

2012 financial year – power in motion

19 March 2013

Dr Helmut Leube, CEO
Dr Margarete Haase, CFO

The engine company.



Agenda

- Review FY 2012

- Outlook

- Annex

Key figures FY 2012

€ million	2012	yoy
Revenue	1,291.9	-15.5%
EBIT	38.5	-57.8%
Net income	21.0	-72.2%
Free cash flow	12.6	+162.5%
Net financial debt	48.6	-30.2%
Equity ratio (%)	46.8	+5.5%-pts

→ Stronger balance sheet and free cash flow despite challenging market environment

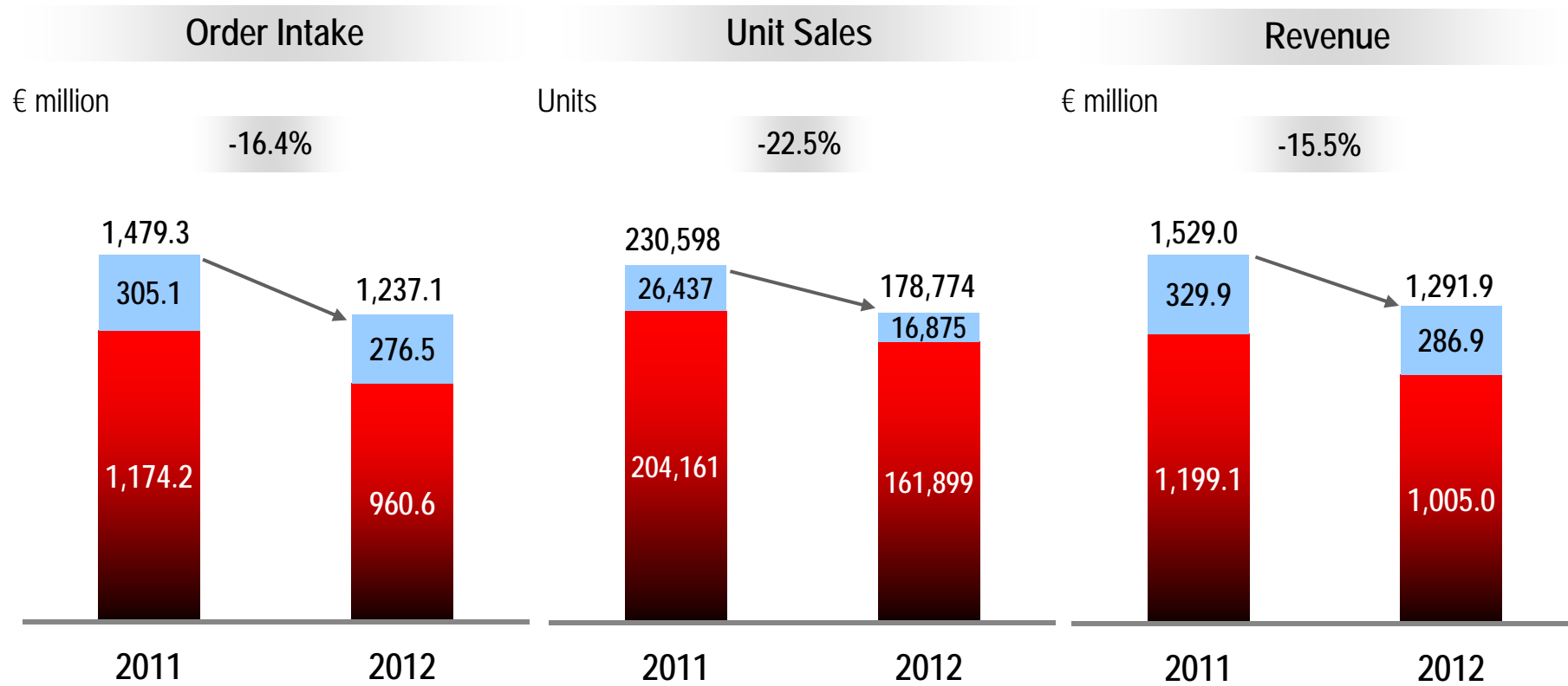
Strategic highlights

- **Cost reduction, efficiency enhancement and review of value chain**
 - Further measures to boost efficiency implemented; e.g. overhead costs reduced
 - Established structures under review, e.g. outsourcing of pipe manufacturing to optimise value chain
 - Divestment of JV Bosch Emission Systems; intensified cooperation with Bosch

- **Groundwork laid for growth**
 - Successful market launch and series start of engines for the new emission level
 - Further growth of service business also supported by network extension
 - New JV DEUTZ Engine Shandong to access additional customer segments in Asia
 - Strategic talks with AB Volvo to deepen and extend our long-standing cooperation are well advanced
 - New long-term funding secures financing of our growth projects and reduces interest expenses

- **New board member**
 - Michael Wellenzohn, responsible for sales and marketing since 1 March 2013, will strengthen new business development

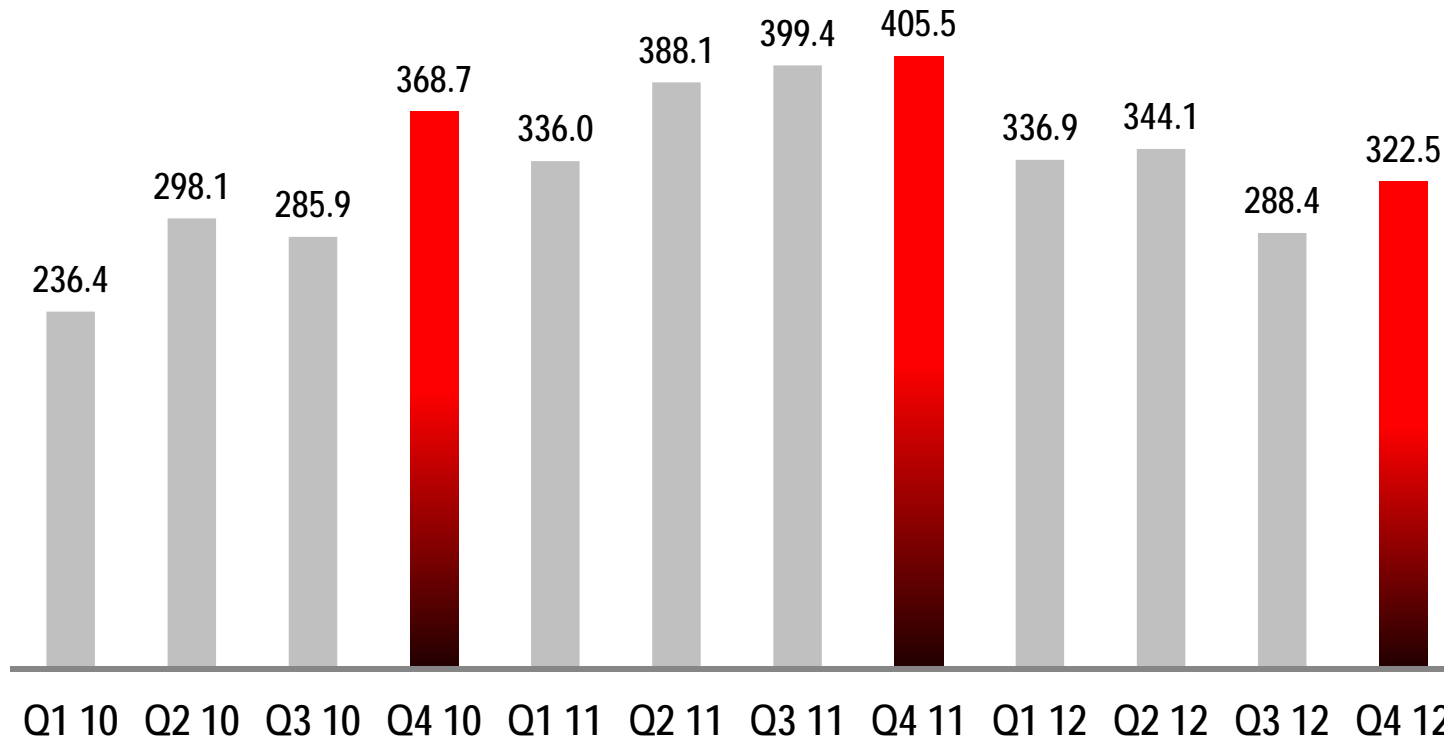
Sales figures



- Sales decline caused by weaker markets in Europe and China; improvement in Q4 vs. Q3 2012
- Revenue declined less than unit sales due to higher inherent value of new emission compliant engines
- Order intake in Q4 (€276.6 million) improved by 6.6% vs. Q3 2012
- Orders on hand amount to €173.0 million (-25.1% yoy)

Revenue development

€ million

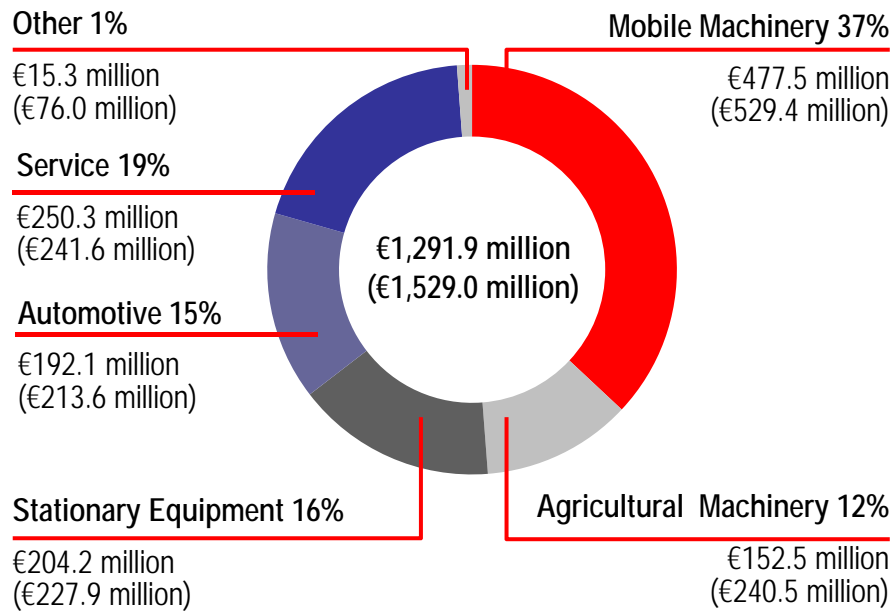


- In 2011, DEUTZ achieved a revenue record level
- Economic slowdown diminished demand in the course of 2012

Revenue split

Revenue split by application, 2012

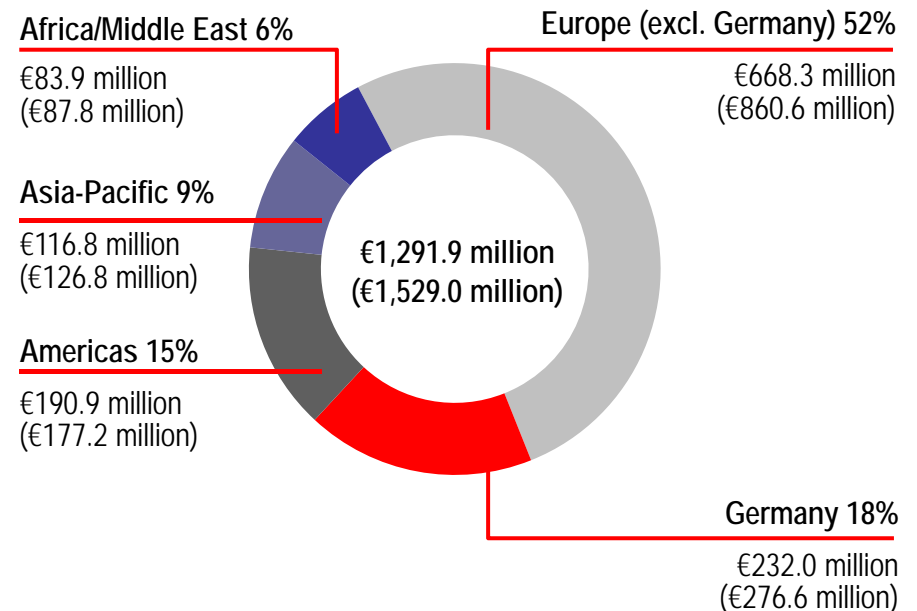
(2011)



- Agricultural Machinery (-36.6% yoy) affected by economic downturn, slow production start at key clients and engine pre-buys in 2011
- Service business with 3.6% growth yoy

Revenue split by region, 2012⁽¹⁾

(2011)



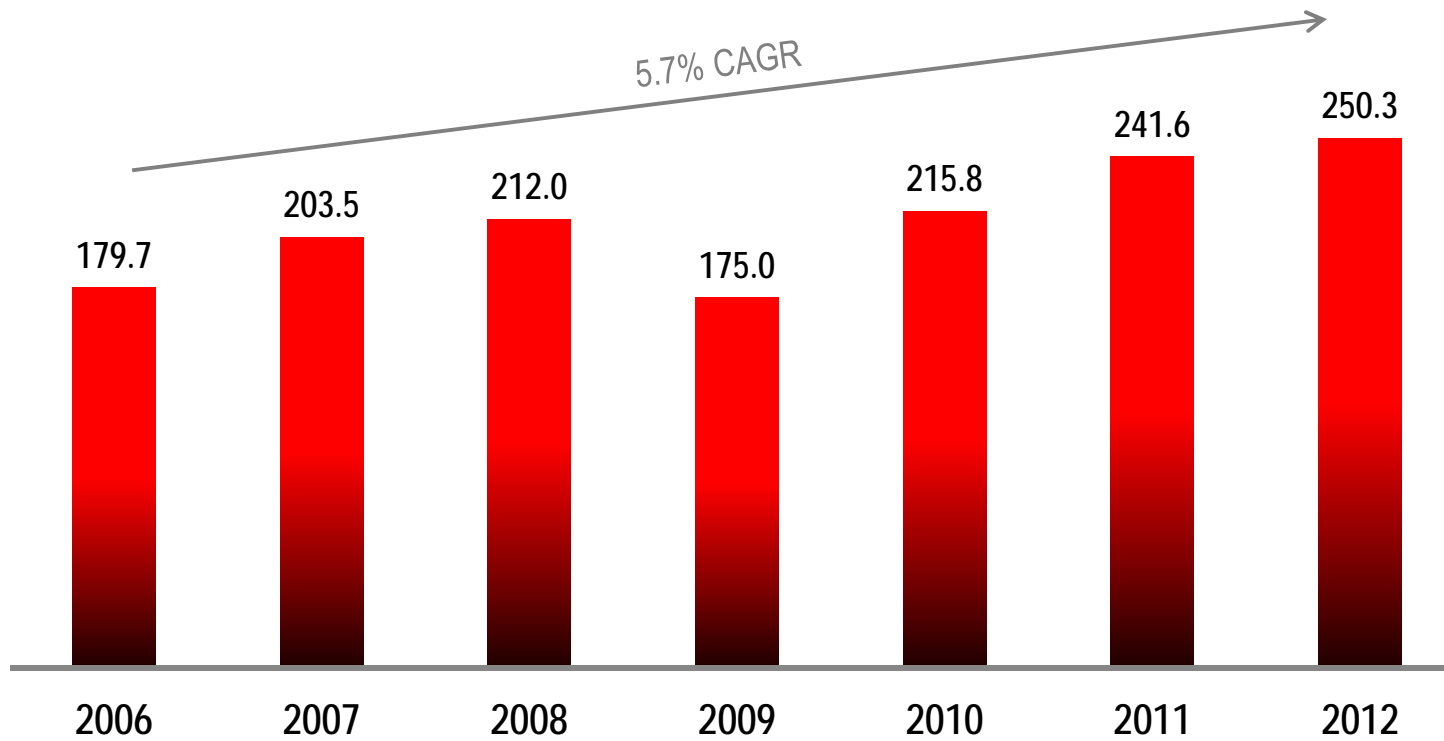
- Higher revenue in Americas (+7.7% yoy)
- Revenue declined by 19.7% yoy in EMEA
- Exposure to Southern European countries⁽²⁾ amounts to approx. 5% of FY 2012 group revenues

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

(2) Exposure refers mainly to Italy and Spain. Figure also includes Portugal and Greece

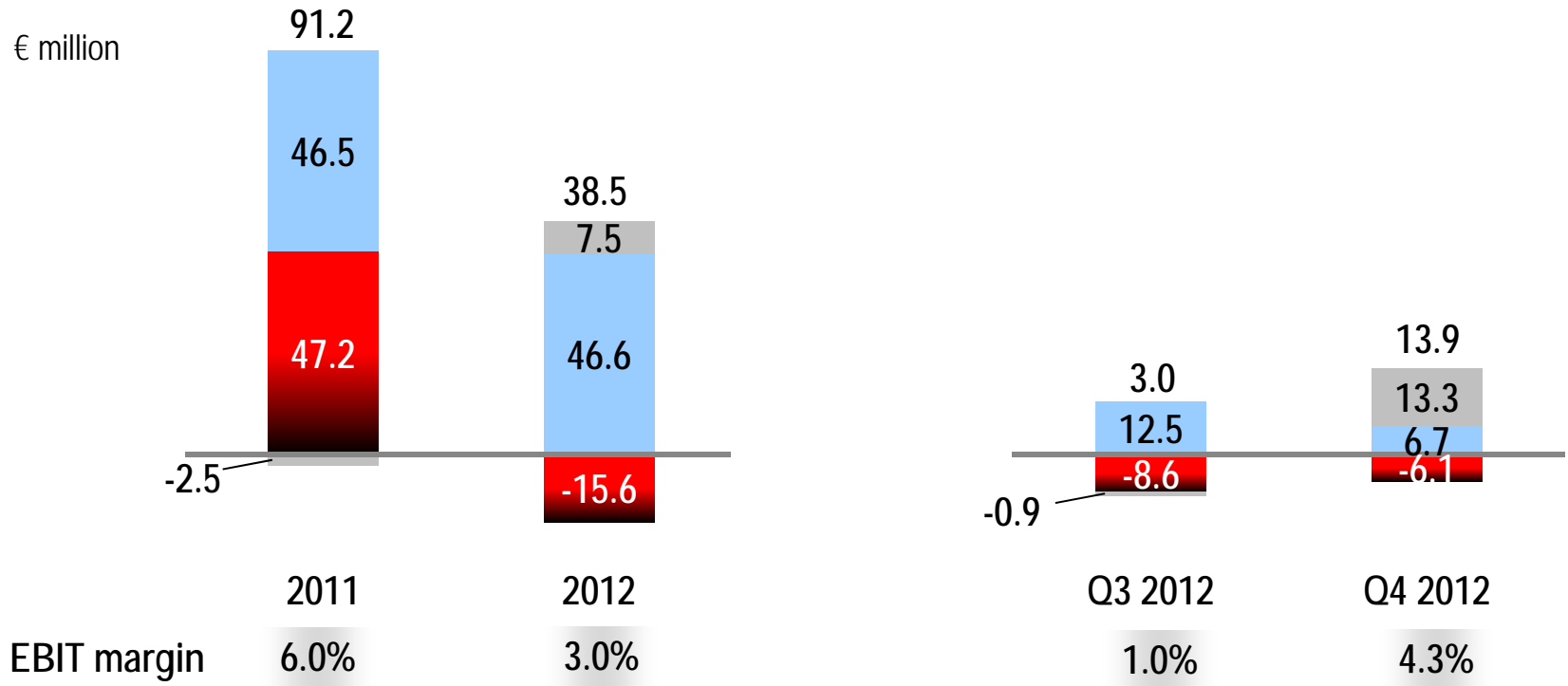
Service business revenue

€ million



- Further growth of service business supported by network extension (e.g. Madrid and Moscow)
- Profitable service business less exposed to economic cycles

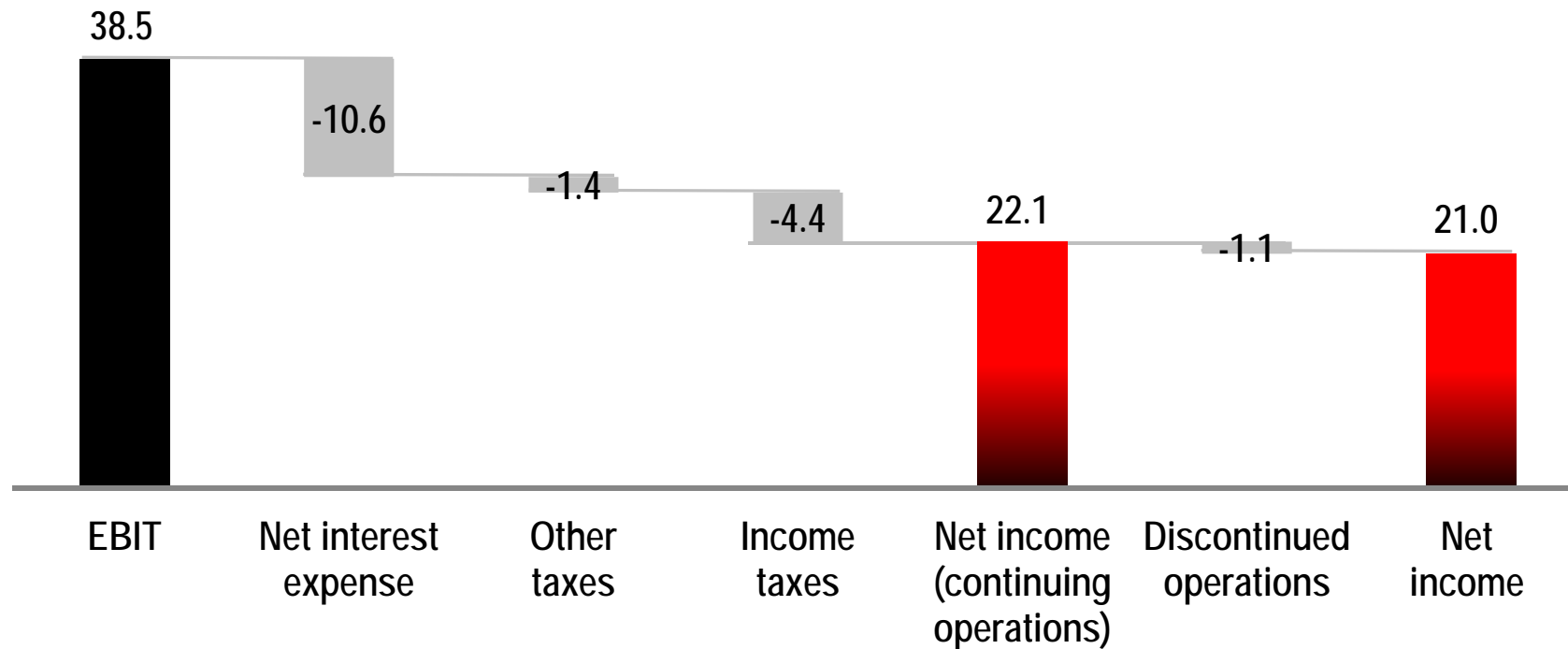
EBIT



- Profitability mainly impacted by volume decline; improvement in Q4
- Profit contribution of Joint Ventures was a burden for EBIT in 2012
- Series start of new engines, higher depreciation and ramp-up cost of growth projects impacted EBIT margin
- Sale proceeds of minority stake in JV Bosch Emission Systems realised in Q4 2012 (reported in "Other" segment)
- Maintenance-induced production line outage in Q1 and an impairment in Q4 with negative effect on profitability
- Further measures to reduce costs and improve earnings implemented

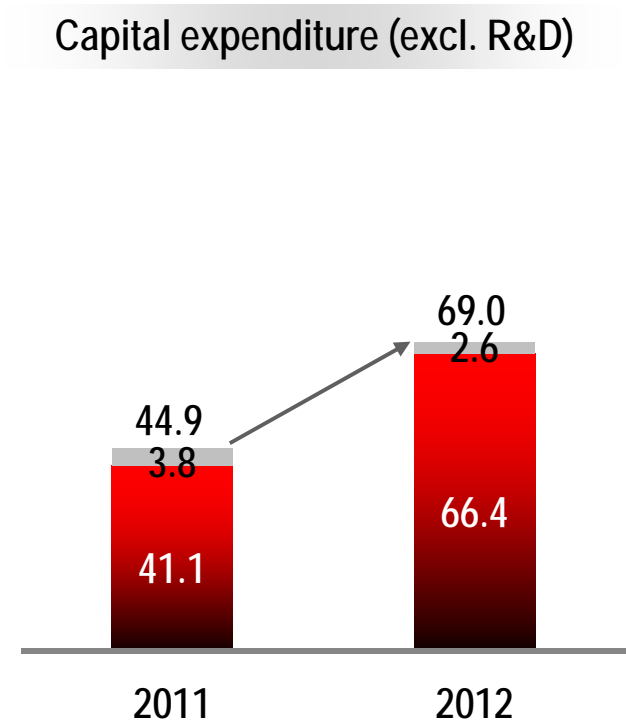
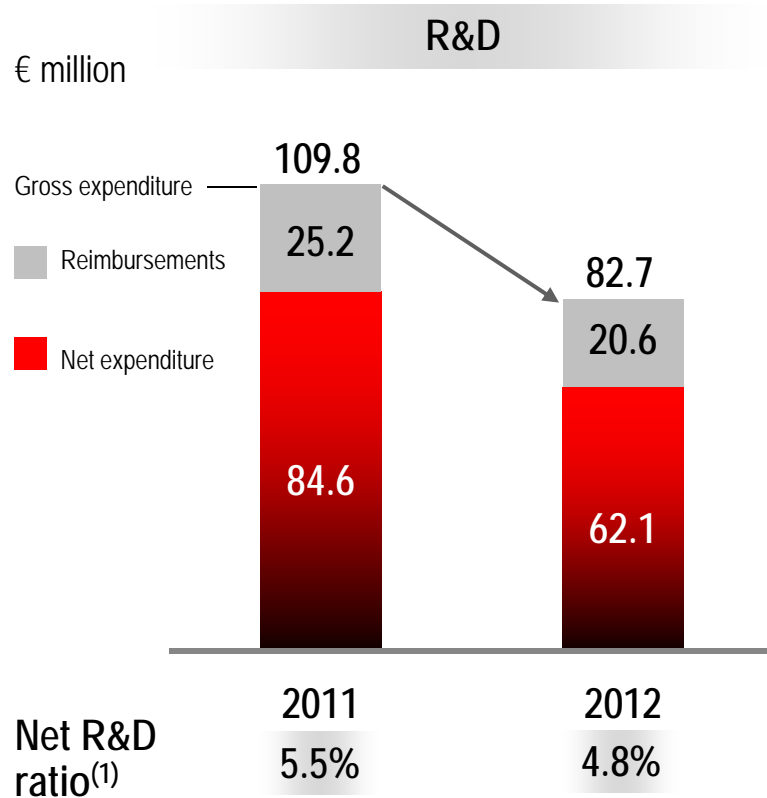
Net income 2012

€ million



- Net income decreased in 2012 to €21.0 million (FY 2011: €75.5 million)
- New funding arranged at mid-year with positive effect on interest expenses
- Effective tax rate remains at a low level due to significant tax loss carry forward

R&D spending and capital expenditure

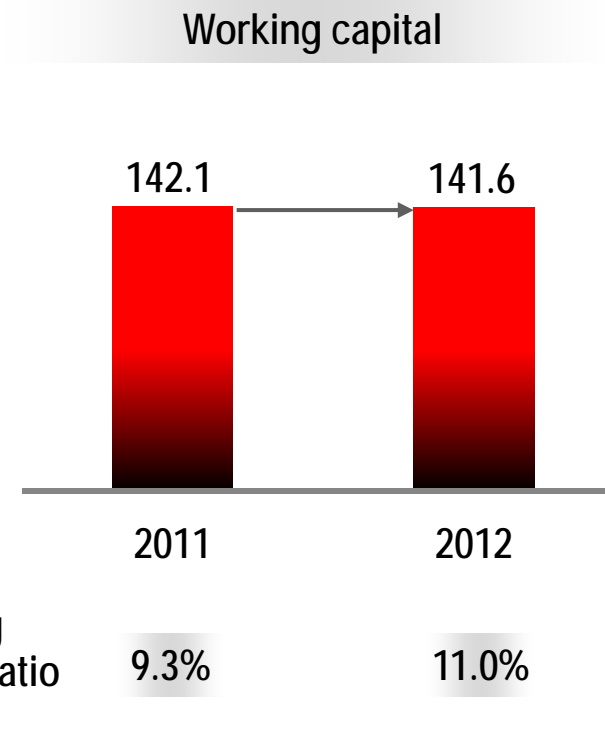
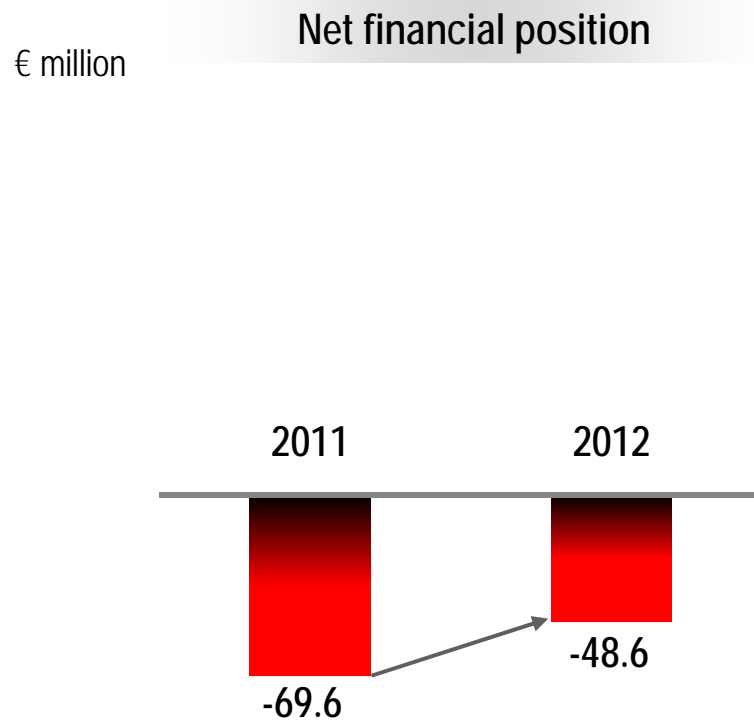


- R&D spending scaled back according to plan due to successful market launch of engines for new emission standard
- Proportion of capitalised net R&D expenditure: €44.2 million (FY 2011: €61.6 million)

- Increase of capital expenditure (after reimbursements) by €25.3 million mainly caused by series start of new engines

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

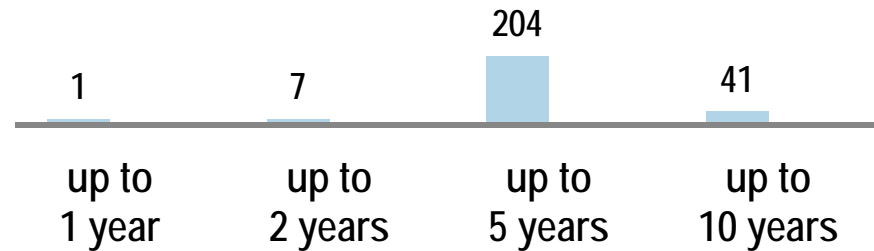
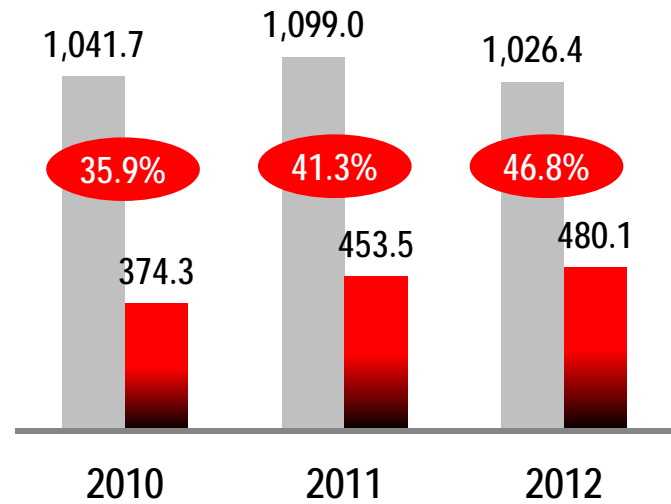
Net financial position and working capital



- Net financial position improved by €21.0 million yoy
- Free cash flow €12.6 million (FY 2011: €4.8 million)
- Cash and cash equivalents at 31 Dec 2012 amount to €52.1 million (2011: €51.6 million)
- Working capital at previous year level
- Increase of working capital ratio due to lower revenue

Financial position and funding

€ million



■ Total assets ■ Equity xx.x% Equity ratio

■ Repayment schedule (residual term)

- New unsecured credit line of €160 million runs until June 2017
- Unsecured low-interest loan from European Investment Bank (€90 million) repayable over a period of eight years with a grace period of two years
- Former funding arrangements were replaced early July 2012
- New funding secures mid- to long-term funding of growth projects
- Sound balance sheet; equity ratio advanced to 46.8%

Overview of segments: DEUTZ Compact Engines

€ million	2012	2011	Change in %
New orders	960.6	1,174.2	-18.2
Unit sales	161,899	204,161	-20.7
Revenue	1,005.0	1,199.1	-16.2
EBIT	-15.6	47.2	<-100.0

€ million	Q4 2012	Q3 2012	Change in %
New orders	214.0	197.8	8.2
Unit sales	42,882	34,406	24.6
Revenue	252.5	217.7	16.0
EBIT	-6.1	-8.6	29.1

- In the Americas (+26.9% yoy), sales improved significantly, whereas revenue declined in EMEA (-20.6% yoy) and Asia/Pacific (-22.1% yoy)
- Positive mix effects due to higher inherent value of new engines
- Service business revenue increased by 8.0% yoy
- In FY 2012, EBIT declined due to lower production volumes and negative contributions to earnings from our Chinese JVs. In addition, the ramp up situation of new engines and higher depreciation impacted earnings
- Revenue and unit sales in Q4 with significant improvement over Q3 2012

Overview of segments: DEUTZ Customised Solutions

€ million	2012	2011	Change in %
New orders	276.5	305.1	-9.4
Unit sales	16,875	26,437	-36.2
Revenue	286.9	329.9	-13.0
EBIT	46.6	46.5	0.2

€ million	Q4 2012	Q3 2012	Change in %
New orders	62.6	61.7	1.5
Unit sales	3,671	3,962	-7.3
Revenue	70.0	70.7	-1.0
EBIT	6.7	12.5	-46.4

- Revenue declined by 13.0% in 2012
- Regional sales: Asia-Pacific +8.5%, Americas -26.3% and EMEA -15.1%
- Operating profit (EBIT) at prior year-level even though market conditions have worsened. Positive mix effects and improved profitability compensated for lower unit sales
- EBIT in Q4 burdened by impairment of capitalised R&D (€5.7 million) due to improvement of a technical concept

Summary: key development

Groundwork laid for growth

Well advanced strategic talks with AB Volvo to extend cooperation

Further measures to improve profitability implemented

Ramp-up phase of new engines

Decline of R&D expenses; amortisation increased

Positive free cash flow

Sound balance sheet



The engine company.

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Financial outlook

€ million	FY 2012 reported	Guidance FY 2013
Revenue	1,291.9	> 1,400
EBIT margin (%)	3.0	> 3.0
Net R&D expenditure ⁽¹⁾	62.1	~ 55
Net capex (excl. R&D) ⁽¹⁾	66.4	60 - 70

(1) Net of reimbursements

- Results improvement expected in FY 2013
- Order intake in Q1 2013 will be better than in Q4 2012. Thus, order intake up for 6 months

Unit sales assumptions for DEUTZ key markets

		2013
Mobile Machinery		
	Europe	sideways
	North America	0 – 10%
	China	> 10%
Agricultural Machinery		
	Europe	sideways
Automotive		
	Europe	sideways
	China	> 10%

- Challenging market conditions in Europe expected to continue
- Revenue will grow faster than unit sales due to higher inherent value of new engines

Q&A

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Summary of key financials (I)

€ million	2012	2011	Change (%)
Revenue	1,291.9	1,529.0	-15.5
EBITDA	123.1	160.3	-23.2
EBIT	38.5	91.2	-57.8
EBIT margin (%)	3.0	6.0	--
Net attributable income	21.0	75.5	-72.2
Basic earnings per share (€)	0.17	0.62	-72.6
Number of employees (31 December)	3,991	4,060	-1.7

Summary of key financials (II)

€ million	2012	2011	Change (%)
Total assets	1,026.4	1,099.0	-6.6
Equity	480.1	453.5	5.9
Equity ratio (%)	46.8	41.3	--
Cash flow from operating activities	104.9	120.0	-12.6
Free cash flow	12.6	4.8	>100.0
Net financial position	-48.6	-69.6	30.2
Working capital (31 December)	141.6	142.1	-0.4

Income statement

€ million	2012	2011	Change (%)
Revenue	1,291.9	1,529.0	-15.5
Changes in inventories and other own work capitalised	37.0	44.7	-17.2
Other operating income	52.5	37.5	40.0
Cost of materials	-862.9	-1,021.1	-15.5
Staff costs	-268.0	-276.8	-3.2
Depreciation and amortisation	-84.6	-69.1	22.4
Other operating expenses	-113.5	-154.5	-26.5
Profit/loss on equity-accounted investments and other investment income	-13.9	1.5	<-100.0
EBIT	38.5	91.2	-57.8
Net interest expense	-10.6	-13.4	-20.9
Other taxes	-1.4	-1.3	7.7
Net income before taxes on continuing operations	26.5	76.5	-65.4
Income taxes	-4.4	-7.8	-43.6
Net income on continuing operations	22.1	68.7	-67.8
Net income on discontinued operations	-1.1	6.8	<-100.0
Net income	21.0	75.5	-72.2
thereof attributable to the shareholders of the parent	21.0	75.5	-72.2
thereof attributable to non-controlling interests	0.0	0.0	0.0

Balance sheet: assets

€ million	31 Dec 2012	31 Dec 2011	Change (%)
Non-current assets (excluding deferred tax assets)	621.3	623.1	-0.3
Deferred tax assets	17.9	17.2	4.1
Inventories	184.4	187.6	-1.7
Trade receivables	116.1	163.6	-29.0
Other receivables and assets	32.8	55.5	-40.9
Cash and cash equivalents	52.1	51.6	1.0
Non-current assets classified as held for sale	1.8	0.4	>100.0
Total assets	1,026.4	1,099.0	-6.6

Balance sheet: equity and liabilities

€ million	31 Dec 2012	31 Dec 2011	Change (%)
Equity	480.1	453.5	5.9
Provisions for pensions and other post-retirement benefits	141.6	148.5	-4.6
Deferred tax provisions	3.2	2.8	14.3
Other provisions	25.4	29.3	-13.3
Financial liabilities	99.6	119.3	-16.5
Other liabilities	5.0	4.4	13.6
Non-current liabilities	274.8	304.3	-9.7
Provisions for pensions and other post-retirement benefits	15.4	15.6	-1.3
Other provisions / provisions for income taxes	43.8	43.2	1.4
Financial liabilities	1.1	1.9	-42.1
Trade payables	158.9	209.1	-24.0
Other liabilities	52.3	71.4	-26.8
Current liabilities	271.5	341.2	-20.4
Total equity and liabilities	1,026.4	1,099.0	-6.6

Cash flow statement (condensed)

€ million	2012	2011
EBIT	38.5	91.2
Cash flow from operating activities (total)	104.9	120.0
Capital expenditure on intangible assets, property, plant and equipment and investments	-104.0	-103.0
Proceeds from the sale of non-current assets	22.6	0.7
Cash flow from investing activities (total)	-81.4	-102.3
Cash flow from financing activities	-22.2	-34.1
Change in cash and cash equivalents	1.3	-16.4

Overview of segments, 2012

New orders (€ million)	2012	2011	Change (%)
DEUTZ Compact Engines	960.6	1,174.2	-18.2
DEUTZ Customised Solutions	276.5	305.1	-9.4
Total for operating activities	1,237.1	1,479.3	-16.4

Revenue (€ million)	2012	2011	Change (%)
DEUTZ Compact Engines	1,005.0	1,199.1	-16.2
DEUTZ Customised Solutions	286.9	329.9	-13.0
Total for operating activities	1,291.9	1,529.0	-15.5
Germany	18.0%	18.1%	--
Export	82.0%	81.9%	--

Unit sales	2012	2011	Change (%)
DEUTZ Compact Engines	161,899	204,161	-20.7
DEUTZ Customised Solutions	16,875	26,437	-36.2
Total for operating activities	178,774	230,598	-22.5

EBIT (€ million)	2012	2011	Change (%)
DEUTZ Compact Engines	-15.6	47.2	<-100.0
DEUTZ Customised Solutions	46.6	46.5	0.2
Other	7.5	-2.5	>100.0
Total for operating activities	38.5	91.2	-57.8

Overview of segments, Q4 2012

	Q4 2012	Q4 2011	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	214.0	236.9	-9.7
DEUTZ Customised Solutions	62.6	72.6	-13.8
Total for operating activities	276.6	309.5	-10.6

	Q4 2012	Q4 2011	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	252.5	319.3	-20.9
DEUTZ Customised Solutions	70.0	86.2	-18.8
Total for operating activities	322.5	405.5	-20.5
Germany	19.4%	14.8%	--
Export	80.6%	85.2%	--

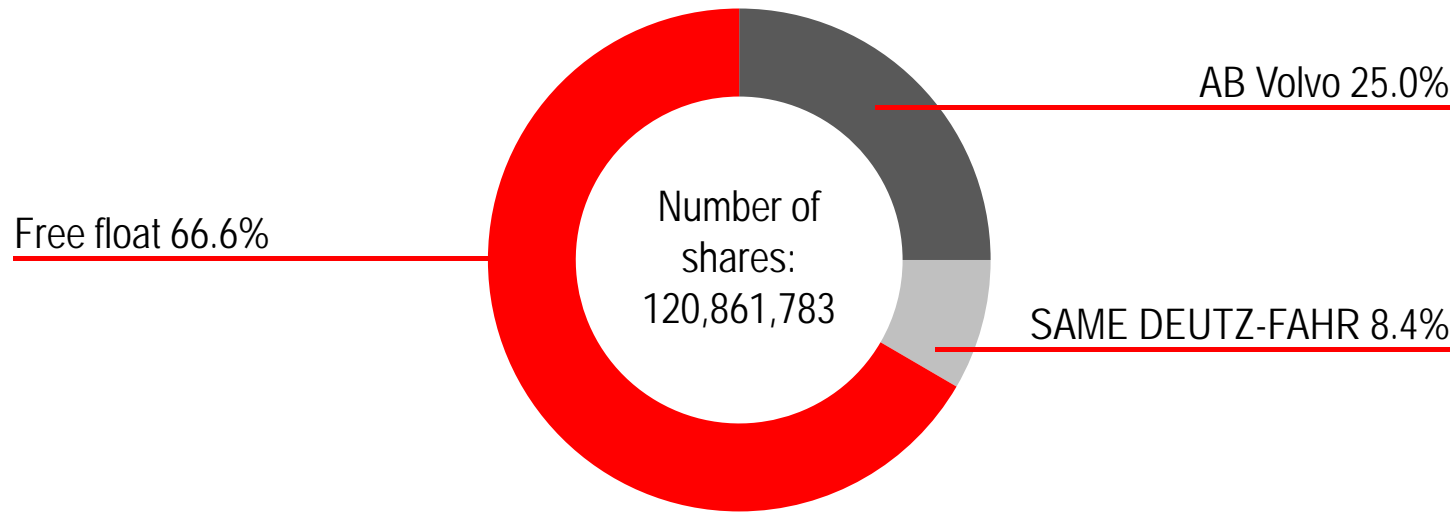
	Q4 2012	Q4 2011	Change (%)
Unit sales			
DEUTZ Compact Engines	42,882	54,946	-22.0
DEUTZ Customised Solutions	3,671	7,144	-48.6
Total for operating activities	46,553	62,090	-25.0

	Q4 2012	Q4 2011	Change (%)
EBIT (€ million)			
DEUTZ Compact Engines	-6.1	10.8	<-100.0
DEUTZ Customised Solutions	6.7	11.7	-42.7
Other	13.3	-0.7	>100.0
Total for operating activities	13.9	21.8	-36.2

Employees

	31 Dec 2012	31 Dec 2011	Change (%)
Cologne	2,489	2,561	-2.8
Ulm	413	471	-12.3
Other German operations	287	293	-2.0
Germany	3,189	3,325	-4.1
Foreign operations	802	735	9.1
DEUTZ Group	3,991	4,060	-1.7

Shareholder structure



Share key data

WKN	630500
ISIN	DE0006305006
Reuters symbol	DEZG.DE
Bloomberg symbol	DEZ:GR

Financial calendar & contact details

- | | | |
|--|---------|-----------------|
| ■ Annual General Meeting | Cologne | 30 April 2013 |
| ■ Interim report 1 st quarter 2013 | | 8 May 2013 |
| ■ Interim report 1 st half 2013 | | 8 August 2013 |
| ■ Interim report 1 st to 3 rd quarter 2013 | | 7 November 2013 |

➤ 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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