



Ralf W. Dieter
Chairman of the Board of Management
Dürr AG

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of Dürr Aktiengesellschaft

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The spoken word has precedence

**Dear Shareholders and Shareholders Representatives,
Members of the Press,
Dear Guests and Friends of Our Company,
Ladies and Gentlemen,**

I should like to welcome you, also on behalf of my management colleague Martin Hollenhorst and all the company's employees, to this year's Annual General Meeting. I have pleasure in reporting to you for the first time as Chief Executive Officer. It was a very difficult and eventful year, but a very important one for the future of our company.

So, to begin with, the key messages:

1. In 2005 we have reorganized and refocused our company. The financial restructuring has been completed. We have run off virtually all of our debt – apart from the bond – and raised our equity ratio above 20% again. We are therefore on a financially solid path.
2. We have reorganized our company into two divisions: Paint & Assembly Systems and Measuring & Process Systems, with now only 61 companies (versus 110 at the beginning of 2005), 38 of which are operating companies. With the divestment of Premier Services, Development Test Systems and Measuring and Process Technologies we have sold off non-core activities representing combined sales of around 410 million euros.
3. Dürr has therefore returned to its roots: engineering and plant contracting primarily for the automobile industry. With this tightened focus we were able to put the worst behind us in 2005 and see ourselves well positioned for the future.

4. The stock market has responded favourably to this restructuring. The price of the Dürr share has risen in the top of about 100% from its low in October (13.23 euros). This appreciation in value should be some consolation for you for the dividend situation. That you have stood by our company, also in critical times, has paid off. Thank you, also on behalf of all the employees of Dürr.

Our company's principal shareholders have placed shares to institutional investors in the recent past – mostly through private placements. As the company's management we welcome this since it increases our free float. It also enhances the liquidity of our share, a factor which is of interest especially to funds wishing to invest in Dürr. At the same time, it improves our chances of being included in the S-DAX index again this autumn.

Mr. Dürr has informed me that his family intends to maintain its majority interest in Dürr together with the pool partners in future. This statement is of great importance for the continuity and the future of our company, especially for our customers and our employees.

However, because of the extent and complexity of the agenda I should like to say a few words at this point. The items under Top 5 (Authorization to acquire own shares), Top 6 (Resolution to issue convertible bonds, warrant bonds, etc.) and Top 7 (Creation of new authorized capital and amendment of the Articles of Incorporation) which are to be voted upon are purely contingency resolutions; as to Top 9, the amendments to the Articles of Incorporation have become necessary following the introduction of new legislation in Germany - the Corporate Integrity and Right of Avoidance Modernization Act, known for short as the UMAG.

Ladies and Gentlemen,

Today, I wish to focus on three main points:

1. The need for the strategic realignment in 2005 with the support of our FOCUS program. I will outline the central elements of this program.
2. The development of our business in 2005. I will only say a few words here about the figures since my colleague Mr. Hollenhorst and I already reported on this in detail at our annual press conference in March. I assume that you have read our Annual Report which we published on the Internet.
3. Business development so far this year, our market environment and our expectations for the future.

Point 1: The need for the strategic realignment

Ladies and Gentlemen, incoming orders, sales and earnings developed unsatisfactorily in the first half of 2005. The fall in new orders was due, firstly, to the decline in investment in the automobile industry but also to the fact that we simply lost too many orders to the competition. The smaller number of big orders led to fewer prepayments from customers. As a result, our indebtedness rose in the course of 2005 and the Group's financial structure deteriorated. Hedge funds invested into the credit consortium as one bank in the syndicate lost confidence in Dürr. Customers and employees were unsettled and our situation grew worse. A restructuring of the Group was vital, and urgent. We therefore drew up the Group-wide **FOCUS** program in July and August 2005.

Ladies and Gentlemen, FOCUS is not just a cost-cutting program. Of course, we are adjusting capacities to the changed requirements. But, with more than 40 individual projects, our aim is to achieve lasting improvements in our operating processes. We are probing deep into the processes and the organization. At the

same time, we intend to add new, high-margin activities to our core business. These are the essential differences compared with the cost-reduction project Sprint² launched in 2004 which you are familiar with.

FOCUS has five thrusts which I will explain to you:

A. Focus on our core competences of engineering and plant contracting with strong focus on automotive industry

Although the automobile industry is often portrayed in the media as a troubled industry, it is an industry that is still growing worldwide at an annual rate of around 3%, and this growth will remain intact in the long term. Since we are specialists in this business and hold a market-leading position with our plant, systems and equipment, we should - and must – also succeed in achieving a reasonable return in this business. We also supply the aerospace, electrical and energy industries as well as manufacturing industry generally. This will contribute about 10% of our business in 2006.

B. Strategic adjustment to regional as well as structural changes in demand in the automobile industry.

Although a number of automobile manufacturers, especially in Asia, are expanding strongly and building new facilities, the number of new plants is declining overall, with the exception of Asia and Eastern Europe, since there is already overcapacity in some areas today. On the other hand, there will be increasing demand for plant overhauls – so-called revamps – to modernize capacities and make them more flexible. One example of such a project is the overhaul in 2005 at Jaguar, where we installed a new line in an existing assembly plant. As we managed to get production up and running again much faster than usual, we enabled the customer to increase its sales by about 60 million euros. You will find another example on the cover of our Annual Report. Here, we installed a new top coat finishing line in the paint shop for the Mini while production was mostly running in order to adjust capacities into line with the strong demand for this model.

To accommodate the growing diversity of models at existing plants and respond better to the fluctuations in demand for individual models it is necessary for different models to be painted and assembled on the one line. At the same time, existing facilities need to be made more flexible, and thus modernized, in order to be able to produce competitively in the future, and absorb the constant pressure to lower costs per vehicle.

At this point I should like to say a few words about our reliance on major projects. We have adjusted our capacities in such a way that we are now less dependent on big projects, and do not have to take on every order we can, at any price, just to keep capacities employed. In 2005, when fewer major projects were awarded, 81% of our orders were worth less than 10 million euros. This applies to the structure of our sales in the first months of 2006 as well.

Nonetheless, we will continue to fight for every available big order so long as we can earn acceptable margins. We did so in the first months of this year, winning four major projects.

Incidentally, our customers credit us with leading project management competence in handling large projects as well as in time critical revamp projects.

C. Improving the poor operating profitability of existing businesses

To work more efficiently, and thus more cost effectively, we are reviewing our business processes worldwide. We began this very intensive FOCUS project in Bietigheim and Stuttgart. We are analyzing interfaces, reviewing activities for the value they create, and eliminating superfluous processes, in other words so-called "wastage". We are applying the principles of "LEAN production" to reduce the complexity of our processes and are investing in EDP support, for instance in the areas of engineering & design, project management and order processing as well as treasury and controlling. The first results indicate that we can reduce throughput times in order processing and assembly by as much as 30% in some areas in the medium term.

We have also introduced a lean and, I say this deliberately – even for a company of our size – typical "small to mid-size company" organizational and management structure.

This brings me to the management principle of the new Dürr Group. We have two divisions with six business units, which since mid-2005 are each overseen centrally from Germany by a business unit manager. We consider this more centralized approach than so far to be essential for our kind of business.

Let me explain. In the past we often spoke of problem projects which had, once again, caused us to fall short of our earnings targets. Obviously, in this business there are always projects that produce losses as a result of technical problems or project management errors. But there are also projects that go better than planned. At the end of the day, though, they must at least be in balance or the positive projects must predominate. In 2005 we analyzed that such loss-making projects had occurred primarily at smaller and thus less experienced companies in cases where more complex projects of this kind were won and handled there. The major locations in Stuttgart and Detroit have tended not to encounter such problems in the past.

As from autumn 2005 the Paint and Assembly Systems division operates out of the so-called System Centers in Stuttgart and Detroit, which are authorized – and are the only ones authorized - to handle major orders. Another System Center in Asia is in preparation and will shortly be created from our teams in China and Korea. All other foreign Paint and Assembly Systems companies operate as so-called Business Centers. They support the System Centers with larger orders on site and are responsible for local sales activities and for expanding the services and revamp business.

We have aligned our sales activities still better to the structure and needs of our clients. Since October 2005 our key customers in the automobile industry, with which we generate over 80% of our sales, are looked after worldwide by Global Customer Directors who are responsible for the whole spectrum of Dürr products and services in relation to their respective customers.

Corporate functions at Dürr have also been streamlined. The corporate center at Carl Schenck AG has been completely dissolved and integrated at Dürr.

We are setting an example at the top management level, too. In 2004 we still had three managing directors at Schenck and four managing directors at Dürr. Today, with only Mr. Hollenhorst as CFO, Mr. Birk as managing director at Schenck and myself, we began implementing FOCUS at the top of the company and have essentially eliminated a whole management level. This makes us a great deal faster and more flexible, which was necessary.

D. Expansion and development of new activities

What we have in mind here is above all the expansion of our services business and our activities in the field of environmental engineering. To expand our services business, which accounted for about 18% of our sales in 2005, we have introduced a global customer service organization and have developed numerous new service offerings relating to our systems and equipment. We have also grouped our planning activities together into the "Dürr Consulting"

unit. This unit performs planning and design activities for our customers. Currently, we are planning what will be the world's biggest truck production plant for the automobile manufacturer Tata in India. Our customers value our competence not only in designing and optimizing paint shop and assembly processes but also in consulting on saving energy, which is an important factor, especially in the case of paint shop systems, given higher energy prices.

E. Further reduction of our financial debt after a sharp fall already in 2005

To support future growth we need to increase our financial room for manoeuvre. The further reduction of our debt – which, as it stands today, is moderate – is an important objective in this connection. With the divestment of non-core activities now over, this will have to be done from future operating cash flows from 2007.

Ladies and Gentlemen,

I may sum up as follows: FOCUS is progressing according to plan! The measures of the FOCUS program are being implemented with vigour and resolve. We have already completed 8 of the over 40 projects. However, one thing is clear: We still have a long way to go. We have set 18 months as the time frame for implementing the main measures. The workforce adjustments (551 as of March 31, 2006) are well on track and – if the positive development of incoming orders continues – are largely over, at least in Germany.

Most FOCUS projects are due to be completed in 2007. However, they will then merge into a continuous process of reviewing and identifying potential to make processes more efficient, improve products and speed up innovations. We will be constantly striving to develop the three core elements of our company - "People, Products and Processes" – in an atmosphere of "creative but focused upheaval", as I said at the last press conference.

Point 2: The development of our business in 2005

Ladies and Gentlemen, I should now like to say a few words about the main events in 2005, which was a very challenging year.

The concentration on our core competences was completed in 2005. This took the proportion of our sales which we generate with the automobile industry back to 90%. The divestments produced a total cash inflow of around 300 million euros. In December there was also a capital increase of 10% by the Dürr family and a financial investor, which provided the company with proceeds of 21.8 million euros.

As a result of these measures, Dürr's financial position at the end of the year was much improved. The amounts drawn under our syndicated credit facility were fully repaid. On December 31, 2005, we had cash of 125 million euros. The 200 million euro bond issued in July 2004 is still outstanding. Net financial debt was reduced from 312 million euros at the end of the third quarter to 85 million euros as of December 31, 2005. The hedge funds were unable to secure any influence and are not an issue for us any more. With an equity ratio of currently 22% (2004: 15.5%) Dürr is on a solid footing.

As expected, sales fell to 1.4 billion euros as large projects were run off. Incoming orders were 170 million euros lower in 2005. However, we still received important orders i.e. for paint systems.

Last year we brought China's first water lacquer paint system on stream at Shanghai General Motors. This environmentally cleaner technology will now come to be adopted on existing paint shop lines in China, of which Dürr has installed over 25. This promises us considerable revamp potential for the future. Also worth highlighting are orders won by our Environmental and Energy Systems unit where important projects were awarded for exhaust air purification systems also for customers in the chemical and pharmaceutical industry such as BASF and Pfizer.

An important project on the assembly systems side was the revamp of DaimlerChrysler's assembly plant in Tuscaloosa, where the new M-Class is assembled. We also modernized the assembly lines for the new VW Passat in Mosel. This project, which was worth 20 million euros, will shortly win us a much-coveted supplier award from VW. We also received supplier awards from General Motors, Jianghui Automotive, Hyundai/KIA and Volvo for excellence in project execution and innovative system technology.

On the Measuring & Process Systems side, at the Balancing Systems unit, we equipped numerous engine crankshaft lines worldwide with our technology as strategic supplier for Toyota. We also supplied balancing systems for turbine rotors in the power generating industry, which is currently witnessing strong growth in China. There was also strong growth in services business in this segment. The Cleaning & Filtration Systems unit won an important order in China from Shanghai General Motors in Yantai, covering our full spectrum of filtration and cleaning systems as well as the related automation.

However, overall stiff price competition and lower volumes had an adverse impact on earnings in 2005. We are therefore far from satisfied with our operating result, which was just in the black.

One positive was that we managed to improve our gross margin slightly. This was on the back of improvements on the purchasing side and in project management as well as our efforts to lower production costs.

The measures initiated under the FOCUS program to adjust capacities and structures led to restructuring costs of 46 million euros. Additional one-time expenses of 28 million euros were incurred as a result of asset impairments. However, these two factors were compensated in full by the income from the sale of non-core activities, resulting in small net profit after tax for the Group.

Owing to the balanced result at Dürr AG, the Supervisory Board and the Management Board are proposing that no dividend be paid for the 2005 financial year.

Innovation

In spite of the poor earnings performance last year we have not scaled back our research activities. 21 million euros was invested directly in research and development (R&D) in 2005 (up from 20 million euros in 2004). This represents 1.5% of sales (up from 1.2% in 2004). However, the item in the income statement only represents the smaller part of our actual R&D expenditure. As in the engineering business generally, the bulk of our development work is project-specific in connection with customer orders. This expenditure is recognized under the cost of sales. We intend to step up our R&D efforts in the future, and will be pursuing development projects more independently from customer orders. Our main focus is not on developing new systems and equipment, but primarily on software and electronics as well as on new, lower-cost techniques and processes.

By the way, the company has over 300 software engineers. This indicates the importance which software plays in the engineering and plant contracting business.

A good example of cost-driven process innovation is the so-called "wet-on-wet" technique which we have developed jointly with automobile manufacturers and paint producers. With this process, the top coat is applied immediately after the surfacer without drying the surfacer beforehand. Eliminating the drying process shortens throughput times and reduces energy consumption as well as capital investment since fewer dryers are needed.

Our three-dimensional Virtual Reality applications for plant planning & design and project execution have been further refined. We are now able to plan and design not only the production lines but also buildings and utility services on the computer. This enables us, already at the planning stage, to eliminate possible

conflicts between piping and steel structures which would otherwise arise during the installation process on site, causing additional costs and delays.

If you bear in mind that, when we install a medium-size paint shop, we use over 7,000 tonnes of steel and metal sheet, you will realize the importance of this innovation. We have put this application on display for you in the lobby, and our staff will be happy to take you on a tour of a virtual paint shop.

One of the key system innovations in 2005 is the new painting robot *EcoRP E*. Thanks to short installation and set-up times, low space requirements and its high flexibility it is especially ideal for replacing older painting machines in existing painting booths. This substantially lowers modernization costs. In 2005 the advantages afforded by this new generation of robots enabled us to win important projects such as a new paint line for EvoBUS in Ulm and paint shop revamps at DaimlerChrysler and Ford.

You will see a number of examples in the film "The Automotive Industry in FOCUS" which we will be showing later.

Another innovation, consisting of electronics and software components, addresses the need to test the functioning of in-vehicle electronic systems as they are installed and not at the end of the assembly line, as is normally the case at present. Major dismantling is then necessary in some cases if defects are found. With our test systems, we can detect defects when the parts are installed so they can be remedied immediately and at little extra cost by simply replacing the faulty electronic component.

Dürr is a market leader in filling systems, which are used to supply a car with all media such as water, oil and fuel during the assembly process. We have launched a system that fills vehicle air conditioners with environmentally neutral carbon dioxide for the first time. With this system, we are offering an early alternative to conventional refrigerants which will be banned from use in the future. The filling systems activities are conducted worldwide from Stollberg near Chemnitz. We built a new 6,000 square meter factory there in 2005 in order to be able to meet the future growth potential of this business.

We will continue to defend our technology leadership with innovations in the future. One such innovation could be the PlasmaCure™ paint curing process currently under development. This process, with the related paint development and new system technology, could be ready for the market in about two years' time. At the moment it is undergoing thorough testing with an automobile manufacturer. The aim is to make the paint less susceptible to scratching than conventional paints by a factor of 2 – 3, which would prevent your car from getting scratched at the car wash.

Point 3: Business development so far in 2006, our market environment and our expectations for the future

We published our results for the first quarter of 2006 on May 11. We got off to a good start to the year. At 431 million euros, incoming orders were up 33% versus a year earlier this trend continued in April as well. We succeeded in winning important system orders in the first quarter, including fairly large paint shop projects for new facilities in China and India. This has led to a pronounced shift in the geographical distribution of orders. In the first three months close to 40% of the orders received were from the growth regions of China, India and Europe. This underscores our excellent positioning in these markets, with over 500 employees, local content and 20 years of business experience in the region. 40% of the orders were from Europe, while North and South America accounted for only 21% of total new orders.

Sales were up 5% to 308 million euros. The operating result (EBIT) showed in improvement versus a year earlier and is in line with our target.

Our market environment

Our view of the demand situation in the automobile industry is as follows: New plants will continue to be built primarily in Asia and Eastern Europe in the future. In global terms, the number of new plants will decline. On the other hand,

investment in existing facilities and the replacement of old plant to increase productivity and flexibility will continue rising, especially in the traditional centres of automobile production - Western Europe and the USA.

Key investment drivers are the ever shorter model life cycles, increasing model diversity and the high cost pressure in the automobile industry. In addition, investment to lower energy consumption in production will play an ever greater role. There will also be rising demand for services in connection with production facilities. In this area and in the spare parts business we see good chances - as I mentioned earlier - owing to the large number of production lines we have installed. Around 60% of the paint shops and 50% of the assembly plants in the automobile industry worldwide are equipped with technology from Dürr. These trends therefore fully support our strategy of expanding our activities in revamp/modernization business and services.

Our expectations for the future:

We expect incoming orders to rise in the current financial year. Sales revenue should be little changed in 2006 given the lower orders on hand at the end of 2005.

2006 is a year of transition, concentrated fully on the implementation of FOCUS. We are targeting a strong improvement in earnings at the operating level versus last year and a net profit for the Group in the single-digit millions – without the support of income from divestments. For 2007 we expect at least small rises in incoming orders and sales revenue for the Group as a whole and at the divisions.

Our target in the medium term – as we have communicated - is a return of 4% at the pre-tax level and 8% at the EBITDA level. In 2007 the rates of return will probably still to be below that as the effects of FOCUS will only feed through fully in the course of 2007.

We have our sights on a dividend payment for 2006 but consider this a very ambitious target. In light of our present assessment of the market and competitive situation a dividend payment for 2007 should be possible.

Ladies and Gentlemen, Dürr is a global company with strong potential and an excellent brand image. We can build on our technology and market leadership, the broad basis of installed systems and the expertise and motivation of our employees. The company's financial structure is sound.

We are very confident that we can achieve the demanding goals we have set. This should be reflected in long-term growth in shareholder value.

We have taken the right course in concentrating on our core business. The first quarter has given us the necessary tailwind. We aim to continue implementing the FOCUS projects with energy and resolve, and thus achieve our goal of improving Dürr's long-term profitability.

Ladies and Gentlemen, thank you for your attention, and I hope that you will remain loyal shareholders of the company in the future.