

Conference Call Q1-Q3 2013

7 November 2013

Dr Helmut Leube, CEO

Dr Margarete Haase, CFO

The engine company.



- **Review Q1-Q3 2013**

- **Outlook**

- **Annex**

Key figures

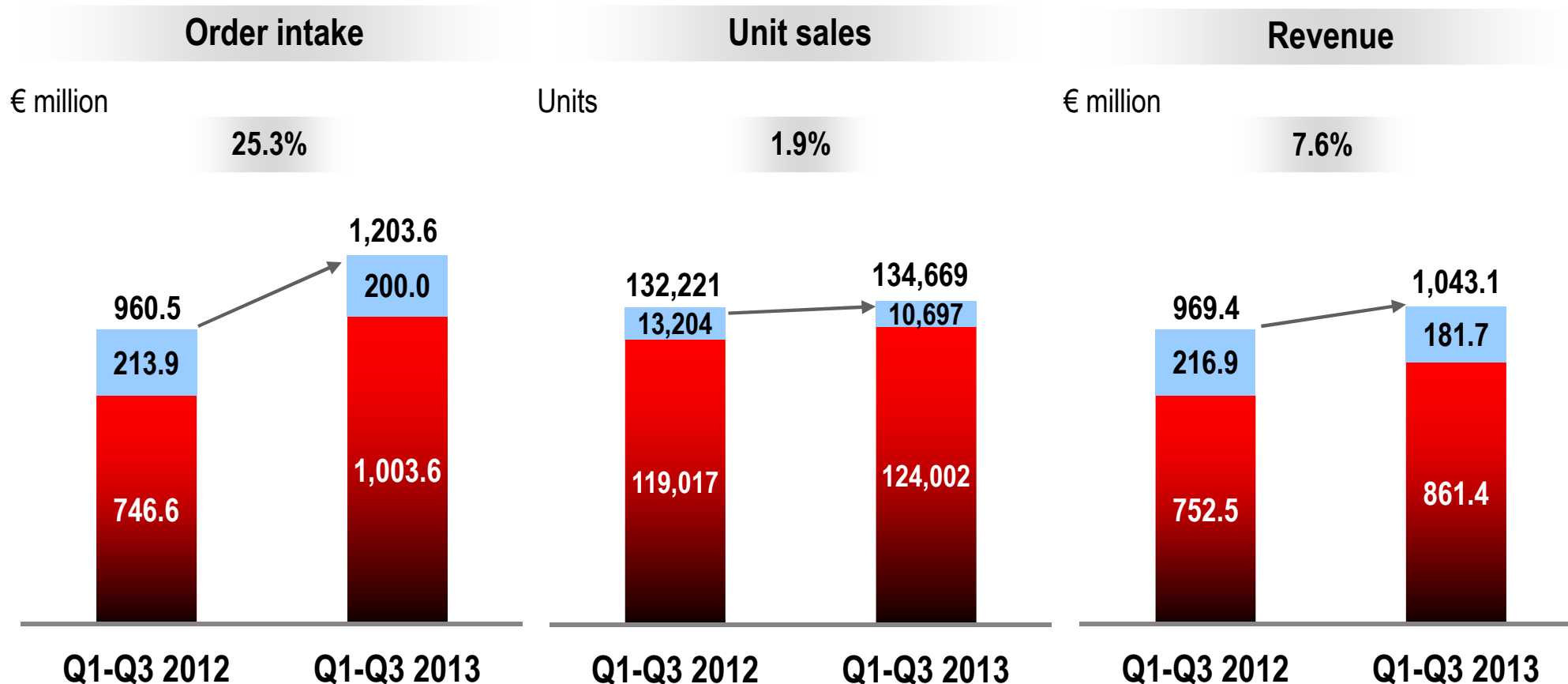
€ million	Q1-Q3 2013	yoy	Q3 2013	qoq
Order intake	1,203.6	+25.3%	360.1	-20.9%
Revenue	1,043.1	+7.6%	381.0	+2.4%
EBITDA	96.8	+20.5%	41.0	+1.7%
EBIT	27.2	+16.2%	17.1	+3.6%
Net financial debt	-53.2	-56.1%	-53.2	+18.5%

→ All key figures improved compared to the previous year

Highlights Q1-Q3 2013

- New business continues to develop encouragingly – new engine series well accepted in the market
- Record order intake in Q1-Q3
- Revenue growth predominantly in Agricultural Machinery
- Typical Q3 seasonality largely offset by strong order backlog
- Free float increased to 75% following the sale of Same Deutz-Fahr's 8.4% stake in DEUTZ

Sales figures



- Q1-Q3 record order intake⁽¹⁾
- Revenue continues to develop better than unit sales due to increasing proportion of new emission engine series

(1) Refers to DEUTZ Group in the current business structure

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions

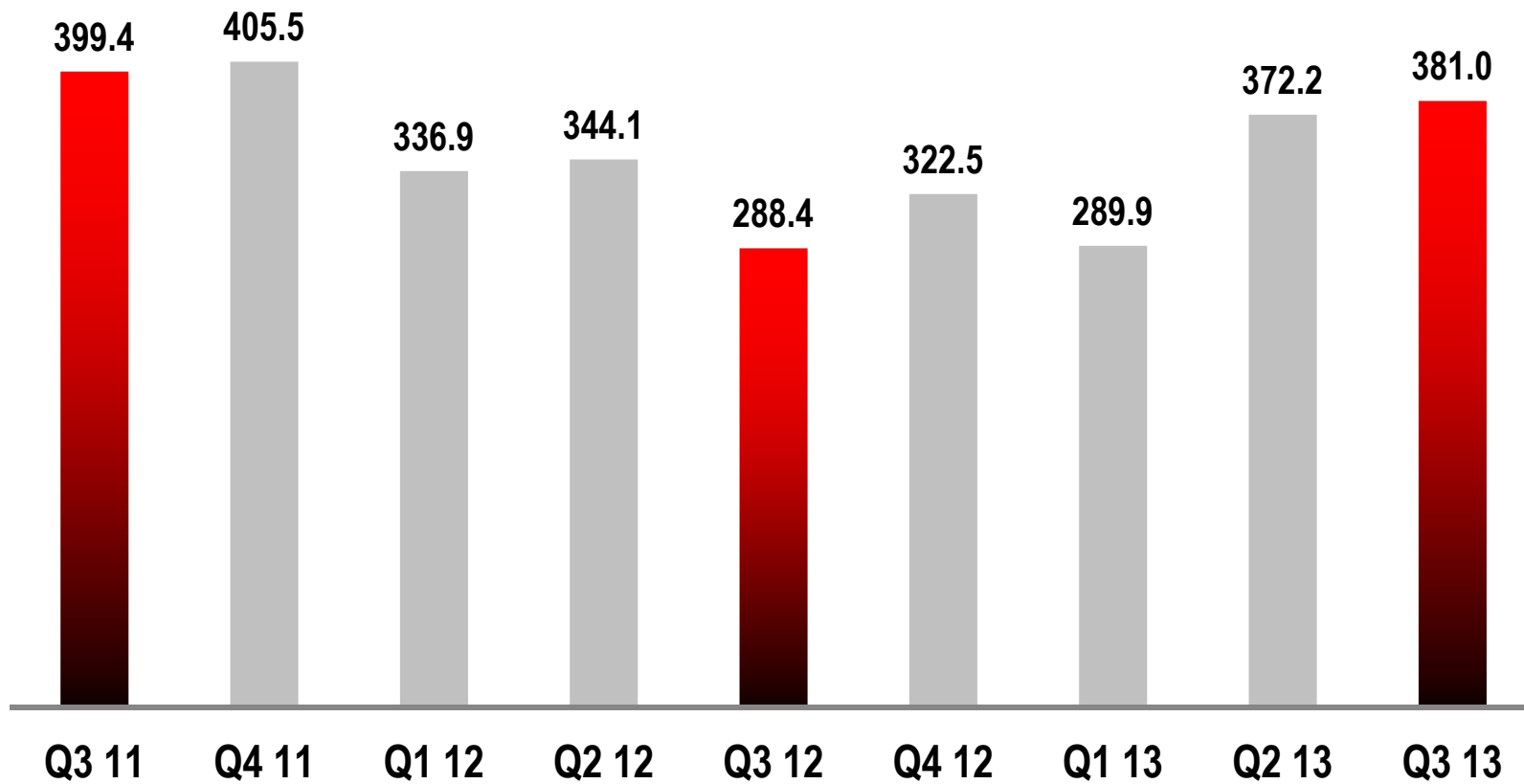
Book-to-bill ratio

€ million	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Order intake	360.1	455.0	388.5	276.6	259.5
Revenue	381.0	372.2	289.9	322.5	288.4
Book-to-bill ratio	0.95x	1.22x	1.34x	0.86x	0.90x
Orders on hand	329.5	352.9	272.1	173.0	219.6

- Q3 book-to-bill ratio at 0.95x after two quarters with exceptionally high ratios: Seasonally somewhat lower order intake after Q2 record levels while high orders on hand led to sales increase
- Compared to last year, Q3 order intake increased by 38.8%
- Continued strong project pipeline
- Order backlog of €329.5 million (+50.0% yoy) ensures good workload

Revenue development

€ million

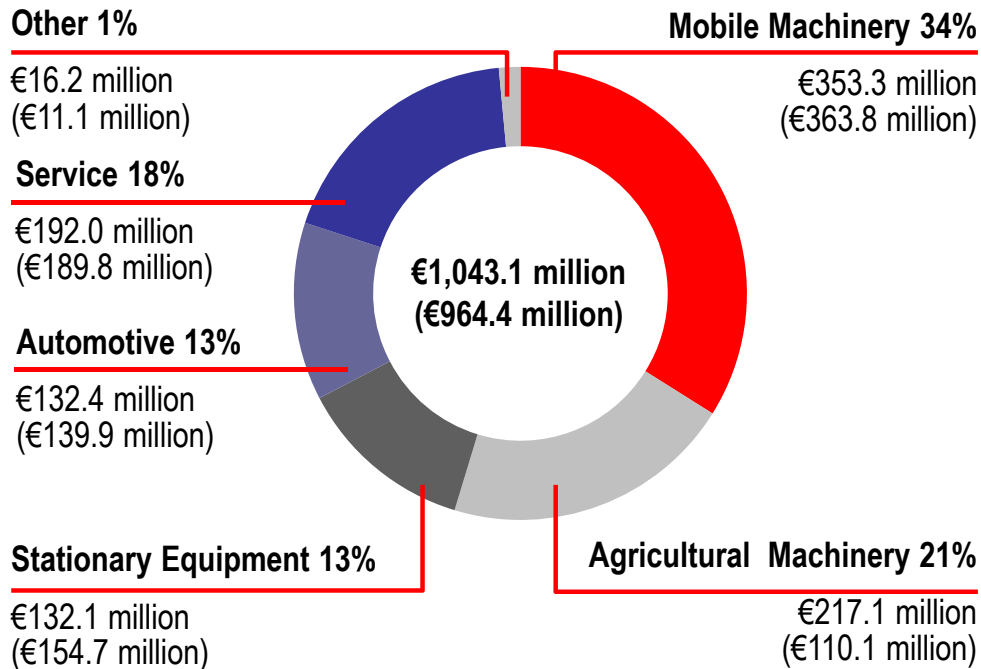


→ Positive revenue development continued in Q3: +32.1% yoy and +2.4% sequentially

Revenue split

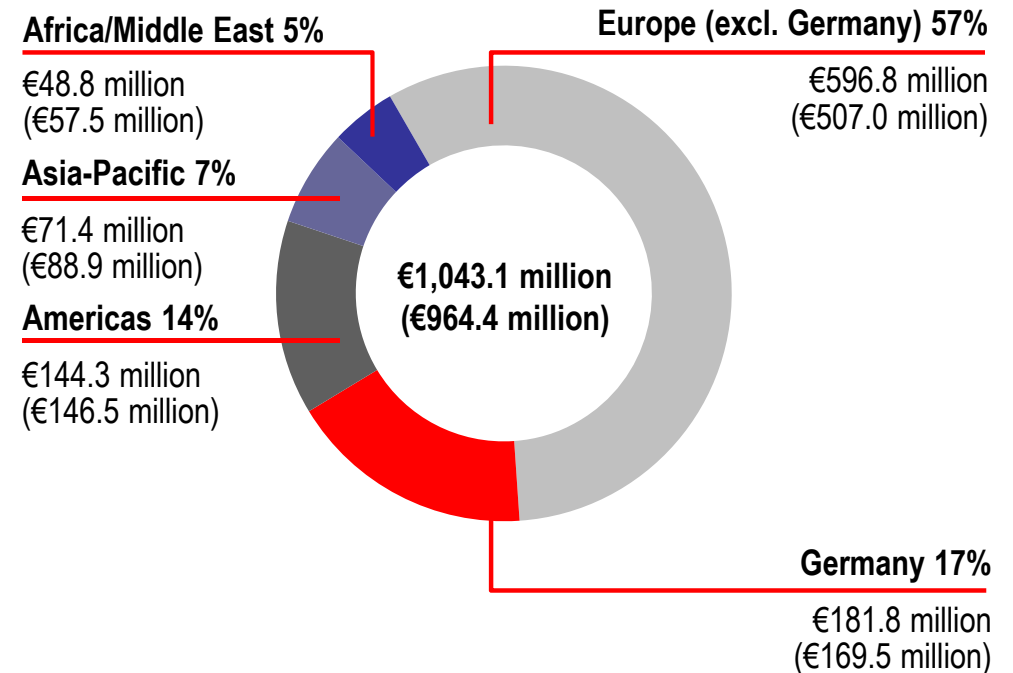
Revenue split by application, Q1-Q3 2013

(Q1-Q3 2012)



Revenue split by region, Q1-Q3 2013⁽¹⁾

(Q1-Q3 2012)



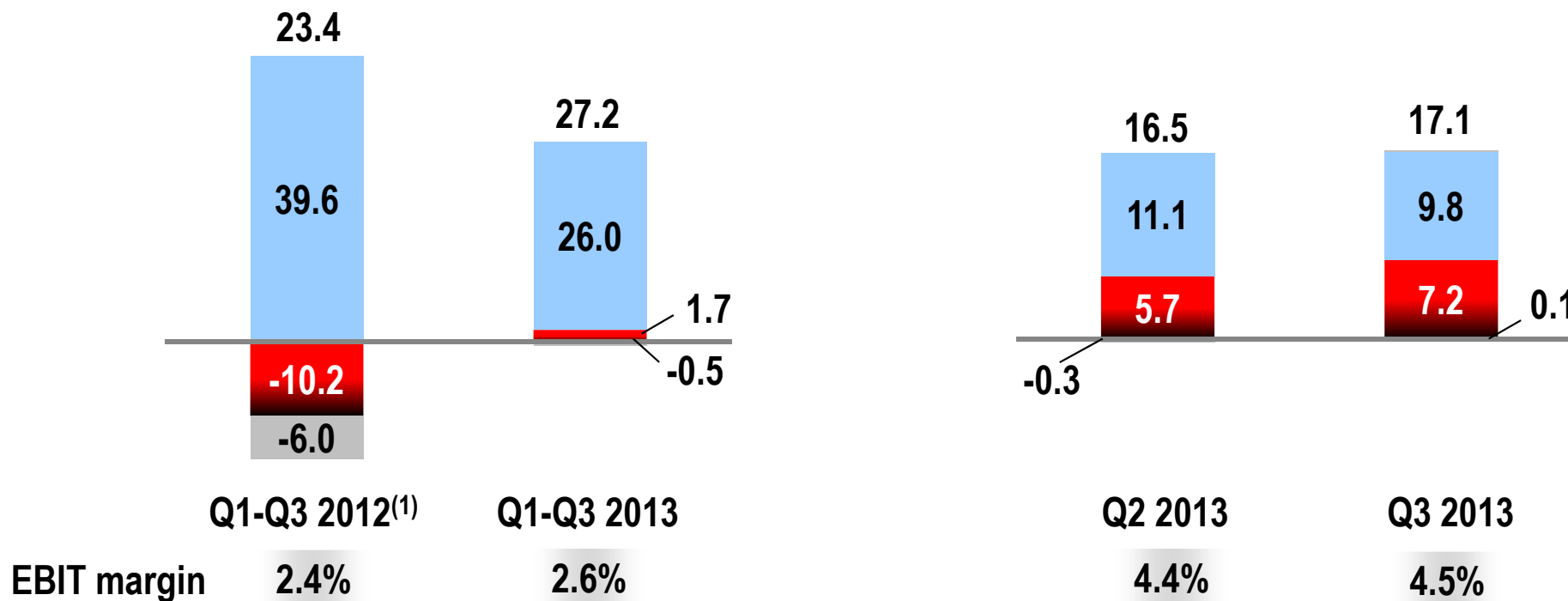
- Group revenue growth driven by Agricultural Machinery applications (+97.2%)

- Pro-forma revenue including at-equity consolidated Joint Ventures amounts €1,368.1 million (+11.8%); corresponding revenue share of Asia-Pacific increased to 28% (Q1-Q3 2012: 27%)

(1) Revenue split by region does not include JVs that are not fully consolidated. Regions assigned by place of business of our customer

EBIT

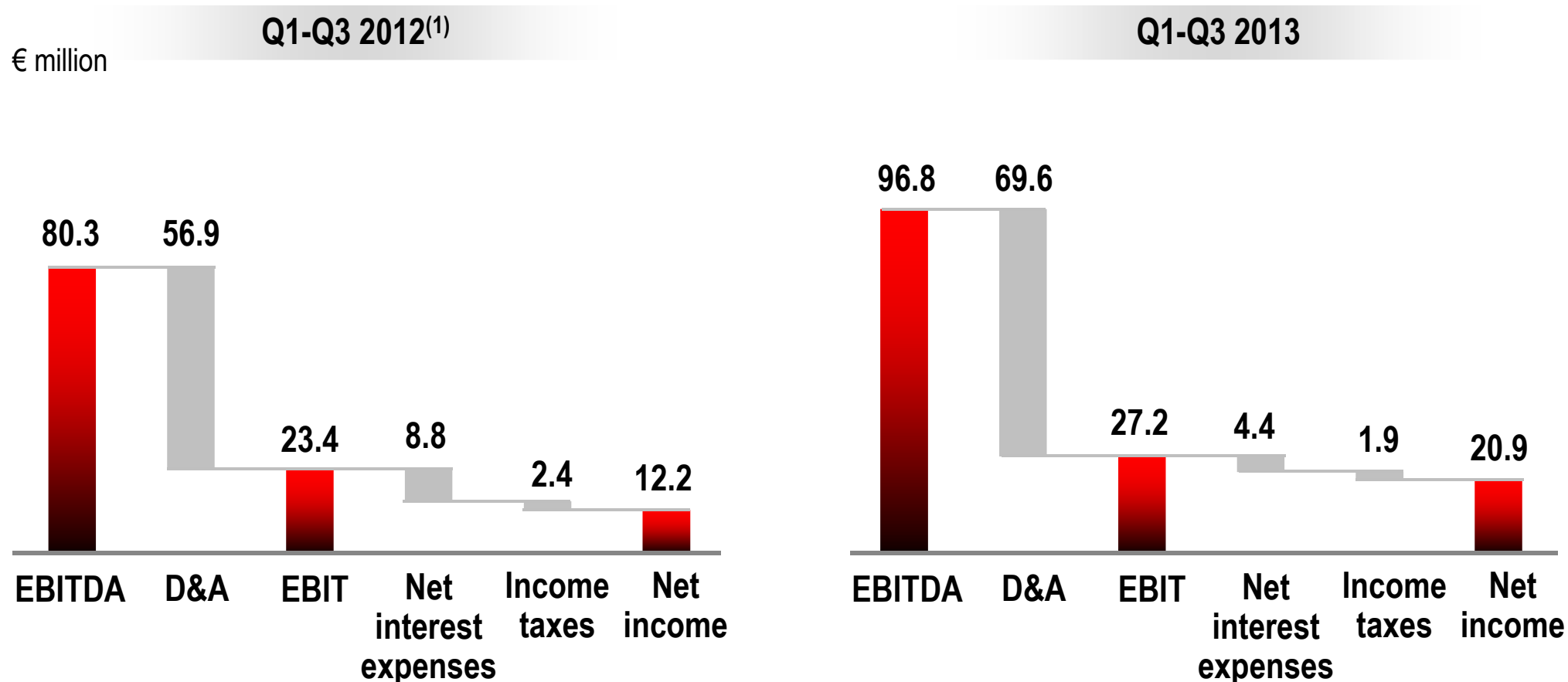
€ million



- Q1-Q3 operating profit (EBIT) of €27.2 million increased by €3.8 million (+16.2%) yoy
- EBIT burdened by higher scheduled amortisation of €12.7 million and ramp-up costs for new engine series
- YTD result from equity-accounted investments increased by €10.7 million

(1) Restated

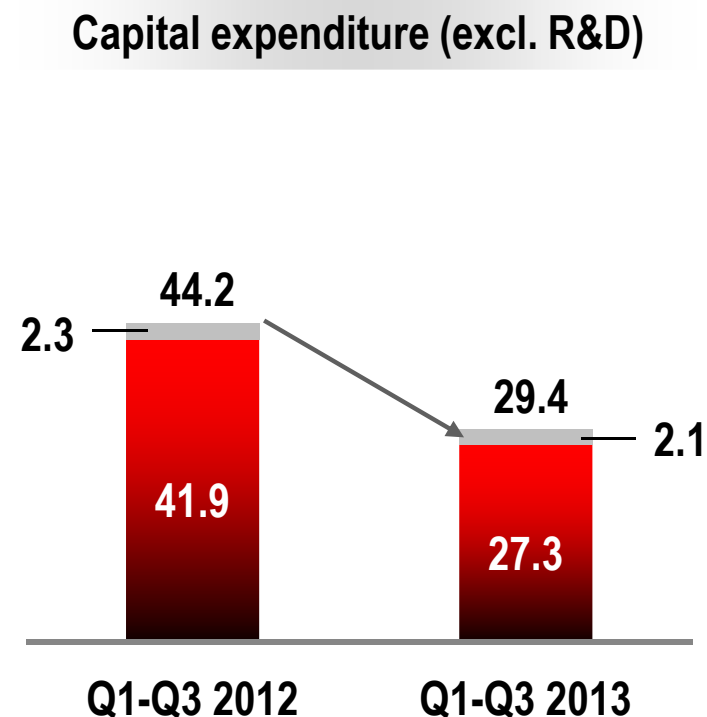
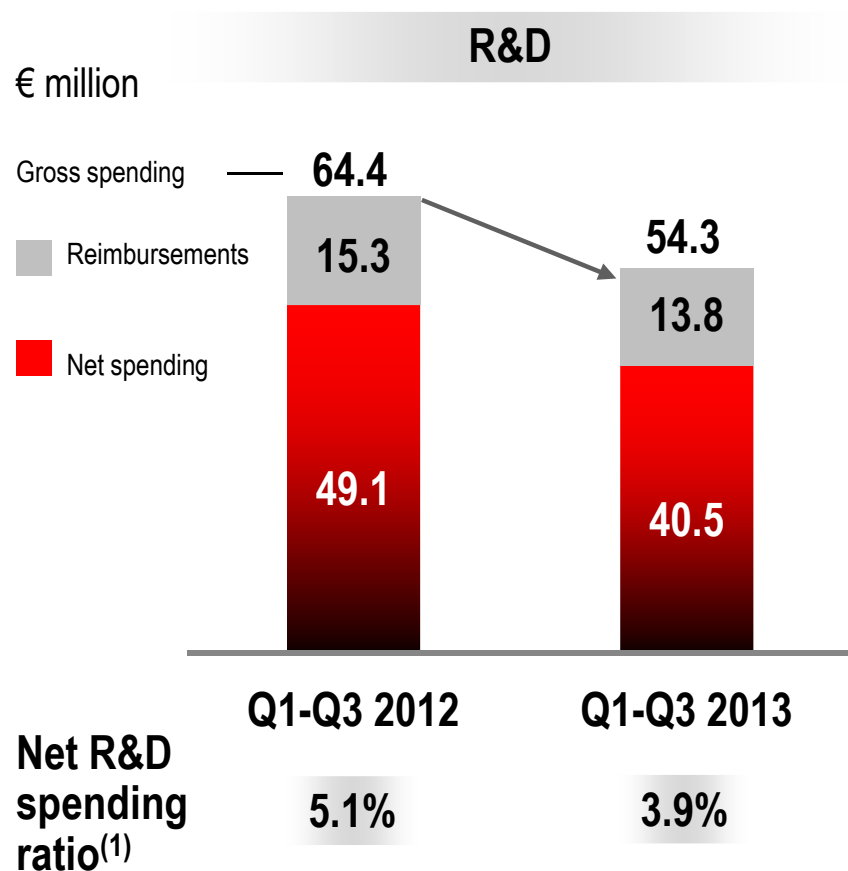
Operating profit and net income



- EBITDA of €96.8 million increased by €16.5 million (+20.5%) yoy
- Net income of €20.9 million improved by +71.3% yoy due to higher operating profit and lower financing costs
- Given tax loss carry forwards effective tax rate remains on low level

(1) Restated

R&D spending and capital expenditure

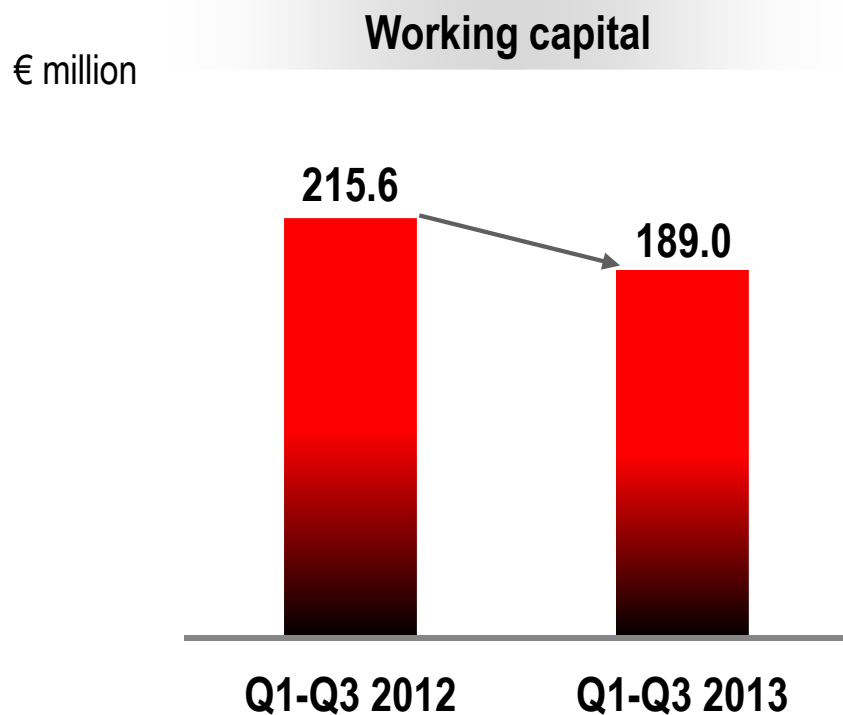


- R&D spending decreased in line with our guidance due to successful start of engines for new emission standard
- Proportion of capitalised net R&D spending: €25.5 million (Q1-Q3 2012: €37.0 million)

- Capital expenditure (after reimbursements) decreased by €14.6 million

(1) Ratio of net R&D spending to consolidated revenue

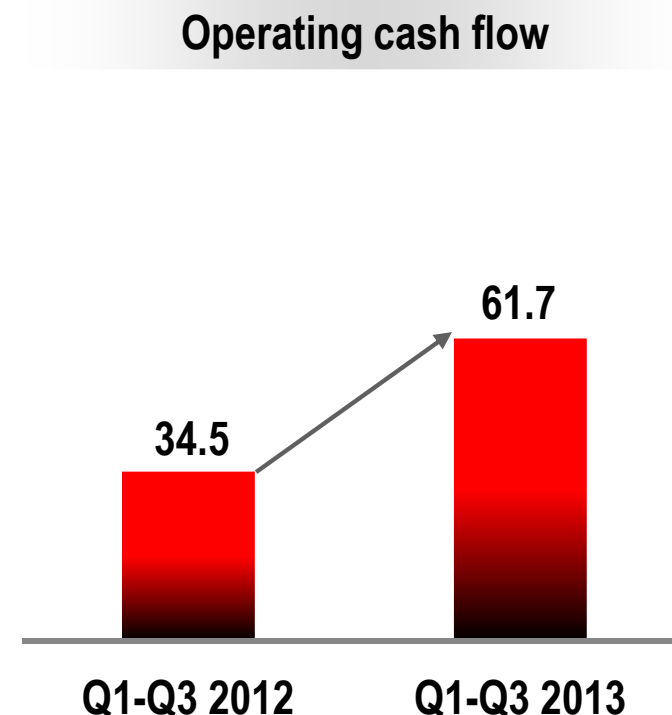
Working capital and operating cash flow



Working capital ratio (30 Sep)

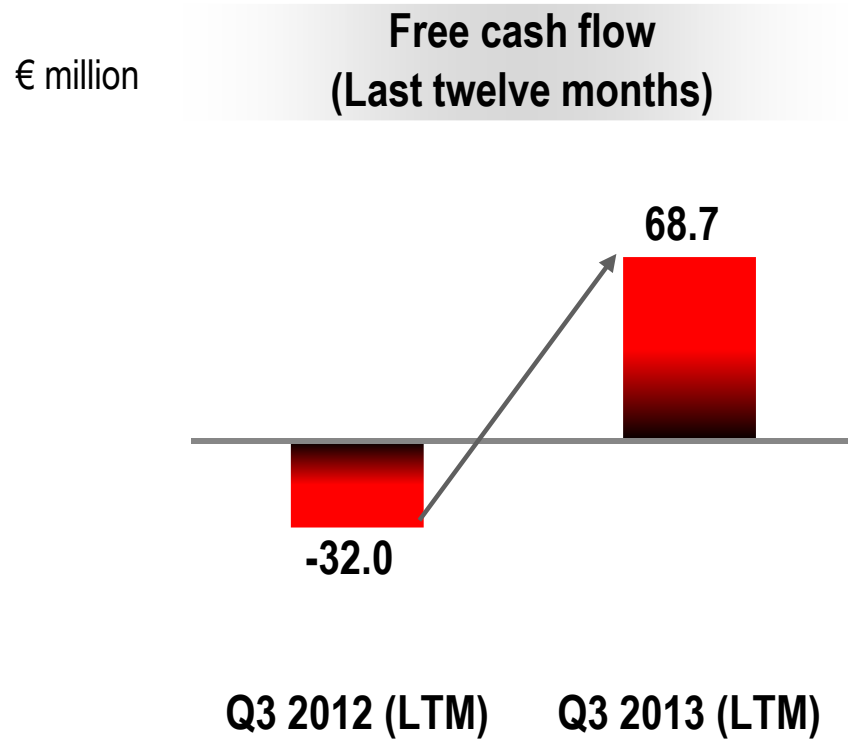
Period	Working capital ratio
Q1-Q3 2012	15.7%
Q1-Q3 2013	13.8%

- Working capital decreased by €26.6 million
- Effective working capital control mechanism in place



- Operating cash flow increased by €27.2 million due to improved operating performance and good working capital management

Free cash flow generation and net financial position

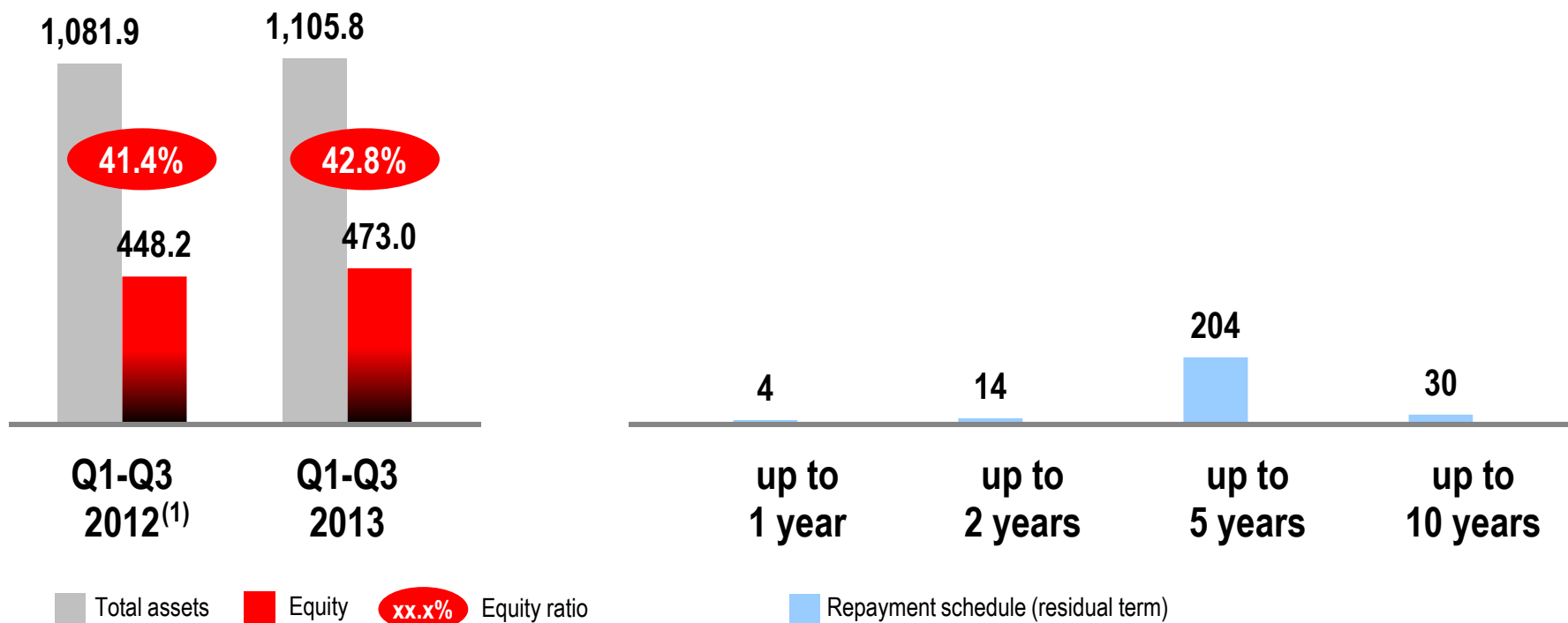


- Free cash flow of €68.7 million generated in last twelve months

- Free cash flow used to reduce net financial position

Equity ratio and funding

€ million



- Sound balance sheet with strong equity ratio of 42.8%
- Medium- to long-term financing with undrawn facilities available:
 - Credit line of bank syndicate in the amount of €160 million runs until June 2017
 - Loan from European Investment Bank of €90 million repayable until July 2020

(1) Restated

Overview of segments: DEUTZ Compact Engines

€ million	Q1-Q3 2013	Q1-Q3 2012	Change in %
New orders	1,003.6	746.6	34.4
Unit sales	124,002	119,017	4.2
Revenue	861.4	752.5	14.5
EBIT	1.7	-10.2 ⁽¹⁾	--

€ million	Q3 2013	Q2 2013	Change in %
New orders	303.1	372.2	-18.6
Unit sales	44,870	45,412	-1.2
Revenue	315.1	306.6	2.8
EBIT	7.2	5.7	26.3

- Order intake increased by 34.4% yoy due to Agricultural Machinery as well as new business development, higher value of engines and some pre-buy effects
- YTD, revenue in Agricultural Machinery more than doubled. Revenue in Service and Mobile Machinery up by 8.5% and 0.9%, respectively. Stationary Equipment and Automotive by -10.6% and -3.1% respectively below last years` level
- Q1-Q3 operating profit improved significantly by +€11.9 million yoy
- Order backlog of €246.8 million (+67.2% yoy) ensures good workload

(1) Restated

Overview of segments: DEUTZ Customised Solutions

€ million	Q1-Q3 2013	Q1-Q3 2012	Change in %
New orders	200.0	213.9	-6.5
Unit sales	10,697	13,204	-19.0
Revenue	181.7	216.9	-16.2
EBIT	26.0	39.6 ⁽¹⁾	-34.3

€ million	Q3 2013	Q2 2013	Change in %
New orders	57.0	82.8	-31.2
Unit sales	3,922	4,257	-7.9
Revenue	65.9	65.6	0.5
EBIT	9.8	11.1	-11.7

- Capacity utilisation improved in the course of 2013 after slow start in Q1
- Revenue developed better than unit sales due to positive mix effects
- EBIT decline attributable to lower business volume and higher scheduled amortisation
- Order backlog at €82.7 million (+14.9% yoy)

(1) Restated

Summary: key financial development

All key figures improved

Strong order intake and demand for new engines

Lower R&D spending; scheduled amortisation increased

Significant improvement of net income and free cash flow

Sound balance sheet and lower net debt



The engine company.

Agenda

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Financial outlook

€ million	FY 2012 reported	Guidance FY 2013
Revenue	1,291.9	> 1,400
EBIT margin (%)	2.9⁽²⁾	> 3.0
Net R&D spending⁽¹⁾	62.1	~ 55
Net capex (excl. R&D)⁽¹⁾	66.4	< 50

(1) Net of reimbursements

(2) Restated

- For FY 2014 we expect low double digit revenue growth and moderate EBIT margin improvement

→ Well on track to achieve FY 2013 guidance

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Summary of key financials (I)

€ million	Q1-Q3 2013	Q1-Q3 2012 ⁽¹⁾	Change (%)
Revenue	1,043.1	969.4	7.6
EBITDA	96.8	80.3	20.5
EBIT	27.2	23.4	16.2
EBIT margin (%)	2.6	2.4	--
Net income	20.9	12.2	71.3
Basic earnings per share (€)	0.17	0.10	70.0
Number of employees (30 September)	4,012	4,040	-0.7

(1) Restated

Summary of key financials (II)

€ million	Q1-Q3 2013	Q1-Q3 2012 ⁽¹⁾	Change (%)
Total assets	1,105.8	1,081.9	2.2
Equity	473.0	448.2	5.5
Equity ratio (%)	42.8	41.4	--
Cash flow from operating activities	61.7	34.5	78.8
Free cash flow	-4.1	-60.2	-93.2
Net financial position	-53.2	-121.3	-56.1
Working capital	189.0	215.6	-12.3

(1) Restated

Income statement

€ million	Q1-Q3 2013	Q1-Q3 2012 ⁽¹⁾	Change (%)
Revenue	1,043.1	969.4	7.6
Cost of goods sold	-892.8	-835.4	6.9
Research and development costs	-45.8	-28.4	61.3
Selling expenses	-46.8	-45.6	2.6
Administrative expenses	-26.0	-24.1	7.9
Other operating income	9.8	17.6	-44.3
Other operating expenses	-13.2	-18.6	-29.0
Income from investments accounted for using the equity method	-1.1	-11.8	-90.7
Other investment income	0.0	0.3	-100.0
EBIT	27.2	23.4	16.2
Net interest expense	-4.4	-8.8	-50.0
Net income before taxes	22.8	14.6	56.2
Income taxes	-1.9	-2.4	-20.8
Net income	20.9	12.2	71.3
thereof attributable to owners of DEUTZ AG	21.0	12.2	72.1
thereof attributable to non-controlling interests	-0.1	0.0	n/a

(1) Restated

Balance sheet: assets

€ million	30 Sep 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Non-current assets (excluding deferred tax assets)	601.7	621.3	-3.2
Deferred tax assets	31.2	27.4	13.9
Inventories	245.1	184.4	32.9
Trade receivables	131.7	116.1	13.4
Other receivables and assets	38.2	32.8	16.5
Cash and cash equivalents	57.5	52.1	10.4
Non-current assets classified as held for sale	0.4	1.8	-77.8
Total assets	1,105.8	1,035.9	6.7

(1) Restated

Balance sheet: equity and liabilities

€ million	30 Sep 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Equity	473.0	452.6	4.5
Provisions for pensions and other post-retirement benefits	172.3	181.8	-5.2
Other provisions	29.4	25.4	15.7
Financial liabilities	109.8	99.6	10.2
Other liabilities	4.0	5.0	-20.0
Non-current liabilities	315.5	311.8	1.2
Provisions for pensions and other post-retirement benefits	15.4	15.4	0.0
Other provisions / Provisions for income taxes	61.9	43.8	41.3
Financial liabilities	0.9	1.1	-18.2
Trade payables	187.8	158.9	18.2
Other liabilities	51.3	52.3	-1.9
Current liabilities	317.3	271.5	16.9
Total equity and liabilities	1,105.8	1,035.9	6.7

(1) Restated

Cash flow statement (condensed)

€ million	Q1-Q3 2013	Q1-Q3 2012 ⁽¹⁾
EBIT	27.2	23.4
Cash flow from operating activities (total)	61.7	34.5
Capital expenditure on intangible assets, property, plant and equipment and investments	-61.6	-86.1
Proceeds from the sale of non-current assets	0.4	0.7
Cash flow from investing activities (total)	-61.2	-85.4
Cash flow from financing activities	5.1	29.6
Change in cash and cash equivalents	5.6	-21.3

(1) Restated

Overview of segments, Q1-Q3 2013

	Q1-Q3 2013	Q1-Q3 2012	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	1,003.6	746.6	34.4
DEUTZ Customised Solutions	200.0	213.9	-6.5
Total for operating activities	1,203.6	960.5	25.3

	Q1-Q3 2013	Q1-Q3 2012	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	861.4	752.5	14.5
DEUTZ Customised Solutions	181.7	216.9	-16.2
Total for operating activities	1,043.1	969.4	7.6
Germany	17.4%	17.5%	--
Export	82.6%	82.5%	--

	Q1-Q3 2013	Q1-Q3 2012	Change (%)
Unit sales			
DEUTZ Compact Engines	124,002	119,017	4.2
DEUTZ Customised Solutions	10,697	13,204	-19.0
Total for operating activities	134,699	132,221	1.9

	Q1-Q3 2013	Q1-Q3 2012⁽¹⁾	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	1.7	-10.2	--
DEUTZ Customised Solutions	26.0	39.6	-34.3
Other	-0.5	-6.0	-91.7
Total for operating activities	27.2	23.4	16.2

(1) Restated

Overview of segments, Q3 2013

	Q3 2013	Q3 2012	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	303.1	197.8	53.2
DEUTZ Customised Solutions	57.0	61.7	-7.6
Total for operating activities	360.1	259.5	38.8

	Q3 2013	Q3 2012	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	315.1	217.7	44.7
DEUTZ Customised Solutions	65.9	70.7	-6.8
Total for operating activities	381.0	288.4	32.1
Germany	18.2%	18.4%	--
Export	81.8%	81.6%	--

	Q3 2013	Q3 2012	Change (%)
Unit sales			
DEUTZ Compact Engines	44,870	34,406	30.4
DEUTZ Customised Solutions	3,922	3,962	-1.0
Total for operating activities	48,792	38,368	27.2

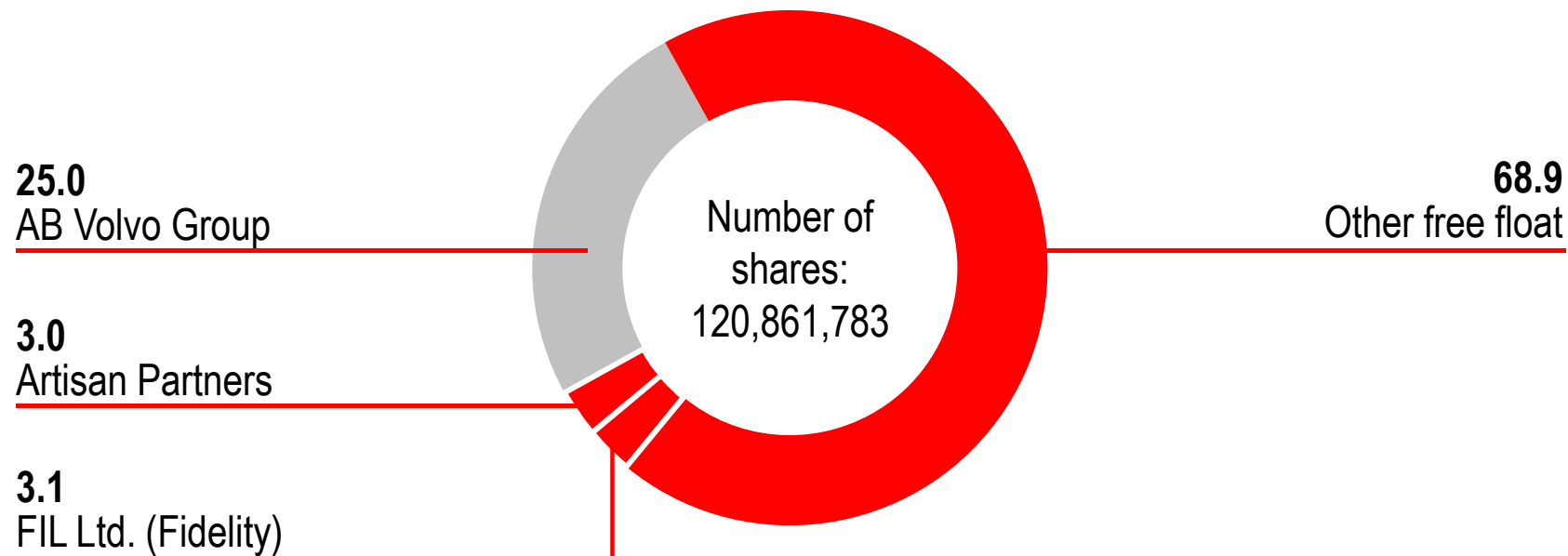
	Q3 2013	Q3 2012⁽¹⁾	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	7.2	-8.8	--
DEUTZ Customised Solutions	9.8	12.4	-21.0
Other	0.1	-0.9	--
Total for operating activities	17.1	2.7	>100.0

(1) Restated

Employees

	30 Sep 2013	30 Sep 2012	Change (%)
Cologne	2,398	2,513	-4.6
Ulm	414	421	-1.7
Other German operations	284	292	-2.7
Germany	3,096	3,226	-4.0
Foreign operations	916	814	12.5
DEUTZ Group	4,012	4,040	-0.7

Shareholder structure



Share key data

WKN	630500
ISIN	DE0006305006
Reuters symbol	DEZG.DE
Bloomberg symbol	DEZ:GR

Financial calendar & contact details

■ Annual report 2013

20 March 2014

■ Annual general meeting

7 May 2014

➤ Contact details

Christian Krupp
Ottostrasse 1
51149 Cologne (Porz-Eil)
Germany

Tel:+49 (0) 221 822 5400
Fax:+49 (0) 221 822 15 5400
Email: krupp.c@deutz.com
www.deutz.com

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