

performance indicator system. On the basis of these KPIs, the Group's financial flexibility is subject to constant analysis in the form of a comparison between budget and actual so that we can take swift, appropriate action in the event of significant variances. One-off items are defined as material income and expenses that are exceptional and unlikely to recur.

In order to enable us to be proactive and respond promptly, DEUTZ has set up an early warning system based on the performance indicators. A monthly/quarterly reporting process enables the Board of Management to track changes in the performance indicators. This approach ensures that we can respond immediately to the latest business developments. At the same time, we operate a sound system of causal analysis to ensure that we minimise risks and make the most of opportunities. Three times a year we produce an annual forecast for all key performance indicators. In this way, we ensure optimum transparency in our business performance, benefiting both the Group and all stakeholders.

In addition to the financial performance indicators which form part of the management system described above, we also employ a range of other parameters to measure our economic performance. These include, but are not limited to, new orders received, revenue and unit sales on the income side and the working capital as at the reporting date with regard to tied-up capital. Moreover, the Group net income and the DEUTZ AG statutory income in accordance with the German Commercial Code are significant factors for us as regards dividend payments.

CONTINUOUS OPTIMISATION OF THE CONTROL SYSTEM

Regardless of fluctuations in the economic cycle, one of the DEUTZ Group's overriding aims is the continuous optimisation of its management systems. This essentially involves the annual planning of all specified performance indicators. This planning is based on both internal estimates of future business and benchmark figures from competitors. Each organisational unit prepares detailed plans for its area of responsibility, which are then coordinated with the management strategy. Both the specific unit sales and revenue targets and the customer and product-related targets (EBIT margins) are aligned with the operating units each year, taking groupwide objectives into consideration. This means that they are available at the relevant hierarchical level for use by the operational management.

We specify working capital targets for the individual companies in the DEUTZ Group in order to optimise the capital tied up in the business. These overall figures are then broken down and specific targets for inventories, trade receivables and trade payables are allocated to the individual employees responsible.

We are pursuing long-term growth objectives. In order to secure the financial basis for this, we have made the management of capital expenditure a central element in the management of tied-up capital: clearly specified budget figures set out the framework

for the level of capital expenditure and development expenditure; actual requirements are derived from the medium-term planning of unit sales and the resulting requirements in terms of capacity and technologies. Annual budget meetings are held to coordinate individual projects, development expenditure and planned capital expenditure with the groupwide financial planning process and to record the outcomes. An additional detailed review is carried out before projects are actually approved. To this end, we use standard investment appraisal methods (internal rate of return, amortisation period, net present value, the impact on the income statement and cost comparisons). A project with an appropriate budget is only approved if there is a clear positive outcome from this investment appraisal.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Global economy growing at previous year's level Following an encouraging start to the year, sentiment regarding future global economic growth deteriorated again in the autumn of 2014. The focus returned more sharply to geopolitical crises, particularly the Russia/Ukraine conflict and the clashes in the Middle East. The International Monetary Fund (IMF) is reporting worldwide growth of 3.3 per cent for 2014¹⁾ as a whole, which is the same level as in 2013.

The economy in the eurozone only grew by around 0.8 per cent in 2014, but this does mean that the eurozone has recovered from the recession of 2013. Growth rates continued to vary greatly among the European countries. Germany remained the eurozone's growth driver with an expansion rate of 1.5 per cent, despite the pace of growth slowing in the second half of the year. Spain has made good progress in overcoming the financial crisis and its economy has picked up, growing by 1.4 per cent. By contrast, Italy remained in recession and even France only managed minimal growth with scarcely any improvement on 2013. The revival of growth in the UK, where the economy grew by 2.6 per cent, is of particular note.

In 2014, the US economy was one of the major drivers of global economic growth. It expanded by 2.4 per cent (2013: 2.2 per cent), a higher rate than recently forecast, confirming hopes of a sustained economic recovery in the US. The US is also expected to provide strong growth stimulus in the year ahead.

The Chinese economy grew by 7.4 per cent, having slowed from growth of 7.8 per cent in the previous year. Conditions remained difficult in the truck and construction equipment sector, which is a core market for DEUTZ. The Russian economy experienced a massive downturn as a result of the crisis and sanctions, even though the IMF is still forecasting slight growth. Nor is the growth engine running smoothly in South America.

¹⁾ Source: IMF World Economic Outlook, January 2015.

Varying trends in DEUTZ customer industries depending on region and sector Demand in DEUTZ's main customer markets varied once again in 2014. According to preliminary figures, demand for construction equipment rose by 7 per cent in Europe and by 8 per cent in North America¹⁾, while it fell by 8 per cent in China²⁾. According to DEUTZ's own estimates, the agricultural machinery sector in Europe contracted by 8 per cent in the year under review. The market for medium and heavy-duty trucks shrank by 8 per cent³⁾ in Europe and by 9 per cent in China⁴⁾.

IMPACT OF ECONOMIC CONDITIONS ON BUSINESS PERFORMANCE

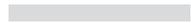
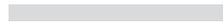
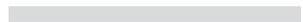
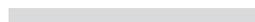
DEUTZ just ahead of global trends While the global economy grew by 3.3 per cent in 2014, DEUTZ increased its revenue by 5.3 per cent and its unit sales by 6.7 per cent. Unit sales outstripped revenue because a shift in the product mix towards engines with a low power output had a greater impact on revenue per unit than the rising proportion of higher-value engines. Growth across our key customer sectors has been varied and, in some cases, even negative. DEUTZ has generally been able to insulate itself from the trends in the various sectors. In 2014, DEUTZ achieved the strongest growth by application segment in Mobile Machinery, where unit sales were up by around 40 per cent, significantly outperforming the market. In view of the introduction of the EU Stage IV emissions standard for power categories below 130kW on 1 October 2014, DEUTZ sold a particularly large number of engines with capacities of less than four litres.

The economy in the eurozone experienced slight growth of 0.8 per cent in the year under review. Some of DEUTZ's key customer sectors in this region also performed poorly. Although demand in Europe for construction equipment rose by 7 per cent according to preliminary estimates, volumes in the agricultural machinery sector declined by 8 per cent and registrations of medium and heavy-duty trucks also decreased by 8 per cent. While DEUTZ's revenue in our biggest market – EMEA (Europe, Middle East and Africa) – remained at the same level as the previous year, unit sales were up by 3.8 per cent in 2014. US economic output grew by a relatively strong 2.4 per cent in 2014, and the North American construction equipment market grew by 8 per cent. Our unit sales in the Americas region rose by 15.4 per cent, and revenue actually increased by 34.6 per cent. China, our key international market, experienced another difficult year, with its growth rate of 7.4 per cent below that of 2013. In this environment, the markets for construction equipment and medium and heavy-duty trucks declined by 8 per cent and 9 per cent respectively. By contrast, DEUTZ's revenue remained flat, and unit sales rose by 16.7 per cent in the Asia-Pacific region. The revenue generated by our largest equity investment in China, DEUTZ (Dalian) Engine Co., Ltd., which is not included in consolidated revenue, grew by 12.8 per cent year on year.

RESEARCH AND DEVELOPMENT

Research and development expenditure (after deducting grants)¹⁾

€ million (R&D ratio in %)

2014	53.1	(3.5)	
2013	52.6	(3.6)	
2012	62.1	(4.8)	
2011	84.6	(5.5)	
2010	71.8	(6.0)	

¹⁾ Spending on research and development after deducting grants received from major customers and development partners.

R&D expenditure at prior-year level Expenditure on research and development in 2014 amounted to €68.7 million (2013: €71.1 million). After deducting grants received from major customers and development partners, expenditure was €53.1 million (2013: €52.6 million), meaning that development expenditure after deducting grants was on a par with 2013. The R&D ratio (after deducting grants), i.e. the ratio of net development expenditure to consolidated revenue, fell marginally as planned to 3.5 per cent (2013: 3.6 per cent). In the year under review, 50 per cent of development expenditure after deducting grants was capitalised (2013: 64 per cent).

Spending by the DEUTZ Compact Engines segment after deducting grants came to €48.1 million (2013: €48.8 million), that of the DEUTZ Customised Solutions segment came to €5.0 million (2013: €3.8 million).

Successful launch of EU Stage IV/US Tier 4 products In 2014, we gave series production approval to all of our engines that are designed to meet the latest EU Stage IV/US Tier 4 emissions standard and that had still been awaiting approval. During the previous years, DEUTZ carried out a complete revision of its entire engine portfolio in order to meet this emissions standard. This has resulted in very compact engines, featuring low lifecycle costs and exhaust aftertreatment designs tailored to customer needs. To some extent, it was this emissions standard that made it essential for exhaust aftertreatment systems to be installed in the engines. We do not expect to be faced with such a complex challenge again in future; instead, we expect to be able to market these engines well into the next decade.

Stage V ready We aim to continue pursuing technologically leading designs with our engines. Our engines in the 2.9 to 7.8 litre cubic capacity range that are equipped with diesel particulate filters already meet the next European emissions standard, EU Stage V, which is expected in 2019⁵⁾. Certification will follow as soon as possible. There are currently no plans for a further emissions standard in the USA. Going forward, we intend to continue improving engine performance for the same engine size and thus actively accelerate the trend towards downsizing. Our exhaust aftertreatment concept – DVERT or DEUTZ Variable Emissions

¹⁾ Off-Highway Research, October 2014.

²⁾ China Construction Machinery Association, January 2015 and own estimates.

³⁾ Source: ACEA – European Automobile Manufacturers' Association, January 2015.

⁴⁾ China Automotive Information Net, January 2015.

⁵⁾ EU Commission's proposal for EU Stage V published on 25 September 2014.

Reduction Technology – offers our customers exhaust aftertreatment design modules tailored to their needs. Our portfolio already includes a diesel particulate filter for all the above-mentioned engines.

Preliminary development work expanded Exhaustive research and development will continue to provide the bedrock for DEUTZ's position at the forefront of innovation within the sector. However, following the successful introduction of the latest emissions standard, there is now a possibility that spending on development can be slightly reduced. We will therefore reduce the number of employees in R&D this year. The main focus of attention is also shifting from the development of new engines and the refinement of existing models to support for existing engine series and preliminary development. Development of new engines and the refinement of existing models accounted for some 77 per cent (2013: 86 per cent) of all R&D expenditure (after deducting grants); support for existing engine series including customer applications took up 14 per cent (2013: 10 per cent) and 9 per cent (2013: 4 per cent) was spent on preliminary development work.

Further development of specific functionalities We intend to add further new developments to our product range. For example, the production launch of the TCD 3.6 High Torque with an output of less than 56kW (EU Stage IV/US Tier 4) is planned for this year. This engine, with its torque curve optimised in the low to medium engine speed range, gives customers the same performance (torque) as engines of the same design but with a higher output. This plus point is achieved through a more compact, less complicated exhaust gas aftertreatment system. The considerable practical advantages of this design can be seen in applications with limited installation space, tractors for example.

New technical designs We are constantly developing new, innovative approaches and have recently expanded our activity in this area. Last year, for example, together with TEREX Fuchs and supported by the Federal Ministry for Economic Affairs and Energy, we fitted a hybrid system to a material handler and ran it as a prototype. Whereas hybrid systems are now firm fixtures in the automotive industry's product range, they are still only found as prototypes or potentially as small-scale production runs in the construction equipment sector. The special characteristics of the hybrid system we developed are the dynamic reduction in the diesel engine's engine speed, energy recuperation and a start-stop function. During the testing carried out so far, fuel savings and reductions in CO₂ emissions of over 40 per cent have been achieved; the test driver was also highly enthusiastic about the system's performance.

Continuous process optimisation Because of the constantly growing complexity of the systems under development, we are systematically and continuously improving our processes. These new high-grade systems can, as a result, be developed at an acceptable cost and to the existing high quality standards. The volume of data to be stored in the electronic control system has multiplied greatly, precisely because of the demands imposed by the management and regulation of the combustion engine and the

subsequent exhaust aftertreatment system. We have developed and implemented a new dataset development process including integral validation to cope with this increase.

Intellectual property rights safeguard our know-how We protect our know-how from unauthorised outside use by means of patents, patent applications and utility models. In 2014, we submitted 19 new patent applications, seven of which were in Germany. We now hold a total of 168 patents registered in Germany and 261 registered elsewhere.

PROCUREMENT

In 2014, purchasing focused on further improving DEUTZ's competitiveness by reducing material costs. There was also a need to implement the more tightly drawn requirements for security of supply and supplier performance. Our global supplier base was put under the spotlight so as to identify any critical areas in the supply chain, quality or strategic positioning.

Raw material markets present a mixed picture The price of cast-iron scrap – the most significant raw material for us – fell slightly in 2014. In contrast, the price of aluminium and nickel rose substantially while the copper price flatlined. Platinum has fallen slightly in price whereas the price of palladium increased significantly compared with 2013. This meant that, except for aluminium, average annual values lay within the range we had forecast. However, the increased cost of aluminium did not have any significant effect on the Company's material costs.

The product categories of foundry products, fuel injection equipment and measurement & control devices made up the bulk of the overall volume of materials purchased.

Procurement from China stepped up The proportion of procurement from emerging markets continued to increase. This was particularly true of China, where DEUTZ has been buying individual parts and components for many years. Sourcing projects were again implemented successfully, and new potential savings identified.

Security of supply ensured Security of supplies for engines of up to four litres proved a challenge in 2014 because our requirements had increased significantly compared with 2013. However, much closer collaboration between strategic purchasing and logistics managed early on to reduce supply bottlenecks and delivery delays to a minimum.

Supplier management and material group strategies As part of our supplier management, we stepped up the structured support we gave to problematic suppliers in 2014. Our aim is to reduce the negative effects of insolvencies and to achieve a sustained improvement in supplier performance. By the end of the year, we were able, for the first time, to achieve a figure of 94 per cent in the performance of these problematic suppliers. In future, this figure needs to be maintained and improved still further in order, in the long term, to minimise or avoid extra costs caused by short-term under-supply and delays. This is essential in order to further increase customer satisfaction.

Enduring improvement in supplier quality Our parts per million (ppm) rate as a performance indicator for defective parts is at an historical low. For the third time in succession it was better than the strategic objective which, for 2014, had been tightened still further. This success is due to the consistent and sustained support and assistance provided to those suppliers with the poorest supplier quality.

PRODUCTION AND LOGISTICS

The main areas of activity for production and logistics in 2014 were the start of production of the new 2.9 and 3.6 engine models, our productivity enhancement and quality offensive and action to further optimise our logistics chain.

The Cologne plants, Germany In 2014, the main focus at Cologne-Porz, our largest assembly site for production engines, was ensuring quality and delivery reliability for the start of series production of the 2.9 and 3.6 engine models. Customers had also bought significant numbers of advance production engines of these models and this required us to put special measures into effect throughout the entire supply chain. We introduced a new employee information system for these models so that quality-related matters and the precise details of the work involved could be clearly displayed. We are continuing to work at meeting our objectives through strict cost management.

Audit reports are helping us to improve health and safety at work, tidiness, cleanliness and quality. As planned, we have also extended shop floor management to all assembly lines. This comprehensive, overarching management concept is preparing the way for zero-error production. A range of kaizen measures on the assembly lines concentrated on ergonomics and workstation design.

Component manufacture As part of the plan for optimising our sites, the Cologne-Deutz plant will be closed by 2016 and engine component production will be relocated to other plants. Together with the works council, we have agreed a plan for the future of the Cologne sites, including job security; this will result in a lasting increase in flexibility and cost benefits. The central feature of the relocation plan will be the construction of a new shaft centre at our Cologne-Porz site which will be responsible for crankshaft and camshaft manufacture from 2016. The land that is freed up at the old Cologne-Deutz site is to be sold in the next few years. The manufacture of crankcases for engine models up to four litres will be relocated to our Spanish plant in Zafra. The production line in Cologne-Kalk for four to eight-litre crankcases will be further optimised and expanded to meet the increased quality requirements for the Tier 4 engines. The Herschbach component plant has continued to develop into a centre of excellence for complex attached parts.

The Ulm plant, Germany As part of site optimisation, the Ulm plant will be expanded to become the plant for small production runs, focusing on DEUTZ Customised Solutions products, project

business, exchange engines and models which are becoming obsolete. Productivity can be increased and fixed costs reduced by relocating the exchange engine work from Übersee to Ulm. Synergies will largely be created from the use of the Ulm plant's infrastructure and from shared overheads. Kaizen activity over recent years has freed up the space needed for integrating exchange engine production.

The Zafra plant, Spain In future, our Spanish plant in Zafra is to produce the crankcases for engines of up to four litres in addition to the main cylinder head, conrod and gearwheels components. In addition to the 2011 crankcase, the 2.9 crankcase will also be produced there. Crankcase production will start in the second half of 2015. The space needed for the new components was generated in this plant, too, by kaizen activity.

The Xchange plant in Übersee am Chiemsee, Germany As part of our site optimisation programme, we have decided to close the Übersee plant by 2017 in two stages and to relocate exchange engine production to Ulm. A reconciliation of interests, as required by German law, and a social plan were drawn up in the fourth quarter of 2014 for the 157 employees affected. They were signed at the start of this year. In addition to offers of compensation and of moving to an interim employment company, the employees were given the alternative option of working in Ulm. For those employees willing to move, working time models tailored to the situation have been worked out and financial compensation for additional costs agreed with the works council.

Plants in Georgia/USA At our site in Norcross, Georgia, USA, we are producing system solutions in increasing quantities to satisfy specific customer or segment needs. These solutions help our customers when it comes to installing our engines in their equipment. Our plant in Pendergrass, Georgia, USA produces exchange engines for the American market. Local production makes for short delivery times.

Logistics During 2014, we concentrated on gradually expanding our demand and capacity management system. Additional capacity-critical suppliers were brought within the scope of this management system which, at the end of 2014, covered some 89 per cent of the total purchasing volume. This has improved the early identification of emerging capacity constraints, allowing us to simulate situations and create various scenarios involving capacity limits. In order to be able to produce a clear logistical picture of the continuously increasing volume of exhaust aftertreatment systems, another external service provider helped us to integrate storage, packaging and dispatch into DEUTZ's IT systems.

Quality is firmly embedded in our corporate principles The DEUTZ name has always stood for high quality standards in engines. We intend to continue to live up to this reputation.

An international benchmarking project undertaken by St. Gallen University placed DEUTZ AG among the five leading industrial concerns, an achievement which was marked by the Award for Global Quality Excellence presented to us on 4 December 2014 in Zurich.

This award proves that DEUTZ AG focuses strongly on quality and employs the correct methods.

In 2014, we again met the ISO 9001 quality management, the ISO 14001 environmental management and the ISO 50001 energy management requirements; our current certificates have been renewed. At present, DEUTZ AG is getting ready to meet the changes to the requirements set out in the ISO updates 9001:2015 and 14001:2015.

Quality management is a continuous process. For example, there was a rise in the number of warranty claims on engines from the DEUTZ Compact Engines segment, primarily relating to engines manufactured in 2011. We ensured that no faulty parts are used in production by changing our processes and implementing quality-assurance measures. Provisions were recognised on the balance sheet to cover all future charges that can be anticipated to arise from this matter.

INTERNATIONAL JOINT VENTURES

China has been a very challenging market for some time. Growth forecasts have been revised down, and there is considerable capacity in the engine production sector. Although we continue to have every faith in the potential of the Chinese market, we made a decision after the balance sheet date to consolidate our Chinese operations and sites. Our intention is to focus our production operations in China on our established and successful joint venture DEUTZ (Dalian) Engine Co., Ltd. in Dalian, China, which has plenty of capacity at present.

DEUTZ has been operating the DEUTZ Dalian joint venture with the First Automotive Works Group, one of China's leading vehicle manufacturers, since 2007. Here, we produce three to eight litre diesel engines, mainly for automotive applications for the Chinese market. The unit sales figure for 2014 was just short of 106,000 engines. An improved product mix brought in revenue equivalent to roughly €360 million, up by 12.8 per cent year on year, as a result of which the business significantly outperformed the market, as it did the previous year. The company, accounted for under the equity method, contributed around €3.5 million to the DEUTZ Group's operating profit (2013: €1.3 million). For the current year, we are assuming that the company will continue to grow strongly in the Chinese market and will benefit from the China IV (similar to Euro 4) automotive emissions standard being introduced across the country from 1 January 2015 and from our continuing initiatives to reduce costs and increase efficiency.

In February 2015, together with our partner AB Volvo, we took a joint decision – because of the significantly downgraded growth forecasts – to wind up our DEUTZ Engine (China) Co., Ltd. joint venture in Linyi, China that had been established at the end of 2013. We have a 65 per cent shareholding in the company. It was originally intended to produce medium-duty diesel engines primarily for mobile machinery in the Asian market and the joint venture has not made any substantial investments to date. Going forward, we aim to continue satisfying local demand from our partners and other target customers using local Chinese production operations.

It was in 2012 that we established the DEUTZ Engine (Shandong) Co., Ltd. in Linyi, China, in order to assemble diesel engines of up to four litres cubic capacity. We have a 70 per cent shareholding in this production company, which has not yet begun to operate commercially. Due to the market situation, we have put on hold any further implementation work and capital expenditure for the time being.

Another joint venture, WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. based in Weifang, China, has been run by DEUTZ for many years in collaboration with Chinese engine manufacturer Weichai Power. It produces 226B series engines under licence. Because the joint venture is no longer considered strategically important, we are in talks with our partner Weichai Power about its future.

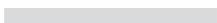
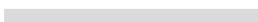
DEUTZ AGCO MOTORES S.A. (DAMSA), our Argentinian joint venture with the AGCO Group, produces engines for the local market, with a particular focus on agricultural machinery, buses and industrial applications. In 2014, the company sold around 1,400 engines in very challenging market conditions. It generated revenue of around €16 million, which was about a quarter less than in 2013, and the company made a loss of almost €1 million.

We hold a stake of 30 per cent in D.D. Power Holdings (Pty) Ltd., our South African joint venture. This sales and service company is active in the local market, focusing on sectors such as the local mining business. In the year under review, the company achieved revenue of around €17 million and a profit of approximately €2 million, with both figures at the same level as last year.

NEW ORDERS

DEUTZ Group: New orders

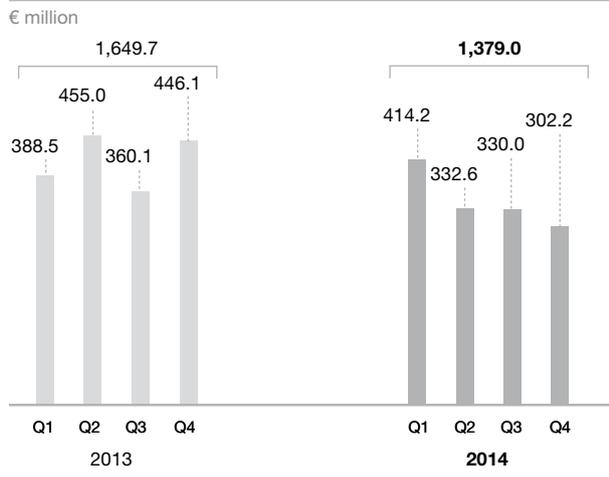
€ million

2014	1,379.0	
2013	1,649.7	
2012	1,237.1	
2011	1,479.3	
2010	1,315.0	

Year-on-year decrease in new orders The DEUTZ Group received new orders worth €1,379.0 million in 2014, which was 16.4 per cent below the figure of €1,649.7 million achieved in the previous year. The Mobile Machinery and Stationary Equipment application segments managed to increase their volumes of new orders by 10.5 per cent and 4.5 per cent respectively. The service business achieved a small gain of 2.8 per cent, whereas the volume of new orders received in the Automotive and Agricultural Machinery application segments slumped by 53.3 per cent and 59.2 per cent respectively. The fall in new orders in the Automotive application segment had been anticipated, because the Euro 6 emissions standard was introduced at the start of 2014 and DEUTZ does not offer compliant engines. The decrease in Agricultural Machinery was largely due to the very high level of orders received in 2013 and the current weakness of the market. However, the fact that we acquired new customers across all regions and applications was very encouraging.

While the level of new orders received in the first quarter of 2014 was 6.6 per cent higher than in the same period of 2013 due to the advance production of engines ahead of the introduction of the latest EU exhaust emissions standard, the remaining three quarters failed to match their prior-year level. The first quarter, when orders worth €414.2 million were received, was also the strongest quarter. The volume of new orders received in the fourth quarter was €302.2 million, a year-on-year fall of 32.3 per cent and a quarter-on-quarter fall of 8.4 per cent.

DEUTZ Group: New orders by quarter¹⁾



¹⁾ These and subsequent quarterly figures are based on the published quarterly financial statements and have not been audited.

As at 31 December 2014, orders on hand stood at €219.7 million, 40 per cent lower than the figure of €366.1 million as at 31 December 2013.

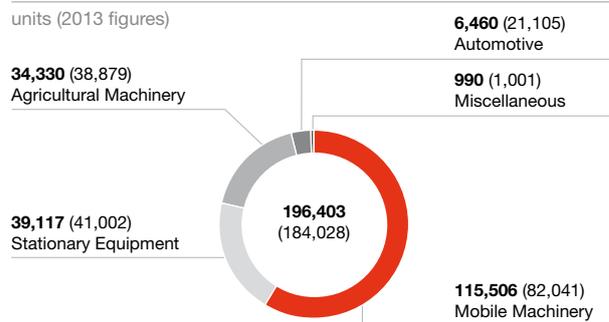
UNIT SALES

DEUTZ Group: Unit sales

Year	Units
2014	196,403
2013	184,028
2012	178,774
2011	230,598
2010	167,680

Unit sales up on 2013 In 2014, DEUTZ sold 196,403 engines, which was a rise of 6.7 per cent on the number sold the previous year (184,028 engines). This was largely attributable to the Mobile Machinery application segment, where 40.8 per cent more engines were sold than in the previous year. Unit sales decreased in all the other application segments. In view of the introduction of the EU Stage IV emissions standard for power categories below 130kW in the European Union with effect from 1 October 2014, DEUTZ sold a particularly large number of engines with capacities of less than four litres in the first nine months of 2014.

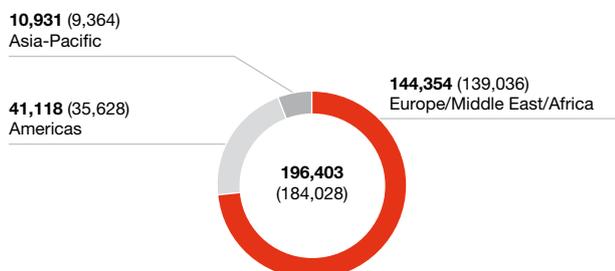
DEUTZ Group: Unit sales by application segments



Unit sales increased in all regions. In our largest market – EMEA – we increased our sales figures by 3.8 per cent to 144,354 engines. Within this region, there was a sharp rise in unit sales in Germany, which were up by 31.9 per cent; however, sales were down by 4.6 per cent in the rest of Europe. Sales of engines rose by 15.4 per cent to 41,118 units sold in the Americas and increased by 16.7 per cent to 10,931 engines in the Asia-Pacific region.

DEUTZ Group: Units sales by region

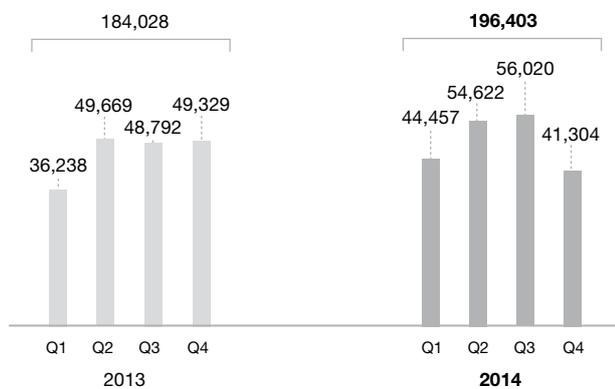
units (2013 figures)



During the year, unit sales were ahead of the comparative period of 2013 in each of the first three quarters, by 22.7 per cent, 10.0 per cent and 14.8 per cent respectively. However, unit sales slowed in the fourth quarter and stood at 41,304 engines, 16.3 per cent below the figure for the fourth quarter of 2013. The strongest quarter in terms of unit sales was the third quarter when 56,020 engines were sold.

DEUTZ Group: Consolidated unit sales by quarter

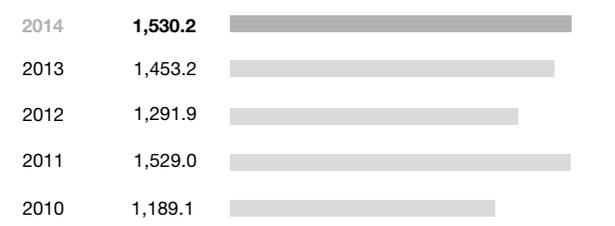
units



RESULTS OF OPERATIONS

DEUTZ Group: Revenue

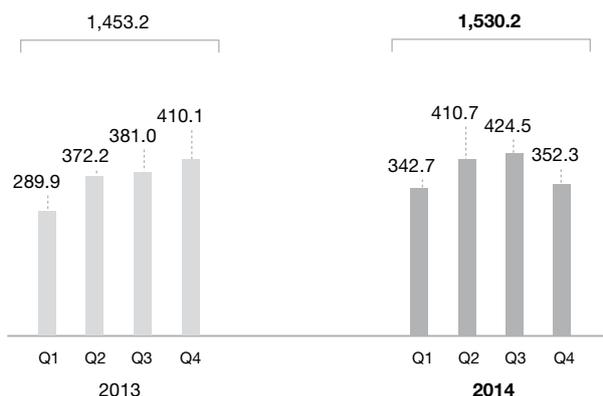
€ million



Revenue also up In 2014, DEUTZ generated revenue of €1,530.2 million, 5.3 per cent more than in the previous year when revenue amounted to €1,453.2 million. Although we did not meet the target of low double-digit revenue growth that we set at the beginning of the year, we did achieve our revised forecast of around €1.5 billion that was set in November 2014. Revenue growth was 1.4 percentage points lower than our growth in unit sales. Although the proportion of higher value engines rose once more in the year under review, this positive effect was more than offset by a shift in the product mix towards engines with a lower power output. The change in the emissions standard for engines under 130kW in the EU resulted in a distortion in demand for this power range. In anticipation of this change, which came into effect on 1 October 2014, European customers purchased more engines than they needed in the first nine months of the year, which reduced demand accordingly in the fourth quarter of 2014 and will continue to do so in the quarters ahead.

DEUTZ Group: Revenue by quarter

€ million



Consequently, revenue followed an upward trend over the course of the year, with the exception of the fourth quarter. Revenue of €342.7 million in the first quarter was followed by €410.7 million in the second and €424.5 million in the third. The final quarter was ultimately the weakest with revenue of €352.3 million, which represented a year-on-year fall of 14.1 per cent. In addition to the impact of the advance production of engines mentioned above, this was also attributable to an economic downturn towards the end of the year.

DEUTZ Group: Revenue by application segment

€ million (2013 figures)

