**DEUTZ at a glance**

<table>
<thead>
<tr>
<th>Company profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEUTZ is one of the world’s leading manufacturers of innovative drive systems</td>
</tr>
<tr>
<td>Broad spectrum of diesel and gas engines in the 19 to 620 kW range</td>
</tr>
<tr>
<td>Focus on off-highway with strong market position in construction equipment, agricultural machinery and material handling</td>
</tr>
<tr>
<td>E-DEUTZ electrification strategy launched</td>
</tr>
<tr>
<td>Worldwide sales and service network</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEUTZ Compact Engines: liquid-cooled engines &lt; 8 litres cubic capacity</td>
</tr>
<tr>
<td>DEUTZ Customised Solutions: liquid-cooled engines &gt; 8 litres cubic capacity, air-cooled engines and remanufactured engines (Xchange)</td>
</tr>
<tr>
<td>Substantial service business common to both segments</td>
</tr>
</tbody>
</table>
Agenda

- DEUTZ strategy & positioning
- Financials
- Outlook
Customer base

- Long standing customer relationships (not exhaustive)
  - AGCO
  - VOLVO
  - SAME
  - FENDT
  - Wacker Neuson
  - Bomag
  - Deutz Fahr

- New clients & greater share of wallet (not exhaustive)
  - Kion Group
  - JLG
  - Terex
  - Takeuchi
  - Skyjack
  - Hitachi
  - Zetor
  - Manitou
  - Argo Tractors

- Successful extension of customer base
- Long standing customer relationships
- Customer base extended and diversified
- Compact design and smart EAT solutions attractive to new customers
Pro-forma revenue\(^{(1)}\) including equity-accounted Chinese JV DEUTZ Dalian: €1,312.1 million (+10.8%); corresponding revenue share of Asia-Pacific amounts to 25%.

\(^{(1)}\) Including 100% of JV revenue
Pro-forma Automotive revenue\(^{(1)}\) incl. equity-accounted JV DEUTZ Dalian: €232.1 million (corresponding revenue share amounts to 18%)
Strong application expertise

- DEUTZ engines meet technical requirements of different applications and customers\(^{(1)}\)
- Same base engine applied for a wide range of equipment classes

\(^{(1)}\) Pictures show 2.9 litre engine

⇒ DEUTZ application expertise serving different customer needs
Service business

- Resilience of profitable service business through different economic cycles
- Expansion of service business with new products, digitalization and down-stream integration
- Investments in own service center and acquisition of selected dealers

Continuous growth of service revenue

€ million

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017^{(1)}</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>259.3</td>
<td>278.4</td>
<td>287.3</td>
<td>311.9</td>
</tr>
</tbody>
</table>

^{(1)} Q1-Q3 figures annualised
### Innovative drive systems

<table>
<thead>
<tr>
<th>Diesel</th>
<th>Alternative fuels</th>
<th>E-DEUTZ</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liquid gas (LPG)</td>
<td>Hybrid</td>
</tr>
<tr>
<td></td>
<td>Compressed natural gas (CNG)</td>
<td>Partial electrification</td>
</tr>
<tr>
<td></td>
<td>Synthetic fuels</td>
<td>Full electrification</td>
</tr>
</tbody>
</table>

Additional market opportunities in the diesel segment (including outsourcing potential at OEMs)

Strong growth opportunities with low CO₂ emissions drive systems

⇒ On our way to becoming the leading manufacturer of innovative drive systems
Current engine portfolio

- Competitive product features: compact size, low fuel consumption, smart exhaust after-treatment
- DEUTZ is the 1\textsuperscript{st} engine manufacturer which received an EU Stage V emissions standard certification
- Delivering on the promise that the current engine portfolio will meet the standards that will apply from 2019
Product expansion & Liebherr cooperation

**Product expansion**
- Enlarged product offering at the lower output range
- New 3-cylinder TCD 2.2 on the same platform with 4-cylinder TCD 2.9
- Both engines also offered as a gas version (LPG)
- Start of series production in 2019

**Liebherr cooperation**
- Expanding product portfolio in the upper output range (200 to 620 kW)
- Marketing of four engine series as DEUTZ TCD 9.0 to TCD 18.0
- Global distribution & service rights in various applications
- Customers benefit from DEUTZ application skills and aftersales expertise
- Start of serial supply in 2019
- Extended use of DEUTZ engines up to 150 kW in Liebherr applications
## E-DEUTZ Strategy

### Application examples

- Electrification of off-highway applications
- Expansion of expertise in hybrid and e-technology
- Best-fit technology depending on application and power requirement
- Strategic addition to the range of engines
- Marketable hybrid and full-electric products end of 2019 / early 2020

### Key selling points

- Commercially and technically feasible - ecologically worthwhile
- TCO reduction
- \( CO_2 \) reduction
- Increased torque
- Engine downsizing with hybrids – same interfaces

### E-DEUTZ Strategy

- Initial capital expenditure of approx. €100 million (incl. acquisition of Torqeedo)
- 5-10% revenue share in 5 years
- EBIT target margin high single-digit / low double-digit percentage range
**Torqeedo acquisition**

<table>
<thead>
<tr>
<th>Torqeedo</th>
<th>DEUTZ acquired the global market leader in electric drive systems for boats and a specialist in integrated electric drive systems</th>
</tr>
</thead>
</table>
| Strategic reason | Torqeedo is an innovative catalyst for the E-DEUTZ strategy  
- Bringing hybrid and full-electric drive systems to market more quickly than would be possible for DEUTZ alone  
- DEUTZ is aiming to be the market leader in innovative drive systems in its core markets |
| Know-how transfer | System architecture E-drive  
- Steering competence  
- 48 and 400 volt know-how  
- Power electronics  
- Battery management systems expertise – lithium-ion technology |
Torqeedo – global market leader in electric motors for boats

- **No. 1 for market share:** More than 70,000 electric drive systems sold
- **No. 1 for performance:** Highest efficiency, best power to weight ratio, superior performance
- **No. 1 in technology:** Superior electric and hybrid drive systems for boats
- **No. 1 in R&D:** Portfolio of patents for electric and hybrid drive systems (over 100 patents)
- **No. 1 organisation:** 130 employees, more experience than any other player in this market
- **No. 1 in market presence:** Represented in 50+ countries, export share 75 %
- **Wide range of system solutions:** 1–80 hp / 0.5–59 kW equivalent/in future 160 hp/119 kW equivalent

(1) HP-equivalent means the same propulsion power as a petrol outboard motor with this horsepower rating, although the shaft power and input power of the e-outboard may be lower.
Investment in sales & service network

- Strategy to invest in the service network in selected locations
- Acquisition of Italian dealer IML Motori including its Romanian subsidiary
- Italian sales and service network will trade under the name DEUTZ Italy
- The experienced team continues to serve the customers
- Annual revenue increase approx. €20 million (consolidated); start of consolidation in Q4 2017
Site optimisation completed

- Efficiency gains of approx. €10 million p.a. (higher with better capacity utilisation)

  - Cologne-Porz
  - Cologne-Deutz
  - Ulm
  - Übersee (Chiemsee)

- Substantial proceeds from property sale of former Cologne-Deutz site:
  - Purchase price of around €125 million in 2017. Sale will lead to positive earnings contribution in the high double-digit million euros (after taxes) in Q4 2017, which will be shown as an exceptional item
  - Final instalment might reach in the mid double-digit million euros in the coming years, depending on completion of the ongoing planning process

⇒ Sustainable efficiency improvement and substantial sale proceeds
# Cash deployment & dividend policy

## Internal funding
- Investment focus on innovation, service and internationalization
- Electrification strategy – E-DEUTZ
- Service – acquisition of selected dealers
- Committed to diesel – enlarged product portfolio, intelligent cooperations and outsourcing opportunities

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

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

➤ Stable or growing dividend
Key investment highlights

- Leading manufacturer of engines for off-highway applications
- E-DEUTZ – clear electrification strategy with M&A accelerator
- Diesel engines with growing outsourcing chances
- Resilient and growing service business
- Stable or growing dividend
- Financial strength for organic and inorganic growth
Agenda

- DEUTZ strategy & positioning
- Financials
- Outlook
### Key figures

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q3 2017</th>
<th>yoy</th>
<th>Q3 2017</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New orders</strong></td>
<td>1,173.8</td>
<td>+25.5%</td>
<td>370.8</td>
<td>+43.7%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>1,093.2</td>
<td>+15.6%</td>
<td>358.7</td>
<td>+19.1%</td>
</tr>
<tr>
<td><strong>EBITDA (before exceptional items)</strong></td>
<td>90.5</td>
<td>+3.0%</td>
<td>25.8</td>
<td>+22.9%</td>
</tr>
<tr>
<td><strong>EBIT (before exceptional items)</strong></td>
<td>27.8</td>
<td>+€8.1 million</td>
<td>5.0</td>
<td>+€6.0 million</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>21.3</td>
<td>+€2.5 million</td>
<td>1.5</td>
<td>+€2.7 million</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>74.4</td>
<td>+€102.4 million</td>
<td>20.6</td>
<td>+€31.4 million</td>
</tr>
</tbody>
</table>

> Strong growth of new orders and substantial free cash flow improvement
## Sales figures

<table>
<thead>
<tr>
<th></th>
<th>New orders</th>
<th>Unit sales</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td>Units</td>
<td>€ million</td>
</tr>
<tr>
<td>Q1-Q3 2016</td>
<td>935.3</td>
<td>743.7</td>
<td>945.5</td>
</tr>
<tr>
<td>Q1-Q3 2017</td>
<td>1,173.8</td>
<td>204.5</td>
<td>1,093.2</td>
</tr>
</tbody>
</table>

**DEUTZ Compact Engines**

- 2016: 935.3 € million, 743.7 units
- 2017: 1,173.8 € million, 204.5 units

**DEUTZ Customised Solutions**

- 2016: 191.6 € million, 969.3 units
- 2017: 204.5 € million, 204.5 units

- **Change**
  - New orders: +25.5%
  - Unit sales: +17.8%
  - Revenue: +15.6%
Q3 2017 revenue increased 19.1% yoy; seasonally weaker in Q3

Strong Q4 revenue level expected based on good order intake
Prior year operating result was supported by licence proceeds (€5.5 million)

EBIT (before exceptional items) increased by €8.1 million (+41.1% yoy)
EBIT

€ million

EBIT margin

- EBIT improvement at DEUTZ Compact Engines mainly driven by higher business volume
- Prior year result at DEUTZ Customised Solutions was supported by licence proceeds of €5.5 million
### Segment: DEUTZ Compact Engines

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q3 2017</th>
<th>Q1-Q3 2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>969.3</td>
<td>743.7</td>
<td>30.3</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>111,947</td>
<td>93,310</td>
<td>20.0</td>
</tr>
<tr>
<td>Revenue</td>
<td>907.6</td>
<td>749.7</td>
<td>21.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.7</td>
<td>-5.9</td>
<td>--</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>307.7</td>
<td>199.2</td>
<td>54.5</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>36,465</td>
<td>28,503</td>
<td>27.9</td>
</tr>
<tr>
<td>Revenue</td>
<td>294.0</td>
<td>237.2</td>
<td>23.9</td>
</tr>
<tr>
<td>EBIT</td>
<td>-4.7</td>
<td>-7.8</td>
<td>--</td>
</tr>
</tbody>
</table>

- Double-digit growth of order intake
- Strong revenue growth driven by Material Handling (+42.1% yoy), Construction Equipment (+25.4% yoy) and Agricultural Equipment (+25.1% yoy)
- Significant EBIT improvement in Q1-Q3 2017 due to higher capacity utilisation
- Q3 result impacted by holiday shutdown
### Segment: DEUTZ Customised Solutions

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q3 2017</th>
<th>Q1-Q3 2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New orders</td>
<td>204.5</td>
<td>191.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>6,332</td>
<td>7,129</td>
<td>-11.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>185.6</td>
<td>195.8</td>
<td>-5.2</td>
</tr>
<tr>
<td>EBIT</td>
<td>21.9</td>
<td>27.6</td>
<td>-20.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New orders</td>
<td>63.1</td>
<td>58.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>2,215</td>
<td>2,230</td>
<td>-0.7</td>
</tr>
<tr>
<td>Revenue</td>
<td>64.7</td>
<td>63.9</td>
<td>1.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>10.3</td>
<td>6.2</td>
<td>66.1</td>
</tr>
</tbody>
</table>

- New orders advanced by 6.7% yoy; book-to-bill ratio amounts to 1.10x
- Revenue decline attributable to Automotive and Other applications
- Revenue share of service business amounts to 50.5%
- Prior year operating profit benefitted from licence proceeds (€5.5 million in Q1 2016)
R&D spending & capital expenditure

<table>
<thead>
<tr>
<th>R&amp;D expenditure</th>
<th>Capital expenditure (excl. R&amp;D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
</tr>
<tr>
<td>Gross expenditure</td>
<td>38.5</td>
</tr>
<tr>
<td>Reimbursements</td>
<td></td>
</tr>
<tr>
<td>Net expenditure</td>
<td>36.5</td>
</tr>
</tbody>
</table>

Net R&D expenditure ratio (1)

- Q1-Q3 2016: 3.9%
- Q1-Q3 2017: 4.2%

- R&D increase in line with guidance due to planned expansion of product offering
- Proportion of capitalised net R&D expenditure: €10.0 million (Q1-Q3 2016: €5.3 million)
- Capex net of reimbursements at previous year’s level

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

<table>
<thead>
<tr>
<th>Working capital</th>
<th>Operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sep 2016</td>
<td>30 Sep 2017</td>
</tr>
<tr>
<td>€ million</td>
<td></td>
</tr>
<tr>
<td>239.4</td>
<td>190.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 Sep 2016</th>
<th>30 Sep 2017</th>
<th>Q1-Q3 2016</th>
<th>Q1-Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital ratio</td>
<td>19.1%</td>
<td>13.5%</td>
<td>22.3</td>
</tr>
</tbody>
</table>

- Working capital decrease mainly due to higher trade payables
- Significant improvement of working capital ratio
- Operating cash flow increase largely attributable to higher business volume and working capital decrease
### Free cash flow generation & net financial position

#### Free cash flow\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Cash Flow (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.7</td>
</tr>
<tr>
<td>Q3 2017 (LTM)</td>
<td>107.1</td>
</tr>
</tbody>
</table>

#### Net financial position

<table>
<thead>
<tr>
<th>Date</th>
<th>Net Financial Position (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sep 2016</td>
<td>95.0</td>
</tr>
<tr>
<td>30 Sep 2017</td>
<td>2.1</td>
</tr>
</tbody>
</table>

- Substantial increase of free cash flow
- Free cash flow in Q3 2017 amounted to +€20.6 million
- Strong cash flow led to improvement of net financial position

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

Equity ratio remains strong at 44.8%

Medium- to long-term financing with undrawn facilities available:

- Credit line of €160 million until June 2022 (prolonged in Q2 by two years at improved conditions)
- Loan from European Investment Bank repayable by July 2020
Agenda

- DEUTZ strategy & positioning
- Financials
- Outlook
## Assessment for key end-customer 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 %</td>
<td>+20 % to +30 %</td>
</tr>
<tr>
<td>Material handling</td>
<td>+5 % to +10 %</td>
<td>+5 % to +10 %</td>
<td>+20 % to +30 %</td>
</tr>
<tr>
<td>Agricultural machinery</td>
<td>0 % 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>€ million</th>
<th>FY 2016 reported</th>
<th>FY 2017 guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,260.2</td>
<td>marked increase</td>
</tr>
<tr>
<td>EBIT margin (before exceptional items)</td>
<td>1.9 %</td>
<td>moderate increase</td>
</tr>
</tbody>
</table>

- 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) in Hamburg realised in Q1 2017
Financial calendar & contact details

- Annual report 2017  
  14 March 2018

- Annual general meeting  
  26 April 2018

- Q1 2018 results  
  3 May 2018

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www.deutz.com
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Thank you very much