ZEPPELIN®
WE CREATE SOLUTIONS

2015 ANNUAL REPORT

www.zeppelin.com

ZEPPELIN AT A GLANCE

		2015	2014	2013	2012	2011
SALES						
Construction Equipment EU SBU	EURm	1,123	1,041	1,036	1,070	1,126
Construction Equipment CIS SBU	EURm	307	434	573	665	516
Rental SBU	EURm	373	348	290	288	254
Power Systems SBU	EURm	283	301	311	344	365
Plant Engineering SBU	EURm	328	266	299	282	234
Total for Zeppelin Group [1]	**EURm**	**2,328**	**2,301**	**2,434**	**2,550**	**2,429**
EMPLOYEES (AVERAGE FOR THE YEAR; INCLUDING TRAINEES)						
Construction Equipment EU SBU		2,679	2,616	2,661	2,687	2,660
Construction Equipment CIS SBU		1,662	1,810	1,733	1,491	1,211
Rental SBU		1,238	1,254	1,048	1,052	898
Power Systems SBU		788	776	773	750	716
Plant Engineering SBU		1,376	1,373	1,381	1,302	1,122
Total for Zeppelin Group [1]		**7,801**	**7,882**	**7,648**	**7,332**	**6,647**
FIXED ASSETS						
Additions	EURm	184.7	157.3	118.2	160.4	151.5
Changes in consolidated companies	EURm	-5.8	1.5	0.1	-3.2	9.8
Depreciation	EURm	88.5	80.1	72.2	73.2	75.8
	% of additions	48	51	61	46	50
Thereof, rental assets						
Additions	EURm	133.0	108.9	63.4	102.9	98.3
Changes in consolidated companies	EURm	-	-	-	0.1	2.0
Depreciation	EURm	46.1	41.1	38.2	41.8	36.6
RESULT OF ORDINARY ACTIVITIES	EURm	84.2	74.5 [2]	67.6 [2]	98.4	85.7
NET CONSOLIDATED PROFITS OF GROUP	EURm	56.1	45.8	42.7	68.7	55.8
NET CASH FLOW	EURm	181.4	132.8 [3]	122.5	152.0	154.3
GROUP EQUITY	EURm	566.3	522.8	513.9	507.8	449.3
Thereof:						
Subscribed capital	EURm	100.0	100.0	100.0	100.0	100.0
Capital reserves	EURm	60.0	60.0	60.0	60.0	60.0
Retained earnings	EURm	404.0	362.0	353.5	337.8	277.5
Minority interests	EURm	2.3	0.8	0.5	10.1	11.8

[1] Incl. Zeppelin GmbH

[2] Adjustment of prior year figure (excluding special effects)

[3] Adjustment of prior year figure based on new German accounting standard DRS 21

SBU: Strategic Business Unit

CONTENTS

CHRISTIAN DUMMLER
Member of the Management Board / CFO

Finance, Controlling, Real Estate Management

Certified Banking Specialist

Member of the Management Board of Zeppelin GmbH since 2011

PETER GERSTMANN
Chairman of the Management Board

Group Development, IT, Digital Business, Auditing, and Corporate Communications

Responsible for the Construction Equipment and Power Systems strategic business units

Diplom-Betriebswirt (roughly equivalent to MBA)

Member of the Management Board of Zeppelin GmbH since 2007 and Chairman since 2010

MANAGEMENT BOARD

MICHAEL HEIDEMANN

Vice Chairman of the Management Board

Sales, Marketing, Service

Responsible for the Construction Equipment EU, Construction Equipment CIS and Rental strategic business units

Industrial Manager

Member of the Management Board of Zeppelin GmbH since 2000 and Vice Chairman since 2010

Also a member of the Management Board of Zeppelin Baumaschinen GmbH since 1999, and Chairman since 2008

JÜRGEN-PHILIPP KNEPPER

Member of the Management Board

Personnel (Labor Director), Legal Affairs, Compliance

Lawyer

Member of the Management Board of Zeppelin GmbH since 2008

MANAGEMENT BOARD REPORT

Dear Customers, Partners, Employees, and Readers,

2015 was another eventful year for the Zeppelin Group. As in the previous year, the crisis in the Ukraine and Russia had a particularly negative impact. Through targeted measures and prudent management, however, the Group was able to increase its profit year on year despite the difficult market conditions. Once again, we demonstrated our problem-solving ability and improved our position as a provider of sustainable customer solutions. A healthy volume of orders in all strategic business units secured high levels of market share. Even in the territories served by the Construction Equipment CIS business unit, we braved the challenging conditions and defended our market position through excellent customer service and support.

Group sales in 2015 totaled EUR 2.33b, exceeding the previous year's figure of EUR 2.30b. Pretax profit increased to EUR 81.2m (previous year: EUR 71.6m). In the year under review, the Zeppelin Group had a total of 7,800 employees (including trainees). This positive result is attributable to a number of developments and measures in our business units.

Construction Equipment EU business unit

Once again, we expanded the market share of the Construction Equipment EU business unit, at the same time increasing the machine population. Especially positive growth was recorded in Slovakia and the Czech Republic. In 2015 we launched a number of new products together with our partner Caterpillar, and rounded off the M-series with a range of compact and medium-sized Caterpillar wheel loaders. We added the Cat hybrid excavator 366F XE and the Cat wheel loader 972M XE to our series of highly efficient and low-emission construction machines. Cat Grade Control, a factory-fitted GPS machine control system, is another example of how state-of-the-art technology plays an increasing role in our extensive product range.

Construction Equipment CIS business unit

The Ukraine crisis continued to have a severe negative impact on business activity in Russia and Ukraine. Due to the high machine population reached in these markets in recent years, a gratifying result was achieved nevertheless, largely thanks to good after-sales service and a thriving spare parts business. We also cushioned the impact of currency fluctuations through effective cost and risk management. Despite a subdued market outlook, we continued to invest in the development of infrastructure. At the strategically important site of Saint Petersburg,

PETER
GERSTMANN

a new sales, service and logistics center serving all business areas represented in north-west Russia will be in place by 2017.

Rental business unit

During 2015, we successfully completed the integration of the business areas acquired from Streif Baulogistik GmbH in 2014 into the Rental business unit. All resources for the rental of equipment were fully utilized. There was a particularly sharp rise in demand for mobile modular room systems and containers in 2015. Reasons for this include the large influx of refugees, as well as growing demand for space from kindergartens and schools. On the other hand, rental of construction machinery recorded a somewhat lower level of utilization, as low interest rates made the purchase of machinery an attractive alternative for many customers. In view of the still difficult economic and geopolitical situation, the Rental business unit has withdrawn from the Russian market. Long-term and project-based rental of construction machines in Russia has been taken over by the Construction Equipment CIS business unit.

Power Systems business unit

The Power Systems business unit was hard-hit in 2015 by the sanctions imposed on the Russian oil and gas industry. The European market for diesel locomotives is currently at a low ebb. On the other hand, we were successful in winning orders in the cruise ships sector, including the equipping of an expedition ship of Hapag Lloyd Kreuzfahrten GmbH with an Optimarin ballast water treatment system. In the area of industrial engines, steady business was achieved with manufacturers of agricultural and construction machinery. In the coming year, the business unit will endeavor to augment its expertise particularly in the area of combined heat and power generation.

Plant Engineering business unit

The Plant Engineering business unit retained a good market position in 2015. The business unit welcomed a new manager with international experience and outstanding knowledge of the industry. The tire manufacturing business took several orders at once from well-known manufacturers including Continental, Michelin and Pirelli. Another large order was completed for a Russian chemical company, involving a complete conveyor system for a total of four production lines. The business unit further strengthened its market position with Zeppelin bolt technology – a new, forward-looking concept for modular silo production. We have optimized processes at our international production sites and begun to restructure operations in order to meet the needs of our different markets.

Digital Transformation

Progressive digitization has profound implications for the Group, and will fundamentally change our working processes in the next few years. We carried out numerous measures in the year under review to meet the challenges presented by Industry 4.0. Telematics, automated and GPS-supported machine control systems, and digital fleet management play an increasing role in our company. Using machine control and construction surveying systems, earthworks can be carried out more accurately and more effectively, thereby optimizing the overall deployment of construction machinery. We continued to develop the company Klickrent GmbH founded in 2014. Via the online

marketplace www.klickrent.com, users can lease and rent machinery and equipment independently of manufacturer and dealers. The Zeppelin customer portal was further expanded to allow trouble-free ordering of spare parts. Sales transacted through this online portal grew by 66 percent in 2015 compared with the previous year.

Investments and Finance

We invested over EUR 50m in 2015, much of it in fixed assets for the expansion of our infrastructure. At the Achim site near Bremen, further logistics capacity was added, including a new administrative building and an engine test rig, which is still under construction. A new sales, service and logistics center will be completed in Saint Petersburg by the end of 2017. Over an area of 40,289 square meters, it will bring together activities in the fields of construction machinery, mining and quarry technology, forestry technology, drive technology and agricultural machinery.

In 2015, a syndicated loan provided by five core banks worth EUR 500m was extended until 2020 with an option until 2022, and capital market issues were placed with a volume of EUR 93m. We took advantage of the favorable environment to hedge interest rates until 2025.

As part of its annual review, Creditreform Rating AG confirmed the Zeppelin Group's „investment grade" credit rating of BBB+. The rating was placed on „watch" in view of the impact of the ongoing crisis in Ukraine. This means that the Zeppelin Group must present monthly progress reports to the rating agency.

Social Company

Since September, Zeppelin carries the „Open Company" quality mark awarded by the employer ranking platform kununu. This recognizes our open corporate culture and follows a close examination of our qualities as an employer. To allow our employees to network more effectively, we are represented on the German online platform XING, where we also offer an insight into the working world of Zeppelin. Following a successful audit, Zeppelin GmbH was also awarded the „berufundfamilie" work and family certificate by Hertie Foundation. The certificate is a widely recognized seal of approval for companies that adopt family-friendly personnel policies and make a lasting commitment to achieving a good work-life balance.

Outlook for 2016

The European construction machine market will remain a key pillar of our business in view of necessary investments in infrastructure in 2016. We expect no improvement in the difficult geopolitical situation facing markets in Eastern Europe and the CIS. In view of persistently low commodity prices, we expect our customers to hold back from making new investments in oil and gas extraction. We also expect growth to remain weak in our core markets for plant engineering in Russia, South America and China. However, our withdrawal from short-term rental business in Russia and the completed integration of activities taken over from Streif Baulogistik GmbH will relieve pressure on our operating result. We expect the earnings situation in Plant Engineering to stabilize, now that essential restructuring measures have been implemented. The lifting of significant parts of the sanctions imposed on Iran is expected to deliver a major boost to this business unit.

Last year we announced a subdued outlook for 2015, but today we can say that we coped well in the circumstances and developed our Group successfully, despite the many difficulties encountered. We thank our employees for their continued support and loyalty, and our customers for their confidence in our solutions. We thank the members of our Supervisory Board, our employee councils and our shareholders for their outstanding commitment and their support for all our activities. Together we will succeed in overcoming the challenges of the future.

On behalf of the Management

Peter Gerstmann
Chairman of the Management Board of Zeppelin GmbH

SUPERVISORY BOARD

The Supervisory Board, constituted in accordance with Article 7 of the German Codetermination Act (Mitbestimmungsgesetz), comprises the following members:

SHAREHOLDER REPRESENTATIVES

Andreas Brand
Chairman, Mayor of the City of Friedrichshafen

Dipl.-Ing. Werner Baier
Chairman of the Supervisory Board of Webasto SE

Dr. Reinhold Festge
Partner in HAVER & BOECKER OHG

Dr. Werner Pöhlmann
Lawyer, Tax Adviser, Certified Public Accountant

Univ.-Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Dieter Spath
Chairman of the Board at WITTENSTEIN AG

Univ.-Prof. Dr. Dr. h. c. mult. Horst Wildemann
Chair for Corporate Management, Logistics and Production
at Technische Universität München (TUM)

EMPLOYEE REPRESENTATIVES

Heribert Hierholzer
Vice Chairman, Production Foreman and Chairman of the General Employee Council
of Zeppelin Systems GmbH

Manfred Enger
Service Technician, Zeppelin Baumaschinen GmbH

Roswita Feineis
Head of Personnel at ZEPPELIN GmbH and Zeppelin Baumaschinen GmbH,
Management Representative

Ludwig Maier
Head of the Economics Section of the German Federation of Trade Unions (DGB),
Bavarian Chapter

Ralph Misselwitz
Senior Field Service Representative, Chairman of the General Employee Council
of Zeppelin Baumaschinen GmbH, Chairman of the Group Employee Council

Vincenzo Savarino
1st Authorized Representative of the Friedrichshafen/Upper Swabian Chapter
of the IG Metall Trade Union

ANDREAS
BRAND

SUPERVISORY BOARD REPORT

The 2015 fiscal year was a successful one for the Zeppelin Group given the difficult market environment, particularly in Russia and Ukraine.

The Supervisory Board of Zeppelin GmbH complied with its duties and obligations in the 2015 fiscal year as required by law, the articles of incorporation and the Supervisory Board's rules of procedure. The Supervisory Board regularly monitored the work of the Management Board and provided support and advice on strategic development as well as key individual issues.

The Supervisory Board's Chairman and Vice Chairman also met regularly with the Management Board outside of official meetings for detailed and intensive discussions on all essential aspects of the development of the business and of the Zeppelin Group. Developments in Russia and Ukraine, as well as the impact on the business, assets and financial and earnings position of the Zeppelin Group were again a focus of discussions during the 2015 fiscal year. The Supervisory Board also reported regularly during 2015 on measures to reduce and prevent risk in these countries already introduced in 2014 and successfully continued in 2015. Other focal points of the reporting and advice included further restructuring measures in the Plant Engineering strategic business unit to increase competitiveness and profitability, personnel management and developments in the financial sphere. In addition, the rules of procedure and the allocation of responsibilities of the Management Board of Zeppelin GmbH were reviewed.

All members of the Supervisory Board were promptly and comprehensively informed about the Zeppelin Group's development and performance through monthly Management Board reports, supplemented by detailed written explanations on a quarterly basis.

The Supervisory Board met four times to monitor and scrutinize the company's development and performance and the activities of the Management Board, on the basis of documents, reports and presentations

on the company's strategy, plans, profitability, assets, and finances, as well as quarterly risk and compliance reports. The corporate, investment and financial plans for 2016 with forecasts for 2017 and 2018 were discussed in detail.

Cooperation both within the Supervisory Board itself and between the Supervisory Board and the Management Board was characterized by open, responsible and constructive dialog. The Supervisory Board sees itself as a monitoring body with a duty to provide constructive criticism, and again lived up to this task in the 2015 fiscal year.

Following in-depth consultation with the Management Board, a number of projects and measures requiring the approval or a resolution of the Supervisory Board (due to legislation, the articles of incorporation, or the Supervisory Board's rules of procedure) were agreed. These primarily concerned:

- The founding of Fast Rent GmbH, including its capitalization and providing the necessary investment resources
- Revision of the rules of procedure and the allocation of responsibilities of the Management Board of Zeppelin GmbH
- Structural changes in the Plant Engineering business unit
- Establishment of a female target quota for members of the Supervisory Board and Management Board of Zeppelin GmbH
- The financial and investment plans for the 2016 fiscal year
- The appointment and reappointment of directors at Zeppelin GmbH and at its associated companies

The Supervisory Board deliberated on strategies and measures for improving the company's market positioning, utilizing its full potential and safeguarding and improving its profitability and stability. Particular attention was paid to the volatile markets of Russia and Ukraine. The strategies and measures included, in particular, integrating and expanding new business areas, employee recruitment and development, enhancing financial, risk and compliance management throughout the Group, and a Group-wide project completed successfully in the 2015 fiscal year to exploit potential more fully and improve communication within the Group.

The Supervisory Board also devoted attention to the annual report on the integration status and business performance of recent acquisitions. The Supervisory Board was informed about the status of important strategic projects of the Zeppelin Group, including the results of Group strategy meetings in 2015.

A claim for compensation of costs incurred in 2010 due to the unwinding of a currency related swap concluded in 2006 could not be enforced against the selling Bank despite exhausting all legal remedies. After careful consideration of the factual and legal situation, and taking financial aspects into account, the Supervisory Board made a recommendation to the general shareholders' meeting to seek advice with regard to any further legal steps. After appropriate consultation and consideration of all relevant aspects, the general shareholders' meeting decided to refrain from further legal action.

The work of the Supervisory Board in general and its scrutiny of the Management Board in particular did not reveal any grounds for criticism.

The personnel committee met twice to discuss important questions relating to the company's development and strategy, as well as questions of principle, personnel issues and succession planning for the Group's management.

The Annual Financial Statements that were prepared by Zeppelin GmbH in compliance with the rules of the German Commercial Code, the Management Report, the Group Financial Statements, and the Group Management Report as of December 31, 2015 were all audited by the Munich branch of the accountancy firm PricewaterhouseCoopers AG. The auditors, who were chosen to perform the final audits at the annual general shareholders' meeting on May 7, 2015 and were subsequently contracted by the Supervisory Board, presented an unqualified opinion in every case. The Annual Financial Statements, Management Reports, and auditor's reports were all submitted punctually to the Supervisory Board. In good time before the Supervisory Board's balance sheet meeting, the auditors met twice with members of the Supervisory Board to discuss the details and findings of the year-end audits. At the balance sheet meeting on May 23, 2016, the auditors informed the Supervisory Board about the focal points and principal findings of the audits. Under the terms of the audit assignment, the audits also covered the internal control and risk management system. The auditor declared that no weaknesses had been identified in this respect and that the internal control system, the internal auditing and the risk management system fully comply with the relevant requirements.

The Supervisory Board examined and approved the Annual Financial Statements, Group Financial Statements, Management Report, and Group Management Report submitted by the Management Board for 2015. The Annual Financial Statements and Group Financial Statements of Zeppelin GmbH as of December 31, 2015 were approved and consequently adopted. The Supervisory Board approved the Management Board's proposal concerning the appropriation of profit.

The Supervisory Board would like to thank the Management Board, the employee representatives and all employees of the Zeppelin Group worldwide for their unwavering dedication, their hard work, and the commitment they have continued to show during the 2015 fiscal year, which have contributed to the company's continuing positive development.

Friedrichshafen, Wednesday, March 23, 2016

On behalf of the Supervisory Board

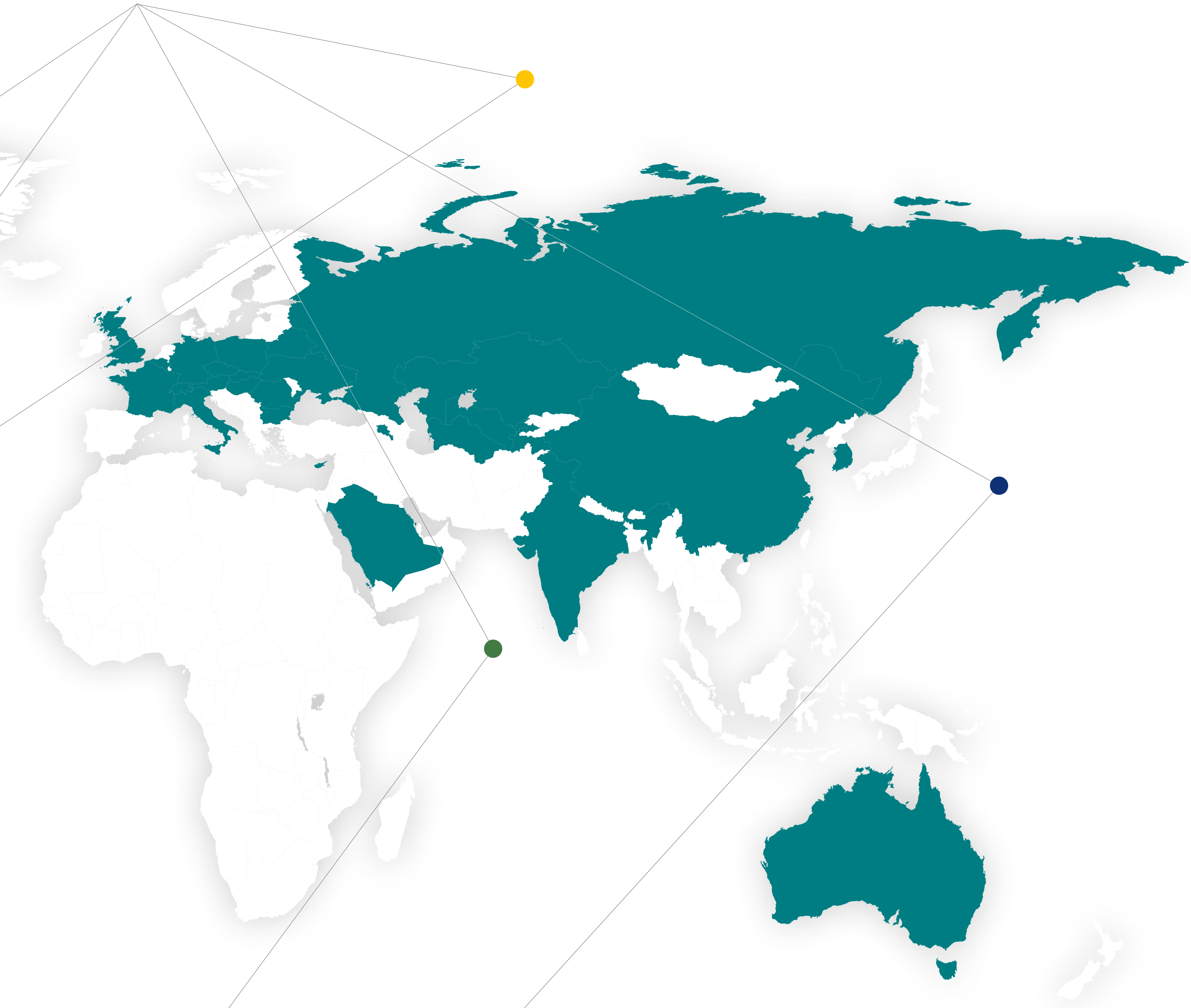
Andreas Brand
Chairman

ZEPPELIN WORLDWIDE

Construction Equipment EU
Austria / Czech Republic / Germany / Hungary[1] / Poland[1] / Slovakia

Construction Equipment CIS
Armenia / Belarus / North West, Central and South Russia / Tajikistan / Turkmenistan / Ukraine / Uzbekistan

Rental
Austria / Czech Republic / Germany / Slovakia



Power Systems
Armenia / Austria / Belarus / Bulgaria[2] / Cyprus[2] / Czech Republic / Germany / Hungary[2] / Kazakhstan[2] / Poland[2] / Romania[2] / Russia[2] / Slovakia / Switzerland[2] / Tajikistan / Turkmenistan / Ukraine / Uzbekistan

Plant Engineering
Australia / Belgium / Brazil / China / France / Germany / India / Italy / Russia / Saudi Arabia / Singapore / South Korea / United Kingdom / USA

The Zeppelin Group has 190 sites in 30 countries. 7,800 employees contribute to the company's success. The company is legally domiciled in Friedrichshafen, with its headquarters located in Garching near Munich.

[1] Hyster forklifts only
[2] MaK engines only

OVERVIEW OF THE ZEPPELIN GROUP

The Zeppelin Group has 190 sites in 30 countries. The company provides solutions for the following areas: construction and agricultural equipment, rental equipment, construction logistics, drives and energy, engineering, and plant engineering. In the 2015 fiscal year, Zeppelin achieved a sales volume of EUR 2.33b, with 7,800 employees (including trainees) having contributed to this success. Our promise to customers is "We Create Solutions". Zeppelin employees see challenges as a springboard for developing solutions with innovative products and services from a single source. The Group's Management holding company is Zeppelin GmbH. The company is legally domiciled in Friedrichshafen, with its headquarters located in Garching near Munich.

Group-wide collaboration at Zeppelin revolves around a Management holding company and five strategic business units: Construction Equipment EU, Construction Equipment CIS, Rental, Power Systems and Plant Engineering. This structure makes it possible to centralize operations and gear the business models to the different markets and customers.

The company's success is based on the GPS strategy, which stands for growth, performance, and stability. The goals of continuous growth, outstanding performance, and lasting stability point the way ahead for the Group.

The Zeppelin Group is a foundation-owned company. Its roots can be traced back to the establishment of the Zeppelin Foundation by Count Zeppelin in 1908. Today the Zeppelin Foundation continues to own a stake in Zeppelin GmbH via Luftschiffbau Zeppelin GmbH.

CONSTRUCTION EQUIPMENT EU

Sales and servicing of construction machines

CONSTRUCTION EQUIPMENT CIS

Sales and servicing of construction and agricultural equipment

RENTAL

Rental and project solutions for the construction industry and industry

POWER SYSTEMS

Drive, Propulsion, Traction, and Energy Systems

PLANT ENGINEERING

Development and production of plants, components, and systems

Construction Equipment EU

Sales and servicing of construction machines

The Construction Equipment EU business unit is a leader in Europe for sales and servicing of construction machines. It product portfolio includes over 200 different types of machine from market leader Caterpillar. It provides customers with powerful earthmoving, excavation, demolition, recycling, and road construction equipment, as well as offering gardening and landscaping, agricultural, and industrial machinery. Special equipment for surface and underground mining rounds off the product range. A dense network of branches with a central spare parts warehouse ensures customers get fast responses and quick delivery. General overhaul of used construction machines also offers a cost-effective and resource-conserving alternative to buying new.

Construction Equipment CIS

Sales and servicing of construction and agricultural equipment

Zeppelin's Construction Equipment CIS business unit is successfully positioned in Eastern Europe and Central Asia. It is focused on sales and servicing of construction machines. Its portfolio includes Caterpillar construction machines, special equipment for surface and underground mining, and large or special equipment for mines and quarries and the oil and gas industry. This extensive offering is supplemented by agricultural and forestry equipment from leading international manufacturers. Fleet management systems for improving work processes and increasing efficiency complete the portfolio. The business unit is leading the way with its Component Rebuild Centers for overhauling components used in mining.

Rental
Rental and project solutions for construction and industry

The Rental business unit offers tailored rental and project solutions for customers from the construction, industrial, plant engineering, skilled trade, public, gardening/landscaping, and events sectors. As a leading full-service provider in the rental sector, the business unit offers a wide range of machinery and equipment for hire. It also plans and supplies barriers and traffic safety measures, and offers fleet and project solutions, temporary premises and infrastructure, energy supply concepts and testing services. Customers also benefit from the expertise of Zeppelin Streif Baulogistik, a specialist in the logistical management and optimization of projects in structural, civil and plant engineering.

Power Systems
Drive, propulsion, traction, and energy systems

The portfolio of the Power Systems business unit includes Caterpillar engines of the Cat, MaK and EMD brands. The business unit is a leading provider of drive, propulsion, traction, and energy solutions for industrial and marine applications, rail vehicles, the oil and gas industry, and heat and power generation. As well as electricity generators, it also offers drive units based on diesel, gas and dual-fuel engines, propellers, complete drive systems and corresponding system solutions. These are used in industry, agriculture, seagoing and inland waterway vessels, in rail transport, and for petroleum and natural gas production. The portfolio also includes combined heat and power plants. Furthermore, the business unit distributes system components, complete modules, and turnkey solutions for treating ballast water.

Plant Engineering
Development and production of plants, components, and systems

The Plant Engineering business unit specializes in developing and manufacturing components and systems for handling high-quality bulk materials. The systems are used worldwide in the chemical, plastics, rubber, tire, and food industries. The business unit supports customers every step of the way, from project development, engineering, production and site installation, to commissioning and after-sales service. In addition, it offers quality services for the aerospace and automotive industries. In test centers, customers can work with Zeppelin experts to examine new formulations and raw material mixtures.

THE FOUNDATION OF OUR VALUES IS

INTEGRITY

the integrity of our employees. As ambassadors for our culture, they epitomize our values of fairness, respect and transparency with respect to compliance, and they put these values into practice in their day-to-day work.

THE FOUNDATION OF OUR VALUES IS

EXCELLENCE

the excellence of our employees. As reliable, dynamic partners, they recognize the needs of our customers and, with their wide-ranging knowledge of our products and services, are able to deliver outstanding solutions.

Construction Equipment EU

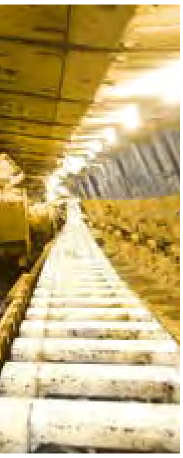
An agreement to deliver 18 Caterpillar machines to Phoenix Services Slovensko was one of the most substantial contracts the Construction Equipment EU business unit has ever signed in the Slovak Republic. The machines are to be used in a large steel plant in the eastern part of the country.

Construction Equipment CIS

In October 2015, the Construction Equipment CIS business unit signed a major contract with the company IC Ictas-Astaldi in Russia for the supply of 27 new Caterpillar machines, to construct a freeway between Moscow and St. Petersburg. The business unit scored another major success in Ukraine with the sale of 15 agricultural machines to the company AGRO LV Limited.

Shaping the future together

Zeppelin has established a competence center to expand its business operations with Caterpillar surface and underground mining equipment. The Construction Equipment EU and Construction Equipment CIS business units are working together to develop the market. Less than one year after taking over the sales and service activities of Caterpillar mining equipment, the international team secured its first order: a new Cat GH 800 B plow system for RAG Anthrazit Ibbenbüren GmbH. The system plows off and extracts coal seams around one meter thick in Germany's most northerly coal mine located in Ibbenbüren. "Zeppelin was the first Caterpillar dealer in the world to achieve success on this scale after starting sales and service activities for surface and underground mining equipment. In the future, other plow systems should find a market in the Czech Republic and Ukraine.



SUCCESSES DURING 2015

The Zeppelin Group is noted for its problem-solving ability and excellent service offering. “We Create Solutions” is our promise to customers. A wide-ranging portfolio of innovative products and services, as well as Group-wide collaboration across borders and across business units, allows us to offer solutions from a single source. Working with Zeppelin, customers can shape their business successfully and increase their competitiveness. The Zeppelin Group continued to win groundbreaking orders in the 2015 fiscal year.

Rental

Over a construction area of 55,000 square meters, a new business district is being built on the site of the former Vienna North railway station. The Rental business unit secured the contract for the logistical planning and control of this mammoth project of the SIGNA real estate company. The AUSTRIA CAMPUS project is the largest order ever received by Zeppelin Streif Baulogistik GmbH.

Following a Europe-wide tender process, the Rental business unit also concluded a new three-year contract with Deutsche Bahn AG, with an option to extend for a further two years.

picture © Becker Marine Systems

Power Systems

Stadtwerke Schönebeck GmbH drew up plans to modernize its CHP plant for electricity and district heat generation. The contract was awarded to the Power Systems business unit in early 2015. The contract included the complete delivery, turnkey installation, commissioning and approval inspections of the electricity and heat generation plant. Under this contract, the business unit delivered three Cat G3516H high-efficiency gas engine generator sets.

In September 2014, the business unit expanded its service portfolio in marine applications to include system solutions for ballast water treatment. In 2015, the first system was sold to Hapag-Lloyd Kreuzfahrten GmbH for the expedition ship "MS HANSEATIC". The system treats 125 cubic meters of ballast water per hour.

Plant Engineering

The Plant Engineering business unit sold a record volume of screw silos in 2015. In Turkmenistan, silos of modular design with a capacity of 1,000 m^3 were manufactured for the first time. These are used in a polyethylene production plant. The contractor is Hyundai, and the end customer is Türkmengaz. The Plant Engineering business unit achieved success in the petrochemical sector with the Bolt-Tec silo.

The tire manufacturer Apollo commissioned two plants for processing rubber, one in Chennai, India, the other near Budapest, Hungary. Another order was received from the Chinese tire manufacturer GITI Tire for a tire plant in the United States. At all plants, the Plant Engineering business unit is responsible for the overall planning, delivery of core components, supervision, and commissioning. Our plant engineering specialists are installing a conveyor system for the Russian chemical group Sibur in Tobolsk, Western Siberia. The contract is for delivery of a complete conveyor system for a total of four production lines.

The business unit's large global network was decisive for the contract award. All contracts were won through close collaboration within the network. The successful outcome vindicates the business unit's strategy of developing a global production network. Through close cooperation, the needs of the market and customer requirements in the various countries can be better fulfilled and sustainable cost savings can be achieved.

CONSTRUCTION EQUIPMENT EU

Review of 2015

By exploiting growth in Central European markets and through successful portfolio differentiation, the Construction Equipment EU business unit performed extremely well in 2015. Its leading market position was further expanded and the machine population was increased.

Housebuilding again proved the mainstay of Germany's construction sector. The Austrian construction industry stagnated. The Czech and Slovak markets, on the other hand, grew strongly. The reorganized Czech company benefited disproportionately from this market trend, thus providing key support for the success of the business unit.

Demand for new and used construction machines grew positively in all territories served. There was a further slight increase in sales of spare parts for construction and mining equipment. Utilization of the after-sales service also developed positively. Despite the difficult situation in the coal market, further progress was achieved in developing sales and servicing of Caterpillar machines used in underground mining. The Component Repair Center for mining equipment in Ostrava, Czech Republic, was well received by customers. The first conveyor systems manufactured in Ostrava were also placed on the market.

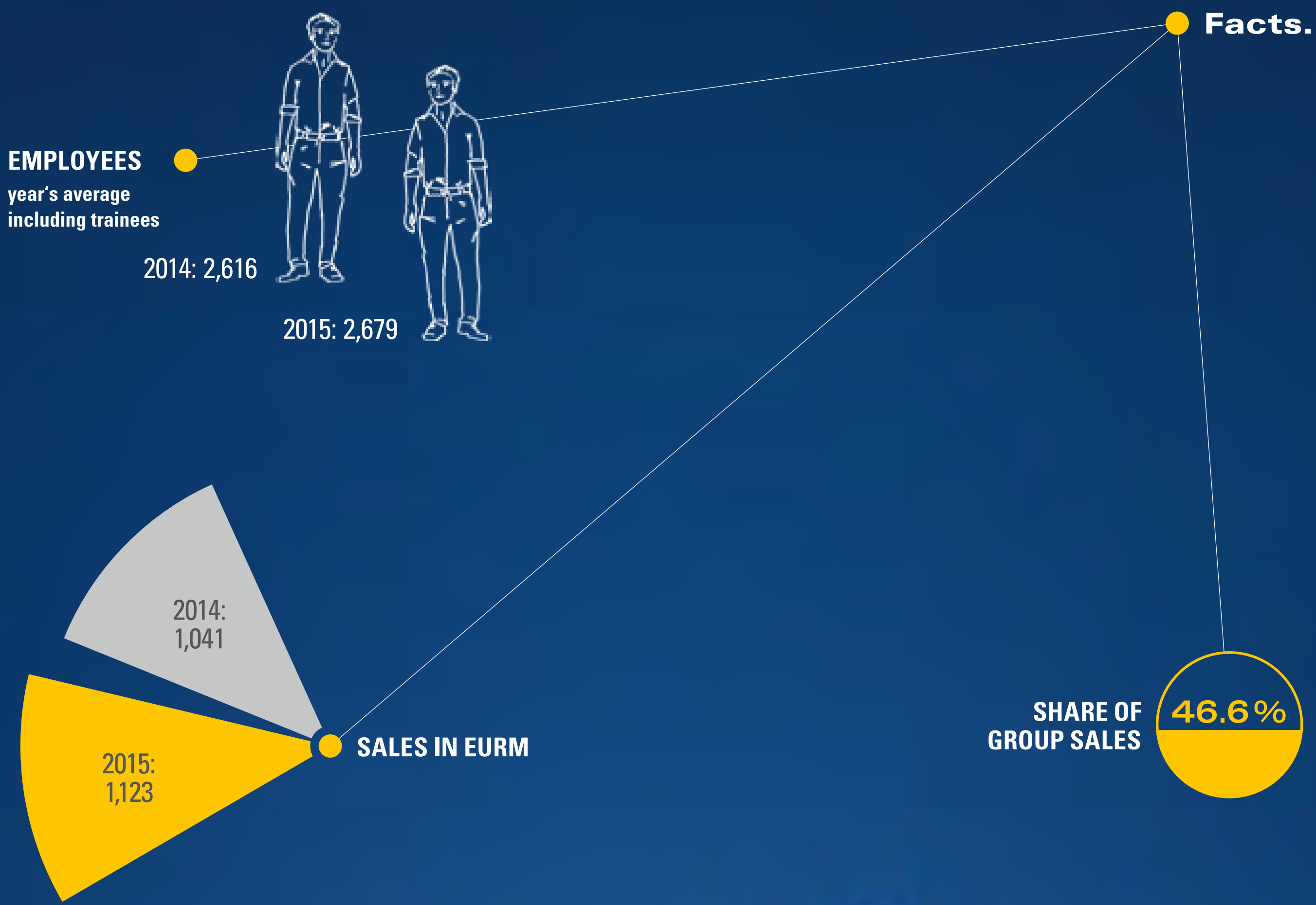
In Austria, the business unit launched two new product lines in March 2015. To attract new customer groups, the range of compact units was extended to include small wheel loaders manufactured by Schäffer of Germany. Wheel dumpers from Thwaites was also added to the program. Both products are well-positioned in the market and complement the portfolio perfectly. In 2014, the company decided to withdraw from business in Hyster forklifts in Germany, the Czech Republic, Slovakia and Ukraine in order to focus on the core business of construction and mining equipment in future. The withdrawal process was completed in the year under review. Zeppelin will continue to distribute Hyster forklifts in Poland and Hungary in future.

Outlook for 2016

The business climate in the markets served by the business unit is expected to be robust in 2016. The ifo Business Climate Index for trade and industry in Germany saw a further significant rise at the end of 2015. The construction machinery sector is expected to benefit from necessary investments in the upgrading of transport infrastructure. The Czech Republic and Slovakia are expected to see further moderate growth during 2016. In Austria too, a slight improvement in economic growth is forecast compared with 2015.

With the existing portfolio of products and services and its excellent market positioning, the Construction Equipment EU business unit will benefit from this positive environment. A major focus of attention in 2016 is bauma, the world's leading trade fair for construction, building material and mining machines, construction vehicles and equipment, which is held every three years in Munich. Caterpillar and Zeppelin will be presenting their latest product and service innovations at this event. Many customers from the territories served by the business unit will use the fair as an opportunity to build on their partnership with Zeppelin.

The business unit continues to invest in the development of services and infrastructure in those markets. It is expected that use of online services via the Zeppelin customer portal will continue to grow. Customers can use this portal to order spare parts and get up-to-date information on the construction machines currently in use. Preparations are also under way for introducing SAP computer systems in the four core countries served by the business unit. Employees will therefore continue to be supported by state-of-the-art technology in their day-to-day work. Modernization of the site network will continue with the construction of the Oberhausen branch starting in 2016.



The Construction Equipment EU business unit had another very successful year in 2015. We further expanded our market share and achieved the highest sales in four years. Together with our partner Caterpillar, we offer our markets the most compelling value proposition.“

Michael Heidemann, Head of the Construction Equipment EU strategic business unit

CONSTRUCTION EQUIPMENT CIS

Review of 2015

As in the previous year, the activity of the Construction Equipment CIS business unit in 2015 was hampered by the situation in Russia and Ukraine. The business unit nevertheless coped well, largely thanks to strict cost and risk management in the face of sharply declining sales, and excellent results in after-sales service and spare parts business.

Russia's construction industry was in a poor state in 2015, due to the country's economic weakness, major difficulties with construction project financing, and the virtual absence of public spending on infrastructure. Sales of new machines declined significantly. The market situation in Ukraine was even more critical. The difficulties faced by the Russian economy also negatively impacted demand for construction machines in Armenia, Belarus and the Central Asian states. Lack of financing by Russian investors led to growing reticence on the part of local customers. Demand was also impacted by depreciation of those countries' currencies. The market served by the business unit contracted by around 70 percent overall compared with the previous year. Used machines recorded positive growth, however. On the one hand the business was systematically expanded, while on the other hand customers welcomed a cost-effective alternative to purchasing new machines. Due to the large machine population that now exists and thanks to targeted investments, the after-sales service and spare parts business delivered a stable performance and, as in 2014, made a positive contribution to earnings. To reaffirm the importance of the Russian market and strengthen our bond with customers, the construction of a sales, service and logistics center was begun in Saint Petersburg. In the second quarter of 2015, the business unit took over the sales and service rights for agricultural machines manufactured by SAME DEUTZ-FAHR in parts of Russia, which strengthens our market position in the agricultural sector and gives us wider access to the Russian market.

Outlook for 2016

In 2016 the market is expected to stabilize at the current low level. A substantial recovery in commodity prices, which represent one of the most important economic factors, is not expected. Nor are the sanctions imposed on Russia likely to be eased or lifted in the short term. This will continue to impact negatively on customers' financial strength. Lack of public-sector construction projects and reluctance to invest will keep sales of new construction machines at the low level recorded in 2015. All in all, the economic environment will remain difficult.

Low commodity prices particularly affect the mining industry, which represents about 50 percent of the business unit's market. On the one hand, margins are under increasing pressure. On the other hand, the service and spare parts business remains largely stable thanks to undiminished output at most mining companies and consequently high levels of machinery utilization. The business unit has created a decisive stability factor through sustainable expansion of the machine population and hence of the customer service and spare parts business in the last few years.

The increasing presence of local and Chinese manufacturers in the low-price segment offers affordable alternatives to premium products and is changing the construction machine market. The business unit is well prepared for these changes, with construction machines from the Caterpillar-owned Chinese manufacturer SEM, and is gaining market share in this segment. The business in agricultural machinery in Russia and Ukraine also promises good growth potential. The weakness of the construction machine market is being countered to some extent by developing our collaboration with SAME DEUTZ-FAHR in Russia and expanding the sales territory for machines from AGCO GmbH in Ukraine. The used machines business will be steadily expanded, and also helps to stabilize earnings.

„Heavy pressure on oil and commodity prices, sanctions (particularly against the Russian financial sector), unresolved geopolitical conflicts, and enormous competitive pressure meant that we faced a very difficult economic environment in 2015. The year was marked by a 70 percent contraction of the construction machine market and declining local currencies. With rigorous cost-reduction measures, very effective management of foreign currency risks and a focus on exploiting existing market potential, particularly in after- sales and used machines business, we achieved a result, which exceeded our expectations in this market environment."

Frank Janas, Head of the Construction Equipment CIS strategic business unit

RENTAL

Review of 2015

The Rental business unit encountered a diverse environment in 2015. The business unit achieved its sales targets despite the difficult market situation in Russia. However, the result was adversely impacted by the restructuring of rental business in Russia and the fact that organic growth targets in Germany were not fully achieved. On the other hand, a positive business performance was recorded in the Czech Republic and Slovakia. Key factors included public-sector infrastructure projects. The German market stagnated due to continuing price pressure and weak capacity utilization, while the rental market in Austria was subdued.

Russia was still heavily affected by the Ukraine crisis, which led to high financing costs, the suspending of many construction projects, and a generally uncertain market situation. The Rental business unit therefore decided to withdraw from the Russian market for short-term rental of construction machines. Project-based rental of construction machines for longer periods was integrated into the Construction Equipment CIS business unit.

A major challenge in 2015 was the integration of the main activities of Streif Baulogistik GmbH, which was acquired in the previous year. The growth targets for which the business unit was aiming could not fully be achieved.

In view of low interest rates, some customers preferred to purchase machinery during 2015, so that utilization of the construction machinery fleet lagged expectations slightly. However, a centralized system for managing the fleet of construction equipment, rotation of the machinery fleet between countries, and cross-border investment decisions helped us to address the market effectively and achieve adequate capacity utilization. In addition, a system support mechanism for optimizing and controlling pricing having been implemented in Germany, this was also introduced in Austria.

Other projects were carried out to optimize settlement procedures and standardize IT systems for handling rental processes. The business in Germany became further digitized with the launch of an online sales channel.

Outlook for 2016

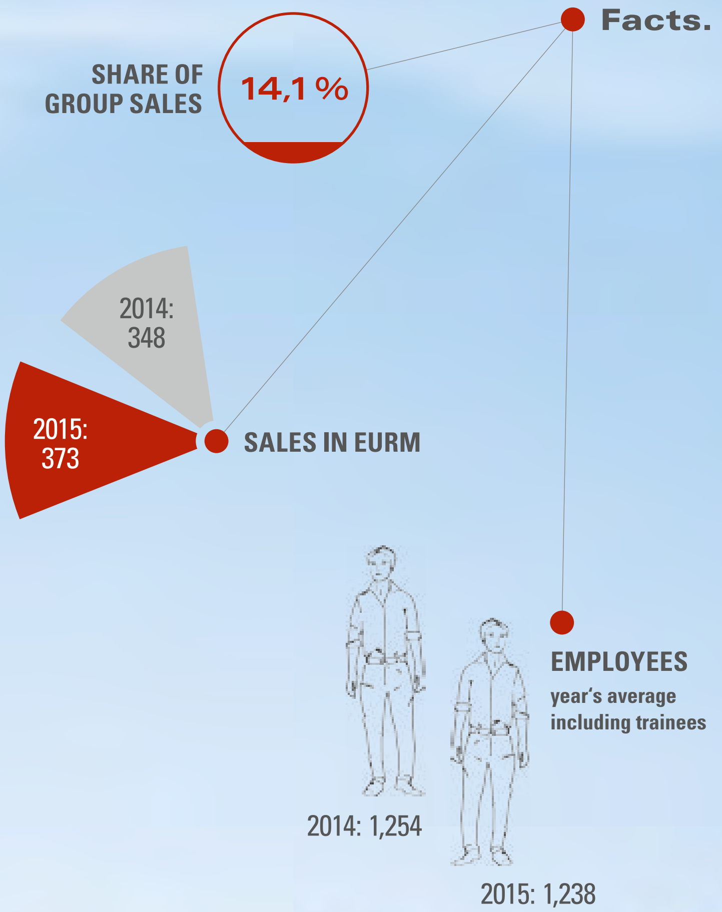
A positive trend is anticipated for the rental market in 2016. A slight increase in construction investment is expected in Germany and Austria, while many major public infrastructure projects offer growth potential in the Czech Republic and Slovakia. Sales should also receive a boost from the bauma 2016 trade fair. The Rental business unit will be exhibiting for the first time at the world's leading trade fair for the construction industry, presenting itself as a solution provider for the entire process chain of construction and maintenance projects, and setting new trends with a range of services not found elsewhere in the market. In addition, extensive investments will continue to be made in the rental fleet, so that we can offer customers the latest fuel-efficient and low-emission technologies.

Digitization of the business model and expansion of traditional service and value-added processes are among the main priorities in 2016. Stronger networking with customers and new digital services such as online rental will facilitate information access and transactions. With just a few clicks, customers can access prices and availability of rental machines, and the entire rental process can be dealt with online. The start-up Klickrent GmbH is continuously expanding its product range and successfully establishing itself as an independent online marketplace for rental and leasing of equipment.

Internally, the Rental business unit is focusing on standardizing and digitizing its processes, so as to reduce costs, increase efficiency and relieve employees of back office tasks. For example, an automated inventory management system with electronic check-in and check-out of rental equipment, as well as real time tracking using RFID (radio frequency identification), will be implemented.

„We achieved a very good result in the Czech Republic and Slovakia, and business progressed well in Germany and Austria in 2015. We were able to achieve the strategically planned portfolio mix in the Rental business unit, so that in future we will focus on growing evenly across the entire spectrum. I believe one of the next great challenges will be the tremendous pace of technological change, which is fundamentally altering the way we work, communicate and interact with our customers. With our new online rental service and the online marketplace klickrent, we ave already taken important steps toward the digitization of our business model, and we continue to develop digital networking with our customers and sustainable customer integration."

Wolfgang Hahnenberg,
Head of the Rental strategic business unit



POWER SYSTEMS

Review of 2015

The Power Systems business unit was hard-hit by the Ukraine crisis in 2015, so that the targets were not achieved. On a positive note, there was strong demand for flexible energy solutions such as high-efficiency combined heat and power (CHP) plants in Germany. Order intake in the CIS countries fell short of expectations. Promising projects were carried out in the field of standby power supply systems and critical power applications in Germany and Russia. Based on experience gained in the Czech Republic with back-up power at nuclear power plants, new contracts were sought in Ukraine and Hungary.

Oil and gas activities suffered particularly as a result of the Ukraine crisis. Significant project delays and contract cancellations were recorded in Russia. Project activity in Ukraine virtually came to a standstill, although the market picked up slightly in the other CIS territories served. The Gas Compression segment was not subject to the imposed sanctions, which made it possible to conclude a major contract for twelve engines in Russia. The Industrial Engines segment developed positively. Some large German manufacturers of agricultural and construction machinery benefited more than average from market growth. In Germany and Austria, engines meeting the Tier 4 Final emissions standards were incorporated into numerous projects. In addition, drive train solutions and engine and transmission packages were increasingly offered, in order to increase the range of applications and meet demand for complete solutions more effectively. Positive trends and a healthy order situation were recorded in the area of cruise ships and specialty shipbuilding.

The business unit won its first new build projects based on dual-fuel engines for four cruise ships and an LNG tanker. The introduction of BWT (ballast water treatment) equipment went according to plan, and a pilot project for retrofitting a cruise ship was signed. In the Locomotive Engines segment, the market in Germany and the Czech Republic declined. In the CIS countries, on the other hand, the market for remotorization offered further project opportunities. Based on its expertise, the business unit qualified as a supplier for projects in other European countries. The first prototypes are expected in 2016, with serial deliveries to begin in 2017.

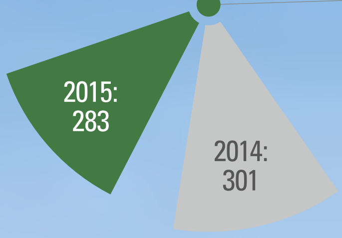
Outlook for 2016

The Power Systems business unit still expects the market environment to vary considerably according to segment. In Germany, demand for combined heat and power plants remained high after the amendment to the Cogeneration Act took effect, leading to slight optimism in the energy business. A negative trend is expected in the Oil and Gas segment due to the continued decline in oil prices. The low oil price also has a negative impact on large projects. In the heavily export-dependent market for industrial engines, order forecasts range from steady to optimistic, particularly bearing in mind that some large German engine manufacturers will benefit more than average from market growth. The Marine segment is cautiously optimistic, in light of several upcoming major projects, healthy demand in specialty shipbuilding, and the prospect of further upgrade projects due to stricter environmental regulations. The Service segment will remain an important mainstay of the business. Only slightly positive trends are expected in our foreign companies. The market in Russia is dominated by a small number of projects in the energy, oil and gas market, while the project and order situation remains at a long-time low. The market in Ukraine is stagnating at a low level and shows no sign of improvement.

In the new engines segment, the business unit will focus more intensively on emergency diesel generators for data centers, CHP plants, and specialty marine equipment. The business unit as a whole will continue to pursue its goal of becoming a provider of system solutions and complete systems. In the Service segment, quality and flexibility will be improved. Efforts will focus on the further internationalization and development of global service network.

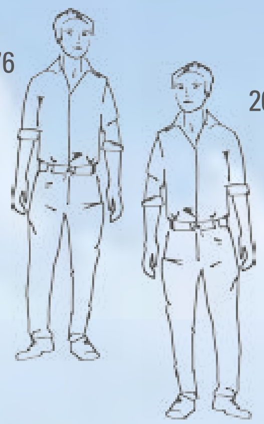
Facts.

SALES IN EURM



SHARE OF GROUP SALES 12.0%

EMPLOYEES
year's average
including trainees



"Overall, we were unable to achieve our sales and earnings targets for 2015. Nevertheless, order intake in the Energy and Marine segments was extremely positive. Our project activity in the Locomotives segment was also very positive. This encouraging trend was reinforced by a large order in the high double-digit million euros for MaK dual-fuel engines for cruise ships, to be delivered from 2017 to 2019. The further expansion of the Achim site went according to plan, bringing the EUR 30m investment project to a successful conclusion."

Volker Poßögel, Head of the Power Systems strategic business unit

PLANT ENGINEERING

Review of 2015

The Plant Engineering strategic business unit continued to maintain a successful market position in the 2015 fiscal year. The restructuring process begun in 2014 to restore and safeguard profitability proved highly successful.

The business unit posted very good order intake in the Polymer Plants area (plastics manufacturing). A plant project in Russia was a major factor in this success. Demand for plant projects continued to revive thanks to a healthy market situation in the United States, the Middle East and Asia.

The Plant Engineering strategic business unit also maintained a very good position in plastics processing and in the rubber and tire industry (Industrial Plants), despite slightly declining levels. Several major projects for the tire industry boosted order intake in 2015 far beyond what was expected.

Project success in the Food segment was subdued, so that this business area remained significantly below target. The trend was set at the very beginning of the year, with the loss of several major orders for which smaller and medium-sized orders could not compensate.

Servicing and component sales enjoyed a very good year, continuing to grow and recording high profit margins. The defined targets were exceeded, which vindicates the strategic approach and bodes well for future development.

The new Head of the strategic business unit, Axel Kiefer, assumed his duties on April 1. Management priorities included the development and optimization of the global network, harmonization of processes and centralization of individual services. The goal is to continue developing the Plant Engineering business unit into an integrated and close-knit network.

Outlook for 2016

The market for the three main business areas of plastics production, plastics and rubber processing, and food remains at the level of previous years and will remain stable in 2016. The award of only a few major projects during a fiscal year can have a large impact on a business unit's performance, depending on how well those projects succeed. Our positive view of the economic environment is slightly tempered by the political and social risks that currently exist around the world. However, the encouraging business performance and favorable project situation give cause for optimism.

The Plant Engineering business unit is making changes to its portfolio in 2016, with the aim of increasing profitability. Unprofitable business areas and products without good medium to long-term prospects will be taken out of the portfolio. The business unit already disposed of the Liquids and Compounding business areas during 2015. In addition, various production sites have been under review. As a result, this year silo production in Genk, Belgium, will be relocated to Friedrichshafen, Germany, and concentrated there.

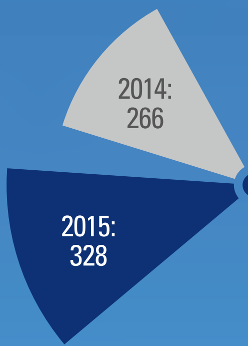
The main objective of the Plant Engineering business unit in 2016 will be to go on strengthening its competitiveness. Besides analyzing the product portfolio, attention will focus on the production units, expansion of worldwide cooperation within the business unit, and process optimization. Furthermore, the Components and Service business will grow in the medium term through systematic marketing in all three main business areas, and will help to stabilize earnings.

SHARE OF GROUP SALES 14.1 %

Facts.

„The profitability of the Plant Engineering strategic business unit increased significantly compared with the previous year, far exceeding our expectations. This was thanks mainly to the foreign companies, but also the German parent company, where restructuring measures aimed at optimizing internal processes began to bear fruit. Increased cooperation between sites also had a positive effect."

Axel Kiefer, Head of the Plant Engineering strategic business unit



SALES IN EURM

EMPLOYEES
year's average including trainees

2015: 1,376

2014: 1,373

2015

GROUP MANAGEMENT REPORT AND GROUP FINANCIAL STATEMENTS

GROUP MANAGEMENT REPORT FOR THE 2015 FISCAL YEAR

A. Business Activities of Zeppelin GmbH and the Group

The following management report is the combined management report and Group management report of Zeppelin GmbH. It presents the business performance of the Group and Zeppelin GmbH, including the results for the fiscal year from January 1 to December 31, 2015 as well as the position of the Group and Zeppelin GmbH as at December 31, 2015.

Corporate Purpose of Zeppelin GmbH

The corporate purpose of Zeppelin GmbH comprises the holding of participations in companies with a net carrying amount of EUR 410.8m (previous year: EUR 408.9m), the management of land, buildings and technical equipment and their rental, particularly to affiliated companies (net carrying amount December 31, 2015: EUR 115.7m, previous year: EUR 111.0m) and the financing of affiliated companies. At the end of 2015, 58 people were employed (previous year: 53).

The shareholding structure of Zeppelin GmbH remained unchanged in 2015. Luftschiffbau Zeppelin GmbH holds 96.25 % and Zeppelin-Stiftung in Verwaltung der Stadt Friedrichshafen (foundation managed by the City of Friedrichshafen) holds 3.75 % of the subscribed capital of Zeppelin GmbH of EUR 100.0m.

The Supervisory Board consists of 12 members, who represent the shareholders and the employees in equal numbers in accordance with Section 7 of the German Codetermination Act.

Strategic Business Units of the Zeppelin Group

The Zeppelin Group is operationally and strategically managed via five strategic business units (SBUs). This organizational structure ensures its ability to focus on individual markets, customer groups, and product segments while managing activities across multiple countries and companies. The SBUs are Construction Equipment EU, Construction Equipment CIS, Rental, Power Systems, and Plant Engineering. Zeppelin's business activities include sales and servicing of Caterpillar construction machines, mining equipment, diesel engines, MaK marine engines, and agricultural and forestry equipment of the AGCO, Ponsse and DEUTZ-FAHR brands. In Germany and various countries of Central and Eastern Europe and Central Asia, Zeppelin is the sales partner of Caterpillar Inc. headquartered in Peoria, Illinois (USA). The other brands are sold in several Central and Eastern European countries. The Rental business unit rents out construction machines as well as a wide range of construction equipment, space systems, construction site and traffic guidance systems, aerial work platforms and lifts, and vehicles. It also offers an extensive range of services.

The business activities of the Plant Engineering business unit involve developing, implementing, and selling systems for producing and processing high-quality bulk materials in the worldwide market for plastics, rubber and tires, food, and pharmaceuticals. Zeppelin is the world market leader in the handling of high-quality bulk materials.

B. Business Report

1. Economic Conditions

The global economy only grew moderately in 2015. This was mainly due to weaker growth in emerging markets. By contrast, economic growth in industrialized countries was much better and even the economy of the euro zone picked up somewhat.[1] The global gross domestic product (GDP) grew by 3.1 % (previous year: 3.3 %) in 2015. The extremely loose monetary policy maintained by the European Central Bank (ECB) had a positive impact on economic growth in the euro zone. Growth in 2015 is expected to reach 1.5 % (previous year: 1.3 %). Growth also reached 1.5 % in Germany as well (previous year: 1.4 %). Russia is in a deep recession and economic growth continues to be held back by the effects of the ongoing conflict in Ukraine. At -3.7 %, growth in 2015 was very negative. Ukraine's GDP was even worse, falling by -9.1 %. Economic growth in the Czech and Slovak Republics improved in 2015 (3.9 % / previous year: 2.5 % and 3.2 % respectively / previous year: 2.4 %).[2] In Poland, growth of 3.5 % declined compared to the previous year (5.5 %). China grew by 6.8 % in 2015 (previous year: 7.5 %) and India by 7.5 % (previous year: 6.7 %), while Brazil is currently in a recession and posted negative growth of -1.0 % (previous year: 1.8 %). In the USA, the economic upswing continued in 2015, with GDP increasing by 3.1 % (previous year: 2.2 %).

The ECB has a very expansive monetary policy and in January 2015 it decided to make large purchases of public sector securities, increasing its balance sheet by more than EUR 1 trillion in 20 months. As a result of this decision, short-term EURIBOR interest rates fell into negative territory. The headline rate was left at 0.05 % p.a. In the USA, after seven years of low interest rates, economic growth has led to a trend reversal, with an initial increase – to 0.5 % p.a. – in benchmark rates occurring in December 2015.

The main currencies for the Zeppelin Group are the U.S. dollar (USD), the Russian ruble (RUB), and the Ukrainian hryvnia (UAH). The USD/EUR exchange rate, which was 1.16 at the start of 2015, fell to 1.09 by the end of the year as a result of the depreciation of the euro. The Russian ruble started 2015 at an exchange rate of 74.19 RUB/EUR, and appreciated to 56.45 RUB/EUR over the course of the year before ending the year at 76.09 RUB/EUR. The exchange rate of the Ukrainian hryvnia was 18.14 UAH/EUR at the beginning of the year, before falling to 25.28 UAH/EUR by the end of December 2015.

[1] Cf. International Economic Activity – Annual Report 2015 / 2016
[2] Cf. IMF World Economic Outlook Update, January 2016

2. Market Development

In 2015, the markets of importance to the Zeppelin Group developed as follows:

German construction trended sideways after increasing at the start of 2015. At 2.8 months, the order backlog is in line with the previous year, but it lags behind November 2015 slightly, falling by 0.1 months. The business climate in the main construction trades improved over the course of the year, reaching its highest level since reunification in November 2015. In the first 11 months of 2015, the total revenue of all businesses in the main construction trades rose by 0.8% over the previous year. According to estimates by the Ifo Institute, construction investments rose by 0.6%, a slight increase compared to the previous year. In particular, residential construction, at 2.5 %, contributed to this growth. Public civil engineering and commercial civil engineering were unable to continue the positive trend from 2014, decreasing by 2.0 % and 2.5 % respectively. Investments in structural engineering also fell sharply, by 2.0 % in both commercial structural engineering and public structural engineering.

The recovery of the German market for new construction machines continued in 2015, although at a slower pace than in the previous year. In 2015, a total of 26,406 (previous year: 25,998) units were sold. This represents a market volume of about EUR 1.9b (previous year: EUR 1.8b). As a result, the total market (retail and rental) grew by 1.3 % in 2015. The rental segment (i.e., first-time rental of new machines by rental companies) increased by 1.6 %, while the retail market (end customer business) increased by 1.1 %. The retail/rental split is 68/32 (previous year: 66/34). In 2015, Zeppelin sold a total of 3,643 units (retail), which is 193 more new machines than in the previous year. Thanks to gains in market shares in the retail sector across all equipment groups (0.4 percentage points) Zeppelin maintained its leading position with a total market share of 16.0 % (previous year: 15.9 %).

Following its withdrawal from the forklifts business area in 2014, the Group's business activities in 2015 were limited to the sale of inventories and equipment returns from leasing agreements as well as the provision of services, mainly based on full-service agreements that still have to be carried out.

The Austrian construction industry continues to improve. The index providing an assessment of its current situation rose to 7.8 points in November 2015, its highest figure since October 2013. At 1,745 units, the market for new construction machines in Austria was slightly higher than the previous year (1,720). At 16.6 %, Zeppelin's market share at the end of 2015 was slightly below the previous year (17.2 %). In the Czech Republic, construction in November 2015 increased by 1.5 % in real terms compared to the same period last year. Civil engineering fell by 4.6 %, while structural engineering rose by 11.4 %. Slovakian construction rose sharply in November 2015, posting a 15.1 % increase compared to the previous year. Both structural engineering (+22.6 %) and civil engineering (+11.5 %) rose compared to the previous year. The market for new construction machines rose significantly in the first three quarters of 2015 in both the Czech Republic (1,107 units;

previous year: 672) and the Slovak Republic (512 units; previous year: 295). Zeppelin's market share in the Czech Republic increased to 24.2 % (previous year: 17.0 %). The Slovak Republic maintained its high level at 21.3 % (previous year: 23.7 %).

In Russia, the construction industry fell by a total of 9.9 % as a result of the country's economic crisis, considerable difficulties in finding project financing and a near total lack of government infrastructure spending. Performance in Ukraine is even worse, with a decline of 14.9 %. The volume of the Ukrainian mining industry fell by 14.7 %. Because of the ongoing political crisis between Russia and Ukraine the markets for new construction equipment in these countries fell sharply (by -65 % in Russia and by -29 % in Ukraine). Zeppelin's market shares in the countries of the CIS is 8.5 % (previous year: 10 %).

The rental market in Germany only rose slightly in 2015. The European Rental Association anticipates growth of 1.7 % for 2015. The rental market in Austria continues to be restrained. In the Czech Republic, by contrast, the rental market is on a strong expansion path, posted growth of 26 % in 2015. The rental market in the Slovak Republic has had similar growth. The economic performance in Russia and Ukraine continues to be unstable and recessionary.

Demand for locomotives was once again very low in the German market in 2015. Nevertheless, Zeppelin was able to ensure basic capacity utilization thanks to existing orders in the area of specialized rail vehicles and series locomotives. The energy sector has seen dynamic and brisk market growth as a result of Germany's shift in favor of renewable energy. Project activity in the area of combined heat and power plants remains at a high level. The global shipping markets were uneven in 2015. While demand in the cargo ship market and offshore area were stagnant, orders in German ship construction grew as a result of niche markets that were tapped successfully, including yachts, cruise ships and government vessels. The situation for German shipping companies is characterized by overcapacity, low cargo volumes and financing difficulties. The market for oil and gas applications continues to experience a significant negative impact as a result of low oil prices and, in Russia, the sanctions imposed by the USA and the EU.

While the German mechanical and plant engineering industry was at a high level in 2015, there was no growth. According to the Verband Deutscher Maschinen- und Anlagenbau (VDMA), a trade association, a nominal production volume of EUR 199b is expected for 2015. In view of the current trouble spots around the globe, which have a negative impact on the mechanical engineering industry, and the reluctance to invest seen in Germany, this counts as a success. The performance of the German chemical industry was mixed in 2015. In addition to stable employment and moderate production growth of 1 %, prices fell sharply, which led to overall stagnant sales. German manufacturers of plastics and rubber machines had revenue growth of 5 % in 2015. Manufacturers of food processing and packaging machines saw orders decline in 2015. Incoming orders for food processing machines in Germany fell by 24 % compared to the previous year, while incoming orders abroad rose by 4 % compared to the previous year.

3. Development of the Zeppelin Group's Business

Development of Revenues and Orders

As in the previous year, the Zeppelin Group was significantly impacted by the crisis in Russia and Ukraine. However, Zeppelin was able to increase its results over the previous year by taking appropriate measures early on.

Group revenues rose by EUR 27.6m, or 1.2 %, to EUR 2.328b (previous year: EUR 2,301b), mainly as a result of the first-time consolidation of four companies. The share of revenue from foreign companies fell to 43.9 % (previous year: 46.7 %).

The strategic business units of the Zeppelin Group that rent, sell, and service construction machines and engines saw their revenues fall in 2015 by EUR 37.5m, or 1.8 %. In particular, revenue declined in the Construction Equipment CIS business unit by EUR 126.2m (-29.1 %) and in the Power Systems business unit by EUR 18.5m (-6.1 %) as a result of the political crisis in Russian and Ukraine. Revenue in the Rental business unit increased by EUR 25.1m (+7.2 %) and in the Construction Equipment EU business unit by EUR 82.1m (7.9 %).

Revenues by Strategic Business Unit

BREAKDOWN OF GROUP REVENUES (EURM)	2015	2014	CHANGE (%)
Construction Equipment EU SBU	1,123	1,041	8
Construction Equipment CIS SBU	307	434	-29
Rental SBU	373	348	7
Power Systems SBU	283	301	-6
Plant Engineering SBU	328	266	23
Zeppelin GmbH Group (consolidated)	**2,328**	**2,301**	**1**

In the 2015 fiscal year, a total of 14,542 machines and engines were sold, corresponding to a decline of 1,157 units or 7 % year on year. The breakdown was as follows: new construction machines down 627 units (-10 %), forklifts down 335 units (-20 %), and engines down 464 units (-17 %). This was due to the withdrawal from the forklifts business area and the restructuring and transfer of the rental business in Russia to the Construction Equipment CIS business unit. By contrast, the number of used machines sold rose by 326 units (+8 %).

With EUR 327.6m in revenues in 2015, the Plant Engineering business unit exceeded the previous year (EUR 265.5m) by EUR 62.0m (+23.3 %).

As in the previous year, incoming orders for all Group companies are EUR 2.3b. At EUR 497.1m, the order backlog is slightly below the previous year (EUR 507.0m). Of this, EUR

226.8m is in the Plant Engineering business unit (previous year: EUR 269.8m).

Workforce

Personnel capacities in the Zeppelin Group are down 2.1 % at the end of 2015 compared to the previous year. As at December 31, 2015, the Group employed a total of 7,713 employees, of which 304 (previous year: 7,878 / 311) are trainees. The decline mainly occurred in the Construction Equipment CIS business unit (-150 employees) and the Rental business unit (-68 employees), which is attributable to slight adjustments, particularly in Russia. By contrast, personnel capacities in the Construction Equipment EU business unit increased by 46. At the end of the year under review, the foreign companies of the Zeppelin Group had 3,379 employees, corresponding to 43.8 % of the overall workforce (previous year: 45.8 %).

In the interest of maintaining a sustainable personnel policy, Zeppelin GmbH submitted to the "berufundfamilie" audit by Federal Ministry for Families, Senior Citizens, Women and Young People. The issue of combining career, family and personal life is an important component of a successful personnel policy. For this reason, Zeppelin GmbH decided to analyze the strengths and potential in the area of a family- and life phase-oriented personnel policy and to create new objectives and measures to ensure better compatibility of career, family and personal life.

Employees by Strategic Business Units

AT END OF YEAR	2015	2014	CHANGE (%)
Construction Equipment EU SBU	2,467	2,412	2
Construction Equipment CIS SBU	1,627	1,777	-8
Rental SBU	1,168	1,254	-7
Power Systems SBU	763	761	0
Plant Engineering SBU	1,326	1,310	1
Trainees in the Group	304	311	-2
Zeppelin GmbH Group [1)]	**7,713**	**7,878**	**-2**
Germany	4,335	4,269	2
Overseas	3,379	3,608	-6

[1)] incl. Zeppelin GmbH

Information about the Quota for Women

In accordance with the "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act", Zeppelin GmbH has set targets for increasing the proportion of women on the Supervisory Board, on the Management Board and at the senior management level. Because it exercises a holding function, there is only one management level below the Management Board at Zeppelin GmbH.[3] The target quota of women on the Supervisory Board is 8.33 %, the target for the Management Board remains unchanged at 0 %, and the target for the senior management level is 25 %. The target quotas are based on the contractual periods that extend beyond the reporting date June 30, 2017

Important Activities During the Year Under Review

In order to respond to the growing differentiation of international markets and the steadily increasing demands of customers the Zeppelin Group is organized into strategic business units. The management responsibilities and personnel of the strategic business units are clearly defined, and the Zeppelin Group-level management process is institutionalized in a Group Management Board. The strategy process for 2015 focused on the theme of "back to growth", not least because of the effects of the Russia/Ukraine crisis. In particular, the Construction Equipment CIS business unit is affected by this conflict over the long term. For this reason, existing business models will be expanded further, new competences and services added, and new business models with a positive impact on growth will be worked out.

The navigation tools that have been defined for measuring achievement of the objectives as part of the GPS strategy (growth, performance and stability) have been revised and, in some cases, redefined. Zeppelin also continued to align its strategic focus closely and successfully with Caterpillar's "sow, cultivate, harvest" strategy in 2015. Zeppelin played a key role in Caterpillar's global "Across the Table" initiative. The fundamental rules and conditions for cooperating with retailers as part of the "Across the Table" initiative were laid out in 1926. The aim of the initiative is improved marketing and cooperation between Caterpillar and retailers in the interest of customers.

Four Group companies were included in the consolidation group for the first time in fiscal 2015. In addition, Zeppelin Group further streamlined its corporate structures.

Creditreform Rating AG confirmed its BBB+ rating of Zeppelin Group in September 2015, although it added the supplement "watch". This attests to Zeppelin Group's very good creditworthiness, with a rating that is above average compared to the industry and the overall economy. The addition of the "watch" to its rating is due to the crisis in Russia and Ukraine as well as the restructuring in plant engineering that has still not been completed. In 2015, Zeppelin Group once again handled the challenges in Russia and Ukraine well through active risk prevention. The positive assessment of the structures, market position and financial strength of Zeppelin Group remains unchanged.

Focusing on digital networks, the **Construction Equipment EU business unit** once again succeeded in structuring its business processes more efficiently and making greater use of

[3] The senior management level involves Zeppelin GmbH division managers.

synergy effects in 2015. For example, the Product Link fleet management system now has a record number of participants, offering 2,300 users from more than 1,000 customers the advantage of being able to transmit data in real time, which can be used to make remote diagnoses and detect errors in construction equipment. This intelligent analysis of data allowed the Construction Equipment EU business unit to further expand its construction equipment service. Since 2015, there have been five components to flexible service packages, which help optimize customers' cost effectiveness by providing greater efficiency and lower maintenance and operating costs.

In order to boost cooperation and better utilize synergies, the medium-term goal of implementing a uniform ERP platform based on SAP was set for the entire Group. As a result, the introduction of SAP is an important component for further boosting performance and strengthening the Group's market position. Following the successful implementation in the Plant Engineering business unit, the next phase will start with the Construction Equipment EU business unit. Fiscal 2015 saw the commencement of international working groups that will analyze and detail the requirements and needs for the various business processes.

In addition, the Construction Equipment EU business unit demonstrated the strengths of its products and innovations at a number of trade fairs and exhibitions. Zeppelin Baumaschinen GmbH successfully represented the "agriculture" and "recycling & waste disposal" industries, which have been defined as key segments, at four trade fairs. At the MAWEV Show, Zeppelin Österreich GmbH presented a comprehensive portfolio of its products as well as the products of well known brands, such as Thwaites and Schäffer, with which it has had a distribution partnership since 2015.

The performance of the Construction Equipment EU business unit won a number of international awards again this year. After being named the best Caterpillar sales and service organization in Europe in 2013, Zeppelin Baumaschinen GmbH received the "Global Dealer Excellence Award", which is only awarded every other year, in 2015. In recognition of its excellent professional service organization and the highest level of customer service, the company also received the "Gold Award for Service Excellence 2015" from Caterpillar. The extraordinary success in the used equipment business was also recognized with an award.

The **Construction Equipment CIS business unit** began excavation work for construction of its branch office in St. Petersburg. Construction of the branch will start in spring 2016. In total, Zeppelin will invest upwards of EUR 17.5m in the new location, which will also be used by the Power Systems business unit.

After the dealership agreement between agricultural machine manufacturer Case New Holland and PRIME Machinery OOO was terminated in July 2015, PRIME Machinery OOO concluded a new dealership agreement with Italian-German agricultural equipment manufacturer SAME DEUTZ-FAHR. Under this dealership agreement, PRIME Machinery OOO will sell and service SAME DEUTZ-FAHR equipment and spare parts throughout much of Russia.

Zeppelin Russland OOO and Zeppelin Rental Russland OOO were merged in October 2015. The operational rental business will be restructured to integrate it in Zeppelin Russland OOO and continued on a reduced basis.

The **Rental business unit** continued to expand its international collaborations in fiscal 2015. For example, the rental fleets for Germany, Austria, the Czech Republic and the Slovak Republic are maintained, made available and procured centrally. The portfolio is structured according to needs, which optimizes utilization.

In Russia, the market for rental of construction machines has been seen significant negative effects as a result of the Ukraine crisis and the accompanying sanctions, the increase in the cost of financing and the weakening of the ruble. As a result, the rental business was resized and integrated in the Construction Equipment CIS business unit in 2015. The results of the Rental business unit have been affected significantly by the one-off effects of this measure.

As of April 1, 2015, Zeppelin Streif Baulogistik GmbH transferred its container division to Zeppelin Rental GmbH & Co. KG. The division's employees, fixed assets and rental and leasing agreements were transferred to Zeppelin Rental GmbH & Co. KG on this date.

In addition to the integration of the 2014 acquisitions (Zeppelin Streif Baulogistik GmbH and BIS Inspection Service GmbH, there was a focus on digitalization, the generation of efficiency and performance effects and the automation of operational processes, among other projects.

To increase market share and appeal to smaller construction companies as well as small trades businesses, the Rental business unit plans to establish a second brand in the German market. The aim of the brand, which will be called "Fast Rent", is to serve smaller companies and small trades with a target group-specific and attractive offering. It will focus on availability and processing that is as simple and fast as possible.

The **Power Systems business unit** operates in a market environment that is evolving very differently. As a result of the energy transition, the significant expansion of data center capacities and the resulting need for enormous amounts of emergency reserve power, the energy sector in Germany is experiencing strong market growth. The project situation in Germany is once again at a very high level this year. Thanks to the positive framework conditions and good product coverage by Caterpillar this segment will continue to experience above-average growth.

In the high-volume industrial engines segment, the business unit succeeded in placing engines that meet the latest emission standards (Tier IV Final) in a large number of prototype projects in Germany and Austria. This created the basis for continuous series production in subsequent years. As a result of the sanctions that were imposed against

Russia, some export-oriented customers saw orders and sales decline. Increased marketing activities in Eastern Europe and CIS countries resulted in initial sales successes for engines used in agricultural equipment.

Despite the persistent problems in global shipbuilding, the business unit posted a positive performance in the cruise and river cruise ship segment as well as in special-purpose vessel construction. In addition to continuing a river cruise ship series, dual fuel power systems, including gas processing, were designed for four cruise ships plus six options. Power Systems was thus able to push ahead in the growth segment for gas engine drive systems and LNG[4] processing. The project situation also picked up in the mega-yacht segment. Thanks to Caterpillar's acquisition of BERG Propulsion, which was renamed CAT Propulsion and which specializes in the production of propulsion components for shipbuilding, Power Systems can now successfully offer additional system components (e.g., propellers) in the market.

In the oil and gas segment, project activity declined as a result of very low oil prices and the sanctions against Russia. In the locomotive segment, the Power Systems business unit further established itself as a center of excellence and expanded project activities abroad in close collaboration with the respective Caterpillar dealers.

The market in Eastern Europe is mainly characterized by projects in the energy/oil/gas segment. The prevailing conditions are having a negative impact on the project situation, leading to postponements of projects and a lack of transactions.

Zeppelin Power Systems location expansion in Achim is going according to plan. The completion and commencement of the last phase of the construction, the engine test rig, is planned for spring 2016.

The **Plant Engineering business unit** once again positioned itself successfully in the market in 2015. The restructuring process initiated in 2014 to regain and ensure profitability over the long term has shown significant success.

In the area of polymer plants (plastic producing plants), the Plant Engineering business unit had a very good level of incoming orders. A plant project in Russia made a significant contribution to this success. The Plant Engineering business unit also positioned itself very well in the rubber and tire industry (industrial plants), despite a slightly lower level. As a result of several large projects for the tire industry, the level of incoming orders was far above the planned figured. In the food segment the market situation was restrained, as a result of which this business area was well below plan. The service and components segment posted a very good year, growing further at a high margin level. The targets that were set were exceeded, which represents a confirmation of the strategic focus and bodes well for further growth.

[4] LNG: liquefied natural gas

Mr. Axel Kiefer began his new role as head of the business unit on April 1, 2015. Management focused on the further development and optimization of the global network, the standardization of processes and the centralization of individual services.

The liquids and compounding business areas were split off from the business unit in 2015. In addition, the international production strategy was reassessed, as a result of which silo production will be concentrated in Germany in the future, resulting in a shift in production facilities from Belgium to Friedrichshafen. Following the successful launch in the first quarter of 2016, the subsidiary Zeppelin Systems Benelux N.V. will operate as a pure sales and service company on the market in the future. Furthermore, the company wants to sell the global mixing technologies business in Kassel. A corresponding process for carrying out the sale was initiated.

4. Results of Operations, Financial Position, Net Assets of the Zeppelin Group

The Zeppelin Group mainly judges its performance by means of three indicators: revenues, earnings before tax, and return on capital employed (ROCE).

The earnings, financial position and net assets of the Zeppelin Group continued to be affected significantly by the geopolitical crisis in Russian and Ukraine. Its overall operating performance fell slightly by 0.5 % from the previous year. The net assets increased by 3.2 %, which is due in particular to the increasing investment in rental fleets recognized in the balance sheet. The equity ratio stands at 42.7 %, a health increase over the previous year (40.7 %)

Results of Operations

Despite the 1.2 % increase in revenues (EUR 2.328b; previous year: EUR 2.301b), total operating performance fell slightly as a result of a negative change in inventories (EUR -17.1m; previous year: EUR 22.0m) to EUR 2.312b (previous year: EUR 2.323b). Other operating income amounted to EUR 89.2m and is EUR 3.8m, or 4.5 %, higher than in the previous year (EUR 85.4m). This is due to higher cost refunds and credits as well as income from the reversal of provisions.

The cost of materials decreased at a faster rate than total operating performance, by 1.8 %, to EUR 1.592b (previous year: EUR 1.620b), causing costs for materials to drop to 68.9 % of the total operating performance (previous year: 69.7 %). As a result, the gross profit[5] increased by EUR 16.9m (2.4 %) to EUR 719.8m (previous year: EUR 702.9m).

Personnel expenses climbed by EUR 10.5m, or 2.5 %, to EUR 432.2m (previous year:

[5] Revenues + changes in inventory and other own work capitalized - the cost of materials

EUR 421.7m). This was due to the first-time consolidation of four group companies, although the reduction in the workforce in Russia offset this. The personnel expense ratio rose slightly compared to the total operating performance to 18.7 % (previous year: 18.2 %).

Amortization of intangible assets and depreciation of property, plant, and equipment amounted to EUR 42.4m, or EUR 5.0 more than the previous year (EUR 37.4m). The depreciation on tangible assets for rentals (rental fleet) increased to EUR 46.1m (previous year: EUR 41.1m). It is included in the cost of materials.

Other operating expenses came to EUR 230.5m and are EUR 3.2m down on the previous year (EUR 233.7m). Administrative expenses fell by EUR 3.6m because of lower consulting, communication and training costs, while sales-related costs decreased by EUR 1.1m compared to the previous year because of lower outgoing freight charges and guarantees. Operating costs increased slightly by EUR 0.2m and additional staff costs rose as a result of the higher number of temporary workers by EUR 1.1m compared to the previous year.

The financial result improved by EUR 1.2m to EUR -19.8m (previous year: EUR -21.0m). The net interest result amounted to EUR -20.3m, EUR 0.3m less than the EUR -20.0m for the previous year. This was mainly because of lower interest income from interest hedging agreements concluded by Zeppelin GmbH – due to falling interest rates in Europe – as well as lower interest income earned by Zeppelin Baumaschinen GmbH from financing agreements for customers. Investment earnings improved by EUR 1.5m to EUR 0.6m (previous year: EUR -1.0m), which is due to lower write-downs on financial investments compared to the previous year (EUR -1.6m).

The Group's earnings from operations before tax rose to EUR 81.2m (previous year: EUR 71.6m). The net operating margin amounted to 3.5 % (previous year: 3.1 %). The return on equity[6] before taxes came to 14.9 % (previous year: 13.8 %), while the total return on assets[7] was 8.0 % (previous year: 7.5 %). The ROCE[8] was 8.0 % (previous year: 7.4 %).

After deducting taxes on income and earnings of EUR 25.0m (previous year: EUR 25.7m), net income of EUR 56.1m (previous year: EUR 45.8m) was generated in the 2015 fiscal year. The 2015 tax ratio amounted to 30.9 % (previous year: 36.0 %).

[6] Earnings before tax / (equity in previous year + equity in year under review) / 2
[7] (Earnings before tax + interest expenses) / (balance sheet total of previous year + balance sheet total of year under review) / 2
[8] Earnings before taxes and interest (working capital + fixed assets + off-balance assets [in each case, the average of the last four quarters])

Result of Ordinary Operations by Strategic Business Units

BREAKDOWN OF GROUP RESULT IN EURK	2015	2014 [1)]	CHANGE (%)
Construction Equipment EU SBU	40,212	33,574	20
Construction Equipment CIS SBU	28,624	23,703	21
Rental SBU	13,683	16,569	-17
Power Systems SBU	19,657	23,841	-18
Plant Engineering SBU	1,620	-5,461	130
Zeppelin GmbH Group (consolidated)	**84,166**	**74,462**	**13**
Thereof, foreign companies	54,702	41,503	32

[1)] Prior year figure adjusted (does not include one-off effects)

Financial Position

The financial demands on the Zeppelin Group are defined by long-term fixed assets (including a large rental fleet), which account for over a third of net assets, and other stocks and receivables needed in order to trade in construction equipment and other high-value capital goods that are characterized by relatively rapid turnover.

Taking account of negative currency translation differences of EUR 4.9m, which fell in large part as a result of the sharp decline in the exchange rates for the Russian ruble and the US dollar compared to the previous year (EUR -26.9m), the Zeppelin Group equity increased by EUR 43.5m to EUR 566.3m in 2015 (previous year: EUR 522.8m). With net assets rising by 3.2 % to EUR 1.327b, the equity ratio increased to 42.7 % (previous year: 40.7 %). As of the balance sheet date, the total long-term assets amounted to EUR 973.9m (previous year: EUR 851.4m) – comprising equity (EUR 566.3m), pension accruals (EUR 108.3m) and other long-term provisions (EUR 20.7m) as well as liabilities to banks and institutional investors due to be liquidated in more than one year (EUR 278.5m) – and thus exceeded the fixed assets and the portion of current assets that are tied up on a long-term basis, which together amounted to EUR 499.3m (previous year: EUR 453.9m) by EUR 474.6m (previous year: EUR 397.6m). They therefore also covered 120.1 % of the Zeppelin Group's inventories. The increase in long-term assets is due, on the one hand, to the increase in liabilities to banks and institutional investors with a future benefit exceeding one year (EUR +74.3m) and, on the other hand, to the increase in equity (EUR +43.5m).

The short-term provisions and liabilities as of December 31, 2015 amounted to EUR 345.2m (previous year: EUR 424.4m), down EUR 79.1m. They mostly consist of trade liabilities amounting to EUR 60.8m (previous year: EUR 78.8m), liabilities to banks amounting to EUR 36.9m (previous year: EUR 80.2m), tax and other provisions of EUR 168.7m (previous year: EUR 152.2m) as well as down payments received and other liabilities of EUR 78.9m (previous year: EUR 112.6m). The short-term liabilities to banks are mainly the result of the extension of bonded loans by EUR 43.3m and down payments received due to the offsetting of inventories by EUR 31.1m compared to the previous year.

At the end of 2015, a syndicated credit facility that was originally taken out in 2011 and extended early in 2015 was available to the Zeppelin Group as a major financing instrument. The new term of the syndicated credit facility is five years, plus an option to extend it by one year on two occasions (known as a 5+1+1 term). The syndicated credit facility is available for cash drawdowns (EUR 375m) and for providing guarantees (EUR 125m). As of the end of 2015, EUR 203.0m (including EUR 80.7m for guarantees), or 40.6 % (previous year: 42.6 %) had been utilized. As part of an early extension, the line for drawdowns was reduced by EUR 25m to EUR 375m at the request of Zeppelin GmbH. In addition, at the end of 2015 the Zeppelin Group had additional bank credit lines of up to EUR 59m, of which it utilized EUR 5.6m. An ABS (asset-backed securities) program remains another source of financing, with EUR 25m in funding available.

Furthermore, the Zeppelin Group finances itself over the long term through the issuance of bonded loans. At year-end, the total volume of outstanding bonded loans was EUR 186.5m. Two bonded loans were extended early in fiscal 2015. One loan for EUR 30.5m with an original maturity on July 3, 2015 and a volume of EUR 30.5m was extended early at the beginning of 2015 until April 4, 2022. Another loan for EUR 26.5m with an original maturity on August 7, 2017 and a volume of EUR 12.5m was also extended early until February 5, 2021. In addition, Zeppelin GmbH issued a new bonded loan for EUR 50m with a maturity of March 10, 2025. The Group again adhered to the financial covenants that were agreed and determined on the basis of its financial data in connection with the syndicated credit facility and bonded loans in 2015. In the fall of 2015, Creditreform Rating AG adjusted the rating of the Zeppelin Group from “BBB+” with a stable outlook to “BBB+” with the supplement “watch”. This is largely due to the effects of the political crisis between Ukraine and Russia and the restructuring of the Plant Engineering business unit that has still not been entirely completed.

The companies of the Construction Equipment EU, Construction Equipment CIS and Power Systems business units continued to have access to extensive credit facilities at Caterpillar Financial Services and other sales financing and leasing companies in order to finance sales in Germany and abroad. In addition, it also uses asset leasing to finance vehicles as well as IT hardware and software. The extensive investments in the rental fleets in fiscal 2015 were primarily financed from current cash flow and debt recognized in the balance sheet.

In 2015, Zeppelin took the measures needed to fulfill the requirements of the EU’s EMIR regulation.

The additions to the Group’s assets of EUR 184.7m (including EUR 133.0m in rental assets) were offset by depreciation of EUR 88.5m in the year under review (of which EUR 46.1m were on the rental fleet, contained in material expenses), which thus covered

47.9 % of the capital expenditures made (previous year: 51.0 %). The total investments rose, mainly as a result of the increase in rental assets (EUR +24.0m) by EUR 27.5m.

Development of Group Investments (on-balance sheet)

EURK	2015	2014	2013	2012	2011
Intangible assets	16,712	14,886	14,461	14,302	8,796
Property, plant and equipment	167,290	139,475	99,580	145,628	130,416
Land and buildings	5,841	4,632	6,927	7,740	4,927
Plant and machinery, and operating and business equipment	15,039	15,120	20,767	24,688	15,920
Rental assets	132,966	108,929	63,405	102,862	98,255
Down payments made and assets under construction	13,444	10,794	8,481	10,338	11,314
Financial assets	743	2,900	4,167	510	12,280
Total investments [1)]	**184,745**	**157,261**	**118,208**	**160,440**	**151,492**
[1)] Additionally: changes to the group of consolidated companies	-5,829	1,471	76	-3,225	9,847

The net cash flow of the Zeppelin Group increased by EUR 48.6m, or 36.6 %, compared with the previous year to EUR 181.4m (previous year: EUR 132.8m[9]). The cash flow ratio[10] was 7.8 % of revenues (previous year: 5.8 %[9]).

Net Assets

The net assets of the Zeppelin Group increased in the 2015 fiscal year by EUR 41.6m (3.2 %) to EUR 1.33b (previous year: EUR 1.29b). This was because of the reduction of inventories by EUR 21.6m (previous year: EUR 22.9m) and the increase in receivables and other assets of EUR 8.4m (previous year: decline of EUR 41.1m) and cash and cash equivalents of EUR 4.1m (previous year: EUR 64.1m). Fixed assets rose by EUR 49.8m (previous year: EUR 2.9m), which is mainly due to the increase in rental assets.

The asset structure of the Group Balance Sheet did not change significantly compared to the previous year. While the share of fixed assets (EUR 492.6m) was 37.1 % (previous year: 34.5 %), the share of receivables, prepaid expenses and deferred income and other assets (EUR 312.7m) remains unchanged at 23.6 % (previous year: 23.6 %) and the share of cash and cash equivalents (EUR 126.5m) remains unchanged at 9.5 % (previous year: 9.5 %). The share of inventories (EUR 395.1m) fell to 29.8 % (previous year: 32.4 %).

[9] Adjustment of prior year figures as a result of the implementation of new regulation DRS 21.
[10] Net cash flow / revenues

Breakdown of Group Assets, Equity and Liabilities

	ASSETS IN 2014	ASSETS IN 2015	EQUIY AND LIABILITIES IN 2014	EQUITY AND LIABILITIES IN 2015	
Net assets (EURm)	**1,285**	**1,327**	**1,285**	**1,327**	
Intangible assets, property, plant and equipment, investments	34.5 %	37.1 %	40.7 %	42.7 %	Equity
Inventories	32.4 %	29.8 %	8.1 %	8.2 %	Pension provisions
Receivables, prepaid expenses and deferred income, other assets	23.6 %	23.6 %	18.1 %	23.0 %	Other long-term provisions and liabilities
Cash and cash equivalents	9.5 %	9.5 %	33.2 %	26.1 %	Short-term provisions and liabilities

At 1.8 p.a., the capital turnover is the same as last year. The calculated collection period for trade receivables increased slightly as of the balance sheet date to 42 days (previous year: 41 days).

Apart from the balance sheet assets, the companies of the Zeppelin Group leased assets (motor pool, computer hardware and software) and machines for the rental fleet for a total of EUR 212.9m (previous year: EUR 279.7m), of which EUR 179.1m (previous year: EUR 244.2m) went for the rental fleet.

Comparison of Current Situation with Forecast

The following table shows how the principal Group metrics deviated from the forecasts of 2014:

METRIC	FORECAST DEC. 31, 2015	VALUE ON DEC. 31, 2015	RELATIVE DEVIATION
Revenues	EUR 2.1b to 2.2b	EUR 2.3b	+4.5 % to +9.5 %
Earnings before taxes	EUR 50.0 to 60.0 million	EUR 81.2m	+35.3 % to +62.4 %
ROCE	5.6 % to 6.3 %	8.0 %	

Revenues are better than forecast, particularly as a result of higher sales for the Plant Engineering business unit. As of December 31, 2015, earnings before taxes are well above the expected result. This is mainly due to the Construction Equipment CIS business unit, whose earnings before taxes were higher than in 2014 and higher than what was forecast for 2015, despite the difficult economic and political situation in Russia and Ukraine.

Advantageous currency effects supported the good performance in 2015. The Construction Equipment EU and Power Systems business units also contributed to the improvement in earnings, while the Rental and Power Systems business units were unable to reach the same level as the prior year. The ROCE also exceeded the forecast value, which is mainly the result of higher earnings before taxes and interest with simultaneously lower fixed assets and off-balance-sheet assets.

The net income of Zeppelin GmbH amounted to EUR 55.5m in 2015, exceeding the forecast of EUR 40 to 46m by as much as EUR 15.5m, which is mainly due to higher income from investments and profit transfer agreements and lower expenses from loss absorption.

5. Results of Operations, Financial Position, Net Assets of Zeppelin GmbH

Results of Operations

In 2015, Zeppelin GmbH’s revenues increased by EUR 0.9m to EUR 24.5m (previous year: EUR 23.6m). Revenues mainly resulted from leasing property and buildings within the Group (EUR 16.3m) and services (EUR 6.4m).

Other operating income amounted to EUR 1.1m, falling by EUR 0.2m compared with the previous year (EUR 1.3m). In particular, cost allocations fell by EUR 0.4m compared to the previous year. In 2015, this figure primarily comprises the reversal of provisions (EUR 0.6m), profit balances from reinsurance (EUR 0.2m) and the reimbursement of expenses (EUR 0.1m).

Investment earnings fell by EUR 1.3m to EUR 54.3m (previous year: EUR 55.6m). Earnings at Zeppelin Power Systems GmbH & Co. KG (EUR 11.5m; previous year: EUR 14.6m) decreased by EUR 3.2m compared to the previous year, while earnings at Zeppelin Rental GmbH & Co. KG (EUR 17.0m; previous year: EUR 12.2m) rose by EUR 4.9m. Zeppelin International AG paid a dividend of EUR 16.5m in 2015, which is EUR 4.6m lower than in the previous year (EUR 21.1m). The earnings from profit transfers (including fiscal entity tax allocations) of Zeppelin Baumaschinen GmbH rose by EUR 4.7m (EUR 30.8m, previous year: EUR 26.1m). Expenses from loss absorption decreased by EUR 4.1m year-on-year due, in particular, to the reduction in the loss by Zeppelin Systems GmbH (EUR -4.2m; previous year: EUR -8.2m).

At EUR 13.5m, personnel expenses rose compared to the previous year (EUR 11.9m) as a result of higher salaries following the addition of employees and an increase in premiums.

Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 6.9m, nearly the same level as the previous year (EUR 6.8m).

Other operating expenses in the amount of EUR 13.6m fell by EUR 0.7m compared to the previous year (EUR 14.3m). Operating costs (EUR 4.3m) rose by EUR 1.4m, while neutral expenses (EUR 1.5m) declined by EUR 1.5m, administrative expenses (EUR 3.4m) by EUR 0.4, and other expenses (EUR 2.8m) by EUR 0.2m.

The net interest result – excluding income from loans classified as fixed financial assets – amounted to EUR -10.0m in 2015 and has deteriorated by EUR 1.6m on the previous year. This is mainly due to lower interest income from interest rate swaps as a result of lower interest rates.

Earnings before tax increased to EUR 64.0m (previous year: EUR 58.5m), which is attributable, among other things, to higher income from profit transfer agreements and lower loss absorption.

The net income is EUR 55.5m (previous year: EUR 51.4m). This figures includes taxes on income and earnings of EUR 8.6m (previous year: EUR 7.1m).

A dividend of EUR 7.0m for the 2015 fiscal year will be proposed to the shareholders, with the remaining profits that are not retained of EUR 282.5m being carried forward to new account.

Financial Position

The financial strategy is derived from the corporate purpose of Zeppelin GmbH (the holding of participations, rental of land, buildings and technical equipment owned by the company to affiliated companies and the financing of the Group). The long-term commitment of funds to property, plant and equipment and financial assets (67.1 % of assets) should correlate as far as possible with matching financing on the liabilities side of the balance sheet. Here, the creation of equity from retained profits is an important source of funding.

The equity of Zeppelin GmbH has increased to EUR 490.8m (previous year: EUR 442.3m) because of the net income for the year and amounts to 56.9 % of net assets (previous year: 54.3 %). The long-term funds come to EUR 310.2m (35.9 % of net assets) and consist of accruals for pensions (EUR 33.5m), liabilities to banks (EUR 276.5m)[11] as well as other liabilities (EUR 0.2m). Current funds consist of liabilities to banks (EUR 1.7m), trade liabilities (EUR 2.1m), liabilities to affiliated companies (EUR 32.0m, mainly from investing affiliated companies' funds and cash-pooling) as well as other liabilities (EUR 14.2m).

Zeppelin GmbH invested EUR 16.1m in fiscal 2015 (previous year: EUR 35.8m). Of this figure, EUR 10.8m was attributable to property, plant and equipment and EUR 4.7m to financial assets. Write-downs amounted to EUR 6.9m (previous year: EUR 6.8m).

[11] This figure includes EUR 186.5 in bonded loans, of which EUR 59.5m was subscribed by institutional investors.

Net Assets

The assets of Zeppelin GmbH mainly consist of participations amounting to EUR 410.8m (previous year: EUR 408.9m) as well as land, buildings and assets under construction of EUR 114.9m (previous year: EUR 110.0m). These assets therefore account for 60.9 % (previous year: 63.7 %) of net assets, which have increased to EUR 863.1m (previous year: EUR 814.2m). Receivables from affiliated companies have risen by EUR 40.4m to EUR 185.7m (previous year: EUR 145.3m). The long-term assets of EUR 580.0m (previous year: EUR 573.6m) were matched by long-term liabilities of 801.0m (previous year: 679.2m) as of December 31, 2015. The latter mainly consist of equity, accruals for pensions and long-term liabilities. Long-term asset coverage has increased from 118.4 % to 138.1 %.

Investment in property, plant and equipment amounted to EUR 10.8m (previous year: EUR 9.4m). Thereof, EUR 10.6m (previous year: EUR 9.3m) related to land, buildings, equipment and assets under construction, which are rented to investment companies. These mainly involve investments in land and buildings rented to Zeppelin Power Systems GmbH & Co. KG (EUR 6.5m).

C. Events Subsequent to the Balance Sheet Date

No significant events occurred after the conclusion of the 2015 fiscal year that would have had a major impact on or jeopardized the Zeppelin Group’s situation.

D. Opportunity and Risk Report

1. Risk Report

General Aspects

Being an internationally active corporate group, Zeppelin is confronted with various risks. In particular, macroeconomic and industry-specific risks, performance-related, personnel-related and financial risks must be taken into account. The risks presented below apply equally to Zeppelin GmbH and the Zeppelin Group.

Macroeconomic and Industry-Specific Risks

The macroeconomic and industry-specific risks are widely spread because of the broad range of countries, sectors and activities in which the Zeppelin Group operates.

Zeppelin is one of the largest dealers selling Caterpillar construction and mining equipment as well as engines. In general, the dealership agreement between Caterpillar and Zeppelin can be terminated at relatively short notice. In view of the more than 60 years of successful collaboration between Zeppelin and Caterpillar, no substantial risk is seen here. The risk of default on receivables in the construction, energy and shipping industries is countered by effective receivables and credit management. Currency hedging activities and proactive currency management by the Group's treasury department are used to take account of existing currency risks, particularly in CIS countries.

Most of the target markets served by the Plant Engineering business unit are outside Germany. Since acquiring the Reimelt-Henschel Group in 2009, Zeppelin has been active in the markets of global food, cosmetics, and pharmaceutical producers, which are less subject to cyclical fluctuations. To keep the risk of defaults on receivables low, down payments and collateral are agreed. To protect itself against economic and political risks, Zeppelin continues to take advantage of German government-backed trade export credit guarantees.

Performance-Related Risks

The main risk to Zeppelin's performance – Caterpillar's delivery capacity and ability to deliver on time – was kept low and availability improved by ordering more machines with standardized configurations. Sufficient stocks were held to compensate for supply bottlenecks and delays on the part of suppliers and ensure delivery.

Risks were further reduced as much as possible and inventories optimized through international supply management at the strategic business unit level.

Personnel Risks

In 2015, the Group focused on continuing and enhancing its Employer Branding campaign. The Zeppelin Group introduced itself to potential applicants at four career fairs in Germany. It also created a professional employer profile on two well-known career platforms in Germany, increasing openness, transparency and communication within the company.

The action areas that were defined on the basis of the 2013 employee survey have been developed further and implemented in order to continue to maintain personnel risks at a low level. For example, a training catalog for the commercial area and sales has created transparency regarding the training courses available at Zeppelin Group throughout Germany and led to projects such as the introduction of idea management.

High achievers and employees with high potential received targeted support in 2015 through a total of five Group-wide development programs carried out at regular intervals, involving more than 60 participants. The various training events also provided them with the opportunity to network with other employees throughout the Group.

To develop junior employees' commitment to the company at an early stage, the dual technical and commercial training program and the dual study program in collaboration with various colleges was stepped up. Young employees had the opportunity to gain a comprehensive look at Zeppelin and to get to know one another at onboarding events.

Financial Risks

Financial risks are limited by, among other things, maintaining a solid capital base. In 2015, the Zeppelin Group's equity ratio was 42.7 % (previous year: 40.7 %). In addition, Zeppelin GmbH and its German subsidiaries also have access to long-term financing from pension accruals in the amount of EUR 108.3m.

The Zeppelin Group's financial leeway at any time is primarily ensured by the syndicated credit facility that was set up in 2011 and then extended early in 2015. This syndicated credit facility has a maximum term until 2022. In addition, in order to diversify its outside sources of capital, the Group issues bonded loans and makes use of sales financing via several specialized institutions, and an ABS (asset-backed securities) program. Extensive credit facilities are also available for sale-and-leaseback transactions, especially for financing the rental fleet.

At EUR 277.4m, the proportion of long-term liabilities to banks and institutional investors in the Zeppelin Group rose to 88.3 % (previous year: 71.7 %) in relation to total liabilities and to 20.9 % (previous year: 15.8 %) in relation to net assets, which is mainly due to the new issue of bonded loans. In this connection, all drawdowns under the syndicated credit facility are classified as long-term.

In accordance with the Zeppelin Group's financial strategy of hedging a large share of its average financial liabilities against interest rate risks, the Zeppelin Group makes use of interest rate swaps. Zeppelin GmbH took advantage of the historically low interest rate environment, concluding interest rate hedges that begin in 2017 and 2018 for future drawdowns under the syndicated credit facility as well as for future bonded loans. These hedges expire in 2023, 2024 and 2025. These transactions provide the Group with long-term protection against the risk that rates will rise again. The Zeppelin Group's business activities in emerging markets and developing countries expose it to currency risks. To contain them, cash flows in other currencies from individual transactions or projects are hedged with currency forwards and futures. In addition, the Zeppelin Group limits currency risks by financing its subsidiaries in emerging economies and developing countries in local currencies and employing sophisticated asset management techniques. For monitoring currency risks, the Zeppelin Group operates a value-at-risk limit system that is integrated in the Group-wide treasury management system and continuously monitored with action areas being highlighted. The foreign currency limit was exceeded at times in 2015 because of the extreme volatility of the Russian ruble and the Ukrainian hryvnia but was rapidly brought back within the approved range using appropriate measures. The measures taken in totality and the strategic approach to foreign currency management limited the foreign currency losses in Russia and the Ukraine to a minimum despite the crisis in these countries.

At EUR 7.6m, or 0.33 % of revenues, the default rate by external customers for all Group companies was well above the figure for the previous year, which was EUR 2.5m, or 0.11 % of revenues. This is mainly the result of a few large insolvencies. At 0.33 % of revenues, this figure is, on the whole, relatively low and confirms the success of the measures in the area of credit assessments as well as receivables and collections management. Corresponding risks were also prevented by collaborating extensively with sales financing companies and securing down payments from customers for projects and plants.

To protect itself against the financial consequences of large liability risks and substantial damages when it bears limited risks, the Group takes out insurance policies. Special attention is paid to claims management and associated preventive measures. Within the scope of an international insurance management system, coverage is continually monitored and adjusted as required. In addition, insurance coverage is centrally coordinated and managed for the entire Group. The real estate investments in Russia, which have been implemented in part but are largely suspended at present, were insured in 2012 against political risks by obtaining German government-backed guarantees for direct investments in other countries.

Risk Management System

As a company operating worldwide, the Zeppelin Group is exposed to various risks. Risk management is an integral part of the Group’s business and decision-making processes and serves to identify, quantify, and report risks at an early stage. The Zeppelin Group meets these risks with a comprehensive risk management system, which also utilizes adequate measures to meet current legal, operational and market-related requirements and limit identified risks. It also prevents risks that jeopardize the survival of the Group.

The risk management system is based on a comprehensive planning and reporting system, the aim of which is to ensure that all risks are identified. All responsible individuals are involved in the process of analyzing and evaluating risks and in developing and implementing countermeasures.

The quarterly reporting system comprises the assessment of the identified risks according to their magnitude and likelihood of occurrence based on 12 risk types and documents the countermeasures taken and their effectiveness over time.

Other organizational and process structures that have been established within the Group ensure that, in the event of material risks, an ad-hoc risk reporting system allows for suitable countermeasures to be initiated in a prompt manner. In addition, a risk panel established within the Group several years ago ensures that all risks are monitored and suitable measures implemented.

In order to better be able to meet country-specific risks in the future, a country risk report was prepared during the year under review for all countries in which Zeppelin is active. The country risk report allows the risk managers and management to take adequate measures using relevant information concerning economic, political and business area-specific risks.

In 2015, the Group auditing department carried out several standard checks. These checks were conducted on the operating companies Zeppelin Baumaschinen GmbH and Zeppelin SK s.r.o. as well as Zeppelin GmbH. There were also seven follow-up checks at Zeppelin Baumaschinen GmbH, Zeppelin Belarus OOO, Zeppelin Power Systems GmbH & Co. KG, Zeppelin Rental GmbH & Co. KG, Zeppelin Systems GmbH and Zeppelin GmbH as well as additional fraud and compliance checks.

Assessment of Risk Categories

The above-mentioned 12 risk types are contained in the following four risk categories:

- Asset risks (inventories / stocks, receivables, risks to the rental fleet)
- Currency risks (currency transaction and translation risks)
- Contractual risks (risks of breach of contract, warranty risks, risks in connection with agreements with financing companies, so-called rental purchase options)
- Financial risks (order backlog risks, sales risks, fiscal risks, market-related earning risks, other risks)

A matrix is used to assess risks in terms of their probability of occurrence and their potential impacts on earnings. The definitions used are explained below.

Definitions

Degrees of Impact

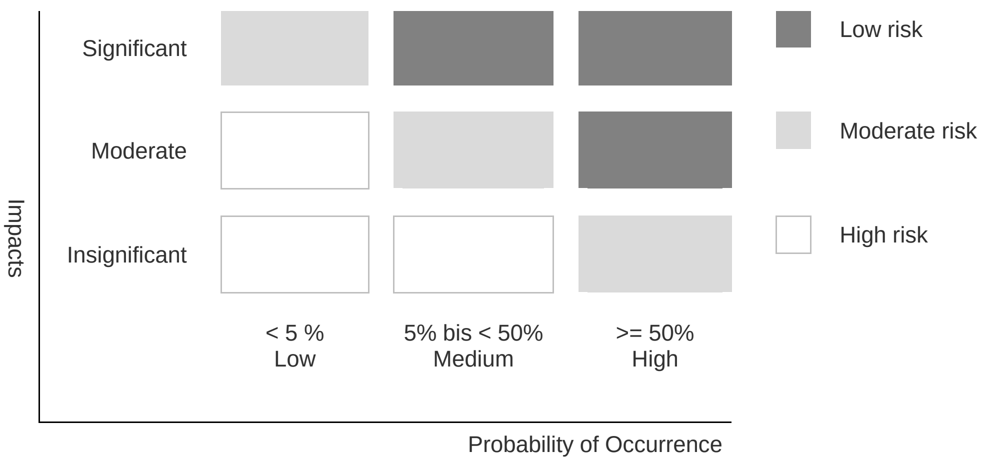
DEGREE OF IMPACT	DEFINITION OF IMPACT
Insignificant	Only insignificant, limited negative impacts on the earnings situation (net losses < EUR 10m[1)])
Moderate	Some negative impacts on the earnings situation (net losses >= EUR 10m and < EUR 20m[1)])
Significant	Considerable negative impacts on the earnings situation (net losses >= EUR 20m[1)])

[1)] Depending on risk category

Probability of Occurrence

PROBABILITY OF OCCURRENCE	Description
< 5%	Low
5 % to < 50 %	Medium
>= 50 %	High

Evaluation Matrix



Relative Importance of Risk Categories

RISK CATEGORY	RISK OF OCCURRING	IMPACT ON EARNINGS 1)	RISK ASSESSMENT
Asset risks	Moderate	Insignificant	Low
Currency risks	N/A	Insignificant	Low/moderate
Contractual risks	Low	Insignificant	Low
Financial Risks	Moderate	Insignificant	Low

1) Depending on risk category

Overall Assessment of the Risk Situation

The risk management system that has been implemented encompasses a large number of control mechanisms, is an integral component of business processes and ensures at all times that suitable measures to avoid or reduce risk are in place. The Group’s management controlling department and risk panel continuously monitor the risk reporting system and take steps to keep improving the quality of risk management, which is checked and assessed by the auditor each year to ensure that it is being properly and effectively practiced.

In order to manage the geopolitical and economic risks in Russia and Ukraine, the measures that were initiated in previous years were further optimized in the year under review as well and they helped to ensure that the negative impacts did not jeopardize the Group's survival at any point.

No risks that could endanger the continued existence of Zeppelin GmbH or its subsidiaries existed during the year under review, nor are any such risks now discernible for the future.

2. Opportunities

Actively searching for and taking advantage of opportunities while simultaneously weighing the associated risks is a key task of entrepreneurial activity and thus also of the management of Zeppelin GmbH and all its subsidiaries. The goal is to strengthen and further expand Zeppelin’s position as one of the leading and outstandingly successful providers of retail, support, and engineering services with above-average success.

Exclusive rights to sell and service capital goods from major and market-leading, suppliers enable Zeppelin to tap potential in the relevant markets even more effectively. Predominantly nationwide sales and service organizations in those countries, very well trained, motivated, and loyal managers and staff, and a stable long-term financial base will enable Zeppelin to continue to take advantage of these opportunities in the future as well.

The Construction Equipment EU business unit plans to acquire offices, equipment and employees in Ostrava from Caterpillar in 2016. This will allow it to increase production of parts for underground mining and thus continue expanding its business relationships with major customers. Zeppelin has since established its own competence center, which drives the consistent expansion of operational business in surface and underground mining equipment. An international team will pursue consistent integration and marketing. The competence center will permit the know-how of mining experts to be concentrated and developed within the company to strengthen Zeppelin's position in surface and underground mining.

Following the restructuring and transfer of the rental business in Russia to the Construction Equipment CIS business unit, the Rental business unit will focuses its resources on its core business in Germany, Austria, the Solvak Republic and the Czech Republic. Zeppelin Streif Baulogistik was completely integrated in 2015. As a specialist for the logistical management of civil, structural and plant engineering projects, the company takes on the organization of entire building sites and industrial projects. In addition to logistics, consulting and management, the range of services includes planning and implementation of energy supply concepts.

3. Compliance

Compliance at Zeppelin is based on the conviction that social responsibility, observance of the law, and ethical conduct are essential for long-term business success. Complying with legal requirements, official regulations, and internal corporate guidelines is a key part of Zeppelin's management and corporate culture.

The Zeppelin Group's code of conduct is the cornerstone of its compliance program. Employees can contact the internal compliance organization via the Zeppelin Intranet or a special email address. Alternatively, external lawyers also act as contacts. Regular compliance training is supplemented by a multilingual compliance e-learning program, which was expanded again in 2015.

The Zeppelin Group's compliance program has been strengthened by introducing compliance management to the strategic business units. The compliance officers responsible for implementing the program receive special training on an ongoing basis to train and qualify them for their roles. The compliance officers responsible for the strategic business units have been certified for this position.

E. Forecast

According to the forecast by the International Monetary Fund, the global economy is expected to experience GDP growth of 3.6 % in 2016. GDP will grow by 1.7 % in both the euro zone and Germany, which is above the 2015 level. In the USA, GDP is forecast to grow by 2.6 %. Because of negative economic trends in Russia, economic performance and GDP are once again expected to decline, with the decrease reaching 1.0 % in 2016. Despite the ongoing conflict with Russia and the result negative economic effects, GDP growth is expected in Ukraine again, with growth coming in at around 2.0 %. In the Czech Republic and the Slovak Republic economic growth will reach 2.6 % and 3.6 % respectively.[12]

The political tensions and numerous conflicts in the Middle East represent a significant risk for global economic performance. The conflict between Russia and Ukraine remains unresolved and the sanctions imposed by the European Union and the USA have been extended. There is also a risk that monetary policy in the USA will tighten. Interest rate increases could lead to renewed capital outflows from emerging markets, which could cause strong financial market turbulence or exchange rate risks. Nor is the financial and debt crisis in Europe fully resolved.

[12] Cf. IMF World Economic Outlook Update, January 2016

According to current forecasts, Zeppelin's core markets will have varied performance in 2016. According to the results of the Ifo economic test, the main German construction trades looks somewhat more negative than it did until recently, but it is still expected to expand construction activity in the first quarter of 2016. Interest is focused on the bauma trade fair, which takes place every three years in Munich and will be held in April this year. The leading international trade fair for construction machinery, building material machines, mining machines, construction vehicles and construction equipment is used by Zeppelin and Caterpillar to present product and service innovations. Slight growth is forecast for the rental market in Germany in 2016. An increase in construction is expected in Austria. The forecasts for the Austrian construction machine market in 2016 is at about the same level as the year before, mainly supported by imminent replacement investments. Because of the slight rise in construction investments, positive performance is forecast for the rental market in Austria. In the Czech Republic, the upswing in the construction industry should continue in 2016. The construction industry in the Slovak Republic also finds itself in a growth phase again. The rental markets in the two countries have growth potential thanks to a number of large government infrastructure projects. The market in Russia is expected to stabilize at its current low level in 2016. The sanctions that have been imposed against Russia are not expected to be loosened or lifted. As a result, the sale of new construction equipment will remain at the low level from 2015. The development of the construction industry is likewise negatively impacted by the ongoing conflict with Russia. The market volume for new construction equipment in Ukraine is also expected to remain at the low level from the year before in 2016.

The outlook for the shipping markets is cautiously optimistic for 2016. Demand in the shipbuilding industry is good and further retrofitting projects are on the horizon as a result of increased environmental requirements. In the energy sector, the forecast is slightly optimistic as a result of the continued high level of demand for combined heat and power plants. The ongoing decline in oil prices will lead to further negative performance in the oil and gas segment. Low oil prices will also have a negative impact on major projects. There are only a few projects in the energy and oil and gas markets, and the market in Ukraine has stagnated at a low level. The current situation is not expected to ease.

The Verband Deutscher Maschinen- und Anlagenbau (VDMA) does not anticipate real growth in the mechanical engineering industry in fiscal 2016. In nominal terms, however, the production value may just exceed the EUR 200b threshold for the first. Manufacturers of plastics and rubber machines are expected to have revenues of more than EUR 7b for the first time in 2016, with the main impetus coming from abroad.

Zeppelin Group forecasts that it will see a slight decrease in revenues and a moderate decline in earnings before taxes. The return on capital employed (ROCE) is therefore expected to be moderate below the figure for the year before. The main reasons for the restrained profit planning are currency effects that are not expected to be positive again as well as the numerous uncertainties in an increasingly more volatile environment. As a result, Zeppelin GmbH expects a moderate decline in net income in 2016.

At the end of fiscal 2016, personnel capacities, including trainees, are expected to rise slightly to about 7,900 employees. The investment plan for 2016 includes EUR 90.4m in measures (excluding rental fleets). The investments mainly involve operating and business equipment as well as land and buildings. An additional EUR 109.2m is to be invested in rental fleets, most of which will be for replacement investments.

The planning premises and scenarios for fiscal 2016 include risk aspects related to the continued potential negative effects of the political crisis in Russia and Ukraine as well as other possible negative factors.

F. Proposed allocation of profits

The Management Board proposes distributing EUR 7.0m from the net retained profits of Zeppelin GmbH of EUR 289.5m and carrying EUR 282.5m forward to new account.

Friedrichshafen, February 26, 2016

The Management Board of Zeppelin GmbH

Peter Gerstmann   Michael Heidemann   Christian Dummler   Jürgen-Philipp Knepper

GROUP BALANCE SHEET AS OF DECEMBER 31, 2015

ASSETS EURK		Dec. 31, 2015	Dec. 31, 2014
A.	**Fixed Assets**		
I.	Intangible assets		
1.	Purchased industrial and intellectual property, similar rights and assets, and licenses for rights of these kinds	6,717	8,916
2.	Goodwill	23,768	21,009
3.	Down payments made	959	165
		31,443	**30,089**
II.	Property, plant and equipment		
1.	Land, land rights, and buildings, including buildings on third-party land	180,463	178,812
2.	Plant and machinery	14,389	13,925
3.	Other operating and business equipment, furniture, and fixtures	32,183	35,192
4.	Rental assets	196,118	145,420
5.	Down payments made and assets under construction	17,861	13,422
		441,014	**386,772**
III.	Financial assets		
1.	Investments in affiliated companies	11,688	13,993
2.	Loans to affiliated companies	229	1,155
3.	Participations	8,005	10,381
4.	Securities held as fixed assets	19	195
5.	Other loans	246	297
		20,186	**26,021**
		492,643	**442,882**
B.	**Current Assets**		
I.	Inventories		
1.	Raw materials, consumables and supplies	18,994	23,464
2.	Work in progress	84,954	97,846
3.	Finished goods and merchandise	347,602	349,444
4.	Down payments made	27,524	19,153
5.	Down payments received on orders	-84,009	-73,288
		395,064	**416,619**
II.	Receivables and other assets		
1.	Trade receivables	267,205	257,586
2.	Receivables from affiliated companies	863	8,972
3.	Receivables from companies with which a participation relationship exists	2,713	3,798
4.	Other assets	29,846	21,913
		300,627	**292,269**
III.	Cash on hand, bank balances, checks	126,525	122,402
		822,216	**831,290**
C.	**Prepaid Expenses**	9,451	8,225
D.	**Deferred Tax Assets**	1,049	1,041
E.	**Net Plan Assets for Post-Employment Benefits**	1,559	1,904
		1,326,919	**1,285,343**

EQUITY AND LIABILITIES EURK		Dec. 31, 2015	Dec. 31, 2014
A.	**Equity**		
I.	Subscribed capital	100,000	100,000
II.	Capital reserves	60,000	60,000
III.	Revenue reserves		
1.	Reserve for shares of a controlling company	11,276	11,276
2.	Other revenue reserves	392,731	350,722
		404,007	361,997
IV.	Minority interests	2,293	797
		566,300	**522,795**
B.	**Provisions**		
1.	Accruals for pensions and other post-employment benefits	108,328	104,002
2.	Tax provisions	8,676	9,047
3.	Other provisions	180,763	161,354
		297,767	**274,404**
C.	**Liabilities**		
1.	Liabilities to banks	314,259	283,223
2.	Down payments received on orders	24,528	55,980
3.	Trade payables	60,795	78,819
4.	Liabilities to affiliated companies	0	498
5.	Liabilities to companies with which a participation relationship exists	0	77
6.	Other liabilities	55,493	60,020
		455,076	**478,616**
D.	**Deferred income**	1,390	1,966
E.	**Deferred tax liabilities**	6,386	7,562
		1,326,919	**1,285,343**

GROUP INCOME STATEMENT FOR THE 2015 FISCAL YEAR

EURK		Jan. 1, 2015 to Dec. 31, 2015	Jan. 1, 2014 to Dec. 31, 2014
1.	Revenues	2,328,378	2,300,744
2.	Increase (+) / decrease (-) in finished goods and work in progress	-17,090	22,035
3.	Other own work capitalized	295	289
4.	Other operating income	89,192	85,376
		2,400,775	**2,408,444**
5.	Cost of materials		
	a) Cost of raw materials, consumables, supplies, and purchased merchandise	1,446,012	1,489,048
	b) Cost of purchased services	145,734	131,116
		1,591,745	**1,620,164**
6.	Personnel expenses		
	a) Wages and salaries	355,727	348,188
	b) Social security and other benefits	67,114	67,034
	c) Pension costs	9,349	6,461
		432,190	**421,683**
7.	Amortization, depreciation, and write-downs of intangible assets and property, plant, and equipment	42,434	37,426
8.	Other operating expenses	230,479	233,714
		103,927	**95,458**
9.	Income from participations	557	631
10.	Income from other securities and loans classified as fixed financial assets	9	14
11.	Other interest and similar income	3,189	4,933
12.	Write-downs on financial assets and securities held as current assets	0	1,596
13.	Interest and similar expenses	23,516	24,978
14.	**Result of ordinary activities**	**84,166**	**74,462**
15.	Income taxes	25,043	25,737
16.	Other taxes	3,011	2,893
17.	**Net Group income**	**56,113**	**45,831**
18.	Income attributable to minority interests	1,792	312
19.	**Group share of income for the year**	**54,321**	**45,519**
20.	Allocation to Group's revenue reserves	-54,321	-45,519

GROUP CASH FLOW STATEMENT FOR THE 2015 FISCAL YEAR

EURK	2015	2014	CHANGE
Net income/loss	56,113	45,831	10,282
Income taxes	25,043	25,737	-695
Earnings before income taxes	81,156	71,569	9,587
BALANCE OF WRITE-DOWNS (+)/WRITE-UPS (-)			
Intangible assets	15,971	12,138	3,832
Property, plant, and equipment excluding rented-out construction machinery	26,463	25,272	1,191
Rented-out construction machinery (fixed and current assets)	52,760	49,687	3,073
Financial assets	0	1,596	-1,596
Change in pension accruals (+ increase / - decrease)	3,576	1,602	1,974
Change in long-term provisions (+ increase / - decrease)	2,259	-6,938	9,197
Unrealized currency exchange losses (+) / gains (-)	1,123	-765	1,888
Interest expenses (+) / interest income (-)	20,318	20,031 [1]	287
Other participation income (-)	-557	-631 [1]	73
Other non-cash expenses (+) / income (-)	3,786	-14,543	18,329
Gross cash flow	**206,854**	**159,017** [1]	**47,837**
Income taxes paid	-25,414	-26,189 [1]	775
Net cash flow	**181,440**	**132,828** [1]	**48,612**
Loss (+) / gain (-) resulting from disposals of fixed assets	1,291	203	1,088
Decrease (+) / increase (-) in inventories	24,208	15,235	8,973
Decrease (+) / increase (-) in trade receivables	-5,996	21,276	-27,272
Increase (-) / decrease (+) in other receivables and assets	-6,750	17,542 [1]	-24,292
Decrease (+) / increase (-) in trade payables and other liabilities	-48,206	5,921 [1]	-54,126
= Cash flow from operating activities	**145,987**	**193,004** [1]	**-47,017**
PAYMENTS (-) FOR INVESTMENTS IN			
Intangible assets	-16,712	-14,886	
Property, plant, and equipment excluding rental assets	-34,324	-30,546	
Rental assets (balance of payments received for disposals/payments for investments)	-97,303	-49,686	
Financial assets	-743	-2,900	
PAYMENTS (-) RECEIVED (+) FOR DISPOSALS OF			
Intangible assets	279	2	
Property, plant, and equipment excluding rental assets	2,525	3,166	
Financial assets	416	353	
Interest received (+)	3,198	4,947 [1]	
Dividends received (+)	557	631 [1]	
= Cash flow from investing activities	**-142,106**	**-88,919** [1]	
Dividends	-7,000	-10,000	
Dividends / payments to minority interests	-907	-714	
Proceeds (+) from long-term borrowing	73,310	0	
Repayment (-) of long-term financial liabilities	0	-10,605	
Proceeds (+) / repayment (-) of short-term financial liabilities	-43,314	4,926 [1]	
Change in loan receivables / liabilities from / to affiliated companies	512	2,996	
Interest paid (-)	-23,580	-24,273 [1]	
= Cash flow from financing activities	**-979**	**-37,670** [1]	
Change in cash and cash equivalents	2,903	66,415 [1]	
Cash and cash equivalents at start of fiscal year	122,379	58,288	
Consolidation group-related changes in cash and cash equivalents	2,708	249	
Exchange rate-related changes in cash and cash equivalents	-1,494	-2,574	
= Cash and cash equivalents at end of fiscal year	**126,496**	**122,379** [1]	

[1] Adjustment of prior year figures as a result of the implementation of new regulation DRS 21.

STATEMENT OF CHANGES IN THE GROUP'S FIXED ASSETS IN FISCAL 2015

		ACQUISITION AND PRODUCTION COSTS						
	EURK	Jan. 1, 2015	Currency differences	Additions	Additions to consolidation group	Disposals	Reclassifications	Dec. 31, 2015
I.	INTANGIBLE ASSETS							
1.	Purchased industrial and intellectual property, similar rights and assets, and licenses for rights of these kinds	43,116	-177	2,003	641	-2,933	297	42,947
2.	Goodwill	60,125	245	14,090				74,460
3.	Down payments made	166		620	41		134	960
		103,407	**68**	**16,712**	**682**	**-2,933**	**431**	**118,367**
II.	PROPERTY, PLANT AND EQUIPMENT							
1.	Land, land rights, and buildings, including buildings on third-party land	305,769	-598	5,841	627	-2,665	7,489	316,463
2.	Plant and machinery	54,585	-632	3,374	953	-2,190	197	56,287
3.	Other operating and business equipment, furniture, and fixtures	126,443	-2,032	11,665	1,113	-18,856	143	118,476
4.	Rental assets	248,008	430	132,966		-67,943	-39	313,422
5.	Down payments made and assets under construction	13,487	-435	13,444		-348	-8,221	17,928
		748,292	**-3,266**	**167,290**	**2,693**	**-92,003**	**-431**	**822,576**
III.	FINANCIAL ASSETS							
1.	Investments in affiliated companies	15,482			-2,660	-675		12,147
2.	Loans to affiliated companies	5,206			-926			4,280
3.	Participations	25,515	125	673	-5,622			20,690
4.	Securities held as fixed assets	195		14	4	-195		19
5.	Other loans	3,120		56		-2,930		246
		49,518	**125**	**743**	**-9,204**	**-3,801**		**37,381**
		901,217	**-3,073**	**184,745**	**-5,829**	**-98,736**		**978,324**

[1)] Settled against expenses for materials

DEPRECIATIONS							NET BOOK VALUES	
Jan. 1, 2015	**Currency differences**	**Additions**	**Additions to consolidation group**	**Disposals**	**Reclassifications**	**Dec. 31, 2015**	**Dec. 31, 2015**	**Dec. 31, 2014**
34,200	-200	4,502	382	-2,654		36,230	6,717	8,916
39,117	107	11,469				50,692	23,768	21,009
1						1	959	165
73,318	**-93**	**15,971**	**382**	**-2,654**		**86,924**	**31,443**	**30,089**
126,957	141	10,395	169	-1,686	23	136,000	180,463	178,812
40,659	-408	3,288	400	-2,046	4	41,898	14,389	13,925
91,251	-1,307	12,780	637	-17,079	12	86,293	32,183	35,192
102,588	273	46,081 [1]		-31,598	-40	117,304	196,118	145,420
66	2					67	17,861	13,422
361,520	**-1,298**	**72,545**	**1,205**	**-52,409**		**381,562**	**441,014**	**386,772**
1,489			-355	-675		458	11,688	13,993
4,051						4,051	229	1,155
15,134			-2,448			12,685	8,005	10,381
							19	195
2,823				-2,823			246	297
23,496			**-2,804**	**-3,498**		**17,195**	**20,186**	**26,021**
458,335	**-1,392**	**88,515**	**-1,217**	**-58,561**		**485,681**	**492,643**	**442,882**

STATEMENT OF CHANGES IN GROUP EQUITY IN FISCAL 2015

	PARENT COMPANY		
EURK	SUBSCRIBED CAPITAL	CAPITAL RESERVES	EQUITY EARNED BY GROUP
Jan. 1, 2014	100,000	60,000	382,361
Dividend payments			-10,000
First-time consolidation			
	100,000	**60,000**	**372,361**
Net Group income			45,519
Other Group results			
Total Group result			**45,519**
Dec. 31, 2014	**100,000**	**60,000**	**417,880**
Jan. 1, 2015	100,000	60,000	417,880
Dividend payments			-7,000
First-time consolidation			
Other changes			
	100,000	**60,000**	**410,881**
Net Group income			54,321
Other Group results			
Total Group result			**54,321**
Dec. 31, 2015	**100,000**	**60,000**	**465,201**

[1)] The reported sum includes EUR 28,395k (previous year: 27,912k) of goodwill from capital consolidation.

			MINORITY INTERESTS			GROUP EQUITY
OTHER ACCUMULATED GROUP RESULTS				OTHER ACCUMULATED GROUP RESULTS		
ADJUSTMENT ITEMS FROM CURRENCY TRANSLATION	OTHER NON-OPERATING TRANSACTIONS	EQUITY	MINORITY INTERESTS	ADJUSTMENT ITEMS FROM CURRENCY TRANSLATION	EQUITY	
-14,729	-14,156	513,477	195	271	466	513,943
		-10,000	-29		-29	-10,029
	-26	-26				-26
-14,729	**-14,182**	**503,451**	**167**	**271**	**438**	**503,889**
		45,519	312		312	45,831
-26,973		-26,973		48	48	-26,925
-26,973		**18,546**	**312**	**48**	**359**	**18,906**
-41,702	**-14,182**	**521,997**	**478**	**319**	**797**	**522,795**
-41,702	-14,182	521,997	478	319	797	522,795
		-7,000	-7		-7	-7,007
	-436	-436				-436
			-264		-264	-264
-41,702	**-14,617**	**514,562**	**207**	**319**	**526**	**515,088**
		54,321	1,792		1,792	56,113
-4,876		-4,876		-26	-26	-4,902
-4,876		**49,445**	**1,792**	**-26**	**1,767**	**51,212**
-46,578	**-14,617**[1)]	**564,007**	**2,000**	**293**	**2,293**	**566,300**

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE 2015 FISCAL YEAR

I. General

These Group financial statements have been prepared in accordance with Sections 290 ff. of the German Commercial Code (HGB). The figures in the Group financial statements are stated in thousands of euros (EURk).

The Group income statement is presented using the “nature of expense” method.

For greater clarity, these Group financial statements include notes indicating when figures are also included in other items, as well as detailed breakdowns.

II. Accounting and Valuation Methods

The financial statements of Zeppelin GmbH and the other included companies have been prepared according to consistent accounting and valuation principles.

Acquired intangible assets and property, plant, and equipment are recognized at cost and, when depreciable, reduced by systematic amortization and depreciation.

The customary useful life of intangible assets is generally assumed to be between three and five years. Amortization of the goodwill resulting from first-time consolidation through December 31, 2009 is recorded on a straight-line basis over a period of five or 10 years. On the date (January 1, 2010) of the transition to the German Accounting Law Modernization Act (BilMoG), all goodwill had a remaining useful life of less than five years. Goodwill acquired since January 1, 2010 is amortized in principle on a straight-line basis over a period of five years.

Property, plant, and equipment have been reduced in value by systematically depreciating them based on their expected useful lives. Their useful lives are estimated based on the official depreciation (AfA) tables, since in general these accurately reflect the intensity of use and loss of value of assets.

Asset additions made on or after January 1, 2011 are depreciated on a straight-line basis according to their history of use. Asset additions through December 31, 2010 are depreciated according to the declining-balance or straight- line method to the extent permitted by tax rules.

Low-value assets with a net individual value of up to EUR 410.00 are fully depreciated, i.e. entered as expenses, in their year of acquisition, while assuming that they were immediately disposed of. Individual assets with a net value of more than EUR 410.00 are capitalized in their year of acquisition and depreciated over their expected useful lives.

The recognized assets designated for rental (rental fleet) are depreciated using the straight-line method over their expected useful lives. Total depreciations of EUR 46,081k (previous year: EUR 41,120k) are included in the cost of materials.

Shares in nonconsolidated affiliated companies and subsidiaries are recognized at cost value or their market value if lower.

Loans and securities classified as fixed assets are recognized at cost value. Required depreciations are made to their lower market values as of the balance sheet date.

Raw materials, consumables, supplies, and merchandise included in the inventories are measured at cost value or the net achievable price if lower. Work in progress is measured at production cost, while taking into account a proportional share of material and product overheads and depreciation as well as directly attributable material, labor, and special costs. Adequate write-downs have been applied to account for loss-free valuation and marketability risks. Interest on borrowed capital and general administrative costs have not been capitalized.

Adequate impairments have been recorded to account for all identifiable inventory risks associated with longer-than-average storage, reduced marketability, or lower replacements costs.

Wherever possible, down payments received are deducted up to the amount of the loss-free valued inventories.

Receivables and other assets are recognized at their nominal values. Sufficient specific and general bad debt allowances have been made to account for existing default risks.

Under the generally accepted German accounting principles, accruals for pensions and other post-employment benefits are determined in accordance with the projected unit credit method using the “2005 G mortality tables” by Prof. Dr. Klaus Heubeck. An average market interest rate of 3.89 % (previous year: 4.54 %) has been applied as the flat discount rate for a remaining term of 15 years in accordance with the German Regulation on Discounting of Provisions (RückAbzinsV). Expected salary and wage increases of 2.5 % and expected pension increases of 1.0 % have been taken into account. The effect of the change in the interest rate is EUR 6,568k and is reported in the pension costs. Draft legislation has been submitted under which a 10-year average interest rate would be applied in the future. For companies in countries other than Germany, the corresponding local interest rates have been applied.

Provisions for taxes and other purposes account for all contingent liabilities and potential losses from pending transactions. They are recognized at the settlement values dictated by good business sense. Interest-bearing and non-interest-bearing provisions due to be liquidated in more than one year have been discounted at the average market interest rate. The average rate has been calculated on the basis of the seven years prior to the remaining term of each obligation.

Assets that are intended exclusively for meeting pension or comparable long-term post-employment obligations and are exempt from attachment by all other creditors (plan assets in the sense of Section 246, para. 2, sentence 2 of the German Commercial Code) have been netted against provisions at their fair values. Pension obligations were paid into a pension trust (CTA) within the framework of an asset purchase agreement. The pension trust was measured at fair value and netted against the pension accruals.

Liabilities are recorded at their settlement amount.

For calculating taxes deferred because of temporary or differences between the book values of assets, liabilities, deferred income, and prepaid expenses in accordance with commercial law and their tax valuations, or to tax losses carried forward, the amounts of the tax burden or relief are valued at the company-specific tax rates on the date when the differences are eliminated and are not discounted. Differences based on consolidation entries in accordance with Sections 300 to 307 of the German Commercial Code are also taken into account, but differences for the initial recognition of goodwill or negative goodwill from capital consolidation are not considered. Deferred tax assets and liabilities are not offset against one other. Deferred taxes resulting from differences in the annual financial statements of consolidated companies are not capitalized, in accordance with the relevant disclosure option.

Where hedging relationships are designated in accordance with Section 254 of the German Commercial Code, the following accounting and valuation principles are applied: economic hedges are accounted for by designating hedging relationships. In cases in which it is possible to use either the “net hedge presentation method”, in which the offsetting changes in value from the hedged risk are not accounted for, or the “gross hedge presentation method”, in which the offsetting changes in value from the hedged risk of both the hedged item and the hedging instrument are accounted for, the net hedge presentation method is used. The offsetting positive and negative changes in value are recognized without affecting the income statement. If no hedging relationships can be designated, derivatives are measured at fair value based on market prices. If a fair value is negative, it will be taken into account as other provision; in accordance with the prudence principle, positive fair values may not be recognized.

III. Consolidation Group

The group of consolidated companies comprises – in addition to Zeppelin GmbH – 12 (previous year: 12) German and 33 (previous year: 32) foreign subsidiaries. For 2 included companies (previous year: 1), no figures at all are given pursuant to Section 313, para. 3, sentence 1 of the German Commercial Code.

The consolidation group comprises the following companies:

COMPANY NAME AND LOCATION	OWNERSHIP SHARE IN %	[1]
Zeppelin GmbH, Friedrichshafen	-	[2]
Zeppelin Immobilien Russland OOO, Moscow, Russia	100.0	[3]
Zeppelin Baumaschinen GmbH, Garching near Munich	100.0	
AT Baumaschinentechnik Beteiligungs GmbH, Munich	100.0	[4]
Zeppelin Struktur GmbH, Garching near Munich	100.0	
Zeppelin Österreich GmbH, Fischamend near Vienna, Austria	100.0	
Zeppelin Rental Österreich GmbH & Co. KG, Fischamend near Vienna, Austria	100.0	[5]
Zeppelin Rental Österreich GmbH, Fischamend near Vienna, Austria	100.0	[5]
Zeppelin CZ s.r.o., Modletice near Prague, Czech Republic	100.0	
Zeppelin SK s.r.o., Banska Bystrica/Slovak Republic	100.0	[6]
Zeppelin Polska Sp. z o.o., Warsaw, Poland	100.0	[6]
Zeppelin Logistics Sp. z o.o., Warsaw, Poland	100.0	[7]
Zeppelin International AG, Steinhausen, Switzerland	100.0	[3]
Zeppelin Russland OOO, Moscow, Russia	100.0	[8]
PRIME Machinery OOO, Moscow, Russia	100.0	[8]
Zeppelin Ukraine TOV, Kiev, Ukraine	100.0	[8]
Zeppelin Turkmenistan JV, Ashgabat, Turkmenistan	100.0	[9]
Zeppelin Central Asia Machinery OOO, Tashkent/Uzbekistan	100.0	[9]
Zeppelin Tadschikistan OOO, Dushanbe, Tajikistan	100.0	[9]
Zeppelin Belarus OOO, Minsk, Belarus	100.0	[9]
Zeppelin Armenien OOO, Abovyan, Armenia	100.0	[9]
Zeppelin Ukraine Technologies TOV, Donezk, Ukraine	100.0	[10]
Zeppelin Rental GmbH & Co. KG, Garching near Munich	100.0	
Zeppelin Rental Verwaltungs GmbH, Garching near Munich	100.0	
Zeppelin Streif Baulogistik GmbH, Friedrichshafen	100.0	[11]
Zeppelin Streif Baulogistik Österreich GmbH, Himberg near Vienna, Austria	100.0	[12]
BIS Inspection Service GmbH, Hamburg	100.0	[11]
Klickrent GmbH, Berlin	100.0	[11]
Zeppelin Power Systems GmbH & Co. KG, Hamburg	100.0	
Zeppelin Power Systems Verwaltungs GmbH, Hamburg	100.0	
Zeppelin Power Systems Russland OOO, Moscow, Russia	100.0	[8]
Zeppelin Systems GmbH, Friedrichshafen	100.0	
Zeppelin Systems France S.A.R.L., Vénissieux Cedex, France	100.0	[13]
Zeppelin Systems USA Inc., Odessa, Florida, USA	100.0	[13]
Zeppelin Systems Korea Corporation, Gyeonggi-do, Korea	100.0	[13]
Zeppelin Systems Benelux N.V., Genk, Belgium	100.0	[14]

Zeppelin Systems Italy S.r.l., Milan, Italy	90.0	13)
Zeppelin Systems UK Limited, Nottingham, United Kingdom	100.0	13)
DIMA service for plant engineering s r.o., Bratislava, Slovak Republic	100.0	13)
Zeppelin Systems Latin America Equipamentos Industriais Ltda., São Paulo, Brazil	100.0	15)
Zeppelin Systems China (Beijing) Co. Ltd., Beijing, China	100.0	13)
Zeppelin Systems China (Shanghai) Co. Ltd., Shanghai, China	60.0	16)
Zeppelin Systems India Pvt. Ltd., Vadodara, India	100.0	13)
Zeppelin Systems Singapore Pte. Ltd., Singapore	100.0	13)
Zeppelin Systems Gulf Co. Ltd., Al Jubail, Saudi Arabia	90.0	17)

1) Directly and indirectly owned

2) Parent company

3) Shares held by Zeppelin GmbH, Friedrichshafen and Zeppelin Baumaschinen GmbH, Garching near Munich.

4) Shares held via a trust agreement by Zeppelin Baumaschinen GmbH, Garching near Munich.

5) Shares held by Zeppelin Österreich GmbH, Fischamend near Vienna, Austria.

6) Shares held by Zeppelin CZ s.r.o., Modletice near Prague, Czech Republic.

7) Shares held by Zeppelin CZ s.r.o., Modletice near Prague, Czech Republic, and Zeppelin Polska Sp. z o.o., Warsaw, Poland.

8) Shares held by Zeppelin International AG, Steinhausen, Switzerland.

9) Shares held by Zeppelin International AG, Steinhausen, Switzerland, and Zeppelin Russland OOO, Moscow, Russia.

10) Shares held by Zeppelin International AG, Steinhausen, Switzerland, and Zeppelin Ukraine TOV, Kiev, Ukraine.

11) Shares held by Zeppelin Rental GmbH & Co. KG, Garching near Munich.

12) Shares held by Zeppelin Streif Baulogistik GmbH, Friedrichshafen.

13) Shares held by Zeppelin Systems GmbH, Friedrichshafen.

14) Shares held by Zeppelin Systems GmbH, Friedrichshafen, and Zeppelin GmbH, Friedrichshafen.

15) Shares held by Zeppelin Systems USA Inc., Odessa, Florida, USA.

16) Shares held by Zeppelin Systems China (Beijing) Co. Ltd., Beijing, China.

17) Shares held by Zeppelin Systems GmbH, Friedrichshafen; sale of 10% of shares to DIMA service for plant engineering s.r.o. will be completed in the first quarter of 2016.

In the year under review, a total of four companies were added to the consolidation group and consolidated for the first time. Two companies are no longer included separately following an internal merger, which was carried out in order to streamline the legal structures of the companies.

Three (previous year: four) German and four (previous year: seven) foreign companies with only a small business volume were not included in the Group financial statements pursuant to Section 296, para. 2 of the German Commercial Code. Overall, they are of negligible importance for meeting the requirement to present a true and fair picture of the Group's net assets, financial position, and operating results. The information required by Section 313, para. 2, no. 4 of the German Commercial Code is given in the table below. The information on two (previous year: three) unconsolidated companies has been completely omitted in accordance with Section 313, para. 3, sentence 1 of the German Commercial Code.

COMPANY NAME AND LOCATION	OWNERSHIP SHARE IN % [1]	EQUITY EURK	RESULT FOR YEAR EURK	
Hyster-Körös-Spedit Kft., Budapest/Hungary	50.0	203	16	[4]
Fehmarnbelt Solution Services A/S, Greve, Denmark	50.0	673	0	[2]
SkySails Holding GmbH & Co. KG, Hamburg	1.45	94	-6	[3]
Zeppelin SkySails Sales & Service GmbH & Co. KG, Hamburg	75.04	25	-76	[4]
Zeppelin SkySails Sales & Service Verwaltungs GmbH, Hamburg	67.0	32	1	[4]
Reimelt UK Ltd., Enfield, United Kingdom	50.0	0	0	[5]
Reimelt Ltda., São Paulo/Brazil	90.0	-349	0	[6]

[1] Directly and indirectly owned

[2] Company is not operational yet; no financial statements were prepared as at Dec. 31, 2015.

[3] Financial statements for the year ending on Dec. 31, 2012

[4] Financial statements for the year ending on Dec. 31, 2014

[5] Company is being liquidated; financial statements were no longer prepared as at Dec. 31, 2015.

[6] Company has ceased operations.

In January 2015, the joint venture Fehmarnbelt Solution Services A/S by Ramirent A/S and Zeppelin Rental GmbH & Co. KG was approved by the antitrust authorities. On January 9, 2015, Zeppelin Rental GmbH & Co. KG made its proportionate capital contribution of EURk 673, and Ramirent A/S made a capital contribution of the same amount. In particular, the business objective of Fehmarnbelt Solution Services A/S is to provide rental services as part of the planned Fehmarnbelt tunnel project. However, it is not clear at present when the project will begin, so the company is still not operational.

Phoenix-Zeppelin Ukraine TOV was sold in July 2015. Zeppelin Systems Hongkong Ltd. was liquidated during the year under review.

Other Participations

COMPANY NAME AND LOCATION	OWNERSHIP SHARE IN % [1]	EQUITY EURK [2]	RESULT FOR YEAR EURK [2]
CZ LOKO a.s., Česká Třebová/Czech Republic	49.0	27,637	1,058
Energyst B.V., Breda/Netherlands	4.5	71,578	-120

[1] Directly and indirectly owned

[2] Financial statements for the year ending on Dec. 31, 2015, provisional

IV. Consolidation Principles

Until December 31, 2000, business agglomerations were consolidated using the book value method (Section 301, para. 1, sentence 2, no. 1 of the German Commercial Code) as of the date of acquisition or the date of a subsidiary's first-time consolidation. A Brazilian subsidiary that was included in the Group financial statements for the first time in the 1998 fiscal year was consolidated using the revaluation method as of its date of acquisition (Section 301, para. 1, sentence 2, no. 2 of the German Commercial Code) in order to take advantage of this method, which was already part of the generally accepted German accounting principles for preparing financial statements, for consolidation purposes as well.

Acquisitions made since January 1, 2001 have been consolidated using the revaluation method as of the date of acquisition.

If, in connection with the first-time consolidation of a subsidiary according to the book value method, the acquisition cost exceeded the fair value of the net assets acquired, this was allocated to individual assets of the subsidiary that were worth more than their book values as stated in its financial statements. Any remaining discrepancy or, when applying the revaluation method, excess of acquisition cost over fair value of net assets acquired was treated as goodwill and amortized pursuant to Section 309, para. 1, sentence 1 of the German Commercial Code or offset against the Group's revenue reserves.

Minority interests in equity and net income are accounted for in the balance sheet under "minority interests" and in the income statement under "income attributable to minority interests." The amount disclosed in the income statement under "income attributable to minority interests" amounting to EUR 1,792k (previous year: EUR 312k) is the result of attributing profits or losses to three minority shareholders.

The other revenue reserves contain the accumulated results of the companies included in the Group financial statements, to the extent that they were not distributed, as well as consolidation entries affecting income. They also contain accumulated currency translation differences and, when exercising the option provided by Section 309, para. 1, sentence 3 of the German Commercial Code, goodwill that has been offset without affecting the operating result and/or negative sums resulting from profit retention in connection with capital consolidations that are allocated to other revenue reserves, also without affecting the operating result.

The share of profits attributable to shareholders of Zeppelin GmbH in 2015 was allocated to other revenue reserves.

Receivables and liabilities between consolidated companies were eliminated in the course of consolidating their intercompany balances. Differences were recognized partly directly in the income statement and partly directly in equity.

Income and expenses between consolidated companies were offset against each other or reclassified.

Intercompany profits from inventories were eliminated.

V. Currency Translation

All assets and liabilities denominated in foreign currencies have been translated at the mean spot exchange rate on the balance sheet date. For assets and liabilities due in more than one year, the realization principle (Section 298, para. 1 in conjunction with Section 252, para. 1, no. 4, clause 2 of the German Commercial Code) and the historical cost principle (Section 298, para. 1 in conjunction with Section 253, para. 1, sentence 1 of the German Commercial Code) were applied.

The assets and liabilities in the annual financial statements that are denominated in foreign currencies, with the exception of equity (subscribed capital, reserves, and profit carried forward at historical rates), have been translated into euros at the mean spot exchange rate on the balance sheet date. The items in the income statement have been translated into euros at the average exchange rate. The resulting translation difference is reported in Group equity in the reserves under the heading “adjustment items from currency translation.”

VI. Notes to the Group Balance Sheet

Fixed Assets

The development of the individual fixed asset items is presented separately in the “Statement of Changes in the Group’s Fixed Assets.”

The intangible assets mainly consist of software, licenses and similar rights, and goodwill and similar assets.

As a consequence of eliminating the old version of Section 308, para. 3 from the German Commercial code, it has been necessary to reverse transfers of special items containing a share of reserves and special depreciations made in earlier years under the German Law on Development Areas (Fördergebietsgesetz). This required an additional EUR 469k to be depreciated in 2015. The associated adjustments to the book values of property, plant, and equipment result in additional write-downs of EUR 4,288k in subsequent years.

The shares in affiliated companies include shares in a controlling company, Luftschiffbau Zeppelin GmbH, Friedrichshafen, worth EUR 11,276k. A decontrol agreement was concluded with Luftschiffbau Zeppelin GmbH, Friedrichshafen, on November 7, 2011. The shares correspond to 10 % of the subscribed capital of EUR 35,000k.

The participations include shares in one German company and three foreign companies.

Receivables and Other Assets

The breakdown of assets due to mature in more than one year is as follows:

Dec. 31, 2015	TIME TO MATURITY > 1 YEAR EURK	TOTAL EURK
Trade receivables	4,381	267,205
Receivables from affiliated companies	0	863
Receivables from companies with which a participation relationship exists	0	2,713
Other assets	2,236	29,846
	6,617	**300,627**

Dec. 31, 2014	TIME TO MATURITY > 1 YEAR EURK	TOTAL EURK
Trade receivables	8,546	257,586
Receivables from affiliated companies	0	8,972
Receivables from companies with which a participation relationship exists	0	3,798
Other assets	2,466	21,913
	11,012	**292,269**

The receivables from affiliated companies include EUR 0 (previous year: EUR 1k) of receivables from the controlling company. The receivables from affiliated companies include trade receivables (EUR 231k; previous year: EUR 1,534k) as well as loan receivables (EUR 632k; previous year: EUR 7,438k). The receivables from companies with which a participation relationship exists are comprised, as in the previous year, exclusively of trade receivables.

Prepaid Expenses

The prepaid expenses include costs from eight (previous year: seven) bonded loans amounting to a total of EUR 277k (previous year: EUR 271k) that were placed in the years 2007 through 2009, 2012 and 2015. The costs are being depreciated according to plan over the term of the loans. Also recorded are arrangement and participation fees amounting to EUR 1,669k (previous year: EUR 1,605k) that were paid when concluding the syndicated credit facility in 2011 and when extending and decreasing it to EUR 25,000k in 2015, as well as prepayments for guarantees (EUR 3,612k), pensions (EUR 957k) and services (EUR 752k).

Deferred Tax Assets

Deferred tax assets from consolidation entries are recognized. They are valued at average tax rates of 10 % and 29 %, respectively.

Net Plan Assets for Post-Employment Benefits

For the fiscal year under review, obligations for phased early retirement programs were netted against assets that are designated exclusively for settling these obligations and are exempt from attachment by all other creditors (plan assets in the sense of Section 246, para. 2, sentence 2 of the German Commercial Code) pursuant to Section 298, para. 1 in conjunction with Section 246, para. 2, sentence 2 of the German Commercial Code. The netting resulted in an excess of plan assets of EUR 130k.

Pension obligations of Zeppelin Streif Baulogistik GmbH were assumed within the framework of an asset purchase agreement and were satisfied through a non-recurring payment of EUR 3,046k by the vendor and paid into a pension trust (CTA). After deducting fees, this pension trust was measured at EUR 2,201k as at December 31, 2015. It exceeds the pension accruals, which were measured at EUR 772k as at December 31, 2015, by EUR 1,430k, resulting in an excess of plan assets.

In total, the excess of plan assets amounts to EUR 1,559k (previous year: EUR 1,904k) in the 2015 fiscal year.

Netting figures according to Section 298, para. 1 in conjunction with Section 246, para. 2, sentence 2 of the German Commercial Code:

	EURK
Settlement value of netted liabilities	889
Acquisition cost of assets	3,293
Fair value of assets	2,448
Netted expenses	0
Netted income	30

Equity

The reserve for shares of a controlling company concerns Zeppelin GmbH’s participation in Luftschiffbau Zeppelin GmbH, Friedrichshafen. The other revenue reserves include the revenue reserves and net results of the affiliated companies belonging to the Group, as well as those of the parent company. The equity also includes amounts from offsetting other consolidation entries. The development of the individual Group equity items is presented separately in the “Statement of Changes in Group Equity.” As of December 31, 2015, EUR 289,522k were available for distribution to the parent company’s shareholders (net retained profits of the parent company).

Accruals for Pensions and Other Post-Employment Benefits as well as Other Provisions

The other provisions are mainly for personnel costs (EUR 64,527k; previous year: EUR 59,805k), warranty obligations (EUR 24,355k; previous year: EUR 18,746k), outstanding invoices (EUR 52,167k; previous year: EUR 37,298k), potential losses from pending transactions (EUR 7,342k; previous year: EUR 9,611k), and obligations in connection with full-service contracts (EUR 11,757k; previous year: EUR 10,801k).

Netting figures according to Section 298, para. 1 in conjunction with Section 246, para. 2, sentence 2 of the German Commercial Code:

	EURK
Settlement value of netted liabilities	5,244
Acquisition cost of assets	4,068
Fair value of assets	4,094
Netted expenses	0
Netted income	1

Tax Provisions

In the fiscal year under review, tax provisions amounting to EUR 8,676k (previous year: EUR 9,047k) were formed.

Liabilities

Grouped by the time remaining until they come due, the breakdown of liabilities is as follows:

Dec. 31, 2015	<1 YEAR	TIME REMAINING 1 TO 5 YEARS	>5 YEARS	TOTAL
	EURK	EURK	EURK	EURK
Liabilities to banks[1)]	36,879	90,881	0	127,759
Liabilities from issuing bonded loans[1)]	0	89,000	97,500	186,500
Down payments received on orders	24,528	0	0	24,528
Trade payables	60,795	0	0	60,795
Liabilities to affiliated companies	0	0	0	0
Liabilities to companies with which a participation relationship exists	0	0	0	0
Other liabilities	54,333	1,160	0	55,493
	176,536	**181,041**	**97,500**	**455,076**

Dec. 31, 2014	<1 YEAR	TIME REMAINING 1 TO 5 YEARS	>5 YEARS	TOTAL
	EURK	EURK	EURK	EURK
Liabilities to banks[1)]	23,175	109,548	0	132,723
Liabilities from issuing bonded loans[1)]	57,000	89,000	4,500	150,500
Down payments received on orders	55,667	313	0	55,980
Trade payables	78,819	0	0	78,819
Liabilities to affiliated companies	498	0	0	498
Liabilities to companies with which a participation relationship exists	77	0	0	77
Other liabilities	56,926	3,033	60	60,020
	272,162	**201,894**	**4,560**	**478,616**

[1)] The two items are combined in the balance sheet under “liabilities to banks”.

The “liabilities from issuing bonded loans” includes EUR 5,000k to the shareholder.

The “liabilities to affiliated companies” include EUR 0 (previous year: EUR 142k) to the shareholder.

Of the “other liabilities”, EUR 27,538 (previous year: EUR 29,923k) are for taxes and EUR 1,786k (previous year: EUR 2,488k) for social security.

Deferred Income

Deferred income mainly concerns marketing services as well as other prepayments.

Deferred Tax Liabilities

Of these, EUR 2,996k (previous year: EUR 4,123k) consists of deferred taxes pursuant to Section 274, para. 1 of the German Commercial Code (deferred tax liabilities from separate financial statements) and EUR 3,390k (previous year: EUR 3,439k) of deferred tax liabilities from consolidation entries. They have been determined by applying average income tax rates of 10 % and 29 %, respectively.

Derivative Financial Instruments and Hedging Relationships

Currency Hedges

The Zeppelin Group’s business activities expose it to currency exchange risks. Its policy is to limit or eliminate these risks by carrying out hedging transactions. Most of the required hedging activities are centrally performed or coordinated by the Group treasury department, which is part of Zeppelin GmbH.

To hedge exchange rate risks in connection with assets and liabilities denominated in foreign currencies as well as contractual agreements (known as firm commitments) that were previously not included in the balance sheet, the company concludes forward exchange contracts and swaps. They are individually assigned their fair values as of the balance sheet date. The forward exchange contracts and swaps together with the underlying transactions form micro-hedging relationships.

The transactions in the hedging relationships are subject to the same risk. It is therefore expected that the offsetting changes in value of the underlying and hedging transactions will be almost completely offset in the future for each hedged risk. The prospective effectiveness of the instrument is determined using the “critical terms match” method. In doing so, we ensure that the value-determining factors (nominal value, term, currency) match for the underlying transaction and the hedging instrument. The individual hedging relationships are therefore always classified as effective for the entire hedging period. The same holds when retroactively determining past effectiveness, because all value-determining factors are consistent between the transactions and the hedging instrument. In these cases, no discrepancies of relevance for accounting purposes can arise in the hedging relationships.

Overview of the forward exchange contracts and swaps that form hedging relationships with assets, liabilities and fixed contractual agreements denominated in foreign currencies:

FX ASSET/		NOMINAL IN EURK/	FAIR VALUES IN EURK		MAXIMUM
LIABILITY	CURRENCY	DERIVATIVE	POSITIVE	NEGATIVE	MATURITY
Foreign exchange purchase	USD	1,389	22	-	November 2016
Foreign exchange sale	CZK	6,000	5	-20	April 2016
	USD	10,755	13	-196	November 2016
Total		**18,144**	**40**	**-216**	

The assets, liabilities and fixed contractual agreements denominated in foreign currency designated as underlying transactions have been included in the hedging relationships in the same amount.

As of the balance sheet date, the amount of the risks hedged using the hedging relationships from the deferred depreciation of the assets or the expected favorable changes in cash flows is EUR 40k, and the amount from the deferred appreciation of liabilities in foreign currency or the expected unfavorable changes in cash flows of future liabilities is EUR -216k.

The Zeppelin Group will continue to use forward exchange contracts and swaps to hedge future transactions in the local currency of subsidiaries. In this connection, the repayments of intercompany financing provided by the Group treasury department or assets received from Group companies in their local currency will be hedged by Group treasury department using derivatives. As a result of the consolidation of intercompany balances, the underlying transaction is omitted at Group level in these cases.

The following overview contains the information pursuant to Section 285, no. 19 of the German Commercial Code:

FX ASSET/ LIABILITY	CURRENCY	NOMINAL IN EURK/ DERIVATIVE	FAIR VALUES IN EURK POSITIVE	NEGATIVE
Foreign exchange purchase	GBP	1,372	-	-17
	USD	5,079	5	0
Foreign exchange sale	CZK	22,736	33	0
	PLN	3,298	-	-21
	RUB	284	34	-
	USD	33,207	763	-37
Total		**65,976**	**835**	**-75**

The market values of these forward exchange contracts and swaps were determined on the basis of market information available on the balance sheet date, i.e., on the basis of discounted, future expectations of cash flows. In doing so, the applicable market interest rates were used for the remaining term of the financial instruments.

The book value of the forward exchange contracts and swaps with a negative market value of EUR 75k is included in “other provisions”.

Hedging Relationships for Interest Rate Swaps

Because of its external financing, Zeppelin GmbH is subject to risks associated with fluctuating interest rates. The objective of the Zeppelin GmbH risk strategy is to hedge the risk of fluctuating interest rates for some two-thirds of the planned Group financial liabilities for a period of five years. To this end, the treasury department concludes interest rate swaps (payer, receiver, and base rate swaps). Each interest rate swap and the underlying transaction together constitute a hedging relationship. The underlying transactions involve existing and diversified as well as anticipated bank loans and bonded loans with variable and fixed interest rates. In general, there is a variable-rate liability and a payer rate swap; in some cases there is also a base rate swap. In some cases, there is also a fixed-rate liability with a receiver swap.

INTEREST HEDGING TRANSACTIONS	CURRENCY	NOMINAL IN EURK	FAIR VALUES IN EURK POSITIVE	NEGATIVE	MAXIMUM MATURITY
Payer and base rate swaps	EUR	325,500	-	-12,213	June 2025
Receiver interest rate swaps	EUR	25,000	1,407	-	August 2022
		350,500	**1,407**	**-12,213**	

The loans designated as underlying transactions were included in the hedging relationships in the same amount.

As of the balance sheet date, the amount of the risks hedged using the hedging relationships from the expected unfavorable changes in cash flows of future interest payments is EUR 1,407k, and the amount from the expected favorable changes in cash flows of future interest payments is EUR -12,213k.

The prospective effectiveness of the instrument is determined using the “critical terms match” method. In doing so, we ensure that the value-determining factors (nominal value, term, currency) match for the underlying transaction and the hedging instrument. The individual hedging relationships are therefore always classified as effective for the entire hedging period. The same holds when retroactively determining past effectiveness, because all value-determining factors are consistent between the transactions and the hedging instrument. In these cases, no discrepancies of relevance for accounting purposes can arise in the hedging relationships.

The transactions in the hedging relationships are subject to the same risk. It is therefore expected that the offsetting changes in value of the underlying and hedging transactions will be almost completely offset in the future for each hedged risk.

VII. Notes to the Income Statement

The breakdown by categories of **revenues** is as follows:

EURK	2015	2014
Earthmoving equipment (new)	652,598	710,809
Earthmoving equipment (used)	271,122	242,930
Rental business	174,327	180,797
Forklifts, including rentals	50,500	61,287
Power systems, including rentals	143,467	169,559
Agricultural machines, including rentals	11,568	19,055
Production plants	100,007	79,945
Processing plants and mixers	86,689	68,255
Systems for the food industry and liquids handling	77,724	63,613
Components, construction site equipment incl. rentals	47,740	39,137
Spare parts	420,349	411,143
Aftersales service	248,793	231,518
Other[1)]	43,321	22,549
Zeppelin GmbH	171	149
	2,328,378	**2,300,744**

[1)] Thereof: EUR 21,019k (previous year: EUR 0) from sales of Zeppelin Rental GmbH & Co. KG and Zeppelin Streif Baulogistik GmbH EUR 8,909k (previous year: EUR 6,877k)

Revenues in Germany accounted for 56.1 % (previous year: 53.3 %) and revenues in other countries for 43.9 % (previous year: 46.7 %) of the total.

Other operating income includes the following significant items:

Income from the reversal of provisions and accruals, income from returned deliveries, book gains from the disposal of fixed assets, gains from sale-and-leaseback transactions, reversal of valuation allowances, cost refunds, currency exchange gains, insurance compensation payments and compensation for damages.

Other operating income also includes income related to other periods amounting to EUR 24,198k (previous year: EUR 25,457k), mainly from the reversal of provisions and accruals.

Income from currency translations amounting to EUR 6,243k (previous year: EUR 5,507k) in accordance with Section 256a of the German Commercial Code is also included.

Other operating expenses primarily consist of administrative expenses, operating, sales and distribution costs, additions to write-downs for receivables, bad debts, currency exchange losses, and donations. This item also includes expenses for currency translation amounting to EUR 7,366k (previous year: EUR 4,742k) pursuant to Section 256a of the German Commercial Code. Expenses related to other periods are EUR 10,291k (previous year: EUR 4,410k) and mainly include bad debts as a result of customer insolvencies in fiscal 2015.

Income from participations contains EUR 73k from affiliated companies (previous year: EUR 61k). Of this, EUR 65k is a dividend payment from Zeppelin Luftschifftechnik GmbH (silent participation) to Zeppelin GmbH in fiscal 2015 for 2014.

None of the **income from other securities and loans classified as fixed financial assets** is from affiliated companies.

Affiliated companies account for EUR 60k (previous year: EUR 230k) of **other interest and similar income**. The interest income includes EUR 33k (previous year: EUR 107k) on discount of provisions.

Affiliated companies account for EUR 87k (previous year: EUR 1k) of **interest and similar expenses**. Interest expenses include accrued interest on provisions of EUR 4,858k (previous year: EUR 5,444k).

The **income taxes** include deferred tax expenses of EUR 1,750k (previous year: EUR 158k). For calculating the deferred taxes for the German companies, the corporate income tax rate of 15.0 % applicable since January 1, 2008 has been applied. Factoring in the solidarity surcharge (5.5 %) and trade tax (average multiplier of 379 %), the average income tax rate is 29.09 %.

The tax reconciliation statement reconciling the differences between expected and reported income tax expense comprises the following:

	2015 EURK	2014 EURK
Earnings before taxes	81,156	71,569
Expected tax rate	29.09 %	29.09 %
Expected income tax expense	**23,608**	**20,819**
Tax effects from different tax rates	-7,203	-9,029
Tax rebates / expenses from previous years	218	-331
Tax effects from adjustments of the commercial balance sheet to the tax balance sheet	1,313	798
Tax effects from non-deductible operating expenses, losses or losses carried forward	4,870	8,086
Tax effects from tax-neutral Group entries	4,673	5,805
Change in deferred taxes	-2,325	-1,034
Other tax effects	-112	624
Reported income tax expense	**25,043**	**25,737**

There were no significant extraordinary income or expenses in the year under review.

VIII. Notes on the Group Cash Flow Statement

The Group cash flow statement shows how the Group's cash and cash equivalents changed over the course of the fiscal year as a result of inflows and outflows. The new provisions that are to be observed in accordance with DRS 21 were observed and the previous year adjusted accordingly. Cash flows are distinguished depending on whether they result from operating activities or investing and financing activities.

The cash and cash equivalents shown in the cash flow statement comprise all of the liquid assets disclosed in the Group balance sheet, i.e., cash on hand, checks, and bank balances as well as bank liabilities with a remaining term of less than three months from the date of acquisition.

Cash flows from investing and financing activities are recorded on a payment basis. By contrast, cash flow from operating activities is derived indirectly from the Group's net income for the year.

The base value in the cash flow statement is translated to the Group's net income for the year as follows:

	EURK
Result before income tax	81,156
Income taxes	25,043
	56,113

The total interest received in fiscal 2015 was EUR 3,198k (previous year: EUR 4,947k)[1], and the total interest paid amounted to EUR 23,580 (previous year: EUR 24,273k)[1]. The net interest result therefore amounted to EUR -20,382k (previous year: EUR -19.326k)[1]. The difference with the interest expenses is the result of the delimitation of the costs of the syndicated loan (upfront fee) over the term.

[1] Adjustment of prior year figures as a result of the implementation of new regulation DRS 21.

IX. Notes and Other Information

Contingent Liabilities and Other Financial Commitments

	2015 EURK	2014 EURK
1. GUARANTEES AND OTHER COMMITMENTS		
Credit sale and acceptance liabilities	131	675
Guarantees	62,933	80,323
	63,064	**80,998**
2. FINANCIAL COMMITMENTS		
Rental and leasing commitments		
Due in 2016	61,011	73,188
Due between 2017 and 2020	45,743	84,232
Due from 2021	4,201	3,817
Purchase commitments from investments	90,431	73,477
Repurchase agreements	142,302	163,343
Shared commitments	60,144	67,252
Commitments to make donations	7,500	7,500
Other commitments	187	0
	411,519	**472,808**

The shared liability for credit sale and acceptance commitments mainly concerns a case in which Zeppelin GmbH is liable without recourse in connection with selling credit sale agreements of a subsidiary to banks. The subsidiary's asset, financial, and revenue situation is assessed as good, so there is no reason to expect that any claims will be made against the shared liability.

In addition to the warranty obligations of subsidiaries that cannot be recognized as liabilities, the guarantees include other types of guarantees that were assumed in favor of banks for certain subsidiaries and for which the guaranteeing banks may submit a claim to Zeppelin GmbH. The risk of claims being made against these guarantees is considered to be low, owing to the healthy asset, financial, and revenue situation of the subsidiaries concerned.

The repurchase obligations are contractually agreed pre-emptive tender rights of leasing companies mainly for construction equipment from sale-and-leaseback agreements to finance the rental fleet of Zeppelin Rental GmbH & Co. KG. The repurchase of rental fleet assets is a component of Zeppelin's business model and an essential basis of the Zeppelin Group's successful business involving second-hand machines.

The shared commitment obligations are to sales financing companies and relate to the residual obligations of customers of Zeppelin Baumaschinen GmbH from existing financing agreements, particularly for construction equipment on the balance sheet date. These residual obligations are matched by the market values of the construction equipment for which finance was provided of approximately EUR 56.6m (previous year: 57.3m). The risks from shared commitment obligations are classified as low in the vast majority of cases.

Off-Balance-Sheet Transactions

Sale-and-Leaseback Transactions

It is standard practice in Zeppelin's industry to refinance rental business operations by concluding sale-and-lease-back agreements for movable assets (rental assets). In 2015, this practice freed up total liquid assets of EUR 17,173k (previous year: EUR 90,602k). Since lease payments will encumber existing lines of credit in the future, this can negatively affect the Group's liquidity when the cash inflows of the rental business fluctuate due to slumps in demand, late payments, or increased default rates. In 2015, sale-and-leaseback agreements generated an operating result of EUR 1,018k (previous year: EUR 2,021k).

Factoring

Receivables for new and used machinery are sold to finance sales in the short term. Factoring is an integral part of the range of financing measures available to manufacturing and trading companies. It takes the form of asset-backed financing involving the sale of a portfolio of receivables. The selling company continues to administer the receivables in return for an appropriate fee. The receivables sold are no longer reported in the Group's financial statements.

The total volume of receivables sold for asset-backed financing amounted to EUR 9.7m as of December 31, 2015 (previous year: EUR 15.4m).

The resulting earlier influx of liquidity gives the Group greater latitude. At the same time, the improved liquidity situation improves its credit standing and the ratings it receives from rating agencies.

Audit Fees

The breakdown of the audit fees is as follows:

	2015 EURK	2014 EURK	
Statutory audit	468	443	1)
Tax consulting	0	15	
Other services	363	111	
	831	**569**	**1)**

1) Previous year figure adjusted (incl. travel costs)

The item "statutory audit" comprises the fees for auditing the annual and Group financial statements of Zeppelin GmbH and the separate annual financial statements of the Group's German companies included in the Group financial statements, as well as for reviewing the reporting packages of several included foreign companies of the Group. The auditing fee for the Zeppelin Group amounts to a total of EUR 1,039k (previous year: EUR 1,013k).

The item "other services" comprises the fees for Zeppelin GmbH and the Group's German companies that are included in the Group financial statements.

Personnel

The Zeppelin Group's average numbers of employees during the year were:

	2015	2014
Sales, marketing	1,553	1,715
Machine operators	147	209
Service employees (spare parts and aftersales)	3,391	3,213
Engineering, order processing, materials management, logistics	759	852
Production, assembly, QM	652	615
Administration	1,021	994
Trainees and apprentices	278	285
	7,801	**7,882**

Remuneration of Governing Bodies

In the 2015 fiscal year, Zeppelin GmbH awarded the following sums to its governing bodies in accordance with Section 314, para. 1, no. 6 of the German Commercial Code:

2015	EURK
Total remuneration for members of the Management Board.	2,964
Total remuneration for members of the Supervisory Board	458
Pension benefits for former members of the Management Board	457
Amount of pension provision for former members of the Management Board	8,234

Other Notes

The following four subsidiaries do not publish their annual financial statements in exercise of Section 264, para. 3 and Section 264b of the German Commercial Code:
Zeppelin Baumaschinen GmbH, Garching near Munich,
Zeppelin Systems GmbH, Friedrichshafen,
Zeppelin Power Systems GmbH & Co. KG, Hamburg, and
Zeppelin Rental GmbH & Co. KG, Garching near Munich.

Friedrichshafen, February 26, 2016

The Management Board of Zeppelin GmbH

Peter Gerstmann Michael Heidemann Christian Dummler Jürgen-Philipp Knepper

AUDITOR'S STATEMENT

We have audited the consolidated financial statements prepared by Zeppelin GmbH, Friedrichshafen – comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement, and the statement of changes in equity – and the Group management report for the fiscal year from January 1 to December 31, 2015. It is the responsibility of the Company's managing directors to prepare the consolidated financial statements and Group management report in accordance with German commercial regulations. Our task is to submit an assessment of the consolidated financial statements and Group management report based on our audit. We have conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and the generally accepted German principles for properly auditing financial statements as formulated by the Institute of Public Auditors in Germany (IDW). Those principles require us to plan and perform the audit in such a way as to detect with reasonable assurance any errors or violations that materially impinge upon how the consolidated financial statements and Group management report present the net assets, financial position, or operating results in consideration of the principles of proper accounting. In determining the audit procedure, we applied our knowledge of the Group's business activities and the economic and legal context in which it operates as well as expectations regarding possible errors. Within the scope of the audit, we evaluated the effectiveness of the internal system for monitoring the accounting and the evidence supporting the disclosures in the consolidated financial statements and the Group management report, for the most part by performing random checks. We also assessed the annual financial statements of the consolidated companies, how they were selected for consolidation, the accounting and consolidation principles applied, significant decisions made by the managing directors, and the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit provides a sufficiently sound basis for our evaluation.

Our audit has not revealed any grounds for criticism.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and provide a faithful picture of the Group's assets, financial position, and earnings in accordance with the principles of proper accounting. The Group management report is consistent with the consolidated financial statements and overall accurately depicts the Group's position as well as its future opportunities and risks.

Munich, February 26, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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Annual reports and further information can be obtained from our website www.zeppelin.com.

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