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Manufacturer of agricultural machinery presents respectable results for 2009

Claas Performs Well in Difficult Conditions

- Major negative trends in some markets, especially Eastern Europe
- Sales €2.9 billion (- 10.4%)
- Profit before tax on income €112.3 million (- 54.7%)
- Cash earnings €156.9 million
- Research & Development expenditure again increased to €124.8 million (+ 9.7%)
- Equity capital base further strengthened
- High liquidity
- Position consolidated in agricultural machinery markets

Claas in a strong position

After a record year in 2008, the worldwide market for agricultural machinery suffered significant declines in some areas. The VDMA (German Engineering Federation) estimates that industry turnover dropped by 25% in 2009. Highly volatile markets for agricultural products along with the worldwide financial crisis and recession created uncertainty in the minds of farmers causing them to hold back on investment. Against this background, the sales of the Claas Group declined 10.4% to €2.9 billion. Profit before tax was €112.3 million. Although this was 54.7% below the value from the previous year, this still represents a respectable result within the industry. Furthermore, Claas was able to maintain or even improve its market position in important markets.

Market for agricultural machinery relatively stable in Western Europe – but weak in Eastern Europe

After a period of very good sales at the beginning of the past financial year, Eastern European markets in particular suffered major slumps. Growth in the agricultural machinery markets in Germany and elsewhere were not enough to compensate for these declines.

Countering the market trend, the sales achieved by Claas in Western Europe, the company's most important market for agricultural machinery, remained at a high level of almost €2 billion. However, sales on the agricultural machinery markets of Central Europe were below the level of the previous year in almost all regions. After years of continuous growth, Eastern European markets suffered significant declines in the past financial year. The Russian Federation was affected particularly badly, with its demand for Western agricultural machinery reducing very significantly.

Outside of Europe, sales of agricultural machinery dropped overall. However, there were differences in trends between individual regions - whereas sales dropped in Central Asian countries, sales in the USA increased significantly.

Production engineering and industrial engineering segments weaker

Sales by the production engineering segment dropped significantly in the past financial year by 17.9% to €132.4 million. Claas Fertigungstechnik (production engineering segment) is a supplier to the international aviation and automotive industry. Both industries are currently going through periods of major restructuring and are characterised by uncertainty. Claas Industrietechnik (industrial engineering segment), a system supplier of drive technology, hydraulic systems and electronics, was also unable to escape the difficult conditions unscathed, with sales dropping by €11.2 million to €31.6 million.

Investment in R&D further increased

In the 2009 financial year, investment in research and development was increased by €11.0 million to a total of €124.8 million. Accordingly, expenditure on R&D amounted to 4.3% of turnover (previous year: 3.5%). This further increase in expenditure on development emphasises the high value that the Claas Group places on investment in the future, even in tough economic times.

The main areas of R&D activity in 2009 included the extension of the tractor product range with the addition of the 4x4 XERION 5000 / 4500 large tractors for the heavy duty segment in Europe (up to 524 hp). This machine received the award for "Machine of the Year" at AGRITECHNICA, the world's largest trade fair for agricultural machinery, held in November 2009 in Hanover, Germany. A wide range of other innovations in all areas, including two further innovations receiving gold medals from the DLG (German Agricultural Society), provided further proof of the company's strength of innovation.

More staff but personnel expenses largely stable

On the September 30, 2009 reporting date, the Claas Group had 9467 employees (previous year: 9100), with over 40% of these based outside Germany. Despite this increase in the number of employees, personnel expenses were maintained at the level of the previous year. The main reasons for this included the development of capacity in growth markets, greater investment in training, the effect of variable compensation systems and the use of short-time work. Even in difficult economic conditions, the human resources policy of Claas is designed to ensure continuity and a promising future for the company.

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Respectable result achieved and equity capital strengthened

In the difficult market environment of the 2009 financial year, the Claas Group achieved a profit before tax of €112.3 million (- 54.7%). This represents a profit margin of 3.9% (previous year: 7.7%). This drop in profit is predominantly due to developments in the agricultural machinery sector. Greater difficulty in obtaining finance and the generally uncertain investment climate, due to the financial crisis, also had an increasing effect on the industry over the past year.

Cash earnings were €156.9 million as at the balance sheet date (previous year: €285.9 million). The decline of €129.0 million was largely due to the deterioration in the profit situation. Liquidity, which consists of the liquid assets and short-term securities of the company, declined to €677.2 million in 2009 despite the issuing of a €250 million note loan in June 2009. This was largely due to the large amount of funds tied up as working capital. The liquidity is thus below the excellent value of €716.2 million from the previous year, but remains at a high level.

Based on the operating result, the equity capital increased to €775.5 million. Due to the disproportionately low increase in net income in relationship to the balance sheet total, the equity ratio declined slightly in the reporting period and is now 35.1%, which is nevertheless still a stable figure.

Claas Group in figures			
(IFRS)	2009 in € million	2008 in € million	Change in %
Sales	2900.8	3236.2	-10.4
Number of employees (30.9.)	9467	9100	+4.0
Cash earnings	156.9	285.9	-45.1
EBITDA	230.0	385.6	-40.4
Profit before tax on income	112.3	248.1	-54.7
Net income	73.4	169.3	-56.6
Capital expenditure	125.2	115.1	+8.8
Equity capital	775.5	731.0	+6.1
Balance sheet total	2206.7	2023.9	+9.0

Outlook

The negative market trends of 2009 will not come to an end in 2010. According to the German Engineering Federation, a further market decline of at least 10% is expected in the agricultural machinery sector. Nevertheless, initial signs of stabilisation in the markets are becoming apparent. This applies both to raw material prices and to the development of interest rates and exchange rates.

The overall economic conditions remain affected by the ongoing crisis on the financial markets. Claas has prepared itself for this situation with cautious production and sales plans. The company is also counteracting these possible negative trends with a comprehensive program of cost reduction and efficiency improvements. As part of this "Fitness 2010" programme, all business processes and operational cost centres are being carefully examined.

The long-term positive trends in the agricultural machinery sector remain intact: population growth and increasing demand for food by the world's population, increasing scarcity of land and use of land for the production of renewable raw materials will have a long-term positive effect on demand for the latest agricultural machinery.

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