AGENDA

About DEUTZ

Strategy & market positioning

Financials

Outlook
Our roots and our future – pioneers in engineering

- Founded in 1864 in Cologne, DEUTZ is the world's oldest engine company and one of the world's leading independent engine manufacturers.
- Otto, Langen, Daimler, Bugatti, Maybach – these pioneers of engine technology all worked for DEUTZ.
- DEUTZ is synonymous with engineering spirit, passion and a culture of innovation.
- From the world’s first engines, to the world’s cleanest diesel engines, to introducing hybrid and electric solutions for off-highway applications: we are developing the technologies today for the demands of tomorrow.

→ DEUTZ has always driven change. Now, we are ready for the next step.
What we do – our markets

**DEUTZ** is the leading independent manufacturer of diesel and gas engines in the power range from 19 to 620 kW for off-highway applications – we are developing the technologies today for the demands of tomorrow.
New trends – paradigm shift

- Public perception of diesel engines is undergoing a paradigm shift: There is a need, and demand, for energy savings and cleaner motorisation.
- There are calls from the media and politicians for diesel engines to be taken off the market and replaced with electrified drive systems.
- **DEUTZ** is taking action: We will make our engines more efficient and more environmentally friendly.
- **DEUTZ** is the first manufacturer in the world with a Stage V certified engine portfolio.
- **DEUTZ** firmly believes that diesel technology will remain a leading drive system for heavy-duty, off-highway applications such as agricultural equipment for a long time to come.

**DEUTZ** will offer innovative drive systems that meet customers’ needs.
Our vision – leading in innovative drive systems

- **DEUTZ** is on track to become a leading provider of INNOVATIVE DRIVE SYSTEMS, playing its part in reducing emissions such as pollution, noise and CO₂. The **DEUTZ** road map for achieving this vision:

- **DIESEL** is here to stay, its future secured by its high energy density that allows for autonomous operation
- Use of **ALTERNATIVE FUELS**, leading to CO₂ neutral approaches, through renewable energies
- Use of **GAS** or bi-fuel engines that offer the same levels of efficiency but are less complex and more economical
- **ELECTRIC** and **HYBRID** drives that offer savings in emissions, energy and cost
- **HYDROGEN** as fuel cells or fuel for internal combustion engines
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Outlook
Our strategy – a new dynamic

INNOVATIVE DRIVE SYSTEMS

High-tech Diesel Engines
- Long term future for many off-highway applications
- Pioneering role of DEUTZ in reducing emissions
- Additional market opportunities

Alternative Fuels
- Liquid gas (LPG)
- Compressed natural gas (CNG)
- Hydrogen (H2)
- Synthetic fuels, Biofuels

- Hybrid systems
- Electric systems
- Fully integrated solutions for OEMs
High-tech diesel engines – current engine portfolio

- Competitive product features: compact size, low fuel consumption, smart exhaust after-treatment
- DEUTZ is the 1st engine manufacturer to obtain certification for the EU Stage V emissions standard
- This delivers on the promise that the current engine portfolio will meet the standards that will apply from 2019
Extended range of products

- Enlarged product offering in the lower output range
- New gas and bi-fuel engines
- Extended product range in the upper output range (200 to 620 kW)
### Example applications

- Electric and hybrid solutions have not yet made inroads into off-highway markets

### Electrification

- Competitive solutions for selected applications
  - Reduced TCO
  - Lower noise emissions
  - Performance / torque advantages
- Reduced CO₂ emissions

### DEUTZ position

- Electric and hybrid solutions have not yet made inroads into off-highway markets
- DEUTZ has established expertise in all relevant technological fields (e-motors, power electronics, battery technology, system integration etc.)
- Marketable hybrid and full-electric products end of 2019 / early 2020
- High interest of OEMs

- Initial capital expenditure of approx. €100 million (incl. acquisition of Torqeedo)
- 5-10% revenue share in 2022 / 2023
- Target EBIT margin in the high single-digit / low double-digit percentage range
Torqeedo acquisition

Torqeedo

- DEUTZ acquired the global market leader in electric drive systems for boats and a specialist in integrated electric drive systems

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 for electric drives
- Know-how in steering technology
- 48 and 400 volt systems
- Power electronics
- Battery management systems expertise – lithium-ion technology
Revenue by region

- **Pro-forma revenue**(1) including equity-accounted Chinese JV DEUTZ Dalian: €1,784.7 million (+14.2%); this brings the Asia-Pacific region’s share of global revenue up to 25%

(1) Including 100% of JV revenue
Pro-forma Automotive revenue\(^{(1)}\) incl. equity-accounted JV DEUTZ Dalian: €325.0 million (18% of revenue)

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\(^{(1)}\) Including 100% of JV revenue
Customer base extended successfully

Long-standing customer relationships
(not exhaustive)

New clients & greater share of wallet
(not exhaustive)
Service business

Service revenue in € million:
- 2014: 259.3
- 2015: 278.4
- 2016: 287.3
- 2017: 309.2

Key points:
- Continuous growth of service revenue
- Profitable service business showing resilience throughout the economic cycle
- Expansion of service business
  - New products
  - Digitalization
  - Investment in own service centers & acquisition of selected dealers
Investment in sales & service network

- Acquisition of Italian dealer IML Motori including its Romanian subsidiary
- Italian sales and service network now trading under the name DEUTZ Italy
- The acquisition strengthens our profitable service business
Site optimisation completed

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

- Substantial proceeds from property sale of former Cologne-Deutz site:
  - Purchase price of around €125 million in 2017. Contribution to earnings 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 gains and substantial proceeds from sale of property
Cash deployment & dividend policy

**Internal funding**
- Investment focus on innovation, service and internationalization
- Electrification strategy – E-DEUTZ
- Service – acquisition of selected dealers

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

**Dividend policy**
- Payout ~30% of recurring profit over multi-year period
- Proposed dividend for 2017 reflects positive exceptional items

→ Objective to participate shareholders in sustained commercial success
Key investment highlights

- Leading manufacturer of drive-systems for off-highway applications
- E-DEUTZ – electrification strategy with M&A accelerator
- Diesel engines with growing potential for outsourcing
- Resilient and expanding service business
- Financial strength for organic and inorganic growth
- Further improvement of financial performance
Key messages

■ Strong start to the 2018 financial year
  - Exceptional high volume of new orders
  - Marked revenue growth
  - Substantial improvement of profitability

■ Review of carrying amounts at JV DEUTZ Dalian
  - DEUTZ engaged an audit firm to review strategic options for the joint venture
  - According to preliminary estimates, the necessary write-down might impact the consolidated financial statements in the range of €16 million to €32 million
# Key figures

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2018</th>
<th>yoy</th>
<th>qoq</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>574.9</td>
<td>+42.6%</td>
<td>+50.2%</td>
</tr>
<tr>
<td>Revenue</td>
<td>414.5</td>
<td>+17.6%</td>
<td>+7.4%</td>
</tr>
<tr>
<td>EBITDA (before exceptional items)</td>
<td>40.9</td>
<td>+42.5%</td>
<td>-9.9%</td>
</tr>
<tr>
<td>EBIT (before exceptional items)</td>
<td>21.7</td>
<td>+185.5%</td>
<td>+48.6%</td>
</tr>
<tr>
<td>Net income</td>
<td>18.2</td>
<td>+€2.8 million</td>
<td>-€81.7 million</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>-9.1</td>
<td>-€48.8 million</td>
<td>-€17.2 million</td>
</tr>
</tbody>
</table>

→ Dynamic revenue and EBIT improvement
Sales figures

<table>
<thead>
<tr>
<th>New orders</th>
<th>Unit sales</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>Units</td>
<td>€ million</td>
</tr>
<tr>
<td>+42.6%</td>
<td>+30.4%</td>
<td>+17.6%</td>
</tr>
</tbody>
</table>

Q1 2017   Q1 2018   Q1 2017   Q1 2018   Q1 2017   Q1 2018

- Organic revenue growth amounts to 15.0%
- Torqeedo sold 2.133 electric drive system in Q1 2018
### Book-to-bill ratio

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2018</th>
<th>Q4 2017</th>
<th>Q3 2017</th>
<th>Q2 2017</th>
<th>Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>574.9</td>
<td>382.7</td>
<td>370.8</td>
<td>399.8</td>
<td>403.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>414.5</td>
<td>385.9</td>
<td>358.7</td>
<td>382.0</td>
<td>352.5</td>
</tr>
<tr>
<td>Book-to-bill ratio</td>
<td>1.39x</td>
<td>0.99x</td>
<td>1.03x</td>
<td>1.05x</td>
<td>1.14x</td>
</tr>
<tr>
<td>Orders on hand</td>
<td>427.5</td>
<td>270.9</td>
<td>265.1</td>
<td>253.9</td>
<td>238.8</td>
</tr>
</tbody>
</table>

- Strong increase in order intake across all regions and off-road applications due to very favourable business conditions and changed customer procurement behaviour
- Customers placed their orders earlier in the light of the high demand and the introduction of emissions standard EU Stage V in the coming year
Operating profit & net income

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA before except. items</td>
<td>€ 28.7 million</td>
<td>€ 40.9 million</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€ 7.6 million</td>
<td>€ 19.2 million</td>
</tr>
<tr>
<td>EBIT before except. items</td>
<td>€ 10.0 million</td>
<td>€ 21.7 million</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>€ 0.8 million</td>
<td>€ 0.6 million</td>
</tr>
<tr>
<td>EBIT after except. items</td>
<td>€ 17.6 million</td>
<td>€ 0.6 million</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>€ 1.4 million</td>
<td>€ 2.9 million</td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>€ 15.4 million</td>
<td>€ 18.2 million</td>
</tr>
</tbody>
</table>

- Significant improvement of EBITDA (+42.5%) due to higher business volume
- EBIT before exceptional items increased strongly by €14.1 million (+185.5%)
- Prior year net income benefitted from exceptional positive items (€10.0 million)
Substantial EBIT improvement driven by higher business volume at DEUTZ Compact Engines

EBIT margin at DEUTZ Customised Solutions amounts to 13.3% (Q1 2017: 11.0%)

Operating result of Torqeedo (accounted in Segment Other) in line with expectations
## DEUTZ Compact Engines

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q1 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€ million</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New orders</td>
<td>492.9</td>
<td>326.3</td>
<td>51.1</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>44,563</td>
<td>35,321</td>
<td>26.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>352.0</td>
<td>294.1</td>
<td>19.7</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>17.0</td>
<td>1.5</td>
<td>&gt;100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q4 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€ million</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New orders</td>
<td>492.9</td>
<td>321.1</td>
<td>53.5</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>44,563</td>
<td>39,724</td>
<td>12.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>352.0</td>
<td>319.9</td>
<td>10.0</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>17.0</td>
<td>15.8</td>
<td>7.6</td>
</tr>
</tbody>
</table>

- Double-digit revenue growth in key application segments: Material Handling (+31.4% yoy), Construction Equipment (+30.1% yoy) and Agricultural Equipment (+24.6% yoy)
- Service revenues increased by 4.6% yoy
- EBIT improvement (+€15.5 million yoy) attributable to higher business volume
## DEUTZ Customised Solutions

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q1 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>76.7</td>
<td>76.9</td>
<td>-0.3</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>1,762</td>
<td>1,832</td>
<td>-3.8</td>
</tr>
<tr>
<td>Revenue</td>
<td>57.7</td>
<td>58.4</td>
<td>-1.2</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>7.7</td>
<td>6.4</td>
<td>20.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q4 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>76.7</td>
<td>56.8</td>
<td>35.0</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>1,762</td>
<td>2,408</td>
<td>-26.8</td>
</tr>
<tr>
<td>Revenue</td>
<td>57.7</td>
<td>62.3</td>
<td>-7.4</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>7.7</td>
<td>2.6</td>
<td>&gt;100</td>
</tr>
</tbody>
</table>

- Book-to-bill ratio amounts to 1.33x
- Proportion of revenue generated by the service business increased to 55% (Q1 2017: 53%)
- EBIT increased by 20.3% yoy to €7.7 million due profitable service business
### R&D spending & capital expenditure

#### R&D expenditure

<table>
<thead>
<tr>
<th>Net R&amp;D expenditure ratio (1)</th>
<th>Q1 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

- **R&D increased in line with guidance**
- **Proportion of capitalised net R&D expenditure:** €4.3 million (Q1 2017: €3.6 million)

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

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.6</td>
<td>13.7</td>
</tr>
</tbody>
</table>

- **Capex increase according to budget**

---

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

<table>
<thead>
<tr>
<th></th>
<th>Working capital</th>
<th>Operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td></td>
</tr>
<tr>
<td>31 Mar 2017</td>
<td>197.1</td>
<td>56.2</td>
</tr>
<tr>
<td>31 Mar 2018</td>
<td>260.0</td>
<td>10.1</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16.9%</td>
<td></td>
</tr>
</tbody>
</table>

- **Working capital increased by €62.9 million mainly due to higher business volume**
- **Operating cash flow decline attributable to higher working capital**
## 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>2017</td>
<td>82.5</td>
</tr>
<tr>
<td>Q1 2018 (LTM)</td>
<td>33.7</td>
</tr>
</tbody>
</table>

### Net financial position

<table>
<thead>
<tr>
<th>Date</th>
<th>Net Financial Position (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Mar 2017</td>
<td>70.0</td>
</tr>
<tr>
<td>31 Mar 2018</td>
<td>88.9</td>
</tr>
</tbody>
</table>

- Free cash flow decline due to lower operating cash flow
- Net financial position increased by €18.9 million

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

Strong balance sheet; equity ratio amounts to 49.0%

Medium- to long-term financing with undrawn facilities available:
  • Credit line of €160 million until June 2022
  • Loan from European Investment Bank repayable by July 2020
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### Forecast for key end-customer markets, 2018

<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>+5% to +10%</td>
<td>+10% to +20%</td>
</tr>
<tr>
<td>Material Handling</td>
<td>+5% to +10%</td>
<td>+5% to +10%</td>
<td>+10% to +20%</td>
</tr>
<tr>
<td>Agricultural Machinery</td>
<td>0% to +5%</td>
<td>0% to +5%</td>
<td>-5% to 0%</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 2017 reported</th>
<th>FY 2018 guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€ million</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,479.1</td>
<td>marked increase</td>
</tr>
<tr>
<td>EBIT margin (before exceptional items)(1)</td>
<td>2.9 %</td>
<td>moderate increase</td>
</tr>
<tr>
<td>R&amp;D expenditure(2)</td>
<td>67.0</td>
<td>70 - 75</td>
</tr>
<tr>
<td>Capex (excl. R&amp;D)(2)</td>
<td>54.7</td>
<td>60 - 70</td>
</tr>
</tbody>
</table>

(1) Subject to final results of review of carrying amounts at JV DEUTZ Dalian
(2) Net of reimbursements
Financial calendar & contact details

- H1 2018 results 2 August 2018
- Q1-Q3 2018 results 8 November 2018
- FY 2018 results 14 March 2019

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Email: christian.krupp@deutz.com
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The forward-looking statements made in this document will not be updated.
THANK YOU FOR YOUR ATTENTION

A NEW DYNAMIC