

Technologies · Systems · Solutions



Cover picture

Dürr handling system for
the installation of complete
front end modules

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Management report

Economic environment

In the context of expansive monetary policy in Europe, Japan, and the United States and the still low level of interest rates, the world economic upswing has strengthened somewhat since the beginning of the year. Continuing political uncertainties, generally subdued consumer demand, and sharply higher oil prices have prevented a stronger increase of economic activity.

In the United States, the pace of economic growth has increased significantly. The rise of inflation to 3 % in May, however, suggests another upward interest rate correction, which could dampen consumption and capital spending.

Europe continues to bring up the rear in the global upswing. Domestic demand has remained weak, while exports appear likely to gain further momentum despite the strong euro. Above all, the new EU member states have good growth prospects. In Germany, the upward trend continued in the first half of the year. But while equipment spending increased, private consumption was impeded by continued high unemployment and consumer uncertainty regarding reform policies.

Economic growth in the first half of the year was also borne primarily by exports in Japan, but an increase of private consumption also emerged there. Economic momentum remained high in China, with growth of 9.8 % in the first quarter of 2004. An energy shortage and an inflation rate of 4.4 %, however, are signs of overheating, which the government is countering with interest rate increases and volume limits on lending growth, among other measures.

(Sources: German Institute for Economic Research and Institute for World Economics)

Automotive trend

Demand for automobiles in major markets remained slack in the first six months of 2004.

The US market continued to be shaped by large rebates, high inventories, and market share losses for domestic manufacturers. Compared with the first half of 2003, new passenger vehicle registrations rose slightly to 8.4 million (+2.2 %). The plus was mainly a result of rising demand for light trucks.

Western Europe registered a moderate increase of passenger vehicle sales to 7.8 million units in the first half of 2004 (+3.3 %). In Germany, however, consumer restraint found expression in a sales volume decline by 1 %. Accompanying the weakness of demand,

the level of rebates in Germany rose in June to an average of 13 % of the price of a new-vehicle. To lower costs, automobile manufacturers and industry suppliers have stepped up their efforts to flexibilize working times in domestic plants.

In China, the automotive industry's most important growth market worldwide, production increased by 46 % in the first four months of 2004. Capital spending by manufacturers and their suppliers in new production facilities also remained at a high level. The Japanese automotive industry achieved sales volume growth of 6 % in the first half of the year. It benefited not only from strong exports, but also from newly rising domestic demand.

In contrast to parts suppliers, Dürr provides production systems and is thus not directly dependent on the sales figures of the automotive industry. Even when manufacturers and suppliers generally experience subdued sales, they still need efficient production systems like those developed and provided by Dürr. For, in view of high productivity and cost pressure and growing model diversity, economic automobile manufacturing requires innovative production technologies that offer more flexibility, quality, and environmental compatibility. (Sources: ACEA, VDA, and VWD)

Business development

Incoming orders

At €975.0 million, the level of Dürr's consolidated incoming orders in the first half of 2004 was normal. It was thus expectably lower than the unusually high previous year's figure (€1,513.0 million), which included, however, a large paint shop order from General Motors (GM). Adjusted for exchange rate effects, which means calculated at previous year's rates, incoming orders would have come to €999.4 million in the first half of 2004.

The consolidated financial statements of Dürr AG and its affiliates as of June 30, 2004 have been prepared according to US GAAP (United States Generally Accepted Accounting Principles). In the process, Dürr has applied the same accounting regulations as it did in the case of its 2003 annual financial statements. Regarding the accounting and valuation methods, we refer to the consolidated financial statements in our 2003 annual report. All amounts are given in euros. Unless indicated otherwise, "previous year" and similar expressions refer to the first half of 2003.

In the course of an internal review, Dürr determined that order-specific receivables had been overvalued, and accruals undervalued, in the financial statements for the first quarter of 2003. To correct that and provide for comparability, the relevant items in the statements of income, balance sheets, and statements of cash flow have been adjusted in the present report. This has the following effects on results for the first half of 2003. At €-11.8 million, earnings before taxes are lower compared with the originally released figure (€-4.9 million). The adjusted raises the consolidated net loss from €2.5 million to €6.7 million, and lowers earnings per share from €-0.18 to €-0.47. Within the group, the adjustment affects the figures for the Final Assembly Systems business unit and the Corporate Center. It has no effects on the consolidation financial statements of December 31, 2003, since the listed effects were reversed in subsequent quarters. For earnings in the second quarter of 2003, the following changes result: earnings before taxes increase to €2.7 million (originally: €0.4 million), consolidated net income to €1.7 million (originally: €0.3 million), and earnings per share to €0.12 (originally: €0.02).

The **Paint Systems** business unit received relatively large orders from Germany, China, Spain, and the United States in the first half of 2004. At €464.5 million, however, total incoming orders were, as expected, below the previous year's figure (€1,013.2 million), which was significantly above normal due to the large order from GM. Total incoming orders in the **Final Assembly Systems** business unit were likewise lower at €167.5 million (previous year: €262.1 million). But the previous year's figure was also affected by the large GM order, for which Final Assembly Systems supplies the conveyor technology. Despite the US dollar's weakness, the **Services** business unit, which is very strongly represented in the United States, raised its total incoming orders slightly to €71.8 million (previous year: €71.2 million). Adjusted for exchange rate effects, incoming orders would have come to €76.4 million and thus surpassed the previous year's figure by 7.3 %. The business unit entered into new service contracts mainly in Poland and the United States. Thanks to large projects in France and the United States, the **Ecoclean** business unit booked total incoming orders of €104.9 million, which was higher than the previous year's figure (€91.6 million). The **Measuring Systems** business unit raised its total incoming orders significantly by 21 % to €209.4 million (previous year: €173.5 million). That is mainly due to the continuing positive trend in Asia and an upturn of the American markets.

Sales

Dürr's consolidated sales rose in the first half of 2004 by €80.2 million to €1,000.9 million (+8.7 %; previous year: €920.7 million). Adjusted for exchange rate effects, which means calculated in previous year's rates, the increase would have come to €116.9 million (+12.7 %).

The sales increase in the consolidated group was primarily due to the **Paint Systems** business unit, which raised its total sales to €564.9 million (previous year: €500.3 million). That is mainly a result of high orders on hand following strong incoming orders in 2003. The **Final Assembly Systems** business unit increased its total sales from €146.1 million to €161.1 million in the first half of the year. Besides various projects in the area of final assembly technology, winding up conveyor technology orders won in North America last year is the main reason for that. Total sales in the **Services** business unit came to €71.7 million and thus remained roughly at the previous year's level (€71.3 million). Adjusted for exchange rate effects, total sales would have amounted to €76.3 million and thus have meant growth of 7.0 % compared with the previous year's period. Along with its improved incoming orders, the **Ecoclean** business unit managed to increase total sales slightly, from €88.5 million in the first half of 2003 to €90.1 million. The **Measuring Systems** business unit achieved total sales of €169.1 million and was thus likewise above the previous year's figure (€160.1 million). The increase is primarily due to the positive development of the Measuring and Process Systems product line.

Orders on hand

As of June 30, 2004, consolidated orders on hand amounted to €1,385.4 million, after having risen to an above-average €1,957.3 million as of the previous year's date due to the large order from GM. Adjusted for exchange rate effects, orders on hand would have come to €1,424.3 million. On the whole, the group can continue to rely on solid utilization in the months ahead.

Earnings

Thanks above all to the *sprint*² earnings enhancement program, the Dürr Group has managed to improve its earnings situation significantly. For the first half of 2004, earnings before taxes (EBT) came to €8.3 million, after having amounted to €-11.8 million in the previous year's period. In the second quarter of 2004, Dürr achieved earnings before taxes of €4.0 million (previous year: €2.7 million) and was thus able to continue the positive development of the first three months (€4.3 million; previous year: €-14.5 million).

In the first half of 2004, the group's gross margin increased to 16.9 % (previous year: 16.8 %) despite rising raw material prices and continuing high price pressure. Under the *sprint*² program, we managed to lower selling and administrative costs as well as other operating expenses by €7.3 million to €147.9 million (previous year: €155.2 million). In relation to sales, that represents a reduction from 16.9 % to 14.8 %.

Earnings before interest expense, taxes, depreciation and amortization (EBITDA) improved to €32.9 million, compared with €16.5 million in the first half of 2003. Interest expense amounted to €11.0 million, after €13.3 million in the previous year. That was largely due to reduced gross debt. While gross debt stood at an average of €338 million in the first half of 2003, it came to €312 million on average in the first six months of 2004. Interest income amounted to €1.2 million, compared with €2.4 million in the previous-year period. Depreciation decreased from €15.0 million to €13.6 million due to last year's lower capital spending volume.

Thanks above all to lower net working capital, we managed to reduce net financial debt significantly compared with the previous year's date to €227.2 million (June 30, 2003: €247.2 million). Net financial expense improved accordingly by €1.6 million to €9.5 million (previous year: €11.1 million). That includes net interest expense of €9.8 million (previous year: €10.9 million) and an investment result of €0.3 million (previous year: €-0.2 million).

Consolidated net income for the first half of 2004 came to €4.6 million (previous year: loss of €6.7 million). Earnings per share amounted to €0.32 (previous year: €-0.47).






The **Paint Systems** business unit increased earnings before taxes by €12.4 million to €16.3 million (previous year: €3.9 million). In addition to higher sales, savings achieved by the business unit through consistent product standardization under the *sprint*² program contributed to the significant improvement. Furthermore, last year's earnings included the costs of winding up legacy contracts for the Environmental Systems product line in the United States. In the **Final Assembly Systems** business unit, earnings before taxes rose from €-1.4 million in the first half of 2003 to €2.9 million. Higher sales also contributed to that, as did improved risk management. The **Services** business unit registered lower earnings before taxes (€2.6 million after €3.3 million in the previous year's period). The reasons for that are advance outlays to establish new services and unforeseen delays in finalizing new contracts. Adjusted for exchange rate effects, the business unit's earnings before taxes would have amounted to €2.7 million. Against the background of continuing stiff price competition in the area of cleaning and filtration technology, the **Ecoclean** business unit's earnings before taxes fell to €0.2 million (previous year: €2.4 million). Ecoclean is countering heightened competitive pressure with cost reductions under the *sprint*² program, product innovations, and increased marketing of lower-cost machines. In the **Measuring Systems** business unit, earnings before taxes improved from €-11.8 million to €-5.5 million. Significant earnings improvement in the Development Test Systems and the Measuring and Process Systems product lines was the decisive factor. Added to that were cost savings and loss reductions achieved by closing the pre-manufacturing operation in Darmstadt, Germany, on schedule. At €-8.2 million, the Corporate Center's earnings before taxes remained unchanged versus the first half of 2003. That amount primarily involves interest expense for strategic acquisitions of the previous years in addition to costs of headquarters and special projects.



*sprint*² the group-wide earnings enhancement program that we began in 2003, is pursuing four main objectives: cutting costs, reducing risk, lowering net working capital, and streamlining our portfolio of locations and products.

Implementation of the *sprint*² program is proceeding on schedule. By far most of the over 200 individual measures have been initiated and are in various stages of implementation. At present, 90 % of the measures are already showing economizing effects. Particular success has been achieved through product standardization, which has reduced production costs in the Paint Systems business unit, for example, by 9 % on average across its entire range of products.

Among the most important **sprint²** measures implemented or initiated in the first half of 2004 are:

<ul style="list-style-type: none"> • International purchasing and supply chain management 		<ul style="list-style-type: none"> • Five additional, supradivisional lead buyers deployed for selected types of goods • Nine supradivisional lead buyers newly deployed for strategically important and globally operating large suppliers
<ul style="list-style-type: none"> • Project management 		<ul style="list-style-type: none"> • Uniform project management system for the entire group adopted and in operation as of autumn
<ul style="list-style-type: none"> • Administration 		<ul style="list-style-type: none"> • Central payroll in Germany
<ul style="list-style-type: none"> • Net working capital 		<ul style="list-style-type: none"> • Targets defined for all business units • Monthly review and evaluation intensified
<ul style="list-style-type: none"> • Streamlining portfolio of locations 		<ul style="list-style-type: none"> • Dürr AIS S.A.S. and Dürr Automotion S.A. (both in France) merged, combination of sites planned

Despite consistently focusing on costs, Dürr is also not going to make any cuts in research and development in the future under the **sprint²** program. For, innovative and competitive products are the central foundation of the group's leading positions in markets and technologies.

Financial position

Balance sheet

Since December 31, 2003, Dürr has reduced both fixed and non-fixed assets, thus lowering total assets to €1,511.7 million (Dec. 31, 2003: €1,665.8 million).

As of June 30, 2004, fixed assets amounted to €566.7 million (Dec. 31, 2003: €569.1 million), or 37.5 % of total assets (Dec. 31, 2003: 34.2 %). With capital spending (€5.7 million) simultaneously limited, depreciation and currency effects led to a slight decline of property, plant and equipment to €162.5 million (Dec. 31, 2003: €169.2 million). At €381.6 million, or 25.2 % of total assets, intangible assets remained

the largest item in fixed assets (Dec. 31, 2003: €379.1 million, or 22.8 %). Goodwill included in that item increased from €346.1 million to €349.1 million due to currency effects.

Non-fixed assets were down to €861.8 million as of June 30, 2004 (Dec. 31, 2003: €1,037.3 million), which corresponds to 57.0 % of total assets (Dec. 31, 2003: 62.3 %). The reduction of receivables and other assets in the framework of our working capital management to €727.0 million (Dec. 31, 2003: €772.4 million) was the main reason for the decline. After unexpectedly high advance payments at the end of 2003, cash and cash equivalents fell from €199.9 million to €63.6 million, as planned.

Because of the positive earnings, shareholders' equity increased to €223.5 million as of June 30, 2004 (Dec. 31, 2003: €215.2 million). The equity ratio came to 14.8 % (Dec. 31, 2003: 12.9 %). Accruals amounted to €281.7 million (Dec. 31, 2003: €325.6 million). Of that, €82.4 million were due to order-specific accruals for post-contract costs, warranties, and anticipated losses on pending transactions (Dec. 31, 2003: €95.7 million). Tax accruals accounted for €5.5 million (Dec. 31, 2003: €10.0 million), and pension accruals for €54.4 million (Dec. 31, 2003: €53.6 million).

We reduced liabilities to €924.0 million as of June 30, 2004 (Dec. 31, 2003: €1,055.7 million). That was mainly due to the decrease of accounts payable and lower advance payments received.

Liabilities of the Dürr Group in €m	June 30, 2004	Dec. 31, 2003
Liabilities to banks	290.7	296.8
Billings in excess of cost and estimate earnings	313.1	356.9
Accounts payable	236.7	279.8
Other liabilities and liabilities payable to associated companies	83.5	122.2

Cash flow

At €-123.5 million, net cash provided by operating activities in the first half of 2004 was at the level of the previous year's period (€-116.5 million). The reduction of accruals and liabilities (not to banks) compared with December 31, 2003 was the main reason for the negative figure. Net cash used in investing activities declined to €-2.8 million (previous year: €-8.6 million). Also, at €-9.1 million, net cash used in financing activities was below the previous year's level (€-11.1 million).

The outflow of funds related to the operationally determined items of inventories, receivables, and liabilities amounted to €87.9 million in the first half of 2004 (previous year: €86.7 million). While inventories increased moderately, thus causing an outflow of €6.5 million, we achieved an inflow of €56.9 million due to the decrease of receivables. Liabilities were reduced by €138.3 million in comparison with the end of 2003. Lower advance payments received and a decrease of accounts payable were the main reasons for that. Accruals declined primarily as a result of payments for restructuring measures and outstanding supplier invoices.

Net cash used in investing activities was mainly due to the acquisition of intangible assets (above all, technical software) in the amount of €1.6 million (previous year: €1.8 million). Property, plant and equipment were acquired in the amount of €5.7 million (previous year: €8.6 million). Proceeds from the sale of fixed assets came to €4.7 million (previous year: €2.8 million) and derived primarily from the sale-and-lease-back transaction in connection with a factory in Poland. Net cash used in financing was booked as a result of repaying short-term loans taken out to finance current business.

Long-term financing secured

In the beginning of July 2004, Dürr successfully carried out two capital measures, a corporate bond with a volume of €200 million and a syndicated loan of €400 million. The fixed-interest bond (ISIN [Reg S]: XS0195957658, ISIN [144a]: XS0195957815) will mature in 2011 and has a coupon of 9.75 %. The issue price amounted to 96.3 %. Interest payments will be made on January 15 and July 15. The first payment date is January 15, 2005. The syndicated loan has a term of five years and consists of a credit line and a guarantee facility of €200 million each.

In connection with the capital measures, Dürr AG has received company ratings of "BB-" from Standard & Poor's and "Ba3" from Moody's. The subordinated bond has been rated at "B" and "B2," respectively. The outlook for the ratings is stable.

With the two capital measures, Dürr has secured the group's financing for the long term and proactively diversified its financing structure before the expiration (at the beginning of 2006) of the syndicated loan arranged in February 2001. We are thus becoming more independent of future bank lending practices, which will be shaped by the difficult economic environment, the consolidation process in the banking sector, and the terms of the Basle II accord. The bond has important characteristics in common with equity, which also explains its higher interest rate compared with the normal loan.

Capital expenditures

Because of low vertical depth of production, capital expenditures play a subordinate role in the Dürr Group. In the first half of 2004, they were limited to €5.7 million (previous year: €8.6 million). As an engineering firm, Dürr focuses on investing in human resources.

The Paint Systems business unit invested €1.5 million in property, plant and equipment, after having spent €3.4 million in the first half of 2003 mainly as a result of expanding the paint systems development center in Bietigheim-Bissingen, Germany. The capital expenditures of the other business units were as follows: Final Assembly Systems, €1.0 million (previous year: €1.5 million); Services, €1.1 million (previous year: €1.2 million); Eco-clean, €0.4 million (previous year: €0.8 million); Measuring Systems, €1.7 million (previous year: €1.7 million). These mostly involved replacement expenditures, but the Services business unit also invested in equipment items needed for services rendered at customers' premises.

Employees

Under the *sprint*² program, Dürr reduced personnel in its engineering business units (Paint Systems, Final Assembly Systems, Ecoclean, and Measuring Systems). The focus was on Measuring Systems, where the number of employees decreased by 189 compared with June 30, 2003. Altogether, the workforce of the engineering business units was reduced in Europe and the Americas by 476 positions in the period from June 30, 2003. On the other hand, we created 116 new jobs in Asia in the same period, including 91 in China. The net personnel reduction in the engineering business units compared with June 30, 2003 came to 349 employees, or 4.1%, to 8,099. In contrast, the Services business unit increased the number of its employees to 4,575 because of new orders (June 30, 2003: 4,470). Altogether, the Dürr Group had 12,674 employees as of June 30, 2004, which is 244, or 1.9 %, fewer than on June 30, 2003. Between March 31, 2004 and the end of the second quarter, the group's number of employees increased by 77, mainly due to hiring in the Service business unit (+143).

Research and development

The statements of income for the first half of 2004 included direct expenditures for research and development (R&D) in the amount of €15.9 million (previous year: €18.7 million), which corresponds to 1.6 % of consolidated sales. Added to that were significantly higher expenditures for development activities in the framework of customer orders.

Dürr is thus able to secure its positions of technological leadership by means of forward-looking innovation management.

Among the most important results of our R&D work in the first half of 2004 is a new version of the Dürr Ecopaint painting robot, which is especially geared to the demands of automotive industry suppliers. The Ecoclean business unit focused on further developing its innovative robot system for mechanical deburring of engine and transmission components. Together with an automobile manufacturer, the Final Assembly Systems business unit brought a system for automated assembly of glass roof modules to market readiness, while the Measuring Systems business unit developed a controller base for vehicle test stands that opens up new applications in combination with the STARS automation software. The Services business unit also further expanded its range. It managed, for example, to enter into its first contract for maintenance functions in an engine factory.

Annual shareholders' meeting

Improving earnings was the central topic at Dürr AG's annual shareholders' meeting on June 9, 2004. Because Dürr reported a consolidated loss in 2003 after high restructuring expenditures, no dividend was paid to the shareholders. Also, Dr. Hans Michael Schmidt-Dencker was elected to the Supervisory Board to succeed Dr. Heinz-Gerd Stein. Mr. Schmidt-Dencker is Speaker of the Management Board of BWK GmbH Unternehmensbeteiligungsgesellschaft (Stuttgart), which owns 7 % of Dürr AG's capital stock.

Schenck annual meeting accepts squeeze-out

At the annual meeting of Carl Schenck AG on July 9, 2004, it was resolved by a vote of 99.4 % of the represented capital to transfer the stock of Schenck minority shareholders to Dürr, the majority shareholder, for a cash settlement of € 157 per share. The payment will become due after the resolution is entered in the commercial registry. The squeeze-out is an important prerequisite for better integrating Schenck and streamlining the Dürr Group's organization and management. Dürr already owns 98.7 % of Carl Schenck AG's stock.

Own share / subscription rights

Dürr AG does not own any of its stock. No subscription rights have been granted to members of its corporate bodies or employees under the Dürr International Stock Option Plan (DISOP).

Outlook for the group

Dürr expects the moderate economic recovery to continue in the rest of this year. But given the automotive industry's strong focus on costs, capital spending restraint on the part of our customers and high margin pressure may be expected to continue. After last year's loss due to special influences, the Board of Management expects that earnings before taxes in 2004 will exceed the amount (€18.7 million) achieved in 2003 before restructuring expense. Sales will probably be slightly lower than the previous year's high level. The *sprint*² earnings enhancement program will continue to be consistently implemented in order to strengthen Dürr's profitability and market positions in the global competitive environment.

Stuttgart, August 13, 2004

Dürr Aktiengesellschaft

Board of Management

Key figures for the Dürr Group

		1st half of 2004	1st half of 2003
Consolidated sales	in € millions	1,000.9	920.7
Consolidated incoming orders	in € millions	975.0	1,513.0
Consolidated orders on hand (as of June 30)	in € millions	1,385.4	1,957.3
Employees (as of June 30)		12,674	12,918
Employees excluding Services		8,099	8,448
EBITDA (earnings before interest expense, taxes, depreciation and amortization)	in € millions	32.9	16.5
EBIT (earnings before interest expense and taxes)	in € millions	19.3	1.5
EBT (earnings before taxes)	in € millions	8.3	-11.8
Net income (loss)	in € millions	4.6	-6.7
Earnings (loss) per share	in €	0.32	-0.47
Net financial debt (as of June 30)	in € millions	227.2	247.2
Market price of Dürr shares (XETRA)			
High	in €	21.10	17.45
Low	in €	17.50	13.15
Close	in €	19.60	16.10
No. of shares (as of June 30)	in thousands	14,298	14,298
Market capitalization (as of June 30)	in € millions	280.2	230.2

Consolidated statements of income

for Dürr Aktiengesellschaft, Stuttgart, for the periods January 1 to June 30, 2004, 2003
and April 1 to June 30, 2004, 2003

Amounts in €thousands	1st half of 2004	1st half of 2003	2nd quarter 2004	2nd quarter 2003
Net sales	1,000,908	920,668	514,238	516,872
Cost of sales	-832,080	-765,580	-429,794	-428,207
Gross margin	168,828	155,088	84,444	88,665
Selling, administrative and other operating expenses	-147,909	-155,171	-76,406	-82,624
Research and development expenses	-15,939	-18,705	-7,981	-8,057
Other operating income	12,817	18,073	8,821	10,321
Income before financial income, income taxes and minority interests	17,797	-715	8,878	8,305
Financial income (expenses), net	-9,508	-11,077	-4,916	-5,580
Income before income taxes and minority interests	8,289	-11,792	3,962	2,725
Income taxes	-3,825	4,762	-1,973	-1,059
Income before minority interests	4,464	-7,030	1,989	1,666
Minority interests	100	327	354	54
Net income (loss)	4,564	-6,703	2,343	1,720
Basic and diluted earnings (loss) per share in €	0.32	-0.47	0.16	0.12

Due to subsequent adjustments to the report for the quarter to March 31, 2003 some of the figures shown in the consolidated statements of income vary from those published in the interim report for the period ended on June 30, 2003 (see also page 3 of this report).

Consolidated balance sheets

for Dürr Aktiengesellschaft, Stuttgart, as of June 30, 2004, 2003 and December 31, 2003

Amounts in €thousands	June 30, 2004	June 30, 2003	Dec. 31, 2003
Assets			
Fixed assets			
Goodwill	349,118	347,169	346,091
Other intangible assets, net	32,512	32,125	33,042
Property, plant and equipment, net	162,515	180,796	169,234
Investments	22,590	21,511	20,743
	566,735	581,601	569,110
Non-fixed assets			
Inventory, net	71,272	99,850	65,135
Receivables and other assets, net	726,994	778,769	772,351
Short-term investments	1	7	-
Cash and cash equivalents	63,557	95,751	199,859
	861,824	974,377	1,037,345
Deferred taxes	62,568	66,984	53,670
Prepaid expenses	20,545	9,151	5,696
Total assets	1,511,672	1,632,113	1,665,821
Liabilities and shareholders' equity			
Capital stock	36,603	36,603	36,603
Additional paid-in capital	159,000	159,000	159,000
Retained earnings	17,441	37,444	12,877
Accumulated other comprehensive income	10,504	7,109	6,731
	223,548	240,156	215,211
Minority interests	5,361	7,205	5,163
Accruals	281,734	283,333	325,633
Liabilities	923,969	1,052,651	1,055,657
Deferred taxes	69,507	43,142	57,810
Deferred income	7,553	5,626	6,347
Total liabilities and shareholders' equity	1,511,672	1,632,113	1,665,821

Due to subsequent adjustments to the report for the quarter to March 31, 2003 some of the figures shown in the consolidated balance sheets as of June 30, 2003 vary from those published in the interim report for the period ended on June 30, 2003 (see also page 3 of this report).

The book value of buildings no longer in use, as a result of combining US subsidiaries at joint locations, and now proposed for sale amounting to 5,220 thousand euros (June 30, 2003: 5,640 thousand euros) are disclosed in non-fixed assets, within the category other assets. The amount to June 30, 2003 was reclassified accordingly from fixed assets / property, plant and equipment to other assets.

Consolidated statements of equity

for Dürr Aktiengesellschaft, Stuttgart, for the periods January 1 to June 30, 2004 and 2003

Amounts in €thousands	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2003	36,603	159,000	55,586	11,107	262,296
Net loss for the period January 1 to June 30, 2003	-	-	-6,703	-	-6,703
Other comprehensive income	-	-	-	-3,998	-3,998
Dividends	-	-	-11,439	-	-11,439
Balance at June 30, 2003	36,603	159,000	37,444	7,109	240,156
Balance at January 1, 2004	36,603	159,000	12,877	6,731	215,211
Net income for the period January 1 to June 31, 2004	-	-	4,564	-	4,564
Other comprehensive income	-	-	-	3,773	3,773
Dividends	-	-	-	-	-
Balance at June 30, 2004	36,603	159,000	17,441	10,504	223,548

Consolidated statements of cash flows

for Dürr Aktiengesellschaft, Stuttgart, for the periods January 1 to June 30, 2004 and 2003

Amounts in €thousands	1st half 2004	1st half 2003
Net income (loss)	4,564	-6,703
Minority interests	-100	-327
Dividends paid to minority shareholders	-	-418
Depreciation and amortization	13,559	14,975
Net gain on disposal of property, plant and equipment	-694	-165
Deferred income taxes	3,477	-10,893
Non-cash loss from associated companies	-273	146
Changes in operating assets and liabilities:		
Inventory	-6,461	3,758
Receivables	56,856	-20,013
Short-term investments	-1	-4
Accruals	-42,577	-21,483
Liabilities (other than bank)	-138,290	-70,444
Other assets and liabilities	-13,591	-4,930
Net cash used in operating activities	-123,531	-116,501
Acquisitions of intangible assets	-1,575	-1,800
Purchases of property, plant and equipment	-5,734	-8,581
Purchases of other investments	-	-556
Acquisitions, net of cash acquired	-186	-446
Proceeds from disposals of fixed assets	4,706	2,792
Net cash used in investing activities	-2,789	-8,591
Net change in short-term debt	-9,073	133
Proceeds from long-term debt to banks	-	467
Redemption of long-term debt to banks	-	-307
Dividends paid	-	-11,439
Net cash used in financing activities	-9,073	-11,146
Effect of exchange rates on cash and cash equivalents	-909	1,282
Decrease in cash and cash equivalents	-136,302	-134,956
Cash and cash equivalents		
At the beginning of the period	199,859	230,707
At the end of the period	63,557	95,751

Due to subsequent adjustments to the report for the quarter to March 31, 2003 some of the figures shown in the consolidated statements of cash flows vary from those published in the interim report for the period ended on June 30, 2003 (see also page 3 of this report).

Segment information

of Dürr Aktiengesellschaft, Stuttgart, as for June 30, 2004, 2003 and
January 1 to June 30, 2004, 2003

Amounts in € thousands	Paint Systems	Final Assembly Systems	Services	Ecoclean	Measuring Systems	Corporate Center	Dürr Group
June 30, 2004							
Revenues with external customers	559,984	114,066	71,716	88,176	166,966	-	1,000,908
Revenues with other business units*	4,879	47,050	26	1,936	2,166	-	56,057
Total revenues	564,863	161,116	71,742	90,112	169,132	-	1,056,965
EBITDA	21,882	5,228	3,814	1,905	-201	231	32,859
EBT	16,315	2,884	2,552	239	-5,523	-8,178	8,289
Business unit assets	598,728	276,871	99,788	147,472	340,891	47,922	1,511,672
Capital expenditures	1,514	992	1,116	389	1,718	5	5,734
Depreciation and amortization	4,581	1,972	1,255	1,233	3,942	576	13,559
Employees	2,738	1,572	4,575	940	2,795	54	12,674

Amounts in € thousands	Paint Systems	Final Assembly Systems	Services	Ecoclean	Measuring Systems	Corporate Center	Dürr Group
June 30, 2003							
Revenues with external customers	498,050	108,102	71,113	86,342	157,061	-	920,668
Revenues with other business units*	2,272	38,013	146	2,160	3,010	-	45,601
Total revenues	500,322	146,115	71,259	88,502	160,071	-	966,269
EBITDA	10,396	939	4,851	4,286	-5,269	1,315	16,518
EBT	3,935	-1,375	3,241	2,395	-11,839	-8,149	-11,792
Business unit assets	631,801	326,390	102,861	153,090	367,703	50,268	1,632,113
Capital expenditures	3,426	1,473	1,189	797	1,692	4	8,581
Depreciation and amortization	5,360	1,928	1,344	1,375	4,520	448	14,975
Employees	2,776	1,598	4,470	1,036	2,984	54	12,918

* These sales were eliminated in the group.

Financial calendar for 2004

- Interim report on the first half of 2004
and conference call
August 13, 2004
- Road show in Germany
September 2004
- BW-Bank-Conference
BWSC (Baden-Württemberg Small Caps)
October 4, 2004, Frankfurt/M.
- Third Dürr Capital Markets Day
October 13, 2004, Darmstadt
- Interim report on the first nine months
of 2004 and conference call
November 12, 2004
- German Equity Forum
November 23, 2004, Frankfurt/M.
- Road show in Great Britain and in the USA
November 2004
- German Equity Forum
November 2004, Paris
- Road show in France
November 2004

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This interim report is the English translation of the German original.

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.