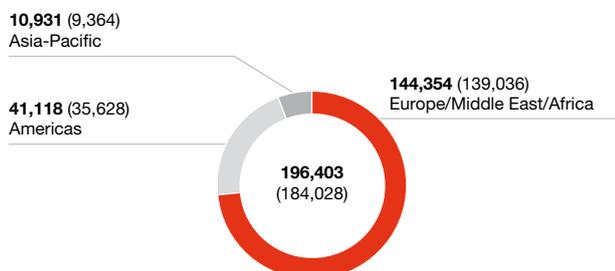


**DEUTZ Group: Units sales by region**

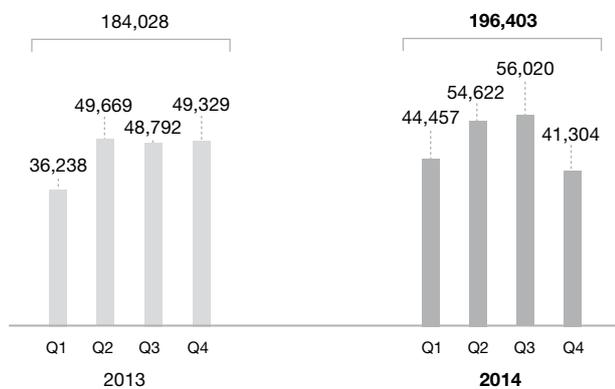
units (2013 figures)



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**

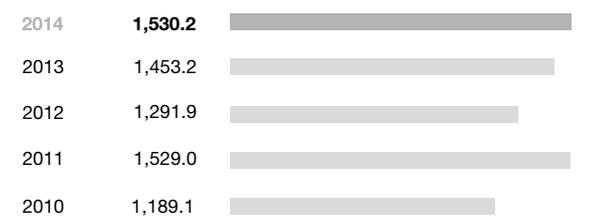
units



**RESULTS OF OPERATIONS**

**DEUTZ Group: Revenue**

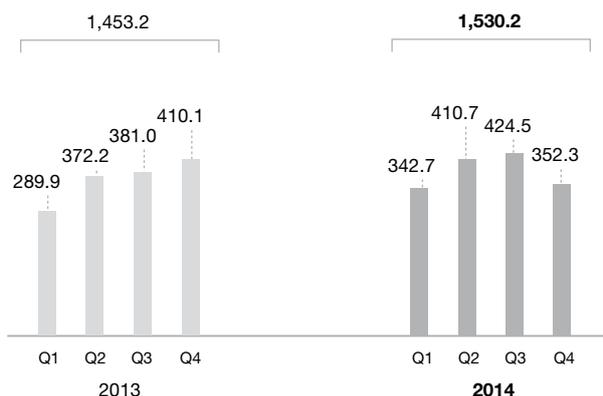
€ million



**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**

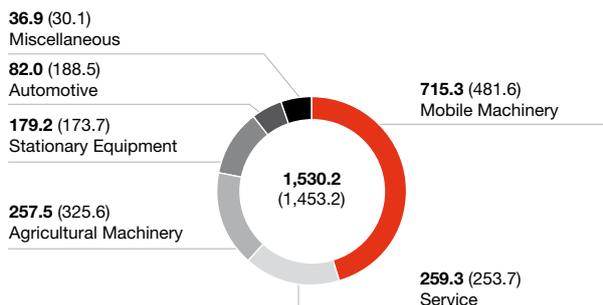
€ million



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**

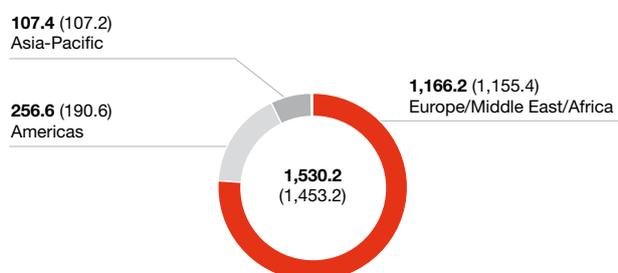
€ million (2013 figures)



Revenue generated by Mobile Machinery, our biggest application segment, increased to €715.3 million, a sharp rise of 48.5 per cent. The service business and the Stationary Equipment application segment also managed modest increases of 2.2 per cent and 3.2 per cent respectively. By contrast, Agricultural Machinery generated 20.9 per cent less revenue. Revenue in the Automotive application segment more than halved because DEUTZ has not introduced the Euro 6 emissions standard, as mentioned above. Our automotive business is shifting strongly towards Asia, particularly to our DEUTZ (Dalian) Engine Co., Ltd. joint venture (DEUTZ Dalian). However, this joint venture, in which we have a 50 per cent stake, is only consolidated under the equity method, so its revenue is not included in our consolidated revenue.

#### DEUTZ Group: Revenue by regions

€ million (2013 figures)



In terms of regions, our revenue in the Americas region was up significantly, rising by 34.6 per cent to €256.6 million. Revenue in the EMEA region (Europe, Middle East and Africa) amounting to €1,166.2 million remained at roughly prior-year level, as did the revenue of €107.4 million generated in the Asia-Pacific region. However, using a pro-forma calculation including revenue from the equity-accounted DEUTZ Dalian joint venture, revenue in the Asia-Pacific region would have gone up to €467.1 million, increasing the proportion of total revenue accounted for by this region to 24.7 per cent.

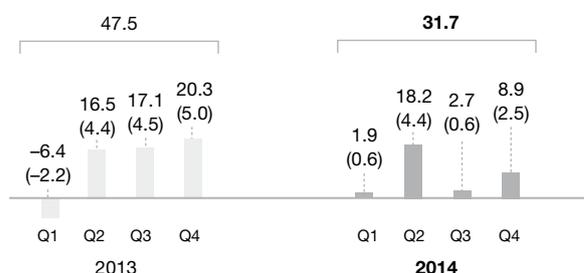
#### DEUTZ Group: Operating profit/EBIT margin before one-off items

€ million (EBIT margin in %)

Year	Operating profit/EBIT margin before one-off items (€ million)	EBIT margin in %
2014	31.7	(2.1)
2013	47.5	(3.3)
2012	37.1	(2.9)
2011	91.2	(6.0)
2010	42.2	(3.5)

#### DEUTZ Group: Operating profit/EBIT margin by quarter

€ million (EBIT margin in %)



**Earnings performance** Adjusted for one-off items, operating profit before depreciation and amortisation (EBITDA before one-off items) stood at €137.4 million in 2014 (2013: €142.0 million). Despite the positive trend in the volume of business, EBITDA before one-off items was down by €4.6 million year on year. This decrease was largely due to the increase in warranty costs. As already announced in October 2014, we made an unexpected addition to provisions for warranty costs in the third quarter of the year, which reduced earnings by €20.4 million after deduction of insurance claims.

Operating profit after depreciation and amortisation (EBIT before one-off items) amounted to €31.7 million in 2014 and was therefore €15.8 million lower than earnings for the previous year (2013: €47.5 million). Consequently, the EBIT margin before one-off items had fallen to 2.1 per cent in 2014 (2013: 3.3 per cent), which means that we failed to achieve the target of above 4.0 per cent that we had forecast at the beginning of 2014. This was largely attributable to the unexpected addition to provisions for warranty costs in the third quarter of 2014 and the non-achievement of business-volume targets. However, we did meet the revised target of 2.0 per cent in the revised November forecast. Without the unexpected addition to provisions and other exceptional effects, the EBIT margin before one-off items would have been 3.4 per cent. Depreciation and amortisation on property, plant and equipment and intangible assets before one-off items rose by €11.2 million to €105.7 million in the year under review. Firstly, depreciation and amortisation rose again slightly due to the production launch of all engines that comply with the latest emissions standard and secondly, due to changes in market forecasts, impairment losses of €9.5 million were recognised on property, plant and equipment and intangible assets, primarily capitalised development expenditure, at the end of 2014.

In the fourth quarter of 2014, the EBIT margin before one-off items stood at 2.5 per cent. Operating profit (EBIT before one-off items) was characterised by numerous other effects in this quarter, although they largely offset each other. The positive contribution to earnings from the sale of engine licences to an Algerian company as part of that country's industrialisation programme, amounting to €14.3 million, was offset by the following charges: in addition to the impairment losses of €9.5 million on property, plant and equipment and intangible assets mentioned above, impairment losses on equity-accounted investments of €1.8 million and on

other receivables of €2.0 million (€2.5 million for the year as a whole) were recognised in relation to the shareholding in our Argentinian joint venture DEUTZ AGCO Motores S.A.

After one-off items, operating profit (EBIT) for 2014 amounted to €12.8 million (2013: €47.5 million). The one-off items totalling minus €18.9 million mainly related to expenses of €17.1 million in connection with measures to optimise our German sites, impairment losses recognised on the property, plant and equipment of our Chinese subsidiary DEUTZ Engine (Shandong) Co., Ltd. following weaker market forecasts and the associated change in our strategy for the subsidiary (€1.8 million). Overall, the one-off items were attributable to both the DEUTZ Compact Engines (DCE) segment and the DEUTZ Customised Solutions (DCS) segment. Consequently, the EBIT margin narrowed to 0.8 per cent overall (2013: 3.3 per cent).

Owing to the exceptional items in 2014 and the lower than expected volume of business, return on capital employed (ROCE before one-off items)<sup>1)</sup>, our internal KPI, fell from 6.0 per cent in the previous year to 3.9 per cent. We were thus unable to achieve our target, set at the start of the year, of above 6.0 per cent.

**Cost of sales** In 2014, the cost of sales totalled €1,327.6 million (2013: €1,257.4 million). This year-on-year increase of 5.6 per cent was mainly due to higher expenses for materials, staff and contract workers associated with the larger business volume and the unexpected addition to provisions for warranty costs. The ratio of cost of sales to revenue was 86.8 per cent, the same level as the previous year (2013: 86.5 per cent).

#### Overview of the DEUTZ Group's results of operations

	2014	2013
€ million		
Revenue	1,530.2	1,453.2
Cost of sales	-1,327.6	-1,257.4
Research and development costs	-74.3	-58.7
Sales and administrative expenses	-100.0	-96.1
Other operating income	22.9	17.0
Other operating expenses	-41.4	-13.9
Net investment income	3.0	3.4
EBIT	12.8	47.5
thereof one-off items	-18.9	-
EBIT before one-off items	31.7	47.5
Interest expenses, net	-6.1	-6.0
Income taxes	12.8	-5.5
Net income	19.5	36.0

**Research and development costs** In the year under review, research and development costs amounted to €74.3 million (2013: €58.7 million). They largely comprised amortisation on completed development projects, staff costs and cost of materials, from which investment grants received and capitalised development

costs were deducted. The year-on-year increase was primarily attributable to impairment losses of €9.2 million recognised on completed development projects due to changes in predicted demand. Amortisation on completed development projects was also higher following the production start-up of new engines.

**Selling and administrative expenses** Selling and administrative expenses in 2014 came to €100.0 million, an increase of €3.9 million compared with 2013 (€96.1 million). On the other hand, when measured as a proportion of revenue, selling and administrative expenses actually declined slightly, from 6.6 per cent in 2013 to 6.5 per cent in 2014, owing to the greater volume of business.

**Other operating income** Other operating income was up by €5.9 million year on year to €22.9 million (2013: €17.0 million). This was mainly attributable to positive effects arising on the translation of foreign currency positions. However, the year-on-year increase in foreign currency gains was offset by a rise in foreign currency losses in the same period. Foreign currency losses are reported in other operating expenses.

**Other operating expenses** Other operating expenses totalled €41.4 million in the reporting year, an increase of €27.5 million compared with 2013 (€13.9 million). In addition to the rise in foreign exchange losses, this trend was primarily the result of recognising provisions for restructuring following the decision to optimise our network of sites.

**Profit/loss on equity-accounted investments** The profit on equity-accounted investments rose by €0.3 million on 2013 and amounted to €1.9 million (2013: €1.6 million). This year-on-year change was largely characterised by two countervailing factors. While the contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd. rose sharply, by €2.2 million to €3.5 million, as the result of volume and efficiency gains, adverse market conditions in South America prompted us to recognise an impairment loss on the equity-accounted value of our Argentinian joint venture DEUTZ AGCO MOTORES S.A.

**Other financial income** The decline in other financial income largely resulted from the sale of our shareholding in DEUTZ Versicherungsvermittlung GmbH, Cologne in 2013.

**Net interest expense** Net interest expense in 2014 remained virtually unchanged on the previous year (2014: €6.1 million; 2013: €6.0 million). Both finance costs and interest income declined to a comparable extent due to the fall in interest rates.

<sup>1)</sup> Return on capital employed (ROCE before one-off items): ratio of EBIT before one-off items to average capital employed. Capital employed: total assets less cash and cash equivalents, trade payables and other current and non-current liabilities based on average values from two balance sheet dates.

**Income taxes** In 2014, there was overall tax income of €12.8 million, whereas income taxes of €5.5 million were incurred in the previous year. The current tax expense of €9.1 million was down slightly year on year, by €1.6 million (2013: €10.7 million). Current tax expenses were offset by deferred tax income of €21.9 million (2013: €5.2 million). This resulted from the reversal of deferred tax liabilities arising in connection with the capitalisation of development expenditure under IFRS and from increased deferred tax assets due to the findings of the tax audit carried out at DEUTZ AG for 2009 to 2011, which led to restatement of the tax accounts for DEUTZ AG as at 31 December 2014.

**Earnings per share** Based on the decline in the operating profit performance and the one-off charge in connection with site optimisation, net income fell to €19.5 million in 2014, a year-on-year decrease of €16.5 million (2013: €36.0 million). This resulted in earnings per share of €0.18 (2013: €0.30).

## BUSINESS PERFORMANCE IN THE SEGMENTS

### DEUTZ Group: Segments

	2014	2013
€ million		
<b>New orders</b>		
DEUTZ Compact Engines	1,115.0	1,385.5
DEUTZ Customised Solutions	264.0	264.2
<b>Total</b>	<b>1,379.0</b>	<b>1,649.7</b>
<b>Unit sales (units)</b>		
DEUTZ Compact Engines	183,125	167,964
DEUTZ Customised Solutions	13,278	16,064
<b>Total</b>	<b>196,403</b>	<b>184,028</b>
<b>Revenue</b>		
DEUTZ Compact Engines	1,279.9	1,188.8
DEUTZ Customised Solutions	250.3	264.4
<b>Total</b>	<b>1,530.2</b>	<b>1,453.2</b>
<b>EBIT before one-off items</b>		
DEUTZ Compact Engines	15.2	8.7
DEUTZ Customised Solutions	18.8	39.0
Other	-2.3	-0.2
<b>Total</b>	<b>31.7</b>	<b>47.5</b>

## BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

**New orders down on 2013** In 2014, the Compact Engines (DCE) segment received new orders worth €1,115.0 million, 19.5 per cent down on 2013 when orders worth €1,385.5 million were received. As was the case for the Group as a whole, the Mobile Machinery and Stationary Equipment application segments increased their volumes of new orders, by 10.8 per cent and 7.5 per cent respectively. On the other hand, new orders received by the Automotive and Agricultural Equipment application segments were sharply down by 69.1 per cent and 59.9 per cent respectively. Orders on hand at the end of the year stood at €141.5 million, virtually half the figure for the end of 2013.

**More engines sold** A total of 183,125 engines were sold in the DCE segment in 2014, 9.0 per cent more than the 167,964 engines sold in 2013. In the EMEA region, our largest market, the number of engines sold climbed to 137,416 units, an increase of 5.7 per cent. Unit sales were also up in the Americas and Asia-Pacific regions (by 18.7 per cent and 28.5 per cent respectively). The main factor in the uptrend was the successful performance of the Mobile Machinery application segment, where unit sales were up by 43.5 per cent. In contrast, all the other application segments suffered a drop in unit sales.

**Revenue also up** At €1,279.9 million, revenue in the DCE segment was up by 7.7 per cent year on year (2013: €1,188.8 million). The biggest increase in revenue (42.9 per cent) was in the Americas region – driven by an encouraging expansion in business with our customers and strong economic growth. The Asia-Pacific region also reported significant revenue growth of 18.7 per cent, but revenue generated in the EMEA region was only up by 2.0 per cent. The performance of the Mobile Machinery application segment was encouraging, with a 54.0 per cent rise in revenue. The revenue attributable to the Stationary Equipment application segment rose by 8.6 per cent, service business revenue remained flat but Agricultural Machinery generated 21.4 per cent less revenue. Automotive reported a 70.2 per cent fall in revenue. Like the Group as a whole, the segment was impacted by the introduction of the Euro 6 emissions standard in Europe at the beginning of the year, for which DEUTZ does not offer compliant engines.

**Fourth quarter down year on year** In the DCE segment, new orders in the fourth quarter of 2014 reached €232.5 million, down by 39.1 per cent on the final quarter of 2013 and by 14.0 per cent on the third quarter of 2014. Unit sales declined by 16.7 per cent year on year to 36,601 engines and were well below the strong previous quarter when 53,589 engines were sold. The revenue of €277.1 million generated in the fourth quarter was 15.4 per cent below that of the same quarter in 2013 and 24.7 per cent down on the strong third quarter of 2014.