

OVERALL ASSESSMENT FOR 2014

The Company's performance in 2014 – a year in which we celebrated our 150th anniversary – was influenced by several exceptional items and the deterioration of market conditions over the course of the year, with the result that we failed to meet all the targets that we had set at the beginning of the year. However, it was encouraging that our new products were very well received by customers across all sectors all over the world. Revenue was up by 5.3 per cent to €1,530.2 million and sales of 196,403 engines represented a year-on-year rise of 6.7 per cent. The planned decline in business in the Automotive segment was fully offset by growth in other areas. The Mobile Machinery application was particularly successful. Our unit sales and revenue benefited from the advance production of engines, but demand from our customers will be lower in 2015. As a result, the level of new orders had already fallen by 16.4 per cent in 2014, compared with the record figure of €1,379.0 million in 2013. Operating profit (EBIT before one-off items) of €31.7 million was down on the previous year. The EBIT margin (before one-off items) stood at 2.1 per cent. Free cash flow amounted to €52.0 million, almost four times higher than at the end of 2013. Firstly, this is because all of our new products have now been launched on the market and the associated capital expenditure is being amortised, and secondly because the development costs and capital expenditure that had been increased in recent years could be scaled back. Our net financial position improved significantly, rising by €45.4 million to €13.7 million and returning to positive territory for the first time since 2009. In the year under review, we added 'operational excellence' to our growth programme in order to further improve the quality and efficiency of our Company. The introduction of a major optimisation of our sites in Germany was a key decision in this context. In view of the challenges currently presented by the market, we also carried out a critical review of our presence in China and we came to a decision after the balance sheet date that our sites in China also need to be consolidated.

The uncertainty prevailing in our markets has prompted us to increase our flexibility still further, which is how we intend to prepare the DEUTZ Group for a successful future.

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

Overview of the DEUTZ Group's workforce

	31 Dec 2014	31 Dec 2013
Headcount		
DEUTZ Group	3,916	3,952
Thereof		
In Germany	3,093	3,095
Outside Germany	823	857
Thereof		
Non-salaried employees	2,338	2,356
Salaried employees	1,455	1,460
Trainees	123	136
Thereof		
DEUTZ Compact Engines	3,202	3,207
DEUTZ Customised Solutions	714	745

Slight adjustment in the number of employees At the end of 2014 the DEUTZ Group employed a total of 3,916 people, 36 fewer than at the end of 2013 (a fall of 0.9 per cent). As at 31 December 2014, we also had a further 288 people on temporary employment contracts, compared with 456 a year earlier. By offering fixed-term contracts and employing temporary workers, DEUTZ can respond flexibly to any fluctuations in demand. Around 10 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 31 December 2014.

79 per cent of our workforce is employed in Germany. Most of these employees are based in Cologne – 2,422 as at 31 December 2014. 387 employees are based at the Ulm facilities. Of the 823 employees outside Germany, 438 of them work at our DEUTZ SPAIN subsidiary.

DEUTZ Group: Breakdown of workforce by location

	31 Dec 2014	31 Dec 2013
Headcount		
Cologne	2,422	2,403
Ulm	387	408
Other	284	284
In Germany	3,093	3,095
Outside Germany	823	857
Total	3,916	3,952

Looking at it by segment, DEUTZ Compact Engines employed 3,202 people as at 31 December 2014, which was almost the same number as it had employed a year earlier. The number of employees at DEUTZ Customised Solutions was 714, down by 4.2 per cent compared with the end of 2013.

Further awards for DEUTZ training and trainees We offer young people a solid foundation for their future careers through our established training programme. In 2014, we provided training at our plants in Germany for 123 young men and women in various technical and commercial occupations. The Cologne site employed 83 young people, while the DEUTZ plant in Ulm