

Conference Call Q1 2013

8 May 2013

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The engine company.



Agenda

- Review Q1 2013

- Outlook

- Annex

Key figures

€ million	Q1 2013	yoy
Order intake	388.5	-0.4%
Revenue	289.9	-14.0%
EBIT	-6.4	<-100.0%
Net income	-6.9	<-100.0%
Net financial debt	69.3	-44.3%
Equity ratio (%)	42.8	+1.8%-pts

➔ Lower business volume impacted profitability but encouraging order intake

Highlights Q1 2013

■ Tough start to the year

- Sales and profit down
- Order intake qoq and orders on hand significantly up
- Flexible response to demand fluctuations
- JV DEUTZ Dalian with improved results

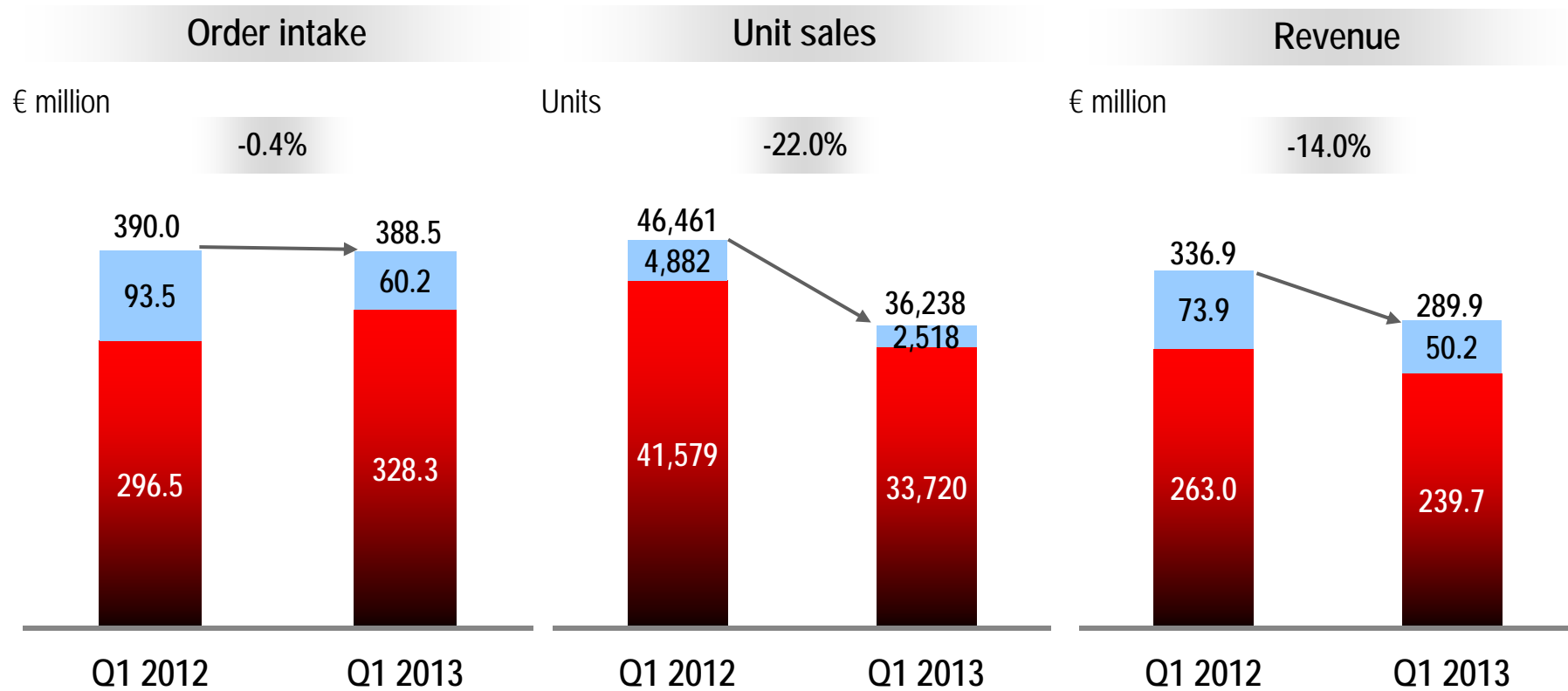
■ Positive new business development

- New customers gained in all regions and greater share of wallet at existing clients
- Product offensive is paying off
- Michael Wellenzohn additional Board of Management member with responsibility for Sales and Marketing
- Advanced negotiations with AB Volvo to establish a DEUTZ majority-owned production company in China

■ Structure of the income statement modified

- As of Q1 2013, the structure of the consolidated income statement follows the cost-of-sales method, which is internationally more common than the former cost-of-production method

Sales figures



- Order intake at strong level of Q1 2012
- Unit sales reduction due to low orders on hand at year-end 2012
- Revenue continues to develop better than unit sales due to higher share of new emission engines

 DEUTZ Compact Engines  DEUTZ Customised Solutions

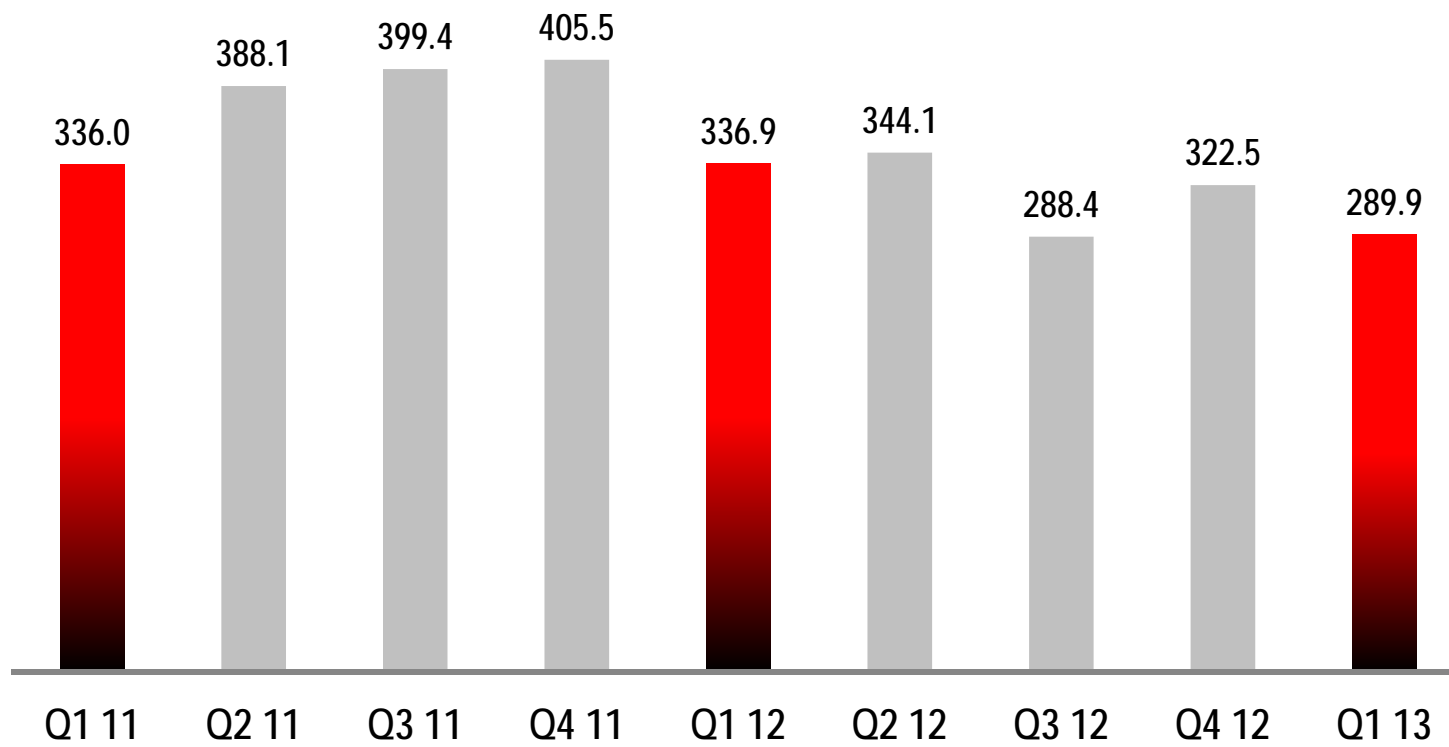
Book to bill ratio

€ million	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Order intake	388.5	276.6	259.5	311.0	390.0
Revenue	289.9	322.5	288.4	344.1	336.9
Book to bill ratio	1.34x	0.86x	0.90x	0.90x	1.16x
Orders on hand	272.1	173.0	219.6	249.6	280.5

- Book to bill ratio at 1.34x
- Material improvement of order intake in Agricultural Machinery
- Orders on hand increased by 57.3% vs. year end 2012

Revenue development

€ million

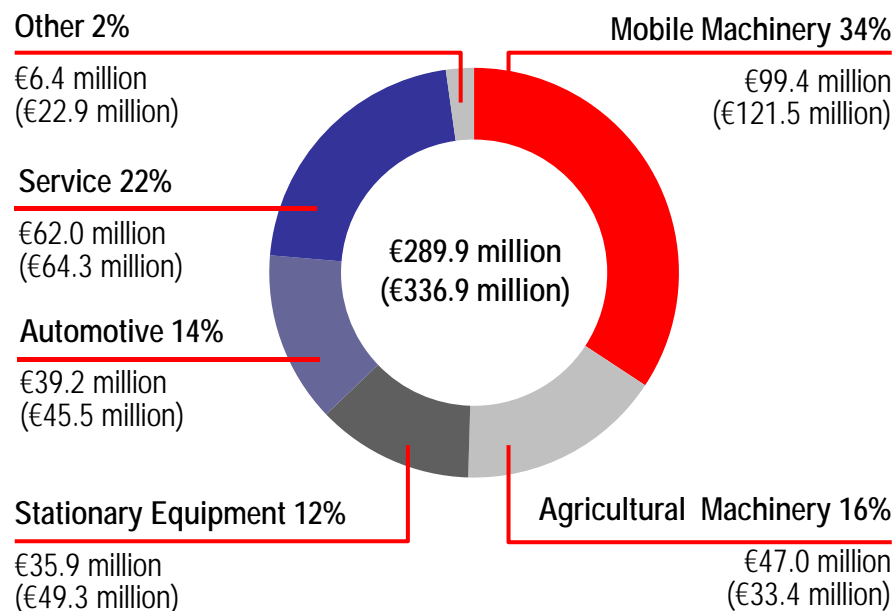


→ Revenue upturn expected in upcoming quarters

Revenue split

Revenue split by application, Q1 2013

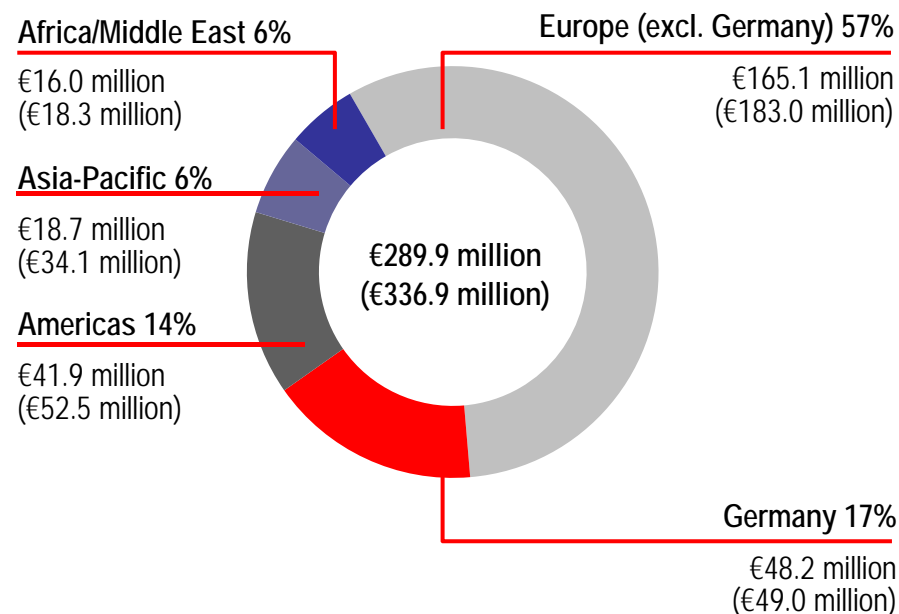
(Q1 2012)



- Strong revenue growth in Agricultural Machinery; sales declined in all other application segments yoy
- Revenue share of Service increased to 22% (Q1 2012: 19%)

Revenue split by region, Q1 2013⁽¹⁾

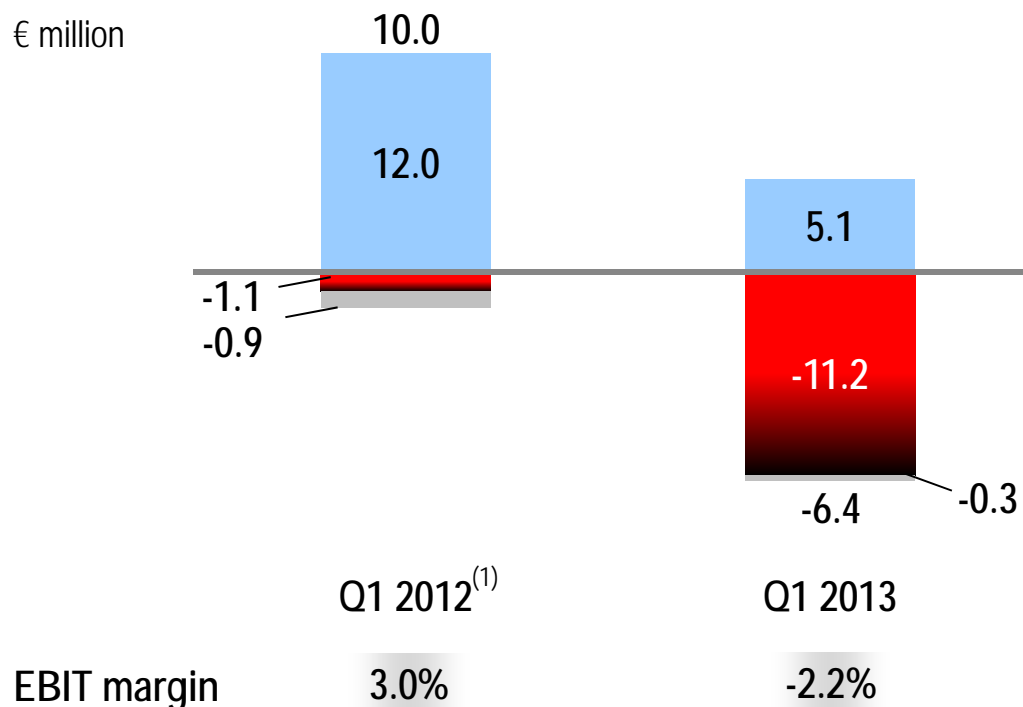
(Q1 2012)



- Revenue decreased in all regions
- Pro-forma revenue including at-equity consolidated JVs was €387.6 million (-9.4% yoy); respective revenue share of Asia-Pacific increased to 29% (Q1 2012: 28%)

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

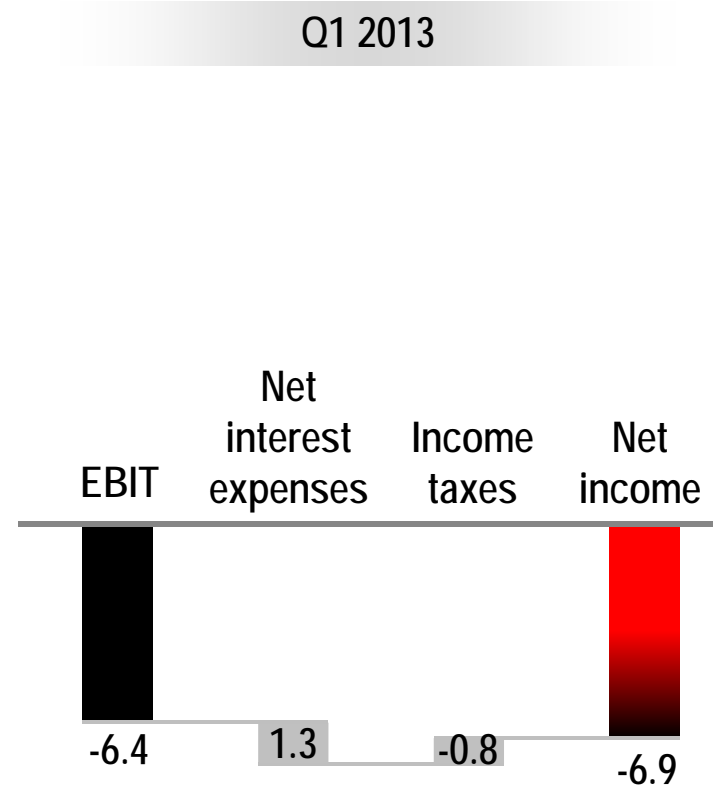
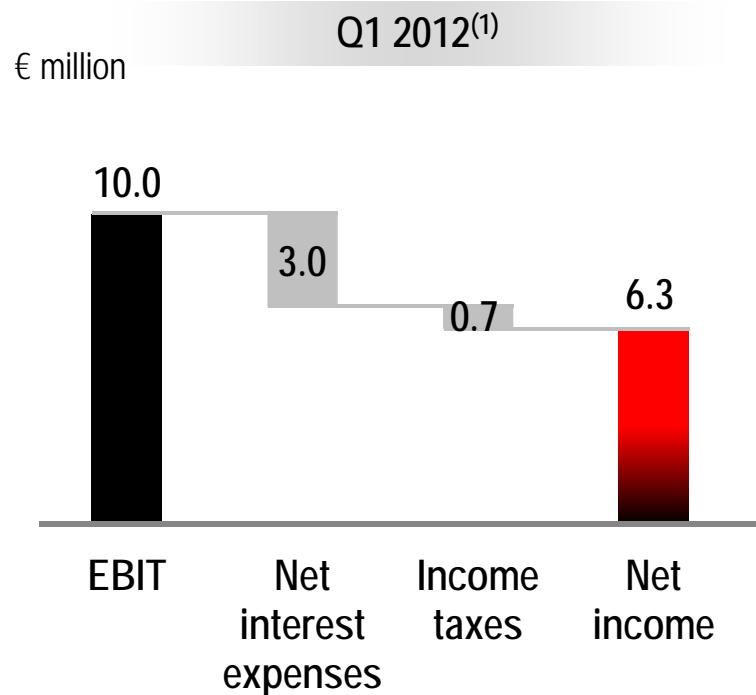
EBIT



- EBIT declined by €16.4 million mainly due to lower business volume, slow start of DEUTZ Customised Solutions and higher depreciation and amortisation (€4.5 million)
- Business upturn in both segments and efficiency gains will have a significant positive effect on EBIT in the next quarters

(1) Restated

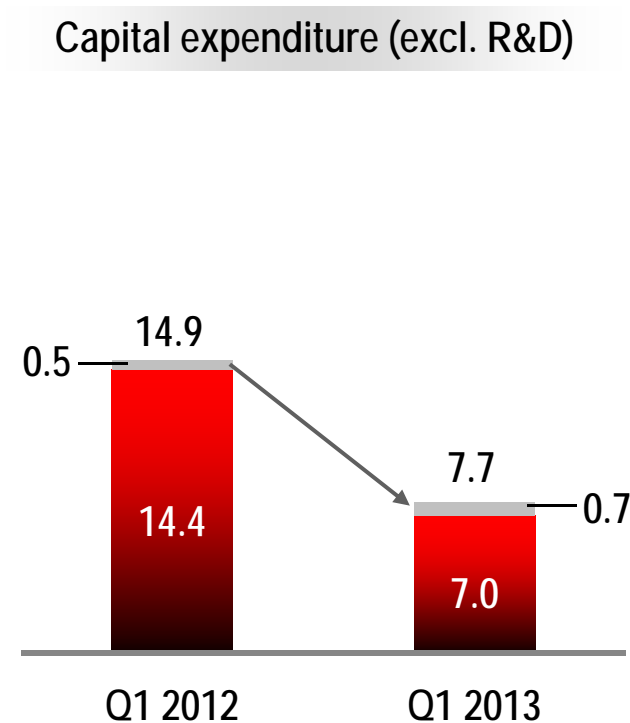
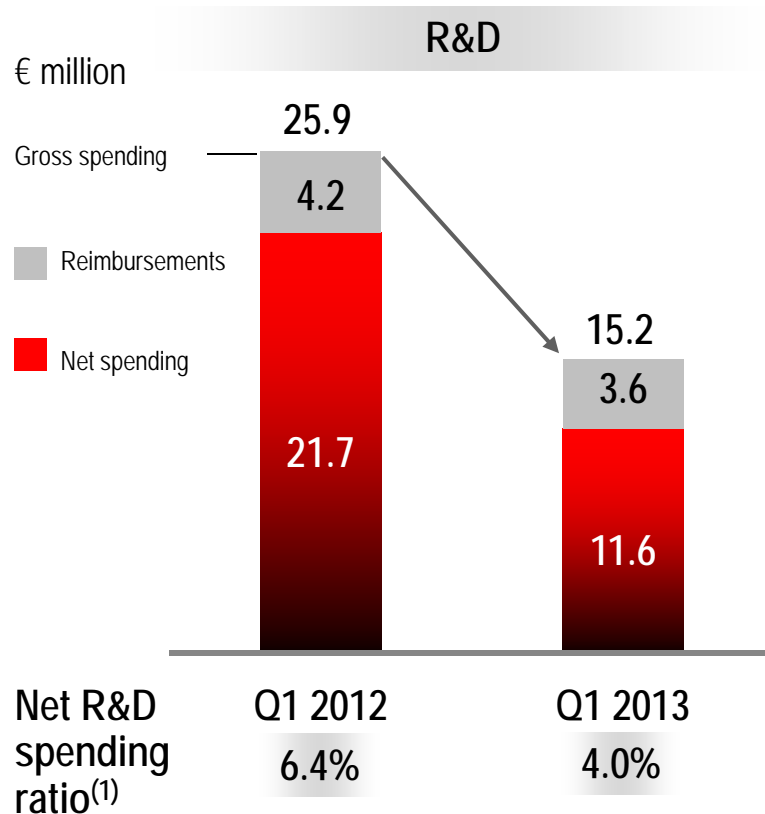
Net income



- Net interest expenses decreased sharply by €1.7 million due to lower borrowings and reduced interest rates
- Given tax loss carry forwards effective tax rate expected to remain on low level in FY 2013

(1) Restated

R&D spending and capital expenditure

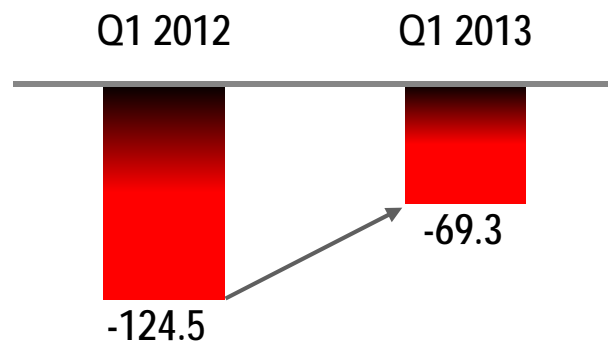


- Reduction of R&D spending according to plan due to successful series start of engines for new emission standard
- Capital expenditure (after reimbursements) decreased by €7.4 million yoy for the same reason
- Proportion of capitalised net R&D spending: €8.7 million (Q1 2012: €16.1 million)

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

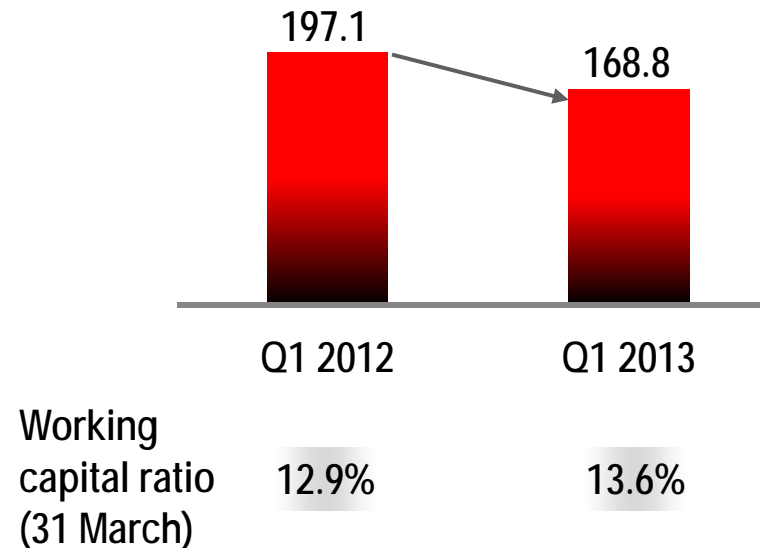
Net financial position and working capital

€ million **Net financial position**



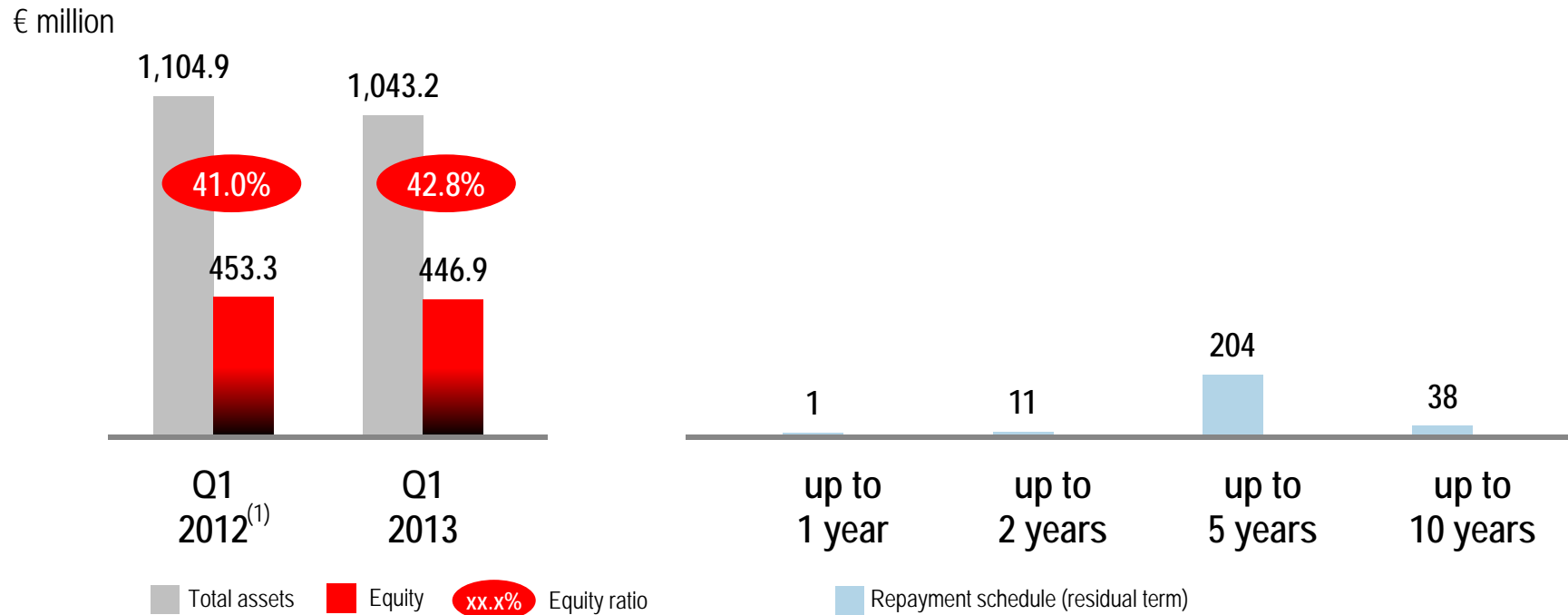
- Net financial position improved strongly by €55.2 million yoy. Contributing factor was the reduction of R&D spending due to the well advanced stage of development projects
- Free cash flow in first quarter seasonally negative but with significant improvement yoy (Q1 2013: €-20.9 million; Q1 2012: €-55.3 million)

Working capital



- Working capital decreased by €28.3 million yoy
- Increase of working capital ratio caused by lower revenue

Equity ratio and funding



- Sound balance sheet with equity ratio of 42.8% (Q1 2012: 41.0%)
- 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
Conference Call Q1 2013

Overview of segments: DEUTZ Compact Engines

€ million	Q1 2013	Q1 2012	Change in %
New orders	328.3	296.5	10.7
Unit sales	33,720	41,579	-18.9
Revenue	239.7	263.0	-8.9
EBIT	-11.2	-1.1 ⁽¹⁾	<-100.0

€ million	Q1 2013	Q4 2012	Change in %
New orders	328.3	214.0	53.4
Unit sales	33,720	42,882	-21.4
Revenue	239.7	252.5	-5.1
EBIT	-11.2	-6.1	-83.6

- Strong improvement of order intake of more than 50% qoq
- Revenue continues to develop better than unit sales due to higher share of new emission engines
- Agricultural Machinery with strong revenue recovery of +45.0% yoy
- Service revenue increased by 9.9% yoy supported by network extension and ongoing measures
- EBIT decreased by €10.1 million yoy mainly due to lower business volume and higher depreciation and amortisation

(1) Restated

Overview of segments: DEUTZ Customised Solutions

€ million	Q1 2013	Q1 2012	Change in %
New orders	60.2	93.5	-35.6
Unit sales	2,518	4,882	-48.4
Revenue	50.2	73.9	-32.1
EBIT	5.1	12.0 ⁽¹⁾	-57.1

€ million	Q1 2013	Q4 2012	Change in %
New orders	60.2	62.6	-3.8
Unit sales	2,518	3,671	-31.4
Revenue	50.2	70.0	-28.3
EBIT	5.1	6.6	-22.7

- Revenue decreased by 32.1% yoy due to low order backlog at year-end 2012 and extended factory holidays
- Special sales task force for DCS products was implemented in Q1 and started well: Order intake picked up at the end of Q1 and even more in early Q2. Book to bill ratio at 1.20
- EBIT declined by €6.9 million yoy due to lower production level
- Revenue and profitability are expected to improve in the coming quarters

(1) Restated

Summary: Q1 2013 key financial development

Significant improvement of order intake – book to bill ratio of 1.34

Decline of R&D spending but higher R&D amortisation

Lower financing costs

Net financial position improved by €55 million yoy

Sound balance sheet; equity ratio >40%



The engine company.

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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	60 - 70

(1) Net of reimbursements
 (2) Restated

- Results improvement expected in FY 2013
- Strong year-to-date order intake will have a significant positive effect on revenue and profitability

➔ Guidance for FY 2013 confirmed

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Summary of key financials (I)

€ million	Q1 2013	Q1 2012 ⁽¹⁾	Change (%)
Revenue	289.9	336.9	-14.0
EBITDA	15.5	27.4	-43.4
EBIT	-6.4	10.0	<-100.0
EBIT margin (%)	-2.2	3.0	--
Net income	-6.9	6.3	<-100.0
Basic earnings per share (€)	-0.06	0.05	<-100.0
Number of employees (31 March)	3,935	4,104	-4.1

(1) Restated

Summary of key financials (II)

€ million	Q1 2013	Q1 2012 ⁽¹⁾	Change (%)
Total assets	1,043.2	1,104.9	-5.6
Equity	446.9	453.3	-1.4
Equity ratio (%)	42.8	41.0	--
Cash flow from operating activities	0.9	-16.5	>100.0
Free cash flow	-20.9	-55.3	62.2
Net financial position	-69.3	-124.5	44.3
Working capital (as at 31 March)	168.8	197.1	-14.4

(1) Restated

Income statement

€ million	Q1 2013	Q1 2012 ⁽¹⁾	Change (%)
Revenue	289.9	336.9	-14.0
Cost of goods sold	-257.6	-289.4	-11.0
Research and development costs	-14.3	-9.4	52.1
Selling expenses	-15.6	-16.0	-2.5
Administrative expenses	-7.4	-7.3	1.4
Other operating income	4.1	6.1	-32.8
Other operating expenses	-4.4	-7.8	-43.6
Income from investments accounted for using the equity method	-1.1	-3.1	-64.5
EBIT	-6.4	10.0	<-100.0
Net interest expense	-1.3	-3.0	-56.7
Net income before taxes	-7.7	7.0	<-100.0
Income taxes	0.8	-0.7	>100.0
Net income	-6.9	6.3	<-100.0
thereof attributable to owners of DEUTZ AG	-6.9	6.3	<-100.0
thereof attributable to non-controlling interests	0.0	0.0	0.0

(1) Restated

Balance sheet: assets

Assets (€ million)	31 Mar 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Non-current assets (excluding deferred tax assets)	615.4	621.3	-1.0
Deferred tax assets	30.0	27.4	9.5
Inventories	211.4	184.4	14.6
Trade receivables	118.9	116.1	2.4
Other receivables and assets	34.2	32.8	4.3
Cash and cash equivalents	31.5	52.1	-39.5
Non-current assets classified as held for sale	1.8	1.8	0.0
Total assets	1,043.2	1,035.9	0.7

(1) Restated

Balance sheet: equity and liabilities

Equity and liabilities (€ million)	31 Mar 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Equity	446.9	452.6	-1.3
Provisions for pensions and other post-retirement benefits	181.3	181.8	-0.3
Other provisions	25.2	25.4	-0.8
Financial liabilities	99.7	99.6	0.1
Other liabilities	4.6	5.0	-8.0
Non-current liabilities	310.8	311.8	-0.3
Provisions for pensions and other post-retirement benefits	15.4	15.4	0.0
Other provisions / Provisions for income taxes	57.4	43.8	31.1
Financial liabilities	1.1	1.1	0.0
Trade payables	161.5	158.9	1.6
Other liabilities	50.1	52.3	-4.2
Current liabilities	285.5	271.5	5.2
Total equity and liabilities	1,043.2	1,035.9	0.7

(1) Restated

Cash flow statement (condensed)

€ million	Q1 2013	Q1 2012 ⁽¹⁾
EBIT	-6.4	10.0
Cash flow from operating activities (total)	0.9	-16.5
Capital expenditure on intangible assets, property, plant and equipment and investments	-20.8	-36.1
Proceeds from the sale of non-current assets	0.1	0.1
Cash flow from investing activities (total)	-20.7	-36.0
Cash flow from financing activities	-1.3	16.8
Change in cash and cash equivalents	-21.1	-35.7

(1) Restated

Overview of segments, Q1 2013

	Q1 2013	Q1 2012	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	328.3	296.5	10.7
DEUTZ Customised Solutions	60.2	93.5	-35.6
Total for operating activities	388.5	390.0	-0.4

	Q1 2013	Q1 2012	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	239.7	263.0	-8.9
DEUTZ Customised Solutions	50.2	73.9	-32.1
Total for operating activities	289.9	336.9	-14.0
Germany	16.6%	14.5%	--
Export	83.4%	85.5%	--

	Q1 2013	Q1 2012	Change (%)
Unit sales			
DEUTZ Compact Engines	33,720	41,579	-18.9
DEUTZ Customised Solutions	2,518	4,882	-48.4
Total for operating activities	36,238	46,461	-22.0

	Q1 2013	Q1 2012 ⁽¹⁾	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	-11.2	-1.1	<-100.0
DEUTZ Customised Solutions	5.1	12.0	-57.5
Other	-0.3	-0.9	66.7
Total for operating activities	-6.4	10.0	<-100.0

(1) Restated

Employees

	31 Mar 2013	31 Mar 2012	Change (%)
Cologne	2,434	2,526	-3.6
Ulm	394	428	-7.9
Other German operations	282	292	-3.4
Germany	3,110	3,246	-4.2
Foreign operations	825	858	-3.8
DEUTZ Group	3,935	4,104	-4.1

Financial calendar & contact details



■ Interim report 1st half 2013

8 August 2013

■ Interim report 1st to 3rd quarter 2013

7 November 2013

➤ Contact details

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