

OVERVIEW OF 2014

Global growth at previous year's level Despite a good start to the year, the global economic growth rate of 3.3 per cent in 2014 again merely matched that of 2013. Germany's growth rate of 1.5 per cent was the best among the larger countries in the eurozone once more, while the US economy grew strongly at a rate of 2.4 per cent. By contrast, growth in China, another particularly important market for DEUTZ, slowed to 7.4 per cent. Trends in DEUTZ's customer industries varied from region to region and sector to sector.

Year-on-year rise in revenue In 2014, we particularly benefited from customers buying more engines than they needed in anticipation of the change to the emissions standard for engines under 130kW in the EU that came into effect on 1 October 2014. As a result, our revenue was up by 5.3 per cent to €1,530.2 million. Unit sales rose at an even faster rate than revenue, increasing by 6.7 per cent to 196,403 engines sold. However, operating profit (EBIT before one-off items), which had declined to €31.7 million, was significantly affected by exceptional items.

DEUTZ celebrates its 150th anniversary In 2014, DEUTZ AG celebrated 150 years of existence as a company. N.A. Otto & Compagnie, which would go on to become DEUTZ AG, was founded by Nicolaus August Otto and Eugen Langen in 1864. As the world's first engine factory, it ushered in an era of motorisation that endures to this day. As well as other events, we celebrated this special anniversary with our friends and partners at an official celebration in Koelnmesse exhibition centre in Cologne on 9 May 2014.

Decision to optimise sites in Germany Our objective is long-term efficiency enhancement. With this in mind, we took the decision in 2014 to carry out a comprehensive optimisation of our network of sites. Firstly, this includes the consolidation of our facilities in Cologne where we will move out of our Cologne-Deutz site within two years and build a new shaft centre for the production of camshafts and crankshafts at our largest site in Cologne-Porz. This will provide long-term security for at least 140 permanent positions. Secondly, we will close our exchange engine plant in Übersee on Lake Chiemsee and integrate it into the plant in Ulm. We have also initiated further measures as part of our 'operational excellence' efficiency and quality programme.

New products also attract new customers Last year, we completed the introduction of engines that comply with the latest EU Stage IV/US EPA Tier 4¹⁾ emissions standard. The engines feature an extremely compact design, exhaust gas aftertreatment systems tailored to customers' individual needs and low lifecycle costs, showing that in terms of technology, we remain at the leading edge of the market. It was additionally encouraging that our new products not only impressed our existing customers, but also attracted new customers for us across all regions and sectors.

FUNDAMENTAL FEATURES OF THE GROUP

BUSINESS SEGMENTS AND PRODUCT RANGE

For over 150 years, DEUTZ has been supplying reliable drive systems for mobile and standalone static applications – as an independent manufacturer of compact diesel engines in the 25kW to 520kW power range for both on and off-road use. We develop, design, produce and sell diesel engines that are cooled by water, oil or air. The operating activities of the DEUTZ Group are divided between the DEUTZ Compact Engines segment and the DEUTZ Customised Solutions segment: the DEUTZ Compact Engines segment comprises liquid-cooled engines with capacities of up to eight litres, while the DEUTZ Customised Solutions segment specialises in air-cooled engines and large liquid-cooled engines with capacities of more than eight litres. Operating under the name DEUTZ Xchange, the DEUTZ Customised Solutions segment also supplies reconditioned parts and engines as the main element of our service business.

We also offer our customers advice and support on operating the machinery. Our services are closely aligned with each of our customers' individual needs. We actively assist customers with the repair, maintenance and servicing of their vehicles and machines fitted with DEUTZ engines. The global DEUTZ service network, which comprises subsidiaries, service centres and authorised agents, guarantees a reliable and rapid supply of spare parts.

LEGAL STRUCTURE AND PRODUCTION SITES

DEUTZ maintains a comprehensive international presence in a globalised market: with thirteen sales companies, seven sales offices and over 800 sales and service partners in more than 130 countries, we can offer our customers service and support virtually anywhere with very short response times. DEUTZ AG is the executive and operating parent company in the DEUTZ Group; it is headquartered in Cologne, Germany, and has various domestic and foreign subsidiaries. The subsidiaries include a production facility in Spain and several companies that perform sales and service functions.

In addition to DEUTZ AG, six German companies (31 December 2013: six) and 14 foreign companies (31 December 2013: 14) were included in the consolidated financial statements as at 31 December 2014. A complete list of DEUTZ AG shareholdings as at 31 December 2014 is given in the annex to the notes to the consolidated financial statements on page 117.

¹⁾ The Tier 4 Interim/Tier 4 final emissions standard is mentioned at various points in the annual report. This refers both to the EPA Tier 4 Interim and EPA Tier 4 standards for diesel engines in the United States and to the 97/68 Stage III B and Stage IV exhaust emissions standards in the European Union, but for the sake of simplicity the latter is not always explicitly mentioned.