

to a fall in trade payables. Trade receivables were also down, which counteracted much of the impact. As a consequence, there was also a slight increase in the working capital ratio, i.e. the ratio of working capital (inventories plus trade receivables less trade payables) to revenue. As at the balance sheet date<sup>1)</sup>, this ratio was 5.6 per cent compared with 5.4 per cent as at 31 December 2013.

**Deferred tax assets** The rise in deferred tax assets arose from the recognition of higher provisions under HGB compared with the tax accounts and partly from increased deferred tax assets due to the findings of the tax audit carried out for 2009 to 2011. These findings led to restatement of the tax accounts as at 31 December 2014. Furthermore, deferred tax assets related to the possible utilisation of loss carryforwards in the future have been recognised.

**Equity ratio** Owing to the positive level of net income, equity advanced by €15.9 million to €453.9 million (31 December 2013: €438.0 million). The equity ratio increased slightly to reach 45.7 per cent as at 31 December 2014 (31 December 2013: 45.1 per cent).

**Provisions** At 31 December 2014, provisions stood at €284.0 million (31 December 2013: €242.6 million). The significant increase of €41.4 million compared with the end of 2013 was largely attributable to higher provisions for potential warranty claims in the future and the recognition of restructuring provisions relating to our decision to optimise our network of sites.

**Liabilities** As at 31 December 2014, liabilities had fallen by €34.3 million to €255.3 million (31 December 2013: €289.6 million), primarily due to the decline in trade payables, partly resulting from the lower production volume at the end of the year under review.

## EVENTS AFTER THE REPORTING PERIOD

In February 2015, we reached agreement with our partner AB Volvo not to set up the planned joint venture DEUTZ Engine (China) Co., Ltd., Linyi, China. Having completed a thorough and comprehensive review, we have now agreed to wind up this production company given the weak prevailing market situation in China.

## EMPLOYEES

As at 31 December 2014, 3,125 people were employed by DEUTZ AG<sup>2)</sup>. The number of employees was therefore at the same level as the previous year (31 December 2013: 3,126 employees). We also had a further 252 people on temporary employment contracts as at 31 December 2014, compared with 436 a year earlier. Employing temporary workers enables us to respond flexibly to any fluctuations in demand.

Looking at it by segment, DEUTZ Compact Engines employed 2,607 people as at 31 December 2014, which was 21 more than it had employed a year earlier. The number of employees at DEUTZ Customised Solutions was 518, down by 22 on the previous year.

## RISK REPORT

DEUTZ AG is integrated into the risk management system of the DEUTZ Group. As a head-office function, risk management for the Group is performed by DEUTZ AG. Information about the structuring and mechanics of the risk management system and of risk management with regard to financial instruments can be found in our notes on pages 53 to 54.

Because DEUTZ AG is closely integrated with the other Group companies, its risk situation is essentially the same as that of the Group. Risks arising from subsidiaries may have an effect on DEUTZ AG because of the carrying amount of an equity investment, reduced earnings and dividend payments and the internal business relations. The risks associated with the DEUTZ Group can be found on pages 54 to 56 of this combined management report.

Information about DEUTZ AG's internal accounting-related control system can be found on pages 56 et seq. of this combined management report.

## OUTLOOK

DEUTZ AG performs the head-office functions of the DEUTZ Group and is the biggest production company within the Group by some margin. Because of DEUTZ AG's wide-ranging relationships with other Group companies and because of its size within the Group, the expectations presented in the Group outlook for 2015 are essentially the same as those for DEUTZ AG. We therefore anticipate that the revenue of DEUTZ AG will develop largely in line with the statements made for the DEUTZ Group. Overall, we believe that net income for 2015 will be slightly up on 2014.

## CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289A HGB

The corporate governance declaration pursuant to section 289a of the German Commercial Code (HGB) is an integral element of the combined management report. We refer here to our remarks on pages 127 to 130 of the annual report.

<sup>1)</sup> Working capital ratio as at the balance sheet date: ratio of working capital (inventories plus trade receivables minus trade payables) at the end of the reporting period to revenue for the preceding twelve months.

<sup>2)</sup> Number of employees incl. apprentices and trainees.