), net	– 22,784	– 27,707
Income before income taxes and minority interests	– 5,714	20,056
Income taxes	2,109	– 9,426
Income before minority interests	– 3,605	10,630
Minority interests	566	–
Net loss/income	– 3,039	10,630
Basic and diluted loss/earnings per share in €	– 0.21	0.74

* Restructuring expenses included

Consolidated Balance Sheets

for Dürr AG, Stuttgart, as of September 30, 2002 and 2001

Amounts in € thousands	Sep. 30, 2002	Sep. 30, 2001
Assets		
Fixed assets		
Intangible assets, net	395,216	311,364
Property, plant and equipment, net	197,941	207,077
Investments, net	17,419	18,537
	610,576	536,978
Non-fixed assets		
Inventory, net	486,297	415,111
Receivables and other assets, net	502,127	680,385
Short-term investments	5	266
Cash and cash equivalents	123,417	105,982
	1,111,846	1,201,744
Deferred taxes	60,702	47,573
Prepaid expenses	6,781	5,036
Total assets	1,789,905	1,791,331
Liabilities and Stockholders' Equity		
Capital stock	36,603	36,603
Additional paid-in capital	159,025	159,000
Retained earnings	45,263	49,923
Deferred compensation	- 23	-
Accumulated other comprehensive income	21,505	33,061
	262,373	278,587
Minority interest	6,603	8,259
Accruals	324,004	397,619
Liabilities	1,152,518	1,070,867
Deferred taxes	31,648	19,557
Deferred income	12,759	16,442
Total liabilities and stockholders' equity	1,789,905	1,791,331

Consolidated Statements of Cash Flows

for Dürr AG, Stuttgart, for the periods January 1 to September 30, 2002 and 2001

Amounts in € thousands	Jan. 1 – Sep. 30 2002	Jan. 1 – Sep. 30 2001
Net loss/income	- 3,039	10,630
Minority interests	- 566	-
Depreciation	27,334	38,709
Net gain on disposal of property, plant and equipment	15	- 304
Deferred income taxes	- 16,282	- 12,049
Non-cash income from associated companies	948	1,828
Changes in operating assets and liabilities		
Inventory	- 116,941	12,099
Receivables	112,106	115,110
Short-term investments	- 2	1,507
Accruals	- 6,871	15,559
Liabilities (other than bank)	- 3,088	- 282,634
Other assets and liabilities	6,329	30,126
Net cash used in operating activities	- 57	- 69,419
Acquisitions of intangible assets	- 1,036	- 30,533
Purchases of property, plant and equipment	- 12,800	- 27,742
Purchase of investments	-	- 3,502
Acquisition, net of cash acquired	- 109	25,119
Proceeds from disposals of fixed assets	1,959	2,932
Net cash used in investing activities	- 11,986	- 33,726
Net change in debt and lines of credit	266	171,111
Dividends paid	- 15,728	- 15,728
Net cash provided by (used in) financing activities	- 15,462	155,383
Effect of exchange rates on cash and cash equivalents	1,082	4,987
Decrease/increase in cash and cash equivalents	- 26,423	57,225
Cash and cash equivalents		
At the beginning of the period	149,840	48,757
At the end of the period	123,417	105,982
Cash and cash equivalents in consolidated balance sheet	123,417	105,982

2003 Financial Calendar

- Financial press conference, April 10, 2003, Stuttgart
- DVFA analysts' conference, April 11, 2003, Frankfurt/Main
- Interim report on first quarter of 2003 and conference call, May 14, 2003
- Annual shareholders' meeting, May 28, 2003, Stuttgart
- Interim report on first half year of 2003 and conference call, August 20, 2003
- Interim report on first nine months of 2003 and conference call, November 13, 2003

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Notes on the scope of consolidation and figures:

Dürr prepares its consolidated financial statements according to US GAAP (United States Generally Accepted Accounting Principles). The expression "previous year" ("PY") always refers to the first nine months of 2001.

In comparison with the first nine months of 2001, the following substantial changes have occurred:

Dürr acquired the remaining 50% share of the former Alstom Automation S.A. as of April 30, 2001. Renamed Dürr AIS S.A., the company including affiliates has been fully consolidated since May 1, 2001 and assigned almost entirely to the Paint Systems business unit. It was consolidated using the equity method for the period from January 1, 2001 to April 30, 2001.

The former Environmental business unit has been organizationally integrated as a product line into the Paint Systems business unit. The previous-year figures for Paint Systems have been presented on a comparable basis.

Dürr created the Final Assembly Systems business unit (formerly Automotion) at the beginning of 2002 and organizationally bundled in it activities in the area of vehicle final assembly. Testing Systems for Vehicle Development, previously at home in the Automotion business unit, have been organizationally assigned to the Measuring Systems business unit. The previous-year figures for Final Assembly Systems and Measuring Systems are presented on a comparable basis. DSEngineering GmbH and Schenck Somac GmbH were sold on July 3, 2002 by Carl Schenck AG to Dürr Automotion GmbH. The assets and liabilities of Schenck Motorama Inc. have been sold in an asset deal to Dürr Production Systems Inc., which belongs to Dürr Inc. The three companies will continue to be assigned to the Final Assembly Systems business unit.