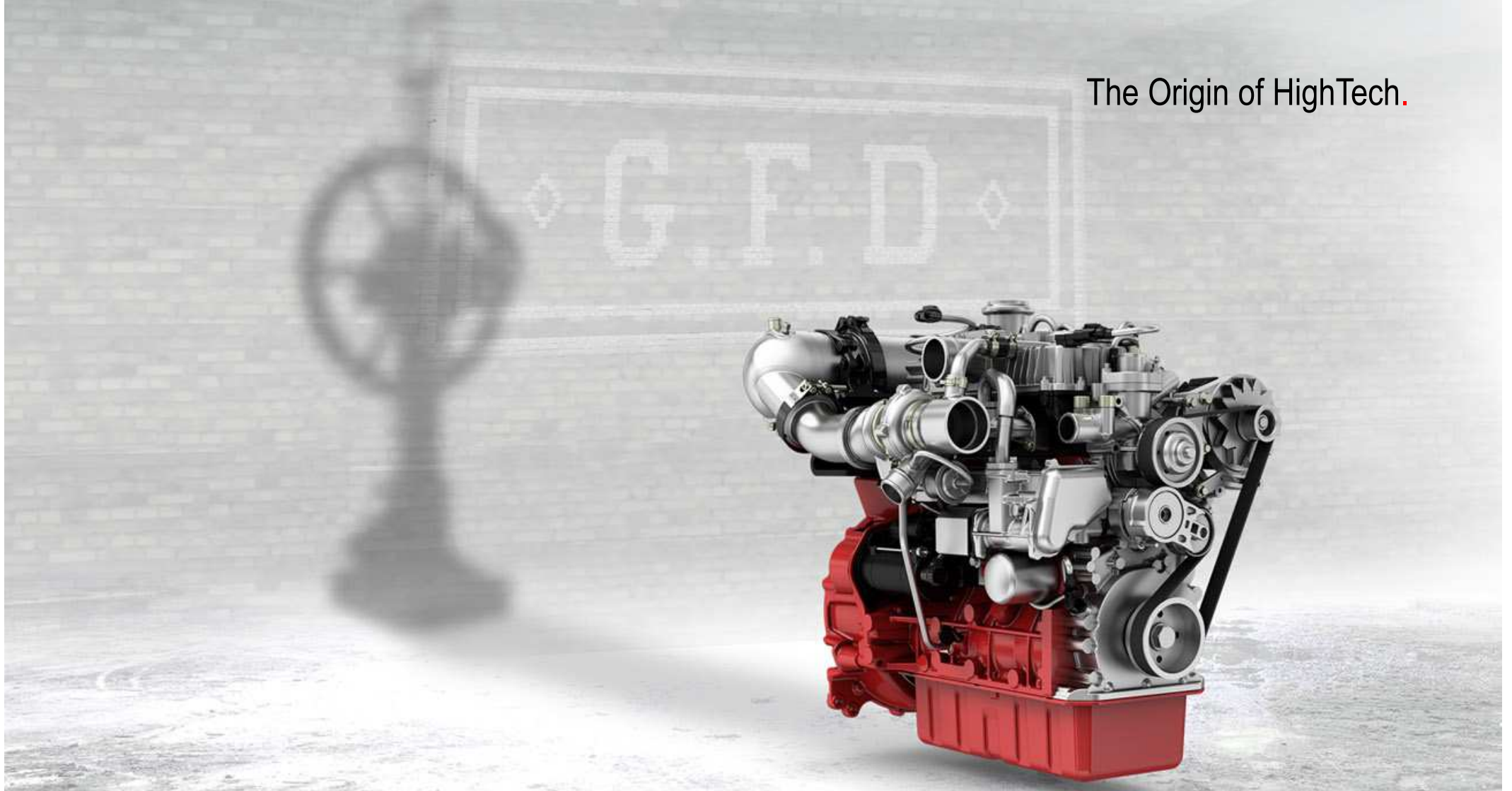


The Origin of HighTech.



# Investor presentation

May 2014

The engine company.



- **DEUTZ strategy & positioning**

- Financials

- Outlook

<b>Profile</b>	<ul style="list-style-type: none"> <li>■ 150 years DEUTZ – a tradition of achievement</li> <li>■ Independent manufacturer of diesel engines with product range from 25 to 520 kw</li> <li>■ Engineering and manufacturing company with strong expertise as system integrator</li> <li>■ Worldwide sales channels and service network</li> <li>■ Strong brand – synonym for leading technology and high-quality products</li> </ul>
<b>Financials 2013</b>	<ul style="list-style-type: none"> <li>■ Revenue           €1.45 billion</li> <li>■ Net income       €36.0 million</li> <li>■ Free Cash Flow   €13.8 million</li> </ul>
<b>Board</b>	<ul style="list-style-type: none"> <li>■ Dr. Helmut Leube (CEO)</li> <li>■ Dr. Margarete Haase (CFO)</li> <li>■ Michael Wellenzohn (CSO)</li> </ul>

Blue chip customer base












## DEUTZ Group

Revenue 2013 €1.45 billion

### DEUTZ Compact Engines

Revenue 2013 €1.19 billion



- Liquid-cooled engines of up to 8 litres cubic capacity for on- and off-road applications
- Large number of modular approaches
- Major Chinese Joint Ventures

### DEUTZ Customised Solutions

Revenue 2013 €0.26 billion

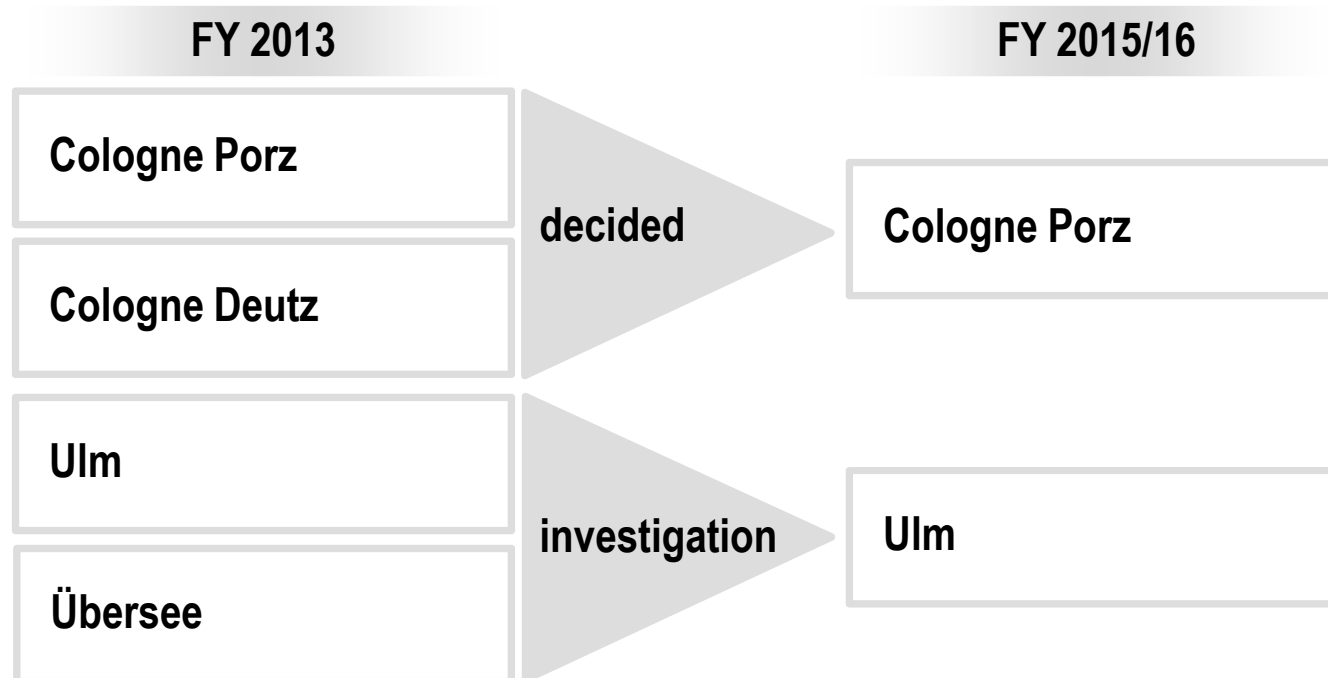


- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines over 8 litres for all applications
- Remanufactured (Xchange) engines for all DEUTZ engine series

### DEUTZ Services (common to both segments)

- Substantial service business based on existing population of approx. 1.6 million engines in the market
- Product portfolio mainly comprises genuine DEUTZ spare parts, remanufactured engines & parts as well as oils and lubricants





- Restructuring costs of €15-20 million in FY 2014, total capex ~€20 million in 2014 – 2016
- Capex overcompensated by proceeds from sale of property in subsequent years
- Annual cost savings >€10 million (considerable effects already in 2016; full effects from 2017)
- EBIT margin guidance 2014 >4,0% before restructuring and >3,0% after restructuring

**→ Sustainable efficiency improvement by merging facilities**

## DEUTZ engines for Tier 4 emission standard

**TCD 2.9**

**TCD 3.6**

**TCD 4.1**  
**TCD 6.1**

**TCD 7.8**

**TCD 12.0**  
**TCD 16.0**



- Competitive product features: compact size, low fuel consumption, smart exhaust after-treatment
- Successful combination of platform strategy with DEUTZ application expertise
- Full range offering with focus on engines for Mobile Machinery and Agricultural Machinery

**→ New customers gained**



# Successful business development









## Examples of new applications



- New customers gained in all regions, in particular with new engines 2.9 and 3.6
- Greater share of wallet at existing clients
- New business related to different applications, e.g. tractors, fork lifts, telehandler, dumpers, rollers, wheel loaders, trencher, drills and special vehicles
- More business development projects in the pipeline

➔ Product offensive is paying off

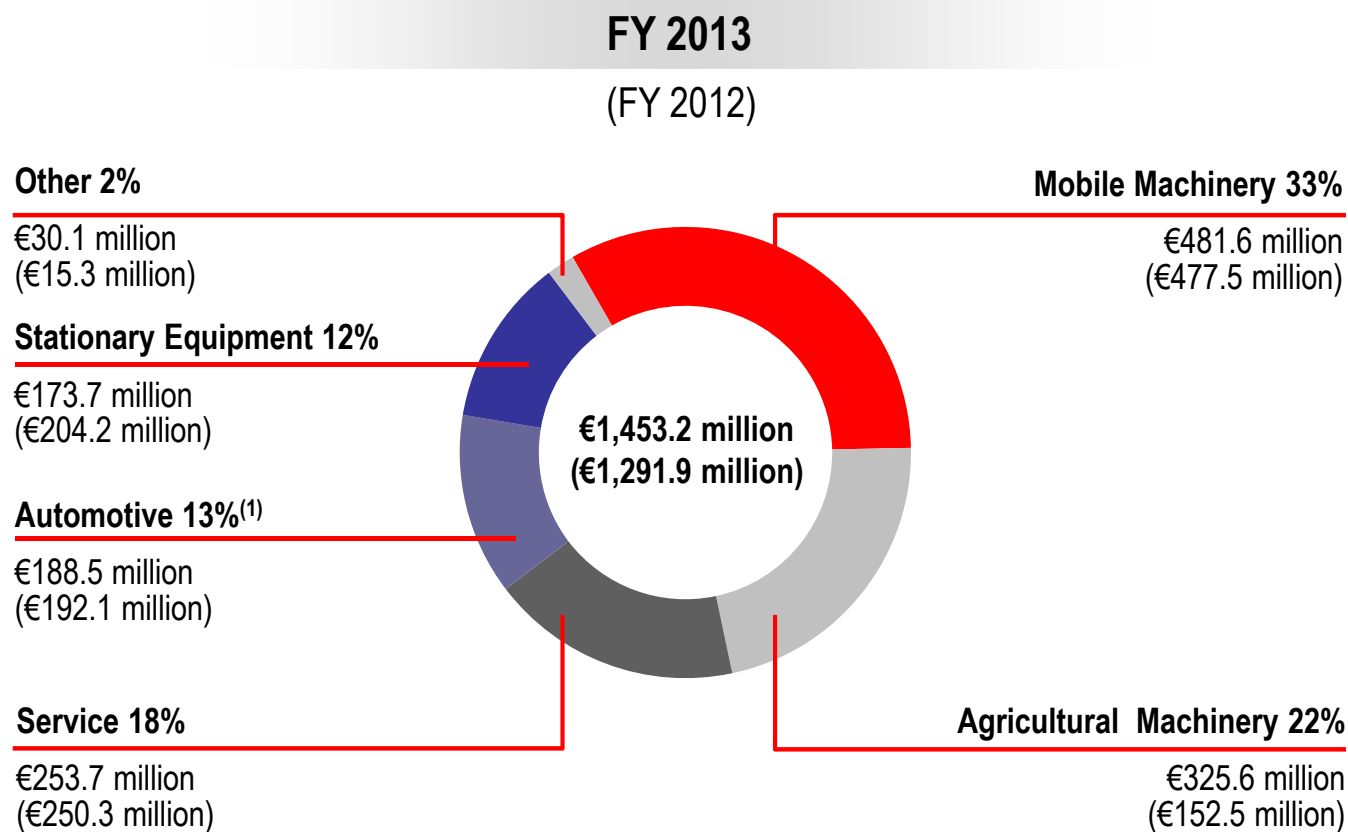
# Key applications

	Typical application	Markets benefit from macro trends	Competitors
<b>Mobile Machinery</b>	Construction Material handling Ground support Mining equipment	 → 	Cummins Kubota Perkins Yanmar
<b>Agricultural Machinery</b>	Tractors Agricultural equipment	 → 	Deere Kubota Perkins Yanmar
<b>Stationary Equipment</b>	Gensets Pumps Compressors	 → 	Deere Kubota Perkins Yanmar
<b>Automotive</b>	Trucks Buses Rail vehicles	 → 	Cummins Fiat Powertrain MAN Mercedes

→ Wide application range for DEUTZ engines



# Revenue split by application

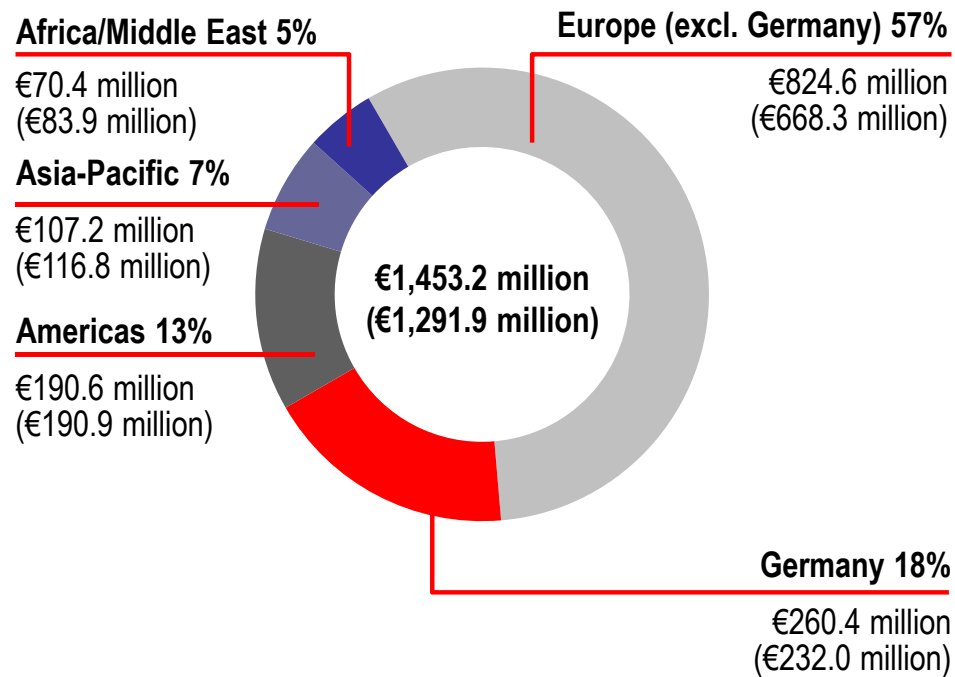


(1) In 2013, the pro-forma revenue share of the Automotive business incl. at equity consolidated Joint Ventures was 23%, i.e. 10%-points higher than in the consolidated financial statements (IFRS).

# Revenue split by region

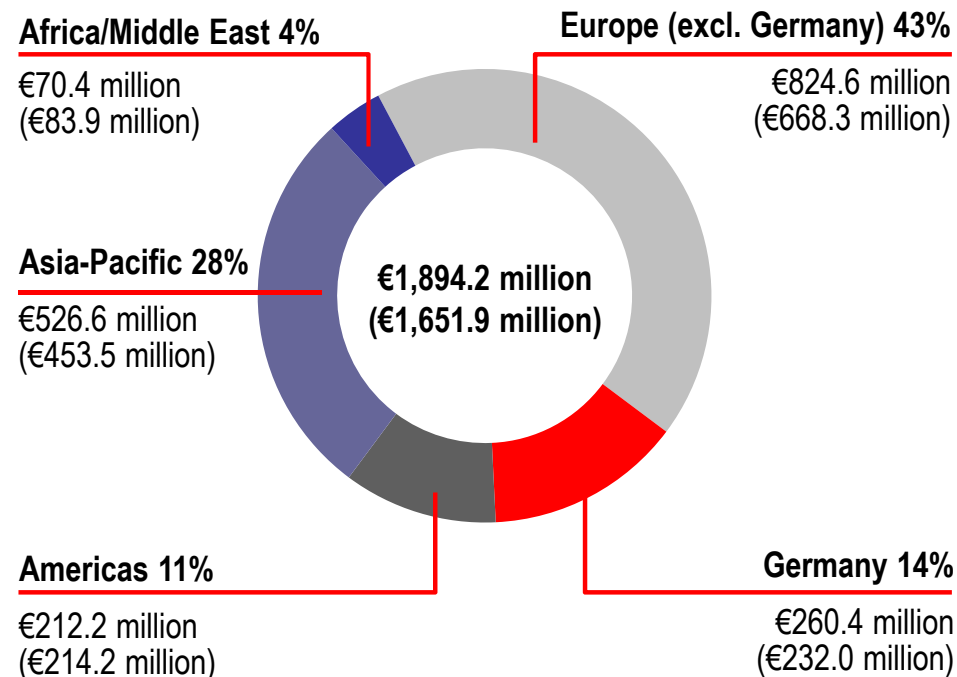
## FY 2013<sup>(1)</sup>

(FY 2012)



## Pro-forma incl. Joint Ventures, FY 2013<sup>(2)</sup>

(FY 2012)

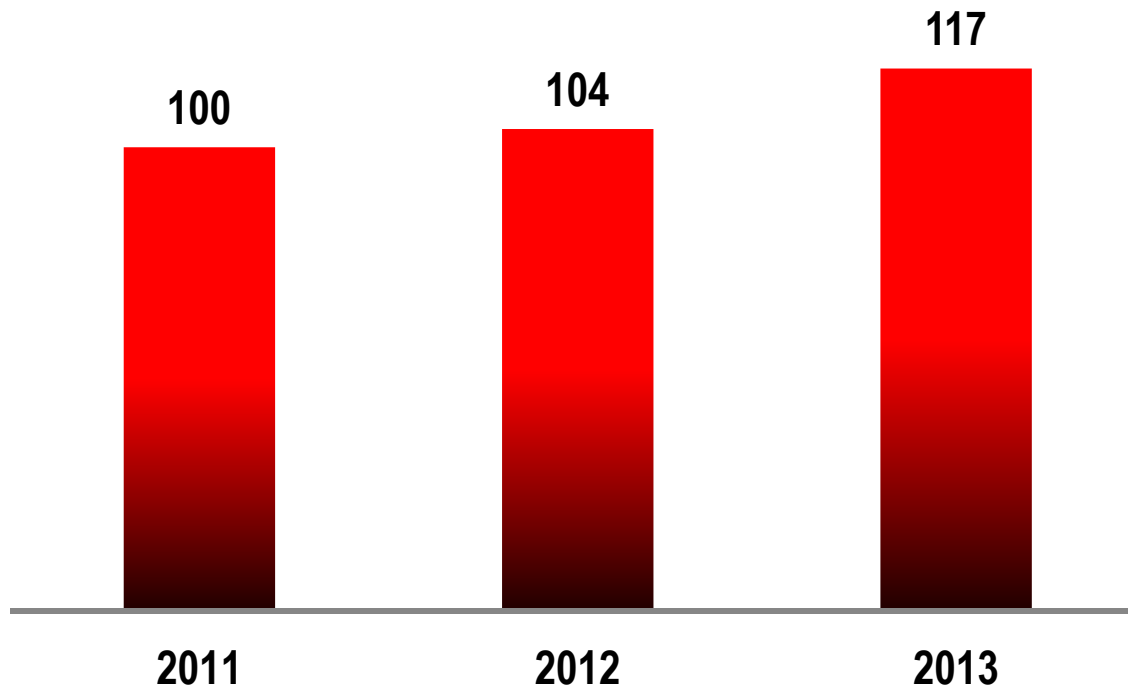


(1) Consolidated financial statements (IFRS); regions assigned by place of business of our customer

(2) Pro-forma revenue split including revenue of at-equity consolidated JVs

## Emission standards drive DEUTZ revenue growth

Average sales price per engine  
(indexed; FY 2011 = 100)

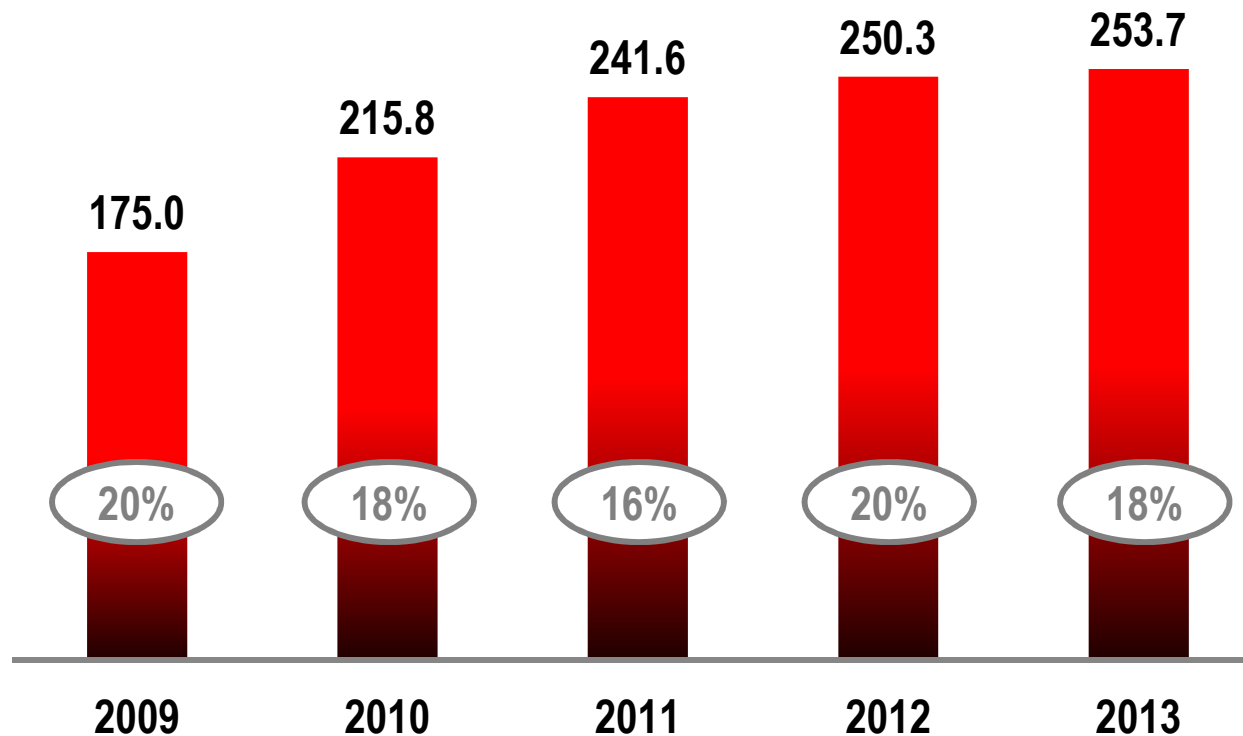


- Tier 4 systems require exhaust aftertreatment devices
- Growing share of new emission engines drives revenue growth
- Positive price mix effects are expected to continue

→ Structural growth due to tighter emission standards

## Service business

€ million



- Strong resilience of profitable service business through different economic cycles
- Higher complexity of new emission engines provides opportunity to increase penetration of service business
- Active management of service network with improved training and tools

**x%** revenue share of service business

➔ Better exploiting the potential of our service business

## Major joint venture activities in China<sup>(1)</sup>

### DEUTZ Dalian (DDE)

- Joint venture with FAW Group
- 50-50 JV (at-equity consolidation)
- Revenue FY 2013: €319m (+30% yoy)
- Production of 3-8 litres diesel engines
- Automotive and other applications

### DEUTZ Engine (China)

- New joint venture with AB Volvo
- DEUTZ stake 65% (full consolidation)
- Production of 4-8 litre diesel engines
- Focus on Mobile Machinery applications

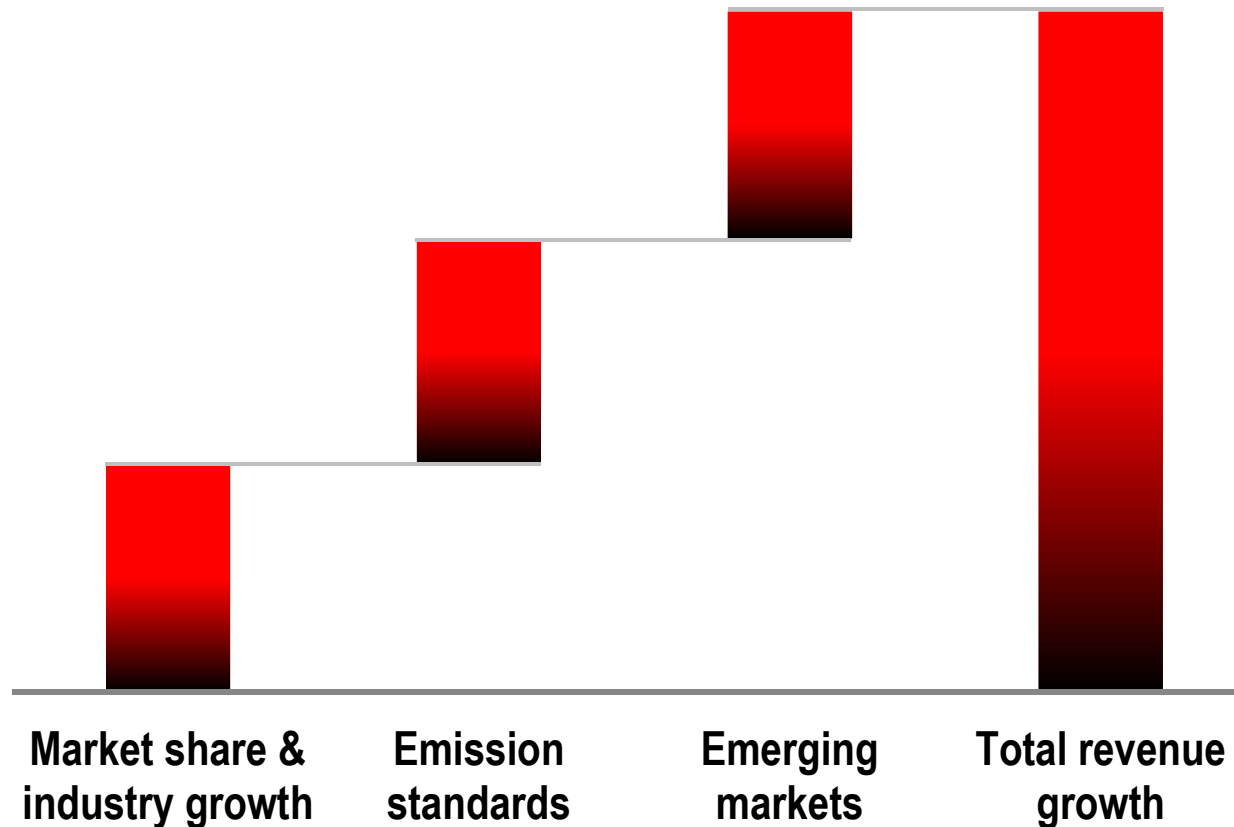
- DEUTZ organic growth strategy: regional expansion and partnering with key customers
- Implementation of Euro 4 / Tier 3 emissions standard in China will increase demand for high-quality engines

**→ DEUTZ partnered with market leaders to benefit from growth in China**

(1) Additional Chinese joint ventures: Weifang Weichai-Deutz Diesel Engine and DEUTZ Engine (Shandong)



## Summary: structural growth drivers



- Product and business development leading to growth
- New emission standards require more complex engines with a higher value
- New Chinese production facilities with significant mid-term growth potential
- Trend growth of revenue >10% p.a. in the mid-term

➔ Structural growth drivers enable high revenue growth in the mid-term

- DEUTZ strategy & positioning

- **Financials**

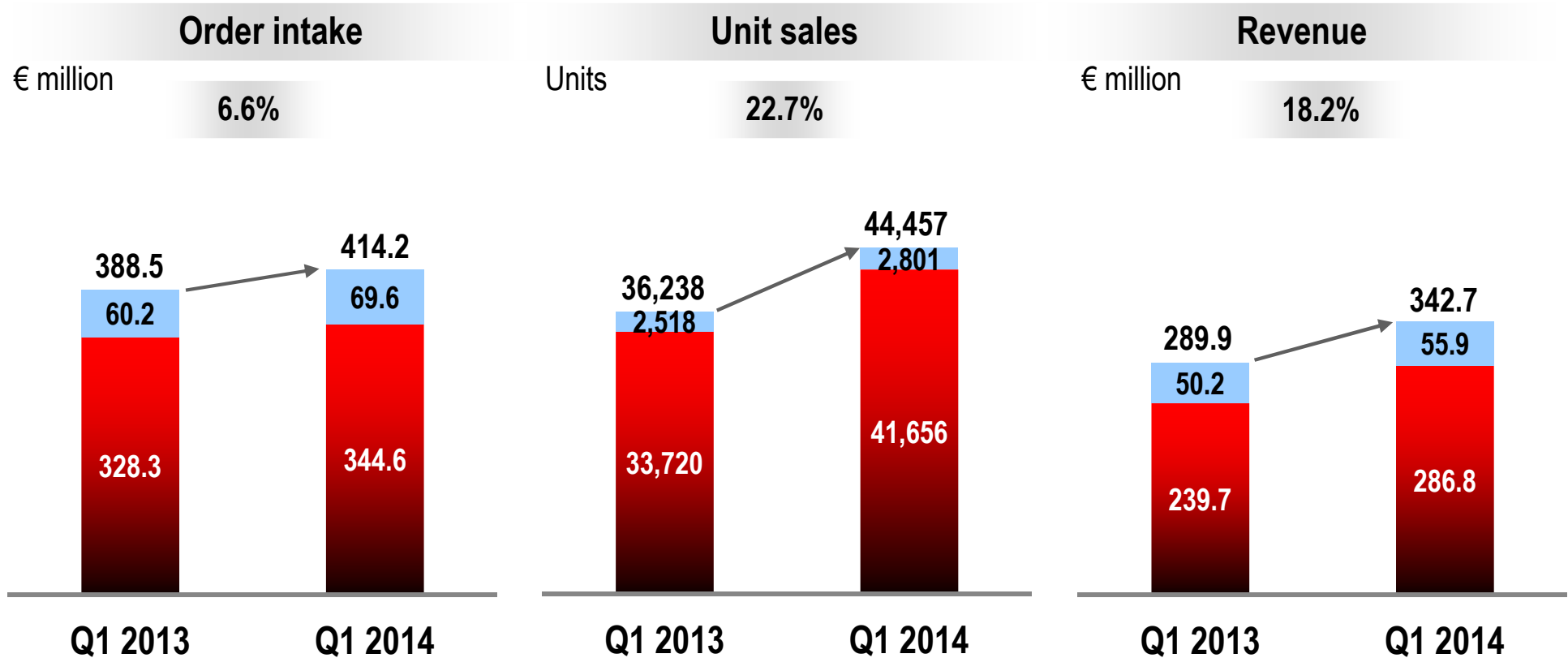
- Outlook

## Key figures Q1 2014

€ million	Q1 2014	yoy
<b>Order intake</b>	<b>414.2</b>	<b>+6.6%</b>
<b>Revenue</b>	<b>342.7</b>	<b>+18.2%</b>
<b>EBITDA</b>	<b>25.4</b>	<b>+63.9%</b>
<b>EBIT</b>	<b>1.9</b>	<b>+€8.3 million</b>
<b>Net financial debt</b>	<b>35.5</b>	<b>-48.8%</b>

**→ All key figures improved**

# Sales figures



- Substantial revenue and unit sales growth in both segments
- Order intake exceeds revenue

■ DEUTZ Compact Engines    ■ DEUTZ Customised Solutions

## Book-to-bill-ratio

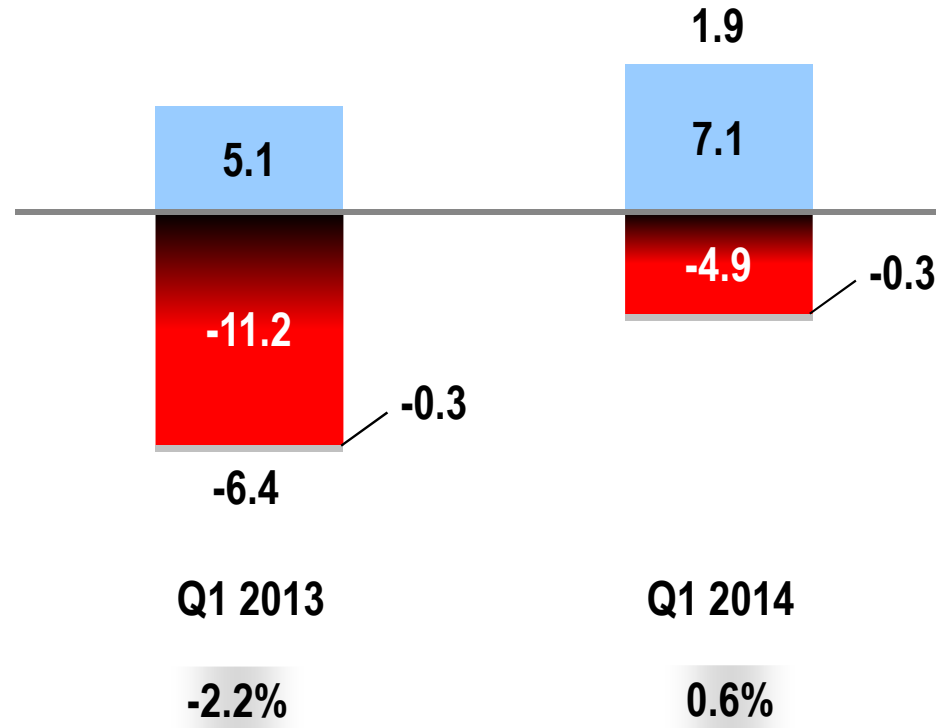
€ million	<b>Q1 2014</b>	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Order intake	<b>414.2</b>	446.1	360.1	455.0	388.5
Revenue	<b>342.7</b>	410.1	381.0	372.2	289.9
Book-to-bill ratio	<b>1.21x</b>	1.09x	0.95x	1.22x	1.34x
Orders on hand	<b>424.9</b>	366.1	329.5	352.9	272.1

- Book-to-bill ratio at 1.21x
- High order backlog ensures good workload



# EBIT

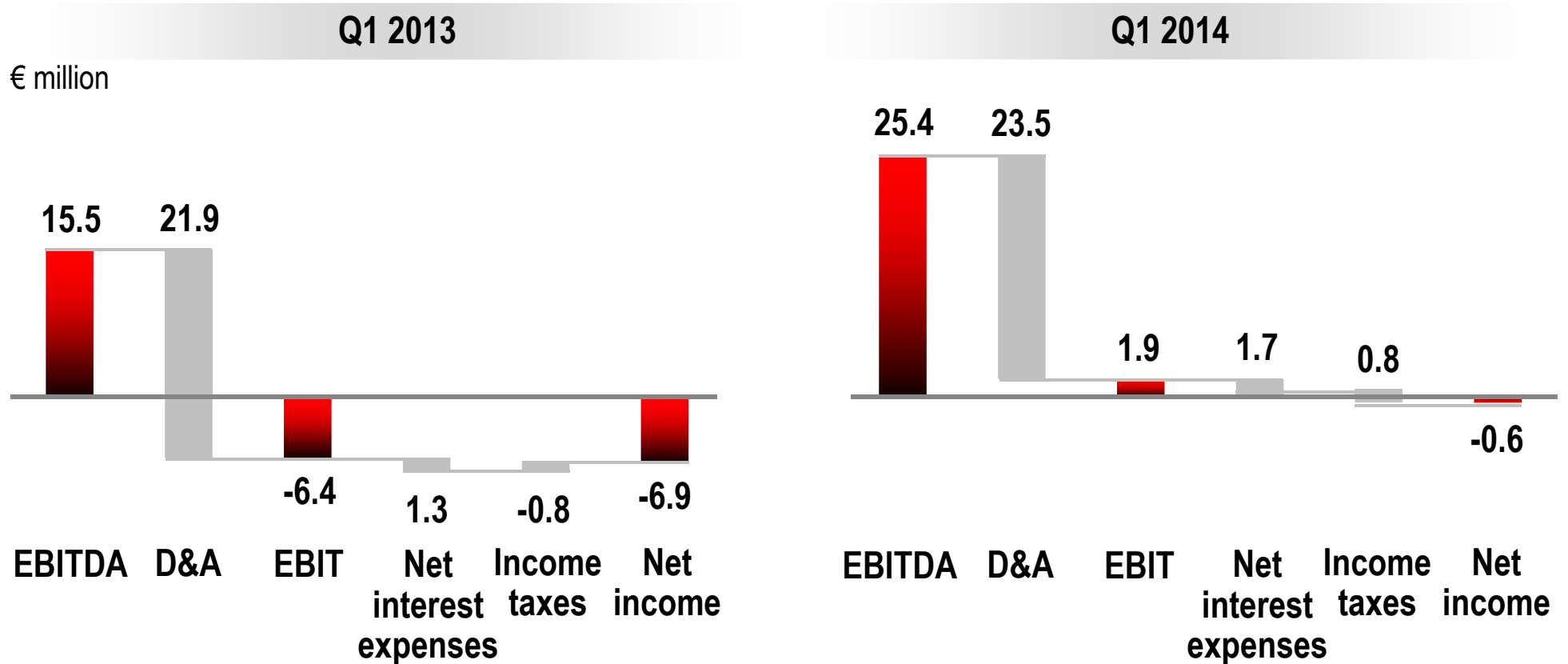
€ million



- EBIT improved by €8.3 million yoy due to higher production level
- Margin still impacted by ramp-up phase of new engine series in DEUTZ Compact Engines segment
- Result from equity-accounted investments improved to +€0.5 million

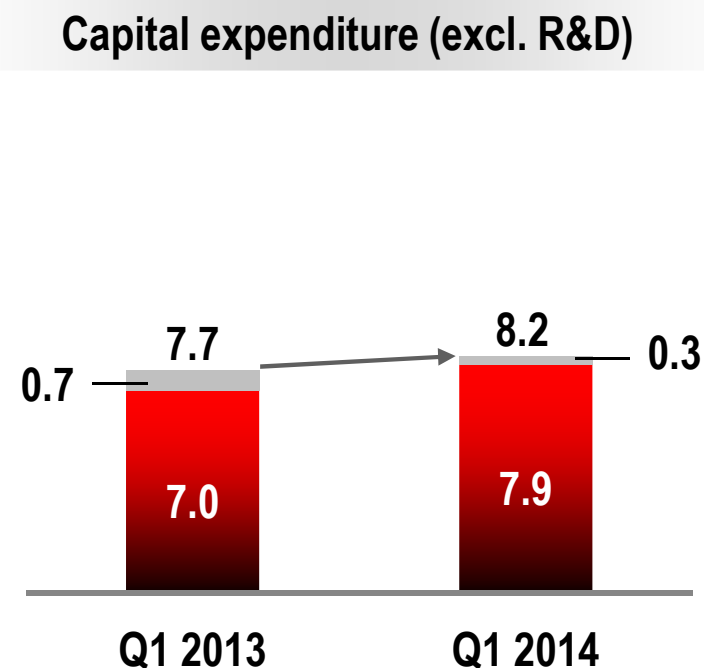
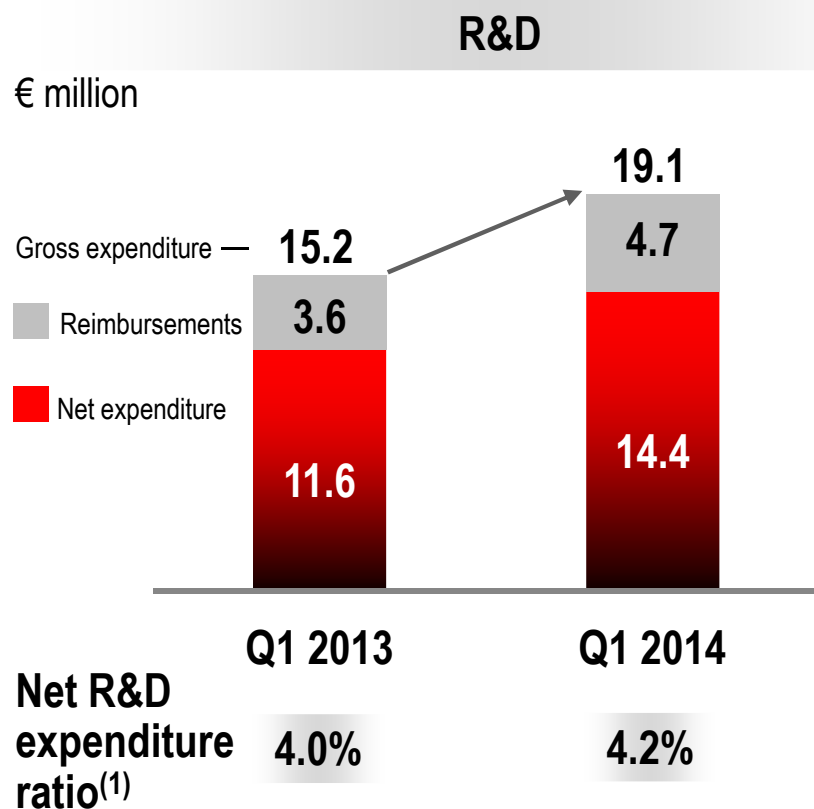
■ DEUTZ Compact Engines    ■ DEUTZ Customised Solutions    ■ Other

# Operating profit & net income



- EBITDA increased by €9.9 million (+63.9% yoy)
- Net income improved by €6.3 million due to higher operating profit

# R&D spending & capital expenditure



- R&D expenditure increased in Q1. As before, we expect the R&D ratio to fall slightly over the course of the year
- Proportion of capitalised net R&D expenditure: €9.0 million (Q1 2013: €8.7 million)

- Capital expenditure was on budget and is expected to increase in FY 2014

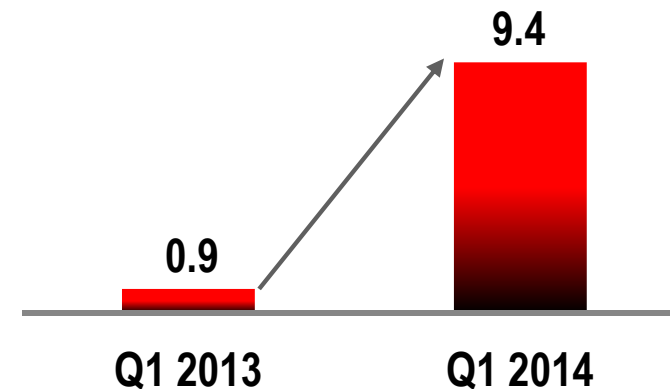
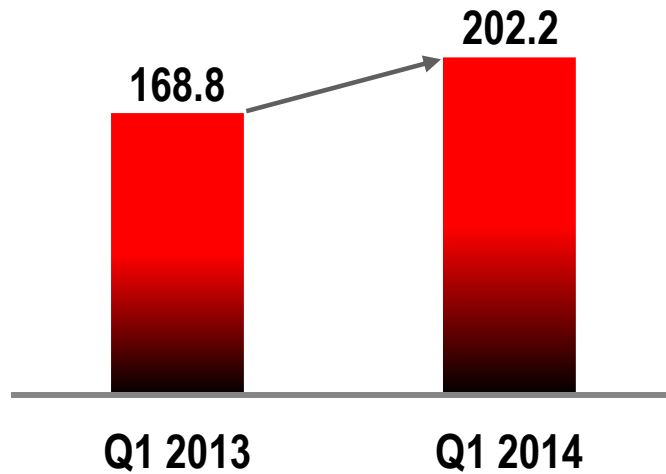
(1) Ratio of net R&D expenditure to consolidated revenue

# Working capital & operating cash flow

## Working capital

## Operating cash flow

€ million



Working capital ratio (31 March)

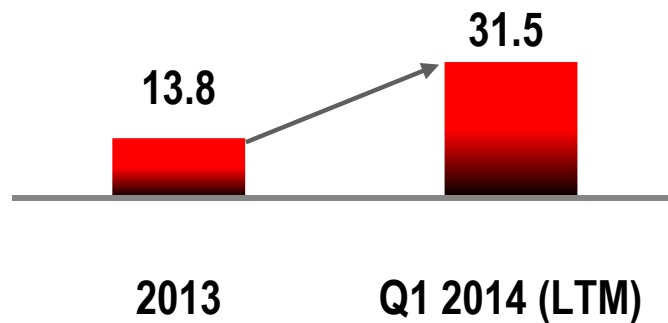
13.6%

13.4%

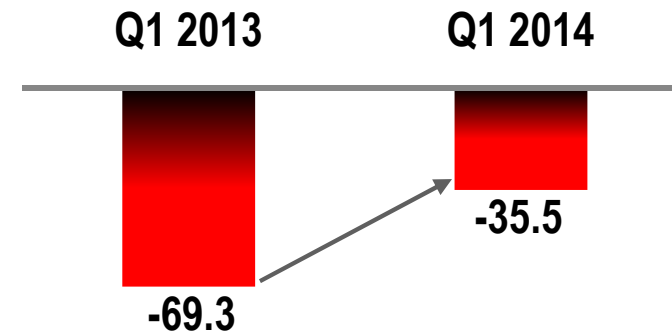
- Working capital increased due to higher business volume
- Slight improvement of working capital ratio
- Operating cash flow increased by €8.5 million

## Free cash flow

€ million



## Net financial position



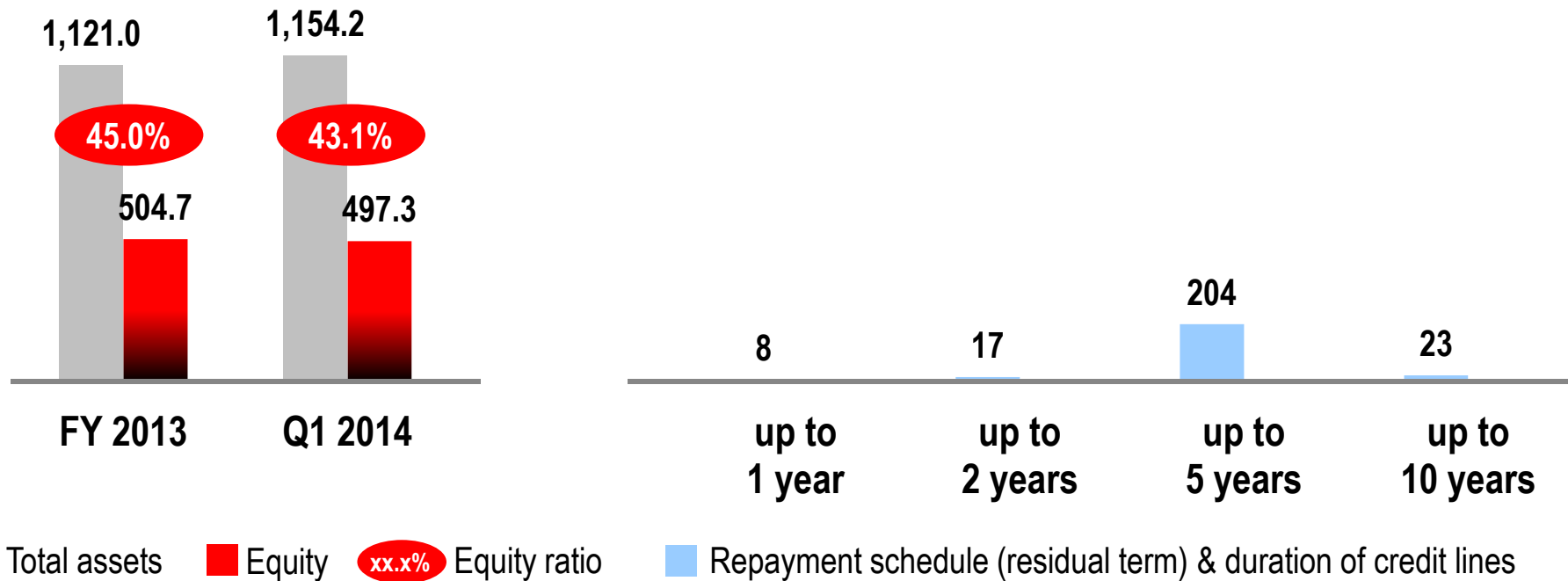
- Free cash flow of last twelve months improved compared to the last quarter

- Net financial position improved by €33.8 million
- Free cash flow used to reduce net financial position



## Equity ratio & funding

€ million



- Sound balance sheet with strong equity ratio
- 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

## Summary: key financial development

Solid start to the new financial year

High order backlog ensures good workload

Successful new business development

Profitability expected to accelerate in the next quarters

Sound balance sheet and low net debt

Sustainable efficiency improvement by site optimisation



The engine company.

- DEUTZ strategy & positioning
- Financials
- Outlook

€ million	FY 2013 reported	Guidance FY 2014
<b>Revenue</b>	<b>1,453.2</b>	<b>low double digit %-growth</b>
<b>EBIT margin (before one-offs)</b>	<b>3.3 %</b>	<b>&gt; 4.0 %</b>
<b>EBIT margin (after one-offs)</b>	<b>3.3 %</b>	<b>&gt; 3.0 %</b>
<b>Net R&amp;D spending ratio<sup>(1)</sup></b>	<b>3.6 %</b>	<b>slight decline</b>
<b>Net capex (excl. R&amp;D)<sup>(1)</sup></b>	<b>42.5</b>	<b>60 - 70</b>

(1) Net of reimbursements

## Financial calendar & contact details

■ Interim report 1<sup>st</sup> half 2014

7 August 2014

■ Interim report 1<sup>st</sup> to 3<sup>rd</sup> quarter 2014

6 November 2014

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