

Non-current liabilities Non-current liabilities totalled €280.8 million as at 31 December 2015 (31 December 2014: €322.7 million). The decrease of €41.9 million was predominantly caused by the change in provisions for pensions and other post-retirement benefits. These provisions fell by €14.8 million compared with 31 December 2014, mainly due to higher discount rates. We also continued to lower our non-current financial debt, which amounted to €58.6 million as at 31 December 2015. This represented a year-on-year fall of €14.7 million (31 December 2014: €73.3 million). Other provisions also decreased, by €11.7 million, mainly due to a reduction in provisions for warranty costs.

Current liabilities Current liabilities also decreased slightly over the reporting year, from €315.5 million as at 31 December 2014 to €311.7 million as at 31 December 2015. The decline of €3.8 million was largely attributable to the lower level of other provisions.

Total assets amounted to €1,088.1 million as at 31 December 2015 (31 December 2014: €1,149.2 million).

OVERALL ASSESSMENT FOR 2015

For DEUTZ, 2015 was a year of two halves: while the first six months went well, business contracted significantly in the second six months due to increasingly difficult market conditions. This meant we were unable to meet our original targets for revenue and EBIT. Nonetheless, our new products continue to be very well received by the market. We will continue to strive for technologically leading designs with our engines and to further enhance our product range. However, this will be possible with considerably lower development expenditure. We do not regard the key figures for 2015 as satisfactory overall. Year on year, new orders were down by 11.1 per cent, revenue fell by 18.5 per cent to €1,247.4 million and unit sales dropped by almost 30 per cent to 137,781 engines. We had already planned for lower demand resulting from the advance production of engines in 2014, but this effect was compounded by a strong reluctance to invest on the part of our end customers in the second half of the year. On a positive note, however, we have succeeded in structuring the DEUTZ Group in such a way that it can still generate a profit even with a significantly lower volume of business. Operating profit (EBIT before one-off items) decreased from €31.7 million to €4.9 million. The EBIT margin was 0.4 per cent. Although net income fell to €3.5 million in 2015 (2014: €19.5 million), it was still in positive territory. Free cash flow amounted to €35.0 million in the reporting year. In operational terms, we continued as planned with the measures to optimise the network of sites in Germany and with the consolidation of our activities in China. We will continue to focus on increasing quality and efficiency in the DEUTZ Group. On that basis, we believe that we will benefit across the board in the event of a market recovery.

EVENTS AFTER THE REPORTING PERIOD

No events occurred after 31 December 2015 that had a material impact on the financial position or financial performance of the DEUTZ Group.

EMPLOYEES

Overview of the DEUTZ Group's workforce

Headcount	31 Dec 2015	31 Dec 2014
DEUTZ Group	3,730	3,916
Thereof		
In Germany	2,910	3,093
Outside Germany	820	823
Thereof		
Non-salaried employees	2,221	2,338
Salaried employees	1,401	1,455
Trainees	108	123
Thereof		
DEUTZ Compact Engines	3,050	3,202
DEUTZ Customised Solutions	680	714

Number of employees adjusted to lower level of production At the end of 2015, the DEUTZ Group employed a total of 3,730 people, 186 fewer than at the end of 2014 (a fall of 4.7 per cent). As at 31 December 2015, we also had a further 151 people on temporary employment contracts, compared with 288 a year earlier. By offering fixed-term contracts and employing temporary workers, DEUTZ can respond flexibly to any fluctuations in demand. Around 6 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 31 December 2015.

78 per cent of our workforce is employed in Germany. Most of these employees are based in Cologne – 2,269 as at 31 December 2015. 410 employees are based at the Ulm facilities. Of the 820 employees outside Germany, 432 of them work at our DEUTZ SPAIN subsidiary.

DEUTZ Group: Breakdown of workforce by location

Headcount	31 Dec 2015	31 Dec 2014
Cologne	2,269	2,422
Ulm	410	387
Other	231	284
In Germany	2,910	3,093
Outside Germany	820	823
Total	3,730	3,916

Net assets

Overall assessment for 2015

Events after the reporting
period

Employees

Looking at it by segment, DEUTZ Compact Engines employed 3,050 people as at 31 December 2015, 4.7 per cent fewer than it had employed a year earlier. The number of employees at DEUTZ Customised Solutions was 680, down by 4.8 per cent compared with the end of 2014.

Optimisation of sites going to plan On 20 June 2015, the first stage in the relocation of the plant in Übersee on Lake Chiemsee to Ulm was completed. The number of employees at the Übersee plant decreased by 68 in total. We were able to convince 15 employees to continue their work at the Ulm plant, on either a temporary or a permanent basis. Another 24 employees, after leaving DEUTZ, moved to the interim employment company that we had engaged.

Construction of the new shaft centre in Cologne-Porz is also proceeding according to schedule. The first employees have transferred to their new workplaces in Cologne-Porz as part of the relocation of the Cologne-Deutz site. The company medical service and the workplace health and safety department have already moved to Cologne-Porz.

Short-time working extended As the level of orders on hand remains weak, short-time working on the assembly line in Cologne was continued throughout 2015. Short-time working was also implemented in a number of development departments, depending on the work situation. From October 2015, short-time working was also introduced in the sales, service, administrative and support departments.

At our production facility in Zafra, Spain, agreement was reached with the works council for twelve days of short-time working in the fourth quarter of 2015 and 24 such days in 2016.

Excellent training at DEUTZ A solid level of training provides young people with the foundations for their future career. That is why we actively support vocational training by offering training in a variety of technical and engineering occupations to people embarking on their careers with our Company. The apprenticeships that we provide at our sites in Germany range from electronics and metalworking to warehouse logistics and mechatronics. Last year, 27 young women and men chose to train in our Company. The Cologne site employed 71 apprentices, while our plant in Ulm employed 20. We employed seven apprentices at the components plant in Herschbach (Westerwald) and ten at the Xchange plant in Übersee, Bavaria.

In addition to investing in these young people's futures, we also offer training for apprentices at other companies. Our training centre in Cologne is currently providing full-time or part-time vocational training in metalworking occupations to apprentices from twelve other local companies.

In 2015, our overall ratio of trainees to other employees was 3.7 per cent in Germany (2014: 4.0 per cent). All apprentices and trainees passing the final examination were given a permanent employment contract.

We are particularly pleased that a DEUTZ trainee was once again honoured by the Cologne Chamber of Industry and Commerce (IHK) for his top performance as a skilled metal worker apprentice. For the fifth year in succession, the DEUTZ training centre also received a Best Performer accolade from the Cologne IHK in recognition of its outstanding results in introductory vocational training. These accomplishments also meant that DEUTZ was pitted against the winners from all 16 IHKs in North Rhine-Westphalia. And here too, our metalworking apprentice and our instructors were among the winners of the coveted 'best of 2015' awards in Essen.

We aim to make young people with an interest in technology aware of our Company's attractive training programmes while they are still at school. That is why we took part in various training fairs and careers information events again last year. For example, our instructors and apprentices participate in initiatives such as the 'Erlebniswelt Maschinenbau' open day, enabling potential apprentices to speak to them in person.

With an intake of twelve trainees in its fourth year, the dual vocational training initiative at our Zafra plant in Spain continues to go from strength to strength. The aim is for the trainees to be taken on as foremen at the plant once they have completed the training. We also introduced a government-approved programme in which our production employees can improve their basic qualifications by obtaining certification as a machine operator. In future, this certification will be mandatory for those applying for a permanent employment contract at our Spanish subsidiary.

Recruitment activities remain successful Last year, we again participated in two of the most prestigious university fairs in North Rhine-Westphalia in order to make contact with students and graduates. By attending 'meet@thk01n' in Cologne and 'bonding' in Aachen, we were again able to find students to help out in various areas of the Company. In 2015, there were 214 interns employed in our Company, of whom 26 students wrote their bachelor dissertations with us and eleven wrote their master's dissertations. A total of 62 students spent a practical semester at DEUTZ.

For many years, we have been striving to attract young women to engineering careers by taking part in events such as Girls' Day, when we demonstrate the diverse and exciting nature of a vocational apprenticeship in an engineering company. In 2015, two more young women started engineering apprenticeships with us, while a business administration trainee began her training in Ulm. Currently, around 7.4 per cent of apprentices at DEUTZ are female.

Rewards for creativity Our bonus-based ideas management system gathers creative suggestions for improvement from DEUTZ employees. Last year, they submitted 669 ideas – a wealth of creativity that pays off.

Investing in people In 2015, we pressed ahead with our talent programme, the purpose of which is to ensure the Company remains an attractive option for talented employees and to develop strong candidates internally through structured career planning. We also updated the succession planning at departmental manager level and used the talent programme to select potential successors. As a result, four employees from our talent pool were promoted to managerial positions.

We also significantly expanded the range of training courses available to employees. Having analysed the specific requirements in cooperation with managers from different areas of the Company, we significantly expanded the range of training courses available to employees. Sixty-nine courses were attended by 638 participants. The training ranges from seminars on DEUTZ-specific know-how and selected technical subjects to language courses and courses for improving methodological and interpersonal skills.

To upgrade the skills of our shop-floor staff, we continued to work with a training provider that specialises in production management and lean management and again made good use of the seminars on occupational health and safety offered by the professional association for the wood and metal industries.

We also stepped up our manager development activities in 2015. Firstly, we significantly increased the number of seminars for managers, which included management seminars for young managerial talent and project managers as well as management training courses designed specifically for different hierarchy levels. Secondly, we shone the spotlight on our principles of leadership and cooperation, and discussed with executive managers how they should implement the principles in their areas of responsibility.

Cross mentoring successfully completed Having begun in 2013, the intercompany programme to promote the advancement of women finished on a positive note last year, with the women who participated citing their increased visibility within their companies, the constructive discussions with mentors from other companies and the chance to broaden their horizons through various programme activities. The two mentors and mentees from DEUTZ AG concluded that they had gained invaluable new experience and that the cross-mentoring programme had helped with their personal development.

DEUTZ has long been committed to diversity management: we value the diversity of our individual employees around the world, in terms of gender, origin, age, religion and disability, and we try to harness this for the success of the Company. For example, we have a clear target to increase the number of management positions within the DEUTZ Group that are occupied by women. Further information can be found in the corporate governance report on page 133 et seq. of this annual report.

Ongoing health promotion initiatives The ‘Ergonomics in the workplace’ project, which was initiated in 2013, continued to run successfully in its third year. It has now become established at all of our plants in Cologne. The focus was on running the project on an ongoing basis so as to yield positive results for employees’ health year after year.

The health committee also decided to offer a further programme of colon cancer screening in summer 2015, a preventive measure that once again was very well received.

The psychosomatic consultations offered in Ulm proved useful. If the company doctor confirms that a short-term intervention is necessary, appointments with a psychologist or at the psychosomatic outpatient clinic at Ulm University Hospital can be organised at short notice so that employees can receive the help they require.

HRS Business Run 2015 The HRS Business Run again took place on 13 August 2015 at the Rhein Energie stadium in Cologne. There was another high turnout from DEUTZ of 252 employees. The event was a resounding success and all employees thoroughly enjoyed themselves.