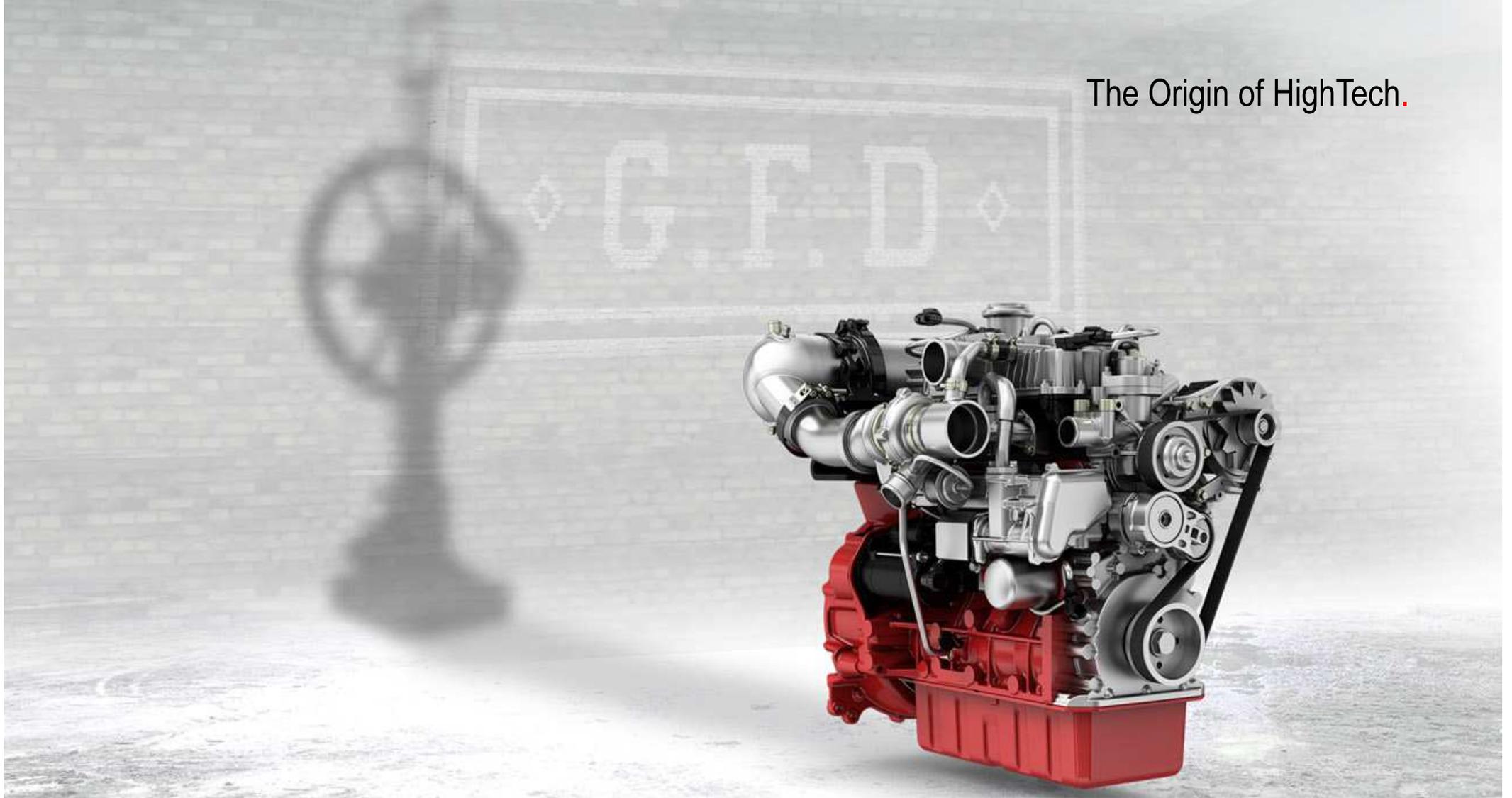


The Origin of HighTech.



Investor presentation

November 2014

The engine company.



- **DEUTZ strategy & positioning**

- Financials

- Outlook

DEUTZ at a glance

Profile

- 150 years DEUTZ – a tradition of achievement
- Independent manufacturer of diesel engines with product range from 25 to 520 kw
- Engineering and manufacturing company with strong expertise as system integrator
- Worldwide sales channels and service network
- Strong brand – synonym for leading technology and high-quality products
- Blue chip customer base

Financials 2013

- Revenue €1.45 billion
- Net income €36.0 million
- Free Cash Flow €13.8 million

Board

- Dr. Helmut Leube (CEO)
- Dr. Margarete Haase (CFO)
- Michael Wellenzohn (CSO)

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

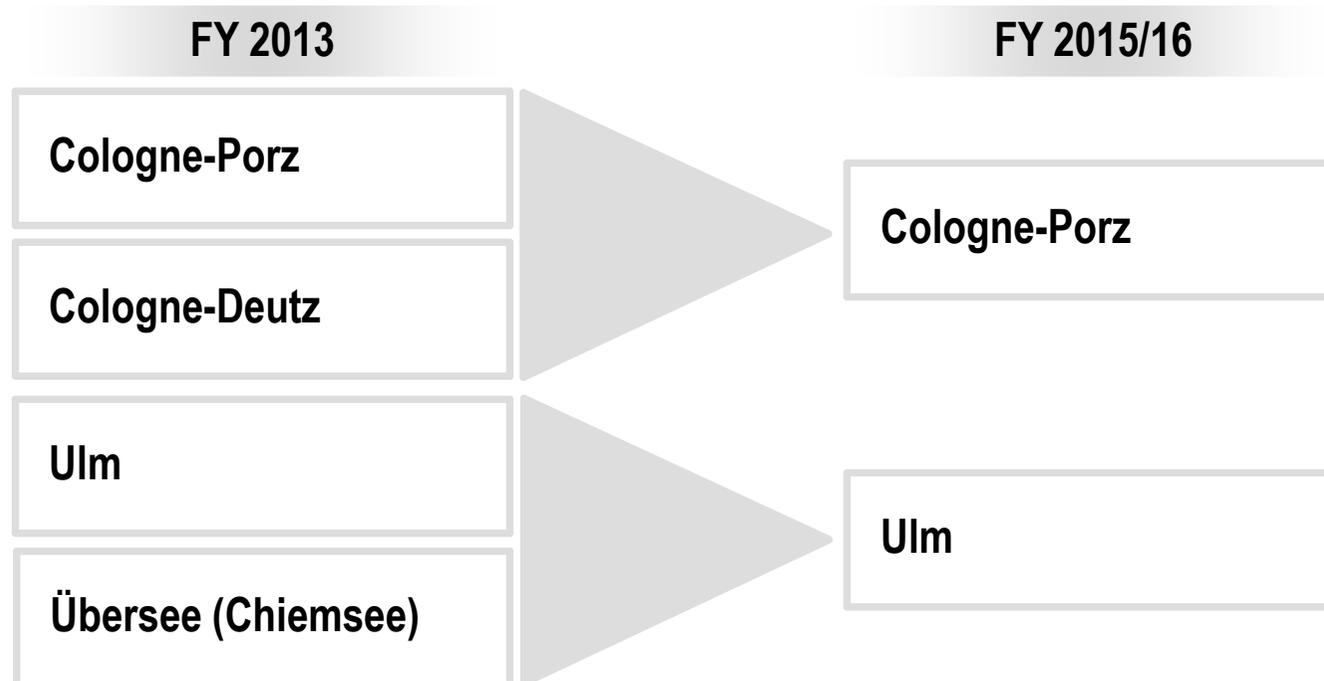


- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines over 8 litres for all applications
- Remanufactured (Xchange) engines for all DEUTZ engine series

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 up to €20 million in FY 2014 (thereof €13.9 million booked in Q2)
- Capex (total amount ~€20 million in FY 2014 -16) overcompensated by proceeds from property sales in subsequent years
- Annual cost savings >€10 million (considerable effects already in 2016; full effects from 2017 onwards)

→ 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

DEUTZ customer base

Long standing customer relationships (not exhaustive)



New clients (not exhaustive)



- DEUTZ has a lot of long standing relationships with key customers
- Implementation of new emission standards is a window of opportunity to extend and diversify the customer base
- The compact design and smart exhaust aftertreatment of the Tier 4 engines attract new customers

➔ Successful extension of the customer base

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

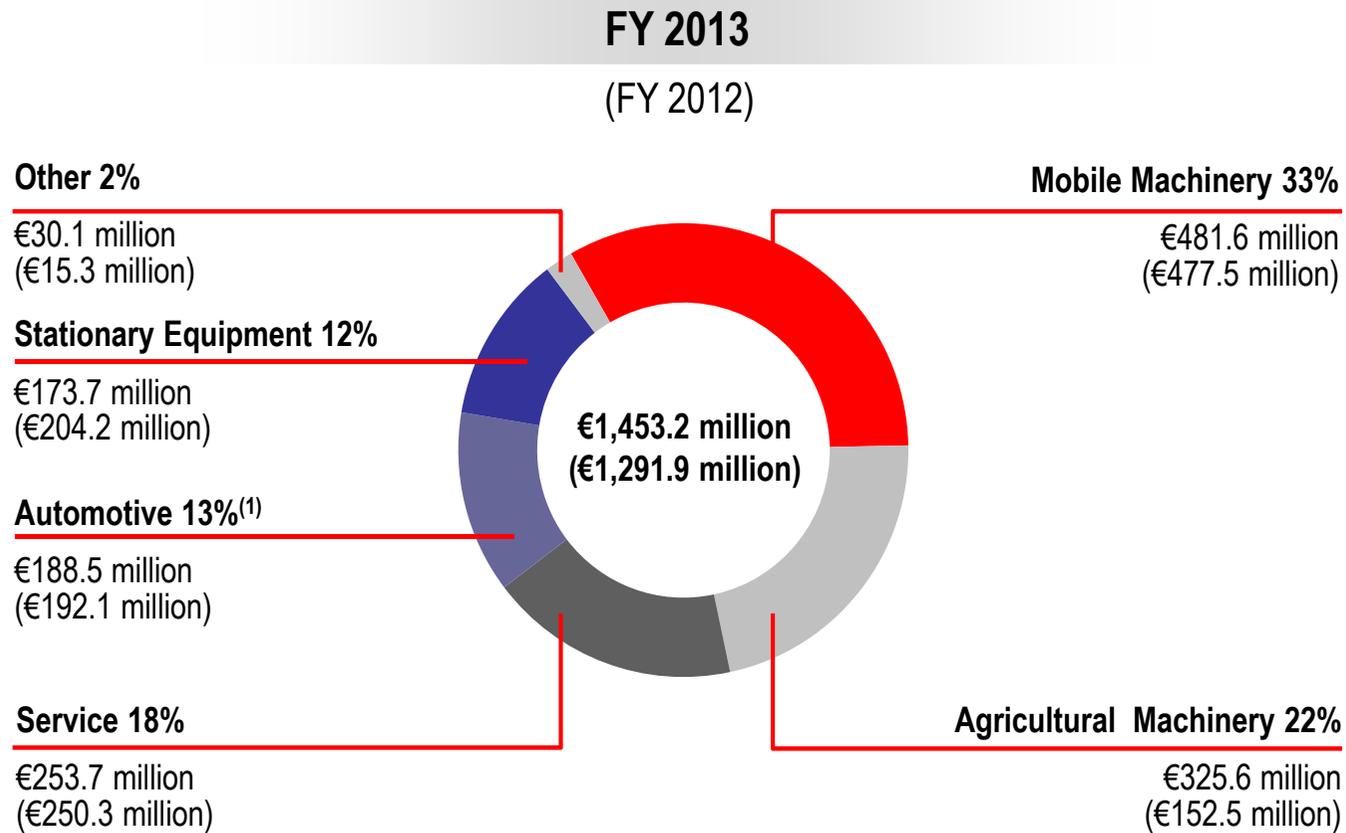
→ Product offensive is paying off

Key applications

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

→ Wide application range for DEUTZ engines

Revenue split by application

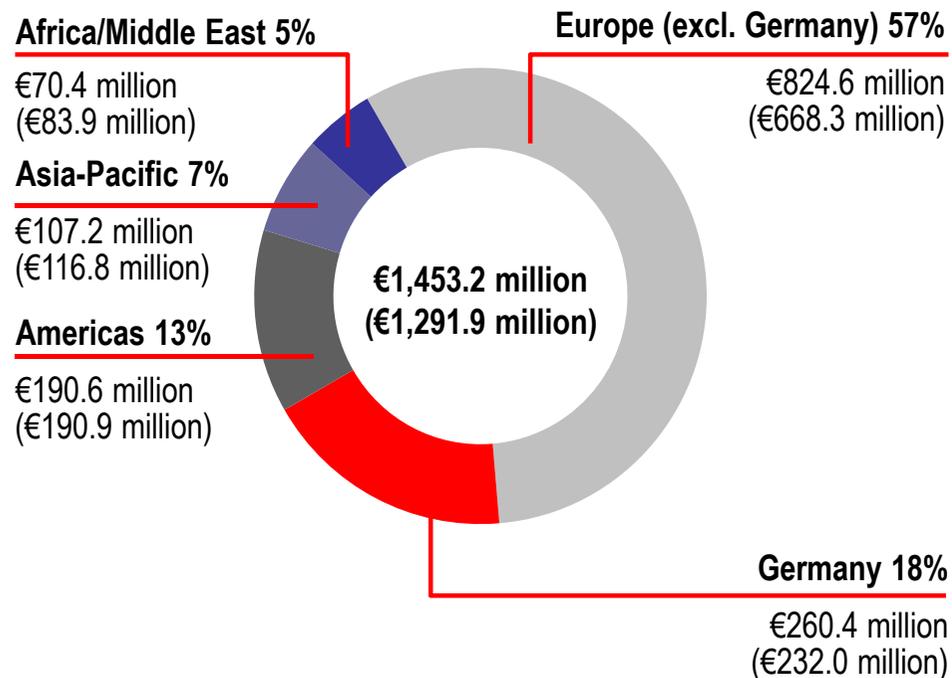


(1) In 2013, the pro-forma revenue share of the Automotive business incl. at equity consolidated Joint Ventures was 23%, i.e. 10%-points higher than in the consolidated financial statements (IFRS).

Revenue split by region

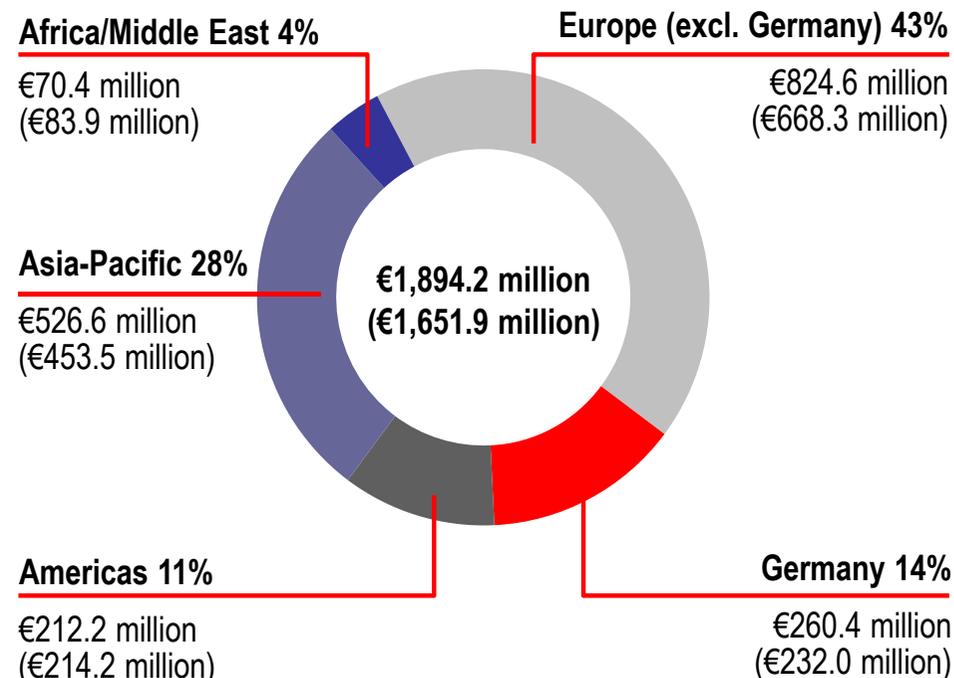
FY 2013⁽¹⁾

(FY 2012)



Pro-forma incl. Joint Ventures, FY 2013⁽²⁾

(FY 2012)

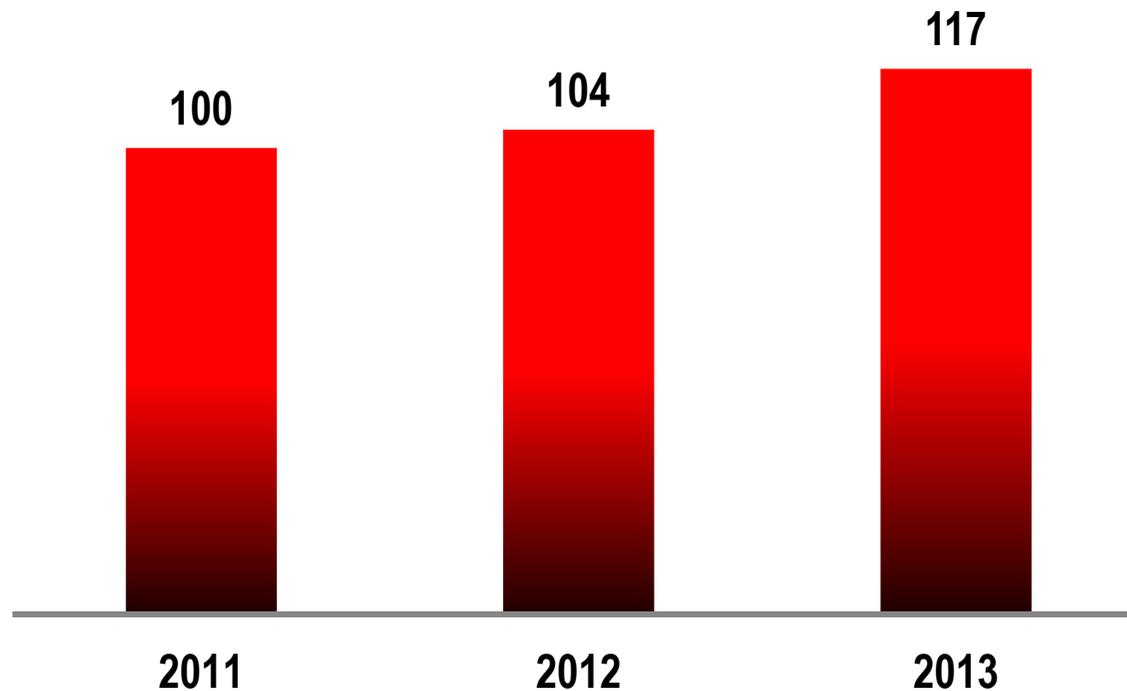


(1) Consolidated financial statements (IFRS); regions assigned by place of business of our customer

(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)

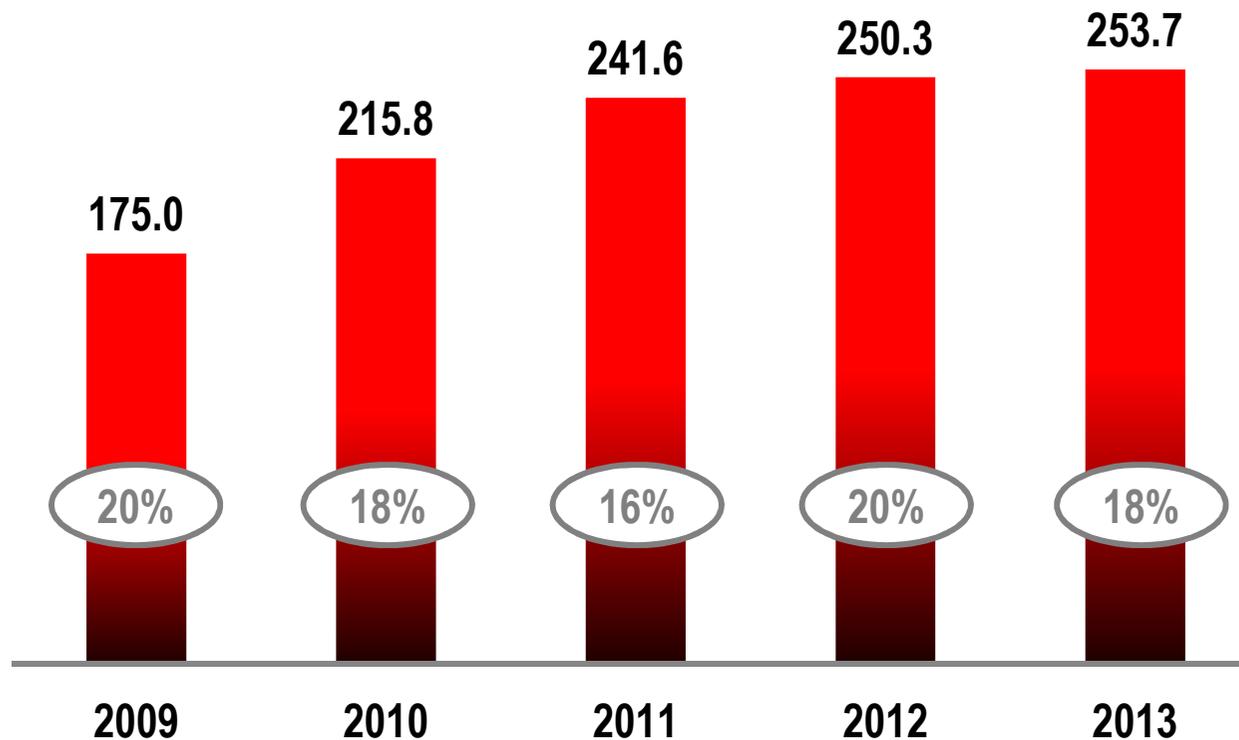


- Tier 4 systems require exhaust aftertreatment devices
- Growing share of new emission engines drives revenue growth
- Positive price mix effects are expected to continue in the next years. Effect diluted by strong demand for smaller engines in 2014

→ 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

DEUTZ activities in China

DEUTZ Dalian (DDE)

- Joint Venture with FAW Group (50-50 JV, at-equity consolidation)
- Production of 3-8 litre diesel engines
- Automotive and other applications
- Strong revenue development in FY 2013 €319 million (+30% yoy) and Q1-Q3 2014 €277 million (+17% yoy) despite very challenging market conditions

Other activities

- Sales and service company in Beijing, new sales office opened in Shanghai
- Dealer network across China
- Strategic reassessment of Joint Venture with AB Volvo and postponement of investments
- Small Joint Venture with Weichai Power and additional Joint Venture with Shandong Changlin (not active)

→ Implementation of new emission standards will increase demand for high quality engines

- DEUTZ strategy & positioning

- **Financials**

- Outlook

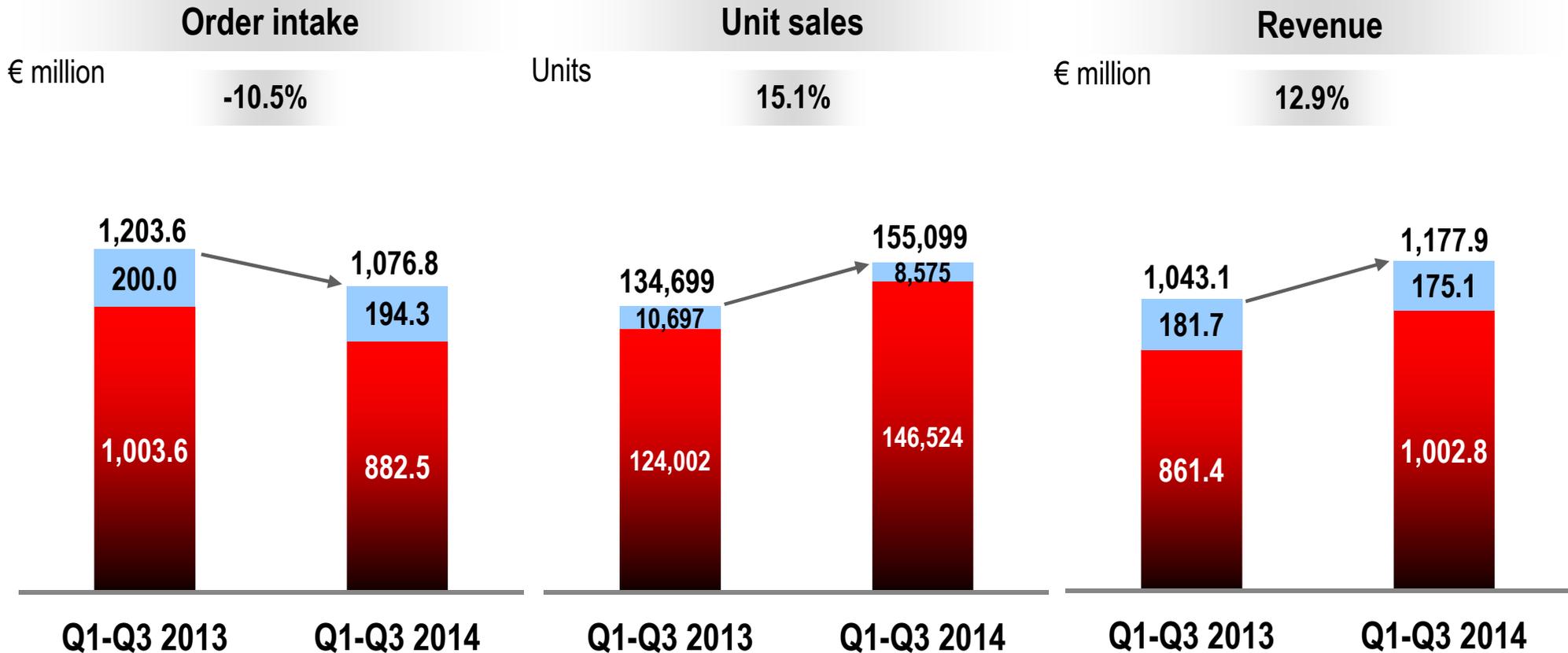
€ million	Q1-Q3 2014	yoy	Q3 2014	qoq
Order intake	1,076.8	-10.5%	330.0	-0.8%
Revenue	1,177.9	+12.9%	424.5	+3.4%
EBIT (before one-offs)	22.8	-16.2%	2.7	-85.2%
Adjusted EBIT⁽¹⁾	43.2	+58.8%	23.1	+26.9%
Net financial position	1.0	+€54.2 million	1.0	+€32.8 million

→ Result burdened by extraordinary warranty provision (€20.4 million)

(1) EBIT (before one-offs) adjusted by extraordinary provisions for warranty costs (net effect €20.4 million)

- Double digit revenue growth due to strong demand for smaller engine series ahead of emission regulation change
- Order intake impacted by softer end markets, in particular in agricultural machinery
- Operating profit burdened with extraordinary provision for warranty costs in Q3 but good development of underlying operating profit
- FY 2014 outlook revised
- China: Still very challenging market environment; good operating development of JV DEUTZ Dalian
- Strong free cash flow generation and positive net financial position
- Site optimisation measures progressing as planned

Sales figures

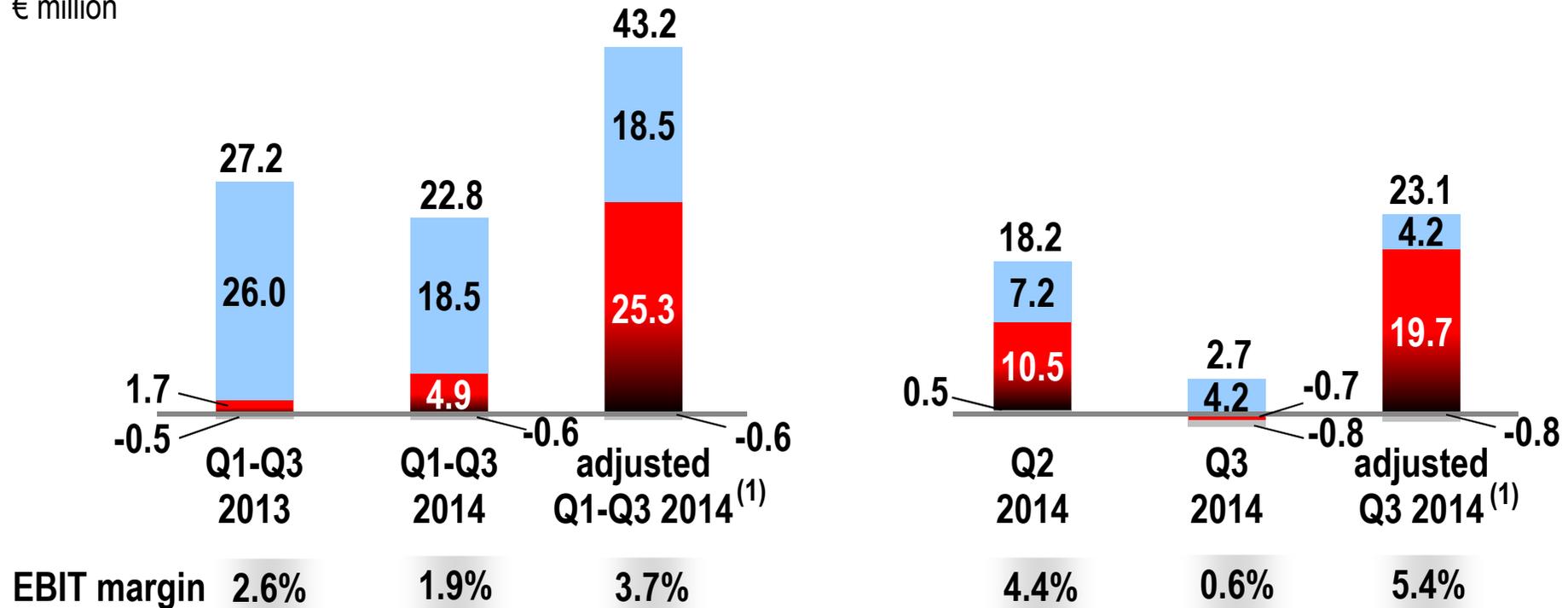


- Double-digit growth in unit sales and revenue
- Order intake below Q1-Q3 2013 record level reflecting economic environment
- Book-to-bill ratio at 0.91x

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions

EBIT (before one-offs)

€ million

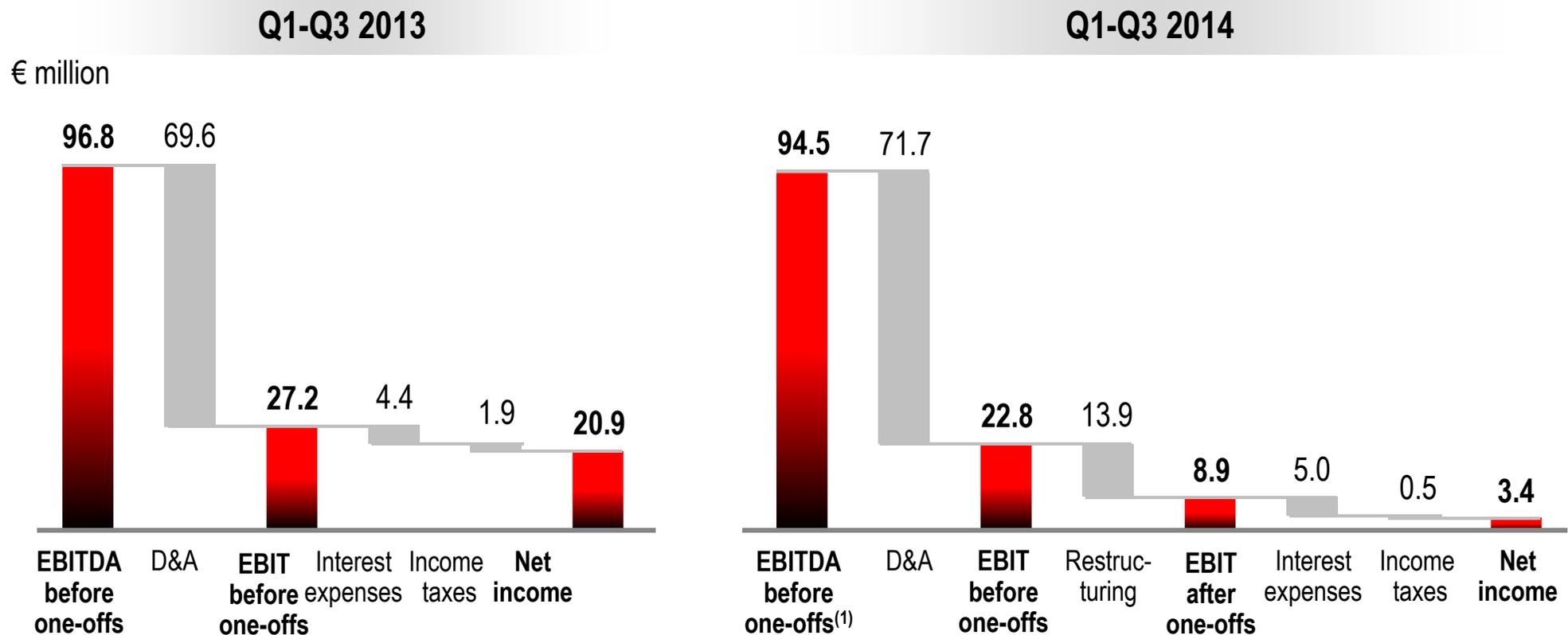


- Q3 2014 operating profit burdened with extraordinary provisions for warranty costs (€20.4 million)
- Underlying EBIT margin (before one-offs and extraordinary warranty provision) improved to 5.4% in Q3 2014

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

(1) EBIT (before one-offs) adjusted by extraordinary provisions for warranty costs at DEUTZ Compact Engines (net effect €20.4 million)

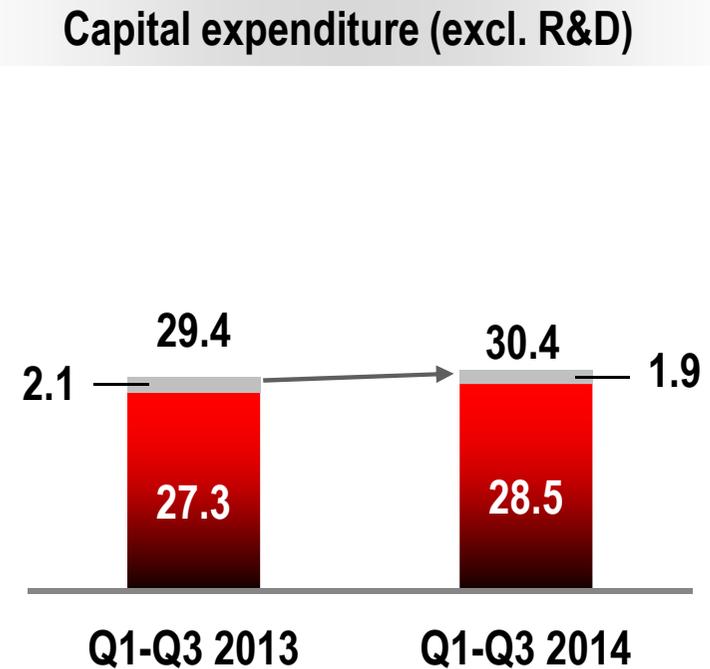
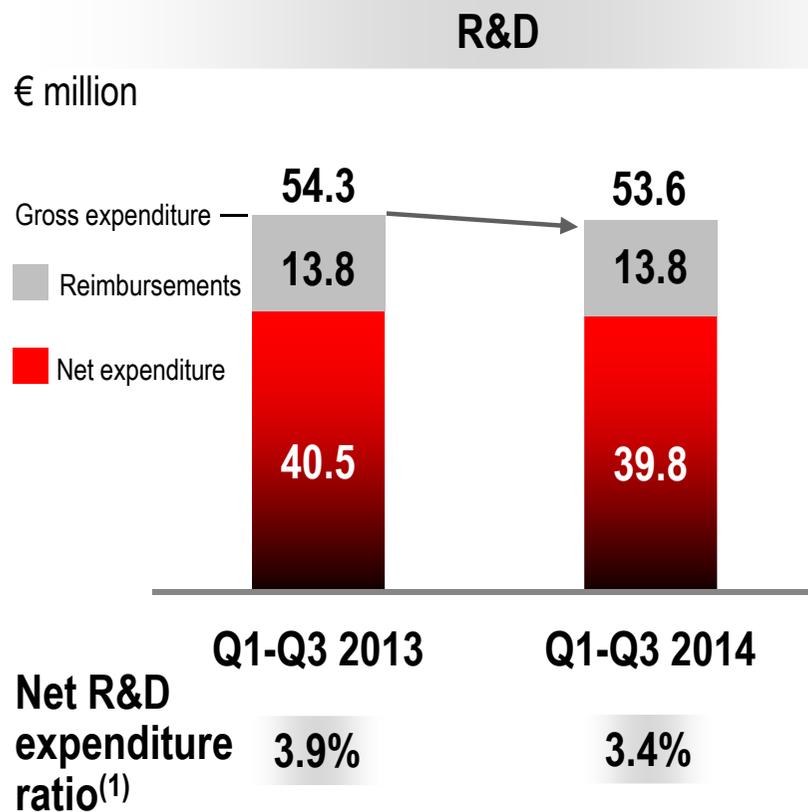
Operating profit & net income



- Profit impacted by charges for site optimisations (€13.9 million one-off) and extraordinary warranty provision (€20.4 million)
- Tax ratio and interest expenses remain at low level

(1) EBITDA (before one-offs) burdened by extraordinary provisions for warranty costs (net effect €20.4 million)

R&D spending & capital expenditure



- R&D expenditure decreased slightly; R&D ratio declined due to higher revenue
- Proportion of capitalised net R&D expenditure: €21.7 million (Q1-Q3 2013: €25.5 million)

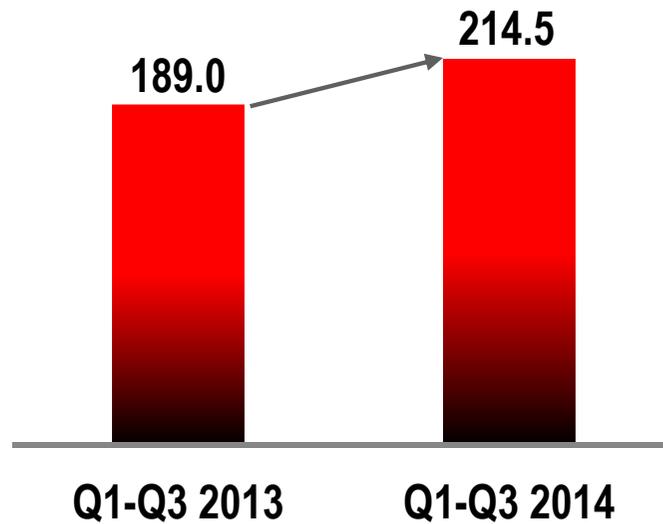
- Capital expenditure on previous year's level

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

Working capital & operating cash flow

Working capital

€ million

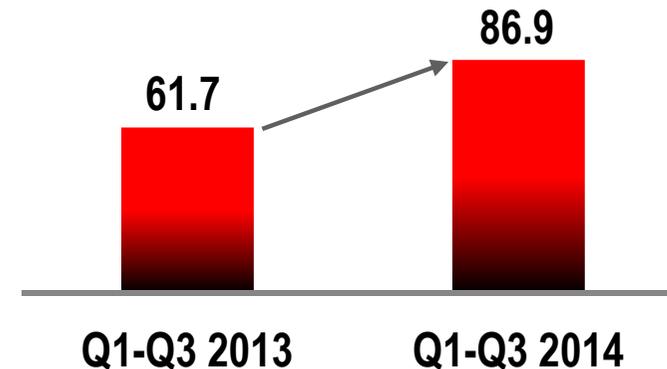


Working capital ratio (30 Sep)

13.8%

13.5%

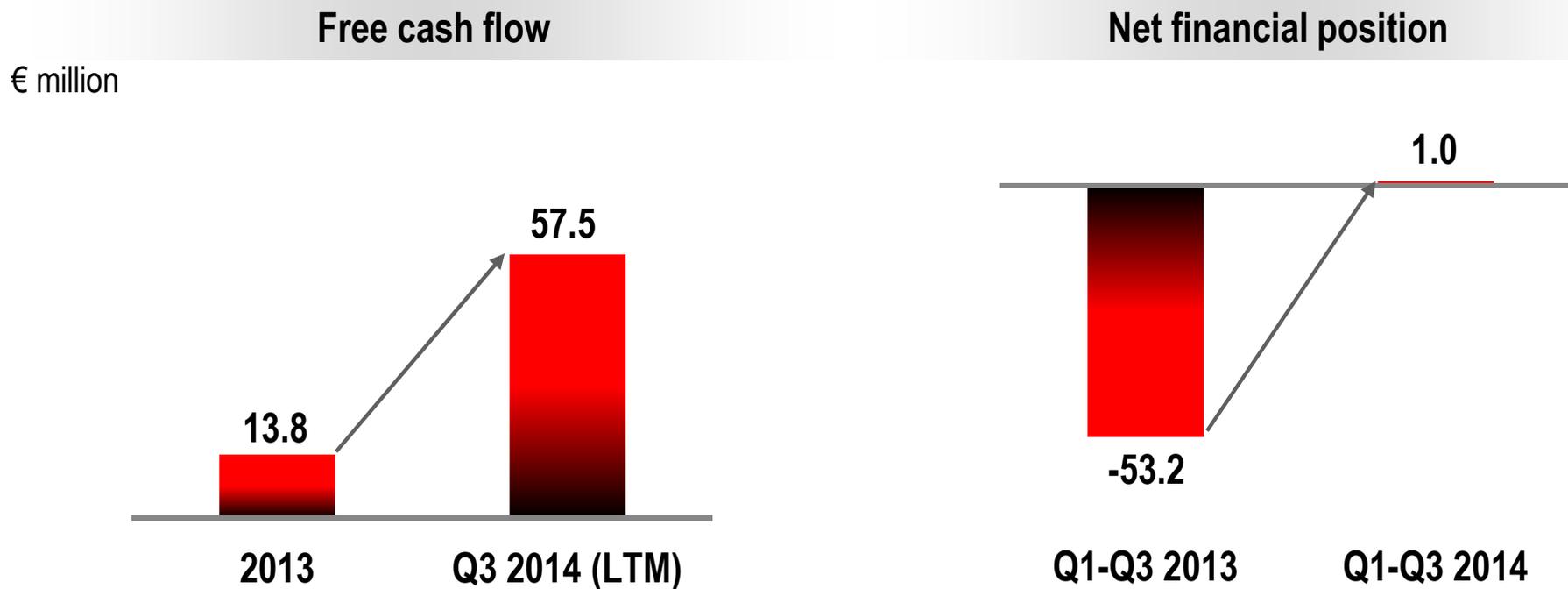
Operating cash flow



- Working capital increase attributable to higher unit sales
- Working capital ratio decreased slightly and remains at very good level

- Substantial cash flow improvement (+40.8%) due to higher operating profit after adjustment for provisions

Free cash flow generation & net financial position

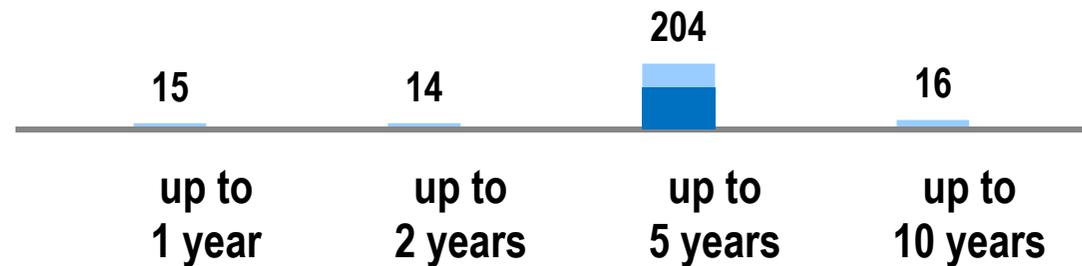
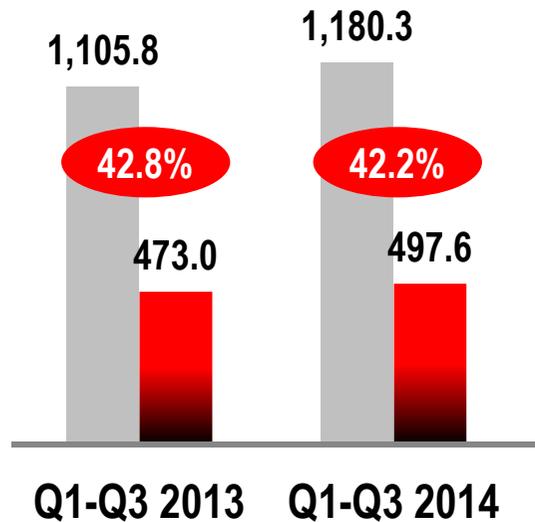


- Strong free cash flow generation on the back of strong operating cash flow

- Cash flow used to pay dividend of €8.5 million and to reduce net debt
- Positive net financial position achieved for the first time since 2009

Equity ratio & funding

€ million



■ Total assets
 ■ Equity
 xx.x% Equity ratio
 ■ Repayment schedule
 ■ Duration of credit lines

- Sound balance sheet; equity ratio >40%
- Medium- to long-term financing with undrawn facilities available:
 - Duration of €160 million credit line was extended during the current year from 2017 to 2019 at more attractive terms
 - €90 million loan from European Investment Bank repayable until July 2020

Segments: DEUTZ Compact Engines

€ million	Q1-Q3 2014	Q1-Q3 2013	Change in %
New orders	882.5	1,003.6	-12.1
Unit sales	146,524	124,002	18.2
Revenue	1,002.8	861.4	16.4
EBIT (before one-offs)	4.9	1.7	>100
Adjusted EBIT ⁽¹⁾	25.3	1.7	>100

€ million	Q3 2014	Q2 2014	Change in %
New orders	270.4	267.5	1.1
Unit sales	53,589	51,279	4.5
Revenue	368.2	347.8	5.9
EBIT (before one-offs)	-0.7	10.5	--
Adjusted EBIT ⁽¹⁾	19.7	10.5	87.6

- Operating profit burdened with extraordinary provisions for warranty costs in Q3 2014
- Significant improvement of underlying EBIT achieved
- Positive price mix effects of new emission engines more than offset by high demand for smaller engine series ahead of emission level change
- Order intake declined due to soft market environment

(1) EBIT (before one-offs) adjusted by extraordinary provisions for warranty costs (net effect €20.4 million)

Segments: DEUTZ Customised Solutions

€ million	Q1-Q3 2014	Q1-Q3 2013	Change in %
New orders	194.3	200.0	-2.8
Unit sales	8,575	10,697	-19.8
Revenue	175.1	181.7	-3.6
EBIT (before one-offs)	18.5	26.0	-28.8

€ million	Q3 2014	Q2 2014	Change in %
New orders	59.6	65.1	-8.4
Unit sales	2,431	3,343	-27.3
Revenue	56.3	62.9	-10.5
EBIT (before one-offs)	4.2	7.2	-41.7

- Q1-Q3 revenue slightly down yoy
- Operating profit declined due to lower capacity utilisation
- Order backlog of €83.6 million ensures good workload in Q4

Summary: key financial development

Double digit growth in revenue and unit sales

Operating profit burdened by extraordinary charges

Substantial improvement of underlying operating profit

Strong free cash flow generation and positive net financial position

Site optimisation measures well on track



The engine company.

- DEUTZ strategy & positioning
- Financials
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€ million	FY 2013 reported	Previous FY 2014 Guidance	New FY 2014 Guidance
Revenue	1,453.2	low double digit %-growth	~ 1,500
EBIT margin (before one-offs)	3.3 %	> 4.0 %	~ 2 %
Net R&D spending ratio⁽¹⁾	3.6 %	slight decline	slight decline
Net capex (excl. R&D)⁽¹⁾	42.5	50 - 60	< 50

(1) Net of reimbursements

- One-off effects (up to €20 million) in FY 2014 related to site optimisations

Financial calendar & contact details

- Annual report 2014 19 March 2015
- Annual general meeting 29 April 2015
- Interim report 1st quarter 2015 5 May 2015

➤ Contact details

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