Agenda

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

Company profile
- Founded in 1864 by N.A. Otto, the developer of the four stroke engine
- Independent manufacturer of diesel and gas engines in the 25 to 520 kw power range
- Worldwide sales channels and service network
- Leading technology and high-quality products
- Blue chip customer base

Segments
- DEUTZ Compact Engines: liquid cooled engines < 8 litres cubic capacity
- DEUTZ Customised Solutions: liquid-cooled engines > 8 litres cubic capacity and air-cooled engines

Financials 2016
- Revenue €1,260.2 million
- EBIT €23.4 million
- Equity ratio 46.3%

Management board
- Dr Frank Hiller (CEO)
- Dr Margarete Haase (CFO)
- Michael Wellenzohn (CSO)
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 emissions engines
- New customers attracted by the compact design and smart exhaust aftertreatment of the Stage IV / Tier 4 engines

New clients & greater share of wallet (not exhaustive)

- Successful extension of customer base
Competitive product features: compact size, low fuel consumption, smart exhaust after-treatment

DEUTZ engine portfolio will satisfy the next EU emissions standard announced for 2019 “Stage V ready”

Expanding product range for EU Stage V emissions standard in 2019:
- New 3-cylinder TCD 2.2 on same platform with 4-cylinder TCD 2.9; both also in a gas version (LPG)
- DEUTZ intends to expand its product portfolio in the 200 to 700 kW power output range with engines supplied by Liebherr that will be sold under its own brand
Application expertise

- Example: DEUTZ 2.9 litre engine meets technical requirements of different applications and customers
- Same base engine applied for a wide range of equipment classes

➤ DEUTZ application expertise to serve different customer needs
### Key applications

<table>
<thead>
<tr>
<th></th>
<th>Typical application</th>
<th>Markets benefit from macro trends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction equipment</strong></td>
<td>Excavator, Wheel loader, Paver Underground mining</td>
<td><img src="image1.png" alt="Image" /> <img src="image2.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>Material handling</strong></td>
<td>Forklift truck, Telehandler Aerial work platform Ground support</td>
<td><img src="image3.png" alt="Image" /> <img src="image4.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>Agricultural machinery</strong></td>
<td>Tractor Harvester</td>
<td><img src="image5.png" alt="Image" /> <img src="image6.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>Stationary equipment</strong></td>
<td>Genset Pump Compressor</td>
<td><img src="image7.png" alt="Image" /> <img src="image8.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>Automotive</strong></td>
<td>Rolling stock Special vehicle Truck &amp; Bus</td>
<td><img src="image9.png" alt="Image" /> <img src="image10.png" alt="Image" /></td>
</tr>
</tbody>
</table>

> DEUTZ engines serve a broad range of applications
Revenue split by application

- Highest growth contribution from Material Handling (+36.1%), Agricultural Machinery (+24.5%) and Construction equipment (+23.0%). Service business advanced by 8.5% yoy

- Pro-forma Automotive revenue\(^{(1)}\) incl. equity-accounted JV DEUTZ Dalian: €157.6 million (corresponding revenue share amounts to 18%)

\(^{(1)}\) Considering 100% of JV revenue
Revenue increase in EMEA (+17.4%) and Americas (+10.5%). Asia-Pacific declined by 1.3%

Pro-forma revenue(1) including equity-accounted Chinese JV DEUTZ Dalian: €881.4 million (+8.9%); corresponding revenue share of Asia-Pacific amounts to 25%

(1) Considering 100% of JV revenue
Site optimisation

- Site optimization completed on schedule
- Efficiency gains of approx. €10 million p.a. from 2017 onwards (higher with better capacity utilisation)

⇒ Sustainable efficiency improvement by merging facilities
Former site in Cologne sold

- Former industrial site in Cologne-Deutz (160,000 m²) sold to real estate developer
- Area close to the river Rhine will be developed to a new city district with a high proportion of housing
- Purchase price of around €125 million expected in 2017. Sale will lead to positive contribution to earnings in the high double-digit million euros (after taxes) in Q4 2017, which will be shown as an exceptional item
- Final instalment of the purchase price expected in the coming years, depending on completion of the ongoing planning process. If successful, the final instalment might reach into the mid double-digit million euros
Investment focus

- Investment in technology, innovation and internationalisation
- Enlarged product portfolio – power range and alternative fuels (e.g. gas engines)
- E-DEUTZ strategy: review of new business opportunities through electification (start-stop technique, hybrid drive, partial electrification, engine downsizing, etc.)
- Down-stream integration: acquisition of selected dealers
- Growth through intelligent cooperations (e.g. Liebherr)

➡ Organic and inorganic growth opportunities
Cash deployment & dividend policy

Financial strength
- Keep equity ratio above 40 %
- Robust financial framework in volatile markets

Internal funding
- Invest in profitable organic growth projects and service
- Continuous product innovation

Dividend policy
- Stable or growing dividend per share
- Payout ~30 % of recurring profit over multi year period

→ Stable or growing dividend
EU Stage IV / US Tier 4 engines require exhaust after-treatment devices

Growing share of new emissions engines drives revenue growth

Positive structural price mix effects are expected to continue in upcoming years

Effect diluted by mix effects in H1 2017 (strong growth of small engines)

(1) H1 figures annualised

Structural growth due to tighter emissions standards
Service business

- Strong resilience of profitable service business through different economic cycles
- Expansion of service business with new engine-related products and services. Active approach in dealer management and training
- Investments in own service center and acquisition of selected dealers

Continuous growth of service revenue

€ million

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>250.3</td>
<td>253.7</td>
<td>259.3</td>
<td>278.4</td>
<td>287.3</td>
<td>309.8</td>
</tr>
</tbody>
</table>

(1) H1 figures annualised
Activities in China

Well positioned to capture growth opportunities in China

- Countrywide sales and service network
- DEUTZ Dalian manufactures diesel engines compliant to Chinese emissions standards
- First Automotive Works is our Joint Venture partner and key account for light & medium duty truck engines
- Objective to increase penetration in the Chinese off-road market by customer proximity

**JV DEUTZ Dalian**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (€ million)</th>
<th>Unit sales (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>245.7</td>
<td>89</td>
</tr>
<tr>
<td>2013</td>
<td>319.1</td>
<td>107</td>
</tr>
<tr>
<td>2014</td>
<td>359.8</td>
<td>106</td>
</tr>
<tr>
<td>2015</td>
<td>339.5</td>
<td>75</td>
</tr>
<tr>
<td>2016</td>
<td>303.0</td>
<td>68</td>
</tr>
<tr>
<td>2017</td>
<td>293.8</td>
<td>63</td>
</tr>
</tbody>
</table>

(1) H1 figures annualised
(2) At-equity consolidated; not reflected in the revenue of DEUTZ Group

➔ Well positioned to capture growth opportunities in China
Continuous product innovation

Our customers and the environment benefit from lower fuel consumption and emissions

Expansion of product range results in temporary R&D increase

Net R&D expenditure budget for 2017: €60-70 million

Targeted R&D increase due to product expansion

(1) H1 figures annualised
Unit sales & profitability

Thousand units

- Volatile market environment requires flexible production
- Gross margin improvement despite lower unit sales
- Higher capacity utilisation most important driver for profitability enhancement

Robust numbers in down cycle & high upside potential at market recovery

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit sales</th>
<th>Gross margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>179</td>
<td>13.5</td>
</tr>
<tr>
<td>2013</td>
<td>184</td>
<td>13.5</td>
</tr>
<tr>
<td>2014</td>
<td>196</td>
<td>13.2</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>15.4</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>17.3</td>
</tr>
<tr>
<td>2017</td>
<td>159</td>
<td>17.9</td>
</tr>
</tbody>
</table>

(1) H1 figures annualised
(2) Gross margin = (Revenue – Cost of goods sold) / Revenue
## Summary: DEUTZ key investment highlights

- Benefitting from market recovery
- Successful extension of customer base
- Continuous growth of service revenue
- Expanding product range for Stage V emissions standard
- Significant improvement of profitability
- Available funds for organic and inorganic growth
- Stable or growing dividend
Agenda

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## Key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>yoy</th>
<th>Q2 2017</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>803.0</td>
<td>+18.6%</td>
<td>399.8</td>
<td>+14.3%</td>
</tr>
<tr>
<td>Revenue</td>
<td>734.5</td>
<td>+14.0%</td>
<td>382.0</td>
<td>+11.0%</td>
</tr>
<tr>
<td>EBITDA (before exceptional items)</td>
<td>64.7</td>
<td>-3.3%</td>
<td>36.0</td>
<td>+1.1%</td>
</tr>
<tr>
<td>EBIT (before exceptional items)</td>
<td>22.8</td>
<td>+10.1%</td>
<td>15.2</td>
<td>+13.4%</td>
</tr>
<tr>
<td>Net income</td>
<td>19.8</td>
<td>-1.0%</td>
<td>4.4</td>
<td>-61.1%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>53.8</td>
<td>+€71.0 million</td>
<td>14.1</td>
<td>+€2.4 million</td>
</tr>
</tbody>
</table>

⇒ Double-digit revenue growth and strong free cash flow
## Sales figures

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H1 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New orders</strong></td>
<td>€ million</td>
<td>Units</td>
<td>+18.6%</td>
</tr>
<tr>
<td>677.2</td>
<td>64,807</td>
<td>69,706</td>
<td>18.6%</td>
</tr>
<tr>
<td>132.7</td>
<td>4,899</td>
<td>4,117</td>
<td>14.2%</td>
</tr>
<tr>
<td>544.5</td>
<td>512.5</td>
<td>75,482</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

| **Unit sales** | € million | Units | +14.2% |
| 661.6         | 644.4    | 734.5 | 14.0%  |
| 141.4         | 131.9    | 120.9 |        |

| **Revenue**   | € million | +14.0% |
| 734.5         | 120.9    |        |

- Double-digit growth of sales figures driven by DEUTZ Compact Engines
- Book-to-bill ratio amounts to 1.09x
Revenue by quarter

€ million

Q2 15: 352.1
Q3 15: 268.6
Q4 15: 308.6
Q1 16: 300.2
Q2 16: 344.2
Q3 16: 301.1
Q4 16: 314.7
Q1 17: 352.5
Q2 17: 382.0

- Q2 2017 revenue increased 11.0% yoy and 8.4% qoq
Prior year operating result benefitted from licence proceeds (€5.5 million)
Lower depreciation and amortization
Net positive exceptional items of €4.1 million realised in H1 2017
Higher income taxes resulting from deferred taxes
EBIT improvement at DEUTZ Compact Engines due to higher business volume

Prior year result at DEUTZ Customised Solutions was supported by licence proceeds of €5.5 million
Substantial increase of new orders

Double-digit revenue growth at all major applications: Material Handling (+37.6%), Agricultural Equipment (+25.0%), Construction Equipment (+23.3%)

Service revenue advanced by 10.8%

Operating profit boosted by €9.5 million due to higher business volume. Negative FX-effects and higher R&D expenditures clearly overcompensated
New orders increased by 6.6% yoy

Unit sales decline mainly attributable to Stationary Equipment

Revenue share of service business amounts to 51.1%

EBIT reduction due to licence proceeds of €5.5 million in the prior year (Q1 2016), lower business volume, mix and FX effects
R&D spending & capital expenditure

**R&D expenditure**

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross expenditure</td>
<td>24.1</td>
<td>31.8</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>1.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Net expenditure</td>
<td>22.7</td>
<td>31.0</td>
</tr>
</tbody>
</table>

**Net R&D expenditure ratio(1)**

- H1 2016: 3.5%
- H1 2017: 4.2%

- Higher R&D expenditure in line with guidance due to expansion of product range
- Proportion of capitalised net R&D expenditure: €7.1 million (H1 2016: €2.5 million)

**Capital expenditure (excl. R&D)**

- H1 2016: 30.0€ million
- H1 2017: 18.3€ million

- CAPEX guidance for FY unchanged (approx. €70 million) despite low expenditures in H1 2017

(1) Ratio of net R&D expenditure to consolidated revenue
Working capital & operating cash flow

Operating cash flow

<table>
<thead>
<tr>
<th>H1 2016</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.4</td>
<td>85.2</td>
</tr>
</tbody>
</table>

Working capital

<table>
<thead>
<tr>
<th>30 Jun 2016</th>
<th>30 Jun 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>227.1</td>
<td>185.2</td>
</tr>
</tbody>
</table>

Working capital ratio

<table>
<thead>
<tr>
<th>30 Jun 2016</th>
<th>30 Jun 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.6%</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

- Tight working capital management
- Significant improvement of working capital ratio
- Strong operating cash flow driven by business growth and lower working capital
Free cash flow generation & net financial position

<table>
<thead>
<tr>
<th>Free cash flow(^{(1)})</th>
<th>Net financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>Q2 2017 (LTM)</strong></td>
</tr>
<tr>
<td>4.7</td>
<td>75.7</td>
</tr>
</tbody>
</table>

- Substantial increase of free cash flow
- Free cash flow in Q2 2017 amounted to +€14.1 million

<table>
<thead>
<tr>
<th><strong>30 Jun 2016</strong></th>
<th><strong>30 Jun 2017</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1</td>
<td>74.8</td>
</tr>
</tbody>
</table>

- Net financial position improved by €61.7 million

---

\(^{(1)}\) Free cash flow: cash flow from operating and investing activities less net interest expense
**Equity ratio & funding**

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2016</th>
<th>30 Jun 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1,059.7</td>
<td>1,101.6</td>
</tr>
<tr>
<td>Equity</td>
<td>491.1</td>
<td>500.4</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>46.3%</td>
<td>45.4%</td>
</tr>
</tbody>
</table>

- **Strong balance sheet; equity ratio amounts to 45.4%**
- **Medium- to long-term financing with undrawn facilities available:**
  - Duration of €160 million credit line prolonged by two years until June 2022 at improved conditions
  - Loan from European Investment Bank repayable until July 2020
Agenda

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## Assessment for key end markets, 2017

<table>
<thead>
<tr>
<th>Unit sales (equipment)</th>
<th>Europe</th>
<th>North America</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction equipment</td>
<td>+5 % to +10 %</td>
<td>0 % to +5 % (previous: -5 % to +5 %)</td>
<td>+20 % to +30 % (previous: +5 % to +10 %)</td>
</tr>
<tr>
<td>Material handling</td>
<td>+5 % to +10 % (previous: 0 % to +10 %)</td>
<td>+5 % to +10 % (previous: -5 % to +5 %)</td>
<td>+20 % to +30 % (previous: 0 % to +10 %)</td>
</tr>
<tr>
<td>Agricultural machinery</td>
<td>0 % to +5 % (previous: -5 % to +5 %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium &amp; light duty trucks</td>
<td></td>
<td></td>
<td>0 % to +5 %</td>
</tr>
</tbody>
</table>
## Financial outlook

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 reported</th>
<th>FY 2017 guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€ million</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,260.2</td>
<td>marked increase</td>
</tr>
<tr>
<td><strong>EBIT margin</strong> (before exceptional items)</td>
<td>1.9 %</td>
<td>moderate increase</td>
</tr>
<tr>
<td>R&amp;D expenditure(^{(1)})</td>
<td>50.4</td>
<td>60 - 70</td>
</tr>
<tr>
<td>Capex (excl. R&amp;D)(^{(1)})</td>
<td>52.9</td>
<td>approx. 70</td>
</tr>
</tbody>
</table>

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

- R&D expenditure and capex increase due to growth investments for expansion of product range
- Positive exceptional items:
  - Property sale in Cologne-Deutz with positive contribution to earnings in FY 2017 in the high double-digit million euros (after taxes)
  - Gain from disposal of building lease (€10.0 million) from Ad. Strüver in Hamburg realised in Q1 2017
Financial calendar & contact details

- Q1-Q3 2017 result 7 November 2017
- Annual report 2017 14 March 2018
- Annual general meeting 26 April 2018

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