

In 2015, our external certification body carried out a monitoring audit in order to review our adherence to the ISO 9001 (quality management), 14001 (environmental management) and 50001 (energy management) standards. All criteria were again met.

This enabled the certificates to be renewed. The more wide-ranging requirements resulting from the revised ISO 9001:2015 and 14001:2015 standards are currently being integrated into the existing DEUTZ management system.

INTERNATIONAL JOINT VENTURES

China has been a very challenging market for some time. Growth forecasts have been revised down, and there is considerable capacity in the engine production sector. At the start of 2015, we decided to consolidate our Chinese production operations in our established DEUTZ (Dalian) Engine Co., Ltd. joint venture in Dalian, China, which has adequate capacity.

We have been operating the DEUTZ Dalian joint venture with the First Automotive Works Group, one of China's leading vehicle manufacturers, since 2007. Here, we produce three to eight litre diesel engines, mainly for automotive applications for the Chinese market. The unit sales figure for 2015 was just short of 75,000 engines, a year on year decrease of 29.5 per cent. DEUTZ Dalian's business performance was severely affected by market conditions in China, especially in the truck and construction machinery segments. An improved product mix brought in revenue equivalent to roughly €340 million, down by 5.6 per cent year on year. Measured in the local currency, the fall in revenue was 19.6 per cent compared with 2014. The company, accounted for under the equity method, had a negative impact of €7.0 million on the DEUTZ Group's operating profit, having contributed €3.5 million to operating profit in 2014. We expect the market situation to remain challenging but predict a smaller negative impact on operating profit. Nevertheless, capacity utilisation will continue to have a strong influence on earnings.

We made significant progress in consolidating our other Chinese production activities in the year under review. The DEUTZ Engine (China) Co., Ltd. joint venture in Linyi, China, was wound up at the end of 2015. We had originally founded the company, which never made any substantial investments, with AB Volvo.

At the end of 2015, we sold our WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. joint venture in Weifang, China, to our previous co-shareholder, Weichai Power. The company only produces the 226B engine series under licence and we no longer considered it to be strategically important.

We have also begun the process of closing the DEUTZ Engine (Shandong) Co., Ltd. joint venture in Linyi, China, in which we have a 70 per cent shareholding. It is expected to be fully wound up during 2016. Implementation work in connection with this company was suspended and terminated at an early stage.

Overall, the winding-up and sale of the aforementioned companies – i.e. DEUTZ Engine China, WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. and DEUTZ Engine (Shandong) Co., Ltd. – resulted in a small contribution to earnings in the reporting year.

DEUTZ AGCO MOTORES S.A. (DAMSA), our Argentinian joint venture with the AGCO Group, produces engines for the local market, with a particular focus on agricultural machinery, buses and industrial applications. In 2015, the company sold around 1,150 engines in very challenging market conditions. It generated revenue of around €19 million, which was about a fifth more than in 2014 owing to price increases. The company made a loss of €0.1 million.

We hold a stake of 30 per cent in D.D. Power Holdings (Pty) Ltd., our South African joint venture. This sales and service company is active in the local market, focusing on sectors such as the local mining business. In the year under review, the company achieved revenue of around €20 million and a profit of approximately €2.5 million, with both figures increasing year on year.

NEW ORDERS

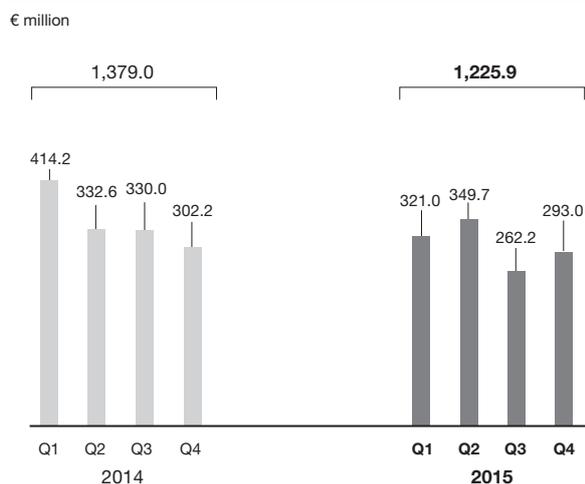
DEUTZ Group: New orders

	€ million	
2015	1,225.9	
2014	1,379.0	
2013	1,649.7	
2012	1,237.1	
2011	1,479.3	

Decline in new orders compared with 2014 In 2015, the DEUTZ Group received orders worth €1,225.9 million, which was 11.1 per cent below the figure of €1,379.0 million achieved in the previous year. With the exception of the service business, where new orders rose by 7.2 per cent, all other application segments reported a decrease in new orders compared with 2014. New orders were down by 20.0 per cent in the Mobile Machinery application segment, by 8.9 per cent in the Stationary Equipment application segment and by 4.1 per cent in the Agricultural Machinery application segment. There was also a small decrease in the Automotive application segment of 1.3 per cent.

The level of new orders varied considerably over the course of the year. The second quarter was the only one with a year-on-year increase and, at €349.7 million, was also the strongest quarter. Year-on-year decreases were registered in all other quarters. As a consequence of the advance production of engines, European customers drew on their inventories of the engines that they had purchased on a large scale in 2014 in anticipation of the changing emissions standard, although this trend had been expected. From the third quarter onwards, end customers were very reluctant to invest, which had a huge negative impact on new orders in the second half of the year. At €262.2 million, the lowest level of new orders was registered in the third quarter. In the fourth quarter, orders amounted to €293.0 million, up by 11.7 per cent on the very weak previous quarter and down by 3.0 per cent on the fourth quarter of 2014.

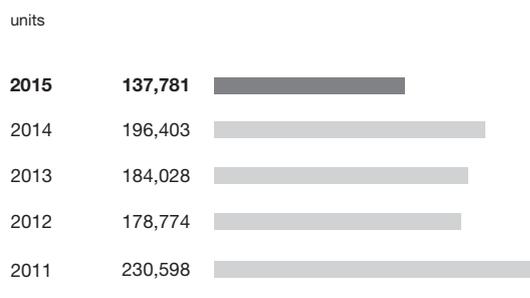
DEUTZ Group: New orders by quarter



Orders on hand totalled €201.0 million as at 31 December 2015, a decline of 8.5 per cent compared with €219.7 million at the end of 2014.

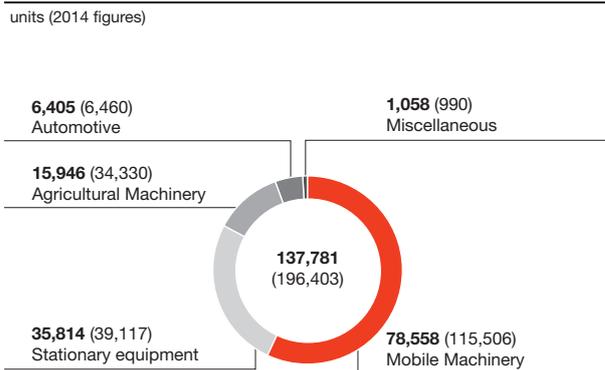
UNIT SALES

DEUTZ Group: Unit sales



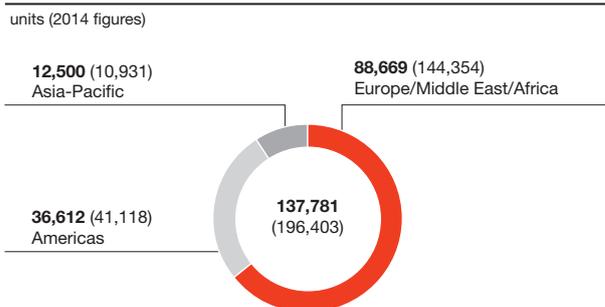
Year-on-year fall in unit sales DEUTZ sold 137,781 engines in the year under review, 29.8 per cent fewer than the 196,403 engines sold in 2014. The decreases in the Agricultural Machinery and Mobile Machinery application segments were particularly substantial at 53.6 per cent and 32.0 per cent respectively.

DEUTZ Group: Unit sales by application segment



The breakdown by region reveals a very disparate pattern. Unit sales in our biggest market – EMEA (Europe, Middle East and Africa) – dropped by 38.6 per cent to 88,669 engines. They were down by 11.0 per cent to 36,612 engines in the Americas. By contrast, unit sales in the Asia-Pacific region rose by 14.4 per cent to 12,500 engines.

DEUTZ Group: Units sales by region



Significant year-on-year decreases were registered in all four quarters of the year. The highest unit sales figure was achieved in the second quarter with 41,213 engines. In the fourth quarter, 30,545 engines were sold, representing a slight increase of 4.9 per cent on the very weak previous quarter and a decline of 26.0 per cent compared with the fourth quarter of 2014.