

CLAAS Aims for Greater Internationalisation

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Agricultural machinery company successful despite difficult market conditions

- Stable sales of €3823 million in declining overall market
- Income before tax of €155 million
- Return on sales 4.1 %
- Acquisition in China strengthens competitive position in Asia
- High level of investment in research and development
- Outlook for 2015: Sales and profit at level of previous year

CLAAS, the international agricultural machinery company, maintained the high level of sales achieved in the previous year in a significantly smaller overall market. Total sales were €3823.0 million (previous year €3824.6 million). Income before tax was impaired by increased costs due to the switchover to new engine emissions standards and by events in Eastern Europe, reaching a figure of €155.1 million (previous year €295.3 million). CLAAS achieved a return on sales of 4.1 % (previous year: 7.7 %).

"In 2014, we remained successful despite the difficult economic and geopolitical circumstances and were able to further expand our market share in key products such as combine harvesters and tractors. At the same time, great progress was made on the internationalisation of CLAAS", said Lothar Kriszun, Spokesman of the CLAAS Executive Board.

Growth remained subdued, particularly in Western Europe. The Eastern Europe and Latin American markets deteriorated in the 2014 financial year as a result of economic and political uncertainty. Compared to the previous year, agricultural machinery markets were also down in Asia and North America. Further complicating the situation were worldwide reductions in commodity prices, which noticeably reduced the willingness of the agricultural sector to invest. Despite this, sales at CLAAS remained stable. Developments in Asia and North America were particularly positive.

Greater internationalisation, high level of investment in research and development

CLAAS has continued to invest in developing its international structures and expanding its product portfolio in order to further develop its market presence. In China, the largest and fastest-growing agricultural machinery market in Asia, the takeover of Shandong Jinyee Machinery Manufacturing Co. Ltd. with around 1200 employees was successfully completed in January 2014. The new CLAAS company contributed to a significant increase in sales in Asia.

The number of people employed by the company worldwide thus increased to 11,407 as at 30 September 2014 (previous year: 9697). Following this takeover, one in ten employees of the company is now based in China. This means that, for the first time, CLAAS now employs more people outside Germany (54.5%) than inside its home country (previous year: 48.7%). In the autumn, the new management structure of the sales division was implemented with its six world regions. This structure will allow CLAAS to cater more effectively to its customers and better utilise the opportunities for development in the individual markets.

With a figure of €212.3 million (previous year: €197.0 million), investment in research and development was also increased. In relation to sales, the proportion of investment in research and development was 5.6% (previous year: 5.2%) and thus remained at a high level. The areas of emphasis were new models and further developments to harvesting machines and tractors. In addition, there has been an ongoing effort to convert engine technology to comply with the new statutory emissions standards.

Outlook

The long-term market drivers affecting the agricultural machinery sector remain intact. Demand for agricultural commodities as a result of population growth, energy policy, industrial usage and increasing prosperity is continuing to rise. CLAAS will therefore continue to invest consistently in developing its international business. These investments include, among others, the expansion of the sales and service network and completion of the new plant in Krasnodar, which will allow CLAAS to make an important contribution to the ongoing modernisation of the Russian agricultural sector.

CLAAS is expecting the market downturn to continue during the 2015 financial year. The effects of the political and economic circumstances in countries such as the Ukraine, Russia or Argentina and their consequences for the markets in Eastern Europe and Latin America are difficult to predict at the current time. Overall, worldwide production of agricultural machinery will not reach the high level of the previous year in 2015. Nevertheless, CLAAS expects its sales and profits in the current financial year to remain roughly at the level of the previous year thanks to its attractive product range and good international positioning.

Source: CLAAS