Investor presentation
May 2015

The engine company.
Agenda

- DEUTZ strategy & positioning
- Financials
- Outlook
## DEUTZ at a glance

### Profile
- More than 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 2014
- Revenue €1,530.2 million
- Net income €19.5 million
- Free Cash Flow €52.0 million

### Board
- Dr. Helmut Leube (CEO)
- Dr. Margarete Haase (CFO)
- Michael Wellenzohn (CSO)
## Corporate structure

### DEUTZ Group

Revenue 2014 €1,530.2 million

<table>
<thead>
<tr>
<th>DEUTZ Compact Engines</th>
<th>DEUTZ Customised Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue 2014 €1,279.9 million</td>
<td>Revenue 2014 €250.3 million</td>
</tr>
<tr>
<td>- Liquid-cooled engines of up to 8 litres cubic capacity for on- and off-road applications</td>
<td>- Air-cooled engines for on-road, off-road and marine applications</td>
</tr>
<tr>
<td>- Large number of modular approaches</td>
<td>- Liquid-cooled engines over 8 litres for all applications</td>
</tr>
<tr>
<td>- Joint Venture DEUTZ Dalian (China)</td>
<td>- Remanufactured (Xchange) engines for all DEUTZ engine series</td>
</tr>
</tbody>
</table>

### 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
Site optimisation

- Annual cost savings > €10 million (considerable effects already in 2016; full effects from 2017 onwards)
- Restructuring costs for site optimisation (€17.1 million) digested in FY 2014 result
- Capex overcompensated by proceeds from property sales in subsequent years

➤ Sustainable efficiency improvement by merging facilities
Consolidation of activities in China

Consolidation of our Chinese activities and focus on our successful JV DEUTZ Dalian, which has sufficient capacities

DEUTZ Dalian (at-equity consolidated) increased its revenue by 12.8% yoy and outperformed the Chinese market

Joint decision with our partner AB Volvo to wind up JV DEUTZ Engine China due to challenging market conditions. JV has not yet made any substantial investments

Implementation works at JV DEUTZ Engine Shandong put on hold. Impairment of fixed assets (€1.8 million) accounted as one-off in FY 2014

Strategic talks with Weichai about the future of the JV Weifang

Focus on DEUTZ Dalian to meet our customer demands for the Chinese market

<table>
<thead>
<tr>
<th>JV DEUTZ Dalian</th>
<th>Revenue (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>€319.1</td>
</tr>
<tr>
<td>2014</td>
<td>€359.8</td>
</tr>
</tbody>
</table>

(1) At-equity consolidated; not reflected in the revenue of DEUTZ Group
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
- Effect was diluted by strong demand for smaller engine series in 2014
- Positive structural price mix effects are expected to continue in the next years

Structural growth due to tighter emission standards
DEUTZ engines for Tier 4 emission standard

- 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 with Tier 4 engines
DEUTZ compact engines compliant to next emission standard

<table>
<thead>
<tr>
<th>Engine Type</th>
<th>Stage</th>
<th>Power Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCD 12.0 / 16.0</td>
<td>5</td>
<td>240 – 520 kW</td>
</tr>
<tr>
<td>TCD 7.8</td>
<td>V</td>
<td>160 – 291 kW</td>
</tr>
<tr>
<td>TCD 6.1</td>
<td>V</td>
<td>130 – 206 kW</td>
</tr>
<tr>
<td>TCD 4.1</td>
<td>V</td>
<td>85 – 115 kW</td>
</tr>
<tr>
<td>TCD 3.6</td>
<td>V</td>
<td>56 – 100 kW</td>
</tr>
<tr>
<td>TCD 2.9</td>
<td>V</td>
<td>37 – 56 kW</td>
</tr>
</tbody>
</table>

- TCD 2.9 to 7.8 litre engines with DPF already meet the next EU emission standard announced for 2019.
- DEUTZ technology platform offers our customers long-term planning certainty as they do not have to invest in adapting their equipment to upcoming emission change.

DEUTZ compact engines compliant to next emission standard
DEUTZ customer base

Long standing customer relationships (not exhaustive)

- DEUTZ has a lot of long standing relationships with key customers
- Customer base extended and diversified with new emission engines
- New customers attracted by the compact design and smart exhaust aftertreatment of the Tier 4 engines
- “Stage V Ready”-campaign will stimulate the continued marketing activities

New clients (not exhaustive)

→ Successful extension of the customer base
Successful business development

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

<table>
<thead>
<tr>
<th>Mobile Machinery</th>
<th>Typical application</th>
<th>Markets benefit from macro trends</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Construction</td>
<td><img src="construction.jpg" alt="Construction" /></td>
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<tr>
<td></td>
<td>Material handling</td>
<td><img src="material_handling.jpg" alt="Material handling" /></td>
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<tr>
<td></td>
<td>Ground support</td>
<td><img src="ground_support.jpg" alt="Ground support" /></td>
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<tr>
<td></td>
<td>Mining equipment</td>
<td><img src="mining_equipment.jpg" alt="Mining equipment" /></td>
</tr>
<tr>
<td>Agricultural Machinery</td>
<td>Tractors</td>
<td><img src="tractors.jpg" alt="Tractors" /></td>
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<tr>
<td></td>
<td>Agricultural equipment</td>
<td><img src="agricultural_equipment.jpg" alt="Agricultural equipment" /></td>
</tr>
<tr>
<td>Stationary Equipment</td>
<td>Gensets</td>
<td><img src="gensets.jpg" alt="Gensets" /></td>
</tr>
<tr>
<td></td>
<td>Pumps</td>
<td><img src="pumps.jpg" alt="Pumps" /></td>
</tr>
<tr>
<td></td>
<td>Compressors</td>
<td><img src="compressors.jpg" alt="Compressors" /></td>
</tr>
<tr>
<td>Automotive</td>
<td>Trucks</td>
<td><img src="trucks.jpg" alt="Trucks" /></td>
</tr>
<tr>
<td></td>
<td>Buses</td>
<td><img src="buses.jpg" alt="Buses" /></td>
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<tr>
<td></td>
<td>Rail vehicles</td>
<td><img src="rail_vehicles.jpg" alt="Rail vehicles" /></td>
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</tbody>
</table>

> Wide application range for DEUTZ engines
Revenue split by application

FY 2014
(FY 2013)

- Mobile Machinery 47%
  - €715.3 million (€481.6 million)
- Agricultural Machinery 17%
  - €257.5 million (€325.6 million)
- Service 17%
  - €259.3 million (€253.7 million)
- Stationary Equipment 12%
  - €179.2 million (€173.7 million)
- Automotive 5%
  - €82.0 million (€188.5 million)
- Other 2%
  - €36.9 million (€30.1 million)

Automotive business moving towards Asia; fully consolidated Automotive sales decreased as expected due to decision not to develop Euro 6 (on-highway emission); pro-forma revenue incl. at-equity consolidated JV DEUTZ Dalian in Automotive: €380.1 million (corresponding revenue share amounts to 20.1%)
Revenue split by region

FY 2014
(FY 2013)

Europe (excl. Germany) 49%
€744.7 million
(€824.6 million)

Americas 17%
€256.6 million
(€190.6 million)

Africa/Middle East 5%
€84.7 million
(€70.4 million)

Asia-Pacific 7%
€107.4 million
(€107.2 million)

Germany 22%
€336.8 million
(€260.4 million)

Pro-forma revenue including at-equity consolidated Chinese JV DEUTZ Dalian: €1,890.0 million (+6.6%); corresponding revenue share of Asia-Pacific amounts to 24.7%
Service business

- 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 training and tools

Continued growth of service revenues
Agenda

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### Key figures

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2015</th>
<th>Year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>321.0</td>
<td>-22.5%</td>
</tr>
<tr>
<td>Revenue</td>
<td>318.1</td>
<td>-7.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>33.9</td>
<td>+33.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>10.1</td>
<td>+€8.2 million</td>
</tr>
<tr>
<td>Net financial position</td>
<td>15.5</td>
<td>+€51.0 million</td>
</tr>
</tbody>
</table>

> Significant operating profit increase despite lower revenue
Decline of sales figures mainly caused by previous year’s pre-buy engines and weak agricultural market

Revenue better than unit sales development due to higher service revenues and positive price-mix effects

Orders on hands of €228.4 million increased by 4.0% versus year-end 2014

<table>
<thead>
<tr>
<th>Order intake</th>
<th>Unit sales</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>Units</td>
<td>€ million</td>
</tr>
<tr>
<td>-22.5%</td>
<td>-17.0%</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>Q1 2015</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>414.2</td>
<td>321.0</td>
<td>69.6</td>
</tr>
<tr>
<td>44,457</td>
<td>36,994</td>
<td>69.6</td>
</tr>
<tr>
<td>414.2</td>
<td>321.0</td>
<td>69.6</td>
</tr>
</tbody>
</table>
Current business impacted by the emission change on 1 October 2014 in Europe
Revenue split

Revenue split by application, Q1 2015 (Q1 2014)

- **Mobile Machinery**: 42%
  - €134.6 million (€153.0 million)
- **Automotive**: 7%
  - €21.2 million (€20.8 million)
- **Agricultural Machinery**: 13%
  - €40.3 million (€64.8 million)
- **Stationary Equipment**: 15%
  - €47.7 million (€36.2 million)
- **Service**: 22%
  - €70.8 million (€63.6 million)
- **Other**: 1%
  - €3.5 million (€4.3 million)

Revenue split by region, Q1 2015 (Q1 2014)

- **Europe (excl. Germany)**: 46%
  - €145.3 million (€171.5 million)
- **Asia-Pacific**: 9%
  - €29.7 million (€24.6 million)
- **Americas**: 26%
  - €81.9 million (€59.3 million)
- **Germany**: 13%
  - €41.9 million (€71.2 million)
- **Africa / Middle East**: 5%
  - €19.3 million (€16.1 million)
- **Other**: 1%
  - €3.5 million (€4.3 million)

Revenue decline in Agricultural Machinery (-37.8%) and Mobile Machinery (-12.0%) due to pre-buys and weak underlying business in agriculture.

- Pro-forma revenue including at-equity consolidated Chinese JV DEUTZ Dalian: €434.4 million (-1.6%); corresponding revenue share of Asia-Pacific amounts to 33.6%
EBIT\(^{(1)}\)

- EBIT notably up by €8.2 million - both operating segments contributed to the profit improvement
- Substantial FX effects. Compensation of negative scale effects by higher service revenues as well as lower production and warranty costs
- Segment “Other” impacted by unrealised FX effects
- Q1 2015 EBIT margin in-line with full year guidance

\(^{(1)}\) No one-off effects, both in Q1 2015 and Q1 2014
Operating profit & net income

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (€ million)</td>
<td>25.4</td>
<td>33.9</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>23.5</td>
<td>23.8</td>
</tr>
<tr>
<td>EBIT (€ million)</td>
<td>-0.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>1.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Net income (€ million)</td>
<td>0.8</td>
<td>7.7</td>
</tr>
</tbody>
</table>

- EBITDA increased by €8.5 million (+33.5% year-on-year)
- Net interest expense and tax ratio remained at low level
- Net income improved by €8.3 million
After all engines designed for the latest emission standard in the EU and in the US were launched in 2014, R&D expenditure declined significantly.

Proportion of capitalised net R&D expenditure decreased to €1.8 million (Q1 2014: €9.0 million).

Capital expenditure on previous year's level.
Working capital & operating cash flow

Operating cash flow increased by €3.0 million

Working capital increased at the end of Q1 2015
Inventories raised by FX effects and strike related longer transit times to the US
Free cash flow generation & net financial position

<table>
<thead>
<tr>
<th>Free cash flow</th>
<th>Net financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
</tr>
</tbody>
</table>

- 52.0 (2014) → 54.1 (Q1 2015 (LTM))
- -35.5 (Q1 2014) → 15.5 (Q1 2015)

- Free cash flow of last twelve months improved compared to the last quarter
- Net financial position improved by €51.0 million
- Free cash flow used to reduce net financial debt and to pay dividend
Equity ratio & funding

- Sound balance sheet; equity ratio >40%
- Medium- to long-term financing with undrawn facilities available:
  - Duration of €160 million credit line until May 2019
  - Loan from European Investment Bank repayable until July 2020
Mixed growth dynamics: Revenue increased in Stationary Equipment (+34.8%) and Service (+7.7%). Revenue declined in Agricultural Machinery (-38.5%), Mobile Machinery (-13.9%) and Automotive (-17.1%).

Substantial improvement of operating profit (+€8.9 million) due to FX effects, higher share of service business as well as lower production and warranty costs.

Orders on hand (€144.4 million) grew by 2.0% versus year-end 2014.

At-equity consolidated DEUTZ Dalian (China) generated revenue of €116.3 million (+18.0%) in a very challenging market environment (-3.0% in local currency).
## Segments: DEUTZ Customised Solutions

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2015</th>
<th>Q1 2014</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>72.1</td>
<td>69.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Unit sales</td>
<td>3,312</td>
<td>2,801</td>
<td>18.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>67.1</td>
<td>55.9</td>
<td>20.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>11.0</td>
<td>7.1</td>
<td>54.9</td>
</tr>
</tbody>
</table>

- All applications with strong growth momentum, e.g. Automotive (+26.4%), Stationary Equipment (+22.1%) and Mobile Machinery (+12.7%)
- Service business accelerated by 17.0%
- Operating profit improvement (+€3.9 million) mainly attributable to higher business volume
- Orders on hand (€84.0 million) increased by 7.4% versus year-end 2014
Summary: key development

- Demand impacted by prior year’s pre-buys
- Operating profit increase in both segments
- “Stage V ready”-campaign
- Focus of Chinese activities on DEUTZ Dalian
- Sound balance sheet
Financial outlook

<table>
<thead>
<tr>
<th>€ million</th>
<th>FY 2014 reported</th>
<th>Guidance FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,530.2</td>
<td>approx. -10 %</td>
</tr>
<tr>
<td>EBIT margin (before one-offs)</td>
<td>2.1 %</td>
<td>approx. 3 %</td>
</tr>
<tr>
<td>Net R&amp;D expenditure(^{(1)})</td>
<td>53.1</td>
<td>significant decline</td>
</tr>
<tr>
<td>Capex (excl. R&amp;D)(^{(1)})</td>
<td>40.3</td>
<td>~ 50</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Net of reimbursements

- Group revenue expected to decline in FY 2015; slight revenue growth at DEUTZ Customised Solutions
- Expectation for FY 2016: Group revenue growth >10% and significant EBIT margin improvement

⇒ On track to reach financial outlook
Financial calendar & contact details

- Interim report 1\textsuperscript{st} half 2015  
  6 August 2015

- Interim report 1\textsuperscript{st} to 3\textsuperscript{rd} quarter 2015  
  5 November 2015

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