

Results of operations

Business performance in
the segments

income taxes relating to the tax audit conducted at DEUTZ AG for the years 2009 to 2011. The current tax expense was offset by deferred tax income of €8.3 million. This mainly resulted from the reversal of deferred tax liabilities arising in connection with the capitalisation of development expenditure under IFRS. The year-on-year decrease was €13.6 million (2014: €21.9 million). The deferred tax income reported in 2014 was largely influenced by effects from the tax audit carried out at DEUTZ AG for the years 2009 to 2011.

Earnings per share As a result of weaker operating profit and lower deferred tax income, net income dropped to €3.5 million in 2015, a year-on-year decrease of €16.0 million (2014: €19.5 million). This resulted in earnings per share of €0.04 (2014: €0.18).

BUSINESS PERFORMANCE IN THE SEGMENTS

DEUTZ Group: Segments

€ million

	2015	2014
New orders		
DEUTZ Compact Engines	958.4	1,115.0
DEUTZ Customised Solutions	267.5	264.0
Total	1,225.9	1,379.0
Unit sales (units)		
DEUTZ Compact Engines	125,214	183,125
DEUTZ Customised Solutions	12,567	13,278
Total	137,781	196,403
Revenue		
DEUTZ Compact Engines	967.2	1,279.9
DEUTZ Customised Solutions	280.2	250.3
Total	1,247.4	1,530.2
EBIT before one-off items		
DEUTZ Compact Engines	-31.9	15.2
DEUTZ Customised Solutions	31.3	18.8
Other	5.5	-2.3
Total	4.9	31.7

BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

New orders down on prior year In 2015, the DEUTZ Compact Engines (DCE) segment received new orders worth €958.4 million, 14.0 per cent down on 2014 when orders worth €1,115.0 million were received. As was the case at Group level, only the service business grew, increasing by 3.5 per cent to €160.7 million. In the Mobile Machinery application segment, new orders were down by 21.9 per cent to €463.2 million. The Automotive, Agricultural Machinery and Stationary Equipment application segments also reported decreases of 10.8 per cent, 4.8 per cent and 3.6 per cent respectively. Orders on hand amounted to €137.2 million at the end of the year, down by 3.0 per cent compared with the end of 2014.

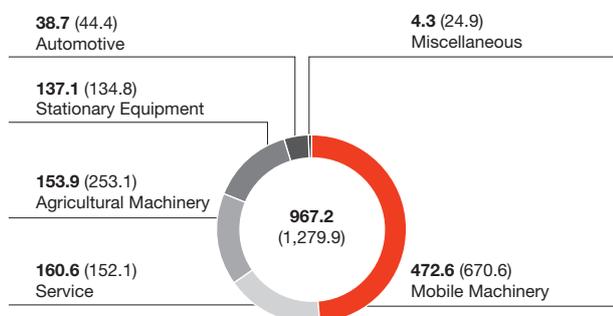
Fewer engines sold Unit sales in the DCE segment fell by almost a third to 125,214 engines. The number sold in the prior year was 183,125 engines. In EMEA, our largest market, 81,428 engines were sold, which was 40.7 per cent fewer than in 2014. Unit sales went down by 8.3 per cent in the Americas region but rose by 15.2 per cent in the Asia-Pacific region. There were decreases across all application segments, with particularly pronounced drops for Agricultural Machinery and Mobile Machinery of 53.9 per cent and 32.8 per cent respectively.

Revenue also down year on year At €967.2 million, revenue in the DCE segment declined by 24.4 per cent (2014: €1,279.9 million). The fall in revenue was therefore not as substantial as the drop in unit sales – as was also the case at Group level. The EMEA region's revenue decreased by 32.8 per cent to €683.7 million. By contrast, the Americas region rose by 7.6 per cent to €228.1 million and the Asia-Pacific region by 10.6 per cent to €55.4 million. Revenue decreased by 29.5 per cent in the Mobile Machinery application segment, by 39.2 per cent in the Agricultural Machinery application segment and by 12.8 per cent in the Automotive application segment. However, revenue in the service business was up by 5.6 per cent year on year and in the Stationary Equipment application segment it increased by 1.7 per cent.

Q4 better than Q3 in 2015 In the DCE segment, new orders reached €234.4 million in the fourth quarter of 2015, which was on a par with the prior-year figure of €232.5 million and represented a significant increase of 20.8 per cent on the third quarter of 2015. Unit sales fell by 24.5 per cent to 27,618 engines year on year but rose by 5.2 per cent compared with the previous quarter. Revenue in the final quarter of 2015 amounted to €237.1 million, which was 14.4 per cent less than the fourth quarter of 2014 but 17.5 per cent more than in the third quarter of 2015.

DEUTZ Compact Engines: Revenue by application segment

€ million (2014 figures)



Sharp fall in DCE's operating profit The DEUTZ Compact Engines segment reported an operating loss of €31.9 million in 2015 (2014: operating profit of €15.2 million). A greatly reduced volume of business and a smaller contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd., Dalian, China, caused this deterioration of €47.1 million compared with the prior year, despite lower production costs and warranty costs as well as positive currency effects. The operating profit for the segment was also adversely affected by impairment losses totalling €7.1 million on intangible assets and on property, plant and equipment.

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

Small rise in new orders compared with 2014 The DEUTZ Customised Solutions (DCS) segment took new orders worth €267.5 million in the reporting year, an increase of 1.3 per cent compared with the 2014 figure of €264.0 million. Unlike the DCE segment, this segment was not affected by the advance production of engines in 2014. With the exception of Stationary Equipment, where new orders fell by 24.7 per cent, and the Other segment, where new orders fell by 28.6 per cent, all application segments received more orders than in the previous year. As at the end of 2015, orders on hand stood at €63.8 million, down by 18.4 per cent on the figure reported a year earlier (31 December 2014: €78.2 million).

Slightly fewer engines sold Unit sales in the DCS segment declined by 5.4 per cent to 12,567 engines in 2015. Unit sales were down in the Americas region but rose in EMEA, our largest region, and in the Asia-Pacific region. There were significant year-on-year gains for the Automotive application segment, but all other application segments sold fewer engines.

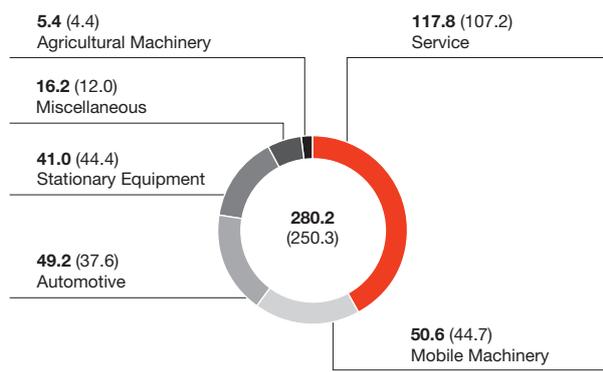
Rise in revenue year on year In contrast to unit sales, revenue in the DCS segment climbed by 11.9 per cent to €280.2 million in the reporting year. All regions generated growth, with revenue rising by 8.4 per cent in the EMEA region, by 5.8 per cent

in the Americas and by 26.0 per cent in the Asia-Pacific region. The only application segment where revenue decreased was Stationary Equipment (by 7.7 per cent). All other application segments saw an increase in revenue: 13.2 per cent for Mobile Machinery, 30.9 per cent for Automotive, 22.7 per cent for Agricultural Machinery and 9.9 per cent for the service business.

Slightly weaker fourth quarter In the fourth quarter of 2015, new orders in the DCS segment totalled €58.6 million, down by 15.9 per cent year on year and down by 14.1 per cent on the previous quarter. There were also fewer unit sales in the final three months of the year, with a year-on-year decrease of 37.8 per cent to 2,927 engines. However, unit sales had been exceptionally high in the fourth quarter of 2014, especially in this segment's smaller power output categories. However, unit sales rose by 1.9 per cent compared with the third quarter of 2015. The revenue attributable to the DCS segment in the final quarter fell by 4.9 per cent year on year to €71.5 million, but nonetheless was 7.0 per cent higher than in the third quarter of 2015.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2014 figures)



Vast improvement in DCS's operating profit The operating profit of the DEUTZ Customised Solutions segment for the reporting year was €31.3 million (2014: €18.8 million). This sharp increase compared with 2014 is due, in particular, to the larger volume of business and to positive currency effects. Furthermore, the prior-year figure had included impairment losses of €9.5 million recognised on intangible assets and on property, plant and equipment and of €1.8 million recognised on equity-accounted investments. In 2015, impairment losses totalling €2.6 million were recognised on intangible assets and on property, plant and equipment.

Other The operating profit reported by the Other segment came to €5.5 million (2014: operating loss of €2.3 million). This positive trend was due, above all, to the sale of the shares in WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD., Weifang, China, and the cancellation of a liability denominated in a foreign currency. This liability consisted of an outstanding