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16th Regular Annual Shareholders' Meeting
of Dürr Aktiengesellschaft

"Strategic Realignment to Increase Earning Power"

Stuttgart, June 22, 2005

A translation of the written version of the speech delivered in German.

Ladies and gentlemen,

On behalf of the Board of Management, I cordially welcome you to Dürr AG's 16th regular annual shareholders' meeting. We are glad that you have come and are interested in our company.

2004 at a glance

We undertook a great deal in the past year and achieved the planned changes:

- After a loss in 2003, we have returned to the black. The sprint2 earnings enhancement program, with which we lowered our costs by € 58 million in 2004 alone, contributed decisively to that.
- Our financing has been restructured by means of a € 200 million bond issued in July and a new € 400 million syndicated loan.
- We have increased our stake in Carl Schenck AG to 100% by means of squeeze-out maneuver. That opens the door for the formation of an integrated Dürr-Schenck group and utilization of related opportunities for synergy.
- Finally, we have realigned our group structure to increase efficiency and market clout.

Topic overview: Strategic realignment of the group

I would like to present this new group structure to you first, because the figures that I will be talking about later in my report on business development are crucially oriented to it.

New group structure

The new structure has made our group organizationally more compact and leaner. Before, there were five business units. They are marked in light blue on the slide: Paint Systems, Final Assembly Systems, Services, Ecoclean, and Measuring Systems.

We are now bundling our activities into two divisions. Paint and Assembly Systems, which represents our plant engineering and systems business. Measuring and Process Systems, which combines our activities in mechanical engineering under the Schenck and Dürr Ecoclean brands. These two divisions form our continuing operations.

At the same time, we are disposing of two business areas: Services, consisting of the Premier Group, and Development Test Systems (DTS). These two areas are reported in the 2004 financial statements as discontinued operations.

The decisive reason for selling the Services business unit to the Voith Group at the beginning of June was that the opportunities for synergy expected when the unit was acquired in 1999 could not be realized. It simply became clear that our customers usually award contracts separately for production plants and production-related services. In addition, large pay-on-production models, for which we had equipped ourselves, have not become established in the automotive industry.

As for DTS, a supplier of test systems for vehicle development, we also intend to sell the unit or put it into a minority holding. Concrete negotiations are already in progress. In a different technological environment, DTS will have better growth prospects than it has with Dürr.

New structure: Two divisions

Here you see the new group structure again in overview. Dürr consists of two efficient divisions, with which we are focusing on our strengths in plant and mechanical engineering: Paint and Assembly Systems and Measuring and Process Systems. Under them are ten business units operating in 25 countries.

Topic overview: Business development in 2004

I will now comment on business development in 2004 and the figures that we have prepared for the first time in accordance with International Financial Reporting Standards, or IFRS.

Key data for the whole group

First, a look at the most important thing: our earnings. Although group sales revenues fell by € 136 million, we improved earnings before taxes, or EBT, by € 17.5 million from minus € 5.7 million in the previous year to plus € 11.8 million.

After having booked a loss for the year before of € 30.3 million, we achieved a positive result in 2004 with net income of € 4.7 million. That yields earnings per share after minority interests of € 0.40.

Despite the earnings improvement, the Board of Management and the Supervisory Board have decided to propose that no dividend be paid for 2004. Instead, we intend to use unappropriated profit to strengthen our equity base.

We are aware of the expectations held of us and therefore know that another dividend omission is disappointing. However, strengthening our equity base is another step toward improving the company's intrinsic value. At the same time, I assure you that we will resume dividend payments as soon as economically possible and sensible.

All earnings figures that I have just shown you concern the group in its old structure, including the discontinued operations of Services and DTS. We have chosen this manner of presentation, because it shows the whole group's net income for the year. On the other hand, all the figures that now follow concern the group in its new form with only the continuing activities.

Incoming orders

Next, our incoming orders. They fell by one-fourth in 2004 to just under € 1.6 billion. We had expected a decline, since the comparative base in 2003 was above average due to a large order. Nevertheless, the difficult environment in the automotive industry had a greater effect than we anticipated.

Sales revenues

At € 1.9 billion, sales revenues were therefore 6.9% below the previous year's level. With unchanged exchange rates, the decline would have amounted to 3.7%.

Earnings before taxes

Regarding earnings: After a slightly negative result in the previous year, we are reporting a plus of € 18.6 million for 2004. The return on sales before taxes rose to 1.0%. That is an important step in the right direction, but still not a substantial trend reversal. The Board of Management is working very hard on achieving that.

Net income for the year

We have also left negative territory after taxes. With a tax burden of € 7 million, net income for the year in continuing operations rose to € 11.6 million.

Earnings per share

Accordingly, earnings per share, depicted here, climbed from minus € 1.56 to plus € 0.88.

Net financial debt

Net financial debt, defined as liabilities to banks less liquid assets, is an important figure for Dürr. As of the balance sheet date, December 31, 2004, it stood at € 242.8 million. That was because prepayments received from customers in connection with large orders were down from the previous year's very high level by

€ 140 million. That is not unusual in plant engineering, but shows above all the consequences of the decline of incoming orders and difficult market conditions.

Now, let's briefly look at the balance sheet.

Balance sheet

On the asset side, you see that goodwill rose by € 11.5 million to € 308.8 million. That is mainly due to the increase of our stakes in Carl Schenck AG and the Schenck company in Australia. At € 11.6 million, the acquisition in Australia was last year's largest single investment. It strengthens our position in a promising business area that we intend to expand further: process technology for the mining industry.

Current assets decreased by € 222.2 million to € 728.4 million. That includes a reduction of trade receivables by 9%. In the framework of our cash management, we reduced cash and cash equivalents to € 46.4 million and thus to our target level.

On the liability side, one notes the rise of non-current liabilities to € 290.9 million, which is an effect of our improved financing structure: the bond and the new syndicated loan. They enabled us to reduce current interest-drawing liabilities significantly and raise the share falling due in the medium and long term from below 50% to 71%. The equity ratio also improved from 12.3% to 15.0%.

Dürr stock

The performance of our stock in 2004 was disappointing. There is no way to gloss over that. The share price, marked in dark blue, declined by 22% in the full year, after having gained appreciably until mid-year.

In the first five months of the current year, our stock was not able to recover from the significant decline in the second half of 2004. However, it has stabilized with a slight shortfall. After € 14.85 at the beginning of January, the share price hit bottom at € 13.59 and has meanwhile risen back to € 14.50, a tendency that one hopes will continue.

In view of the low share price level, we appreciate your loyalty to Dürr all the more. It is imperative that we stay the course toward more earning power by every means at our disposal. That will then find expression in suitable stock price performance.

Let's turn to development in the divisions. Please note that I'm referring here, in contrast to the 2004 annual report, to the two new divisions.

Paint and Assembly Systems

Incoming orders fell in the Paint and Assembly Systems division, as expected. The main reason for that is the previous year's huge comparative base due to the large order mentioned earlier. Earnings were burdened by unplanned expenses of € 8.3 million in connection with our final assembly operations in the United States. We have meanwhile got the problems under control by replacing the management, creating a new organizational structure, and improving processes. Large orders were received in 2004 primarily from Asia and Eastern Europe. KIA Motors simultaneously placed two orders for its new plant in the Slovakia city of Zilinia: one for the paint shop and the other for the final assembly facility – thus confirming our capabilities in both fields. In the area of commercial vehicles, we benefited from improved market conditions, receiving large orders, for example, from DaimlerChrysler for paint shops at several German sites. Our business as an equipment supplier to the aircraft industry also developed positively. For example, the new Airbus A380, the aircraft of superlatives, is largely assembled and painted with technology from Dürr.

Measuring and Process Systems

With increases of incoming orders and sales revenues, the Measuring and Process Systems division developed well overall. The most important growth-driver was the area of process technology for the mining industry, which has above-average margins. We received no less than 25% of incoming orders in measuring technology from the dynamic Chinese market, and the trend is rising. There were two different factors that influenced earnings before taxes of just under € 6 million. In measuring technology, our earnings were good after the restructuring of the previous years. The restructuring of Schenck has thus been successfully completed! On the other hand, sales revenues declines and unplanned expenses in Ecoclean's cleaning technology business had the result that earnings before taxes there were negative. With the implemented measures, however, we will successively return to our old earnings strength in cleaning technology.

So much for our two divisions, ladies and gentlemen.

Sales growth in Asia

In this slide, you see a globally balanced distribution of sales revenues. We do not complain about globalization, but utilize the opportunities it presents – whether in China or India or Russia.

We managed to raise sales revenues in Asia by 14%. That continent now accounts for almost 17% of our revenues. Europe's share of sales has meanwhile fallen below 50%.

Expansion of Asian business

We reduced our workforce by 546 employees in the traditional markets of Europe and the Americas. The change in the number of our employees in Asia clearly shows how important that region has become for us. To take advantage of opportunities arising there, we created 184 additional jobs, which represents a plus of 33%!

Topic overview: sprint2

The sprint2 earnings enhancement program played an essential part in the improvement of our profitability in fiscal 2004.

sprint²: 2003-2005

After we managed in 2003, the first year of sprint², to achieve savings of € 47 million, we reduced our costs in 2004 by an additional € 58 million. By the end of the current year, sprint² will lead to cumulative savings of just under € 170 million. These improvements on the cost side are of enormous importance, since they ensure our competitiveness in an aggressive price environment.

Examples of cost reduction

A good example of successful cost reduction may be seen in the group's personnel expense, which we have cumulatively cut by € 77 million. Another example: In the past two years, we have managed to improve our purchasing terms by means of product standardization and hence lower production costs in painting systems by 15%.

Site and portfolio streamlining

By realigning the group, we have made significant progress in site and portfolio streamlining. We have carried out or initiated combinations of companies in France, Germany, and the United States. Including departures due to the sale of Premier and the possible disposal of DTS, the number of our active companies will decline by almost 40% in the current year. This reduction of complexity will optimize control, access, and risk management. It will make cooperation in the group more fluid and improve customer service.

Topic overview: Advantages of the new group structure

I now come back once more to the group's strategic realignment. It will contribute decisively to increasing Dürr's earning power.

Group realignment

The starting point of our realignment is the further deterioration of the market environment in the automotive industry. That is heavily influenced by customers' overemphasis on price. In contrast, the greater efficiency that a better and often correspondingly higher-priced plant offers in production sometimes only ranks second in the purchasing decision. In addition, the environment is increasingly marked by postponement of capital expenditures and slow growth.

Among other things, the following factors have influenced the situation in our company in particular:

- The complexity of our group's organizational structure with uneconomical duplications and lack of consistent chains of responsibility.
- A low equity ratio.
- A lack of synergy between services and plant engineering and in the test systems business of DTS.

On a positive note, we have further growth and earnings potential in markets outside the automotive sector, in so-called industrial business.

We drew consequences from this situation and made the decision four months ago, as I explained, to introduce a leaner and more efficient group structure and simultaneously eliminate Services and DTS from our portfolio.

We have furthermore developed three initiatives to increase earnings:

2x2-pillar strategy

- First, our 2x2-pillar strategy, with the formula "two divisions, two markets." <u>Both</u> divisions, Paint and Assembly Systems <u>and</u> Measuring and Process Systems, are taking advantage of opportunities in business with the automotive industry and in the more attractive industrial business.

Expansion of industrial business

- Building on that, the second initiative to increase earnings is expansion of industrial business, whose share of sales we are seeking to increase from 15% to 25% in the medium term. The sectors on which this earnings-oriented expansion is focused are:

- The aviation industry, where we supply paint and assembly systems in addition to balancing technology for turbines.
- The basic materials industries, such as steel and cement production, for which Schenck supplies weighing and feeding systems.
- The mining industry, where Schenck is outstandingly positioned to benefit from growing demand, especially in China, where new mines are being built to meet increasing energy needs. Our most successful products include so-called coal-washing plants, which clean crude coal of environmentally harmful materials. To give you an impression of this unusual, but very successful process in energy production, we will show a short film afterwards.
- Last, but not least, we are going to expand our business in feeding systems for industries such as food, pharmaceuticals, and chemicals.

In all these industries, we have long experience and great process expertise. In strengthening this business, we are relying on organic growth.

Opportunities in remodeling business

- The third initiative to increase earnings concerns business with the automotive industry. The motto here is: quality over quantity! As far as possible, we will select orders with a view to profitability and concentrate more heavily on high-margin business. Opportunities exist, above all, in remodeling business, which involves plant modernization. Around the world, there are more than 100 car body painting facilities in operation that were built by Dürr and that modernization could render more economical, for example, by means of lower energy and paint consumption or better painting quality. In the area of final assembly, we contribute through remodeling to making existing facilities more flexible for faster change of models and greater variant diversity. That also helps our customers further reduce production costs.

These three earnings improvement initiatives give us a clear road map to greater profitability for the long term. Our new group structure will also give us additional momentum on our path toward more earning power and competitiveness.

Advantages of the new group structure

The major advantages of the new structure are:

- € 10 million in annual savings beginning in 2006.
- The elimination of duplicate structures, which will make our processes and management more efficient.
- A consistent chain of responsibility for earnings in the divisions worldwide.
- Synergy within the group in respect to administration, development, and purchasing.

The more streamlined structure will also increase our market clout, for example, by giving us a uniform presence as <u>one</u> company, bundling our core expertise, and providing worldwide support through a single sales manager for each of our major customers. In addition, we will be able to share knowledge and experience within the group faster and to complete orders with more reliability.

Overview of topics: Innovations

Dürr and Schenck are strong brands that stand for outstanding innovating power. We have confirmed our reputation once again in 2004 with numerous new developments that give our customers measurable added value, for example, in lower unit and wage costs. Our innovation management is based on the philosophy that we should provide holistic solutions – not just machines, but also software and coordinated services, from commissioning to upgrades. This combination is our future.

Simulation

Computational fluid dynamics, or CFD, simulation is currently a hot topic in painting technology. CFD allows us to determine the ideal conditions for freshly applied paint to dry on the body surface – without expensive, time-consuming series of experiments. In this slide, the different colors on the car body show the surface temperatures. The curved lines depict the flow behavior of the warmed air in the dryer.

Highly efficient atomizer technology

Our innovative Ecobell 2 high-rotation atomizer is setting new standards for paint consumption. This slide shows how this small but powerful product applies powder paint. A small disc that rotates at around 15,000 rpm ensures an even coat. For interior and exterior painting, our Dürr Ecopaint painting robot makes sure that the atomizer is positioned exactly as it should be. Ecopaint is the most successful product of its kind in the world, with some 500 units delivered last year alone. The use of scratch-resistant nanopaints is another important focus of our development work. We are already able to offer special products that can handle such paints, which have extremely fine, hard particles, in mass-production painting.

FAStplant

For final vehicle assembly, we have developed our FAS*tplant* modular factory concept. FAS*tplant* uses conveyor modules with all the interfaces needed for the relevant testing and assembly facilities. With this highly flexible concept, the main line of a final assembly plant can be set up in just a few days and converted to new vehicle models, and can be expanded, divided, or shortened trouble-free. We will show a film clip afterward that shows just how FAS*tplant* works.

Pulverized coal feeding systems

To benefit from growing demand from the basic materials industries, the Measuring and Process Systems division has increased the capacity of its pulverized coal feeding systems. These systems are used for fueling cement kilns and are in especially high demand in Asia, where additional cement plants are being built to meet the needs of rapidly growing infrastructures.

Cleaning technology

I would like to close with an example of one of our innovations in cleaning technology. Precision is key to this technology, for example, when used for microcleaning diesel engine components. This slide shows how precisely a high-pressure lance with a 400-bar water jet washes particles out of the drilled holes of a cylinder head.

Topic overview
Key data for Q1 and outlook

Key data for Q1 2005

Now let's look at the current fiscal year.

Incoming orders were up slightly in the first quarter of 2005, but not as much as we expected. The reason for the increase was a 28% plus at Measuring and Process Systems, where we expanded our industrial business in Asia.

In the Paint and Assembly Systems division, both orders on hand and sales revenues were down compared with the year-earlier period because of lower incoming orders in 2004. This 20% decline in sales by more than € 90 million is the main reason for our negative EBT figure for the first quarter.

The lower sales revenues also meant that we did not have enough funds to cover fixed costs such as those in administration. We were unable to offset this completely, even though sprint2 did allow us to reduce the cost of sales more than proportionately, from 82.9% in the first quarter of 2004 to a very respectable 80.6%.

In addition, a € 3.7 million increase in interest expense also played a key role in the earnings decline. The increase in interest expense resulted from the corporate bond and the temporarily greater use of our credit lines because we received fewer prepayments from customers than in the previous year.

Now, let's look ahead at our outlook for 2005.

Outlook for 2005

The business environment in the automotive industry has become increasingly difficult and unfavorable in recent months. You have probably read and heard about this yourselves in the daily news. We are not impervious to this situation and are taking rapid measures in response where necessary and appropriate.

For the Paint and Assembly Systems division, we expect sales revenues to decline by about 10% in 2005 while we Measuring and Process Systems to achieve an increase by the same percentage.

Following an unsatisfactory first quarter, we expect group earnings to improve in the course of the year. So, for the year 2005 as a whole, we are still aiming for EBT at a level above that of 2004. We will be watching the following factors:

1. With a 28% increase in incoming orders and stronger industrial business, Measuring and Process Systems has a solid base for further increasing earnings in the coming quarters.
2. We are counting on Paint and Assembly Systems to win one or two large orders in the coming weeks, in addition to the potential from numerous smaller projects, to make up for its weak start of the current year.

The difficult market situation in 2005 will not quite allow us to make a great breakthrough. But we are continuing to work hard and will remain steadfast as we implement our initiatives to increase earnings. We will continue unabated the process of transformation that the group embarked upon two years ago. The potential of our new group structure is still far from exhausted. We will continue to build on it to not only give you better results, but also to offer you dividends again in 2006 and the years that follow.

In pushing forward the process of transformation, the Board of Management is counting in particular on our motivated, dedicated employees, whom we would like to thank very much for their hard work last year. But the Board of Management is also counting on you, our investors. We would like to thank you for giving us your trust and support. We are committed to holding our own on today's challenging markets and moving Dürr ahead to a successful future. We have laid the groundwork for this with our new group structure, initiatives to increase earnings, expansion of our industrial business, and targeted innovation management.

Thank you for your attention.