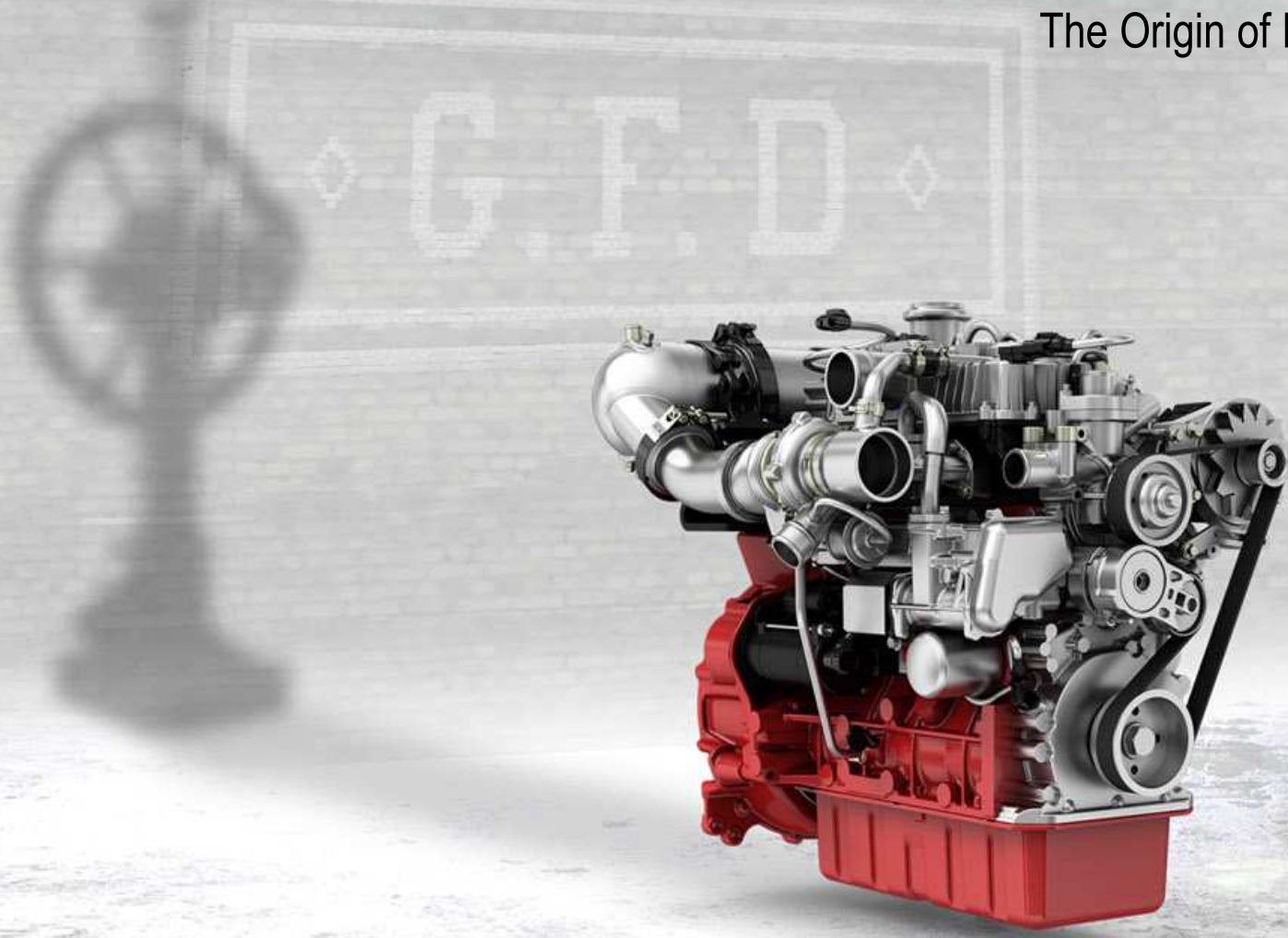


The Origin of HighTech.



Investor presentation

August 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

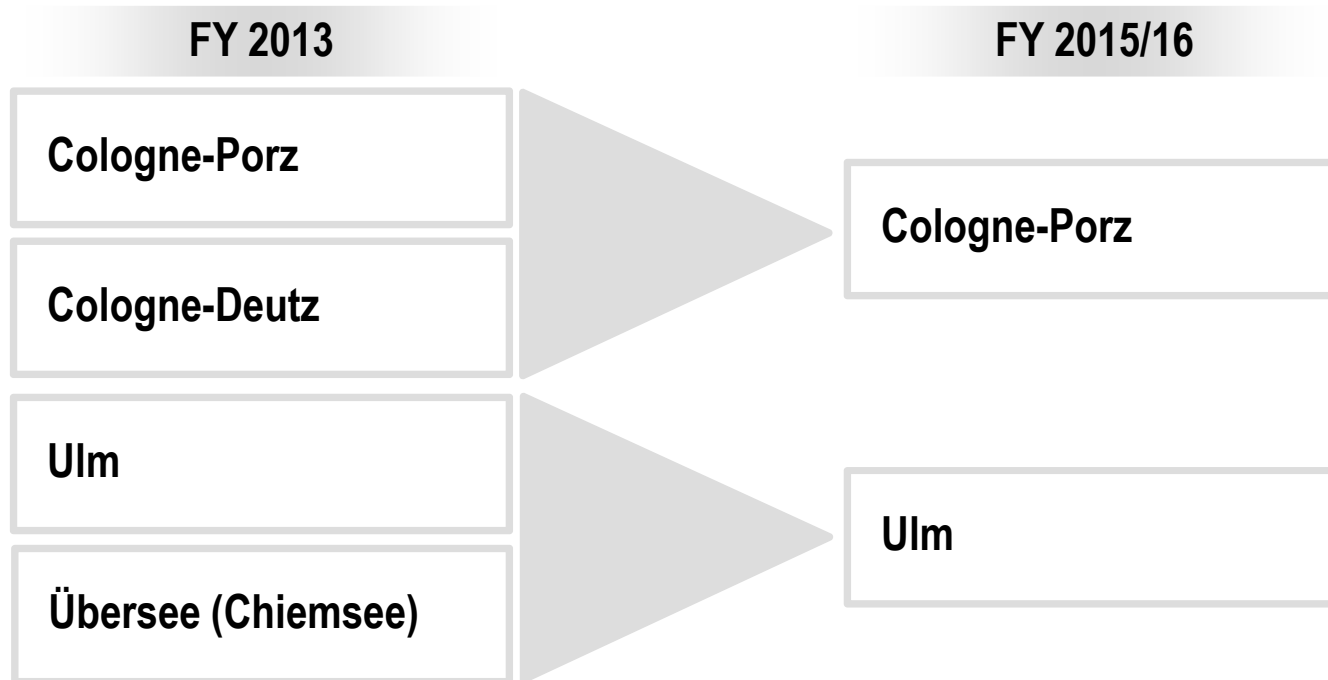


- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines over 8 litres for all applications
- Remanufactured (Xchange) engines for all DEUTZ engine series

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









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

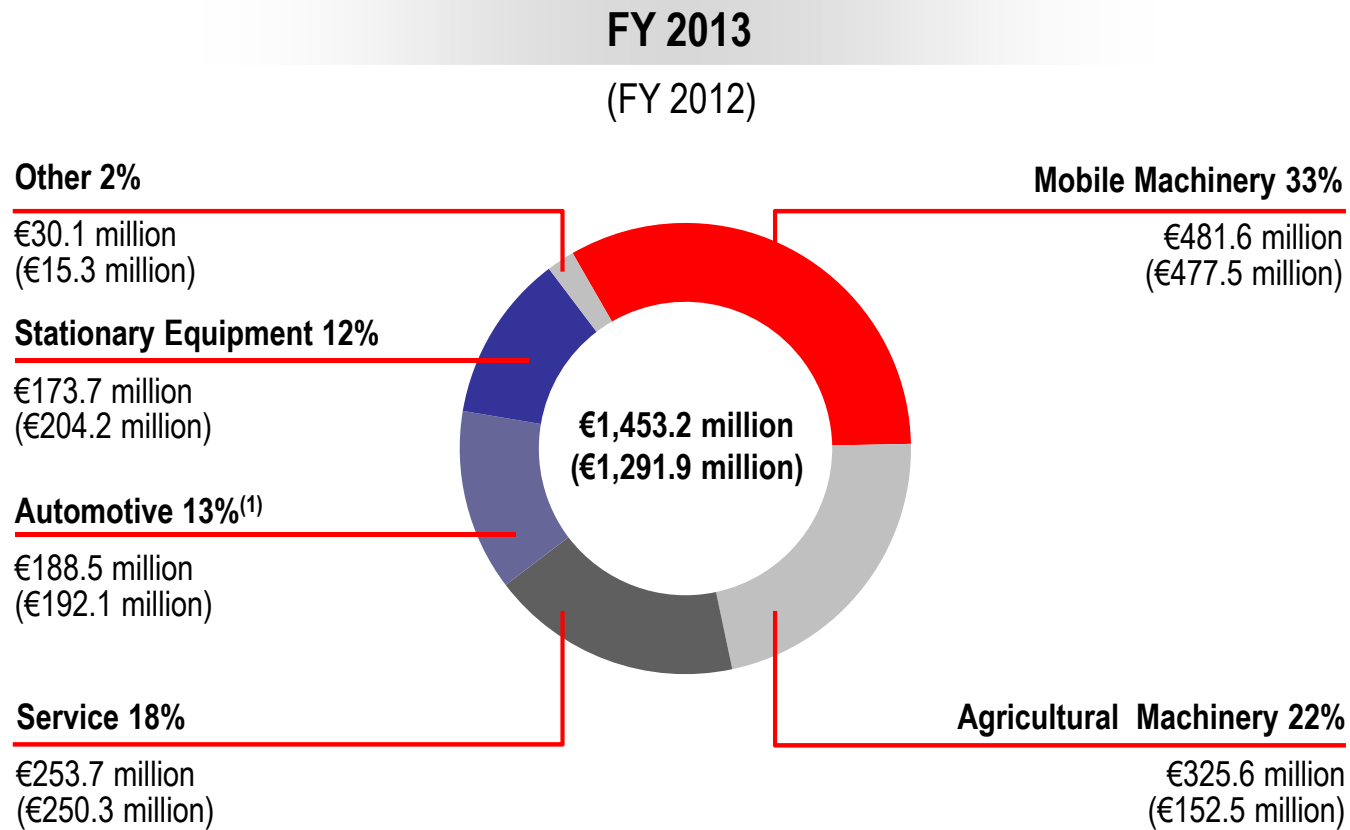
➔ Product offensive is paying off

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

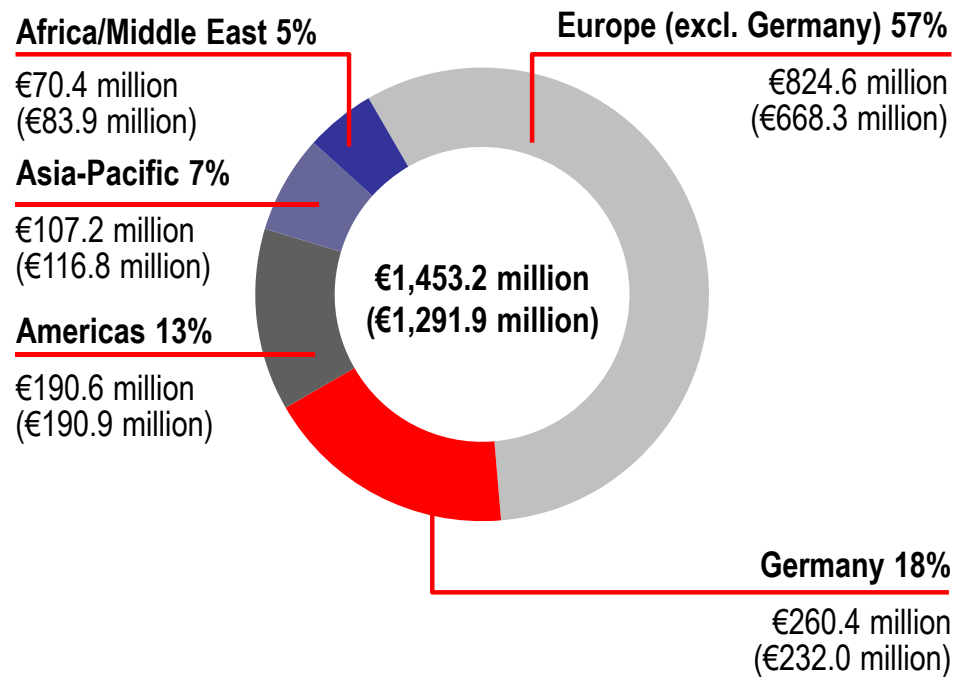


(1) In 2013, the pro-forma revenue share of the Automotive business incl. at equity consolidated Joint Ventures was 23%, i.e. 10%-points higher than in the consolidated financial statements (IFRS).

Revenue split by region

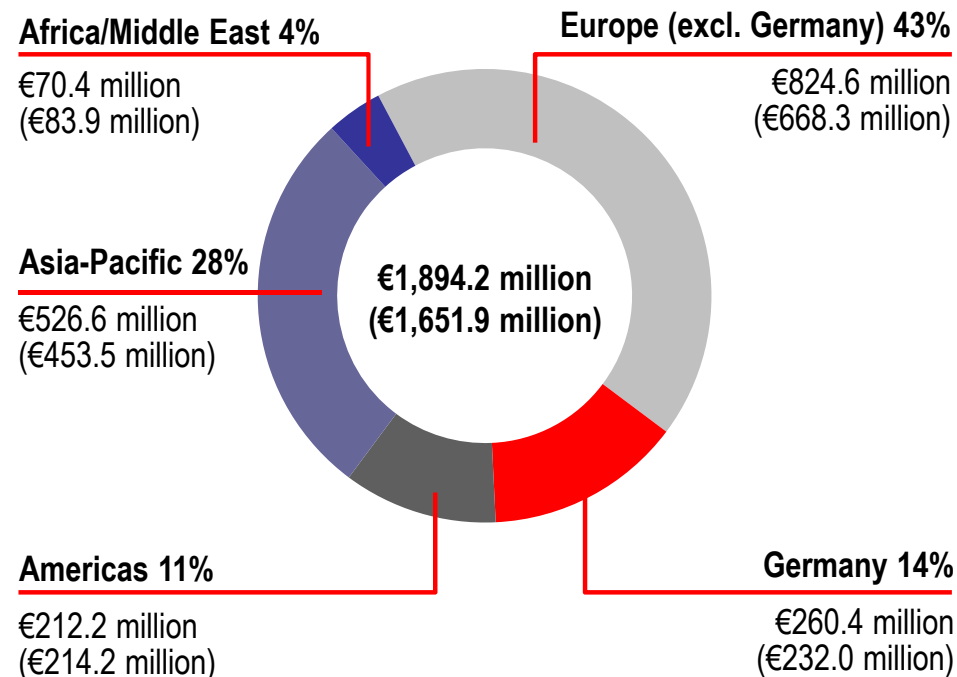
FY 2013⁽¹⁾

(FY 2012)



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

(FY 2012)

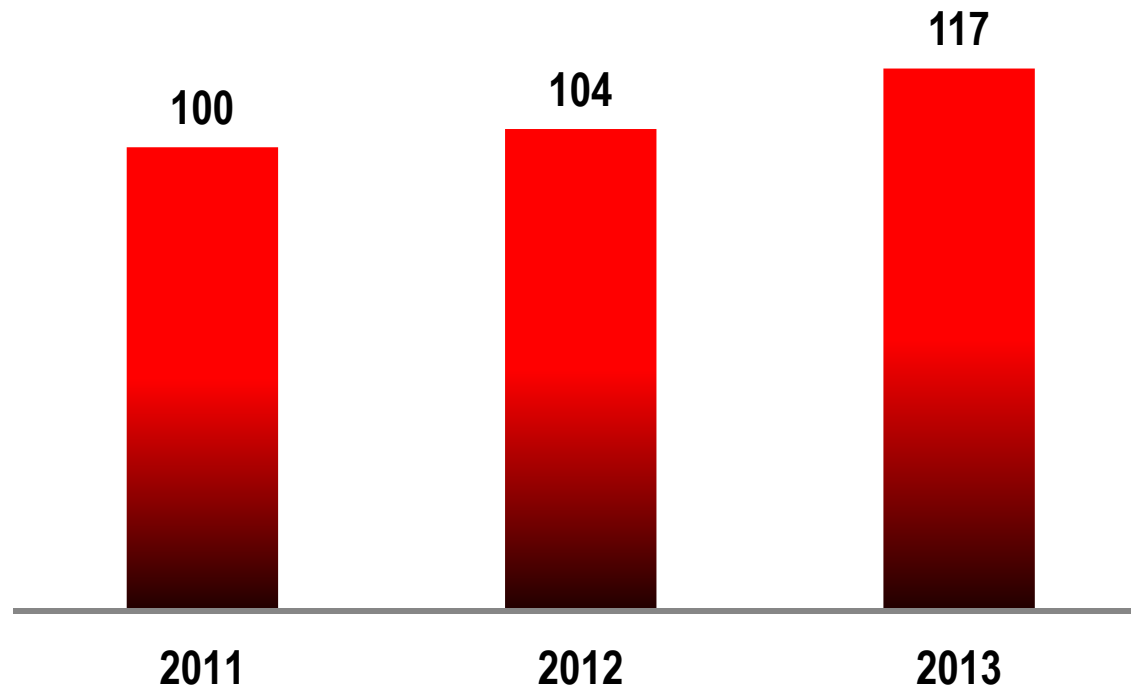


(1) Consolidated financial statements (IFRS); regions assigned by place of business of our customer

(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)

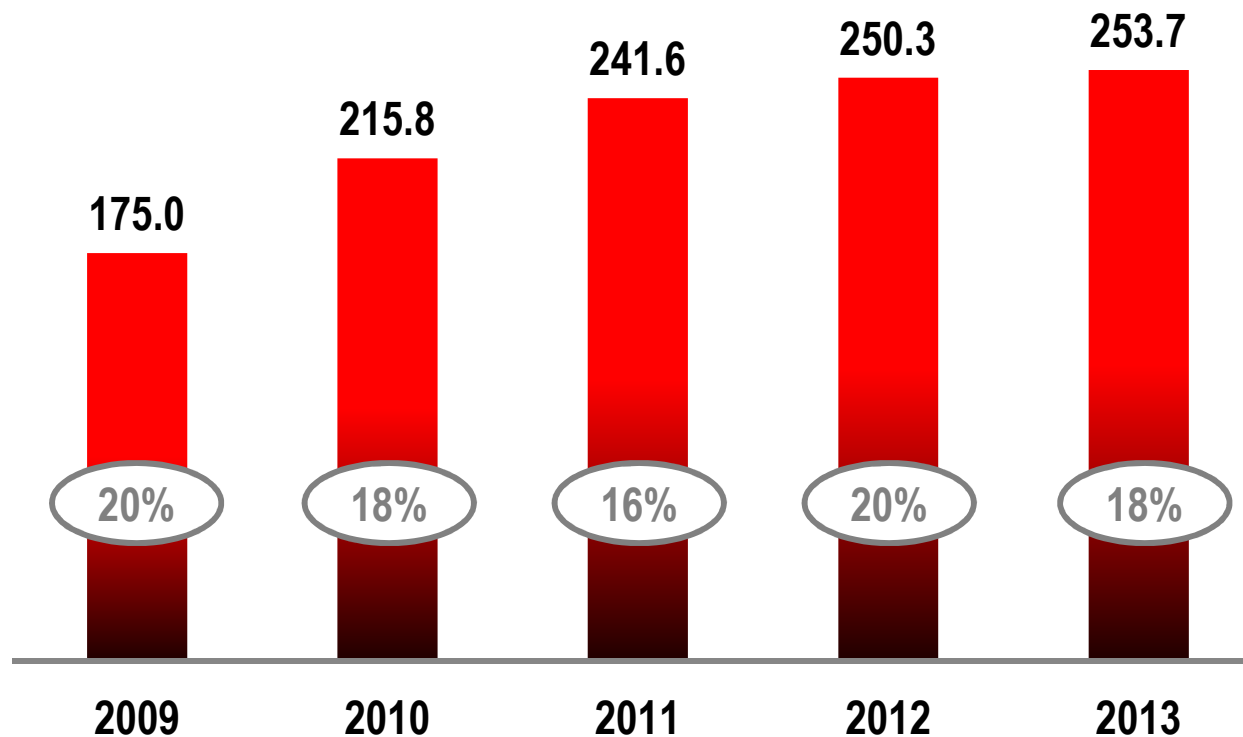


- Tier 4 systems require exhaust aftertreatment devices
- Growing share of new emission engines drives revenue growth
- Positive price mix effects are expected to continue in the next years. Effect diluted by strong demand for smaller engines in 2014

→ 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⁽¹⁾

DEUTZ Dalian (DDE)

- Joint venture with FAW Group
- 50-50 JV (at-equity consolidation)
- Revenue FY 2013: €319m (+30% yoy)
- Production of 3-8 litre 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
- Status: JV founded; major investments yet to be made

- 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
- Sales and service company in Beijing, new sales office opened in Shanghai, dealer network across China

→ Organic growth strategy together with key customers

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

- DEUTZ strategy & positioning

- **Financials**

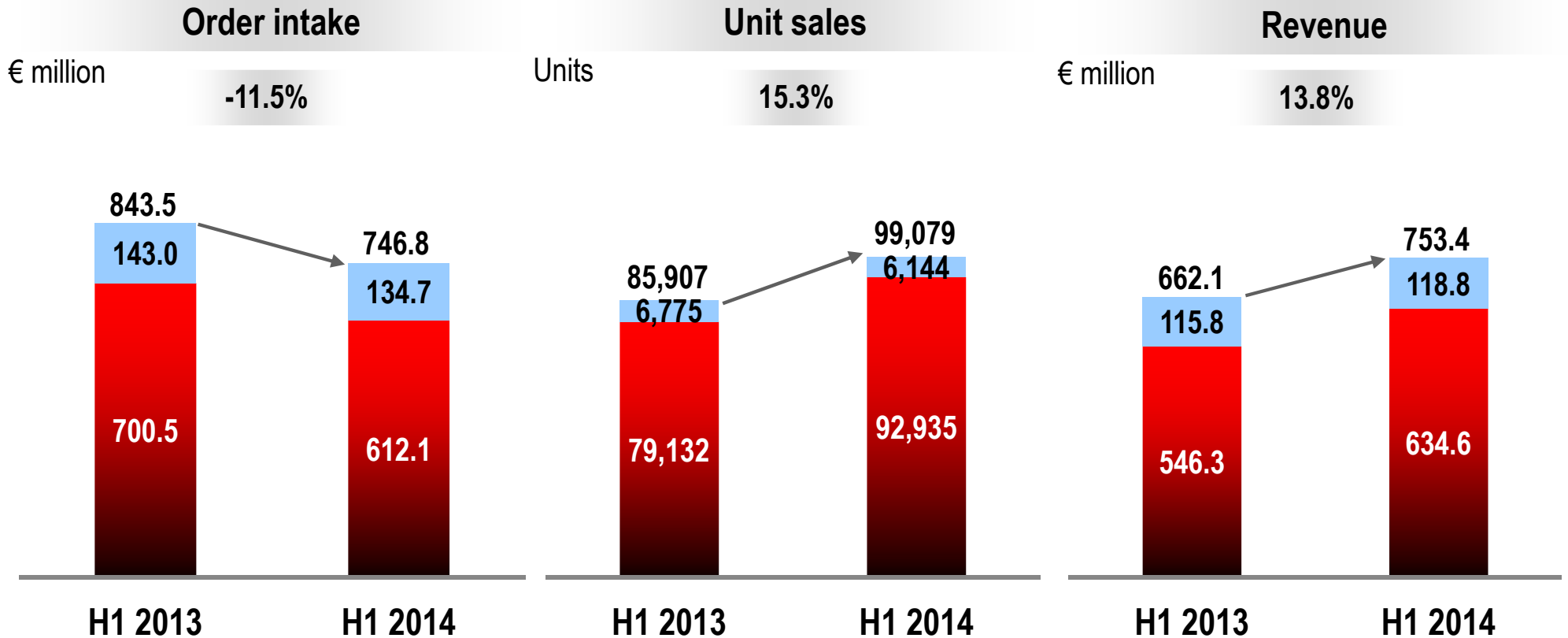
- Outlook

Key figures H1 2014

€ million	H1 2014	yoy	Q2 2014	qoq
Order intake	746.8	-11.5%	332.6	-19.7%
Revenue	753.4	+13.8%	410.7	+19.8%
EBITDA (before one-offs)	67.5	+21.0%	42.1	+65.7%
EBIT (before one-offs)	20.1	+99.0%	18.2	>100%
Net financial debt	31.8	-29.2%	31.8	-10.4%

→ Strong revenue growth and improvement of operating profit

- Successful new business development - superior product features of Tier 4 engines TCD 2.9 & 3.6 continue to attract new customers, e.g. Hitachi (Japan) and TYM (Korea)
- Sales expanded significantly in Q2 due to strong demand for smaller engines (< 130 kW) before the upcoming emission level change
- Substantial improvement of profitability at DEUTZ Compact Engines
- Sound development of Deutz Dalian (China) despite challenging market environment
- Site optimisation on track – decisions taken and communicated

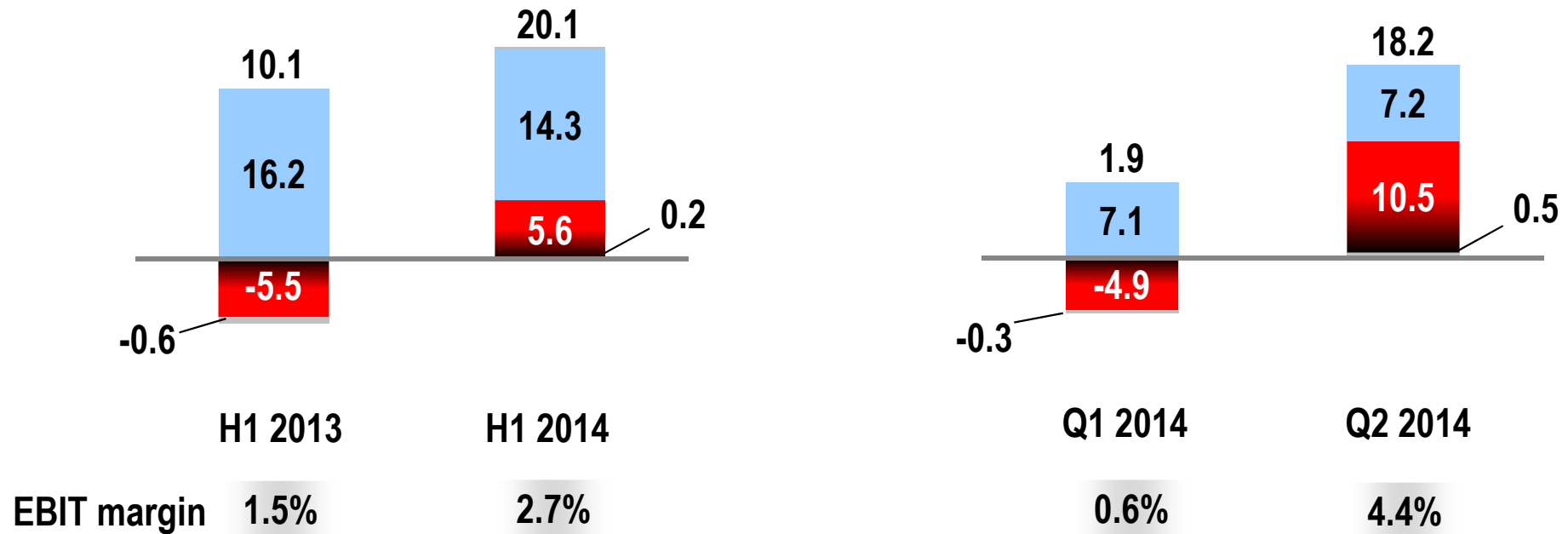


- Double-digit growth in unit sales and revenue
- Order intake below H1 2013 record level - markets have weakened in Q2
- Upcoming emission change in the EU being the main reason for differing order intake and sales development
- Book-to-bill ratio at 0.99x

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions

EBIT (before one-offs)

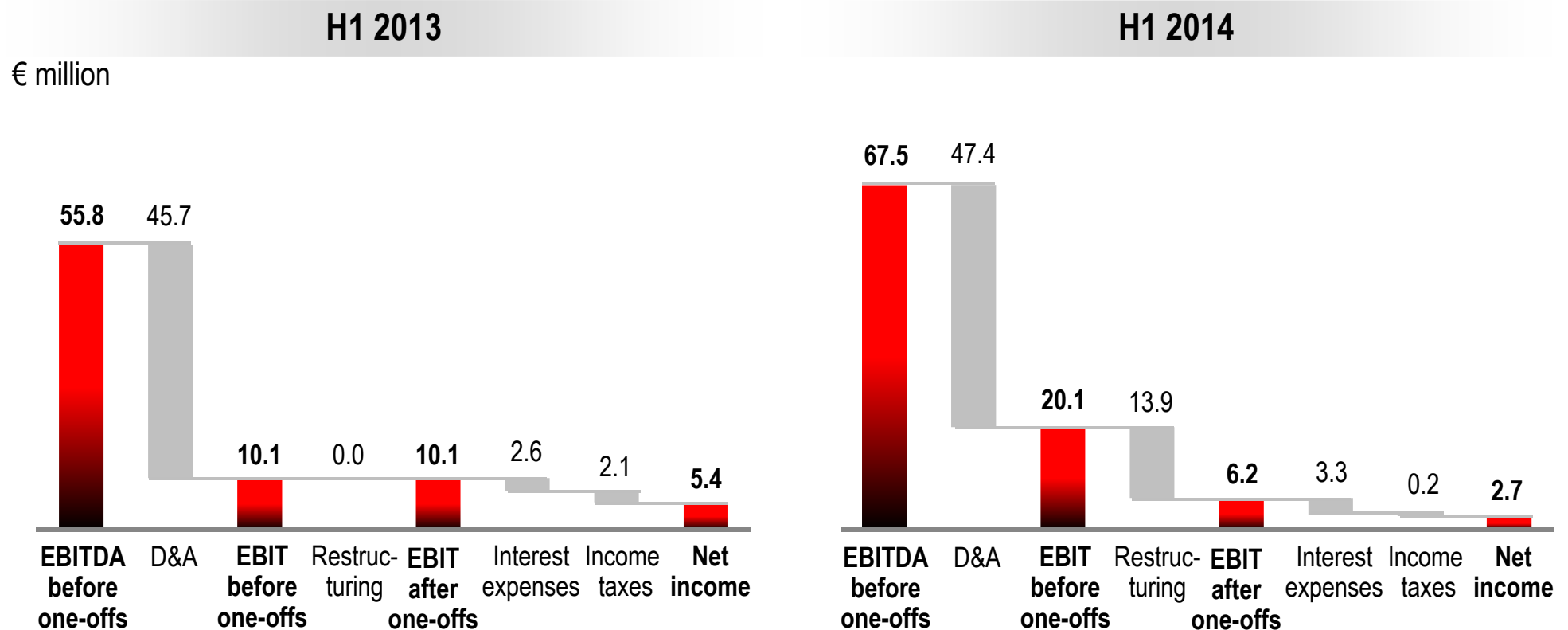
€ million



- Operating profit nearly doubled due to higher production level
- Substantial improvement of profitability at DEUTZ Compact Engines

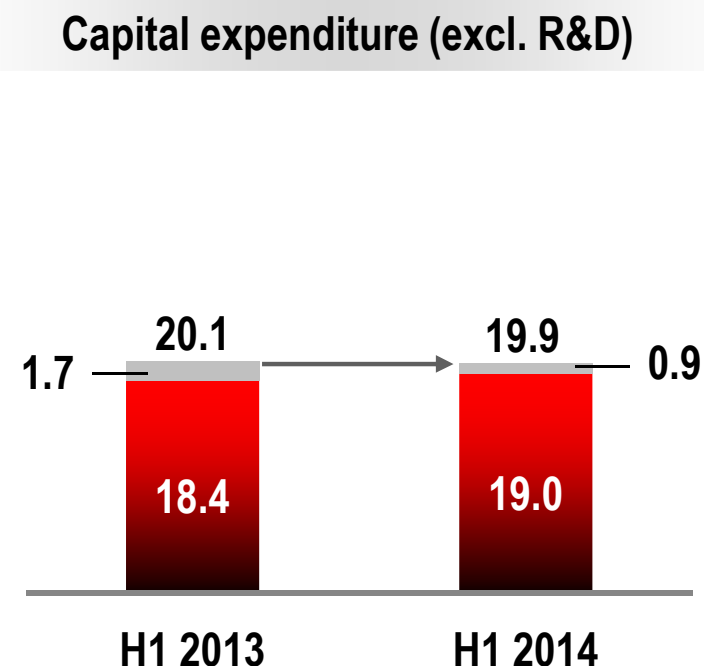
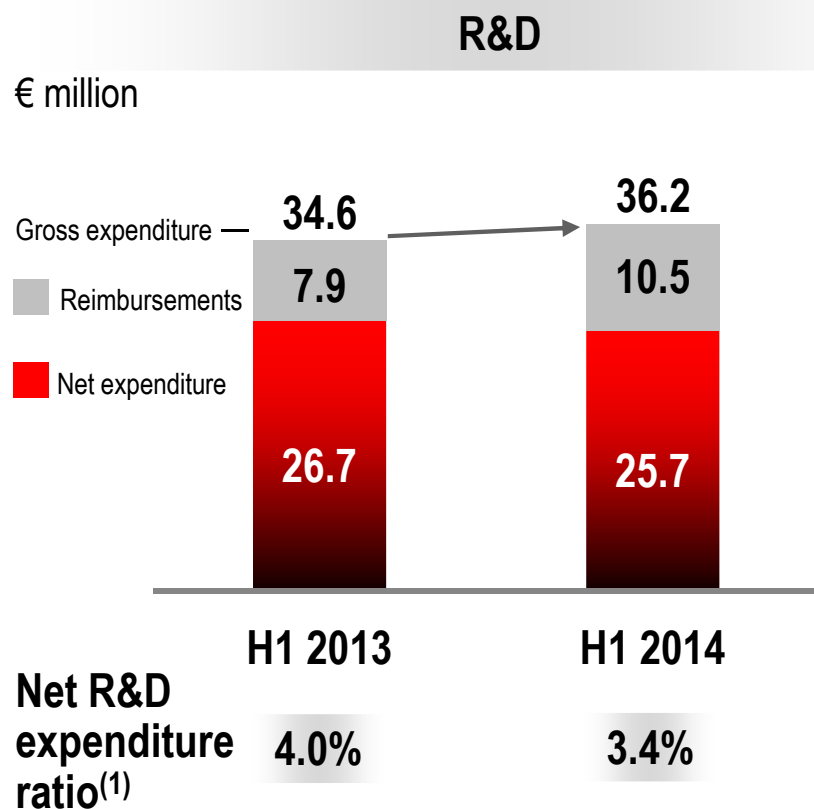
■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

Operating profit & net income



- EBITDA before one-offs increased by €11.7 million (+21.0%)
- Restructuring charges for site optimisation of €13.9 million booked in Q2 2014
- Interest expenses and tax ratio remain at low level
- Net income decreased by €2.7 million due to restructuring costs

R&D spending & capital expenditure



- Improvement of R&D ratio in line with budget
- Proportion of capitalised net R&D expenditure: €15.8 million (H1 2013: €16.8 million)

- Capital expenditure well under control

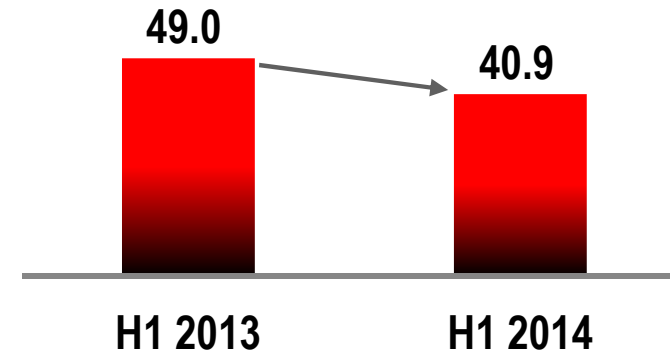
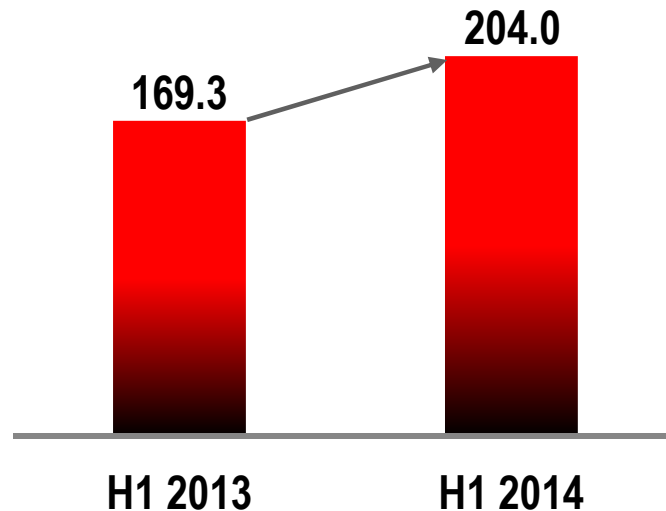
(1) Ratio of net R&D expenditure to consolidated revenue

Working capital & operating cash flow

Working capital

Operating cash flow

€ million



Working capital ratio (30 June)

13.3%

13.2%

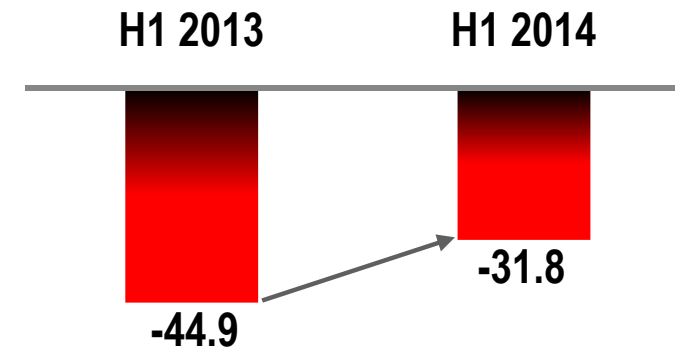
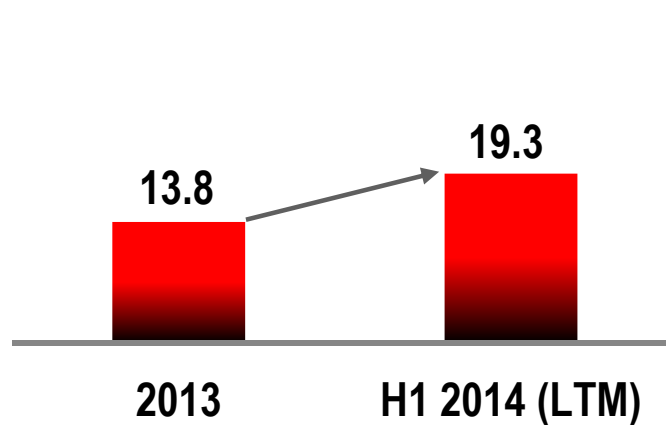
- Working capital increase driven by higher business volume
- Working capital ratio remains at very good level

- Operating cash flow decreased by €8.1 million due to higher working capital

Free cash flow

Net financial position

€ million

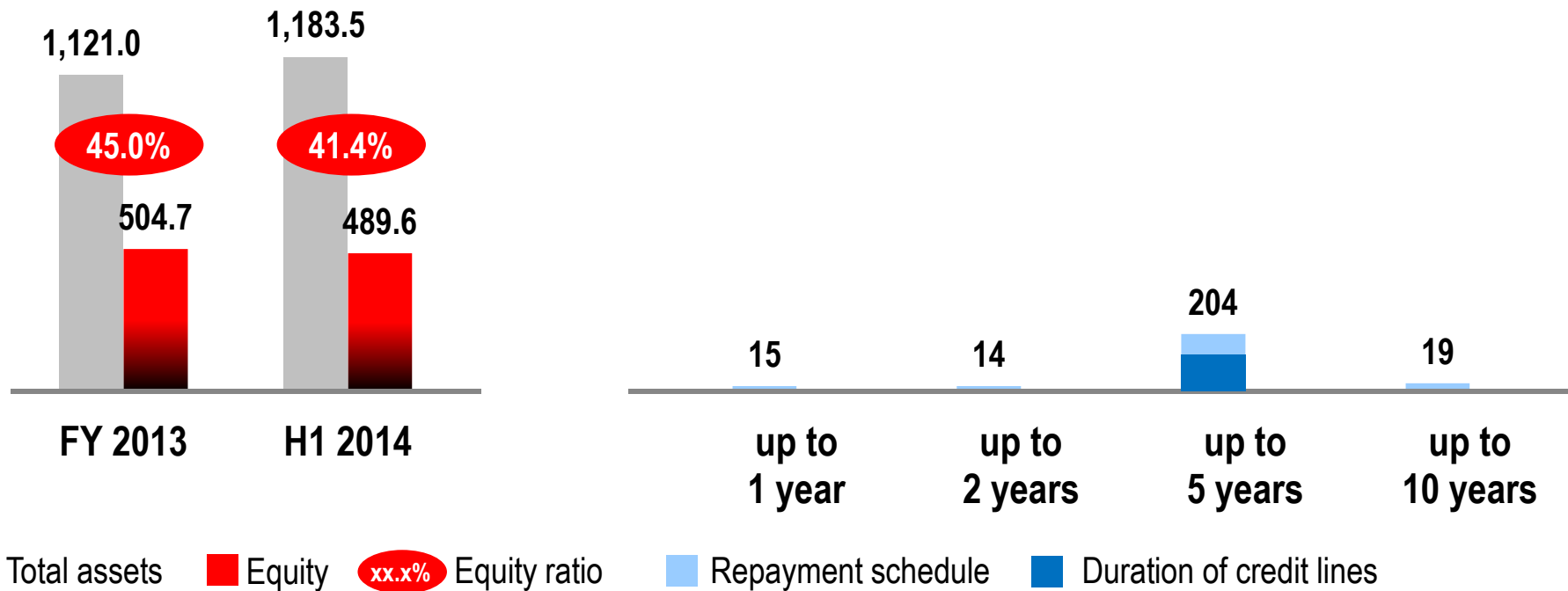


- Free cash flow improved despite higher working capital

- Cash flow used to pay dividend of €8.5 million and to reduce net debt by €13.1 million yoy

Equity ratio & funding

€ million



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

Segments: DEUTZ Compact Engines

€ million	H1 2014	H1 2013	Change in %
New orders	612.1	700.5	-12.6
Unit sales	92,935	79,132	17.4
Revenue	634.6	546.3	16.2
EBIT (before one-offs)	5.6	-5.5	--

€ million	Q2 2014	Q1 2014	Change in %
New orders	267.5	344.6	-22.4
Unit sales	51,279	41,656	23.1
Revenue	347.8	286.8	21.3
EBIT (before one-offs)	10.5	-4.9	--

- Substantial operating profit improvement achieved
- Highest revenue growth in Mobile Machinery (+59.7% yoy) and Agricultural Machinery (+28.5% yoy)
- Strong demand for smaller engines TCD 2.9 & 3.6 diluting positive price mix effects of new emission engines
- Notwithstanding the revenue growth, markets have weakened in Q2. Divergence of order intake and sales development is mainly caused by pre-buy effects from the upcoming emission change in the EU
- Sound development of DEUTZ Dalian (China) with 20% revenue growth and improved profitability despite challenging market environment

Segments: DEUTZ Customised Solutions

€ million	H1 2014	H1 2013	Change in %
New orders	134.7	143.0	-5.8
Unit sales	6,144	6,775	-9.3
Revenue	118.8	115.8	2.6
EBIT (before one-offs)	14.3	16.2	-11.7

€ million	Q2 2014	Q1 2014	Change in %
New orders	65.1	69.6	-6.5
Unit sales	3,343	2,801	19.4
Revenue	62.9	55.9	12.5
EBIT (before one-offs)	7.2	7.1	1.4

- Markets have somewhat weakened
- Stronger Automotive but weaker Stationary business in H1
- Small revenue growth in H1 based on positive price-mix-effects

Summary: key financial development

Successful new business development

Double digit growth in revenue and unit sales

Significant operating profit improvement at DCE

Sound development of DEUTZ Dalian

R&D and Capex well under control

Sustainable efficiency improvement by site optimisation



The engine company.

- DEUTZ strategy & positioning
- Financials
- Outlook

€ million	FY 2013 reported	Guidance FY 2014
Revenue	1,453.2	low double digit %-growth
EBIT margin (before one-offs)	3.3 %	> 4.0 %
EBIT margin (after one-offs)	3.3 %	> 3.0 %
Net R&D spending ratio⁽¹⁾	3.6 %	slight decline
Net capex (excl. R&D)⁽¹⁾	42.5	50 - 60

(1) Net of reimbursements

Financial calendar & contact details

- Interim report 1st to 3rd quarter 2014 6 November 2014

- Annual report 2014 19 March 2015

- Annual general meeting 29 April 2015

➤ Contact details

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