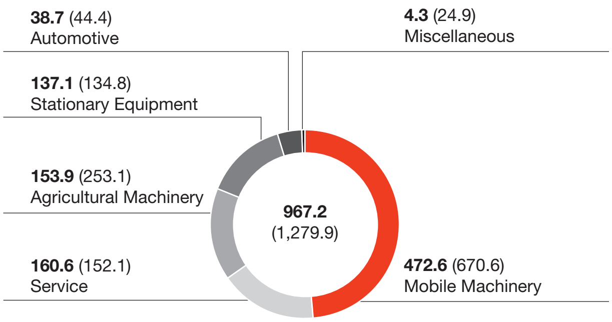
DEUTZ Compact Engines: Revenue by application segment

€ million (2014 figures)



Sharp fall in DCE's operating profit The DEUTZ Compact Engines segment reported an operating loss of €31.9 million in 2015 (2014: operating profit of €15.2 million). A greatly reduced volume of business and a smaller contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd., Dalian, China, caused this deterioration of €47.1 million compared with the prior year, despite lower production costs and warranty costs as well as positive currency effects. The operating profit for the segment was also adversely affected by impairment losses totalling €7.1 million on intangible assets and on property, plant and equipment.

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

Small rise in new orders compared with 2014 The DEUTZ Customised Solutions (DCS) segment took new orders worth €267.5 million in the reporting year, an increase of 1.3 per cent compared with the 2014 figure of €264.0 million. Unlike the DCE segment, this segment was not affected by the advance production of engines in 2014. With the exception of Stationary Equipment, where new orders fell by 24.7 per cent, and the Other segment, where new orders fell by 28.6 per cent, all application segments received more orders than in the previous year. As at the end of 2015, orders on hand stood at €63.8 million, down by 18.4 per cent on the figure reported a year earlier (31 December 2014: €78.2 million).

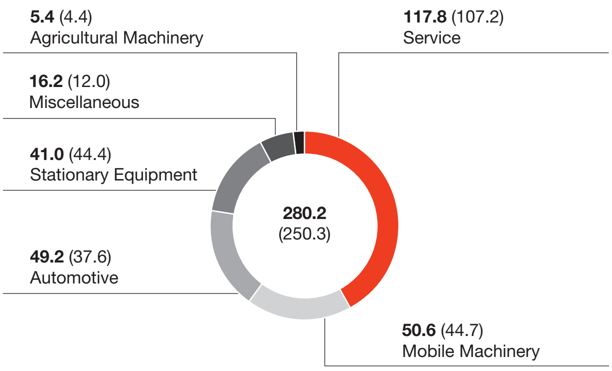
Slightly fewer engines sold Unit sales in the DCS segment declined by 5.4 per cent to 12,567 engines in 2015. Unit sales were down in the Americas region but rose in EMEA, our largest region, and in the Asia-Pacific region. There were significant year-on-year gains for the Automotive application segment, but all other application segments sold fewer engines.

Rise in revenue year on year In contrast to unit sales, revenue in the DCS segment climbed by 11.9 per cent to €280.2 million in the reporting year. All regions generated growth, with revenue rising by 8.4 per cent in the EMEA region, by 5.8 per cent in the Americas and by 26.0 per cent in the Asia-Pacific region. The only application segment where revenue decreased was Stationary Equipment (by 7.7 per cent). All other application segments saw an increase in revenue: 13.2 per cent for Mobile Machinery, 30.9 per cent for Automotive, 22.7 per cent for Agricultural Machinery and 9.9 per cent for the service business.

Slightly weaker fourth quarter In the fourth quarter of 2015, new orders in the DCS segment totalled €58.6 million, down by 15.9 per cent year on year and down by 14.1 per cent on the previous quarter. There were also fewer unit sales in the final three months of the year, with a year-on-year decrease of 37.8 per cent to 2,927 engines. However, unit sales had been exceptionally high in the fourth quarter of 2014, especially in this segment's smaller power output categories. However, unit sales rose by 1.9 per cent compared with the third quarter of 2015. The revenue attributable to the DCS segment in the final quarter fell by 4.9 per cent year on year to €71.5 million, but nonetheless was 7.0 per cent higher than in the third quarter of 2015.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2014 figures)

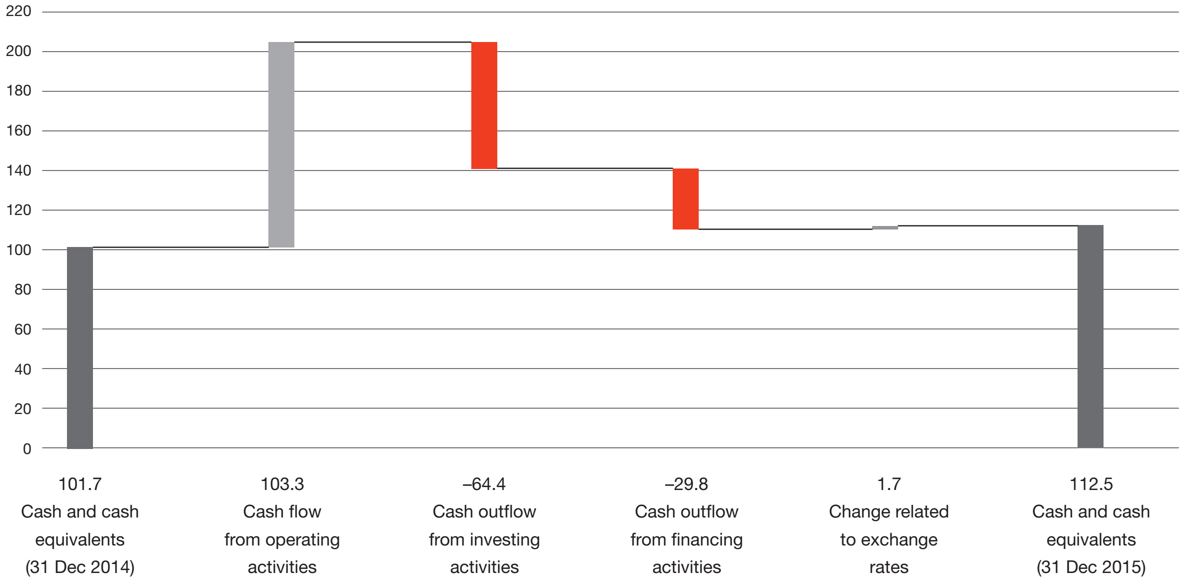


Vast improvement in DCS's operating profit The operating profit of the DEUTZ Customised Solutions segment for the reporting year was €31.3 million (2014: €18.8 million). This sharp increase compared with 2014 is due, in particular, to the larger volume of business and to positive currency effects. Furthermore, the prior-year figure had included impairment losses of €9.5 million recognised on intangible assets and on property, plant and equipment and of €1.8 million recognised on equity-accounted investments. In 2015, impairment losses totalling €2.6 million were recognised on intangible assets and on property, plant and equipment.

Other The operating profit reported by the Other segment came to €5.5 million (2014: operating loss of €2.3 million). This positive trend was due, above all, to the sale of the shares in WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD., Weifang, China, and the cancellation of a liability denominated in a foreign currency. This liability consisted of an outstanding

DEUTZ Group: Change in cash and cash equivalents

€ million



contribution to the issued capital of DEUTZ Engine (China) Co, Ltd. in Linyi, China. The decision to wind up the company cancelled this obligation in the third quarter of 2015, thereby eliminating the unrealised negative currency effect that had applied in 2014.

FINANCIAL POSITION

BASIC PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

Overview of the DEUTZ Group's financial position

€ million

	2015	2014
Cash flow from operating activities	103.3	114.1
Cash flow from investing activities	–64.4	–55.9
Cash flow from financing activities	–29.8	–17.5
Change in cash and cash equivalents	9.1	40.7
Free cash flow from continuing operations	35.0	52.0
Cash and cash equivalents at 31 Dec	112.5	101.7
Current and non-current interest-bearing financial debt at 31 Dec	73.5	88.0
Net financial position at 31 Dec	39.0	13.7

Free cash flow: cash flow from operating and investing activities less net interest expense.
Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.

Central responsibility for treasury Responsibility for financial management in the DEUTZ Group lies with DEUTZ AG as the parent company of the Group. Financial management primarily consists of obtaining the necessary funds, managing their use within the Group, pooling cash resources and hedging interest-rate risk, currency risk and commodities risk throughout the Group.

FUNDING

Syndicated credit line and loan from the European Investment Bank ensure sufficient liquidity In order to ensure sufficient liquidity, DEUTZ has at its disposal a syndicated, revolving working capital facility of €160 million provided by a consortium of banks. It is a floating-rate, unsecured line. In 2015, the term of the facility was extended to May 2020. DEUTZ can elect whether to utilise the cash line as a bilateral overdraft facility (up to €60 million) or to draw down amounts with interest periods of three to six months.

In addition, we have an amortising loan from the European Investment Bank with a remaining balance of €68.4 million at 31 December 2015. This loan, which is also unsecured, is repayable in instalments until July 2020. We have hedged the interest-rate risk arising from this loan.

As part of the contractual agreements for both loans, DEUTZ is obliged to comply with certain financial covenants. They do not limit our leeway for growth projects, however. The working capital facility and the loan from the European Investment Bank have enabled us to secure funding for our projects and for further growth over the medium to long term.