

Certification attests to high quality standards Last year, DEUTZ was again certified in accordance with ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 50001 (energy management). In 2016, we successfully completed our second monitoring audit.

The more wide-ranging requirements resulting from the revised ISO 9001:2015 and 14001:2015 standards are currently being integrated into the DEUTZ management system. This is expected to be completed in time for re-certification in 2017.

INTERNATIONAL JOINT VENTURES

Conditions in the Chinese market for capital equipment have been very challenging for a number of years. Growth forecasts have been revised down significantly, and there is considerable capacity in the engineering sector.

We have been operating the DEUTZ Dalian joint venture – in which our Chinese production activities are concentrated – with the First Automotive Works Group, one of China's leading vehicle manufacturers, since 2007. Here, we produce 3 to 8-litre diesel engines, mainly for automotive and industrial applications for the Chinese market. We will expand DEUTZ Dalian's product range from 2019, which is when the China IV emissions legislation comes into force. Local production ensures that we have the proximity to our customers that we need and enables us to seize market opportunities in various off-road applications.

In 2016, unit sales in the DEUTZ Dalian joint venture fell by 8.7 per cent to around 68,000 engines. Revenue declined by 10.8 per cent to €303.0 million. Adjusted for exchange rate effects, the decrease was 5.7 per cent. The company, accounted for under the equity method, had a negative impact of around €5.7 million (2015: €7.0 million) on the DEUTZ Group's operating profit.

DEUTZ AGCO MOTORES S.A. (DAMSA) is our joint venture with the AGCO Group and is located in Argentina. It builds engines for the local market, mainly for agricultural machinery, buses and industrial applications. In 2016, DAMSA sold almost 1,000 engines. Revenue dropped by 24.9 per cent to €14.5 million as a result of negative exchange rate effects. However, measured in the local currency, revenue increased by 19.1 per cent. The company's operating profit came to €0.2 million (2015: €0.7 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 reported revenue of €14.6 million (2015: €20.2 million) and a profit of €1.9 million (2015: €2.5 million).

NEW ORDERS

DEUTZ Group: New orders

€ million

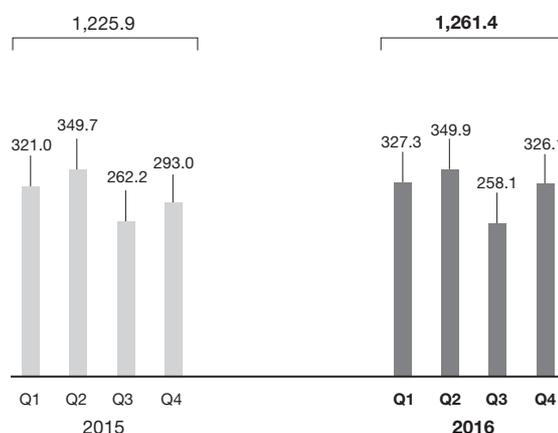
2016	1,261.4	
2015	1,225.9	
2014	1,379.0	
2013	1,649.7	
2012	1,237.1	

Year-on-year increase in new orders The DEUTZ Group received new orders worth €1,261.4 million in 2016, which was 2.9 per cent above the figure of €1,225.9 million achieved in the previous year. The former Mobile Machinery application segment has been divided into the Construction Equipment and Material Handling application segments in order to provide greater transparency in terms of the significance of various customer industries. In 2016, new orders increased by 9.6 per cent in the Construction Equipment application segment, by 6.9 per cent in Material Handling and by 6.4 per cent in Agricultural Machinery. The Automotive and Stationary Equipment application segments saw their new orders decline by 14.4 per cent and 16.7 per cent respectively. The service business maintained its positive trajectory with an increase of 2.2 per cent.

The level of new orders varied over the course of the year. New orders were up slightly year on year in the first quarter, unchanged year on year in the second quarter and down slightly year on year in the third quarter. In the fourth quarter, the volume of new orders increased by 11.3 per cent compared with the prior-year quarter to reach €326.1 million.

DEUTZ Group: New orders by quarter

€ million

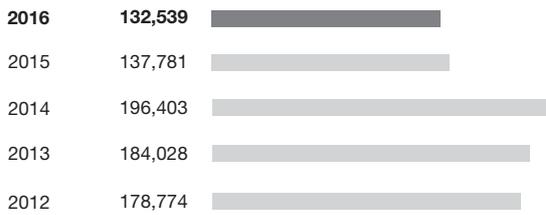


Orders on hand totalled €191.0 million as at 31 December 2016, a decline of 5.0 per cent compared with €201.0 million at the end of 2015.

UNIT SALES

DEUTZ Group: Unit sales

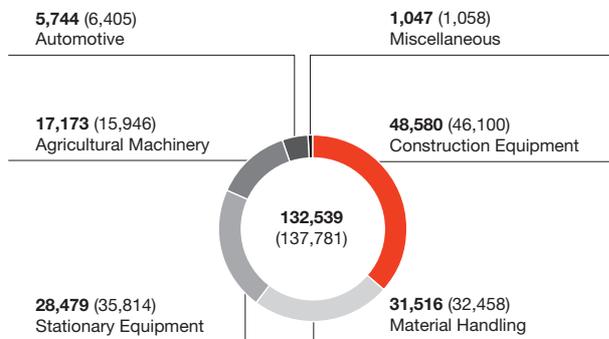
units



Fewer engines sold DEUTZ sold 132,539 engines in the reporting year, which was 3.8 per cent fewer than in the prior year (2015: 137,781 engines). The decreases in the Stationary Equipment and Automotive application segments were particularly substantial at 20.5 per cent and 10.3 per cent respectively.

DEUTZ Group: Unit sales by application segment

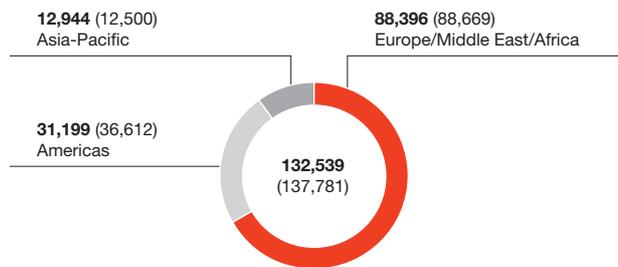
units (2015 figures)



The regional analysis shows a very mixed picture. Unit sales in our biggest market – EMEA (Europe, Middle East and Africa) – were on a par with 2015 at 88,396 engines. They were down by 14.8 per cent to 31,199 engines in the Americas. By contrast, unit sales in the Asia-Pacific region rose by 3.6 per cent to 12,944 engines.

DEUTZ Group: Units sales by region

units (2015 figures)



In the first two quarters, unit sales were lower than in the corresponding periods of 2015. However, third-quarter and fourth-quarter unit sales were both up year on year. In the final quarter of 2016, DEUTZ sold 32,100 engines, which was an increase of 5.1 per cent compared to the fourth quarter of 2015 and a rise of 4.4 per cent on the third quarter of 2016.

DEUTZ Group: Consolidated unit sales by quarter

units

