

## CONFERENCE CALL H1 2011

04 August 2011

The engine company.



# Agenda

- **Overview H1 2011**

Dr Helmut Leube, Chairman of the Management Board

- **Key performance indicators H1 2011**

Dr Margarete Haase, CFO

- **Outlook**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**

# Overview of H1 2011

## ■ Very satisfactory business in H1 2011

- Revenue of €724.1 million and sales of 107,198 units increased significantly by 36% and 42%, respectively
- Strong, sustained market recovery in all regions and application segments
- Order intake of € 797.1 million up by 21% yoy
- Market conditions expected to remain favourable while pace of growth might slow down somewhat

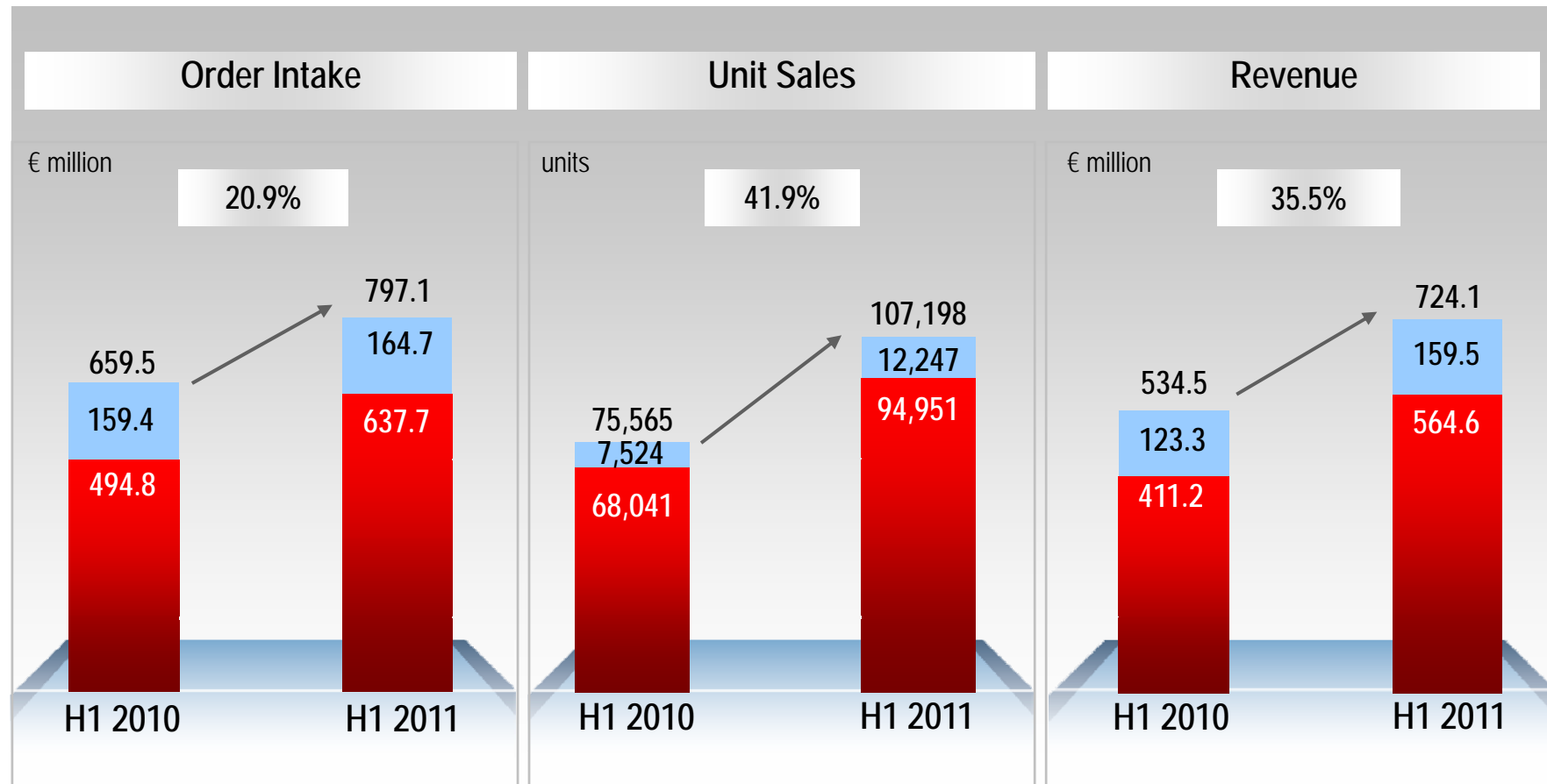
## ■ Profitability reaching new levels

- Measures to cut cost and enhance efficiency along with scaling effects are boosting profitability
- EBIT margin of 6.1% in H1 2011 and 6.7% in Q2 2011
- Net income of € 33.9 million in H1 2011 (H1 2010: minus €9.4 million)
- We are very confident to outperform our targets for 2011

## ■ New product launches on track

- Six product launches in the current year
- Good market response for brand new engines TCD 2.9 L4 and TCD 3.6 L4

# Sales figures, H1 2011



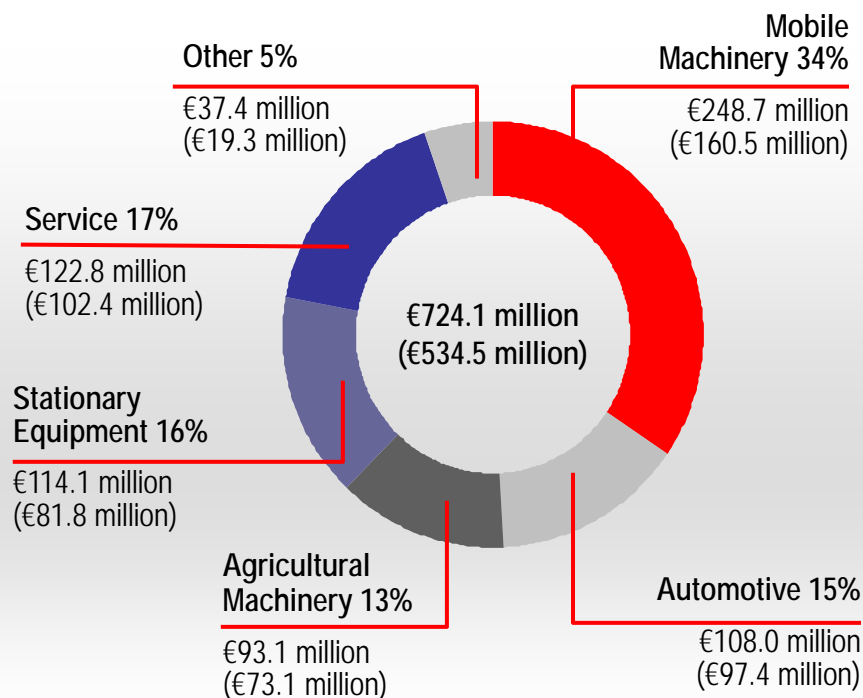
■ Compact Engines ■ DEUTZ Customised Solutions

- Good market situation reflected in high growth rates of order intake, unit sales and revenue
- Unit sales growing slightly faster than revenue due to mix effects
- Orders on hand of €349.8 million remain at a high level
- Book to bill ratio at 110%

# Revenue split

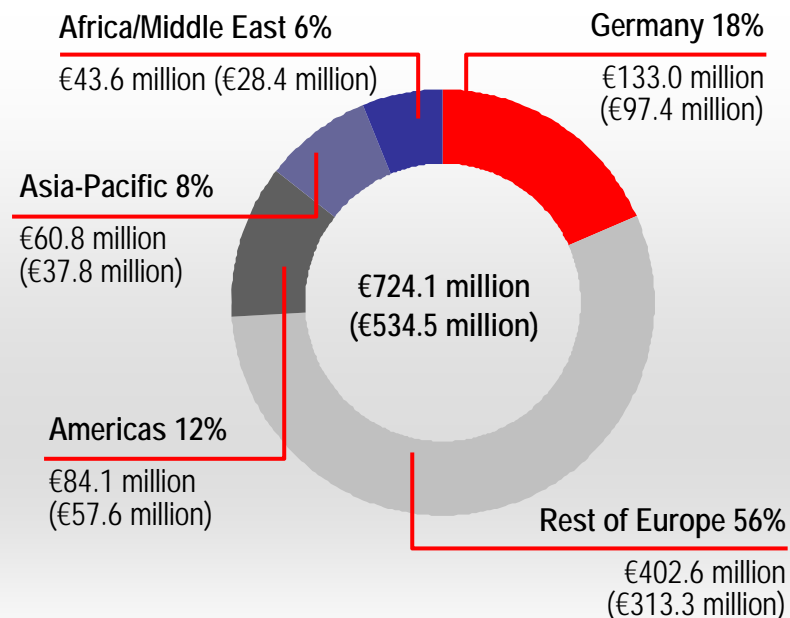
## Revenue Split by Application, H1 2011

(H1 2010)



## Revenue Split by Region, H1 2011

(H1 2010)

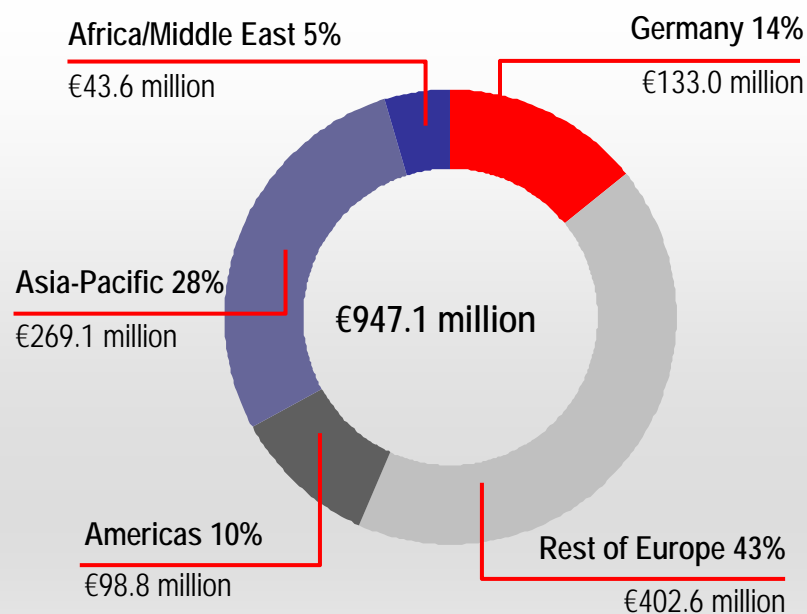


- Double digit growth rates in all application segments
- Highest growth rates in Mobile Machinery (+55% yoy), followed by Stationary Equipment (+40% yoy), Agricultural Machinery up by 27% yoy
- Service business with continued strong growth (+20% yoy)

- High growth rates in all regions: EMEA (+32%), Americas (+46%) and Asia-Pacific (+61%)

# Proforma revenue incl. Engine Joint Ventures<sup>(1)</sup>

## Revenue Split by Region, H1 2011



- Revenue of Engine JVs amounted to €223 million in H1 2011 (at equity consolidated)
- Proforma Revenue including Engine JVs showing strong position of DEUTZ in the fast-growing Asian market, in particular China
- DEUTZ brand and German engineering with very high reputation in China
- In line with general market development, Q2 2011 with some softening in China, H2 2011 with some catch up potential
- Engine JVs contributed €0.6 million to the EBIT in H1 2011 (H1 2010: -€1.3 million)

(1) Engine JVs: DEUTZ (Dalian) Engine Co., Ltd., Dalian (China); WEIFANG WEICHAI DEUTZ DIESEL ENGINE CO., LTD., Weifang (China); and DEUTZ AGCO MOTORES S.A., Haedo (Argentina)

## Segment overview: Compact Engines

€ million	H1 2011	H1 2010	Change in %
New orders	637.7	494.8	28.9
Unit sales	94,951	68,041	39.5
Revenue	564.6	411.2	37.3
EBIT (before one-off items)	21.2	1.3	--

€ million	Q2 2011	Q1 2011	Change in %
New orders	312.6	325.1	-3.8
Unit sales	52,279	42,672	22.5
Revenue	304.6	260.0	17.2
EBIT (before one-off items)	14.5	6.7	116.4

- Yoy, order intake, unit sales and revenue with high double-digit growth rates
- Qoq, unit sales and revenue well above Q1 figures; order intake with small seasonal decline of 3.8%
- Growth in all regions and application segments. Mobile Machinery continued to be the driving force with revenue growth rates above 50% yoy
- Transitional EBIT improvement in Compact Engines to €21.2 million in H1 2011 (H1 2010: € 1.3 million) as a consequence of the successful cost and efficiency programmes and the strong revenue growth

## Segment overview: DEUTZ Customised Solutions

€ million	H1 2011	H1 2010	Change in %
New orders	159.4	164.7	-3.2
Unit sales	12,247	7,524	62.8
Revenue	159.5	123.3	29.4
EBIT (before one-off items)	23.4	17.3	35.3

€ million	Q2 2011	Q1 2011	Change in %
New orders	76.0	83.4	-8.9
Unit sales	6,503	5,744	13.2
Revenue	83.5	76.0	9.9
EBIT (before one-off items)	11.5	11.9	-3.4

- Unit sales and revenue with strong growth rates. Unit sales growing faster than revenue due to mix effects
- Double digit revenue growth in all regions and application segments (yoy)
- Order intake down by 3.2% yoy and 8.9% qoq, decline is mainly project-driven
- Orders on hand of about €100 million remain at a high level (H1 2010: 89.4 million)
- EBIT increased by €6.1 million to €23.4 million



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- **Key financials H1 2011**

Dr Margarete Haase, CFO

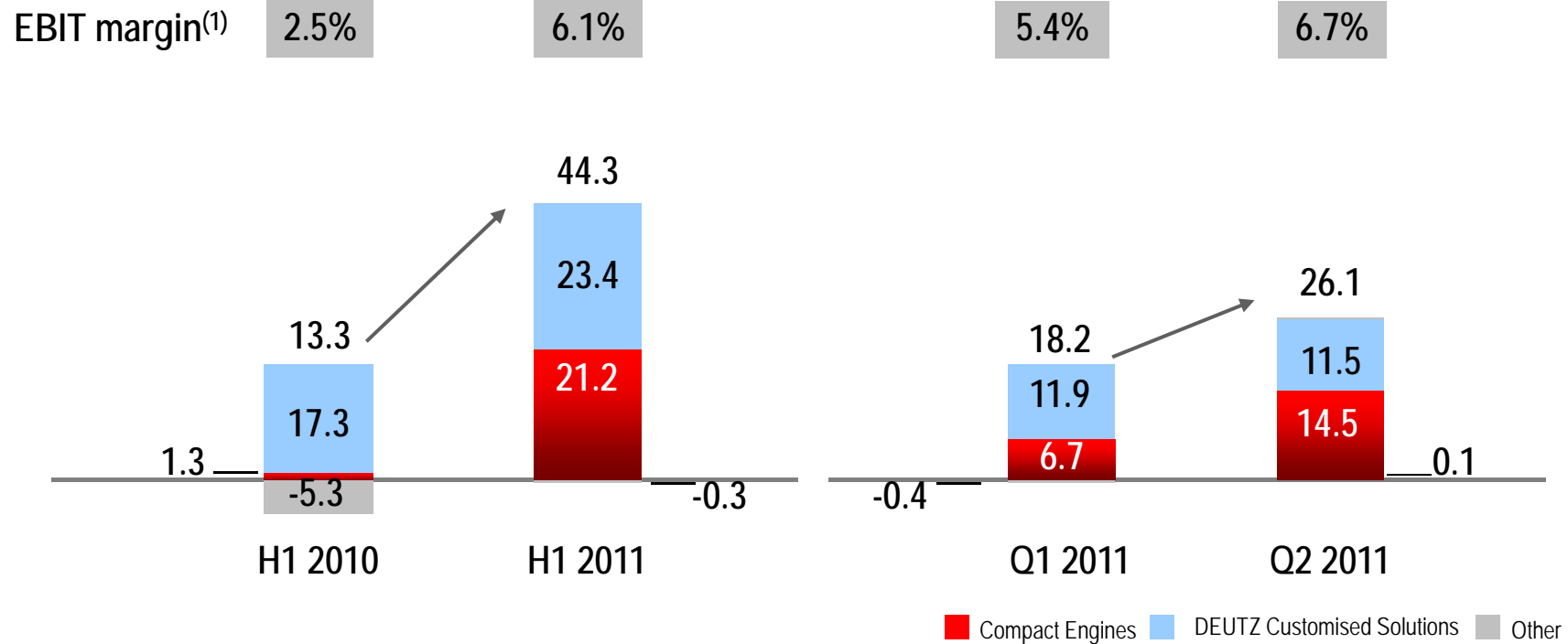
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# EBIT (before one-off items)

€ million

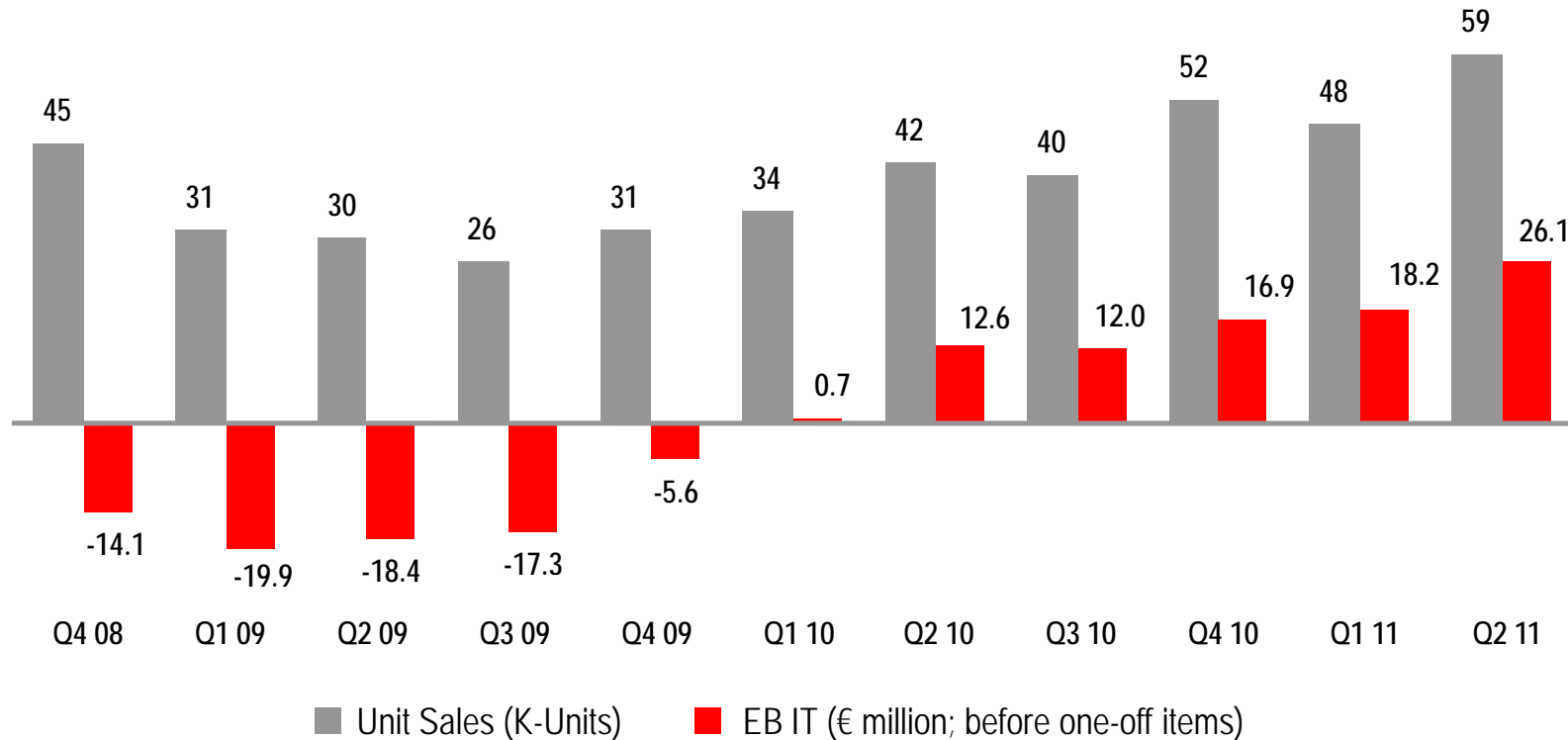


- EBIT margin in H1 2011 boosted to 6.1% (H1 2010: 2.5% before one-off items)
- Profitability in Compact Engines reaching new levels as a result of the cost and efficiency measures and high growth
- Continuous focus on high flexibility in a dynamic market environment

(1) EBIT in 2010 before one-off items. There have been no one-off items in the current year.

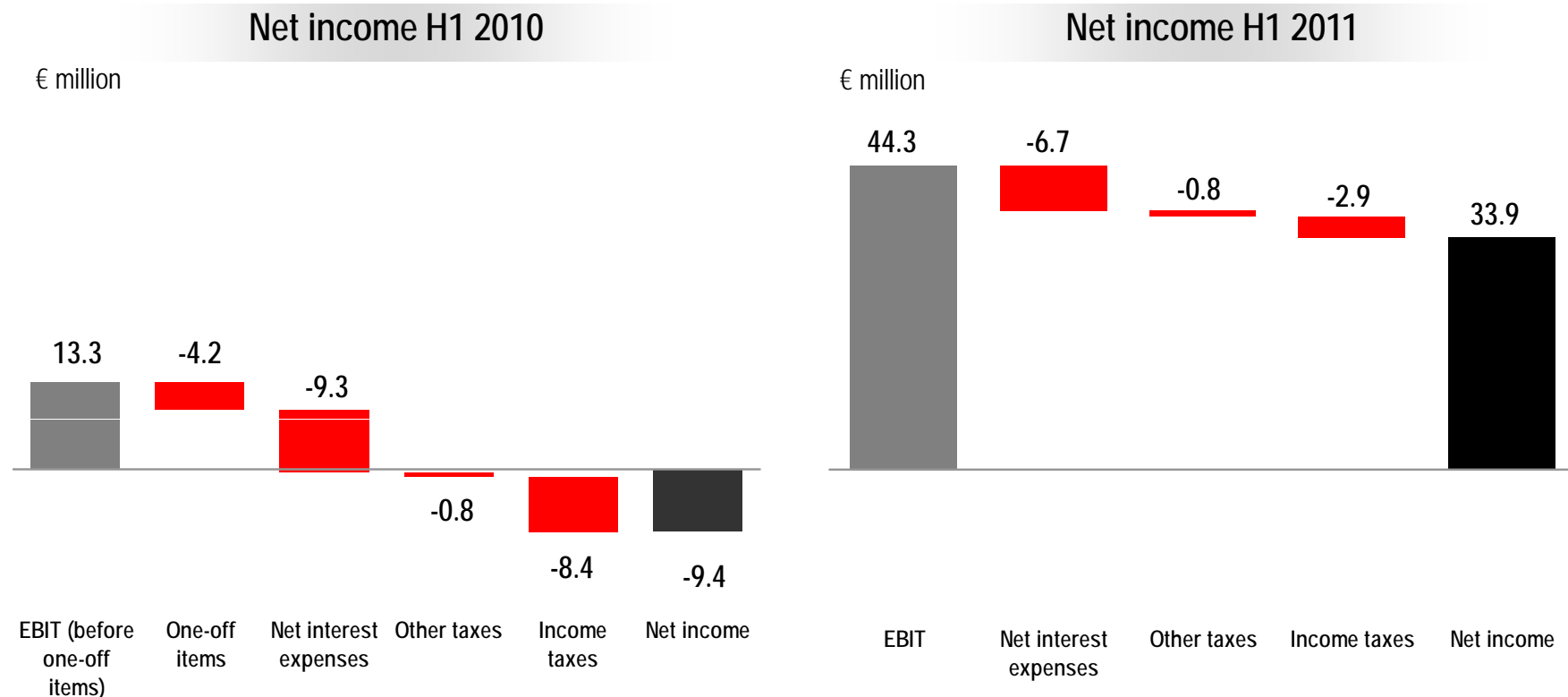
# Profitability showing lasting upwards trend

## Unit sales and EBIT (before one-off items) Q4 2008 – Q2 2011



- EBIT with an upward trend since Q1 2009
- Break-even level reduced significantly

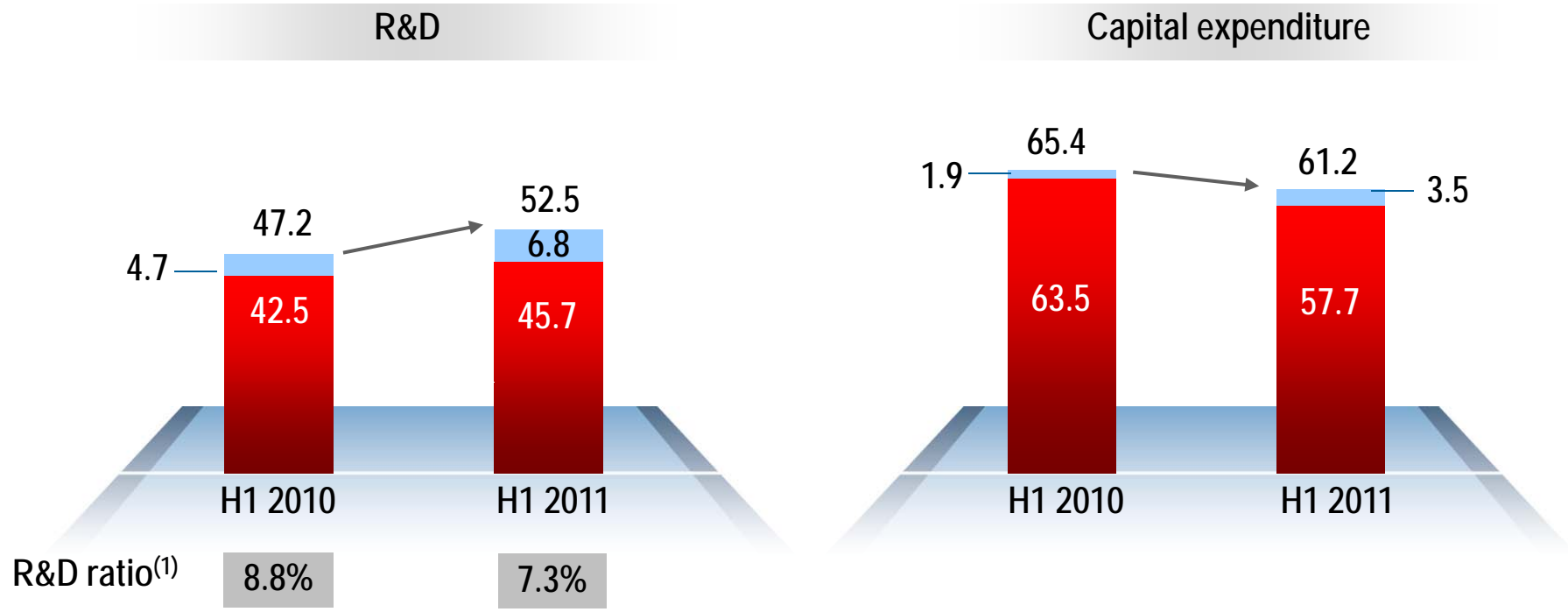
# Net income



- Net income of €33.9 million in H1 2011 (improvement of €43.3 million yoy). EPS increased to €0.28
- No one-off items in the current year
- Net interest expenses reduced as a consequence of the new funding since the end of 2010
- Lower income taxes due to some deferred tax income (better profitability leading to higher valuation of tax loss carryforwards)
- Equity ratio improved to 37.5% (up by 3.9%-points yoy)

# R&D and capital expenditure

€ million



- Slightly increased expenditures for R&D due to new emissions standards - R&D ratio down by 1.6%-points
- R&D activities for Tier 4 interim include major development work for Tier 4 final

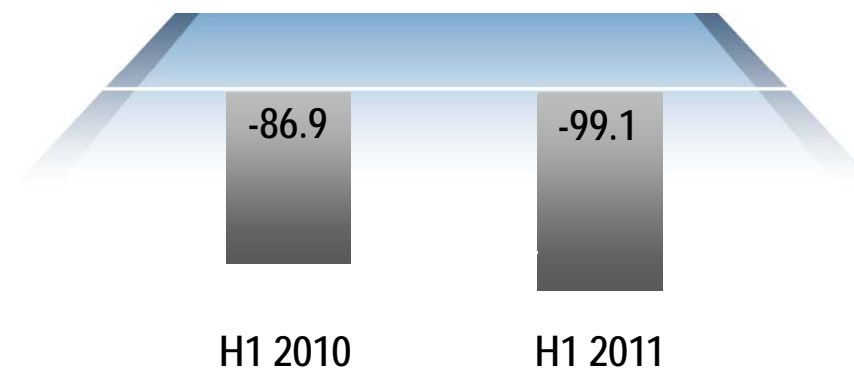
- Capex largely driven by introduction of new emissions standards
- Strict management of capital expenditure and R&D projects
- Capitalized development costs account for €39.9 million (H1 2010: €30.2 million)

(1) Ratio of R&D expenditure to consolidated revenue

# Net financial position and working capital

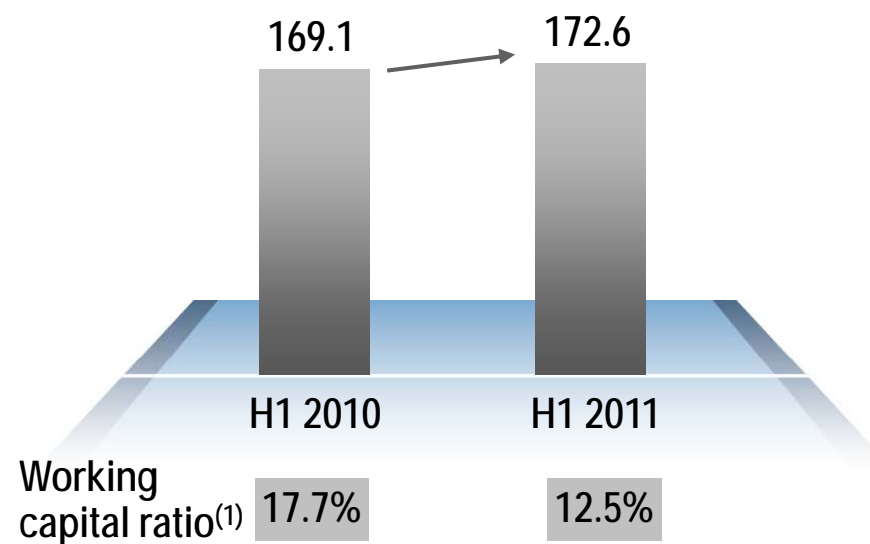
€ million

## Net financial position



- Cash credit line of €265 million provides sufficient financial flexibility
- Cash flow from operating activities of €30.2 million, i.e. improvement of €48.8 million yoy
- Free cash flow amounted to -€25.5 million due to investments for new emission levels and seasonal influence (lower working capital at year-ends)

## Working capital



- Only marginal increase of working capital despite strong revenue growth
- Working capital ratio reduced by 5.2%-points to 12.5%

<sup>(1)</sup> Working capital ratio as of 30 June 2011 / 2010

## Summing up

- Very satisfactory business in H1 2011 - revenue up by 36%
- Measures to cut cost and enhance efficiency are paying off
- Profitability reaching new levels - EBIT margin of 6.1% in H1 2011
- Based on large order book of about €350 million, book to bill rate of 110% and continued high order intake, the outlook for our business remains favourable
- Working capital ratio of 12.5% improved by 5%-points yoy

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# Enhanced Outlook

Outlook for 2011	
Unit sales	More than 225,000 engines
Revenue	More than €1.5 billion
EBIT (before one-off items)	Approx. €90 million
Capital expenditure (excluding R&D)	Slightly less than 2010 <sup>*)</sup>
Research and Development	Slightly higher than in 2010 <sup>*)</sup>
Employees	Some hirings in the operating units due to strong volume increase, preferably on a flexible basis
Outlook for 2012	
EBIT margin	Approx. 7%

**→ Business conditions will remain positive in 2011; cautious optimism for 2012**

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# Overview of key performance indicators (I)

€ million	H1 2011	H1 2010	Change in %
Revenue	724.1	534.5	35.5
EBITDA	76.9	40.3	90.8
EBITDA before one-off items	76.9	44.5	72.8
EBIT	44.3	9.1	386.8
EBIT before one-off items	44.3	13.3	233.1
EBIT margin	6.1	2.5	--
Net income/loss	33.9	-9.4	--
Basic earnings per share (€)	0.28	-0.08	--
Number of employees as at 31 March	4.253	3.903	9.0

## Overview of key performance indicators (II)

€ million	H1 2011	H1 2010	Change in %
Total equity and liabilities	1,077.8	1,144.0	-5.8
Equity	404.2	384.3	5.2
Equity ratio (%)	37.5	33.6	--
Cash flow from operating activities	30.2	-18.6	--
Free cash flow	-25.5	-63.3	59.7
Net financial position	-99.1	-86.9	-14.0
Working capital at balance sheet date of 30 June	172.6	169.1	2.1

# Income statement

€ million	H1 2011	H1 2010	Change in %
<b>Revenue</b>	<b>724.1</b>	<b>534.5</b>	<b>35.5</b>
Changes in inventories and other own work capitalised	48.8	27.7	76.2
Other operating income	19.7	41.8	-52.9
Cost of materials	-494.1	-354.0	39.6
Staff costs	-141.0	-126.6	11.4
Depreciation and amortisation	-32.6	-31.2	4.5
Other operating expenses	-81.5	-82.7	-1.5
Net result from equity-accounted investments	0.9	-0.5	--
Result from other investments	0.0	0.1	--
<b>EBIT</b>	<b>44.3</b>	<b>9.1</b>	<b>--</b>
of which one-off items	--	-4.2	--
<b>of which operating profit/loss (EBIT before one-off items)</b>	<b>44.3</b>	<b>13.3</b>	<b>--</b>
Net interest expense	-6.7	-9.3	-28.0
Other taxes	-0.8	-0.8	0.0
<b>Net income/loss before taxes on continuing operations</b>	<b>36.8</b>	<b>-1.0</b>	<b>--</b>
Income taxes	-2.9	-8.4	-65.5
<b>Net income/loss on continuing operations</b>	<b>33.9</b>	<b>-9.4</b>	<b>--</b>
<b>Net income/loss on discontinued operations</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net income/loss</b>	<b>33.9</b>	<b>-9.4</b>	<b>--</b>

## Balance sheet: assets

€ million	30 June 2011	31 Dec 2010	Change in %
Non-current assets (before deferred tax assets)	605.2	591.5	2.3
Deferred tax assets	14.2	16.4	-13.4
Inventories	208.4	157.6	32.2
Trade receivables	161.2	160.1	0.7
Other receivables and assets	55.0	47.7	15.3
Cash and cash equivalents	33.4	67.9	-50.8
Non-current assets and disposal groups held for sale	0.4	0.5	-20.0
<b>Total assets</b>	<b>1,077.8</b>	<b>1,041.7</b>	<b>3.5</b>

## Balance sheet: equity and liabilities

€ million	30 June 2011	31 Dec 2010	Change in %
<b>Equity</b>	<b>404.2</b>	<b>374.3</b>	<b>8.0</b>
Provisions for pensions and other post-retirement benefits	150.9	154.7	-2.5
Deferred tax provisions	0.3	0.0	--
Other provisions	31.7	29.8	6.4
Financial liabilities	130.3	138.5	-5.9
Other liabilities	7.4	7.4	--
<b>Non-current liabilities</b>	<b>320.6</b>	<b>330.4</b>	<b>-3.0</b>
Provisions for pensions and other post-retirement benefits	15.9	15.9	--
Other provisions/provisions for current taxes	64.6	46.7	38.3
Financial liabilities	2.2	3.0	-26.7
Trade payables	197.0	205.1	-3.9
Other liabilities	73.3	66.3	10.6
<b>Current liabilities</b>	<b>353.0</b>	<b>337.0</b>	<b>4.7</b>
<b>Total equity and liabilities</b>	<b>1,077.8</b>	<b>1,041.7</b>	<b>3.5</b>

# Cash flow statement (summary)

€ million	H1 2011	H1 2010
EBIT	44.3	9.1
<b>Cash flow from operating activities (total)</b>	<b>30.2</b>	<b>-18.6</b>
Cash flow from investing activities (continuing operations)	-49.9	-36.3
Cash flow from investing activities (discontinued operations)	0.0	-1.0
<b>Cash flow from investing activities (total)</b>	<b>-49.9</b>	<b>-37.3</b>
Cash flow from financing activities	-14.6	-8.7
<b>Change in cash and cash equivalents</b>	<b>-34.3</b>	<b>-64.6</b>



## Segment overview H1 2011 vs. H1 2010

	H1 2011	H1 2010	Change in %
<b>New orders (€ million)</b>			
Compact Engines	637.7	494.8	28.9
DEUTZ Customised Solutions	159.4	164.7	-3.2
<b>Total activities</b>	<b>797.1</b>	<b>659.5</b>	<b>20.9</b>

	H1 2011	H1 2010	Change in %
<b>Revenue (€ million)</b>			
Compact Engines	564.6	411.2	37.3
DEUTZ Customised Solutions	159.5	123.3	29.4
<b>Total activities</b>	<b>724.1</b>	<b>534.5</b>	<b>35.5</b>
Germany	18.4%	18.2 %	--
Exports	81.6%	81.8%	--

	H1 2011	H1 2010	Change in %
<b>Unit sales (units)</b>			
Compact Engines	94,951	68,041	39.5
DEUTZ Customised Solutions	12,247	7,524	62.8
<b>Total activities</b>	<b>107,198</b>	<b>75,565</b>	<b>41.9</b>

	H1 2011	H1 2010	Change in %
<b>EBIT before one-off items (€ million)</b>			
Compact Engines incl. DDE	21.2	1.3	--
DEUTZ Customised Solutions	23.4	17.3	35.3
Other	-0.3	-5.3	--
<b>Total activities</b>	<b>44.3</b>	<b>13.3</b>	<b>--</b>
<i>thereof Engine Joint Ventures</i>	<i>0.6</i>	<i>-1.3</i>	<i>--</i>

## Segment overview Q2 2011 vs. Q2 2010

	Q2 2011	Q2 2010	Change in %
<b>New orders (€ million)</b>			
Compact Engines	312.6	254.6	22.8
DEUTZ Customised Solutions	76.0	92.9	-18.2
<b>Total activities</b>	<b>388.6</b>	<b>347.5</b>	<b>11.8</b>

	Q2 2011	Q2 2010	Change in %
<b>Revenue (€ million)</b>			
Compact Engines	304.6	228.1	33.5
DEUTZ Customised Solutions	83.5	70.0	19.3
<b>Total activities</b>	<b>388.1</b>	<b>298.1</b>	<b>30.2</b>
Germany	18.8%	18.0%	--
Exports	81.2%	82.0%	--

	Q2 2011	Q2 2010	Change in %
<b>Unit sales (units)</b>			
Compact Engines	52,279	37,503	39.4
DEUTZ Customised Solutions	6,503	4,278	52.0
<b>Total activities</b>	<b>58,782</b>	<b>41,781</b>	<b>40.7</b>

	Q2 2011	Q2 2010	Change in %
<b>EBIT before one-off items (€ million)</b>			
Compact Engines incl. DDE	14.5	5.4	--
DEUTZ Customised Solutions	11.5	11.1	3.6
Other	0.1	-3.9	--
<b>Total activities</b>	<b>26.1</b>	<b>12.6</b>	<b>--</b>
<i>thereof Engine Joint Ventures</i>	<i>0.2</i>	<i>0.0</i>	<i>--</i>

# Financial calendar



- Interim report on first three quarters of 2011  
Conference call with analysts and investors 10 November 2011
  
- Annual Results Press Conference  
Publication of annual report for 2011 Cologne 15 March 2012
  
- Analysts' meeting Frankfurt am Main 16 March 2012
  
- Annual General Meeting Cologne 26 April 2012

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