

Conference Call Q1-Q3 2012

8 November 2012

Dr Helmut Leube, CEO

Dr Margarete Haase, CFO

The engine company.



Agenda

- **Review Q1-Q3 2012**

- **Outlook**

- **Annex**

Highlights of Q1-Q3 2012

■ Sales figures influenced by economic slowdown and seasonal effects

- Unit sales decreased by 21.5% yoy due to weaker market conditions in Europe and China
- Revenue declined 13.7% yoy; higher value of new engines partially compensated lower unit sales
- Order intake 17.9% below previous year level, slightly positive trend lately
- Strong service business

■ Improved funding and strong balance sheet

- New long-term funding secures financing of growth projects and will reduce interest expenses
- Further improvement of equity ratio to 44.2% (year end 2011: 41.3%; H1 2012: 42.1%)

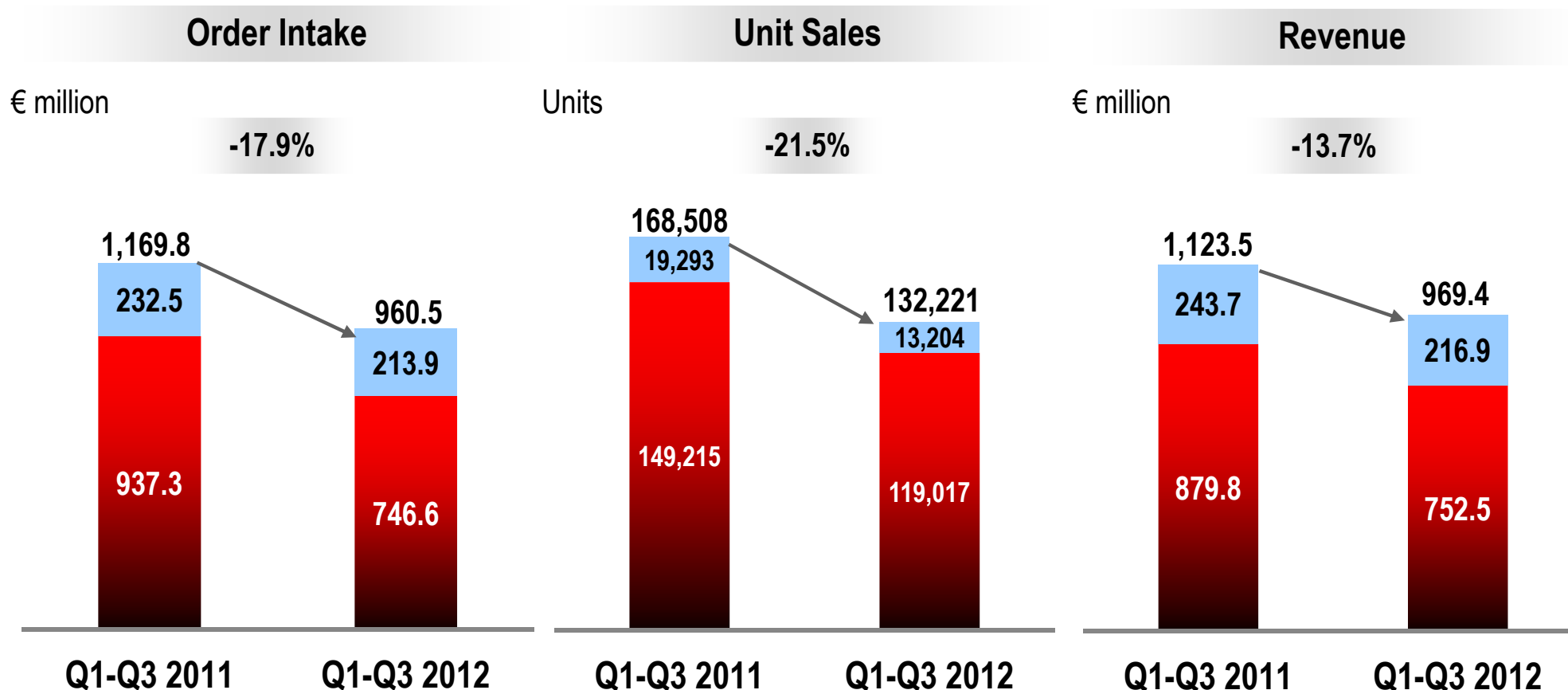
■ Growth projects on track

- Increase of AB Volvo's shareholding in DEUTZ to just over 25% underlines intended deepening of our cooperation, in particular in China
- Strengthening sales team in Beijing and continued expansion of service network

■ Divestment of exhaust aftertreatment Joint Venture Bosch Emission Systems (BESG)

- In October, DEUTZ sold its 25% participation in BESG to Bosch
- Concentrating on growth in core business engine system development and assembly
- DEUTZ and Bosch will intensify their future collaboration as part of an innovation partnership in the fields of exhaust aftertreatment, diesel injection technology and electronics

Sales figures

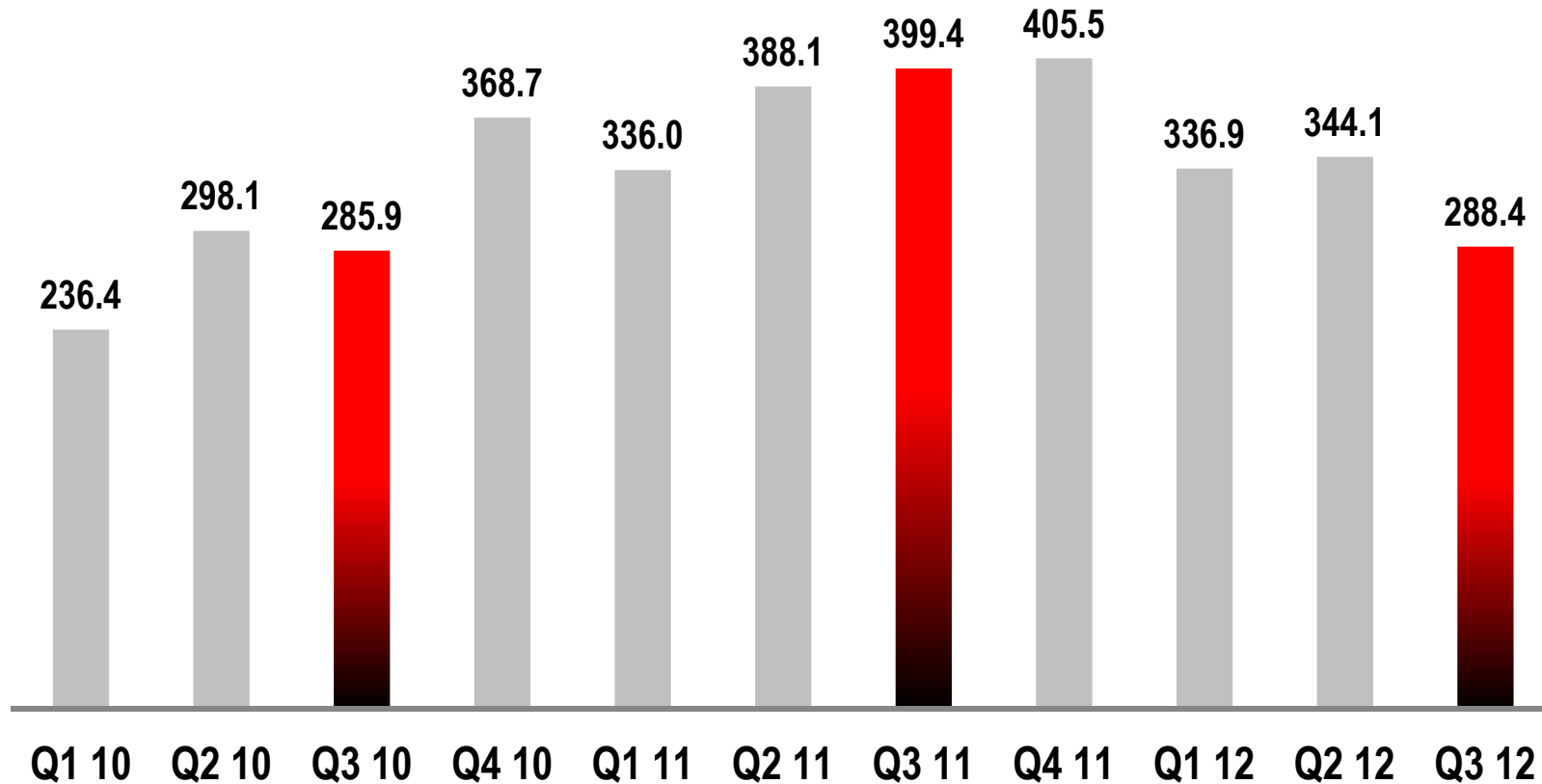


- Revenue decreased by 13.7%; higher inherent value of new Tier 4 interim compliant engines partially compensated lower unit sales (-21.5% yoy)
- Orders on hand €219.6 million (-12.0% vs. end of Q2 2012)

 Compact Engines  DEUTZ Customised Solutions

Revenue development

€ million



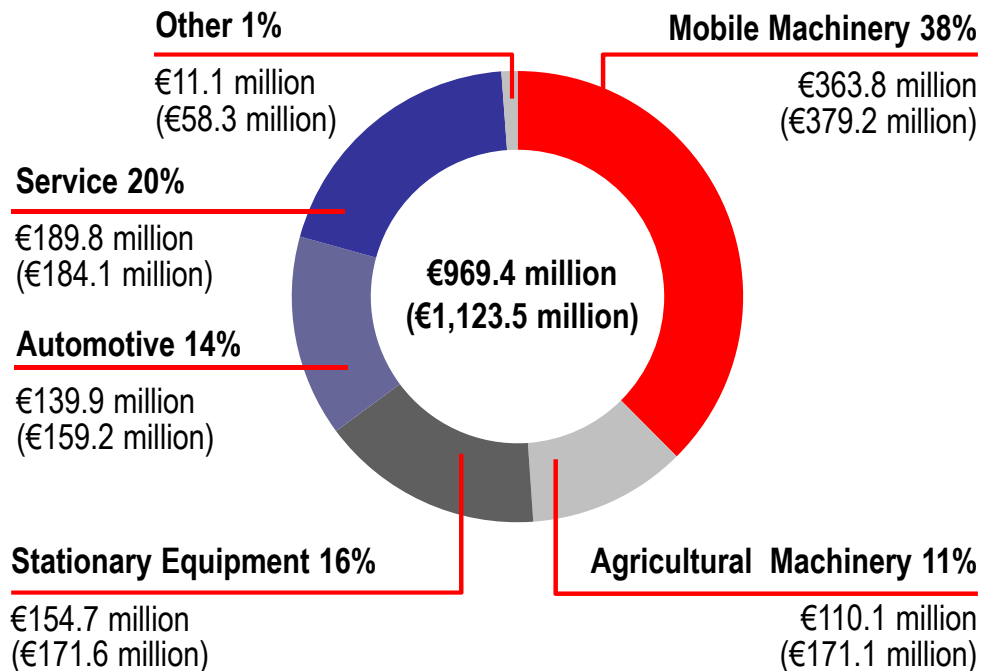
- Strong revenue growth in 2011
- Economic slowdown in Europe and China causing revenue decline; Q3 affected by plant holidays

→ Revenue record level 2011 not achievable in current fiscal year

Revenue split

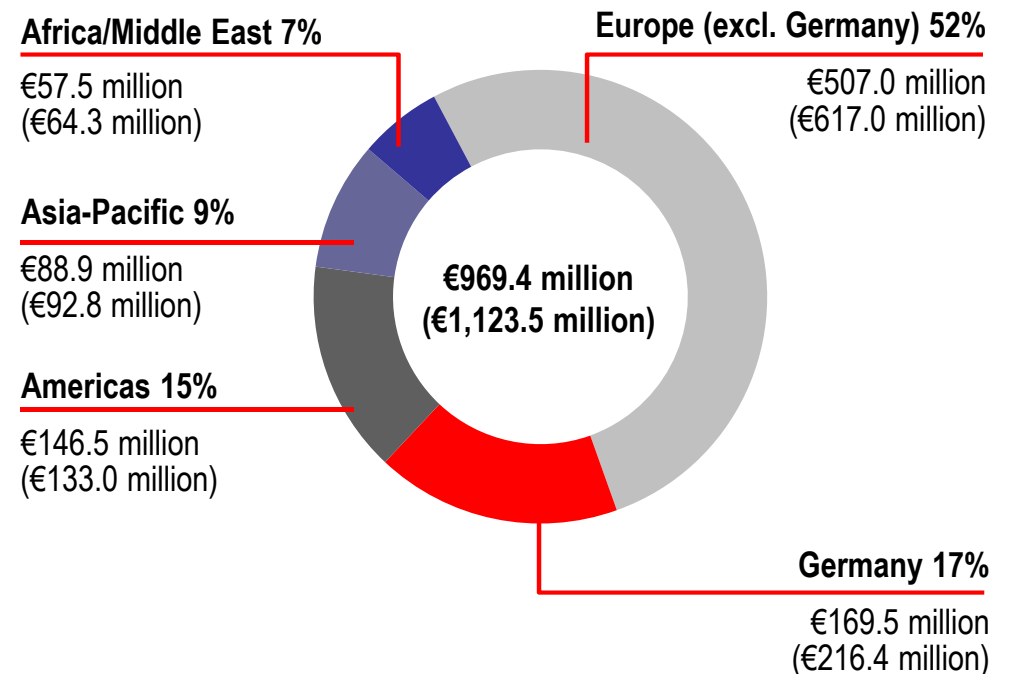
Revenue split by application, Q1-Q3 2012

(Q1-Q3 2011)



Revenue split by region, Q1-Q3 2012⁽¹⁾

(Q1-Q3 2011)



- Agricultural Machinery declined by 35.7% yoy due economic downturn, slow production start of key clients and engine pre-buys in 2011
- Positive development of service business: 3.1% growth yoy

- Higher revenue in Americas (+10.2% yoy)
- Revenue declined by 18.2% yoy in EMEA
- Exposure to Southern European countries⁽²⁾ amounts to approx. 5% of Q1-Q3 2012 group revenues

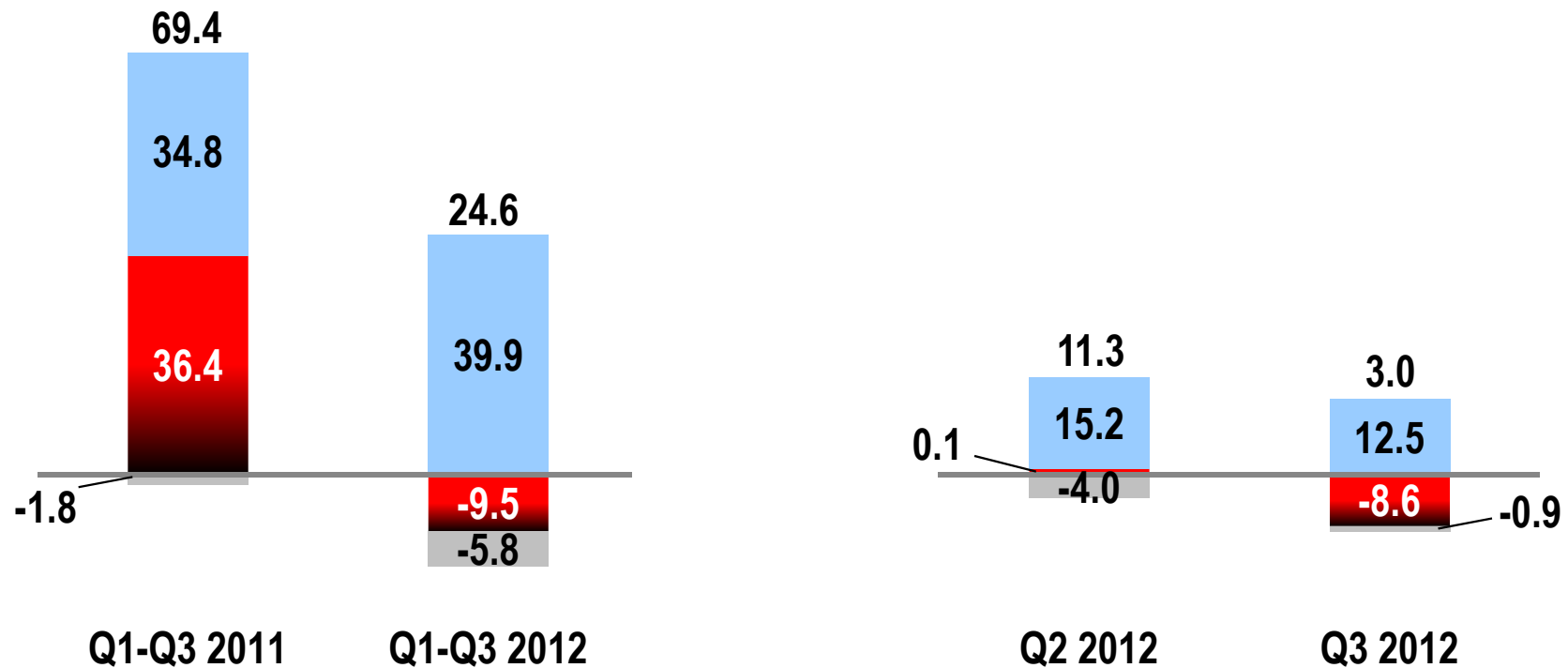
(1) Revenue split by region does not include JVs that are not fully consolidated.

Regions assigned by place of business of our OEM customer

(2) Exposure refers mainly to Italy and Spain. Figure also includes Portugal and Greece

EBIT

€ million



EBIT margin

6.2%

2.5%

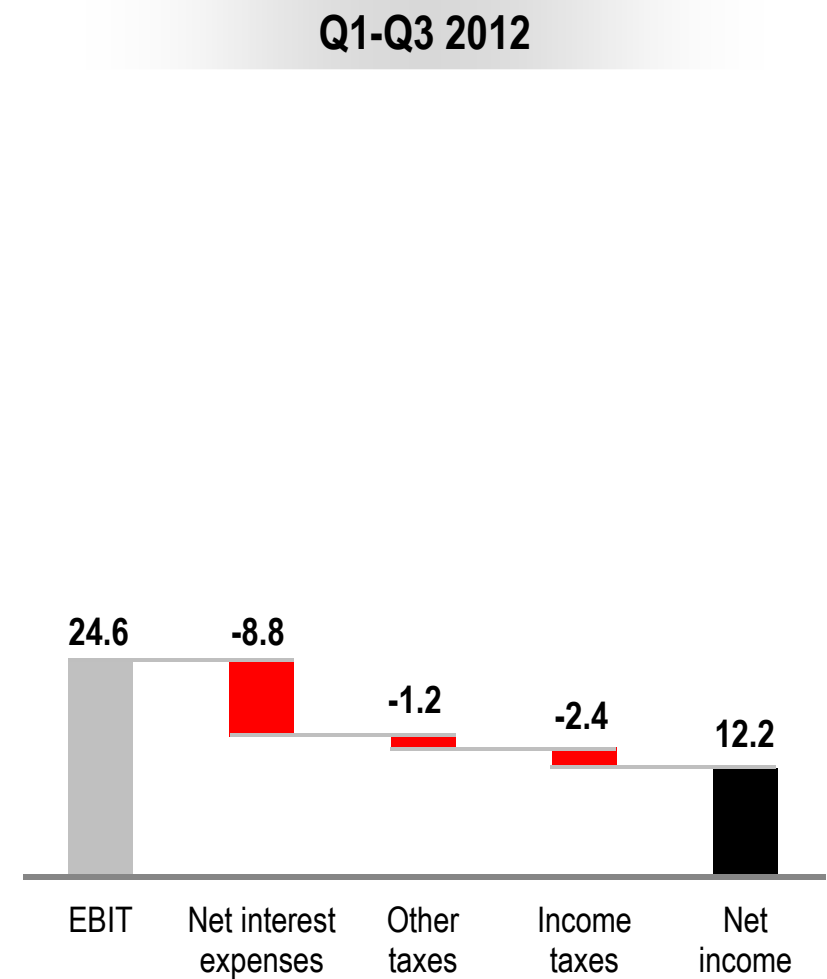
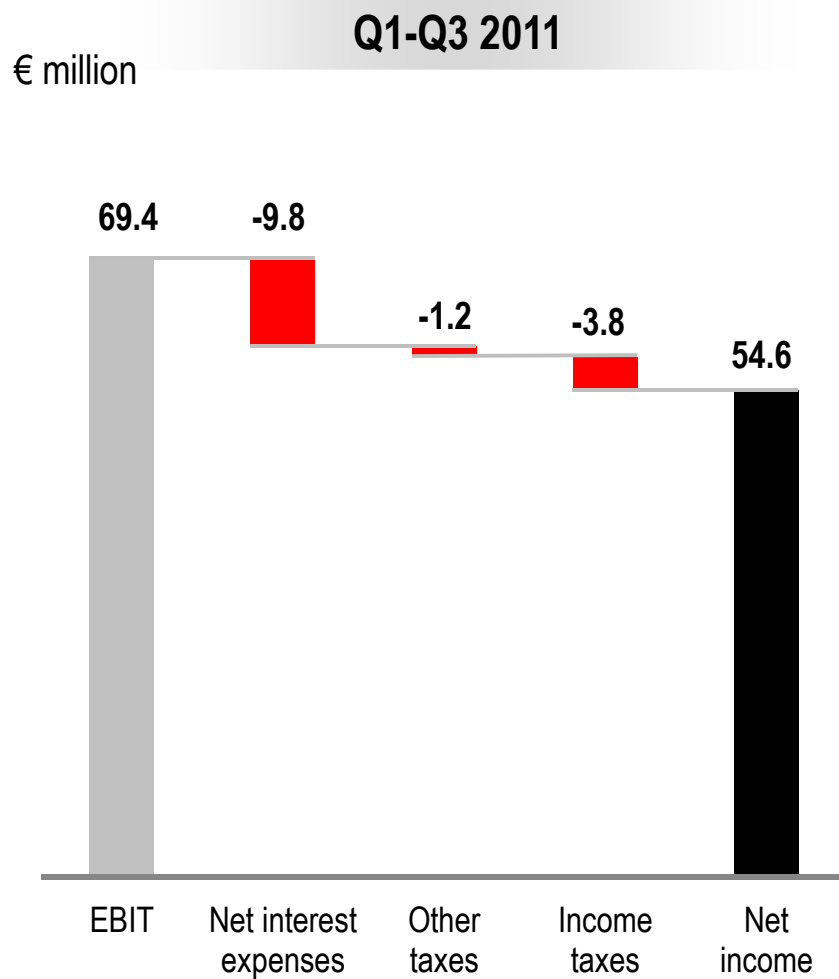
3.3%

1.0%

- Lower production volumes with negative impact on EBIT margin
- Negative profit contribution of JVs burdened EBIT
- Series start of new engines lowers profitability in the ramp-up phase
- In view of the weak market environment, we have taken steps to reduce costs and improve profitability

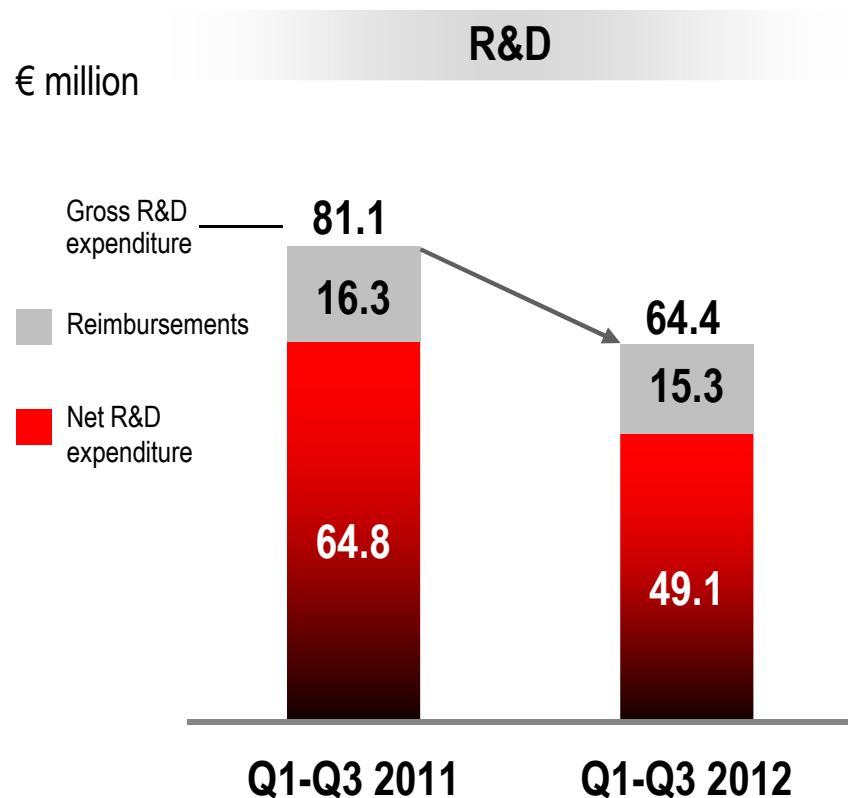
■ Compact Engines ■ DEUTZ Customised Solutions ■ Other

Net income

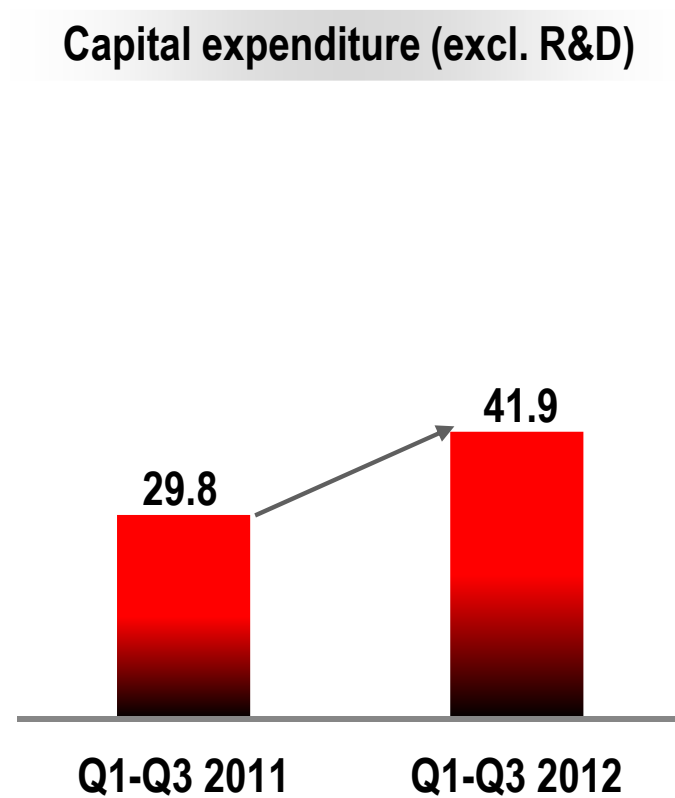


- New funding arranged at mid-year with positive effect on interest expenses
- Low effective tax rate due to significant tax loss carry forward

R&D spending and capital expenditure



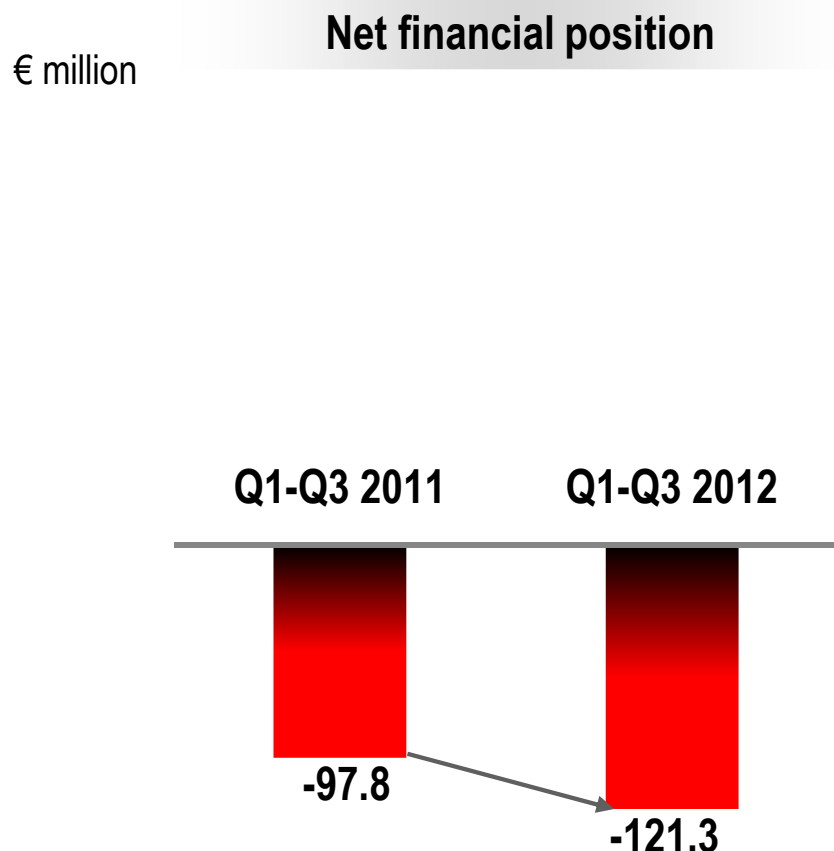
R&D ratio⁽¹⁾ **7.2%** **6.6%**



- R&D spending declined by 20.6% yoy since market introduction of new engines is in an well-advanced stage
- Proportion of capitalised development spending: €42.4 million (Q1-Q3 2011: €61.6 million)

- Capex increased by €12.1 million yoy due to series start of new engines
- Capex inline with expectation for FY 2012 (€60 million)

Net financial position and working capital



- Cash and cash equivalents amount to €29.8 million (Q3 2011: €53.6 million)
- Cash flow from operating activities of €34.5 million (Q1-Q3 2011: €64.1 million)

- Working capital ratio increased due to lower revenue, reduced payables and a slight rise of inventories
- Continued focus on tight working capital management

Overview of segments: Compact Engines

€ million	Q1-Q3 2012	Q1-Q3 2011	Change in %
New orders	746.6	937.3	-20.3
Unit sales	119,017	149,215	-20.2
Revenue	752.5	879.8	-14.5
EBIT	-9.5	36.4	<-100.0

€ million	Q3 2012	Q2 2012	Change in %
New orders	197.8	252.3	-21.6
Unit sales	34,406	43,032	-20.0
Revenue	217.7	271.8	-19.9
EBIT	-8.6	0.1	<-100.0

- First nine months revenue decreased by -14.5% while unit sales were down by -20.2%. Higher inherent value of new engines partly compensated for lower unit sales
- Different regional revenue development yoy: Americas (+25.7%), EMEA (-19.3%), and Asia/Pacific (-12.6%)
- Service business revenue increased by 6.8% yoy
- Plant holidays in Q3 were used to modify the assembly line for < 4 liter engines, which will be more efficient and flexible going forward
- EBIT Q1-Q3 2012 declined because of lower production volumes, negative profit contribution of Chinese JVs and ramp up situation of new engines. Measures to improve profitability initiated

Overview of segments: DEUTZ Customised Solutions

€ million	Q1-Q3 2012	Q1-Q3 2011	Change in %
New orders	213.9	232.5	-8.0
Unit sales	13,204	19,293	-31.6
Revenue	216.9	243.7	-11.0
EBIT	39.9	34.8	+14.7

€ million	Q3 2012	Q2 2012	Change in %
New orders	61.7	58.7	+5.1
Unit sales	3,962	4,360	-9.1
Revenue	70.7	72.3	-2.2
EBIT	12.5	15.2	-17.8

- Revenue in Q1-Q3 2012 declined by -11.0% yoy, thereof Asia/Pacific +6.0%, EMEA -13.3%, and Americas -18.7%
- Drop of unit sales of -31.6% yoy was partially offset by positive mix effects
- Order intake decreased by 8.0% yoy; slight improvement in Q3 vs. Q2
- Service business revenue declined by 1.3% yoy
- EBIT increased by 14.7% ytd due to positive mix effects and improved profitability of service business

Divestment of JV Bosch Emission Systems GmbH & Co. KG (BESG)

	Partner	Former DEUTZ participation	Product range	Production start	Divestment
BESG	Bosch and Eberspächer	25 %	Diesel exhaust aftertreatment (EAT) systems	Q2 2010	Q4 2012

- DEUTZ decided to sell minority stake in supplier BESG to Bosch in order to concentrate on growth in core business engine systems development and assembly
- Bosch and DEUTZ will intensify future collaboration as part of an innovation partnership in the fields of exhaust aftertreatment, diesel injection technology and electronics. The aim is to integrate the drive technology systems for mobile machinery more tightly
- BESG will continue to supply DEUTZ with exhaust aftertreatment systems
- Transaction subject to approval from antitrust authorities

→ Focus on growth projects in core business

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Outlook for 2012

Revenue	€1.3 billion – €1.4 billion
EBIT margin	3.0 % - 4.0 %

- In view of the difficult market environment, we have taken steps to reduce costs and improve profitability
- Q4 result expected to show significant improvement over Q3

→ 2012 results expected in the lower half of the range

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Summary of key financials (I)

€ million	Q1-Q3 2012	Q1-Q3 2011	Change (%)
Revenue	969.4	1,123.5	-13.7
EBITDA	81.5	118.2	-31.0
EBIT	24.6	69.4	-64.6
EBIT margin (%)	2.5	6.2	--
Net income	12.2	54.6	-77.7
Basic earnings per share (€)	0.10	0.45	-77.8
Number of employees (30 September)	4,040	4,275	-5.5

Summary of key financials (II)

€ million	Q1-Q3 2012	Q1-Q3 2011	Change (%)
Total assets	1,073.1	1,118.2	-4.0
Equity	474.2	428.8	10.6
Equity ratio (%)	44.2	38.3	--
Cash flow from operating activities	34.5	64.1	-46.2
Free cash flow	-60.2	-23.4	<-100.0
Net financial position	-121.3	-97.8	-24.0
Working capital (30 September)	215.6	175.3	23.0

Income statement

€ million	Q1-Q3 2012	Q1-Q3 2011	Change (%)
Revenue	969.4	1,123.5	-13.7
Changes in inventories and other own work capitalised	46.7	59.0	-20.8
Other operating income	27.4	24.8	10.5
Cost of materials	-656.6	-758.3	13.4
Staff costs	-205.2	-210.8	2.7
Depreciation and amortisation	-56.9	-48.8	16.6
Other operating expenses	-88.7	-119.8	26.0
Profit/loss on equity-accounted investments	-11.8	-0.2	<-100.0
EBIT	24.6	69.4	-64.6
Net interest expense	-8.8	-9.8	-10.2
Other taxes	-1.2	-1.2	0.0
Net income before taxes on continuing operations	14.6	58.4	-75.0
Income taxes	-2.4	-3.8	-36.8
Net income	12.2	54.6	-77.7

Balance sheet: assets

€ million	30 Sep 2012	31 Dec 2011	Change (%)
Non-current assets (excluding deferred tax assets)	633.1	623.1	1.6
Deferred tax assets	17.2	17.2	0.0
Inventories	216.9	187.6	15.6
Trade receivables	136.0	163.6	-16.9
Other receivables and assets	39.7	55.5	-28.5
Cash and cash equivalents	29.8	51.6	-42.2
Non-current assets classified as held for sale	0.4	0.4	0.0
Total assets	1,073.1	1,099.0	-2.4

Balance sheet: equity and liabilities

€ million	30 Sep 2012	31 Dec 2011	Change (%)
Equity	474.2	453.5	4.6
Provisions for pensions and other post-retirement benefits	142.9	148.5	-3.8
Deferred tax provisions	3.2	2.8	14.3
Other provisions	28.0	29.3	-4.4
Financial liabilities	149.6	119.3	25.4
Other liabilities	5.0	4.4	13.6
Non-current liabilities	328.7	304.3	8.0
Provisions for pensions and other post-retirement benefits	15.6	15.6	0.0
Other provisions / Provisions for income taxes	52.7	43.2	22.0
Financial liabilities	1.5	1.9	-21.1
Trade payables	137.3	209.1	-34.3
Other liabilities	63.1	71.4	-11.6
Current liabilities	270.2	341.2	-20.8
Total equity and liabilities	1,073.1	1,099.0	-2.4

Cash flow statement (condensed)

€ million	Q1-Q3 2012	Q1-Q3 2011
EBIT	24.6	69.4
Cash flow from operating activities (total)	34.5	64.1
Capital expenditure on intangible assets, property, plant and equipment and investments	-86.1	-79.3
Proceeds from the sale of non-current assets	0.7	0.4
Cash flow from investing activities (total)	-85.4	-78.9
Cash flow from financing activities	29.6	0.4
Change in cash and cash equivalents	-21.3	-14.4

Overview of segments, Q1-Q3 2012

	Q1-Q3 2012	Q1-Q3 2011	Change (%)
New orders (€ million)			
Compact Engines	746.6	937.3	-20.3
DEUTZ Customised Solutions	213.9	232.5	-8.0
Total for operating activities	960.5	1,169.8	-17.9

	Q1-Q3 2012	Q1-Q3 2011	Change (%)
Revenue (€ million)			
Compact Engines	752.5	879.8	-14.5
DEUTZ Customised Solutions	216.9	243.7	-11.0
Total for operating activities	969.4	1,123.5	-13.7
Germany	17.5%	19.3%	--
Export	82.5%	80.7%	--

	Q1-Q3 2012	Q1-Q3 2011	Change (%)
Unit sales			
Compact Engines	119,017	149,215	-20.2
DEUTZ Customised Solutions	13,204	19,293	-31.6
Total for operating activities	132,221	168,508	-21.5

	Q1-Q3 2012	Q1-Q3 2011	Change (%)
EBIT (€ million)			
Compact Engines	-9.5	36.4	<-100.0
DEUTZ Customised Solutions	39.9	34.8	14.7
Other	-5.8	-1.8	<-100.0
Total for operating activities	24.6	69.4	-64.6

Overview of segments, Q3 2012

	Q3 2012	Q3 2011	Change (%)
New orders (€ million)			
Compact Engines	197.8	299.6	-34.0
DEUTZ Customised Solutions	61.7	73.1	-15.6
Total for operating activities	259.5	372.7	-30.4

	Q3 2012	Q3 2011	Change (%)
Revenue (€ million)			
Compact Engines	217.7	315.2	-30.9
DEUTZ Customised Solutions	70.7	84.2	-16.0
Total for operating activities	288.4	399.4	-27.8
Germany	18.4%	20.9%	--
Export	81.6%	79.1%	--

	Q3 2012	Q3 2011	Change (%)
Unit sales			
Compact Engines	34,406	54,264	-36.6
DEUTZ Customised Solutions	3,962	7,046	-43.8
Total for operating activities	38,368	61,310	-37.4

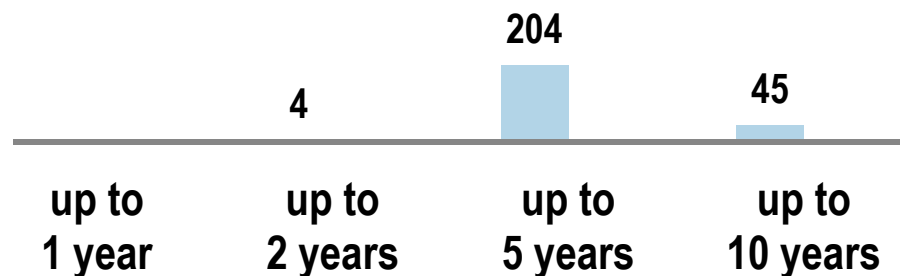
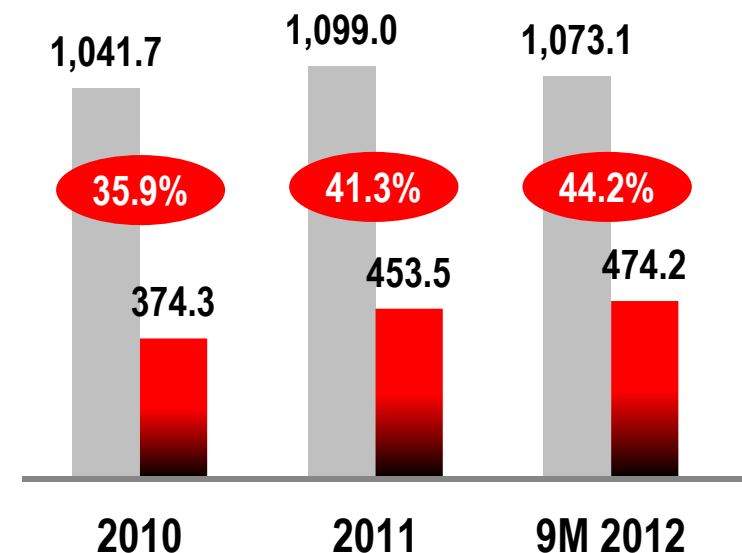
	Q3 2012	Q3 2011	Change (%)
EBIT (€ million)			
Compact Engines	-8.6	15.2	<-100.0
DEUTZ Customised Solutions	12.5	11.4	9.6
Other	-0.9	-1.5	40.0
Total for operating activities	3.0	25.1	-88.0

Employees

	30 Sep 2012	30 Sep 2011	Change (%)
Cologne	2,513	2,551	-1.5
Ulm	421	472	-10.8
Other German operations	292	294	-0.7
Germany	3,226	3,317	-2.7
Foreign operations	814	958	-15.0
DEUTZ Group	4,040	4,275	-5.5

Financial position & funding

€ million



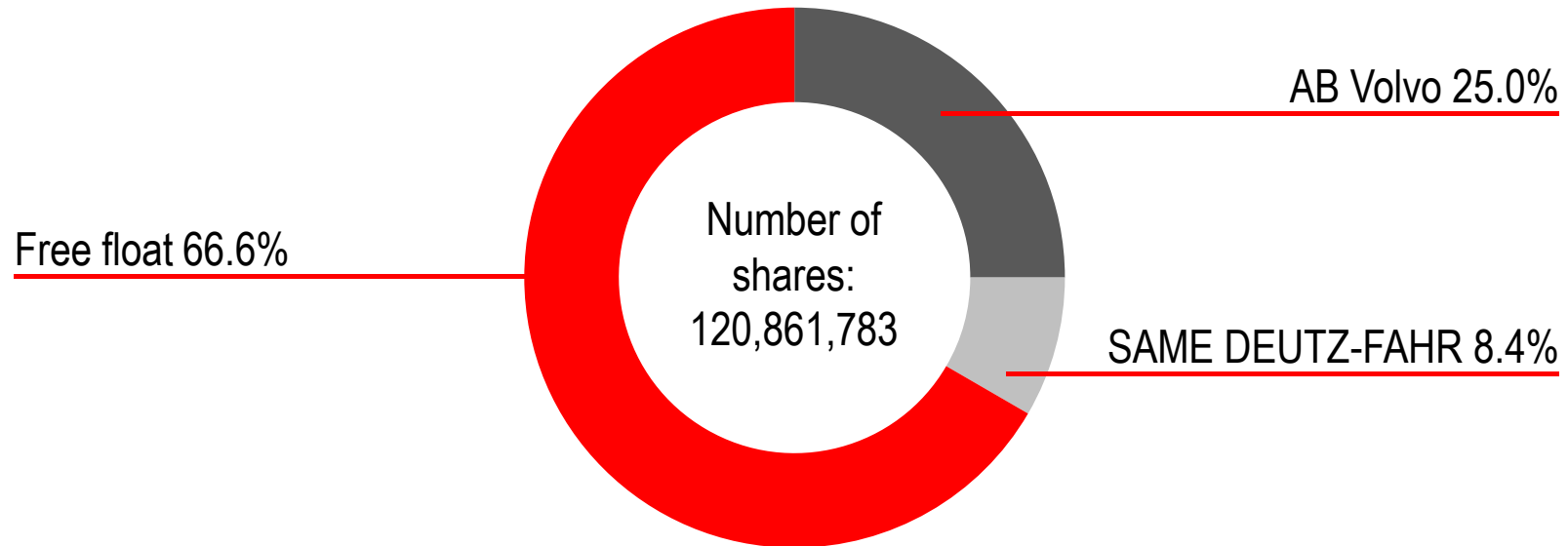
Total assets
 Equity
 xx.x% Equity ratio

Repayment schedule (residual term)

- New unsecured credit line (€160 million) provided by a syndicate of German banks runs until June 2017
- Unsecured low-interest loan from European Investment Bank (€90 million) repayable over a period of eight years with a grace period of two years
- Former funding arrangements were replaced early July 2012
- Interest expenses will decrease further due to the new funding

→ Long-term funding of growth projects secured

Shareholder structure



Share key data

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

Financial calendar

- Publication of annual report for 2012 19 March 2013
- Annual General Meeting Cologne 30 April 2013

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