



## ***INTERIM REPORT***

1st quarter of 2015

## FIRST QUARTER AT A GLANCE

### DEUTZ Group: Overview

	1-3/2015	1-3/2014
€ million		
New orders	321.0	414.2
Unit sales (units)	36,907	44,457
Revenue	318.1	342.7
EBITDA	33.9	25.4
EBITDA before one-off items	33.9	25.4
EBIT	10.1	1.9
EBIT before one-off items	10.1	1.9
EBIT margin (%)	3.2	0.6
EBIT margin before one-off items (%)	3.2	0.6
Net income	7.7	-0.6
Earnings per share (€)	0.07	0.00
Total assets	1,195.6	1,154.2
Non-current assets (before deferred tax assets)	556.1	588.5
Equity	526.5	497.3
Equity ratio (%)	44.0	43.1
Cash flow from operating activities	12.4	9.4
Free cash flow <sup>1)</sup>	-1.1	-3.2
Net financial position <sup>2)</sup>	15.5	-35.5
Working capital <sup>3)</sup>	245.4	202.2
Working capital ratio (31 Mar, %) <sup>4)</sup>	16.3	13.4
Capital expenditure (excluding capitalisation of R&D, after deducting grants)	8.4	7.9
Depreciation and amortisation	23.8	23.5
Research and development expenditure (after deducting grants)	10.9	14.4
thereof capitalised	1.8	9.0
Employees (number at 31 Mar)	3,850	4,042

<sup>1)</sup> Free cash flow: cash flow from operating and investing activities less interest expense.

<sup>2)</sup> Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.

<sup>3)</sup> Working capital: inventories plus trade receivables minus trade payables.

<sup>4)</sup> Working capital ratio (31 Mar, %): working capital as at the balance sheet date divided by revenue for the previous twelve months.

### DEUTZ Group: Segments

	1-3/2015	1-3/2014
€ million		
<b>New orders</b>		
DEUTZ Compact Engines	248.9	344.6
DEUTZ Customised Solutions	72.1	69.6
<b>Total</b>	<b>321.0</b>	<b>414.2</b>
<b>Unit sales (units)</b>		
DEUTZ Compact Engines	33,595	41,656
DEUTZ Customised Solutions	3,312	2,801
<b>Total</b>	<b>36,907</b>	<b>44,457</b>
<b>Revenue</b>		
DEUTZ Compact Engines	251.0	286.8
DEUTZ Customised Solutions	67.1	55.9
<b>Total</b>	<b>318.1</b>	<b>342.7</b>
<b>EBIT before one-off items</b>		
DEUTZ Compact Engines	4.0	-4.9
DEUTZ Customised Solutions	11.0	7.1
Other	-4.9	-0.3
<b>Total</b>	<b>10.1</b>	<b>1.9</b>

## FOREWORD

*Dear shareholders,  
friends and partners of our Company,*

The performance of the global economy continues to be fraught with uncertainty, although moderate growth is expected for the rest of this year.

The volume of new orders that we received in the first quarter of 2015 amounted to €321.0 million, which was 22.5 per cent lower than the high volume received in the prior-year period. Revenue, at €318.1 million, was 7.2 per cent down year on year. This is in line with our expectations: last year we benefited from the effects of the advance production of engines ahead of the latest EU exhaust emissions standard coming into force, and this is now resulting in reduced demand from our customers.

Despite the decline in revenue, there was a substantial increase in operating profit (EBIT before one-off items) from €1.9 million to €10.1 million. This shows that our measures introduced to raise profitability are having an impact. Changes in the US dollar/euro exchange rate, alongside structural improvements, were also a substantial factor in the increase. As a result, free cash flow improved by €2.1 million to minus €1.1 million in the first three months of the year (free cash flow is always low in the first quarter because of seasonal factors). In the past twelve months free cash flow amounted to €54.1 million.

Our new products have also been very successful and hold a great deal of future potential. We can now boast a fully upgraded product portfolio that is already in compliance with the next emissions standard. Our current product campaign, 'Stage V ready', is therefore highlighting the fact that all our TCD engines with diesel particulate filters in the 2.9 to 7.8 litre cubic capacity range already meet the limits that are to be expected from 2019 according to the European Commission's proposal. This gives us a strong competitive edge.

In February this year, in addition to the ongoing optimisation of our site network in Germany, we decided to adapt our production activities in China to the reduced level of demand and to focus on our existing joint venture DEUTZ Dalian. Over recent years DEUTZ Dalian has performed well in a challenging market and has sufficient capacities to cope with the expected future demand. However, we will not continue with the joint venture planned with AB Volvo, DEUTZ Engine China, because of the prevailing weak market situation in China. The joint venture has not yet made any substantial investments. Going forward the local needs of AB Volvo and other target customers are to be served by our DEUTZ Dalian joint venture. We have also postponed implementation work on our smaller joint venture, DEUTZ Engine Shandong, because of the current situation.

Following DEUTZ's 150th anniversary last year, we reached another milestone in the first quarter of 2015: on 20 March, DEUTZ AG celebrated its 115th year on the Frankfurt Stock Exchange. The Company has been listed on the bourse since 1900. To mark this special occasion, members of the DEUTZ Board of Management opened the trading day at the Frankfurt exchange by ringing the opening bell.

DEUTZ AG now has a new Chairman of the Supervisory Board. At its ordinary meeting on 12 March 2015, the Supervisory Board elected Hans-Georg Härter as its new chairman, after Lars-Göran Moberg had stepped down from the role after six years. We would like to thank Mr Moberg for his hard work and for the contribution he has made to our Company.

We believe that the year will continue to be a period of transition, characterised by a significant reduction in demand resulting from the advance production of engines in 2014, as mentioned above. As a result, we believe that the decline in revenue will be in the region of 10 per cent in 2015 but that there will be modest improvement in the EBIT margin before one-off items to around 3 per cent.

Kind regards from Cologne,



Dr Ing Helmut Leube



Dr Margarete Haase

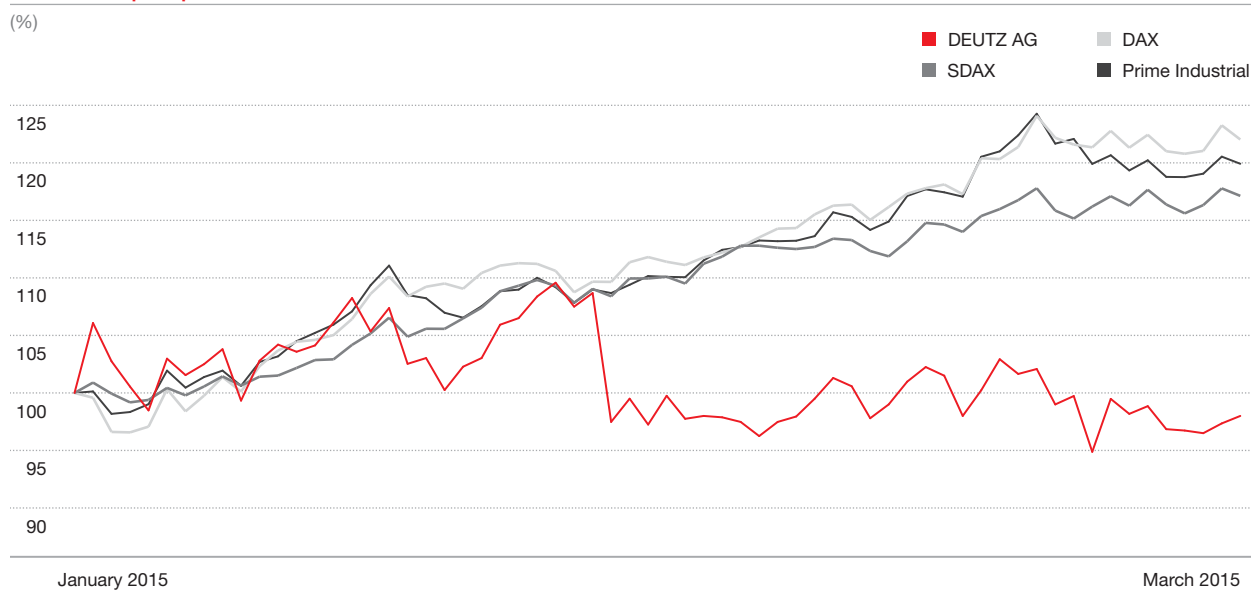


Michael Wellenzohn



## DEUTZ SHARES

### DEUTZ share price performance



**DEUTZ shares fall slightly** The stock markets largely performed well in the first quarter of 2015. The European stock markets were given a particular boost by the ECB's bond-buying programme. The SDAX, in which the DEUTZ shares are listed, closed the first quarter at 8,417.23 points, up by 17.1 per cent compared with the 2014 year-end closing price. During the same period, the Prime Industrial rose by 19.9 per cent to close at 5,090.49 points.

DEUTZ shares were not able to keep pace with this growth. They reached their first-quarter high of €4.38 on 6 February 2015. They then lost value, however, and reached their lowest level for the year so far of €3.80 on 19 March 2015. On this day we announced the financial results for 2014 and published an outlook for 2015. This forecasts a year of transition in which a decline in revenue in the region of 10 per cent is expected and the EBIT margin (before one-off items) is projected to improve moderately to around 3 per cent. The closing price at the end of the first quarter was €3.92, meaning that overall the DEUTZ share price recorded a modest fall of 2.0 per cent in the first three months.

The number of DEUTZ shares remains unchanged at 120.9 million. Market capitalisation as at 31 March 2015 therefore came to €473.8 million (31 December 2014: €483.4 million).

Swedish truck and construction equipment manufacturer AB Volvo is the largest individual shareholder in DEUTZ AG with a stake of just over 25 per cent. The free float is held by a broadly diversified range of private and institutional shareholders both in Germany and abroad. As at 31 March 2015, Old Mutual Plc

and Norges Bank each held 3.1 per cent in our Company. Both of these are considered non-controlling shareholdings.

Nine banks and securities houses are currently monitoring the performance of DEUTZ shares: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Equinet, HSBC Trinkaus & Burkhardt, Kepler Chevreux and Quirin Bank.

Further information on this subject and all other topics can be found on our website at [www.deutz.com](http://www.deutz.com) under Investor Relations.

### Key figures for DEUTZ shares

	1-3/2015	1-3/2014
Number of shares (31 Mar)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 31 Mar (€)	3.92	6.12
Share price high (€)	4.38	7.94
Share price low (€)	3.80	6.05
Market capitalisation as at 31 March (€ million)	473.8	739.7
Earnings per share (€)	0.07	0.00

Based on Xetra closing prices.

# INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE FIRST QUARTER OF 2015

## BUSINESS PERFORMANCE IN THE DEUTZ GROUP

### ECONOMIC ENVIRONMENT

**Global growth remains moderate<sup>1</sup>** The global economy is predicted to grow moderately this year, with the prospects for individual countries and regions differing significantly. In addition, the central banks of the major economic regions are pursuing contrasting policies. Whereas the European Central Bank (ECB) has launched a bond-buying programme, it is expected that the USA will scale back its quantitative easing and raise interest rates. As a result, the euro lost around 11 per cent of its value against the US dollar in the first quarter of 2015. The oil price fell to a six-year low in the first quarter of 2015. Various geopolitical crises, and particularly the situation in eastern Ukraine, continue to be a cause for concern.

The overall prediction of the International Monetary Fund (IMF) for 2015 is for further global economic growth of 3.5 per cent. An upturn is anticipated in the eurozone, with the economy there projected by the IMF to grow by 1.5 per cent in 2015, following a 0.9 per cent rise in 2014. Much of this momentum continues to come from Germany, where growth for the year as a whole is predicted to be on a par with 2014 at 1.6 per cent. The growth forecast for Spain is encouraging at 2.5 per cent. This follows an increase of 1.4 per cent in 2014 that saw the country move out of recession for the first time in several years.

The US economy is also growing strongly, driven by consumer spending and job creation. The US economy is expected to expand by 3.1 per cent in 2015 as a whole, following an increase of 2.4 per cent in 2014.

Forecasts for China predict a further fall in growth, to 6.8 per cent. In 2014, economic growth was at 7.4 per cent.

**German engineering at prior-year level<sup>2</sup>** In the first two months of 2015, new orders in the German engineering sector were at the same level as the prior-year period. Disappointing demand from Germany was offset by an increase in orders from abroad. The disparity between the domestic and international markets therefore continues to grow.

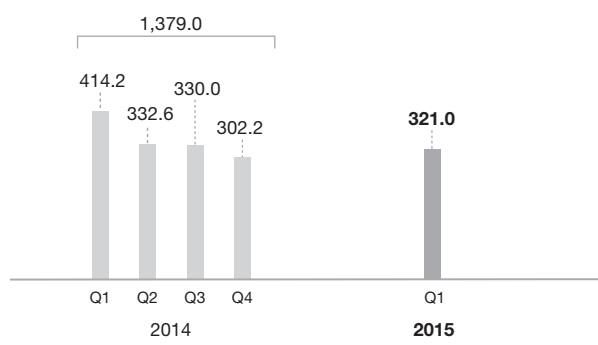
### NEW ORDERS

**Year-on-year decrease in new orders** The DEUTZ Group received new orders worth €321.0 million in the first quarter of 2015, which was 22.5 per cent below the figure achieved a year ago (Q1 2014: €414.2 million). The first quarter of 2014 was the strongest that year in terms of new orders because of the high demand for engines ahead of the latest EU exhaust emissions standard. However, the figure for the fourth quarter of 2014 (€302.2 million) was surpassed by 6.2 per cent. The Automotive application segment and the service business improved against the prior-year period in the first three months of 2015. By contrast, new orders were down sharply in the Mobile Machinery, Agricultural Machinery and Stationary Equipment application segments. The decrease in Agricultural Machinery is due not only to the impact of the advance production of engines but also to a large extent to the prevailing weakness of the market.

Orders on hand stood at €228.4 million as at 31 March 2015, which was 46.2 per cent lower than the figure reported a year earlier but 4.0 per cent higher than at 31 December 2014.

#### DEUTZ Group: New orders by quarter

€ million



<sup>1</sup> Source: IMF World Economic Outlook, April 2015.

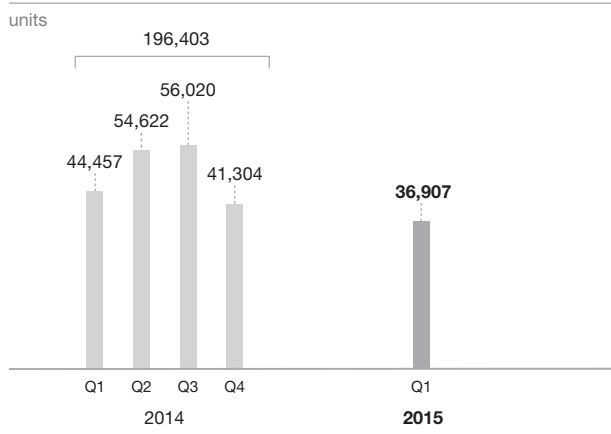
<sup>2</sup> Source: Konjunkturbulletin of the German Engineering Federation (VDMA), April 2015.

## UNIT SALES

**Fewer engines sold** In the first quarter of 2015, DEUTZ sold 36,907 engines, which was 17.0 per cent lower than in the prior-year period (Q1 2014: 44,457 engines). The figure also failed to match the result for the fourth quarter of 2014, when 41,304 engines were sold. This was due to the usual seasonal fluctuations at DEUTZ, and, in particular, to the aforementioned effects of the advance production of engines last year.

Compared with the first quarter of 2014, unit sales in our largest market, EMEA (Europe, Middle East and Africa), decreased by 29.0 per cent to 22,573 engines. However, sales of engines rose by 9.7 per cent to 11,075 units sold in the Americas and increased by 26.6 per cent to 3,259 engines in the Asia-Pacific region.

### DEUTZ Group: Consolidated unit sales by quarter

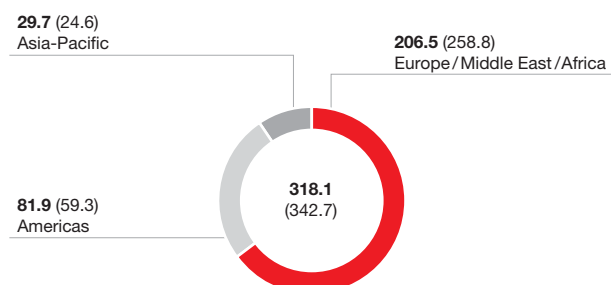


## RESULTS OF OPERATIONS

### REVENUE

#### DEUTZ Group: Revenue by regions

€ million (2014 figures)

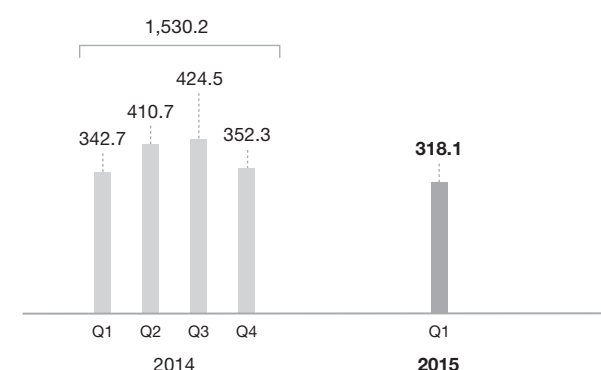


**Year-on-year fall in revenue** In the first quarter of 2015, revenue fell by 7.2 per cent year on year to €318.1 million (Q1 2014: €342.7 million). In the fourth quarter of 2014 it was higher still, at €352.3 million. The general decline in revenue is in line with our expectations and is primarily attributable to the changes to emissions standards for engines under 130kW that came into force in the European Union on 1 October 2014 and to the resulting effects from the advance production of engines.

In our largest region, EMEA, revenue for the first three months of 2015 fell by 20.2 per cent year on year to reach €206.5 million. By contrast, the Americas region recorded strong growth in revenue, which was up by 38.1 per cent to €81.9 million. Revenue from the Asia-Pacific region also increased, by 20.7 per cent to €29.7 million. A breakdown by application segment shows a mixed picture: in the Mobile Machinery and Agricultural Machinery application segments, revenue fell by 12.0 per cent and 37.8 per cent respectively, while in the Stationary Equipment application segment it increased sharply, by 31.8 per cent. The service business also expanded, by 11.3 per cent, while revenue in the Automotive application segment remained roughly at its prior-year level.

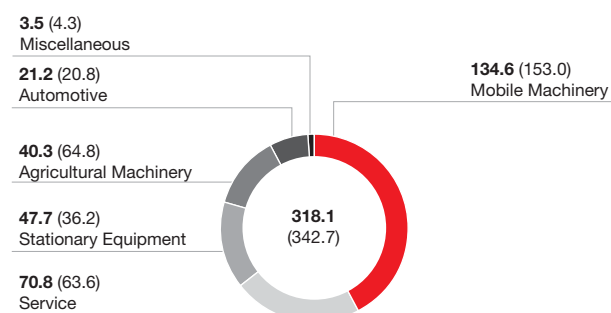
### DEUTZ Group: Revenue by quarters

€ million



### DEUTZ Group: Revenue by application segment

€ million (2014 figures)



## EARNINGS

Earnings before interest, tax, depreciation and amortisation (EBITDA before one-off items) came to €33.9 million in the first three months of the year, equivalent to a rise of €8.5 million on the first quarter of 2014. This increase is in large part due to the positive impact from changes in the euro/US dollar exchange rate. Other factors were improved revenue in the high-margin DEUTZ Customised Solutions segment and in the service business of both segments (DEUTZ Customised Solutions and DEUTZ Compact Engines) and lower production costs and warranty costs. We were therefore able to more than offset diseconomies of scale from the expected reduction in revenue.

Operating profit (EBIT before one-off items) after depreciation and amortisation for the first quarter of 2015 amounted to €10.1 million, a huge increase of €8.2 million compared with the same period last year (Q1 2014: €1.9 million). The rise in EBIT was somewhat lower than for EBITDA because of the slight increase in the depreciation expense on property, plant and equipment and amortisation expense on completed development projects. The EBIT margin for the first three months of 2015 was 3.2 per cent, up significantly on the prior-year period (Q1 2014: 0.6 per cent). No one-off items affecting EBIT or EBITDA were recognised either in the quarter under review or in the prior-year period.

The cost of sales in the first quarter of 2015 totalled €264.1 million (Q1 2014: €300.1 million), representing a year-on-year decline of 12.0 per cent. The reduced volume of business compared with the first three months of 2014 resulted in lower costs for materials and contract staff. There was also a substantial decrease in warranty costs. The ratio of cost of sales to revenue fell significantly from 87.6 per cent in the first quarter of 2014 to 83.0 per cent in the first quarter of 2015. This was mainly due to the same reasons that were mentioned in the context of the improvement in EBITDA.

Research and development costs amounted to €18.5 million in the first three months of the year (Q1 2014: €16.3 million). This increase of €2.2 million is attributable to the greatly reduced capitalisation rate. Excluding the effects of capitalisation of own work, research and development costs were down year on year. Now that our new engines have gone into volume production, the focus of research and development activities is shifting from the development of new engines and the refinement of existing models to support for existing engine series and preliminary development. The costs incurred in connection with the support for existing engine series and with preliminary development are not capitalised.

Research and development costs largely comprised staff costs, cost of materials and amortisation on completed development projects, from which investment grants received and capitalised development expenditure were deducted.

There was a small rise in selling expenses, which advanced to €17.4 million in the first quarter of 2015 (Q1 2014: €16.6 million), and in administrative expenses, which went up to €8.6 million (Q1 2014: €8.4 million). As a proportion of revenue, selling and administrative expenses also increased, to 5.5 per cent (Q1 2014: 4.8 per cent) and 2.7 per cent (Q1 2014: 2.5 per cent) respectively, due to the reduced volume of business.

Compared with the prior-year period, other operating income and other operating expenses rose significantly, by €9.4 million and €8.5 million respectively, to reach €12.6 million (Q1 2014: €3.2 million) and €11.6 million (Q1 2014: €3.1 million). Both for income and expenses this increase was mainly attributable to the positive effects arising on the translation of foreign currency positions.

The profit on equity-accounted investments in the prior-year period (Q1 2014: profit of €0.5 million) contracted to become a loss of €0.4 million in the period under review, a fall of €0.9 million. This change is primarily attributable to the contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd., whose unit sales declined in a challenging market.

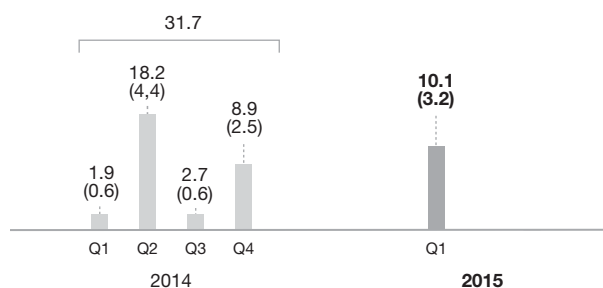
Net interest expense was down significantly, by €0.6 million compared with the same quarter in 2014, and amounted to €1.1 million (Q1 2014: €1.7 million). Lower utilisation of funding and improved finance conditions were the main factors here.

Income taxes in the first quarter of the current year amounted to €1.3 million, compared with €0.8 million in the same period of the previous year. Current tax expenses amounted to €3.0 million in the period under review (Q1 2014: €1.6 million). This increase of €1.4 million compared to the first quarter of the previous year is primarily attributable to the growth in operating profit of DEUTZ AG. The current tax expense was partly offset by deferred tax income of €1.7 million.

In the first three months of the year, net income improved by €8.3 million to reach €7.7 million (Q1 2014: net loss of €0.6 million), resulting in earnings per share of €0.07 (Q1 2014: €0.00).

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

€ million (EBIT margin in %)



## BUSINESS PERFORMANCE IN THE SEGMENTS

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

**Year-on-year fall in new orders** In the first quarter of 2015, the DEUTZ Compact Engines (DCE) segment took new orders worth €248.9 million, which was 27.8 per cent below the figure achieved a year ago (Q1 2014: €344.6 million). However, new orders were up by 7.1 per cent on the fourth quarter of 2014 (Q4 2014: €232.5 million). Significantly fewer new orders were received in the Mobile Machinery and Agricultural Machinery application segments compared with the first three months of 2014. Orders on hand amounted to €144.4 million as at the balance sheet date, which was 58.5 per cent down on the figure reported a year earlier of €347.9 million and slightly higher than the €141.5 million as at 31 December 2014.

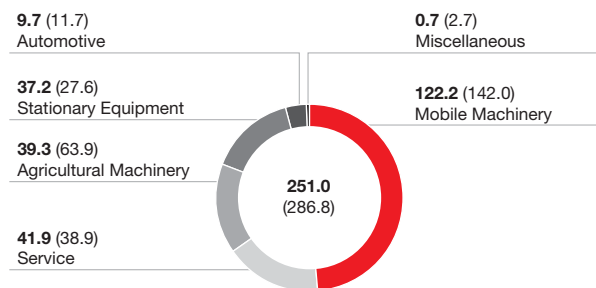
**DCE sells fewer engines** In the DCE segment, DEUTZ's unit sales declined by 19.4 per cent to 33,595 engines in the first quarter of 2015 (Q1 2014: 41,656 engines; Q4 2014: 36,601 engines). In line with the trend at Group level, the EMEA region (our largest sales market) contracted by 32.1 per cent, whereas the Americas increased by 10.9 per cent and Asia-Pacific by a substantial 36.5 per cent. A breakdown by application segment shows that only Stationary Equipment saw an increase in unit sales.

**Smaller decrease in revenue than in unit sales** The revenue earned in the DCE segment went down by 12.5 per cent to €251.0 million (Q1 2014: €286.8 million). This represents a reduction of 9.4 per cent compared with the previous quarter, when revenue amounted to €277.1 million. The regional picture was a mixed one: the EMEA region registered a year-on-year fall of 25.1 per cent, while the Americas region increased its revenue by 41.8 per cent. There was a small rise of 2.2 per cent in the Asia-Pacific region. The revenue attributable to the Mobile Machinery, Automotive and Agricultural Machinery application segments declined by 13.9 per cent, 17.1 per cent and 38.5 per cent respectively. By contrast, revenue in the Stationary Equipment application segment grew by 34.8 per cent and revenue from the service business was up by 7.7 per cent.

**Sharp rise in DCE's operating profit** The DEUTZ Compact Engines segment reported an operating profit of €4.0 million in the first quarter of 2015 (Q1 2014: operating loss of €4.9 million). Despite a smaller volume of business, operating profit improved by a substantial €8.9 million compared with the first three months of 2014. The main factors here were positive currency effects, growth in the high-margin service business and a decrease in production costs and warranty costs.

### DEUTZ Compact Engines: Revenue by application segment

€ million (2014 figures)



### BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

**More new orders than in Q1 2014** In the DEUTZ Customised Solutions (DCS) segment, DEUTZ received new orders worth €72.1 million in the reporting period, a gain of 3.6 per cent on the first three months of last year (Q1 2014: €69.6 million) and 3.4 per cent more than in the previous quarter (Q4 2014: €69.7 million). Unlike the DCE segment, this segment was not affected by the advance production of engines in 2014. As at 31 March 2015, orders on hand stood at €84.0 million, up by 9.1 per cent on the figure reported at 31 March 2014 (€77.0 million) and up by 7.4 per cent compared with 31 December 2014 (€78.2 million).

**Significant unit sales growth** The number of engines sold in the DCS segment rose by 18.2 per cent year on year to 3,312 in the first quarter of 2015. However, we failed to match the high volume reported for the fourth quarter of 2014, when we sold 4,703 engines. In this segment, unit sales increased considerably in the EMEA region but fell slightly year on year in the Americas and Asia-Pacific regions.

**Revenue growth slightly stronger than unit sales growth** The revenue posted by the DCS segment in the first quarter of 2015 was 20.0 per cent higher than it had been a year earlier, climbing to €67.1 million (Q1 2014: €55.9 million). However, this was 10.8 per cent lower than the revenue of €75.2 million achieved in the strong fourth quarter of 2014. All regions generated revenue growth, with that of the EMEA region rising by 12.0 per cent, the Americas by 21.5 per cent and Asia-Pacific by an impressive 43.6 per cent. Moreover, the DCS segment saw double-digit percentage increases in revenue across all application segments. The 17.0 per cent advance in revenue from the service business was particularly encouraging.

**DCS's operating profit also increased** Operating profit in the DEUTZ Customised Solutions segment reached €11.0 million in the first three months of this year (Q1 2014: €7.1 million). This positive year-on-year trend is due, in particular, to the larger volume of business.

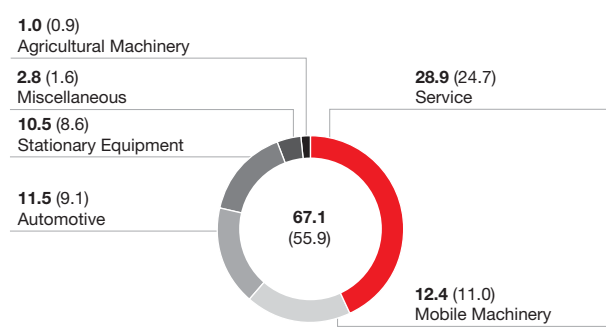


## OTHER

The Other segment reported an operating loss of €4.9 million in the first three months of 2015, essentially due to unrealised currency effects in connection with the measurement of a liability denominated in a foreign currency. This liability consists of an outstanding contribution to the subscribed capital of DEUTZ Engine (China) Co, Ltd., Linyi (China). Because we and our partner AB Volvo have decided to wind up this company, we assume that this is a temporary effect that will even out again over time. The operating loss in the first quarter of 2014 was €0.3 million.

### DEUTZ Customised Solution: Revenue by regions

€ million (2014 figures)



The net cash used for investing activities came to €12.4 million, an increase of €1.3 million on the first three months of last year (Q1 2014: €11.1 million). Although cash payments in connection with capital expenditure on property, plant and equipment and on intangible assets fell in the reporting period, the figure for the prior-year period had included the payment received for the disposal of our investment in DEUTZ Versicherungsvermittlung GmbH, which reduced the net cash used for investing activities.

Financing activities in the first quarter of 2015 resulted in a net cash outflow of €4.7 million (Q1 2014: net cash inflow of €13.5 million) and primarily related to the repayment of loans.

Cash and cash equivalents stood at €100.0 million as at 31 March 2015, a slight decrease of €1.7 million (31 December 2014: €101.7 million). The net financial position<sup>1)</sup> as at 31 March 2015 came to €15.5 million (31 December 2014: €13.7 million). This constituted a year-on-year improvement of €1.8 million (31 March 2014: minus €35.5 million).

Free cash flow<sup>2)</sup> was better than in the comparative prior-year period, increasing by €2.1 million to minus €1.1 million (Q1 2014: minus €3.2 million). This was due in large part to the improved operating profit. Free cash flow is always low in the first quarter because of seasonal factors. In the past twelve months free cash flow amounted to €54.1 million and has thus continued to rise.

## FINANCIAL POSITION

### FUNDING

DEUTZ has a working capital facility totalling €160 million, which is provided by a syndicate of banks. This revolving facility can be drawn down as and when the Company needs it. It is an unsecured, floating-rate working capital facility and runs until May 2019. We can opt to utilise it as a bilateral overdraft facility (up to €60 million) or in the form of drawings under the syndicated line with interest periods of three to six months. The European Investment Bank has also granted us a €90 million loan. This loan, which is also unsecured, must be repaid by mid-2020. DEUTZ has 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. 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.

### CASH FLOW

Cash flow from operating activities in the first quarter of 2015 amounted to €12.4 million (Q1 2014: €9.4 million). The year-on-year rise of €3.0 million is primarily attributable to the much improved operating profit in the reporting period.

## NET ASSETS

**Non-current assets unchanged** Non-current assets totalled €626.1 million as at 31 March 2015 (31 December 2014: €625.8 million), which equates to a small increase of €0.3 million compared with the end of last year. Higher deferred tax assets and an exchange-rate-related rise in equity-accounted investments were offset by a decline in intangible assets and in property, plant and equipment, because depreciation and amortisation were both higher than the additions as a consequence of our new engines having now been launched.

**Rise in current assets** At the end of the reporting period, current assets amounted to €569.1 million. This equated to an increase of €46.1 million compared with the end of last year (31 December 2014: €523.0 million). The reason for this growth was the rise in inventories and trade receivables caused by seasonal factors and exchange rate movements. Furthermore, there was a temporary slowdown in transit times to the USA during the first quarter because of port employees going on strike, and this also led to higher inventories.

<sup>1)</sup> Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.

<sup>2)</sup> Free cash flow: cash flow from operating and investing activities less interest expense.

**Working capital increased** Working capital<sup>1)</sup> went up by €49.2 million as a consequence of the growth in inventories and trade receivables in the first quarter. It amounted to €245.4 million as at 31 March 2015 (31 December 2014: €196.2 million). Trade payables had also increased, by €7.4 million, as at the end of the first quarter of 2015, which had a positive impact on working capital. Accordingly, the working capital ratio<sup>2)</sup> as at 31 March 2015 was up by 3.5 percentage points to 16.3 per cent (31 December 2014: 12.8 per cent). The average working capital ratio<sup>3)</sup> also rose, amounting to 14.3 per cent as at 31 March 2015 (31 December 2014: 13.3 per cent).

**Unrecognised intangible DEUTZ assets** In addition to the assets recognised on the balance sheet, DEUTZ has further assets that are not recognised. The DEUTZ brand is synonymous with highly sophisticated technology, quality and reliability and the Company has been a firmly established player in the equipment manufacturing and operating industry for more than 150 years. DEUTZ also enjoys long-standing valuable relationships with customers; it has entered into long-term cooperation agreements, particularly with its key customers.

**Equity** As at 31 March 2015, equity had increased to €526.5 million (31 December 2014: €511.0 million). The main reasons for the rise of €15.5 million were the Group's net income and the effects of translating our international subsidiaries' financial statements that are prepared in foreign currencies. However, a further fall in the discount rates used in the measurement of pension liabilities resulted in a reduction in the equity reported at the end of the quarter under review. As total assets had also grown, the equity ratio declined from 44.5 per cent as at 31 December 2014 to 44.0 per cent as at 31 March 2015.

**Non-current liabilities increased by provisions for pensions and other post-retirement benefits** Non-current liabilities as at 31 March 2015 stood at €327.7 million (31 December 2014: €322.7 million). This growth of €5.0 million is due, above all, to the change in provisions for pensions and other post-retirement benefits, which had risen by €10.0 million compared with 31 December 2014 because of the further decline in discount rates. By contrast, financial debt continued to fall and was €3.7 million less than at 31 December 2014.

**Current liabilities also up** Current liabilities were also higher than at 31 December 2014 and amounted to €341.4 million as at 31 March 2015. This equates to a rise of €25.9 million (31 December 2014: €315.5 million) that was mainly attributable to increases in other liabilities, trade payables and other provisions. The higher level of other liabilities primarily related to the hedging of currency risk using financial instruments and to accruals for annual leave. The rise in other provisions was mainly caused by accruals during the year for staff costs.

Total assets amounted to €1,195.6 million as at 31 March 2015 (31 December 2014: €1,149.2 million).

## EVENTS AFTER THE REPORTING PERIOD

No events occurred after the reporting date that had a material impact on the financial position or financial performance of the DEUTZ Group.

## RESEARCH AND DEVELOPMENT

**R&D spending scaled back as planned** Our expenditure on research and development in the first quarter of 2015 totalled €13.7 million, which was down by 28.3 per cent on the corresponding prior-year period (Q1 2014: €19.1 million). We can now boast a fully upgraded product portfolio that is already in compliance with the next emissions standard. This has enabled us to significantly reduce our expenditure on R&D and invest a greater proportion in preliminary development activities. Factoring in reimbursements from key customers and development partners, spending on research and development came to €10.9 million, compared with €14.4 million in the first quarter of last year. The R&D ratio (after deducting grants) – the ratio of net R&D spending to consolidated revenue – fell from 4.2 per cent to 3.4 per cent in the period under review.

R&D spending on the development of our new engines and the refinement of existing ones amounted to €6.8 million, equating to 62.4 per cent of all R&D expenditure after deducting grants (Q1 2014: 81.9 per cent). Expenditure on ongoing support for existing engine series accounted for 15.7 per cent (Q1 2014: 12.6 per cent), and expenditure on research and preliminary development work accounted for 21.9 per cent (Q1 2014: 5.5 per cent).

The DEUTZ Compact Engines segment's spending on research and development (after deduction of grants) came to €10.1 million (Q1 2014: €13.2 million), and that of the DEUTZ Customised Solutions segment came to €0.8 million (Q1 2014: €1.2 million).

## EMPLOYEES

**Slight fall in headcount** As at the end of March 2015, 3,850 people were employed by the DEUTZ Group, 192 people – or 4.8 per cent – fewer than a year earlier (31 March 2014: 4,042). We had also decreased our headcount by 66 people – or 1.7 per cent – compared with the end of 2014 (31 December 2014: 3,916). The number of contract staff as at 31 March 2015 was 275, which represents a significant year-on-year fall of 311. This number had also been slightly higher at the end of last year (31 December 2014: 288). Hiring temporary workers enables us to respond flexibly to possible fluctuations in demand in a fast-moving market environment while continuing to grow profitably. Around 9 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at the reporting date.

<sup>1)</sup> Inventories plus trade receivables minus trade payables.

<sup>2)</sup> Working capital as at the balance sheet date divided by revenue for the previous twelve months.

<sup>3)</sup> Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.

As at 31 March 2015, we employed 3,046 people in Germany, which was 54 fewer than a year previously and 47 fewer than at the end of December 2014. The number of people employed at our plants in Cologne had declined by 33 year on year to 2,393, while we employed 375 people in Ulm, which was 18 fewer than a year ago.

The number of employees outside Germany as at 31 March 2015 was 804, which was 138 fewer than a year previously and 19 fewer than at the end of the previous quarter. For production-related reasons, the decrease in headcount at our Spanish production company DEUTZ Spain was particularly pronounced, with the workforce contracting by 122 to 435 employees.

Overall, therefore, 79.1 per cent of DEUTZ employees were based in Germany as at 31 March 2015 (31 March 2014: 76.7 per cent) and 20.9 per cent in other countries (31 March 2014: 23.3 per cent).

## OPPORTUNITY AND RISK REPORT

The DEUTZ Group operates on a global basis in various market segments and application segments. Consequently, the Company is exposed to a variety of risks specific to its business and to the regions in which it operates. However, the constantly changing market environment also presents opportunities for the Company. Pages 53 to 57 of our 2014 annual report explain the structure of our risk management system and describe certain material risks and opportunities for our financial position and financial performance in 2015. We did not identify any further material risks or opportunities in the first quarter of 2015. Additional information is provided in the Outlook section of this interim group management report.

## RELATED PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties. These include the business relationships between the DEUTZ Group and entities in which it holds significant investments and the relationship with AB Volvo (publ), Gothenburg, Sweden (group, including its subsidiaries), which is a shareholder in DEUTZ AG and able to exert a significant influence.

Further information on related party disclosures is given on page 24 of the notes to the interim consolidated financial statements.

## OUTLOOK

**Slightly better prospects for the global economy<sup>1)</sup>** For the next two years, the IMF is predicting moderate economic growth, with big regional and country-specific differences. The global economy is likely to grow at a rate of 3.5 per cent in 2015 and 3.8 per cent in 2016, compared with 3.4 per cent in 2014. The eurozone economy is expected to expand by 1.5 per cent this year and by 1.6 per cent next year. Growth rates of 1.6 per cent for 2015 and 1.7 per cent for 2016 are predicted for Germany. The prospective growth rates for the US are 3.1 per cent for both 2015 and 2016, while those for China are 6.8 per cent and 6.3 per cent respectively.

**2015 a year of transition for DEUTZ** This will be a year of transition for DEUTZ, one that is dominated by a weak agricultural machinery market and lower demand resulting from the advance production of engines in 2014. The encouraging level of new customer business cannot fully make up for this situation. However, there should not be any significant effects from the advance production of engines in the years to come. All of our products already meet the next emissions standard, EU Stage V, which is expected to come into force in 2019.

Our focus this year is not only on successfully working on projects with new customers but also on optimising our network of sites, both in Germany and in China. These activities will be accompanied by further measures to boost efficiency and profitability. For example, our modern and fully upgraded product portfolio allows us to now reduce our capacities in research and development by approximately 25 per cent and cut our spending in this area significantly.

For the reasons given above, we expect the decline in revenue in 2015 to be in the region of 10 per cent. Despite the decrease in revenue, the EBIT margin before one-off items should improve to roughly 3 per cent.

### Disclaimer

**This management report includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties and other factors that may mean that the actual performances, developments and results in the Company or those in sectors important to the Company are significantly different (especially from a negative point of view) from those expressly or implicitly assumed in these statements. The Board of Management cannot therefore make any guarantees with regard to the forward-looking statements made in this management report.**

<sup>1)</sup> IMF World Economic Outlook, April 2015.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST QUARTER OF 2015

## INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	1-3/2015	1-3/2014
€ million			
<b>Revenue</b>		<b>318.1</b>	<b>342.7</b>
Cost of sales		-264.1	-300.1
Research and development costs		-18.5	-16.3
Selling expenses		-17.4	-16.6
General and administrative expenses		-8.6	-8.4
Other operating income		12.6	3.2
Other operating expenses		-11.6	-3.1
Profit/loss on equity-accounted investments		-0.4	0.5
<b>EBIT</b>		<b>10.1</b>	<b>1.9</b>
thereof one-off items		-	-
thereof operating profit (EBIT before one-off items)		10.1	1.9
Interest expenses, net		-1.1	-1.7
thereof finance costs		-1.2	-1.9
<b>Net income before income taxes</b>		<b>9.0</b>	<b>0.2</b>
Income taxes	1	-1.3	-0.8
<b>Net income</b>		<b>7.7</b>	<b>-0.6</b>
thereof attributable to shareholders of DEUTZ AG		8.0	-0.5
thereof attributable to non-controlling interests		-0.3	-0.1
<b>Earnings per share (€)</b>		<b>0.07</b>	<b>-</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

	Note	1-3/2015	1-3/2014
€ million			
<b>Net income</b>		<b>7.7</b>	<b>-0.6</b>
<b>Amounts that will not be reclassified to the income statement in the future</b>		<b>-8.4</b>	<b>-3.4</b>
Remeasurements of defined benefit plans		-8.4	-3.4
<b>Amounts that will be reclassified to the income statement in the future if specific conditions are met</b>		<b>16.2</b>	<b>-3.4</b>
Currency translation differences		19.9	-3.2
Effective portion of change in fair value from cash flow hedges		-3.7	-0.2
Change in fair value of available-for-sale financial instruments		-	-
<b>Other comprehensive income, net of tax</b>	2	<b>7.8</b>	<b>-6.8</b>
<b>Comprehensive income</b>		<b>15.5</b>	<b>-7.4</b>
thereof attributable to shareholders of DEUTZ AG		12.5	-6.7
thereof attributable to non-controlling interests		3.0	-0.7



## BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	31 Mar 2015	31 Dec 2014
€ million			
Property, plant and equipment	3	287.6	291.9
Intangible assets	3	203.3	211.7
Equity-accounted investments		58.6	52.4
Other financial assets		6.6	7.6
<b>Non-current assets (before deferred tax assets)</b>		<b>556.1</b>	<b>563.6</b>
Deferred tax assets		70.0	62.2
<b>Non-current assets</b>		<b>626.1</b>	<b>625.8</b>
Inventories	4	277.6	245.2
Trade receivables		146.2	122.0
Other receivables and assets		45.3	54.1
Cash and cash equivalents		100.0	101.7
<b>Current assets</b>		<b>569.1</b>	<b>523.0</b>
Non-current assets classified as held for sale		0.4	0.4
<b>Total assets</b>		<b>1,195.6</b>	<b>1,149.2</b>

Equity and liabilities	Note	31 Mar 2015	31 Dec 2014
€ million			
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		26.6	13.7
Retained earnings and accumulated income		133.9	134.3
<b>Equity attributable to shareholders of DEUTZ AG</b>		<b>498.3</b>	<b>485.8</b>
Non-controlling interests		28.2	25.2
<b>Equity</b>		<b>526.5</b>	<b>511.0</b>
Provisions for pensions and other post-retirement benefits		197.1	187.1
Other provisions	5	57.2	58.4
Financial debt	6	69.6	73.3
Other liabilities		3.8	3.9
<b>Non-current liabilities</b>		<b>327.7</b>	<b>322.7</b>
Provisions for pensions and other post-retirement benefits		14.7	14.7
Provision for current income taxes		9.6	7.8
Other provisions	5	68.6	63.0
Financial debt	6	14.9	14.7
Trade payables		178.4	171.0
Other liabilities		55.2	44.3
<b>Current liabilities</b>		<b>341.4</b>	<b>315.5</b>
<b>Total equity and liabilities</b>		<b>1,195.6</b>	<b>1,149.2</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

	Issued capital	Additional paid-in capital	Retained earnings and accumulated income	Fair value reserve <sup>1), 2)</sup>	Currency translation reserve <sup>1)</sup>	Equity attributable to share- holders of DEUTZ AG	Non-con- trolling interests	Total
€ million								
<b>Balance at 1 Jan 2014</b>	<b>309.0</b>	<b>28.8</b>	<b>139.7</b>	<b>0.2</b>	<b>2.6</b>	<b>480.3</b>	<b>24.4</b>	<b>504.7</b>
Net income	–	–	–0.5	–	–	–0.5	–0.1	–0.6
Other comprehensive income	–	–	–3.4	–0.2	–2.6	–6.2	–0.6	–6.8
Comprehensive income	–	–	–3.9	–0.2	–2.6	–6.7	–0.7	–7.4
<b>Balance at 31 Mar 2014</b>	<b>309.0</b>	<b>28.8</b>	<b>135.8</b>	<b>–</b>	<b>–</b>	<b>473.6</b>	<b>23.7</b>	<b>497.3</b>
<b>Balance at 1 Jan 2015</b>	<b>309.0</b>	<b>28.8</b>	<b>134.3</b>	<b>–1.5</b>	<b>15.2</b>	<b>485.8</b>	<b>25.2</b>	<b>511.0</b>
Net income	–	–	8.0	–	–	8.0	–0.3	7.7
Other comprehensive income	–	–	–8.4	–3.7	16.6	4.5	3.3	7.8
Comprehensive income	–	–	–0.4	–3.7	16.6	12.5	3.0	15.5
<b>Balance at 31 Mar 2015</b>	<b>309.0</b>	<b>28.8</b>	<b>133.9</b>	<b>–5.2</b>	<b>31.8</b>	<b>498.3</b>	<b>28.2</b>	<b>526.5</b>

<sup>1)</sup> On the balance sheet these items are aggregated under 'Other reserves'.

<sup>2)</sup> Reserves from the measurement of cash flow hedges and reserves from the measurement of available-for-sale financial assets.

**CASH FLOW STATEMENT FOR THE DEUTZ GROUP**

	Note	1-3/2015	1-3/2014
€ million			
<b>EBIT</b>		<b>10.1</b>	<b>1.9</b>
Income taxes paid		-0.7	-0.7
Depreciation, amortisation and impairment of non-current assets		23.8	23.5
Gains/losses on non-current assets		-0.1	-
Profit/loss on equity-accounted investments		0.4	-0.5
Other non-cash income and expenses		0.1	-
Change in working capital		-33.2	29.0
Change in inventories		-23.1	-47.0
Change in trade receivables		-19.6	10.6
Change in trade payables		9.5	7.4
Change in other receivables and other current assets		11.5	1.1
Change in provisions and other liabilities (excluding financial liabilities)		0.5	13.1
<b>Cash flow from operating activities</b>		<b>12.4</b>	<b>9.4</b>
Capital expenditure on intangible assets, property, plant and equipment		-12.9	-16.2
Capital expenditure on investments		-0.1	-
Proceeds from the sale of non-current assets		0.6	5.1
<b>Cash flow from investing activities</b>		<b>-12.4</b>	<b>-11.1</b>
Interest income		-	0.2
Interest expense		-1.1	-1.7
Cash receipts from borrowings		-	15.0
Repayments of loans		-3.6	-
<b>Cash flow from financing activities</b>		<b>-4.7</b>	<b>13.5</b>
Cash flow from operating activities		12.4	9.4
Cash flow from investing activities		-12.4	-11.1
Cash flow from financing activities		-4.7	13.5
<b>Change in cash and cash equivalents</b>		<b>-4.7</b>	<b>11.8</b>
<b>Cash and cash equivalents at 1 Jan</b>		<b>101.7</b>	<b>58.9</b>
Change in cash and cash equivalents		-4.7	11.8
Change in cash and cash equivalents related to exchange rates		3.0	-0.5
<b>Cash and cash equivalents at 31 Mar</b>		<b>100.0</b>	<b>70.2</b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2015

## BASIC PRINCIPLES

### BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim consolidated financial statements for the period ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated financial statements do not contain all the information and notes required by IFRS for consolidated financial statements for a full financial year, and should therefore be read in conjunction with the IFRS consolidated financial statements published for the 2014 financial year.

The condensed interim consolidated financial statements for the period ended 31 March 2015 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected notes to the interim consolidated financial statements – and the interim group management report for the period from 1 January to 31 March 2015 have not been reviewed by an auditor.

### SIGNIFICANT ACCOUNTING POLICIES

With the exception of the new interpretations and amendments to existing standards described below, the accounting policies used in the preparation of these interim consolidated financial statements are the same as those used in the most recent consolidated financial statements for the year ended 31 December 2014. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2014. If they are material, revenue-related and cyclical items are accrued during the year. The income taxes are calculated on the basis of the effective tax rate currently expected to apply to the DEUTZ Group for the year as a whole.

**IFRIC 21 'Levies'** The IASB published this interpretation in May 2013. IFRIC 21 deals with the question of when to recognise a liability for certain levies imposed by a government, and offers guidance on the matter. Initial application of IFRIC 21 has not had any material impact on the interim consolidated financial statements.

**Collective standard amending various IFRSs (2011–2013)** The amendments published by the IASB in December 2013 are primarily concerned with clarifying ambiguous provisions in standards. Initial application of the amendments has not had any material impact on the interim consolidated financial statements.

**Significant estimates and assumptions** The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made that have an impact on the recognition, measurement and reporting of assets and liabilities, the disclosure of contingent assets and liabilities as at the balance sheet date and on the reporting of income and expenses in the period under review.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. INCOME TAXES

	1–3/2015	1–3/2014
€ million		
Current tax expense	3.0	1.6
Deferred taxes	–1.7	–0.8
<b>Total</b>	<b>1.3</b>	<b>0.8</b>

The increase in income taxes was mainly attributable to the higher current income tax expenses, which in turn were due to DEUTZ AG's improved operating profit for the quarter.



## 2. OTHER COMPREHENSIVE INCOME

Other comprehensive income comprises the elements of the statement of comprehensive income not reported in the income statement. The taxes resulting from other comprehensive income are also shown in the following table:

	1-3/2015			1-3/2014		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
€ million						
<b>Amounts that will not be reclassified to the income statement in the future</b>	<b>-12.3</b>	<b>3.9</b>	<b>-8.4</b>	<b>-5.0</b>	<b>1.6</b>	<b>-3.4</b>
Remeasurements of defined benefit plans	-12.3	3.9	-8.4	-5.0	1.6	-3.4
<b>Amounts that will be reclassified to the income statement in the future if specific conditions are met</b>	<b>14.5</b>	<b>1.7</b>	<b>16.2</b>	<b>-3.5</b>	<b>0.1</b>	<b>-3.4</b>
Currency translation differences	19.9	–	19.9	-3.2	–	-3.2
Effective portion of change in fair value from cash flow hedges	-5.4	1.7	-3.7	-0.3	0.1	-0.2
Change in fair value of available-for-sale financial instruments	–	–	–	–	–	–
<b>Other comprehensive income</b>	<b>2.2</b>	<b>5.6</b>	<b>7.8</b>	<b>-8.5</b>	<b>1.7</b>	<b>-6.8</b>

A pre-tax loss of €2.3 million relating to cash flow hedges was reclassified to the income statement in the first three months of the current financial year (Q1 2014: pre-tax profit of €0.1 million).

## 3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (after deducting grants) amounted to €10.2 million in the first quarter of the year (Q1 2014: €16.9 million). This was broken down into €7.7 million (Q1 2014: €7.1 million) on property, plant and equipment and €2.5 million (Q1 2014: €9.8 million) on intangible assets, most of which was in connection with the refinement of engines.

Additions to property, plant and equipment mainly related to measures aimed at optimising our network of sites, e.g. the construction of a shaft centre in Cologne-Porz. The sharp fall in capital expenditure is essentially explained by the fact that, now that our new engines have gone into volume production, the focus of research and development activities is shifting from the development of new engines and the refinement of existing models to support for existing engine series and preliminary development. The costs incurred in connection with the support for existing engine series and with preliminary development are not capitalised.

Capital expenditure was offset by depreciation and amortisation of €23.8 million (Q1 2014: €23.5 million).

Commitments to purchase property, plant and equipment and intangible assets amounted to €37.1 million as at 31 March 2015 (31 December 2014: €39.4 million).

#### 4. INVENTORIES

Inventories had grown by €32.4 million to €277.6 million as at 31 March 2015 (31 December 2014: €245.2 million). This increase, which primarily relates to finished goods and work in progress, is mainly due to the change in the euro/US dollar exchange rate and seasonal effects.

Commitments to purchase inventories as at 31 March 2015 came to €81.2 million (31 December 2014: €72.9 million).

#### 5. OTHER PROVISIONS

	31 Mar 2015	31 Dec 2014
€ million		
Non-current	57.2	58.4
Current	68.6	63.0
<b>Total</b>	<b>125.8</b>	<b>121.4</b>

The increase in other provisions is attributable, in particular, to accruals during the financial year.

#### 6. FINANCIAL DEBT

	31 Mar 2015	31 Dec 2014
€ million		
Non-current	69.6	73.3
Current	14.9	14.7
<b>Total</b>	<b>84.5</b>	<b>88.0</b>

The decline in non-current financial debt was the result, above all, of the planned repayment of the loans from the European Investment Bank.

### OTHER INFORMATION

#### STAFF COSTS

	1-3/2015	1-3/2014
€ million		
Wages	31.0	30.9
Salaries	31.2	30.9
Social security contributions	9.9	9.9
Net interest cost for provisions for pensions and other post-retirement benefits	0.9	1.4
Cost of post-employment benefits and other long-term benefits	0.1	0.1
Other staff costs	0.2	0.2
<b>Total</b>	<b>73.3</b>	<b>73.4</b>

The following table shows the breakdown of staff costs by functional area:

	1-3/2015	1-3/2014
€ million		
Cost of sales	44.8	44.5
Research and development costs	8.9	9.8
Selling expenses	12.0	11.2
Administrative expenses	6.5	6.3
Other operating expenses	1.1	1.6
<b>Total</b>	<b>73.3</b>	<b>73.4</b>

## FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of the individual financial assets and liabilities for each separate category of financial instrument, reconciled to the corresponding balance sheet item.

31 Mar 2015							
	Measured at amortised cost		Measured at fair value			Assets not within the scope of IAS 39	Carrying amount on the balance sheet
	Loans and receivables	Available- for-sale financial assets	Available- for-sale financial assets	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for- trading financial assets	Carrying amount	
<b>Assets</b>							
€ million							
<b>Non-current financial assets</b>	<b>1.3</b>	<b>0.2</b>	<b>3.0</b>	<b>–</b>	<b>–</b>	<b>2.1</b>	<b>6.6</b>
<b>Current financial assets</b>	<b>283.4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8.1</b>	<b>291.5</b>
Trade receivables	146.2	–	–	–	–	–	146.2
Other receivables and assets	37.2	–	–	–	–	8.1	45.3
Cash and cash equivalents	100.0	–	–	–	–	–	100.0

31 Dec 2014							
	Measured at amortised cost		Measured at fair value			Assets not within the scope of IAS 39	Carrying amount on the balance sheet
	Loans and receivables	Available- for-sale financial assets	Available- for-sale financial assets	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for- trading financial assets	Carrying amount	
<b>Assets</b>							
€ million							
<b>Non-current financial assets</b>	<b>2.5</b>	<b>0.2</b>	<b>2.7</b>	<b>–</b>	<b>–</b>	<b>2.2</b>	<b>7.6</b>
<b>Current financial assets</b>	<b>269.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8.8</b>	<b>277.8</b>
Trade receivables	122.0	–	–	–	–	–	122.0
Other receivables and assets	45.3	–	–	–	–	8.8	54.1
Cash and cash equivalents	101.7	–	–	–	–	–	101.7

31 Mar 2015					
	Measured at amortised cost	Measured at fair value		Liabilities not within the scope of IAS 39	
Liabilities	Financial liabilities	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for- trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
€ million					
<b>Non-current financial liabilities</b>	<b>70.3</b>	<b>1.1</b>	<b>–</b>	<b>2.0</b>	<b>73.4</b>
Financial debt	69.6	–	–	–	69.6
Other liabilities	0.7	1.1	–	2.0	3.8
<b>Current financial liabilities</b>	<b>228.9</b>	<b>7.1</b>	<b>0.8</b>	<b>11.7</b>	<b>248.5</b>
Financial debt	14.9	–	–	–	14.9
Trade payables	178.4	–	–	–	178.4
Other liabilities	35.6	7.1	0.8	11.7	55.2

31 Dec 2014					
	Measured at amortised cost	Measured at fair value		Liabilities not within the scope of IAS 39	
Liabilities	Financial liabilities	Derivatives designated as hedging instruments (rec- ognised as other comprehensive income/loss)	Held-for- trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
€ million					
<b>Non-current financial liabilities</b>	<b>74.1</b>	<b>1.1</b>	<b>–</b>	<b>2.0</b>	<b>77.2</b>
Financial debt	73.3	–	–	–	73.3
Other liabilities	0.8	1.1	–	2.0	3.9
<b>Current financial liabilities</b>	<b>219.2</b>	<b>1.7</b>	<b>0.2</b>	<b>8.9</b>	<b>230.0</b>
Financial debt	14.7	–	–	–	14.7
Trade payables	171.0	–	–	–	171.0
Other liabilities	33.5	1.7	0.2	8.9	44.3



The following table shows the carrying amounts and fair values of all financial instruments included in the consolidated financial statements that fall within the scope of IFRS 7 'Financial Instruments: Disclosures' and that are not reported at fair value.

	31 Mar 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
€ million				
<b>Financial assets</b>	<b>284.9</b>	<b>284.7</b>	<b>271.7</b>	<b>271.5</b>
Other loans	1.3	1.3	1.3	1.3
Available-for-sale financial assets measured at cost	0.2	–	0.2	–
Trade receivables	146.2	146.2	122.0	122.0
Other receivables and assets	37.2	37.2	46.5	46.5
Cash and cash equivalents	100.0	100.0	101.7	101.7
<b>Financial liabilities</b>	<b>299.2</b>	<b>302.8</b>	<b>293.3</b>	<b>296.7</b>
Financial debt – liabilities to banks	84.5	88.1	88.0	91.4
Trade payables	178.4	178.4	171.0	171.0
Other liabilities	36.3	36.3	34.3	34.3

In the case of cash and cash equivalents, trade receivables, trade payables and other current financial assets and liabilities (due within one year), the carrying amounts are virtually the same as the fair values owing to the short residual maturity.

No disclosure of fair value is made for unquoted available-for-sale financial assets, the carrying amount of which was €0.2 million as at 31 March 2015 (31 December 2014: €0.2 million). The reason is that these financial assets are investments for which no fair value can be determined and are therefore measured at amortised cost.

The fair value of non-current financial assets and liabilities is computed by discounting estimated future cash flows using arm's length discount rates and taking into account our own credit risk and that of our counterparties based on credit ratings and exchange rates on the balance sheet date.

The following table shows the assignment to the three levels of the IFRS 13 measurement hierarchy of the fair values as at the balance sheet date of financial assets and liabilities that were measured at fair value in the consolidated financial statements, or for which a fair value was disclosed in the notes to the financial statements:

31 Mar 2015	Carrying amount	Fair value	Level 1	Level 2	Level 3
€ million					
<b>Financial assets</b>					
Securities	3.0	3.0	3.0	–	–
<b>Financial liabilities</b>					
Currency forwards	7.9	7.9	–	7.9	–
Interest-rate swaps	1.1	1.1	–	1.1	–
Financial debt	84.5	88.1	–	88.1	–

31 Dec 2014	Carrying amount	Fair value	Level 1	Level 2	Level 3
€ million					
<b>Financial assets</b>					
Securities	2.7	2.7	2.7	–	–
<b>Financial liabilities</b>					
Currency forwards	1.9	1.9	–	1.9	–
Commodity derivatives	– <sup>1)</sup>	– <sup>1)</sup>	–	– <sup>1)</sup>	–
Interest-rate swaps	1.1	1.1	–	1.1	–
Financial debt	88.0	91.4	–	91.4	–

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.

Level 2: Measurement is based on the price of a similar instrument in active markets/measurement using a method in which all the critical input factors are based on observable market data.

Level 3: Measurement using a method in which critical input factors are not based on observable market data.

<sup>1)</sup> Rounded figures are below €0.1 million.

The fair value of securities is derived from prices in active markets.

The fair value of derivative financial instruments (currency forwards, interest-rate swaps and, in the prior-year period, commodity derivatives) is calculated over the remaining term of the instrument using current exchange rates, market interest rates, yield curves and, in the prior-year period, commodity prices. Our own credit risk and that of our counterparties is also taken into account. The disclosures are based on valuations by banks.

## SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the first quarter of 2015 and of 2014 is shown in the following table:

1-3/2015	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Reconciliation	DEUTZ Group
€ million						
External revenue	251.0	67.1	–	318.1	–	318.1
Intersegment revenue	–	–	–	–	–	–
<b>Total revenue</b>	<b>251.0</b>	<b>67.1</b>	<b>–</b>	<b>318.1</b>	<b>–</b>	<b>318.1</b>
Operating profit (EBIT)	4.0	11.0	–4.9	10.1	–	10.1

1-3/2014	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Reconciliation	DEUTZ Group
€ million						
External revenue	286.8	55.9	–	342.7	–	342.7
Intersegment revenue	–	–	–	–	–	–
<b>Total revenue</b>	<b>286.8</b>	<b>55.9</b>	<b>–</b>	<b>342.7</b>	<b>–</b>	<b>342.7</b>
Operating profit (EBIT)	–4.9	7.1	–0.3	1.9	–	1.9

### Reconciliation from overall profit of the segments to net income

	1-3/2015	1-3/2014
€ million		
<b>Overall profit of the segments</b>	<b>10.1</b>	<b>1.9</b>
Reconciliation	–	–
<b>EBIT before one-off items</b>	<b>10.1</b>	<b>1.9</b>
One-off items	–	–
<b>EBIT</b>	<b>10.1</b>	<b>1.9</b>
Interest expenses, net	–1.1	–1.7
<b>Net income before income taxes</b>	<b>9.0</b>	<b>0.2</b>
Income taxes	–1.3	–0.8
<b>Net income</b>	<b>7.7</b>	<b>–0.6</b>

## RELATED PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties.

These include the business relationships between the DEUTZ Group and entities in which it holds significant investments and the relationship with AB Volvo (publ), Gothenburg, Sweden (including its subsidiaries), which is a shareholder in DEUTZ AG and able to exert a significant influence.

Related parties also include the Supervisory Board and the Board of Management.

The following table shows the volume of material goods and services either provided for or received from entities in which the DEUTZ Group holds significant investments:

	Goods and services provided		Other expenses in connection with goods and services received	
	1-3/ 2015	1-3/ 2014	1-3/ 2015	1-3/ 2014
€ million				
Associates	–	–	–	–
Joint ventures	0.7	3.5	–	–
Other investments	0.2	0.1	1.1	1.1
<b>Total</b>	<b>0.9</b>	<b>3.6</b>	<b>1.1</b>	<b>1.1</b>

	Receivables		Liabilities	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
€ million				
Associates	–	–	–	–
Joint ventures	0.5	0.6	0.1	–
Other investments	0.3	0.2	3.2	2.9
<b>Total</b>	<b>0.8</b>	<b>0.8</b>	<b>3.3</b>	<b>2.9</b>

The decrease in goods supplied and services rendered to joint ventures compared with the corresponding period of 2014 is primarily the result of the business relationship with our joint venture DEUTZ (Dalian) Engine Co., Ltd. and relates to the decline in the Chinese company's volume of unit sales.

Impairment losses of €25.0 million (31 December 2014: €30.0 million) had been recognised on €25.2 million of the Company's total receivables due from investments as at 31 March 2015 (31 December 2014: €30.2 million). Some of these receivables and liabilities resulted from loans. Taken together, neither the interest and similar income nor the interest expense and similar charges arising from the interest paid on these loans are material.

The following table gives a breakdown of the significant business relationships between the DEUTZ Group and the shareholder AB Volvo (publ), Gothenburg, Sweden (including its subsidiaries):

	2015	2014
€ million		
Engines and spare parts supplied in the first quarter	60.4	66.3
Services rendered in the first quarter	1.8	5.0
Receivables as at 31 Mar/31 Dec	19.6	18.2

## EVENTS AFTER THE BALANCE SHEET DATE (31 MARCH 2015)

No material events occurred after 31 March 2015.

Cologne, 28 April 2015

DEUTZ Aktiengesellschaft  
The Board of Management



Dr Ing Helmut Leube



Dr Margarete Haase



Michael Wellenzohn



# FINANCIAL CALENDAR

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## 2015

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5 May 2015	Interim report for the first quarter of 2015 Conference call with analysts and investors
6 August 2015	Interim report for the first half of 2015 Conference call with analysts and investors
5 November 2015	Interim report for the first to third quarters of 2015 Conference call with analysts and investors
28 April 2016	Annual General Meeting

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