

Conference Call H1 2013

8 August 2013

Dr Helmut Leube, CEO
Dr Margarete Haase, CFO

The engine company.



- **Review H1 2013**

- **Outlook**

- **Annex**

Key figures

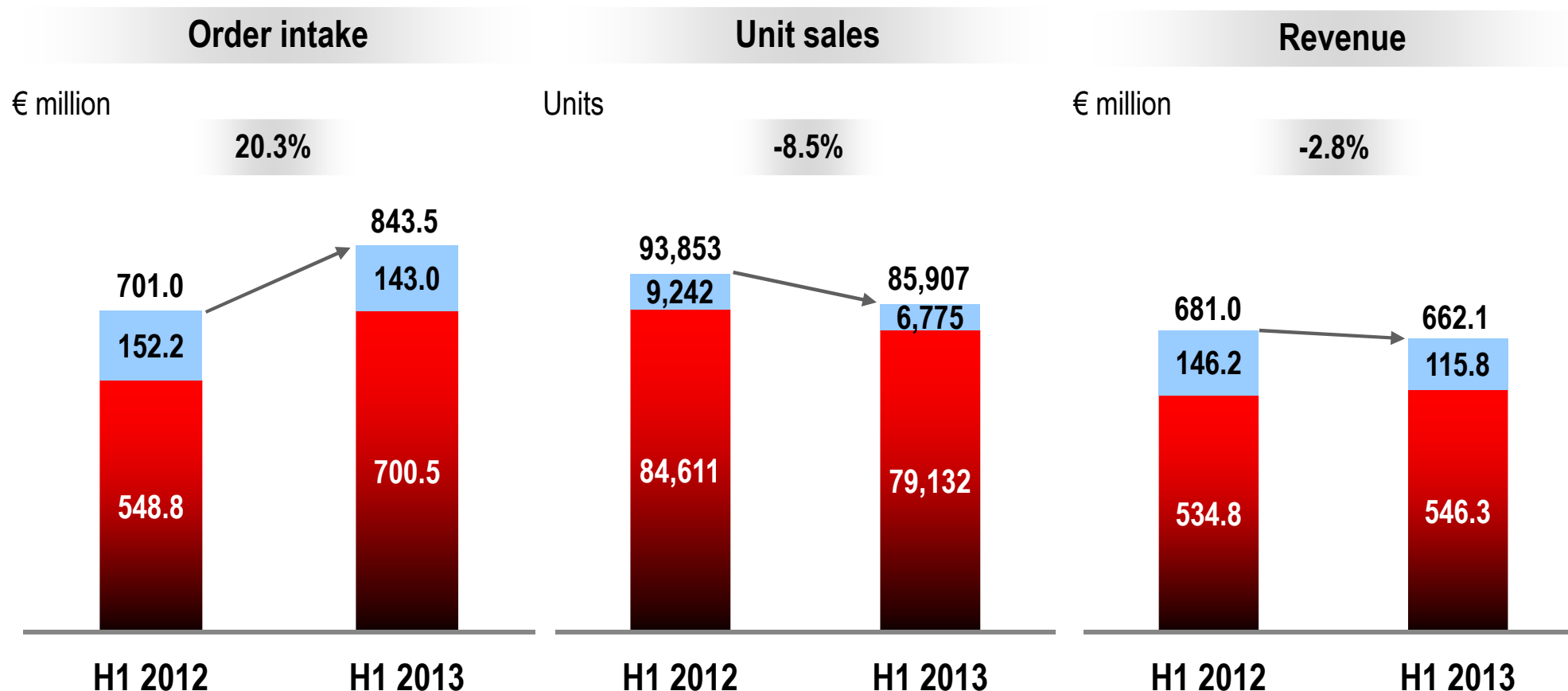
€ million	H1 2013	yoy	Q2 2013	qoq
Order intake	843.5	+20.3%	455.0	+17.1%
Revenue	662.1	-2.8%	372.2	+28.4%
EBITDA	55.8	-2.8%	40.3	>100.0%
EBIT	10.1	-51.2%	16.5	>100.0%
Net financial debt	-44.9	-62.0%	-44.9	-35.2%

→ Improvement of all key figures in Q2

Highlights H1 2013

- Record order intake
- New business continues to develop encouraging
- Higher capacity utilisation in Q2 with positive impact on profitability
- Sales initiative in DEUTZ Customised Solutions already leading to results
- DEUTZ Dalian with improved sales and profitability
- Strong free cash flow development and low net debt

Sales figures



- Record order intake, both in H1 and Q2⁽¹⁾
- Revenue, while still slightly negative in H1 on a yoy basis, gained significant momentum in Q2
- Revenue continues to develop better than unit sales due to increasing proportion of new emission engine series

(1) Refers to DEUTZ Group in the current business structure

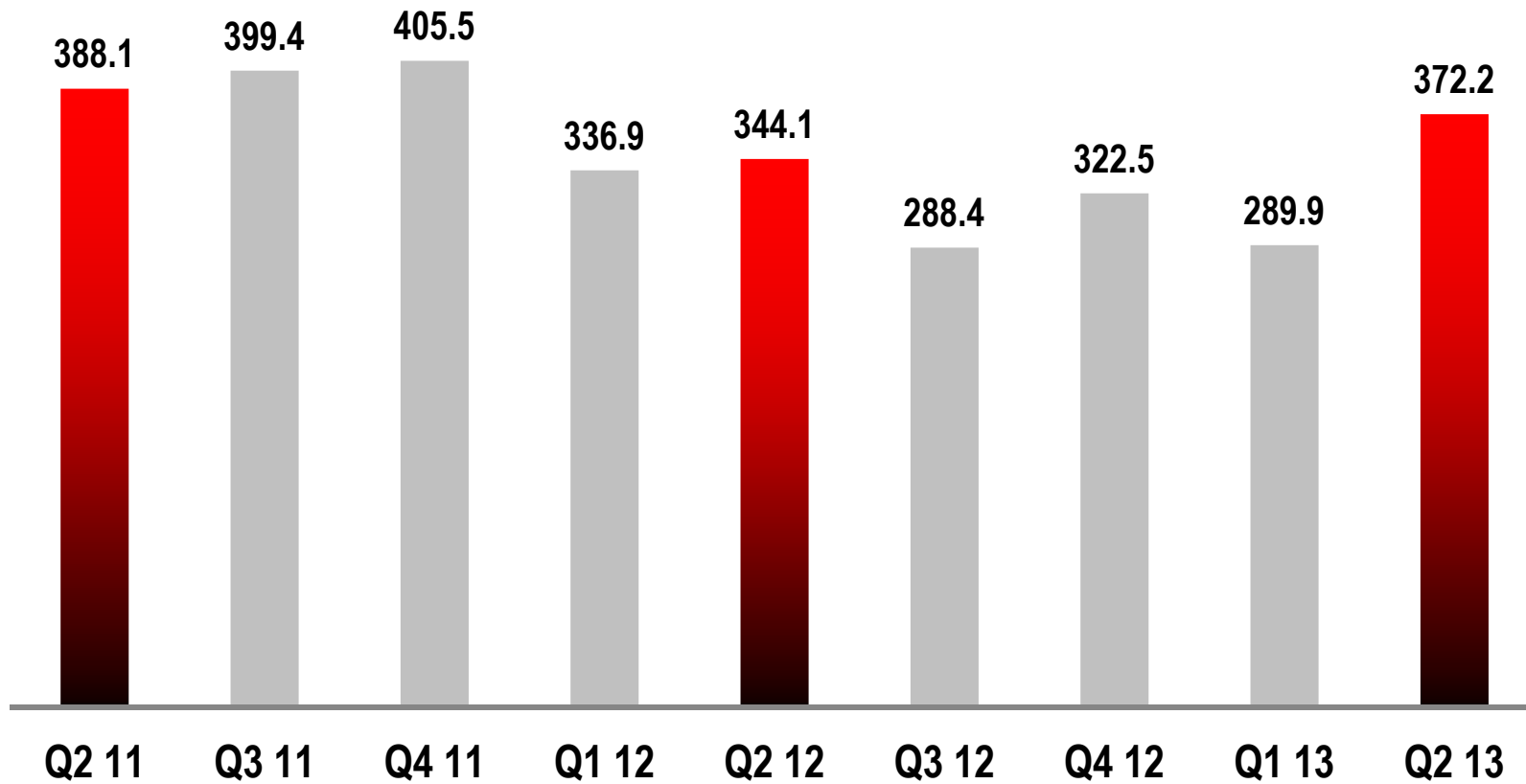
Book-to-bill ratio

€ million	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Order intake	455.0	388.5	276.6	259.5	311.0
Revenue	372.2	289.9	322.5	288.4	344.1
Book-to-bill ratio	1.22x	1.34x	0.86x	0.90x	0.90x
Orders on hand	352.9	272.1	173.0	219.6	249.6

- Strong book-to-bill ratio in Q1 and Q2
- Orders on hand of €352.9 million are up by 41.4% yoy and 29.7% sequentially

Revenue development

€ million

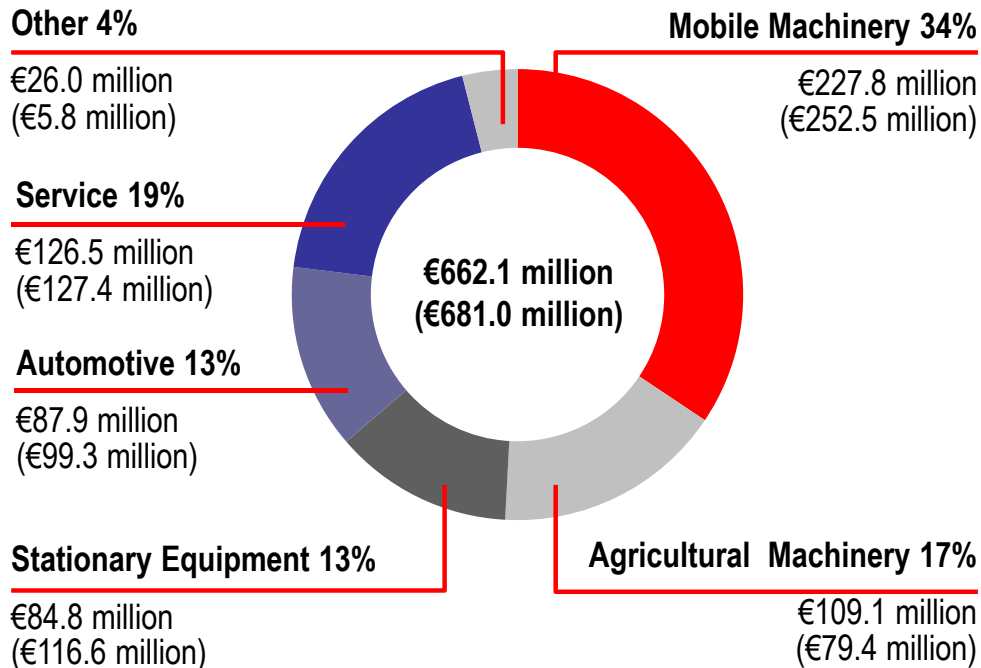


→ Positive revenue development expected to continue

Revenue split

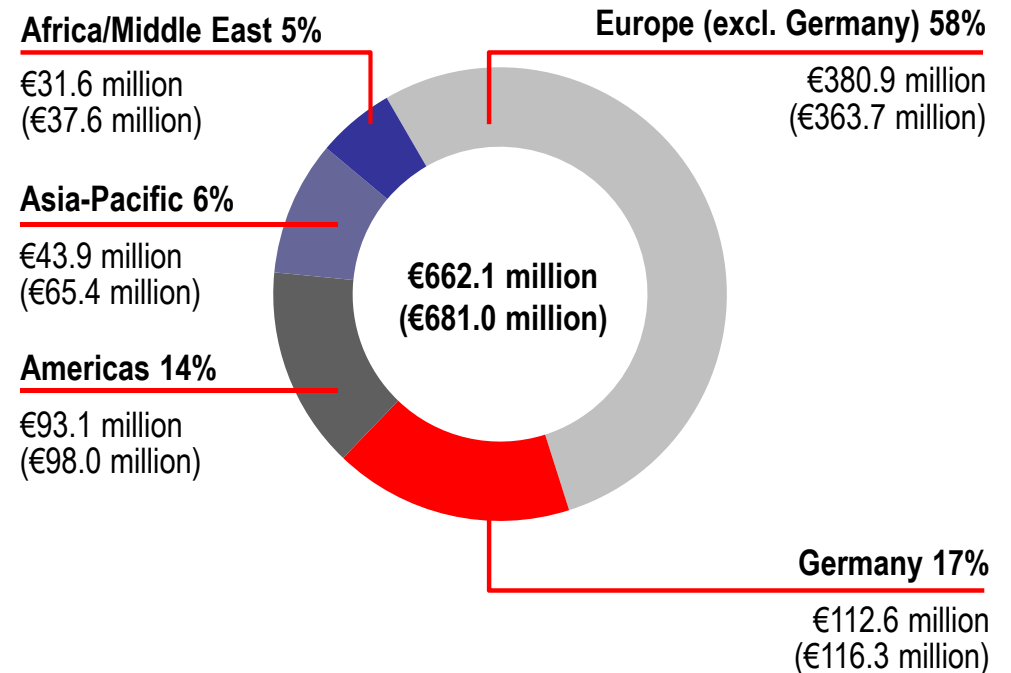
Revenue split by application, H1 2013

(H1 2012)



Revenue split by region, H1 2013⁽¹⁾

(H1 2012)

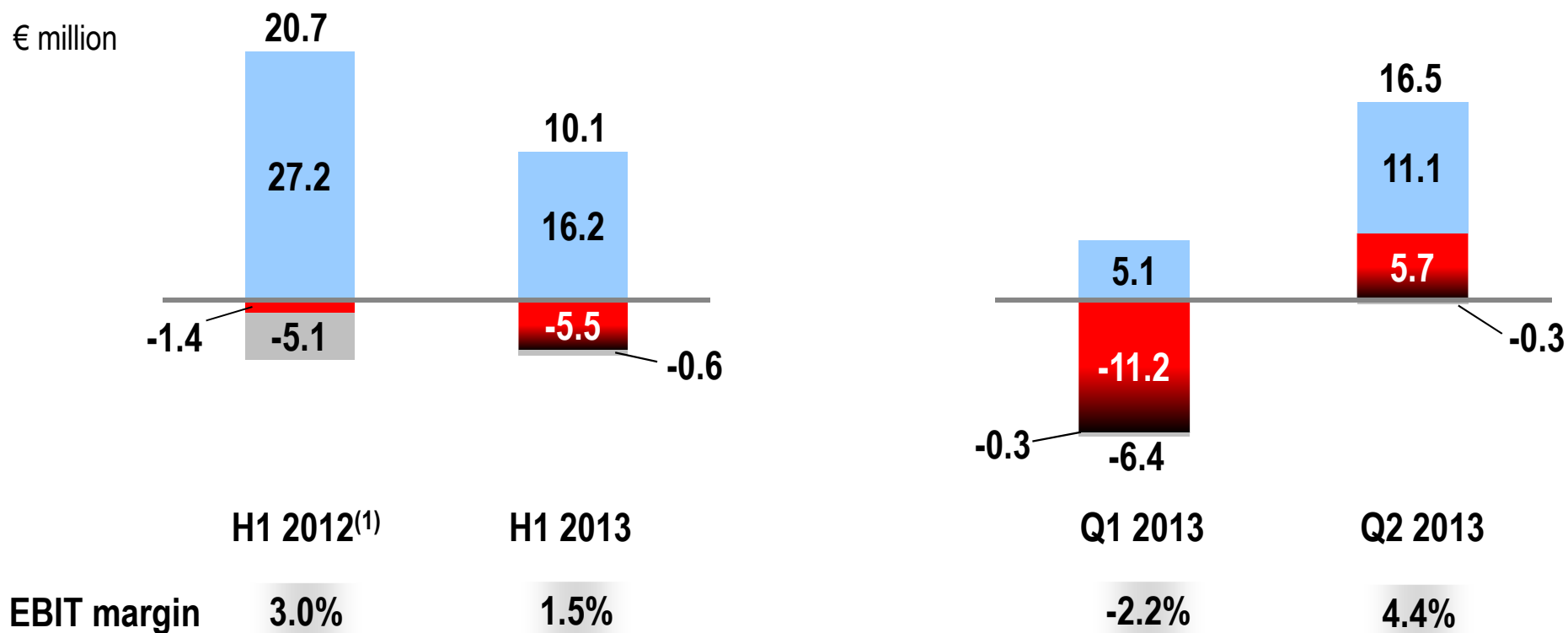


- Mixed growth dynamics with strong revenue growth in Agricultural Machinery (+37.4%) but revenue decline in Mobile Machinery, Stationary Equipment and Automotive
- Revenue share of Service at 19%

- Pro-forma revenue including at-equity consolidated Joint Ventures was €883.0 million (+2.2% yoy); respective revenue share of Asia-Pacific increased to 29% (H1 2012: 27%)

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

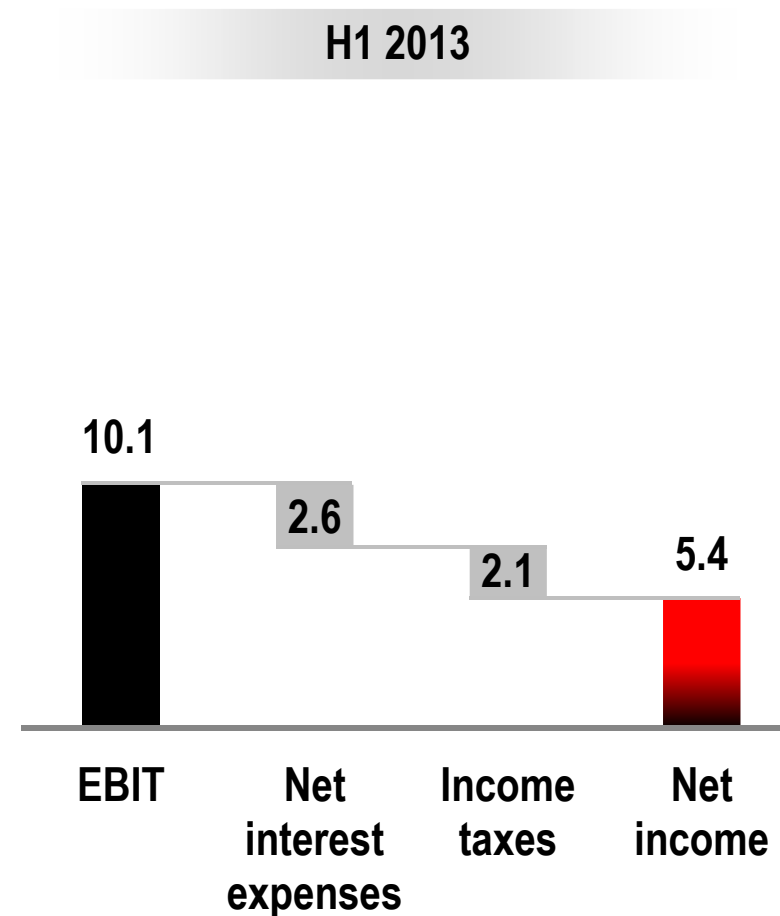
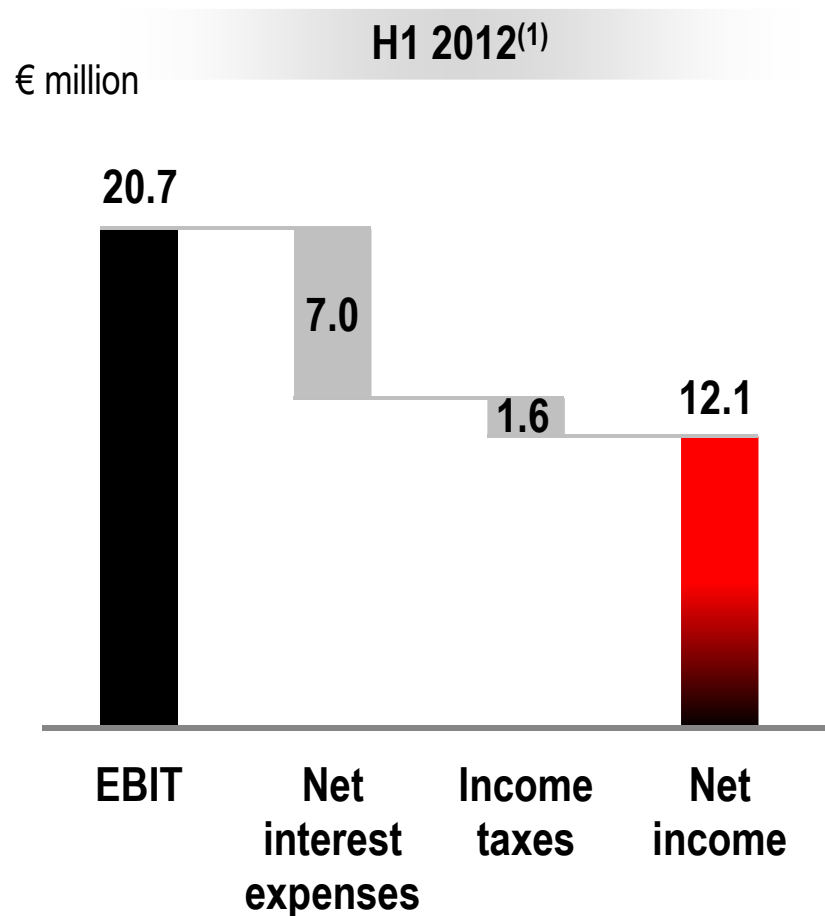
EBIT



- EBIT decline in H1 compared to previous year was caused by lower business volume, in particular at DEUTZ Customised Solutions, and higher scheduled amortisation
- H1 result from equity-accounted investments improved by €7.9 million to -€0.4 million yoy
- Business upturn leading to strong momentum in Q2 with an EBIT swing of €22.9 million qoq

(1) Restated

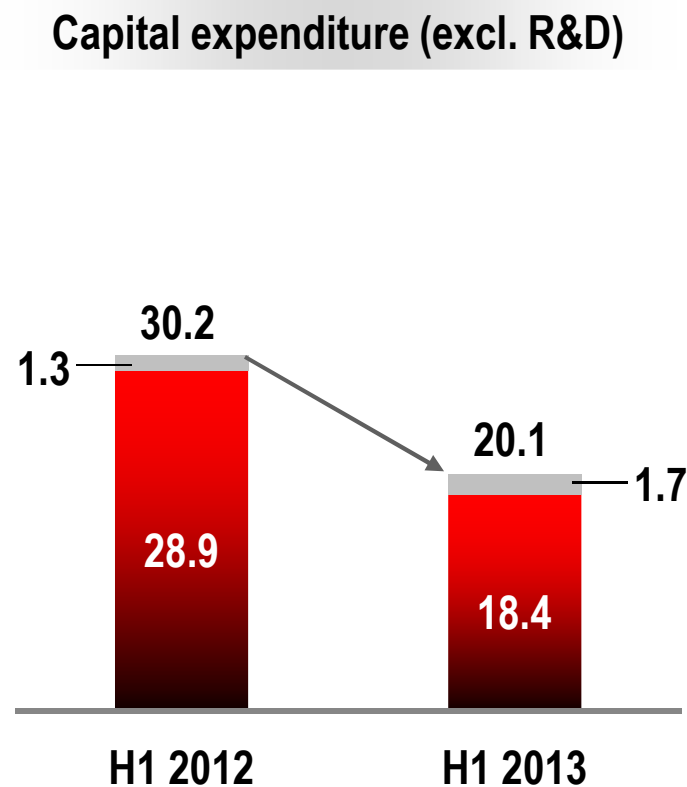
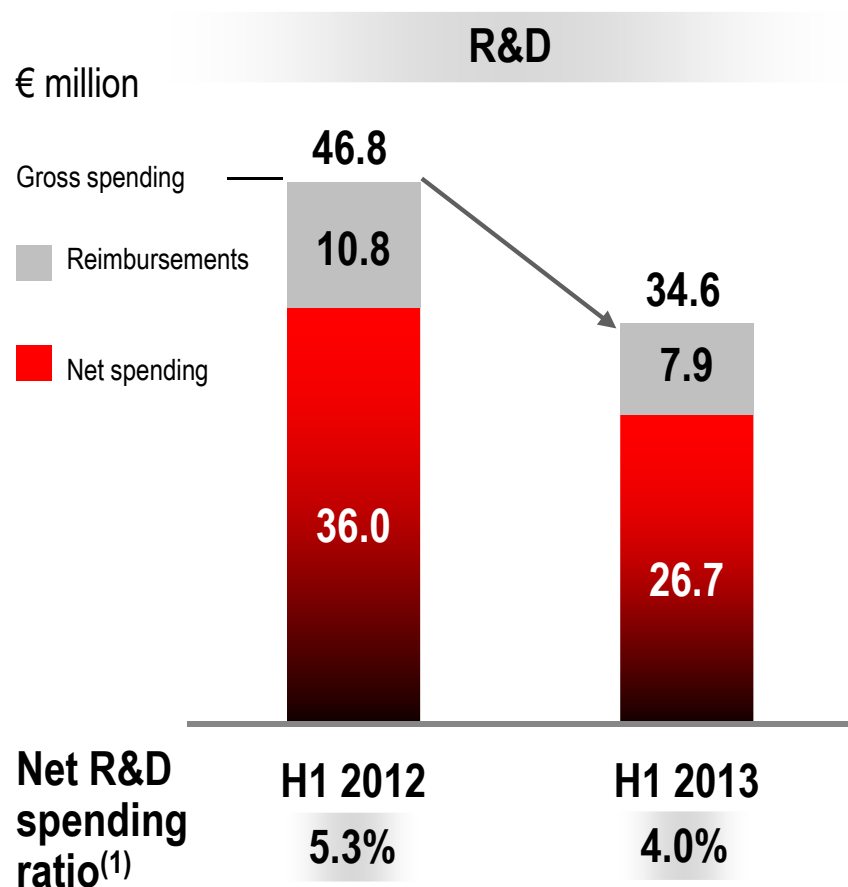
Net income



- Net income decreased by €6.7 million in H1 vs. previous year
- However, Q2 net income improved by €19.2 million qoq
- Net interest expenses declined sharply by €4.4 million due to lower borrowings and improved interest terms
- Given tax loss carry forwards effective tax rate is expected to remain on low level in FY 2013

(1) Restated

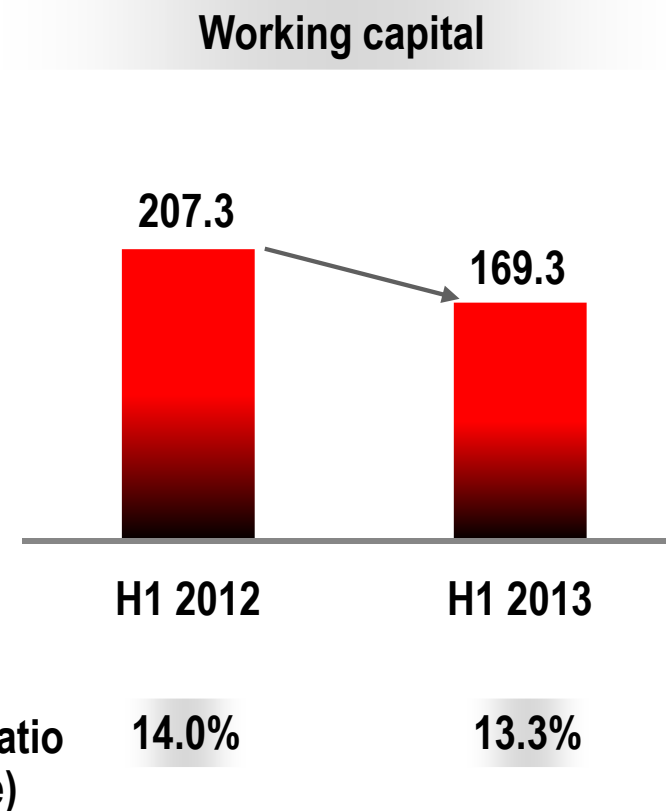
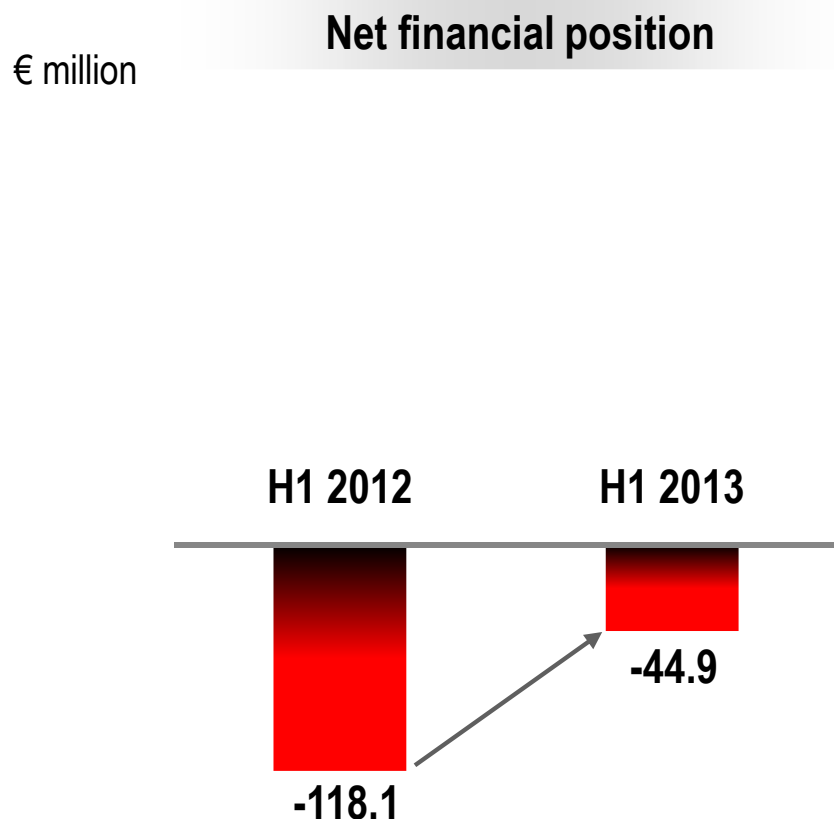
R&D spending and capital expenditure



- 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 €10.5 million yoy for the same reason
- Proportion of capitalised net R&D spending: €16.8 million (H1 2012: €26.5 million)

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

Net financial position and working capital

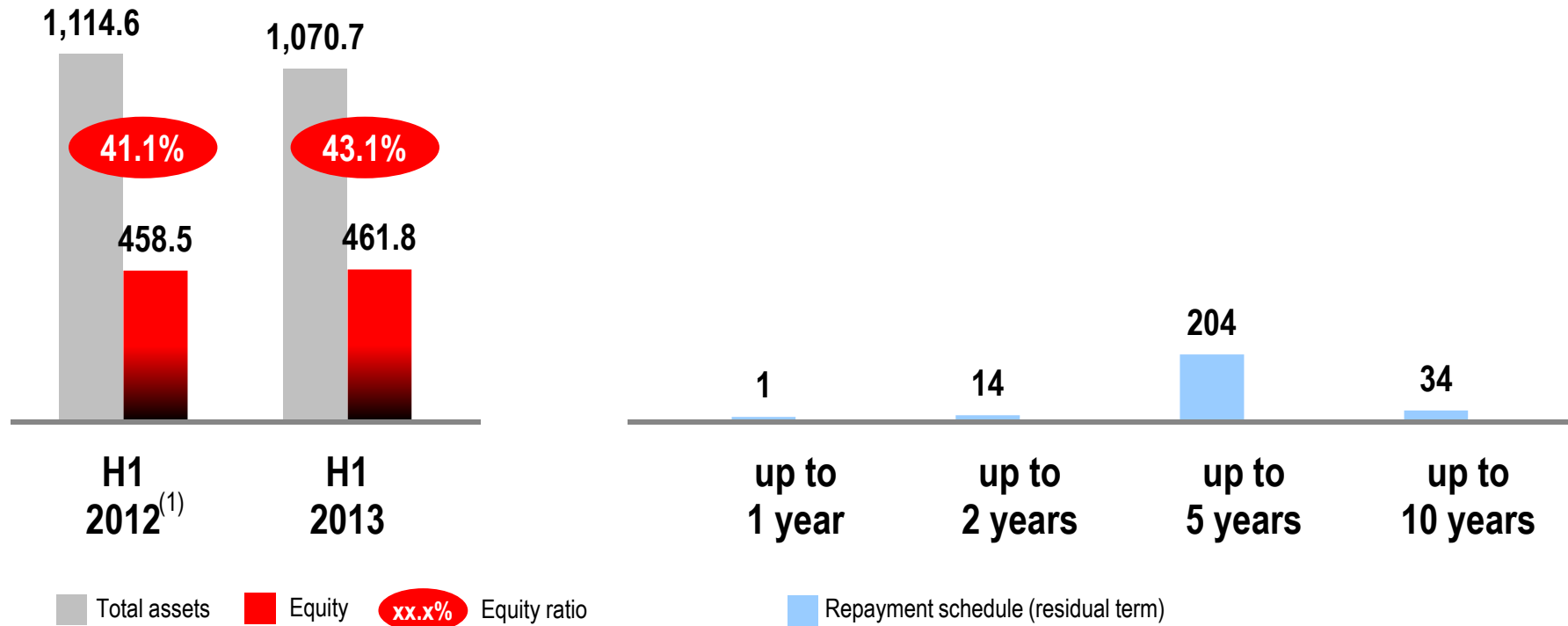


- Substantial improvement of net financial position by €73.2 million
- Free cash flow of €64.4 million generated in last twelve months
- H1 free cash flow was positive (typically seasonally negative)

- Decrease of working capital by €38.0 million yoy
- Ongoing tight working capital management

Equity ratio and funding

€ million



- Sound balance sheet with strong equity ratio of 43.1% (+ 2.0%-pts vs. H1 2012)
- 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

Overview of segments: DEUTZ Compact Engines

€ million	H1 2013	H1 2012	Change in %
New orders	700.5	548.8	27.6
Unit sales	79,132	84,611	-6.5
Revenue	546.3	534.8	2.2
EBIT	-5.5	-1.4 ⁽¹⁾	--

€ million	Q2 2013	Q1 2013	Change in %
New orders	372.2	328.3	13.4
Unit sales	45,412	33,720	34.7
Revenue	306.6	239.7	27.9
EBIT	5.7	-11.2	--

- Strong order intake driven by Agricultural Machinery as well as new business, higher value of engines and some pre-buy effects
- In H1, revenue growth in Agricultural Machinery of 41.4% and in Service of 7.1% yoy; other applications below last year
- H1 EBIT decreased by €4.1 million yoy due to higher amortisation of intangible assets. However, Q2 EBIT with significant improvement of €16.9 million qoq (Q2 2013: € 5.7 million)
- Order backlog of €262.1 million (+33.1% qoq)
- In Q2, all key figures show strong momentum and double-digit growth rates

(1) Restated

Overview of segments: DEUTZ Customised Solutions

€ million	H1 2013	H1 2012	Change in %
New orders	143.0	152.2	-6.0
Unit sales	6,775	9,242	-26.7
Revenue	115.8	146.2	-20.8
EBIT	16.2	27.2 ⁽¹⁾	-40.4

€ million	Q2 2013	Q1 2013	Change in %
New orders	82.8	60.2	37.5
Unit sales	4,257	2,518	69.1
Revenue	65.6	50.2	30.7
EBIT	11.1	5.1	>100.0

- Business picked up nicely in Q2 after slow start in Q1
- DCS sales initiative already leading to results: New orders in Q2 increased by 37.5% qoq
- In Q2, all key figures show double digit growth rates (qoq)
- Book-to-bill ratio of 1.26x in Q2 and order backlog of €90.8 million (+20.7% qoq) suggesting further improvement

(1) Restated

Summary: key financial development

Record order intake & strong book-to-bill ratio

Higher production level leading to operating leverage in Q2

Lower R&D spending; but higher scheduled amortisation

Significant improvement of net financial position and free cash flow

Sound balance sheet; equity ratio >40%



The engine company.

Agenda

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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

- Positive operating leverage expected to continue in H2 on the back of the good order backlog

→ FY 2013 outlook confirmed

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Summary of key financials (I)

€ million	H1 2013	H1 2012 ⁽¹⁾	Change (%)
Revenue	662.1	681.0	-2.8
EBITDA	55.8	57.4	-2.8
EBIT	10.1	20.7	-51.2
EBIT margin (%)	1.5	3.0	--
Net income	5.4	12.1	-55.4
Basic earnings per share (€)	0.04	0.10	-60.0
Number of employees (30 June)	4,030	4,042	-0.3

(1) Restated

Summary of key financials (II)

€ million	H1 2013	H1 2012 ⁽¹⁾	Change (%)
Total assets	1,070.7	1,114.6	-3.9
Equity	461.8	458.5	0.7
Equity ratio (%)	43.1	41.1	--
Cash flow from operating activities	49.0	16.8	>100.0
Free cash flow	3.4	-48.4	--
Net financial position	-44.9	-118.1	-62.0
Working capital (as at 30 June)	169.3	207.3	-18.3

(1) Restated

Income statement

€ million	H1 2013	H1 2012 ⁽¹⁾	Change (%)
Revenue	662.1	681.0	-2.8
Cost of goods sold	-570.0	-585.2	-2.6
Research and development costs	-29.8	-19.6	52.0
Selling expenses	-31.4	-31.0	1.3
Administrative expenses	-17.5	-17.1	2.3
Other operating income	6.8	11.9	-42.9
Other operating expenses	-9.7	-11.2	-13.4
Income from investments accounted for using the equity method	-0.4	-8.3	95.2
Other investment income	0.0	0.2	-100.0
EBIT	10.1	20.7	-51.2
Net interest expense	-2.6	-7.0	-62.9
Net income before taxes	7.5	13.7	-45.3
Income taxes	-2.1	-1.6	31.3
Net income	5.4	12.1	-55.4
thereof attributable to owners of DEUTZ AG	5.5	12.1	-54.5
thereof attributable to non-controlling interests	-0.1	0.0	n/a

(1) Restated

Balance sheet: assets

€ million	30 June 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Non-current assets (excluding deferred tax assets)	610.6	621.3	-1.7
Deferred tax assets	26.9	27.4	-1.8
Inventories	224.7	184.4	21.9
Trade receivables	126.9	116.1	9.3
Other receivables and assets	34.3	32.8	4.6
Cash and cash equivalents	45.5	52.1	-12.7
Non-current assets classified as held for sale	1.8	1.8	0.0
Total assets	1,070.7	1,035.9	3.4

(1) Restated

Balance sheet: equity and liabilities

€ million	30 June 2013	31 Dec 2012 ⁽¹⁾	Change (%)
Equity	461.8	452.6	2.0
Provisions for pensions and other post-retirement benefits	173.6	181.8	-4.5
Other provisions	27.0	25.4	6.3
Financial liabilities	89.7	99.6	-9.9
Other liabilities	4.1	5.0	-18.0
Non-current liabilities	294.4	311.8	-5.6
Provisions for pensions and other post-retirement benefits	15.4	15.4	0.0
Other provisions / Provisions for income taxes	55.0	43.8	25.6
Financial liabilities	0.7	1.1	-36.4
Trade payables	182.3	158.9	14.7
Other liabilities	61.1	52.3	16.8
Current liabilities	314.5	271.5	15.8
Total equity and liabilities	1,070.7	1,035.9	3.4

(1) Restated

Cash flow statement (condensed)

€ million	H1 2013	H1 2012 ⁽¹⁾
EBIT	10.1	20.7
Cash flow from operating activities (total)	49.0	16.8
Capital expenditure on intangible assets, property, plant and equipment and investments	-43.1	-59.2
Proceeds from the sale of non-current assets	0.3	0.3
Cash flow from investing activities (total)	-42.8	-58.9
Cash flow from financing activities	-13.1	26.9
Change in cash and cash equivalents	-6.9	-15.2

(1) Restated

Overview of segments, H1 2013

	H1 2013	H1 2012	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	700.5	548.8	27.6
DEUTZ Customised Solutions	143.0	152.2	-6.0
Total for operating activities	843.5	701.0	20.3

	H1 2013	H1 2012	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	546.3	534.8	2.2
DEUTZ Customised Solutions	115.8	146.2	-20.8
Total for operating activities	662.1	681.0	-2.8
Germany	17.0%	17.1%	--
Export	83.0%	82.9%	--

	H1 2013	H1 2012	Change (%)
Unit sales			
DEUTZ Compact Engines	79,132	84,611	-6.5
DEUTZ Customised Solutions	6,775	9,242	-26.7
Total for operating activities	85,907	93,853	-8.5

	H1 2013	H1 2012⁽¹⁾	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	-5.5	-1.4	>100.0
DEUTZ Customised Solutions	16.2	27.2	-40.4
Other	-0.6	-5.1	-88.2
Total for operating activities	10.1	20.7	-51.2

(1) Restated

Overview of segments, Q2 2013

	Q2 2013	Q2 2012	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	372.2	252.3	47.5
DEUTZ Customised Solutions	82.8	58.7	41.1
Total for operating activities	455.0	311.0	46.3

	Q2 2013	Q2 2012	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	306.6	271.8	12.8
DEUTZ Customised Solutions	65.6	72.3	-9.3
Total for operating activities	372.2	344.1	8.2
Germany	17.3%	19.6%	--
Export	82.7%	80.4%	--

	Q2 2013	Q2 2012	Change (%)
Unit sales			
DEUTZ Compact Engines	45,412	43,032	5.5
DEUTZ Customised Solutions	4,257	4,360	-2.4
Total for operating activities	49,669	47,392	4.8

	Q2 2013	Q2 2012⁽¹⁾	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	5.7	-0.4	--
DEUTZ Customised Solutions	11.1	15.3	-27.5
Other	-0.3	-4.2	-92.9
Total for operating activities	16.5	10.7	54.2

(1) Restated

Employees

	30 June 2013	30 June 2012	Change (%)
Cologne	2,430	2,498	-2.7
Ulm	395	424	-6.8
Other German operations	283	290	-2.4
Germany	3,108	3,212	-3.2
Foreign operations	922	830	11.1
DEUTZ Group	4,030	4,042	-0.3

Financial calendar & contact details

- Interim report 1st to 3rd quarter 2013 7 November 2013

- Annual report 2013 20 March 2014

- Annual general meeting 7 May 2014

➤ Contact details

Christian Krupp
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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