

CONFERENCE CALL Q1-Q3 2011

10 November 2011

The engine company.



Agenda

- **Overview Q1-Q3 2011**

Dr Helmut Leube, Chairman of the Management Board

- **Key performance indicators Q1-Q3 2011**

Dr Margarete Haase, CFO

- **Outlook**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**

Overview of Q1-Q3 2011

■ Very satisfactory business in Q1-Q3 2011

- Revenue of €1,123.5 million and sales of 168,508 units increased significantly by 37% and 45%, respectively
- Strong growth in all regions and application segments
- Order intake of €1,169.8 million up by 19% yoy
- Despite the nervous market environment, Q3 order intake of €372.7 million remained very strong

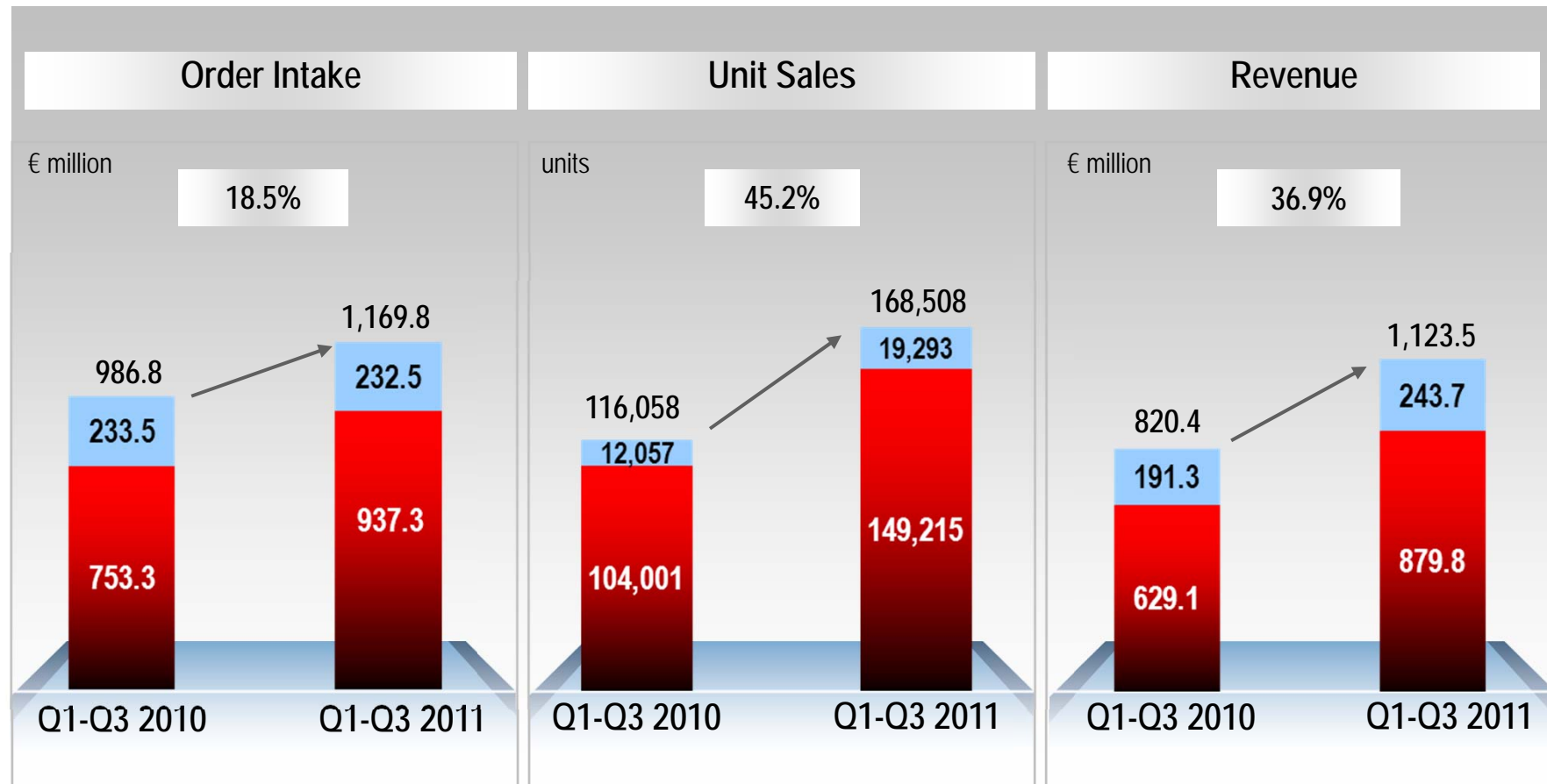
■ Profitability on a new level

- EBIT margin of 6.2% in Q1-Q3 2011 and 6.3% in Q3 2011
- Net income boosted to €54.6 million in Q1-Q3 2011 (Q1-Q3 2010: minus €22.5 million)
- Measures to reduce costs and enhance efficiency are paying off

■ Highlights in Q3

- Capital markets have been extremely nervous
- Although the outlook was increased in August, DEUTZ shares lost 38.6% in Q3
- Since 19 September 2011, DEUTZ shares listed on the MDAX
- New product launches on track
- Good market response for brand new engines TCD 2.9 L4 and TCD 3.6 L4

Sales figures, Q1-Q3 2011



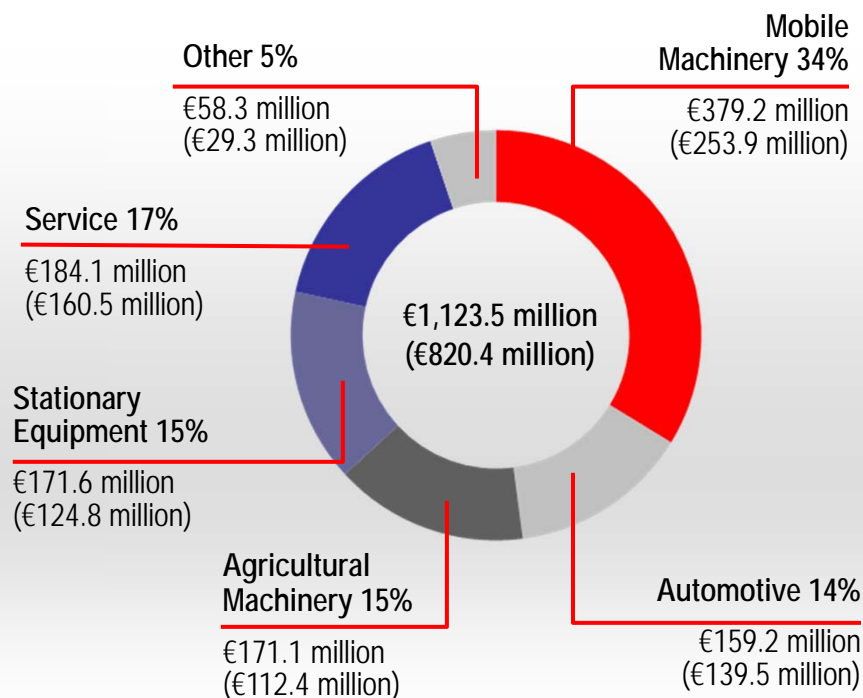
■ Compact Engines ■ DEUTZ Customised Solutions

- 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 €326.9 million remain at a high level
- Book to bill ratio at 104%

Revenue split

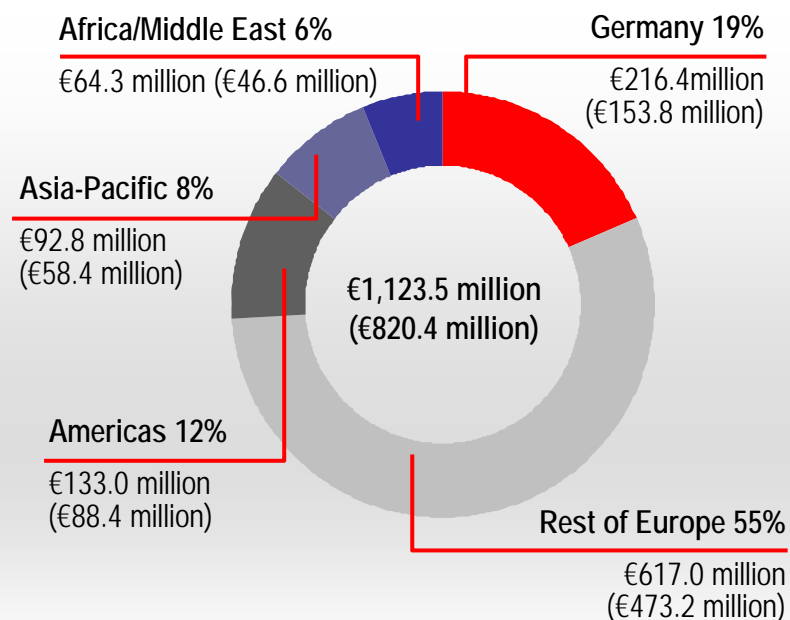
Revenue Split by Application, Q1-Q3 2011

(Q1-Q3 2010)



Revenue Split by Region, Q1-Q3 2011

(Q1-Q3 2010)



- Double digit growth rates in all application segments
- Highest growth rates in Agricultural Machinery (+52% yoy), followed by Mobile Machinery (+49% yoy), Stationary Equipment up by 38% yoy
- Service business with continued growth (+15% yoy)

- High growth rates in all regions: EMEA (+33%), Americas (+51%) and Asia-Pacific (+59%)

Segment overview: Compact Engines

€ million	Q1-Q3 2011	Q1-Q3 2010	Change in %
New orders	937.3	753.3	24.4
Unit sales	149,215	104,001	43.5
Revenue	879.8	629.1	39.9
EBIT (before one-off items)	36.4	3.9	--

€ million	Q3 2011	Q2 2011	Change in %
New orders	299.6	312.6	-4.2
Unit sales	54,264	52,279	3.8
Revenue	315.2	304.6	3.5
EBIT (before one-off items)	15.2	14.5	4.8

- Yoy, order intake, unit sales and revenue with high double-digit growth rates
- Qoq, unit sales and revenue slightly above Q2 figures
- Despite the nervous market environment, Q3 2011 order intake of €299.6 million was very satisfactory: 15.9% above Q3 2010; slightly down by 4.2% compared to previous quarter
- Growth in all regions and application segments. Mobile Machinery and Agricultural Machinery were the driving force with revenue growth rates above 50% each, yoy
- EBIT in Compact Engines boosted to €36.4 million in Q1-Q3 2011 (Q1-Q3 2010: €3.9 million) as a consequence of the profitability enhancement program and the strong growth

Segment overview: DEUTZ Customised Solutions

€ million	Q1-Q3 2011	Q1-Q3 2010	Change in %
New orders	232.5	233.5	-0.4
Unit sales	19,293	12,057	60.0
Revenue	243.7	191.3	27.4
EBIT (before one-off items)	34.8	28.7	21.3

€ million	Q3 2011	Q2 2011	Change in %
New orders	73.1	76.0	-3.8
Unit sales	7,046	6,503	8.3
Revenue	84.2	83.5	0.8
EBIT (before one-off items)	11.4	11.5	-0.9

- Unit sales and revenue with high double-digit growth rates
- Unit sales growing faster than revenue due to mix effects: Small & mid-sized engines growing faster than 12-16 litre engines
- Double digit revenue growth in all application segments and regions except Germany (yoy)
- Order intake down by 0.4% yoy and 3.8% qoq, decline is mainly project-driven
- Orders on hand of about €90 million remain at a high level
- EBIT increased by €6.1 million to €34.8 million

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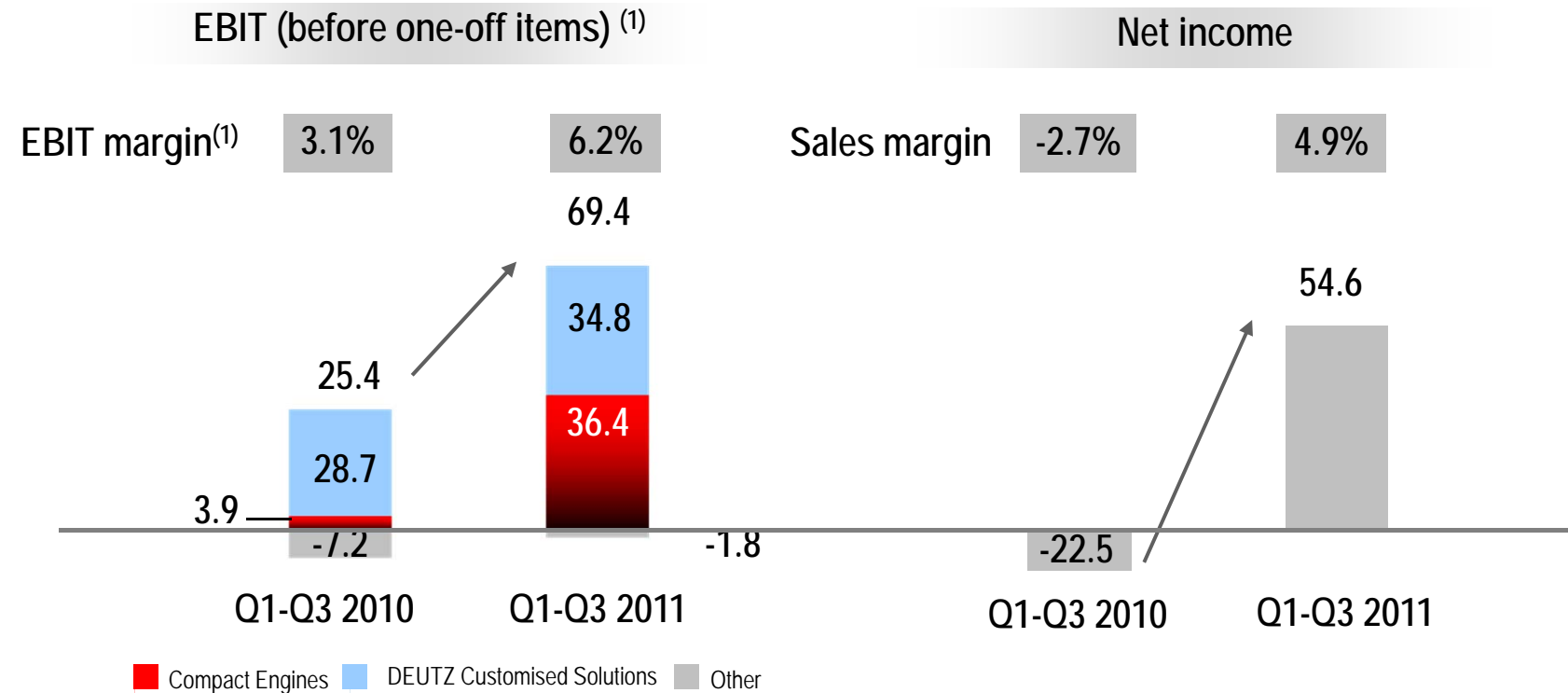
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Profitability

€ million

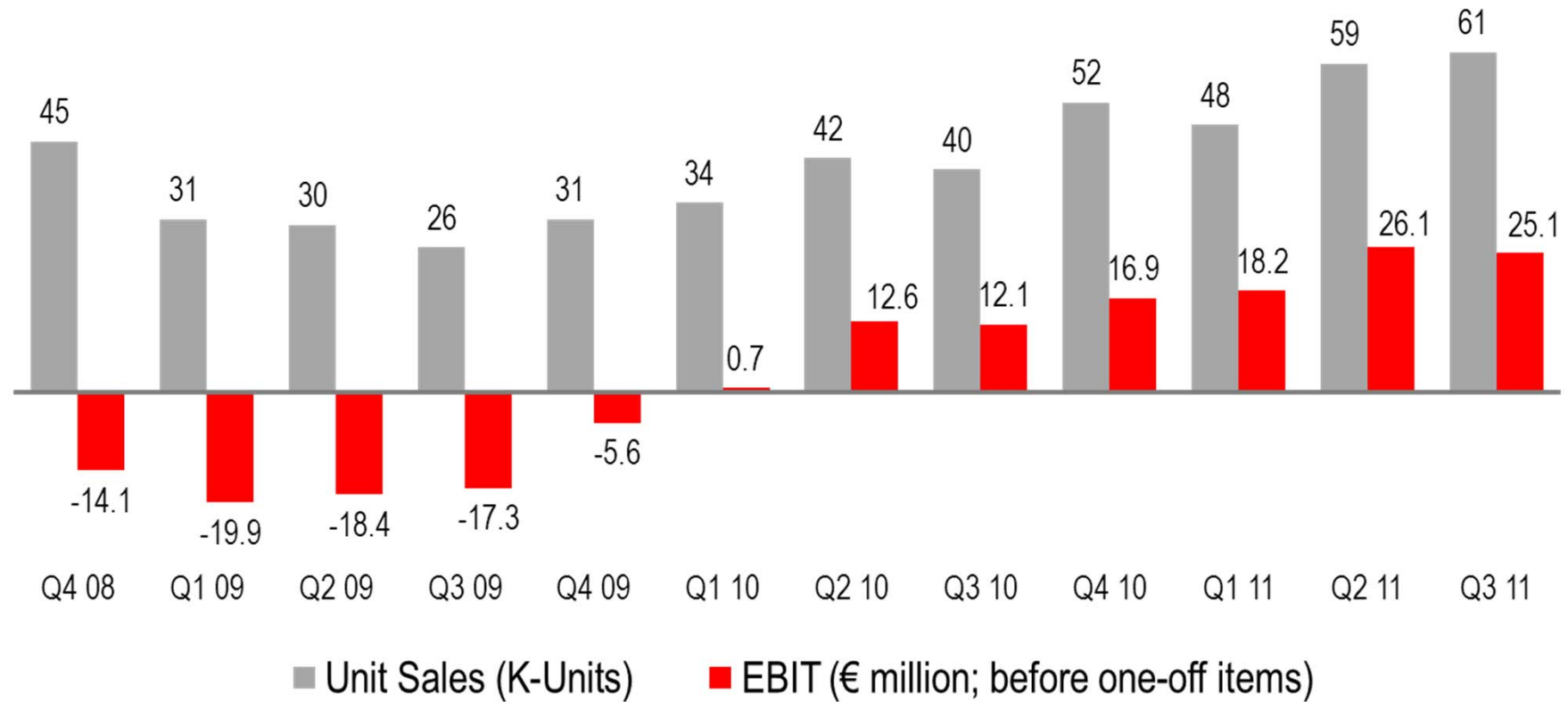


- EBIT margin in Q1-Q3 2011 boosted to 6.2% (Q1-Q3 2010: 3.1% before one-off items)
- Profitability reaching new levels as a consequence of the implemented cost and efficiency measures and high growth rate
- Net income of €54.6 million in Q1-Q3 2011 (improvement of € 77.1 million yoy). EPS increased to €0.45
- Net interest expenses reduced as a consequence of the new funding since the end of 2010

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

Profitability showing lasting upwards trend

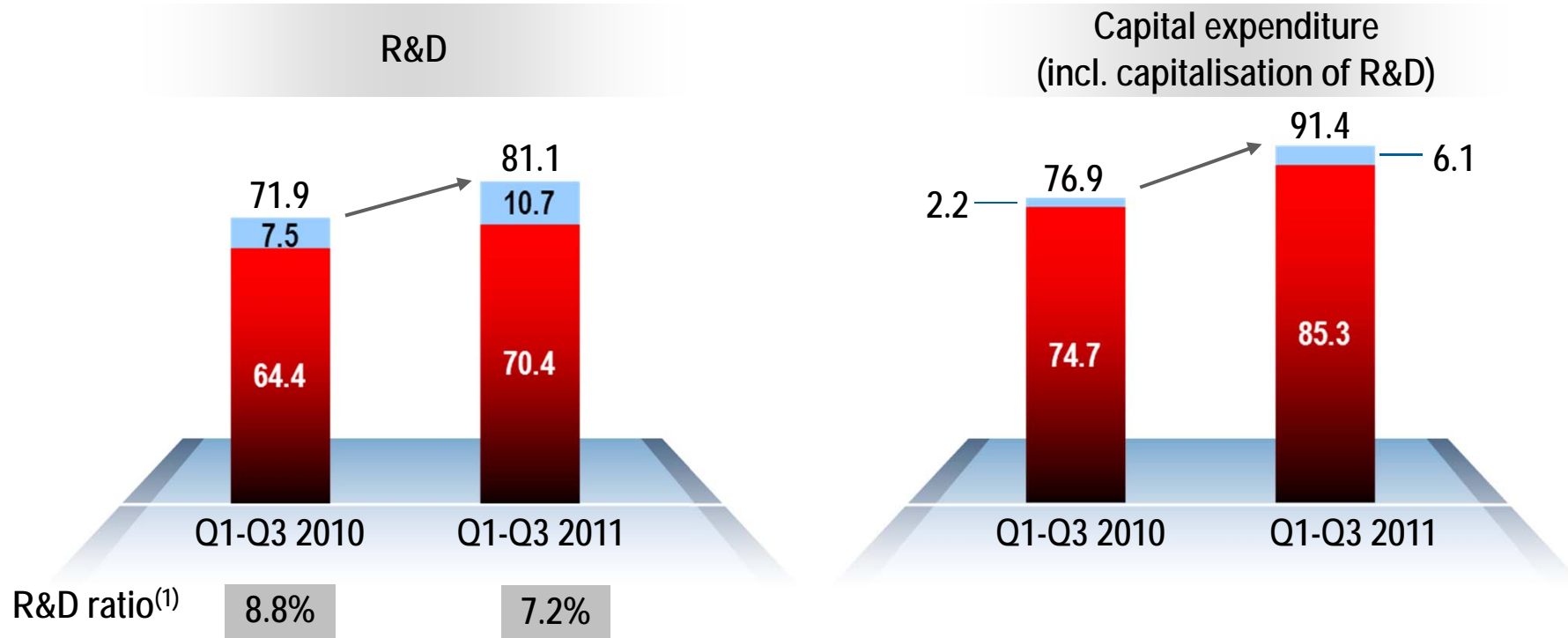
Unit sales and EBIT (before one-off items) Q4 2008 – Q3 2011



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

R&D and capital expenditure

€ million

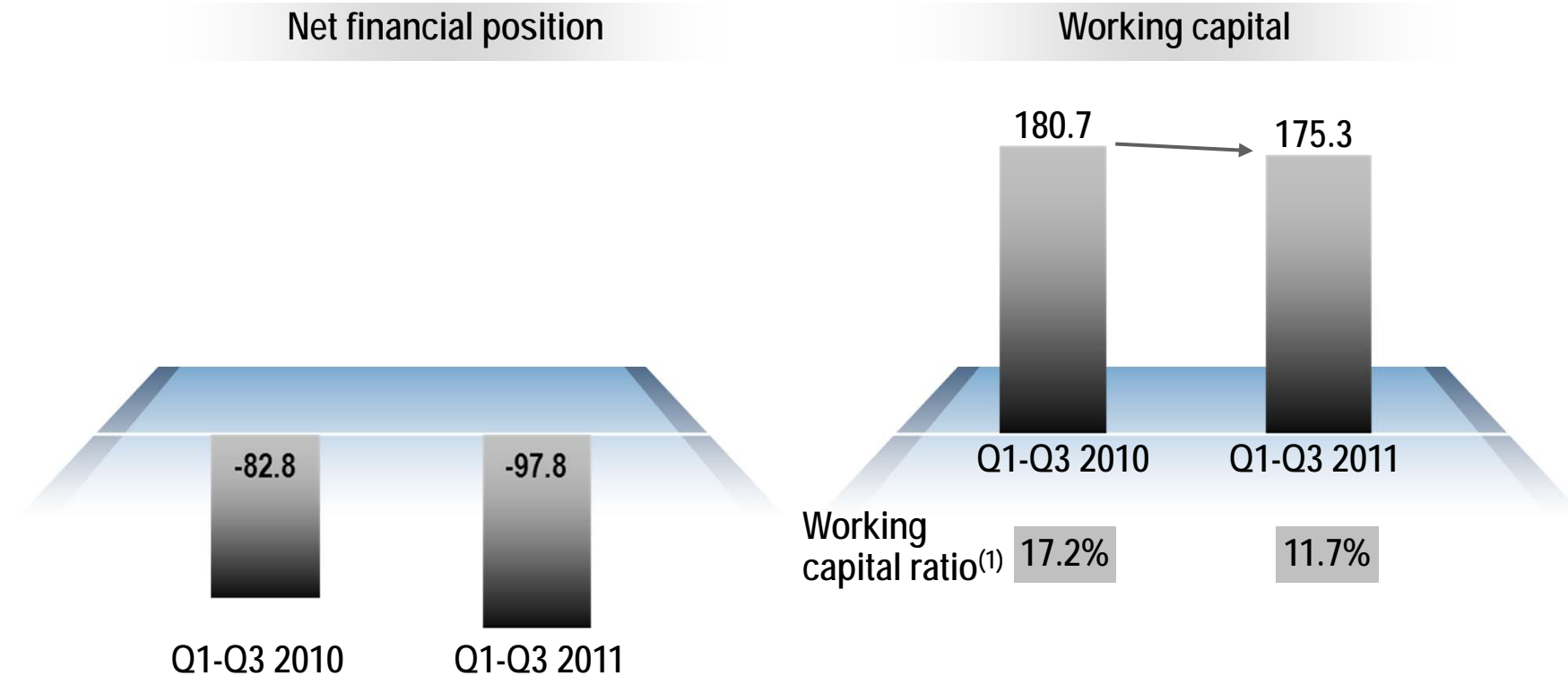


- R&D activities for Tier 4 interim are far advanced and include already major development work for Tier 4 final
- R&D ratio down by 1.6%-points
- R&D expenditures will reduce from 2012 onwards

- Capex largely driven by introduction of new emission standards
- Strict management of capital expenditure and R&D projects
- Capitalized development costs account for €61.6 million before grants (Q1-Q3 2010: € 49.1 million)

Net financial position and working capital

€ million



- Cash credit line of €265 million provides sufficient financial flexibility
- Cash flow from operating activities of €64.4 million, i.e. improvement of €61.5 million yoy
- Free cash flow amounted to -€23.4 million due to investments for new emission levels and seasonal influence (lower working capital at year-ends)

- Working capital ratio reduced by 5.5%-points to 11.7%
- Despite strong growth, working capital could be even reduced

⁽¹⁾ Working capital ratio as of 30 September 2011 / 2010

Summing up

- Very satisfactory business in Q1-Q3 2011 - revenue up by 37%
- Measures to cut cost and enhance efficiency are paying off
- Profitability reaching new levels - EBIT margin of 6.2% in Q1-Q3 2011
- Based on large order book of about €327 million and customers' feedback, the outlook for our business remains favourable
- Equity ratio improved to 38.3% (up by 6.0%-points yoy)
- Working capital ratio of 11.7% improved by 5.5%-points yoy

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Confirming Outlook

Outlook for 2011	
Unit sales	More than 225,000 engines
Revenue	More than €1.5 billion
EBIT	Approx. €90 million
Capital expenditure (excluding R&D)	Slightly less than 2010 ^{*)}
Research and Development	Slightly higher than in 2010 ^{*)}
Employees	Some hirings in the operating units due to strong volume increase, preferably on a flexible basis
Outlook for 2012	
Sales markets	Difficult to predict in current environment. Cautious best guess: On 2011 level but no recession
EBIT margin	Approx. 7%

→ Fully confirming our 2011 guidance. Cautious optimism for 2012

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Overview of key performance indicators (I)

€ million	Q1-Q3 2011	Q1-Q3 2010	Change in %
Revenue	1,123.5	820.4	36.9
EBITDA	118.2	58.2	103.1
EBITDA before one-off items	118.2	72.3	63.5
EBIT	69.4	11.3	514.2
EBIT before one-off items	69.4	25.4	173.2
EBIT margin (%)	6.2	3.1	--
Net income/loss	54.6	-22.5	--
Basic earnings per share (€)	0.45	-0.19	--
Number of employees as at 30 September	4,275	3,877	10.3

Overview of key performance indicators (II)

€ million	Q1-Q3 2011	Q1-Q3 2010	Change in %
Total equity and liabilities	1,118.2	1,127.1	-0.8
Equity	428.8	364.5	17.6
Equity ratio (%)	38.3	32.3	--
Cash flow from operating activities	64.4	2.9	--
Free cash flow	-23.4	-74.4	68.5
Net financial position	-97.8	-82.8	-18.1
Working capital at balance sheet date of 30 September	175.3	180.7	-3.0

Income statement

€ million	Q1-Q3 2011	Q1-Q3 2010	Change in %
Revenue	1,123.5	820.4	36.9
Changes in inventories and other own work capitalised	59.0	44.1	33.8
Other operating income	24.8	56.4	-56.0
Cost of materials	-758.3	-539.6	40.5
Staff costs	-210.8	-187.6	12.4
Depreciation and amortisation	-48.8	-46.9	-4.1
Other operating expenses	-119.8	-133.2	-10.1
Net result from equity-accounted investments	-0.2	-2.4	91.7
Result from other investments	0.0	0.1	-100.0
EBIT	69.4	11.3	
of which one-off items	0.0	-14.1	
of which operating profit/loss (EBIT before one-off items)	69.4	25.4	
Net interest expense	-9.8	-18.7	-47.6
Other taxes	-1.2	-1.2	0.0
Net income/loss before taxes on continuing operations	58.4	-8.6	--
Income taxes	-3.8	-13.9	
Net income/loss on continuing operations	54.6	-22.5	--
Net income/loss on discontinued operations	0.0	0.0	--
Net income/loss	54.6	-22.5	--

Balance sheet: assets

€ million	30 Sep 2011	31 Dec 2010	Change in %
Non-current assets (before deferred tax assets)	619.0	591.5	4.6
Deferred tax assets	14.4	16.4	-12.2
Inventories	215.5	157.6	36.7
Trade receivables	153.2	160.1	-4.3
Other receivables and assets	62.1	47.7	30.2
Cash and cash equivalents	53.6	67.9	-21.1
Non-current assets and disposal groups held for sale	0.4	0.5	-20.0
Total assets	1,118.2	1,041.7	7.3

Balance sheet: equity and liabilities

€ million	30 Sep 2011	31 Dec 2010	Change in %
Equity	428.8	374.3	14.6
Provisions for pensions and other post-retirement benefits	149.4	154.7	-3.4
Deferred tax provisions	0.0	0.0	--
Other provisions	32.6	29.8	9.4
Financial liabilities	148.9	138.5	7.5
Other liabilities	8.5	7.4	14.9
Non-current liabilities	339.4	330.4	2.7
Provisions for pensions and other post-retirement benefits	15.9	15.9	0.0
Other provisions/provisions for current taxes	70.4	46.7	50.7
Financial liabilities	2.5	3.0	-16.7
Trade payables	193.4	205.1	-5.7
Other liabilities	67.8	66.3	2.3
Current liabilities	350.0	337.0	3.9
Total equity and liabilities	1,118.2	1,041.7	7.3

Cash flow statement (summary)

€ million	Q1-Q3 2011	Q1-Q3 2010
EBIT	69.4	11.3
Cash flow from operating activities (total)	64.4	2.9
Cash flow from investing activities (continuing operations)	64.4	2.9
Cash flow from investing activities (discontinued operations)	0.0	0.0
Cash flow from investing activities (total)	-78.9	-63.4
Cash flow from financing activities	0.1	-17.7
Change in cash and cash equivalents	-14.4	-78.2

Segment overview Q1-Q3 2011 vs. Q1-Q3 2010

	Q1-Q3 2011	Q1-Q3 2010	Change in %
New orders (€ million)			
Compact Engines	937.3	753.3	24.4
DEUTZ Customised Solutions	232.5	233.5	-0.4
Total activities	1,169.8	986.8	18.5

	Q1-Q3 2011	Q1-Q3 2010	Change in %
Revenue (€ million)			
Compact Engines	879.8	629.1	39.9
DEUTZ Customised Solutions	243.7	191.3	27.4
Total activities	1,123.5	820.4	36.9
Germany	19.3%	18.7%	
Exports	80.7%	81.3%	

	Q1-Q3 2011	Q1-Q3 2010	Change in %
Unit sales (units)			
Compact Engines	149,215	104,001	43.5
DEUTZ Customised Solutions	19,293	12,057	60.0
Total activities	168,508	116,058	45.2

	Q1-Q3 2011	Q1-Q3 2010	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	36.4	3.9	--
DEUTZ Customised Solutions	34.8	28.7	21.3
Other	-1.8	-7.2	--
Total activities	69.4	25.4	173.2

Segment overview Q3 2011 vs. Q3 2010

	Q3 2011	Q3 2010	Change in %
New orders (€ million)			
Compact Engines	299.6	258.5	15.9
DEUTZ Customised Solutions	73.1	68.8	6.3
Total activities	372.7	327.3	13.9

	Q3 2011	Q3 2010	Change in %
Revenue (€ million)			
Compact Engines	315.2	217.9	44.7
DEUTZ Customised Solutions	84.2	68.0	23.8
Total activities	399.4	285.9	39.7
Germany	20.9%	19.7%	
Exports	79.1%	80.3%	

	Q3 2011	Q3 2010	Change in %
Unit sales (units)			
Compact Engines	54,264	35,960	50.9
DEUTZ Customised Solutions	7,046	4,533	55.4
Total activities	61,310	40,493	51.4

	Q3 2011	Q3 2010	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	15.2	2.6	--
DEUTZ Customised Solutions	11.4	11.4	0.0
Other	-1.5	-1.9	--
Total activities	25.1	12.1	107.4

Financial calendar



- | | | |
|--|-------------------|---------------|
| ■ 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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