LEADING IN PRODUCTION EFFICIENCY

DRIVING DIGITIZATION

ANNUAL REPORT 2017

KEY FIGURES (IFRS)

		2017	2016	2015	2017/2016 Change in %
Incoming orders	€ million	3,876.0	3,701.7	3,467.5	4.7
Orders on hand (Dec. 31)	€ million	2,516.3	2,568.4	2,465.7	− 2.0
Sales revenues	€ million	3,715.4	3,573.5	3,767.1	4.0
of which abroad	%	86.9	84.8	86.0	2.1 pp
EBIT	€ million	289.6	271.4	267.8	6.7
EBIT before extraordinary effects[1]	€ million	281.8	286.4	294.3	− 1.6
EBT	€ million	269.9	258.1	244.5	4.5
Net profit	€ million	201.5	187.8	166.6	7.3
Cash flow from operating activities	€ million	119.8	227.4	173.0	− 47.3
Cash flow from investing activities	€ million	− 17.2	− 116.9	− 94.4	
Cash flow from financing activities	€ million	− 152.2	192.5	− 162.4	
Free cash flow	€ million	14.3	129.9	62.8	− 89.0
Equity (with non-controlling interests) (Dec. 31)	€ million	903.7	831.0	714.4	8.8
Net financial status (Dec. 31)	€ million	191.5	176.5	129.4	8.5
Net working capital (Dec. 31)	€ million	362.1	194.4	236.8	86.3
Employees (Dec. 31)		14,974	15,235	14,850	− 1.7
of which abroad	%	47.7	46.1	46.0	1.6 pp
Gearing (Dec. 31)	%	− 26.9	− 27.0	− 22.1	0.1 pp
Equity ratio (Dec. 31)	%	26.5	24.8	23.9	1.7 pp
EBIT margin	%	7.8	7.6	7.1	0.2 pp
EBIT margin before extraordinary effects[1]	%	7.6	8.0	7.8	− 0.4 pp
ROCE	%	39.5[2]	41.1[2]	45.3	− 1.6 pp
EVA	€ million	145.5	142.5	146.2	2.1
Dürr stock (ISIN: DE0005565204)					
High[3]	€	120.55	79.95	109.80	
Low[3]	€	74.00	49.52	58.22	
Close[3]	€	106.55	76.35	73.60	
Number of shares		34,601,040	34,601,040	34,601,040	
Earnings per share	€	5.62	5.26	4.67	6.8
Dividend per share	€	2.20[4]	2.10	1.85	4.8

[1] Extraordinary effects: € +7.8 million (2017), € −15.0 million (2016), € −26.6 million (2015). For further information please see table 2.34 in the management report.
[2] Adjusted for the effects of the sale of Dürr Ecoclean
[3] XETRA
[4] Dividend proposal for the annual general meeting

Minor variances may occur in the computation of sums and percentages in this report due to rounding.

THE DÜRR GROUP

The Dürr Group is one of the world's leading mechanical and plant engineering firms. Business with automotive manufacturers and their suppliers accounts for 55 % of our sales of € 3.72 billion. Other customer segments include the woodworking industry and the mechanical engineering sector as well as the chemical and pharmaceutical industries.

OUR FIVE DIVISIONS

Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
• Paint shops • Final assembly systems	• Paint application technology • Glueing technology • Sealing technology	• Exhaust-air purification systems • Energy-efficiency technology	• Balancing technology • Filling technology • Assembly technology • Testing technology	• Machinery and systems for woodworking
Sales: € 1,174.9 million	**Sales: € 620.3 million**	**Sales: € 185.4 million**	**Sales: € 511.2 million**	**Sales: € 1,223.5 million**
EBIT: € 70.3 million	**EBIT: € 64.1 million**	**EBIT: € 3.4 million**	**EBIT: € 64.9 million**	**EBIT: € 85.7 million**
Employees: 3,457	**Employees: 2,063**	**Employees: 603**	**Employees: 2,279**	**Employees: 6,371**
DÜRR	DÜRR	DÜRR	DÜRR SCHENCK	HOMAG

DRIVING DIGITIZATION

Dürr is driving digitization. In doing so, we are offering our customers a key benefit: we know their production systems and know what matters. On this basis, we are developing innovative solutions for networked production processes in the age of the Industrial Internet of Things. Find out more from the enclosed Eco magazine.

2017 was the seventh consecutive record year for Dürr, with incoming orders and earnings reaching all-time highs. This is down to our roughly 15,000 employees, who have joined us in exploring new avenues. We thank our customers for their trust. Dürr shareholders are set to participate in our corporate success with a proposed record dividend of € 2.20 per share.

CONTENT

CHAIRMAN´S LETTER

Dear Readers,

The dynamic trend that characterized Dürr's development in 2017 is clearly reflected in our vocabulary. New names such as ADAMOS, tapio and LOXEO have been added in the course of the digital@DÜRR digitization strategy and are now hot topics throughout the Group.

Digital transformation is the most important trend in industrial production. This has led Dürr to formulate the following commitment: At Dürr, we want to provide our customers with the most efficient solutions for the digital networking of their production operations.

To fulfill this commitment, we are exploring new paths. Together with other leading mechanical engineering firms and Software AG, we have launched the ADAMOS platform for the Industrial Internet of Things (IIoT). So far, the German mechanical engineering sector is not best known for cooperation and clustering. ADAMOS represents an alternative: this joint venture stands for joint innovation, shared costs and a pragmatic digitization approach. We want to establish ADAMOS as an IIoT standard – by mechanical engineering firms for mechanical engineering firms.

Every participating company can use ADAMOS as a basis to position itself as a digital solution provider. At Dürr, this is done through LOXEO and tapio. These two online marketplaces are our digital face to the outside world. They enable customers to purchase apps for optimizing their production, predicting maintenance requirements and increasing system availability. LOXEO and tapio are pioneering additions to our portfolio. We offer customers not only first-class hardware but also software and big-data tools, which make their machines and systems smart, with self-learning and adaptive capabilities. Find out more in the enclosed Eco magazine entitled "Driving Digitization".

Shaping the digital future requires substantial investments. This is why we have significantly boosted our R&D spending again through a 10 % increase. Dürr is able to do this because our business is growing and generating corresponding earnings. In 2017, all five divisions were able to increase sales on an adjusted basis. The Dürr Group posted an increase of 10 %. Incoming orders reached a new all-time high of € 3.9 billion. Earnings after taxes exceeded the € 200 million mark for the first time.

The HOMAG Group contributed the largest proportion to earnings. It has increased its EBIT by an average of 37 % per year since Dürr acquired a majority stake in this world market leader in woodworking machinery in 2014. HOMAG benefits from globalization in the furniture industry and strong demand for automated production lines, which enable the efficient production of customized furniture. The acquisition of HOMAG was the right decision. This company has potential for further profitable growth, and perfectly complements our automotive activities.

Dr. Jochen Weyrauch (51) Ralf W. Dieter (56) Carlo Crosetto (46)

Automotive business also grew in 2017. Even in times of e-mobility, autonomous driving and connectivity, the automotive industry is continuing to invest in production technology such as painting robots or filling systems. E-mobility is an opportunity for Dürr. It is leading to a growing demand for automated solutions in final vehicle assembly and widening our customer base. We are currently in discussions with numerous new manufacturers of electric vehicles, all of whom are planning to build factories that will achieve their ambitious production targets. Dürr is the right partner for them. Even today, our business in production technology for electric vehicles is worth € 200 to 300 million per year – and rising.

In 2017, our painting robot business (Application Technology) achieved new records in incoming orders, sales and operating EBIT, despite intense competition. Earnings from paint systems business (Paint and Final Assembly Systems), on the other hand, were affected by fierce competitive pressure. We have taken decisive action in response to this. Led by my colleague on the Board of Management, Dr. Jochen Weyrauch, Paint and Final Assembly Systems is implementing the FOCUS 2.0 optimization program. This relies, among other things, on lean processes, lower product costs, service growth and a more efficient organization of our international network. With the help of this program, Paint and Final Assembly Systems should achieve its target EBIT margin of 6 to 7 % again in 2020.

Looking at HOMAG's success, investors often ask us when the next acquisition will follow. We have clearly outlined our acquisition goal: we are seeking a mechanical and plant engineering company with sales of up to € 1.5 billion, leading market and technological positions as well as sales and earnings potential. In addition, we are sounding out the market for software and technology companies to enhance our digital profile. Nonetheless, we will not rush into anything, but wait until we see an attractive opportunity which checks all the right boxes – from the price through to the corporate culture.

In 2017, our shareholders benefited from the Dürr share's annual performance of 42 % (including a dividend of € 2.10). We plan to raise the dividend for 2017 to a new record level of € 2.20 per share.

We remain confident for 2018. Our plan is to increase sales to as much as € 3.9 billion. We forecast incoming orders worth between € 3.6 and 3.9 billion. This takes into account that orders at Paint and Final Assembly Systems might decline slightly, as the division concentrates on projects with a higher value contribution under FOCUS 2.0. The Group's operating EBIT margin is set to be more or less on a par with the previous year, at 7.4 to 7.8 %. After extraordinary expenses of an expected € 15 to 20 million, we anticipate an EBIT margin of 7.0 to 7.5 %. A large proportion of our extraordinary expenses will be accounted for by FOCUS 2.0, ensuring that Paint and Final Assembly Systems generates satisfactory earnings again in the future.

I am keen to express my gratitude to the roughly 15,000 Dürr employees, also on behalf of my two colleagues on the Board of Management, Carlo Crosetto and Dr. Jochen Weyrauch. We know that we can rely on our team to overcome any challenge – be it complex orders, pioneering innovations or the digital transformation.

Thanks also go to our customers, business partners and suppliers as well as our shareholders, who support our strategy. Even in the age of digitization, Dürr is set to grow and stay ahead of the competition.

Best wishes

RALF W. DIETER
Chairman of the Board of Management

BIETIGHEIM-BISSINGEN, MARCH 21, 2018

»We offer customers not only first-class hardware but also software and big-data tools, which make their machines and systems smart, with self-learning and adaptive capabilities.«

Ralf W. Dieter, Chairman of the Board of Management

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

I am honored to be addressing you in this report as Chairman of the Dürr AG Supervisory Board for the first time. On January 1, 2018, I took over this role from Klaus Eberhardt, who had led the Supervisory Board with great care and expertise since April 2013. On behalf of the entire Supervisory Board, I would like to thank him for his successful work and his great commitment to Dürr.

I have taken over as Chairman of the Supervisory Board at an exciting time. Through the digital@DÜRR strategy, Dürr is driving digital transformation and showing how the combination of conventional mechanical and plant engineering with modern software and Internet technology leads to success. I will do my utmost to apply my knowledge of the software industry and prepare Dürr well for the digital future, together with my colleagues on the Supervisory Board, the Board of Management as well as all managers and employees.

As the Chairman of the Supervisory Board, I will, of course, focus my attention not only on digitization but also on other company matters. The Dürr Group is in a good strategic position. Thanks to its expertise in innovation and automation, it can explore new business opportunities in production technology for electric cars. The successful acquisition of the HOMAG Group has given Dürr a well balanced portfolio. Its strong market position in the core automotive business is complemented by the leading positions of Schenck and the HOMAG Group in a number of attractive niche areas of mechanical engineering. In the service area, the optimization undertaken over the last few years is paying off. This business has further potential for growth and is making a significant contribution to earnings. The Board of Management is paying particular attention to paint shop business (Paint and Final Assembly Systems) and to environmental and energy-efficiency technology (Clean Technology Systems). Both divisions are laying the groundwork to sustainably achieve good margins.

The Supervisory Board closely supported and advised the Board of Management in 2017. All required information on business performance, strategic measures, corporate planning, and activities requiring consent were provided to the Board of Management in a prompt and comprehensive manner. All Supervisory Board resolutions were adopted following in-depth reviews and discussions based on written decision-making materials.

The Supervisory Board carefully monitored the Board of Management's conduct of the company's affairs and confirms that the Board of Management always acted lawfully, diligently and economically. The Board of Management used the risk management system effectively in operational, financial and legal matters; it was assisted by the Compliance and Legal departments as well as Controlling and Internal Auditing. The Supervisory Board received regular and comprehensive information on risks and opportunities, and it provided effective support to the Board of Management in further developing the risk control and monitoring system.

Karl-Heinz Streibich, Chairman of the Supervisory Board

In 2017 the Supervisory Board held five regular meetings and one extraordinary meeting. In only one case, a member was unable to attend a meeting; two participants joined the extraordinary meeting via conference call. There was also only one absence from one of the committee meetings. Outside the meetings, Mr. Eberhardt, as Chairman of the Supervisory Board, had regular conversations with the Board of Management. I, too, have frequent discussions with Mr. Dieter, Mr. Crosetto and Dr. Weyrauch. The other members of the Supervisory Board are informed of the outcome of these discussions in a timely manner.

KEY TOPICS OF THE MEETINGS

Market conditions, business performance, financial situation and outlook were discussed at all Supervisory Board meetings held in 2017. During its discussions on the economic development, the Supervisory Board paid particular attention to incoming orders, sales, EBIT and EBIT margin as well as ROCE, cash flow and liquidity. The largest contracts of the divisions and projects due to be awarded were also reviewed on a regular basis, as were the optimization programs at the HOMAG Group and in the paint shop business, the situation in the energy-efficiency technology business, and digital@DÜRR.

The Supervisory Board convened for the first time at an extraordinary meeting, held on February 8, 2017, to appoint Mr. Carlo Crosetto as the new CFO of Dürr AG. The Supervisory Board also approved two schedules of responsibilities: the first schedule came into effect on Mr. Crosetto's first day in office, on March 1, 2017. The second schedule was drawn up by the Supervisory Board to set out the responsibilities following Mr. Ralph Heuwing's departure from the Dürr AG Board of Management (May 14, 2017). Mr. Heuwing had been a member of the Board of Management for ten years and rendered great service to Dürr. The Supervisory Board would like to thank him for his successful work side by side with Mr. Dieter.

At the meeting held on March 16, 2017, the Supervisory Board checked and approved the annual financial statements for 2016. It also discussed and approved the agenda for the annual general meeting. On the recommendation of the Personnel Committee, the Supervisory Board determined the rolling LTI tranche for 2017 to 2019. This forms part of the variable compensation payable to the Board of Management. Another agenda point was the discussion of the first personnel report of the year.

On May 5, 2017, the Supervisory Board convened prior to the annual general meeting. The Corporate Head of HR explained the Dürr Leadership Skills Model and its role in the appointment of senior managers. The Supervisory Board decided to set the target for the women's quota on the Board of Management at 0 % for the period ending June 30, 2022. At the same time, it explained that Dürr's existing program for the advancement of women in leadership positions will be expanded further.

At the meeting held on July 25, 2017, the Supervisory Board examined the first risk report of the year and discussed compliance and internal auditing. The Board of Management explained its decision to cease operation of the loss-making energy-efficiency company, Dürr thermea GmbH. The Supervisory Board agreed to the Board of Management's request for the early settlement of the financing for some buildings at the Bietigheim-Bissingen site in order to save costs. Following an in-depth review, it also concluded that it considers the number of seven independent Supervisory Board members as appropriate. Another focus of the meeting was the Board of Management's planning for the ADAMOS cooperation.

The meeting on October 4, 2017, was held at the new Dürr campus in Southfield (USA). Mr. Eberhardt informed the Supervisory Board about his plan to step down from office at the end of the year. He explained the Nominating Committee's recommendation to nominate Dr. Rolf Breidenbach for election to the Supervisory Board and, prior to that, have him appointed by court as a member. The Supervisory Board supported this recommendation. During the course of this meeting, the Board of Management provided detailed information on the development of the ADAMOS IIoT platform and the next steps. Having discussed the second personnel report, the Supervisory Board carefully examined the new CSR Directive. According to Section 171(1) of the German Stock Corporation Act as amended (AktG n.F.), the Supervisory Board is responsible for ensuring that the non-financial consolidated declaration (Section 315b(1) of the German Commercial Code, HGB) is lawful, correct and appropriate. Dürr AG instructed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to perform a limited assurance engagement on the non-financial consolidated declaration contained in the management report for 2017.

The meeting on December 13 focused on strategy and budget. The Board of Management and the division heads first presented their targets and measures under the "Dürr 2020" strategy. The Supervisory Board then approved the budget for 2018 and acknowledged the planning for the period between 2019 and 2021. It also dealt with the second risk report and the report on the internal control system. The Chairmen of the Board of Management and the Supervisory Board signed the new declaration of compliance with the German Corporate Governance Code. Furthermore, the Supervisory Board approved a skills profile and objectives for its composition. Additional information on this can be found in the corporate governance report.

CHANGES IN THE SUPERVISORY BOARD

After Mr. Eberhardt had announced his forthcoming departure, the Supervisory Board elected me as its new Chairman on October 4, 2017. This change at the helm became effective on January 1, 2018. I have already been a member of the Supervisory Board since 2011. Dr. Rolf Breidenbach was appointed by court as a new member of the Supervisory Board, also effective January 1, 2018. Dr. Breidenbach will stand for election at the annual general meeting on May 9, 2018.

At the annual general meeting on May 5, 2017, Richard Bauer was elected to the Supervisory Board; on January 1, 2018, Mr. Bauer took over as additional Deputy Chairman of the Supervisory Board. Becoming a member of the Supervisory Board, he succeeded Professor Dr.-Ing. Holger Hanselka, who had resigned from office on May 5, 2017. The reason for Professor Dr.-Ing. Hanselka's departure was his new responsibility as Chairman of the Dürr Technology Council. This new group of experts provides advice to Dürr AG's Board of Management on technology issues. The Supervisory Board thanks Professor Dr.-Ing. Hanselka for his commitment over the last few years and wishes him every success in his new role.

Mr. Eberhardt's departure also required some changes on the committees. Mr. Bauer has been elected as a member of the Personnel, Mediation and Nominating Committees, effective January 1, 2018. I have taken over as Chairman of these three committees.

WORK OF THE COMMITTEES

The Personnel Committee, which is also the Executive Committee, met twice during 2017. On January 23, it conducted the final interviews with the two candidates for the position of CFO. It subsequently recommended to the Supervisory Board that Mr. Crosetto be appointed. At the meeting held on March 16, the Personnel Committee discussed the terms and remuneration issues arising from Mr. Heuwing's departure.

The Nominating Committee also held two meetings. On February 17, it decided to recommend to the Supervisory Board, at its March meeting, that Mr. Bauer be put forward as a candidate for election at the annual general meeting. On September 27, it discussed Mr. Eberhardt's planned departure and agreed to recommend Dr. Breidenbach as a new Supervisory Board member. This recommendation was made at the Supervisory Board's plenary meeting on October 4.

The Audit Committee convened four times in 2017 and discussed the quarterly, annual and consolidated financial statements as well as various accounting topics. These included revenue recognition according to the revised IFRS 15. The committee also carefully examined the new CSR Directive and the requirements for the non-financial consolidated declaration in the management report. In this context, at the Supervisory Board's plenary meeting it recommended that the non-financial consolidated declaration be reviewed by the auditor under a limited assurance engagement. The Audit Committee also proposed the key points for the external audit and monitored compliance with capital market regulations. It checked and confirmed the efficiency of the internal control system, the risk management system and the internal auditing system, while taking into account any new requirements. Furthermore, it reviewed the financial reporting process and had the compliance management system evaluated by the auditor. The audit results and the preliminary evaluation findings were presented to the Supervisory Board on December 13, 2017, and discussed in plenary session. The Chairman of the Audit Committee delivered further reports at the meetings held on March 16 and July 25, 2017. As in previous years, a meeting of the Mediation Committee was not required.

AUDIT AND RATIFICATION OF THE ANNUAL FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft examined Dürr AG's annual financial statements, Dürr's consolidated financial statements and the combined management report prepared by the Board of Management for the period ended December 31, 2017, and issued unqualified auditors' certificates. The annual financial statements, the consolidated financial statements and the combined management report were submitted to the members of the Supervisory Board in good time. They were discussed in detail with the Board of Management and reviewed at the Supervisory Board meeting held to approve the financial statements on March 21, 2018. The same applies to the auditors' reports, which were also submitted in due time. The auditors signing the audit certificate participated in that meeting and in the Audit Committee meeting held on the same day. They reported on their audit and were available for further explanations and discussions. Auditor Marco Koch from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was responsible for Dürr for the first time.

At the Supervisory Board meeting held to approve the financial statements, the Chairman of the Audit Committee, Mr. Federer, commented in detail on the audit documents, reported on the preliminary talks with the auditors, and elaborated on the key points of the audit. The latter included the accounting for the sale of the Dürr Ecoclean Group, and the information in the notes to the consolidated financial statements on the effects of IFRS 15 for revenue recognition.

On the basis of the documents presented to it and the reports of the Audit Committee and the auditors, the Supervisory Board examined and accepted the annual financial statements, the consolidated financial statements and the combined management report, which, for the first time, contains a non-financial consolidated declaration. The Supervisory Board's own review found no cause for objection. The Supervisory Board approves the results of the audits of both sets of financial statements, agrees with the Board of Management in its assessment of the situation of the Group and Dürr AG, and approves the annual financial statements and the consolidated financial statements prepared for the period ended December 31, 2017. The annual financial statements are thereby ratified. In light of the Audit Committee's recommendation and its own review, the Supervisory Board approves the Board of Management's proposal on the use of net retained profit – a dividend of € 2.20 per share is planned for 2017.

The Supervisory Board thanks the Board of Management as well as the division heads, employee representatives and all employees for their work in 2017. The Supervisory Board also thanks the shareholders for the trust they have placed in Dürr.

KARL-HEINZ STREIBICH
Chairman of the Supervisory Board

BIETIGHEIM-BISSINGEN, MARCH 21, 2018

7

In 2017, earnings reached a new all-time high for the seventh year running.

8

We propose the eighth consecutive dividend increase, with € 2.20 per share to be paid out for 2017.

9

In the last nine years, service-related sales have increased by an average of 10 % per year.

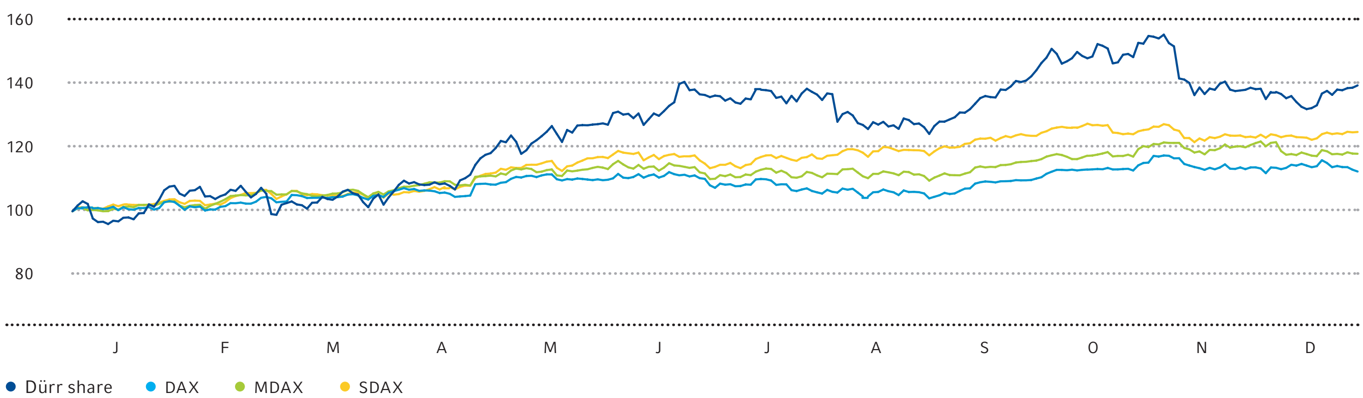
10

The Dürr share price has risen by 701 % over the last 10 years.

DÜRR ON THE CAPITAL MARKET: STRONG INTEREST IN DIGITAL@DÜRR

1.1 – PERFORMANCE OF DÜRR SHARE IN XETRA TRADING, JANUARY – DECEMBER 2017

Compared to the DAX, MDAX and SDAX (indexed figures)



The purpose of our investor-relations activities is to provide information and to contribute to a fair valuation of our company's share – also in a peer-group comparison. We take time for investors and analysts and engage in communications that are based on clarity, transparency and a spirit of mutual trust.

In 2017, the digital@DÜRR digitization strategy formed the main thrust of communications with the capital market. This particularly centered on the IoT platform ADAMOS, which we presented together with other mechanical engineering companies and Software AG, as well as on the digital market places LOXEO and tapio. Investors are increasingly acknowledging the importance of the digital transformation for our business, and they consider Dürr to be well positioned for the digital era. In addition, those we spoke with were particularly interested in the HOMAG Group's performance, possible further acquisitions and the opportunities arising for Dürr from electromobility and autonomous driving.

SMALL PREMIUM ON THE SHARE VALUATION FOR THE FIRST TIME

Our listed peer group includes mechanical engineering companies and engineering service providers such as Andritz, Bertrand, Deutz, Edag, Gea, Heidelberger Druckmaschinen, Jungheinrich, Kion, Krones and Rheinmetall. At the end of 2017, the valuation of the Dürr share revealed a small premium over this peer group for the first time despite the fact that around 55 % of our business comes from the automotive sector, which generally has a lower valuation than the mechanical engineering sector on account of its cyclicity. The price/earnings ratio, enterprise value to EBIT/EBITDA, enterprise value to sales and share price to book value constitute the benchmarks for a peer-group comparison of our valuation. The consistently updated analyst consensus on sales, earnings and dividends can be found in the Investors/Share section of our website.

1.2 – KEY FIGURES FOR DÜRR SHARE

		2017	2016	2015
Earnings per share	€	5.62	5.26	4.67
Book value per share (Dec. 31)	€	25.69	23.40	20.15
Cash flow per share	€	3.46	6.57	5.00
Dividend per share	€	2.20[1]	2.10	1.85
High[2]	€	120.55	79.95	109.80
Low[2]	€	74.00	49.52	58.22
Closing price[2]	€	106.55	76.35	73.60
Average daily trading volume[2]	Shares	134,500	174,000	174,000
Market capitalization (Dec. 31)	€ million	3,686.7	2,641.8	2,546.6
Number of shares		34,601,040	34,601,040	34,601,040

[1] Dividend proposed to the annual general meeting
[2] XETRA

DÜRR SHARE UP 42.3 % FOR THE YEAR AS A WHOLE

Soon after the beginning of 2017, an upward trend began to emerge in the equity markets despite economists' initially muted growth forecasts. As the year proceeded, the appraisal of the economic outlook became increasingly upbeat, particularly for Europe. At the same time, political problems such as the North Korean conflict and the Brexit debate had very little impact on equities. The DAX rose by 14 % and the MDAX by 18 % in 2017, outperforming most of the benchmark indices in Europe and North America. In addition to the favorable economic outlook, equities also benefited from accommodative monetary policies as the low interest rates meant that there was an absence of any attractive alternatives to investments in equities. In the United States, the turnaround in interest rates was extremely moderate, while the European Central Bank continued its zero-rate policy for the time being.

The Dürr share (ISIN: DE0005565204) entered the year at a price of € 76.35. On February 23, we published our provisional figures for 2016 and the outlook for 2017, both of which more or less matched expectations. Against this backdrop, the Dürr share initially tracked the market, outperforming it from mid-April on the strength of the good quarterly figures. Further impetus was generated by the announcement of the ADAMOS partnership. In addition, we raised our order intake guidance on October 18. We left our earnings guidance unchanged due to margin pressure in paint shop business. On November 1, the share price climbed to a new all-time high of € 120.55. The announcement of the nine-month figures on November 8 triggered profit-taking, causing the Dürr share to close the 2017 trading year at € 106.55. This translates into gains for the year of 42.3 % (including a dividend of € 2.10 per share).

DIVIDEND TO BE INCREASED AGAIN

We will be proposing a dividend of € 2.20 per share for 2017, equivalent to an increase of 4.8 % over the previous year (€ 2.10). This translates into a total distribution of € 76.1 million and a payout ratio of 37.8 % of consolidated net profit, i.e. at the upper end of Dürr's customary range of 30 to 40 %.

Roughly two thirds of trade in Dürr shares is now handled via platforms outside the stock market. XETRA accounts for a good 90 % of floor trading in our share. An average of 134,500 Dürr shares were traded per day in 2017, 23 % fewer than in the previous year (174,000 shares). In value terms, daily trading rose from € 11.7 million to € 12.7 million due to the higher share price. Full-year XETRA trading volumes of all German shares increased by 32 % to € 1,447 billion in 2017.

In the MDAX trading volume rankings, we slipped from 21st to 25th place at the end of 2017 due to the growing proportion of over-the-counter trading. However, we improved our position in the MDAX market capitalization ranking to 30th place (2016: 32nd). The MDAX comprises the 50 most important listed companies in Germany below the DAX.

TOP IR RANKINGS

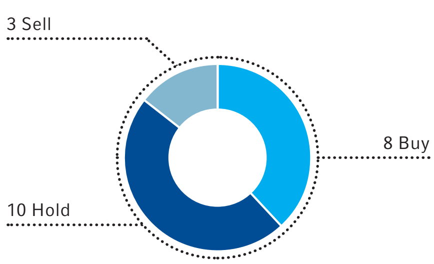
We regularly achieve high investor-relations rankings. Dürr was in second place in the "All-Europe Executive Team Survey – Capital Goods" published by the magazine Institutional Investor in 2017. Dürr's IR team achieved third place in the capital goods category of the Europe-wide EXTEL survey of capital market participants. The rankings calculated by business magazine BILANZ put Dürr's annual report for 2016 in second place for the MDAX and in fourth place in the overall evaluation (DAX, MDAX, SDAX, TecDAX).

STABLE COVERAGE

We assume that the MIFID II rules governing research activities, which came into effect at the beginning of 2018, will leave only minor traces on the coverage of our share. Smaller research companies will have greater difficulty offering their services. To date, only one small research company (Montega) has discontinued its coverage of Dürr due to the effects of MIFID II. On the other hand, a new bank, Equinet Bank, has added our share to its universe. Consequently, 23 analysts are currently still covering the Dürr share. Even after the strong performance of our share in 2017, 86 % of the analysts give it a "buy" or "hold" rating, compared with 91 % in the previous year. The average target price for the Dürr share stood at € 107.45 at the end of 2017.

The capital market's interest in Dürr remains strong. As in earlier years, we conducted around 500 talks with investors and

1.3 – ANALYST RECOMMENDATIONS (DECEMBER 31, 2017)



- Baader Bank
- Bank of America Merrill Lynch
- Berenberg Bank
- Kepler Cheuvreux
- MainFirst
- Nord LB
- Quirin Bank
- Société Générale

- Bankhaus Lampe
- Commerzbank
- DZ Bank
- Hauck & Aufhäuser
- HSBC Trinkaus
- Landesbank Baden-Württemberg
- Macquarie Capital
- M.M. Warburg
- Oddo BHF
- UBS

- Bankhaus Metzler
- Deutsche Bank
- Goldman Sachs

analysts in 2017. At the same time, we took part in 30 capital market conferences and 18 road shows, and welcomed many investors to our plants in Bietigheim-Bissingen and Darmstadt.

FREE FLOAT UNCHANGED AT 71 %

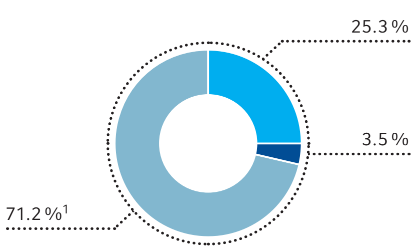
The Dürr family as the anchor shareholder holds 28.8 % of Dürr AG's stock and plans to retain a quota of over 25 % in the future. 25.3 % is held by Heinz Dürr GmbH and a further 3.5 % by Heinz und Heide Dürr Stiftung. At the end of 2017, the following additional investors held share packages of 3 % or more: Goldman Sachs (4.7 %), Deutsche Bank (4.7 %), Morgan Stanley (4.0 %), Deutsche Asset Management Investment (3.2 %), Alecta Pensionsförsäkring (3.2 %) and AXA (3.0 %). The three members of the Board of Management held a total of 0.2 % of Dürr shares as of December 31, 2017. Ralf W. Dieter held 80,000 shares, Carlo Crosetto 750 shares and Dr. Jochen Weyrauch 1,000 shares. At 71.2 %, the free float in accordance with the Deutsche Börse definition was unchanged over the previous year.

DÜRR BOND: YIELD UNDER 1 %

The price of our bond for € 300 million (ISIN XS1048589458) moved in a tight range in 2017. At the beginning of the year, it stood at 107.1 %, dropping to 106.8 % by the end of the year and reaching a high for the year of 108.9 %. With a coupon of 2.875 %, the yield stood at 0.7 % at the end of 2017. Maturing in 2021, the bond attracted average daily trading volumes of € 61,000 (2016: € 52,000).

We have dispensed with issue and issuer ratings for some years as we see no reasonable justification for the expense of having a rating calculated. The capital market accepts this decision.

1.4 – SHAREHOLDER STRUCTURE* (DECEMBER 31, 2017)



- Heinz Dürr GmbH, Berlin
- Heinz und Heide Dürr Stiftung, Berlin
- Institutional and private investors[1], including:
  – Goldman Sachs Group: 4.7 %[2]
  – Deutsche Bank: 4.7 %[2]
  – Morgan Stanley: 4.0 %[2]
  – Deutsche Asset Management Investment: 3.2 %[2]
  – Alecta Pensionsförsäkring: 3.2 %[2]
  – AXA: 3.0 %[2]
  – members of Dürr AG's Board of Management: 0.2 %[2]

[1] Free float as defined by Deutsche Börse AG
[2] On the basis of statutory notices
* rounded

10.2

We increased spending on research and development by 10.2 % in 2017. This was primarily driven by innovation projects in the field of digitization.

MANAG
REPORT

EMENT

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

We have combined the management report of the Dürr Group with the management report of Dürr AG, in accordance with Section 315 (3) of Germany's Commercial Code (HGB) in conjunction with Section 298 (2) HGB. The management report is therefore termed a combined management report. Unless otherwise specified, the information below is applicable to both the Dürr Group and Dürr AG. Statements which refer exclusively to Dürr AG are correspondingly marked. These come at the end of the combined management report.

[P. 000] —>

PAGE REFERENCES

The page numbers in brackets in the text refer to additional information in the management report, in the notes to the consolidated financial statements or in the glossary.

FUNDAMENTALS

THE GROUP AT A GLANCE

PROFILE

The Dürr Group is one of the world's leading organizations in mechanical and plant engineering. We are home to outstanding expertise in the digitization and automation of industrial manufacturing processes. Our machines, plant and services enable maximum production efficiency, whether in the automotive industry, which is responsible for around 55 % of our sales, or in other sectors such as the woodworking, mechanical engineering, chemical, pharmaceutical and electrical/electronic engineering industries. We run 92 sites in 31 countries. We operate globally with our Dürr, Schenck and HOMAG brands. In addition to North America and Western Europe, we are also strongly represented in the emerging markets[1]. In fiscal 2017, these accounted for 51 % of our order intake and 48 % of our sales.

GROUP ORGANIZATIONAL STRUCTURE

Dürr AG is the Group's management holding company. It is responsible for governance of the divisions and handles central tasks such as financing, controlling and accounting, as well as legal affairs, taxation, internal auditing, corporate communication and human resources management. Dürr AG forms the Corporate Center together with Dürr Technologies GmbH, which acts as a holding company for equity interests, Dürr International GmbH and Dürr IT Service GmbH.

We operate in five divisions, which also form the reportable segments within the meaning of the IFRS:

- Paint and Final Assembly Systems
- Application Technology
- Clean Technology Systems
- Measuring and Process Systems
- Woodworking Machinery and Systems

DIVISIONS, BUSINESS MARKETS, MARKET SHARES[2], IMPORTANT PRODUCTS AND SERVICES

Paint and Final Assembly Systems

Paint and Final Assembly Systems plans, builds and upgrades turnkey paint shops and final assembly lines for the automotive industry. We supply products and processes for all the process stages in paint shop technology. The RoDip **dip-painting** **[P. 204]** system, which is used to give bodies their anti-corrosion coating, and the energy-efficient **Eco**DryScrubber spray booth system are the core products. We usually also supply control, oven and conveyor systems plus air supply and exhaust-air systems. Our range of software covers all requirements, with iTAC.MES. Suite for connecting and controlling production systems at the heart. We lead the field over the competition with a global market share of 40 to 50 %, followed by two companies from Japan and Germany, holding market shares of 20 % and 10 to 15 %, respectively.

2.1 – GROUP STRUCTURE

Management holding company	• Dürr AG				
Divisions	• Paint and Final Assembly Systems	• Application Technology	• Clean Technology Systems	• Measuring and Process Systems	• Woodworking Machinery and Systems

[1] Asia (minus Japan), South and Central America, Africa, Eastern Europe
[2] own figures

CONSOLIDATED FINANCIAL STATEMENTS

In final assembly systems, too, we are one of the few companies worldwide capable of supplying turnkey plants. Electromobility is opening up additional business opportunities in this field. Since electric cars have a less complex power train than conventional cars, a greater degree of automation is possible in their assembly process.

The Dürr Consulting unit is also part of Paint and Final Assembly Systems. It advises customers on planning and optimizing production processes, particularly in painting and final assembly technology.

Application Technology

Application Technology generates some 90 % of its sales with technologies for the automated spray application of primers, base coats and clear coats. Its main products are the **Eco**Bell3 **high-speed rotating atomizer [P. 204]**, the **Eco**LCC2 color changer and the **Eco**RP painting robot family, the third generation of which has been commercially available since late 2016. Its range also includes systems used for paint supply, quality assurance, and process control and evaluation. We are the leading supplier in the automotive sector with a global market share of around 50 %. Our two most important competitors are manufacturers of industrial robots with market shares of between 15 and 20 %.

In addition to paint application technology, we are active in two related business fields, i.e. sealing technology and **glueing technology**. **Sealing processes [P. 204]** are used for sealing seams, applying underbody protection and injecting insulating materials in cars. Glueing is an alternative to welding vehicle components during body-in-white production and final assembly. One significant benefit is that it permits the use of non-weldable lightweight materials in the manufacture of vehicle bodies. During final assembly, glueing technology is used, for instance, for fitting windows, glass roofs, cockpits and tanks.

Application Technology has also been expanding its operations outside the automotive sector since 2014. Its Industrial Products business unit, responsible for this side of its activities, offers products for sectors such as the plastics, ceramics, shipbuilding, timber and furniture industries.

Clean Technology Systems

Clean Technology Systems operates mainly in the field of exhaust-air purification technology. Our **Ecopure** exhaust-air purification systems are used in the chemical and pharmaceutical industries, but also in sectors such as printing, woodworking and carbon fiber production. Furthermore, around 30 % of sales in exhaust-air purification technology is generated by equipping automotive paint shops, where we have a market share of between 40 and 50 %. We are also among the largest suppliers in the more fragmented non-automotive sector. Our most important process is thermal exhaust-air purification, in which pollutants are incinerated at up to 1,000 °C.

Clean Technology Systems is also responsible for the company's activities in energy-efficiency technology. 2017 saw us implement measures to improve earnings in this business field. A key aspect of that was the decision for Dürr thermea GmbH, specialist in large heat pumps, to cease trading. Further information can be found under the subtitle "Portfolio changes".

Measuring and Process Systems

Measuring and Process Systems offers balancing and diagnostic systems and also assembly, test and **filling systems** products. **Balancing systems [P. 204]** under the Schenck brand are used in a very wide range of industries, with the automotive share accounting for some 65 %. Our market share of about 45 % makes us the world's largest supplier by some distance, followed by two competitors with market shares of approximately 15 and 10 %, respectively, in second and third places. With regard to assembly, testing and filling technology, we mainly equip the automotive industry. We are also the global leader in these areas, with market shares of around 50 % each. In filling technology, we also supply systems for the automated filling of refrigerators, air-conditioning systems and heat pumps with refrigerants via the Agramkow Group. The most popular testing technology products are test stands for brakes, electronics and wheel geometry. The focus in assembly systems is on marriage stations, in which car bodies and power trains are joined.

We sold the industrial cleaning technology and surface processing business (Cleaning and Surface Processing / Dürr Ecoclean Group) with effect from March 31, 2017. Further information can be found under the sub-title "Portfolio changes".

2.2 – ACTIVITIES AND BUSINESS MARKETS

PAINT AND FINAL ASSEMBLY SYSTEMS DIVISION

Business type	Activities	Customer groups
• Plant engineering	• Paint shops • Individual painting process stations • Final assembly systems • Service	• Vehicle manufacturers • Automotive suppliers • General industry (e.g. construction equipment and farm machinery)
• Consulting	• Consulting	• Vehicle manufacturers • Automotive suppliers • General industry

APPLICATION TECHNOLOGY DIVISION

Business type	Activities	Customer groups
• Mechanical engineering and component business	• Products for automated spray painting • Sealing technology • Glueing technology • Service	• Vehicle manufacturers • Automotive suppliers • General industry (e.g. plastics, ceramics, timber, shipbuilding)

CLEAN TECHNOLOGY SYSTEMS DIVISION

Business type	Activities	Customer groups
• Plant engineering and component business	• Exhaust-air purification systems • Energy management and consulting • Service • Energy-efficiency technologies	• Chemical industry • Pharmaceutical industry • Carbon fiber production • Printing/coating • Vehicle manufacturers (paint shops) • Automotive suppliers (paint shops) • Woodworking • Operators of decentralized power plants • Energy sector • General industry

MEASURING AND PROCESS SYSTEMS DIVISION

Business type	Activities	Customer groups
• Mechanical engineering	• Balancing and diagnostic systems • Assembly technology for final vehicle assembly • Testing technology for final vehicle assembly • Filling technology • Service	• Vehicle manufacturers • Automotive suppliers • Electrical/electronic engineering • Turbo machinery/power plants • Mechanical engineering • Aerospace industry • Household appliance industry

WOODWORKING MACHINERY AND SYSTEMS DIVISION

Business type	Activities	Customer groups
• Mechanical and plant engineering	• Machines and linked production lines for woodworking • Service	• Woodworking industry • Woodworking trade

Woodworking Machinery and Systems

Woodworking Machinery and Systems consists of the activities of the HOMAG Group, acquired in 2014, the world's leading supplier of woodworking machinery and systems. With a global market share of a good 30 %, the HOMAG Group has a significant lead over its two next-placed competitors, which each hold a little over 10 %. Our technology is used by the furniture industry and woodworking trade, for example in the production of furniture, kitchens, parquet and laminate flooring, windows, doors, stairs and complete prefabricated timber houses. The range extends from entry-level machines to fully automated production lines for batch size 1 manufacturing. Our core products include panel dividing systems, throughfeed saws and drilling machines, sanders, edge-banding machines, CNC processing centers and handling systems.

DIGITIZATION/INDUSTRIAL INTERNET OF THINGS (IIOT)

Digitization of manufacturing operations is currently our customers' most pressing requirement. We have established the necessary systems in response: In the ADAMOS **IIoT platform** **[P. 204]** for the mechanical engineering sector and the LOXEO and tapio digital marketplaces based on it, we have a pioneering infrastructure that will allow us to support the users of our machines and plants with digital services. Furthermore, we provide our customers with modular software solutions for all stages of the production process. We have developed the strategic ADAMOS platform in collaboration with partners from the mechanical engineering and software sectors. The LOXEO marketplace is aimed at Dürr and Schenck customers, while the HOMAG Group is targeting companies from the woodworking industry with tapio. Further information on ADAMOS, our digital@DÜRR strategy and smart products can be found under the sub-title "Portfolio changes" and in the chapters **Strategy** **[P. 29]** and **Research and development** **[P. 34]**.

COMPREHENSIVE SERVICE OFFER

We have expanded our service organization over the past few years with the CustomerExcellence@Dürr program. This has enabled us to generate more service business from our extensive installed base. Our service offer includes planning, remodeling, upgrading, optimizing and relocating plants and machinery, as well as plant productivity and energy-efficiency audits, software updates, training, maintenance, remote diagnostics, repairs and the supply of replacement parts. In 2017, service-related sales totaled € 945.9 million, which represents 25.5 % of Group sales. As at the end of 2017, the service side employed 2,296 persons, or 15.3 % of the Group workforce.

TECHNOLOGY AND INDUSTRY PARK (TIP): REAL ESTATE SERVICE PROVIDER IN DARMSTADT

Schenck Technologie- und Industriepark GmbH (TIP), part of Measuring and Process Systems, markets and operates offices and also production and logistics space at Schenck's Darmstadt site. The floorspace for rent amounts to 109,900 m² on a 105,000 m² plot, of which offices account for 46 %.

LEGAL STRUCTURE

Each of the following companies is wholly owned by Dürr AG: Dürr Systems AG, Dürr International GmbH, Dürr Technologies GmbH, Carl Schenck AG and Dürr IT Service GmbH. The first four of these companies and Dürr AG have entered into domination and profit and loss transfer agreements. A profit and loss transfer agreement has been concluded between Dürr AG and Dürr IT Service GmbH. We hold 55.9 % of the shares in HOMAG Group AG via Dürr Technologies GmbH. A domination and profit and loss transfer agreement has been in place between the two companies since March 2015. There is a pool agreement between Dürr Technologies GmbH and the Schuler/Klessmann shareholder group, which owns about 22.1 % of the shares in HOMAG Group AG. This means we have around 78 % of the voting rights for votes at the annual general meeting. The Schuler/Klessmann shareholder group is made up of the Schuler family, who founded HOMAG, and the Klessmann Foundation. Dürr Systems AG, Dürr International GmbH, Carl Schenck AG and HOMAG Group AG hold direct or indirect stakes, usually 100 % holdings, in all the other Group companies. The members of the Boards of Management of Dürr AG, Carl Schenck AG, Dürr Systems AG and HOMAG Group AG are represented on the supervisory boards of all material foreign companies.

PORTFOLIO CHANGES

Acquisitions/shareholdings/incorporations

- Effective September 5, 2017, we and our partners ASM PT, Carl Zeiss AG, DMG Mori Aktiengesellschaft and Software AG set up the ADAMOS GmbH joint venture. The company is driving the marketing and further development of the joint ADAMOS IIoT platform. Engel Austria GmbH joined the partnership on December 13, 2017, followed by Karl Mayer Textilmaschinenfabrik GmbH in March 2018. Detailed information on ADAMOS is included under **Strategy [P. 29]**.

- Effective September 29, 2017, Schenck Corporation acquired 100 % of the shares in US company Test Devices Inc. (TDI), thereby further consolidating Schenck's position in the international market for testing and **balancing technology [P. 204]**. TDI specializes in machines and services for high-speed spin testing of rotors used in aviation, automotive, energy and medical technologies.

- HOMAG Group AG increased its stake in Benz GmbH Werkzeugsysteme from 51 % to 75 % with effect from January 26, 2017. It will take over the remaining 25 % of the shares in 2019. Benz supplies tool systems and units for machining wood, metal and composites.

Please see table 2.3 for further information on the three transactions outlined above.

Divestment

We deconsolidated and sold off the Dürr Ecoclean Group (Cleaning and Surface Processing unit within the Measuring and Process Systems division) to Shenyang Blue Silver Industry Automation Equipment Co., Ltd. with effect from March 31, 2017. The buyer is a subsidiary of Chinese machinery manufacturer Shenyang Blue Silver Group (SBS Group). The Dürr Ecoclean Group, which operates in the field of industrial cleaning technology, achieved sales of almost € 200 million in 2016 and an EBIT figure of some € 14 million. In the first quarter of 2017, when the Dürr Ecoclean Group was still owned by the Dürr Group, it contributed € 51.1 million worth of incoming orders, € 47.5 million in sales and € 2.2 million in EBIT. The proceeds from the sale were € 107.9 million for 85 % of the Ecoclean Group's business. The book gain in the sum of € 23.0 million was posted as a special item in the Corporate Center. In addition, we received a 15 % stake in the new holding company, SBS Ecoclean GmbH, without any cash payment. The SBS Group has announced its intention to exercise a call option granted to it and take over this stake in 2018. We do not expect any further book gain from the sale of our holding in SBS Ecoclean GmbH.

Please also see **items 4 [P. 118]**, **18 [P. 136]** and **24 [P. 144]** in the notes to the consolidated financial statements. You will, in addition, find information there on other transactions of lower value that we have not detailed in the management report in light of the materiality principle.

2.3 – SIGNIFICANT ACQUISITIONS/SHAREHOLDINGS/INCORPORATIONS

	Shareholding	Consolidation type	Included in the consolidated financial statement since	Purchase price	Employees (Dec. 31, 2017)	Division
ADAMOS GmbH	20.0 %	Equity holding	Sept. 5, 2017	– [1]	8	–
Test Devices Inc.	100.0 %	Fully consolidated	Sept. 29, 2017	€ 4.2 million	34	Measuring and Process Systems
Benz GmbH Werkzeugsysteme	75.0 % (previously: 51.0 %)	Fully consolidated	Oct. 3, 2014	€ 6.5 million	303	Woodworking Machinery and Systems

[1] Company incorporated together with partner companies

2.4 – PROCESSES IN PLANT ENGINEERING

Project inquiry from customer	Planning phase		Order intake	Delivery order						Service
	Planning	Bid		Technical analysis	Engineering	Manufacture	Installation	Commissioning	Final inspection	Spares, upgrades etc.

Cessation of trading by Dürr thermea

Dürr thermea GmbH ceased trading in the third quarter of 2017. The company, which specialized in large-scale heat pumps, was part of the loss-making energy-efficiency technology business field in the Clean Technology Systems division. In the first half of 2017, it recorded significant losses on sales of € 1.1 million. The Corporate Center's EBIT figure includes costs in the sum of € 5.3 million in connection with the cessation of trading by Dürr thermea.

BUSINESS MODEL

Our core competence is the **engineering [P. 204]** of efficient production technology. We support our customers with everything ranging from individual machines to turnkey manufacturing systems. In response to Industry 4.0, we are expanding our offering related to the digital networking and control of production systems.

Our technologies and services help our customers increase the efficiency of their production operations. This is reflected in Dürr's corporate slogan, “Leading in Production Efficiency”. We particularly rely on the following factors to deliver this value proposition and to differentiate ourselves from our competitors:

- Digitization and technological innovation
- Planning and engineering expertise
- Reliable order execution
- Efficient production and assembly sites for core products
- Comprehensive after-sales services
- Global presence, proximity to customers in all market regions

A good 60 % of the Group's business volume comes from mechanical engineering and almost 40 % from plant engineering. In mechanical engineering, we aim for EBIT margins of 10 to 12 %, or even more in individual niche fields. In plant engineering, the target margin is 6 to 7 %. Our plant engineering business achieves higher figures in terms of return on capital employed. **ROCE [P. 205]** can exceed 100 % in plant engineering since the **capital employed [P. 205]** is very low in that field. In mechanical engineering operations, we aim for ROCE of 15 to 25 %.

Financial importance of individual products, services and business markets

In view of our broad-based portfolio, the financial importance of individual products and services is limited. A key factor in our success in the paint shop business is our systems expertise, i.e. the ability to plan and build turnkey systems. Service business generates a disproportionate contribution to earnings within the Group and is therefore being expanded. Thanks to our international presence, we have a balanced regional sales breakdown. In 2017, 13 % of revenue accrued in Germany, 29 % in other European countries, 27 % in North and South America and 31 % in Asia, Africa and Australia. The earnings contribution from the individual regions is approximately in line with the regional breakdown of sales. In regions with above-average market shares we tend to achieve slightly higher margins.

Business processes/process advantages

Planning, engineering and design, order execution and service are our most important business processes. We have expanded our in-house production in recent years in the interests of quality, achieving on-time-to-requirement deliveries and protecting our intellectual property. Professional project management is critical to success in large plant engineering projects in particular. A large project usually requires 15 to 24 months for completion, while the figure for machinery orders is between 2 and 12 months. Smaller remodeling, upgrade and service projects are of shorter duration.

Large projects require smooth collaboration between various departments and sites. We therefore operate with standardized processes in planning, order execution, service and administration. Our processes are supported by globally harmonized

IT systems. This prevents interface problems, automates processes and enables the international sharing of work packages and effective capacity management. In addition, we are able to handle more orders in parallel while reducing risks, thanks to standardized processes and IT tools.

Customer relations

Most vehicle manufacturers and many suppliers use Dürr technology in their production operations. Our business with them is technically complex and long-term. We therefore maintain constant communication with them. We act as a planner, consultant and system supplier. In the case of major capital projects, we are involved for up to two years before an order is placed. As a service partner, we support our customers in their operations with our plant and in the event of upgrades. Customers often give us advance notice of the development of new products to ensure that we can supply the required production technology at the right time.

The mechanical engineering divisions – Measuring and Process Systems and Woodworking Machinery and Systems – have a very broad market base with tens of thousands of customers. Sales-related costs are therefore higher than for plant engineering business with the automotive industry. In addition to supplying individual machines, however, there are also larger projects with extended lead times in the mechanical engineering sector.

Supplier relations

We source goods, raw materials and services from more than 12,000 suppliers. In addition to parts and component suppliers, we also often use the services of contract manufacturers, engineering consultancies and logistics companies. In the case of crucial commodity groups, we enter into global framework agreements with preferred suppliers. This enables us to pool the demands of several companies and divisions and achieve economies of scale. Further information is presented under **Procurement** **[P. 37]**.

Further features of our business model

At 37 %, our real net output ratio is relatively low, though it has increased somewhat in recent years. Key factors in this were the expansion of our in-house production and the takeover of the HOMAG Group with a real net output ratio of 43 %. In the Paint and Final Assembly Systems plant engineering division, the real net output ratio is a mere 28 %.

Because of the low real net output ratio, the **asset intensity** **[P. 205]** and capital employed are also relatively low. The prepayments received from customers cover the receivables and inventories in current assets to a significant level. Consequently, the **net working capital (NWC)** **[P. 205]** in plant engineering is low or even negative. In relation to the fixed costs, too, we benefit from the low real net output ratio and asset intensity, which makes us more flexible in the event of cyclical order-book fluctuations. The average days working capital in 2017 was 35.1 days. This was within our target corridor, which we have extended from between 25 and 35 days to between 30 and 40 days. The target corridor was extended mainly as a result of changes in our customers' prepayment practices and the marked expansion of business in the mechanical engineering sector.

Measured against sales, our usual capex need (without acquisitions) is low at € 75 to 85 million p.a. Here, too, the low demand for tangible assets in plant engineering has a corresponding impact. In 2017, investments, at € 88.0 million, were slightly above the normal level. The main reason for this was a real estate transaction at the Bietigheim-Bissingen site. At around € 30 million p.a., the HOMAG Group invests more than the other divisions since its real net output ratio is higher and since it has to adapt its capacities to the very strong demand.

Our material cost ratio[1] (material costs as a proportion of sales) has fallen in recent years: from 46.8 % in 2012 to 38.2 % in the year under review. This is a result of the acquisition of the HOMAG Group. In addition, we have successfully reduced expenditure on external production service providers thanks to our higher level of in-house manufacturing.

Most divisions have local production plants and procurement structures in major foreign markets. This reduces their need to export and thus the transaction risks. Translation effects resulting from the conversion of foreign currency items into euros are more important. The acquisition of the HOMAG Group (in 2014) has slightly increased our transaction risk. Since the HOMAG Group manufactures a great deal of its products in Germany, it has a higher export ratio and a correspondingly higher currency risk.

Projects in the automotive industry often have long lead times. This allows us a clearer picture in terms of the future order book. We can therefore accurately assess our future sales, capacity utilization and income situation for a major portion of the business.

[1] Material costs: costs for raw materials and supplies, bought-in parts and purchases from sub-contractors

BUSINESS LOCATIONS AND DIVISION OF LABOR WITHIN THE GROUP

Our 92 locations ensure proximity to the customer. In the past few years, the sites in the emerging markets have become increasingly important. At year's end 2017, 32 % of the workforce were employed there. Shanghai, with some 2,300 employees (including, on average, around 300 external staff), is the largest location in the emerging markets.

Our headquarters in Germany control the Group's global operations. The Dürr Campus in Bietigheim-Bissingen (approx. 2,100 employees) is the Group's corporate head office and also the headquarters of Paint and Final Assembly Systems, Application Technology and Clean Technology Systems. Darmstadt (around 580 employees) coordinates the operations of Measuring and Process Systems. The HOMAG Group headquarters in Schopfloch (approx. 1,650 employees) manages the Woodworking Machinery and Systems business.

We have been upgrading and expanding our site network since 2012. A total of € 161.3 million was invested in the over 15 construction projects between 2012 and 2017 (including the HOMAG Group since October 2014). The investment program concluded with the construction of a campus site in Shanghai with a total investment value of € 20.4 million, of which € 8.2 million was allocated in 2017. The new site was opened in February 2017 with around 1,100 employees.

Guidelines define how the Group companies collaborate on cross-border systems projects in plant engineering. In the case of major orders for Paint and Final Assembly Systems, the system center in Bietigheim-Bissingen is usually responsible for project management. The foreign-based companies are responsible for local sales and service, and they support order execution, for example, by providing **engineering** **[P. 204]**, purchasing and production services. In mechanical engineering, too, the German headquarters act as the hubs at the center of international projects.

COMPANY-SPECIFIC LEADING INDICATORS

In managing the company, we follow various leading indicators. This enables us to prepare in good time for changes in economic activity and in demand. We use four types of indicators:

- Key economic leading indicators are money supply, commodity and energy prices as well as purchase manager and business climate indices. Research reports and macroeconomic statistics also assist us in recognizing cyclical developments at an early stage. Moreover, we pay close attention to interest rates. Business trends within our main customer industry segments (automotive and woodworking) correlate strongly with the development of the global economy.

- More specific indicators to assess future business potential are customers' investment plans as well as statistics and forecasts on production and sales. In addition, we follow the expectations of analysts regarding our customers' cash flows and investments.

- Our customers' specific investment projects constitute the third leading indicator. We collect information on this in our database, along with an assessment of the likelihood of our company being awarded a contract. In 2017 the opportunity-weighted market volume recorded by us increased. In the product business, the quotation period for offers serves as an indicator. An increase in the average quotation period shows that customers need more time to make investment decisions. This indicates a trend toward weaker demand.

- The fourth group of indicators are incoming orders and order backlog. As many projects have a long lead time, both key figures are relevant in assessing capacity utilization and sales for the coming quarters.

EXTERNAL INFLUENTIAL FACTORS

Sales generated by the automotive and furniture industries are the key external influential factor for our company. In both industry segments, growing demand from end customers is expected for the coming years, with a corresponding production increase of 3 to 4 %. This will create additional growth potential for us.

The development of the rate of motorization, i.e. the number of motorized vehicles (excluding two-wheelers) per 1,000 inhabitants is also a key statistic. While the motorization rate in the United States exceeds 800 and is almost 600 in the European Union, the rate in China is as low as 120. According to experts, this value is expected to increase to between 200 and 300 vehicles by 2030 or later. The rate of motorization is also likely to grow substantially in India, where there are only just over 20 motorized vehicles per 1,000 inhabitants, as well as in other emerging market countries. Arguments in favor of this trend are higher levels of available income and the increasing need for individual mobility. The situation is similar regarding ownership of furniture. Again, the emerging market countries still reflect a considerably lower penetration rate than the industrialized nations.

In certain fields of activity, state regulations on emission control have an impact on our business. As a rule, stricter limits on CO_2 emissions, for instance, increase the level of demand for production technology with lower emissions of contaminants. This applies to the field of environmental technology, for example, and to the paint shop construction business.

In many cases, new products manufactured by our customers also lead to demand for new production technology. Electric cars are one example: as their power train is less complex than that of cars with internal combustion engines, it is easier to automate assembly work for electrically powered cars. This generates additional demand for new assembly concepts with a higher degree of automation. In addition, numerous producers of electric cars need a completely new production base as they have never built any cars before.

Exchange rate fluctuations only have a slight influence on sales and earnings. As we have local production facilities and procurement structures in large foreign markets, our need for exports is low. This mitigates transaction risks. What is more substantial are translation effects owing to the translation of foreign-currency line items into euros.

STRATEGY

The “Dürr 2020” strategy is our roadmap for the Group’s development through 2020. It defines the following targets:

- Sales: Sales are to increase to as much as € 5 billion by 2020 through organic growth and further acquisitions.
- EBIT margin: The EBIT margin is to widen to between 8 and 10 % by 2020.
- ROCE: **ROCE** **[P. 205]** is to be permanently above 30 % by 2020.

ENTERING NEW AREAS OF BUSINESS THROUGH ACQUISITIONS

One key element of “Dürr 2020” entails tapping new areas of profitable growth. Following the successful takeover of the HOMAG Group in 2014, we want to continue on our acquisition course. As was the case with HOMAG, we are particularly seeking potential candidates outside our core automotive business. This is because our large market share is placing a cap on growth potential in the automotive industry. Looking ahead over the next few years, we expect our business in this segment to expand by an average of around 3 % to 4 % per year.

We are seeking an acquisition candidate with sales of up to € 1.5 billion. Criteria for potential target companies are:

- Mechanical and plant engineering
- Niche market
- Leading market and technological position
- Not in need of restructuring but offering potential for improved earnings and synergistic effects
- A corporate culture which is a good fit for Dürr

Smaller acquisitions are also conceivable, either to strengthen one of the existing divisions or to supplement our portfolio with technology from which several divisions can benefit. Potential candidates are software or digitization companies.

MARKET LEADER IN THE DIGITAL ERA

The central goal that we are pursuing with "Dürr 2020" is to ensure that Dürr as a plant and mechanical engineering specialist continues to grow and leads the competition in the digital era. This is reflected in the strategic thrust of digital@DÜRR. With these activities, we want to step up the digitization of our products, systems, services and business processes. digital@DÜRR has four dimensions:

- **Smart products**: We develop intelligent products which are self-regulating, detect changing tasks and report servicing requirements at an early stage.
- **Smart services**: We analyze customers' equipment online. Big-data analyses allow us to offer predictive maintenance.
- **Smart processes**: We utilize intelligent software and simulations to optimize order execution.
- **Smart factories**: Using sensors and software, we network the machinery at the factory, rendering the entire production process transparent and more efficient.

Unique combination of IT expertise and shopfloor knowledge

Digitization is the most important trend in production in all industries using our technology. It improves plant availability, lowers costs and permits automated production of individual items in batch size 1 manufacturing.

We want to be the most effective digitization partner for our customers. This goal is derived from an important competitive differentiator, namely the combination of IT expertise and technical shopfloor skills. This means that we not only offer our customers the software required for digital networking but also contribute specialist knowledge of production technology and processes. This sets us apart from competitors who have less experience of the sector.

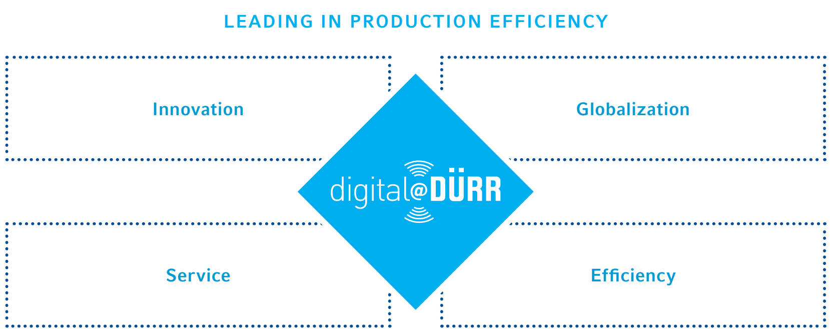
ADAMOS: the backbone of digital business

We possess a full-scale infrastructure for growing our digital business. Its backbone is the ADAMOS platform for the **Industrial Internet of Things (IIoT)** **[P. 204]**. It is comparable to the operating system of a computer and collects large volumes of production data. ADAMOS allows us to offer machinery operators such valuable digital services as apps that monitor the condition of machines. For customers, such digital services are the key to production optimization.

ADAMOS is the child of a unique partnership. In September 2017, we established a joint venture known as ADAMOS GmbH with mechanical engineering companies DMG Mori, Zeiss and ASM as well as Software AG. The mechanical engineering companies Engel Austria and Karl Mayer Textilmaschinenfabrik have since also become ADAMOS partners. ADAMOS is made up of leading technologies provided by Software AG, the second largest software company in Germany, and is designed to be an open platform, meaning that any mechanical engineering company can join it. The more companies participate in it, the faster the platform will be able to evolve into a standard for the mechanical engineering industry.

The cooperation idea underlying ADAMOS offers many advantages. Participating companies can share expertise and solutions, reduce resource requirements and offer their customers IIoT software and hardware from a single source. None of the participating companies would have been able to implement a solution like ADAMOS on their own. With ADAMOS we can act as a supplier of digital services and strengthen customer bonds.

2.5 – "DÜRR 2020": FOUR STRATEGIC FIELDS



LOXEO and tapio making us a provider of digital solutions

The online marketplaces LOXEO for Dürr and Schenck customers and tapio for the woodworking industry are instrumental in boosting customer perception of our company as a provider of digital solutions. They are based on ADAMOS and form the interface with our customers. Using LOXEO and tapio, plant operators can evaluate data, map their production activities digitally and purchase digital services and apps, e.g. for predictive maintenance, adaptive production planning or the management of consumables. In this way, LOXEO and tapio act as hubs for digital production optimization for our customers.

LOXEO and tapio are attractive as we will be steadily offering new apps and services with added benefits. This will be done via the ADAMOS App Factory, a unique development network made up of the ADAMOS partners' software units. Dürr is contributing its software companies iTAC and DUALIS as well as the app development departments of Dürr Systems, Schenck and the HOMAG Group.

FURTHER STRATEGIC FIELDS

The strategic core defined by digital@DÜRR has ramifications for the four strategic fields that accompany it. We are implementing digitization initiatives in all four segments and simultaneously working on aspects critical for success such as the optimization of organizational structures and the development of technology.

STRATEGIC FIELD: INNOVATION

Through innovation, we create spending incentives for our customers and secure our competitive edge. We are committed to ensuring that all new products lower our customers' unit costs and enhance their production efficiency. With our relatively large R&D budget, we are able to develop new technologies more quickly and in greater quantities than our peers. More than € 100 million is directly spent on innovation products each year. Digital transformation is currently the most important trend spurring innovation at Dürr. In this context, we are developing software and intelligent products (smart products), for example. The chapter entitled **Research and development** **[P. 34]** provides further information on our innovation strategy as well as recent examples.

STRATEGIC FIELD: GLOBALIZATION

Global footprint

We have a strong footprint in all key markets thanks to our localization strategy. In this way, we can generally absorb temporary dips in demand in individual regions by growth in other markets.

Our customers want to produce as closely to their markets as possible. As a result, new factories are being built in many emerging markets. We are benefiting from this as we are continuously expanding into new regions with growth potential. With our high level of localization, we are able to support our customers effectively in establishing production capacity in foreign markets.

The years following the financial crisis in 2008/2009 particularly saw expansion of our activities in the emerging markets, where the automotive industry still expects the largest growth in sales and production volumes. With around 2,300 employees (including an average of roughly 300 externals), we have a particularly strong presence in China. Since 2010, we have also been fortifying our market position in Southeast Asia and Japan. To this end, we have set up national companies in Indonesia, Malaysia and Thailand and acquired a strategic interest in Japanese paint systems producer Parker Engineering. We are also seeing growing market potential in the Middle East and Central Asia, receiving considerable new orders from Pakistan, for example, in 2017. Africa is also a market with long-term potential. We have been operating a facility in South Africa for more than 40 years and are tapping potential new markets such as Nigeria. We have already demonstrated our capabilities with several projects in South and North Africa.

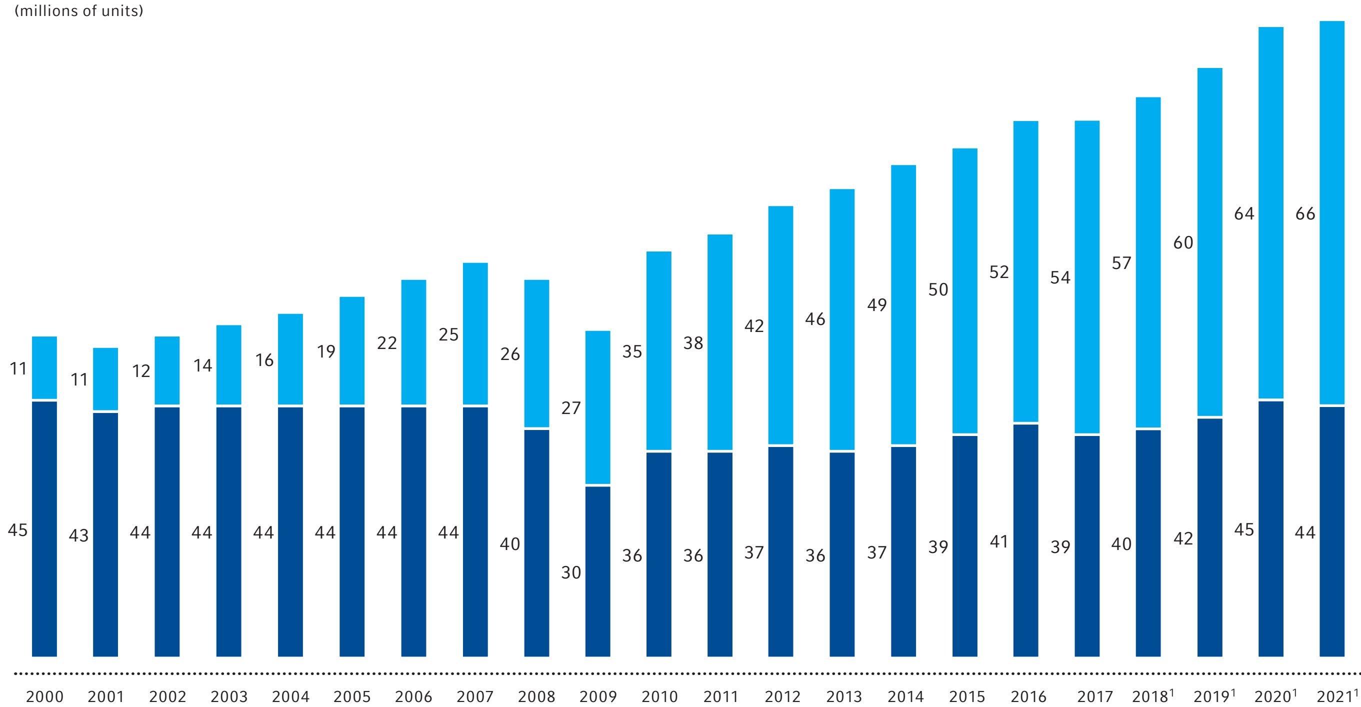
Global expansion into new business fields

Globalization as a strategic field also entails the goal of entering areas which are related to the Group's core business. One example is the Industrial Products segment, via which Application Technology has been making forays into general industry since 2014. Target sectors include plastics, shipbuilding, ceramics, wood and furniture. As non-automotive customers, too, are increasingly seeking automated painting solutions, we launched a partnership with robotics specialist Kuka in 2017. The result is the "ready2spray" painting robot, which is available for immediate use. Previously, companies wishing to automate painting operations had to buy and integrate robots and application technology separately.

Application technology **[P. 204]** for general industry offers a considerable market volume. We are hoping to achieve industrial business worth around € 50 million by 2020. Other business segments which we have entered in the last few years include **glueing technology** for the automotive industry and **filling technology** **[P. 204]** for the household goods industry.

2.6 – GLOBAL AUTOMOTIVE PRODUCTION

(millions of units)



● Established markets ● Emerging markets

[1] Forecast

Source: PwC Autofacts 01/2018

STRATEGIC FIELD: SERVICE

Expansion of service business

The expansion of service business is strategically important for a number of reasons:

- Our installed base has widened sharply since we supplied an above-average quantity of equipment after the financial crisis in 2008/2009. This has generated correspondingly large potential for service business.
- Our service strives for maximum plant availability for Dürr customers. This not only boosts productivity but also improves customer satisfaction.
- Service business generates greater and more stable earnings contributions than new business.

Since 2012, service-related sales have grown by an annual average of 13.3 %. This success largely has its roots in the CustomerExcellence@Dürr optimization program that was executed from 2013 to 2015. Key activities included the recruitment of service staff, the roll-out of new IT systems and acceleration to spare parts logistics. At the same time, we invested in customer orientation training and the "Dürr Promotor Score", a customer satisfaction measurement system. In the medium term, we want to widen the contribution made by service business to consolidated sales to as much as 30 % (2017: 25.5 %).

Modernization business offering growing business potential

We are systematically expanding our plant modernization business, also known as **brownfield projects** **[P. 204]**. Our customers are stepping up modernization spending as this boosts productivity substantially despite moderate funding requirements and swift amortization. The proportion of these "brownfield" projects in painting technology business is expected to widen to around 35 % by 2020, up from 24 % in 2017. This will be driven not only by the established markets but also by China, where more and more plants require modernization. Around half of the over 670 automotive paint shops around the world are older than 20 years.

We are at the beginning of a modernization cycle in painting robot business as we started installing a large number of robots around 15 years ago. Given a service life of 12 to 15 years, the next few years are set to see an increase in replacement spending.

STRATEGIC FIELD: EFFICIENCY

We are adapting to new market requirements and improving our cost structure through continuous process optimization. Key aspects of this include:

- **Digitization**: We are currently stepping up the digitization of processes in all parts of the company. One example is the preliminary check of all software linked in a paint shop. In this way, it is possible to largely complete the installation of software packages and parameterization before construction of the paint shop commences.
- **Global processes**: Shared international order execution calls for uniform Group-wide processes. In this connection, we are constantly integrating new knowledge in our standard processes and IT systems.
- **Global IT integration**: End-to-end IT systems provide access to the same data from any location and enable us to assign work packages to different Group companies.

RESEARCH AND DEVELOPMENT

R&D GOALS

Our R&D work is aimed at innovations that help our customers achieve maximum production efficiency while lowering per-item costs. In addition, we wish to differentiate ourselves from our competitors and safeguard our market-leading position.

R&D KEY FIGURES AND EMPLOYEES

Once again in 2017 we increased our direct expenditure on research and development to a record figure of € 116.7 million, 10.2 % up on the previous year. The strong growth was mainly driven by innovation projects in the field of digitization. The R&D ratio, at 3.1 %, also reached a new high (2016: 3.0 %). Order-related development costs are contained in the sales costs rather than the direct R&D costs. Capitalized development costs and their amortization totaled € 9.6 million and € 12.7 million (2016: € 12.4 million and € 13.1 million), respectively. This yields a calculated capitalization rate, measured against the direct R&D costs, of 8.2 % (2016: 11.7 %).

The number of R&D staff has risen by 2.6 % to 713 employees since the end of 2016, representing a proportion of 4.8 % of the Group's workforce. A good 90 % of the R&D staff are employed in Germany. More R&D operations are based at sites in Europe, the Americas and China. Numerous other experts are working on new solutions as part of customer orders outside the R&D departments.

In the case of innovation projects, a Group-wide process covers every stage from the product idea through to product approval. Responsibility for R&D is vested in the divisions, with the R&D/Technology cross-divisional team coordinating R&D activities. Around 70 % of the R&D budget goes into developing new solutions, while some 30 % is spent on optimizing existing products. Our R&D work is mostly product- and application-oriented, with a small proportion devoted to basic research.

NEW DEVELOPMENTS AND PATENTS

2017 saw 67 product innovations progressed throughout the Group. At year's end, we held 1,127 patent families and 6,107 individual patents (December 31, 2016: 1,126 and 5,856). Application Technology held the largest proportion, with 39 % of the patents. The costs for protecting our intellectual property came to € 7.3 million (2016: € 6.8 million).

COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

Active contacts with around 100 scientific institutions and development partners ensure we have good access to the latest research results. In fiscal 2017, expenditure on externally sourced R&D services came to € 49.3 million (2016: € 41.9 million). As last year, we received state research grants to the sum of € 0.5 million; this represents 0.4 % of the total R&D costs.

2.7 – R&D KEY FIGURES

		2017	2016	2015
Group R&D ratio	%	3.1	3.0	2.6
Paint and Final Assembly Systems	%	1.1	1.2	0.8
Application Technology	%	4.1	4.3	3.6
Clean Technology Systems	%	2.0	1.7	2.0
Measuring and Process Systems	%	1.8	1.8	1.9
Woodworking Machinery and Systems	%	5.2	5.0	4.7
Capitalized development costs	€ million	9.6	12.4	11.5
Amortization of capitalized development costs	€ million	– 12.7	– 13.1	– 10.4
R&D employees (Dec. 31)		713	695	667
R&D personnel costs	€ million	– 69.1	– 68.0	– 75.1

2.8 – R&D EMPLOYEES 2017

	Group	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
Total	713	62	176	18	63	394
% of divisional workforce	4.8	1.8	8.5	3.0	2.8	6.2

R&D FOCUS

Our innovation work is based on our customers' requirements and on leading technology and manufacturing trends. Currently, the following points are especially important:

- **Digitization/Industrial Internet of Things (IIoT)**: The dominant trend in manufacturing technology is digitization. This increases our customers' overall equipment effectiveness and enables adaptive manufacturing processes. We are putting major efforts into expanding the ADAMOS IIoT platform and the LOXEO and tapio digital marketplaces, into developing digital services and into our data analysis capabilities. Other areas of interest include smart sensor systems, manufacturing execution systems and tools for simulation and virtual commissioning of production equipment.

- **Increased flexibility**: Our customers need flexible production lines in order to offer a wide diversity of models and variants.

- **Customization/batch size 1**: We are seeing growing interest in systems that enable individually configured end products to be manufactured efficiently on automated lines.

- **Optimization of per-unit cost**: Reducing per-unit manufacturing costs is an important goal for our customers. Accordingly, we are developing new products and processes with a reduced demand for material, energy, maintenance and human resources.

- **Automation**: Maximum automation is the key to reproducible top quality and efficiency in industrial production. Our customers still have a great deal of potential for automation.

- **Electromobility**: There are differences in the final assembly of battery-powered vehicles and conventional cars – for example, when connecting the power train and the body or during **end-of-line** **[P. 204]** performance testing. We are therefore developing dedicated assembly and **testing technology** **[P. 204]** specifically for electric vehicles.

- **Human-robot collaboration**: Combining human skills and mechanical efficiency enhances work processes. Know-how from fields such as robotics, sensor technology, control technology and occupational safety is applied when developing such processes.

- **Energy efficiency and conservation of resources**: Consumers are increasingly opting for products from environment- and resource-friendly manufacturing operations. For that reason and also for reasons of cost, our customers require production systems with low material and energy consumption.

- **Driver assistance systems/autonomous driving**: More and more cars have driver assistance systems installed; the automotive industry is also working flat out on concepts for driverless vehicles. We are developing highly sensitive test equipment for testing and calibrating the necessary technology.

R&D RESULTS

Paint and Final Assembly Systems

A joint project with Volkswagen represents a milestone along the journey towards smart paint shops. In the Września commercial vehicle plant we are equipping the paint shop with the **Eco**PRO Smart Diagnostic software. The software predicts when maintenance is needed and diagnoses the causes of malfunctions. It can also analyze **big data** **[P. 204]** and provide business intelligence reports. All this gives the customer important information for optimizing shopfloor and maintenance operations. **Eco**PRO Smart Diagnostic's core functions are condition monitoring and root cause analysis.

In the field of final vehicle assembly, we are working on new concepts for efficiently manufacturing electric cars. The marriage of the power train and body is particularly important. There is major potential for automation during this stage since the power train of electric cars is less complex than in vehicles with internal combustion engines. We are also developing innovative solutions for the layout of final assembly plants. The trend is moving away from rigid assembly lines towards flexible, modular assembly plants in which driverless vehicles transport the bodies from station to station.

Application Technology

Application Technology is also focusing its R&D work on digitization. The new **Eco**Screen Equipment Analytics software captures data from the spray booth in real time. Operators can, for example, contrast current and historical data, compare the performance of their robots and visualize position and movement data. Maintenance work can be better planned and spray processes optimized using the data analyzed by **Eco**Screen Equipment Analytics.

Working in conjunction with various automakers, we have developed a method of overspray-free paint application. In this process, 100 % of the sprayed paint lands on the surface; in other words, no **overspray [P. 204]** is deposited adjacent to the vehicle body. Overspray-free painting delivers sharp edges and is especially suitable for two-color paint finishes and custom vehicle finishes. We have also developed an overspray-free solution for **sealing technology [P. 204]**. The new sharp-edge coating process enables sills on bodies to be coated with the PVC-containing sealant, producing sharp edges without any material wastage.

Clean Technology Systems

In the new **Eco**Pure Digital Lifecycle Assistant, we are providing our customers with a comprehensive information system for exhaust-air purification systems. The software stores information on the condition of components and documents maintenance work and information from live operations. A clearly laid-out dashboard transparently presents all the stored data. The **Eco**Pure Digital Lifecycle Assistant simplifies the planning of maintenance, inspection and repair work – an important prerequisite if downtime is to be reduced and system lifetimes extended.

With reference to energy efficiency technology, we were involved in a research project for decentralized power generation in Indonesia. In our role as the technology partner, we equipped a low-temperature geothermal system in Lahendong with our ORC (Organic Rankine Cycle) technology. The ORC method is a thermal cycle process that uses heat energy to generate electricity. In the pilot project, which is grant-aided by the German Federal Government, our technology generates electricity from geothermal heat with a temperature of 145 °C. In its normal operating mode, the system can supply electricity to 1,200 households.

Measuring and Process Systems

The new CHITU balancing machine is an example of international product development at Measuring and Process Systems. The system for eliminating unbalances in turbochargers was jointly designed by teams in Germany and China. CHITU allows high-precision measurements thanks to the workpiece air bearings. With its attractive price/performance ratio, the Chinese-made machine is particularly aimed at customers from the emerging markets.

The Service+ app is a digital innovation in **balancing technology [P. 204]**. It helps machine operators and maintenance staff reduce system downtime. The mobile app ensures easy contact with Schenck's Service department, shortens response times and purchase times for spare parts, and simplifies component identification and fault analysis.

We have launched the Ergo Smart Level, a smart steering level for **end-of-line [P. 204]** testing of assembled cars. The mobile instrument measures car steering angles and communicates with the control units in the vehicle. Ergo Smart Level is light, operates wirelessly and uses inductive charging technology.

With regard to **filling technology [P. 204]**, we have developed systems for filling electric vehicles. The drive battery has to be cooled when in operation in order to lengthen its service life and extend the vehicle's range. Our filling system with the flexible G³Blue adapter guarantees reliable filling of the complex battery systems with the gaseous refrigerant. This vacuum-pressure filling system is used, for instance, on the assembly line of Deutsche Post's StreetScooter electric van.

Woodworking Machinery and Systems

In tapio, the HOMAG Group has launched the first digital marketplace for the woodworking industry. tapio is an open **IIoT solution [P. 204]** that covers the entire value-added chain for the woodworking sector and increases user productivity. The tapio apps offer many benefits. For instance, the machine status can be inspected in real time from any location. Production data can also be accessed live – meaning that customers can use their smartphone or tablet to track the progress of individual orders during their production. Other apps help optimize shopfloor operations, for example.

The "IntelliGuide" opens up new options for the interaction of humans and machines. The software makes it so easy to operate systems that even non-skilled staff are quickly up to speed. For instance, the stored cutting programs for particleboards respond intelligently to operators, guiding them intuitively through the machining process. Not only is each next step displayed on the operating monitor, it is also projected directly onto the workpiece with the aid of an LED strip. The integrated camera and laser systems act like eyes for the machine, enabling it to respond to the operator.

PROCUREMENT

Our material costs amounted to € 1,418.0 million in 2017. They rose by just 1 % over the previous year and thus much more slowly than sales. The reason for this is that we increased our in-house production in paint systems and thus relied less on externally sourced materials.

Particularly in plant engineering, the purchasing activities related to manufacturing and assembly, complete units and engineering services account for a large proportion of our procurements. In mechanical engineering, we purchase many pre-assembled modules. Other important procurement goods for all divisions are raw materials as well as finished and semi-finished products such as electrical components and drives.

Some bought-in parts and services were subject to higher price demands from suppliers. This was due to increasing personnel costs and commodity prices. At the same time, the volume discounts we received from suppliers for bulk purchases had a dampening effect on our procurement costs. Attractive contract packages and technical product optimizations led to further savings.

We experienced varying levels of supplier availability in 2017. In plant engineering, availability was good in China, the United States and South America, despite seasonal fluctuations. In Europe and Mexico, on the other hand, the situation was slightly more challenging, as many suppliers were overstretched due to the positive development in the mechanical engineering sector. The HOMAG Group (Woodworking Machinery and Systems division) decided to broaden its supplier base, having experienced some supply bottlenecks as a result of its strong business expansion. Throughout the Group, we used different instruments to ensure a good level of supplier availability even during peak periods. These include forecasting models, long-term capacity planning and close monitoring of deadlines and milestones when dealing with suppliers.

Our purchasing activities are vital in ensuring efficient order execution. To lower costs, we use worldwide framework agreements with preferred suppliers and are further increasing the localization level of our purchasing operations in China and other emerging markets. We achieve economies of scale by pooling international purchasing needs. Our global lead buyers, who are responsible for certain commodity groups worldwide and across the divisions, play a crucial role in enhancing localization and pooling. Further cost-saving measures are the increased use of procurement auctions as well as product optimizations aimed at lowering procurement and manufacturing costs. For the latter, we work closely with our product developers and key suppliers.

Digitization is becoming more and more important in optimizing procurement processes. Large projects include electronic supplier integration in the operating business (WEB EDI integration), the automation of order confirmations and the increased use of the intranet for global procurement processes.

There are almost 450 employees working in the Group's purchasing and supply chain departments. The Global Sourcing Board (GSB), made up of the purchasing heads within the divisions, is responsible for coordinating purchasing operations worldwide. At Paint and Final Assembly Systems, Application Technology and Clean Technology Systems, the Global Sourcing Committee (GSC) decides on framework agreements, major contract awards and the international pooling of requirements. The central Coordination International Purchasing (CIP) team supports the global Group companies and is involved in procurement for large system projects in plant engineering.

SUSTAINABILITY[1]

Sustainability has been an important element in our corporate governance at Dürr for years. We are committed to our responsibility – in our use of resources, as part of society and in our relationship with our employees, customers and suppliers. We take part in sustainability initiatives such as the Carbon Disclosure Project, **Eco**Vadis and VigeoEiris. We provide detailed responses to queries about sustainability from customers and non-governmental organizations (NGOs). We strive to adhere to the principles of the United Nations Global Compact in all our actions. The Global Compact contains principles for fair working relationships and responsible business operations. For the first time, this Sustainability chapter contains the non-financial consolidated declaration in accordance with Section 315b (1) of Germany's Commercial Code (HGB). The non-financial consolidated declaration did not form part of the annual audit of the consolidated financial statements by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. At the request of Dürr AG, however, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on the non-financial consolidated declaration.

NON-FINANCIAL CONSOLIDATED DECLARATION

At Board of Management level, the issue of corporate social responsibility is part of the remit of the Chief Financial Officer. Measures and initiatives are generally planned and implemented decentrally, with various Group-wide provisions in place that must be adhered to. A reporting framework such as the standards of the Global Reporting Initiative (GRI) is not currently in use as we are still reviewing the impacts of such a framework.

Business model

Our business model is described under **The Group at a glance** **[P. 21]**.

Identifying the material non-financial issues

We have analyzed which stakeholders we interact with in order to determine the material non-financial aspects at Dürr within the meaning of the CSR Directive Implementation Act. These are:

- Employees
- Customers
- Business partners and suppliers
- Shareholders
- Media
- Governments, authorities and schools
- NGOs

The second step was a workshop at which we summarized the different interests of our stakeholders and evaluated their level of materiality. We then gave the material issues already presented in the 2016 management report a more concrete, structured form in another workshop held in 2017. The non-financial issues classified by us as material were analyzed from two points of view:

- What importance do the issues have for our business operations?

- What impacts do our business operations have on the issues?

As an **engineering** company **[P. 204]** with a low vertical depth of production, we also took the importance of the supply chain into account in our analysis. Overall, we identified the following issues as material within the meaning of the CSR Directive Implementation Act:

- Innovation

- Integrity
  - Compliance/anti-corruption
  - Human rights

- Employees
  - Further training and people development
  - Health and safety at work
  - Employee satisfaction/retention
  - Employee recruitment

[1] Including non-financial consolidated declaration

The issue of the environment is presented after this non-financial consolidated declaration since, in our view, it is not material within the meaning of the above aspects at Dürr and in our supply chain. We also regard the issue of social concerns as non-material for Dürr and therefore address it after the non-financial consolidated declaration.

The risks impacting Dürr and our countermeasures are presented under **Risk report [P. 82]**. In the risk management system, we also examine risks that can impact Dürr resulting from material non-financial issues. We rate the net risk potential associated with these risks as low. In a supplementary analysis, we have, however, determined the importance of business operations, business relationships (supply chain) and products and services for the material sustainability issues. Our conclusion is that we cannot rule out an adverse impact on the material non-financial issues. However, we do not foresee any reportable risks.

Innovation

Our innovation management system is based on market requirements. It safeguards our market-leading role and is an indispensable basis for long-term corporate success.

Responsibility for research and development (R&D) lies with the divisions. Representatives from the sales, engineering and procurement departments are also involved in all R&D projects, in addition to the R&D department. The R&D/Technology multidisciplinary team coordinates proceedings in the case of cross-divisional innovation issues, assists with knowledge transfer between the divisions and develops best practices for R&D activities. The Board of Management of Dürr AG has been advised by the Dürr Technology Council since 2017. This body is made up of experienced senior managers from the IT, automation and automotive fields. It is chaired by Prof. Dr.-Ing. Holger Hanselka, President of the Karlsruhe Institute of Technology (KIT) and a former member of the Supervisory Board of Dürr AG.

We help our customers achieve lower per-unit costs and a smaller environmental footprint in production thanks to new, more efficient solutions. This is reflected in our corporate slogan, “Leading in Production Efficiency”. Our innovation activities are currently focused on digitization; further information on measures and outcomes can be found under **Research and development [P. 34]**.

The aim of our R&D work is to consolidate and extend our innovation and market leadership. We do this by means of innovations that help our customers achieve maximum production efficiency and lower per-unit costs. Indicators for our R&D operations include the R&D ratio and the number of R&D employees. In 2017, the R&D ratio rose from 3.0 % to 3.1 %, while the number of R&D staff had increased to 713 by year’s end 2017 (Dec. 31, 2016: 695).

Integrity

We aim to create trust by means of honesty and integrity and we accept our social responsibility.

Compliance/anti-corruption

At Dürr, we insist on compliance with laws and internal directives. We strictly reject the giving and acceptance of bribes. Dürr’s code of conduct includes relevant fundamental statements. The code is available in ten languages. Protection against corruption is one of the core duties of our compliance organization.

The CEO heads up Corporate Compliance. Our compliance management system is described in a Group-wide organizational instruction. It defines, among other things, areas of responsibility, processes and reporting channels in the event of any suspicions being raised.

The Corporate Compliance Board is tasked with designing and further developing the compliance management system. Its members comprise in particular the Corporate Compliance Officer, the Head of Internal Auditing, the Corporate Risk Manager and the Finance Managers of the divisions. Compliance managers in the Group companies support the employees in meeting compliance requirements.

Questionable conduct can be reported to the Corporate Compliance Officer – anonymously, if so wished. If an investigation supported by Internal Auditing yields concrete grounds for suspicion, the CEO and the Corporate Compliance Board are immediately notified. The Board decides on further steps on a case-by-case basis. We have developed an online compliance training course for all employees that highlights possible violations, describes their consequences for those directly involved and the company, and provides tips on conduct. In 2016 and 2017, some 8,400 employees completed this course, which corresponds to almost 100 % of the active workforce with Internet access in the Dürr and Schenck sub-groups. HOMAG Group employees will be included in the training program for the Dürr compliance system in the future. Employees who face particular exposure because of their job also have to complete an advanced training course on the subject of corruption. We plan to run regular refresher courses. Our internal control system includes further measures to prevent corruption, such as the four-eyes principle when approving payments. We have developed a special code of conduct for suppliers that underlines the particular importance of compliance at Dürr.

One indicator of the effectiveness of our compliance management system is that no significant cases of corruption have been confirmed in recent years. Our aim is to ensure that laws and internal standards are observed without exception and, in particular, that no bribes are given or accepted.

Human rights

Irrespective of the different statutory standards applicable in individual states, our actions – globally and also within our supply chain – are determined by respect for human rights.

Our code of conduct prohibits child and forced labor and any form of discrimination, and this applies equally to our suppliers. To date, Dürr does not have a Group-wide organization in place to monitor the observance of human rights.

If there is any suspicion of an infringement of human rights, it, too, is investigated using the above-outlined compliance process. As an **engineering** group **[P. 204]**, we buy in goods and services on a large scale. The code of conduct for suppliers therefore explicitly requires human rights to be observed at our suppliers and sub-contractors. Beyond that, no concept is yet in place to identify and prevent human rights violations; in particular, we have not yet introduced any system for training, advising or investigating suppliers.

It is, of course, our aim that no human rights violations should occur at Dürr or our suppliers.

Employees

Motivated and high-performing employees are an important asset to our company. We want to be an attractive employer, treat our employees fairly and respect their rights. For us, the key areas within the meaning of the CSR Directive Implementation Act are further training and people development, health and safety at work as well as the satisfaction, retention and recruitment of employees.

The Corporate Human Resources department reports to the CEO and Employee Affairs Director and coordinates all HR issues within the Group. The HR departments of the business locations are responsible for supporting the employees.

Dürr's code of conduct contains guidelines on how to be respectful of our employees. Group-wide guidelines govern issues relating to compensation and bonuses, for example. As a matter of course, our conduct must comply with current legislation and collective agreements.

Further training and people development

To secure our company's success, we focus on life-long learning and put junior professionals on course for leadership tasks.

The Corporate People Development department is in charge of Group-wide people development. Structures and processes for people development are set out in an organizational guideline.

The "People Development" process serves to identify talented junior professionals and prepare them for managerial tasks. People Development is software-based, but also includes regular communication between people development staff and managers on the advancement of employees with high potential.

A comprehensive range of further training supports our employees worldwide in continually updating their knowledge to meet new requirements. MyTraining, the Group-wide online training platform, enables users to efficiently select, book and evaluate courses, and it additionally displays their individual training history.

One focus of our training measures is digitization, which is why our training program now covers additional topics such as software, sensor technology and data analysis. We ensure a highly practice-oriented approach by putting our own employees in charge of around one third of all training.

Training attendances around the world rose from roughly 10,000 to about 12,300 in 2017. This is equivalent to 0.8 training sessions per employee (2016: 0.7). For online training on data security and compliance, we recorded additional attendances of around 15,700. Our goal is to prepare our employees for new challenges in the best possible way, and to ensure the availability of well-qualified managerial staff.

Safety at work and health

Ensuring the physical integrity of staff is the most obvious aspect when it comes to employee health, because many of our employees often travel or work at customers' sites. In addition, we promote our employees' physical and mental health.

The CEO heads up our Group-wide health and safety organization. Our directive on health and safety at work defines standards and processes for preventing accidents. Our code of conduct also contains basic health and safety information.

The health and safety representatives at our business locations provide employees with information and training on health-related issues. Participation in these events is compulsory. In addition, we make employees aware of health and safety risks through internal communication channels. Accidents and near-accidents are reported and closely investigated, enabling us to put in place improved safety precautions. Regular internal audits help us implement health and safety guidelines and measures at our business locations. A professional emergency management plan applies worldwide to ensure that business travelers receive immediate professional assistance in case of emergency.

In 2017, we recorded 12.9 reportable accidents per 1,000 employees in Germany. From 2018 onward, we will instead report the Group-wide figure. Our goal must be to prevent accidents and thus reduce their number.

At our German business locations, we offer a host of measures for promoting health and preventing any incapacity. These include health days, presentations, free additional medical check-ups and company sports programs. Our sick leave rate in 2017 was 2.9 %. Even though it is not entirely in our hands, we aim to achieve a sick leave rate for 2018 that is below the average of the last two years.

Employee satisfaction/retention

We encourage open dialog with our employees and ensure that they remain committed to Dürr in the long term. Their satisfaction and approach play a key role in our company's long-term success and have a particular impact on customer satisfaction and our image as an employer. We aim to retain employees for a long time.

The Corporate Human Resources department is responsible for systematically recording the levels of employee satisfaction. The management, HR department, employees and employee representatives at the business locations are in constant dialog.

We conduct regular employee surveys to gauge opinions and attitudes – both for the Group and for individual sites and areas. The results are used to develop targeted measures for improvement. In our worldwide employee surveys, we place particular emphasis on participation and the result for the "Commitment" category. The participation rate for our 2016 survey was 77 %. In the "Commitment" category, we achieved a high level of 83 %, which was based on ratings for the following statements:

- My commitment goes beyond my assigned tasks.
- I enjoy my work.
- I am well prepared to cope with my workload.
- I am proud of my employer.
- I would recommend the company as an employer.

We identified room for improvement regarding feedback culture and personal training opportunities; here we have already implemented measures for improvement.

In future employee surveys we aim to further increase the participation rate and our result in the "Commitment" category. The benchmark for this will be the average rates from the two previous surveys.

Employee recruitment

In competing for the best talent, we must win over potential candidates. We need more well-qualified and motivated employees to continue to grow and successfully master the digital transformation.

Personnel and university marketing are the remit of Corporate People Development, which in turn reports to the Corporate Human Resources department. Our employer branding forms the basis of our recruitment. As part of a comprehensive strategic reorientation, we have defined common core values for Dürr, Schenck and the HOMAG Group, which are conveyed through both language and image. We stand for the fascinating world of technology, innovation, passion and international reach. On this basis, we have developed our employer branding campaign entitled "Pure Passioneering", covering a host of measures. For example, we approach young, digitally-minded people directly through social media and networks. Our aim is to present ourselves as an attractive and credible company and to further raise our profile in the labor market.

Aside from incentives linked to compensation and career prospects, we advocate work/life balance and offer sports and cultural activities as well as childcare, particularly at our main business locations. Further reasons for choosing Dürr as an employer are our corporate success, independent work practices and technologically attractive fields of work such as robotics, digitization and automation.

Independent awards shape the image of an employer. The good scores we received from Kununu, FOCUS Best Employers and other rankings underline our appeal in the job market.

University and recruitment fairs are important platforms for establishing contact with graduates and professionals. Interns, student employees and students completing their theses also have the opportunity to get to know Dürr.

Our goal is to fill all vacancies quickly and appropriately; we recruited around 1,500 new employees in 2017 alone (2016: around 1,200).

ADDITIONAL INFORMATION

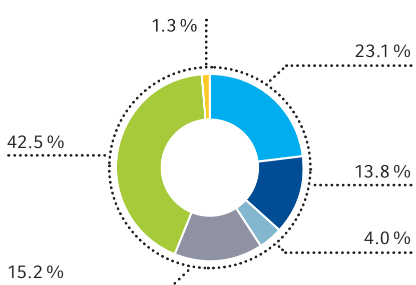
(does not form part of the non-financial consolidated declaration)

Employees

In 2017 the Group's workforce declined by 1.7 %, to 14,974. This was due to the sale of the Dürr Ecoclean Group with 839 employees. While this sale led to a 24 % decrease in the workforce at Measuring and Process Systems, the other four divisions saw a moderate increase in the number of employees. Adjusted for the Ecoclean effect, the Group's workforce recorded a 4 % increase as at December 31, 2017. Depending on the workload, we also take on external staff to complement our regular workforce.

Just over half of our workforce (52 %) is based in Germany. In second place is China with approx. 2,000 permanent employees plus around 300 external staff. In the emerging markets, we increased our workforce in 2017 by 4 % to 4,779 people, equivalent to 32 % of the Group's workforce.

2.9 – EMPLOYEES BY DIVISION (DECEMBER 31)



	2017	2016	2015
Paint and Final Assembly Systems	3,457	3,384	3,374
Application Technology	2,063	1,956	1,858
Clean Technology Systems	603	569	499
Measuring and Process Systems	2,279	3,010	2,992
Woodworking Machinery and Systems	6,371	6,126	5,906
Corporate Center	201	190	221
Total	**14,974**	**15,235**	**14,850**

Our workforce

The average age of our workforce is 42. Employees aged between 45 and 54 make up the largest age group in Germany, accounting for 32 % of the workforce. In all other regions, this group consists of people aged 25 to 34 – particularly in China, with 53 % of employees falling into this age group. The proportion of female employees is 16 % overall, the highest being in China (21 %), while the women's quota in Germany is 15 %. At 44 %, we have a high proportion of academics; 52 % of our employees have undergone non-academic vocational training. The Group employs around 700 project managers and 1,800 **engineering** staff **[P. 204]**; these high numbers reflect the important role of project business at Dürr. 34 % of employees work in assembly and manufacturing, making this the largest function group. However, compared to industrial companies with a higher level of production, this percentage is relatively low. Further personnel key figures can be found in table 2.11.

We are committed to increasing the women's quota at Dürr. In addition, we organize partnerships with schools, Girls' Days, events on International Women's Day, and the she@Dürr women's network.

As a global company, we encourage mutual respect and promote worldwide cooperation, regardless of background, gender, religion, culture and age. Supporting diversity is one of our guiding corporate values.

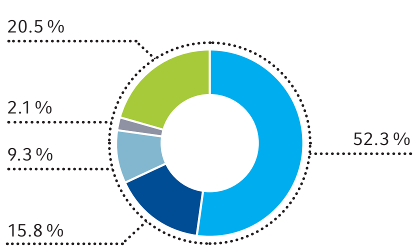
Further training and people development

As part of the further training concept outlined above, we increased the number of training events from 1,881 to 2,020 in Germany alone. Technical courses in IT, technology, management systems/standards and commercial know-how made up almost 50 % of all training. 19 % of training was dedicated to service and customer focus, and another 18 % to leadership skills.

To promote cross-border dialog, we place great emphasis on our internationally staffed corporate training events. In 2017, these were attended by 856 employees (2016: 535), focusing on leadership, project management and sales as well as technical and commercial skills. At the HOMAG Group, 424 sales employees attended the international "Pro Sales" training.

Managers complete compulsory training programs based on the values of Dürr's Leadership Skills Model. In the year under review, the "Advanced Leadership Program" for experienced managers was attended by 45 participants, while 298 younger managers joined the "Fit for Leadership" program. The specialist "Leadership Project Management Training" was attended by 220 project managers.

2.10 – EMPLOYEES BY REGION (DECEMBER 31)



	2017	2016	2015
Germany	7,830	8,205	8,026
Other European countries	2,361	2,306	2,165
North/Central America	1,394	1,329	1,256
South America	313	323	382
Asia, Africa, Australia	3,076	3,072	3,021
Total	**14,974**	**15,235**	**14,850**

2.11 – PERSONNEL KEY FIGURES

	2017	2016	2015
Number of employees (Dec. 31)	14,974	15,235	14,850
of whom apprentices and students at cooperative state universities (Dec. 31)	420	464	481
Proportion of female employees (Dec. 31) (%)	16	16	16
Part-time employees (Dec. 31)	499	514	464
Average length of service (years)	11	11	11
Absenteeism rate (%)	2.9	3.2	3.1
Employee turnover (%)	7.7	7.3	7.2
Number of reportable accidents per thousand employees (Germany, excluding commuting accidents)	12.9[1]	13.5	15.6

[1] Incidents involving external employees not included since 2017.

Employee recruitment

The "Dürr Challenge", which was held for the fifth time, raises our profile at universities and on the Internet. As part of this annual film competition, we send three teams of students to different cities so they can capture their impressions on camera.

Our quality as an employer is underlined by independent awards:

- **Kununu Top & Open Company**: We have achieved an average score of 3.9 (out of 5) on the Kununu evaluation platform, thus outperforming our industry peers (average 3.2).
- **FOCUS Best Employers**: In the employer ranking published by German magazine FOCUS, we are 17th of a total of 79 mechanical and plant engineering firms rated in Germany.
- **Fair Company**: We involve interns in high-quality projects and pay them appropriately. Graduates are not employed as interns, but offered salaried positions.
- **Success Factor Family**: We are committed to a family-friendly personnel policy.
- **Outstanding Trainee Program**: This quality seal confirms that our Dürr Graduate Program is fair and provides career opportunities.

In 2017 we visited 42 university and recruitment fairs to establish contact with graduates and professionals. In addition, we welcomed student visitor groups at our sites, while enabling 189 interns and 97 student employees to gain practical experience. 56 students and aspiring engineers completed their theses at Dürr.

Vocational training

Offering vocational training to young people is a way for us to secure reliable junior talent and is part of our social responsibility. In 2017, the Dürr Group prepared a total of 420 apprentices as well as cooperative state university and "Studium Plus" students for professional life. A good 70 % of them were employed by the HOMAG Group. We offer vocational training in 12 commercial and industrial/technical fields. Students wishing to begin their cooperative studies at Dürr can choose from 11 subjects, including electrical engineering, automation technology, mechanical engineering and various IT courses. High-achieving university graduates can embark on a specialist or management career with a future through the Dürr Graduate Program. At the end of 2017, eight trainees were participating in this program.

Environment

We take our environmental responsibility very seriously. Nonetheless, it is not a material aspect within the meaning of the non-financial consolidated declaration since our actions have only a comparatively minor impact on the environment. This is because, as an **engineering** company **[P. 204]**, we have a low vertical depth of production, with correspondingly low consumption of energy and resources and generation of waste.

Our products

Our product portfolio makes an important contribution to environmental protection. As a leading supplier of solutions for efficient production processes, we work on constantly reducing the consumption of resources by, and emissions from, our machines and plant. Further information on this can be found under **Research and development** **[P. 34]**.

Our environmental footprint

We firmly believe that sustainable business operations contribute to long-term corporate success. Compliance with environmental protection legislation is a matter of course and is enshrined in the Dürr code of conduct. The main responsibility for environmental aspects lies with the relevant site manager. Most of our production companies use the environmental management system to ISO 14001. Ten sites have a certified energy management system to ISO 50001. A number of sites carry out energy and quality audits. Our website gives an overview of certifications held under Company/Sustainability/Certificates. Our business operations (including the sourcing of goods and services) do not, in our estimation, result in any material adverse environmental impacts.

We strive to reduce the consumption of energy, materials and resources at our sites and take care to use energy-saving technology when upgrading existing buildings or constructing new ones. For example, we replace old lighting systems with new LED systems, install modern air-conditioning systems or upgrade our machinery.

2.12 – ENVIRONMENTAL KEY FIGURES (ABSOLUTE)

	2017[1]	2016	2015
Number of sites	91	92	92
of which quality management certified to ISO 9001[2]	41	47	51
of which environmental management certified to ISO 14001[2]	14	19	21
of which energy management certified to ISO 50001[2]	10	10	–
Consumption			
Electricity (MWh)	57,080	61,249	60,640
Gas/oil/district heat (MWh)	67,736	69,721	67,717
Water (m^3)	208,362	183,823	191,918
Waste water output (m^3)	192,099	168,368	175,489
Waste (t)	10,508	11,189	12,123
of which recycled (t)	8,664	8,962	9,737
Emissions			
CO_2 (t)	61,416	62,909	62,097
of which attributable to Dürr vehicle fleet (t)	11,010	9,474	9,481
SO_2 (t)	30	32	32
NO_x (t)	46	49	48

[1] The Dürr Ecoclean Group, which was sold with effect from March 31, 2017, is no longer included in the environmental figures for 2017.
[2] Sites used by several Dürr companies sometimes hold multiple certificates.

2.13 – ENVIRONMENTAL KEY FIGURES (INDEXED)

	2017	2016	2015
Consumption			
Electricity	68.9	76.9	72.2
Gas/oil/district heat	55.2	59.0	54.4
Water	92.0	84.4	83.6
Waste water output	95.6	87.1	86.2
Waste	123.3	136.5	140.3
Waste recycled	133.2	143.3	147.7
Emissions			
CO_2	69.3	73.8	69.1
CO_2 attributable to Dürr fleet	109.3	97.8	92.8
SO_2	68.1	75.9	71.3
NO_x	65.1	71.7	67.0

(2010 = 100; in relation to sales)

Social commitment

We are committed to a varied range of social issues. For example, we maintain collaborative technical partnerships with schools and fund scholarships, including for young people with a migration background. We also support refugee initiatives, such as "PerjuF – Perspektive für junge Flüchtlinge", which seeks to improve prospects for young refugees. At December 31, 2017, Dürr had 5 salaried employees and 14 interns and temporary staff with a migration background in Germany.

The main focuses of our humanitarian/charitable commitment are donations in the fields of education and grassroots, youth and disability sport. We also provide financial support to local communities where our sites are based. One example is our sponsorship of a music festival in Bietigheim-Bissingen. The HOMAG Group sells off furniture that is produced for demonstration purposes at trade shows and donates the proceeds to charity. The last such donation went to the organization Future Chances – For Kids and Poor in Tanzania (p(e)d-world e.V.). This organization supports a school in Tanzania which guarantees that poor children, too, will receive a good education.

A donation directive regulates financial support by Dürr. In 2017, donations totaled € 0.8 million (2016: € 0.8 million).

CORPORATE GOVERNANCE

The German Corporate Governance Code contains rules and recommendations for the reliable management and supervision of listed companies.

In 2017 the Code Commission made several amendments to this set of rules. It now includes a recommendation to disclose the main features of the compliance management system (Item 4.1.3). Furthermore, the Supervisory Board must prepare a profile of skills for its members, provide information on the status of its implementation and publish the curricula vitae of its members and new candidates (Item 5.4.1). In addition, it must disclose the names of its independent members, provide information about what it considers to be an appropriate number of independent members (Item 5.4.1) and determine this number by taking into account the shareholder structure (Item 5.4.2). Further amendments to the Code relate to, for example, the assessment basis for the Board of Management's variable compensation (Item 4.2.3), the appointment of and cooperation with the auditor (Item 5.3.2), the appointment of the Audit Committee Chair (Item 5.3.2) and the publication of interim information (Item 7.1.1).

We have taken into account all new recommendations of the Code. Since December 13, 2017, we have also been following the recommendations of Item 5.4.1 Paragraphs 2 and 4 (objectives for the composition of the Supervisory Board, age limit for members of the Supervisory Board, and limit on the Supervisory Board members' term of office). In addition, we have introduced a deductible for D&O insurance (Item 3.8 Paragraphs 2 and 3), effective January 1, 2018. We thus observe all current recommendations of the Code without exception.

The following excerpt from our declaration of compliance is dated December 13, 2017, and therefore still contains the deviation from the Code regarding the D&O insurance policy. The declaration refers to the old version of the Code for the period between December 14, 2016, and February 6, 2017, and to the new version from February 7, 2017, onwards. The full text is available on our website under Investors/Corporate Governance.

EXCERPT FROM THE DECLARATION OF COMPLIANCE DATED DECEMBER 13, 2017

Deductible for D&O insurance (Item 3.8 paragraph 3)

Until December 31, 2017 D&O insurance without deductible will remain in effect for supervisory board members as part of a group insurance policy. Therefore the company does not comply with the recommendation per Item 3.8 paragraph 3 in conjunction with subsection 2 of the Code, and will not be compliant by the end of 2017. No deductible has been in place for the members of the supervisory board because Dürr AG did not consider that the existing high level of their commitment and responsibility could be further increased by introducing one.

In its meeting on December 13, 2017 the supervisory board resolved from January 1, 2018 to introduce a deductible and in so doing, to comply with the recommendation of the German Corporate Governance Code from this time onward.

Targets for the composition of the Supervisory Board, age limit for members and limitation of membership periods (Item 5.4.1 paragraphs 2 and 4)

Up until December 13, 2017 the company did not comply with the recommendations per Item 5.4.1 Paragraphs 2 and 4 of the Code. Previously, the Supervisory Board considered that the specification, publication and regular update of specific targets for its composition would require considerable effort which, in light of its size and workload, did not seem justified. Moreover, it considered that the determination of rigid targets could make it impossible to acquire outstanding personalities, who do not fit into the required mold, for work on the supervisory board. A fixed age limit and limitation of tenure periods have been viewed critically to date because the performance level of supervisory board members should not depend on reaching an inflexible age limit.

Before passing resolutions regarding its recommendations to the shareholders meeting on the election of members, the Supervisory Board therefore dealt with the desired composition of the board. In so doing, the Supervisory Board may have taken into account other criteria than those specified in Item 5.4.1 paragraph 2 of the Code.

In the meeting held December 13, 2017, the Supervisory Board took the opportunity presented by the recommendation recently adopted into the Code of creating a competency profile, to comply fully from this date onward with the recommendations per Item 5.4.1.

OTHER INFORMATION ON CORPORATE GOVERNANCE[1]

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As the executive body, the Board of Management conducts the company's business, defines the strategy and implements it in consultation with the Supervisory Board. It must always act in the company's best interest and in compliance with its business policies. The Board of Management reports to the Supervisory Board on a regular and comprehensive basis about business performance, strategy and risks. The rules of procedure issued by the Supervisory Board stipulate the responsibilities among individual members of the Board of Management, the manner in which resolutions are passed, and other aspects.

The Supervisory Board advises and supervises the Board of Management. In accordance with the German Co-determination Act, it consists of 12 members with an equal number of shareholder and employee representatives. The six shareholder representatives are elected at the annual general meeting, and the six employee representatives are elected by the employees of Dürr's German business locations. The chairman has the casting vote in the event of a tie. The Supervisory Board can take particularly urgent resolutions by written circulation. In 2017, it opted for this method when setting up the ADAMOS **IIoT** platform **[P. 204]**.

Elections are held every five years to appoint new members to the Supervisory Board; the last regular elections took place in 2016. If a member of the Supervisory Board resigns before the end of his/her term of office, a successor will be appointed by court if no elected substitute member is available. Supervisory Board members appointed by court must stand for election at the next annual general meeting (shareholder representatives) or at the next election date (employee representatives). The Supervisory Board currently has seven independent members and considers this to be an appropriate number.

The Supervisory Board of Dürr AG has created four committees from its midst, which discuss special topics and prepare resolutions. After every meeting, the chairmen of the committees inform the full Supervisory Board of the results.

- The Personnel Committee, which also acts as the Executive Committee, is primarily responsible for the appointment of members of the Board of Management and their compensation, and conducts the groundwork for the corresponding resolutions by the full Supervisory Board.
- The Audit Committee deals with financial reporting, risk management, internal control system and internal auditing. It also oversees the compliance management system, reviews the annual financial statements of the Dürr Group and Dürr AG, and conducts the groundwork for the corresponding resolutions by the full Supervisory Board.
- The Mediation Committee convenes if there are differences of opinion within the Supervisory Board regarding the appointment or dismissal of members of the Board of Management. At Dürr, this committee has never had to convene.
- The Nominating Committee proposes to the Supervisory Board candidates who are professionally and personally suitable for election as shareholder representatives at the annual general meeting. It takes account of the provisions of the Act on Equal Participation of Women and Men in Executive Positions, of the skills profile and of the objectives for the composition of the Supervisory Board.

[1] The full declaration on corporate governance is available on our website under Investors/Corporate Governance.

Except for the three-strong Nominating Committee, which by its nature only has shareholder representatives, all the committees consist of four members with an equal number of shareholder and employee representatives.

SKILLS PROFILE FOR THE SUPERVISORY BOARD

The Supervisory Board has approved a skills profile and objectives for its composition. This is to ensure that its members collectively fulfill the requirements for the proper performance of the Supervisory Board's work. Among the skills needed are knowledge of the mechanical and plant engineering industry and our markets as well as knowledge in the fields of management, leadership, accounting, controlling, risk management, compliance and governance. It is not necessary for every member to have the same level of knowledge in all fields; rather, the different skills should complement each other. At least one member must have expertise in financial accounting or auditing. The chairman of the Audit Committee must have specific knowledge in applying accounting principles and internal control procedures. Every Supervisory Board member must be familiar with the relevant legal standards, devote a sufficient amount of time and continue to expand their knowledge. In terms of diversity, members are expected to have diverse professional and international experience; there must be a minimum quota of 30 % of both men and women on the Supervisory Board, according to Section 96 (2) of the German Stock Corporation Act (AktG). Further key points are an appropriate number of independent members, the avoidance of any conflicts of interest and, generally, an age limit of 70 when being elected and a maximum term of office of 15 years. The Supervisory Board, in its current composition, fulfills the requirements of the skills profile. The first skills profile review will take place in December 2018.

ANNUAL GENERAL MEETING

At the annual general meeting, a general debate is held between shareholders, Board of Management and Supervisory Board. It also enables shareholders to exercise their voting rights. All motions on which resolutions are to be passed are outlined in the agenda, which is sent out by the company in time for the annual general meeting. The Chairman of the Supervisory Board presides over the annual general meeting and reports on the activities of the Supervisory Board and its committees in the previous fiscal year.

TRANSPARENCY

Our Corporate Communications department provides comprehensive and up-to-date information. Detailed information and explanations relating to our business performance can be found in the annual report as well as in interim reports, financial reports, press releases and ad-hoc announcements. All publications are available on our website. We hold press and telephone conferences in connection with important events.

FINANCIAL ACCOUNTING AND INDEPENDENT AUDIT

For several years now, our IFRS consolidated financial statements have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The company was appointed to audit the annual financial statements for 2017 at the annual general meeting on the basis of a proposal put forward by the Supervisory Board. It audits the consolidated financial statements and the individual financial statement of Dürr AG prepared by the Board of Management before these are reviewed and approved by the Supervisory Board and then published at the latest 90 days after the balance sheet date. In accordance with Item 7.2.3 of the German Corporate Governance Code, the auditor will inform the Chairman of the Supervisory Board immediately of all matters relevant for the work of the Supervisory Board that come to its attention in the course of the audit. The auditor will also inform the Supervisory Board of any deviations from the declaration of compliance according to Section 161 of the German Stock Corporation Act. Prior to receiving the letter of engagement, the auditor gives a pledge of its independence to the Supervisory Board.

PERFORMANCE INDICATORS, CONTROL SYSTEM, INSIDER REGISTER

The key indicators for corporate management are incoming orders, sales, EBIT, EBIT margin and ROCE. Information on our 2017 figures and on the methods of calculation can be found in the **Financial development** **[P. 73]** chapter.

Our risk management system covers 15 specific risk fields and records the risk situation of the Group. The risk management system also includes the internal control system for the accounting process. More detailed information on this topic can be found in the **Risk report** **[P. 82]**.

2.14 – RESPONSIBILITIES WITHIN THE BOARD OF MANAGEMENT

	Ralf W. Dieter (CEO)	Carlo Crosetto (joined March 1, 2017) (CFO)	Dr. Jochen Weyrauch (joined January 1, 2017)	Ralph Heuwing (until May 14, 2017) (CFO)
• Divisional/ operative responsibilities	• Paint and Final Assembly Systems[1] • Application Technology • Woodworking Machinery and Systems		• Paint and Final Assembly Systems[2] • Clean Technology Systems • Measuring and Process Systems	
• Corporate functions	• Corporate Communications • Human Resources (Employee Affairs Director) • Research & Development • Quality Management • Internal Auditing • Corporate Compliance	• Finance/Controlling[3] • Investor Relations[3] • Risk Management[3] • Legal Affairs/Patents/ Insurance[3] • Global Sourcing[3] • Corporate Social Responsibility[3]	• Corporate Development • Information Technology	• Finance/Controlling[4] • Investor Relations[4] • Risk Management[4] • Legal Affairs/Patents/ Insurance[4] • Global Sourcing[4] • Corporate Social Responsibility[4]

[1] until December 31, 2017
[2] since January 1, 2018
[3] since March 1, 2017
[4] until February 28, 2017

We keep project-related insider lists according to Article 18 of the Market Abuse Regulation (MAR). All insiders will be informed about the associated legal obligations and sanctions.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD PROCEDURES AT DÜRR

The Board of Management of Dürr AG consists of three members:

- Ralf W. Dieter, who has been Chairman of the Board of Management since January 1, 2006, is responsible for the Application Technology division, the Woodworking Machinery and Systems division and several corporate functions. He is in charge of sales and represents Dürr when dealing with customers' decision-makers.
- Carlo Crosetto joined the Board of Management on March 1, 2017, taking over as CFO from Ralph Heuwing, who left Dürr AG on May 14, 2017.
- Dr. Jochen Weyrauch became a member of the Board of Management on January 1, 2017, and has since been responsible for the divisions Paint and Final Assembly Systems, Measuring and Process Systems and Clean Technology Systems, as well as for the Corporate Development and Information Technology functions.

Table 2.14 provides an overview of the responsibilities within Dürr AG's Board of Management.

The second management level within the Group consists of the division heads. They have global responsibility for their business and work in close cooperation with the Board of Management. The corporate departments of Dürr AG support the Board of Management.

At Group level, Dürr has two management teams. The 18-strong top management team (Dürr Management Board) consists of the Board of Management, the heads and financial officers of the divisions as well as other managers. The broader Senior Management Group is composed of around 80 chief executive officers and managers from the Group. An overview of the members of the Supervisory Board and the Board of Management as well as their mandates can be found in **item 40** **[P. 178]** in the notes to the consolidated financial statements.

CONTROL

In accordance with Article 6 of Dürr AG's articles of incorporation, the Supervisory Board determines the number of members of the Board of Management and their appointment. The rules of procedure, which the Supervisory Board has issued for the Board of Management, contain a list of transactions requiring approval and determine the allocation of responsibilities.

At Supervisory Board meetings, the Board of Management comments on the agenda items and answers any questions. The written motions for the Supervisory Board, along with a detailed dossier, are sent to the members at least one week prior to the meeting. On the day of the meeting, preliminary talks are usually held separately between the shareholder representatives and between the employee representatives. The Board of Management is available to provide any explanations that might be needed. The Chairman of the Supervisory Board has regular discussions with the Board of Management also outside the meetings.

SHAREHOLDINGS AND MANAGERS' TRANSACTIONS

We publish managers' transactions, i.e. securities transactions that have to be reported pursuant to Article 19 of the MAR, as soon as the company is notified. An overview is available on our website under Investors/Corporate Governance.

As at December 31, 2017, the members of the Supervisory Board held 0.1 % of the shares of Dürr AG, while the Board of Management held a total of 0.2 % of the shares.

ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN EXECUTIVE POSITIONS

We have fulfilled the provisions of the Act on Equal Participation of Women and Men in Executive Positions as follows:

- Since the 2016 elections, the Supervisory Board of Dürr AG has had four female members. This corresponds to a women's quota of 33 %, which fulfills the 30 % minimum quota required by law.

- The percentage of women on Dürr AG's Board of Management is 0 %; an increase is not planned before June 30, 2022.

- At the most senior management level of Dürr AG, the women's quota is 0 %; at the second most senior management level it was 33 % as at June 30, 2017. The targets have been set at 0 % for the first management level and at 20 % for the second level. The date by which both targets must be achieved is June 30, 2022.

DIVERSITY

Diversity is one of the five basic values of our Leadership Skills Model. No form of discrimination on grounds of gender, age, religion, disease, background, skin color, sexual orientation or for any other reason is tolerated at Dürr. We ensure diversity and equal opportunities when hiring staff. We aim to give adequate consideration to women. Flexible working time models, meeting individual needs, promote equal opportunities. In view of the international nature of our business, intercultural diversity and tolerance are important values at Dürr. Measures relating to health and safety at work, human rights and inclusion are described in Dürr's code of conduct. Presentations and workshops on socio-political topics are held to enable our employees to engage with different positions.

When appointing members to the Board of Management, the Supervisory Board pays particular attention to professional and social skills as well as to long-term experience in similar positions, in our industry and in an international environment. Added to that are character aptitude and appropriate educational background (university degree or equivalent qualification). Preference is given to neither male nor female candidates. To ensure a balanced age structure, the age limit for members of the Board of Management is, generally, 63.

DISCLOSURES PURSUANT TO SECTIONS 289A (1) AND 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB)

- **Structure of subscribed capital**
  Dürr AG's subscribed capital is divided into 34,601,040 bearer common shares with full voting rights. The rights and obligations associated with the shares are regulated in the German Stock Corporation Act.

- **Restrictions on voting rights/transfer of shares and related agreements**
  The Board of Management is not aware of any agreements by shareholders of Dürr AG which contain restrictions relating to voting rights or the transfer of shares. Legal voting right limitations exist, for example, pursuant to Section 28 S. 1 (breach of disclosure obligations) of the German Securities Trading Act as well as Section 71b (rights arising from own shares) and Section 136 (1) (voting right exclusion in the case of certain conflicts of interest) of the German Stock Corporation Act.

- **Shareholdings that exceed 10 %**
  Heinz Dürr GmbH holds 25.3 % of Dürr AG's capital stock. Taking into account the shares held by Heinz und Heide Dürr Stiftung (3.5 %), the Dürr family controls 28.8 % of the shares (as at December 31, 2017).

- **Shares conferring special rights**
  There are no shares in Dürr AG that confer special rights.

- **Voting right control of any employee stock ownership plan where the control rights are not directly exercised**
  There are no employee stock ownership plans where the control rights are not exercised directly by the employees.

- **Rules governing the appointment and replacement of members of the Board of Management**
  The applicable statutory rules are set out in Sections 84 and 85 of the German Stock Corporation Act and in Section 31 of the German Co-determination Act. Dürr AG's articles of incorporation do not contain any provisions that diverge from the statutory rules. Article 6 (1) of the articles of incorporation state additionally that the Board of Management consists of at least two members and that the appointment of deputy members of the Board of Management is admissible. Article 6 (2) states that the Supervisory Board may appoint one member of the Board of Management to be the chair of the Board of Management and another member of the Board of Management to be the deputy chair.

- **Rules governing amendment of the articles of incorporation**
  Any changes in the articles of incorporation are made by resolution at the annual general meeting. Unless otherwise mandatorily specified in the German Stock Corporation Act, the resolution is passed in accordance with Article 20 (1) of the articles of incorporation by a simple majority of the votes cast and – where a majority of the capital stock represented in the voting is required – by a simple majority of the capital stock represented in the voting. In accordance with Article 14 (4) of the articles of incorporation, the Supervisory Board is given the power to enact changes in the articles of incorporation which relate only to the wording. Pursuant to Article 4 (4) and Article 5 of the articles of incorporation, the Supervisory Board is authorized upon utilization of the conditional or authorized capital to amend the wording of the articles of incorporation to reflect the extent of the utilization.

- **Powers of the Board of Management to issue or buy back shares**
  Information on this point may be found in **item 25 [P. 146]** in the notes to the consolidated financial statements.

- **Agreements in the event of a change of control following a takeover bid**
  Bond: Section 7 of the terms of our corporate bond provides that the bondholders have the right to demand early redemption of their bonds by Dürr AG in the case of a redemption event. The redemption amount in that case will be 100 % of the face value plus accrued and unpaid interest up to the redemption date. A redemption event occurs if a change of control and a rating event take place cumulatively. A change of control means in this regard (a) that a person or group of persons acting in concert has become the legal or economic owner of more than 50 % of the common shares of Dürr AG, or (b) that we intend to sell or otherwise dispose of all or almost all of the assets of Dürr AG to third parties (with the exception of a subsidiary of Dürr AG). The following cases constitute a rating event: The bonds have no rating, and no rating agency awards an investment grade rating for the bonds within 90 days of the occurrence of the change of control. The bonds have a rating at the time of the change of control, and at the end of a 90-day period after the change of control this rating does not represent an investment grade rating or has been withdrawn. Such covenants are customary practice and are included in comparable form in the terms of the bonds of other issuers. They serve to protect the interests of the bondholders.

  Syndicated loan: The terms of our syndicated loan agreement stipulate that, in the event of a change of control, no additional cash drawings or applications for guarantees may be made. In addition, any lender can cancel the credit commitments it has made, which could result in the syndicated loan having to be repaid in part or even in full. The agent representing the interests of the banking syndicate must be informed about a change of control immediately after it becomes known. A change of control occurs if in total, directly or indirectly, more than 50 % of the common shares or voting rights of Dürr AG are held or controlled by one or more persons who have come to an accord on the exercising of voting rights or who collaborate in some other manner with the aim of achieving a lasting and substantial change in the business focus of Dürr AG.

- **Agreements providing for compensation in the event of takeover bids**
  Where an arrangement has been agreed with the members of Dürr AG's Board of Management in the event of a takeover, this arrangement contains an option for a defined period for the Board of Management member, if a change of control should occur, to terminate the contract her/himself with capitalization of all the contractual remuneration components as a severance package, though as a maximum only up to the level of the balance of the emoluments for the remaining term of the Board member's contract of employment. Variable remuneration elements, which are included pro rata in the calculation, are only paid out when the contract of employment is legally terminated.

COMPENSATION REPORT

In addition to the details below, the information contained in **item 40 [P. 178]** in the notes to the consolidated financial statements is an integral part of this compensation report.

SIDELINE ACTIVITIES

The members of the Board of Management do not carry out any sideline activities other than those listed in **item 40 [P. 178]** in the notes to the consolidated financial statements. No loan agreements, guarantees or other liabilities exist between the members of the Board of Management and Dürr AG or its subsidiaries.

REGULAR REVIEW

The Supervisory Board Personnel Committee reviews the compensation system for the Board of Management at regular intervals and draws up proposals for its further development where necessary. The Supervisory Board examines these recommendations carefully and passes its resolutions on that basis. The appropriateness of the Board of Management's compensation is assessed using several criteria. These include the tasks of the Board of Management as a whole and of its respective members, the members' personal performance, the economic situation as well as the company's long-term success and outlook. In addition, the Supervisory Board follows the development of the Board of Management's compensation in comparison with other companies as well as with the top management team and the workforce at Dürr.

The current compensation system has been in place since 2010. All contracts of the Management Board members include short-term and long-term incentives (variable compensation calculated over a period of one and several years, respectively), payment caps and a deductible that applies in connection with D&O (directors' and officers') liability insurance policies in case of liabilities.

COMPONENTS OF THE COMPENSATION SYSTEM

The compensation for the Board of Management consists of non-performance-related and performance-related (variable) components. The non-performance-related component is made up of the basic compensation (fixed compensation) payable in equal monthly installments, plus fringe benefits. The latter include the use of a company car, for example.

Performance-related compensation is based on short-term and long-term incentives; special bonuses may also be paid. The short-term incentive (STI) is calculated by multiplying the Group's earnings before tax minus € 100 million by an individually defined factor. The STI payment is subject to a cap and is only applicable if the Group's EBT exceeds the minimum threshold of € 100 million. Please see chart 2.16 for more information.

The compensation payable under the long-term incentive (LTI) scheme is based on the development of Dürr's share price and the Group's average EBIT margin over a three-year period (LTI period). The LTI scheme operates on a rolling basis; eight LTI tranches have been issued since its introduction in 2010. Each year a specified number of virtual Dürr shares are issued, known as performance share units. In 2017, the following performance share units were issued: 25,000 for Ralf W. Dieter, 3,000 for Carlo Crosetto and 4,000 for Dr. Jochen Weyrauch. The amount payable at the end of the three-year LTI period is calculated by multiplying the number of performance share units by a share price multiplier and an EBIT multiplier. The share price multiplier corresponds to the average closing price of the Dürr share in the last 20 trading days prior to the first

2.15 – COMPENSATION FOR THE BOARD OF MANAGEMENT: BENEFITS GRANTED

	RALF W. DIETER CEO				CARLO CROSETTO CFO JOINED MARCH 1, 2017		
€	2016	2017	2017 (min)	2017 (max)	2017	2017 (min)	2017 (max)
Basic compensation (fixed compensation)	800,000	800,000	800,000	800,000	416,667	416,667	416,667
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	49,179	50,908	50,908	50,908	13,162	13,162	13,162
Total	**849,179**	**850,908**	**850,908**	**850,908**	**429,829**	**429,829**	**429,829**
One-year variable compensation (STI)	1,581,260	1,600,000	0	1,600,000	566,183	0	583,333
Total of multi-year variable compensation (LTI)	1,200,000	1,200,000	0	1,200,000	125,000	0	125,000
Variable compensation – LTI 2014 – 2016	400,000	--	--	--	--	--	--
Variable compensation – LTI 2015 – 2017	400,000	400,000	0	400,000	--	--	--
Variable compensation – LTI 2016 – 2018	400,000	400,000	0	400,000	--	--	--
Variable compensation – LTI 2017 – 2019	--	400,000	0	400,000	125,000	0	125,000
Other variable compensation	0	0	0	10,000	0	0	175,000
Total	**3,630,439**	**3,650,908**	**850,908**	**3,660,908**	**1,121,012**	**429,829**	**1,313,162**
Benefit obligation contribution	640,000	640,000	480,000	640,000	69,976	41,667	70,833
Total compensation	**4,270,439**	**4,290,908**	**1,330,908**	**4,300,908**	**1,190,988**	**471,495**	**1,383,995**

annual general meeting after the three-year LTI period. The EBIT multiplier is calculated on the basis of the average EBIT margin achieved by the Group during the three-year LTI period. The LTI payment and the EBIT multiplier are subject to caps. The LTI target achievement is illustrated using the example shown in chart 2.17.

A further component of the compensation is the employer-financed pension contribution. This is based on the basic compensation and STI and is paid into our "VORaB" scheme ("Vorsorge aus Bruttogehalt"). VORaB is the Dürr Group's defined benefit company pension plan based on a reinsurance scheme. If a member of the Board of Management resigns from office, no further expenses will be incurred under this scheme.

The Supervisory Board can agree targets with the members of the Board of Management for the further strategic development of the Group, and pay an additional bonus if these have been successfully implemented. A special bonus may also be paid for exceptional performance and successful achievements by a member of the Board of Management. These payments are subject to a cap, for which the maximum level of total compensation is taken into account.

Aside from the Board of Management, other top managers are also entitled to join the LTI scheme.

COMPENSATION FOR 2017

Total compensation expense for the Board of Management in 2017 was € 8,407 thousand (2016: € 7,886 thousand). Former members of the Board of Management received pension benefits in the amount of € 550 thousand (2016: € 542 thousand).

The LTI expenses shown in table 2.15 include the amounts recognized as liabilities on a pro-rata basis for the current LTI tranches. These figures were linked to two factors: the average closing price of the Dürr share in the last 20 trading days in December 2017 and 2016 as well as the achieved or planned average EBIT margin for the periods of the three current tranches. The actual LTI payments may differ from the amounts recognized as liabilities, depending on the further development of share price and EBIT, but they are subject to caps. In 2017, Ralf W. Dieter and Ralph Heuwing received a total payment of € 3,999 thousand from the 2014 to 2016 LTI tranche. Carlo Crosetto and Dr. Jochen Weyrauch, who joined the Board of Management in 2017, did not receive any LTI payments.

The following should be noted regarding Mr. Heuwing's compensation shown in table 2.15: Upon leaving the Board of Management in 2017, Mr. Heuwing already received all payments from the three current LTI tranches (2015 to 2017, 2016 to 2018 and 2017 to 2019). These payments were discounted;

€	DR. JOCHEN WEYRAUCH MEMBER OF THE BOARD OF MANAGEMENT JOINED JANUARY 1, 2017 2017	2017 (min)	2017 (max)	RALPH HEUWING CFO UNTIL MAY 14, 2017 2016	2017	2017 (min)	2017 (max)
Basic compensation (fixed compensation)	500,000	500,000	500,000	650,000	240,219	240,219	240,219
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	15,762	15,762	15,762	33,125	11,787	11,787	11,787
Total	**515,762**	**515,762**	**515,762**	**683,125**	**252,006**	**252,006**	**252,006**
One-year variable compensation (STI)	679,420	0	700,000	1,423,134	600,000	0	600,000
Total of multi-year variable compensation (LTI)	200,000	0	200,000	1,200,000	566,667	0	566,667
Variable compensation – LTI 2014 – 2016	--	--	--	400,000	--	--	--
Variable compensation – LTI 2015 – 2017	--	--	--	400,000	322,222	0	322,222
Variable compensation – LTI 2016 – 2018	--	--	--	400,000	188,889	0	188,889
Variable compensation – LTI 2017 – 2019	200,000	0	200,000	--	55,556	0	55,556
Other variable compensation	0	0	260,000	100,000	0	0	--
Total	**1,395,182**	**515,762**	**1,675,762**	**3,406,259**	**1,418,673**	**252,006**	**1,418,673**
Benefit obligation contribution	83,971	50,000	85,000	209,000	27,083	27,083	27,083
Total compensation	**1,479,153**	**565,762**	**1,760,762**	**3,615,259**	**1,445,756**	**279,089**	**1,445,756**

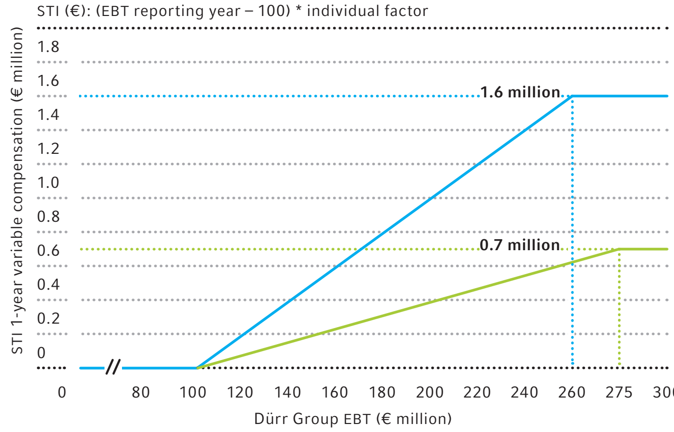
furthermore, a deduction on the payments was agreed with Mr. Heuwing. The STI payment made to Mr. Heuwing in 2017 includes the STI portion for 2016 as well as the pro-rata portion payable for 2017.

BOARD OF MANAGEMENT CONTRACTS

The contracts of the members of the Board of Management are concluded for a period of three years upon joining the Board. When the contracts are due for renewal, they are usually extended by a total period of five years as permitted by law.

2.16 – COMPENSATION FOR THE BOARD OF MANAGEMENT: STI

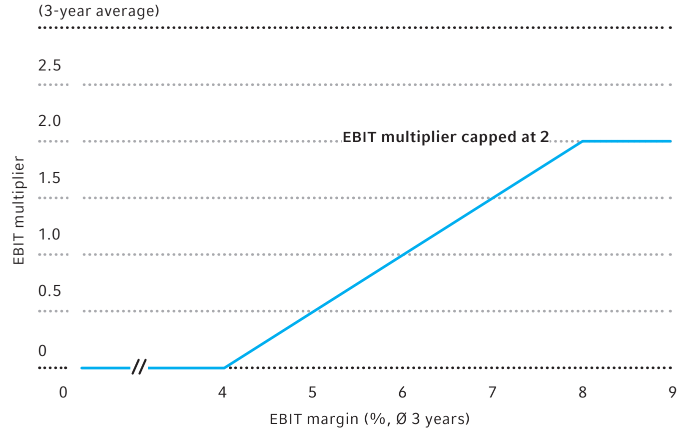
STI (€): (EBT reporting year – 100) * individual factor



- Cap for CEO: € 1.6 million
  CEO STI payment (€ million): (EBT – 100) * 0.01
- Cap for other members of the Board of Management: € 0.7 million
  Other members of the Board of Management STI payment (€ million): (EBT – 100) * 0.004

2.17 – COMPENSATION FOR THE BOARD OF MANAGEMENT: LTI

LTI (€): number of performance share units (PSU) * share price * EBIT multiplier (3-year average)



Example of LTI calculation
EBIT multiplier 1.5 (≙ 7 % EBIT margin, 3-year average) * 3,500 PSU * € 100 share price = € 525,000

2.18 – COMPENSATION FOR THE BOARD OF MANAGEMENT: PAYMENTS MADE

	RALF W. DIETER CEO		CARLO CROSETTO CFO JOINED MARCH 1, 2017	DR. JOCHEN WEYRAUCH MEMBER OF THE BOARD OF MANAGEMENT JOINED JANUARY 1, 2017	RALPH HEUWING CFO UNTIL MAY 14, 2017	
	2016	**2017**	**2017**	**2017**	**2016**	**2017**
Basic compensation (fixed compensation)	800,000	800,000	416,667	500,000	650,000	240,219
Fringe benefits (payments in kind, allowances related to insurance premiums etc.)	49,179	50,908	11,182	15,762	33,125	11,787
Total	**849,179**	**850,908**	**427,849**	**515,762**	**683,125**	**252,006**
One-year variable compensation (STI)	645,120	1,581,260	–	–	600,608	2,023,134[1]
Multi-year variable compensation (STI)	1,200,000	1,200,000	–	–	1,200,000	2,799,430[2]
Other variable compensation	0	0	–	–	100,000	0
Total	**2,694,299**	**3,632,168**	**427,849**	**515,762**	**2,583,733**	**5,074,570**
Benefit obligation contribution	424,512	638,126	16,667	25,000	195,061	130,740
Total compensation	**3,118,811**	**4,270,294**	**444,516**	**540,762**	**2,778,794**	**5,205,310**

[1] STI 2016 and 2017
[2] LTI tranches 2014 to 2016, 2015 to 2017, 2016 to 2018, 2017 to 2019

Mr. Dieter's five-year contract of employment ends on December 31, 2020. The contracts of Mr. Crosetto and Dr. Weyrauch each run for a period of three years; Mr. Crosetto's contract ends on February 29, 2020, and Dr. Weyrauch's contract on December 31, 2019.

Please also see the information in the paragraph entitled Disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB).

COMPENSATION SYSTEM FOR THE SUPERVISORY BOARD

The compensation paid to the members of the Supervisory Board is set out in Article 15 of Dürr AG's articles of incorporation. The full text is available on our website under Investors/Corporate Governance. The compensation system for the Supervisory Board, which has been in place since 2016, stipulates that each member receives a fixed compensation payment of € 40,000, which is due at the end of the year. Members are also entitled to a € 1,000 attendance fee for each meeting attended, plus reimbursement of expenses. The variable compensation is based on the three-year rolling average EBT margin and must not exceed € 24,000. The Chairman of the Supervisory Board receives three times the total compensation paid to a regular member; each deputy chairman receives one and a half times the total compensation paid to a regular member. The compensation paid to the members of the Audit Committee is €10,000 per year; the committee chairman receives two times that amount. The members of the Personnel Committee receive € 5,000 per year, while the chairman receives one and a half times that amount. The members of the Nominating Committee are entitled to a compensation payment of € 2,500 per meeting, the chairman receiving one and a half times that amount. Any members serving on the Supervisory Board or a committee for a part of the fiscal year only are remunerated pro rata temporis.

Total compensation paid to the members of the Supervisory Board in 2017 was € 1,220 thousand (2016: € 1,214 thousand). Information on the individual compensation payments made to the members of the Supervisory Board can be found in **item 40 [P. 178]** in the notes to the consolidated financial statements.

PERFORMANCE-RELATED COMPENSATION FOR OTHER EMPLOYEES

Non-tariff employees receive a basic annual salary plus a performance-related bonus. The bonus is linked to the achievement of financial and personal performance targets. In most cases it is between 5 and 10 % of the basic salary, but higher for managers. Tariff employees at almost all German Group companies receive a profit-sharing bonus, which is subject to earnings exceeding a certain threshold pre-agreed with the Works Council. The profit-sharing bonus for 2017 is € 2,750 for full-time tariff employees of Dürr, Schenck and the HOMAG Group.

BUSINESS REPORT

ECONOMY AND INDUSTRY ENVIRONMENT

ECONOMIC MOMENTUM GREATER THAN EXPECTED

Global gross domestic product (GDP) grew by 3.7 % in 2017 and, hence, at its fastest rate in seven years. While economists had been expecting slower expansion at the beginning of the year, economic momentum exceeded these forecasts noticeably as the year progressed. This was particularly the case in Europe, where declining unemployment and low interest rates had a positive effect. GDP expanded by 2.3 % in both the Eurozone and Germany. At 6.8 %, growth in China was marginally up on the previous year, with India also continuing on its upward trajectory. After two years of recession, Russia and Brazil returned to growth. In the United States, the world's largest economy, GDP growth accelerated to 2.3 % from 1.5 % in the previous year. Underpinned by upbeat economic conditions, global market prices of commodities and energy rose in the second half of the year, in some cases substantially.

The euro hit a low against the dollar of USD 1.05 in February 2017. Subsequently, the single currency surprised many market observers by appreciating sharply not only against the US dollar but also against the Japanese yen and the Chinese renminbi. The euro retained its strength at end 2017/beginning 2018, exerting pressure on export-oriented companies in the Eurozone. Pound sterling continued to soften in 2017 in the wake of the Brexit decision.

CURRENT YIELD MOVING SLIGHTLY UPWARDS

In Germany, the current yield on fixed-income securities climbed to 0.3 % at the end of 2017, reflecting the turnaround in US interest rates as well as the unexpectedly strong economic growth in the Eurozone. Although the inflation rate picked up from 1.2 % to 1.7 % in 2017, the European Central Bank did not usher in any change in its monetary policies.

Equity markets were in good shape, shrugging off the effects of political crises, the upcoming Brexit and unsteady US politics. The advances achieved by many shares were spurred by investors' plentiful liquidity and the lack of any alternative investments.

2.19 – GROWTH IN GROSS DOMESTIC PRODUCT

% year-on-year change	2017	2016	2015
Global	3.7	3.2	3.5
Germany	2.3	1.9	1.7
Eurozone	2.3	1.8	2.0
Emerging markets CEEMEA[1]	2.6	1.6	1.8
United States	2.3	1.5	2.9
China	6.8	6.7	6.9
India	6.3	7.9	7.5
Japan	1.8	0.9	1.4
Latin America	1.1	– 1.2	– 0.2

Source: Deutsche Bank 12/2017
[1] Central and Eastern Europe, Middle East and Africa

2.20 – AVERAGE EXCHANGE RATES

€ 1 equals	2017	2016	2015
USD	1.1371	1.1037	1.1044
GBP	0.8764	0.8228	0.7240
JPY	127.3383	120.4308	133.5808
CNY	7.6614	7.3399	6.8898

Source: Commerzbank

2.21 – CURRENT YIELD (%) IN GERMANY

Source: Deutsche Bundesbank 1/2018

CONTINUED GROWTH IN GLOBAL AUTOMOTIVE PRODUCTION

At 94.0 million units, global automotive production (passenger cars and light commercial vehicles) reached a new record in 2017. However, the rate of growth of 2.0 % was slower than in the previous year (4.5 %). In China, automotive production rose by only 1.9 % to 27.1 million units, equivalent to just under 29 % of global production. The reason for this moderate growth was the expiry of tax allowances on the purchase of new vehicles. As expected, automotive production in North America receded slightly after reaching a record high in 2016. Brazil and Russia reported rising production figures for the first time in years.

2.22 – PRODUCTION OF LIGHT VEHICLES

Million units	2017	2016	2015
Global	94.0	92.2	88.2
Western Europe	15.2	15.0	14.5
Germany	6.0	6.1	6.0
Eastern Europe	6.9	6.6	6.7
Russia	1.4	1.2	1.3
North America (incl. Mexico)	17.1	17.6	17.5
United States	11.2	11.8	11.9
South America	3.2	2.8	3.1
Brazil	2.5	2.1	2.3
Asia	49.1	47.9	44.3
China	27.1	26.6	23.3
Japan	8.5	8.5	8.5
India	4.3	4.1	3.7

Sources: PwC 1/2018, own estimates

The Indian automotive market continued on its upward trajectory, while the Western European markets also continued to grow.

Global capacity utilization in the automotive industry contracted by just under 2 percentage points over the previous year to 72 %. This was due to the substantial expansion of production capacities. Capital spending by automotive OEMs on production technology was relatively strong in view of their good earnings and cash flows. At the same time, the automotive industry stepped up investments in electromobility, autonomous driving and other future technologies.

SUBSTANTIAL IMPROVEMENT IN MECHANICAL AND PLANT ENGINEERING

German capital goods producers are able to look back on 2017 as a very good year. At just under 5 %, growth in new orders was substantially higher than in earlier years. The German Mechanical and Plant Engineering Association (VDMA) reports a 4 % increase in sales and 3 % growth in production, marking a departure from earlier years in which the industry drifted sideways. Growth in 2017 was underpinned by heavy spending on equipment and growing exports particularly to China. Demand in the EU for German machinery and plant was encouraging but fell short of the high volume of exports to China and the United States. Russian business picked up noticeably.

STRONG DEMAND FOR WOODWORKING MACHINERY

Once again, the woodworking machinery segment outperformed the mechanical and plant engineering sector as a whole. The relevant VDMA section reported an increase of 4 % in sales and of 14 % in order intake in the period from January to September 2017 and projects a 5 % increase in sales for 2017 as a whole. Particularly, stand-alone machinery and semi-automated equipment for customers in the emerging markets are selling well. The encouraging business situation in Europe is due not only to high capital spending in the wood-processing industry, but also to the fact that many companies in the furniture industry are under pressure to modernize. Woodworking machinery also experienced strong demand in all other market regions with the exception of South America.

OVERALL ASSESSMENT BY THE BOARD OF MANAGEMENT AND TARGET ACHIEVEMENT

We are generally satisfied with our business performance in 2017. Order intake and EBIT reached new records, as did earnings after tax, which exceeded € 200 million for the first time. Despite the strong competition in paint systems business, we achieved all of the earnings targets for 2017 that we had formulated in February 2017. Order intake and sales were somewhat higher than the targets that had been lifted in October 2017. In a year-on-year comparison, it should be borne in mind that the sale of the Dürr Ecoclean Group (March 31, 2017) caused a business volume reduction of around € 150 million.

Order intake rose by 4.7 % to € 3,876.0 million, thus exceeding our expectations. After initially specifying a target of € 3,300 to 3,700 million, we subsequently raised this forecast to between € 3,600 and 3,800 million. In like-for-like terms, i.e. adjusted for the sale of the Dürr Ecoclean Group and currency-translation effects, orders were up 10.4 %. Order intake exhibited broad international diversification and benefited from the sharp growth in the Woodworking Machinery and Systems division (HOMAG Group). Orders from the automotive industry were also up on 2016 in like-for-like terms.

Sales grew by 4.0 % to € 3,715.4 million. Despite the sale of the Ecoclean Group, they were thus a good € 100 million above the upper edge of the target range which had been revised in October (€ 3,500 to 3,600 million). Adjusted for the sale of Ecoclean and currency-translation effects, sales were up 9.8 %. This top-line growth was underpinned by all divisions, with the exception of Measuring and Process Systems, which reported lower sales due to the sale of the Ecoclean Group.

Total costs (costs of sales, overhead costs, other operating expenses) climbed by 3.7 % and, hence, more or less at the same rate as sales in line with expectations. As announced, there was an appreciable decline in selling and administrative expenses (down 3.2 %) primarily as a result of the sale of the Ecoclean Group. Overhead costs dropped by 0.9 % and, thus, not as quickly as expected (–4 %). This was predominantly due to higher research and development expenses. At 23.1 %, the gross margin reached a satisfactory level but was down slightly on the previous year's high figure (24.0 %), primarily as a result of the smaller contribution to earnings made by Paint and Final Assembly Systems. As stated, the cost of materials and personnel expense remained at the previous year's level.

EBIT rose by 6.7 % to € 289.6 million. This increase was chiefly driven by the high earnings growth posted by Woodworking Machinery and Systems, plus positive extraordinary effects of € 7.8 million. At 7.8 %, the EBIT margin reached the middle of the target range (7.5 to 8.25 %). The operating EBIT margin before extraordinary effects came to 7.6 %. Table 2.34 in the section entitled **Business performance** **[P. 62]** lists the extraordinary effects.

ROCE (adjusted for the effects from the sale of the Ecoclean Group) came to 39.5 %, thus reaching the upper end of our target range of 30 to 40 %. One key factor explaining the high return on capital is that our capital employed is generally low due to the low capital intensity of plant engineering. Net finance expense was somewhat higher than expected, coming to € 19.8 million (2016: € 13.3 million). The main reason for this was the lower investment income, which had included extraordinary income in the previous year from the sale of our 11 % share in Tec4Aero GmbH.

2.23 – GROUP TARGET ACHIEVEMENT IN 2017

		2016 act.	2017 act.	2017 target (February 2017 forecast)
Order intake	€ million	3,701.7	3,876.0	3,300–3,700
Orders on hand (December 31)	€ million	2,568.4	2,516.3	2,400–2,900
Sales	€ million	3,573.5	3,715.4	3,400–3,600
EBIT margin	%	7.6	7.8	7.5–8.25[1]
ROCE[2]	%	41.1	39.5	30–40
Net finance expense	€ million	– 13.3	– 19.8	Slightly weaker
Tax rate	%	27.2	25.3	Roughly unchanged over the previous year
Earnings after tax	€ million	187.8	201.5	Slightly higher[1]
Cash flow from operating activities	€ million	227.4	119.8	Roughly unchanged over the previous year
Free cash flow	€ million	129.9	14.3	Roughly unchanged over the previous year
Net financial status (December 31)	€ million	176.5	191.5	300–380[1]
Liquidity	€ million	724.2	659.9	850–925[1]
Capital expenditure[3]	€ million	81.9	88.0	75–85

[1] Including the effects of the sale of the Dürr Ecoclean Group
[2] Adjusted for the effects of the sale of the Dürr Ecoclean Group
[3] On property, plant and equipment and on intangible assets (excluding acquisitions)

The tax rate dropped to 25.3 % as the book gain of € 23.0 million from the sale of the Dürr Ecoclean Group was largely tax-free. This caused earnings after tax to rise by 7.3 % to € 201.5 million despite the higher net finance expense. Consequently, we achieved the forecast increase.

Cash flow from operating activities and **free cash flow** **[P. 205]** were in positive territory but down on 2016. After originally expecting figures in the vicinity of the previous year, we lowered our forecast for cash flow from operating activities to between € 140 and 190 million and formulated a target of € 50 to 100 million for free cash flow in October. Cash flow was influenced by our customers' changed prepayment behavior and – related to this – an unexpectedly strong accumulation of **net working capital** **[P. 205]**. As usual, cash flow from operating activities was high in the fourth quarter.

Although cash and cash equivalents stood at a comfortable € 659.9 million, they fell short of the original target corridor (€ 850 to 925 million). This was due to the cash flow development, the repayment of a real estate loan and investments in time deposits. Cash and cash equivalents included an inflow of € 108.5 million from the sale of the Dürr Ecoclean Group.

At € 88.0 million, capital expenditure reached the target range of € 85 to 95 million that had been published in October 2017. We had initially been expecting a figure of € 75 to 85 million. However, this higher amount is due to a real estate transaction at the Bietigheim-Bissingen site.

DIVISIONS: MOST TARGETS REACHED

The five divisions primarily achieved or exceeded their targets. Given the difficult market conditions in some cases, we are mostly satisfied or very satisfied with their performance. Only Clean Technology Systems fell short of expectations with the exception of sales.

In November, we had lifted the sales and order intake targets for Paint and Final Assembly Systems to between € 1,100 and 1,200 million in both cases. The division easily achieved the sales target, with order intake exceeding the upper end of the target corridor slightly. At 6.0 %, the EBIT margin came in at the lower end of the target range as expected, although this was a respectable showing given the current heavy competition in paint systems business.

2.24 – TARGET ACHIEVEMENT OF THE DIVISIONS 2017

	ORDER INTAKE (€ MILLION)		SALES (€ MILLION)		EBIT MARGIN (%)		ROCE (%)	
	2017 target	**2017 act.**	**2017 target**	**2017 act.**	**2017 target**	**2017 act.**	**2017 target**	**2017 act.**
Paint and Final Assembly Systems	1,000–1,150	1,210.1	1,050–1,175	1,174.9	6.0–6.5	6.0	> 100[1]	> 100
Application Technology	540–610	602.4	540–610	620.3	9.5–11.0	10.3	27–32	28.9
Clean Technology Systems	180–200	165.8	175–195	185.4	4.0–4.5	1.8	15–20	5.6
Measuring and Process Systems	400–500	531.4	450–525	511.2	11.5–14.0	12.7	20–25	24.9[2]
Woodworking Machinery and Systems	1,125–1,225	1,366.3	1,100–1,150	1,223.5	6.0–7.0	7.0	13–18	22.5

[1] Negative capital employed
[2] Adjusted for the effects of the sale of the Dürr Ecoclean Group

Application Technology reached new records in order intake and sales. In fact, sales exceeded the target range. At 10.3 %, the EBIT margin landed in the middle of the target range. Although it was down on the previous year (13.6 %), this was largely due to the extraordinary income which had arisen in 2016. Operating EBIT in the Application Technology division reached a new record in 2017.

Sales in the Clean Technology Systems division reached the target. However, order intake fell short of expectations as a number of orders that had been expected in the second half of the year were yet to materialize. The division expects new orders to be up substantially in 2018. The main reason for the unsatisfactory EBIT margin was the losses sustained in energy-efficiency technology, which underperformed expectations. To remedy this situation, we discontinued the business of the loss-making Dürr thermea GmbH and initiated further measures to improve earnings.

Sales in the Measuring and Process Systems division reached the top end of the target range, with order intake exceeding expectations. With the sale of the Dürr Ecoclean Group, we disposed of the lower-margin part of the division effective March 31, 2017. The fact that the EBIT margin of 12.7 % did not exceed the previous year's figure is due to non-recurring costs in **filling technology** **[P. 204]**. These arose in connection with the realignment of the Agramkow activities (filling technology for household appliances).

Woodworking Machinery and Systems experienced an extremely successful year and made the greatest contribution to consolidated earnings. Driven by sharp demand in the furniture industry, the division posted strong volume growth, with EBIT rising more quickly than sales. Sales reached the top end of the target range that had been lifted in November, while order intake exceeded it slightly.

The division targets for 2018 can be found in the section entitled **Expected future development** **[P. 92]**.

PERFORMANCE INDICATORS

The main financial performance indicators for managing the Dürr Group are order intake, sales, EBIT, EBIT margin and **ROCE** (EBIT to **capital employed** **[P. 205]**). Cash flow from operating activities and free cash flow are also important parameters particularly at the Group level. Detailed information on the main financial performance indicators can be found in the section entitled "Operating performance indicators" in the **Financial development** **[P. 73]** chapter.

Non-financial performance indicators are also regularly tracked and help us with the management and long-term strategic orientation of the company. Examples of these include employee and customer satisfaction, further training, environment/sustainability and R&D/innovation. However, the non-financial performance indicators are not primarily used for managing the company. Rather, they provide additional insight into the situation within the Group as a basis for decision-making processes. A detailed analysis of the non-financial aspects and performance indicators can be found in the chapter entitled **Sustainability** **[P. 38]** and the non-financial consolidated declaration included there.

MAIN EVENTS DRIVING BUSINESS PERFORMANCE

Effective March 31, 2017, we received proceeds of € 107.9 million and extraordinary income of € 23.0 million from the sale of the Dürr Ecoclean Group. Other than this, there were no individual events in 2017 materially impacting the Dürr Group's results of operations, financial condition or net assets. Demand from the automotive industry was good, although there was mounting competition in paint systems business. One key driving force behind the large orders received from the furniture industry was the trend towards woodworking systems with batch-size 1 production capabilities.

BUSINESS PERFORMANCE

IFRS, REPORTING PRACTICES, HOMAG GROUP, SALE OF THE DÜRR ECOCLEAN GROUP

The charts and tables in this management report generally contain IFRS figures for the years from 2015 through 2017. EBIT is defined as earnings before interest, income taxes and income from investments. Extraordinary effects are eliminated from operating EBIT; these extraordinary effects are listed in table 2.34.

Amendments to the IFRSs did not have any material impact on the presentation of the company's economic position in 2017. Relatively few reporting options are available under the IFRS and their utilization impacts our net assets, financial position and results of operations only minimally. They can be used, for example, in connection with inventories or property, plant and equipment. In the case of important balance-sheet items, we exercise options in such a way that the greatest possible measurement continuity is preserved. For example, financial instruments are measured at amortized cost as far as possible rather than at fair values. We made use of all reporting options in unchanged form in 2017. Similarly, the use of accounting measures exerted virtually no influence on the presentation of the results of operation. Moreover, it is inconsistent in many cases with our commitment to continuity and cross-period transparency.

The HOMAG Group, which was acquired in 2014, forms the Woodworking Machinery and Systems division within the Dürr Group. A domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG took binding effect on March 17, 2015 for an indefinite period and may not be terminated before the end of 2020 other than for good cause. Under the terms of the agreement, all of the net profit earned by HOMAG Group AG has accrued to Dürr since January 1, 2016. HOMAG Group AG's external shareholders (44 % of the capital) are not entitled to a variable dividend. Instead, they receive a guaranteed dividend of € 1.01 per share for the duration of the domination and profit and loss transfer agreement. As is customary in such cases, valuation proceedings were commenced in April 2015 before the Regional Court of Stuttgart by a number of HOMAG Group AG's external shareholders, who seek to have the amount of the guaranteed dividend and the cash settlement offer (€ 31.56 per HOMAG Group AG share) reviewed by a court of law. No decision is expected to be made in 2018. The interest expense arising from the domination and profit and loss transfer agreement with HOMAG Group AG (2017: € 6.5 million) is recognized within the Dürr Group's financial result.

Sale of the Dürr Ecoclean Group

The Dürr Ecoclean Group, which was sold effective March 31, 2017, generated sales of just under € 200 million and EBIT of around € 14 million in 2016. In the first quarter of 2017, it contributed order intake of € 51.1 million, sales of € 47.5 million and EBIT of € 2.2 million to the Dürr Group, specifically the Measuring and Process Systems division. The proceeds of € 107.9 million from the sale of 85 % of Dürr Ecoclean's business accrued to us on March 31, 2017, with the book gain of € 23.0 million entered as extraordinary income within the Corporate Center. We had already reclassified the Dürr Ecoclean Group's assets and liabilities as held for sale in the balance sheet as of December 31, 2016; as of this date, assets of € 167.2 million held by the Ecoclean Group were classified as current.

2.25 – CONSOLIDATED ORDER INTAKE BY REGION

€ million	2017	2016	2015
Germany	591.8	555.6	504.4
Other European countries	1,170.5	1,154.7	968.7
North/Central America	808.7	1,045.3	722.4
South America	92.1	56.9	78.2
Asia, Africa, Australia	1,212.9	889.1	1,193.9
Total	**3,876.0**	**3,701.7**	**3,467.5**

The income statement for 2016 and the first quarter of 2017 include the sales and earnings contributed by the Ecoclean Group. In calculating **ROCE [P. 205]**, we eliminated the effects arising from the sale of the Ecoclean Group in the interests of full comparability. Further information can be found in the section entitled "Portfolio changes" in **The Group at a glance [P. 21]**.

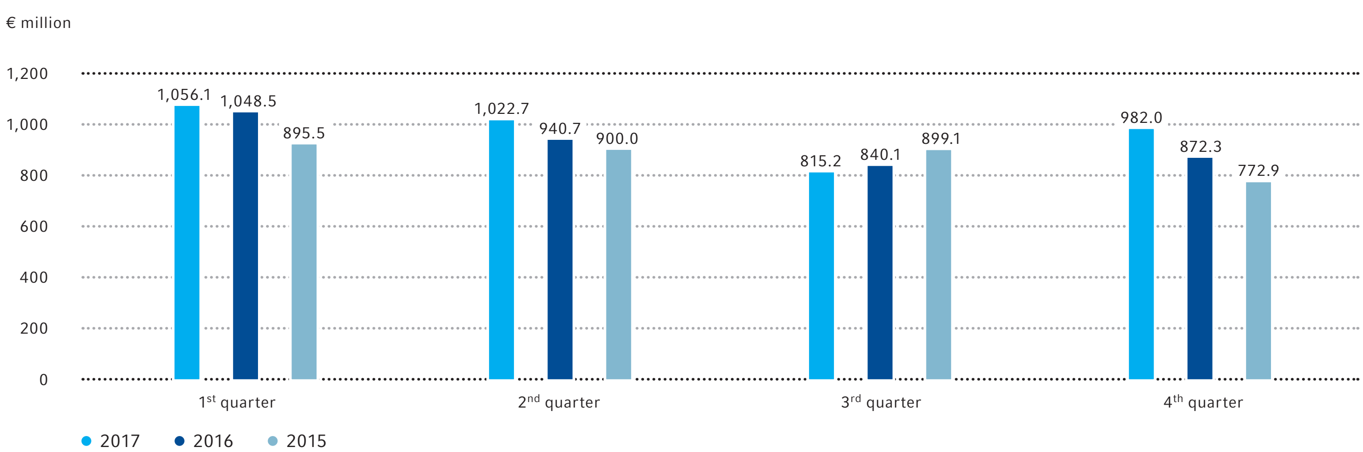
Acquisitions

The companies and equity investments acquired in 2016 and 2017 exerted only a minor influence on the Dürr Group's financial condition and results of operations. Test Devices Inc. (TDI) contributed less than 1 % of consolidated sales and earnings in 2017. Benz Werkzeugsysteme GmbH was already fully consolidated before the investment was increased to 75 %.

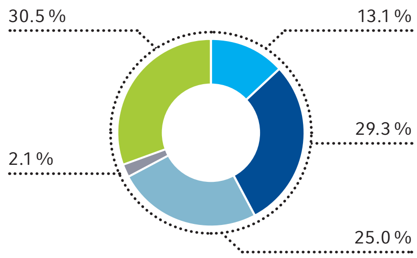
NEW RECORD REACHED IN ORDER INTAKE

Order intake rose by 4.7 % in 2017 to reach a new record of € 3,876.0 million. On the basis of like-for-like exchange rates, new orders climbed by 5.9 %. Additionally adjusted for the effects of the disposal of the Dürr Ecoclean Group, growth came to 10.4 %. The Woodworking Machinery and Systems division posted the greatest gains (up 17.2 %), followed by Paint and Final Assembly Systems (up 10.6 %) and Application Technology (up 3.4 %). The decline in Measuring and Process Systems (down 22.1 %) was chiefly due to the sale of the Ecoclean Group. Clean Technology Systems recorded a 6.1 % drop in new orders but expects to see a substantial increase again in 2018. The strong order intake ensured full capacity utilization for the Group.

2.26 – CONSOLIDATED ORDER INTAKE BY QUARTER



2.27 – CONSOLIDATED SALES BY REGION



€ million	2017	2016	2015
Germany	485.8	542.8	528.1
Other European countries	1,088.2	1,010.9	1,126.9
North/Central America	928.5	770.8	775.0
South America	79.5	79.4	120.8
Asia, Africa, Australia	1,133.5	1,169.7	1,216.4
Total	**3,715.4**	**3,573.5**	**3,767.1**

Order intake rose sharply by 27.2 % in the emerging markets. At € 1,971.4 million, the orders contributed by this group of countries accounted for 50.9 % of consolidated order intake (2016: 41.8 %). China made the greatest contribution to growth in the emerging markets. After a weaker spell in the previous year, order intake in that market rose by 27.7 % to € 789.3 million. In fact, Chinese business in the Woodworking Machinery and Systems division expanded by 47.8 % to € 215.9 million, while Chinese automotive business also started to pick up sharply. Alongside China, orders were also up in most of the other emerging markets.

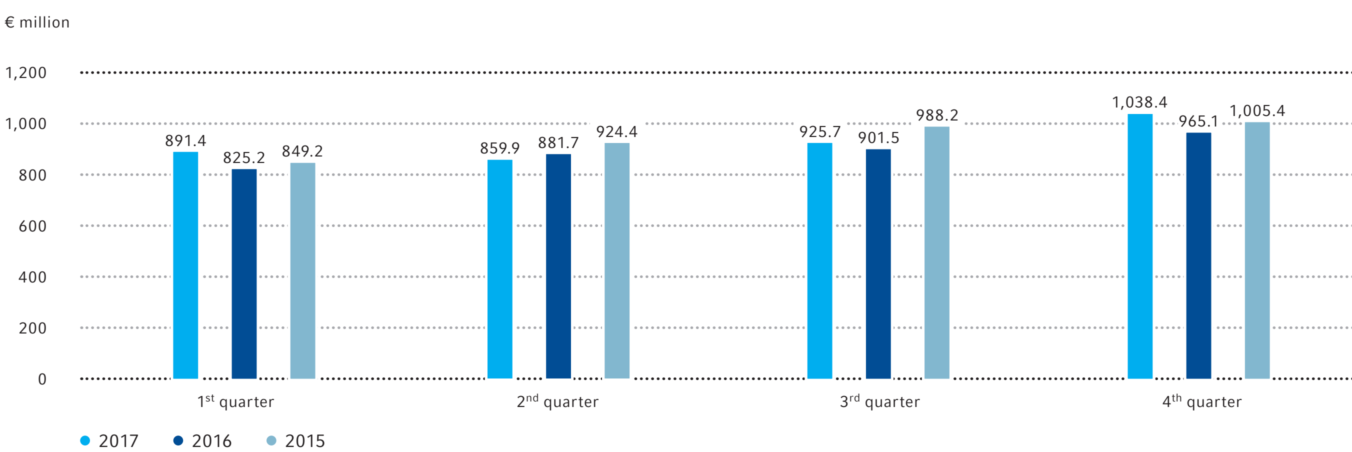
Order intake in North and Central America contracted by 22.6 % to € 808.7 million in line with expectations after rising in the previous year to an extraordinarily high level of more than € 1 billion due to the award of a number of large contracts. By contrast, new orders in Europe (excluding Germany) were up again slightly over the already strong previous year (up 1.4 %). All told, the high order intake was internationally very diversified. This is one of Dürr's strengths: thanks to our global footprint we are able to continue growing despite lower orders in individual regions.

The breakdown by quarter of Dürr's order intake does not allow any meaningful conclusions to be drawn as heavy fluctuation can arise from one quarter to the next on account of large system contracts. In the fourth quarter of 2017, order intake came to € 982.0 million, thus approaching the one billion euro mark. Despite the sale of the Ecoclean Group, this was better than in the final quarters of the previous two years.

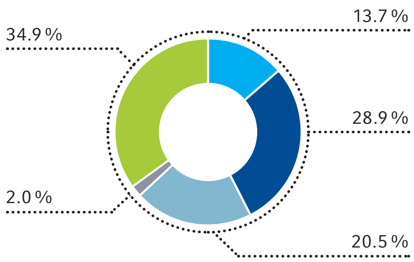
LIKE-FOR-LIKE SALES UP ALMOST 10 %

Sales rose by 4.0 % in 2017 to € 3,715.4 million. Adjusted for currency-translation effects and the sale of the Ecoclean Group, we recorded an increase of 9.8 %. Three divisions achieved double-digit growth rates: Application Technology, Clean

2.28 – CONSOLIDATED SALES BY QUARTER



2.29 – CONSOLIDATED ORDER BACKLOG (DECEMBER 31) BY REGION



€ million	2017	2016	2015
Germany	344.1	252.0	239.3
Other European countries	727.2	694.0	555.6
North/Central America	516.2	706.3	434.9
South America	49.9	42.3	58.3
Asia, Africa, Australia	879.0	873.8	1,177.7
Total	**2,516.3**	**2,568.4**	**2,465.7**

Technology Systems and Woodworking Machinery and Systems. The decline in Measuring and Process Systems was solely due to the sale of the Ecoclean Group; in like-for-like terms, this division also posted higher sales.

Table 2.27 shows the regionally balanced distribution of sales. Once again, Europe contributed the largest share (42.4 %), followed by Asia, Africa and Australia (30.5 %) and then North, South and Central America (27.1 %). At 48.0 %, the share accounted for by the emerging markets was more or less unchanged (2016: 48.5 %) and is likely to widen over the next few years.

In contrast to order intake, the quarterly breakdown of sales reveals a distinct pattern. As a rule, our sales are higher in the third and fourth quarters than in the first half of the year. The final quarter is usually the strongest in terms of sales as a greater number of projects enter the final billing stage at the end of the year.

The sale of the Dürr Ecoclean Group caused service-related sales to contract by 3.7 % in 2017 to € 945.9 million. However, adjusted for the Ecoclean effect, they were up 0.8 %. Whereas mechanical engineering activities continued to grow, service-related sales in the Paint and Final Assembly Systems division were down on the strong previous year. One reason for this was the more selective acceptance of orders. In addition, several large modernization projects had been completed in the previous year. Service business contributed 25.5 % to Group sales; our long-term target is for service to contribute 30 %.

ORDER BACKLOG NEARLY UNCHANGED

As order intake exceeded sales, the book-to-bill ratio[1] came to 1.04. The order backlog dropped by 2.0 % to € 2,516.3 million as of December 31, 2017 primarily as a result of exchange-rate changes (December 31, 2016: € 2,568.4 million). Most of the service business does not find its way into the order backlog because of its short-term nature. However, if it is included in the order backlog, we are confident of achieving our sales target of € 3.7 to 3.9 billion for 2018. Orders on hand as of the end of 2017 covered roughly two thirds of the sales target for 2018.

GROSS MARGIN BELOW THE PREVIOUS YEAR'S RECORD FIGURE

Total costs (cost of sales, selling, administrative and R&D costs plus other operating expenses) came to € 3,503.2 million in 2017. They grew by 3.7 % and, hence, slightly less quickly than sales. Costs directly linked to sales, i.e. all acquisition and production costs for our products and services, rose by 5.2 %, thus outpacing the growth in sales to some degree. Consequently, the gross margin, i.e. the difference between sales and the cost of sales relative to sales, came to 23.1 %, down from 24.0 % in the previous year. The mechanical engineering divisions were able to keep their gross margins more or less steady or to increase them, while Paint and Final Assembly Systems sustained an appreciable decline due to the strong competition. At € 858.3 million, consolidated gross profit remained steady.

[1] Ratio of order intake to sales

2.30 – INCOME STATEMENT AND PROFITABILITY RATIOS

		2017	2016	2015
Sales revenues	€ million	3,715.4	3,573.5	3,767.1
Cost of sales	€ million	–2,857.1	–2,715.3	–2,939.1
of which cost of materials	€ million	–1,418.0	–1,403.6	–1,613.3
of which personnel expense	€ million	–623.0	–620.2	–603.9
of which depreciation and amortization	€ million	–56.9	–57.5	–56.2
Gross profit	€ million	858.3	858.3	828.0
Overhead costs[1]	€ million	–600.3	–605.5	–566.4
EBITDA	€ million	370.3	360.3	348.2
EBIT	€ million	289.6	271.4	267.8
EBIT before extraordinary effects[2]	€ million	281.8	286.4	294.3
Net finance expense	€ million	–19.8	–13.3	–23.3
EBT	€ million	269.9	258.1	244.5
Income taxes	€ million	–68.4	–70.3	–78.0
Earnings after tax	€ million	201.5	187.8	166.6
Earnings per share	€	5.62	5.26	4.67
Gross margin	%	23.1	24.0	22.0
EBITDA margin	%	10.0	10.1	9.2
EBIT margin	%	7.8	7.6	7.1
EBIT margin before extraordinary effects[2]	%	7.6	8.0	7.8
EBT margin	%	7.3	7.2	6.5
Return on sales after taxes	%	5.4	5.3	4.4
Interest coverage		13.5	13.7	10.7
Tax rate	%	25.3	27.2	31.9
Return on equity	%	22.3	22.6	23.3
Return on investment	%	6.7	6.4	6.7
ROCE	%	39.5[3]	41.1[3]	45.3

[1] Selling, administrative and R&D expenses
[2] Extraordinary effects in 2017: € 7.8 million (2016: € –15.0 million), see table 2.34 for further information
[3] Adjusted for the effects of the sale of the Dürr Ecoclean Group

FURTHER REDUCTION IN THE COST OF MATERIALS

The cost of materials came to € 1,418.0 million, rising by 1.0 % over the previous year and thus climbing more slowly than sales. Despite the higher prices of commodities and semi-finished goods, the cost of materials ratio thus contracted from 39.3 % to 38.2 %. This was due to the greater proportion of internally-sourced production in paint systems. The cost of materials is fully included in the cost of sales and chiefly comprises the sourcing of parts as well as production and assembly services. Further information can be found in the chapter entitled **Procurement** **[P. 37]**.

R&D EXPENSES AT A RECORD LEVEL

Overhead costs decreased by 0.9 % to € 600.3 million despite the higher sales, one reason for this being the 3.2 % drop in selling and administrative expenses. The marketing costs included in selling expenses increased by 9.8 % to € 20.0 million. As part of our digital@DÜRR digitization strategy, we raised our research and development expenses by a further 10.2 % to € 116.7 million.

Employee numbers fell by 1.7 % to 14,974 as of December 31, 2017. The annual average Group headcount stood at 14,807 (down 1.8 %). The sale of the Ecoclean Group caused 839 employees to leave the Group. Personnel expense rose slightly due to higher wages and salaries (up 0.6 %). Adjusted for the sale of the Ecoclean Group, employee numbers increased by 4.0 %.

2.31 – OVERHEAD COSTS AND EMPLOYEES IN 2017

	Employees	Costs (€ million)	Personnel expense (€ million)	Depreciation and amortization (€ million)	Other costs (€ million)
Selling	1,728	– 307.4	– 211.0	– 6.6	– 89.8
(2016)	1,760	– 322.0	– 205.7	– 17.2	– 99.2
Administrative	1,312	– 176.2	– 114.4	– 6.8	– 54.9
(2016)	1,346	– 177.6	– 117.5	– 7.4	– 52.7
R&D	713	– 116.7	– 69.1	– 7.9	– 39.7
(2016)	695	– 105.9	– 68.0	– 8.4	– 29.4

2.32 – PERSONNEL-RELATED INDICATORS

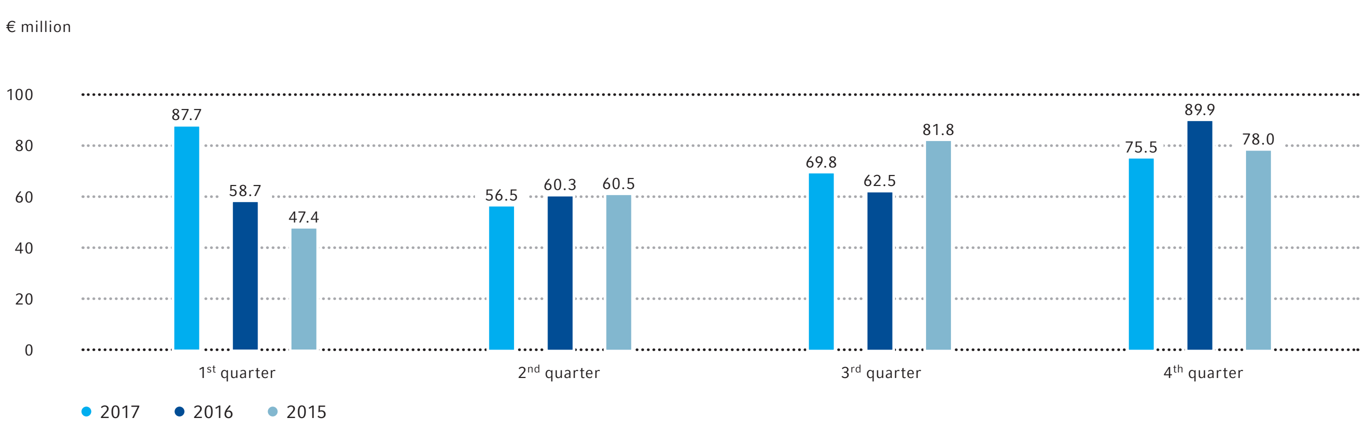
	2017	2016	2015
Employees (December 31)	14,974	15,235	14,850
Employees (annual average)	14,807	15,079	14,489
Personnel expense (€ million)	– 1,017.6	– 1,011.8	– 970.2
Personnel expense ratio (%)	27.4	28.3	25.8
Personnel expense per employee (annual average) (€)	– 68,725	– 67,100	– 67,000
Sales per employee (annual average) (€)	250,923	237,000	260,000

In 2017, extraordinarily high net other operating income of € 31.6 million was recorded (2016: € 18.6 million). This was largely due to the extraordinary income of € 23.0 million from the sale of the Ecoclean Group. Once again, the largest single items were currency-translation expense and income, resulting in net currency-translation income of € 1.2 million. Otherwise, other operating income and expenses remained within the customary range.

EBIT: EIGHTH CONSECUTIVE INCREASE

EBIT – the most important performance indicator used in managing the Group – rose for the eighth consecutive year in 2017, climbing by 6.7 % over the previous year to € 289.6 million. Assuming like-for-like exchange rates, EBIT would have been 1.2 % higher. The EBIT margin widened by 0.2 percentage points to 7.8 %, thus reaching the middle of the target range of 7.5 to 8.25 %.

2.33 – EBIT BY QUARTER



2.34 – EXTRAORDINARY EFFECTS WITHIN EBIT

€ million	2017		2016		2015	
Paint and Final Assembly Systems	–	–	– 4.8	• Cost of closing the Zistersdorf plant	–	–
Application Technology	– 0.1	• Expense for realigning glueing technology (Wolfratshausen plant) • Income from claims for compensation	17.3	• Income from the sale of real estate in the United States • Income from litigation	–	–
Clean Technology Systems	–	–	–	–	–	–
Measuring and Process Systems	– 1.0	• Expense for realignment of filling technology (Agramkow)	–	–	–	–
Woodworking Machinery and Systems	– 8.7	• Purchase price allocation expense HOMAG Group	– 26.3	• Purchase price allocation expense HOMAG Group • Write-off of brand rights • Cost of closing the Weinsberg plant • Expense for terminating employee capital participation program	– 26.6	• Purchase price allocation expense HOMAG Group • Expense for terminating employee capital participation program
Corporate Center	17.7	• Income from the sale of the Dürr Ecoclean Group • Discontinuation of business at Dürr thermea GmbH	– 1.2	• Transaction costs in connection with the sale of the Dürr Ecoclean Group • Income from the sale of shares in Tec4Aero (11 %)	–	–
Total	**7.8**		**– 15.0**		**– 26.6**	

EBIT included a net extraordinary effect of € 7.8 million, compared with € –15.0 million in the previous year. EBIT adjusted for extraordinary effects (operating EBIT) came to € 281.8 million, while the operating EBIT margin reached 7.6 % (2016: € 286.4 million and 8.0 %). Table 2.34 lists the extraordinary effects. EBIT was down on the previous year in the fourth quarter of 2017 mainly as a result of extraordinary effects.

INCREASE IN NET FINANCE EXPENSE

Net finance expense rose to € 19.8 million in 2017 (2016: € 13.3 million). The main reason for this was the lower investment income, which dropped from € 7.0 million to € 1.8 million due to the inclusion of extraordinary income in the previous year from the sale of our 11 % share in Tec4Aero GmbH.

EARNINGS AFTER TAX REACH € 200 MILLION FOR THE FIRST TIME

Despite the 4.5 % increase in earnings before tax, tax expense fell by 2.8 % to € 68.4 million in 2017. There were two reasons for the decline in the tax rate from 27.2 % to 25.3 %: For one thing, the extraordinary income from the sale of the Ecoclean Group was largely tax-free and, for another, tax provisions that had been recognized in earlier years were reversed as they were no longer required. At € 201.5 million, earnings after tax grew by 7.3 %, exceeding the € 200 million mark for the first time (2016: € 187.8 million). The return on sales after tax widened from 5.3 % to 5.4 %. Net of non-controlling interests, earnings per share rose to € 5.62 (2016: € 5.26).

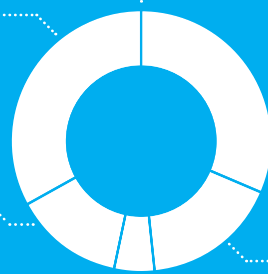
We will be proposing a dividend of € 2.20 per share for 2017. This marks the eighth consecutive rise, translating into an increase of 4.8 % over the previous year (€ 2.10) and a total payout of € 76.1 million (2016: € 72.7 million). The payout ratio stands at 37.8 % of consolidated net profit (2016: 38.7 %) and is thus once again at the upper end of Dürr's customary range of 30 to 40 %. Dürr AG's remaining net retained profit of € 425.3 million (2016: € 291.0 million) is to be carried forward.

2.35 – SALES, ORDER INTAKE AND EMPLOYEES (DEC. 31, 2017) BY DIVISION

3,715.4 € million

(Total sales)

SALES



32.9 %
Woodworking Machinery and Systems
€ 1,223.5 million

13.8 %
Measuring and Process Systems
€ 511.2 million

5.0 %
Clean Technology Systems
€ 185.4 million

0.0 %
Corporate Center
€ 0.1 million

31.6 %
Paint and Final Assembly Systems
€ 1,174.9 million

16.7 %
Application Technology
€ 620.3 million

3,876.0 € million

(Total order intake)

ORDER INTAKE

35.2 %
Woodworking Machinery and Systems
€ 1,366.3 million

13.7 %
Measuring and Process Systems
€ 531.4 million

31.2 %
Paint and Final Assembly Systems
€ 1,210.1 million

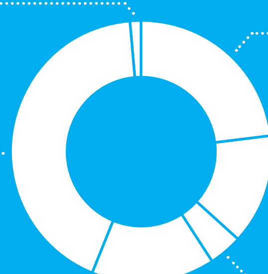
15.5 %
Application Technology
€ 602.4 million

4.3 %
Clean Technology Systems
€ 165.8 million

14,974

(Total employees)

EMPLOYEES



1.3 %
Corporate Center
201

42.5 %
Woodworking Machinery and Systems
6,371

15.2 %
Measuring and Process Systems
2,279

23.1 %
Paint and Final Assembly Systems
3,457

13.8 %
Application Technology
2,063

4.0 %
Clean Technology Systems
603

The income from the sale of the Dürr Ecoclean Group (€ 23.0 million) caused Corporate Center EBIT to rise to € 1.1 million (2016: € –12.5 million). However, Corporate Center EBIT also includes extraordinary expense, among others for the discontinuation of the business of Dürr thermea GmbH (€ 5.3 million), as well as increased personnel expense and costs of the digital@DÜRR digital strategy. The consolidation effects included in the Corporate Center EBIT came to € 0.7 million (2016: € 1.9 million).

2.36 – EBIT BY DIVISION

€ million	2017	2016	2015
Paint and Final Assembly Systems	70.3	77.2	100.2
Application Technology	64.1	76.1	60.8
Clean Technology Systems	3.4	6.1	5.8
Measuring and Process Systems	64.9	79.7	69.8
Woodworking Machinery and Systems	85.7	44.9	36.6
Corporate Center / consolidation	1.1	– 12.5	– 5.4
Total	**289.6**	**271.4**	**267.8**

2.37 – INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT AND ON INTANGIBLE ASSETS BY DIVISION[1]

€ million	2017	2016	2015
Paint and Final Assembly Systems	22.2	20.6	22.9
Application Technology	26.2	17.5	27.8
Clean Technology Systems	3.8	6.3	7.5
Measuring and Process Systems	5.6	9.4	9.5
Woodworking Machinery and Systems	26.2	24.3	29.7
Corporate Center / consolidation	4.0	3.7	4.8
Total	**88.0**	**81.9**	**102.3**

[1] Without acquisitions

2.38 – DEPRECIATION AND AMORTIZATION (INCL. IMPAIRMENT LOSSES AND REVERSALS) BY DIVISION[1]

€ million	2017	2016	2015
Paint and Final Assembly Systems	– 14.3	– 14.8	– 9.2
Application Technology	– 11.6	– 9.1	– 8.2
Clean Technology Systems	– 2.7	– 2.6	– 2.3
Measuring and Process Systems	– 7.6	– 7.2	– 9.3
Woodworking Machinery and Systems	– 37.2	– 51.1[2]	– 47.5
Corporate Center / consolidation	– 7.2	– 4.1	– 4.0
Total	**– 80.7**	**– 88.9**	**– 80.5**

[1] Depreciation and amortization recognized within net finance expense is not included.
[2] Including write-off of brand rights of € 11.1 million

2.39 – PAINT AND FINAL ASSEMBLY SYSTEMS – KEY FIGURES

€ million	2017	2016	2015	2014
Order intake	1,210.1	1,094.5	1,125.5	1,291.8
Sales revenues	1,174.9	1,140.0	1,364.6	1,078.2
Cost of materials (consolidated)	– 487.6	– 535.9	– 709.5	– 493.6
EBITDA	84.6	92.0	109.3	113.2
EBIT	70.3	77.2	100.2	106.2
EBIT margin	6.0 %	6.8 %	7.3 %	9.8 %
Capital expenditure	22.2	20.6	22.9	13.9
Employees (December 31)	3,457	3,384	3,374	3,069

SEGMENT REPORT: DIVISIONS

Paint and Final Assembly Systems

The Paint and Final Assembly Systems division achieved double-digit percentage growth in order intake in 2017 (up 10.6 %). The strongest market region was Europe, while Chinese business also picked up. New orders in North America returned to normal after the several large contracts received in the previous year. The proportion contributed by the emerging markets to division order intake widened to 61 % from 48 % in the previous year. With order intake coming to € 383.6 million, the final three months of the year were the strongest quarter of the year.

Sales followed the positive development of order intake, rising by 3.1 % to € 1,174.9 million. The fourth quarter also made the greatest contribution to sales (€ 359.4 million). Against the backdrop of mounting competitive and price pressure in the paint shop business, the division's EBIT shrank by 8.9 % to € 70.3 million. It should be borne in mind that extraordinary expense of € 4.8 million had arisen in 2016. The EBIT margin came to 6.0 % in 2017 (2016 6.8 %)

Paint and Final Assembly Systems has adopted the FOCUS 2.0 optimization program to address the difficult market environment characterized by price-aggressive competitors. Launched in the first quarter of 2018, the program is based on earlier measures that have already been initiated to boost earnings. Key aspects of FOCUS 2.0 include reductions in product costs, efficiency gains in processes and organizational structures and the utilization of opportunities for growth such as in service business. The division will be adjusting its structures and costs so that it can dispense with low-margin contracts and

2.40 – APPLICATION TECHNOLOGY – KEY FIGURES

€ million	2017	2016	2015	2014
Order intake	602.4	582.7	538.3	560.9
Sales revenues	620.3	560.6	599.7	526.0
Cost of materials (consolidated)	– 209.7	– 211.0	– 267.3	– 213.4
EBITDA	75.8	85.2	69.1	61.8
EBIT	64.1	76.1	60.8	55.1
EBIT margin	10.3 %	13.6 %	10.1 %	10.5 %
Capital expenditure	26.2	17.5	27.8	11.1
Employees (December 31)	2,063	1,956	1,858	1,784

2.41 – CLEAN TECHNOLOGY SYSTEMS – KEY FIGURES

€ million	2017	2016	2015	2014
Order intake	165.8	176.6	166.3	144.9
Sales revenues	185.4	167.0	159.2	136.0
Cost of materials (consolidated)	– 99.9	– 85.2	– 83.6	– 73.4
EBITDA	6.1	8.7	8.1	9.8
EBIT	3.4	6.1	5.8	7.6
EBIT margin	1.8 %	3.7 %	3.6 %	5.6 %
Capital expenditure	3.8	6.3	7.5	3.9
Employees (December 31)	603	569	499	473

concentrate on profitable business. At the same time, cooperation with the sister divisions Application Technology and Clean Technology Systems will be improved to reduce duplicate work and to harness synergistic effects. Paint and Final Assembly Systems wants to push the EBIT margin back up to between 6 and 7 % in 2020 through FOCUS 2.0. As things currently stand, we project extraordinary expense of € 5 to 10 million in 2018 for FOCUS 2.0, although additional costs cannot be excluded as the program proceeds.

Capital expenditure was stepped up again in 2017, reaching a high level at € 22.2 million. The largest single investment was a real estate transaction at the Bietigheim-Bissingen site. The campus in Shanghai-Qingpu, which went into operation in spring 2017, also received final capital spending.

Application Technology

Application Technology was able to increase order intake by 3.4 % in 2017, exceeding the € 600 million mark for the first time. The division's service business achieved disproportionately strong growth. Demand remained steady at a high level in Europe (excluding Germany) and picked up noticeably in China. The market in North America settled down after its extraordinarily dynamic performance in the previous year, causing orders to decline.

Application Technology also reached a new record in sales. Driven by the high order intake of the previous year, they rose by 10.6 % to € 620.3 million. EBIT declined over the previous year, in which high extraordinary income of € 17.3 million had arisen, but was up in like-for-like terms. The EBIT margin before extraordinary effects came to 10.4 %, down from 10.5 % in the previous year. Application Technology easily reached the EBIT margin target for 2017 (9.5 to 11.0 %).

The Industrial Products segment, which has been addressing the non-automotive market since 2014, posted an increase in sales to € 22 million. However, it continued to operate at a loss at the EBIT level due to start-up costs. In the medium term, the segment, through which we want to address sectors such as glass, ceramics, wood and furniture, offers interesting growth potential.

Capital expenditure came to € 26.2 million and was thus not far off the record figure reported in 2015. This was chiefly due to a real estate transaction in Bietigheim-Bissingen, in which Paint and Final Assembly Systems was also involved.

Clean Technology Systems

Order intake in Clean Technology Systems contracted by 6.1 % in 2017 as a number of orders that had been expected for the second half of the year were delayed. With many projects in the pipeline, however, we expect a substantial improvement in 2018. Sales climbed by 11.0 % to € 185.4 million thanks to the large order backlog. Despite this, EBIT dropped by 44.5 % to € 3.4 million. At 1.8 %, the EBIT margin fell short of the target for 2017 (4.0 to 4.5 %). The unsatisfactory earnings situation was mainly due to persistent losses in energy-efficiency technology business, where low energy prices are placing a damper on demand. We responded to this in the second quarter of 2017 by discontinuing loss-making Dürr thermea GmbH's business in large heat pumps. The business discontinuation costs came to € 5.3 million and were allocated in full to the Corporate Center's EBIT. Further measures for achieving a sustained improvement in earnings are planned.

2.42 – MEASURING AND PROCESS SYSTEMS – KEY FIGURES

€ million	2017	2016	2015	2014
Order intake	531.4	682.5	578.2	577.1
Sales revenues	511.2	623.8	603.7	581.9
Cost of materials (consolidated)	– 185.0	– 208.7	– 206.0	– 187.5
EBITDA	72.6	86.9	79.1	79.3
EBIT	64.9	79.7	69.8	70.3
EBIT margin	12.7 %	12.8 %	11.6 %	12.1 %
Capital expenditure	5.6	9.4	9.5	9.8
Employees (December 31)	2,279	3,010	2,992	3,018

2.43 – WOODWORKING MACHINERY AND SYSTEMS – KEY FIGURES

€ million	2017	2016	2015	2014
Order intake	1,366.3	1,165.3	1,058.4	218.3
Sales revenues	1,223.5	1,082.0	1,039.3	252.8
Cost of materials (consolidated)	– 493.4	– 425.1	– 403.9	– 86.0
EBITDA	123.0	95.9	84.2	6.0
EBIT	85.7	44.9	36.6	– 7.9
EBIT margin	7.0 %	4.1 %	3.5 %	– 3.1 %
Capital expenditure	26.2	24.3	29.7	12.8
Employees (December 31)	6,371	6,126	5,906	5,659

HOMAG Group (Woodworking Machinery and Systems division) was consolidated for the first time on October 3, 2014.

Measuring and Process Systems

Effective March 31, 2017, we sold the Dürr Ecoclean Group (industrial cleaning technology), which had formed part of the Measuring and Process Systems division, to Shenyang Blue Silver Industry Automation Equipment Co., Ltd. With around 850 employees, the Dürr Ecoclean Group had generated sales of just under € 200 million and EBIT of around € 14 million in 2016. The proceeds from the sale of 85 % of Dürr Ecoclean´s business came to € 107.9 million. The book gain of € 23.0 million was allocated to the Corporate Center. The Dürr Ecoclean Group´s results were still included in the figures for the Measuring and Process Systems division in the first quarter of 2017. The figures for 2017 shown in table 2.42 are not fully comparable with the previous year due to the sale of the Ecoclean Group.

The 22.1 % decline in Measuring and Process Systems´ order intake was largely due to the sale of the Ecoclean Group, while the remaining activities (**balancing**, **filling** and **testing technology** **[P. 204]**) held almost steady at the previous year's level. Division sales dropped by 18.1 % due to the sale of Ecoclean, with the remaining activities achieving a single-digit increase in 2017. With EBIT falling by 18.5 %, the EBIT margin amounted to 12.7 % after 12.8 % in the previous year. EBIT from the remaining activities was more or less unchanged, although extraordinary expense arose in the fourth quarter for the realignment of filling technology company Agramkow. Agramkow now concentrates solely on filling equipment for the household appliances industry.

Woodworking Machinery and Systems

The Woodworking Machinery and Systems division comprises the HOMAG Group's activities. In 2017, it posted a sharp 17.2 % gain in new orders, achieving record order intake of € 1,366.3 million. The strong demand was spread over all main market regions, with business proving to be very strong in China, in particular. One important growth driver was the strong demand in the furniture industry for highly automated integrated production lines with batch size 1 capabilities. The book-to-bill ratio was a high 1.1.

EBIT rose by 91.1 % to € 85.7 million in 2017 and thus substantially more quickly than sales. It contained extraordinary expense of only € 8.7 million relating to purchase price allocation for the HOMAG Group, which had been acquired in 2014, down from € 26.3 million in 2016. For this reason, more meaningful conclusions can be drawn from EBIT adjusted for extraordinary effects (operating EBIT). In 2017, operating EBIT climbed by 32.6 % and, hence, more quickly than sales, rising to € 94.4 million. The operating EBIT margin widened from 6.6 to 7.7 %. After extraordinary effects, the EBIT margin came to 7.0 %, up from 4.1 % in the previous year. Earnings would have risen even more sharply had it not been for the fact that the HOMAG Group commenced a large-scale software roll-out at its head office in Schopfloch in December 2017. This roll-out caused delays in the realization of sales and earnings at the end of the year.

FINANCIAL DEVELOPMENT

FUNDING AND LIQUIDITY MANAGEMENT

Our central finance and liquidity management system has two main targets: the optimization of earnings and costs as well as the reduction of financial risks. In addition, its purpose is to achieve transparency concerning the Group's funding and liquidity needs. The principle of our liquidity management is to always have an adequate volume of cash and cash equivalents available in order to meet our payment obligations at any time.

The cash flow from operating activities is our key source of funding. As a rule, debt finance is raised by Dürr AG and made available to the Group companies as required. Liquidity management is another task of Dürr AG. The company organizes a cash pooling system in which – to the extent legally possible – all cash and cash equivalents of the Group are consolidated. Companies located in countries subject to statutory restrictions on capital flows (for instance China, India, and Brazil) largely obtain their funding locally.

The investment of surplus liquidity is governed by a guideline for financial asset management and is the task of Group Treasury. We only choose banks with good credit ratings as our partners. At € 659.9 million, cash and cash equivalents at the end of 2017 were down on the previous year's level by 8.9 %. Their share of total assets amounted to 19.3 % (Dec. 31, 2016: 21.6 %). Total liquidity, which also includes time deposits and securities held to final maturity, amounted to € 798.9 million (Dec. 31, 2016: € 822.6 million).

Systematic **net working capital** **[P. 205]** management allows us to optimize our internal funding capabilities and reduce the volume of resources tied down. This has a beneficial effect on such key figures as our balance sheet structure and **ROCE** **[P. 205]**. For information on the deployment of financial instruments, please refer to the section "Currency, interest rate and liquidity risks as well as financial instruments for risk mitigation purposes" in the **Risk report** **[P. 82]**.

FUNDING STRUCTURE OF THE DÜRR GROUP

As at December 31, 2017, our funding structure comprised the following components:

Bonded loan: Our bonded loan placed in 2016, amounting to € 300 million, comprises three tranches equal in size with maturities of five, seven and ten years and bearing interest at an average of 1.6 % p.a.

Corporate bond: Our corporate bond issued in 2014 for € 300 million in nominal terms has a term to maturity until 2021 and a coupon of 2.875 % (effective interest rate: 3.085 %). Its yield at the end of 2017 was 0.7 %. Early termination is not possible.

Syndicated loan: The syndicated loan with a total volume of € 465 million has likewise been in place since 2014. It comprises a cash line of € 250 million and a guarantee line of € 215 million. It is possible to use the cash line amounting to no more than € 50 million temporarily as a guarantee line. In 2015 and in 2016, we extended the maturity of the syndicated loan (originally agreed until 2019) to 2021.

Leasing: At the end of 2017, liabilities arising from finance leases amounted to € 5.8 million. In addition, there were money and capital market instruments, off-balance sheet financing instruments in the form of operating leases (Dec. 31, 2017: € 89.8 million) as well as forfaiting transactions and early performance under documentary credits (Dec. 31, 2017: € 28.0 million).

Bilateral credit facilities: Their volume as at the 2017 balance sheet date came to € 16.4 million.

On September 30, 2017, we prematurely repaid a real estate loan amounting to € 34.2 million for the Dürr Campus in Bietigheim-Bissingen in order to reduce our interest burden, without having to pay a premature repayment penalty.

2.44 – FINANCIAL LIABILITIES (DECEMBER 31)

€ million	2017	2016	2015
Bond/bonded loan	597.3	596.6	296.9
Liabilities to banks	1.9	35.5	43.2
Liabilities under finance leases	5.8	8.5	10.8
Other interest-bearing liabilities	8.3	13.9	0.0
Total	**613.2**	**654.5**	**350.9**
of which due within one year	3.4	5.3	6.8

As at December 31, 2017, the total volume of all credit and guarantee lines available amounted to € 963.6 million. Of this sum, € 300.6 million was actually utilized. The cash line of the syndicated loan remained unutilized in 2017. In addition to the guarantee line from the syndicated loan, there are additional guarantee lines amounting to € 482.2 million that are made available by insurers and banks.

In 2017, we met the financial covenant of our syndicated loan at every effective calculation date. Interest comprises the refinancing rate with matching maturities plus a variable margin. Further particulars on debt financing are listed in **item 29** **[P. 154]** of the notes to the consolidated financial statements.

POSITIVE FREE CASH FLOW

Whereas the **cash flow from operating activities** was clearly positive in 2017 at € 119.8 million, it remained below the previous year's figure (€ 227.4 million). This was due to an increase in **net working capital** **[P. 205]** by € 171.4 million (2016: € 33.6 million). Within net working capital, the positive balance of payments with our customers decreased by € 117.7 million. The reason for this is that customers from the automotive industry currently tend to make prepayments later. This shift has no consequences for our profitability, however. For 2018, we assume that, if anything, our net working capital will see a slight increase. In addition to the change in net working capital, the operating cash flow in 2017 was characterized by higher provisions (up € 31.8 million); in particular, provisions for orders were substantially increased.

The **cash flow from investing activities**, at € –17.2 million, was only slightly negative (2016: € –116.9 million). The sale of the Dürr Ecoclean Group led to a net cash settlement of € 108.5 million; we immediately invested part of these funds in time deposits. In addition, the cash flow from investing activities was shaped by additional proceeds derived from the sale of assets as well as the outflow of funds for investment in property, plant and equipment as well as intangible assets.

The **cash flow from financing activities** amounted to € –152.2 million (2016: € 192.5 million). It was influenced by the dividend payout as well as by interest payments on the corporate bond and on the bonded loan. An additional factor was the repayment of a long-term real estate loan for the Campus in Bietigheim-Bissingen as at September 30, 2017. In the previous year, the placement of the bonded loan had led to an inflow of funds amounting to € 300 million.

The **free cash flow** was positive at € 14.3 million but lower than the previous year's figure of € 129.9 million. In addition to the cash flow from operating activities, free cash flow also includes interest income and capital expenditure (included in the cash flow from investing activities) as well as interest expenditure (included in the cash flow from financing activities). **Free cash flow** **[P. 205]** reflects the sum total of funding freely available following all expenditure within a given period.

2.45 – CASH FLOW[1]

€ million	2017	2016	2015
Earnings before income taxes	269.9	258.1	244.5
Depreciation and amortization	80.7	88.9	80.5
Interest result	21.6	20.2	25.2
Income tax payments	– 74.8	– 75.3	– 88.6
Change in provisions	31.8	– 18.7	20.6
Change in net working capital	– 171.4	– 33.6	– 137.8
Other	– 38.0	– 12.4	28.6
Cash flow from operating activities	**119.8**	**227.4**	**173.0**
Interest payments (net)	– 17.9	– 15.8	– 10.4
Investment in property, plant and equipment and intangible assets	– 87.5	– 81.6	– 99.8
Free cash flow	**14.3**	**129.9**	**62.8**
Other cash flows	0.6	– 82.8	– 101.2
Change in net financial status	**15.0**	**47.1**	**– 38.4**

[1] Exchange rate effects were eliminated in the cash flow statement. Accordingly, the changes relating to balance sheet line items indicated there cannot be fully reflected in the balance sheet.

2.46 – PERFORMANCE INDICATORS

		2017	2016	2015
Incoming orders	€ million	3,876.0	3,701.7	3,467.5
Sales	€ million	3,715.4	3,573.5	3,767.1
EBIT	€ million	289.6	271.4	267.8
EBIT margin	%	7.8	7.6	7.1
ROCE	%	39.5[1]	41.1[1]	45.3

[1] Adjusted for the effects of the sale of the Dürr Ecoclean Group

2.47 – VALUE ADDED

		2017	2016	2015
Capital employed (Dec. 31)	€ million	726.9	670.6	590.6
ROCE	%	39.5[1]	41.1[1]	45.3
NOPAT	€ million	202.7	190.0	187.5
Weighted average cost of capital (WACC)	%	7.88	7.20	6.98
EVA	€ million	145.5[1]	142.5[1]	146.2

[1] Adjusted for the effects of the sale of the Dürr Ecoclean Group

The **net financial status** **[P. 205]** as at December 31, 2017, amounted to € 191.5 million, reaching the second-best level in Dürr's corporate history. At the end of 2013, it had amounted to € 280.5 million; in the following year it decreased substantially due to the HOMAG Group acquisition. In 2017, the net financial status benefited from the inflow of funds generated by the sale of the Ecoclean Group and was lowered by the dividend outflow amounting to € 72.7 million.

OPERATING PERFORMANCE INDICATORS: INCOMING ORDERS, SALES, EBIT, AND ROCE

The key performance indicators at Dürr are incoming orders, sales, EBIT/EBIT margin and **ROCE** (EBIT to **capital employed** **[P. 205]**). Operating cash flow and free cash flow also play a central role, particularly at Group level. At divisional level, an additional focus is on order margins and net working capital.

We also determine non-financial performance indicators on a regular basis. They support us in the management and long-term strategic orientation of the company. Examples are key figures on employee and customer satisfaction, further training, environment/sustainability and R&D/innovation. However, the non-financial performance indicators do not primarily serve to control the company. Instead, they facilitate extended findings on the situation prevailing within the Group and decision-making on that basis. A detailed analysis of non-financial topics and performance indicators can be found in the **Sustainability** **[P. 38]** chapter and in the non-financial consolidated declaration it contains.

The analysis of incoming orders and the resulting sales enables us to engage in forward-looking capacity planning. Generally, the realization of sales lags behind incoming orders by about 12 months. In 2017, the level of incoming orders, at € 3,876.0 million, exceeded both the original forecast (€ 3,300 to € 3,700 million) and the forecast upgraded in October (€ 3,600 to € 3,800 million). Sales, at € 3,715.4 million, likewise slightly exceeded the target corridor (€ 3,400 to € 3,600 million).

We use EBIT and our EBIT margin to measure our profitability. In 2017, EBIT rose to a new all-time high of € 289.6 million. At 7.8 %, the EBIT margin reached the target range of 7.5 to 8.25 %.

The ROCE shows whether we generate an appropriate return on our capital employed and thus represents the basis for efficient capital allocation. Capital employed takes account of all assets except cash and cash equivalents and financial assets, less non-interest-bearing liabilities. At 39.5 %, in 2017 the ROCE was at the upper end of the target range of 30 to 40 % – a good value in an international peer group comparison. The slight decline in relation to previous years is the result of a somewhat higher level of capital employed.

ROCE (in %) is calculated as follows:

$$\frac{\text{EBIT}}{\text{Capital Employed}} \times 100$$

Economic Value Added (EVA) reflects the value added that a company generates in a financial year. Since 2011, we have managed to achieve a high level of value added, which is also reflected in the performance of the Dürr share. In 2017, we registered a slight increase in EVA. We determine the capital costs as the weighted average cost rate of equity and borrowing costs before taxes (weighted average cost of capital: WACC). In calculating the cost of equity, a beta factor is taken into account,

CONSOLIDATED FINANCIAL STATEMENTS

2.48 – CAPITAL EMPLOYED BY DIVISION

€ million	2017	2016	2015
Paint and Final Assembly Systems	53.1	– 41.5	– 104.4
Application Technology	221.6	190.4	188.3
Clean Technology Systems	60.6	45.0	49.4
Measuring and Process Systems	251.7[1]	330.0[1]	283.8
Woodworking Machinery and Systems	381.4	396.1	413.1

[1] Adjusted for the effects of the sale of the Dürr Ecoclean Group

2.49 – ROCE BY DIVISION

%	2017	2016	2015
Paint and Final Assembly Systems	>100	>100[1]	>100[1]
Application Technology	28.9	40.0	32.3
Clean Technology Systems	5.6	13.6	11.7
Measuring and Process Systems	24.9[2]	24.9[2]	24.6
Woodworking Machinery and Systems	22.5	11.3	8.9

[1] Negative capital employed
[2] Adjusted for the effects of the sale of the Dürr Ecoclean Group

derived from capital market data and the capital structure of peer group companies. The borrowing costs comprise a basic interest rate for quasi-secure bonds and a surcharge determined from the credit rating of comparable peer group companies. The increase in capital costs in 2017 is chiefly attributable to rising market interest rates.

EVA is calculated as follows:

EVA = NOPAT – (WACC x capital employed)

- NOPAT = Net Operating Profit After Taxes/EBIT after fictitious taxes
- WACC = Weighted Average Cost of Capital

The rule relating to the performance indicator **ROCE [P. 205]** is that added value is generated when the return on capital employed exceeds the costs of capital. In 2017, this was the case in four of the five divisions. While the level of **capital employed [P. 205]** at Paint and Final Assembly Systems was higher than in previous years, the ROCE still reached a value in excess of 100 %. In the Application Technology, Measuring and Process Systems as well as Woodworking Machinery and Systems divisions, the ROCE ranged from 20 to 30 %. This is considered a very good score in the mechanical engineering segment. In the Application Technology division, ROCE declined since EBIT had been influenced by high extraordinary income generated in the previous year. In the Clean Technology Systems division, the low level of ROCE was due to the unsatisfactory earnings situation. Based on the enhancement measures initiated, the division's ROCE is likely to exceed the capital costs again as early as 2018.

EQUITY RATIO JUST UNDER 27 %

As at December 31, 2017, total assets were up by 1.9 % or € 63.2 million on the previous year, even though exchange rate fluctuations had a reducing effect on property, plant and equipment, and inventories as well as cash and cash equivalents. Due to the sale of the Dürr Ecoclean Group, there was a disposal of assets amounting to € 161.4 million, which was partly offset by the proceeds of the sale (€ 107.9 million). In addition, we hold 15 % of the shares in the successor company, SBS Ecoclean GmbH. The SBS Group has announced to take over these shares in 2018, exercising a call option granted. We do not anticipate any further book gain from the sale of the shares to SBS Ecoclean.

The decisive factor for the increase in total assets, above all, was growth in current assets resulting from higher inventories and receivables. As already described in the cash flow discussion, the prepayment behavior of our customers from the automotive industry has changed. However, this merely led to payments being postponed by several months; a further substantial increase in **net working capital [P. 205]** is not expected from today's perspective. Adjusted for exchange rate fluctuations, net working capital in 2017 was up by € 171.4 million, to reach € 362.1 million. Cash and cash equivalents at the end of 2017 came to € 659.9 million (Dec. 31, 2016: € 724.2 million). Total liquidity, which also includes time deposits and securities held to maturity, was only slightly lower at € 798.9 million than at the end of 2016 (€ 822.6 million).

The acquisitions of companies and equity interests in 2017 had no material effect on the balance sheet. An overview of these transactions is contained in the section "Portfolio changes" in the chapter **The Group at a glance [P. 21]**.

2.50 – KEY BALANCE SHEET FIGURES

		2017	2016	2015
Net financial status (Dec. 31)	€ million	191.5	176.5	129.4
Net financial liabilities in relation to EBITDA		-	-	-
Gearing (Dec. 31)	%	– 26.9	– 27.0	– 22.1
Net working capital (NWC) (Dec. 31)	€ million	362.1	194.4	236.8
Days working capital	days	35.1	27.2	22.6
Inventory turnover	days	42.4	40.4	37.0
Days sales outstanding	days	46.8	47.3	51.9
Equity assets ratio (Dec. 31)	%	81.5	73.8	60.4
Asset coverage (Dec. 31)	%	152.5	148.8	109.9
Asset intensity (Dec. 31)	%	32.5	33.6	39.6
Current assets to total assets (Dec. 31)	%	67.5	66.4	60.4
Degree of asset depreciation	%	36.1	34.3	32.1
Depreciation expense ratio	%	6.5	6.7	6.4
Cash ratio (Dec. 31)	%	38.4	43.3	26.4
Quick ratio (Dec. 31)	%	93.1	89.8	80.8
Equity ratio (Dec. 31)	%	26.5	24.8	23.9
Total assets (Dec. 31)	€ million	3,411.8	3,348.5	2,986.7

2.51 – NON-CURRENT AND CURRENT ASSETS (DEC. 31)

€ million	2017	% of total assets	2016	2015
Intangible assets	592.7	17.4	611.1	648.9
Property, plant and equipment	408.4	12.0	394.6	394.7
Other non-current assets	107.8	3.2	119.6	138.4
Non-current assets	**1,109.0**	**32.5**	**1,125.3**	**1,182.0**
Inventories	437.7	12.8	381.1	386.7
Trade receivables	941.1	27.6	779.4	895.8
Cash and cash equivalents	659.9	19.3	724.2	435.6
Other current assets	264.1	7.7	338.6	86.5
Current assets	**2,302.8**	**67.5**	**2,223.2**	**1,804.6**

2.52 – EQUITY (DEC. 31)

€ million	2017	% of total assets	2016	2015
Subscribed capital	88.6	2.6	88.6	88.6
Other equity	800.5	23.5	720.9	608.5
Equity attributable to shareholders	**889.1**	**26.1**	**809.5**	**697.1**
Non-controlling interest	14.6	0.4	21.4	17.3
Total equity	**903.7**	**26.5**	**831.0**	**714.4**

2.53 – CURRENT AND NON-CURRENT LIABILITIES (DEC. 31)

€ million	2017	% of total assets	2016	2015
Financial liabilities (incl. bond)	613.2	18.0	654.5	350.9
Provisions (incl. pensions)	193.7	5.7	165.1	185.7
Trade payables	1,027.1	30.1	982.5	1,046.1
of which prepayments received	648.9	19.0	648.1	647.0
Income tax liabilities	50.4	1.5	40.3	41.7
Other liabilities (incl. deferred taxes, deferred income)	623.6	18.3	675.2	647.8
Total	**2,508.1**	**73.5**	**2,517.6**	**2,272.2**

Equity as at December 31, 2017, was up by € 72.7 million, to reach € 903.7 million. After-tax earnings were the main factor in this respect. Offsetting effects resulted from the dividend payment (€ 72.7 million) and from currency translation losses relating to assets (€ 38.4 million). The equity ratio rose from 24.8 % at the previous year's effective date to 26.5 %; our medium-term target is 30 %.

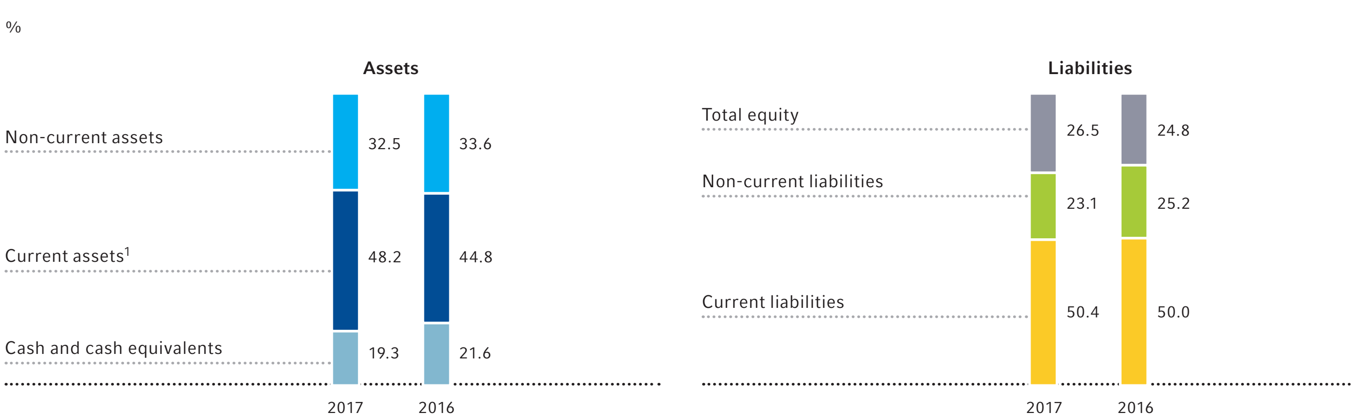
On the liabilities side, as at the end of 2017 the level of other financial liabilities saw a substantial decline. As at September 30, 2017, we prematurely repaid a real estate loan amounting to € 34.2 million for the Dürr Campus in Bietigheim-Bissingen. Trade payables, amounting to € 1,027.1 million, remained the biggest single item on the liabilities side. Customer prepayments included in this line item reached € 648.9 million at the end of 2017, matching the previous year's level. Due to a slightly higher discount rate, pension provisions declined to € 49.8 million (Dec. 31, 2016: € 51.8 million). In the category of other provisions, higher order provisions led to an increase of € 30.7 million, to € 143.9 million. Financial liabilities, at € 613.2 million at the end of 2017, turned out significantly lower than total liquidity (€ 798.9 million).

HIDDEN RESERVES / FAIR VALUES

Hidden reserves at Dürr – measured in terms of market capitalization (Dec. 31, 2017: € 3,686.7 million) and total assets (Dec. 31, 2017: € 3,411.8 million) – are of minor significance. Similarly, the difference between fair values and book values is also low.

We generally report the book values of assets and liabilities at amortized cost of acquisition or manufacture; in the process, lower-of-cost-or-market tests are taken into account. Customer-specific construction contracts are reported in accordance with the percentage-of-completion (POC) method. Financial derivatives, financial assets held for trading, obligations arising from options held by non-controlling shareholders, and liabilities from contingent purchase price installments are measured at their fair value. Explanatory notes on determining the book

2.54 – ASSET AND CAPITAL STRUCTURE (DEC. 31)



[1] excluding cash and cash equivalents

value of financial instruments are provided in **item 33 [P. 157]** in the notes to the consolidated financial statements.

Property, plant and equipment may develop hidden reserves, especially in the case of land and buildings. Schenck Technologie- und Industriepark GmbH in Darmstadt is worthy of mention in this regard. According to our assessment, its fair value exceeds the book value by a sum in the double-digit million euro range. Uncapitalized R&D costs are taken into account under R&D expenditure. They also concern the expenditure for patents amounting to € 7.3 million (2016: € 6.8 million). The value of our 6,107 patents is difficult to quantify.

The fair value of all financial assets accounted for at amortized cost exceeds their book value by € 0.1 million; the difference exists in financial investments held to final maturity. On the equity and liabilities side, the reported book values of liabilities are lower than their fair values in the following cases: the bond, the liabilities arising from finance leases, and the valuation of liabilities arising from options. In the case of the bonded loan, the book value exceeds its fair value. In all cases indicated, the difference amounts to less than 1 % of total assets (see **item 33 [P. 157]** in the notes to the consolidated financial statements).

INVESTMENTS EXPANDED

Investments (excluding acquisitions) were up by 7.4 % in 2017, reaching € 88.0 million. The biggest single investment was a real estate transaction in Bietigheim-Bissingen. Final investments were also made for the campus in Shanghai-Qingpu.

Investments in licenses, software and other intangible assets reached € 22.4 million, down year-on-year by 8.5 %. IT investments will remain a key focal point – particularly in the field of the **Industrial Internet of Things/Industry 4.0 [P. 204]**. Investments in property, plant and equipment were up by 14.2 %, to € 65.6 million. Just under three-quarters of these were accounted for by replacement investments and over a quarter by extension investments.

Investments in equity interests increased in fiscal 2017, from € 13.6 to € 15.3 million. As in the previous year, we only made a number of minor rounding-off acquisitions. Explanatory notes on the company Test Devices Inc. (TDI), acquired in the United States, and on the increase in the equity interest in Benz GmbH Werkzeugsysteme are listed in the chapter entitled **The Group at a glance [P. 21]** under the subheading "Portfolio changes". This chapter as well as the **Strategy [P. 29]** chapter also contain detailed information on the joint venture ADAMOS GmbH, which we established in collaboration with other mechanical engineering companies and Software AG to expedite and intensify the digitization of production processes.

The cash flow from operating activities covered the level of investments (including acquisitions), as in the previous year. Total liquidity reached a comfortable level of € 798.9 million, down on the previous year by only 2.9 %. The cash flow and high volume of financial resources are likely to cover the operating financing needs in 2018 again without any problems. Where necessary, we can resort to the cash line under the syndicated loan.

Payment obligations from operating leases amount to € 26.2 million in 2018 (2017: € 26.9 million). Minimum payments under finance leases total € 1.6 million; in addition, obligations to acquire property, plant and equipment exist to an extent of € 3.4 million. The volume of financial debt maturing in 2018 is low, amounting to € 3.4 million.

2.55 – INVESTMENTS[1] AND DEPRECIATION / AMORTIZATION[2]

€ million	2017	2016	2015
Investments in property, plant and equipment	65.6	57.4	75.2
Investments in intangible assets	22.4	24.5	27.0
Equity investments	15.3	13.6	42.0
Depreciation and amortization	– 80.7	– 88.9[3]	– 80.5

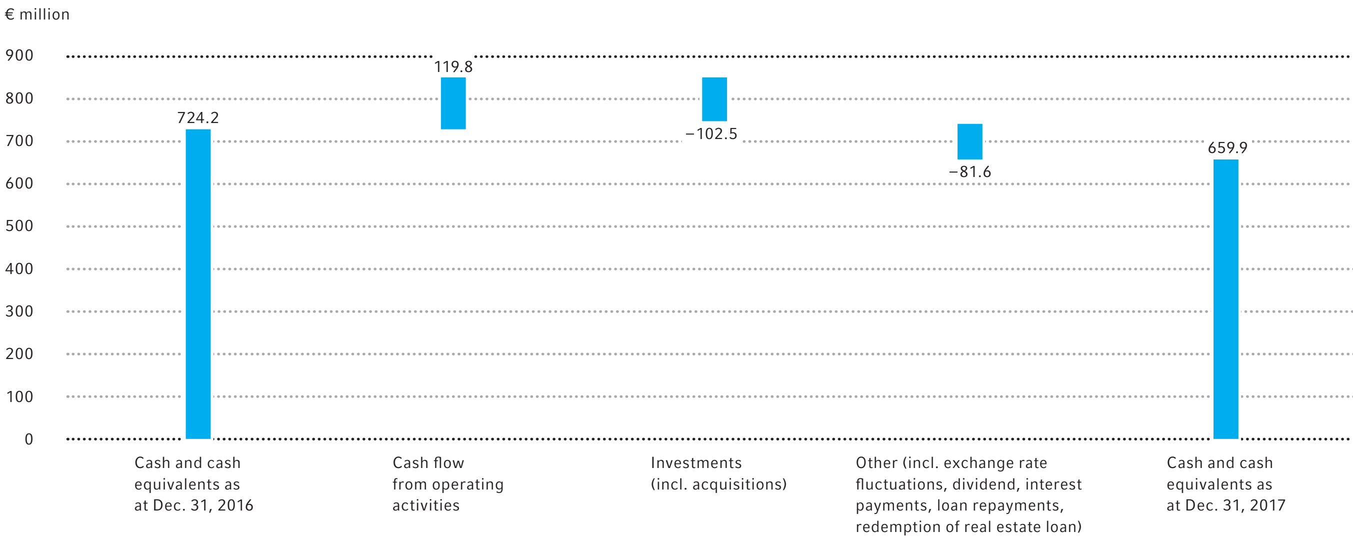
[1] The capital expenditures in this overview deviate from the figures in the statements of cash flows according to IFRS.
[2] Including impairment losses and reversals. Depreciation and amortization taken into account in net interest expense is not included.
[3] Including € 11.1 million in extraordinary write-off of brand rights

2.56 – INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT: REPLACEMENT AND EXTENSION INVESTMENTS

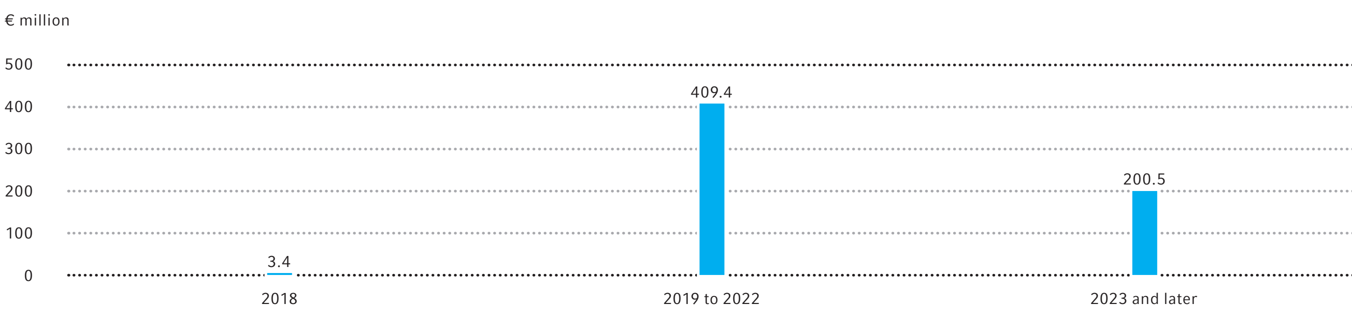
€ million	2017	2016	2015
Replacement investments	47.7	29.5	31.8
Extension investments	18.0	28.0	43.4
Investments in property, plant and equipment	65.6	57.4	75.2

CONSOLIDATED FINANCIAL STATEMENTS

2.57 – LIQUIDITY DEVELOPMENT



2.58 – MATURITY STRUCTURE OF FINANCIAL LIABILITIES



OFF-BALANCE SHEET FINANCING INSTRUMENTS AND OBLIGATIONS

Off-balance sheet financing instruments and obligations are in an appropriate ratio to the volume of business, accounting for roughly 3 % of total assets in 2017. At the end of 2017, the volume of off-balance sheet financing instruments and obligations totaled € 127.6 million (excluding obligations from procurement contracts), up slightly year-on-year (Dec. 31, 2016: € 120.4 million, including sales of accounts receivable). Future minimum payments arising from operating leases declined to € 89.8 million (Dec. 31, 2016: € 104.6 million). Operating leases are the most important off-balance sheet form of financing employed by Dürr. In 2017, sales of accounts receivable (forfaiting, premature settlement of documentary credits) increased from € 5.1 million to € 28.0 million but remained at a low level. The guarantees utilized, amounting to € 143.3 million, primarily comprise credit guarantee and suretyship contracts and do not represent off-balance sheet financing instruments.

Off-balance sheet financing instruments reduce the volume of total assets and improve certain key capital ratios. Their volume is reasonable in relation to the business volume. If we did not use operating leases or sales of accounts receivable, our total assets would rise by a good 3 % and the equity ratio would decline by about 1 percentage point. The earnings structure would likewise change: EBIT would rise by roughly the same amount by which the interest result would decline. The impact on after-tax earnings is therefore only slight.

EVENTS SUBSEQUENT TO THE REPORTING DATE

effective January 1, 2018, Mr. Karl-Heinz Streibich was appointed Chairman of the Supervisory Board of Dürr AG. His predecessor, Mr. Klaus Eberhardt, resigned from his mandate as Chairman and as a member of the Supervisory Board at the end of 2017. Mr. Streibich is CEO of Software AG and has been a member of the Supervisory Board of Dürr AG since 2011. Dr. Rolf Breidenbach was appointed by court as a new member of the Supervisory Board, likewise as at January 1, 2018. Dr. Breidenbach, President and CEO of HELLA GmbH & Co. KGaA, will stand for election at the annual general meeting scheduled for May 9, 2018.

On February 2, 2018, Dürr Technologies GmbH notified the Schuler/Klessmann group of shareholders that it would exercise its call option granted for the acquisition of 7.05 % of the shares in HOMAG Group AG. The transfer of the shares to Dürr Technologies GmbH is expected to take effect at the end of the first quarter of 2018. The purchasing price per share amounts to € 25, resulting in a total purchasing price of € 27.7 million. Due to this transaction, the share held by Dürr Technologies GmbH in the capital stock of HOMAG Group AG will rise to 63 %. The stock acquisition will reduce the level of interest expenditure arising from the domination and profit and loss transfer agreement with HOMAG Group AG.

REPORT ON RISKS, OPPORTUNITIES AND EXPECTED FUTURE DEVELOPMENT

RISKS

Opportunities and risks are involved in all entrepreneurial activities. Our strategy is to control and reduce risks in such a manner that opportunities predominate. To this end, we make use of an effective risk management system.

DÜRR'S RISK MANAGEMENT SYSTEM

Scope of application

Dürr's risk management system is deployed throughout the Group. It has existed in its fundamental structure since 2008 and has since been continually adjusted to new requirements. In 2017 it essentially remained unchanged.

Objectives

Our risk management system is tailored to the requirements of the mechanical and plant engineering business. In this way, we are able to record, analyze and – where possible – evaluate risks systematically and uniformly. This enables us to adopt effective countermeasures at an early stage. We document all specific risks to the extent that these are identifiable and specific to an adequate degree. General risks with a low level of probability of occurring, such as natural disasters, are not recorded. We also document and evaluate our opportunities; the relevant information is contained in the **Opportunities report** **[S. 90]**.

Methods and processes

The risk management system covers all essential business and decision-making processes. We promote open dealings with risks and encourage employees to report any misdirected developments at an early stage.

The risk management process takes account of all risks of the participating companies. The central risk management team at Dürr AG initiates the nine-stage process every six months. The centerpiece of this standard risk cycle is the risk inventory of the Group's companies. In this process, individual risks are identified, evaluated and consolidated, i.e. classified into 15 specific risk fields (chart 2.59). The risk fields cover our management, core and support processes as well as external risk areas.

The evaluation of individual risks is carried out by the risk managers of the operating units and of Dürr AG. In doing so, they use the risk management manual as well as risk structure spreadsheets. The evaluation process consists of three stages: first of all, the damage potential is calculated, i.e. the maximum impact on EBIT that can result from a risk in the following 24 months. Next, we assess the likelihood of specific risk scenarios turning into reality. In a third step, the effectiveness of possible countermeasures is examined and evaluated with a risk-reducing factor.

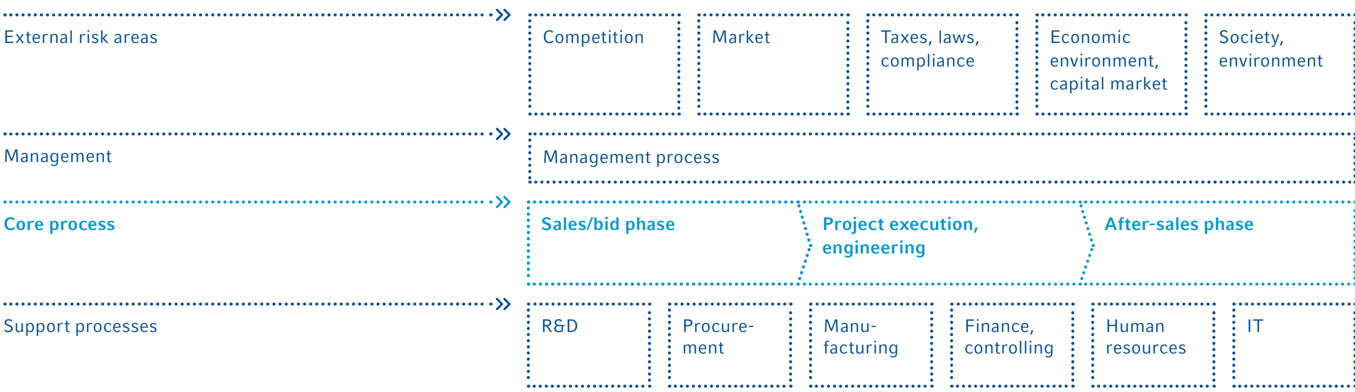
The bottom line is the net risk potential, i.e. the net EBIT risk that remains after taking account of the probability of occurrence and the effectiveness of suitable countermeasures. The lower the probability of occurrence and the higher the effectiveness of countermeasures, the more sharply the net EBIT risk declines. The net EBIT risks of the 15 risk fields are calculated from the sum total of net EBIT risks of all individual risks assigned. Depending on the extent of its net EBIT risk, each risk field is assigned to one of the following categories:

- Very low (≤ € 5 million)
- Low (> € 5 million to ≤ € 20 million)
- Medium (> € 20 million to ≤ € 40 million)
- High (> € 40 million)

The net EBIT risks of all risk fields are totaled to produce the Group's entire potential risk exposure. Portfolio and correlation effects are not taken into consideration in this process.

The Group companies and divisions prepare their risk reports after the risk inventory has been completed. These reports constitute the basis for the Group risk report, in which the risk management team at Dürr AG provides information on individual risks and the overall risk. Following an analysis by the Board of Management and the Dürr Management Board, the Group risk report is forwarded to the Audit Committee of the

2.59 – DÜRR'S RISK FIELDS



Supervisory Board. The Audit Committee Chairman presents a statement in this regard to the Supervisory Board.

Acute risks are reported directly to the Board of Management and the heads of the relevant divisions. The risk managers of the Group, divisions and Group companies are responsible for identifying, evaluating, controlling and monitoring risks as well as for reporting; in most cases, these are the heads of the Controlling departments. The Internal Auditing department is also involved in this process.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM / RISK MANAGEMENT SYSTEM FOR THE ACCOUNTING PROCESS AT DÜRR

The internal control system (ICS) and/or the risk management system (RMS) for the accounting process are elements of Dürr's risk management system. It comprises all rules, measures and processes that guarantee the reliability of financial reporting to an adequate degree of certainty and ensure that the financial statements of the Group and its companies are prepared in conformity with the IFRS. The Board of Management bears the overall responsibility for ICS/RMS and has set up a managerial and reporting organization to this end, covering all organizational and legal units of the Group. Monitoring of the ICS/RMS is the task of the Internal Auditing department.

The internal control system takes account of the specific features of Group accounting. The key instruments as well as control and backup routines for the accounting process are as follows:

- Dürr AG's accounting guideline, which defines the accounting process at the level of individual companies and at Group level. It is updated on a regular basis by Group Accounting and covers all IFRS rules and regulations of relevance. Supplementary internal accounting standards describe, for example, the processes of reconciliation of intercompany transactions for goods and services delivered.

- In a multi-stage validation process, we carry out samplings, plausibility checks and other control measures with regard to financial accounting. The operating companies, divisions as well as Group Controlling, Group Accounting and the Internal Auditing department are involved. The controls relate to various areas, such as reliability and appropriateness of the IT systems, completeness of provisions or evaluation of customer-specific construction orders. The results of all material control measures are systematically documented, recorded by the Dürr AG risk management team, and sent to the Audit Committee of the Supervisory Board. Following an in-depth inspection of the documented results, the Chairman of the Audit Committee reports to the Supervisory Board.

- All material Group companies document their own internal controls with which they ensure reliable and factually correct financial reporting. The documentation created within the scope of Dürr's ICS/RMS is deposited and forwarded to Group Accounting. The Internal Auditing department verifies the existence and effectiveness of the documented measures and instruments.

- Our ERP system and the consolidation system automatically verify booking processes and ensure that individual facts and circumstances are duly assigned to the correct balance sheet line items. In addition, we carry out manual audits.

- Only a select group of employees has access to the consolidation system. Access to all data is reserved to only a few employees from Group Accounting and Group Controlling. All other users' access is confined to the data of relevance for their specific activities. Data entered at the level of the Group companies must be checked in a two-stage process – initially by the Controlling department of the division responsible and then by Group Accounting.

- Commercial processes that trigger booking entries in the consolidation system are subject to the "four-eyes principle". Invoices must be signed off by the division head, managerial staff or the Board of Management, depending on the invoice amount.

In order to avoid risks and ensure unobjectionable financial statements, we deal carefully with key regulations and new developments in the field of accounting and reporting. Particular weight is assigned to accounting for construction orders using the percentage-of-completion (POC) method, the impairment test of goodwill as well as the reliability of qualitative statements in the management report and corporate governance report.

Within the scope of the ICS/RMS, we provide regular training sessions for employees of our finance departments, for instance in the application of accounting standards, accounting rules and IT systems used in accounting. In the case of corporate acquisitions, we adjust the accounting processes without delay and familiarize new employees with all the relevant processes, content and systems.

OVERALL RISK SITUATION

At the end of 2017, the Group's overall risk potential came to about € 200 million (2016: approx. € 180 million). In view of the growth in sales and incoming orders, we consider this moderate increase appropriate. This included the net risk potential of 254 individual risks evaluated. Measured in terms of the business volume and general economic situation, we consider the total risk potential adequate and well manageable. Risks that might endanger the Group's continued existence as a going concern, whether separately or in combination with other risks, are not discernible from today's perspective.

The "Market" field remained the most significant risk field, with the net risk potential increasing due to rising pressure on margins in paint shop construction for the automotive industry. In second place was the risk field "Economic environment/capital market", while the "Finance/controlling" field moved from second to third position. In the group of the larger risk fields, the percentage-based increase in risk potential was highest in **Procurement** **[P. 37]**. The reasons for this were the growing volume of business and the associated high utilization of suppliers, especially in Woodworking Machinery and Systems.

RISK FIELDS AND SIGNIFICANT INDIVIDUAL RISKS

Economic environment

The risks arising from the economic environment increased in 2017. The conflict between North Korea and the United States and the unstable situation in the Middle East have had an adverse impact on the business climate. Moreover, uncertainties remain concerning the economic policy course pursued by the United States. The US tax reform adopted at the end of 2017 is likely to have a positive effect on our tax expenditure. Uncertainty factors in Europe are the threat of terrorism, public-sector debt and nationalist policy in Turkey and parts of Eastern Europe. The uncertainties in connection with Brexit represent a latent cyclical risk. However, the United Kingdom is a relatively small market for us. Only 2 % of sales and 1 % of assets are booked in pounds sterling.

In China, GDP growth has stabilized within a bandwidth of 6 to 7 % p.a. Accordingly, a serious economic slowdown is not anticipated at this time. If this did happen, it would have a substantial adverse impact on the Group's sales and earnings.

Phases of cyclical weakness in smaller markets can be offset relatively well by our balanced regional distribution of business activities. Cyclical fluctuations have a comparatively late effect on Dürr as our plant engineering business is characterized by long-term investment decisions by the automotive industry. In the early-cycle mechanical engineering business, cyclical fluctuations are noticeable earlier.

Capital market

An economic crisis or a renewed breakout of the EU sovereign debt crisis might cause tremors on the capital markets and render new financing activities more expensive. However, we do not perceive any financing needs in the near future. We assess a hostile takeover of Dürr AG as relatively remote since

2.60 – RISK FIELDS AND NET RISKS

RISK FIELD	NET RISK			
	Very low (≤ € 5 million)	Low (> € 5 million to ≤ € 20 million)	Medium (> € 20 million to ≤ € 40 million	High (> € 40 million)
• Economic environment/capital market			●	
• Sales/bid phase	●			
• Project execution/engineering			●	
• Taxes, laws, compliance		●		
• Market			●	
• Research & development		●		
• Competition		●		
• Procurement			●	
• Human resources		●		
• IT	●			
• Manufacturing	●			
• Society/environment	●			
• After-sales phase	●			
• Finance/controlling			●	
• Management process	●			

the Dürr family owns 28.8 % of the company's shares. In accordance with the domination and profit and loss transfer agreement with HOMAG Group AG, the external shareholders of the HOMAG Group receive a cash dividend of € 1.01; in addition, we have made them a cash compensation offer amounting to € 31.56 per share. A number of outside shareholders of the HOMAG Group have initiated proceedings to have the extent of the guaranteed dividend and cash compensation appraised by a court of law. If the court considers higher amounts to be appropriate, this would lead to increased expenditure.

Operating risks: sales/bid phase

In a phase of high competitive intensity, we may not be able to achieve our margin targets in negotiating for contract awards. When performing order calculations, there is potential for incorrect cost assessments. To prevent this, we obtain current market prices on the procurement side and have our calculation assumptions reviewed internally. Our sales position in the individual markets is good in most cases. Woodworking Machinery and Systems has limited contact with end customers in China as sales activities take place via a partner company in which the HOMAG Group has a minority equity interest. However, collaboration with the sales partner is being systematically intensified.

Operating risks: project execution/engineering

Should we fail to meet deadlines or other commitments in order execution, this may lead to additional costs. We assess this risk as controllable since our capacities are adjusted in line with our volume of business. Moreover, thanks to standardized products and processes, we are in a position to handle numerous large projects in tandem. We take precautions to prevent technical or logistical problems in the case of large projects by maintaining a tightly-knit supplier monitoring system and performing regular project reviews. Within the HOMAG Group, the margin-oriented execution of large projects constitutes a key emphasis of the FOCUS optimization program.

Taxes, legislation, compliance and compliance management system

We must observe different national legal norms. To prevent violations, we cooperate with local legal experts and train our employees accordingly. New trade barriers and legislation may increase our costs and reduce our sales opportunities. Changes under tax law may lead to higher tax payments and affect our tax assets and receivables; in addition there is a risk of uncertainty when interpreting the underlying tax legislation. The US tax reform is likely to have a positive effect on our tax expenditure.

Material legal risks are warranty claims, claims for damages in cases of production failures and patent disputes. If we fail to meet our contractual obligations in performing our services, we may be liable to penalties. Before making any contractual representations and warranties, we study what liability-related consequences we may face. We rule out any claims that we cannot fulfill on principle. No extraordinary legal disputes are pending at present.

Compliance violations may lead to criminal prosecution, liability risks and image loss. We are not aware of any serious violations at this time. We protect ourselves with the aid of an effective compliance management system. This is reviewed on a regular basis and comprises all activities with the objective of ensuring that all employees in daily operations behave in conformity with the relevant rules and high ethical requirements. It governs the responsibilities, communication channels and measures in three central fields of activity that are closely synchronized with one another: prevention and early detection of, and response to, compliance violations. In this way, the compliance management system supports employees in preventing contraventions and associated risks of liability and criminal convictions. A description of the system's main features can be found on our website in the Investors/Corporate Governance section.

Market

The automotive industry has substantial investment needs in the field of electromobility, autonomous driving and connectivity. This might lead to a reduction in investments relevant for us in the field of production technology. However, we do not anticipate a slump, since the development of new technologies calls for carmakers to have access to high cash flows from business with conventional vehicles. This requires them to continue to invest appropriately in efficiency-enhancing production technology. A further factor is that the trend toward e-mobility also generates additional business opportunities for us. Information on this can be found in the **Opportunities report** **[P. 90]**.

In the automotive business, dependency risks may arise due to the fact that there are few carmakers worldwide. In 2017, we generated 31.1 % of our sales in business with the ten largest customers. Outside the automotive industry there are low dependency risks since our customer base is very wide.

Our markets are characterized by constant price pressure, which we counteract with innovations, process optimizations and cost controls. We assess the risk of losses on receivables as moderate. Our volume of receivables is limited; moreover, a large proportion of receivables outstanding are offset by prepayments from customers. A high volume of receivables exists in particular from carmakers with strong credit ratings. New producers of electric vehicles are entering the market, especially in China. Before engaging in projects with such new producers, we analyze their credit ratings thoroughly. We carefully monitor receivables from customers without an investment grade rating. Defaults in receivables at customers cannot be ruled out, and this might have a negative impact on us.

We follow the development of new products, technologies and business models in our industry segments very closely. No menacing trends are discernible. Disruptive technologies in the automotive sector, such as electromobility and autonomous driving, have not led to lower demand for painting, assembly and **testing technology** **[P. 204]**. Instead, the level of demand in final assembly technology is likely to rise since the assembly of electric cars in some cases calls for new methods to be deployed. Autonomous driving increases the need for testing technology used for sensors and driver assistance systems. In the field of painting technology, there are no serious substitution risks as there still are no alternatives to aluminum, steel and plastics in large-scale serial car body production. Composite materials deployed as a weight reduction strategy also need to be painted by conventional means. Wood and chipboard continue to dominate in furniture production; for this reason the HOMAG Group is not exposed to any major substitution risks.

In the course of digitization, we will need to make top-performing software and IT solutions available to our customers. Should we fail to do so, competitors from the software industry could come between us and our customers with offers of their own. Thanks to ADAMOS, LOXEO, tapio and other smart offerings, however, we are well prepared to defend our market position. Moreover, as suppliers of machinery and plant technology, we know our customers' production processes better than rivals who are new to the industry.

Strategic risks in the emerging markets

The high business share in the emerging markets (48.0 % of sales) entails specific risks of the following kinds:

- Cultural and language barriers, insufficient knowledge of suppliers, customers and market customs, and specific legal and general political parameters may give rise to disadvantages.

- The level of staff turnover in countries like China and India is higher than in Germany. Attractive remuneration, our world market leadership and targeted career planning strategies help us retain top-performing employees.

- Product and brand piracy is more prolific in the emerging economies than in the established markets. Core technologies are secured by patents; due to their complexity, equivalent copies cannot be easily produced

- Our local product development ensures that regional customer requirements are duly taken into account. This reduces the acceptance risks for new solutions.

Strategy risks: acquisitions/new fields of activity

When making corporate acquisitions, future sales, earnings and synergies may turn out lower than planned. We hedge this risk by means of due diligence audits and integration plans.

Risks in developing new fields of business are misguided estimates of resources deployed, customer requirements and price targets, as well as the development of demand, markets and competition. Moreover, problems may arise in the field of technology development. Such misguided estimates and problems may increase the risk of impairment on investments, book values of equity interests and capitalized development costs. Development of the field of energy efficiency, in operation since 2011, also remained behind our expectations in 2017.

R&D and product liability risks

With innovations, there is a risk that we may not be able to absorb our development costs through our product prices. To avoid market acceptance risks, we analyze demand accurately, engage pilot customers in our projects and develop products with a high return on investment. This also reduces the risk of impairment charges on capitalized development costs. In energy-efficiency technology, there are impairment risks due to unsatisfactory business trends.

We review the patent situation to ensure that no products violate any intellectual property rights of third parties. To prevent product liability cases, we ensure that our products are in conformity with occupational health and safety regulations and take out appropriate insurance policies.

Competition

In view of our high market share, some customers are deliberately placing their orders with smaller-sized competitors. This may make our price targets difficult to achieve. Some local competitors undercut our prices. We counter this by increasing value added locally and by protecting our technology lead through innovations.

In the paint shop business with the automotive industry, the levels of competition and pressure on margins have been rising. The main reason for this was the price-aggressive behavior of a competitor from Germany. This resulted in a reduced level of margins on incoming orders in 2017. This is likely to be felt in the earnings of Paint and Final Assembly Systems in 2018. Further particulars are listed in the chapter entitled **Expected future development [P. 92]**.

We are not aware of any rival products that could endanger our market position. We can respond to innovations by competitors with development projects of our own. We are not aware of any looming business combinations or merger plans of competitors.

In some markets, we have registered an above-average level of competitive intensity. In no key market are we systematically discriminated against by the public sector in relation to domestic competitors. In certain markets, a few customers prefer to cooperate with domestic suppliers of production technology.

Procurement and manufacturing

Our large volume of business may lead to bottlenecks among our suppliers. This applies in particular to the Woodworking Machinery and Systems division. To mitigate availability and price risks, we enter into framework agreements with preferred suppliers and pool our procurement volumes. Dependency on individual suppliers is low, apart from a few exceptions.

Quality issues or delays may arise with suppliers, particularly in the emerging markets. To avoid this, we rely on careful selection and control of suppliers. Moreover, we have reduced our dependency on suppliers by expanding our own production. We are often unable to pass rising supplier prices on to our customers in full. The insolvency risk of suppliers is low in most countries.

Human resources

We hire external temporary workers to avoid risks of capacity bottlenecks. In Germany, their deployment has been subject to new statutory regulations with effect since April 1, 2017. These provide inter alia for a maximum temporary working period and an equal pay principle. The new regulation has raised the costs of hiring temporary workers.

As we have numerous highly qualified employees, know-how losses may be incurred when they leave our company. For this reason, we distribute special skills across a number of persons and promote knowledge transfer by means of appropriate documentations, training sessions, mentoring programs and our intranet.

In view of the low numbers of graduates in MINT subjects (mathematics, informatics, natural sciences, technology), bottlenecks may occur in personnel recruitment. This risk is increasing due to digitization and the growing demand for appropriately skilled employees. To counteract this, we rely on long-term career planning for experts as well as on personnel and university marketing, vocational training and cooperative state university courses.

The level of wages and salaries is rising comparatively fast in the emerging markets. This increases our costs in these countries.

We have, to some extent, outsourced pension obligations to external pension funds in which other enterprises also participate. Should one of these companies file for insolvency, this would give rise to the risk of co-liability for its retirement benefit commitments. Accordingly, we regularly monitor the financing status of the pension funds and the economic performance of the participating companies.

IT and management processes

Digitization causes increasing IT risks such as data loss, hacking and virus attacks. We protect ourselves by means of a Group-wide IT security organization and a robust IT infrastructure, equipped with state-of-the-art firewalls and antivirus programs. We use back-up servers, redundant data lines and uninterrupted power supply units to prevent any outages. We rate our risk of hacker attacks and data theft as normal for the industry in which we operate.

We are increasingly exposed to attempted cyber fraud attacks by computer and data manipulations. This has only led to minor losses to date – partly because we have introduced additional security measures and technologies. Examples are stricter authentication standards in electronic payments, security certificates for email messages, secure smartphones and the exclusive use of secure banking connections. In addition, we regularly draw our employees' attention to typical fraud practices.

Incorrect assignment of IT access privileges gives rise to the risk of data being read or manipulated by unauthorized persons. We protect ourselves by restrictive assignment of rights. Reading and editing rights regarding sensitive data are assigned only to employees who absolutely depend on them to perform their work.

Environment, occupational health and safety

We counter the risk of accidents at work by ensuring comprehensive safety standards and procedures described in our health & safety guideline. Employees receive regular safety training and instructions; in addition, we cooperate with our customers in order to guarantee safety at work on construction sites. In the field of emission protection, we follow statutory regulations, internal guidelines and the parameters of certification systems. Any materials or substances posing health or environmental hazards are only used on a restricted scale, such as when carrying out tests in painting technology.

CURRENCY, INTEREST RATE AND LIQUIDITY RISKS AS WELL AS FINANCIAL INSTRUMENTS FOR RISK MITIGATION PURPOSES

Currency, interest rate and liquidity risks are explained in detail in **item 39** **[P. 173]** of the notes to the consolidated financial statements. Management of such risks is governed by a Group-wide guideline. The top corporate body in this area is the Financial Risk Committee consisting of the Chief Financial Officer, the heads of Group Controlling and Group Treasury as well as the financial officers of the divisions. This body discusses strategic financial issues and prepares resolutions for the Board of Management.

Hedging currency risks

We use financial instruments for hedging purposes. In most cases these are forward exchange contracts used as currency hedges. At the end of 2017, their nominal value amounted to € 460.0 million (Dec. 31, 2016: € 519.6 million). In particular, payment flows were hedged in the key currencies listed under **item 39** **[P. 173]** of the notes to the consolidated financial statements. In 2017 we used financial derivatives to hedge interest rates with a volume of € 200 million for the variable tranches of the bonded loan.

In most cases, we hedge foreign currency risks of orders placed immediately after the relevant contract awards. In principle, we agree a separate (micro) hedge for each larger individual project. In the standard machinery and spare parts business, we also use macro-hedges for any number of orders bundled.

All financial derivatives and their underlying transactions are checked and valued on a regular basis. Financial derivatives are exclusively used to hedge loans and operations in commercial terms.

The risks involved in currency translation into euros increased slightly in 2017. Export-related transaction risks are relatively moderate at Dürr as we produce numerous products on site or purchase them in local currency.

Hedging interest rate risks

We pursue a conservative interest rate and financing strategy comprising three core elements: long-term interest rate and financing certainty, matching maturities and a prohibition of speculation. Our financial liability primarily comprises the bonded loan issued in 2016 and the bond issued in 2014. The risk of interest rate fluctuations of our Group financing arrangement is limited.

Interest rate risk management covers all interest-bearing and interest-sensitive balance sheet line items. Regular interest rate analyses enable risks to be identified at an early stage. Group Treasury is chiefly responsible for borrowing, investment and interest rate hedges; from a defined scale onward, exceptions must be submitted to the Chief Financial Officer for approval.

Our pension risks are manageable. The discount rate for calculating pension obligations in Germany amounted to 1.7 % as at December 31, 2017, slightly higher year-on-year (1.5 %). Pension provisions, at € 49.8 million, were slightly below the previous year's level.

Hedging liquidity risks

We largely cover our liquidity needs from our cash flow. At times of temporary negative cash flows, we are able to use cash and cash equivalents and the cash line of the syndicated loan. This was not necessary in 2017. Please also refer to the chapter on **Financial development** **[P. 73]** in this regard. Our cash pooling enables us to make use of liquidity surpluses of individual companies for other Group subsidiaries, provided that the capital transfer regulations of the individual states allow this practice. This enables us to avoid taking out loans and paying interest expenditure.

Financing risks

No risks relating to borrowing exist at this time. Our bond issue, the bonded loan and the syndicated loan have maturities until at least 2021. The terms of our bond contain the usual restrictions and obligations. A violation could result in the bond plus accrued interest being called due for immediate payment. The bonded loan may also be called for immediate extraordinary repayment in the event of a violation of essential contractual obligations, in case of insolvency or a control change at Dürr. The contract concerning our syndicated loan provides for compliance with a certain key financial ratio. Non-compliance with this financial covenant would entitle the syndicate of banks to terminate the agreement prematurely. In fiscal 2017, the financial covenant was complied with on each effective calculation date.

Hedging investment risks

Our financial asset management guideline governs the process of handling investment risks. For instance, it defines the permissible asset classes and credit rating requirements. We do not hold any sovereign bonds; for this reason, there are no corresponding repayment and impairment risks.

RATINGS

We do not have any ratings carried out to assess our credit status.

OPPORTUNITIES

OPPORTUNITIES MANAGEMENT SYSTEM

Using our opportunities management system, we are able to identify, evaluate and utilize new business opportunities. The divisions form the core of the Group-wide system. In their contacts with customers, suppliers and partners, they collect information on new trends and market requirements. This information is aggregated to identify opportunity clusters, and duly evaluated. Opportunity clusters offering sustained economic potential are analyzed in strategy workshops with the Board of Management and the division heads. The divisions integrate the approved opportunity clusters in their strategy and define goals, measures, responsibilities and schedules.

Identifying and evaluating business opportunities is an ongoing process, which is coordinated by the division heads. The Board of Management and the Corporate Development department are responsible at the level of Dürr AG. If opportunities are found to be of major strategic significance, we form multidisciplinary teams to conduct potential analyses, prepare plans and, depending on the outcome, implement the acquisition processes.

A further aspect of opportunities management entails joint activities with universities and research institutions. In this way, we can determine the extent to which new scientific findings may yield opportunities for Dürr. Opportunities may also arise from new legislation, e.g. on emission protection and international trade. Our opportunities management system takes account of global and regional business opportunities as well as the potential offered by specific products, customers and business models.

POTENTIAL OFFERED BY OPPORTUNITIES

This section now proceeds to describe the material opportunities of the Group and the divisions. The business plan for 2018 and the strategic plan through 2021 estimate the sales and earnings potential which can realistically be expected to be generated by opportunities. If we make use of our opportunities to a greater extent than assumed, sales and EBIT may exceed the figures budgeted for 2018 by up to 4 % and 9 %, respectively. However, this additional sales and EBIT potential would be achievable only in a best-case scenario.

STRATEGIC OPPORTUNITIES

Digitization/Industrial Internet of Things: The digitization of production processes is allowing our customers to harness considerable productivity gains. With ADAMOS, LOXEO, tapio and our other SMART offerings, we are a capable digitization partner and in a position to benefit from growing demand. Thanks to our financial strength, we can invest more in the digital transformation than our smaller competitors.

Growth in automotive production: Experts project an average annual growth of 3.4 % in global automotive production between 2017 and 2022. Above-average growth is expected in the reinvigorated Russian market as well as in Eastern Europe and Central Asia. With our international project execution skills, we stand to benefit from this.

Electromobility: Electromobility offers opportunities for Dürr. The automotive industry is investing in the conversion of plants to build electric and hybrid models alongside conventional vehicles. At the same time, new producers of electric vehicles are emerging in China and the United States in particular. This will serve to broaden our customer base.

Automated final assembly: In automotive final assembly, the move to electromobility is being accompanied by growing demand for automated processes. This is because the power train fitted to electric vehicles is less complex compared with conventional vehicles, permitting greater automation of the assembly process. We have pronounced skills and corresponding references in this area.

Service: Our large installed base is opening up further growth potential for us in service business with its wider margins. We have optimized our service processes with the Customer-Excellence@Dürr program to tap this potential.

Growing modernization business: Plant modernization business is growing. Customers can achieve significant productivity gains at their existing plants at acceptable levels of capital spending. In the paint systems segment, we want to widen the proportion of modernization business to 35 % by 2020, up from 24 % in 2017.

Localization: We are improving cost structures and customer proximity by expanding our local capacities in market regions offering high potential for the future. In particular, we can harness cost benefits in procurement operations.

Long-term funding: Our funding is secured until 2021. In this way, we are able to concentrate on our operating business but still have the financial scope for acquisitions.

OPPORTUNITIES IN THE DIVISIONS

Paint and Assembly Systems is implementing FOCUS 2.0, a comprehensive program aimed at boosting efficiency. This will improve cost structures and competitiveness. Business in final assembly lines is to be expanded substantially to address the growing demand for modern assembly lines for electric vehicles. Paint systems technology offers opportunities through expansion in Central and Southeast Asia as well as through business with Japanese automotive OEMs. There is potential, particularly in North America, for expanding service business.

Application Technology can tap opportunities for growth in business with general industry. Industrial Products, the relevant segment, is to accelerate its expansion and contribute sales of around € 50 million by 2020. In automotive business, opportunities are arising from the full automation of the painting process (including vehicle interiors) as well as the greater type and volume diversity in production. The trend towards bespoke vehicle coating is feeding demand for flexible paint supply systems. Volumes are growing in the **glueing technology** **[P. 204]** market as the automotive industry is increasingly willing to glue panels rather than weld them in the body shop. Service business in the Application Technology division is being spurred by the fact that the first painting robots, which were installed around 12 to 15 years ago, are now approaching the end of their life cycles and must therefore be replaced.

With respect to **Clean Technology Systems**, exhaust-air purification technology has good opportunities for growth in China and other emerging markets. This is due to the growing environmental awareness in these countries and the related introduction of more stringent emission limits. Earnings potential can be harnessed by systematically focusing on attractive market segments for exhaust-air purification technology. Within energy-efficiency technology, the discontinuation of Dürr thermea's business will ease the pressure on earnings and is to be supplemented with further measures for improving earnings.

Measuring and Process Systems sees opportunities from the growing demand for test systems for electric vehicles. This will be supplemented with the increasing use of driver assistance systems and sensors for autonomous driving, which must be pretested. Opportunities for growth will arise in connection with filling systems to supply the batteries of electric vehicles with refrigerant as well as automatic assembly and balancing equipment for wheel/tire assemblies. At the same time, Measuring and Process Systems wants to expand its business in Asia and step up localization in this market.

Woodworking Machinery and Systems expects continued heavy investment by the wood-processing industry in integrated production lines with a high level of automation and batch size 1 production capabilities. Demand is being driven by the advancing industrialization of furniture production in China and other markets. The HOMAG Group is benefiting heavily from this trend: it holds the widest product range, has a particularly strong position in automation and digital networking and is also able to execute large projects reliably. There is still potential for further growth in earnings. Initially, an EBIT margin of 8 to 10 % is being targeted. The basis for this is the FOCUS optimization program, which entails improvements to organizational structures and processes as well as standardization, localization and innovation. In addition, opportunities for growth are to be utilized in China as well as in service and project business.

EXPECTED FUTURE DEVELOPMENT

SUSTAINED MOMENTUM IN THE GLOBAL ECONOMY

The global economy is likely to continue growing dynamically in 2018 and 2019, with GDP expanding by 3.7 % p.a. Growth in the United States is expected to match the rate seen in 2017 (2.3 %). The Washington government is stimulating the economy with expansionary fiscal policies, plans for infrastructure spending and a pro-business tax reform. GDP in China, the world's second largest economy, should expand by 6.4 % in 2018. Key factors influencing the Chinese economy include debt in the financial services sector and the restructuring of the economy away from export-driven mass production in favor of a greater proportion of services and stronger domestic demand. Economists expect the European economy to continue growing at the relatively swift pace seen in 2017. However, the mounting strength of the euro and the question marks hovering over Brexit are causing uncertainty. In Germany, GDP should continue expanding by 2.5 % in 2018. Growth should also accelerate in Russia and Brazil, while India is expected to expand again at a sharp rate of 7 %. The growth forecasts for 2018 and 2019 are summarized in table 2.61.

Low interest rates and the central banks' expansionary monetary policy are continuing to create favorable economic conditions. However, interest rates are likely to rise gradually, driven in particular by the United States, where further moderate rate hikes appear to be on the agenda. Rising commodity prices, high global consumer confidence and the gradual increase in inflation point to incremental tightening of the monetary reins.

General macroeconomic performance is a good indicator of conditions in our main sell-side markets. The automotive industry and furniture sector are expanding at a similar rate to GDP in the long term. Spending on equipment should also continue to grow substantially, not least of all due to the effects of unleashed pent-up demand. Given the dynamic performance of the global economy, there is much to suggest that we will be able to achieve our growth targets. That said, our forecast is subject to uncertainties, particularly the risk of a credit bubble emerging in China, a further appreciation in the euro as well as protectionist tendencies and geopolitical uncertainties.

2.61 – GROWTH FORECAST FOR GROSS DOMESTIC PRODUCT

% year-on-year change	2017	2018	2019
Global	3.7	3.7	3.7
Germany	2.3	2.5	1.8
Eurozone	2.3	2.5	2.3
Russia	1.9	2.9	2.4
United States	2.3	2.3	2.3
China	6.8	6.4	6.2
India	6.3	6.6	7.2
Japan	1.8	1.1	1.3
Brazil	1.0	2.0	2.4

Source: Deutsche Bank 1/2018, Commerzbank 1/2018

GLOBAL AUTOMOTIVE PRODUCTION: FURTHER GROWTH

PricewaterhouseCoopers (PwC) projects growth of 4.4 % in global automotive production to 98.1 million units in 2018. Whereas production output is likely to remain flat at 17.1 million units in North America, China should record an increase of 6.6 %. Production output in China should grow at a similar rate in 2019, accounting for some 30 % of global automotive production. The production volume of 15.2 million units achieved in Western Europe could be exceeded slightly in 2018. In Russia and Brazil, the upward trend emerging in 2017 should be sustained, while India could report growth of a good 10 %.

Conditions for a further increase in unit sales in the automotive industry are favorable. Consumer confidence is strong and finance for vehicle purchases still extremely cheap. Looking further down the road, the automotive industry possesses considerable growth potential. PwC expects global production to expand by an annual average of 3.4 % between 2017 and 2022. This means that output should widen to 111 million units by 2022.

MECHANICAL ENGINEERING LIKELY TO CONTINUE ITS UPSWING

The German Mechanical and Plant Engineering Association (VDMA) projects an increase of 3 % in production in 2018 on a par with the previous year. The German Council of Economic Experts assumes that spending on equipment will rise by 5.1 % in Germany and, thus, at a substantially swifter rate than in earlier years.

The Centre for Industrial Studies (CSIL) expects growth in the global furniture industry to accelerate in 2018. The forecast 3.5 % increase in demand is likely to be underpinned by Asia-Pacific in particular. The industry association within the VDMA responsible for wood-processing machines thinks that industry revenues will grow by 8 %, thus outpacing the previous year (5 %).

2.62 – PRODUCTION OF PASSENGER VEHICLES AND LIGHT TRUCKS

Million units	2017	2018[1]	2019[1]
Global	94.0	98.1	102.7
Western Europe	15.2	15.7	15.9
Germany	6.0	6.1	6.0
Eastern Europe	6.9	7.3	7.5
Russia	1.4	1.6	1.8
North America (incl. Mexico)	17.1	17.1	17.6
United States	11.2	11.2	11.6
South America	3.2	3.3	3.4
Brazil	2.5	2.7	2.7
Asia	49.1	51.8	55.1
China	27.1	28.9	31.1
Japan	8.5	8.5	8.9
India	4.3	4.8	5.3

[1] projection
Source: PwC 1/2018, own estimates

AUTOMOTIVE AND FURNITURE TO REMAIN OUR KEY SELL-SIDE MARKETS

The relevant project and capital expenditure volumes in business with the automotive industry should at least reach the previous year's level in 2018, with a small increase also possible. We expect to see a further increase in spending on production technology for electric vehicles due to growing consumer demand for battery-powered and hybrid vehicles. We possess strong technical skills in final assembly lines for electric vehicles in particular. The most important factors driving capital spending by automotive OEMs remain capacity requirements and reductions in unit costs by means of more efficient production facilities either via greenfield or **brownfield [P. 204]** spending.

In the wood-processing industry, we expect to see continued high demand for production technology in 2018. This is indicated by the consolidation process in the furniture industry, resulting in the emergence of large corporate units. Moreover, consumers are increasingly seeking bespoke furniture. For this reason, manufacturers are spending on production lines with batch 1 production capabilities and high-level automation. With the onset of **Industry 4.0 [P. 204]**, demand for digital services, such as predictive maintenance, is growing.

The automotive and furniture industries will remain our most important customer groups in 2018. We are not planning any changes to our business policy. Digitization is growing in importance for our business success. At the same time, it is offering us the opportunity of standing even more firmly apart from the competition.

Our broad international footprint will remain a key determinant of our success in 2018. The emerging markets, in which we generated 48 % of our sales in 2017, will again offer the greatest potential for growth. China will remain of crucial importance. It is our largest sell-side market, and the automotive and furniture sectors will continue to grow there over the coming years.

SALES TARGET 2018: € 3,700 TO 3,900 MILLION

This outlook takes account of the fact that we have been applying the new International Financial Reporting Standard, IFRS 15 "Revenue from Contracts with Customers", since January 1, 2018. We do not expect the application of IFRS 15 to have any material impact on our consolidated financial statements. The consolidated financial statements for 2018 will include the comparison figures for 2017 on a like-for-like basis, i.e. in accordance with IFRS 15. As things currently stand, we do not think that the figures calculated for 2017 on the basis of IFRS 15 will differ materially from those shown in these consolidated financial statements. The first figures calculated in accordance with IFRS 15 will be communicated in the interim statement on the first quarter of 2018 on May 16, 2018. Further information on the application of IFRS 15 can be found in **item 1 [P. 112]** of the notes to the consolidated financial statements.

This outlook assumes that the global economy will continue to grow, that no economic dislocations occur and that the political environment remains stable.

Looking ahead over the next few years, we are seeking organic growth in sales of an annual average of around 2 to 3 %. As things currently stand, we project sales of € 3,700 to 3,900 million in 2018. This means that they will probably be higher than in 2017 even though the Dürr Ecoclean Group, which was sold last year, still contributed € 47.5 million in the first quarter of 2017. We project order intake in a range of € 3,600 to 3,900 million in 2018, while orders on hand should stand at € 2,200 to 2,700 million at the end of 2018.

Total costs (cost of sales, overheads and other operating expenses) should increase slightly in 2018. One reason for this is the planned non-recurring costs in connection with the FOCUS 2.0 optimization program, with which the Paint and Final Assembly Systems division wants to improve its earnings potential. Personnel expense and the cost of materials will remain the largest single cost items within the Group. We project a small increase in both personnel expense and the cost of materials in 2018. By contrast, there will be hardly any changes in depreciation and amortization expense. As we expect the cost of sales to largely track sales, the gross margin should remain at the previous year's level in 2018. We want to additionally raise the R&D ratio, while selling and administrative expenses will remain more or less unchanged. Overhead costs as a whole should rise by around 3 to 4 %.

OPERATING EBIT MARGIN EXPECTED TO REMAIN ROUGHLY AT THE PREVIOUS YEAR'S LEVEL

At this stage, the EBIT margin should move in a range of 7.0 to 7.5 % in 2018. In a comparison with the previous year, the book gain of € 23.0 million from the sale of the Dürr Ecoclean Group in the first quarter of 2017 must be duly taken into account. In addition, extraordinary expense of an expected € 5 to 10 million will arise in connection with the FOCUS 2.0 optimization program in Paint and Final Assembly Systems in 2018. Adjusted for extraordinary effects, the operating EBIT margin should come to between 7.4 and 7.8 % in 2018, thus remaining more or less on a par with the previous year. The EBIT margin in Paint and Final Assembly Systems is likely to hit a low of an expected 4.0 to 5.0 % in 2018, after which it will widen again from 2019. On the other hand, earnings in Woodworking Machinery and Systems (HOMAG Group) should continue rising in 2018.

EARNINGS AFTER TAX: € 180 TO 200 MILLION EXPECTED

We expect to acquire a further 7.05 % of HOMAG Group AG's shares at the end of the first quarter of 2018. The seller is the Schuler/Klessmann shareholder group; we will be utilizing the call option that accrued on January 1. Given a price per share of € 25, the total purchase price will come to € 27.7 million. The transaction will reduce the interest expense arising from the domination and profit and loss transfer agreement with HOMAG Group AG. This effect will contribute to the expected reduction in net finance expense in 2018. The tax rate should reach 27 to 28 % in 2018. As things currently stand, we project earnings after tax in a range of € 180 to 200 million.

The dividend proposed for 2017 (€ 2.20 per share) corresponds to a payout ratio of 37.8 %. The dividend payout for 2018 should also be between 30 and 40 % of consolidated net profit. In this way, we will be able to retain sufficient funds within the company to continue expanding our business by means of further acquisitions.

The **ROCE [P. 205]** should also reach the top end of the target range of 30 to 40 % in 2018.

2.63 – GROUP OUTLOOK

		2017	Target 2018
Order intake	€ million	3,876.0	3,600 – 3,900
Orders on hand (December 31)	€ million	2,516.3	2,200 – 2,700
Sales	€ million	3,715.4	3,700 – 3,900
EBIT margin	%	7.8	7.0 – 7.5
EBIT margin before extraordinary effects	%	7.6	7.4 – 7.8
ROCE	%	39.5[1]	30 – 40
Net finance expense	€ million	– 19.8	slightly lower
Tax rate	%	25.3	27 – 28
Earnings after tax	€ million	201.5	180 – 200
Cash flow from operating activities	€ million	119.8	substantially up on the previous year
Free cash flow	€ million	14.3	substantially up on the previous year
Net financial status (December 31)	€ million	191.5	240 – 280
Liquidity (December 31)	€ million	659.9	690 – 730
Capital expenditure[2]	€ million	88.0	75 – 85

[1] Adjusted for the effects of the sale of the Dürr Ecoclean Group
[2] On property, plant and equipment and on intangible assets (excluding acquisitions)

DIVISIONS

Paint and Final Assembly Systems expects order intake of € 1,000 to 1,200 million in 2018 with sales roughly on a par with 2017. We have defined a target corridor of 4.0 to 5.0 % for the EBIT margin. This factors in the heavy competition in paint systems business as well as the extraordinary expense of an expected € 5 to 10 million in connection with the FOCUS 2.0 optimization program. Via FOCUS 2.0, Paint and Final Assembly Systems wants to achieve a lasting improvement in earnings, with the division's EBIT margin to return to between 6 and 7 % in 2020.

Application Technology sees further upside potential in order intake and sales, both of which should be in a range of € 600 to 650 million in 2018. The EBIT margin may slightly exceed the previous year's figure. The start-up costs in the Industrial Products segment, which is composed of Application Technology's non-automotive business, should subside.

Order intake in Clean Technology Systems looks set to rise significantly in 2018; the target range is € 190 to 220 million. This growth is to be driven particularly by the markets in China and South Korea. Sales should reach € 180 to 200 million, accompanied by an increased EBIT margin of 3.0 to 4.0 %. This will be underpinned by the improvement measures initiated in energy-efficiency business as well as the expansion of exhaust-air purification technology business.

Measuring and Process Systems is targeting sales of € 440 to 480 million and order intake of € 430 to 460 million for 2018. This forecast factors in the sale of the Dürr Ecoclean Group, which was still included in the figures for the Measuring and Process Systems division in the first quarter of 2017. The EBIT margin should reach up to 13.5 %.

Woodworking Machinery and Systems is budgeting a further increase in sales and expects to achieve up to € 1,400 million in 2018, while a target range of up to € 1,500 million has been defined for order intake. The EBIT margin should widen to between 7.5 and 8.0 %. EBIT includes purchase price allocation effects of € 8.7 million, equivalent to around 0.6 % of sales.

2.64 – OUTLOOK BY DIVISION

	Order intake (€ million)		Sales (€ million)		EBIT margin (%)		ROCE (%)	
	2017	**2018 target**	**2017**	**2018 target**	**2017**	**2018 target**	**2017**	**2018 target**
Paint and Final Assembly Systems	1,210.1	1,000 – 1,200	1,174.9	1,100 – 1,200	6.0	4.0 – 5.0[1]	> 100	> 100
Application Technology	602.4	600 – 650	620.3	600 – 650	10.3	10.0 – 11.0	28.9	27 – 32
Clean Technology Systems	165.8	190 – 220	185.4	180 – 200	1.8	3.0 – 4.0	5.6	15 – 20
Measuring and Process Systems	531.4	430 – 460[2]	511.2	440 – 480[2]	12.7	12.5 – 13.5	24.9[3]	30 – 35
Woodworking Machinery and Systems	1,366.3	1,350 – 1,500	1,223.5	1,300 – 1,400	7.0	7.5 – 8.0	22.5	25 – 30

[1] Including optimization costs of € 5 to 10 million for FOCUS 2.0
[2] The assumed reduction over 2017 is primarily due to the sale of the Dürr Ecoclean Group effective March 31, 2017.
[3] Adjusted for the effects of the sale of the Dürr Ecoclean Group

CASH FLOW

As things currently stand, we expect to report a substantial increase in the cash flow from operating activities in 2018. **Net working capital** **[P. 205]** should rise only slightly, after growing by € 171.4 million in 2017 due to changes in customers' prepayment practices. However, these changed prepayment practices merely result in a delay in cash flows by a few months and do not have any structural impact on cash flow. **Free cash flow** **[P. 205]** should be substantially in positive territory in 2018 and climb significantly over the previous year. Cash flow as well as cash and cash equivalents should be sufficient to cover operating funding requirements (capital expenditure, interest payments etc.) as well as the dividend payout.

CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment and on intangible assets should reach a normal level of € 75 to 85 million in 2018. The focus will be on IT and replacement spending. Under the "Dürr 2020" strategy, we are planning further acquisitions and technology buy-ins and will be making use of suitable opportunities. It will be possible for us to fund the activities with our high cash position and cash flow.

LIQUIDITY, EQUITY AND FUNDING

We currently project a **net financial status** **[P. 205]** of € 240 to 280 million for the end of 2018. This includes the upcoming purchase of a further 7.05 % of the shares in HOMAG Group AG for € 27.7 million. Consequently, we expect to have liquidity of € 690 to 730 million at the end of 2018.

Equity should increase again due to the retained earnings. We assume that the equity ratio will widen by around one percentage point by December 31, 2018. We do not expect to draw on the cash credit line of our syndicated loan. There are currently no plans to raise any fresh capital; this would only be necessary in an exceptional case in the event of a large acquisition. Our funding is stable up until 2021.

EMPLOYEES

The headcount is expected to rise slightly by the end of 2018. An increase is particularly likely in Woodworking Machinery and Systems due to the high capacity utilization in this division. On the other hand, there may be a small decline in the headcount in Paint and Final Assembly Systems. The proportion of employees based in the emerging markets will probably continue widening.

RESEARCH AND DEVELOPMENT

We plan to increase R&D spending again substantially in 2018, with growth likely to reach a high single-digit percentage. The focus of our innovation work will remain on the digital transformation. One key project is the development of new apps for the digital marketplaces LOXEO and tapio. These apps help our customers to install digitally networked, adaptive production processes with maximum system availability. One core requirement is for the apps to be available both via the cloud and on the company's own network. We are also working on new software solutions for production management and big-data analyses. At the beginning of 2018, we opened the Digital Factory to ensure optimum use of our development capacities for digitization. This digital center of competence unites experts from various divisions and speeds up development activities. One key innovation aspect of FOCUS 2.0 is to develop competitive products with lower product costs. In this connection, we will be replacing complexity with functionality and avoiding the overfulfillment of specifications.

SUMMARIZED STATEMENT BY THE BOARD OF MANAGEMENT ON PROJECTED DEVELOPMENTS

Our forecasts for 2018 assume that the global economy will grow at a similar rate as in 2017 and that global automotive and furniture production will expand by up to 4 %. We expect capital expenditure in the automotive industry to equal or even exceed the previous year in 2018. The main driving forces will be the increased flexibility and modernization of production. Moreover, automotive OEMs will be investing more heavily in production technology for electric vehicles to achieve the planned volume growth in this segment. New factories will be built primarily in the emerging markets, although we do expect to see a slight decline in greenfield investments. In the furniture industry, the favorable trend of the last two years should continue. Further growth in Woodworking Machinery and Systems is likely as a result of the growing demand for automated production lines, the increased use of batch size 1 production for furniture, and consolidation in the furniture industry.

Sales should climb to between € 3.7 and 3.9 billion in 2018, with the EBIT margin set to reach 7.0 to 7.5 %. This forecast includes the extraordinary expense of an estimated € 5 to 10 million for the FOCUS 2.0 optimization program in the Paint and Final Assembly Systems division. The EBIT margin before extraordinary effects should more or less remain at the 2017 level (7.6 %). We project earnings after tax of € 180 to 200 million in 2018. Cash flow from operating activities and free cash flow should be well up on the previous year, while the net financial status is set to reach € 240 to 280 million at the end of 2018. We are proposing a dividend of € 2.20 per share for 2017, equivalent to a payout ratio of 37.8 % of consolidated net profit.

With the FOCUS 2.0 optimization program, we are addressing the heavy competition in paint systems business in the automotive industry. FOCUS 2.0 will improve efficiency in Paint and Final Assembly Systems on a sustained basis. In this way, the division should be able to return to an EBIT margin of 6 to 7 % in 2020. The EBIT margin for Woodworking Machinery and Systems should climb to up to 10 % by 2020. We are targeting a Group EBIT margin of 8 to 10 % in 2020. As things currently stand, we expect to reach the middle of this corridor. Our EBIT margin target for plant engineering business is 6 to 7 %. A figure of 10 to 12 % should be possible from mechanical engineering activities, with individual niches posting higher figures.

The most important challenge is to offer our customers first-class solutions for the digital networking of production. We are expanding our capabilities in this area, spending corresponding amounts and adjusting our organizational structures. In this way, we will be able to safeguard Dürr's market leadership in the future. We have sufficient financial resources to fund further acquisitions to continue expanding the Group. The increase in free cash flow expected in 2018 will additionally widen our scope for doing this. Potential acquisition candidates include suppliers of technologies supplementing our own core business or mechanical and plant engineering specialists allowing us to add high-growth segments to our existing portfolio.

DÜRR AG (GERMAN COMMERCIAL CODE)

Dürr AG's annual financial statements are prepared in accordance with the provisions of the German Commercial Code, whereas the consolidated financial statements are prepared in accordance with IFRS. As the holding company, Dürr AG comprises the Group's central functions and does not engage in any operating business of its own. Its economic condition mainly hinges on the business performance of the Group's operating companies. Dürr AG holds shares in 124 companies directly or indirectly. The economic environment in which Dürr AG operates is essentially the same as the Group's as described in the chapter entitled **Economy and industry environment** **[P. 57]**.

RESULTS OF OPERATIONS

At € 34.1 million, Dürr AG's sales revenues were relatively constant in 2017. They chiefly arise from payments made by Group companies under transfer pricing agreements for the services provided by Dürr AG as the holding company. The cost of providing holding company services is primarily reported within personnel expense. The cost of materials arises from services obtained from third parties which are recharged to the Group companies. However, at € 1.9 million, this is a subordinate item.

Other operating income dropped by 21.8 % in 2017, primarily as a result of lower currency-translation gains. At the same time, there was also a decline in currency-translation losses, resulting in a drop of 8.8 % in other operating expenses. Personnel expenses rose by 12.3 %. One reason for this was the expansion of the Board of Management and the fact that the Board of Management temporarily had four members. In addition, there was an increase in Dürr AG's head count.

Dürr AG's investment income comprises income from profit and loss transfer agreements. In 2017, it more than doubled, reaching € 253.2 million. Dürr Systems AG made a material contribution to this. The profit transferred by this company was substantially higher than in the previous year as the improved earnings outlook had caused an impairment reversal at the level of its US subsidiary Dürr Systems Inc. HOMAG Group AG was also able to make a larger transfer to Dürr AG thanks to its strong earnings position. The profit transferred by Carl Schenck AG rose primarily as a result of the book gain from the sale of the Dürr Ecoclean Group.

Net finance expense increased from € 9.6 million to € 11.8 million due to a decline in interest income resulting from the low interest rate level. Moreover, the interest expense on the bonded loan issued in April 2016 was recognized for the first full year. Income taxes were lower despite the higher earnings due to the high tax-free income arising from the impairment reversal at Dürr Systems Inc. and the sale of the Dürr Ecoclean Group.

2.65 – DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT (GERMAN COMMERCIAL CODE)

€ million	2017	2016
Sales revenues	34.1	35.3
Other operating income	28.7	36.7
Cost of materials	– 1.9	– 1.8
Personnel expense	– 18.9	– 16.8
Depreciation and amortization	– 1.2	– 0.9
Other operating expenses	– 48.2	– 52.9
Investment income	253.2	121.7
Net finance expense	– 11.8	– 9.6
Income taxes	– 23.7	– 29.6
Net income	**210.4**	**82.2**
Profit brought forward from the previous year	291.0	281.5
Net retained profit	**501.4**	**363.7**

2.66 – DÜRR AG INDIVIDUAL FINANCIAL STATEMENTS – BALANCE SHEET (GERMAN COMMERCIAL CODE)

€ million	Dec. 31, 2017	Dec. 31, 2016
ASSETS		
Non-current assets		
Intangible assets	9.0	9.8
Property, plant and equipment	0.3	0.3
Financial assets	768.3	763.6
	777.6	**773.6**
Current assets		
Receivables and other assets	450.5	313.5
Other securities	3.0	–
Cash and cash equivalents	407.1	387.2
	860.6	**700.7**
Prepaid expenses, sundry items	5.2	5.3
	865.7	**706.0**
Total assets	**1,643.3**	**1,479.6**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	88.6	88.6
Capital reserve	156.2	156.2
Net retained profit	501.4	363.7
	746.2	**608.5**
Liabilities		
Provisions	19.8	27.8
Liabilities	877.4	843.3
	897.1	**871.1**
Total equity and liabilities	**1,643.3**	**1,479.6**

The high investment income caused net income to rise to € 210.4 million. Together with the profit carried forward from the previous year, net retained profit rose substantially to € 501.4 million (up 37.9 %). The net income is sufficient to easily cover the proposed dividend payout.

NET ASSETS AND FINANCIAL CONDITION

Dürr AG's total assets rose by 11.1 % to € 1,643.3 million at the end of 2017. Whereas there were hardly any changes in non-current assets and the constituent items, current assets rose appreciably. This mostly reflected higher receivables from profit and loss transfer agreements with affiliated companies. Moreover, time deposits rose due to the investment of funds from the Dürr Group's cash pooling system. As a result of these two factors, receivables and other assets rose by 43.7 % to € 450.5 million. By contrast, cash and cash equivalents increased by only 5.1 % to € 407.1 million.

On the other side of the balance sheet, equity climbed by 22.6 % to € 746.2 million due to the substantially higher net retained profit. Provisions dropped by 29.0 % as a result of lower tax provisions. As the tax prepayments made during the year had been increased due to the favorable earnings position, fewer provisions were necessary. Liabilities increased slightly (up 4.0 %) as of December 31, 2017. This was chiefly due to rising liabilities to affiliated companies which had transferred large volumes of cash to Dürr AG in connection with the Group-wide cash pooling system.

RISKS AND OPPORTUNITIES

Dürr AG is exposed to the risks and opportunities of its subsidiaries. The extent of such exposure depends on the size of its share in the respective company. See also the **Report on risks, opportunities and expected future development [P. 82]** for further details. In addition, strain may arise from the contingent liabilities in existence between Dürr AG and its subsidiaries.

FORECAST

Dürr AG's future economic performance is closely linked to the Group's operating performance. Details of the outlook and our plans for our operating business can be found in the **Report on risks, opportunities and expected future development [P. 82]**.

Dürr AG's full individual financial statements can be found in the "Investors/Financial Reports" section of our website.

Bietigheim-Bissingen, March 13, 2018

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER

CARLO CROSETTO

DR. JOCHEN WEYRAUCH

Earnings after tax exceeded
the € 200 million mark for the
first time in 2017.

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CONSOLIDATED FINANCIAL STATEMENTS

3.1 – CONSOLIDATED STATEMENT OF INCOME

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2017

€ k	NOTE	2017	2016
Sales revenues	(7)	3,715,422	3,573,517
Cost of sales	(8)	– 2,857,121	– 2,715,250
Gross profit on sales		**858,301**	**858,267**
Selling expenses	(9)	– 307,417	– 322,023
General administrative expenses	(10)	– 176,190	– 177,624
Research and development costs	(11)	– 116,718	– 105,873
Other operating income	(13)	77,368	75,686
Other operating expenses	(13)	– 45,729	– 57,038
Earnings before investment result, interest and income taxes		**289,615**	**271,395**
Investment result	(15)	1,813	6,977
Interest and similar income	(16)	6,091	6,233
Interest and similar expenses	(16)	– 27,664	– 26,479
Earnings before income taxes		**269,855**	**258,126**
Income taxes	(17)	– 68,389	– 70,326
Profit of the Dürr Group		**201,466**	**187,800**
Attributable to:			
Non-controlling interests		7,065	5,925
Shareholders of Dürr Aktiengesellschaft		**194,401**	**181,875**
Number of shares issued in thousands		34,601.04	34,601.04
Earnings per share in € (basic and diluted)		5.62	5.26

3.2 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2017

€ k	NOTE	2017	2016
Profit of the Dürr Group		**201,466**	**187,800**
Items of other comprehensive income that are not reclassified to profit or loss			
Remeasurement of defined benefit plans and similar obligations	(26)	636	– 7,029
Associated deferred taxes	(17)	–279	1,742
Items of other comprehensive income that may be reclassified subsequently to profit or loss			
Changes in fair value of financial instruments used for hedging purposes recognized in equity	(39)	11,252	– 3,052
Associated deferred taxes	(17)	–3,425	1,228
Changes in fair value of financial assets available for sale	(33)	449	– 63
Associated deferred taxes	(17)	–	16
Reclassifications from currency translation reserve through profit or loss		–2,981	–
Currency translation effects		–35,738	4,491
Other comprehensive income, net of tax		**–30,086**	**– 2,667**
Total comprehensive income, net of tax		**171,380**	**185,133**
Attributable to:			
Non-controlling interests		6,648	5,832
Shareholders of Dürr Aktiengesellschaft		**164,732**	**179,301**

3.3 – CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Dürr Aktiengesellschaft, Stuttgart, as of December 31, 2017

€ k	NOTE	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Goodwill	(18, 41)	396,551	401,600
Other intangible assets	(18, 41)	196,155	209,533
Property, plant and equipment	(18, 41)	408,443	394,577
Investment property	(18, 41)	20,180	20,664
Investments in entities accounted for using the equity method	(19, 41)	30,772	32,726
Other financial assets	(19, 41)	4,393	11,901
Trade receivables	(21)	10,970	16,878
Income tax receivables	(17)	–	90
Sundry financial assets	(22)	4,853	4,162
Other assets	(23)	467	527
Deferred taxes	(17)	34,440	29,891
Prepaid expenses		1,753	2,746
Non-current assets		**1,108,977**	**1,125,295**
Inventories and prepayments	(20)	437,658	381,056
Trade receivables	(21)	941,086	779,420
Income tax receivables	(17)	20,035	22,234
Sundry financial assets	(22)	190,653	117,264
Other assets	(23)	45,300	26,972
Cash and cash equivalents		659,911	724,179
Prepaid expenses		7,160	4,883
Assets held for sale	(24)	978	167,220
Current assets		**2,302,781**	**2,223,228**
Total assets Dürr Group		**3,411,758**	**3,348,523**

€ k	NOTE	Dec. 31, 2017	Dec. 31, 2016
EQUITY AND LIABILITIES			
Subscribed capital	(25)	88,579	88,579
Capital reserves	(25)	155,896	155,896
Revenue reserves	(25)	693,574	588,705
Other comprehensive income		−48,992	−23,649
Total equity attributable to the shareholders of Dürr Aktiengesellschaft		**889,057**	**809,531**
Non-controlling interests		14,637	21,429
Total equity		**903,694**	**830,960**
Provisions for post-employment benefit obligations	(26)	49,830	51,817
Other provisions	(27)	17,552	17,564
Trade payables	(28)	4,089	4,136
Bond and bonded loan	(29)	597,285	596,630
Other financial liabilities	(29)	12,564	52,564
Sundry financial liabilities	(30)	2,801	6,944
Income tax liabilities	(17, 31)	6,711	6,711
Other liabilities	(31)	4,916	4,603
Deferred taxes	(17)	91,634	102,316
Deferred income		110	38
Non-current liabilities		**787,492**	**843,323**
Other provisions	(27)	126,359	95,686
Trade payables	(28)	1,023,035	978,338
Financial liabilities	(29)	3,383	5,339
Sundry financial liabilities	(30)	298,488	283,215
Income tax liabilities	(17, 31)	43,694	33,573
Other liabilities	(31)	221,572	216,253
Deferred income		3,417	1,928
Liabilities held for sale	(24)	624	59,908
Current liabilities		**1,720,572**	**1,674,240**
Total equity and liabilities Dürr Group		**3,411,758**	**3,348,523**

3.4 – CONSOLIDATED STATEMENT OF CASH FLOWS

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2017

€ k	NOTE	2017	2016
	(34)		
Earnings before income taxes		269,855	258,126
Income taxes paid		–74,837	– 75,254
Net interest		21,573	20,246
Profit from entities accounted for using the equity method		–3,624	– 3,693
Dividends from entities accounted for using the equity method		2,808	490
Amortization and depreciation of non-current assets		80,695	88,939
Net gain on the disposal of non-current assets		–509	– 523
Net gain from the disposal of investments and assets and liabilities classified as held for sale		–22,986	– 5,767
Other non-cash income and expenses		–3,079	– 1,612
Changes in operating assets and liabilities			
Inventories		–77,216	– 16,206
Trade receivables		–186,741	3,103
Other receivables and assets		–24,297	– 6,142
Provisions		31,839	– 18,654
Trade payables		92,621	– 20,767
Other liabilities (other than bank)		14,104	5,800
Other assets and liabilities		–425	– 717
Cash flow from operating activities		**119,781**	**227,369**
Purchase of intangible assets		–22,420	– 24,495
Purchase of property, plant and equipment		–65,120	– 57,121
Purchase of other financial assets		–2,006	– 39
Proceeds from the sale of non-current assets		9,502	39,378
Acquisitions, net of cash acquired		–4,567	– 7,983
Investments in time deposits		–46,563	– 80,767
Proceeds from the sale of assets and liabilities classified as held for sale		108,517	8,489
Interest received		5,436	5,635
Cash flow from investing activities		**–17,221**	**–116,903**

€ k	NOTE	2017	2016
	(34)		
Change in current bank liabilities and other financing activities		795	−3,784
Repayment of non-current financial liabilities		−40,987	−8,681
Bonded loan issue		–	299,079
Payments of finance lease liabilities		−3,071	−2,356
Cash paid for transactions with non-controlling interests		−8,355	−4,000
Dividends paid to the shareholders of Dürr Aktiengesellschaft		−72,662	−64,012
Dividends paid to non-controlling interests		−4,629	−2,299
Interest paid		−23,328	−21,469
Cash flow from financing activities		**−152,237**	**192,478**
Effects of exchange rate changes		−14,591	−529
Change in cash and cash equivalents related to changes in the consolidated group		–	295
Change in cash and cash equivalents		−64,268	302,710
Cash and cash equivalents			
At the beginning of the period (consolidated statement of financial position)		724,179	435,633
At the end of the period		659,911	738,343
Less cash and cash equivalents classified as assets held for sale		–	−14,164
Cash and cash equivalents at the end of the period (consolidated statement of financial position)		**659,911**	**724,179**

3.5 – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Dürr Aktiengesellschaft, Stuttgart, for the period from January 1 to December 31, 2017

				Items that are not reclassified to profit or loss
	Subscribed capital	Capital reserve	Revenue reserves	Remeasurement of defined benefit plans
€ k	(25)	(25)	(25)	
January 1, 2016	**88,579**	**155,896**	**473,662**	**– 35,433**
Profit for the year	–	–	181,875	–
Other comprehensive income	–	–	–	– 5,265
Total comprehensive income, net of tax	**–**	**–**	**181,875**	**– 5,265**
Dividends	–	–	– 64,012	–
Options of non-controlling interests	–	–	2,303	–
Other changes	–	–	– 5,123	–
December 31, 2016	**88,579**	**155,896**	**588,705**	**– 40,698**
Profit for the year	–	–	194,401	–
Other comprehensive income	–	–	–	462
Total comprehensive income, net of tax	**–**	**–**	**194,401**	**462**
Dividends	–	–	– 72,662	–
Options of non-controlling interests	–	–	– 3,648	–
Other changes	–	–	– 13,222	4,312
December 31, 2017	**88,579**	**155,896**	**693,574**	**– 35,924**

OTHER COMPREHENSIVE INCOME

Items that may be reclassified subsequently to profit or loss							
Unrealized gains/losses from cash flow hedges	Unrealized gains/losses from financial assets available for sale	Changes related to the consolidated group/ reclassifications	Currency translation	Other comprehensive income	Total equity attributable to the shareholders of Dürr Aktien-gesellschaft	Non-controlling interests	Total equity
−6,231	**47**	**673**	**19,890**	**−21,054**	**697,083**	**17,335**	**714,418**
–	–	–	–	–	181,875	5,925	187,800
−1,824	−47	–	4,562	−2,574	−2,574	−93	−2,667
−1,824	**−47**	**–**	**4,562**	**−2,574**	**179,301**	**5,832**	**185,133**
–	–	–	–	–	−64,012	−2,299	−66,311
–	–	–	–	–	2,303	−588	1,715
–	–	−21	–	−21	−5,144	1,149	−3,995
−8,055	**–**	**652**	**24,452**	**−23,649**	**809,531**	**21,429**	**830,960**
–	–	–	–	–	194,401	7,065	201,466
7,827	449	–	−38,407	−29,669	−29,669	−417	−30,086
7,827	**449**	**–**	**−38,407**	**−29,669**	**164,732**	**6,648**	**171,380**
–	–	–	–	–	−72,662	−4,629	−77,291
–	–	–	–	–	−3,648	−2,314	−5,962
–	–	−22	36	4,326	−8,896	−6,497	−15,393
−228	**449**	**630**	**−13,919**	**−48,992**	**889,057**	**14,637**	**903,694**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2017 REPORTING PERIOD

BASIS OF PRESENTATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Dürr Aktiengesellschaft ("Dürr AG" or the "Company") has its registered offices in Stuttgart, Germany. Its headquarters for operations are located at Carl-Benz-Strasse 34 in 74321 Bietigheim-Bissingen, Germany. The Dürr Group ("Dürr" or the "Group"), which consists of Dürr AG and its subsidiaries, is a mechanical and plant engineering company with distinct automation competency. Dürr is one of the global market leaders in almost all of its fields of business. In addition to the automotive industry, it also acts as supplier of production technology for other industries including the mechanical engineering, energy, chemical and pharmaceutical industries as well as the woodworking industry. The Dürr Group serves the market with 5 global divisions: Paint and Final Assembly Systems offers assembly and paint finishing technology, mainly for the automotive industry. Application Technology manufactures products and systems for automated painting applications as well as sealing and glueing technology. Clean Technology Systems manufactures plant and equipment for purifying exhaust gases produced by industrial processes, and develops technologies for improving the energy efficiency of production processes. The machines and systems produced by Measuring and Process Systems are used, among other things, in engine and drive construction as well as final vehicle assembly. Woodworking Machinery and Systems develops and manufactures such machinery and systems.

Accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) at the end of the reporting period, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The accounting policies used generally correspond to the policies applied in the prior period. In addition, the Group has applied the new and/or revised standards that became mandatory for the first time in the 2017 reporting period. **[Tab. → 3.6]**

- Amendments to International Accounting Standard (IAS) 7 "Statement of Cash Flows": the amendments aim to improve the information available to users of financial statements with regard to financing activities. This objective will be achieved by having additional disclosures in the notes that make changes to liabilities from the company's financing activities and associated assets more transparent. The amendments to IAS 7 will not have any financial impact on Dürr's consolidated financial statements. The reconciliation with the changes in liabilities from financing activities is included in note 34 "Statement of cash flows".

New or amended standards not yet adopted but significant in principle for the consolidated financial statements of the Company are explained below. **[Tab. → 3.7]**

- IFRS 9 "Financial Instruments": IFRS 9 governs the recognition and measurement, derecognition and hedge accounting of financial assets and liabilities. The fundamental changes of the standard largely replace the previously applicable IAS 39 "Financial Instruments: Recognition and Measurement". The amended classification and measurement provisions relate to the characteristics of the business model as well as the contractual cash flows. Additionally, the provisions on recognizing impairment have been fundamentally

3.6 – CHANGES IN ACCOUNTING POLICIES FROM THE ADOPTION OF THE REVISED STANDARDS AND INTERPRETATIONS

Standard / Interpretation	First-time application[1]	Adopted by the EU Commission	Impact on Dürr
Amended standards			
IAS 7 "Statement of Cash Flows" – Disclosure Initiative	January 1, 2017	Yes	Significant in principle
IAS 12 "Income Taxes" – Recognition of deferred tax assets for unrealized losses	January 1, 2017	Yes	Immaterial
Annual Improvements to IFRSs (2014–2016 cycle) (IFRS 12)	January 1, 2017	Yes	Immaterial

3.7 – ACCOUNTING STANDARDS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED BUT NOT YET ADOPTED IN THE REPORTING PERIOD

Standard / Interpretation	First-time application[1]	Adopted by the EU Commission	Expected impact on Dürr
New standards			
IFRS 9 "Financial Instruments"	January 1, 2018	Yes	Significant in principle
IFRS 15 "Revenue from Contracts with Customers" including clarifications published	January 1, 2018	Yes	Significant in principle
IFRS 16 "Leases"	January 1, 2019	Yes	Significant in principle
IFRS 17 "Insurance Contracts"	January 1, 2021	No	Immaterial
Amended standards/interpretations			
IFRS 2 "Share-Based Payment" – Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Yes	Immaterial
IFRS 4 "Insurance Contracts" – Applying IFRS 9 with IFRS 4	January 1, 2018	Yes	None
IFRS 9 "Financial Instruments" – Redemption clauses with negative compensation payment	January 1, 2019	No	Immaterial
IAS 19 "Employee Benefits" – Plan adjustment, curtailment or settlement	January 1, 2019	No	Immaterial
IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2019	No	None
IAS 40 "Investment Property" – Transfers of investment property	January 1, 2018	No	Immaterial
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	No	Immaterial
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019	No	Immaterial
Annual Improvements to IFRSs (2014–2016 cycle) (IFRS 1 and IAS 28)	January 1, 2018	Yes	Immaterial
Annual Improvements to IFRSs (2015–2017 cycle)	January 1, 2019	No	Immaterial

[1] The standards/amendments are effective for reporting periods beginning on or after the specified date.

redefined and are now based on a model of expected losses. The presentation of hedging relationships has also been redefined under IFRS 9 and is more oriented towards reflecting operational risk management. The first-time application of the standard is to be performed retrospectively, although there are various simplification options available. Dürr will exercise the option and, in accordance with the transitional provisions, will not adjust earlier periods.

Dürr performed a Group-wide analysis for the classification and measurement of financial assets and liabilities. Investigations indicate only minimal changes overall due to the business model and contractual cash flows. In the future, Dürr will most likely recognize equity instruments at fair value through other comprehensive income (OCI). The Group does not expect any impact on the classification of contract assets as well as trade receivables and financial liabilities.

Reviewing the new impairment requirements meant that an adjustment had to be made compared to the previous method of determining impairment, as the loss allowance will be recognized at an earlier stage. The Group also expects allowances to increase and to become more volatile. Dürr generally makes use of the simplification option and recognizes loss allowances in the area of contract assets and trade receivables on the basis of customer-specific provision matrices. Credit risks are segmented using common default risk characteristics. Information on delayed payment, general market information, external ratings and the significance or volume of the past customer relationship, among other things, is used for the assessment. At the time of transition, equity is expected to decrease by an amount in the mid-single-digit-million euro range. This is in particular due to the early risk provisioning for contract assets and trade receivables. Due to higher risk provisioning, an overall effect of almost € 1 million is expected for cash and cash equivalents and time deposits.

There are also more extensive disclosures regarding financial instruments in the notes in both qualitative and quantitative terms. While Dürr introduces the new provisions for classification and measurement as well as the provisions for impairment as of January 1, 2018, the new provisions for hedge accounting will not be applied until a later date.

- IFRS 15 “Revenue from Contracts with Customers”: The aim of the new standard concerning revenue recognition is the combination of the rules previously contained in various standards and interpretations. This primarily relates to the standards IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations relating to revenue. Common basic principles have been created in IFRS 15 that can be applied to all industries and almost all types of revenue transactions. The main exceptions are leases, financial instruments and insurance contracts. The questions on the amount and the point in time or the period of time over which sales revenues are to be realized are both clarified respectively with a five-step model. The standard also contains a number of other rules on details and expands the required disclosures in the notes. The first-time application is to be performed retrospectively, although there are various simplification options available.

As part of a Group-wide implementation project, Dürr subjected all divisions to an analysis with regard to the new rules and regulations. Due to the necessity of having significant contracts audited on a case-by-case basis, Dürr has implemented guidelines to ensure standardized processes. Furthermore, adjustments were made in the IT systems as well as training sessions held.

Customer-specific construction contracts, which are currently accounted for using the percentage of completion method (PoC method), make up a significant part of Dürr’s business. In connection with the transition to IFRS 15, it was reviewed in particular whether orders can continue to be recognized based on the percentage of completion, i.e., they meet the new criteria for recognizing revenue over time. A contractual analysis proved that the majority of construction contracts within the Dürr Group satisfy the criteria for recognizing revenue over time. In the Woodworking Machinery and Systems division, however, it is necessary to change to revenue recognition at a point in time for certain machine types with alternative usage. The result is a time delay in recognizing sales revenues compared to the previous method. In the future, the new accounting rules will make it necessary to separate a contract into several performance obligations in individual cases. For example, this applies to spare parts packages that are sold together with the main order. Explicitly regulated special topics such as the treatment of costs of obtaining a contract will also lead to different accounting treatment. Instead of considering the costs for sales provisions in calculating the percentage of completion of an order, they are capitalized at the time of signing the contract and amortized through profit or loss in accordance with the transfer of control. Effects are also expected from the modified presentation of the statement of financial position, for example through the separation of contract assets and contract liabilities as independent statement of financial position items, as well as more extensive disclosures in the notes to the financial instruments in both qualitative and quantitative terms.

Dürr has decided in favor of a complete retrospective first-time application of the regulations. The effect at transition as of January 1, 2017 is immaterial. It decreases revenue reserves by € 1,315 thousand. Total assets slightly increase by 0.82%. There is also no significant impact on the net assets or on results of operations from the first-time application in the comparable quarters of 2017.

- IFRS 16 "Leases": The new standard on lease accounting replaces the previous rulings of IAS 17 "Leases" and its interpretations. The main changes in the standard relate to the lessee's accounting model. In the future, the lessee will no longer differentiate between operating and finance leases, but will instead account for most leases and the associated rights of use and lease liabilities. Exemptions are granted for leases of low-value assets and short-term leases. In contrast, lessor accounting is subject only to minor changes compared to the classification and accounting of leases under IAS 17.

  Dürr set up a project to implement IFRS 16 throughout the Group, which analyzed the significant lease agreements. The implications of the leases examined and of the various exemptions on the consolidated financial statements are currently being reviewed. Dürr assumes that a multitude of the lease contracts not previously accounted for will be capitalized under IFRS 16. This will cause total assets to increase at the date of first-time application.

  The new standard will also lead to an increase in the quantitative and qualitative disclosures of leases in the notes to the financial statements. The first-time application will generally be implemented retrospectively; however, the previous assessment used for existing leases may be used for identifying them. The regulations of IFRS 16 differentiate between a complete and a modified retrospective first-time application. The latter grants the lessee a number of further exemptions at the date of first-time application. Dürr will make a final decision on the first-time application in 2018 depending on how the project advances in 2018. For information on the obligations from operating and finance leases, we refer to note 38.

The Group elected not to early adopt standards and IFRIC interpretations which have already been issued but have not yet become effective. Generally speaking, Dürr intends to adopt all standards when they become effective. The requirements of the standards applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations and cash flows of the Group.

Dürr's reporting period is the calendar year. The consolidated financial statements are prepared in euros; all amounts are presented in thousands of euro (€ thousand or € k), unless stated otherwise.

All assets and liabilities are measured at historical or amortized cost. Exceptions to this rule are derivative financial instruments, obligations from options held by non-controlling interests, liabilities from contingent purchase price installments, obligations from share-based compensation and financial assets classified as held-for-trading or available-for-sale, which are measured at fair value.

Assets and liabilities are treated as current if they are realized or settled within twelve months of the end of the reporting period. Within the statement of financial position, assets and liabilities with a remaining term of more than twelve months are disclosed as non-current. By contrast, liabilities with a remaining term of between one and five years are disclosed in the notes to the consolidated financial statements as medium-term and those with a remaining term of more than five years as long-term.

2. BASIS OF CONSOLIDATION

The consolidated financial statements of Dürr are based on the IFRS financial statements of Dürr AG and the consolidated subsidiaries and entities accounted for using the equity method as of December 31, 2017, prepared in accordance with uniform policies and audited by independent auditors.

For subsidiaries included in the consolidated financial statements for the first time, acquisition accounting is performed according to the acquisition method of accounting pursuant to IFRS 3 "Business Combinations". This involves offsetting the cost of the shares acquired against proportionate equity of the subsidiaries. All assets and liabilities and contingent liabilities acquired are included in the consolidated statement of financial position at the acquisition date, taking hidden reserves and encumbrances into account. Any remaining positive difference is shown as goodwill. Negative differences are posted immediately to profit or loss. For acquisitions in which less than 100% of the shares are purchased, IFRS 3 provides for a choice between the purchased goodwill method and the full goodwill method. This option can be exercised for every business combination. Dürr determines the method to be used to recognize the goodwill for each acquisition. For information on exercising the option for individual business combinations, please refer to note 18 - Acquisitions. Changes in interests for subsidiaries which cause the Group's interest to increase or decrease without losing control are treated as transactions between equity providers that do not affect profit or loss.

Intragroup sales revenues, other income and expenses and all intragroup receivables, liabilities, provisions and end-of-year adjustments (prepaid expenses and deferred income) are eliminated. Intragroup profits which are not realized by sale to third parties are eliminated.

Subsidiaries that, on account of their low level or lack of business activity, are immaterial for the Group and the presentation of a true and fair view of the net assets, financial position and results of operations are generally included in the consolidated financial statements at cost. They are listed under non-consolidated subsidiaries.

Entities over which the Dürr exercises significant influence (associates) are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy of the investee. Interests in entities accounted for using the equity method are initially recognized at cost. Costs exceeding the share in the net assets of the entity accounted for using the equity method, after taking into account hidden reserves or encumbrances, are recognized as goodwill. Goodwill resulting from the acquisition of an associate is included in the carrying amount of the entity accounted for using the equity method and is not amortized, but tested instead for impairment as part of the overall carrying amount of the entity accounted for using the equity method.

For subsequent measurement, Dürr's share of the profit or loss of the entity accounted for using the equity method is recorded under investment income in the consolidated statement of income. The share in other comprehensive income is recognized directly in Group equity. The cumulative changes after the acquisition date increase or decrease the carrying amount of the entity accounted for using the equity method. Dividends received are deducted from the carrying amount. If the losses of an entity accounted for using the equity method attributable to Dürr correspond to or exceed the value of the interest in this entity, no further losses are recognized unless Dürr has entered into obligations or has made payments for the entity accounted for using the equity method.

All other investments are accounted for at cost because market values are not available and fair values cannot be reliably determined by other means.

3. CONSOLIDATED GROUP

Besides Dürr AG, as of December 31, 2017, the consolidated financial statements contain all German and foreign entities which Dürr AG can control directly or indirectly. Under IFRS 10 "Consolidated Financial Statements", control exists if an entity is exposed, or has rights, to positive or negative returns from its involvement with another entity. It must also have the ability to affect these variable returns through its power over the investee. Control can exist due to voting rights or prevailing circumstances as a result of contractual arrangements, among other things.

The entities are included in the consolidated financial statements from the date on which the possibility of control was obtained. For most of the Group companies, control is based on holding the majority of voting rights. On account of the contractual arrangements, Dürr has the power to exercise control over four entities, although in each case Dürr only holds 50% of the shares or 50% or less of the voting rights in the company. At two of the entities, Dürr can bring about a decision in case of parity of votes; at the other two entities, Dürr assumes operational management. Furthermore, Dürr includes a structured entity in the consolidated financial statements. Dürr manages the variable returns of the entity without holding any shares. Consolidation of an entity included in the consolidated financial statements ceases when Dürr loses control over the entity.

Structured entities

A structured entity is often characterized by restricted activities and a narrow and precisely defined purpose. A key characteristic is that voting rights do not have any significant effect on the returns from this entity. The possibility of control does not result from the majority interest in capital or from voting rights, but rather from contractual arrangements.

The consolidated structured entity in the Dürr Group is a lease property company with properties in Bietigheim-Bissingen. Dürr is the tenant of these properties as well as the lender of the entity; however, it does not hold any shares in this entity. There are no obligations for financial support; the loan is secured by a land charge registered to Dürr.

Entities accounted for using the equity method

Entities over which Dürr exercises significant influence pursuant to IAS 28 "Investments in Associates and Joint Ventures" (associates) as well as joint ventures as defined by IFRS 11 "Joint Arrangements" are accounted for using the equity method. Significant influence is assumed with a share of voting rights ranging from 20% to 50%. Associates are included in the consolidated financial statements using the equity method from the date on which the possibility of significant influence existed. For shares of voting rights below 20%, interests in entities are generally recognized under other investments.

3.8 – NUMBER OF ENTITIES

	Dec. 31, 2017	Dec. 31, 2016
Fully consolidated subsidiaries		
Germany	30	28
Other countries	80	84
	110	**112**
Entities accounted for using the equity method		
Germany	2	2
Other countries	2	2
	4	**4**
Other investments		
Germany	3	2
Other countries	2	2
	5	**4**

The consolidated financial statements contain 13 entities (prior period: 14) which have non-controlling interests in them. There are 5 companies that are only included in the consolidated financial statements at cost on grounds of immateriality. Their revenue contribution to total Group sales revenues, the earnings contribution to Group earnings (before taxes) as well as the contribution of equity to Group equity is less than 0.5%. The Dürr Group is not exposed to any risks from these entities due to their size, contribution to sales revenues, complexity and minor activities.

4. CHANGES IN THE CONSOLIDATED GROUP

3.9 – ADDITIONS OF FULLY CONSOLIDATED ENTITIES

Entity	Interest	Effective as of	Interest acquired by	Note
Blitz 17-38 GmbH, Munich/Germany	100 %	May 4, 2017	Acquisition	Renamed Tapio GmbH
Test Devices Inc., Hudson, Massachusetts/USA	100 %	September 29, 2017	Acquisition	
Olivia Grundstücksverwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal/Germany	0 %	October 12, 2017	Acquisition of control	
Loxeo GmbH, Stuttgart/Germany	100 %	November 9, 2017	Foundation	

3.10 – DECONSOLIDATIONS / MERGERS

Entity	Effective as of	Note
Dürr Ecoclean GmbH, Filderstadt/Germany	March 31, 2017	Disposal
Dürr Cleaning France S.A.S., Le Mans/France	March 31, 2017	Disposal
Dürr Ecoclean spol. s r.o., Oslavany/Czech Republic	March 31, 2017	Disposal
UCM AG, Rheineck /Switzerland	March 31, 2017	Disposal
Dürr Ecoclean Inc., Southfield, Michigan/USA	March 31, 2017	Disposal
Mhitraa Engineering Equipment Private Limited, Sriperumbudur/India	March 31, 2017	Disposal

More information on the deconsolidations is provided in note 24.

5. CURRENCY TRANSLATION

Financial statements denominated in the foreign currency of the subsidiaries included in the consolidation are translated to the euro on the basis of the functional currency concept pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates". For the majority of foreign subsidiaries in the Group, the functional currency is the local currency, since these entities operate independently from a financial, economic and organizational viewpoint. According to this concept, assets and liabilities are thus translated at the closing rates, while income and expenses are generally translated at average rates. Any currency translation differences are recorded without effect on profit or loss in other comprehensive income. **[Tab. → 3.11]**

In the separate financial statements of Dürr AG and its subsidiaries, receivables and liabilities in a currency other than the euro are measured at the historical rate; current transactions are translated at the current exchange rate. Any exchange rate gains and losses at the end of the reporting period are included in the statement of income. For actual figures of the exchange rate gains and losses recognized in profit or loss, please refer to notes 8 and 13.

In the separate financial statements of the foreign subsidiaries, goodwill is translated at the rate prevailing at the end of the Group's reporting period. The hidden reserves identified in acquisitions are accounted for using the functional currency of the acquired entity. An adjusted average rate was used for entities consolidated for the first time during the year.

3.11 – SIGNIFICANT EXCHANGE RATES

	CLOSING RATE		AVERAGE RATE	
in relation to one euro	Dec. 31, 2017	Dec. 31, 2016	2017	2016
US dollar (USD)	1.1988	1.0560	1.1371	1.1037
Chinese renminbi (CNY)	7.8327	7.3252	7.6614	7.3399
Brazilian real (BRL)	3.9707	3.4368	3.6406	3.8260
Mexican peso (MXN)	23.6070	21.8417	21.4141	20.7055
Indian rupee (INR)	76.5603	71.6388	73.8182	74.2162
Pound sterling (GBP)	0.8874	0.8586	0.8764	0.8228
Korean won (KRW)	1,276.3339	1,267.8959	1,275.0855	1,277.4843
Danish krone (DKK)	7.4453	7.4348	7.4389	7.4450
Swiss franc (CHF)	1.1693	1.0750	1.1161	1.0911

6. RECOGNITION AND MEASUREMENT POLICIES

Intangible assets

Intangible assets comprise goodwill, franchises, brand names, industrial rights and similar rights, internally generated software, capitalized development costs as well as acquired customer relationships, orders and technological know-how. Purchased and internally generated intangible assets are recognized pursuant to IAS 38 “Intangible Assets” if, in addition to other criteria, it is probable that a future economic benefit will flow to the entity from the use of the asset, and the cost of the asset can be reliably determined.

Intangible assets are recognized at cost. Intangible assets with a finite useful life are amortized over their useful life using the straight-line method, unless they are impaired. Goodwill and other intangible assets with indefinite useful lives are not amortized. Other intangible assets are tested once annually to determine whether events and circumstances still justify the assumption that they have an indefinite useful life. If this is not the case, the estimated useful life is changed from indefinite to finite in accordance with the requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Likewise, intangible assets with an indefinite useful life are tested once annually or sooner if there are any indications that an asset may be impaired. In addition to goodwill, the Dürr Group recognizes brand names as further intangible assets with mostly indefinite useful lives. These brand names are tested annually for impairment alongside goodwill. Just like goodwill, the brand names are part of the net assets of a cash-generating unit.

In the Group, development costs are only recognized as internally generated intangible assets if the conditions set forth in IAS 38 are satisfied. These include the following criteria:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale

- The probability of a future economic benefit arising from the use of the asset

- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Cost is the sum of all directly attributable expenditure incurred from the date when the intangible asset first meets the recognition criteria. Development costs which do not meet these criteria, as well as research costs, are expensed immediately. Amortization of capitalized development costs is disclosed under cost of sales in the statement of income.

3.12 – USEFUL LIVES OF INTANGIBLE ASSETS (ESTIMATED)

years	
Brand names with finite useful life (STILES, DUALIS)	0 to 5
Capitalized development costs	2 to 10
Franchises, industrial rights and similar rights	2 to 20
Customer relationships	8 to 10
Technological know-how	10 to 15
Other brand names	indefinite
Goodwill	indefinite

More information on the brand names is provided in note 18.

Property, plant and equipment

Property, plant and equipment are accounted for at cost less straight-line depreciation over their useful life. Cost comprises all production costs that are directly attributable to the production process.

3.13 – USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT (ESTIMATED)

years	
IT hardware	2 to 5
Machines and equipment	2 to 20
Furniture and fixtures	2 to 25
Buildings, hereditary building rights and leasehold improvements	3 to 50
Land	indefinite

The cost of property, plant and equipment includes major expenditures and replacements which extend useful lives or increase capacity. The historical cost of assets that are either sold or scrapped is derecognized, as is the accumulated depreciation. Any gains or losses from derecognition are determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit or loss as other operating income or expenses in the period in which the item is derecognized. Costs of ongoing repairs and maintenance are expensed immediately.

Investment property

Properties are allocated to investment property if a change in use has occurred which is substantiated by their being occupied by another party after the end of owner-occupation or the inception of an operating lease with another party.

Investment property is recognized initially at (amortized) cost, including transaction costs. The carrying amount contains the costs for investments to replace an existing investment property at the time these costs are incurred, provided the recognition criteria are satisfied, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at amortized cost.

Investment property is derecognized when it is sold or retired from active use and no future economic benefit is expected upon its disposal. Gains or losses arising from the retirement or disposal of investment property are recognized in the year of retirement or disposal.

Impairment test

All intangible assets with an indefinite useful life, intangible assets which are not yet ready for use and goodwill are tested for impairment at the end of each reporting period. Other intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that an asset may be impaired, i.e. that the carrying amount of an asset may not be recoverable. Investment property that is largely rented to third parties is also subjected to an annual impairment test.

An impairment loss is recognized if the recoverable amount of the asset falls short of its carrying amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount recoverable from the disposal of an asset at market conditions less costs to sell. Value in use is the fair value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit to which the asset belongs.

As regards goodwill acquired in business combinations, the relevant cash-generating units correspond to the business activities within the divisions of the Dürr Group based on internal reporting structures. To determine the estimated cash flows of each cash-generating unit, basic assumptions have to be made. These include assumptions regarding financial planning and the interest rates used for discounting.

Impairment losses recognized in prior periods are reversed against profit or loss if they cease to exist or have decreased. The reversal of an impairment loss or the reduction of an impairment loss of an asset is, however, only recognized to the extent that it does not exceed the carrying amount that would have existed if the regular amortization or depreciation had been recorded and no impairment losses had been recognized. Impairments on goodwill may not be reversed.

Other comments on intangible assets and property, plant and equipment can be found in note 18.

Government grants

In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", government grants are only recorded if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. Grants that relate to an investment are deducted from the carrying amount of the subsidized asset. Grants related to income are recognized as deferred income and released in the correct period.

Leases

Several entities in the Dürr Group lease land, buildings, plant and machinery, office and operating equipment and software. The majority of leases are classified as operating leases. Lease payments on operating leases are recorded as an expense in the statement of income over the term of the lease.

Assets leased under finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. A liability is also established at that time for the same amount. Lease payments are apportioned between finance charges and redemption of the lease liability so as to achieve a constant rate of interest over the period on the remaining balance of the lease liability. Finance charges are taken to profit or loss immediately. The leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", financial instruments are classified in the following categories:

- Financial assets held for trading
- Held-to-maturity investments
- Loans and receivables originated by the entity
- Available-for-sale financial assets
- Financial liabilities measured at amortized cost and
- Financial liabilities at fair value through profit or loss.

Purchases or sales of financial assets are recognized using trade date accounting.

Financial assets

Financial assets with fixed or determinable payments and fixed maturity that the entity intends and has the ability to hold to maturity other than loans and receivables originated by the entity pursuant to IAS 39 are classified as held-to-maturity investments. Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margins are classified as financial assets held for trading. All sundry financial assets apart from loans and receivables originated by the entity pursuant to IAS 39 are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets. This does not apply if they are due within one year of the end of the reporting period. Financial assets held for trading are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if management intends to sell them within 12 months of the end of the reporting period.

When a financial asset is recognized initially, it is measured at cost. This comprises the fair value of the consideration and – with the exception of financial assets held for trading – the transaction costs.

Changes in the fair value of held-for-trading financial assets are recorded in profit or loss. The fair value of a financial instrument is the amount that can be generated from the asset in an arm's length transaction between knowledgeable and willing parties under current market conditions.

Held-to-maturity investments are measured at amortized cost using the effective interest method. If it is more likely than not that the financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. If an impairment loss recorded in a prior period decreases and the decrease in the impairment loss (or reversal) can be objectively related to an event occurring after the impairment loss, the reversal is recognized in profit or loss. A reversal of an impairment loss cannot, however, exceed the carrying amount that would have been recognized without the impairment loss.

Loans and receivables originated by an entity and not held for trading are measured at the lower of amortized cost or net realizable value at the end of the reporting period.

Available-for-sale financial assets are recognized at fair value. Unrealized gains and losses are disclosed in other comprehensive income, net of a tax portion. The reserve is released to profit or loss either upon disposal or if the assets are impaired.

To date, Dürr has not made use of the option to designate financial assets upon initial recognition as financial assets at fair value through profit or loss.

Financial liabilities

Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. They include, for example, trade payables, liabilities to banks, bonds, bonded loans, obligations from options, derivative financial liabilities and other liabilities.

After initial measurement, financial liabilities carried at amortized cost are subsequently measured at amortized cost using the effective interest method. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading. Derivatives are deemed to be held for trading unless they are designated and effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Dürr has not yet made use of the option to designate financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

Derivative financial instruments and hedge accounting

Dürr uses derivative financial instruments such as forward exchange contracts in order to hedge against currency risks.

Derivative financial instruments are measured at fair value on initial recognition and in subsequent periods. Recognition of these changes – whether in profit or loss or directly in equity (hedge reserve) – depends on whether the derivative financial instrument is part of an effective hedge in accordance with IAS 39. Changes in fair value are recognized in profit or loss unless the special criteria of IAS 39 for hedge accounting are satisfied.

Depending on the nature of the hedged item, hedging instruments are designated as follows:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset, liability, unrecognized firm commitment or an identifiable part of such assets, liabilities or firm commitment which could affect profit or loss.
- Cash flow hedges if they hedge exposure to variability in cash flows that is attributable to a recognized asset or liability or a forecast transaction and could affect profit or loss; or
- Hedges of a net investment in a foreign operation, which are treated like a cash flow hedge.

Fair value hedge accounting

In the case of fair value hedges, the carrying amount of a hedged item is adjusted through profit or loss by the profit or loss that is attributable to the hedged exposure. In addition, the derivative financial instrument is remeasured at its fair value. Gains or losses arising as a result are also recognized in profit or loss. In a perfect hedge, the fluctuation in fair value recognized in profit or loss for the hedged item practically offsets that of the hedging instrument. For fair value hedges which relate to hedged items carried at amortized cost, the adjustments of the carrying amount are released to profit or loss over their term until maturity. Every adjustment of the carrying amount of a hedged financial instrument is released to profit or loss using the effective interest method. The amount can be released as soon as an adjustment is made. It is released at the latest when the hedged item ceases to be adjusted for the changes in fair value that are attributable to the hedged exposure. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of income.

If an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in its fair value that is attributable to the hedged risk is recognized as an asset or liability in the profit or loss of the period. The changes in fair value of the hedging instrument are also recognized in the profit or loss of the period. However, this does not apply if foreign exchange exposure is hedged, as that is treated as a cash flow hedge. Hedge accounting is discontinued when the hedging instrument is settled prematurely or matures or no longer qualifies for hedge accounting.

Cash flow hedge accounting

In the case of cash flow hedges, the effective portion of the gain or loss on a hedging instrument is recognized directly in equity. The ineffective portion is recognized in profit or loss. Amounts that are recognized directly in equity are reclassified to profit or loss in the period in which the hedged item affects the net profit or loss for the period. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction is no longer expected to occur, any amounts previously taken to equity are reclassified to the net profit or loss for the period. When the hedge is settled prematurely or matures, the amounts previously disclosed remain a separate item in equity until the forecast transaction occurs. The same applies if the hedging instrument is exercised without replacement or rollover, or if the criteria for cash flow hedge accounting are no longer in place. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss. Further explanations on derivative financial instruments are given in note 39.

Other financial assets

The marketable securities disclosed under other financial assets include securities classified as held to maturity, which are measured at amortized cost using the effective interest method. Other financial assets also include shares in companies that are reported at acquisition cost under other investments.

Inventories and prepayments

Inventories of materials and supplies, work in process from small series production and finished goods and merchandise are recognized at the lower of cost or net realizable value at the end of the reporting period. As a rule, an average value is used. Write-downs are recorded for obsolete and slow-moving inventories.

Costs of conversion comprise direct materials costs, direct labor costs as well as an appropriate portion of production-related overheads and depreciation. The overhead markups are determined on the basis of average capacity utilization. Borrowing costs are included, provided that they relate to qualifying assets.

Customer-specific construction contracts

Dürr generates most of its sales revenues from customer-specific construction contracts. Contract revenues are disclosed using the percentage of completion method (POC method) pursuant to IAS 11 "Construction Contracts". This involves recognizing sales revenues and the planned gross margin in line with the degree to which the contract has been completed. The percentage of completion is calculated on the basis of the costs incurred relative to the total estimated costs. This ensures that both sales revenues and the associated costs are systematically recorded and therefore the profit or loss from the contract is recognized in the period incurred. The zero profit method (ZP method) is used in instances where estimated costs to complete cannot be reliably determined, but it is probable that the costs incurred will be reimbursed. With the zero profit method sales revenues and the associated costs are realized in equal amounts until the contract is completed. The gross margin is thus not recognized in profit or loss until the contract is completed.

Progress billings issued to customers and cash received from customers are deducted without effect on income from costs and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of costs and estimated earnings.

To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they are reported under receivables together with the corresponding estimated earnings as costs and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Costs and estimated earnings in excess of billings on uncompleted contracts include directly allocable costs (materials and labor costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

Also included in costs and estimated earnings in excess of billings on uncompleted contracts are amounts that Dürr seeks to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These are carried at the estimated amount provided their realization is probable and they can be reliably estimated. Pending change orders involve the use of estimates. Therefore, it is possible that adjustments to the estimated recoverable amounts of recorded pending change orders will be made in the future.

The POC method and ZP method are based on estimates. Due to the uncertainties prevailing in this respect, estimates of the expenses required for completion, including expenses for contractual penalties and warranties, may have to be adjusted subsequently. Such adjustments to costs and income are recognized in the period in which the adjustments are determined. Provisions for onerous contracts are recognized in the period in which losses are identified.

Sale of goods/other sales revenues

In addition to contract revenues, Dürr generates sales revenues from the sale of goods and services with a comparably high degree of standardization. These other sales revenues are recognized in accordance with IAS 18 "Revenue" when it is probable that economic benefits will flow to the Group and the amount of sales revenues can be measured reliably. This is usually the point in time when the goods or merchandise are delivered or services rendered, i.e. when the significant risks and rewards have been transferred, regardless of the date of payment.

Trade receivables and other non-derivative financial assets

Receivables and non-derivative financial assets are carried at the lower of amortized cost or net realizable value. The Group assesses their recoverability by referring to a number of factors. Should any issues arise which would impinge on the ability of certain debtors to meet their financial obligations, Dürr posts a specific valuation allowance to write down the net asset to the recoverable amount that can be reasonably expected. Impairments are recognized using valuation allowances. Receivables and non-derivative financial assets are derecognized as soon as they become uncollectible.

Management makes an estimate to evaluate whether separate accounts receivable are overdue or in default. For all other debtors, the Group records bad debt allowances on a portfolio basis for all receivables and non-derivative financial instruments depending on the days past due, the current business environment and past experience. A central monitoring and local collection management system counters the risk of bad debts. This system includes regular credit ratings, the conclusion of credit insurance policies and – particularly in the export business – issuing letters of credit.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term, highly liquid financial assets with an original term to maturity of less than three months. They are recognized at nominal value.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale relate to fixed assets or current and non-current assets that can be sold in their present condition and whose sale is highly probable. The disposal group can also relate to liabilities that are directly connected to the assets. Their carrying amounts must mainly be recovered through a sale transaction rather than through continuing use.

Non-current assets held for sale and disposal groups are recognized as a separate item in the statement of financial position under current assets. The sale must be expected to qualify within one year from the date of classification.

Pursuant to IFRS 5, a non-current asset, provided that it is classified as held for sale or belongs to a disposal group classified as held for sale, is not depreciated but instead recognized at fair value less costs to sell, if the fair value is lower than the carrying amount.

Other comprehensive income

This item presents changes in equity, including the deferred taxes thereon, other than those arising from capital transactions with owners (e.g. capital increases or distributions). These include exchange differences, accumulated actuarial gains and losses from the remeasurement of post-employment benefits and similar obligations as well as unrealized gains and losses from the measurement of available-for-sale financial assets and derivative financial instruments (cash flow hedges) measured at fair value.

Borrowing costs

Borrowing costs include interest and similar expenses, other finance costs and the cost of liabilities.

Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", borrowing costs incurred in connection with the issue of the bond and bonded loan are deducted on the liabilities' side of the consolidated statement of financial position. Calculated using the effective interest method, borrowing costs are amortized over the term of the bond and the bonded loan.

Post-employment benefits

The Group's post-employment benefits include defined contribution plans and defined benefit plans. The defined benefit plans guarantee the beneficiary a monthly old-age pension or non-recurring payment upon leaving the Company. These benefit plans are funded by the entities as well as by the employees.

In accordance with IAS 19 "Employee Benefits", provisions for post-employment benefit obligations are measured using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations at the end of the reporting period. Provisions for post-employment benefit obligations are calculated taking into account development assumptions (e.g. relating to salary trends or pension increases) for those factors which affect the benefit amount.

Defined benefit cost is divided into service cost and net interest, which are recognized in profit or loss, and remeasurements, which are recognized directly in equity after deducting deferred taxes. Pursuant to the criteria of IAS 19, provisions for post-employment benefit obligations covered by assets held by a long-term benefit fund or by qualifying insurance policies are offset against the related fund assets (plan assets), taking account of the asset ceiling. In addition to qualifying insurance policies, assets of an external insurance company or a fund are recognized as plan assets under IAS 19 if these assets can be used exclusively to pay or fund employee benefits and are protected from potential creditors.

Other provisions

Other provisions are recorded pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and can be reliably determined. These are uncertain liabilities recognized on the basis of a best estimate of the amount needed to settle the obligations. If the amount of the provision can only be determined within a range, the most probable figure is used. If there is no difference in the level of probability, the weighted average is taken. Provisions with a remaining term of more than one year are discounted at market interest rates which reflect the risk and period until the obligation is settled.

Liabilities

At the inception of the lease, liabilities from finance leases are carried at the lower of fair value of the leased asset or the present value of the minimum lease payments (please refer to the explanations on leases). Trade payables and other non-derivative financial liabilities are recorded at amortized cost. Other liabilities are recorded at the settlement amount. Liabilities for restructuring are recognized to the extent that a detailed formal plan has been prepared and communicated to the parties concerned. Liabilities that do not lead to an outflow of resources in the following year are discounted at market interest rates as of the end of the reporting period.

Deferred taxes

Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 "Income Taxes". This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the taxable temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the IFRS accounting profit nor the taxable profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from investments in subsidiaries or associates, and interests in joint ventures, unless the parent can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future. Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

Deferred taxes are measured taking into account the respective local income tax rates which are expected to apply in the individual countries at the time of realization based on tax laws that have been enacted or substantively enacted. Deferred tax assets are reversed if it is more probable that the tax benefit will be forfeited than that it will be utilized.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity by the same taxation authority. Deferred taxes are recorded as tax income or expense in the statement of income unless they relate to items recorded in other comprehensive income; in this case, the deferred taxes are also recorded in other comprehensive income. Deferred tax assets from temporary differences in excess of deferred tax liabilities are only recognized to the extent that they can be utilized against future taxable profits.

Share-based payment

The share-based payment transactions pursuant to IFRS 2 "Share-based Payment" cover remuneration systems that are settled in cash. For the measurement, Dürr calculates the fair value of the share-based payment transactions upon initial recognition, at each reporting date and on the settlement date. The fair value is accumulated over the period through profit or loss until they are settled and recognized in other liabilities. Changes in fair value are recognized in personnel expenses in the statement of income.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities can arise from a present obligation that results from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle this obligation or

- the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote; otherwise, information is provided in the notes to the financial statements. Contingent liabilities assumed in a business combination are recognized at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

3.14 – OVERVIEW OF SELECTED MEASUREMENT METHODS

Item in the statement of financial position	Measurement method
Goodwill	Cost applying the impairment-only approach
Other intangible assets	
of indefinite useful life	Cost applying the impairment-only approach
of finite useful life	(Amortized) cost
Property, plant and equipment	(Amortized) cost
Financial assets	
held to maturity	(Amortized) cost (applying the effective interest method)
available for sale	At fair value recognized in other comprehensive income
held for trading	At fair value recognized in profit or loss
Inventories	Lower of cost or net realizable value
Costs and estimated earnings in excess of bilings	Percentage of completion method/zero profit method
Trade receivables	(Amortized) cost
Cash and cash equivalents	Nominal value
Non-current assets and disposal groups held for sale	Lower of fair value less costs to sell or carrying amount
Provisions	
Provisions for post-employment benefit obligations	Settlement value (applying the projected unit credit method)
Other provisions	Present value of the settlement amount
Financial liabilities	(Amortized) cost/fair value
Trade payables	(Amortized) cost
Liabilities from share-based payments	Fair value
Other liabilities	Settlement amount

Other measurement methods may apply in the event of impairment.

Use of assumptions and estimates

The preparation of the consolidated financial statements pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual figures may diverge from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Costs and estimated earnings in excess of billings

Customer-specific construction contracts make up a large part of Dürr's business. Sales revenues and receivables from construction contracts are generally recognized using the POC method. A precise assessment of the degree of completion is essential in this respect. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly.

Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. To do this, management is required to make an estimate of the expected future cash flows from the cash-generating units. Dürr uses a planning horizon of four years. In addition, it is necessary to choose a suitable discount rate in order to calculate the present value of these cash flows. Please refer to note 18 for further details.

Income taxes

Dürr operates in a large number of countries and is consequently subject to different tax jurisdictions. The anticipated current and deferred income taxes have to be determined for each taxable entity. Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors, such as future taxable profit in the planning periods, effects on earnings from the reversal of temporary differences, tax strategies and profit actually generated in the past. Dürr uses a planning horizon of four years. Management reviews the deferred tax assets for impairment at the end of each reporting period. As these reviews are sometimes based on assumptions about the future, the actual values may diverge from estimates. These are then adjusted in other comprehensive income or in profit or loss, depending on how they were initially recognized. Based on past experience and the expected future income, Dürr assumes that the corresponding benefits will be realized from the deferred tax assets. Deferred tax assets and liabilities are measured at the tax rates expected to apply when the asset is realized or the liability is settled. Please refer to note 17 for further details.

Pensions and other post-employment benefit plans

The cost of defined benefit plans is determined using actuarial calculations. This involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. Please refer to note 26 for further details.

Development costs

Development costs are capitalized in accordance with the accounting policy presented in note 6. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, interest rates to be applied and the expected period of benefits.

Options in connection with non-controlling interests

In the course of consolidating CPM S.p.A. in full for the first time in the 2007 reporting period, a put option for the shares held by non-controlling interests was measured at fair value in accordance with IAS 32 and recognized under sundry financial liabilities. The fair value is calculated at the end of each reporting period. Due to amended contractual arrangements, the calculation is based on the values in the statement of financial position since the 2017 reporting period, and is therefore no longer subject to estimates.

Options in connection with the domination and profit and loss transfer agreement with HOMAG Group AG

Based on the domination and profit and loss transfer agreement that came into force in 2015, Dürr Technologies GmbH has the possibility to issue instructions to the corporate bodies of HOMAG Group AG and to recognize the entire profit of HOMAG Group AG as well as the obligation to absorb any losses. In return, Dürr is required to make a compensation payment pursuant to Sec. 304 AktG ["Aktiengesetz": German Stock Corporations Act] of € 1.18 (gross) per HOMAG share (€ 1.01 (net) after deducting corporate income tax and solidarity surcharge; before individual tax burden of the shareholder) for each reporting period as well as a settlement payment pursuant to Sec. 305 AktG of € 31.56 per HOMAG share. Since then, Dürr Technologies GmbH has guaranteed a dividend equivalent to the compensation payment. The domination and profit and loss transfer agreement can be terminated for the first time as of December 31, 2020. For further information on the recognition of the sundry financial liability for the obligation to acquire shares as well as to pay the compensation claims in connection with the domination and profit and loss transfer agreement concluded with HOMAG Group AG, we refer to note 30.

For the claims of the minority shareholders of HOMAG Group AG, the arbitration proceedings initiated by the shareholders of HOMAG Group AG may in principle lead to adjustments being made to the settlement and compensation payments. However, as of the reporting date, Dürr does not expect any such adjustments to be made due to the arbitration proceedings. For the adjustment of the deferred obligation to the Schuler/Klessmann shareholder group, we refer to note 40.

Share-based payment

The measurement of cash-settled share-based payment transactions is based on the anticipated share price at the end of the contractual term and earnings ratios over the duration of the program. Historical share prices are used to determine the fair value. The earnings ratios used are based on internal forecasts. The actual share prices and earnings ratios may deviate from the assumptions made.

Non-current assets and liabilities held for sale

Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets held for sale are stated at their fair value less costs to sell provided that this is lower than the carrying amount. The calculation of the fair value less costs to sell includes estimates and assumptions by management which are subject to a certain degree of uncertainty. The actual proceeds from the sale may deviate from the assumptions made.

Estimates and assumptions are also required for the recognition and measurement of bad debt allowances (cf. notes 21 and 39) as well as for contingent liabilities and other provisions; the same applies to determining the fair value of long-lived items of property, plant and equipment and intangible assets.

NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated statement of income

7. SALES REVENUES

3.15 – SALES REVENUES

€ k	2017	2016
Revenues from customer-specific construction contracts	2,236,509	2,176,760
Other sales revenues	1,478,913	1,396,757
Total sales revenues	**3,715,422**	**3,573,517**
thereof revenues from services	945,946	981,906

8. COST OF SALES

3.16 – COST OF SALES

€ k	2017	2016
Cost of materials	1,418,040	1,403,591
Personnel expenses	623,044	620,190
Exchange rate gains	– 29,348	– 40,794
Exchange rate losses	32,595	44,707
Amortization and depreciation of non-current assets	56,863	57,461
Other cost of sales	755,927	630,095
Total cost of sales	**2,857,121**	**2,715,250**
Gross margin in %	23.1	24.0

Of the total amount reported as amortization and depreciation of non-current assets, an amount of € 12,662 thousand (prior period: € 13,957 thousand) is attributable to capitalized development costs.

9. SELLING EXPENSES

Selling expenses comprise all direct selling costs and overheads. These generally include all personnel expenses, cost of materials, amortization and depreciation as well as other costs relating to sales. In addition, selling expenses include expenses for bad debt allowances relating to trade receivables.

3.17 – SELLING EXPENSES

€ k	2017	2016
Personnel expenses	211,016	205,656
Amortization and depreciation of non-current assets	6,637	17,195
Derecognition of receivables	3,235	901
Additions to and releases of bad debt allowances on trade receivables	2,488	5,550
Other selling expenses	84,041	92,721
	307,417	**322,023**

For further information about bad debt allowances and impairments of receivables, please refer to note 21.

10. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise personnel expenses and non-personnel expenses of the central administrative functions, which are not attributable to contract processing, production, sales or research and development.

3.18 – GENERAL ADMINISTRATIVE EXPENSES

€ k	2017	2016
Personnel expenses	114,434	117,490
Amortization and depreciation of non-current assets	6,845	7,445
Other administrative expenses	54,911	52,689
	176,190	**177,624**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs include all the costs of those activities undertaken to gain new scientific or technical knowledge, to develop new products or to improve products and manufacturing processes. They comprise both personnel expenses and non-personnel expenses and are included in profit or loss on the date they are incurred. Research and development costs are reduced by those development expenses that qualify for recognition as assets pursuant to IAS 38 “Intangible Assets”.

3.19 – RESEARCH AND DEVELOPMENT COSTS

€ k	2017	2016
Personnel expenses	69,118	68,043
Amortization and depreciation of non-current assets	7,852	8,401
Capitalized development costs	– 9,569	– 12,423
Other research and development costs	49,317	41,852
	116,718	**105,873**

12. PERSONNEL EXPENSES

The expense items of the statement of income contain the personnel expenses according to table 3.20:

3.20 – PERSONNEL EXPENSES

€ k	2017	2016
Wages and salaries	857,676	856,757
Social security contributions	159,936	155,005
Total personnel expenses	**1,017,612**	**1,011,762**
thereof post-employment benefits	60,852	57,541

13. OTHER OPERATING INCOME AND EXPENSES

3.21 – OTHER OPERATING INCOME AND EXPENSES

€ k	2017	2016
Other operating income		
Exchange rate gains	39,881	45,145
Income from the disposal of assets held for sale	22,986	5,241
Reimbursements from damage claims	4,903	808
Gains on disposal of non-current assets	1,725	2,026
Government grants	1,167	1,795
Reversal of provisions	607	667
Income from litigation	253	12,492
Income from compensation payments received subsequently	–	2,200
Adjustment of contingent purchase price installments	–	1,000
Sundry	5,846	4,312
	77,368	**75,686**
Other operating expenses		
Exchange rate losses	38,666	45,767
Losses on disposal of non-current assets	1,216	1,503
Expenses from transaction costs in connection with acquisitions and disposals	756	3,600
Expenses for canteens	695	795
Expenses for other local taxes	592	1,301
Expenses from impairments and disposal of current assets	577	300
Expenses from additions to provisions	573	156
Sundry	2,654	3,616
	45,729	**57,038**

Apart from the income from litigation, the reversal of provisions recognized in prior periods as well as part of reimbursements from damage claims, there are no other material income or expense items relating to other periods. With regard to income from the disposal of assets held for sale, we refer to note 24.

14. GOVERNMENT GRANTS

Government grants of € 1,179 thousand were recognized in the 2017 reporting period to subsidize expenditures of the Group (prior period: € 1,842 thousand). The grants include subsidies for cost-intensive innovations. Furthermore, grants for basic and advanced training were included in the prior period.

In addition, government grants reduced the cost of assets by € 67 thousand (prior period: € 219 thousand). Conditions are attached to the government grants. At present it can be assumed that these conditions will be met.

15. INVESTMENT RESULT

Investment result includes earnings from entities accounted for using the equity method as well as income and expenses from other investments. Earnings from entities accounted for using the equity method amounted to € 3,624 thousand (prior period: € 3,693 thousand). This contains the share of profit or loss from accounting using the equity method, and dividends received. Profits from the sale of goods by consolidated entities to entities accounted for using the equity method (intragroup profits), which are not realized by sale to third parties, are eliminated in the profit from entities accounted for using the equity method in line with their interest. Profit or loss from other investments includes income from distributions, profit from the sale of the investment in Tec4Aero GmbH with its registered office in Wiefelstede, Germany, of € 427 thousand (prior period: € 3,922 thousand) as well as currency effects from hedging dividend payments.

16. NET INTEREST

As in the prior period, interest expenses in the 2017 reporting period were not reduced by finance costs relating to customer-specific construction contracts, as the contracts did not require any external financing on account of the customer prepayments received. **[Tab.→ 3.22]**

17. INCOME TAXES

The income taxes relate to the German corporate income tax including a solidarity surcharge, trade tax on income and comparable taxes levied at foreign subsidiaries. The current taxes incurred by foreign subsidiaries are recognized at the tax rates and regulations of the respective national tax law. In Germany, deferred taxes are calculated using a tax rate of 28.7 % (prior period: 28.7 %). **[Tab.→ 3.23]**

3.22 – NET INTEREST

€ k	2017	2016
Interest and similar income	6,091	6,233
Interest and similar expenses	– 27,664	– 26,479
thereof:		
Nominal interest expenses on the corporate bond	– 8,625	– 8,625
Interest expenses on the bonded loan	– 4,340	– 3,163
Interest expenses arising from subsequent accounting of the domination and profit and loss transfer agreement concluded with HOMAG Group AG	– 6,503	– 6,336
Amortization of transaction costs, premium from a bond issue and a bonded loan	– 655	– 641
Interest expenses from finance leases	– 278	– 398
Net interest cost from the measurement of defined benefit plans	– 813	– 1,149
Other interest expenses	– 6,450	– 6,167
Net interest	**– 21,573**	**– 20,246**

3.23 – COMPOSITION OF THE INCOME TAX EXPENSE

€ k	2017	2016
Current income taxes		
Income tax expense – Germany	33,403	36,133
Income tax expense – other countries	58,967	41,088
Adjustment for prior periods	– 4,168	– 3,917
Total current taxes	**88,202**	**73,304**
Deferred taxes		
Deferred tax income – Germany	– 4,614	– 2,895
Deferred tax income/expense – other countries	– 12,231	1,799
Adjustment for prior periods	– 2,968	– 1,882
Total deferred taxes	**– 19,813**	**– 2,978**
Total tax expense	**68,389**	**70,326**

3.24 – RECONCILIATION OF THE INCOME TAX EXPENSE

€ k	2017	2016
Earnings before income taxes	**269,855**	**258,126**
Theoretical income tax expense in Germany of 28.7% (prior period: 28.7%)	77,448	74,082
Adjustments of income taxes incurred in prior periods	−7,136	−5,799
Non-deductible operating expenses and withholding taxes	13,329	9,646
Foreign tax rate differential	−6,247	−7,251
Unrecognized deferred tax assets especially on unused tax losses	4,234	5,358
Subsequent recognition of deferred taxes on unused tax losses and changes in deferred taxes on impairment losses	−5,794	−5,732
Change in tax rates	−39	324
Tax-exempt income	−7,319	−351
Other	−87	49
Total income tax expense of the Dürr Group	**68,389**	**70,326**

Table 3.24 shows the reconciliation of theoretical income tax expense to the total income tax expense reported. For the 2017 reporting period, German corporate income tax law provided for a statutory tax rate of 15.0 % (prior period: 15.0 %) plus the solidarity surcharge of 5.5 % (prior period: 5.5 %). The average trade tax burden amounted to 12.9 % for the 2017 reporting period (prior period: 12.9 %). This means that the reconciliation is based on an overall tax rate in Germany of 28.7 % (prior period: 28.7 %). For the foreign entities, the respective country-specific income tax rates range from 8.75 % to 39.1 % (prior period: 8.75 % to 37.3 %). **[Tab. → 3.24]**

Pursuant to IAS 12 "Income Taxes", a deferred tax asset should be recognized on unused tax losses and other deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be offset. In calculating the possibilities for utilizing tax losses, Dürr uses a four-year planning horizon and takes into account the minimum taxation rule applicable in certain countries. Losses arising in Germany from the period prior to the tax group are not recognized.

Tax-free income includes an amount of € 5,173 thousand, which is attributable to the sale of Cleaning and Surface Processing business activity (Dürr Euroclean Group).

In sum, unused interest and tax losses amounted to € 179,133 thousand (prior period: € 167,180 thousand) as of December 31, 2017. In the prior period, there were unused tax losses of € 18,613 thousand for business activities that were recognized as held for sale and for which no deferred tax assets were recognized. Unused interest and tax losses for which no deferred tax assets were recognized came to € 127,441 thousand (prior period: € 115,552 thousand) and primarily exist in Germany, France, Poland and Brazil. In Germany, unused trade tax losses for which no deferred taxes were recognized amount to € 51,750 thousand (prior period: € 42,610 thousand). The unused trade tax losses can currently be carried forward for an indefinite period of time. Of the unused interest and tax losses not recognized, amounts of € 2,064 thousand expire within the next 10 years (prior period: € 3,119 thousand). At present, the remaining unused tax losses do not lapse.

Other deductible temporary differences of € 9,277 thousand were not recognized as of December 31, 2017 (prior period: € 7,301 thousand).

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

3.25 – DEFERRED TAX ASSETS AND LIABILITIES

€ k	Consolidated statement of financial position		Consolidated statement of income	
	Dec. 31, 2017	Dec. 31, 2016	2017	2016
Deferred tax assets				
Accounting for intangible assets	3,203	3,322	–119	–275
Remeasurement of land and buildings and property, plant and equipment	1,488	2,699	–1,211	1,194
Bad debt allowances	1,192	1,140	52	–166
Interest/currency transactions	4,504	7,108	–2,604	2,696
Customer-specific construction contracts and inventories	24,907	17,232	7,675	–4,340
Other assets and other liabilities	4,897	3,838	1,059	–9,962
Post-employment benefits	11,174	13,534	–2,360	6,235
Provisions not recognized for tax purposes	15,783	12,600	3,183	3,181
Interest and tax loss carryforwards	13,195	16,101	–2,906	–1,725
Total deferred tax assets	**80,343**	**77,574**		
Netting	–45,903	–47,683		
Net deferred tax assets	**34,440**	**29,891**		
Deferred tax liabilities				
Accounting for intangible assets	–35,998	–40,065	4,067	3,946
Capitalized development costs	–9,556	–10,207	651	932
Tax-deductible impairment of goodwill	–10,553	–15,046	4,493	1,395
Remeasurement of land and buildings and property, plant and equipment	–23,901	–26,682	2,781	–4,690
Measurement of shares in subsidiaries	–14,283	–15,162	879	–288
Customer-specific construction contracts and inventories	–36,912	–34,328	–2,584	13,707
Other assets and other liabilities	–6,079	–8,191	2,112	–1,733
Amortization of costs related to bond and bonded loans	–255	–318	63	66
Total deferred tax liabilities	**–137,537**	**–149,999**		
Netting	45,903	47,683		
Net deferred tax liabilities	**–91,634**	**–102,316**		
Reconciliation effect from first-time consolidation			182	1,175
Reconciliation effect from assets and liabilities held for sale			–	–6,122
Translation effects from deferred tax items			696	738
Effects recognized in other comprehensive income			3,704	–2,986
Deferred tax income			**19,813**	**2,978**

The income taxes and withholding taxes on distributable profits from subsidiaries are reported under deferred tax liabilities if it can be assumed that these profits will be subject to the corresponding taxation, or if there is a plan not to reinvest these profits permanently. No deferred tax liabilities were recognized on the accumulated profits of subsidiaries of € 225,872 thousand (prior period: € 237,835 thousand), as it is intended to reinvest these profits for an indefinite period. Dürr assumes that no reserves will be distributed to the respective parent in the tax group while the consolidated tax group is in place.

Notes to the consolidated statement of financial position: assets

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details regarding the changes in the Group's intangible assets and property, plant and equipment are presented in the statement of changes in non-current assets in note 41.

Amortization, depreciation and impairment

Amortization, depreciation and impairment is shown in the statement of income in the cost of sales and functional costs. **[Tab. → 3.26, 3.27]**

As part of the continuation of the ONE HOMAG program, the brand architecture of the Woodworking Machinery and Systems division was realigned in the 2017 reporting period. Since March 1, 2017, the HOMAG Group only operates under the HOMAG brand. For this reason, the useful lives of the brand names WEEKE, BRANDT, HOLZMA and AUTOMATION which will no longer be used in future were changed from indefinite to finite and written down in full by an amount of € 11,098 thousand in the prior period.

Due to the discontinuation of the business of Dürr Thermea GmbH with registered offices in Ottendorf-Okrilla, Germany, non-current assets of € 2,496 thousand were written-down.

Intangible assets

In addition to goodwill, intangible assets with an indefinite useful life also include brand names of € 50,733 thousand (prior period: € 51,202 thousand). Dürr intends to continue using these brand names in the future.

3.26 – AMORTIZATION AND DEPRECIATION

	2017			2016		
€ k	Intangible assets	Property, plant and equipment	Total amortization and depreciation	Intangible assets	Property, plant and equipment	Total amortization and depreciation
Cost of sales	– 29,421	– 27,442	– 56,863	– 29,601	– 26,953	– 56,554
Selling expenses	– 1,850	– 4,787	– 6,637	– 12,920	– 4,275	– 17,195
General administrative expenses	– 1,390	– 5,455	– 6,845	– 1,479	– 5,966	– 7,445
Research and development costs	– 2,959	– 4,893	– 7,852	– 3,505	– 4,896	– 8,401
Other operating expenses	–	– 2	– 2	– 3	– 9	– 12
	– 35,620	**– 42,579**	**– 78,199**	**– 47,508**	**– 42,099**	**– 89,607**

3.27 – IMPAIRMENT LOSSES

	2017			2016		
€ k	Intangible assets	Property, plant and equipment	Total impairment losses	Intangible assets	Property, plant and equipment	Total impairment losses
Cost of sales	– 1,449	– 751	– 2,200	– 843	– 64	– 907
General administrative expenses	– 34	– 262	– 296	–	–	–
	– 1,483	**– 1,013**	**– 2,496**	**– 843**	**– 64**	**– 907**

Prepayments for intangible assets mainly contain current capital expenditure on software products for large-scale IT projects of the HOMAG Group.

Impairment test for goodwill

The goodwill acquired from business combinations is allocated to the cash-generating units for impairment testing. Dürr has defined the divisions or business activities within its divisions as cash-generating units. These are Paint and Final Assembly Systems, Application Technology, Clean Technology Systems, Balancing and Assembly Products, and Woodworking Machinery and Systems. The calculation model is used in exactly the same way for all cash-generating units as the main parameters apply equally to all business activities. In the prior period in the Cleaning and Surface Processing business activity, which has been sold in the meantime, goodwill of € 21,316 thousand was reclassified as assets held for sale and tested for impairment beforehand. As the expected sales proceeds exceeded the net assets, goodwill was not impaired.

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the business activities exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of four years. The pre-tax discount rate for the cash flow forecast ranged from 9.17 % to 13.37 % in the 2017 reporting period (prior period: 8.96 % to 10.91 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.0 % (prior period: 1.0 %) based on the long-term growth rate of the business activities.

Dürr tests goodwill for impairment at the end of each reporting period.

Planned gross profit margins

The planned gross profit margins are determined in the bottom-up planning of the Group's entities and business activities. They are based on the figures determined in the previous reporting periods taking anticipated price and cost developments as well as efficiency increases into account.

Cost of capital (discount rate)

The cost of capital is the weighted average cost of debt and equity before taxes. When calculating the cost of equity, a beta factor is taken into account, which is derived from capital market data and the capital structure of Dürr's benchmark companies. Borrowing costs are based on a base interest rate for government bonds and a mark-up derived from the credit rating of benchmark companies.

Increase in the price of raw materials

Future increases in the price of upstream products and raw materials needed by Dürr are primarily derived from the expected increase in the prices of those commodities needed to manufacture the goods or materials. These, in turn, are determined from the forecast price indices of the countries from which the upstream products and raw materials are procured by the respective group entities.

Increase in wage and salary costs

In the four-year plan, the German subsidiaries have assumed annual average salary increases of 2.7 % p.a. from 2018 onwards (prior period: 2.8 % p.a.). The foreign subsidiaries have all used the applicable local rate of increase for the respective planning period.

Sensitivity analysis of goodwill

Independent of the current economic situation and the expectations for the future, Dürr conducted sensitivity analyses of the recoverability of the goodwill carried in its activities. The impact of the following scenarios was calculated:

- Decrease of 10 % in EBIT in all years within the planning horizon beginning in 2018 (in comparison to the figures projected in the approved business plans)
- Increase of 0.5 percentage points in the discount rate
- Decrease in the growth rate for the terminal value to 0.75 %

The sensitivity analyses revealed that, from today's perspective, no impairment loss needed to be recognized on goodwill in any of the business activities even under these assumptions.

3.28 – DEVELOPMENT OF GOODWILL

€ k	Carrying amount as of Jan. 1, 2016	Exchange difference	Additions	Reclassi-fication to assets held for sale	Carrying amount as of Dec. 31, 2016	Exchange difference	Additions	Carrying amount as of Dec. 31, 2017
Paint and Final Assembly Systems	**106,026**	**782**	**1,172**	**–**	**107,980**	**–1,964**	**–**	**106,016**
Application Technology	**66,037**	**366**	**637**	**–**	**67,040**	**–611**	**–**	**66,429**
Clean Technology Systems	**13,408**	**209**	**3,613**	**–**	**17,230**	**–817**	**–**	**16,413**
Balancing and Assembly Products	102,663	334	–	–	102,997	–1,356	160	101,801
Cleaning and Surface Processing	20,793	523	–	–21,316	–	–	–	–
Measuring and Process Systems	**123,456**	**857**	**–**	**–21,316**	**102,997**	**–1,356**	**160**	**101,801**
Woodworking Machinery and Systems	**106,235**	**118**	**–**	**–**	**106,353**	**–461**	**–**	**105,892**
Dürr Group	**415,162**	**2,332**	**5,422**	**–21,316**	**401,600**	**–5,209**	**160**	**396,551**

Development of goodwill

Table 3.28 shows the development of goodwill, broken down by division and business activity. **[Tab.→ 3.28]**

Goodwill of € 105,719 thousand is attributable to the acquisition of the HOMAG Group in 2014 and of € 11,192 thousand to the acquisition or the iTAC companies in 2015. From historical acquisitions, sales and restructuring, today € 98,453 thousand is attributable to the acquisition of former Alstom companies and € 93,832 thousand to the acquisition of the former Schenck Group.

The change in goodwill from additions in the 2017 reporting period is explained below.

Acquisitions

Other acquisitions

To strengthen its business in the balancing technology for turbochargers in Mexico, Schenck México, S.A. de C.V with registered office in Mexico City, Mexico, acquired the activities of a company as part of an asset deal with effect from March 15, 2017.

On May 4, 2017, by shell company purchase, Dürr acquired 100 % of the shares in Blitz 17-38 GmbH based in Munich, Germany. Following the acquisition, the company was renamed Tapio GmbH with registered offices in Munich.

As of September 29, 2017, Dürr acquired 100 % of the shares in Test Devices Inc. with registered offices in Hudson, Massachusetts, USA, to strengthen the local service offer, particularly in the area of overspeed services in the aviation industry.

First-time consolidation of the acquired entities was performed pursuant to IFRS 3 "Business Combinations" using the full goodwill method for acquisition accounting purposes. The profit or loss of the entities has been included in the consolidated financial statements since the date of first-time consolidation. The purchase price of the acquisitions amounted to € 4,828 thousand and was paid in full in cash. The acquisition-related costs came to € 756 thousand and were expensed in the 2017 reporting period. The goodwill from the first-time consolidation of the acquired entities and the acquired net assets are presented in table 3.29.

3.29 – GOODWILL – OTHER ACQUISITIONS

€ k	
Purchase price	4,828
Fair value of net assets	–4,668
Goodwill	**160**

The goodwill reflects synergies in the sales area and earnings prospects in the USA and Mexico and was allocated to the Balancing and Assembly Products business activity. € 160 thousand of the goodwill is tax deductible.

The allocation of the purchase price to the acquired assets and liabilities can be found in table 3.30:

3.30 – PURCHASE PRICE ALLOCATION – OTHER ACQUISITIONS

€ k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	33	2,745	**2,778**
Property, plant and equipment	774	–	**774**
Deferred tax assets	–	–	**–**
Inventories and prepayments	399	–	**399**
Receivables and other assets	2,170	–	**2,170**
Cash and cash equivalents	375	–	**375**
Non-current liabilities	– 83	–	**– 83**
Deferred tax liabilities	–	– 182	**– 182**
Current liabilities	– 1,563	–	**– 1,563**
Net assets	**2,105**	**2,563**	**4,668**

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The adjustments mainly relate to intangible assets, where technological know-how and customer relationships were recognized in the purchase price allocation. No contingent liabilities were recognized in the first-time consolidation.

3.31 – HIDDEN RESERVES IDENTIFIED IN ACQUIRED INTANGIBLE ASSETS – OTHER ACQUISITIONS

€ k	Fair value
Technological know-how	1,174
Customer relationships	1,332
Other	239
	2,745

The fair value of technological know-how was measured using the relief from royalty method; the fair value of customer relationships was measured using the multi-period excess earnings method.

The earnings contributed by the acquired companies from the date of first-time consolidation until December 31, 2017 are summarized in table 3.32:

3.32 – EARNINGS CONTRIBUTION FROM THE DATE OF FIRST-TIME CONSOLIDATION – OTHER ACQUISITIONS

€ k	
Sales revenues	1,910
Earnings after taxes	– 57

Earnings after taxes contains the effects attributable to the 2017 reporting period from identifying hidden reserves and encumbrances in the purchase price allocation.

Had the acquired entities been included in the consolidated group as of January 1, 2017, group sales revenues for the 2017 reporting period would have amounted to € 3,721,089 thousand and the Dürr Group's profit for the period would have been € 201,758 thousand.

Property, plant and equipment

Items of property, plant and equipment are recognized as assets under construction if costs for own or third-party work have already been incurred but they have not been completed by the end of the reporting period. As of December 31, 2017, the majority of assets under construction related to the erection of new buildings at the Schopfloch and Bietigheim-Bissingen locations in Germany (prior period: campus in Shanghai region in the PR China)

The Group pledged self-owned land and buildings as well as plant and machinery of € 469 thousand (prior period: € 43,935 thousand) as collateral. The decrease mainly results from the repayment of the loan for financing the Dürr Campus in Bietigheim-Bissingen and the related release of the land charges.

Land and buildings

Dürr invested € 28,388 thousand in property in the 2017 reporting period. The majority thereof is attributable to the first-time consolidation of Olivia Grundstücksverwaltungsgesellschaft mbH & Co. KG. This is a lease property company with properties in Bietigheim-Bissingen. The properties with a carrying amount of € 17,636 thousand are recognized as an addition to land and buildings. Moreover, further investments were attributable to the completion of the Dürr Campus in Shanghai region in the PR China and the acquisition of other properties in the USA. The Group invested € 6,800 thousand in property in the prior period. The majority of this investment related to the completion of the Dürr Campus in Southfield, USA, and a training center in Ulsan, South Korea.

Finance leases

On December 31, 2017, a building in the UK, a heating water distribution grid in Germany as well as a building in Italy were recognized as finance lease assets in land and buildings. Dürr is not the legal owner of the buildings or the heating water distribution grid. The depreciation recorded on these properties is included in the depreciation of property, plant and equipment. The production hall in the USA recognized as a finance lease asset in the 2016 reporting period was acquired in 2017 and since then has no longer been part of properties recognized as finance lease assets. Table 3.33 shows cost and accumulated depreciation and impairment losses included in property, plant and equipment for these properties which are reported as finance lease assets.

3.33 – PROPERTIES RECOGNIZED AS FINANCE LEASE ASSETS

€ k	Dec. 31, 2017	Dec. 31, 2016
Historical cost	9,528	12,024
Accumulated depreciation and impairment losses	−4,100	−4,434
Net carrying amount	**5,428**	**7,590**

Investment property

Dürr distinguishes between property that is largely owner-occupied and property that is mostly let to third parties. A property is considered to be largely used by third parties if the space used by the company itself is insignificant. Dürr uses the cost method to measure such investment property. The properties concerned are a group of buildings as well as part of the infrastructure area of Schenck Technologie- und Industriepark GmbH in Darmstadt, Germany, which are allocated to the Measuring and Process Systems division.

3.34 – INCOME AND EXPENSES FROM INVESTMENT PROPERTY

€ k	2017	2016
Rental income in the reporting period	3,578	3,552
Future rental income expected based on the existing agreements	12,120	12,643
Directly attributable expenditure	1,231	1,287
Directly attributable expenditure for vacant property	72	77

Buildings are depreciated using the straight-line method of depreciation over their useful life ranging between 20 and 50 years.

In the 2017 reporting period, the composition of the properties accounted for pursuant to IAS 40 “Investment Property” was unchanged on the prior period. The fair value came to € 31,860 thousand as of December 31, 2017 (prior period: € 31,860 thousand) and is allocated to level 3 in the fair value hierarchy (for more information on the fair-value hierarchy levels please see note 33). An internal calculation prepared on an annual basis is used to determine the fair value of the investment properties; no valuer was consulted in determining the values. Fair value of the property is calculated using capitalized income from the cash-generating unit based on market rents adjusted by risk mark-downs customary for the region. A vacancy rate of 10 % (prior period: 10 %) and a property yield of 7.5 % (prior period: 7.5 %) was used in the calculation. The accumulated cost of land and buildings came to € 43,643 thousand as of December 31, 2016 and € 43,922 thousand as of December 31, 2017. The accumulated depreciation including all impairment losses and reversals of impairment losses increased from € 22,979 thousand as of December 31, 2016 to € 23,742 thousand as of December 31, 2017.

19. INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

Significant entities accounted for using the equity method

Homag China Golden Field Ltd.

The entity Homag China Golden Field Ltd. is based in Hong Kong, PR China, and is a sales and service company which sells the products of the HOMAG Group's manufacturing companies. It is responsible for ensuring a functioning service organization and for working the Chinese market.

3.35 – CONDENSED STATEMENT OF FINANCIAL POSITION OF HOMAG CHINA GOLDEN FIELD LTD.

€ k	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	10,303	4,085
Current assets	179,888	140,108
Non-current liabilities	–	24
Current liabilities	158,135	113,049
Equity	32,056	31,120
Carrying amount of the investment	12,578	12,299
Shareholding Dürr	25.0%	25.0%

The carrying amount of the investment is influenced by currency effects.

3.36 – FURTHER FINANCIAL INFORMATION ON HOMAG CHINA GOLDEN FIELD LTD.

€ k	2017	2016
Sales revenues	291,744	178,970
Earnings after income taxes	9,075	6,006
Cash flow from operating activities	22,814	37,082
Cash flow from investing activities	– 16,231	– 127
Cash flow from financing activities	8,042	– 5,142
Dividends received from Homag China Golden Field Ltd.	1,054	490

As in the prior period, the associate had no material contingent liabilities as of December 31, 2017. At present, there are no significant restrictions with respect to dividend distributions.

Aggregated disclosures on other entities accounted for using the equity method

3.37 – AGGREGATED DISCLOSURES ON OTHER ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

€ k	2017	2016
Carrying amount of other entities accounted for using the equity method (as of Dec. 31)	18,194	20,427
Earnings after income taxes	2,348	4,112
Cash flow from operating activities	1,222	6,939
Cash flow from investing activities	– 78	– 1,118
Cash flow from financing activities	– 2,084	1,542

The end of the reporting period of one associate is September 30; it is included using the equity method on the basis of the figures contained in the financial statements from that date. Significant effects that occurred between that date and December 31 are considered.

For further information on the consolidated companies, please refer to notes 3 and 4.

Other financial assets

3.38 – OTHER FINANCIAL ASSETS

€ k	Dec. 31, 2017	Dec. 31, 2016
Other investments	4,393	2,946
Securities classified as non-current assets	–	8,955
	4,393	**11,901**

In 2017, other investments also include the investment in ADAMOS GmbH with a carrying amount of € 2,000 thousand.

20. INVENTORIES AND PREPAYMENTS

3.39 – INVENTORIES AND PREPAYMENTS

€ k	Dec. 31, 2017	Dec. 31, 2016
Materials and supplies	207,005	173,842
less write-downs	– 25,737	– 22,019
Work in process from small series production	99,064	92,852
less write-downs	– 4,407	– 4,470
Finished goods and merchandise	117,862	119,043
less write-downs	– 15,260	– 15,649
Prepayments	59,269	37,457
less write-downs	– 138	–
	437,658	**381,056**

Materials and supplies were measured at average cost. On aggregate, write-downs on inventories increased to € 45,542 thousand (prior period: € 42,138 thousand) after taking into account exchange differences and consumption. The additions to write-downs in the 2017 reporting period of € 8,647 thousand (prior period: € 16,119 thousand) were recognized in profit or loss.

21. TRADE RECEIVABLES [Tab.→ 3.40]

Table 3.41 shows an ageing analysis of the recognized trade receivables that are not impaired. **[Tab.→ 3.41]**

3.40 – TRADE RECEIVABLES

	Dec. 31, 2017			Dec. 31, 2016		
€ k	Total	Current	Non-current	Total	Current	Non-current
Costs and estimated earnings in excess of billings	469,334	469,334	–	357,149	357,149	–
Trade receivables due from third parties	473,565	462,595	10,970	418,481	401,606	16,875
Trade receivables due from entities accounted for using the equity method	9,157	9,157	–	20,668	20,665	3
	952,056	**941,086**	**10,970**	**796,298**	**779,420**	**16,878**

3.41 – AGEING ANALYSIS OF TRADE RECEIVABLES

	Costs and estimated earnings in excess of billings		Trade receivables due from third parties		Trade receivables due from entities accounted for using the equity method	
€ k	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Neither past due nor impaired at the end of the reporting period	469,334	357,149	346,325	305,084	6,545	18,820
Not impaired at the end of the reporting period, but past due by						
less than 3 months	–	–	82,289	69,684	1,728	991
between 3 and 6 months	–	–	20,179	19,224	287	516
between 6 and 9 months	–	–	10,304	6,802	565	11
between 9 and 12 months	–	–	4,574	3,198	2	286
more than 12 months	–	–	7,894	9,375	30	44
Total	–	–	125,240	108,283	2,612	1,848
Net receivables on which specific bad debt allowances have been recognized	–	–	2,000	5,114	–	–
Net carrying amount	**469,334**	**357,149**	**473,565**	**418,481**	**9,157**	**20,668**

3.42 – CHANGES IN BAD DEBT ALLOWANCES

€ k	2017	2016
As of January 1	**15,088**	**11,032**
Exchange difference	– 436	66
Utilization	– 1,265	– 654
Reversal	– 4,502	– 1,721
Increases (impairment charge)	6,990	7,271
Reclassification to assets held for sale	7	– 906
As of December 31	**15,882**	**15,088**

3.43 – COMPOSITION OF COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS AND BILLINGS IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

	Dec. 31, 2017			Dec. 31, 2016		
€ k	Total	Current	Non-current	Total	Current	Non-current
Assets						
Costs incurred including earnings	1,891,696	1,891,696	–	1,550,575	1,550,575	–
Less billings	1,422,362	1,422,362	–	1,193,426	1,193,426	–
Costs and estimated earnings in excess of billings	**469,334**	**469,334**	**–**	**357,149**	**357,149**	**–**
Liabilities						
Costs incurred including earnings	1,926,771	1,926,771	–	2,420,602	2,420,602	–
Less billings	2,407,963	2,404,135	3,828	2,942,968	2,939,140	3,828
Billings in excess of cost on uncompleted contracts	**481,192**	**477,364**	**3,828**	**522,366**	**518,538**	**3,828**
Total						
Costs incurred including earnings	3,818,467	3,818,467	–	3,971,177	3,971,177	–
Less billings	3,830,325	3,826,497	3,828	4,136,394	4,132,566	3,828
Billings in excess of cost on uncompleted contracts	**11,858**	**8,030**	**3,828**	**165,217**	**161,389**	**3,828**

With respect to the trade receivables that were neither impaired nor past due, there was no indication at the end of the reporting period that the debtors would not meet their payment obligations.

Bad debt allowances on trade receivables due from third parties and due from entities accounted for using the equity method developed as presented in table 3.42. **[Tab. → 3.42]**

Receivables of € 3,235 thousand (prior period: € 901 thousand) were derecognized in the 2017 reporting period; € 1,265 thousand (prior period: € 654 thousand) thereof had already been written down in the past. The remaining € 1,970 thousand (prior period: € 247 thousand) was derecognized through profit or loss in the 2017 reporting period.

Costs and estimated earnings in excess of billings

These amounts are offset on a contract basis and are included in either costs and estimated earnings in excess of billings (assets) or billings in excess of costs and estimated earnings (liabilities). Please also refer to note 28. **[Tab. → 3.43]**

22. SUNDRY FINANCIAL ASSETS [Tab. → 3.44]

Remaining sundry financial assets include receivables from litigation of € 12,387 thousand (prior period: € 12,383 thousand), balances at suppliers of € 3,572 thousand (prior period: € 3,157 thousand) and receivables from employees totaling € 1,693 thousand (prior period: € 1,602 thousand). There is no indication that the debtors will not be able to meet their payment obligations.

For the disclosures required by IFRS 7, please refer to note 33. For further information on assets held for sale, we refer to note 24.

23. OTHER ASSETS [Tab. → 3.45]

24. ASSETS HELD FOR SALE AND RELATED LIABILITIES AND SALES

Assets and liabilities sold in the 2017 reporting period

The company Shenyang Blue Silver Industry Automation Equipment Co., Ltd., PR China (SBS), acquired the business of the Cleaning and Surface Processing activity (Dürr Ecoclean Group), with effect from March 31, 2017. The assets and associated liabilities allocated to the Cleaning and Surface Processing activity were classified as held for sale and recognized

3.44 – SUNDRY FINANCIAL ASSETS

	Dec. 31, 2017			Dec. 31, 2016		
€ k	Total	Current	Non-current	Total	Current	Non-current
Derivative financial assets	5,928	5,758	170	3,545	3,493	52
Rent deposits and other collateral provided	6,951	4,092	2,859	6,541	3,612	2,929
Time deposits	136,008	136,008	–	89,445	89,445	–
Available-for-sale financial assets	19,507	19,507	–	–	–	–
Held-to-Maturity financial assets	2,996	2,996	–	–	–	–
Held-for-trading financial assets	6	6	–	6	6	–
Remaining sundry financial assets	24,110	22,286	1,824	21,889	20,708	1,181
	195,506	**190,653**	**4,853**	**121,426**	**117,264**	**4,162**

3.45 – OTHER ASSETS

	Dec. 31, 2017			Dec. 31, 2016		
€ k	Total	Current	Non-current	Total	Current	Non-current
Tax reimbursement claims without income taxes	45,660	45,296	364	27,499	26,972	527
Sundry	107	4	103	–	–	–
	45,767	**45,300**	**467**	**27,499**	**26,972**	**527**

separately in the consolidated statement of financial position of Dürr AG as of December 31, 2016. These assets and liabilities were allocated to the Measuring and Process Systems division as of December 31, 2016. In addition to various assets and liabilities in the PR China, Mexico and several other countries, the transaction involves the following companies:

- Dürr Ecoclean GmbH, Filderstadt, Germany,
- Dürr Cleaning France S.A.S., Le Mans, France,
- Dürr Ecoclean spol. s r.o., Oslavany, Czech Republic,
- UCM AG, Rheineck, Switzerland,
- Dürr Ecoclean Inc., Southfield, Michigan, USA,
- Mhitraa Engineering Equipment Private Limited, Sriperumbudur, India.

The income from the sale amounted to € 22,986 thousand. Under the sale, Dürr received a net cash settlement of € 108,517 thousand and a 15 % investment in the new holding company SBS Ecoclean GmbH with registered offices in Stuttgart, Germany. Shenyang Blue Silver Industry Automation Equipment Co. exercised the option to acquire the remaining 15 % of the investment in SBS Ecoclean GmbH from Dürr. This is recognized under current available-for-sale financial assets. In the first quarter of 2017, the Cleaning and Surface Processing business activity contributed € 47,475 thousand to group sales revenues and € 2,183 thousand to earnings before investment result, interest and income taxes (EBIT). In the prior period, income and expenses were fully included in the consolidated statement of income.

In the first quarter of 2017, the Cleaning and Surface Processing business activity contributed € 47,475 thousand to group sales revenues and € 2,183 thousand to earnings before investment result, interest and income taxes (EBIT). In the prior period, income and expenses were fully included in the consolidated statement of income.

Assets and liabilities held for sale

In the course of the sale of the Cleaning and Surface Processing business activity, even more assets and liabilities are subsequently recognized as held for sale. These are allocated to the Measuring and Process Systems division.

3.46 – ASSETS AND LIABILITIES HELD FOR SALE

€ k	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	–	24,384
Property, plant and equipment	15	16,037
Deferred tax assets	–	1,297
Inventories and prepayments	388	20,225
Receivables and other assets	575	91,113
Cash and cash equivalents	–	14,164
Non-current liabilities	– 28	– 4,993
Deferred tax liabilities	–	– 7,419
Current liabilities	– 596	– 47,496
Net assets	**354**	**107,312**
Other comprehensive income	–	– 3,573

Assets sold in the 2016 reporting period

In connection with the relocation to the Dürr Campus in Southfield, Michigan, USA, the building in Auburn Hills, also in Michigan, USA, that was no longer needed and further technical equipment and office equipment at that location were classified as held for sale in the 2015 reporting period. The building and further items of property, plant and equipment were sold effective March 31, 2016. The gain on disposal amounted to € 4,935 thousand and was contained in the statement of income as other operating income. The assets were measured at the carrying amount at the date of reclassification. As of December 31, 2015, the assets classified as held for sale were allocated to the Application Technology division.

Notes to the consolidated statement of financial position: equity and liabilities

25. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DÜRR AKTIENGESELLSCHAFT

Subscribed capital (Dürr AG)

As of December 31, 2017, the capital stock of Dürr AG came to € 88,579 thousand (prior period: € 88,579 thousand) and was made up of 34,601,040 shares (prior period: 34,601,040 shares). Each share represents € 2.56 of the subscribed capital and is made out to the bearer. The shares issued were fully paid in at the end of the reporting period.

Authorizations

Authorization for acquisition of sale of treasury shares (Dürr AG)

The annual general meeting on May 4, 2016 authorized the Board of Management to purchase no-par value bearer shares once or several times until May 3, 2021. The purchases, whether for one or more purposes, may be transacted through the stock exchange or through a public tender addressed to all shareholders. The number of shares purchased in this way may not at any time exceed 10 % of the capital stock. The authorization may not be used for the purpose of trading with treasury shares. In the event of the shares being purchased through the stock exchange or by public offer, the consideration for the purchase of the shares is not allowed to exceed or fall below the arithmetic mean of the price in the closing auction on the XETRA trading system by more than 10 % during the last ten trading days before the contractual transaction is concluded. If the acquisition takes place through a public invitation addressed to all shareholders for the submission of bids, the Company sets a range of purchase prices per share. The 10 % threshold described above also applies here. The Board of Management, with the consent of the Supervisory Board, was also authorized to sell treasury shares under certain circumstances. In connection with this authorization, the Board of Management was also granted the option, under certain circumstances, to exclude the shareholders' put option and subscription right.

Authorized capital (Dürr AG)

The annual general meeting on April 30, 2014 authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock once or several times in exchange for cash contributions and/or contributions in kind in the period up to April 29, 2019 by up to € 44,289 thousand by issuing up to 17,300,520 no-par value shares made out to the bearer. The Board of Management was also authorized to preclude, subject to the approval of the Supervisory Board, the subscription right of the shareholders in certain cases.

Conditional capital (Dürr AG)

The annual general meeting on April 30, 2014 authorized the Board of Management, subject to the approval of the Supervisory Board, to issue once or several times until April 29, 2019, bearer or registered convertible bonds, warrant-linked bonds, participation rights or income bonds or combinations of these instruments with or without fixed maturity with a total nominal value of up to € 1,600,000 thousand. For this purpose, the subscribed capital has been conditionally increased by a maximum of € 44,289 thousand by issue of up to 17,300,520 new no-par value bearer shares. The Board of Management was also authorized, with the approval of the Supervisory Board, to preclude the subscription right of shareholders under certain circumstances and with defined limits.

None of the three authorizations have been exercised to date.

Capital reserve (Dürr AG)

The capital reserve includes share premiums and amounted to € 155,896 thousand as of December 31, 2017 (prior period: € 155,896 thousand). The capital reserve is subject to the restrictions on disposal of Sec. 150 AktG.

Revenue reserves

Revenue reserves contain the profits generated in the past by the entities included in the consolidated financial statements that have not been distributed. They totaled € 693,574 thousand as of December 31, 2017 (prior period: € 588,705 thousand). The change is chiefly owing to the addition of the net profit for the year, the recognition and measurement of options allocable to non-controlling interests and the distribution of the dividend for the 2016 reporting period.

Restriction on distribution, transfer and withdrawal in the separate financial statements of Dürr AG (Sec. 253 (6) HGB and Sec. 285 No. 28 HGB)

Due to the legal regulations on the measurement of provisions in the separate financial statements of Dürr AG prepared in accordance with the German commercial law, there are restrictions on distribution. A difference of € 1,505 thousand (prior period: € 1,235 thousand) arises from the recognition of provisions according to the respective average market interest rate from the past ten reporting periods and from the recognition of provisions according to the respective average market interest rate from the past seven reporting periods; this amount is also subject to a restriction on distribution. Capitalization of assets at fair value resulted in a further restriction on distribution of € 1,998 thousand in the prior period.

Dividends

In accordance with the AktG, the distribution is measured based on net retained profit as reported by Dürr AG in its separate financial statements prepared in accordance with the provisions of the HGB. In the 2017 reporting period, Dürr AG distributed a dividend to its shareholders of € 2.10 per share from the net retained profit recorded in 2016 (prior period: € 1.85). The total amount distributed came to € 72,662 thousand (prior period: € 64,012 thousand). On account of the results of operations in the 2017 reporting period, the Board of Management of Dürr AG will propose to the Supervisory Board that a dividend of € 2.20 per share be distributed, corresponding to a total distribution amount of € 76,122 thousand.

Effects in equity of changes in the shareholding without loss of control

Benz

At Benz GmbH Werkzeugsysteme, Haslach im Kinzigtal, Germany, and its subsidiary in the USA, the shareholding was increased from 51 % to 75 % in the 2017 reporting period. Both entities were already fully included in the consolidated financial statements of Dürr AG as a result of contractual arrangements. A liability was recognized for the purchase price yet to be paid for the remaining 25 % of shares.

3.47 – EFFECTS OF INCREASING THE SHAREHOLDING IN BENZ

€ k	2017
Revenue reserves	– 8,320
Other comprehensive income	35
Non-controlling interests	– 6,752
	– 15,037

Dürr Thermea

The shareholding in Dürr Thermea GmbH, with registered offices in Ottendorf-Okrilla, Germany, was increased from 87.6 % to 100 % in the 2017 reporting period. Since a liability from options for the acquisition of the remaining shares had already been recognized, there was no effect on equity.

3.48 – EFFECTS OF INCREASING THE SHAREHOLDING IN DÜRR THERMEA

€ k	2017
Revenue reserves	136
Non-controlling interests	– 136
	–

Homag Korea

At HOMAG KOREA CO., LTD., with registered offices in Seoul, South Korea, the shareholding was increased from 54.6 % to 100 % in the 2017 reporting period.

3.49 – EFFECTS OF INCREASING THE SHAREHOLDING IN HOMAG KOREA

€ k	2017
Revenue reserves	80
Other comprehensive income	1
Non-controlling interests	– 1,547
	– 1,466

Prior period

Dürr Cyplan

At Dürr Cyplan Ltd., with registered offices in Aldermaston, UK, the shareholding was increased from 50 % to 100 % in the 2016 reporting period. The entity was already included in the consolidated financial statements as a consolidated entity as a result of contractual arrangements.

3.50 – EFFECTS OF INCREASING THE SHAREHOLDING IN DÜRR CYPLAN

€ k	2016
Revenue reserves	– 5,144
Non-controlling interests	1,144
	– 4,000

Disclosures on capital management

The primary objective of capital management is to support business operations, ensure a healthy capital ratio and increase business value.

Dürr monitors its capital on a monthly basis using a gearing ratio, which reflects the ratio of net financial debt to equity and is defined as the ratio of net financial debt to equity and net financial debt. Pursuant to the Group's internal policy, the

3.51 – GEARING RATIO

€ k	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	–659,911	–724,179
Time deposits and other short-term securities	–139,010	–89,451
Securities classified as non-current assets	–	–8,955
Bond and bonded loan	597,285	596,630
Liabilities to banks	1,875	35,545
Sundry financial liabilities	8,262	13,878
Net financial status	**–191,499**	**–176,532**
Equity	903,694	830,960
Net financial status	–191,499	–176,532
Equity and net financial status	**712,195**	**654,428**
Net financial status	–191,499	–176,532
Equity and net financial status	712,195	654,428
Gearing ratio	**–26.9%**	**–27.0%**

ratio should not exceed 30%. At –26.9% (prior period: –27.0%), the ratio at the end of the 2017 reporting period was significantly lower than the threshold given because, as was also the case in the prior period, the Group carried net financial assets rather than net financial debt. **[Tab. → 3.51]**

26. PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's post-employment benefits include defined contribution plans and defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, Dürr pays contributions to state or private insurance institutions. Other than the subsidiary liability of the employer regarding its company pension plans, there are no other legal or constructive obligations for Dürr. A claim from the subsidiary liability is currently unlikely. The contributions are recognized as a personnel expense within the functional costs when they fall due.

The post-employment benefits available to the employees of Dürr's German entities include a life insurance program (BZV) and a company pension (DAZU) in line with the respective tariff group, for which the Group recognized contributions of € 916 thousand (prior period: € 923 thousand) as an expense. In addition, Dürr paid contributions of € 42,955 thousand (prior period: € 42,227 thousand) to the German statutory pension scheme, which also constitutes a defined contribution plan.

The US subsidiaries contribute to external pension funds for trade union employees. In the 2017 reporting period, pension expenses for these employees amounted to € 4,739 thousand (prior period: € 3,513 thousand). Payments for other defined contribution plans in other countries, including state pension systems, amounted to € 10,852 thousand (prior period: € 8,368 thousand).

In addition, Dürr's US subsidiaries have a "401(k)" profit-sharing plan for certain employees. Profit-sharing is based on the years of service and the employees' remuneration. Dürr's contribution is discretionary and is determined annually by management. In the 2017 reporting period, expenses came to € 2,017 thousand (prior period: € 1,798 thousand).

Defined benefit plans

Pension entitlements have been granted to individual former members of the Board of Management of Dürr AG and the members of the management board and general managers of German subsidiaries based on their most recent fixed salary and years of service.

Non-pay-scale employees of Dürr's German subsidiaries, including the members of the Board of Management of Dürr AG, Carl Schenck AG and HOMAG Group AG, are also offered the possibility to convert employee contributions into a benefit obligation in addition to ongoing employer contributions. Under these plans, Dürr employees are entitled to convert certain parts of their future pay into an entitlement to future supplementary company benefits. To secure and finance the resulting obligation, Dürr has taken out employer's pension liability insurance for the life of the beneficiaries. Dürr has the exclusive right to the respective benefits. This therefore does not represent any significant actuarial or investment risk for Dürr. The amount of post-employment benefits equals the benefit paid out under the employer's pension liability insurance concluded by Dürr, which consists of a guaranteed pension and the divisible surplus allocated by the insurance company. Dürr reports the benefit obligation net of fund assets from the employer's pension liability insurance.

At the German Dürr entities, those employees who were employed at the Schenck entities at the time of the takeover were entitled to post-employment benefits. These are based on years of service. The payments provided for by the pension plans comprise fixed amounts plus an element that is dependent on years of service.

One US entity has a pension plan covering all non-union employees at that subsidiary. This plan was closed in 2003 and the claims for active members were frozen. The amount of the future pension benefits is based on the average salaries earned and length of service before the pension entitlements were frozen in 2003.

One subsidiary in the USA has an approximate 37 % share in a multi-employer plan which is maintained jointly with other non-affiliated metal-working companies. The defined benefit plan is accounted for as a defined contribution plan as it is not possible to allocate the share of obligations and plan assets to the individual member companies. The beneficiaries of the plan are members of a trade union. The contributions are calculated on the basis of the number of production hours worked by members. A temporary shortfall in capacity utilization as well as lower returns on fund assets meant there has been a deficit in the past. As of March 31, 2017, unfunded obligations from the plan amounted to € 7,338 thousand (prior period: € 21,714 thousand), which Dürr will cover in full in case of default by other member companies. For 2017, Dürr expects contributions of € 1,102 thousand (prior period: € 1,664 thousand) to be made to the pension plan.

Moreover, there are plans that provide for payouts when employees leave the company as well as further minor pension plans.

Post-employment benefit plan participants and risk management

Provisions for post-employment benefits are recognized for obligations from future and current post-employment benefits to eligible current and former employees as well as their surviving dependents. Pension plans vary according to local legal, tax and economic conditions and are usually based on employees' years of service as well as their remuneration. In the 2017 reporting period, there were obligations in place for 2,618 eligible persons (prior period: 2,722), thereof 2,044 active employees (prior period: 2,105), 126 former employees with vested rights (prior period: 156) as well as 448 retired employees and surviving dependents (prior period: 461).

The defined benefit plans are largely financed via provisions which have corresponding qualifying fund assets as plan assets that are offset against the obligations. The fund assets mostly exist in the form of employer's pension liability insurance policies pledged to beneficiaries.

In order to take adequate account of risks associated with post-employment benefit obligations, Dürr established the Corporate Pension Committee (CPC) several years ago. This committee convenes on a quarterly basis and reviews and assesses all global post-employment benefit plans within the Dürr Group. Regular participants of the CPC are the Chief Financial Officer of Dürr AG as well as the heads of the group-wide functional areas Human Resources, Accounting & Controlling, Finance and Legal.

Furthermore, to minimize the risk from pension obligations, no new defined benefit pensions have been granted in Germany for several years if their value is largely not hedged by external counter-financing. At the same time, the current pension plans are largely financed through deferred compensation.

Development of defined benefit plans

3.52 – CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

€ k	Dec. 31, 2017	Dec. 31, 2016
Defined benefit obligation at the beginning of the year	114,924	111,394
Exchange difference	– 1,837	278
Current service cost	3,132	4,399
Past service cost	– 8	– 398
Interest cost	2,035	2,740
Remeasurement of the defined benefit obligation	– 3,008	11,836
thereof actuarial gains and losses from changes in demographic assumptions	497	– 96
thereof actuarial gains and losses from changes in financial assumptions	– 2,680	11,874
thereof experience adjustments	– 825	58
Employer contributions	7	28
Employee contributions	1,912	951
Benefits paid	– 6,858	– 7,126
Settlements	–	– 303
Changes in the consolidated group	6,432	–
Reclassification to liabilities held for sale	–	– 8,816
Other	8	– 59
Defined benefit obligation at the end of the year	**116,739**	**114,924**

3.53 – CHANGE IN PLAN ASSETS

€ k	Dec. 31, 2017	Dec. 31, 2016
Fair value of plan assets at the beginning of the year	64,213	64,054
Exchange difference	– 1,278	161
Interest income	1,238	1,648
Remeasurement of plan assets	– 2,064	3,333
thereof actuarial gains and losses from changes in financial assumptions	– 825	3,341
thereof experience adjustments	– 1,239	– 8
Employer contributions	3,146	2,465
Employee contributions	1,911	2,169
Benefits paid	– 3,621	– 4,335
Settlements	–	– 270
Changes in the consolidated group	4,813	–
Reclassification to liabilities held for sale	–	– 4,954
Other	– 18	– 58
Fair value of plan assets at the end of the year	**68,340**	**64,213**
Effect of asset ceiling	– 1,431	– 1,106
Plan assets taking account of the asset ceiling	**66,909**	**63,107**
Funded status[1]	49,830	51,817

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

3.54 – FUNDED STATUS

€ k	Dec. 31, 2017	Dec. 31, 2016
Present value of funded obligations	110,600	108,228
Plan assets taking into account the asset ceiling	66,909	63,107
Defined benefit obligation in excess of plan assets	**43,691**	**45,121**
Present value of non-funded benefit obligations	6,139	6,696
Funded status[1]	**49,830**	**51,817**

[1] Difference between the present value of the defined benefit obligation and the plan assets, taking into account the asset ceiling

At the end of the reporting period, the fair value of plan assets breaks down as shown in table 3.55 below:

3.55 – COMPOSITION OF PLAN ASSETS

€ k	Dec. 31, 2017	Dec. 31, 2016
Employer's pension liability insurance	57,950	53,649
Fixed-interest securities	8,447	9,524
Shares	1,513	700
Real estate	114	110
Other	316	230
	68,340	**64,213**

The plan assets of the German entities mainly consist of employer's pension liability insurance policies which guarantee the amount. These employer's pension liability insurance policies have been invested mainly in fixed-interest securities (including government bonds and mortgage bonds). When selecting the issuers, the factors considered include the individual rating by international agencies and the equity capitalization of the issuers. The aim of the investment strategy is long-term capital accumulation on the one hand, and ongoing interest income on the other. This leads to slightly greater volatility. As part of a balanced approach, the portfolio mix contains debt and equity securities. The long-term growth in plan assets should be achieved primarily by means of fixed-interest securities which will also secure ongoing interest income. Equity instruments also make up a share of the investment portfolio. For the pension plan in the USA, the portion of equity instruments in the investment portfolio came to 8.5 % (prior period: 6.1 %).

With the exception of shares and fixed-interest securities, there are no listed prices on an active market. Where employer's pension liability insurance belongs to plan assets as qualifying insurance policies and exactly match the benefits, the present value of the covered obligations applies as their fair value. Otherwise, the fair value of plan assets is generally calculated on the basis of the market expectations prevailing on that date.

The expenses for defined benefit plans recognized in profit or loss comprise the items listed in table 3.56 below:

3.56 – SHARE OF EXPENSES FROM DEFINED BENEFIT PLANS RECOGNIZED THROUGH PROFIT OR LOSS

€ k	2017	2016
Current service cost	3,132	4,399
Past service cost	−8	−398
Interest cost	813	1,149
Other	−269	67
	3,668	**5,217**

The asset ceiling resulted in a change of € −307 thousand (prior period: € 1,231 thousand) in total comprehensive income. Of this amount, € −291 thousand (prior period: € 1,288 thousand) was recognized directly in equity and € −16 thousand (prior period: € −57 thousand) in net interest.

The reporting date for the measurement of projected benefit obligations and plan assets is December 31; the measurement date for defined benefit plans is January 1. In addition to the assumptions on life expectancy based on the biometric 2005 G mortality tables published by Prof. Dr. Klaus Heubeck for the

3.57 – AVERAGE RATES USED FOR CALCULATING OBLIGATIONS

	2017			2016		
%	Germany	United States	Rest of world	Germany	United States	Rest of world
Discount rate	1.70	3.50	1.59	1.50	3.85	1.45
Long-term salary increases	3.00	–	2.00	3.00	–	2.01

3.58 – EXPECTED PAYMENTS FROM THE DEFINED BENEFIT PLANS

€ k	2018	2019	2020	2021	2022	2023 to 2027	Total
Expected payments from the defined benefit plans	5,088	5,241	5,029	5,399	5,429	26,041	52,227

German Group companies, the premises in table 3.57 were used as a basis for calculating the defined benefit obligations and the fair value of the plan assets. **[Tab. → 3.57]**

The rate of pension progression, which has a significant impact on the defined benefit obligations as of the end of the reporting period, came to 1.75 % in the 2017 reporting period (prior period: 1.75 %). The average rates are calculated on the basis of the weighted average of the defined benefit obligations.

The average duration of the post-employment benefit obligations as of the end of the 2017 reporting period was 14 years (prior period: 14 years). For the 2018 reporting period, employers are expected to make contributions of € 2,813 thousand to the plan assets.

Table 3.58 gives an overview of the payments for defined benefit plans expected in the coming reporting periods. **[Tab. → 3.58]**

Sensitivity analyses

The material actuarial assumptions to determine the post-employment benefit obligations are the discount rate and, for obligations in Germany, also the rate of pension progression. By hedging the significant risks with employer's pension liability insurance policies, the longevity risk for the obligations in Germany plays only a minor role.

Table 3.59 shows how the defined benefit obligation is influenced by potential changes to the respective assumptions using sensitivity analyses.

3.59 – SENSITIVITIES – CHANGES IN THE DEFINED BENEFIT OBLIGATION

€ k	Dec. 31, 2017	Dec. 31, 2016
Discount rate		
+1 percentage point	–14,204	–13,822
–1 percentage point	17,462	17,318
Pension		
+0.25 percentage points	2,548	2,665
–0.25 percentage points	–2,451	–2,548

There are dependencies between the actuarial assumptions. The sensitivity analyses do not take these dependencies into account.

27. OTHER PROVISIONS [Tab.→ 3.60]

The contract-related provisions mainly consist of provisions for after-sales expenses, warranties and for onerous contracts in the order backlog. Around 62 % (prior period: 74 %) of the contract-related provisions relate to provisions for warranties and subsequent expenditure. The personnel provisions mainly contain obligations for the phased retirement scheme and provisions for long-service awards. Sundry provisions relate to various identifiable specific risks and uncertain liabilities.

Those other provisions that are expected to be used within the next twelve months are classified as current. The payments for non-current provisions are expected to be incurred within the next two to five years. [Tab.→ 3.61]

3.60 – OTHER PROVISIONS – CHANGES IN THE 2017 REPORTING PERIOD

€ k	Contract-related provisions	Personnel provisions	Sundry provisions
As of January 1, 2017	**89,226**	**18,457**	**5,567**
Changes in the consolidated group	13	–	–
Exchange difference	–3,447	–97	–396
Utilization	–35,624	–4,521	–1,590
Reversal	–14,917	–1,330	–91
Additions	78,838	9,453	3,282
Reclassification	73	–	–73
Reclassification to liabilities held for sale	971	139	–22
As of December 31, 2017	**115,133**	**22,101**	**6,677**

3.61 – OTHER PROVISIONS – EXPECTED UTILIZATION

	Dec. 31, 2017			Dec. 31, 2016		
€ k	Total	Current	Non-current	Total	Current	Non-current
Contract-related provisions	115,133	113,814	1,319	89,226	85,579	3,647
Personnel provisions	22,101	9,750	12,351	18,457	7,377	11,080
Sundry provisions	6,677	2,795	3,882	5,567	2,730	2,837
	143,911	**126,359**	**17,552**	**113,250**	**95,686**	**17,564**

28. TRADE PAYABLES [Tab.→ 3.62]

Billings in excess of costs include € 43,640 thousand (prior period: € 31,316 thousand) from entities accounted for using the equity method.

29. BOND, BONDED LOAN AND OTHER FINANCIAL LIABILITIES

All interest-bearing liabilities of the Group are shown under this item. **[Tab.→ 3.63]**

Sundry financial liabilities primarily contain loans from employees of German HOMAG Group entities.

Financing of the Group

Bond

In March 2014, Dürr AG issued an unsubordinated bond of € 300,000 thousand with a coupon of 2.875 % and an issue price of 99.221 %. It was paid out to Dürr and first listed on April 3, 2014. The bond has a term of seven years and cannot be terminated prematurely. It was issued to institutional and private investors outside of the US. The bond has not been rated.

3.62 – TRADE PAYABLES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Billings in excess of costs on uncompleted contracts (from small series production)	167,703	167,703	–	–	–
(2016)	(125,745)	(125,745)	(–)	(–)	(–)
Billings in excess of costs on uncompleted contracts (from construction contracts)	481,192	477,364	3,828	3,828	–
(2016)	(522,366)	(518,538)	(3,828)	(3,828)	(–)
Trade payables	378,026	377,765	261	173	88
(2016)	(333,853)	(333,545)	(308)	(182)	(126)
Trade payables due from entities accounted for using the equity method	203	203	–	–	–
(2016)	(510)	(510)	(–)	(–)	(–)
December 31, 2017	**1,027,124**	**1,023,035**	**4,089**	**4,001**	**88**
(December 31, 2016)	(982,474)	(978,338)	(4,136)	(4,010)	(126)

3.63 – FINANCIAL LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Bond	298,027	–	298,027	298,027	–
(2016)	(297,474)	(–)	(297,474)	(297,474)	(–)
Bonded loan	299,258	–	299,258	99,753	199,505
(2016)	(299,156)	(–)	(299,156)	(99,719)	(199,437)
Liabilities to banks	1,875	1,875	–	–	–
(2016)	(35,545)	(1,783)	(33,762)	(10,459)	(23,303)
Finance lease liabilities	5,810	1,347	4,463	3,497	966
(2016)	(8,480)	(1,736)	(6,744)	(5,636)	(1,108)
Sundry financial liabilities	8,262	161	8,101	8,101	–
(2016)	(13,878)	(1,820)	(12,058)	(12,058)	(–)
December 31, 2017	**613,232**	**3,383**	**609,849**	**409,378**	**200,471**
(December 31, 2016)	(654,533)	(5,339)	(649,194)	(425,346)	(223,848)

Bonded loan

On March 24, 2016, Dürr issued a bonded loan of € 300,000 thousand. The funds were received on April 6, 2016. The total volume is split into three tranches with terms of five, seven and ten years, and thus results in the maturity profile being spread more broadly. The average interest rate amounts to around 1.6 % p.a. for tranches with both fixed and variable interest terms. The bonded loan was arranged by Commerzbank AG, Landesbank Baden-Württemberg and UniCredit Bank AG and signed by numerous banks both within and outside of Germany. The funds serve to generally fund the Company and to strengthen strategic liquidity.

Dürr AG syndicated loan

Effective March 21, 2014, Dürr AG concluded a syndicated loan with a term until March 21, 2019. The syndicate of banks comprises Baden-Württembergische Bank, Commerzbank AG, Deutsche Bank AG, UniCredit Bank AG, HSBC Trinkaus & Burkhardt AG, BNP Paribas and KfW IPEX-Bank GmbH.

The syndicated loan does not include any collateral on fixed and current assets and is intended for general corporate financing. It consists of a cash line of € 250,000 thousand and a bank guarantee of € 215,000 thousand. The latter is used for guarantees and warranties in the operating business. It was possible to extend the new loan agreement at no additional cost by up to two years until March 21, 2021. The two extension options for one year each were utilized. The syndicated loan thus now has a term until March 21, 2021. Premature termination of the syndicated loan is possible if the agreed-upon financial covenants or other terms of the loan are infringed and a two-third majority of the lending banks vote in favor of termination. The agreed financial covenant was complied with on all the specified measurement dates. Interest on the syndicated loan is payable at the matching refinancing rate plus a variable margin.

Other loans

As of September 30, 2017, the loan to finance Dürr Campus properties in Bietigheim-Bissingen with a carrying amount of € 34,198 thousand was repaid prematurely. An early repayment penalty was not incurred as the fixed-interest term had expired. **[Tab.→ 3.64]**

In order to integrate the HOMAG Group into Dürr's group financing, additional bilateral loans were repaid prematurely in the 2016 reporting period.

Credit lines and bank guarantees

At the end of the reporting period, € 143,282 thousand (prior period: € 148,160 thousand) of the bank guarantee of Dürr AG's syndicated loan had been utilized. Furthermore, there is an option to temporarily use the cash line of up to € 50,000 thousand as a bank guarantee. The cash line of the syndicated loan of Dürr AG was not utilized in the 2017 and 2016 reporting periods. In addition, Dürr has bilateral credit lines of € 16,366 thousand in place (useable for working capital or bank guarantees), bank guarantee facilities of € 482,227 thousand as well as smaller credit lines with various banks and insurance firms. The credit lines and bank guarantee facilities are not bound to any particular purpose and serve to generally fund the Group as well as project management. **[Tab.→ 3.65]**

3.64 – MAJOR LOANS - PRIOR PERIOD

December 31, 2016	Currency	Carrying amount € k	Remaining term (months)	Effective interest rate (%)
Loan to finance Dürr Campus properties	EUR	35,494	93	4.49

3.65 – CREDIT LINES AND BANK GUARANTEES

€ k	Dec. 31, 2017	Dec. 31, 2016
Total amount of credit lines/bank guarantees available	963,593	1,026,501
Total amount of credit lines/bank guarantees utilized	300,606	345,034
thereof due within one year	180,383	273,576
thereof due in more than one year	120,223	71,458

30. SUNDRY FINANCIAL LIABILITIES

3.66 – SUNDRY FINANCIAL LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Derivative financial liabilities	6,271	4,975	1,296	1,296	–
(2016)	(18,025)	(13,005)	(5,020)	(5,020)	(–)
Liabilities from accrued interest	9,452	9,452	–	–	–
(2016)	(9,395)	(9,395)	(–)	(–)	(–)
Obligations from options	245,011	245,011	–	–	–
(2016)	(238,829)	(238,829)	(–)	(–)	(–)
Liabilities from contingent purchase price installments	9,675	9,445	230	230	–
(2016)	(1,619)	(1,159)	(460)	(460)	(–)
Other financial liabilities	30,880	29,605	1,275	1,229	46
(2016)	(22,291)	(20,827)	(1,464)	(1,112)	(352)
December 31, 2017	**301,289**	**298,488**	**2,801**	**2,755**	**46**
(December 31, 2016)	(290,159)	(283,215)	(6,944)	(6,592)	(352)

Obligations from options of € 209,729 thousand (prior period: € 210,217 thousand) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlements. The options also relate to non-controlling interests of € 35,282 thousand (prior period: € 28,612 thousand).

For the disclosures required by IFRS 7, please refer to note 33.

31. INCOME TAX LIABILITIES AND OTHER LIABILITIES

3.67 – INCOME TAX LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Income tax liabilities	50,405	43,694	6,711	6,711	–
(2016)	(40,284)	(33,573)	(6,711)	(6,711)	(–)
December 31, 2017	**50,405**	**43,694**	**6,711**	**6,711**	**–**
(December 31, 2016)	(40,284)	(33,573)	(6,711)	(6,711)	(–)

3.68 – OTHER LIABILITIES

€ k	Total	Current	Total non-current	Medium-term	Long-term
Tax liabilities not relating to income taxes	50,541	50,534	7	7	–
(2016)	(52,134)	(52,043)	(91)	(91)	(–)
Liabilities relating to social security	7,712	7,712	–	–	–
(2016)	(6,266)	(6,266)	(–)	(–)	(–)
Obligations to employees	160,108	155,293	4,815	4,815	–
(2016)	(156,264)	(151,752)	(4,512)	(4,509)	(3)
Other liabilities	8,127	8,033	94	94	–
(2016)	(6,192)	(6,192)	(–)	(–)	(–)
December 31, 2017	**226,488**	**221,572**	**4,916**	**4,916**	**–**
(December 31, 2016)	(220,856)	(216,253)	(4,603)	(4,600)	(3)

32. SHARE-BASED PAYMENT

There is a share-based long-term incentive (LTI) program in place for the members of the Board of Management of Dürr AG and managers from top management of the Dürr Group. The program takes the form of tranches that are issued every year and have a term of three years each. The payments will be made upon expiry of the contractual term in each case after the following annual general meeting.

Under the program, the beneficiaries receive an individually fixed number of phantom Dürr shares (performance share units). As of December 31, 2017, 117,000 phantom shares had been issued (prior period: 169,875 shares). At the end of the term of the incentive program, the benefits accrued are settled in cash. The settlement is calculated on the number of phantom shares, the rounded share price on the closing date (share price multiplier) and an EBIT multiplier based on the average EBIT margin generated over the term of the arrangement. There is a cap for the EBIT multiplier. Payment is capped individually in each case.

In the 2017 reporting period, expenses of € 4,678 thousand (prior period: € 3,200 thousand) were recorded under administrative expenses for the LTI program. The amounts reported under other liabilities as of December 31, 2017, came to € 6,744 thousand (prior period: € 6,975 thousand).

33. OTHER NOTES ON FINANCIAL INSTRUMENTS

Measurement of financial instruments by category

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in table 3.69. **[Tab.→ 3.69]**

3.69 – MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORY

€ k	Carrying amount as of Dec. 31, 2017	AMOUNT RECOGNIZED AT Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	659,911	–	659,911	–	–
Costs and estimated earnings in excess of billings[1]	469,334	–	–	–	–
Trade receivables due from third parties	473,565	–	473,565	–	–
Trade receivables due from entities accounted for using the equity method	9,157	–	9,157	–	–
Other non-derivative financial instruments					
Sundry financial assets	167,069	–	167,069	–	–
Held-for-trading financial assets	6	–	–	–	6
Held-to-maturity financial assets	2,996	–	2,996	–	–
Available-for-sale financial assets	23,900	4,393	–	19,507	–
Derivative financial assets					
Derivatives not used for hedging	496	–	–	–	496
Derivatives used for hedging	5,432	–	–	4,436	996
Liabilities					
Trade payables	378,026	–	378,026	–	–
Trade payables due from entities accounted for using the equity method	203	–	203	–	–
Other non-derivative financial liabilities	48,594	–	48,594	–	–
Bond	298,027	–	298,027	–	–
Bonded loan	299,258	–	299,258	–	–
Liabilities to banks	1,875	–	1,875	–	–
Finance lease liabilities[2]	5,810	–	–	–	–
Obligations from options	245,011	–	209,729	35,282	–
Liabilities from contingent purchase price installments	9,675	–	–	–	9,675
Derivative financial liabilities					
Derivatives not used for hedging	452	–	–	–	452
Derivatives used for hedging	5,819	–	–	4,607	1,212
thereof combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	502	–	–	–	502
Loans and receivables	1,779,036	–	1,309,702	–	–
Held-to-maturity financial assets	2,996	–	2,996	–	–
Available-for-sale financial assets	23,900	4,393	–	19,507	–
Financial liabilities at fair value	45,409	–	–	35,282	10,127
Financial liabilities measured at amortized cost	1,241,522	–	1,235,712	–	–

[1] Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.
[2] Finance lease liabilities are accounted for pursuant to IAS 17 "Leases" and are therefore not included in any of the above categories.

€ k	Carrying amount as of Dec. 31, 2016	AMOUNT RECOGNIZED AT Cost	Amortized cost	Fair value (not through profit or loss)	Fair value (through profit or loss)
Assets					
Cash and cash equivalents	724,179	–	724,179	–	–
Costs and estimated earnings in excess of billings[1]	357,149	–	–	–	–
Trade receivables due from third parties	418,481	–	418,481	–	–
Trade receivables due from entities accounted for using the equity method	20,668	–	20,668	–	–
Other non-derivative financial instruments					
Sundry financial assets	117,875	–	117,875	–	–
Held-for-trading financial assets	6	–	–	–	6
Held-to-maturity financial assets	8,955	–	8,955	–	–
Available-for-sale financial assets	2,946	2,946	–	–	–
Derivative financial assets					
Derivatives not used for hedging	562	–	–	–	562
Derivatives used for hedging	2,983	–	–	2,382	601
Liabilities					
Trade payables	333,853	–	333,853	–	–
Trade payables due from entities accounted for using the equity method	510	–	510	–	–
Other non-derivative financial liabilities	45,564	–	45,564	–	–
Bond	297,474	–	297,474	–	–
Bonded loan	299,156	–	299,156	–	–
Liabilities to banks	35,545	–	35,545	–	–
Finance lease liabilities[2]	8,480	–	–	–	–
Obligations from options	238,829	–	210,217	28,612	–
Liabilities from contingent purchase price installments	1,619	–	–	–	1,619
Derivative financial liabilities					
Derivatives not used for hedging	1,552	–	–	–	1,552
Derivatives used for hedging	16,473	–	–	14,095	2,378
thereof combined by measurement category in accordance with IAS 39					
Held-for-trading financial assets	568	–	–	–	568
Loans and receivables	1,638,352	–	1,281,203	–	–
Held-to-maturity financial assets	8,955	–	8,955	–	–
Available-for-sale financial assets	2,946	2,946	–	–	–
Financial liabilities at fair value	31,783	–	–	28,612	3,171
Financial liabilities measured at amortized cost	1,230,799	–	1,222,319	–	–

[1] Costs and estimated earnings in excess of billings on uncompleted contracts are accounted for pursuant to IAS 11 "Construction Contracts" and are therefore not included in any of the above categories.
[2] Finance lease liabilities are accounted for pursuant to IAS 17 "Leases" and are therefore not included in any of the above categories.

In order to make the fair value measurement of financial instruments comparable, a fair value hierarchy has been established in IFRSs with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs that are not based on observable market data (level 3)

The financial instruments measured at fair value by Dürr break down as follows according to the fair value hierarchy levels:

3.70 – ALLOCATION TO THE FAIR VALUE HIERARCHY LEVELS

		FAIR VALUE HIERARCHY		
€ k	Dec. 31, 2017	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	19,507	–	–	19,507
Derivatives used for hedging	4,436	–	4,436	–
Assets at fair value – through profit or loss				
Held-for-trading financial assets	6	6	–	–
Derivatives not used for hedging	496	–	496	–
Derivatives used for hedging	996	–	996	–
Liabilities at fair value – not through profit or loss				
Obligations from options	35,282	–	–	35,282
Derivatives used for hedging	4,607	–	4,607	–
Liabilities at fair value – through profit or loss				
Liabilities from contingent purchase price installments	9,675	–	–	9,675
Derivatives not used for hedging	452	–	452	–
Derivatives used for hedging	1,212	–	1,212	–

		FAIR VALUE HIERARCHY		
€ k	Dec. 31, 2016	Level 1	Level 2	Level 3
Assets at fair value – not through profit or loss				
Available-for-sale financial assets	–	–	–	–
Derivatives used for hedging	2,382	–	2,382	–
Assets at fair value – through profit or loss				
Held-for-trading financial assets	6	6	–	–
Derivatives not used for hedging	562	–	562	–
Derivatives used for hedging	601	–	601	–
Liabilities at fair value – not through profit or loss				
Obligations from options	28,612	–	–	28,612
Derivatives used for hedging	14,095	–	14,095	–
Liabilities at fair value – through profit or loss				
Liabilities from contingent purchase price installments	1,619	–	–	1,619
Derivatives not used for hedging	1,552	–	1,552	–
Derivatives used for hedging	2,378	–	2,378	–

As of the end of each reporting period, an assessment is made as to whether there were reclassifications between the different hierarchy levels or measurement categories. No reclassifications were made between the fair value hierarchy levels or measurement categories in the 2017 reporting period.

Measurement at fair value of the financial instruments of levels 1, 2 and 3 held as of December 31, 2017 gave rise to the following total gains and losses:

3.71 – TOTAL GAINS AND LOSSES ON ASSETS

€ k	2017	2016
Recognized in profit or loss		
Held-for-trading financial assets	–	–
Derivative financial instruments	1,158	1,232
Recognized in equity		
Available-for-sale financial assets	449	–
Derivative financial instruments	5,047	2,258

3.72 – TOTAL GAINS AND LOSSES ON LIABILITIES

€ k	2017	2016
Recognized in profit or loss		
Liabilities from contingent purchase price installments	– 83	–
Derivative financial instruments	– 1,585	– 3,853
Recognized in equity		
Obligations from options	– 6,790	1,715
Derivative financial instruments	– 131	– 13,042

3.73 – DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY OF ASSETS

€ k	2017	2016
As of January 1	–	–
Additions	19,058	–
Change in fair value	449	–
As of December 31	19,507	–

The changes in the fair value of the assets reported in level 3 were reported directly in equity.

3.74 – DEVELOPMENT OF LEVEL 3 OF THE FAIR VALUE HIERARCHY OF LIABILITIES

€ k	2017	2016
As of January 1	30,231	32,047
Disposals	– 1,154	– 1,280
Change in fair value	6,873	– 1,715
As of December 31	44,957	30,231

The changes in the fair value of the liabilities reported in level 3 were reported in profit or loss or directly in equity.

Valuation techniques

The fair value of the derivative financial assets and liabilities allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 “Fair Value Measurement”, both the counterparty credit risk and own risk of default have been taken into account during measurement. Input factors to take into account for the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institution involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by diversifying the portfolio and selecting the counterparties carefully. To calculate its own risk of default, Dürr uses information received from credit institutions and insurance companies to derive a synthetic CDS for Dürr.

The fair value of the options and contingent purchase price installments allocated to level 3 in the fair value hierarchy is calculated based on contractual arrangements or internal data. This primarily includes results of each company on which the amount of the financial liabilities depends. The fair value of available-for-sale financial assets is derived from contractual arrangements of a selling price and a fixed interest component. An adjustment to the assumptions is made if there are indications that warrant such a measure. If applicable, unwinding effects resulting from a convergence with the maturity date are also included in the valuation.

Sensitivity level 3

For calculating the fair value of the 15 % investment in SBS Ecoclean GmbH, Dürr does not currently expect any performance-related contractual clauses that may have a positive

3.75 – FAIR VALUES OF FINANCIAL INSTRUMENTS RECOGNIZED

€ k	Dec. 31, 2017 Fair value	Dec. 31, 2017 Carrying amount	Dec. 31, 2016 Fair value	Dec. 31, 2016 Carrying amount
Assets				
Cash and cash equivalents	659,911	659,911	724,179	724,179
Costs and estimated earnings in excess of billings	469,334	469,334	357,149	357,149
Trade receivables due from third parties	473,565	473,565	418,481	418,481
Trade receivables due from entities accounted for using the equity method	9,157	9,157	20,668	20,668
Other non-derivative financial instruments				
Sundry financial assets	167,069	167,069	117,875	117,875
Held-to-maturity investments	3,050	2,996	9,146	8,955
Liabilities				
Trade payables	378,026	378,026	333,853	333,853
Trade payables due from entities accounted for using the equity method	203	203	510	510
Other non-derivative financial liabilities	48,594	48,594	45,564	45,564
Bond	320,490	298,027	320,940	297,474
Bonded loan	295,402	299,258	306,036	299,156
Liabilities to banks	1,875	1,875	36,341	35,545
Finance lease liabilities	6,342	5,810	9,339	8,480
Obligations from options	219,123	209,729	225,040	210,217
thereof combined by measurement category in accordance with IAS 39				
Loans and receivables	1,309,702	1,309,702	1,281,203	1,281,203
Held-to-maturity investments	3,050	2,996	9,146	8,955
Financial liabilities measured at amortized cost	1,263,713	1,235,712	1,268,284	1,222,319

impact on the value to apply. No changes in the fair value are expected for an increase or decrease of 10 % in the contractually arranged performance-related parameters.

Fair values of financial instruments carried at amortized cost

Table 3.75 shows the fair value of the financial assets and liabilities carried at cost or amortized cost. The fair value of financial instruments not carried at amortized cost approximates their carrying amount. Available-for-sale financial assets are measured at cost provided their fair value cannot be determined reliably. **[Tab. → 3.75]**

Cash and cash equivalents, trade receivables, sundry financial assets, trade payables, other non-derivative financial liabilities and overdraft facilities mostly fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of the held-to-maturity investments (fair value hierarchy level 1) is equal to the nominal value multiplied by the quoted price of the respective financial instrument.

It was not possible to determine the fair values of equity interests measured at a cost of € 4,393 thousand (prior period: € 2,946 thousand) because market prices were not available as no active markets existed. These equity interests are disclosed under other investments in the statement of financial position. The equity interests in non-listed entities were not measured by discounting future cash flows because they could not be reliably measured. In this case, it was assumed that their fair value approximates their carrying amount. At present, Dürr does not have any plans to sell these equity interests.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with comparable due date and credit rating. With the exception of the bond, bonded loan and obligations from options, the fair value of liabilities approximates the carrying amount.

The fair value of the bond (fair value hierarchy level 1) is calculated by multiplying the nominal value with the quoted price at the end of the reporting period. As of December 31, 2017, the bond was quoted at 106.83 % (prior period: 106.98 %), which is equal to a market value of € 320,490 thousand (prior period: € 320,940 thousand). The fair value of the bonded loan (fair value hierarchy level 2) and finance lease liabilities (fair value hierarchy level 2) is determined by discounting the cash flows as of the measurement date with discount rates with matching terms. The fair value of the Dürr Campus loan (fair value hierarchy level 2) was determined in the prior period by discounting the cash flows with the current market interest rates for comparable loans.

The obligations from options measured at amortized cost (level 3 in the fair value hierarchy) relate to the sundry financial liabilities recognized under the domination and profit and loss transfer agreement with HOMAG Group AG for the acquisition of shares as well as to pay the compensation entitlements. The financial liabilities are recognized in profit or loss in the subsequent measurement. The expected term of the arbitration proceedings as well as the expected amount of the compensation payment and cash settlement determine the measurement of the option. Both the term of the arbitration proceedings as well as the expected amount of the compensation payment and cash settlement remain unchanged on the prior period. The fair value is determined using a net present value model based on the contractually agreed cash settlement including compensation payment as well as the legal minimum interest rate and a discount rate with a matching term. The difference between the fair value and the carrying amount is due to the fact that the fair value takes into account changes in the actual interest rate environment, while the discount rate used for measurement at amortized cost remains mostly unchanged over the term.

Net gains and losses by measurement category

3.76 – NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

€ k	From interest	FROM SUBSEQUENT MEASUREMENT: At fair value	Currency translation	Impairment	From disposals	Net gain or loss
Loans and receivables	5,924	–	– 2,633	– 2,486	– 1,970	– 1,165
(2016)	(5,668)	(–)	(– 7,119)	(– 4,127)	(– 247)	(– 5,825)
Held-to-maturity investments	167	–	–	–	–	167
(2016)	(565)	(–)	(–)	(–)	(–)	(565)
Available-for-sale financial assets	–	–	–	– 520	446	– 74
(2016)	(–)	(–)	(–)	(–)	(3,985)	(3,985)
Financial liabilities at fair value through profit or loss	– 83	– 1,746	–	–	–	– 1,829
(2016)	(–)	(– 1,057)	(–)	(–)	(1,000)	(– 57)
Financial liabilities measured at amortized cost	– 26,490	–	32	–	–	– 26,458
(2016)	(– 24,932)	(–)	(126)	(–)	(–)	(– 24,806)
2017	**– 20,482**	**– 1,746**	**– 2,601**	**– 3,006**	**– 1,524**	**– 29,359**
(2016)	(– 18,699)	(– 1,057)	(– 6,993)	(– 4,127)	(4,738)	(– 26,138)

3.77 – DERIVATIVE FINANCIAL ASSETS SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2017	Dec. 31, 2016
Gross amounts of financial assets	5,928	3,545
Gross amounts of financial liabilities netted in the statement of financial position	–	–
Net amounts of financial assets reported in the statement of financial position	**5,928**	**3,545**
Associated amounts from financial instruments not netted in the statement of financial position	– 3,455	– 1,933
Net amount	**2,473**	**1,612**

3.78 – DERIVATIVE FINANCIAL LIABILITIES SUBJECT TO NETTING AGREEMENTS, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

€ k	Dec. 31, 2017	Dec. 31, 2016
Gross amounts of financial liabilities	6,271	18,025
Gross amounts of financial assets netted in the statement of financial position	–	–
Net amounts of financial liabilities reported in the statement of financial position	**6,271**	**18,025**
Associated amounts from financial instruments not netted in the statement of financial position	– 3,455	– 1,933
Net amount	**2,816**	**16,092**

Financial assets which are subject to an enforceable master netting arrangement or a similar agreement

Some derivative financial instruments concluded with credit institutions are subject to certain contractual netting agreements which allow Dürr, in the event of a credit institution filing for insolvency, to offset certain financial assets against certain financial liabilities. **[Tab.→ 3.77, 3.78]**

Pledges

At the end of the reporting period, financial assets of € 4,238 thousand (prior period: € 25,906 thousand) were mainly pledged as collateral for cash deposits for guarantees of group companies.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows how the cash and cash equivalents changed in the 2017 reporting period as a result of cash received and paid and thus provides information on the sources and use of cash and cash equivalents. The consolidated statement of cash flows prepared in accordance with IAS 7 "Statement of Cash Flows" makes a distinction between the cash flows from operating, investing and financing activities.

The cash presented in the statement of cash flows contains all of the Group's cash and cash equivalents, i.e. cash in hand, checks and bank balances, with an original term to maturity of less than three months. The cash recognized in the statement of cash flows in the prior period was thus different as of December 31, 2016, from the statement of financial position item "Cash and cash equivalents". The difference resulted from the cash and cash equivalents held by the Dürr Ecoclean Group as of December 31, 2016. As part of the disposal group, these were reclassified to "Assets held for sale". The reconciliation of the cash recognized in the statement of cash flows to the statement of financial position item "Cash and cash equivalents" is presented at the end of the statement of cash flows.

Cash of € 85,633 thousand (prior period: € 175,806 thousand) is restricted due to the restrictions on capital transfers mainly in some Asian countries.

Cash flow from operating activities

The cash flow from operating activities is derived indirectly from the earnings of the Group. Income tax payments are added to earnings before income taxes which is also adjusted for net interest and non-cash items. The latter includes amortization and depreciation of non-current assets, the profit from entities accounted for using the equity method and the net gain or loss on the disposal of property, plant and equipment. To derive the cash flow from operating activities, changes in the items of the statement of financial position that result from operating activities are then considered. Effects from foreign currency translation and changes in the consolidated group are eliminated. Changes in operating assets and liabilities contained in the consolidated statement of cash flows therefore do not necessarily match the changes in the related items of the consolidated statement of financial position.

The amortization and depreciation reported in the consolidated statement of cash flows is € 565 thousand (prior period: € 2,296 thousand) lower because that amount is already included in the net interest or investment result. Income of € 22,986 thousand from the sale of the Dürr Ecoclean Group, which is included in earnings before taxes, is eliminated from the cash flow from operating activities and presented in the cash flow from investing activities. In the prior period, income of € 5,767 thousand was eliminated from the sale of investments and assets held for sale. This included income from the sale of the investment in Tec4Aereo GmbH and the sale of a property at the former location of Auburn Hills in the USA. The cash flow from operating activities contains effects of € 28,012 thousand from non-recourse financing and premature settlement of letters of credit (prior period: € 5,128 thousand).

3.79 – NON-CASH INCOME AND EXPENSES

€ k	2017	2016
Expenses or income from contingent purchase price installments	– 83	1,000
Impairment on financial assets and other investments	– 770	–
Currency translation differences and other	3,932	612
Total	**3,079**	**1,612**

Cash flow from investing activities

The cash flow from investing activities is derived from actual cash flows. This relates mainly to the cash outflows for investments made in non-current assets and business combinations. Cash outflows for the acquisition of property, plant and equipment are divided into € 17,843 thousand for expansion investments and € 47,277 thousand for replacement investments. Cash inflows arise from the disposal of non-current assets and interest received. Investments in non-current assets in connection with concluding or extending finance leases while simultaneously recognizing corresponding liabilities are not disclosed as these do not involve any cash outflow.

In the 2017 reporting period, the Dürr Group had cash inflows from the disposal of equity investments of € 18 thousand (prior period: € 16,282 thousand) and other financial assets of € 5,920 thousand (prior period: € 15,954 thousand). Investments in time deposits result in cash outflows of € 46,563 thousand (prior period: cash outflows of € 80,767 thousand). Cash flows result from the investment strategy to improve net interest. This involves Dürr investing its free liquidity in time deposits in euro, which return up to 0.00 % p.a. as well as in higher interest-bearing time deposits in US dollars. The US dollar liquidity for this purpose is made available to Dürr AG as part of the manual cash pool of the American Group companies in order to exclude currency risks.

Table 3.80 presents the cash outflows from acquisitions.

For further details on business combinations, please refer to note 18.

The sale of the Cleaning and Surface Processing activity results in a cash inflow after deduction of the derecognized cash and cash equivalents of the Dürr Ecoclean Group of € 108,517 thousand. In the prior period, the sale of assets held for sale resulted in a cash inflow of € 8,489 thousand. Of this, € 10,375 thousand related to the sale of the property and items of property, plant and equipment at the former location Auburn Hills, Michigan, USA, and € 1,504 thousand to the sale of properties in Germany and Austria. Transaction costs of € 3,390 thousand related to the planned sale of the Cleaning and Surface Processing business activity.

Cash flow from financing activities

The cash flow from financing activities is also derived from actual cash flows. It contains dividends and cash paid to shareholders and non-controlling interests, interest paid for the bond, the bonded loan and the other financing activities. It also includes the payments made to settle liabilities under the terms of finance leases and other non-current loans. The line item, "Change in current bank liabilities and other financing activities", mainly contains cash inflows and outflows from overdraft facilities.

3.80 – ACQUISITIONS, NET OF CASH ACQUIRED

€ k	Purchase price	Contingent purchase price installments	Cash and cash equivalents received	Balance
2017				
Other acquisitions	4,828	–	– 375	4,453
Payment of contingent purchase price installments	–	114	–	114
Total	**4,828**	**114**	**– 375**	**4,567**

€ k	Purchase price	Contingent purchase price installments	Cash and cash equivalents received	Balance
2016				
Other acquisitions	9,590	– 1,179	– 528	7,883
Payment of contingent purchase price installments	–	100	–	100
Total	**9,590**	**– 1,079**	**– 528**	**7,983**

3.81 – DEVELOPMENT OF FINANCIAL LIABILITIES

€ k	Carrying amount as of Jan. 1, 2017	With cash effect	WITH NON-CASH EFFECT Exchange difference	Changes in the consolidated group	Addition	Changes in fair value	Other changes	Carrying amount as of Dec. 31, 2017
Bond	297,474	–	–	–	–	–	553	298,027
Bonded loan	299,156	–	–	–	–	–	102	299,258
Sundry financial liabilities	49,423	–40,192	14	578	–	–	314	10,137
Finance lease liabilities	8,480	–3,071	–176	119	458	–	–	5,810
Liabilities from options	146,944	–3,617	–	–	–	6,790	3,670	153,787
Liabilities from contingent purchase price installments for non-controlling interests	740	–740	–	–	9,007	83	–	9,090
Liabilities from accrued interest	9,395	–9,395	–	–	9,452	–	–	9,452
	811,612	**–57,015**	**–162**	**697**	**18,917**	**6,873**	**4,639**	**785,561**

As of September 30, 2017, the remaining loan to finance Dürr Campus properties in Bietigheim-Bissingen of € 34,198 thousand was repaid prematurely.

On March 24, 2016, Dürr issued a bonded loan of € 300,000 thousand. The funds of € 299,079 thousand were received on April 6, 2016 after deducting transaction costs.

Dürr acquired an additional 24 % of the shares in Benz GmbH Werkzeugsysteme and its subsidiary in the USA. The purchase price for these shares was € 6,457 thousand. Furthermore, Dürr acquired the remaining 12.4 % of the shares in Dürr Thermea GmbH and the outstanding shares of 45.4 % of HOMAG KOREA CO., LTD. The purchase price for the further tranches amounted to € 120 thousand and € 1,038 thousand. Furthermore, there was an additional cash outflow of € 740 thousand from purchase price obligations related to the acquisition of Dürr Cyplan GmbH. Pursuant to IAS 7 "Statement of Cash Flows", the cash outflow for the additional shares was contained in the cash flow from financing activities under the item "Cash paid for transactions with non-controlling interests", as the entities were already previously fully consolidated in the Dürr Group.

Interest paid includes the payment of guaranteed dividends to the outside HOMAG Group AG shareholders, as the conclusion of the domination and profit and loss transfer agreement has led to the situation where outside shareholders according to IFRS accounting are not considered as owners of non-controlling interests.

According to the amendments to IAS 7 "Statement of Cash Flows", the reconciliation in table 3.81 presents the changes in liabilities from financing activities. These are defined as liabilities whose cash inflows and outflows are recognized in the statement of cash flows as cash flows from financing activities. This includes liabilities related to the acquisition of non-controlling interests. Assets that serve to hedge non-current liabilities are also presented here. **[Tab.→ 3.81]**

The Group has unused credit lines and bank guarantees of € 662,987 thousand (prior period: € 681,467 thousand). The credit lines and bank guarantee facilities are not bound to any particular purpose and serve to generally fund the Group as well as project management. For more information on the financing of the Group, please refer to note 29. A breakdown by division of the Dürr Group of the cash flows from operating activities, investing activities and financing activities can be found in note 35. A more detailed explanation of the statement of cash flows can be found in the section on "Financial development" in the combined management report.

OTHER NOTES

35. SEGMENT REPORTING

The segment reporting was prepared according to IFRS 8 "Operating Segments". Based on the internal reporting and organizational structure of the Group, the data contained in the consolidated financial statements is presented by division. The presentation of segments is designed to provide details on the results of operations, net assets and financial position of individual activities.

The reporting is based on the divisions of the Group. As of December 31, 2017, the Dürr Group consisted of the Corporate Center and 5 operating divisions, each with global responsibility for its products and results. Paint and Final Assembly Systems plans and builds paint systems and final assembly lines for the automotive industry and offers software for the overarching production control. Application Technology develops and manufactures products and systems for the automated application of paint, sealants and adhesives. Clean Technology Systems specializes in exhaust gas purification systems and energy efficiency technology. Measuring and Process Systems

3.82 – SEGMENT REPORTING

€ k	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Wood-working Machinery and Systems	Total segments	Reconciliation[1]	Dürr Group
2017								
External sales revenues	1,174,941	620,264	185,436	511,165	1,223,549	3,715,355	67	3,715,422
Sales revenues with other divisions	2,031	4,598	3,664	6,492	78	16,863	– 16,863	–
Total sales revenues	**1,176,972**	**624,862**	**189,100**	**517,657**	**1,223,627**	**3,732,218**	**– 16,796**	**3,715,422**
EBIT	70,349	64,127	3,401	64,936	85,710	288,523	1,092	289,615
Earnings from entities accounted for using the equity method	–	–	–	1,183	2,441	3,624	–	3,624
Cash flow from operating activities	– 35,847	50,933	– 11,548	55,358	107,089	165,985	– 46,204	119,781
Cash flow from investing activities	– 15,758	– 27,805	– 716	75,390	– 22,987	8,124	– 25,345	– 17,221
Cash flow from financing activities	– 28,816	– 9,526	4,353	– 135,478	– 77,527	– 246,994	94,757	– 152,237
Amortization and depreciation	– 14,295	– 11,647	– 2,683	– 7,636	– 37,240	– 73,501	– 4,698	– 78,199
Impairment of intangible assets and property, plant, and equipment	–	–	–	–	–	–	– 2,496	– 2,496
Other non-cash income and expenses	– 303	– 5	319	– 271	– 329	– 589	3,668	3,079
Additions to intangible assets	3,193	4,890	1,626	1,253	9,148	20,110	2,470	22,580
Additions to property, plant and equipment	19,013	21,347	2,197	4,469	17,039	64,065	1,513	65,578
Investments in entities accounted for using the equity method	–	–	–	18,194	12,578	30,772	–	30,772
Assets (as of Dec. 31)	610,918	518,325	129,702	433,706	813,944	2,506,595	1,488	2,508,083
Liabilities (as of Dec. 31)	552,445	306,925	68,260	204,172	394,141	1,525,943	226,850	1,752,793
Employees (as of Dec. 31)	3,457	2,063	603	2,279	6,371	14,773	201	14,974

[1] The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.

offers balancing and diagnostics equipment and testing, assembly and filling technology. Woodworking Machinery and Systems develops and produces machinery and systems for woodworking. The Corporate Center mainly comprises the holdings Dürr AG and Dürr Technologies GmbH as well as Dürr IT Service GmbH, which performs IT services throughout the Group. A detailed description of the activities of the individual divisions can be found in the section "The Group at a glance" in the combined management report. Transactions between the divisions are carried out at arm's length.

The basis for segment reporting in accordance with IFRS 8 is the same as that used internally. Management monitors the EBIT (earnings before investment result, interest and income taxes) from each of its 5 divisions separately for the purpose of making decisions about resource allocation and evaluating operating segment performance as well as the development of the segments. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

€ k	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems	Total segments	Reconciliation[1]	Dürr Group
2016								
External sales revenues	1,140,015	560,638	167,036	623,816	1,081,982	3,573,487	30	3,573,517
Sales revenues with other divisions	7,054	4,147	1,722	10,570	58	23,551	– 23,551	–
Total sales revenues	**1,147,069**	**564,785**	**168,758**	**634,386**	**1,082,040**	**3,597,038**	**– 23,521**	**3,573,517**
EBIT	77,202	76,086	6,124	79,655	44,855	283,922	– 12,527	271,395
Earnings from entities accounted for using the equity method	–	–	–	2,054	1,639	3,693	–	3,693
Cash flow from operating activities	33,465	66,109	21,542	44,534	82,156	247,806	– 20,437	227,369
Cash flow from investing activities	– 22,875	902	– 11,461	– 8,402	– 17,333	– 59,169	– 57,734	– 116,903
Cash flow from financing activities	– 3,142	– 56,603	– 8,560	– 19,014	– 23,540	– 110,859	303,337	192,478
Amortization and depreciation	– 14,698	– 9,040	– 2,598	– 8,229	– 50,946	– 85,511	– 4,096	– 89,607
Impairment of intangible assets and property, plant, and equipment	– 144	– 64	–	– 699	–	– 907	–	– 907
Other non-cash income and expenses	1	– 4	1,000	204	415	1,616	– 4	1,612
Additions to intangible assets	5,025	3,479	6,060	2,270	10,866	27,700	2,217	29,917
Additions to property, plant and equipment	16,785	14,688	3,853	7,151	13,472	55,949	1,484	57,433
Investments in entities accounted for using the equity method	–	–	–	20,427	12,299	32,726	–	32,726
Assets (as of Dec. 31)	550,491	458,947	121,085	554,751	772,431	2,457,705	– 16,708	2,440,997
Liabilities (as of Dec. 31)	599,293	278,448	73,295	230,877	324,911	1,506,824	213,606	1,720,430
Employees (as of Dec. 31)	3,384	1,956	569	3,010	6,126	15,045	190	15,235

[1] The number of employees, amortization and depreciation, impairment losses, additions to intangible assets and property, plant and equipment and non-cash income and expenses as well as external sales revenues reported in the reconciliation column relate to the Corporate Center.

3.83 – RECONCILIATION OF SEGMENT FIGURES TO THE FIGURES OF THE DÜRR GROUP

€ k	2017	2016
EBIT of the segments	288,523	283,922
EBIT of the Corporate Center	401	– 14,403
Elimination of consolidation entries	691	1,876
EBIT of the Dürr Group	**289,615**	**271,395**
Investment result	1,813	6,977
Interest and similar income	6,091	6,233
Interest and similar expenses	– 27,664	– 26,479
Earnings before income taxes	**269,855**	**258,126**
Income taxes	– 68,389	– 70,326
Profit of the Dürr Group	**201,466**	**187,800**

€ k	Dec. 31, 2017	Dec. 31, 2016
Segment assets	2,506,595	2,457,705
Assets of the Corporate Center	983,471	970,632
Elimination of consolidation entries	– 981,983	– 987,340
Cash and cash equivalents	659,911	724,179
Time deposits and other short-term securities	139,010	89,451
Available-for-sale financial assets	19,507	–
Securities classified as non-current assets	–	8,955
Investments in entities accounted for using the equity method	30,772	32,726
Income tax receivables	20,035	22,324
Deferred tax assets	34,440	29,891
Total assets of the Dürr Group	**3,411,758**	**3,348,523**
Segment liabilities	1,525,943	1,506,824
Liabilities of the Corporate Center	251,366	258,431
Elimination of consolidation entries	– 24,516	– 44,825
Bond and bonded loan	597,285	596,630
Liabilities to banks and sundry financial liabilities	10,137	49,423
Finance lease liabilities	5,810	8,480
Income tax liabilities	50,405	40,284
Deferred tax liabilities	91,634	102,316
Total liabilities of the Dürr Group[2]	**2,508,064**	**2,517,563**

[2] Consolidated total assets less total equity

Regional segmentation

Sales revenues are allocated to regions based on the location of the project or delivery locations. The Group’s assets are allocated on the basis of the location of the subsidiary reporting these assets. In accordance with IFRS 8.33 they include all non-current assets of the Group except for financial instruments and deferred tax assets.

3.84 – REGIONAL SEGMENTATION

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2017						
External sales revenues	485,791	1,088,202	928,477	79,493	1,133,459	3,715,422
Additions to property, plant and equipment	41,603	7,066	5,085	184	11,640	65,578
Non-current assets (as of Dec. 31)	690,131	177,476	106,725	12,513	67,009	1,053,854
Employees (as of Dec. 31)	7,830	2,361	1,394	313	3,076	14,974

€ k	Germany	Other European countries	North/ Central America	South America	Asia/ Africa/ Australia	Dürr Group
2016						
External sales revenues	542,766	1,010,927	770,766	79,356	1,169,702	3,573,517
Additions to property, plant and equipment	25,793	5,233	12,255	432	13,720	57,433
Non-current assets (as of Dec. 31)	661,539	187,562	128,662	14,654	69,519	1,061,936
Employees (as of Dec. 31)	8,205	2,306	1,329	323	3,072	15,235

In the 2017 reporting period, sales revenues in the PR China came to € 847,274 thousand (prior period: € 914,915 thousand) and in the USA to € 663,739 thousand (prior period: € 530,183 thousand).

In the 2017 reporting period, 7.5 % of consolidated net sales revenues were generated with one customer compared to 11.0 % in the prior period. The second- and third-largest customers accounted for 5.0 % (prior period: 3.5 %) and 3.2 % (prior period: 3.4 %) respectively. The net sales revenues with these customers are attributable to all divisions. Entities that are known to be under common control are considered as one customer.

36. RELATED PARTY TRANSACTIONS

Related parties comprise members of the Supervisory Board and the Board of Management.

Some members of the Supervisory Board of Dürr AG hold high-ranking positions in other entities. Transactions between these entities and Dürr are carried out at arm's length. For further information about members of the Board of Management and the Supervisory Board of Dürr AG, please refer to note 40.

Related parties include entities accounted for using the equity method and non-consolidated subsidiaries of the Dürr Group.

In the 2017 reporting period, there were intercompany transactions between Dürr and its related parties of € 174,743 thousand (prior period: € 114,727 thousand). These mainly result from the regular project business and are primarily attributable to Homag China Golden Field Ltd. As of December 31, 2017, outstanding receivables from related parties totaled € 9,925 thousand (prior period: € 21,839 thousand), while trade payables to related parties amounted to € 1,358 thousand (prior period: € 1,720 thousand). Both the receivables and liabilities are current. Prepayments received of € 43,640 thousand (prior period: € 31,316 thousand) from related parties are also included in the statement of financial position.

The Board of Management confirms that all the related party transactions described above were carried out at arm's length conditions.

37. CONTINGENT LIABILITIES

3.85 – CONTINGENT LIABILITIES

€ k	Dec. 31, 2017	Dec. 31, 2016
Notes payable	19,650	14,735
Obligations from warranties and guarantees	10,171	12,175
Collateral pledged for third-party liabilities	184	–
Other	3,571	4,638
	33,576	**31,548**

Other contingent liabilities relate primarily to pending proceedings in Brazil as well as deductibles from sales financing issued with Hermes guarantees. Dürr assumes that these contingent liabilities will not lead to any liabilities or cash outflows.

38. OTHER FINANCIAL OBLIGATIONS

3.86 – OTHER FINANCIAL OBLIGATIONS

€ k	Dec. 31, 2017	Dec. 31, 2016
Future minimum payments for operating leases	89,845	104,649
Future minimum payments for finance leases	6,400	9,380
Purchase obligation for property, plant and equipment	3,360	1,304
	99,605	**115,333**

In addition to the obligations listed in table 3.86, there are purchase commitments stemming from procurement agreements on a customary scale.

Rent and lease agreements

Operating leases

Besides liabilities, provisions and contingent liabilities, the Group has other financial obligations, in particular from rental and lease agreements for buildings, furniture and fixtures, office space and vehicles.

3.87 – NOMINAL VALUES OF FUTURE MINIMUM PAYMENTS FOR OPERATING LEASES

€ k	Dec. 31, 2017	Dec. 31, 2016
Less than one year	26,170	26,892
Between one and five years	44,657	48,639
More than five years	19,018	29,118
	89,845	**104,649**

The terms of these leases are mainly between less than one year and 10 years, in some cases the contracts have a term of more than 15 years. Operating leases partly contain extension options and, to a lesser extent, price adjustment clauses which are based on consumer price indices.

In the 2017 reporting period, expenses of € 34,770 thousand (prior period: € 37,350 thousand) were recorded in the statement of income for operating leases.

Finance leases

The Group has entered into finance lease agreements for various items of property, plant and equipment and software. Leased assets are pledged as security for the obligations from the related finance lease. Table 3.88 shows a reconciliation of the future minimum lease payments to liabilities. [Tab.→ 3.88]

3.88 – NOMINAL VALUES OF FINANCE LEASES

€ k	Dec. 31, 2017 Minimum lease payments	Dec. 31, 2017 Interest contained in the lease payments	Dec. 31, 2017 Finance lease liabilities	Dec. 31, 2016 Minimum lease payments	Dec. 31, 2016 Interest contained in the lease payments	Dec. 31, 2016 Finance lease liabilities
Less than one year	1,589	242	1,347	2,062	326	1,736
Between one and five years	3,821	324	3,497	6,185	549	5,636
More than five years	990	24	966	1,133	25	1,108
	6,400	**590**	**5,810**	**9,380**	**900**	**8,480**

39. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates in countries in which there are political and economic risks. These risks did not have any material effect on the Group in the 2017 reporting period. Dürr may be involved in litigation, including product liability, in the ordinary course of business. There are no matters pending that the Board of Management expects to be material in relation to the Group's business or financial position. Provision has been made for expected litigation costs. Dürr is generally exposed to financial risks. These include mainly credit risks, liquidity risks and exposure to interest rate changes or currency risks. The regulations for a group-wide risk policy are set forth in the Group's guidelines. Detailed information on the risk management system of the Dürr Group can be found in the "Risk report" in the combined management report.

Credit risk

Credit risk relates to the possibility that business partners may fail to meet their obligations in a transaction involving non-derivative and derivative financial instruments and that capital losses could be incurred as a result. Credit ratings are performed for new customers. The payment patterns of regular customers are analyzed on an ongoing basis. Dürr uses respective terms of payment as well as letters of credit, trade credit insurance policies and federal government guarantees to further limit the risk of default.

3.89 – RECEIVABLES SECURED AGAINST DEFAULT

€ k	Dec. 31, 2017	Dec. 31, 2016
Letters of credit	7,866	20,890
Trade credit insurance policies	823	5,615
	8,689	**26,505**

The Dürr Group had non-recourse financing of € 25,815 thousand (prior period: € 5,128 thousand) as of December 31, 2017, primarily in connection with sales financing. In addition, premature settlements of letters of credit of € 2,197 thousand (prior period: € 0 thousand) were performed.

In connection with the investment of liquid funds, investments as part of financial asset management and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the credit institutions and companies fail to meet their obligations. Dürr manages the resulting risk position by diversifying the portfolio and selecting the counterparties carefully. No cash and cash equivalents, investments of active asset management or derivative financial assets were past due or impaired due to credit defaults.

Dependence on few customers

The development of Dürr hinges to a large extent on the willingness of the automotive industry to invest. A significant portion of sales revenues is generated with a limited number of customers, as the number of manufacturers on the worldwide market for automobiles is comparatively small. The majority of the Group's receivables are due from automobile manufacturers. Generally these receivables are not secured by bank guarantees or other collateral. As of December 31, 2017, 40.1 % (prior period: 40.1 %) of the trade receivables were due from ten customers. The total receivables disclosed contain bad debt allowances of € 15,882 thousand (prior period: € 15,088 thousand). The maximum default risk is shown by the carrying amount of receivables recognized in the statement of financial position. Owing to its customers' group structure with international subsidiaries, Dürr does not see any concentration of credit risks from its business relations with individual debtors or groups of debtors despite the fact that its business is concentrated on a relatively small number of customers. The level of diversity displayed among the Group's customers is high compared to other automotive suppliers and was increased further with the acquisition of the HOMAG Group.

Liquidity risk

Liquidity risk is the risk that the Group may not be in a position to meet its obligations in the future, or to meet them at a reasonable price, when they fall due.

The liquidity situation is secured by available cash and cash equivalents as well as the credit lines which the Group can draw on. The situation is monitored and managed by means of a liquidity plan with a planning horizon of 18 months, coupled with a short-term liquidity forecast.

In addition, use of cross-border cash pooling structures has improved the structure of the statement of financial position through liquidity pooling, reduced the volume of borrowed funds and thus helped to enhance the financial result. At the same time, the liquidity situation has become more transparent. Moreover, excess liquidity at individual entities within the Group can be used to finance the cash needs of other group entities internally.

The syndicated loan agreement of Dürr AG, which expires on March 21, 2021, can be terminated prematurely by the banking syndicate if an agreed financial covenant is breached. The financial covenant includes certain targets relating to the gearing ratio. In the 2017 reporting period, the financial covenant was complied with as of each cut-off date. For additional information, please refer to note 29.

Table 3.90 shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities. **[Tab. → 3.90]**

Foreign currency risk

Currency risks exist in particular where receivables or liabilities are carried or will arise in the ordinary course of business in a currency other than the functional currency of the entity. Foreign exchange risks are hedged where they affect the cash flows of the Group. Foreign exchange risks that do not affect the cash flows of the Group (i.e., the risks from translating the items from the statement of financial position of foreign operations to the euro, the Group's reporting currency), however, are generally not hedged. Forward exchange transactions are entered into to hedge exchange rate fluctuations from cash flows relating to forecast purchase and sales transactions with original terms of up to 84 months (prior period: 84 months).

Regarding the presentation of market risks, IFRS 7 "Financial Instruments: Disclosures" requires sensitivity analyses showing how profit or loss and equity would have been affected by hypothetical changes in the relevant risk variables. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. The presentation is based on the assumption that the portfolio at the end of the reporting period was representative for the whole year. Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange differences from the translation of financial statements to the Group's currency are not taken into account. All currencies other than the functional currency in which Dürr holds financial instruments are relevant risk variables.

Material non-derivative monetary financial instruments which constitute currency risks for Dürr are cash, trade receivables and payables as well as intercompany receivables and liabilities that are denominated in different functional currencies. Non-derivative financial instruments which could give rise to currency risks are usually hedged by derivative financial instruments that are accounted for as fair value hedges. In the process, both the change in the non-derivative financial instrument and the change in the value of the derivative financial

3.90 – INTEREST AND PRINCIPAL PAYMENTS FOR FINANCIAL LIABILITIES

€ k	Carrying amount as of Dec. 31, 2017	CASH FLOWS 2018	2019	2020	2021	From 2022 onwards
Non-derivative financial liabilities						
Trade payables	378,026	377,765	44	43	43	131
Trade payables due from entities accounted for using the equity method	203	203	–	–	–	–
Sundry financial liabilities	48,594	39,462	1,571	579	7,832	91
Bond	298,027	8,625	8,625	8,625	308,625	–
Bonded loan	299,258	4,325	4,325	4,325	104,325	212,635
Liabilities to banks	1,875	1,877	–	–	–	–
Finance lease liabilities	5,810	1,589	1,504	1,223	738	1,346
Obligations from options	245,011	245,011[1]	–	–	–	–
Liabilities from contingent purchase price installments	9,675	9,445	230	–	–	–
Derivative financial liabilities						
Derivatives not used for hedging	452	434	18	–	–	–
Derivatives used for hedging	5,819	4,541	1,278	–	–	–

€ k	Carrying amount as of Dec. 31, 2016	CASH FLOWS 2017	2018	2019	2020	From 2021 onwards
Non-derivative financial liabilities						
Trade payables	333,853	333,545	53	43	43	169
Trade payables due from entities accounted for using the equity method	510	510	–	–	–	–
Sundry financial liabilities	45,564	32,497	3,133	2,400	595	8,601
Bond	297,474	8,625	8,625	8,625	8,625	308,625
Bonded loan	299,156	4,325	4,325	4,325	4,325	316,960
Liabilities to banks	35,545	3,311	3,885	3,878	3,869	29,546
Finance lease liabilities	8,480	2,062	1,797	1,968	1,660	1,893
Obligations from options	238,829	238,829[1]	–	–	–	–
Liabilities from contingent purchase price installments	1,619	1,159	230	230	–	–
Derivative financial liabilities						
Derivatives not used for hedging	1,552	1,527	25	–	–	–
Derivatives used for hedging	16,473	11,478	4,995	–	–	–

[1] The cash flows for obligations from options relate primarily to the sundry financial liability recognized under the domination and profit and loss transfer agreement with HOMAG Group AG. The expected cash flows were classified as current. However, the options can also be exercised with differing terms. For additional information, please refer to note 6.

instrument are posted through profit and loss. In addition, Dürr is exposed to currency risks from derivatives that are embedded, in accordance with IAS 39, in effective cash flow hedges of fluctuation in payments caused by exchange rates. Exchange rate changes concerning the currencies underlying these transactions affect the currency reserve in equity and the fair value of the hedges.

The analyses of the Group's sensitivity to fluctuations in foreign exchange rates use the currency pairs that are relevant for Dürr. This involves projecting the impact of a hypothetical 10 % appreciation, or depreciation respectively, of the euro against the US dollar, the Chinese renminbi, the Danish krone, the Czech koruna as well as an appreciation and depreciation of the US dollar against the Mexican peso. **[Tab.→ 3.91]**

Interest rate risk

Interest rate risks arise from fluctuations in interest rates that could have a negative impact on the net assets, financial position and results of operations of the Group. Interest rate fluctuations lead to changes in net interest and in the carrying amounts of the interest-bearing assets.

In 2017, Dürr AG concluded interest rate swaps with a nominal value of € 200 million to hedge against the interest rate risk from the variable tranches of the bonded loan. The changes in cash flows from the hedged transactions resulting from changes in the Euribor rate are offset by changes in cash flows from the interest rate swaps. The aim of the hedging measures is to transform the variable-rate financial liabilities into fixed-interest financial liabilities and thus to hedge the risks in the cash flow from the financial liabilities. Credit risks are not hedged. A hypothetical increase in the interest rates of 25 base points per year would have caused a € 372 thousand increase in the fair value of the interest rate swaps and equity. A hypothetical decrease in the interest rates of 25 base points per year would have caused an € 8 thousand increase in the fair value of the interest rate swaps and equity.

Dürr has cash and cash equivalents that are subject to fluctuation in interest rates as of December 31, 2017. A hypothetical increase in these interest rates of 25 base points per year would have caused a € 1,580 thousand (prior period: € 1,227 thousand) increase in interest income. A hypothetical decrease of 25 base points per year would have caused a € 1,580 thousand (prior period: € 1,227 thousand) decrease in interest income.

3.91 – IMPACT ON THE STATEMENT OF INCOME AND EQUITY

€ k	Dec. 31, 2017		Dec. 31, 2016	
	Impact on the statement of income	Impact on the hedge reserve in equity	Impact on the statement of income	Impact on the hedge reserve in equity
EUR/USD				
EUR +10%	– 1,928	4,715	– 435	6,691
EUR –10%	2,377	– 5,690	533	– 8,159
EUR/CNY				
EUR +10%	– 1,598	4,942	– 2,712	3,253
EUR –10%	1,996	– 5,942	3,317	– 3,923
EUR/DKK				
EUR +10%	– 272	142	– 84	197
EUR –10%	441	– 167	17	– 247
EUR/CZK				
EUR +10%	– 1,251	49	33	– 278
EUR –10%	1,535	– 61	– 40	341
USD/MXN				
USD +10%	2,272	– 4,152	509	– 3,308
USD –10%	– 2,767	5,108	– 628	4,016

3.92 – SCOPE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

	NOMINAL VALUE		POSITIVE MARKET VALUE		NEGATIVE MARKET VALUE	
€ k	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Interest rate swaps in connection with cash flow hedges	200,000	100,000	124	–	585	79
Forward exchange contracts	459,838	519,570	5,804	3,545	5,686	17,946
thereof in connection with cash flow hedges	266,797	310,080	4,312	2,382	4,022	14,016
thereof in connection with fair value hedges	94,627	97,784	996	601	1,212	2,378
thereof not used for hedging	98,414	111,706	496	562	452	1,552

Other price risks

In the presentation of market risks, IFRS 7 also requires disclosures on the effects of hypothetical changes in the risk variables on the price of financial instruments. The main risk variables include stock market prices and indices. As of December 31, 2017, Dürr did not have any investments classified as available for sale from which significant other price risks arise. Please refer to note 33 for more information on the price risk of the available-for-sale financial assets, options and the liabilities from contingent purchase price installments disclosed as a level 3 financial instrument.

Use of derivative financial instruments

Derivative financial instruments are used in the Group to minimize the risks concerning changes in exchange rates and interest rates on cash flows and the change in fair value of receivables and liabilities. Dürr is exposed to a replacement risk in the event of non-performance by counterparties (credit institutions) relating to the financial instruments described below. All financial derivatives as well as the hedged transactions are subject to regular internal control and measurement in accordance with the directive of the Board of Management. Derivative financial instruments are only entered into to hedge the operating business and to hedge loans.

At the inception of the hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are formally documented. This documentation contains identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the periods for which they were designated.

Depending on their market value at the end of the reporting period, derivative financial instruments are reported under sundry financial assets (positive market value) or sundry financial liabilities (negative market value) respectively. **[Tab. → 3.92]**

The fair value of the financial instruments was estimated using the following methods and assumptions. The fair values of the forward exchange contracts were estimated at the present value of cash flows on the basis of the difference between the contractually agreed forward exchange rates and the forward rate prevailing at the end of the reporting period. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows based on current market parameters.

Accounting and disclosure of derivative financial instruments and hedge accounting

Currency hedges that clearly serve to hedge future cash flows from foreign exchange transactions and which meet the requirements of IAS 39 in terms of documentation and effectiveness are accounted for as cash flow hedges. Such derivative financial instruments are recognized at fair value. Changes in fair value that impact hedge effectiveness are recognized directly in other comprehensive income until the hedged item is realized. Upon realization of the future transaction (hedged item), the effects recorded in other comprehensive income are transferred to profit or loss and recognized in sales revenues or cost of sales or other operating income and expenses in the statement of income.

In the 2017 reporting period, an unrealized result was recognized in other comprehensive income. This was due to the changes in fair value from forward exchange contracts of € 11,252 thousand recognized in equity (prior period: € –3,052 thousand).

In addition, € 89 thousand (prior period: € –5,467 thousand) was reclassified in the 2017 reporting period from other comprehensive income to profit or loss and disclosed in sales revenues or cost of sales in the statement of income, thus increasing profit.

The effect on earnings (before income taxes) expected for the 2018 reporting period from the amounts recognized in other comprehensive income at the end of the reporting period comes to € 1,489 thousand. In the following reporting periods, accumulated effects on earnings are expected to total € –533 thousand.

The changes in the fair value of all derivative financial instruments that do not meet the requirements for hedge accounting in accordance with IAS 39 are recognized in profit or loss at the end of the reporting period.

40. OTHER NOTES

Declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG

The declaration of compliance prescribed by Sec. 161 AktG was submitted by the Board of Management and the Supervisory Board of Dürr AG in Bietigheim-Bissingen on December 13, 2017, and made accessible to the shareholders on the internet. For additional information, please refer to the combined management report.

Headcount

The number of employees in the Dürr Group breaks down as of December 31, 2017 and as an average over the 2017 reporting period as shown in tables 3.93 and 3.94.

3.93 – EMPLOYEES AS OF THE END OF THE REPORTING PERIOD

	Dec. 31, 2017	Dec. 31, 2016
Industrial employees	7,073	7,102
Salaried employees	6,967	7,132
Employees without interns/trainees/others	**14,040**	**14,234**
Interns/trainees/others	934	1,001
Total employees	**14,974**	**15,235**

3.94 – AVERAGE HEADCOUNT DURING THE YEAR

	2017	2016
Industrial employees	6,977	7,099
Salaried employees	6,893	7,010
Employees without interns/trainees/others	**13,870**	**14,109**
Interns/trainees/others	937	970
Total employees	**14,807**	**15,079**

Fees payable to the auditor of the consolidated financial statements

Table 3.95 shows the audit fees payable to the auditor of the consolidated financial statements Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft recorded as an expense for the reporting period:

3.95 – AUDITOR'S FEES

€ k	2017	2016
Audit of the financial statements	1,519	1,378
Other attest services	170	5
Tax advisory services	335	393
Other services	370	527
	2,394	**2,303**

Auditor's fees relate to the audit of the consolidated financial statements and the separate financial statements of Dürr AG and its affiliated companies included in the consolidated financial statements. Auditor's fees also include fees for voluntary audits of separate financial statements of € 94 thousand (prior period: € 134 thousand).

Further fees for non-audit services comprise fees for other attest services, for tax advisory services and for other services. In the 2017 reporting period, these came to € 875 thousand (prior period: € 925 thousand), of which the majority is attributable to advisory services in connection with projects in the area of Industrial Internet of Things (IIoT) and to attest services relating to the sale of the Cleaning and Service Processing business activity.

Subsequent events

On February 2, 2018, Dürr Technologies GmbH informed the shareholder group Schuler/Klessmann that it will exercise its call option for acquiring a 7.05 % stake in HOMAG Group AG. The transfer of shares to Dürr Technologies GmbH is expected to be effective at the end of the first quarter of 2018. Purchase price per share is € 25, resulting in a total purchase price of € 27,653 thousand. Through this transaction the share of Dürr Technologies GmbH in the subscribed capital of HOMAG Group AG increases to 63 %. The acquisition of shares reduces the interest expenses from the domination and profit and loss transfer agreement with HOMAG Group AG.

As of January 1, 2018, Mr. Karl-Heinz Streibich took over as chairman of the Supervisory Board of Dürr AG. He followed Mr. Klaus Eberhardt, who stepped down as chairman and member in the Supervisory Board at the end of 2017. Mr. Streibich is the Chairman of the Board of Management of Software AG and has been member of the Supervisory Board of Dürr AG since 2011. Also as of January 1, 2018, Dr. Rolf Breidenbach was appointed by the courts as new member of the Supervisory Board. Dr. Breidenbach, who is President and CEO of HELLA GmbH & Co. KGaA, will seek election at the Annual General Meeting on May 9, 2018.

There were no other extraordinary events that took place between the end of the reporting period and the publication of this report.

Authorization for issue and publication of the consolidated financial statements as of December 31, 2017

The consolidated financial statements and combined management report of Dürr AG prepared by the Board of Management as of December 31, 2017 were authorized for issue to the Supervisory Board at the meeting of the Board of Management on March 13, 2018 and are scheduled for publication in the 2017 annual report on March 22, 2018.

MEMBERS OF THE BOARD OF MANAGEMENT

Ralf W. Dieter
Chairman

- Public Relations, Human Resources (Employee Affairs Director), Research and Development, Quality Management, Internal Audit, Corporate Compliance
- Paint and Final Assembly Systems division (until December 31, 2017)
- Application Technology division
- Woodworking Machinery and Systems division

- Carl Schenck AG, Darmstadt[1] (Chairman)
- Dürr Systems AG, Stuttgart[1] (Chairman)
- HOMAG Group AG, Schopfloch[1,2] (Chairman)
- iTAC Software AG, Montabaur[1] (Chairman)
- Körber AG, Hamburg
- Schuler AG, Göppingen[2]

- Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, PR China[1] (Supervisor)

Carlo Crosetto
(since March 1, 2017)

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents/Insurance, Global Sourcing, Corporate Social Responsibility

- Carl Schenck AG, Darmstadt[1] (since February 27, 2017)
- Dürr Systems AG, Stuttgart[1] (since March 1, 2017)
- HOMAG Group AG, Schopfloch[1,2] (since May 3, 2017)

Ralph Heuwing
(until May 14, 2017)

- Finance/Controlling, Investor Relations, Risk Management, Legal Affairs/Patents/Insurance, Global Sourcing, Corporate Social Responsibility (until February 28, 2017; from March 1, 2017 handover to Carlo Crosetto)

- Carl Schenck AG, Darmstadt[1] (until February 27, 2017)
- Dürr Systems AG, Stuttgart[1] (until February 28, 2017)
- HOMAG Group AG, Schopfloch[1,2] (until May 3, 2017)
- MCH Management Capital Holding AG, Munich
- Ringmetall AG, Munich[2]

- Ivoclar Vivadent AG, Schaan, Lichtenstein (Member of the Board of Directors)

Dr. Jochen Weyrauch
(since January 1, 2017)

- Information Technology, Corporate Development
- Paint and Final Assembly Systems division (since January 1, 2018)
- Clean Technology Systems division
- Measuring and Process Systems division

● Offices held by members of the Board of Management
● Membership in statutory supervisory boards
○ Membership in comparable German and foreign control bodies (of business entities)
[1] Group boards
[2] listed

The members of the Board of Management were remunerated as shown in table 3.96:

3.96 – REMUNERATION OF THE BOARD OF MANAGEMENT

€ k	2017	2016
Short-term employee benefits (excluding share-based payment)	5,494	4,637
Post-employment benefits	821	849
Termination benefits	–	–
Share-based payments	2,092	2,400
	8,407	**7,886**

Former members of the Board of Management received pension payments of € 550 thousand in the 2017 reporting period (prior period: € 542 thousand). Pension provisions for this group of persons amounted to € 669 thousand as of December 31, 2017 (prior period: € 1,086 thousand). The remuneration includes the Board of Management of Dürr AG.

Individualized disclosures on the remuneration of the members of the Board of Management are presented in the section "Compensation report" in the combined management report.

MEMBERS OF THE SUPERVISORY BOARD

Klaus Eberhardt[1,4,5]
Independent consultant, former Chairman of the Board of Management of Rheinmetall AG, Düsseldorf
Chairman (until December 31, 2017)

- ElringKlinger AG, Dettingen/Erms[6] (Chairman since May 16, 2017)
- MTU Aero Engines AG, Munich[6] (Chairman)

Hayo Raich[1,3,4]
Full-time Chairman of the Group Works Council of Dürr AG, Stuttgart
Full-time Chairman of the Works Council of Dürr Systems AG, Stuttgart, at the Bietigheim-Bissingen site
Deputy Chairman

- Dürr Systems AG, Stuttgart (Deputy Chairman)

Karl-Heinz Streibich[1,4,5]
Chairman of the Management Board of Software AG, Darmstadt
Additional Deputy Chairman until December 31, 2017, Chairman since January 1, 2018

- Deutsche Telekom AG, Bonn[6]
- Deutsche Messe AG, Hanover
- Siemens Healthineers AG, Munich (since March 1, 2018)
- WITTENSTEIN SE, Igersheim (since September 19, 2017)

Richard Bauer[1,4,5]
Supervisory Board member, Wentorf near Hamburg (since May 5, 2017)
Additional Deputy Chairman since January 1, 2018

- Körber AG, Hamburg (chairman)

Mirko Becker[2,3]
Full-time member of the Group Works Council of Dürr AG, Stuttgart
Full-time member of the Works Council of Dürr Systems AG, Stuttgart, at the Bietigheim-Bissingen plant

Dr. Rolf Breidenbach
President and CEO of HELLA GmbH & Co. KGaA, Lippstadt (since January 1, 2018)

Prof. Dr. Dr. Alexandra Dürr[2,5]
Professor for medical technology at Sorbonne Université and ICM (Institut du Cerveau et de la Moelle épinière), Paris, France

Gerhard Federer[2]
Independent consultant, Gengenbach

- HOMAG Group AG, Schopfloch[6]

Prof. Dr.-Ing. Holger Hanselka
President of the Karlsruhe Institute of Technology (KIT), Karlsruhe (until May 5, 2017)

- Harmonic Drive AG, Limburg an der Lahn (from January 1 until April 30, 2017)

Carmen Hettich-Günther[3,4]
Full-time Chairwoman of the Group Works Council of HOMAG Group AG, Schopfloch
Full-time Chairwoman of the Works Council of HOMAG GmbH, Schopfloch

- HOMAG GmbH, Schopfloch (Deputy Chairwoman)
- HOMAG Group AG, Schopfloch[6] (Deputy Chairwoman since September 28, 2017)

● Membership in statutory supervisory boards
[1] Member of the Executive Committee and Personnel Committee
[2] Member of the Audit Committee
[3] Employee representative
[4] Member of the Mediation Committee
[5] Member of the Nomination Committee
[6] listed

Thomas Hohmann[3]
Head of Personnel at Dürr Systems AG, Stuttgart

Dr. Anja Schuler
Member of the Supervisory Board, Zurich, Switzerland

- HOMAG Group AG, Schopfloch[6]

Dr. Martin Schwarz-Kocher[2,3]
General manager of IMU Institut GmbH, Stuttgart

Dr. Astrid Ziegler[1,3]
Head of Department for Industrial, Structural and Energy Policy on the Board of Management of IG Metall, Frankfurt/Main

- Pfleiderer Deutschland GmbH, Neumarkt/Oberpfalz

Dr.-Ing. E.h. Heinz Dürr
Honorary Chairman of the Supervisory Board

● Membership in statutory supervisory boards
[1] Member of the Executive Committee and Personnel Committee
[2] Member of the Audit Committee
[3] Employee representative
[4] Member of the Mediation Committee
[5] Member of the Nomination Committee
[6] listed

Table 3.97 shows a breakdown into components of the remuneration of individual Supervisory Board members in the 2017 reporting period:

3.97 – REMUNERATION OF THE SUPERVISORY BOARD IN 2017

€	Basic remuneration	Remuneration for committee membership	Attendance fees[3]	Variable remuneration	Total
Klaus Eberhardt, Chairman (until December 31, 2017)	120,000	15,000	8,000	61,500	204,500
(2016)	(120,000)	(11,250)	(9,000)	(61,500)	(201,750)
Hayo Raich* [1, 2], Deputy Chairman	63,000	5,000	8,600	30,750	107,350
(2016)	(63,000)	(5,000)	(10,200)	(30,750)	(108,950)
Karl-Heinz Streibich, Deputy Chairman until December 31, 2017	60,000	10,000	8,000	30,750	108,750
(2016)	(60,000)	(7,500)	(7,000)	(30,750)	(105,250)
Stefan Albert* [2]	–	–	–	–	–
(until May 4, 2016)	(16,667)	(–)	(2,000)	(8,542)	(27,209)
Richard Bauer (since May 5, 2017)	26,667	–	2,000	13,667	42,334
(2016)	(–)	(–)	(–)	(–)	(–)
Mirko Becker* [2]	40,000	10,000	10,000	20,500	80,500
(2016)	(40,000)	(10,000)	(9,000)	(20,500)	(79,500)
Prof. Dr. Dr. Alexandra Dürr	40,000	15,000	9,000	20,500	84,500
(2016)	(40,000)	(12,500)	(9,000)	(20,500)	(82,000)
Gerhard Federer[1]	50,000	38,000	20,000	20,500	128,500
(since May 4, 2016)	(36,667)	(31,333)	(16,000)	(13,667)	(97,667)
Prof. Dr.-Ing. Holger Hanselka (until May 5, 2017)	16,667	–	3,000	8,542	28,209
(2016)	(40,000)	(–)	(6,000)	(20,500)	(66,500)
Carmen Hettich-Günther* [1, 2]	58,750	10,500	21,000	35,500	125,750
(since May 4, 2016)	(44,167)	(10,500)	(17,000)	(28,667)	(100,334)
Thomas Hohmann*	40,000	–	6,000	20,500	66,500
(2016)	(40,000)	(–)	(6,000)	(20,500)	(66,500)
Guido Lesch* [2]	–	–	–	–	–
(until May 4, 2016)	(16,667)	(2,083)	(3,000)	(8,542)	(30,292)
Dr. Herbert Müller	–	–	–	–	–
(until May 4, 2016)	(16,667)	(8,333)	(3,000)	(8,542)	(36,542)
Dr. Anja Schuler[1]	50,000	3,000	16,000	20,500	89,500
(since February 3, 2016)	(46,667)	(3,000)	(14,000)	(18,792)	(82,459)
Dr. Martin Schwarz-Kocher* [2]	40,000	10,000	10,000	20,500	80,500
(2016)	(40,000)	(10,000)	(9,000)	(20,500)	(79,500)
Dr. Astrid Ziegler* [2]	40,000	5,000	8,000	20,500	73,500
(since May 4, 2016)	(26,667)	(3,333)	(6,000)	(13,667)	(49,667)
Total	**645,084**	**121,500**	**129,600**	**324,209**	**1,220,393**
(2016)	(647,169)	(114,832)	(126,200)	(325,919)	(1,214,120)

* Employee representative
[1] Also member of the Supervisory Board of Dürr Systems AG or HOMAG Group AG and HOMAG GmbH
[2] These employee representatives have declared that they will transfer their remuneration to the Hans-Böckler Foundation in keeping with the guidelines of the German Federation of Trade Unions.
[3] For Supervisory Board and committee meetings

41. STATEMENT OF CHANGES IN NON-CURRENT ASSETS

3.98 – INTANGIBLE ASSETS

€ k	Goodwill	Franchises, industrial rights and similar rights	Capitalized development costs	Prepayments for intangible assets	Dürr Group
Accumulated cost as of January 1, 2016	**415,162**	**275,536**	**66,800**	**16,712**	**774,210**
Exchange difference	2,332	86	10	– 1	2,427
Changes in the consolidated group	–	4,896	–	–	4,896
Additions	5,422	6,762	9,963	7,770	29,917
Disposals	–	– 2,216	– 418	– 1,430	–4,064
Reclassification to assets held for sale	– 21,316	– 6,643	– 2,275	–	–30,234
Reclassifications	–	655	1,136	– 1,233	558
Accumulated cost as of December 31, 2016	**401,600**	**279,076**	**75,216**	**21,818**	**777,710**
Exchange difference	– 5,209	– 2,042	– 26	2	–7,275
Changes in the consolidated group	–	2,778	–	–	2,778
Additions	160	7,287	8,077	7,056	22,580
Disposals	–	– 4,974	– 132	–	–5,106
Reclassification to assets held for sale	–	– 106	19	–	–87
Reclassifications	–	9,172	2,085	– 6819	4,438
Accumulated cost as of December 31, 2017	**396,551**	**291,191**	**85,239**	**22,057**	**795,038**
Accumulated amortization and impairment as of January 1, 2016	**–**	**95,528**	**27,660**	**2,116**	**125,304**
Exchange difference	–	88	9	–	97
Changes in the consolidated group	–	17	–	–	17
Amortization for the year	–	34,394	13,114	–	47,508
Impairment losses for the year	–	–	843	–	843
Disposals	–	– 1,208	– 381	–	–1,589
Reclassification to assets held for sale	–	– 3,975	– 1,875	–	–5,850
Reclassifications	–	233	14	–	247
Accumulated amortization and impairment as of December 31, 2016	**–**	**125,077**	**39,384**	**2,116**	**166,577**
Exchange difference	–	– 1,049	– 21	–	–1,070
Amortization for the year	–	22,958	12,662	–	35,620
Impairment losses for the year	–	1,483	–	–	1,483
Disposals	–	– 4,838	– 132	–	–4,970
Reclassification to assets held for sale	–	136	17	–	153
Reclassifications	–	5,311	–	– 772	4,539
Accumulated amortization and impairment as of December 31, 2017	**–**	**149,078**	**51,910**	**1,344**	**202,332**
Net carrying amount as of December 31, 2017	**396,551**	**142,113**	**33,329**	**20,713**	**592,706**
Net carrying amount as of December 31, 2016	401,600	153,999	35,832	19,702	611,133
Net carrying amount as of January 1, 2016	415,162	180,008	39,140	14,596	648,906

3.99 – PROPERTY, PLANT AND EQUIPMENT

€ k	Land, land rights and buildings including buildings on third-party land	Investment property	Technical equipment and machines	Other equipment, furniture and fixtures	Prepayments and assets under construction	Dürr Group
Accumulated cost as of January 1, 2016	**330,689**	**43,365**	**64,637**	**137,903**	**36,208**	**612,802**
Exchange difference	1,054	–	11	680	–402	1,343
Changes in the consolidated group	–	–	38	133	–	171
Additions	6,427	373	13,768	25,071	11,794	57,433
Disposals	–506	–95	–3,510	–6,916	–44	–11,071
Reclassification to assets held for sale	–21,731	–	–3,197	–6,842	–	–31,770
Reclassifications	31,258	–	5,277	2,523	–35,885	3,173
Accumulated cost as of December 31, 2016	**347,191**	**43,643**	**77,024**	**152,552**	**11,671**	**632,081**
Exchange difference	–7,922	–	–2,117	–4,217	–436	–14,692
Changes in the consolidated group	202	–	449	78	45	774
Additions	27,652	736	10,037	20,117	7,036	65,578
Disposals	–840	–457	–5,021	–10,843	–562	–17,723
Reclassification to assets held for sale	267	–	39	–328	–2	–24
Reclassifications	7,007	–	6,292	1,628	–10,460	4,467
Accumulated cost as of December 31, 2017	**373,557**	**43,922**	**86,703**	**158,987**	**7,292**	**670,461**
Accumulated depreciation and impairment as of January 1, 2016	**67,294**	**22,104**	**31,609**	**75,658**	**160**	**196,825**
Exchange difference	–314	–	52	252	–	–10
Changes in the consolidated group	–	–	21	27	–	48
Depreciation for the year	14,252	923	7,485	19,439	–	42,099
Impairment losses for the year	–	–	–	–	64	64
Disposals	–19	–48	–2,214	–4,646	–	–6,927
Reclassification to assets held for sale	–9,332	–	–1,762	–4,244	–	–15,338
Reclassifications	60	–	31	–12	–	79
Accumulated depreciation and impairment as of December 31, 2016	**71,941**	**22,979**	**35,222**	**86,474**	**224**	**216,840**
Exchange difference	–992	–	–1,083	–2,316	3	–4,388
Changes in the consolidated group	–	–	–	–	–	–
Depreciation for the year	14,603	1,187	7,666	19,123	–	42,579
Impairment losses for the year	–	–	375	259	379	1,013
Disposals	–315	–424	–3,905	–9,621	–539	–14,804
Reclassification to assets held for sale	–2	–	41	–54	–	–15
Reclassifications	–10	–	1	622	–	613
Accumulated depreciation and impairment as of December 31, 2017	**85,225**	**23,742**	**38,317**	**94,487**	**67**	**241,838**
Net carrying amount as of December 31, 2017	**288,332**	**20,180**	**48,386**	**64,500**	**7,225**	**428,623**
Net carrying amount as of December 31, 2016	275,250	20,664	41,802	66,078	11,447	415,241
Net carrying amount as of January 1, 2016	263,395	21,261	33,028	62,245	36,048	415,977

3.100 – FINANCIAL ASSETS

€ k	Investments in entities accounted for using the equity method	Other investments	Securities classified as non-current assets	Other loans	Dürr Group
Accumulated cost as of January 1, 2016	**28,615**	**15,970**	**26,585**	**602**	**71,772**
Exchange difference	1,360	−52	–	–	1,308
Additions	3,203	33	6	–	3,242
Disposals	–	−12,615	−17,203	–	−29,818
Reclassifications	–	−192	–	–	−192
Accumulated cost as of December 31, 2016	**33,178**	**3,144**	**9,388**	**602**	**46,312**
Exchange difference	−2,770	13	–	–	−2,757
Additions	816	21,492	6	–	22,314
Disposals	−452	−18	−6,398	–	−6,868
Reclassifications	–	−19,507	−2,996	–	−22,503
Accumulated cost as of December 31, 2017	**30,772**	**5,124**	**–**	**602**	**36,498**
Accumulated write-downs as of January 1, 2016	**393**	**125**	**1,328**	**297**	**2,143**
Exchange difference	59	−52	–	–	7
Depreciation for the year	–	125	291	–	416
Impairment losses for the year	–	–	–	305	305
Disposals	–	–	−1,186	–	−1,186
Accumulated write-downs as of December 31, 2016	**452**	**198**	**433**	**602**	**1,685**
Exchange difference	–	13	–	–	13
Depreciation for the year	–	–	45	–	45
Impairment losses for the year	–	520	–	–	520
Disposals	−452	–	−478	–	−930
Accumulated write-downs as of December 31, 2017	**–**	**731**	**–**	**602**	**1,333**
Net carrying amount as of December 31, 2017	**30,772**	**4,393**	**–**	**–**	**35,165**
Net carrying amount as of December 31, 2016	32,726	2,946	8,955	–	44,627
Net carrying amount as of January 1, 2016	28,222	15,845	25,257	305	69,629

42. LIST OF GROUP SHAREHOLDINGS

3.101 – LIST OF GROUP SHAREHOLDINGS

Name and location	Share in capital %*	Equity** in € k	Result for the year** in € k
A. FULLY CONSOLIDATED SUBSIDIARIES			
Germany			
Benz GmbH Werkzeugsysteme, Haslach im Kinzigtal	75.0	14,463	2,213
Carl Schenck AG, Darmstadt[1, 2]	100.0	94,960	–
DUALIS GmbH IT Solution, Dresden[1]	100.0	192	–
Dürr Assembly Products GmbH, Püttlingen[1, 2]	100.0	5,981	–
Dürr Clean Energy GmbH, Stuttgart	100.0	42	– 2
Dürr International GmbH, Stuttgart[1, 2]	100.0	12,428	–
Dürr IT Service GmbH, Stuttgart[1, 2]	100.0	30	–
Dürr Somac GmbH, Stollberg[1, 2]	100.0	5,015	–
Dürr Systems AG, Stuttgart[1, 2]	100.0	145,363	–
Dürr Systems Wolfsburg GmbH, Wolfsburg[1, 2]	100.0	1,566	–
Dürr Technologies GmbH, Stuttgart[1, 2]	100.0	269,606	–
Dürr thermea GmbH, Ottendorf-Okrilla	100.0	72	– 4,429
HOMAG Automation GmbH, Lichtenberg/Erzgebirge[1, 2]	100.0	15,488	–
HOMAG Bohrsysteme GmbH, Herzebrock-Clarholz	100.0	38,015	8,229
HOMAG eSOLUTION GmbH, Schopfloch	51.0	1,512	– 248
HOMAG Finance GmbH, Schopfloch	100.0	63,429	15,491
HOMAG GmbH, Schopfloch[1, 2]	100.0	86,546	–
Homag Group AG, Schopfloch[1]	55.9	106,207	–
HOMAG Kantentechnik GmbH, Lemgo[1, 2]	100.0	19,602	–
HOMAG Plattenaufteiltechnik GmbH, Calw[1, 2]	100.0	14,025	–
iTAC Software AG, Montabaur	100.0	9,751	– 2,294
LOXEO GmbH, Stuttgart[1]	100.0	25	–
Luft- und Thermotechnik Bayreuth GmbH, Goldkronach[1, 2]	100.0	2,700	–
Olivia Grundstücksverwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal[5]	0.0	2,037	99
Schenck RoTec GmbH, Darmstadt[1, 2]	100.0	9,226	–
Schenck Technologie- und Industriepark GmbH, Darmstadt[1, 2]	100.0	12,540	–
SCHULER Consulting GmbH, Pfalzgrafenweiler	100.0	15	– 637
tapio GmbH, Munich	100.0	971	– 54
Torwegge Holzbearbeitungsmaschinen GmbH, Schopfloch	100.0	15	– 1
Weinmann Holzbausystemtechnik GmbH, St. Johann	75.9	3,105	28
Other EU countries			
AGRAMKOW Fluid Systems A/S, Sønderborg/Denmark	100.0	– 7,526	– 106
Carl Schenck Machines en Installaties B.V., Rotterdam/Netherlands	100.0	914	219
Carl Schenck spol. s r.o., Modřice/Czech Republic	100.0	527	74
CPM S.p.A., Beinasco/Italy	51.0	21,074	9,166
Datatechnic S.A.S., Uxegney/France	100.0	11,220	3,664
Duerr Cyplan Limited, Aldermaston/UK	100.0	3,063	– 1,121
Dürr Anlagenbau Gesellschaft m.b.H. in Liqu., Vienna/Austria	100.0	3,017	13
Dürr Ltd., Warwick/UK	100.0	7,006	2,187
Dürr Poland Sp. z o.o., Radom/Poland	100.0	9,526	1,866
Dürr Systems Czech Republic a.s., Ledeč nad Sázavou/Czech Republic	100.0	4,621	46

Name and location	Share in capital %*	Equity** in € k	Result for the year** in € k
Dürr Systems S.A.S., Guyancourt/France	100.0	20,665	1,487
Dürr Systems Spain S.A.U., San Sebastián/Spain	100.0	9,690	5,381
Dürr Systems spol. s r.o., Bratislava/Slovakia	100.0	658	691
E&P Turbo Ltd., Aldermaston/UK	100.0	22	–
HOMAG AUSTRIA Gesellschaft m.b.H., Oberhofen am Irrsee/Austria	100.0	1,160	414
HOMAG DANMARK A/S, Galten/Denmark	100.0	1,874	639
HOMAG ESPAÑA MAQUINARIA, S.A., Llinars del Vallès/Spain	100.0	1,989	568
HOMAG France S.A.S., Schiltigheim/France	100.0	6,020	3,106
HOMAG Group Trading SEE EOOD, Plovdiv/Bulgaria	100.0	759	169
HOMAG ITALIA S.p.A., Giussano/Italy	100.0	5,017	2,252
HOMAG MACHINERY BARCELONA SA, L'Ametlla del Vallès/Spain	100.0	5,258	2,399
HOMAG POLSKA Sp. z o.o., Środa Wielkopolska/Poland[6]	100.0	19,091	–21,130
HOMAG SERVICES POLAND Sp. z o.o., Środa Wielkopolska/Poland	100.0	2,322	874
HOMAG U.K. LTD., Castle Donington/UK	100.0	4,749	1,297
Olpidürr S.p.A., Novegro di Segrate/Italy	65.0	5,327	–379
Schenck Italia S.r.l., Paderno Dugnano/Italy	100.0	460	24
Schenck Limited, Warwick/UK	100.0	2,446	672
Schenck S.A.S., Jouy-le-Moutier/France	100.0	8,525	2,829
Stimas Engineering S.r.l., Turin/Italy	51.0	117	17
Verind S.p.A., Rodano/Italy[3]	50.0	7,705	1,627
Other European countries			
CPM Automation d.o.o. Beograd, Belgrade/Serbia	100.0	171	8
Dürr Systems Makine Mühendislik Proje Ithalat ve Ihracat Ltd. Sirketi, Izmit-Kocaeli/Turkey	100.0	882	296
Homag (Schweiz) AG, Höri/Switzerland	100.0	3,424	333
OOO "Homag Russland", Moscow/Russia	100.0	1,134	776
OOO Dürr Systems RUS, Moscow/Russia	100.0	305	–1,200
Schenck Industrie-Beteiligungen AG, Glarus/Switzerland	100.0	16,712	5,395
North America/Central America			
BENZ INCORPORATED, Hickory, North Carolina/USA	100.0	1,301	478
Dürr de México, S.A. de C.V., Santiago de Querétaro/Mexico	100.0	14,587	6,415
Dürr Inc., Southfield, Michigan/USA	100.0	41,757	–142
Dürr Systems Canada, Corp., Windsor, Ontario/Canada	100.0	–	–
Dürr Systems Inc., Southfield, Michigan/USA	100.0	116,267	6,626
HOMAG CANADA INC., Mississauga, Ontario/Canada	100.0	4,871	1,612
Homag Machinery North America, Inc., Grand Rapids, Michigan/USA	100.0	–118	–187
iTAC Software Inc., Southfield, Michigan/USA	100.0	–935	–292
Schenck Corporation, Deer Park, New York/USA	100.0	62,400	–3,144
Schenck México, S.A. de C.V., Mexico City/Mexico	100.0	524	–27
Schenck RoTec Corporation, Southfield, Michigan/USA	100.0	4,295	732
Schenck Trebel Corporation, Deer Park, New York/USA	100.0	9,957	513
STILES MACHINERY, INC., Grand Rapids, Michigan/USA	100.0	21,113	9,706
Test Devices Inc., Hudson, Massachusetts/USA	100.0	4,095	6

Name and location	Share in capital %*	Equity** in € k	Result for the year** in € k
South America			
AGRAMKOW do Brasil Ltda., Indaiatuba/Brazil	100.0	1,596	– 889
Dürr Brasil Ltda., São Paulo/Brazil	100.0	11,851	716
HOMAG INDÚSTRIA E COMÉRCIO DE MÁQUINAS PARA MADEIRA LTDA., Taboão da Serra/Brazil	100.0	2,140	– 800
Irigoyen 330 S.A., Buenos Aires/Argentina	100.0	86	–
VERIND BRASIL SERVICOS E SOLUCOES LTDA. - EPP, Betim/Brazil[3]	100.0	1,271	401
Africa/Asia/Australia			
AGRAMKOW Asia Pacific Pte. Ltd., Singapore/Singapore	100.0	1,828	964
Dürr (Thailand) Co., Ltd., Bangkok/Thailand	100.0	2,300	233
Dürr Africa (Pty.) Ltd., Port Elizabeth/South Africa	100.0	2,886	1,788
Dürr India Private Ltd., Chennai/India	100.0	4,796	1,518
Dürr Japan K.K., Tokyo/Japan	100.0	– 652	– 275
Dürr Korea Inc., Seoul/South Korea	100.0	12,656	1,192
Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai/PR China	100.0	92,510	36,801
Durr Systems (Malaysia) Sdn. Bhd., Petaling Jaya/Malaysia	100.0	507	– 483
Dürr Systems Maroc sarl au, Tangier/Morocco	100.0	364	34
EPE Fund 3 (RF) (Pty) Ltd., Port Elizabeth/South Africa[3]	100.0	10	–
HA (THAILAND) CO. LTD., Bangkok, Thailand	100.0	309	– 13
HA MALAYSIA SDN. BHD., Puchong/Malaysia	100.0	– 379	37
HOMAG ASIA PTE LTD, Singapore/Singapore	100.0	1,135	– 141
Homag Australia Pty. Limited, Sydney/Australia	100.0	3,123	1,049
Homag India Private Limited, Bangalore/India	100.0	1,633	444
Homag Japan Co., Ltd., Higashiosaka/Japan	100.0	6,139	1,014
HOMAG KOREA CO., LTD., Seoul/South Korea	100.0	3,902	518
Homag Machinery (Shanghai) Co. Ltd., Shanghai/PR China	81.3	20,243	7,202
HOMAG Machinery Bangalore Private Limited, Bangalore/India	100.0	2,174	362
HOMAG NEW ZEALAND LIMITED, Auckland/New Zealand	100.0	10	5
Luhlaza Industrial Services (Pty) Ltd., Port Elizabeth/South Africa[3]	75.0	632	120
PT Durr Systems Indonesia, Jakarta/Indonesia	100.0	223	– 605
Schenck RoTec India Limited, Noida/India	100.0	7,182	1,114
Schenck Shanghai Machinery Corp. LTD, Shanghai/PR China	100.0	25,322	7,048
Shanghai Shenlian Testing Machine Works Co., Ltd., Shanghai/PR China	100.0	233	– 22

B. NON-CONSOLIDATED SUBSIDIARIES

Name and location	Share in capital %*	Equity** in € k	Result for the year** in € k
Aviva Vermögensverwaltung GmbH, Munich/Germany	100.0	– 1,075	– 2
Futura GmbH, Schopfloch/Germany	100.0	25	–
HOMAG Equipment Machinery Trading LLC, Dubai/United Arab Emirates[4]	49.0	– 418	– 129
HOMAG Arabia FZE, Dubai/United Arab Emirates	100.0	– 165	– 254
Unterstützungseinrichtung der Carl Schenck AG, Darmstadt, GmbH, Darmstadt/Germany	100.0	1,138	7

Name and location	Share in capital %*	Equity** in € k	Result for the year** in € k
C. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
HOMAG CHINA GOLDEN FIELD LIMITED, Hong Kong/PR China	25.0	32,056	9,075
LaTherm Abwicklungsgesellschaft mbH, Dortmund/Germany	28.1	–	–
Nagahama Seisakusho Ltd., Osaka/Japan	50.0	36,212	2,348
Prime Contractor Consortium FAL China, Stuttgart/Germany	50.0	–	–
D. OTHER INVESTMENTS			
ADAMOS GmbH, Darmstadt/Germany[7]	20.0	8,866	– 1,134
Fludicon GmbH, Darmstadt/Germany	1.4	–	–
HeatMatrix Group B.V., Utrecht/Netherlands	14.6	1,039	17
Parker Engineering Co., Ltd., Tokyo/Japan	10.0	66,588	7,223
SBS Ecoclean GmbH, Stuttgart/Germany	15.0	128,921	– 3,573

*Investment pursuant to Sec. 16 AktG
**German entities HGB figures, foreign entities IFRS figures, figures for 100% capital share
1 Profit and loss transfer agreement with the respective parent company
2 Exemption pursuant to Sec. 264 (3) HGB
3 Controlling influence as a result of contractual arrangements to control the relevant activities
4 100% share in voting right
5 Control of variable returns
6 Includes a separation-related book loss on shares sold within the Group of € 27,235 thousand
7 Constitutive effect of the commercial register; due to the entry of the capital increase of a new shareholder in January 2018, the capital share is reduced to 16.7%.

Bietigheim-Bissingen, March 13, 2018

Dürr Aktiengesellschaft

The Board of Management

RALF W. DIETER   CARLO CROSETTO   DR. JOCHEN WEYRAUCH

INDEPENDENT AUDITOR'S REPORT

To Dürr Aktiengesellschaft, Stuttgart

Report on the audit of the consolidated financial statements and of the group management report

OPINIONS

We have audited the consolidated financial statements of Dürr Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the reporting period from January 1, 2017 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Dürr Aktiengesellschaft, which was combined with the management report (in the following "group management report"), for the reporting period from January 1, 2017 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the group non-financial statement included in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Corporate Governance Declaration published on the Company's website.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1, 2017 to December 31, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the group non-financial statement included in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Corporate Governance Declaration published on the Company's website

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter:

Goodwill of EUR 397m (prior period: EUR 402m) is recognized in the consolidated financial statements of Dürr AG. This is equivalent to 12 % of total assets. Goodwill is subject to an annual impairment test. As a rule, the basis of the measurements is the present value of future cash flows of the cash-generating unit to be measured to which goodwill was allocated. The measurements are based on budgetary planning of the cash-generating units for four detailed planning years. The discounting is based on the weighted average cost of capital (WACC) of the respective cash-generating unit. The inputs used in the calculation of the discounting rate are partly based on estimated market expectation and are, therefore, subject to judgment. The result of these measurements depends chiefly on the future cash inflows of each company estimated by the executive directors as well as the discount rate used and is, therefore, subject to judgment. The measurements are therefore subject to uncertainties.

Auditor's response:

We examined whether the future cash inflows and the applied discount rates underlying the measurements form a proper basis for the impairment tests of individual cash-generating units.

The subsidiaries' budgets are consolidated by division and reviewed and approved by the Board of Management in a multistage process. The Supervisory Board approves the budget for the following year and acknowledges the long-term planning for the next three years. For our audit we relied on these internal controls and reviewed their effectiveness. For our assessment we relied among other things on a comparison of general and industry-specific market expectations as well as on comprehensive explanations of the management on the significant value drivers of the budgets. In addition, the plans were compared for consistency with other internal expectations, such as the forecast information provided in the group management report. We also reviewed the budget history on the basis of target-actual deviation analysis. We assessed the derivation of WACC and the appropriateness of the valuation model particularly by consulting the peer group, comparing the market data and reviewing the clerical accuracy. We examined the derivation of the carrying amount of net assets for completeness. To conclude, we checked the impairment test for clerical accuracy and checked the results of the impairment test for plausibility using our own sensitivities and assessed those used by the Company.

Our audit procedures did not lead to any reservations relating to the assessment of goodwill impairment.

Reference to related disclosures:

The Company's disclosures are included in nos. 1 and 18 of the notes to the consolidated financial statements.

2. Revenue recognition and accounting of construction contracts according to the percentage of completion method (PoC method).

Reasons why the matter was determined to be a key audit matter:

In the reporting period, Dürr AG generated EUR 2,237m (prior period: EUR 2,177m) of revenues from customer-specific construction contracts. This corresponds to 60 % of revenues recognized in the consolidated financial statements. Revenues from customer-specific construction contracts are generally calculated according to the percentage of completion method (PoC method) pursuant to IAS 11. This involves recognizing sales revenues and the planned contract margin in line with the degree to which the contract has been completed. The degree of completion is calculated on the basis of the costs incurred relative to the total estimated costs. To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they are reported under receivables together with the corresponding estimated earnings as costs and estimated earnings in excess of billings on uncompleted contracts. If the prepayments received exceed the future receivables of a construction contract, they are reported on a net basis on the equity and liabilities side of the consolidated statement of financial position. The balance of receivables and liabilities from customer-specific construction contracts as of the reporting date amounted to EUR 469m (prior period: EUR 357m) on the assets side and EUR 481m (prior period: EUR 522m) on the equity and liabilities side.

The application of the PoC method requires substantial exercise of judgment, particularly related to the estimate of the total costs of an order and the consideration of order modifications and project risks.

Auditor's response:

We analyzed the compliance of the accounting policies applied by the Dürr Group for revenue recognition in accordance with the POC method with the provisions of IAS 11 (Construction Contracts). We assessed the design and tested their effectiveness of the significant controls implemented by Dürr for the processing and accounting of construction contracts, particularly for the calculation of order values, the processes for the estimate of contract costs as well as the reporting and allocation of accrued costs. In particular, we tested the control mechanisms in the area of order acceptance and planning as well as in the area of budgeting and cost control for their proper functioning.

Furthermore, we performed the following substantive procedures for specific construction contracts:

- Compared the contract values underlying the revenue calculation with the respective customer contracts.
- We determined that future contract costs and the applied budget assumptions underlying the measurements form a proper basis for determining the percentage of completion of the individual construction contracts. For this purpose we reviewed the quality of budgets on the basis of target-actual analyses.
- Reviewed whether the material and production costs recognized for each construction contract were allocated properly and in the correct period.
- Obtained external confirmations of significant receivables and customer prepayments from the customer in each case in order to verify information from Dürr that is relevant for accounting.

Our audit procedures did not lead to any reservations regarding the revenue recognition and accounting of construction contracts according to the POC method.

Reference to related disclosures:

The Company's disclosures are included in nos. 6, 7 and 21 of the notes to the consolidated financial statements.

3. Recognition and measurement of income tax provisions and deferred taxes

Reasons why the matter was determined to be a key audit matter:

In the 2017 consolidated financial statements of Dürr AG, income tax expense of EUR 68m (prior period: EUR 70m), income tax provisions and liabilities of EUR 50m (prior period: EUR 40m) as well as deferred tax assets of EUR 34m (prior period: EUR 30m) and deferred tax liabilities of EUR 92m (prior period: EUR 102m) are recognized. Subject matters related to income taxes therefore have a significant impact on the financial position and financial performance of Dürr.

The Dürr Group operates in different legal systems coupled with the complexity of changing tax law as well as transfer pricing issues. The calculation of provisions for income tax obligations as well as the accounting assessment and measurement of deferred and uncertain tax items requires that Dürr exercise judgment for the assessment of subject matters related to tax and perform estimates regarding income tax risks.

A complete calculation of all differences between the recognition and measurement of assets and liabilities according to the local tax provisions and financial reporting in accordance with IFRSs is necessary in the context of accounting and measurement of deferred tax items on the level of the taxable entity. An assessment of future usability of the tax loss carryforwards as well as other deferred tax assets from temporary differences is also necessary. The recognition of deferred tax assets for tax loss carryforwards thus depends on the usability of losses in each country due to country-specific provisions on the one hand, and, on the other, on budget assumptions for future taxable income. Particularly the corporate planning regarding the future taxable income is strongly subject to judgment. The executive directors make estimates regarding the economic development of every taxable entity, which is affected by the current and future market environment. Deferred tax liabilities result from the differences in the carrying amounts of assets in accordance with the provisions of IFRSs as well as from country-specific tax provisions. At Dürr, the deferred tax liabilities mainly result from remeasurements of assets in connection with acquisitions as well as from differences in accounting of construction contracts. The measurements are subject to judgment because judgmental decisions are made in the process of estimation for measurements in the course of first-time consolidations as well as for PoC accounting. Due to the differences in local tax provisions, which are often complex, the recognition and measurement of income tax provisions requires complex computations. This requires detailed knowledge of the applicable tax law.

Auditor's response:

Due to the complexity in the area of tax provisions, we involved internal experts from our global tax department with expertise in the relevant local legal systems and provisions. Our experts also assessed the correspondence with the responsible tax authorities, analyzed and reviewed the assumptions for the calculation of income tax provisions on the basis of their knowledge and experience in the current application of the relevant legal provisions by the authorities and courts.

To assess the appropriateness of the recognition and measurement of deferred taxes at Group companies, we considered, among other things, the underlying processes for complete reporting and measurement of deferred taxes as well as the controls installed to avoid or detect and correct errors. In addition, we reviewed the complete identification and correct quantification of deviations between the recognition and measurement of assets and liabilities according to income tax provisions and financial reporting in accordance with IFRSs and verified the calculation of the deferred taxes and the application of the corresponding tax rate. For the impairment testing of deferred tax assets from temporary differences as well as from loss carryforwards, we ensured for samples that tax forecasts were correctly derived from corporate planning, the Group-wide planning horizon was used to assess the usability of tax loss carryforwards and the respective country-specific tax requirements for the use of loss carryforwards were observed. As part of our audit procedures regarding deferred tax liabilities, we particularly examined the assumptions regarding reinvestment rates of cumulative results of subsidiaries, taking into account dividend planning.

In the course of our substantive audit procedures for uncertain tax items, we assessed the compliance with tax law of assessments made by the legal representative for tax implications of significant business transactions or events in the 2017 reporting period, from which uncertain tax items may result or could influence the measurement of existing uncertain tax items. In particular, this includes the income tax implications arising from the acquisition or disposal of company shares, corporate restructuring, findings from tax field audits as well as matters that are relevant across country borders, such as determining transfer prices. Furthermore, we evaluated the assessments made by the executive directors as regards the chances of success of appeals procedures or fiscal court proceedings by interviewing the Dürr tax department and taking into account tax court rulings.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of income tax provisions and deferred taxes.

Reference to related disclosures:
The Company's disclosures are included in nos. 6 and 17 of the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. Other information particularly comprises the following components of the annual report: the Chairman's letter, the Report of the Supervisory Board, Dürr on the capital market, the Responsibility Statement in the consolidated financial statements, the group non-financial statement included in the "Sustainability" section of the group management report as well as the disclosures in the "Other information on corporate governance" section and the Corporate Governance Declaration published on the Company's website. We received a version of this 'Other information' by the time this auditor's report was issued.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore, we:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides;

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on May 5, 2017. We were engaged by the Supervisory Board on July 25, 2017. We have been the group auditor of Dürr Aktiengesellschaft without interruption since the 2002 reporting period.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Marco Koch.

Stuttgart, March 13, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

MARBLER
Wirtschaftsprüfer
German Public Auditor

KOCH
Wirtschaftsprüfer
German Public Auditor

INDEPENDENT AUDITOR’S LIMITED ASSURANCE REPORT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the group non-financial statement 2017 of Dürr Aktiengesellschaft. The following text is a translation of the original German Independent Assurance Report.

To Dürr Aktiengesellschaft, Stuttgart

We have performed a limited assurance engagement on the group non-financial statement of Dürr Aktiengesellschaft according to § 315b HGB (“Handelsgesetzbuch”: German Commercial Code), consisting of the section “Non-financial consolidated declaration" in the chapter “Sustainability” and the chapters “The Group at a glance” and “Research and development” in the combined management report being incorporated by reference (hereafter group non-financial statement), for the reporting period from 1 January 2017 to 31 December 2017.

MANAGEMENT’S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the group non-financial statement in accordance with § 315c HGB.

This responsibility includes the selection and application of appropriate methods to prepare the group non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud or error.

AUDITOR’S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR’S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the group non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the group non-financial statement of the Company has been prepared, in all material respects, in accordance with § 315c HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor’s professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2017 and March 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the group non-financial statement, the risk assessment and the concepts of Dürr for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the group non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment and employees in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected qualitative information and data,
- Analytical procedures at group level regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the group non-financial statement.

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of Dürr Aktiengesellschaft for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material respects, in accordance with § 315c HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Dürr Aktiengesellschaft. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement **(http://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/$FILE/EY-idw-aab-2017-en.pdf).** In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 13 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

NICOLE RICHTER
Wirtschaftsprüferin
(German Public Auditor)

ANNETTE JOHNE
Wirtschaftsprüferin
(German Public Auditor)

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.



RALF W. DIETER **CARLO CROSETTO** **DR. JOCHEN WEYRAUCH**

BIETIGHEIM-BISSINGEN, MARCH 13, 2018

4.1 – TEN-YEAR SUMMARY DÜRR GROUP[1]

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Incoming orders	€ million	3,876.0	3,701.7	3,467.5	2,793.0	2,387.1	2,596.8	2,684.9	1,642.2	1,184.7	1,464.0
Orders on hand	€ million	2,516.3	2,568.4	2,465.7	2,725.3	2,150.1	2,316.8	2,142.7	1,359.1	1,002.4	925.0
Sales revenues	€ million	3,715.4	3,573.5	3,767.1	2,574.9	2,406.9	2,399.8	1,922.0	1,261.4	1,077.6	1,602.8
Gross profit on sales	€ million	858.3	858.3	828.0	591.1	487.3	437.8	331.4	237.5	210.8	287.1
Overhead costs (incl. R&D costs)	€ million	– 600.3	– 605.5	– 566.4	– 359.5	– 280.7	– 262.9	– 225.5	– 201.6	– 202.5	– 211.0
EBITDA	€ million	370.3	360.3	348.2	262.9	230.4	205.4	127.1	54.6	25.6	87.1
EBIT	€ million	289.6	271.4	267.8	220.9	203.0	176.9	106.5	36.6	5.7	72.7
Financial result	€ million	– 19.8	– 13.3	– 23.3	– 16.2	– 18.4	– 29.2	– 20.7	– 24.1	– 17.9	– 26.3
EBT	€ million	269.9	258.1	244.5	204.7	184.6	147.7	85.8	12.5	– 12.2	46.4
Income taxes	€ million	– 68.4	– 70.3	– 78.0	– 54.4	– 43.7	– 36.3	– 21.6	– 5.4	– 13.5	– 12.7
Net income/loss	€ million	201.5	187.8	166.6	150.3	140.9	111.4	64.3	7.1	– 25.7	33.7
Profit/loss attributable to Dürr AG shareholders	€ million	194.4	181.9	161.6	149.8	140.1	107.2	61.9	6.3	– 26.9	29.9
STOCK											
Earnings per share	€	5.62	5.26	4.67	4.33	4.05	3.10	1.79	0.19	– 0.78	0.91
Dividend per share	€	2.20[2]	2.10	1.85	1.65	1.45	1.13	0.60	0.15	0.00	0.35
Book value per share (Dec. 31)	€	25.69	23.40	20.15	17.78	14.58	12.25	10.37	9.05	8.52	10.11
Operating cash flow per share	€	3.46	6.57	5.00	8.42	9.51	3.40	3.70	1.60	2.76	0.94
Closing price[3] (Dec. 31)	€	106.55	76.35	73.60	73.26	64.81	33.75	17.00	11.94	8.50	6.13
Number of shares (weighted average)	thousand	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	33,072
Market capitalization (Dec. 31)	€ million	3,687	2,642	2,547	2,535	2,243	1,168	588	413	294	203
INCOME STATEMENT											
Gross margin	%	23.1	24.0	22.0	23.0	20.2	18.2	17.2	18.8	19.6	17.9
EBITDA margin	%	10.0	10.1	9.2	10.2	9.6	8.6	6.6	4.3	2.4	5.4
EBIT margin	%	7.8	7.6	7.1	8.6	8.4	7.4	5.5	2.9	0.5	4.5
EBT margin	%	7.3	7.2	6.5	8.0	7.7	6.2	4.5	1.0	– 1.1	2.9
Interest coverage		13.5	13.7	10.7	12.6	10.7	6.0	5.0	1.5	0.3	2.5
Tax rate	%	25.3	27.2	31.9	26.6	23.7	24.6	25.1	43.3	–	27.3
CASH FLOW											
Operating cash flow	€ million	119.8	227.4	173.0	291.3	329.1	117.6	127.9	55.4	95.4	30.9
Free cash flow	€ million	14.3	129.9	62.8	221.1	261.9	65.9	91.8	22.9	63.7	– 14.5
Capital expenditure (property, plant & equipment and intangible assets)	€ million	88.0	81.9	102.3	54.9	51.2	32.5	23.4	16.6	21.4	24.3
Change in net financial status	€ million	15.0	47.1	– 38.4	– 112.7	183.8	44.9	28.2	20.6	37.4	27.4
BALANCE SHEET											
Non-current assets (Dec. 31)	€ million	1,109.0	1,125.3	1,182.0	1,124.2	590.9	551.9	529.0	462.3	452.6	443.5
Current assets (Dec. 31)	€ million	2,302.8	2,223.2	1,804.6	1,851.9	1,400.9	1,255.8	1,132.0	754.1	515.5	644.5
of which cash and cash equivalents (Dec. 31)	€ million	659.9	724.2	435.6	522.0	458.5	349.3	298.6	252.3	103.9	84.4
Equity (with non-controlling interests) (Dec. 31)	€ million	903.7	831.0	714.4	725.8	511.4	432.1	364.3	319.4	301.4	341.4
Non-current liabilities (Dec. 31)	€ million	787.5	843.3	585.0	643.1	394.8	402.6	401.9	328.2	201.1	201.3
of which pension obligations (Dec. 31)	€ million	49.8	51.8	49.7	53.7	49.8	53.5	57.8	55.9	55.1	52.2

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Current liabilities (Dec. 31)	€ million	1,720.6	1,674.2	1,687.2	1,607.3	1,085.7	973.0	894.8	568.8	465.6	545.4
Financial liabilities (Dec. 31)	€ million	613.2	654.5	350.9	426.5	271.1	286.1	286.2	232.3	104.0	122.6
Total assets (Dec. 31)	€ million	3,411.8	3,348.5	2,986.7	2,976.1	1,991.8	1,807.7	1,661.0	1,216.5	968.1	1,088.0
Net financial status (Dec. 31)	€ million	191.5	176.5	129.4	167.8	280.5	96.7	51.8	23.6	3.0	– 34.4
Net financial debt/EBITDA		–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	0,4
Gearing (Dec. 31)	%	– 26.9	– 27.0	– 22.1	– 30.1	– 121.5	– 28.8	– 16.6	– 8.0	– 1.0	9.2
Net working capital (Dec. 31)	€ million	362.1	194.4	236.8	87.6	– 33.1	98.6	32.6	27.3	57.4	151.8
Days working capital	days	35.1	27.2[6]	22.6	12.2	– 4.9	14.8	6.1	7.8	19.2	34.1
Days sales outstanding	days	46.8	47.3[6]	51.9	67.8	47.6	51.9	61.5	52.5	62.4	56.0
Inventory turnover	days	42.4	40.4[6]	37.0	51.0	22.1	21.7	23.3	21.1	20.9	17.5
Equity assets ratio (Dec. 31)	%	81.5	73.8	60.4	64.6	86.5	78.3	68.9	69.1	66.6	77.0
Degree of asset depreciation (Dec. 31)	%	36.1	34.3	32.1	30.7	43.9	48.4	48.8	56.9	56.9	57.8
Depreciation expense ratio	%	6.5	6.7	6.4	4.2	4.3	4.2	3.3	4.1	4.3	3.9
Asset coverage (Dec. 31)	%	152.5	148.8	109.9	121.8	153.3	151.2	144.8	140.1	111.0	122.4
Asset intensity (Dec. 31)	%	32.5	33.6	39.6	37.8	29.7	30.5	31.8	38.0	46.8	40.8
Current assets to total assets (Dec. 31)	%	67.5	66.4	60.4	62.2	70.3	69.5	68.2	62.0	53,.2	59.2
Cash ratio (Dec. 31)	%	38.4	43.3	26.4	32.6	42.4	35.9	33.4	44.4	22.3	15.5
Quick ratio (Dec. 31)	%	93.1	89.8	80.8	85.7	104.5	107.3	103.3	113.3	91.7	96.8
Equity ratio (Dec. 31)	%	26.5	24.8	23.9	24.4	25.7	23.9	21.9	26.3	31.1	31.4
Return on equity	%	22.3	22.6[6]	23.3	20.7	27.6	25.8	17.6	2.2	– 8.5	9.9
Capital employed (CE) (Dec. 31)[5]	€ million	726.9	670.6	590.6	571.5	266.4	373.0	350.8	339.7	339.7	415.0
ROCE[5]	%	39.5[6]	41.1[6]	45.3	38.7	76.2	47.4	30.4	10.8	1.7	17.6
Weighted average cost of capital (WACC)	%	7.88	7.20	6.98	5.78	6.69	6.58	7.64	8.10	8.08	7.58
Economic value added (EVA)[5]	€ million	145.5	142.5[6]	146.2	121.6	124.3	99.3	47.7	– 1.9	– 23.4	19.7
EMPLOYEES / R&D											
Employees (Dec. 31)		14,974	15,235	14,850	14,151	8,142	7,652	6,823	5,915	5,712	6,143
Cost per employee (year average)	€	– 68,725	– 67,100	– 67,000	– 64,800	– 65,200	– 64,900	– 62,700	– 59,300	– 57,200	– 62,200
Sales per employee (year average)	€	251,000	237,000	260,000	262,900	301,900	327,100	299,200	218,300	183,100	264,500
R&D ratio	%	3.1	3.0	2.6	2.2	1.8	1.6	1.5	2.0	2.4	1.6
R&D employees (Dec. 31)		713	695	667	619	248	199	180	162	157	152
R&D expenditure	€ million	– 116.7	– 105.9	– 97.1	– 55.4	– 43.0	– 37.2	– 29.5	– 25.8	– 25.9	– 25.5
R&D cost capitalized	€ million	9.6	12.4	11.5	5.5	3.4	3.1	2.7	3.6	2.5	3.1
Amortiziation of R&D cost capitalized	€ million	– 12.7	– 13.1	– 10.4	– 4.3	– 3.9	– 6.1	– 4.0	– 3.3	– 3.3	– 2.9

All figures according to IFRS
[1] The interest cost from the measurement of pension obligations was reclassified in 2011. The figures for 2010 have been adjusted accordingly.
[2] Dividend proposal for the annual general meeting
[3] XETRA
[4] Since 2009, the Group has had a positive net financial status.
[5] The capital employed has been calculated excluding financial assets since 2014. The previous years´ figures have been adjusted accordingly.
[6] Adjusted for the effects of the sale of Dürr Ecoclean

GLOSSARY

Technology and products

A

Adaptive manufacturing
In adaptive manufacturing, the production processes adapt autonomously to new tasks and are self-optimizing. This relies on the machines being digitally connected and their data evaluated.

Application technology
General term for all products related to the application of paint and high-viscosity materials, e.g. painting robots, paint atomizers, and color change systems.

B

Balancing technology
Rotating components such as wheels and turbines must be tested for imbalances. Any imbalance is then removed since it would otherwise cause vibrations or oscillations.

Big data
Large volumes of data are collected in digitized and connected production systems, for example by means of sensors. The analysis of this data enables production to be optimized and flexibilized.

Brownfield
Brownfield projects are modification or upgrade jobs for existing factories. Greenfield projects, on the other hand, involve the construction of a plant on previously undeveloped land.

D

Digital service
Digital services use operating data to optimize production operations and increase system availability. One example of this is predictive maintenance. In this, an app provides early notification when maintenance work is due for a system or when a component has to be replaced. Users of our machines and plant can source digital services via the digital marketplaces LOXEO and tapio.

Dip-coating
Process for applying the first prime coat that protects against corrosion. To coat the interior of the body as well, it is immersed. The coating is applied with the aid of an electric field.

Drying oven
Tunnel-like systems for curing freshly applied coats of paint.

E

End of line
Area in final vehicle assembly where the assembled cars are tested and prepared for shipping.

Engineering
Development and design of machinery and plants. At Dürr, engineering often involves developing technical solutions that are geared to customers' specific production goals.

F

Filling systems
Equipment designed for filling vehicles with the necessary operating media (e.g. brake fluid, refrigerant) in the course of their final assembly. Filling systems are also employed for charging refrigerators, air conditioners and heat pumps with refrigerant.

G

Glueing technology
Manufacturing process, in which parts such as the sheetmetal components of a car are joined together by means of adhesives.

H

High-speed rotating atomizer
Atomizers ensure a uniform distribution of the spray jet in paint application processes. High rotation atomizers rely on a bell-shaped disk revolving at up to 70,000 r.p.m. Due to this design, the paint fed to the center of the disk is accelerated and separated into fine threads which dissolve into minuscule droplets as they are propelled off the disk.

I

IIoT/Industrial Internet of Things
The term Industrial Internet of Things refers to the use of the Internet of Things in industrial production. The Internet of Things is the digital connection of, and communication between, smart machines and appliances via the internet.

IIoT platform
Higher-level software system that collects and evaluates big data, i.e. large volumes of production data. To that end, the machines from one or more production systems are fitted with sensors. The sensors capture the operating data (e.g. material consumption, cycle time) and transmit it to the IIoT platform. Data evaluation on the IIoT platform enables plant operators to gain a better understanding of their production processes and identify potential for optimization.

Industry 4.0
Industry 4.0 refers to the digitization and networking of industrial production. It is aimed at creating a 'Smart Factory' in which production and logistics systems largely organize themselves.

L

Light vehicles
Cars and light trucks.

Lightweight design
Lightweight design refers to the practice of building cars with weight minimization in mind. The vehicle's fuel consumption and CO_2 emissions can thus be reduced. Low-weight materials such as magnesium, titanium or synthetic fiber composites are becoming increasingly widespread to reduce vehicle weight.

O

Overspray
Excess paint that does not land on the surface being sprayed.

P

Pretreatment
This is the first stage in the painting process. When it comes from the body shop, the body shell is first cleaned, degreased and in most cases phosphated in preparation for the next coating. The phosphating produces a corrosion-inhibiting conversion layer (nonmetallic crystalline structure) to which subsequent paint layers will bond more effectively.

S

Sealing
Process for sealing welding seams created when car body parts are joined. Sealing also includes the application of an undercoating that protects against rock impact.

T

Test systems
End of line systems test the functions of fully assembled vehicles, e.g. headlights and ABS.

Financial

A

Asset coverage
A ratio that indicates the extent to which shareholders' equity covers non-current assets.

$$\frac{\text{equity}}{\text{non-current assets}} \times 100\ (\%)$$

Asset intensity
A ratio that indicates the relative weight of non-current assets in total assets. High asset intensity means high fixed costs and high levels of capital tied up.

$$\frac{\text{non-current assets}}{\text{total assets}} \times 100\ (\%)$$

C

Capital employed
This is the capital used within the enterprise that is not subject to interest payable to external creditors. It is calculated by deducting liabilities from total non-current and current assets. However, all interest-bearing items are excluded.

D

Days sales outstanding
This ratio indicates the average length of time in days that capital is tied up in receivables.

$$\frac{\text{receivables} \times 360}{\text{sales revenues}}$$

The same method can be used to calculate the average length of time that capital is tied up in inventories and in net working capital.

E

Equity assets ratio
A ratio that indicates the extent to which shareholders' equity and non-current liabilities cover non-current assets.

$$\frac{\text{equity} + \text{non-current liabilities}}{\text{non-current assets}} \times 100\ (\%)$$

F

Free cash flow
Free cash flow is the cash flow from operating activities remaining after deducting capital expenditures and net interest paid and received, and represents the amount of cash that is freely available to pay a dividend and to pay off debt.

G

Gearing
This is the ratio of net financial debt to shareholders' equity and net financial debt. The higher the relative weight of net financial debt, the higher the reliance on external lenders. However, a high gearing is not necessarily negative if the interest paid does not reduce profits excessively.

I

Interest coverage
An interest coverage ratio of <1 indicates that the company is not able to meet its interest payments from operating earnings.

$$\frac{\text{earnings before tax} + \text{net interest expense}}{\text{net interest expense}}$$

L

Liquidity ratios: cash ratio and quick ratio
These two liquidity ratios show the degree to which current liabilities are covered by cash and cash equivalents (and other current assets). They serve to measure a company's solvency.

$$\frac{\text{cash and cash equivalents}}{\text{current liabilities}} \times 100\ (\%)$$

$$\frac{\text{cash and cash equivalents} + \text{short-term trade receivables}}{\text{current liabilities}} \times 100\ (\%)$$

N

Net financial status
This represents the balance of the financial liabilities (without financial leases) reported in the balance sheet after deducting liquid funds. If a company's liquid funds exceed its financial liabilities, it is de facto debt free.

$$\text{financial liabilities} - \text{liquid funds}$$

Net Working Capital (NWC)
This is a measure of the net funding required to finance current assets. Negative NWC is beneficial since it implies that sales are prefinanced by suppliers and customers. At Dürr, the prepayments received from customers are an important factor affecting NWC. The formula shows a simplified calculation.

$$\text{inventories} + \text{trade receivables} - \text{trade payables}$$

R

Return on Capital Employed (ROCE)
This measures the rate of return on the capital tied up in a company's operating assets (for instance in machinery and equipment, inventories, accounts receivable) and is the ratio of earnings before interest and taxes (EBIT) to capital employed.

$$\frac{\text{EBIT}}{\text{capital employed}} \times 100\ (\%)$$

Return on Equity (ROE)
This is the rate of return earned on shareholders' equity. It should exceed the rate of return on a comparable investment.

$$\frac{\text{earnings after taxes}}{\text{shareholders' equity}} \times 100\ (\%)$$

Return on Investment (ROI)
This ratio serves to measure how efficiently a company employs the total resources at its disposal.

$$\frac{\text{earnings after taxes} + \text{interest expense}}{\text{total assets}} \times 100\ (\%)$$

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FINANCIAL CALENDAR

03/22/2018	Publication annual report 2017
05/09/2018	Annual general meeting, Bietigheim-Bissingen
05/16/2018	Interim statement for the first quarter of 2018
08/09/2018	Interim financial report for the first half of 2018
11/08/2018	Interim statement for the first nine months of 2018

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From May 2018, information on the Dürr Group will be available at our new website, ***www.durr-group.com****. After this date, the current website,* ***www.durr.com****, will only contain information on the Dürr brand.*

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The English translation of our 2017 annual report is based on the German version. The German version shall prevail.

FORWARD-LOOKING STATEMENTS

This annual 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), 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.

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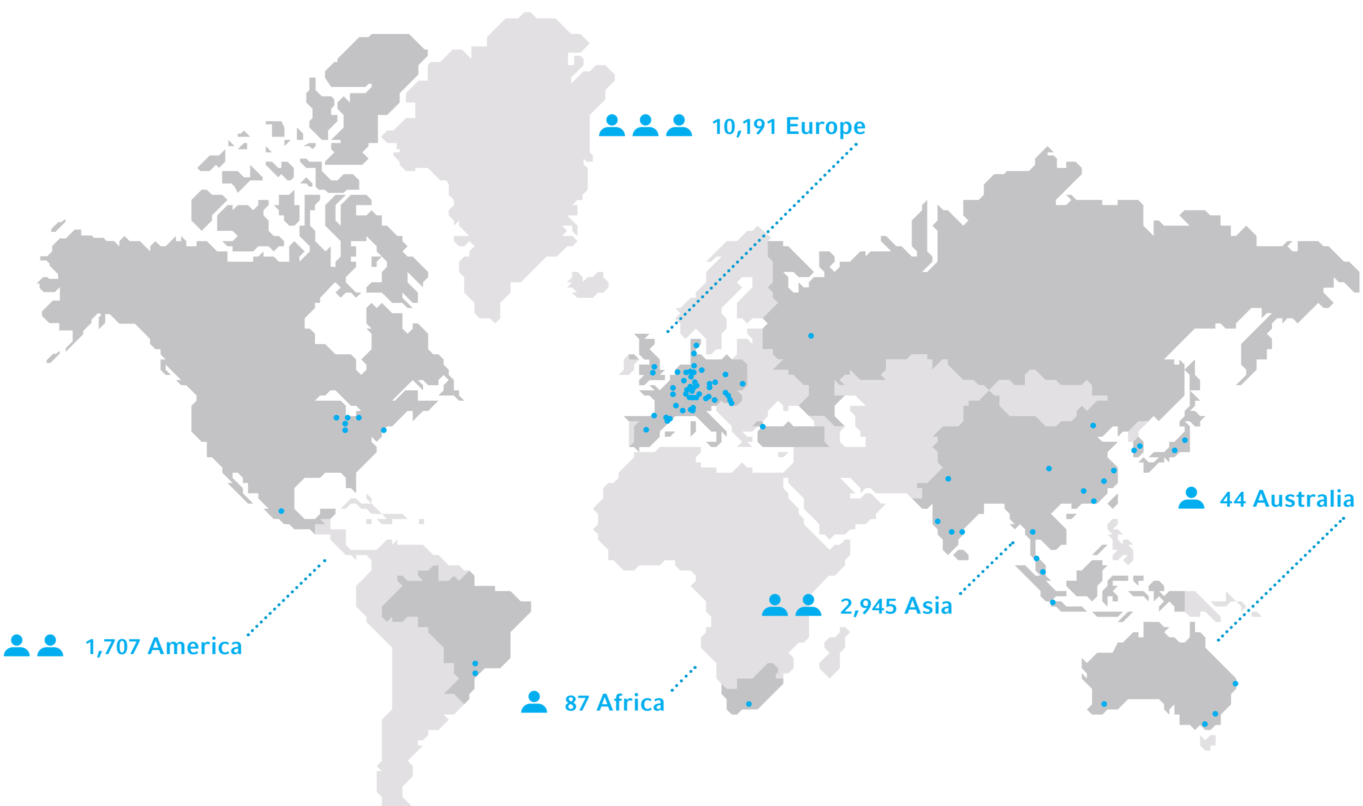

LEADING IN PRODUCTION EFFICIENCY

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