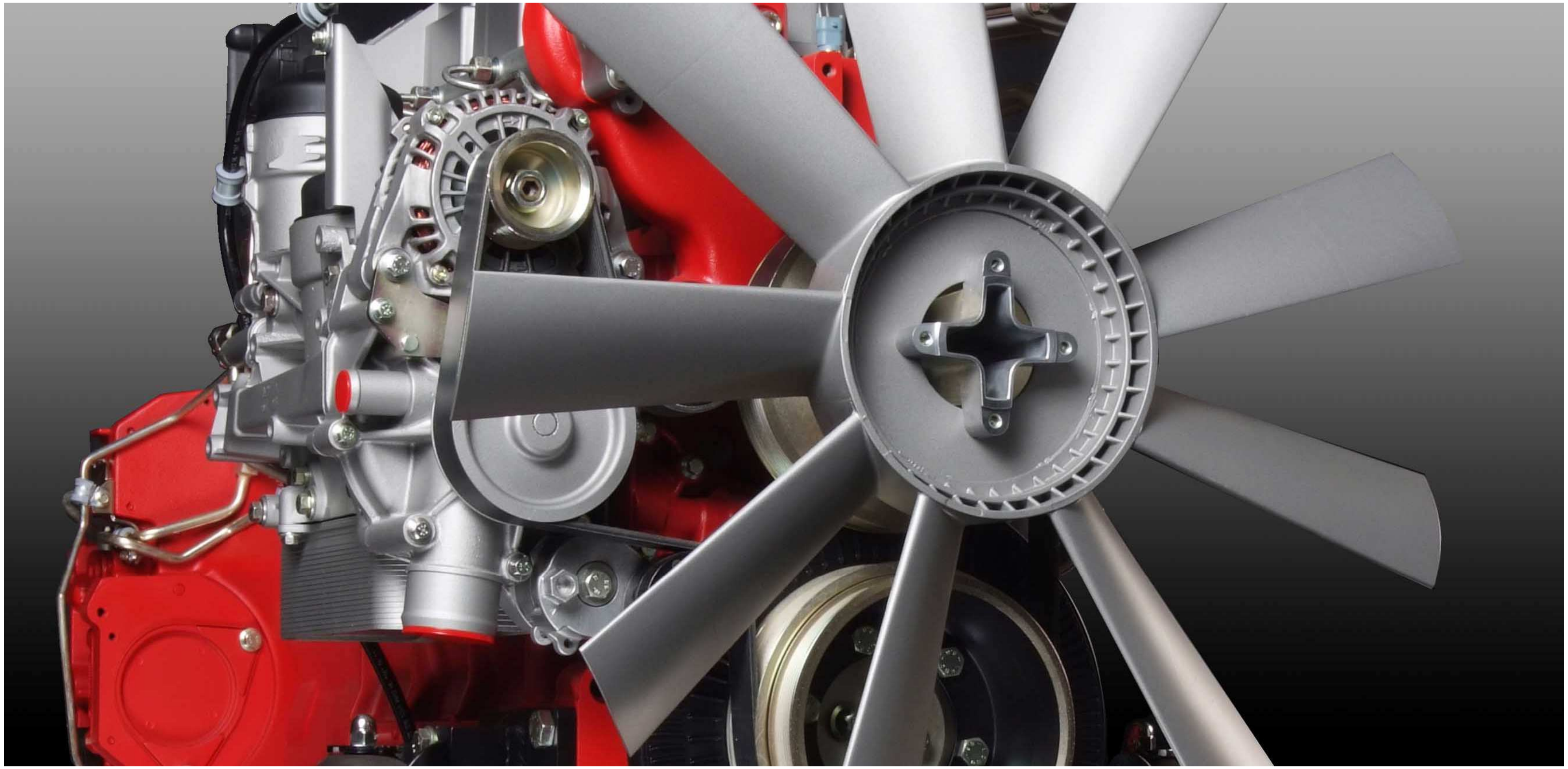


DEUTZ AG

Investor presentation – power in motion

April 2013

DEUTZ

Agenda

The engine company.

- **DEUTZ at a glance**
- Strategy & investment rationale
- Financials
- Outlook

DEUTZ at a glance

The engine company. DEUTZ

Profile

- Founded in 1864 by Nicolaus August Otto - the inventor of the four-stroke engine
- Independent manufacturer of diesel engines with product range from 25 to 520 kw
- Production capacity of 300,000 engines p.a. (additional capacity of Joint Ventures 250,000 engines p.a.)
- Engineering and manufacturing company with strong expertise as system integrator
- Worldwide sales channels and service network
- Strong brand - synonymous with leading technology and high-quality products

Financials 2012

- Revenue €1.3 billion
- EBIT margin 3.0%
- Net income €21.0 million, FCF €12.6 million
- Equity ratio 46.8%

Board

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

Blue chip customer base

VOLVO, AGCO, SAME DEUTZ FAHR, JLG, FENDT, TEREX CORPORATION, WACKER NEUSON, BOMAG FAYAT GROUP, KION GROUP, Atlas Copco, Wirtgen

→ **Global player with almost 150 years of experience**

Corporate structure

The engine company. DEUTZ

DEUTZ Group

Revenue 2012 €1.3bn

DEUTZ Compact Engines

Revenue 2012 €1.0bn

- 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 2012 €0.3bn

- 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. 1.6m engines in the market
- Product portfolio mainly comprises genuine DEUTZ spare parts, Xchange engines and parts as well as oils and lubricants
- In addition, DEUTZ provides after-sales services such as commissioning, maintenance and other on-site services as well as documentation and training

Product portfolio: ready for the next emission levels

The engine company. DEUTZ

Engines for Tier 4 emissions standards

(TC)D 2.9
25 – 56 kW

- Award winning new engine
- Very compact engine minimizes installation effort
- Simple EAT (catalyst only)

(TC)D 3.6
50 – 90 kW

- New engine focussing on industrial and agricultural applications
- Highest output and torque in its class with best power-to-space ratio
- Simple EAT

TCD 4.1 / 6.1
70 – 180 kW

- Better power density and improved life-cycle costs compared to its predecessor
- Optimized EAT concepts for industrial and agricultural applications (DVERT)

TCD 7.8
160 – 270 kW

- Better power density and improved life-cycle costs compared to its predecessor
- Optimized EAT concepts for industrial and agricultural engines (DVERT)

TCD 12.0 / 16.0
300 – 520 kW

- Most compact power source in its class
- Improved life-cycle costs
- No DPF - no regeneration nor main-tenance compared to competition

Focus on Mobile Machinery and Agriculture

		Mobile Machinery	Agricultural Machinery	Stationary Equipment	Auto-motive
2011	22 – 77 kW	■		■	
2012 2V	60 – 155 kW	■	■	■	
1013 / 2013 2V	72 – 200 kW	■	■	■	■
2013 4V	118 – 243 kW	■	■	■	■
912 / 914	24 – 176 kW	■	■	■	
413 / 513	77 – 441 kW	■			
1015 / 2015	195 – 520 kW	■	■	■	■
(TC)D 2.9	25 – 56 kW	■	■	■	
(TC)D 3.6	50 – 90 kW	■	■	■	
TCD 4.1 / TCD 6.1	70 – 180 kW	■	■		
TCD 7.8	160 – 270 kW	■	■		
TCD 12.0 / TCD 16.0	300 – 520 kW	■	■		

Stage IIIA / Tier 3 and below

Euro 5 and below

Stage IIIB / IV

Tier 4 interim / final

Key applications

	Typical application	Markets benefit from macro trends	Competitors[1]
Mobile Machinery	Construction Ground support Material handling 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

(1) In alphabetical order

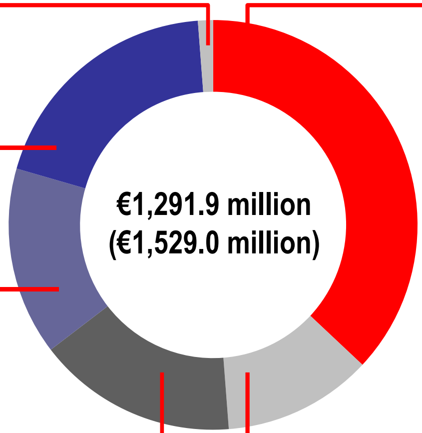
➔ **Wide application range for DEUTZ engines**

Revenue split

The engine company. DEUTZ

Revenue split by application, 2012

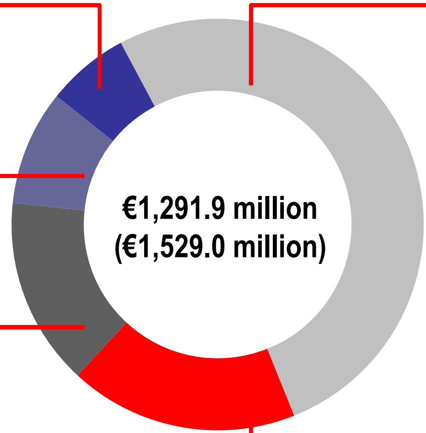
(2011)



- Agricultural Machinery (-36.6% yoy) affected by 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)



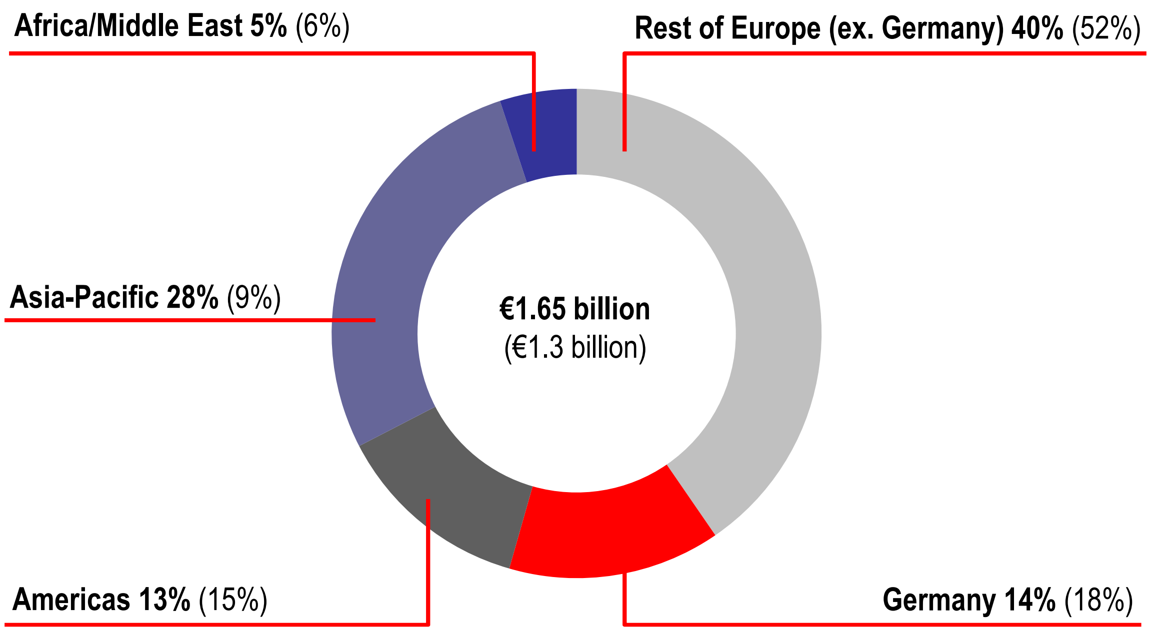
(1) Revenue split by region does not include JVs that are not fully consolidated. Regions assigned by place of business of our OEM customer

Pro-forma revenue split

The engine company. DEUTZ

Revenue split by region (incl. Joint Ventures), 2012[1]

(figures in brackets: reported IFRS revenue)



- Approx. €350 million revenue generated by 50-50 Joint Ventures, mainly in China (at equity consolidated; revenue not reflected in reported IFRS numbers)
- Continued emphasis on growth in Asia where we expect above average growth in the next few years

(1) Pro-forma revenue split including revenue of at equity consolidated JVs

➔ **Pro-forma split reveals significant exposure to Asia-Pacific**

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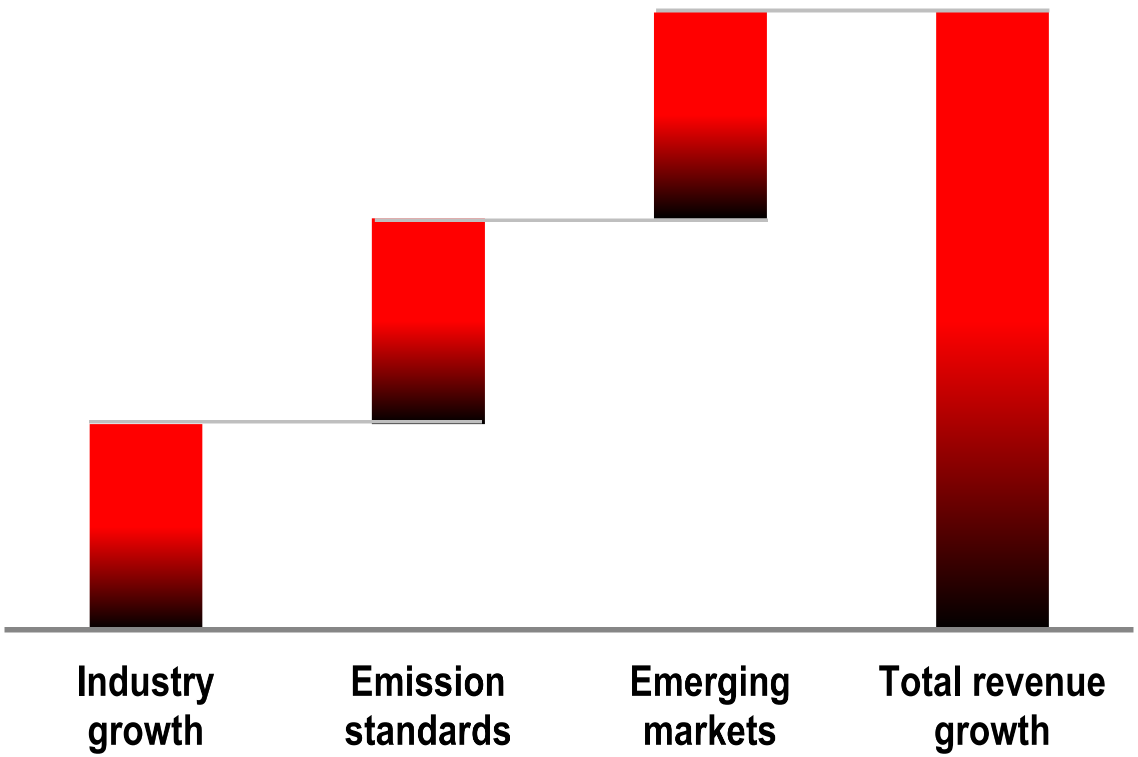
Structural growth drivers



- Product and new business development generating business opportunities
- New emission standards require more complex engines with a higher value
- New production facilities in China will lead to significant growth in Asia in the coming years
- Trend growth of revenue >10% p.a. in the mid-term

➔ Structural growth drivers enable high revenue growth in the mid-term

Successful new business development projects

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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, telehandlers, dumpers, rollers, wheel loaders, trenchers, drills and special vehicles
- More business development projects in the pipeline

➔ **Product offensive is paying off**

Service business

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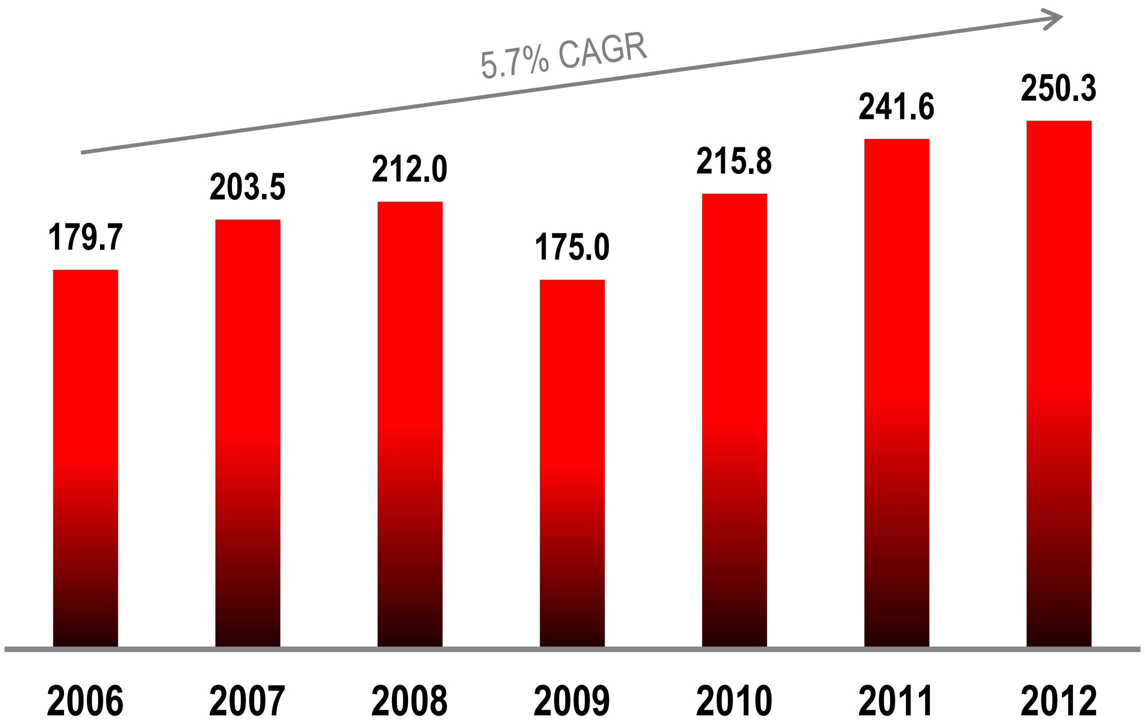
€ million



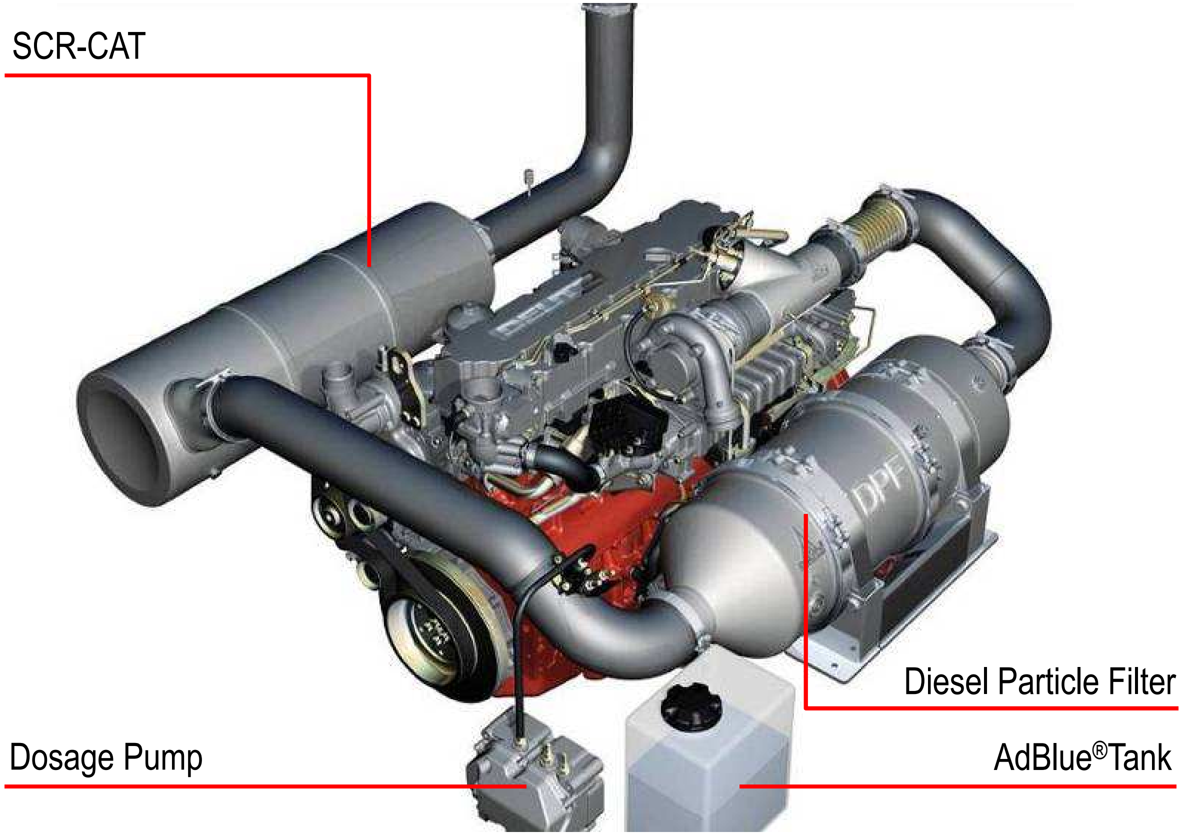
- Growth of service revenue supported by ongoing projects and network extension (e.g. Madrid and Moscow)
- Active management of service network with improved training and tools
- Increased engine complexity beneficial for service business
- Profitable service business less exposed to economic cycles

➔ **Better exploiting the potential of our service business**

Emission standards

The engine company. DEUTZ

Tier 4 systems require exhaust aftertreatment devices



- DEUTZ product portfolio ready for emission level Tier 4 final
- Higher value of new emission engines
- DEUTZ owns the certification for the whole system (i.e. electronically governed diesel engine with exhaust aftertreatment devices)
- Significant NOx (-95.7%) and particle emissions (-96.5%) reduction from 1999 to 2014

➔ **Stricter emission regulations are structural growth driver for our business**

Growth activities in China

The engine company. DEUTZ

	Planned JV with AB Volvo	DEUTZ Engine Shandong (DES)	DEUTZ Dalian Engine (DDE)	WEIFANG WEICHAI-DEUTZ Engine
City (Province)	Linyi (Shandong)	Linyi (Shandong)	Dalian (Liaoning)	Weifang (Shandong)
JV Partner	AB Volvo	Shandong Changlin	FAW Group	Weichai Holding
DEUTZ shareholding	> 50%	70%	50%	50%
Consolidation	Full consolidation	Full consolidation	At equity	At equity
Engine size	4 - 8 litres	< 4 litres	3 – 8 litres	4 – 8 litres
Main applications	Mobile machinery	Mobile machinery	Automotive	Broad range
Revenue in 2012	n/a	n/a	€246 million	€93 million

- Negotiations with AB Volvo are well advanced
- Implementation of Euro 4 / Tier 3 emission standard in China will increase demand for high-quality engines
- Chinese construction and automotive markets are expected to gain momentum during the course of 2013

➔ **Well positioned to benefit from emerging market growth**

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Key figures FY 2012

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€ 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 FY 2012

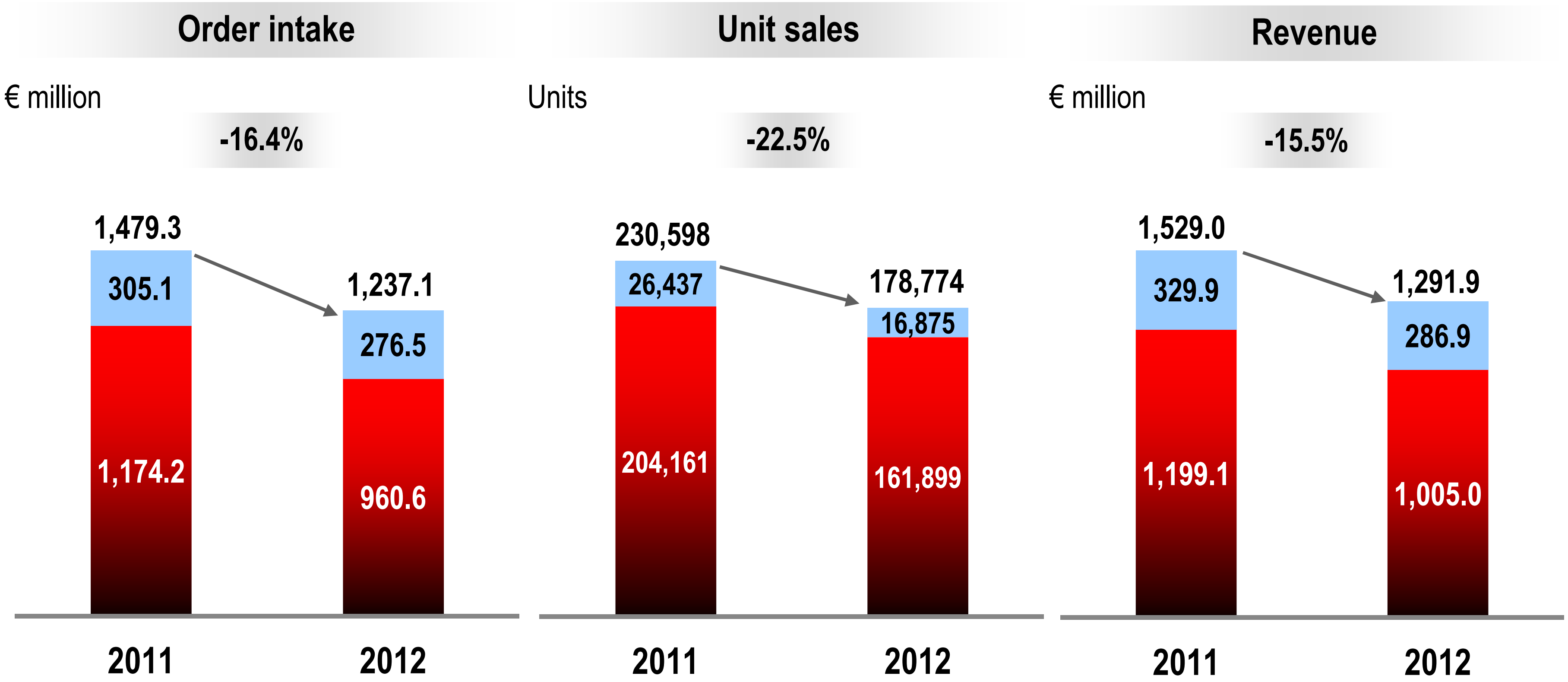
The engine company. DEUTZ

- **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

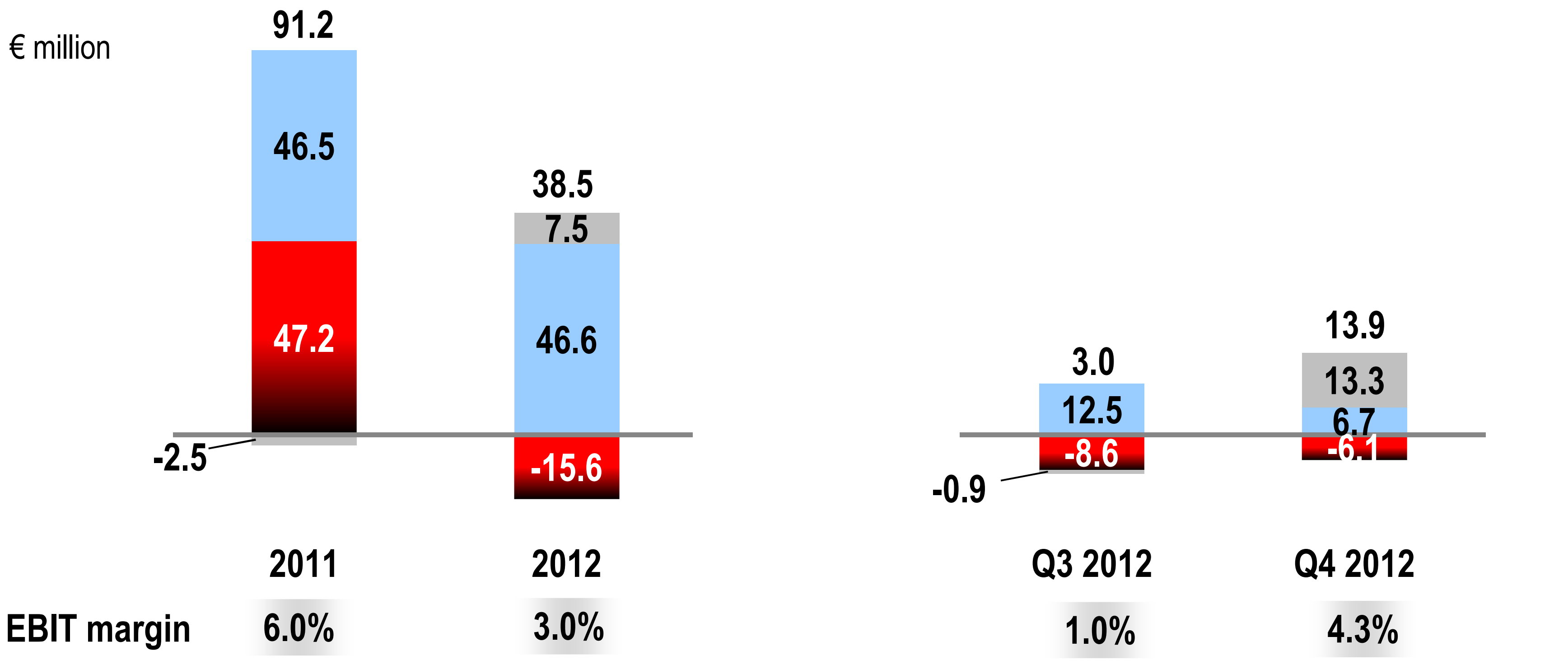
Sales figures



- 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

DEUTZ Compact Engines DEUTZ Customised Solutions

EBIT



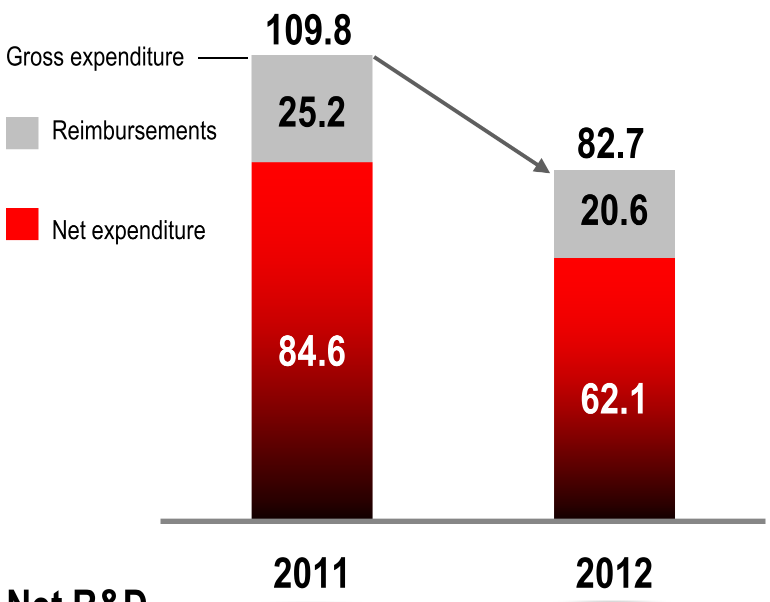
- Profitability mainly impacted by volume decline; improvement in Q4
- Profit contribution of Joint Ventures was a burden for EBIT in 2012
- Series start of new engines, higher depreciation and ramp-up cost of growth projects impacted EBIT margin
- Sale proceeds of minority stake in JV Bosch Emission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

R&D spending and capital expenditure

The engine company. DEUTZ

€ million

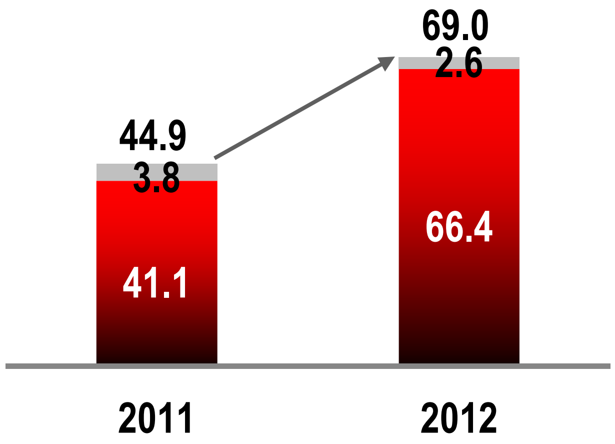
R&D



Net R&D ratio(1)

2011	2012
5.5%	4.8%

Capital expenditure (excl. R&D)



- 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

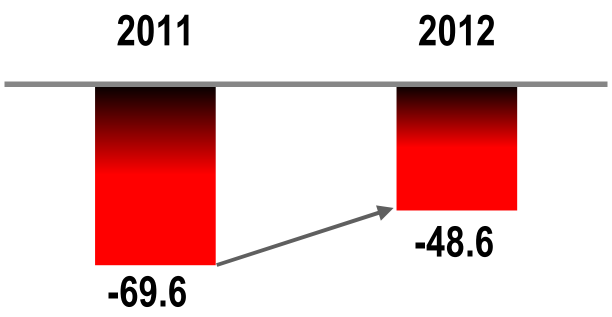
(1) Ratio of Net R&D expenditure to consolidated revenue

Net financial position and working capital

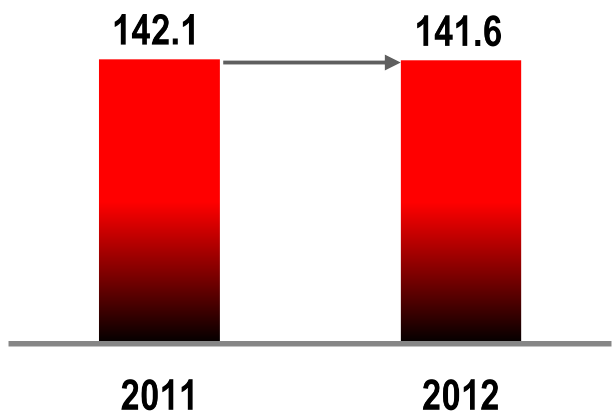
The engine company. DEUTZ

€ million

Net financial position



Working capital



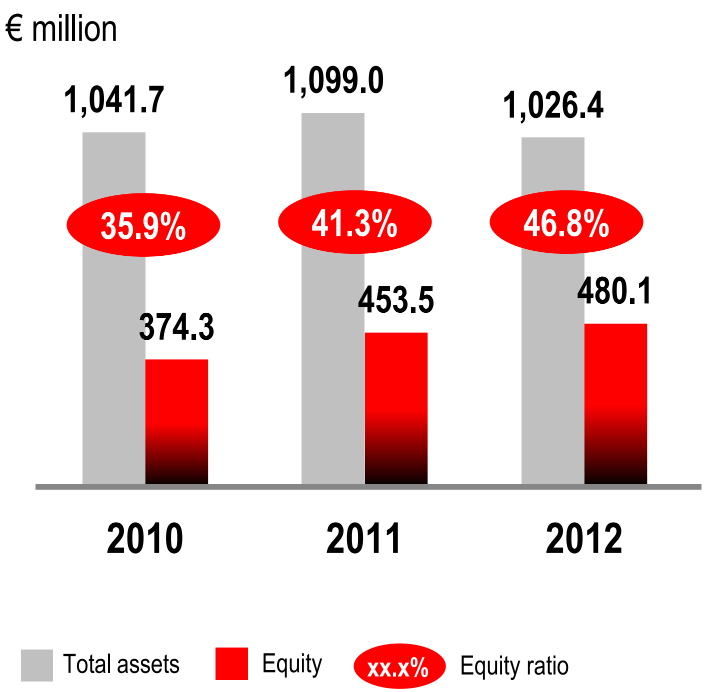
Working capital ratio (31 Dec)	9.3%	11.0%

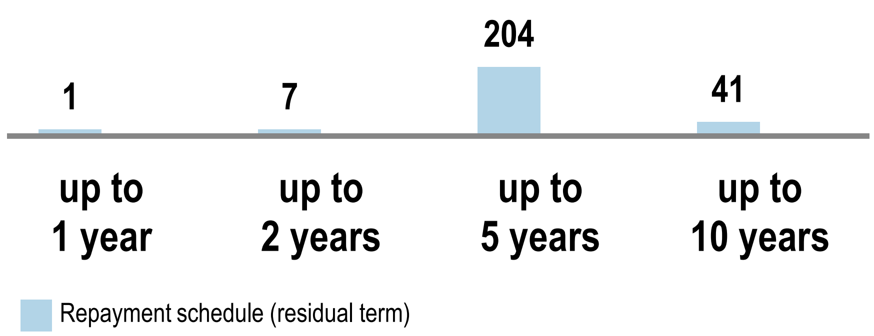
- Net financial position improved by €21.0 million yoy
- Free cash flow €12.6 million (FY 2011: €4.8 million)
- Cash and cash equivalents at 31 Dec 2012 amount to €52.1 million (2011: €51.6 million)

- Working capital at previous year level
- Increase of working capital ratio due to lower revenue

Financial strength and funding

The engine company. DEUTZ





- 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, long-term funding of growth projects secured**

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Financial outlook

The engine company. DEUTZ

€ 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 January and February 2013 improved again to the level of Q1 2012

Unit sales assumptions for DEUTZ key markets

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

Financial calendar & contact details

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

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