

**Net investment income** Net investment income was up significantly on the previous year, climbing by €12.9 million to €5.6 million (2014: minus €7.3 million). This was due, in particular, to the fact that net investment income in the prior year was adversely affected by the reduction in the carrying amounts for the equity investments DEUTZ Engine (Shandong) Co., Ltd. and DEUTZ Engine (China) Co., Ltd. at the level of the holding companies DEUTZ Asien Verwaltungen GmbH and DEUTZ Engine China GmbH.

**Net interest expense** Net interest expense amounted to €8.2 million (2014: net expense of €11.6 million). This year-on-year improvement of €3.4 million was mainly attributable to lower utilisation of credit lines.

**Extraordinary items** In the reporting year, extraordinary items amounted to minus €2.3 million (2014: minus €19.4 million) and comprised the annual addition to the provisions for pensions and other post-retirement benefits of the difference arising under the initial application of BilMoG. This difference came about as a result of the remeasurement of the provisions for pensions and other post-retirement benefits on 1 January 2010. Extraordinary items in the previous year also included expenses in connection with the optimisation of our sites.

**Income taxes** Income taxes came to €1.7 million in the year under review. The current tax expense of €2.7 million was partly offset by deferred tax income of €1.0 million.

**Net income** Owing to the sharp drop in extraordinary expenses, the net income for the reporting year increased slightly, rising by €2.4 million year on year to €26.8 million (2014: €24.4 million). This movement was in line with the forecast that we had made at the start of 2015.

In view of the positive level of net income, the Board of Management and Supervisory Board propose using €8.5 million of the accumulated income for the financial year to pay a dividend of €0.07 per share.

## FINANCIAL POSITION

### Overview of DEUTZ AG's financial position

€ million

	2015	2014
Cash flow from operating activities	88.7	85.2
Cash flow from investing activities	-41.0	-23.0
Cash flow from financing activities	-23.9	-19.1
Change in cash and cash equivalents	23.8	43.1
Free cash flow	46.7	58.8
Cash and cash equivalents at 31 Dec	97.7	73.9

Free cash flow: cash flow from operating and investing activities less net interest expense.

Financial management in the DEUTZ Group is one of the core functions of the Group, and DEUTZ AG holds responsibility for this function. The basic principles and objectives of financial management at DEUTZ AG are therefore largely the same as those of the Group, as is the funding of DEUTZ AG. In this regard, please refer to the relevant sections on page 43 et seq. of this combined management report.

**Liquidity** Cash flow from operating activities amounted to €88.7 million last year (2014: €85.2 million). The small increase of €3.5 million compared with 2014 was mainly due to the lower level of working capital.

The cash flow from investing activities in 2015 was minus €41.0 million (2014: minus €23.0 million). This increased outflow of €18.0 million was attributable, in particular, to higher cash payments in connection with capital expenditure on property, plant and equipment.

Cash flow used for financing activities in 2015 totalled €23.9 million (2014: €19.1 million). This advance was largely due to substantially higher payments of principal in relation to existing financial liabilities than in the prior year. As in the previous year, cash flow used for financing activities included a dividend payment to shareholders of €8.5 million.

Free cash flow decreased year on year, falling by €12.1 million to €46.7 million (2014: €58.8 million) due, above all, to increased capital expenditure.

**Capital expenditure** After deducting investment grants, DEUTZ AG's capital expenditure in 2015 amounted to a total of €52.9 million (2014: €32.9 million). As in 2014, spending primarily related to property, plant and equipment, and the amount of €42.2 million (after deducting grants) spent on these assets was considerably higher than in the previous year (2014: €30.0 million). The investing activities relating to property, plant and equipment focused on measures aimed at optimising our network of sites, such as the construction of the shaft centre in Cologne-Porz. There were also additions in connection with replacement investments in machinery and tools.