



Interim report

1st quarter 2003

▶▶ Technologies · Systems · Solutions



Incoming orders higher than average in first quarter

Despite a persistently difficult economic environment, the Dürr Technology Group generated above-average incoming orders of € 1,123.8 million in the first quarter of 2003 (Q1 2002: € 486.3 million). This was due primarily to a major project from US automobile manufacturer General Motors (GM). In the largest single order of Dürr's history, GM ordered several painting systems for various North American plants, as reported.

At € 405.0 million, consolidated sales for the first three months of the current fiscal year were up slightly from the same period of the previous year (€ 395.0 million). Were it not for the exchange rate changes that have occurred since the first quarter of 2002, consolidated sales in the first quarter of 2003 would have been around € 37 million higher.

EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to € 9.1 million (Q1 2002: € 2.6 million). Earnings before taxes stood at € -5.4 million, after having come to € -14.8 million in the first quarter of 2002 due to restructuring expenses. A consolidated loss of € 2.8 million in the first quarter of 2003 (Q1 2002: loss of € 7.3 million) put earnings per share at € -0.20 (Q1 2002: € -0.51). The earnings situation was influenced by heavier pressure on margins and regional variations in capacity utilization in the individual business units.

Due to the high level of incoming orders, consolidated orders on hand for the Group rose to € 2,096.4 million as of March 31, 2003 (March 31, 2002: € 1,258.2 million). The majority of orders on hand were in the Paint Systems business unit, where some orders extend into fiscal 2006.

As of the end of March 2003, the Dürr Group had 12,878 employees (March 31, 2002: 12,410). Excluding the personnel-intensive Services business unit, the number of employees in the Group dropped to 8,589, from 8,863 at the end of the first quarter of 2002.

In the months of January through March 2003, Dürr limited capital expenditures for property, plant and equipment to € 2.8 million (Q1 2002: € 3.9 million). The emphasis here was on capital expenditures for buildings for the Measuring Systems business unit in the course of consolidating North American business locations. Another major share was for the acquisition of technical equipment for the Services business unit.

Paint Systems business unit

Total incoming orders for the Paint Systems business unit rose to € 877.1 million in the first quarter of 2003 (Q1 2002: € 257.3 million), due primarily to the above-mentioned order from General Motors in North America. Additional large orders for painting systems came from automobile manufacturers in China, France and Germany. Paint Systems reported continued strong demand for application technology, especially for Dürr's Ecopaint painting robot. Total sales in the business unit came to € 208.0 million (Q1 2002: € 190.8 million), and EBITDA to € 0.4 million (Q1 2002: € 2.1 million). Earnings were influenced by disproportionately low revenue recognition in the first quarter measured relative to the full year and the settlement of lower-margin contracts. At the end of the quarter, the business unit had 2,853 employees (March 31, 2002: 2,934).

Final Assembly Systems business unit

At € 170.2 million, total incoming orders for the Final Assembly Systems business unit were well above the first-quarter 2002 level (€ 107.1 million). With total sales amounting to € 71.8 million (Q1 2002: € 64.1 million), EBITDA for the business unit amounted to € 2.2 million, following € – 4.7 million in the corresponding quarter of the previous year. The number of employees was down to 1,596 at the end of the first quarter of 2003 (March 31, 2002: 1,623). Intra-group orders for car body conveyor systems for the turnkey paint shops that the Paint Systems business unit is installing in North America, for example, for General Motors and Hyundai as well as orders for final assembly plants in Europe were largely responsible for the high level of incoming orders. Implementation of the strategy for final assembly is proceeding according to plan – multiple orders to build and update turnkey final assembly plants are currently in progress. China shows good prospects for growth in the final assembly and conveyor systems business, although it is still uncertain what effects the spread of the respiratory illness SARS will have on the economy there.

Services business unit

The Services business unit, represented by the Premier Group, continued its positive operating trend. Total incoming orders (€ 35.1 million), total sales (€ 35.6 million) and EBITDA (€ 2.5 million) in the first quarter of 2003 were down slightly from the previous year's levels (Q1 2002: total incoming orders were € 37.6 million; total sales were € 36.0 million; EBITDA was € 2.6 million). However, these declines can be attributed solely to unfavorable exchange rates between the euro and the US dollar. Were it not for these exchange rate effects, all three of the figures mentioned would have been higher than the first quarter of 2002. New orders for manufacturing support services from automobile manufacturers in Brazil, Great Britain, the Netherlands and the USA contributed significantly to the good business trend. The Services business unit was also able to expand its position in the growth market Asia, for instance, with an industrial cleaning contract for a new automobile

paint shop in China. In Mexico, an international automotive supplier contracted Premier to operate a paint shop for automobile trim parts. Under project influences, the number of employees increased to 4,289 as of March 31, 2003 (March 31, 2002: 3,547).

Ecoclean business unit

Although the market environment remains difficult and customers continue to postpone projects in North America, total incoming orders in the Ecoclean business unit rose to € 47.4 million in the first quarter of 2003 (Q1 2002: € 41.3 million). Total sales dropped to € 40.5 million (Q1 2002: € 49.2 million), and EBITDA to € 2.0 million from € 2.3 million in the same period of the previous year. Cost-cutting measures in Germany were especially helpful in stabilizing earnings. As of March 31, 2003, the Ecoclean business unit employed a workforce of 1,074 persons (March 31, 2002: 1,058). Due to intense competition in the automotive industry, reducing engine and transmission production costs also has high priority among manufacturers and component suppliers. That is why Dürr Ecoclean is stepping up development of integrated machine concepts that combine workpiece cleaning and coolant recycling, thus lowering investment and operating costs.

Measuring Systems business unit

The Measuring Systems business unit, which combines all of the Schenck Group's activities in measuring technology, registered demand that varied widely by region and product line. But total incoming orders were subdued on the whole in the first quarter of 2003 at € 82.9 million (Q1 2002: € 94.1 million). Total sales were € 72.1 million (Q1 2002: € 70.0 million). More intense competition due to the economic situation and unfavorable exchange rates put EBITDA for the first quarter at € -6.7 million, following € -8.5 million in the same period of the previous year. The business unit reduced its workforce from 3,191 employees at the end of the first quarter of 2002 to 3,007 on March 31, 2003.

The Dürr Group's Corporate Center generated EBITDA of € 8.8 million in the first quarter of 2003 (Q1 2002: € 8.7 million) and employed a workforce of 59 (March 31, 2002: 57).

Primary goal for 2003:

Increase group earnings across the board

Due to the unsatisfactory earnings situation, a continued weak economy and increasing pressure on margins, Dürr is stepping up its efforts to improve its long-term cost and earnings position considerably. With *sprint²*, the group-wide earnings enhancement program adopted at the start of 2003, Dürr is striving to make the company more resistant to economic fluctuations and to achieve its medium-term target of a return on sales of 5%. The central aims of the *sprint²* program are to reduce procurement costs, optimize design, project planning, and production processes, reduce risks in processing orders, and streamline business locations and the product portfolio. Compared with SPRINT, a program that was started in 2001 and brought about earnings improvement, *sprint²* is distinguished by higher goals, more intensive penetration of the business units and accelerated implementation. In addition to *sprint²*, Dürr is also intensifying group-wide innovation management to counter pressure from competition and on margins.

Outlook for the year:

Stabilization of sales and earnings situation expected

For the full year, Dürr still does not expect any great impetus for the world economy. As a result, capital spending in the automotive industry will be shaped by caution.

Consequently, Dürr has not assumed any improvement of general conditions in its planning for fiscal 2003. The Board of Management expects the sales and earnings situation to stabilize in fiscal 2003 based on the high orders on hand, particularly in the Paint Systems business unit, and the implemented restructuring measures. But it is impossible to make reliable predictions at present due to current economic and political uncertainties. With the *sprint²* earnings enhancement program, however, Dürr is responding systematically to the economic environment and creating all the prerequisites to cope with the lean period and to profit above average on an economic upswing.

Stuttgart, May 14, 2003

Dürr Aktiengesellschaft

The Board of Management

Consolidated statements of income

for Dürr Aktiengesellschaft, Stuttgart, for the first quarter of 2003

Amounts in € k	1st quarter 2003	1st quarter 2002
Net sales	404,996	394,956
Cost of sales	-329,421	-323,363
Gross margin	75,575	71,593
Selling, administrative and other operating expenses	-72,547	-80,654
Research and development expenses	-10,648	-4,926
Other operating income	7,752	6,545
Income before financial income, income taxes and minority interests	132	-7,442
Financial income (expense), net	-5,497	-7,312
Income before income taxes and minority interests	-5,365	-14,754
Income taxes	2,254	7,112
Income before minority interests	-3,111	-7,642
Minority interests	273	327
Net loss	-2,838	-7,315
Basic and diluted earnings per share in €	-0.20	-0.51

Consolidated balance sheets

for Dürr Aktiengesellschaft, Stuttgart, as of March 31, 2003

Amounts in € k	March 31, 2003	March 31, 2002
Assets		
Fixed assets		
Goodwill	350,712	373,483
Other intangible assets, net	34,285	30,832
Property, plant and equipment, net	190,559	213,243
Investments	22,791	23,653
	598,347	641,211
Non-fixed assets		
Inventory, net	113,171	120,535
Receivables and other assets, net	826,435	875,032
Short-term investments	4	6
Cash and cash equivalents	140,909	126,981
	1,080,519	1,122,554
Deferred taxes	69,532	68,822
Prepaid expenses	9,111	7,476
Total assets	1,757,509	1,840,063
Liabilities and shareholders' equity		
Capital stock	36,603	36,603
Additional paid-in capital	159,000	159,048
Retained earnings	52,748	51,981
Deferred compensation	–	– 44
Accumulated other comprehensive income	7,301	38,662
	255,652	286,250
Minority interests	7,739	8,099
Accruals	295,018	315,302
Liabilities	1,125,667	1,169,014
Deferred taxes	56,353	48,072
Deferred income	17,080	13,326
Total liabilities and shareholders' equity	1,757,509	1,840,063

Due to restatements retroactively made in the 2001 financial statements, some of the values shown in the table for the balance sheet date March 31, 2002 have changed from those presented in the interim report on the first quarter of 2002. The 2002 Annual Report contains more details regarding the restatements in the 2001 financial statements.

Consolidated statements of cash flows

for Dürr Aktiengesellschaft, Stuttgart, for the first quarter of 2003

Amounts in € k	1st quarter 2003	1st quarter 2002
Net income (loss)	-2,838	-7,315
Minority interests	-273	-327
Depreciation	7,686	8,548
Net loss (gain) on disposal of property, plant and equipment	10	-18
Deferred income taxes	1,691	-7,629
Non-cash income from associated companies	-143	-302
Changes in operating assets and liabilities		
Inventory	-5,826	-12,688
Receivables	-55,332	-1,940
Short-term investments	-1	-3
Accruals	-15,906	-16,136
Liabilities (other than bank)	13,023	-34,359
Other assets and liabilities	11,777	6,201
Net cash used in operating activities	-46,132	-65,968
Acquisitions of intangible assets	-1,138	-87
Purchases of property, plant and equipment	-2,841	-3,921
Proceeds from disposals of fixed assets	146	1,313
Net cash used in investing activities	-3,833	-2,695
Net change in debt to banks	-39,781	45,845
Net cash used in (provided by) financing activities	-39,781	45,845
Effect of exchange rates on cash and cash equivalents	-52	-82
Decrease in cash and cash equivalents	-89,798	-22,900
Cash and cash equivalents		
At the beginning of the period	230,707	149,881
At the end of the period	140,909	126,981

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Financial calendar for 2003

- Interim report on the first quarter of 2003 and conference call, May 14, 2003
- Annual shareholders' meeting, May 28, 2003, Stuttgart
- Dividend payment, May 30, 2003
- Interim report on the first half of 2003 and conference call, August 20, 2003
- Interim report on the first nine months of 2003 and conference call, November 13, 2003

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This interim report is available
in English and German.

Dürr prepares its consolidated financial statements in accordance with US Generally Accepted Accounting Principles (US GAAP).
References to "previous year" in this interim report always refer to the first quarter of 2002.

This interim report includes forward-looking statements about future developments. As is the case for any business activity conducted in a global environment, such forward-looking statements are always subject to uncertainty. Our information is based on the conviction and assumptions of the Board of Management of Dürr AG, as developed from the information currently available. However, the following factors may affect the success of our strategic and operating measures: geopolitical risks, changes in general economic conditions (especially a prolonged recession in Europe or North America), exchange rate fluctuations and changes in interest rates, new products launched by competitors, and a lack of customer acceptance for new Dürr products or services, including growing competitive pressure. Should any of these factors or other imponderable circumstances arise, or should the assumptions underlying the forward-looking statements prove incorrect, actual results may differ from those projected. Dürr AG undertakes no obligation to provide continuous updates of forward-looking statements and information. Such statements and information are based upon the circumstances as of the date of their publication.