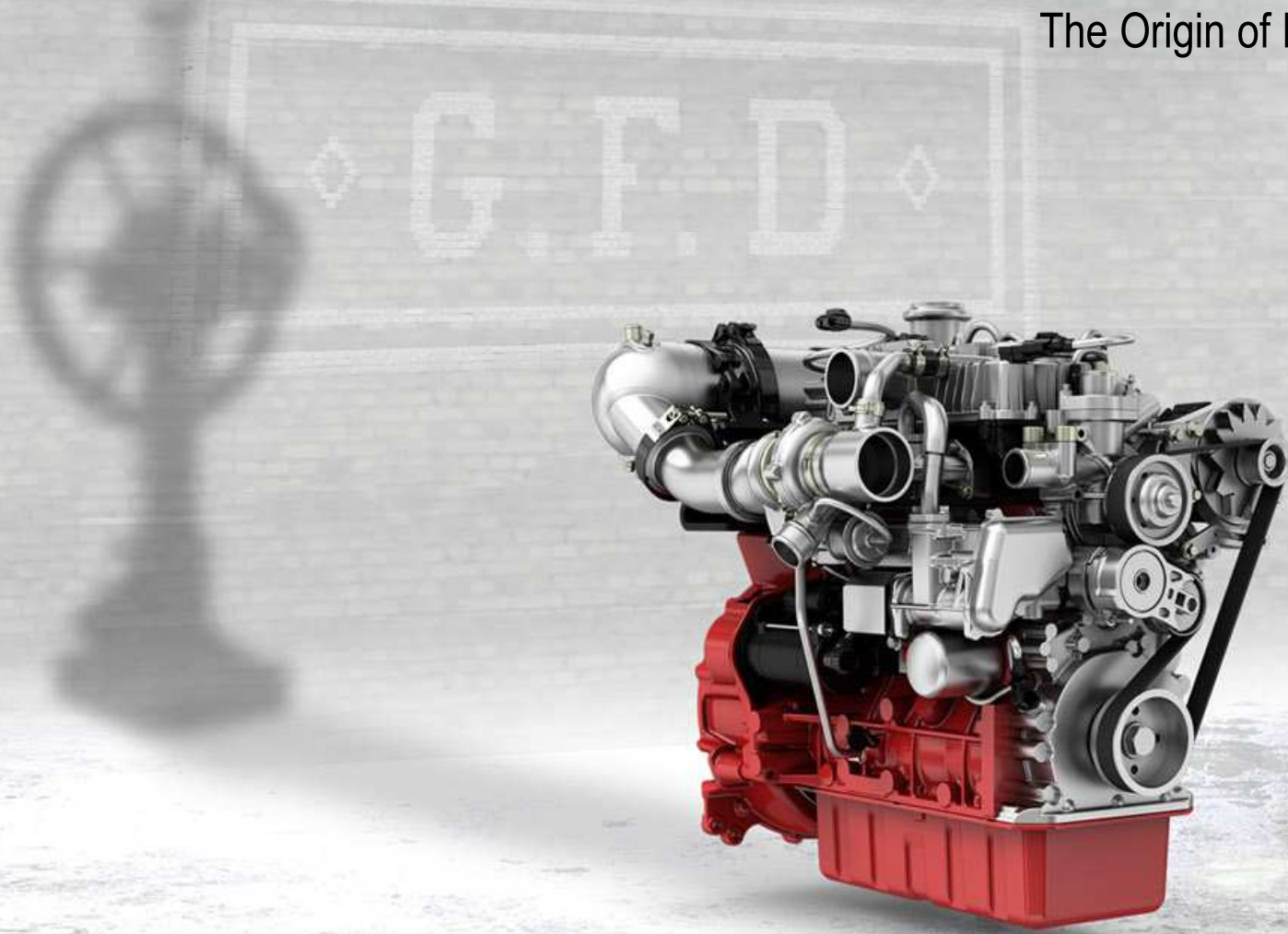


The Origin of HighTech.



Q1-Q3 2014 results

6 November 2014

Dr Helmut Leube, CEO

Dr Margarete Haase, CFO

The engine company.



■ Review Q1-Q3 2014

■ Outlook

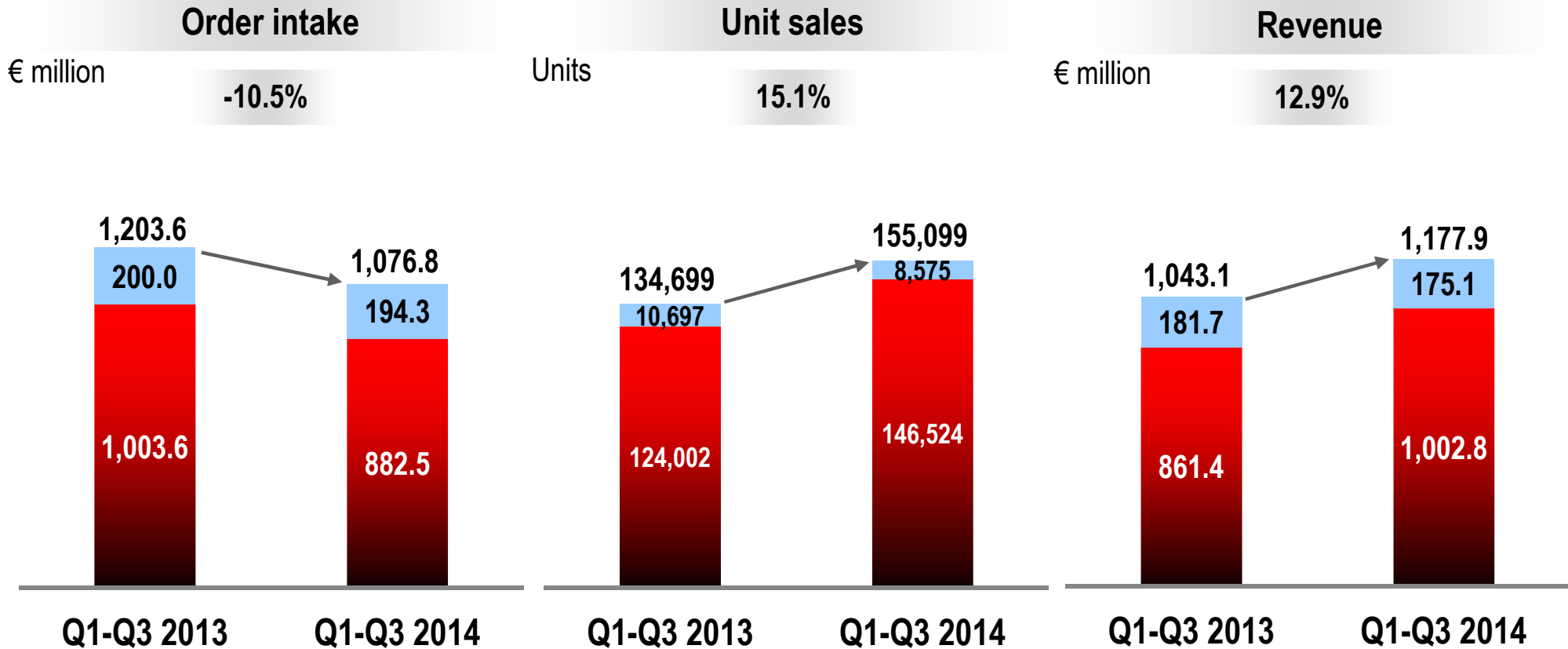
■ Annex

€ 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)

- 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; strategic reassessment of JV with Volvo and accordingly postponement of investments
- Strong free cash flow generation and positive net financial position
- Site optimisation measures progressing as planned

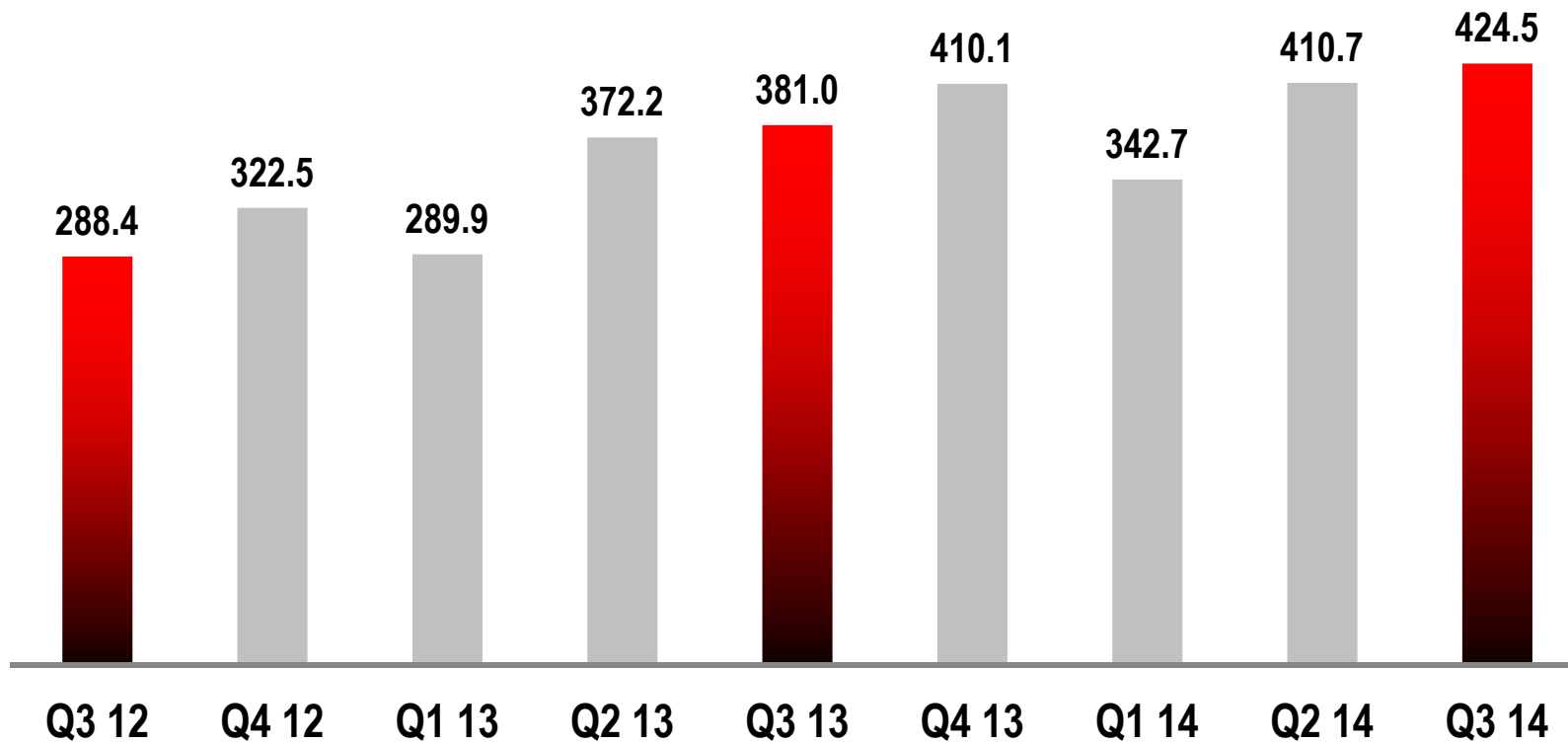
Sales figures



- 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

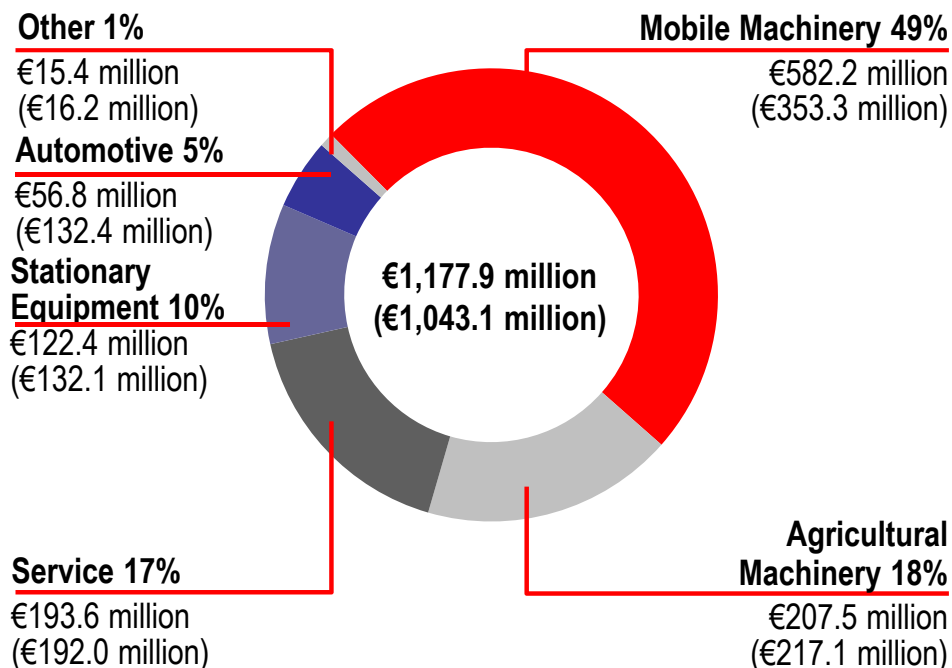
€ million



→ Q3 revenue up 11.4% yoy and 3.4% sequentially

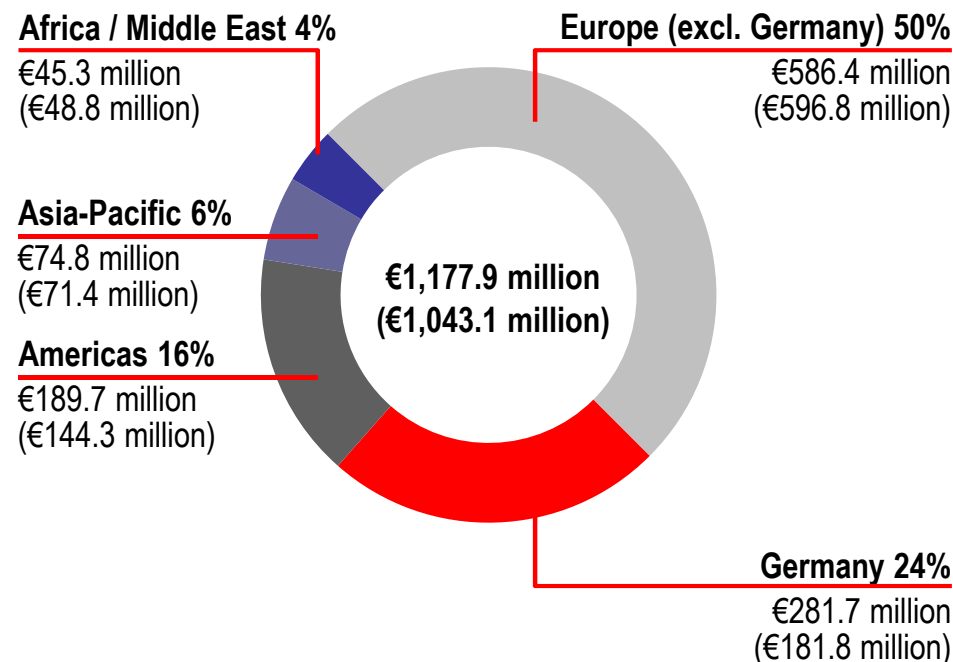
Revenue split by application, Q1-Q3 2014

(Q1-Q3 2013)



Revenue split by region, Q1-Q3 2014⁽¹⁾

(Q1-Q3 2013)

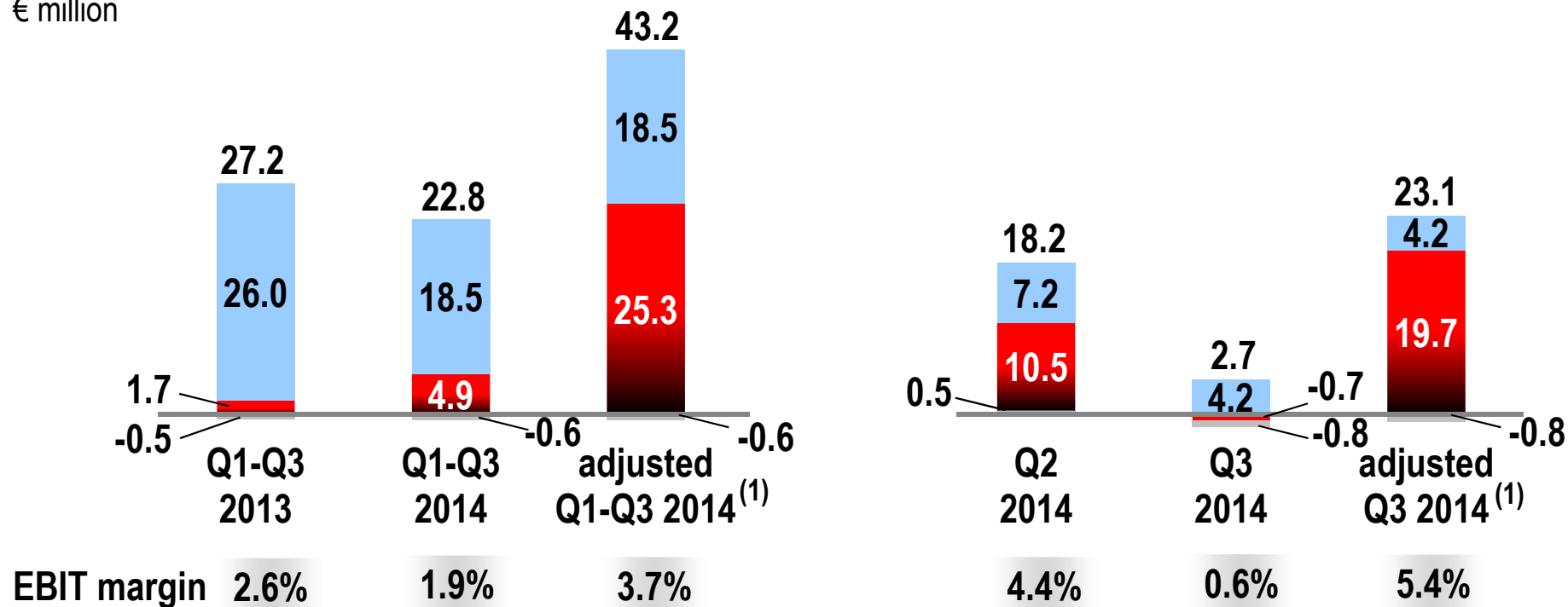


- Revenue growth mainly driven by Mobile Machinery applications (+64.8%)
- Sales in Automotive decreased due to decision not to offer Euro 6 (on-highway emission)
- Sharp revenue growth in Germany (+55.0%) and in the Americas (+31.5%)

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

EBIT (before one-offs)

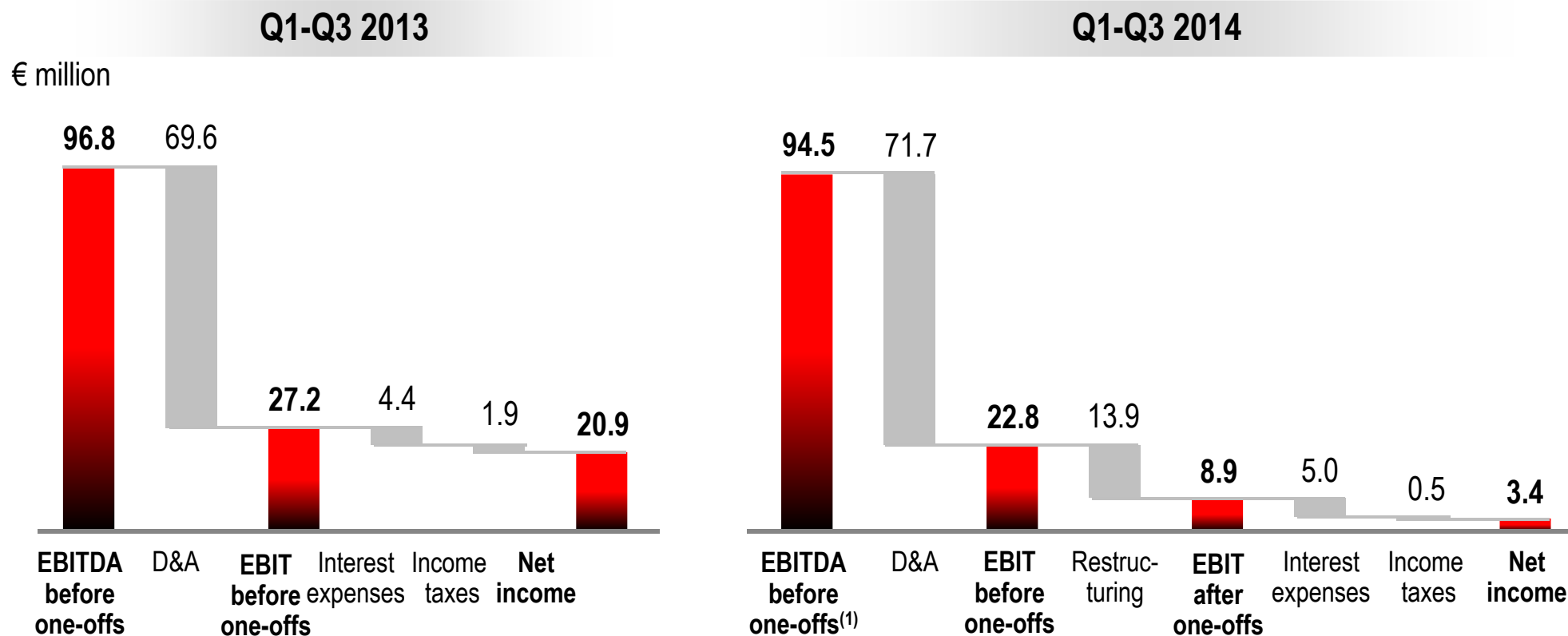
€ million



- 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

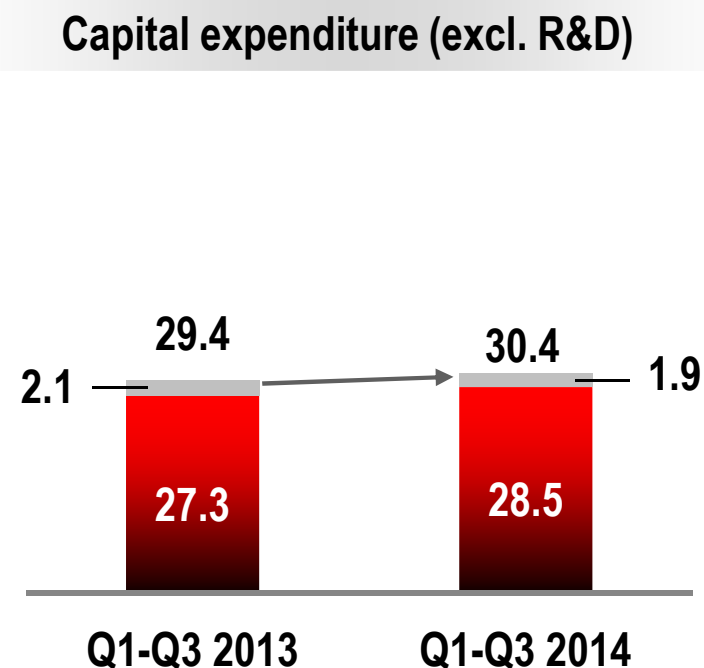
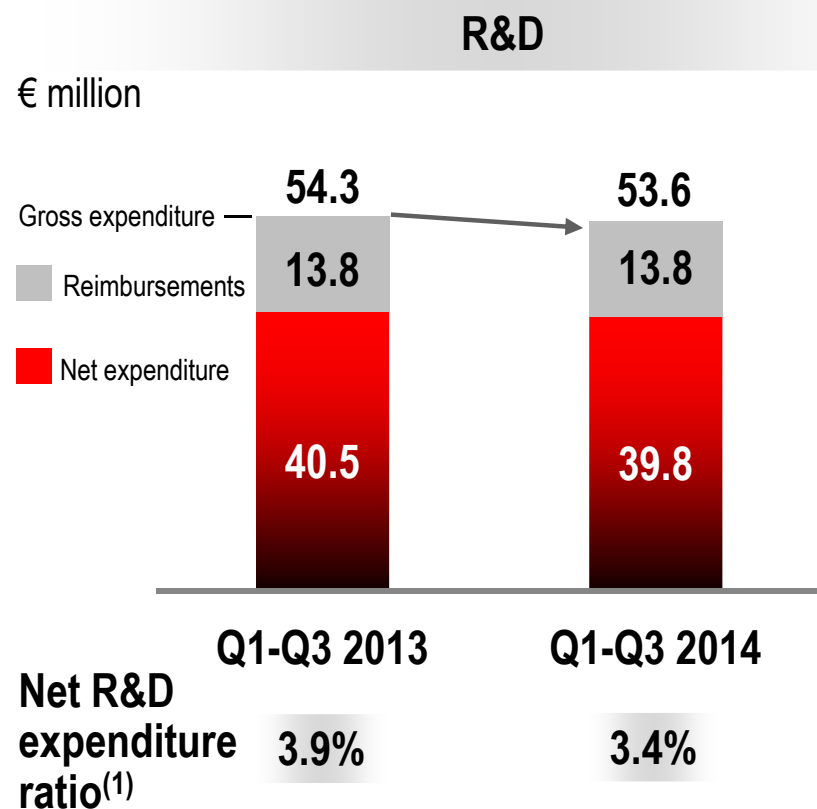
■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

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)



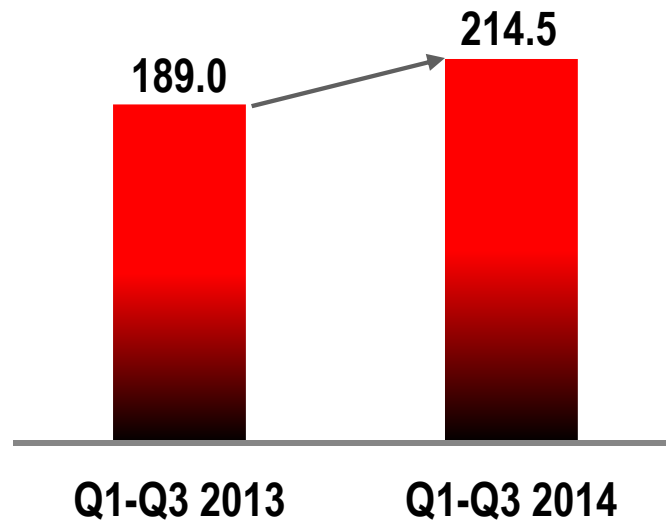
- R&D expenditure decreased slightly; R&D ratio declined due to higher revenue
- Proportion of capitalised net R&D expenditure: €21.7 million (Q1-Q3 2013: €25.5 million)

- Capital expenditure on previous year's level

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

Working capital

€ million



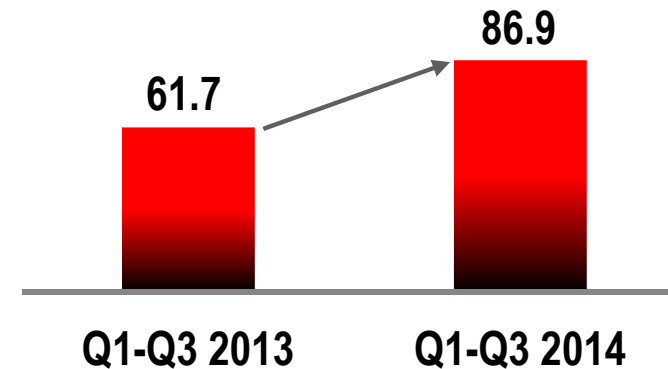
Working capital ratio (30 Sep)

13.8%

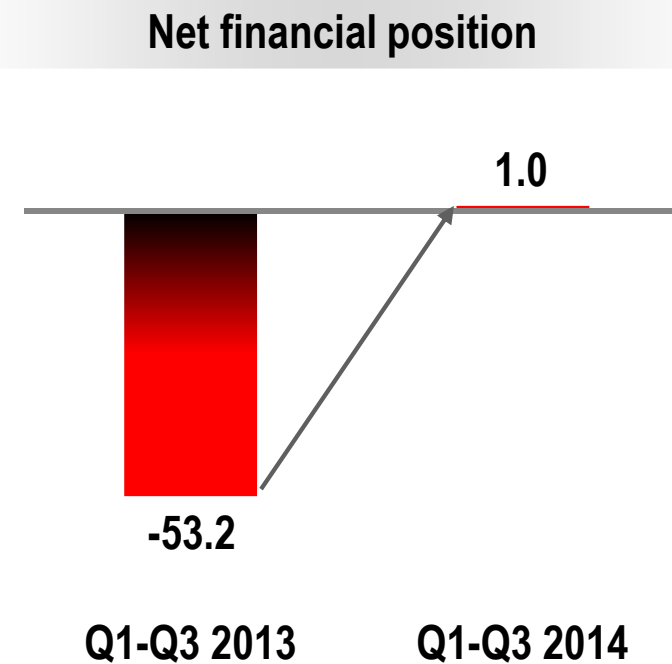
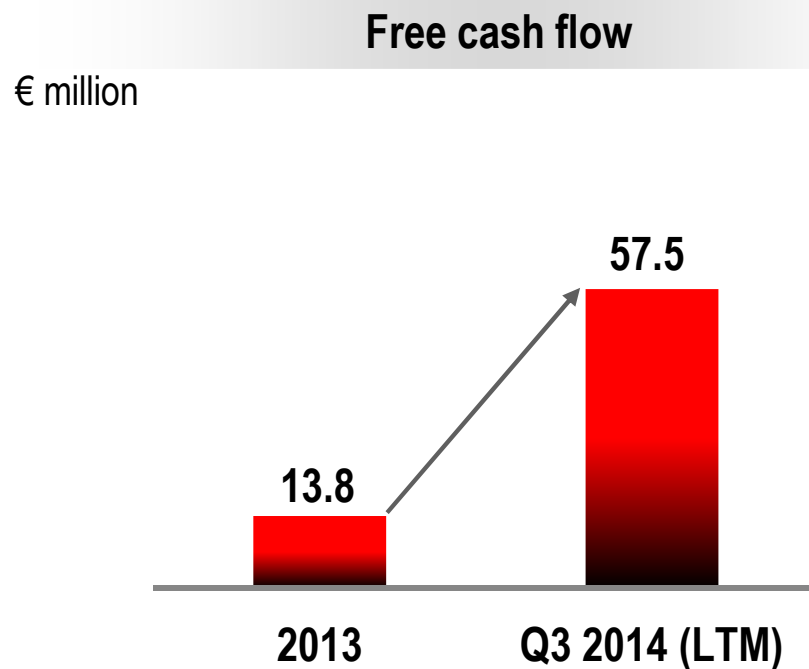
13.5%

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

Operating cash flow



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

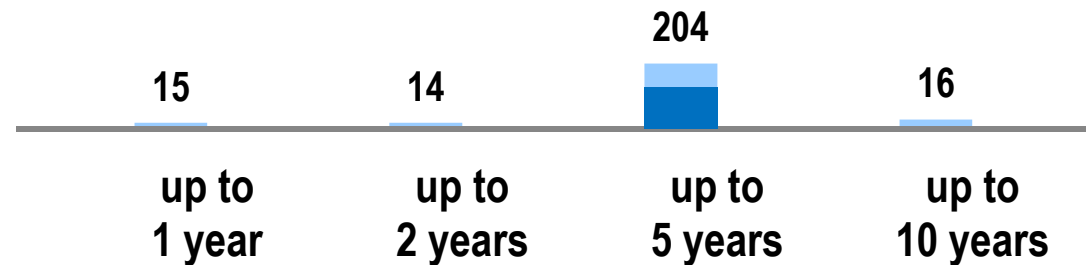
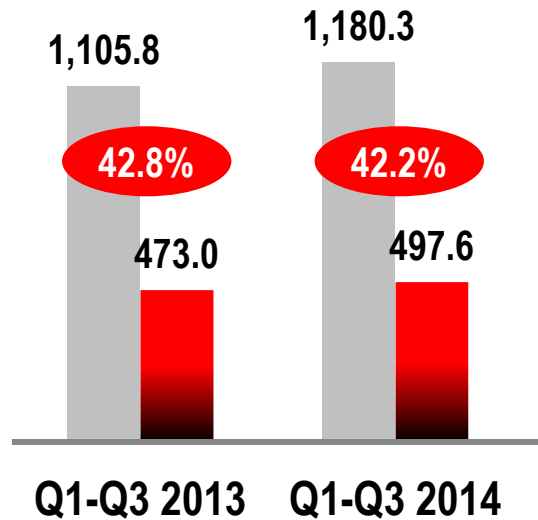


- Strong free cash flow generation on the back of strong operating cash flow

- 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

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.

- Review Q1-Q3 2014

- Outlook

- Annex

€ 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

- **Review Q1-Q3 2014**

- **Outlook**

- **Annex**

Summary of key financials (I)

€ million	Q1-Q3 2014	Q1-Q3 2013	Change (%)
Revenue	1,177.9	1,043.1	12.9
EBITDA (before one-offs)	94.5	96.8	-2.4
EBIT (before one-offs)	22.8	27.2	-16.2
EBIT margin (before one-offs) (%)	1.9	2.6	--
Net income	3.4	20.9	-83.7
Basic earnings per share (€)	0.03	0.17	-82.4
Number of employees (30 September)	3,976	4,012	-0.9

Summary of key financials (II)

€ million	Q1-Q3 2014	Q1-Q3 2013	Change (%)
Total assets	1,180.3	1,105.8	6.7
Equity	497.6	473.0	5.2
Equity ratio (%)	42.2	42.8	--
Cash flow from operating activities	86.9	61.7	40.8
Free cash flow	39.6	-4.1	--
Net financial position	1.0	-53.2	--
Working capital	214.5	189.0	13.5

Income statement

€ million	Q1-Q3 2014	Q1-Q3 2013	Change (%)
Revenue	1,177.9	1,043.1	12.9
Cost of goods sold	-1.032.5	-892.8	15.6
Research and development costs	-49.2	-45.8	7.4
Selling expenses	-50.3	-46.8	7.5
Administrative expenses	-25.5	-26.0	-1.9
Other operating income	15.5	9.8	58.2
Other operating expenses	-27.2	-13.2	>100
Income from investments accounted for using the equity method	0.2	-1.1	--
EBIT	8.9	27.2	-67.3
Thereof restructuring costs	-13.9	0.0	--
EBIT (before one-offs)	22.8	27.2	-16.2
Net interest expense	-5.0	-4.4	13.6
Net income before taxes	3.9	22.8	-82.9
Income taxes	-0.5	-1.9	-73.7
Net income on continuing operations	3.4	20.9	-83.7

Balance sheet: assets

€ million	30 Sep 2014	31 Dec 2013	Change (%)
Non-current assets (excluding deferred tax assets)	579.7	596.6	-2.8
Deferred tax assets	43.1	30.8	39.9
Inventories	279.1	224.6	24.3
Trade receivables	135.7	149.1	-9.0
Other receivables and assets	54.1	60.6	-10.7
Cash and cash equivalents	88.2	58.9	49.7
Non-current assets classified as held for sale	0.4	0.4	0.0
Total assets	1,180.3	1,121.0	5.3

Balance sheet: equity and liabilities

€ million	30 Sep 2014	31 Dec 2013	Change (%)
Equity	497.6	504.7	-1.4
Provisions for pensions and other post-retirement benefits	179.9	168.6	6.7
Other provisions	61.3	37.2	64.8
Financial liabilities	72.4	83.0	-12.8
Other liabilities	14.1	3.7	>100
Non-current liabilities	327.7	292.5	12.0
Provisions for pensions and other post-retirement benefits	14.9	14.9	0.0
Other provisions / Provisions for income taxes	76.8	49.5	55.2
Financial liabilities	14.8	7.6	94.7
Trade payables	200.3	201.4	-0.5
Other liabilities	48.2	50.4	-4.4
Current liabilities	355.0	323.8	9.6
Total equity and liabilities	1,180.3	1,121.0	5.3

Cash flow statement (condensed)

€ million	Q1-Q3 2014	Q1-Q3 2013
EBIT	8.9	27.2
Cash flow from operating activities (total)	86.9	61.7
Capital expenditure on intangible assets, property, plant and equipment and investments	-47.4	-61.6
Proceeds from the sale of non-current assets	5.1	0.4
Cash flow from investing activities (total)	-42.3	-61.2
Cash flow from financing activities	-17.1	5.1
Change in cash and cash equivalents	27.5	5.6

Overview of segments, Q1-Q3 2014

	Q1-Q3 2014	Q1-Q3 2013	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	882.5	1,003.6	-12.1
DEUTZ Customised Solutions	194.3	200.0	-2.8
Total for operating activities	1,076.8	1,203.6	-10.5

	Q1-Q3 2014	Q1-Q3 2013	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	1,002.8	861.4	16.4
DEUTZ Customised Solutions	175.1	181.7	-3.6
Total for operating activities	1,177.9	1,043.1	12.9
Germany	23.9%	17.4%	--
Export	76.1%	82.6%	--

	Q1-Q3 2014	Q1-Q3 2013	Change (%)
Unit sales			
DEUTZ Compact Engines	146,524	124,002	18.2
DEUTZ Customised Solutions	8,575	10,697	-19.8
Total for operating activities	155,099	134,699	15.1

	Q1-Q3 2014	Q1-Q3 2013	Change (%)
EBIT before one-offs (€ million)			
DEUTZ Compact Engines	4.9	1.7	>100
DEUTZ Customised Solutions	18.5	26.0	-28.8
Other	-0.6	-0.5	-20.0
Total for operating activities	22.8	27.2	-16.2

Overview of segments, Q3 2014

	Q3 2014	Q3 2013	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	270.4	303.1	-10.8
DEUTZ Customised Solutions	59.6	57.0	4.6
Total for operating activities	330.0	360.1	-8.4

	Q3 2014	Q3 2013	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	368.2	315.1	16.9
DEUTZ Customised Solutions	56.3	65.9	-14.6
Total for operating activities	424.5	381.0	11.4
Germany	25.5%	18.2%	--
Export	74.5%	81.8%	--

	Q3 2014	Q3 2013	Change (%)
Unit sales			
DEUTZ Compact Engines	53,589	44,870	19.4
DEUTZ Customised Solutions	2,431	3,922	-38.0
Total for operating activities	56,020	48,792	14.8

	Q3 2014	Q3 2013	Change (%)
EBIT before one-offs (€ million)			
DEUTZ Compact Engines	-0.7	7.2	--
DEUTZ Customised Solutions	4.2	9.8	-57.1
Other	-0.8	0.1	--
Total for operating activities	2.7	17.1	-84.2

Employees

	30 Sep 2014	30 Sep 2013	Change (%)
Cologne	2,432	2,398	1.4
Ulm	389	414	-6.0
Other German operations	292	284	2.8
Germany	3,113	3,096	0.5
Foreign operations	863	916	-5.8
DEUTZ Group	3,976	4,012	-0.9

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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