

2011 financial year – powering success

15/16 March 2012

The engine company.



# Agenda

- **Review of 2011**

Dr Helmut Leube, Chairman of the Board of Management

- **Key financials for 2011**

Dr Margarete Haase, Chief Financial Officer

- **Outlook**

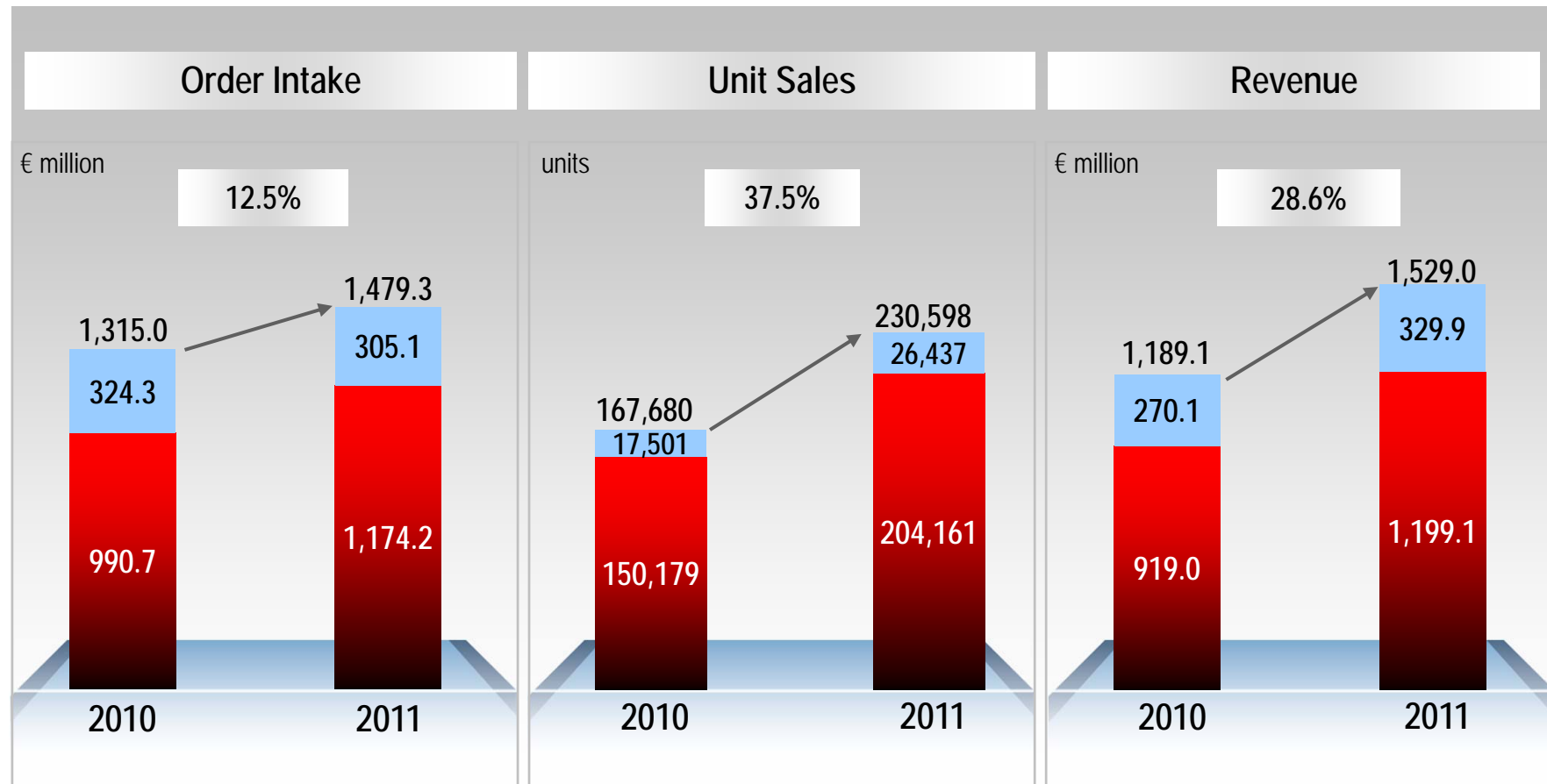
Dr Helmut Leube, Chairman of the Board of Management

- **Annex**

# Highlights of 2011

- **2011 was one of the best in the history of DEUTZ**
  - Revenue of €1.5 billion and sales of more than 230,000 units increased significantly by 29% and 38%, respectively
  - Highest revenue in the current business structure ever
  - The EBIT margin of 6.0% sets a milestone of our profitable growth path
  - Net income soared to €75.5 million in 2011 (minus €15.9 million in the year before)
  - Our financial outlook for 2011, which we made early 2011 and revised upwards in August, was fully achieved and partly exceeded
  
- **DEUTZ shares now listed in the MDAX**
  - DEUTZ is a member of the MDAX since September 19
  - Positive operating development not reflected in DEUTZ share price performance due to macroeconomic concerns in the second half of 2011. Gratifying share price recovery, however early 2012
  
- **New generation of innovative engines**
  - Product launch of Tier 4 interim engines has either taken place or is being implemented
  - Good market response for brand new engines TCD 2.9 and TCD 3.6

# Sales figures, 2011



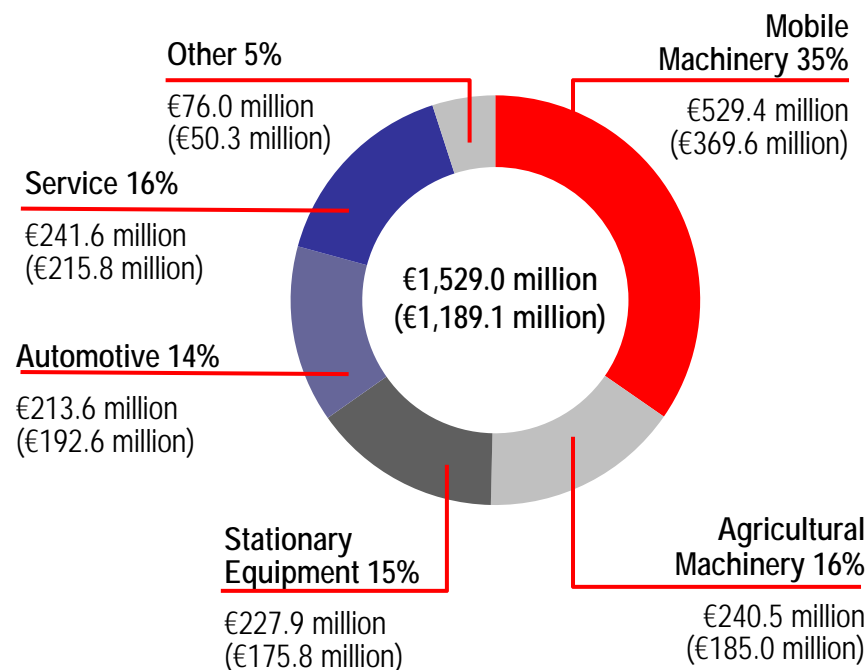
- Record sales in the current business structure
- Unit sales growing slightly faster than revenue due to mix effects
- Double digit growth rates of order intake, unit sales and revenue
- Orders on hand of €231.1 million remain at a high level

 Compact Engines  DEUTZ Customised Solutions

# Revenue split

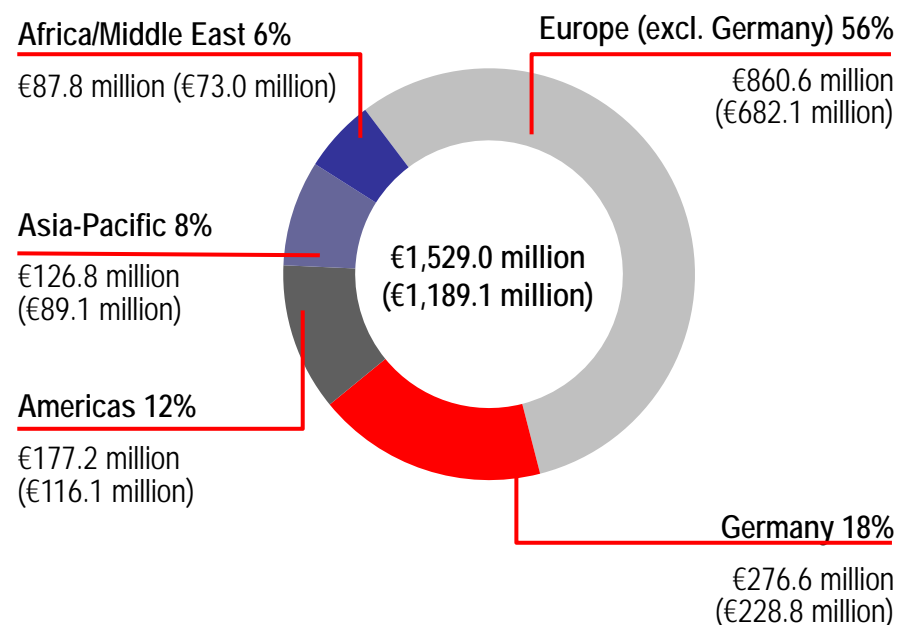
Revenue Split by Application, 2011<sup>(1)</sup>

(2010)



Revenue Split by Region, 2011<sup>(2)</sup>

(2010)



- Double digit revenue increase in all application segments
- Highest growth rates in Mobile Machinery (+43%), followed by Agricultural Machinery (+30%) and Stationary Equipment (+30%)
- Service business with continued growth (+12%)

- High growth rates across all regions: EMEA (+25%), Americas (+52%) and Asia-Pacific (+42%)

(1) Figures may not add up due to rounding differences

(2) Revenue split by region does not include JVs that are not fully consolidated. Regions assigned by place of business of our OEM customer, which may differ from location of end-customer

## Overview of segments: Compact Engines

€ million	2011	2010	Change (%)
New orders	1,174.2	990.7	18.5
Unit sales	204,161	150,179	35.9
Revenue	1,199.1	919.0	30.5
EBIT (before one-off items)	47.2	17.3	>100.0

€ million	Q4 2011	Q4 2010	Change (%)
New orders	236.9	237.4	-0.2
Unit sales	54,946	46,178	19.0
Revenue	319.2	289.9	10.1
EBIT (before one-off items)	10.8	13.4	-19.4

- Order intake, unit sales and revenue with high double-digit growth rates yoy
- Strong revenue growth rates across all regions and application segments. Highest growth rates in regions Americas and Asia/Pacific (about +45% each) and in the application segment Mobile Machinery (+49%)
- EBIT in Compact Engines boosted to €47.2 million (+€29.9 million) as a result of the revenue growth and our profitability enhancement program
- DEUTZ Dalian with positive profit contribution of €0.3 million<sup>(1)</sup>; EBIT of DEUTZ Dalian was € 5.5 million in 2011
- New orders in Q4 stable yoy

(1) Proportionate net profit of DEUTZ (Dalian) Engine Co., Ltd. in 2011

## Overview of segments: DEUTZ Customised Solutions

€ million	2011	2010	Change (%)
New orders	305.1	324.3	-5.9
Unit sales	26,437	17,501	51.1
Revenue	329.9	270.1	22.1
EBIT (before one-off items)	46.5	33.5	38.8

€ million	Q4 2011	Q4 2010	Change (%)
New orders	72.6	90.8	-20.0
Unit sales	7,144	5,444	31.2
Revenue	86.3	78.8	9.5
EBIT (before one-off items)	11.7	4.8	>100.0

- Revenue and unit sales with high double digit growth rates
- Unit sales growing faster than revenue due to mix effects: small and mid-sized engines with higher growth than 12-16 litre engines
- Very strong revenue growth in Americas (+69%) and Asia/Pacific (+39%)
- Order intake decreased slightly by 6%. Main reasons: higher share of project business, normalizing delivery times and less new products compared to Compact Engines
- EBIT advanced to €46.5 million (+39%) caused by higher revenue and efficiency improvements

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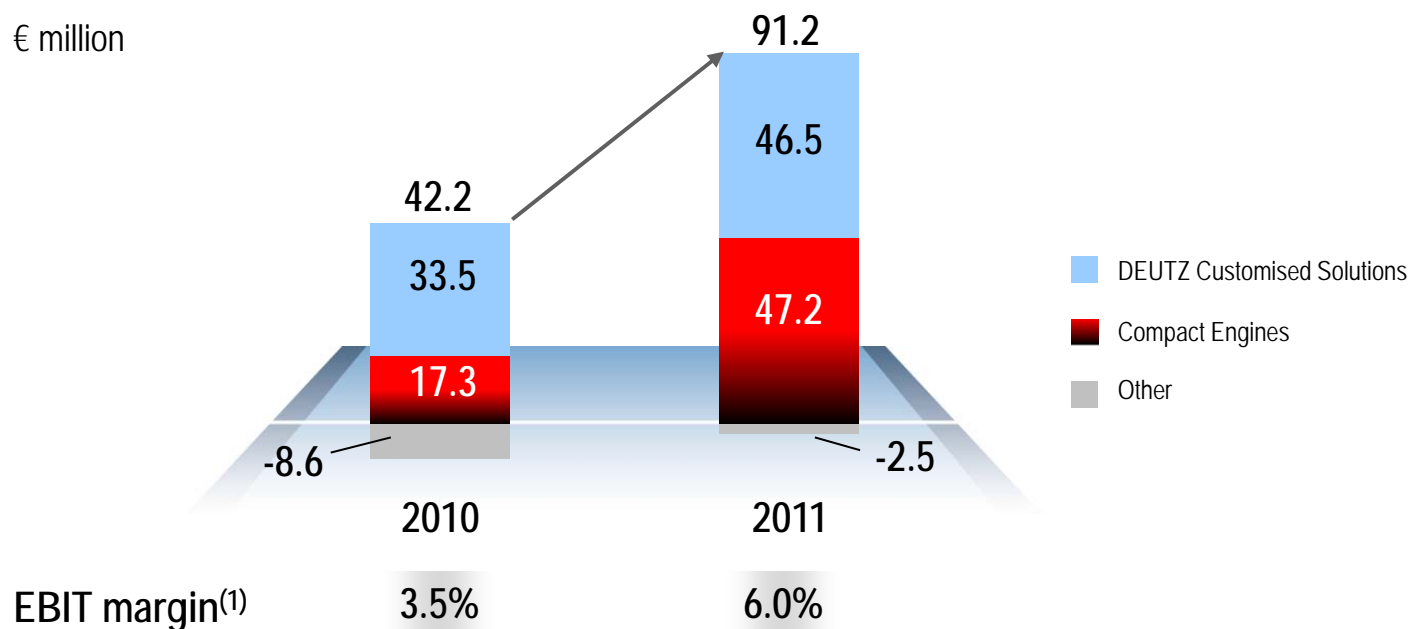
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# EBIT (before one-off items)<sup>(1)</sup>

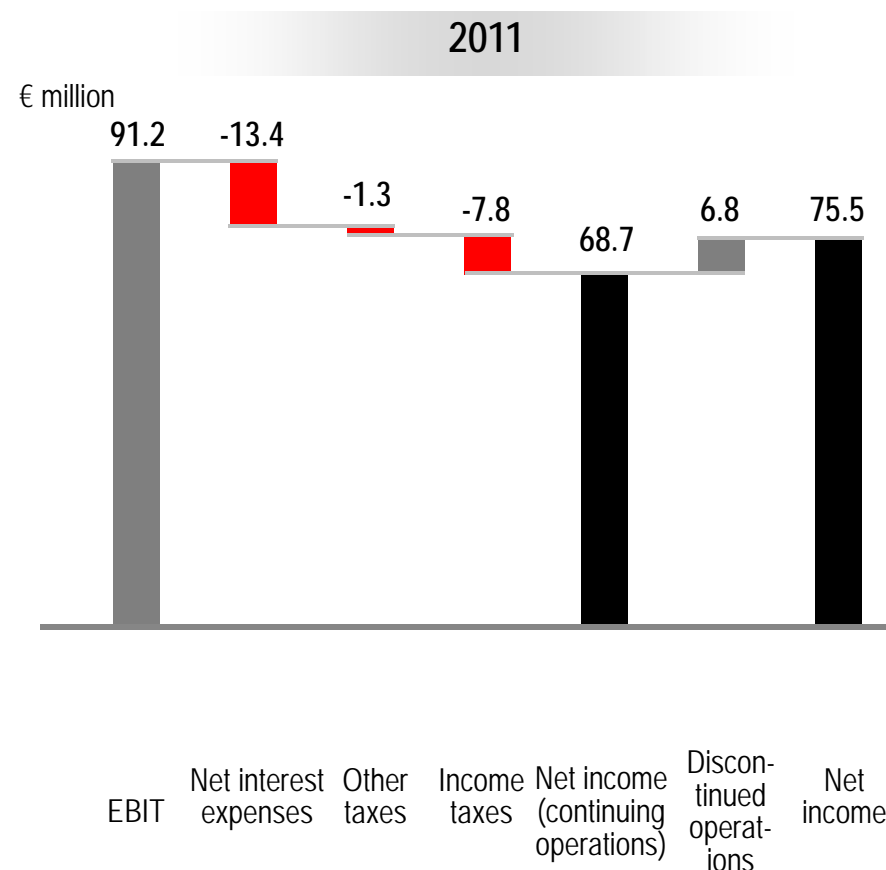
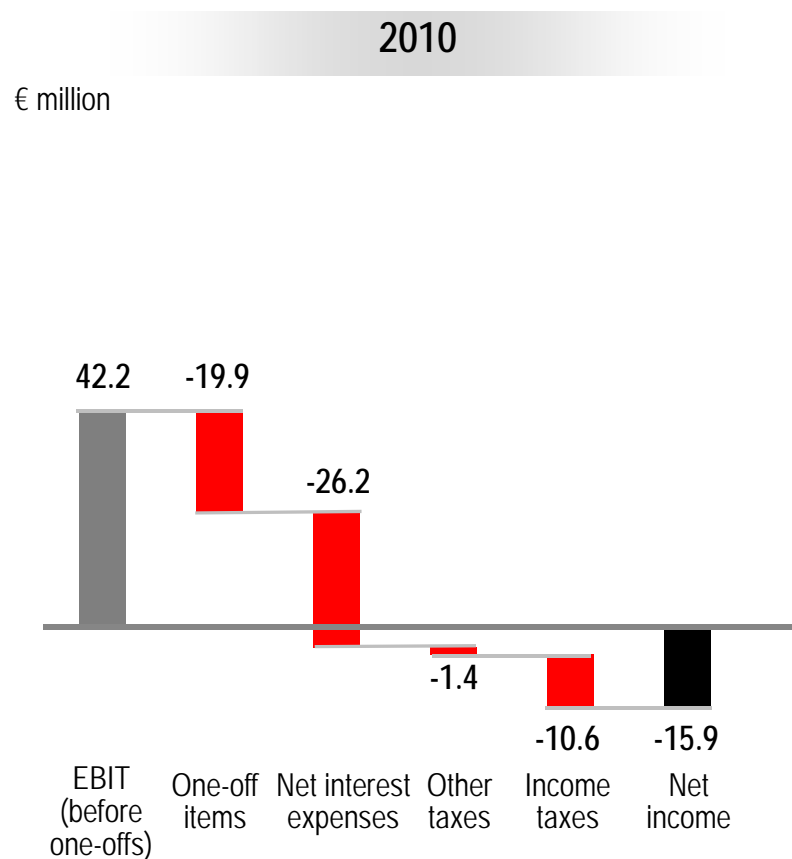


- EBIT margin advanced to 6.0% (2010: 3.5% before one-off items)
- Turnaround in profitability as a result of the implemented cost and efficiency measures
- Highest EBIT and EBIT margin of continuing operations since 2004<sup>(2)</sup>

(1) EBIT and EBIT margin in 2010 before one-off items. There have been no one-off items in 2011.

(2) IFRS reporting available since 2004

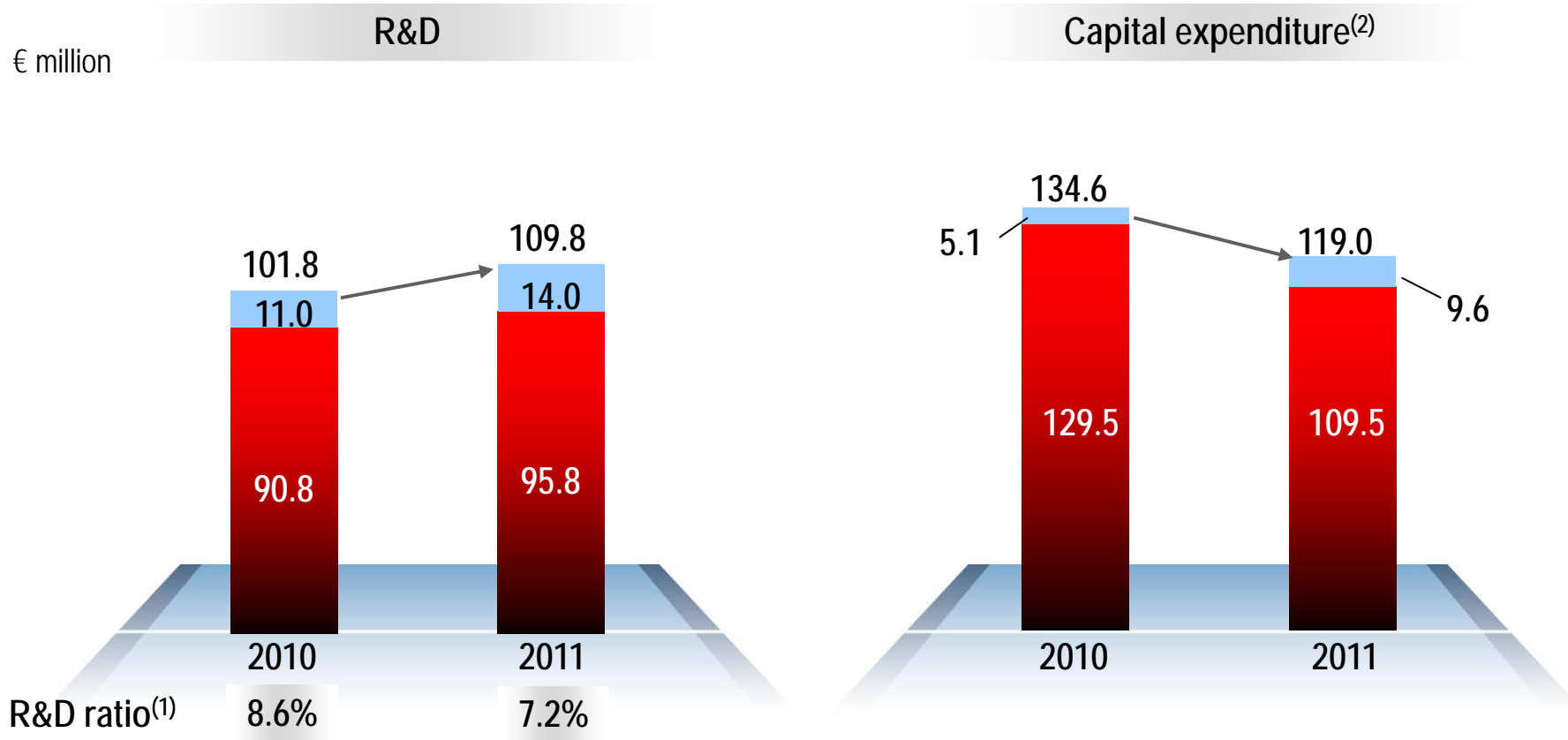
# Net income



- Net income soared to €75.5 million in 2011 (improvement of €91.4 million yoy).
- Net income of €6.8 million refers to discontinued operations due to tax refund for sale of DEUTZ Power Systems in 2007
- Net interest expense reduced by 49% to € 13.4 million as a result of the new funding since the end of 2010
- Low effective tax rate of 10% due to significant tax loss carry forward<sup>(1)</sup>

(1) Effective tax rate refers to continuing operations only

# R&D spending and capital expenditure

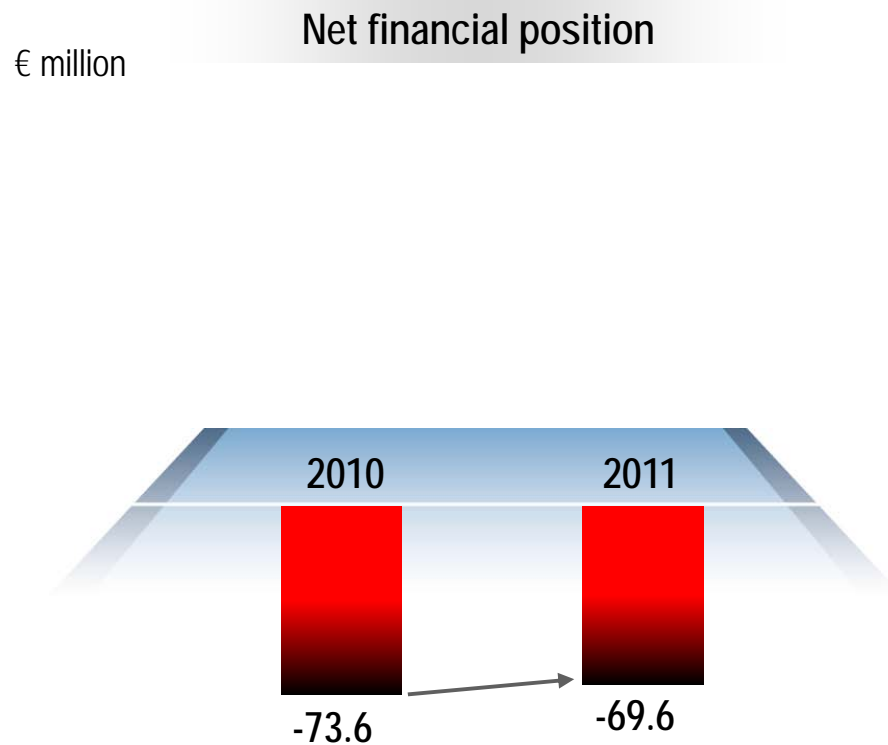


- Focus on Tier 4 exhaust emissions standards and the development of our two new engines caused the increase of R&D expenses in 2011
- R&D ratio decreased because of higher revenue
- R&D expenditure expected to decline in 2012

- Capex declined by €15.6 million in 2011
- Strict investment controlling reduces CAPEX
- Proportion of capitalised development expenditure: €74.0 million (2010: €73.5 million)

(1) Ratio of R&D spending to consolidated revenue (2) Capital expenditure including capitalised R&D

# Net financial position and working capital

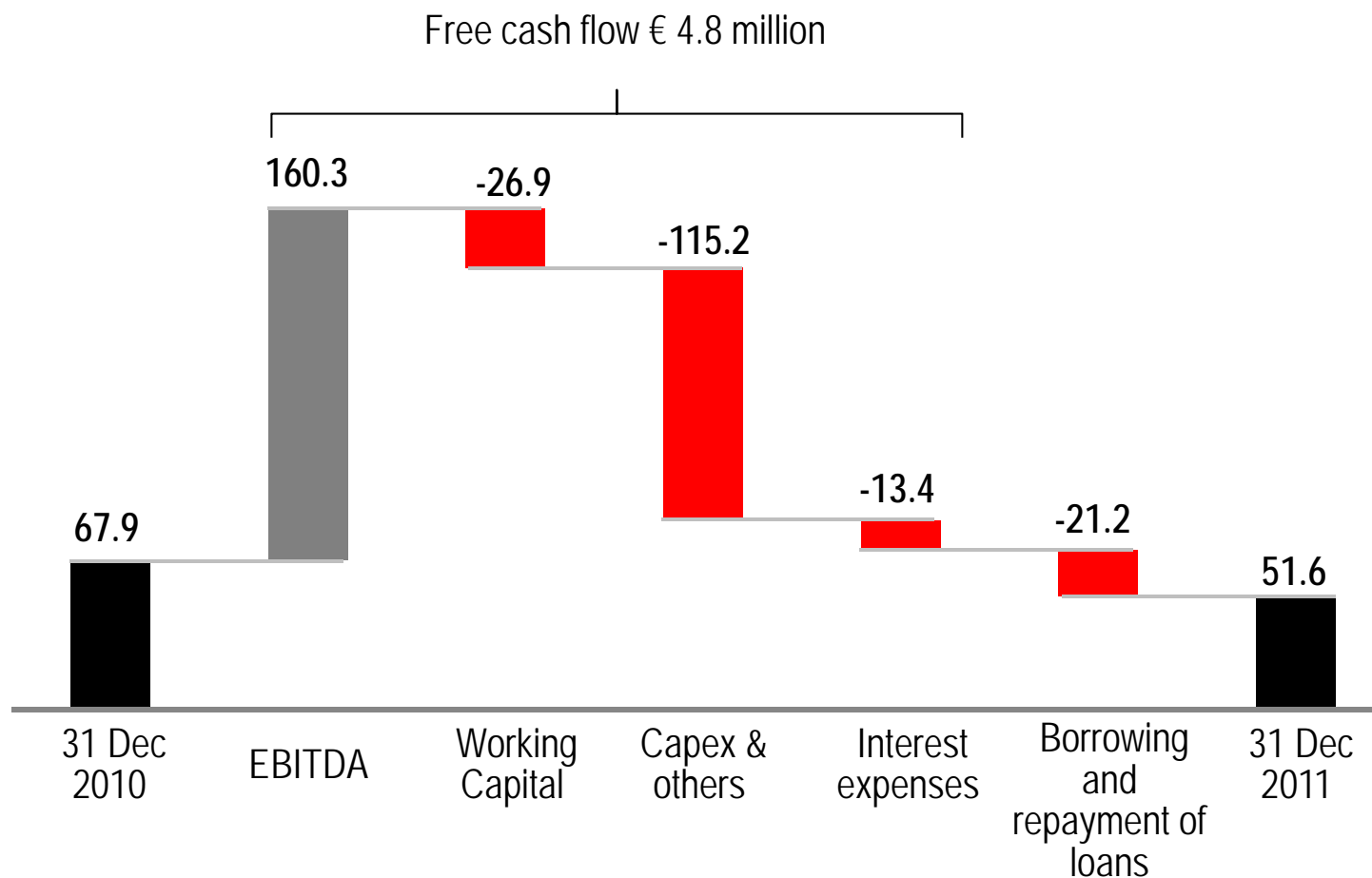


- Cash credit line of €265 million provides sufficient financial flexibility
- Cash flow from operating activities of €120.5 million, i.e. improvement of €42.3 million yoy
- Equity ratio improved to 41.3% (2010: 35.9%)

- Working capital increased less than revenue thanks to excellent working capital management
- Working capital ratio as at 31 Dec 2011: 9.3% at record low level

# Cash development 2011<sup>(1)</sup>

€ million



- Capital expenditure could be financed by cash flow from operating activities
- Positive free cash flow: €4.8 million (2010: €-55.9 million)

(1) Figures may not add up due to rounding differences

## Summing up

- Revenue of €1.5 billion at record level in the current business structure
- Revenue growth of 29% driven by all regions and applications
- Profitability reaching new levels – EBIT margin of 6.0% in 2011
- Net income soared to €75.5 million
- Working capital ratio improved further to 9.3%
- Positive free cash flow of €4.8 million despite high R&D expenses that peaked in 2011
- Equity ratio advanced to 41.3% (2010: 35.9%)

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# Financial outlook

## Outlook for 2012

Revenue	Approx. €1.5 billion
EBIT margin	Approx. 6.0 %
Research and Development (R&D)	Decline by about 25 % vs. 2011
Capex (excl. R&D)	Approx. €60 million
Free cash flow	Positive territory
Working capital ratio	Sustainable below 13 %
Equity ratio	Above 40 %

## Outlook for 2013

Revenue	Double digit growth
EBIT margin	6.0 – 7.0 %

➔ Cautious optimism for 2012



## DEUTZ Engine (Shandong) Co., Ltd.

- New production company DEUTZ Engine (Shandong) Co., Ltd. in Linyi (China); founding documents signed in January 2012
- Production of engines < 4 litre for mobile machinery and agricultural applications in Asia. Complementary to existing JVs which build bigger engines
- Our partner and new customer Shandong Changlin Machinery Group (China) is a dynamic and fast growing producer of construction equipment and tractors in China
- Full consolidation of the 70% participation
- Capacity of around 65,000 engines
- Production starts at the beginning of 2013
- Break-even expected in 2014

**→ Fully consolidated production company for < 4 litre engines complementary to existing Chinese operations**

*“We have made huge reductions in our fixed costs and substantially increased efficiency, with the result that, today, we are able to respond even more flexibly to changing circumstances and remain profitable.”*

Dr Helmut Leube

Chairman of the Board of Management of  
DEUTZ AG

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## Summary of key financials (I)

€ million	2011	2010	Change (%)
Revenue	1,529.0	1,189.1	28.6
EBITDA	160.3	92.7	72.9
EBITDA (before one-off items)	160.3	112.6	42.4
EBIT	91.2	22.3	>100.0
EBIT before one-off items	91.2	42.2	>100.0
EBIT margin	6.0	1.9	--
EBIT margin before one-off items (%)	6.0	3.5	--
Net income	75.5	-15.9	--
<i>of which continuing operations</i>	<i>68.7</i>	<i>-15.9</i>	--
<i>of which discontinued operations</i>	<i>6.8</i>	<i>0.0</i>	--
Basic earnings per share (€)	0.62	-0.13	--
<i>of which continuing operations</i>	<i>0.57</i>	<i>-0.13</i>	--
<i>of which discontinued operations</i>	<i>0.05</i>	<i>0.00</i>	--
Number of employees (31 December)	4,060	3,839	5.8

## Summary of key financials (II)

€ million	2011	2010	Change (%)
Total assets	1,099.0	1,041.7	5.5
Equity	453.5	374.3	21.2
Equity ratio (%)	41.3	35.9	--
Cash flow from operating activities	120.5	78.2	54.1
Free cash flow	4.8	-55.9	--
Net financial position	-69.6	-73.6	5.4
Working capital (as at 31 December)	142.1	112.6	26.2

# Income statement

€ million	2011	2010	Change (%)
<b>Revenue</b>	<b>1,529.0</b>	<b>1,189.1</b>	<b>28.6</b>
Changes in inventories and other own work capitalised	44.7	46.4	-3.7
Other operating income	37.5	55.3	-32.2
Cost of materials	-1,021.1	-781.1	30.7
Staff costs	-276.8	-253.0	9.4
Depreciation and amortisation	-69.1	-63.3	9.2
Impairment	0.0	-7.1	--
Other operating expenses	-154.5	-163.1	-5.3
Profit/loss on equity-accounted investments	-0.2	-2.8	<-100.0
Other investment income	1.7	1.9	-10.5
<b>EBIT</b>	<b>91.2</b>	<b>22.3</b>	<b>&gt;100.0</b>
of which one-off items	0.0	-19.9	--
of which operating profit (EBIT before one-off items)	91.2	42.2	>100.0
Net interest expense	-13.4	-26.2	-48.9
Other taxes	-1.3	-1.4	-7.1
<b>Net income before taxes on continuing operations</b>	<b>76.5</b>	<b>-5.3</b>	<b>--</b>
Income taxes	-7.8	-10.6	-26.4
<b>Net income on continuing operations</b>	<b>68.7</b>	<b>-15.9</b>	<b>--</b>
<b>Net income on discontinued operations</b>	<b>6.8</b>	<b>0.0</b>	<b>--</b>
<b>Net income</b>	<b>75.5</b>	<b>-15.9</b>	<b>--</b>

## Balance sheet: assets

Assets (€ million)	31 Dec 2011	31 Dec 2010	Change (%)
Non-current assets (excluding deferred tax assets)	623.1	591.5	5.3
Deferred tax assets	17.2	16.4	4.9
Inventories	187.6	157.6	19.0
Trade receivables	163.6	160.1	2.2
Other receivables and assets	55.5	47.7	16.4
Cash and cash equivalents	51.6	67.9	-24.0
Non-current assets classified as held for sale	0.4	0.5	-20.0
<b>Total assets</b>	<b>1,099.0</b>	<b>1,041.7</b>	<b>5.5</b>

## Balance sheet: equity and liabilities

Equity and liabilities (€ million)	31 Dec 2011	31 Dec 2010	Change (%)
<b>Equity</b>	<b>453.5</b>	<b>374.3</b>	<b>21.2</b>
Provisions for pensions and other post-retirement benefits	148.5	154.7	-4.0
Deferred tax provisions	2.8	0.0	--
Other provisions	29.3	29.8	-1.7
Financial liabilities	119.3	138.5	-13.9
Other liabilities	4.4	7.4	-40.5
<b>Non-current liabilities</b>	<b>304.3</b>	<b>330.4</b>	<b>-7.9</b>
Provisions for pensions and other post-retirement benefits	15.6	15.9	-1.9
Other provisions / Provisions for income taxes	43.2	46.7	-7.5
Financial liabilities	1.9	3.0	-36.7
Trade payables	209.1	205.1	2.0
Other liabilities	71.4	66.3	7.7
<b>Current liabilities</b>	<b>341.2</b>	<b>337.0</b>	<b>1.2</b>
<b>Total equity and liabilities</b>	<b>1,099.0</b>	<b>1,041.7</b>	<b>5.5</b>



## Cash flow statement (condensed)

€ million	2011	2010
EBIT	91.2	22.3
Cash flow from operating activities (continuing operations)	120.5	78.2
Cash flow from operating activities (discontinued operations)	0.0	0.0
<b>Cash flow from operating activities (total)</b>	<b>120.5</b>	<b>78.2</b>
Capital expenditure on intangible assets, property, plant and equipment and investments	-97.8	-89.8
Proceeds from the sale of non-current assets	0.7	0.1
Cash flow from investing activities (continuing operations)	-102.3	-96.3
Cash flow from investing activities (discontinued operations)	0.0	-3.3
<b>Cash flow from investing activities (total)</b>	<b>-102.3</b>	<b>-99.6</b>
<b>Cash flow from financing activities</b>	<b>-34.6</b>	<b>-125.6</b>
<b>Change in cash and cash equivalents</b>	<b>-16.4</b>	<b>-147.0</b>

## Overview of segments, 2011

New orders (€ million)	2011	2010	Change (%)
Compact Engines	1,174.2	990.7	18.5
DEUTZ Customised Solutions	305.1	324.3	-5.9
<b>Total for operating activities</b>	<b>1,479.3</b>	<b>1,315.0</b>	<b>12.5</b>

Unit sales	2011	2010	Change (%)
Compact Engines	204,161	150,179	35.9
DEUTZ Customised Solutions	26,437	17,501	51.1
<b>Total for operating activities</b>	<b>230,598</b>	<b>167,680</b>	<b>37.5</b>

Revenue (€ million)	2011	2010	Change (%)
Compact Engines	1,199.1	919.0	30.5
DEUTZ Customised Solutions	329.9	270.1	22.1
<b>Total for operating activities</b>	<b>1,529.0</b>	<b>1,189.1</b>	<b>28.6</b>
Germany	18.1%	19.2%	--
Export	81.9%	80.8%	--

EBIT before one-off items (€ million)	2011	2010	Change (%)
Compact Engines incl. DDE	47.2	17.3	>100.0
DEUTZ Customised Solutions	46.5	33.5	38.8
Other	-2.5	-8.6	70.9
<b>Total for operating activities</b>	<b>91.2</b>	<b>42.2</b>	<b>&gt;100.0</b>

## Overview of segments, Q4 2011

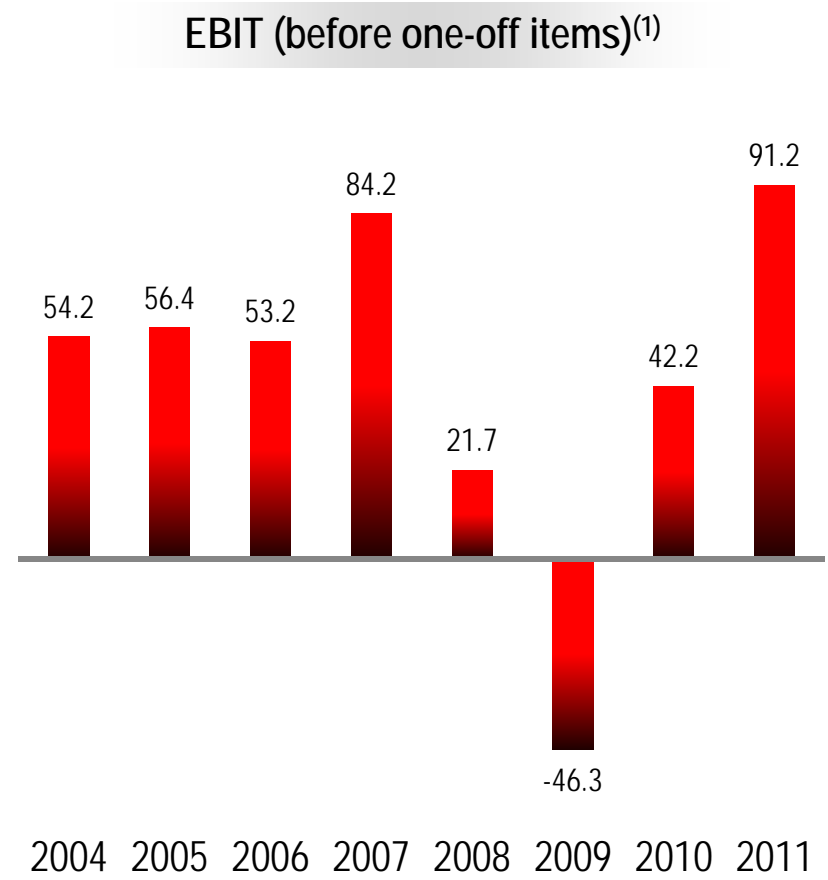
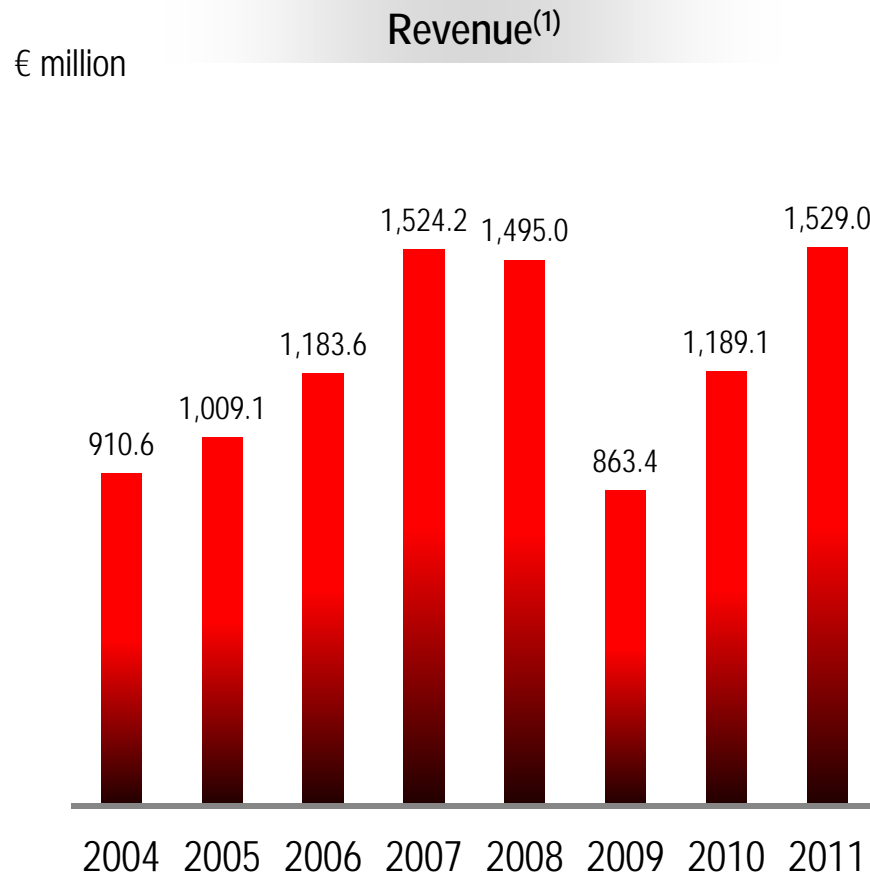
	Q4 2011	Q4 2010	Change (%)
New orders (€ million)			
Compact Engines	236.9	237.4	-0.2
DEUTZ Customised Solutions	72.6	90.8	-20.0
<b>Total for operating activities</b>	<b>309.5</b>	<b>328.2</b>	<b>-5.7</b>

	Q4 2011	Q4 2010	Change (%)
Revenue (€ million)			
Compact Engines	319.2	289.9	10.1
DEUTZ Customised Solutions	86.3	78.8	9.5
<b>Total for operating activities</b>	<b>405.5</b>	<b>368.7</b>	<b>10.0</b>
Germany	14.8%	20.3%	--
Export	85.2%	79.7%	--

	Q4 2011	Q4 2010	Change (%)
Unit sales			
Compact Engines	54,946	46,178	19.0
DEUTZ Customised Solutions	7,144	5,444	31.2
<b>Total for operating activities</b>	<b>62,090</b>	<b>51,622</b>	<b>20.3</b>

	Q4 2011	Q4 2010	Change (%)
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	10.8	13.4	-19.4
DEUTZ Customised Solutions	11.7	4.8	>100.0
Other	-0.7	-1.4	50.0
<b>Total for operating activities</b>	<b>21.8</b>	<b>16.8</b>	<b>42.2</b>

# Revenue and EBIT (2004 – 2011)



6.0% 5.6% 4.5% 5.5% 1.5% -5.4% 3.5% 6.0%

EBIT margin (before one-off items)<sup>(1)</sup>

(1) Continuing operations.

# Employees

	31 Dec 2011	31 Dec 2010	Change (%)
Cologne	2,561	2,419	5.9
Ulm	471	429	9.8
Other German operations	293	278	5.4
<b>Germany</b>	<b>3,325</b>	<b>3,126</b>	<b>6.4</b>
Foreign operations	735	713	3.1
<b>DEUTZ Group</b>	<b>4,060</b>	<b>3,839</b>	<b>5.8</b>

# Financial calendar for 2012



- |   |         |                 |
|---|---------|-----------------|
| ■ Annual General Meeting  | Cologne | 26 April 2012   |
| ■ Interim report on first quarter of 2012<br>Conference call with analysts and investors        |         | 10 May 2012     |
| ■ Interim report on first half of 2012<br>Conference call with analysts and investors           |         | 9 August 2012   |
| ■ Interim report on first three quarters of 2012<br>Conference call with analysts and investors |         | 8 November 2012 |

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