DEUTZ AG
Investor Presentation – powering success

May 2012
Agenda

- DEUTZ at a glance
- Strategy & investment rationale
- Financials
- Outlook
DEUTZ – at a glance

Innovations since over 145 years
- Independent manufacturer of diesel engines, product range from 25 to 520 kW
- Founded in 1864 and since then synonymous for leading technology and high-quality products
- Headquarters in Cologne, Germany, with 4 Engine Joint Ventures, thereof 3 in China
- €1.5 billion sales in 2011
- About 4,100 employees as of 31 Dec 2011

Global player in non-captive market
- Engineering and manufacturing company with strong expertise as system integrator
- Production capacity of 300,000 engines p.a. (JVs with additional capacity of 250,000 engines p.a.)
- Worldwide sales channel:
  - 10 sales companies, 9 sales offices, 16 service centres and 2 Xchange centres
  - 800 sales and service partners in more than 130 countries

Blue Chip Customer Base

Experienced Management Team

Dr. Helmut Leube, CEO (58)
- Joined DEUTZ as CEO in 2008
- Responsible for Market, Technical and Central Functions
- Former leading positions at BMW and Webasto AG

Dr. Margarete Haase, CFO (59)
- Joined DEUTZ as CFO in 2009
- Responsible for Finance, Human Resources and Investor Relations
- Former leading positions at Daimler AG

DEUTZ market share in non-captive engine market around 18%
DEUTZ Compact Engines

- Liquid-cooled engines of up to 8 litre cubic capacity for on- and off-road applications
- Large number of modular approaches to design
- Emission after-treatment systems

DEUTZ Customised Solutions

- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines of over 8 litres for on-road, off-road and marine applications
- Reconditioned (Xchange) engines for all DEUTZ engine series

DEUTZ Services

- Part of both Compact Engines and DEUTZ Customised Solutions
- Substantial service business based on existing population of approx. 1.6m diesel engines in the market, generating sales of approx. €240 million in 2011
- Product portfolio mainly comprises genuine DEUTZ spare parts, Xchange engines and parts as well as oils and lubricants
- In addition, DEUTZ provides after-sales services such as commissioning, maintenance and other onsite services as well as documentation and training
Product portfolio: ready for the next emissions level

Engines for Tier 4 emissions standards

- (TC)D 2.9
  - 25 – 56 kW
  - Award winning new engine
  - Very compact engine minimizes installation efforts
  - Simple EAT (catalyst only)

- (TC)D 3.6
  - 50 – 90 kW
  - New engine focusing on industrial and agricultural applications
  - Highest output and torque in its class with best power-to-space ratio
  - Simple EAT

- TCD 4.1 / 6.1
  - 70 – 180 kW
  - Better power density and improved life-cycle costs compared to its predecessor
  - Optimized EAT concepts for industrial and agricultural applications (DEVERT)

- TCD 7.8
  - 160 – 270 kW
  - Better power density and improved life-cycle costs compared to its predecessor
  - Optimized EAT concepts for industrial and agricultural engines (DEVERT)

- TCD 12.0 / 16.0
  - 300 – 520 kW
  - Most compact power source in its class
  - Improved life-cycle costs
  - No DPF - no regeneration nor maintenance compared to its rivals

Focus on mobile machinery and agricultural segment

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile Machinery</th>
<th>Agricultural Machinery</th>
<th>Stationary Equipment</th>
<th>Automotive Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>22 – 77 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 2V</td>
<td>60 – 155 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1013 / 2013 2V</td>
<td>72 – 200 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013 4V</td>
<td>118 – 243 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>912 / 914</td>
<td>24 – 176 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>413 / 513</td>
<td>77 – 441 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1015 / 2015</td>
<td>195 – 520 kW</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stage IIIA / Tier 3 and below
Euro 5 and below
Stage IIIIB / IV
Tier 4 interim / final
<table>
<thead>
<tr>
<th>Segment</th>
<th>Typical Application</th>
<th>Markets will benefit from macro trends</th>
<th>DEUTZ Market Share</th>
<th>DEUTZ Market Pos.</th>
<th>Main Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Machinery</td>
<td>Construction Equipment, Ground Support Equipment, Material Handling Equipment, Mining Equipment</td>
<td></td>
<td>21%</td>
<td>1</td>
<td>Cummins, Kubota, Perkins, Yanmar</td>
</tr>
<tr>
<td>Agricultural</td>
<td>Tractors, Agricultural Equipment</td>
<td></td>
<td>16%</td>
<td>2</td>
<td>Kubota, Lombardini, Perkins, Yanmar</td>
</tr>
<tr>
<td>Machinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationary</td>
<td>Generators, Pumps, Compressors</td>
<td></td>
<td>15%</td>
<td>2</td>
<td>Deere, Kubota, Perkins, Yanmar</td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>Trucks, Buses, Rail, Vehicles</td>
<td></td>
<td>25%</td>
<td>2</td>
<td>Caterpillar, Cummins, Fiat Powertrain, Mercedes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>18%</td>
<td>1</td>
<td>Cummins, Kubota, Perkins, Yanmar</td>
</tr>
</tbody>
</table>

Source: Power Systems Research, OE-Link 01/2011; non-captive market, 19-560 kW, 1,500-3,000 m$^3$, Euro 3 / Tier 2 and above, without automotive USA.
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.
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Cost Reduction & Margin Increase
DEUTZ Investment Attractions

**Significant Cost Reduction**
- Permanent cost reduction of €85 million realized (MOVE)
- Breakeven volume reduced significantly
- Complete restructuring of business processes towards smart SME

**Ongoing Top Line & Efficiency Projects**
- Top line project will lead to additional €35 million profit increase (MOVE Fast), thereof about 50% realised
- Kaizen techniques to achieve above average efficiency enhancements in production
- Corporate goals cascaded downwards through KPI and aligned incentive system

**Platform Strategy**
- Platform strategy will lead to significantly reduced parts variance in Tier 4
- R&D organization adjusted accordingly

**Finance**
- Credit line of €240 million from banking syndicate leaving sufficient funding flexibility (net debt of about €70 million as of 31 Dec 2011)
- Ongoing tight working capital management (ratio of 9.3% on 31 Dec 2011)

➡ On track to reach 10% EBIT-Target in the mid-term
EBIT margin (before one-offs)
DEUTZ Investment Attractions (cont’d)

- Meaningful reduction of fixed costs and breakeven level
- Focus on profitable growth
- Strategic growth projects burdening the EBIT margin in 2012 and 2013
- Additional potential for efficiency enhancement

2008  2009  2010  2011  2012e  2013e  Mid-term target

1.5%  3.5%  6.0%  ~6%  6-7%  10%

Further EBIT margin improvement expected
Multiple Growth Opportunities – Leading to Economies of Scale

DEUTZ Investment Attractions (cont’d)

Macro Trend

- Urbanization driving infrastructure investments
- Growing world population and living standards requiring more efficient agriculture
- Globalization and mobility leading to more transportation and logistics

Emission Standards & EAT JV

- New emission standards require more complex engines with higher inherent value
- DEUTZ participating in the value chain through its EAT JV with Bosch and Eberspächer

New Products

- New product developments 2.9 and 3.6 with very good market response based on their USPs: Unbeaten power density, most compact size, simple EAT
- New products fit to downsizing trend
- Extending the agriculture segment with < 4 litre engines

Outsourcing

- Outsourcing of OEM’s engine production – breaking into former captive position and enlarging the available market (proven track record with Volvo and SDF)

Service

- Installed base of about 1.6 million engines
- More active management of the service network with improved training and tools
- Increased complexity of engines in the next emissions level leading to higher barriers of entry for third party competitors in after-sales

Structural growth drivers enable high revenue growth
DEUTZ Engine (Shandong) Co., Ltd.
DEUTZ Investment Attractions (cont’d)

<table>
<thead>
<tr>
<th>Partner</th>
<th>DEUTZ participation</th>
<th>Product range</th>
<th>Start of operations</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shandong Changlin Machinery Group (China)</td>
<td>70 %</td>
<td>Engines &lt; 4 litre for mobile machinery and agricultural applications</td>
<td>2013</td>
<td>Founding documents signed January 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Break even expected in 2014</td>
</tr>
</tbody>
</table>

- New production company in Linyi (China) complementary to existing JVs which build larger engines
- Our partner and new customer 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

➤ DEUTZ is well positioned to take advantage of the huge growth opportunities in China
Long-term cooperation with Volvo
DEUTZ Investment Attractions (cont’d)

<table>
<thead>
<tr>
<th>Partner</th>
<th>DEUTZ participation</th>
<th>Product range</th>
<th>Start of operations</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production JV in China</td>
<td>AB Volvo</td>
<td>Medium-duty engines for non-road applications</td>
<td>[end of 2013 / early 2014]</td>
<td>▪ Memorandum of understanding ▪ Any implementation requires agreement of both partners</td>
</tr>
</tbody>
</table>

- Analysis for DEUTZ majority-owned production joint-venture in China
- Production company is intended to provide support for Volvo’s anticipated growth in non-road applications in the Asian market
- Details expected to be published in 2012
- In addition, the joint development of non-road application medium-duty engines for the emission level Tier 5 is under study

⇒ We are currently exploring the extension of our cooperation with Volvo
Strategic Programme for 2011–2020

**Fit for Future**

1. **Profitable Growth**
   - Expansion of the market position in the BRIC countries
   - Top-class sales organisation
   - Maintenance of strong positions in mobile machinery and stationary equipment
   - Improvement in position in agricultural machinery
   - Expansion of the service business

2. **Product Leadership**
   - Supply of integrated system solutions
   - Redesign of the value chain
   - New TCD 2.9 and TCD 3.6 series
   - Refinement of the existing engine series
   - Reduction of built-in complexity and fewer variants
   - Platform strategy

3. **Operational Excellence**
   - Process Company
   - High Performance Organisation
   - Introduction of a new quality system
   - 50% reduction in quality costs compared to 2008

**Basis:** personnel & organisational development, corporate culture, principles of management and cooperation
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Sales Figures and EBIT of 2011

Order Intake

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>1,315.0</td>
<td>1,479.3</td>
</tr>
<tr>
<td>units%</td>
<td>12.5%</td>
<td>305.1</td>
</tr>
<tr>
<td>€ million</td>
<td>990.7</td>
<td>1,174.2</td>
</tr>
</tbody>
</table>

Unit Sales

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>units</td>
<td>167,680</td>
<td>230,598</td>
</tr>
<tr>
<td>%</td>
<td>37.5%</td>
<td>17,501</td>
</tr>
<tr>
<td>€ million</td>
<td>150,179</td>
<td>204,161</td>
</tr>
</tbody>
</table>

Revenue

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>1,189.1</td>
<td>1,529.0</td>
</tr>
<tr>
<td>%</td>
<td>28.6%</td>
<td>270.1</td>
</tr>
<tr>
<td>€ million</td>
<td>919.0</td>
<td>1,199.0</td>
</tr>
</tbody>
</table>

EBIT before one-offs

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>3.5%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

(1) In 2011 there were no one-off items while 2010 was adjusted for one-off items.
## Overview Key Financials 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,529.0</td>
<td>1,189.1</td>
<td>28.6</td>
</tr>
<tr>
<td>EBITDA before one-off items(1)</td>
<td>160.3</td>
<td>112.6</td>
<td>42.4</td>
</tr>
<tr>
<td>EBIT before one-off items(1)</td>
<td>91.2</td>
<td>42.2</td>
<td>&gt;100.0</td>
</tr>
<tr>
<td>EBIT margin before one-off items (%) (1)</td>
<td>6.0</td>
<td>3.5</td>
<td>–</td>
</tr>
<tr>
<td>Net income</td>
<td>75.5</td>
<td>-15.9</td>
<td>–</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,099.0</td>
<td>1,041.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Equity</td>
<td>453.5</td>
<td>374.3</td>
<td>21.2</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>41.3</td>
<td>35.9</td>
<td>–</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>120.5</td>
<td>78.2</td>
<td>54.1</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>4.8</td>
<td>-55.9</td>
<td>–</td>
</tr>
<tr>
<td>Net financial position</td>
<td>-69.7</td>
<td>-73.6</td>
<td>5.3</td>
</tr>
</tbody>
</table>

(1) In 2011 there were no one-off items while 2010 was adjusted for one-off items
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- DEUTZ at a glance

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- Outlook
## Financial outlook

### Outlook for 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Approx. €1.5 billion</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>Approx. 6.0 %</td>
</tr>
<tr>
<td>Research and Development (R&amp;D)</td>
<td>Decline by about 25 % vs. 2011</td>
</tr>
<tr>
<td>Capex (excl. R&amp;D)</td>
<td>Approx. €60 million</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>Positive territory</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>Sustainable below 13 %</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>Above 40 %</td>
</tr>
</tbody>
</table>

### Outlook for 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Double digit growth</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>6.0 – 7.0 %</td>
</tr>
</tbody>
</table>

→ Cautious optimism for 2012
Financial calendar

10 May 2012   Q1 results
9 Aug 2012    H1 results
8 Nov 2012    Q3 results
19 Mar 2013   FY 2012 results
30 Apr 2013   AGM

Contact

Christian Krupp
Senior VP Finance and Investor Relations

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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