

**Tognum**

HOME OF POWER BRANDS

*mtu* Engines

**Tognum** Onsite Energy Systems

**Tognum** Components

# Investor Presentation

## August-September 2008

*Friedrichshafen/Germany, August 22, 2008*

# Legal disclaimer

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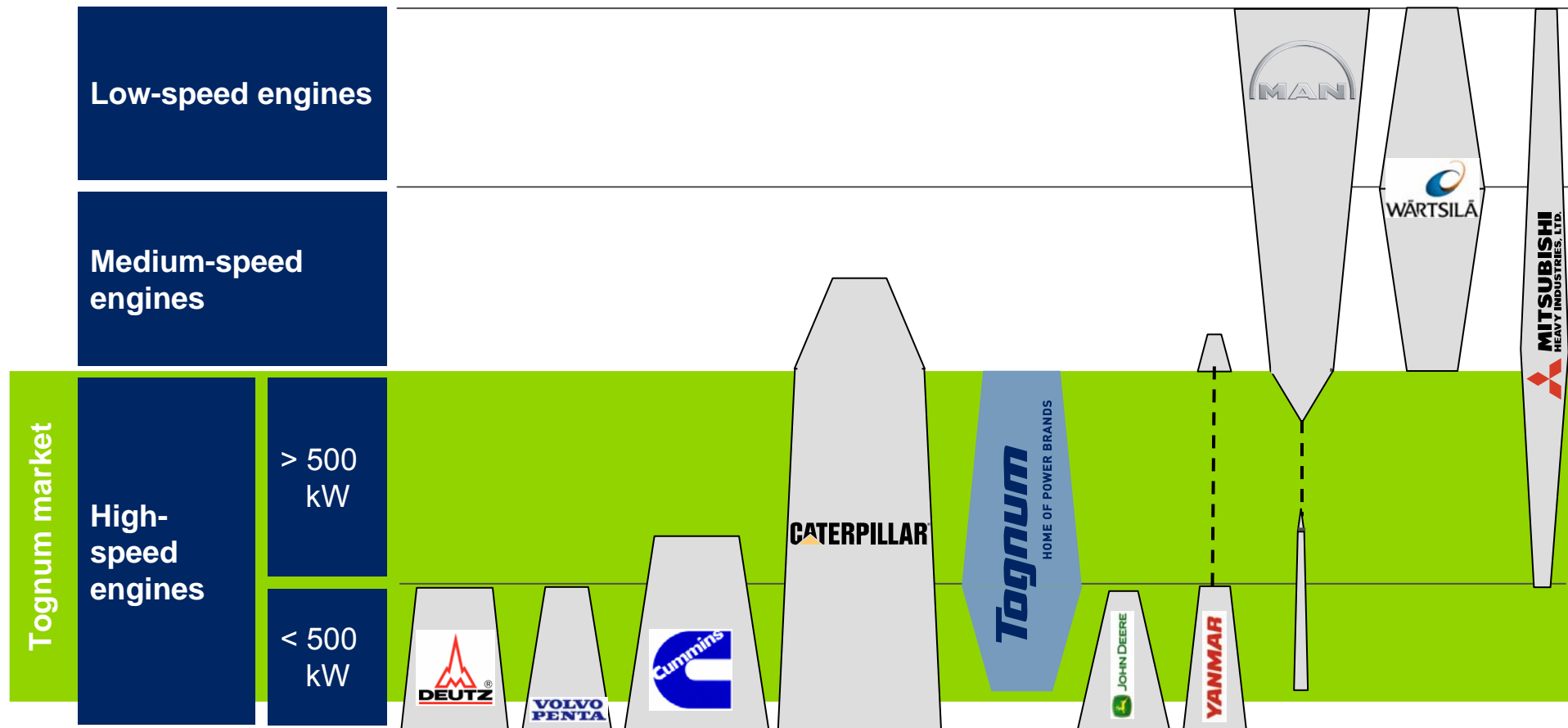
This presentation includes certain forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes", "estimates", "anticipates", "expects", "assumes", "predicts", "intends", "may", "will" or "should", and similar expressions. Such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements do not represent any guarantees of future performance. Tognum's actual results of operations, including its financial condition and profitability as well as the development of the general economic conditions in which it operates, may differ materially from (and be more negative than) those made in or suggested by the forward-looking statements contained in this presentation.

This presentation also includes certain market and market share data. To our knowledge, there is no single, comprehensive source that reliably describes the overall market and its sub-markets or the competitive situation in the market breakdown presented herein. Unless indicated otherwise, all the statements herein concerning the market and competition are therefore based on our own estimates, some of which have in turn been derived from a variety of sources. It is possible that the actual market conditions and competition may differ from the situation described herein, or that other market participants may come up with different estimates of the market and competitive conditions.

# Strategic summary and outlook



# Only pure-play in high-speed off-highway engines

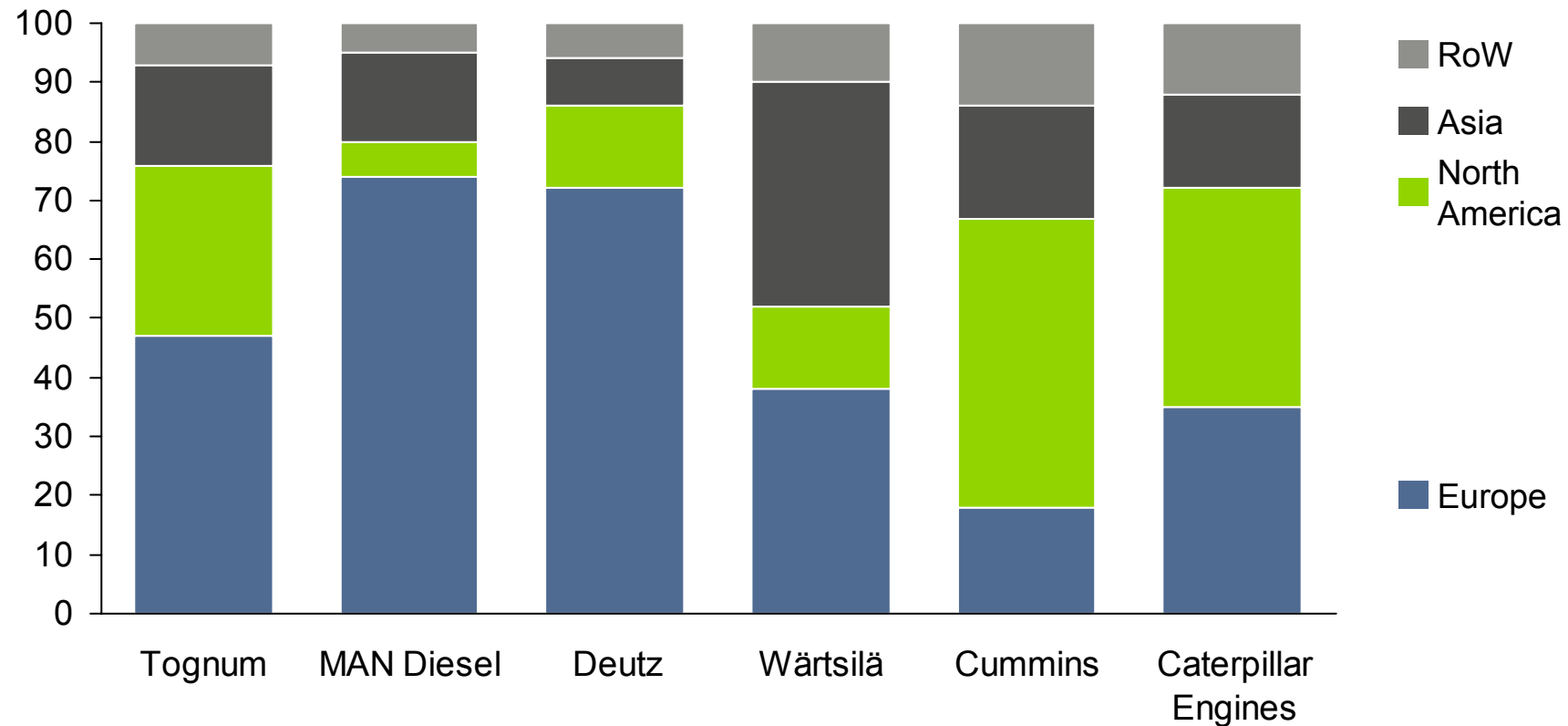


Note: Shapes represent approx engine volumes  
Source: Secondary research

# Limited regional risk

Global footprint supports stable growth

Revenue split 2007 [%]



Source: Company data, Analyst estimates

# Resilient business model succeeds in challenging environment

## FY08 guidance confirmed despite currency and cost headwinds

**USD weakness**

**Rising input costs**

**Business units realignment,  
Rotorion spin-off**

### Management of mitigating factors:

+++ Flexible hedging policy +++ Price increases 2008 and 2009 +++ 2008 sourcing secured for higher volume +++ TOP program execution +++ Increasing global sourcing & production +++

### Uniquely balanced portfolio

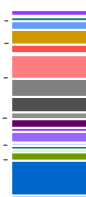
Split by region



Split by end markets



Split by sub-application



- Balanced geographical split
- Diversified product and production mix
- ~22 different subapplications
- Flexible production and allocation set-up

### Strategic growth initiatives



- Financially attractive end markets
- Long-term growth perspectives
- Turning established positioning into sustainable earnings growth

# Strategic growth initiatives

## Review of YTD 2008 measures

### Product portfolio

- JV w/ Hug for exhaust gas after treatment
- Delivered propulsion system for the world's cleanest Diesel locomotive
- Upgraded "Iron Man" (16V4000) for workboats to higher power output at even lower fuel consumption
- First "HotModule Hybrid" offered, a cogeneration heat/power unit based on gas engine and fuel cell

### After Sales

- Spare parts centre for improved availability and reduced response times
- SKL expands remanufacturing business for MTU, expecting major order for PowerGen engines
- Malaysian JV for Asian remanufacturing centre
- Strengthening European distribution and after sales

### Asia & China strategy

- Development & production JV concluded and subsidiary established
- First major NPP contracts expected in 2008
- Growing demand of premium engines for Chinese market, e.g. Industrial and PowerGen
- Growing export of engines from Asia into other regions, e.g. PowerGen

### PowerGen/Onsite Energy Systems

- New organization structure implemented effective July 1st; reporting to change per January 1, 2009
- R&D for gas engines to enable all engine versions for PowerGen applications
- Initiative to further build out diesel systems
- Increased capacity at Katolight installed, preparation for export (50Hz) in 2009

# Further expansion of manufacturing capacity to secure growth, flexibility and localisation

## Investment rationale

- Added capacity in 2008 >25% higher than in 2006
- In 2007/2008, Tognum grows faster than expected
- In 2009, max. utilization again incl. 3-shift operation and extended Sunday work in bottleneck areas
- Decision taken to further expand capacity now in order to meet market demand in 2010

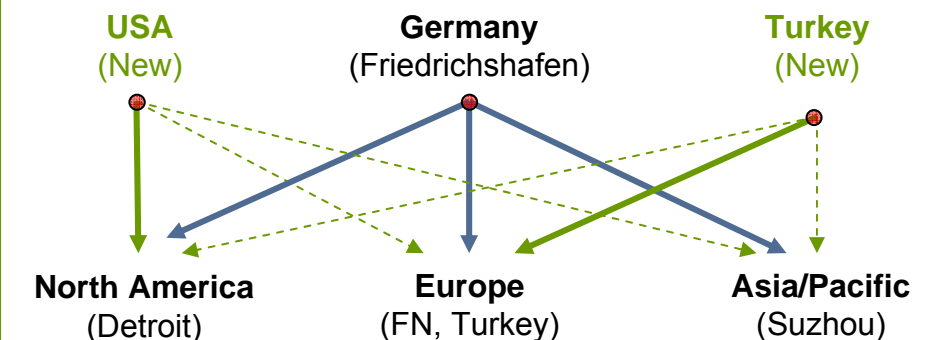
## Focus on internationalization

- Install manufacturing capacity first-time outside Germany and increase global sourcing
- Transition to flexible manufacturing sites
- Increase local content to further improve sales (e.g. governmental projects) and natural hedging
- Strengthening competitiveness (efficiency, wages)

## Implementation

- Install components manufacturing in Turkey at existing facility
- Selection of new site in USA as first step to built-up components manufacturing in the USD area
- Increase manufacturing capacity in Germany for key components
- Expansion of local sourcing in respective regions

## Internationalization of components manufacturing



## Existing global assembly footprint

↓ Existing

↓ Next step

↓ Flexibility

# Outlook FY 2008

Adj. EPS target confirmed at >€2.00

	2007 Actual	2008 Guidance Plan 12/07 - 05/08	2008 Outlook Update 08/08
Avg. USD/EUR fx rate*	1.37 \$/€	1.38\$/€ - 1.45 \$/€	1.55 \$/€
Market growth diesel engines	~8 %	6.5–7.0 %	~7 %
Market growth OES business	~9.5 %	8.0–9.0 %	~8 %
Revenue (growth rate)	€2.835m / 11.8 %	11–13 %	≥ 11 %
Return on Sales (adj.)	€390m / 13.8 %	13–15 %	≥ 13 %
Earnings per share (adj.)	€ 1.58	+25 % to >€ 2.00	+25 % to >€ 2.00

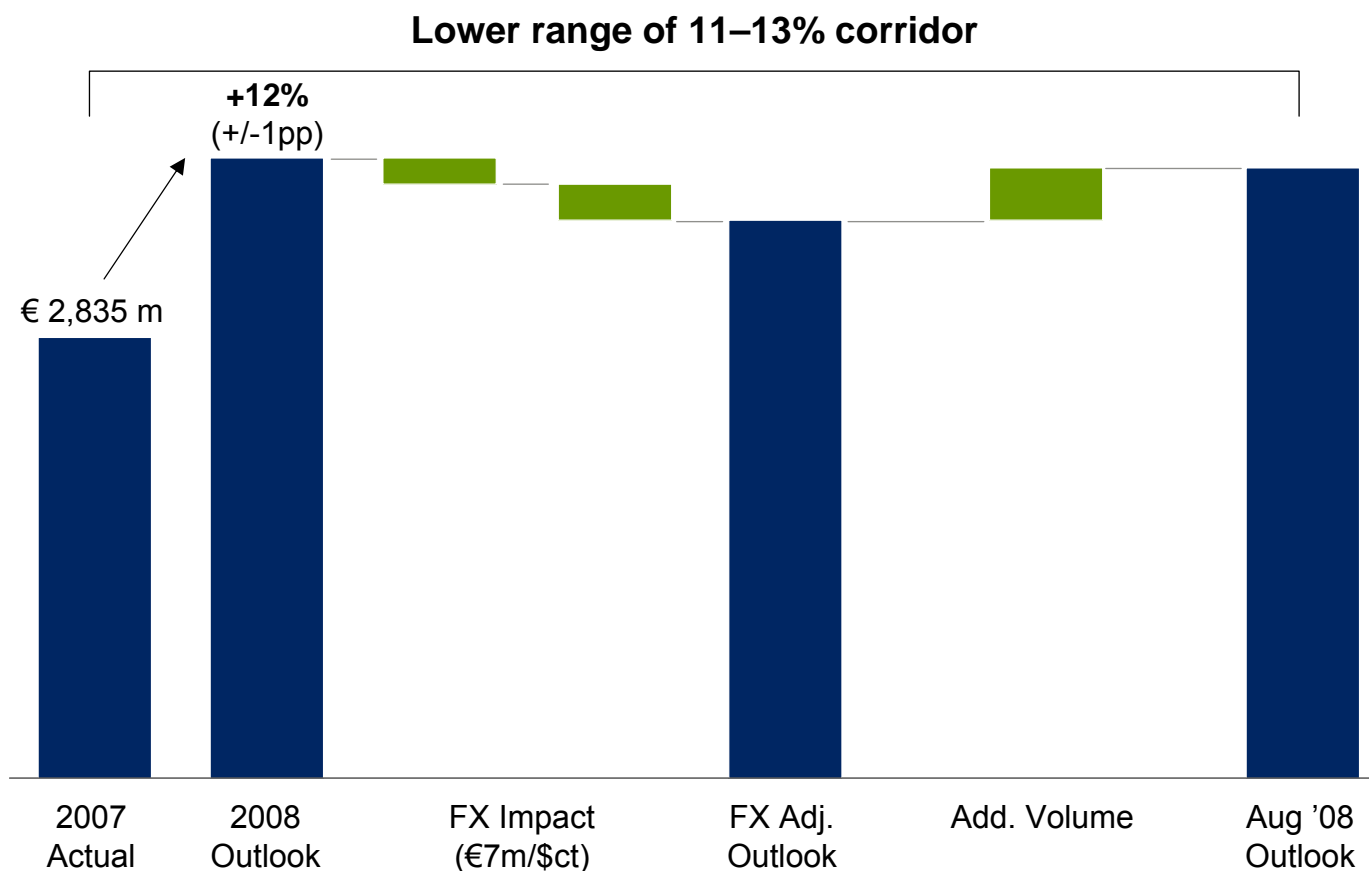
\* Tognum estimates based on banks consensus

# Financials



# Outlook development: Revenue guidance

## H1/08 growth rate ex-USD headwinds at +18%



**Additional volume**  
compensates partly  
for fx-related  
impact

**Y-y growth rates**  
above > / below <  
group average

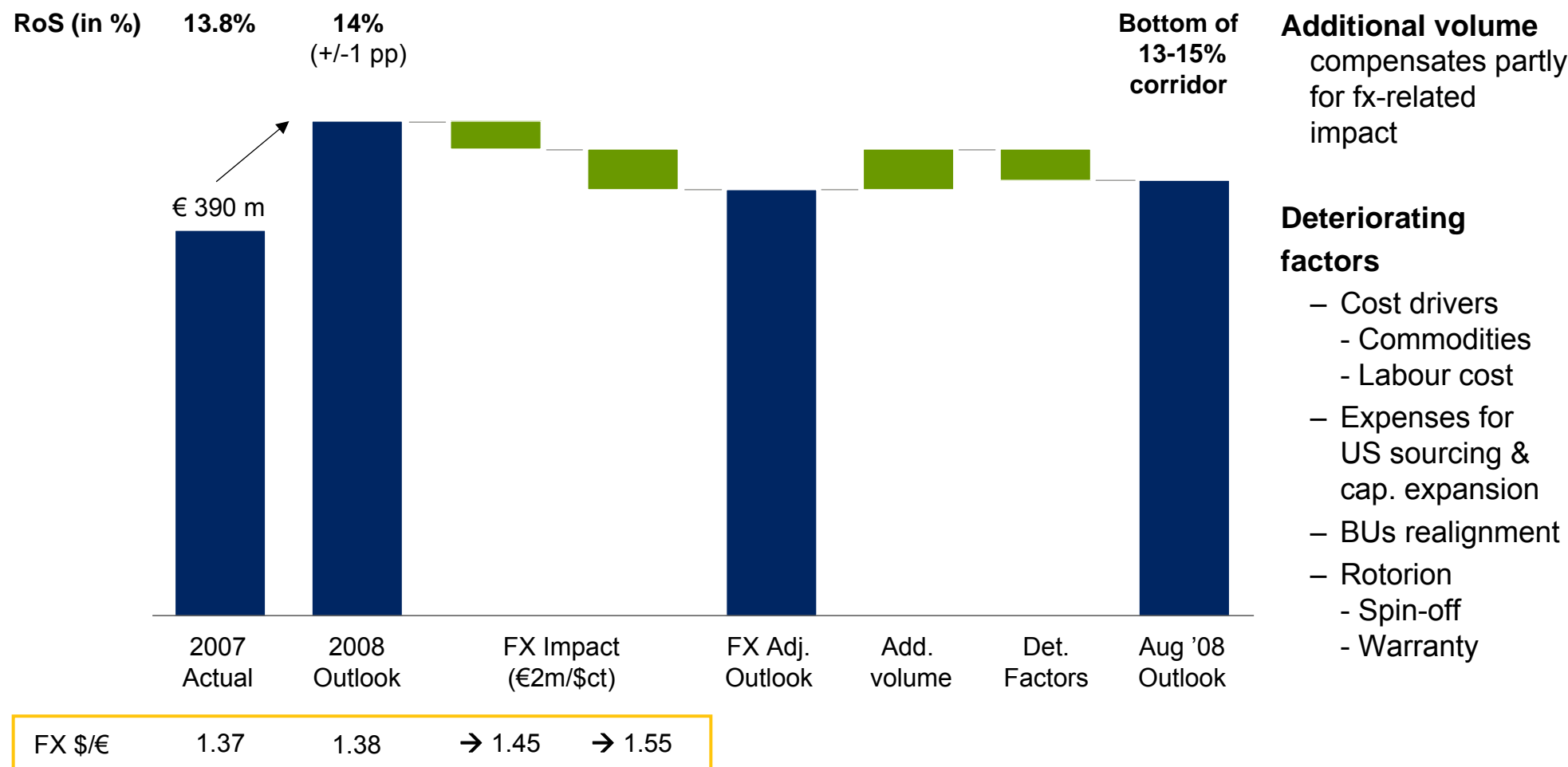
- > Marine
- > PowerGen
- > OES

- < Industrial
- < Defense
- < After Sales
- < Components

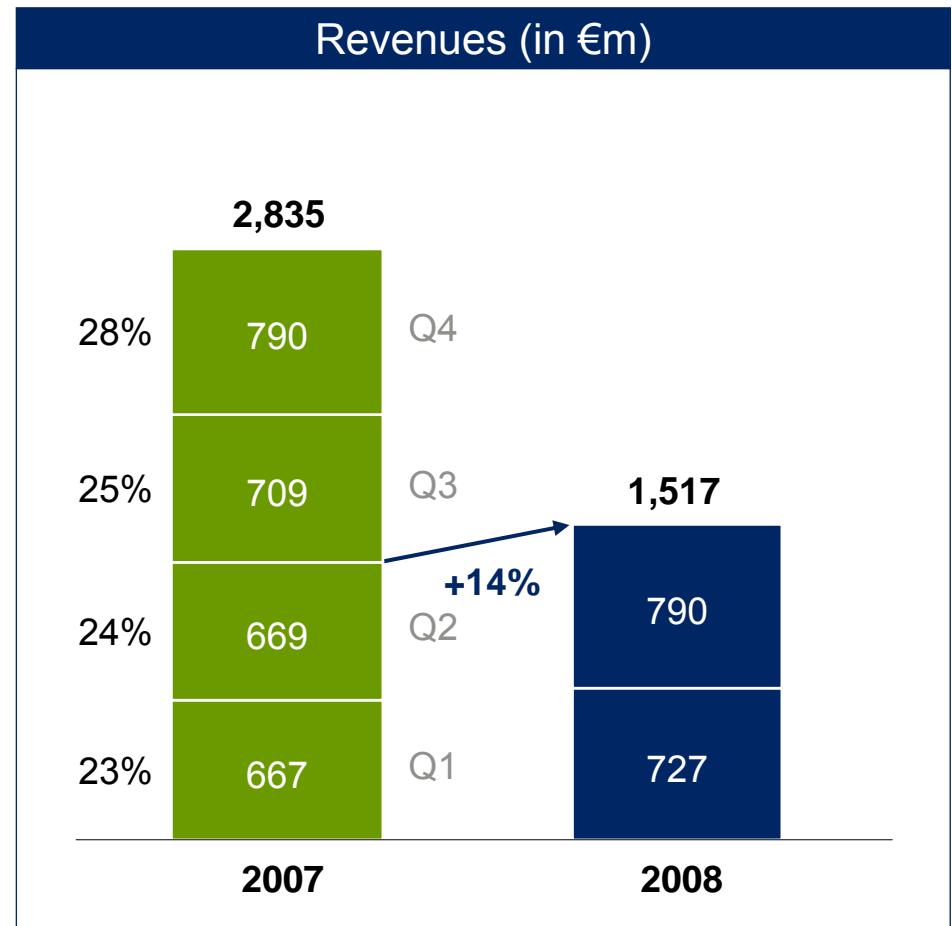
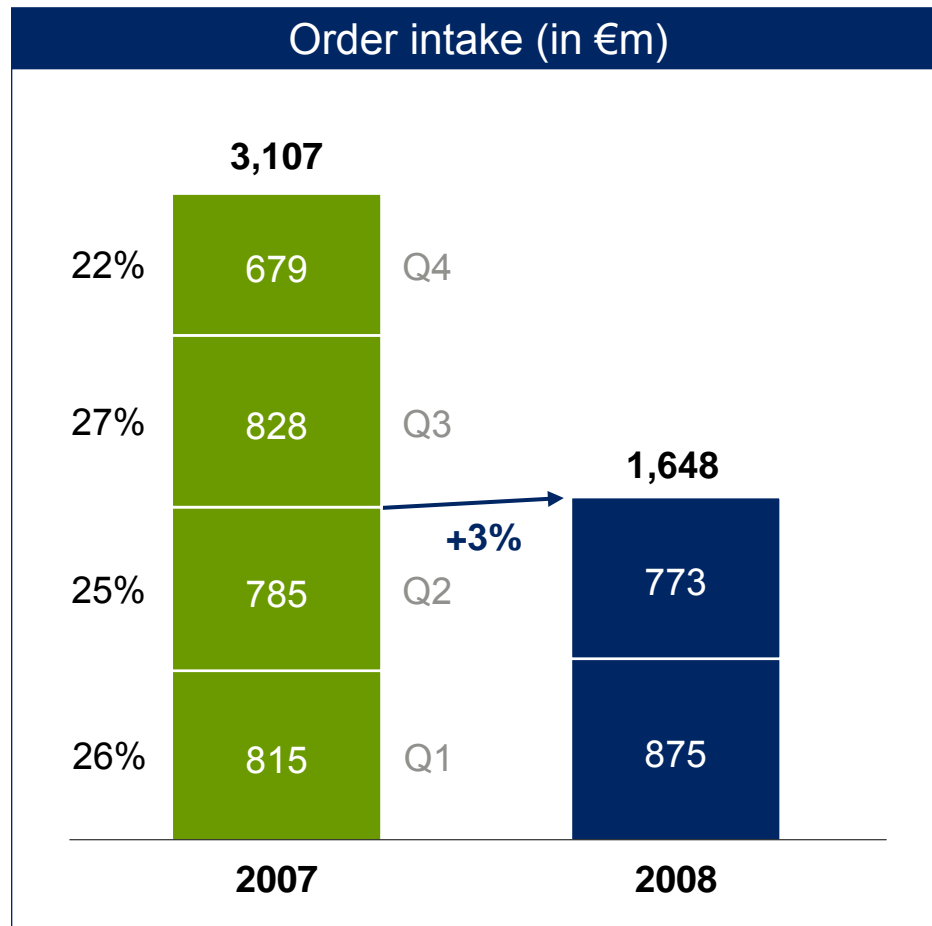
FX \$/€	1.37	1.38	→ 1.45	→ 1.55
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# Outlook development: Adj. EBIT guidance

## Adj. EPS guidance stable at >€ 2.00

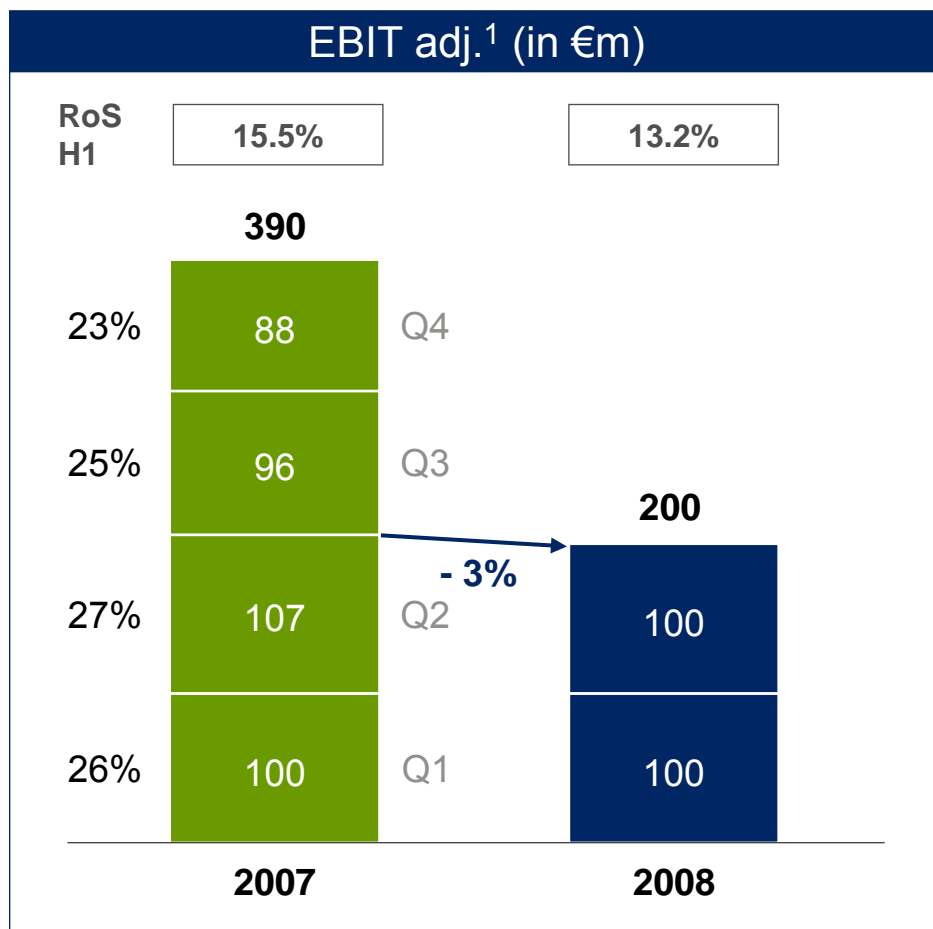


# Strong topline growth

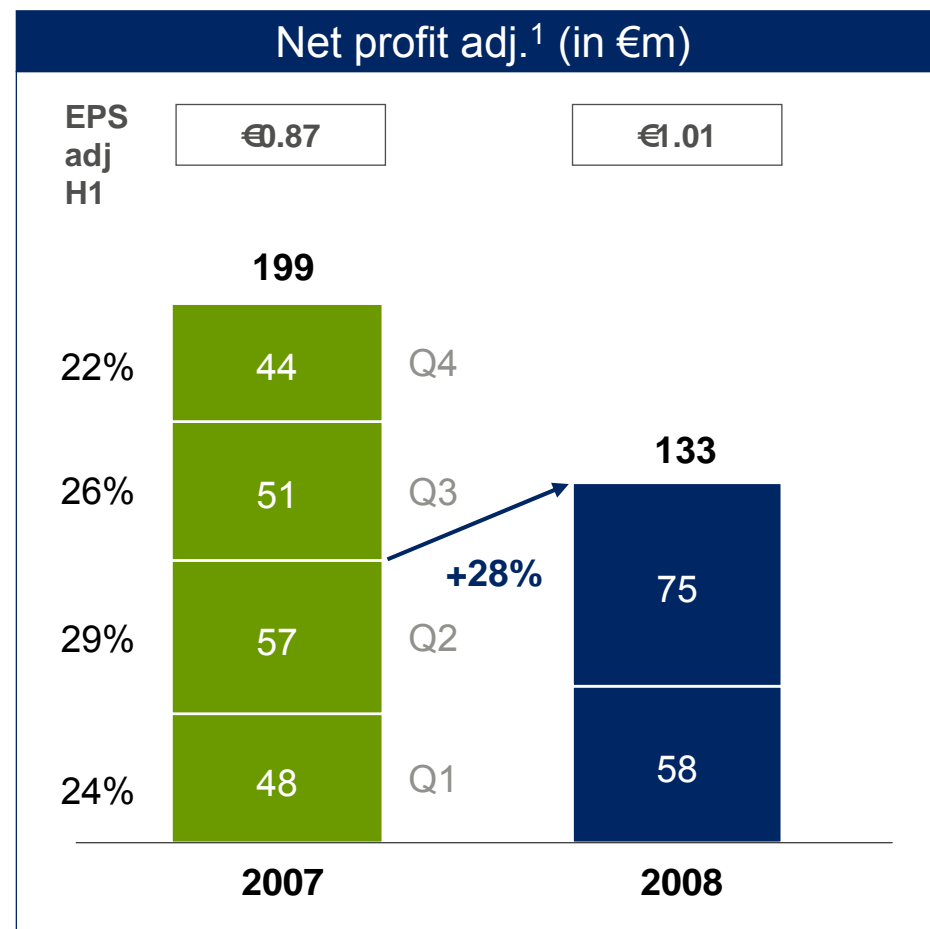


# Continued earnings momentum in H1/2008

## Despite USD/EUR fx rate at 1.53 vs. 1.33 in H1/2007



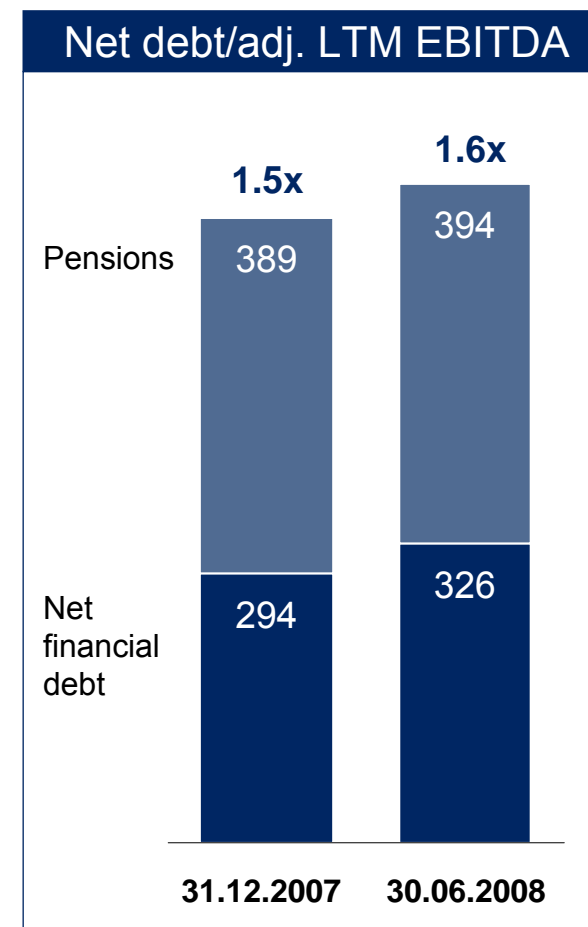
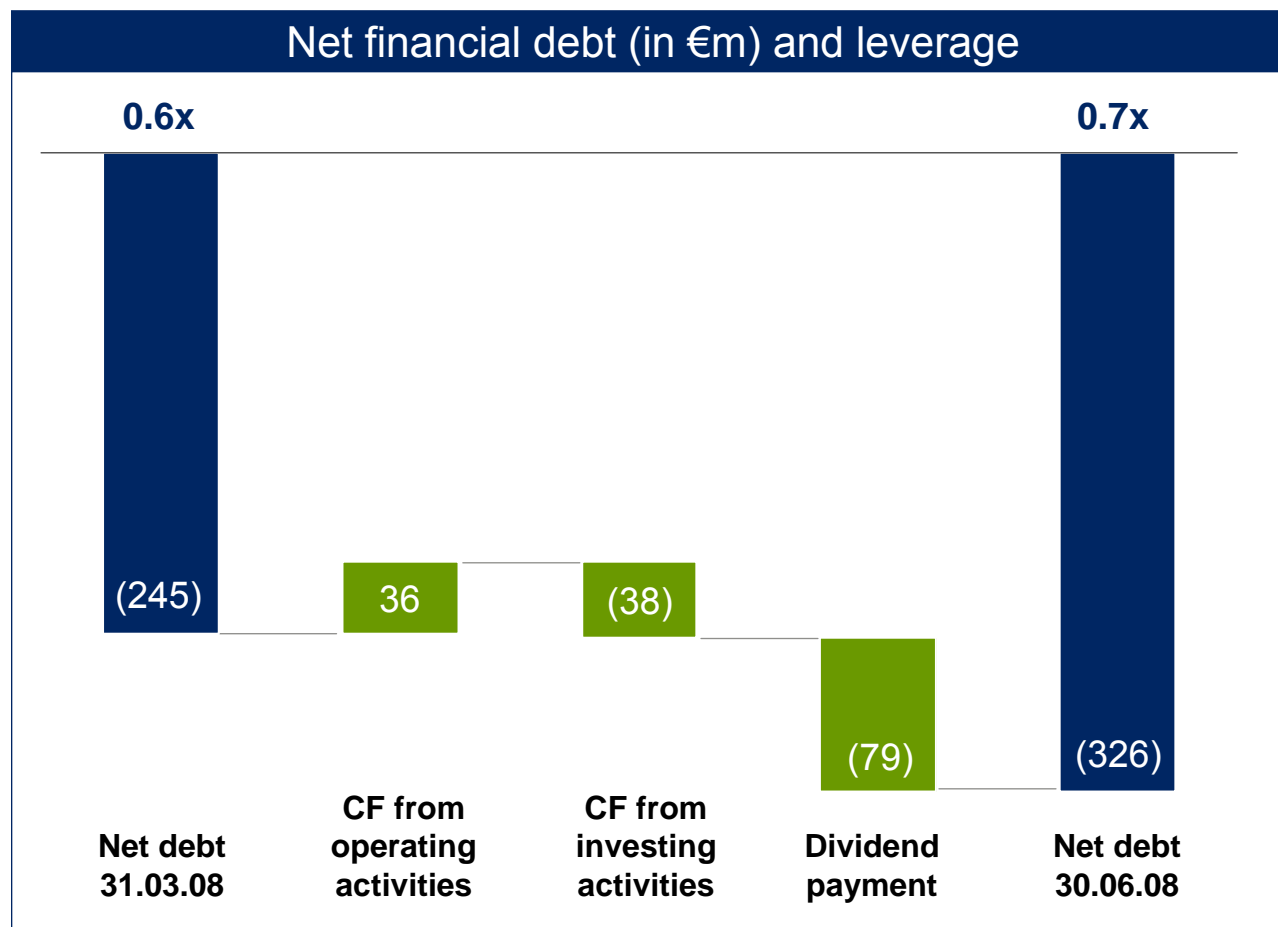
<sup>1</sup> Excludes any effects from purchase price allocation and one-off items



<sup>1</sup> Excludes any effects from purchase price allocation and one-off items

# H1/Q2 2008 net debt development

€ 79m dividend payment Q2/2008



# Q2 segment performance

## Engines

in €m	Q2/2007	% of revenue	Q2/2008	% of revenue	Change
<b>Order intake</b>	<b>664</b>		<b>650</b>		<b>-2%</b>
<b>External revenues</b>	<b>549</b>		<b>653</b>		<b>+19%</b>
<b>Segment revenues</b>	<b>558</b>		<b>669</b>		<b>+20%</b>
Marine	122	22%	174	26%	+43%
PowerGeneration	120	21%	141	21%	+18%
Industrial	102	18%	119	18%	+17%
Defense	53	9%	70	10%	+32%
After Sales/Other	162	29%	165	25%	+2%
<b>Adj. EBIT</b>	<b>95</b>	<b>17.0%</b>	<b>103</b>	<b>15.4%</b>	<b>+8%</b>

# Q2 segment performance

## Onsite Energy Systems & Components

in €m	Q2/2007	% of revenue	Q2/2008	% of revenue	Change
<b>Order intake</b>	<b>143</b>		<b>161</b>		<b>+13%</b>
<b>External revenues</b>	<b>120</b>		<b>137</b>		<b>+14%</b>
<b>Segment revenues</b>	<b>135</b>		<b>157</b>		<b>+16%</b>
Onsite Energy	44	33%	52	33%	+18%
Injection Systems	35	26%	39	25%	+11%
Propeller Shafts	55	41%	66	42%	+20%
<b>Adj. EBIT</b>	<b>10</b>	<b>7.3%</b>	<b>6</b>	<b>3.8%</b>	<b>-40%</b>

## Q2 consolidated group performance

in €m	Engines	OES&C	Holding/ Consolidation	Tognum Group
<b>Q2/2007</b>				
Order intake	664	143	-22	<b>785</b>
Revenue	558	135	-23	<b>669</b>
EBIT adj.	95	10	2	<b>107</b>
<b>Q2/2008</b>				
Order intake	650	161	-38	<b>773</b>
Revenue	669	157	-36	<b>790</b>
EBIT adj.	103	6	-9	<b>100</b>

# Tognum – Home of Power Brands

## Execution of strategy for profitable growth

**Diversified product portfolio**

Geographical split  
Product mix  
~22 applications

**Business applications  
in high-growth areas**

Decentralised power generation  
Raw materials/transportation  
Emerging markets



**Four strategic initiatives**

Turning established positioning  
into strong growth momentum

# Back-up

## Investor Presentation Aug-Sep 2008

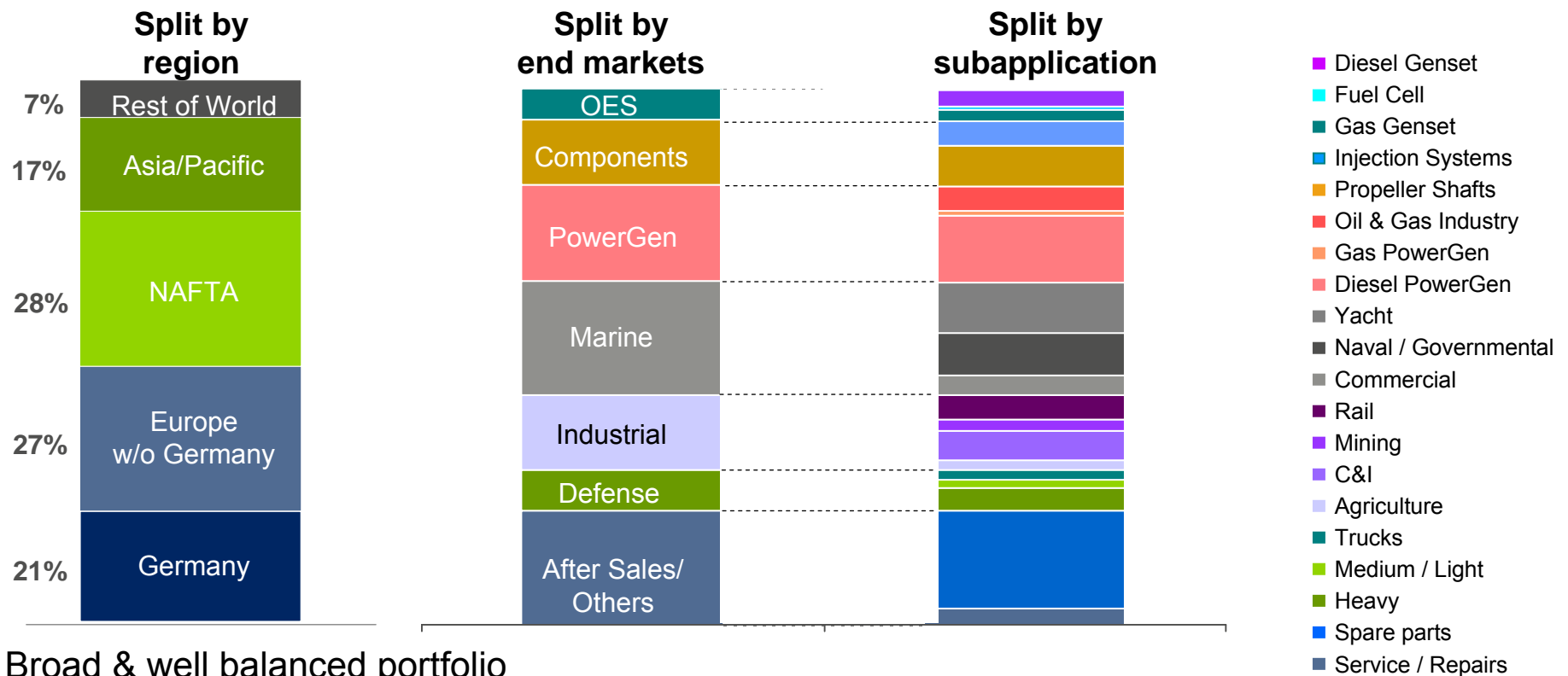


# Strategy, Innovation, Production



# Uniquely balanced portfolio mitigates cyclical sensitivity

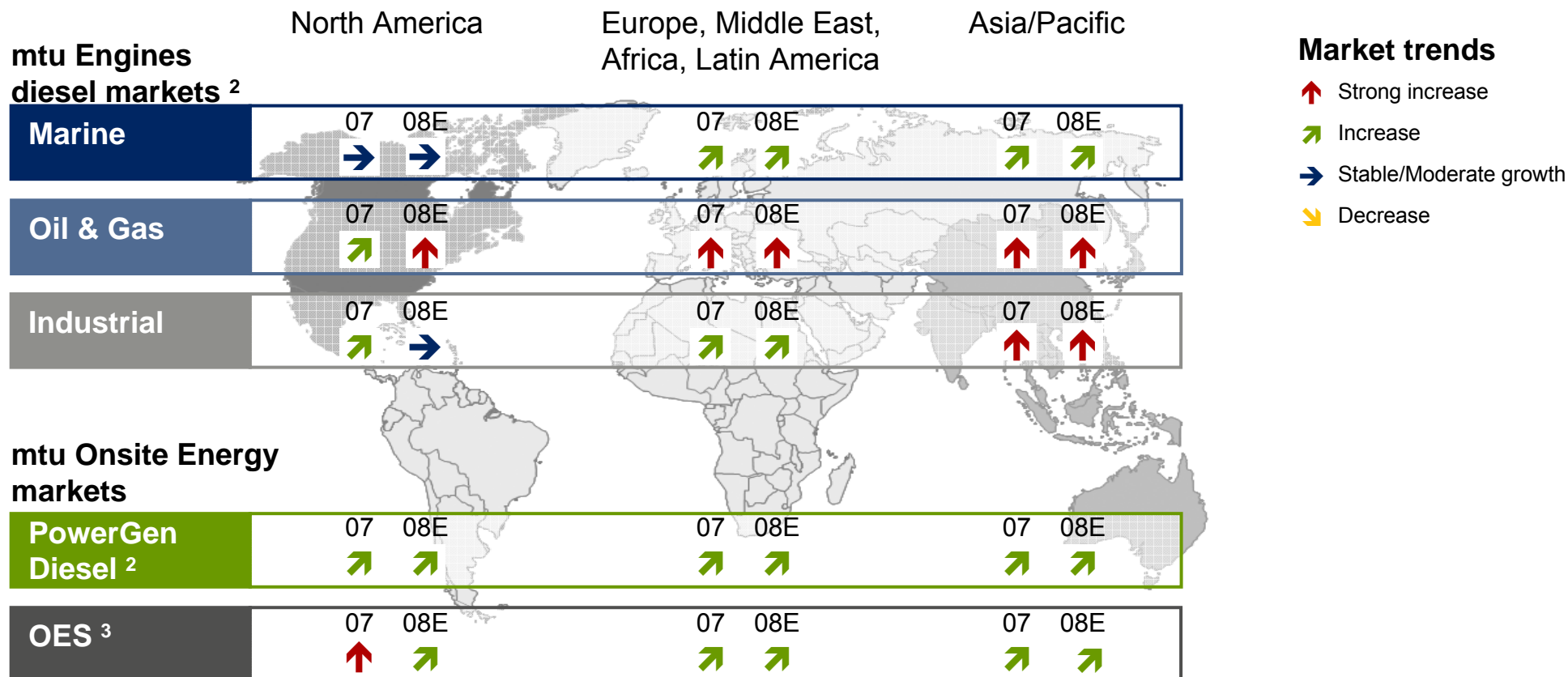
45-50% of sales are non-cyclical



- Broad & well balanced portfolio
- Financially highly attractive end markets
- Excellent growth perspectives

# Excellent growth perspectives

## Market trends 2007, 2008E<sup>1</sup>



### Market trends

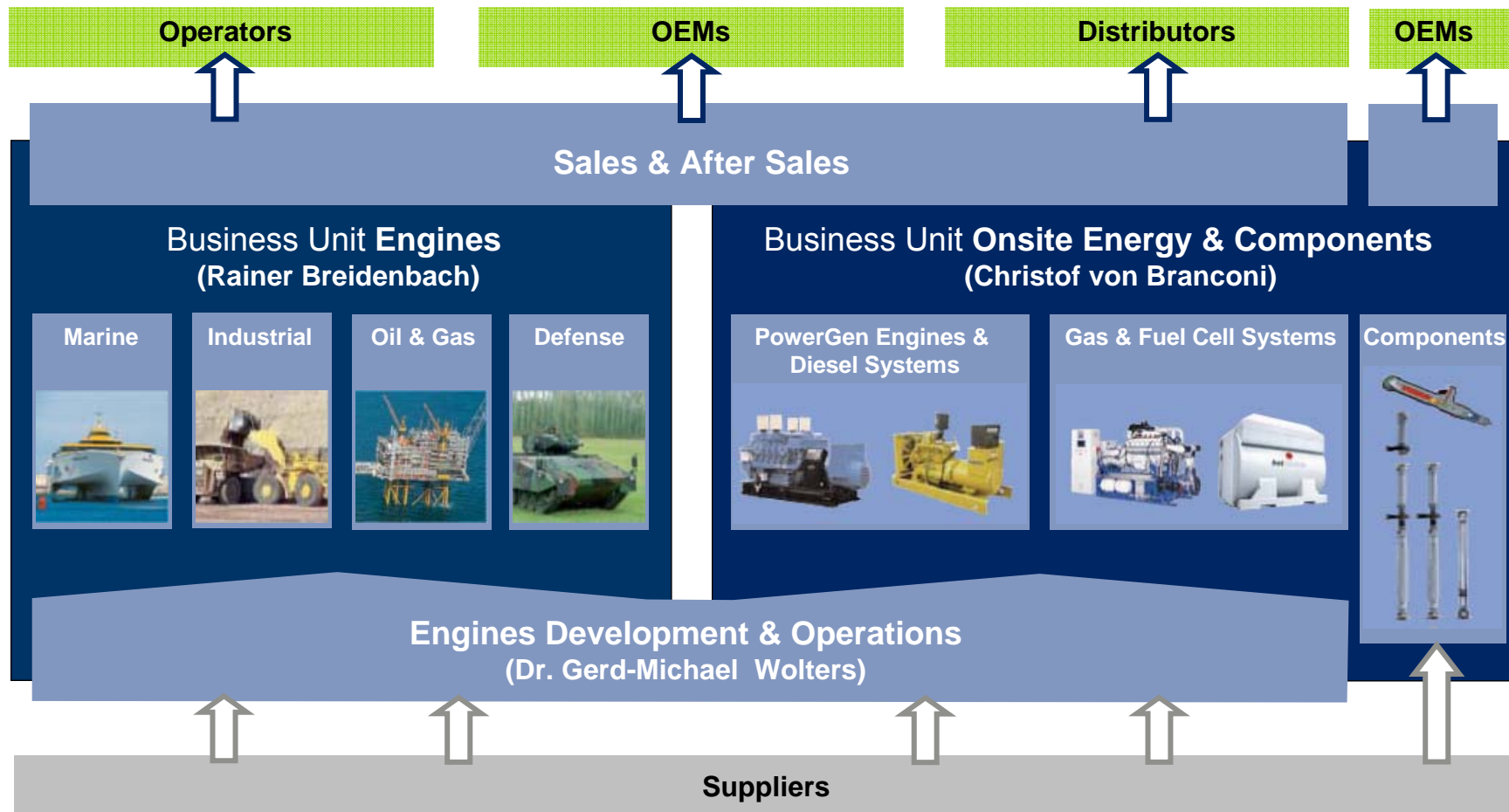
- ↑ Strong increase
- ↗ Increase
- Stable/Moderate growth
- ↓ Decrease

<sup>1</sup> Update by end of July

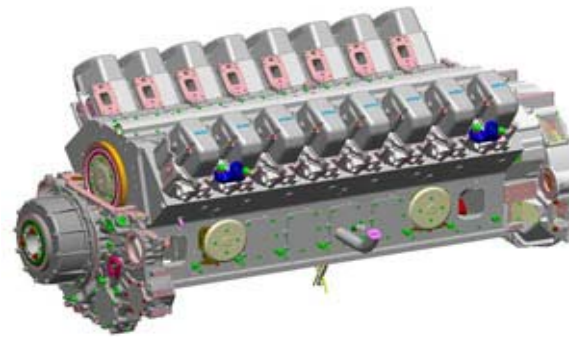
<sup>2</sup> High-speed from 150-10,000 kW, diesel engines, off-highway, Marine market w/o Naval/Gov. (project business), Oil&Gas incl. gas engines

<sup>3</sup> High-speed from 150-10,000 kW, markets for diesel & gas systems

# Tognum's future business model



# Engine concept Series 4000



**Core engine**



Gas



Marine



Mining



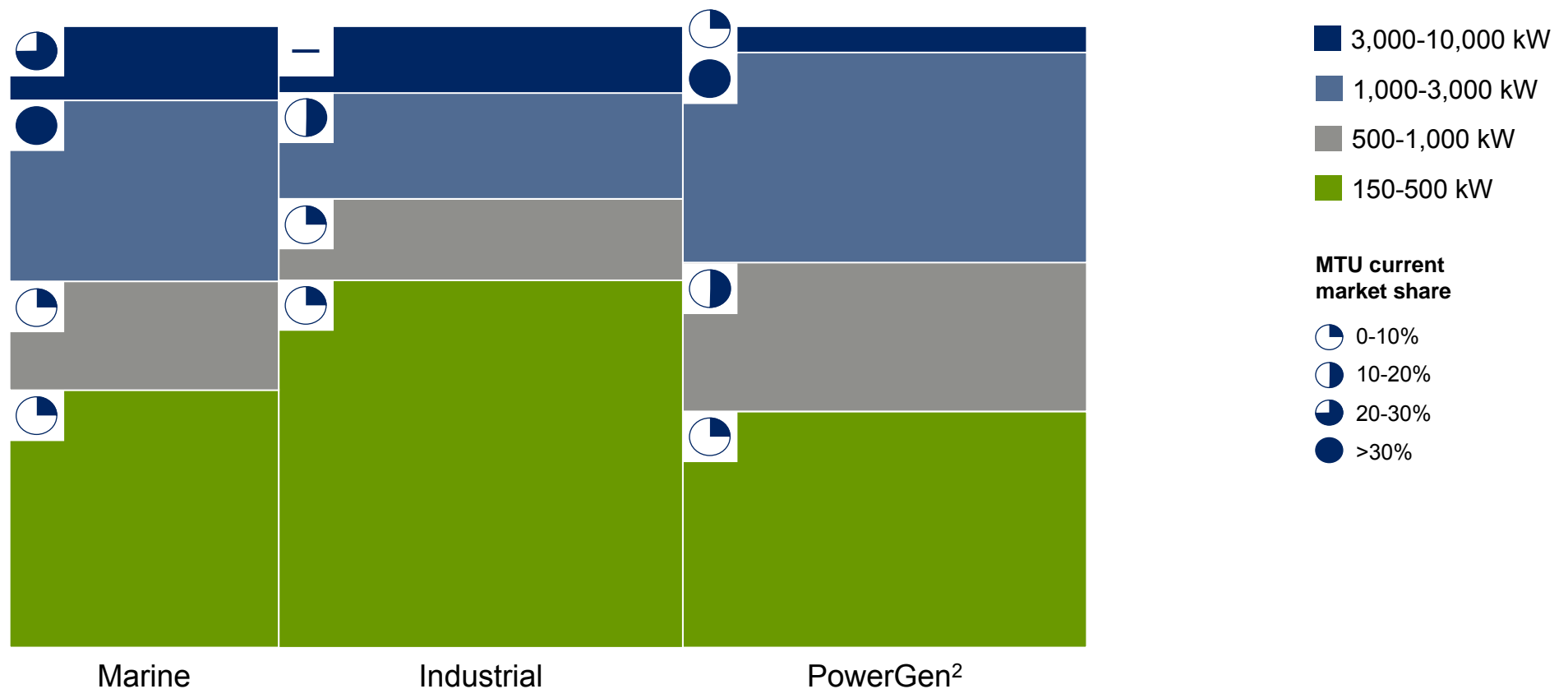
Rail



Genset

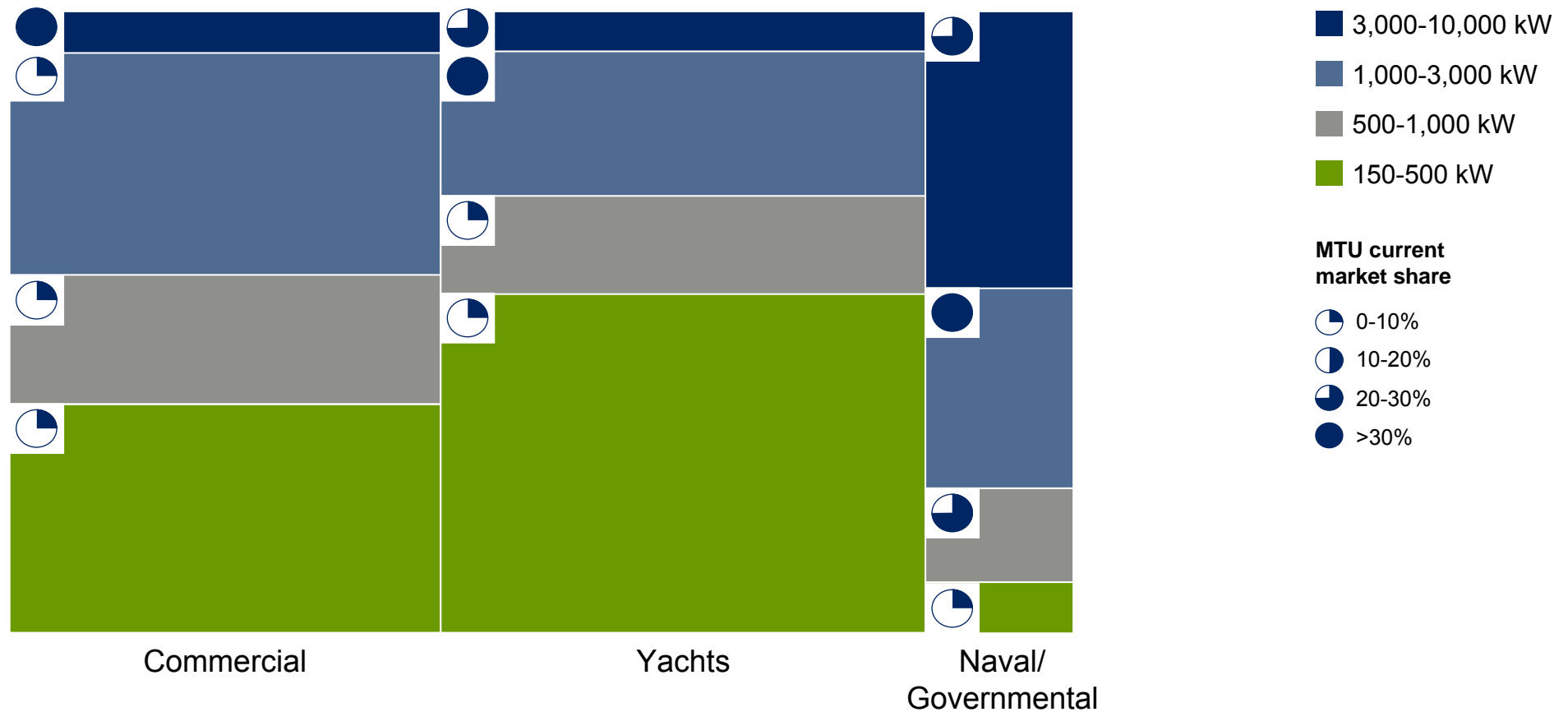


# Relevant diesel engine markets<sup>1</sup> by power range for Marine, Industrial and PowerGen



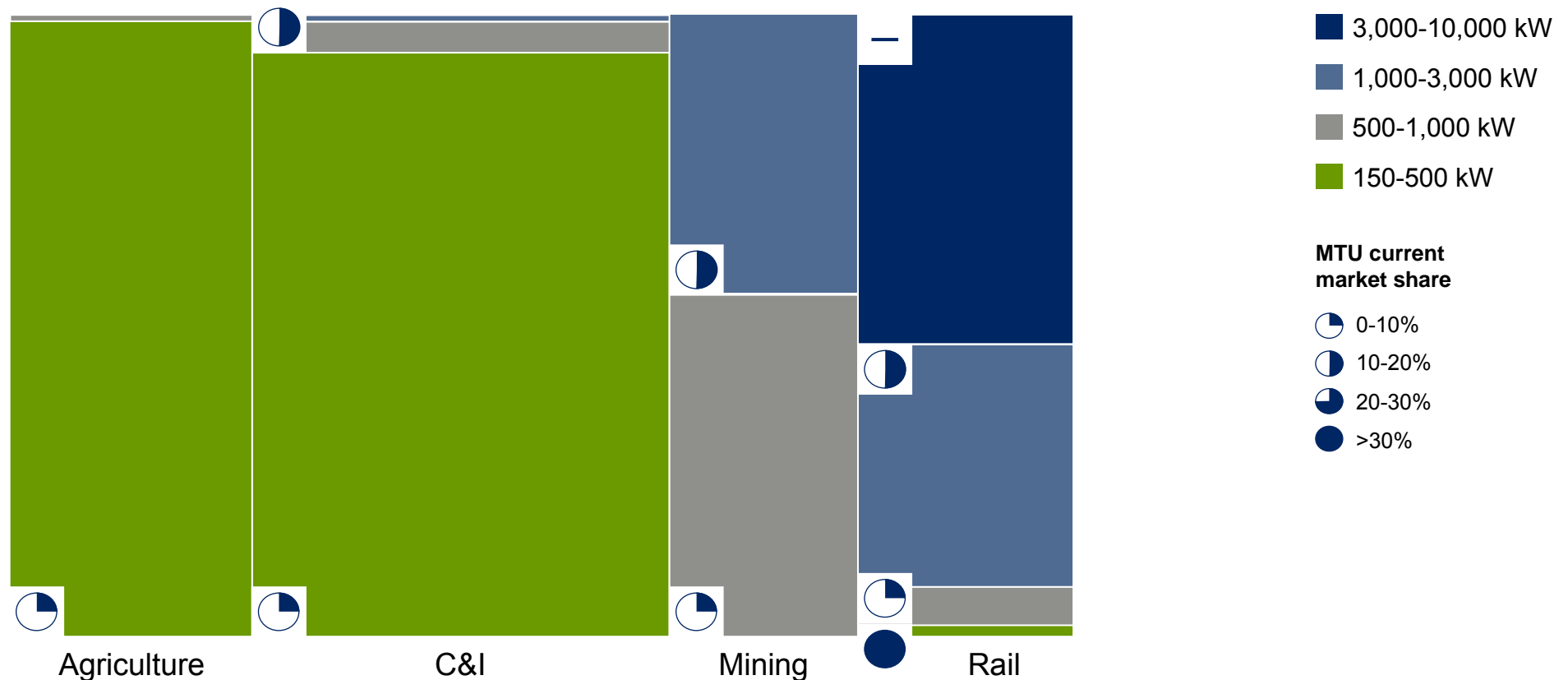
<sup>1</sup> High-speed off-highway markets in 2006 from 150-10,000 kW, non-captive, nominal value  
<sup>2</sup> Oil & Gas included

# Relevant Marine diesel engine markets<sup>1</sup> for Commercial, Yacht and Naval/Governmental



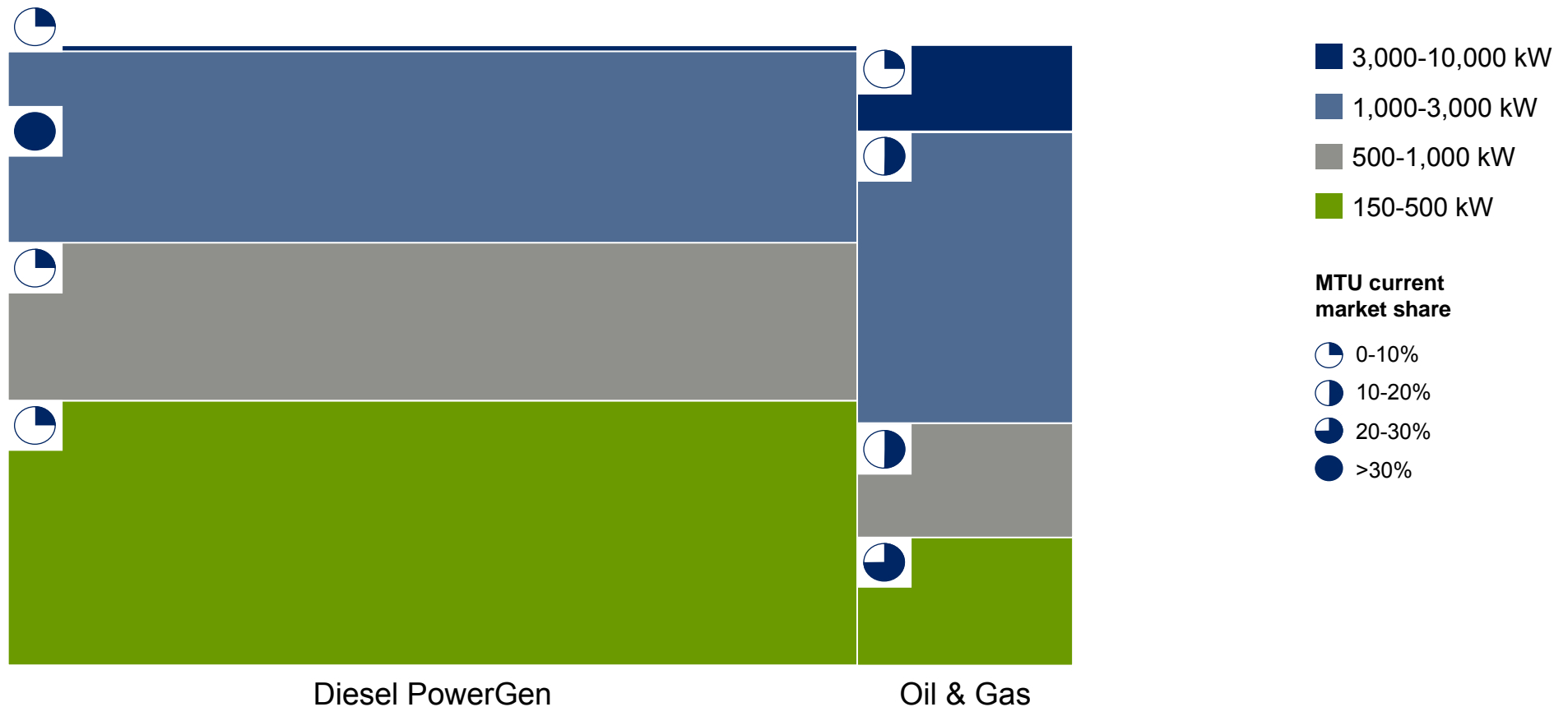
<sup>1</sup> High-speed off-highway markets in 2006 from 150-10,000 kW

# Relevant Industrial diesel engine markets<sup>1</sup> for Agriculture, C&I, Mining and Rail



<sup>1</sup> High-speed off-highway markets in 2006 from 150-10,000 kW

# Relevant PowerGen diesel engine markets<sup>1</sup> for Diesel PowerGen and Oil & Gas



<sup>1</sup> High-speed off-highway markets in 2006 from 150-10,000 kW

# mtu Onsite Energy Systems

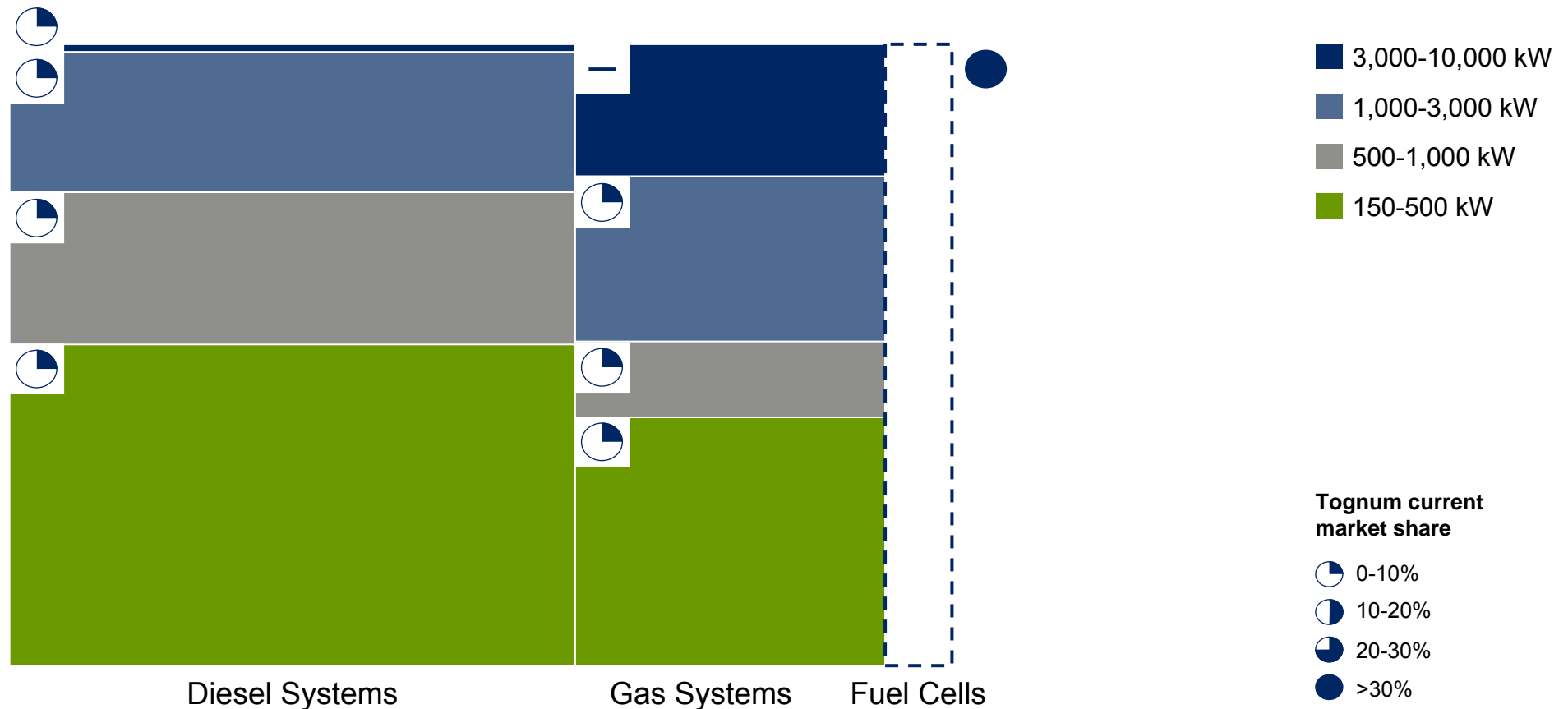
## Drivers for growth



Drivers	
<ul style="list-style-type: none"> <li>– Globally increasing energy demand</li> <li>– Resources (oil, gas, renewables) are less readily available</li> <li>– Climate discussion will be impacting markets</li> </ul>	 <p style="color: #4CAF50; font-weight: bold; margin: 0;">Consequence: energy price for consumers will rise</p>

Tognum focus	
<ul style="list-style-type: none"> <li>– Efficient technologies</li> <li>– Growing demand for decentralized energy</li> </ul>	 <p style="color: #4CAF50; font-weight: bold; margin: 0;">Strong upside potential for Tognum as focused growing technology player</p>

# Relevant Onsite Energy Systems market<sup>1</sup> for Diesel Systems, Gas Systems and Fuel Cells



<sup>1</sup> High-speed off-highway markets in 2006 from 150-10,000 kW, nominal value

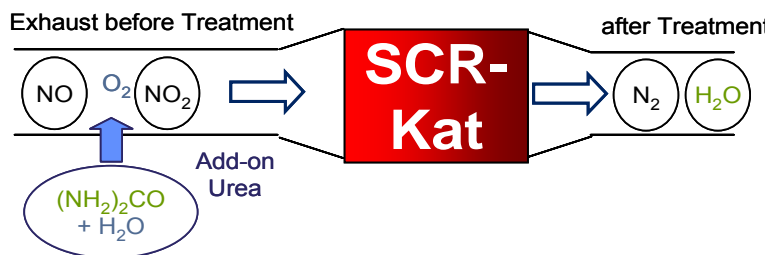
# Key technologies

**EXISTING: Combustion process**

<p>Fuel injection</p> 	<p>Turbo charging</p> 	<p>Electronics</p> 
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Build-up of R&D capacity and know-how in exhaust after treatment

**IN PROGRESS: Exhaust after treatment**



**Meeting emission regulations by**

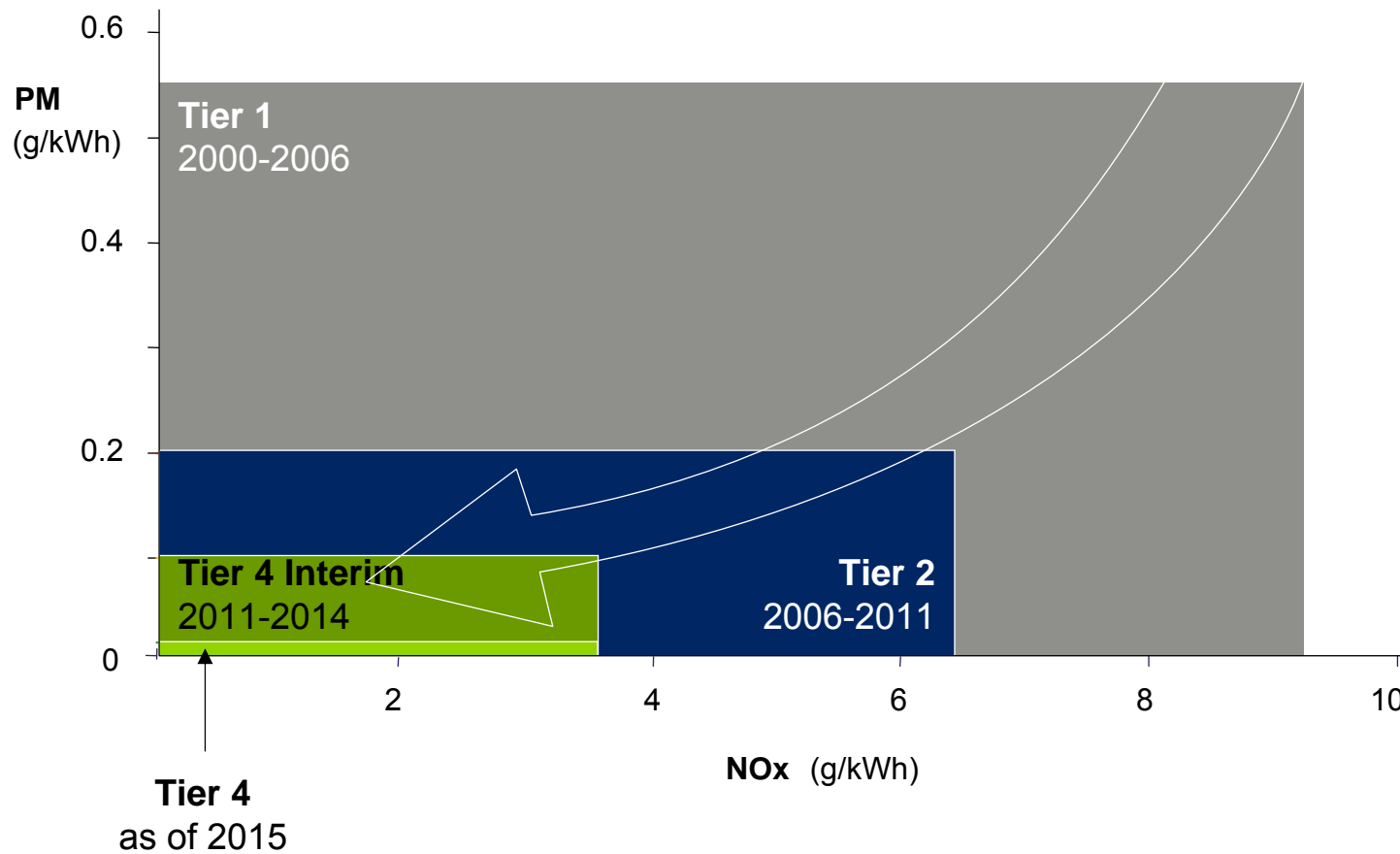
- Developing engine and exhaust after treatment as one system
- System optimization

**Benefits**

- Fuel consumption
- Cost
- Maintenance
- Size and weight

} **Reducing LCC (life cycle cost)**

# Future challenge: Emission regulations for off-highway diesel engines >560kW



## Customer requirements

- Low fuel consumption
- Low manufacturing costs
- Little space & low weight
- Long lifetime
- Low maintenance

Source: Tognum

# Tognum Group Financials



# Order backlog

High visibility of sales expectation not fully captured in order backlog

Drivers	Most applicable for application	Level of visibility		
		Duration	Delivery point	Order size
Order backlog	<ul style="list-style-type: none"> <li>– C&amp;I</li> <li>– PowerGen</li> </ul>	✓	✓	✓
+ Long-term Memorandum of understanding	<ul style="list-style-type: none"> <li>– Yacht</li> </ul>	✓		
+ Long-term contracts	<ul style="list-style-type: none"> <li>– Defense</li> <li>– Navy</li> </ul>	✓		✓
+ Long delivery periods	<ul style="list-style-type: none"> <li>– Marine</li> <li>– High-power range engines</li> </ul>	✓		
+ Close connection and interdependence with OEMs	<ul style="list-style-type: none"> <li>– Industrial</li> <li>– Propeller Shafts</li> </ul>	✓	✓	✓
+ System business	<ul style="list-style-type: none"> <li>– All applications</li> </ul>	(✓)	(✓)	(✓)
<b>Strongly dependent on specific client</b>				
<b>= Business set-up allows for high visibility of sales</b> <b>Backlog not representative because not all elements of sales visibility included</b>				

# Capex and net working capital targets

Moderate capex and NWC requirements will lead to overall improved net asset efficiency

In % of sales	2007	2008 E	Mid-term
Capex PPE	~4.5%	~4.5-5.5%	~5%
Capex R&D	~1%	~1%	0.5%
Invest M&A	~1%	1% announced	tbd
<b>Total Capex</b>	<b>~6.5%</b> (incl. M&A)	<b>&gt; 6.5-7.5%</b>	<b>&gt; 5.5%</b>

- PPE capex mainly driven by facility and machining investment to support organic growth
- R&D capitalisation for new products in range of 0.5-1.0% sales
- M&A investment in 2007 for Katolight and in 2008 for After Sales (SKL) and Asia (Norinco JV)
- New spare parts/ production logistics will improve NWC efficiency

In % of sales	2007	2008 E	Mid-term
<b>NWC<sup>1</sup></b>	<b>~27%</b>	<b>~26% (+/-1)</b>	<b>24% (+/-1)</b>

<sup>1</sup> NWC = Inventories + Receivables ./ Received Payments ./ Accounts Payable

# USD impact

## Manageable USD exposure in 2008

	Volume (in USD bn)	Translation	Pricing	Sourcing	
Sales	1.3 - 1.4	7 €mn/\$cts	+ surcharge - discount		- Moderate translation impact on sales and EBIT
Cost	1.0 - 1.1			1.5 - 2.0 €mn/\$cts	- Pricing impact varies by application and region due to competition/capacity situation
EBIT	< 0.1	0.4 €mn/\$cts	+ surcharge - discount		- Sourcing mismatch has significant impact, but partly compensated by cash flow hedging
Cash flow	0.3	Remaining Cash flow hedged by >95% at 1.47 €/€\$			
Net assets	0.4	Net assets hedged by 0.4 USD bn loan			- Net assets hedged by USD loan

## Q2 adjustment bridge

in €m	Reported Q2/2008	Adjustments	Adjusted Q2/2008
<b>Revenues</b>	<b>790.2</b>		<b>790.2</b>
Cost of sales	(617.1)	16.8 (1)	(600.3)
<b>Gross profit</b>	<b>173.1</b>	<b>16.8</b>	<b>189.9</b>
SG&A	(68.5)		(68.5)
Research and development costs	(21.4)		(21.4)
Other operating expenses	0.5		0.5
<b>Results from operating activities</b>	<b>83.7</b>	<b>16.8</b>	<b>100.5</b>
Share of profit from investments (equity method)	(1.2)		(1.2)
Other financial income	3.6	(0.3) (2)	3.3
Other financial expenses	(2.4)		(2.4)
<b>Earnings before interest and taxes</b>	<b>83.7</b>	<b>16.5</b>	<b>100.2</b>
Interest income	0.8		0.8
Interest expenses	(1.3)		(1.3)
<b>Earnings before taxes</b>	<b>83.2</b>	<b>16.5</b>	<b>99.7</b>
Income taxes	(20.3)	(4.6) (3)	(24.9)
<b>Net profit / loss</b>	<b>62.9</b>	<b>11.9</b>	<b>74.8</b>
Depreciation and Amortization	(28.5)	11.1 (4)	(17.4)
<b>EBITDA</b>	<b>112.2</b>	<b>5.4</b>	<b>117.6</b>

(1) PPA depreciation & amortisation (€ 11.1m)

Adjusted for hedges for FX cashflows (€ 5.7m)

(2) Valuation of FX loans (-€ 0.3m)

(3) Higher income taxes resulting from lower EBIT at 25% tax rate (€ -4.6m)

(4) PPA depreciation & amortisation (€ 11.1m)

# Tognum Group balance sheet

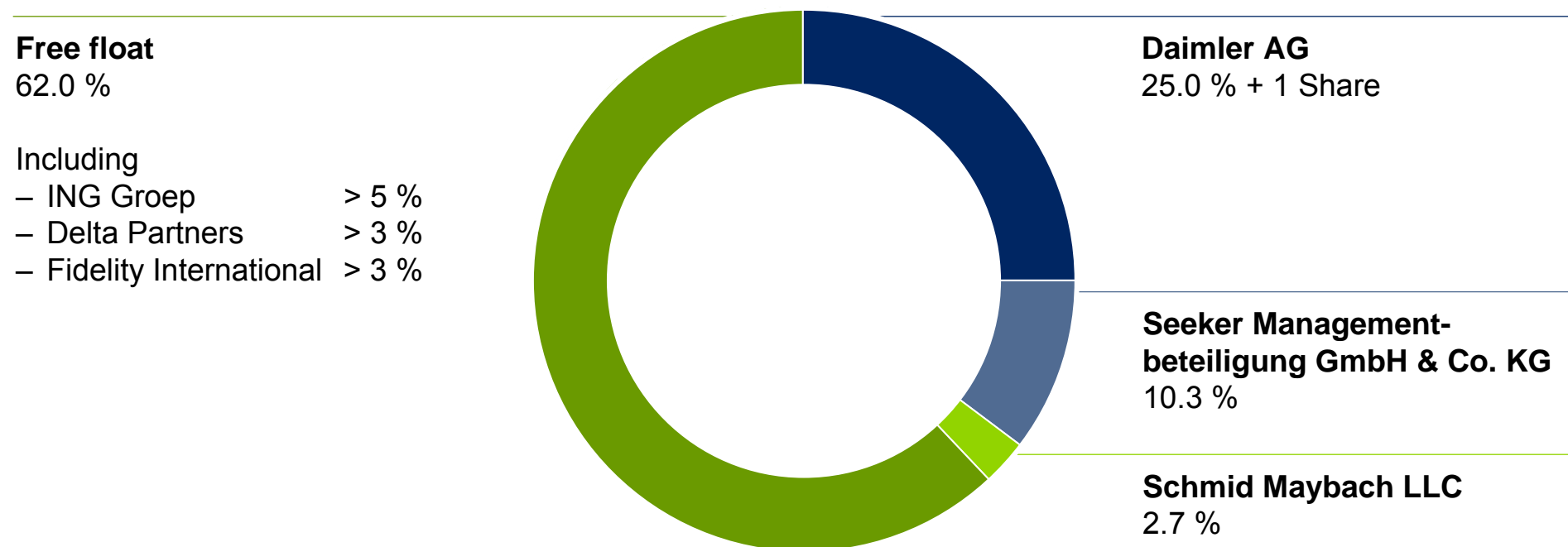
## December 31, 2007/June 30, 2008

Assets		
€m	31.12.2007	30.06.2008
Intangible assets	478	475
PP&E	407	430
Other long-term assets	91	95
<b>Total long-term assets</b>	<b>976</b>	<b>1,001</b>
Other short-term assets	116	141
Inventories	743	827
Accounts receivables	465	462
Cash & cash equivalents	61	56
<b>Total short-term assets</b>	<b>1,385</b>	<b>1,486</b>
<b>Total assets</b>	<b>2,361</b>	<b>2,487</b>

Liabilities		
€m	31.12.2007	30.06.2008
<b>Shareholders' equity</b>	<b>535</b>	<b>563</b>
Pension provisions	389	394
Other provisions	185	199
Long-term financial liabilities	345	297
Other long-term liabilities	125	135
<b>Total long-term liabilities</b>	<b>1,044</b>	<b>1,025</b>
Short-term financial and other liabilities	81	170
Accounts payables	241	268
Short-term provisions and received payments	449	445
Other short-term liabilities	12	16
<b>Total short-term liabilities</b>	<b>782</b>	<b>899</b>
<b>Total liabilities</b>	<b>2,361</b>	<b>2,487</b>

# Tognum AG shareholder structure

## As of July 31, 2008



**Tognum**

HOME OF POWER BRANDS

*mtu* Engines

*Tognum* Onsite Energy Systems

*Tognum* Components

Thank you very much!

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### Financial calendar \*

Nov 11, 2008 Q3/08 final report & conf. call

Mar 26, 2009 Release of Annual Report 2008

May 13, 2009 Q1/09 final report & conf. call

Jun 09, 2009 Annual General Meeting 2009

\* All dates are preliminary and subject to change