Western European markets ahead
Executive summary of the January survey

After a strong decline since the beginning of 2014, the business climate of the European agricultural machinery industry improved in December and January. Nevertheless, the overall picture on the economic evaluation and expectation has not changed substantially: A majority of the industry representatives sees a continuous decline for their sales, only the number of companies that are dissatisfied with the current business has become less (46% against 55%).

For many companies, the year 2014 ended with a certain recovery of turnover against the losses in the months before. On the other hand, the order intake both from the EU markets and the markets outside the EU went down again by approximately 10%.

In general, the perspectives seem to be better on the home markets compared to the major export markets. For instance, expectations for the CIS region have stayed on the very poor levels of the previous surveys. Currently every fifth company forecasts another drop in turnover by more than 20% and less than 10% expecting some growth in Russia and the neighbor countries. In contrast, the future trends for most Western European markets recently went up.

Referring to the two biggest markets here, Germany and France, the order book situation remains rather weak. Also the second-hand machinery stocks on these markets are a certain topic and an obstacle for new machinery sales.

Considering the different sectors of the branch, lawn and garden machinery as well as equipment for the livestock sector is still performing above average – the latter despite a certain drop of dairy product prices.
Business Climate
Illustration of Business Cycle

Source: CEMA Business Barometer, each value as an average of the last two months
Improved business climate: less than 50% dissatisfied with current situation.

Question: We consider our current business to be ....

<table>
<thead>
<tr>
<th>Year</th>
<th>very unfavourable</th>
<th>unfavourable</th>
<th>satisfying</th>
<th>good</th>
<th>very good</th>
</tr>
</thead>
<tbody>
<tr>
<td>201411</td>
<td>6%</td>
<td>44%</td>
<td>32%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>201412</td>
<td>6%</td>
<td>49%</td>
<td>34%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>201501</td>
<td>6%</td>
<td>40%</td>
<td>45%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Question: We expect our overall turnover within the next 6 months to ....

<table>
<thead>
<tr>
<th>Year</th>
<th>decrease</th>
<th>remain unchanged</th>
<th>grow</th>
</tr>
</thead>
<tbody>
<tr>
<td>201411</td>
<td>63%</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>201412</td>
<td>56%</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>201501</td>
<td>53%</td>
<td>34%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: CEMA Business Barometer
Slight index recovery for the second consecutive month

**CEMA Business Climate Index (CBI)**

![Graph showing CBI, Present Situation, and Future Expectation](chart.png)

Source: CEMA Business Barometer

Index = sum of 1) evaluation of the current business situation and 2) turnover expectation, scale from -100 to +100
Lower average drop in sales (ca. -5%) on the EU market compared to previous months.

Question: Compared to the same period a year ago our turnover in the past month developed as follows:

For EU markets:
- More than -20%: 6%
- -11 to -20%: 13%
- -3 to -10%: 28%
- Flat from +2% to -2%: 31%
- +3 to +10%: 14%
- +11 to +20%: 3%
- More than +20%: 5%

For markets outside the EU:
- More than -20%: 13%
- -11 to -20%: 21%
- -3 to -10%: 14%
- Flat from +2% to -2%: 30%
- +3 to +10%: 13%
- +11 to +20%: 5%
- More than +20%: 4%

Source: CEMA Business Barometer January 2015
Challenging trend for total new orders

Order intake development: % change trend for EU and non-EU markets calculated as an unweighted average value and illustrated as an average for the past two months

Source: CEMA Business Barometer, last indication for Dec 2014
Better outlook for most of the European markets, very evident gap between Western Europe and the CIS

Ranking according to the expected turnover on the single European markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Index 201501</th>
<th>Variation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Spain</td>
<td>12</td>
<td>-2</td>
</tr>
<tr>
<td>2 Czech Republic + Slovakia</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>3 Switzerland</td>
<td>-1</td>
<td>2</td>
</tr>
<tr>
<td>4 UK + Ireland</td>
<td>-1</td>
<td>-3</td>
</tr>
<tr>
<td>5 Scandinavia (DK, N, S) + FIN</td>
<td>-5</td>
<td>9</td>
</tr>
<tr>
<td>5 Poland</td>
<td>-5</td>
<td>-3</td>
</tr>
<tr>
<td>7 Romania</td>
<td>-8</td>
<td>-2</td>
</tr>
<tr>
<td>8 Netherlands</td>
<td>-10</td>
<td>-4</td>
</tr>
<tr>
<td>9 Other new EU member states</td>
<td>-11</td>
<td>6</td>
</tr>
<tr>
<td>10 Germany</td>
<td>-13</td>
<td>2</td>
</tr>
<tr>
<td>11 Italy</td>
<td>-13</td>
<td>3</td>
</tr>
<tr>
<td>12 Austria</td>
<td>-15</td>
<td>4</td>
</tr>
<tr>
<td>13 Belgium</td>
<td>-19</td>
<td>3</td>
</tr>
<tr>
<td>14 France</td>
<td>-19</td>
<td>7</td>
</tr>
<tr>
<td>15 CIS countries</td>
<td>-50</td>
<td>-7</td>
</tr>
</tbody>
</table>

* variation in index points compared to previous month

Status January 2015

Explanatory note:
Possible index scale: from -100 to +100
All single market indications given in the survey are summed up and weighted according to the extent of expected decrease/increase

Positive index value illustrates prevailing expectation for increasing turnover in this market over the next six months

Negative index value illustrates prevailing expectation for decreasing turnover in this market over the next six months

Country ranking ascending from highest increase resp. lowest decrease to lowest increase resp. highest decrease
(Only) 6 of 10 French companies with further order intake decline on their home market.

Question: Compared to the same period a year ago, our order intake on the French market in the past month...

Source: CEMA Business Barometer, French companies asked for their domestic market
No growth perspectives for the CIS markets in sight

Question: Turnover expectation for the next 6 months for the CIS market

Source: CEMA Business Barometer
Current Voices of the Industry
Selection of participants´ comments with indication of their origin by country

► « Our market is depressed because of fast declining milk prices and the abolishment of the milk quota per April 1. Farmers are waiting to see what the milk price will do going forward and are less motivated to invest at this point of time. » (The Netherlands)

► « The forecasted volumes for Russia are under pressure due to the volatile situation with the exchange rates of the ruble. » (The Netherlands)

► « Stable outlook for most of the regions we serve. Uncertainty with respect to the CIS remains high. Fluctuations of the ruble defer decision taking. » (Belgium)

► « … Order intake and turnover is very different between arable farming (with an average -20 to -30%) and viticulture (0 to -5%). » (France)

► « Amazing month of December with late and sudden purchasing decisions. That certainly proves that the crisis we are in remains superficial in France and is more a bad mood thing than a deep one. Ag revenues have increased in France. We all hope that 2015 and especially the SIMA show end of Feb will be a new step after a depressed year. » (France)

► « The negative inflation is a major risk for our sector after many years of crisis squeezing margins. On the other hand, credit starts to flow. » (Spain)

► « There are conflicting indicators on the situation of the farmer's income in Italy for 2014. We are unable to properly assess the impact of income/prices of agricultural products and that of funding policies in agriculture, with respect to the agricultural machinery market. However, we would see it moderately positive for our 2015 sales. » (Italy)