

Income taxes In 2014, there was overall tax income of €12.8 million, whereas income taxes of €5.5 million were incurred in the previous year. The current tax expense of €9.1 million was down slightly year on year, by €1.6 million (2013: €10.7 million). Current tax expenses were offset by deferred tax income of €21.9 million (2013: €5.2 million). This resulted from the reversal of deferred tax liabilities arising in connection with the capitalisation of development expenditure under IFRS and from increased deferred tax assets due to the findings of the tax audit carried out at DEUTZ AG for 2009 to 2011, which led to restatement of the tax accounts for DEUTZ AG as at 31 December 2014.

Earnings per share Based on the decline in the operating profit performance and the one-off charge in connection with site optimisation, net income fell to €19.5 million in 2014, a year-on-year decrease of €16.5 million (2013: €36.0 million). This resulted in earnings per share of €0.18 (2013: €0.30).

BUSINESS PERFORMANCE IN THE SEGMENTS

DEUTZ Group: Segments

	2014	2013
€ million		
New orders		
DEUTZ Compact Engines	1,115.0	1,385.5
DEUTZ Customised Solutions	264.0	264.2
Total	1,379.0	1,649.7
Unit sales (units)		
DEUTZ Compact Engines	183,125	167,964
DEUTZ Customised Solutions	13,278	16,064
Total	196,403	184,028
Revenue		
DEUTZ Compact Engines	1,279.9	1,188.8
DEUTZ Customised Solutions	250.3	264.4
Total	1,530.2	1,453.2
EBIT before one-off items		
DEUTZ Compact Engines	15.2	8.7
DEUTZ Customised Solutions	18.8	39.0
Other	-2.3	-0.2
Total	31.7	47.5

BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

New orders down on 2013 In 2014, the Compact Engines (DCE) segment received new orders worth €1,115.0 million, 19.5 per cent down on 2013 when orders worth €1,385.5 million were received. As was the case for the Group as a whole, the Mobile Machinery and Stationary Equipment application segments increased their volumes of new orders, by 10.8 per cent and 7.5 per cent respectively. On the other hand, new orders received by the Automotive and Agricultural Equipment application segments were sharply down by 69.1 per cent and 59.9 per cent respectively. Orders on hand at the end of the year stood at €141.5 million, virtually half the figure for the end of 2013.

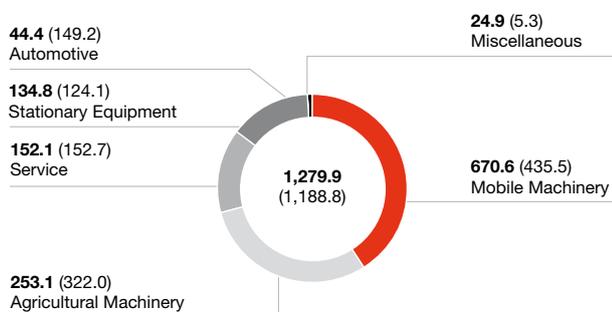
More engines sold A total of 183,125 engines were sold in the DCE segment in 2014, 9.0 per cent more than the 167,964 engines sold in 2013. In the EMEA region, our largest market, the number of engines sold climbed to 137,416 units, an increase of 5.7 per cent. Unit sales were also up in the Americas and Asia-Pacific regions (by 18.7 per cent and 28.5 per cent respectively). The main factor in the uptrend was the successful performance of the Mobile Machinery application segment, where unit sales were up by 43.5 per cent. In contrast, all the other application segments suffered a drop in unit sales.

Revenue also up At €1,279.9 million, revenue in the DCE segment was up by 7.7 per cent year on year (2013: €1,188.8 million). The biggest increase in revenue (42.9 per cent) was in the Americas region – driven by an encouraging expansion in business with our customers and strong economic growth. The Asia-Pacific region also reported significant revenue growth of 18.7 per cent, but revenue generated in the EMEA region was only up by 2.0 per cent. The performance of the Mobile Machinery application segment was encouraging, with a 54.0 per cent rise in revenue. The revenue attributable to the Stationary Equipment application segment rose by 8.6 per cent, service business revenue remained flat but Agricultural Machinery generated 21.4 per cent less revenue. Automotive reported a 70.2 per cent fall in revenue. Like the Group as a whole, the segment was impacted by the introduction of the Euro 6 emissions standard in Europe at the beginning of the year, for which DEUTZ does not offer compliant engines.

Fourth quarter down year on year In the DCE segment, new orders in the fourth quarter of 2014 reached €232.5 million, down by 39.1 per cent on the final quarter of 2013 and by 14.0 per cent on the third quarter of 2014. Unit sales declined by 16.7 per cent year on year to 36,601 engines and were well below the strong previous quarter when 53,589 engines were sold. The revenue of €277.1 million generated in the fourth quarter was 15.4 per cent below that of the same quarter in 2013 and 24.7 per cent down on the strong third quarter of 2014.

DEUTZ Compact Engines: Revenue by application segment

€ million (2013 figures)



Improvement in DCE operating profit In 2014, we generated operating profit (EBIT before one-off items) of €15.2 million for the segment, outstripping the profit of €8.7 million for 2013 by €6.5 million. The rise is due, in particular, to the increase in the volume of business in the reporting year and to the positive contribution to earnings from the sale of engine licences to an Algerian company. Moreover, the increased earnings of our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd. also played a part in the rise. There was a negative impact on operating profit for the segment from the aforementioned addition to provisions for warranty costs.

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

New orders in line with 2013 In the year under review, the DEUTZ Customised Solutions (DCS) segment received new orders worth €264.0 million, the same amount as in the previous year. The level of new orders rose in the Mobile Machinery and Agricultural Machinery application segments, as did the service business. At 31 December 2014, the order book stood at €78.2 million, 23.0 per cent higher than at the end of 2013.

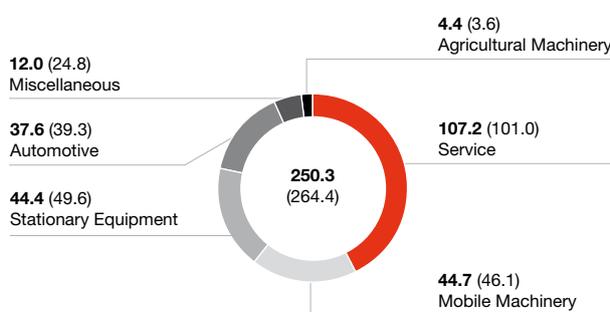
Fewer engines sold Unit sales in the DCS segment fell by 17.3 per cent to 13,278 engines in 2014. All regions and application segments reported lower unit sales.

Revenue down on 2013 In the year under review, the DCS segment generated revenue of €250.3 million, a decline of 5.3 per cent, although the Americas region managed to increase its revenue by 5.7 per cent. By contrast, revenue was down by 5.6 per cent and 11.8 per cent respectively in the EMEA and Asia-Pacific regions. The Agricultural Machinery application segment posted an increase of 22.2 per cent in revenue and service business revenue was also up, by 6.1 per cent. By contrast, the revenue attributable to the Mobile Machinery, Automotive and Stationary Equipment application segments declined by 3.0 per cent, 4.3 per cent and 10.5 per cent respectively.

Healthy level of new orders in the fourth quarter In the fourth quarter of 2014, the DCS segment achieved new orders worth €69.7 million, exceeding the equivalent figure in the fourth quarter of 2013 by 8.6 per cent. New orders were also up by 16.9 per cent compared with the third quarter of 2014. Unit sales in the final quarter of 2014 declined by 12.4 per cent compared with the corresponding quarter of 2013 but rose significantly (by 93.5 per cent) in comparison with the previous quarter, which had been adversely affected by supply shortages relating to one supplier. The revenue attributable to the DCS segment in the final quarter was down by 9.1 per cent year on year and amounted to €75.2 million, but nonetheless was around a third higher than the figure for the third quarter of 2014.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2013 figures)



DCS operating profit In the DEUTZ Customised Solutions segment, earnings (EBIT before one-off items) fell by €20.2 million year on year to €18.8 million (2013: €39.0 million). In addition to the fall in the volume of business, this decline largely related to impairment losses totalling €9.5 million recognised on property, plant and equipment and intangible assets and to the adjustment of the equity-accounted value of our Argentinian joint venture DEUTZ AGCO MOTORES S.A., which equated to a decrease of €1.8 million.

Other The operating loss of the Other segment amounted to €2.3 million (2013: loss of €0.2 million) and was particularly affected by the write-off of a loan to our joint venture DEUTZ AGCO MOTORES S.A. Because the segment structure of the DEUTZ Group at the time the loan was granted was not comparable with the current segment structure, the amount receivable for the loan was not assigned to either the DCE or the DCS segment.