

OVERVIEW OF 2015

Revenue lower than in previous year Having made a solid start in the first six months of 2015, our business suffered in the second half of the year due to a slowdown in global economic growth and a strong reluctance to invest on the part of our customers. Moreover, the advance production of engines in the prior year continued to have an impact. As a result, our revenue was down by 18.5 per cent to €1,247.4 million. Unit sales fell by 29.8 per cent to 137,781 engines. However, operating profit (EBIT) remained in positive territory at €4.9 million, underlining the effectiveness of the measures we have taken to improve efficiency.

Consolidation in China In view of lower growth forecasts in China, we decided in 2015 to consolidate our Chinese manufacturing operations. In future, our established DEUTZ Dalian joint venture, which has adequate capacity, will satisfy local demand. As part of this consolidation, we wound up our DEUTZ Engine (China) Co., Ltd. joint venture, sold the WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. joint venture to our previous co-shareholder and initiated the closure of the DEUTZ Engine (Shandong) Co., Ltd. joint venture.

Optimisation of German site network on schedule The decision that we took in 2014 to optimise our network of sites in Germany is being implemented as planned. Firstly, this includes the consolidation of our facilities in Cologne, where we are moving out of our Cologne-Deutz site and, from 2016, will begin producing camshafts and crankshafts in a new shaft centre at our largest site in Cologne-Porz. Secondly, our exchange engine plant in Übersee on Lake Chiemsee will have been integrated into the plant in Ulm by 2017 and will then be closed; assembly and order management have already been moved. We expect these measures to bring about a further long-term increase in our efficiency.

Positive market response to new products Our TCD engines equipped with a diesel particulate filter in the 2.9 to 7.8 litre cubic capacity range already meet EU Stage V, the next European emissions standard, which is expected to come into effect in 2019. This offers many advantages to our customers. The feedback on our products has been very positive. We have also announced that we intend to add gas engines to our product range in future. In addition, we have intensified our existing partnership with the KION Group, entering into an extended long-term cooperation arrangement.

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 13 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 2014: six) and twelve foreign companies (31 December 2014: 14) were included in the consolidated financial statements as at 31 December 2015. A complete list of DEUTZ AG shareholdings as at 31 December 2015 is given in the annex to the notes to the consolidated financial statements on page 123.