DEUTZ Investor Presentation
November 2018

The engine company.
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.
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.
DEUTZ is present in more than 130 countries

Production and service network
- 13 Sales companies
- 2 Xchange centers
- 9 Sales offices, 16 Service centers, 800 Sales- and Servicepartners
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Mega trends in our industry

- Diesel Discussion
- Gas
- Electric
- Downsizing
- Energy saving
- Hybrid
- NOx
- Hydrogen
- Low local emission
- Noise Reduction
- Corporate Responsibility
- Paradigm shift
- Evolution Revolution
- Disruption
- Clean
- Sustainability
- Drive System Optimisation
DEUTZ takes action

**DEUTZ** is completing its clean diesel technology to the full range of **advanced drive systems for** professionals.

**DEUTZ** is driving the **next revolution**, delivering higher efficiency, performance & sustainability.

**DEUTZ** has a clear electrification strategy to expand its product offering for off-highway applications.

**DEUTZ** has proven its **emission after treatment technology** at early state and therefore is well positioned for upcoming regulations as **CHINA IV**.

**DEUTZ** is the leader in efficient diesel technology and holds as first manufacturer in the world a **full Stage V certified** engine portfolio.

➢ **We make our engines more efficient and environmentally friendly**
DEUTZ is well on track to become a leading provider of Innovative Drive Systems

- DEUTZ is 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
DEUTZ offers full product range of engines

- 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)
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
Electrification of off-highway applications requires deep know-how in respect of battery management, electric motors, power electronics, software, and system integration.

Torqeedo speeds-up R&D process and market launch.

Know-How transfer accelerates implementation of the E-DEUTZ strategy.
growth potential in electric boating

world market leader in electric boating

has more then 80’000 E-drive systems based on Li – Ionic Batteries in the field

growth opportunities ahead

speeds up the electrification of DEUTZ engine portfolio by know-how transfer

will build up clean concepts for alternative city transportation on water

is realising synergies joining DEUTZ Group in industrialisation and purchasing

uses sales synergies through DEUTZ distribution network
DEUTZ successfully expanding customer base worldwide

<table>
<thead>
<tr>
<th>Long-standing customer relationships (not exhaustive)</th>
<th>New clients &amp; greater share of wallet (not exhaustive)</th>
</tr>
</thead>
</table>

- VOLVO
- Atlas Copco
- Wacker Neuson
- BOMAG
- Fayat Group
- Wirtgen
- AGCO
- Fendt
- DEUTZ
- FAHR
- Hitachi
- Takeuchi
- TYN
- Skyjack
- Kion Group
- JLG
- Same
- Terex
- Manitou
- Zetor
- Argo Tractors
Regional growth strategy

Off-Highway Market 2017 in Tsd. units

- **China**: biggest market worldwide => growth potential due to upcoming implementation of emissions standard China 4
- **ASIA**: Japan / Korea: improvement of OEM penetration with innovative diesel & full electric drive systems
- **EMEA**: further development of OEMs, market penetration with innovative drive systems such as full electric & hybrid
- **Americas**: growth potential with full electric, hybrid, gas and BIFUEL drives

**Attainable market**: Non-captive engine supply, CE / AG / MH / SiE segments, 19-620 kW, emission level >= Tier 3 (based on PSR 2017 database)

DEUTZ targets to further increase its market share mid-term
Service business

- Service business showing resilience throughout the economic cycle
- Expansion of service business
  - New products
  - Digitalization
  - Investment in own service centers & acquisition of selected dealers

Further expansion of profitable service business
DEUTZ initiatives to further improve financial performance

**REVENUE (€ bn)**

- **2017:** 1.5
- **2022:** >2.0

**EBIT MARGIN(1)**

- **2017:** 2.7%
- **2022:** 7 - 8%

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(1) Before exceptional items
Key investment highlights

- Well on track to become a leading provider of Innovative Drive Systems
- Torqeedo serves as catalyst for E-DEUTZ electrification strategy
- Successful extension of customer base worldwide
- Resilient and expanding service business
- Further improvement of financial performance
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Highlights

■ Strong Q1-Q3 2018 performance
  • Sharp order growth (+31.9% yoy)
  • Double-digit revenue increase (+18.7% yoy)
  • Ongoing growth in all regions and segments
  • Substantial improvement of operating profit: EBIT (before exceptional items) +71.9% yoy
  • Good Q3 result despite strike at supplier

■ Progress towards strategic targets
  • DEUTZ sets course for further growth in China. JV DEUTZ Dalian (DDE) sold to former partner FAW in October. DDE related P&L effects will be offset in Q4 (expected cash inflow approx. €10 million)
  • New opportunities arise due to the implementation of China 4 emissions standard for off-highway applications, which has been brought forward to 2020. License agreement with Norinco signed in November
  • E-DEUTZ strategy well on track: successful presentation of hybrid and full-electric prototypes at our ELECTRIP event week in September. First E-DEUTZ customer project with Manitou
### Key figures

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1-Q3 2018</th>
<th>yoy</th>
<th>Q3 2018</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New orders</strong></td>
<td>1,548.7</td>
<td>+31.9%</td>
<td>452.2</td>
<td>+22.0%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>1,297.3</td>
<td>+18.7%</td>
<td>419.7</td>
<td>+17.0%</td>
</tr>
<tr>
<td><strong>Adjusted EBIT (2)</strong></td>
<td>60.3</td>
<td>+115.4%</td>
<td>12.8</td>
<td>+146.2%</td>
</tr>
<tr>
<td><strong>EBIT (before exceptional items)</strong></td>
<td>45.9</td>
<td>+71.9%</td>
<td>12.5</td>
<td>+150.0%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>35.6</td>
<td>+76.2%</td>
<td>10.3</td>
<td>+586.7%</td>
</tr>
</tbody>
</table>

(1) 2017 figures restated
(2) EBIT (before exceptional items) adjusted by DDE effects in 2018 (i.e. operating profit, adjustment of carrying amount and impairment)

⇒ Substantial improvement of operating profit
## Sales figures

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q3 2017</th>
<th>Q1-Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Orders</strong></td>
<td>1,173.8</td>
<td>1,548.7</td>
</tr>
<tr>
<td>€ million</td>
<td>+31.9%</td>
<td>+31.9%</td>
</tr>
<tr>
<td><strong>Unit Sales</strong></td>
<td>118,279</td>
<td>156,504</td>
</tr>
<tr>
<td>Units</td>
<td>+32.3%</td>
<td>+32.3%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>1,093.2</td>
<td>1,297.3</td>
</tr>
<tr>
<td>€ million</td>
<td>+18.7%</td>
<td>+18.7%</td>
</tr>
</tbody>
</table>

- Torqeedo sold 8,977 electric drive systems in Q1-Q3 2018
- Unit sales grew faster than revenue due to strong demand for smaller engine series
Revenue by quarter

€ million

- Double-digit revenue growth in Q3 yoy despite strike at a supplier
Revenue by region

Q1-Q3 2018
(Q1-Q3 2017)

- Africa/Middle East 3 %
  €37.7 million
  (€36.4 million)

- Asia-Pacific 9 %
  €113.7 million
  (€109.3 million)

- Americas 20 %
  €259.5 million
  (€206.1 million)

- Europe (excl. Germany) 49 %
  €641.9 million
  (€530.0 million)

- Germany 19 %
  €244.5 million
  (€211.4 million)

- Total
  €1,297.3 million
  (€1,093.2 million)

Strong revenue growth supported by all regions
Revenue by application

- Substantial revenue growth in all off-road applications

Q1-Q3 2018

(Q1-Q3 2017)

- Construction Equipment 30 %
  - €395.3 million
  - (€322.2 million)

- Material Handling 21 %
  - €266.3 million
  - (€198.9 million)

- Service 19 %
  - €247.8 million
  - (€233.9 million)

- Agricultural Machinery 14 %
  - €188.3 million
  - (€164.2 million)

- Stationary Equipment 10 %
  - €125.2 million
  - (€113.3 million)

- Automotive 3 %
  - €36.8 million
  - (€42.1 million)

- Other 3 %
  - €37.6 million
  - (€18.6 million)
Operating profit & net income

Q1-Q3 2017(1)

€ million

89.4

26.7

0.1

26.8

2.0

4.6

20.2

Adj. EBITDA advanced by 33.4% and adj. EBIT more than doubled

Q1-Q3 2018 EBIT burdened by JV DDE (€14.4 million), which will be compensated in Q4

Low interest expenses and tax rate

Net income increased by 76.2%

(1) Restated
(2) EBIT and EBITDA (before exceptional items) adjusted by DDE effects in 2018 (i.e. operating profit, adjustment of carrying amount and impairment)
EBIT (before exceptional items)

Operating profit increase driven by DEUTZ Compact Engines

Adjusted EBIT-margin improved by 2.2%-points

Reported EBIT in Segment DEUTZ Compact Engines was affected by JV DDE
# DEUTZ Compact Engines

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1-Q3 2018</th>
<th>Q1-Q3 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>1,312.2</td>
<td>969.3</td>
<td>35.4</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>141,034</td>
<td>111,947</td>
<td>26.0</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,085.2</td>
<td>907.6</td>
<td>19.6</td>
</tr>
<tr>
<td>Adjusted EBIT(^{(2)})</td>
<td>42.6</td>
<td>6.9</td>
<td>517.4</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>28.2</td>
<td>5.6</td>
<td>403.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>381.8</td>
<td>307.7</td>
<td>24.1</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>46,571</td>
<td>36,465</td>
<td>27.7</td>
</tr>
<tr>
<td>Revenue</td>
<td>347.5</td>
<td>294.0</td>
<td>18.2</td>
</tr>
<tr>
<td>Adjusted EBIT(^{(2)})</td>
<td>7.8</td>
<td>-4.5</td>
<td>-</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>7.5</td>
<td>-4.7</td>
<td>-</td>
</tr>
</tbody>
</table>

- Double-digit revenue growth in key applications: Material Handling (+35.9% yoy), Construction Equipment (+24.3% yoy) and Agricultural Equipment (+14.6% yoy)
- Service revenues increased by 5.5% yoy
- Substantial improvement of underlying profitability

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\(^{(1)}\) 2017 figures restated  
\(^{(2)}\) EBIT (before exceptional items) adjusted by DDE effect (i.e. operating profit, adjustment of carrying amount and impairment)
### DEUTZ Customised Solutions

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1-Q3 2018</th>
<th>Q1-Q3 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>214.8</td>
<td>204.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>6,493</td>
<td>6,332</td>
<td>2.5</td>
</tr>
<tr>
<td>Revenue</td>
<td>191.3</td>
<td>185.6</td>
<td>3.1</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>26.3</td>
<td>21.9</td>
<td>20.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>63.7</td>
<td>63.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Unit sales (units)</td>
<td>2,100</td>
<td>2,215</td>
<td>-5.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>65.8</td>
<td>64.7</td>
<td>1.7</td>
</tr>
<tr>
<td>EBIT (before except. items)</td>
<td>8.4</td>
<td>10.3</td>
<td>-18.4</td>
</tr>
</tbody>
</table>

- Good Q1-Q3 2018 performance
- Service revenue advanced by 6.6% yoy
- Strong EBIT growth (+20.1% yoy) attributable to better product mix, profitable service business and efficiency gains
R&D spending & capital expenditure

**R&D expenditure**

€ million

- **Gross expenditure**
  - Q1-Q3 2017: 47.7
  - Q1-Q3 2018: 60.5
  - Net expenditure: 46.3
  - Reimbursements: 1.4

- **Net R&D expenditure ratio**(1)
  - Q1-Q3 2017: 4.2%
  - Q1-Q3 2018: 4.6%

- Increase of R&D due to expansion of product range

- Proportion of capitalised net R&D expenditure: €13.4 million (Q1-Q3 2017: €10.0 million)

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

- Q1-Q3 2017: 43.7
- Q1-Q3 2018: 41.0

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

### Working capital

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sep 2017</td>
<td>190.7</td>
</tr>
<tr>
<td>30 Sep 2018</td>
<td>296.3</td>
</tr>
</tbody>
</table>

**Working capital ratio**

- 30 Sep 2017: 13.5%
- 30 Sep 2018: 17.6%

- Working capital increase mainly due to higher business volume and higher inventory level
- Higher working capital to meet production requirements in Q4

### Operating cash flow

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-Q3 2017</td>
<td>96.4</td>
</tr>
<tr>
<td>Q1-Q3 2018</td>
<td>55.5</td>
</tr>
</tbody>
</table>

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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>2017</td>
<td>Q3 2018 (LTM)</td>
</tr>
<tr>
<td>82.5</td>
<td>7.3</td>
</tr>
</tbody>
</table>

| 30 Sep 2017               | 30 Sep 2018            |
| 95.0                     | 78.8                   |

- Decline of free cash flow due to working capital increase
- Positive net financial position

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

€ million

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2017</th>
<th>30 Sep 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1,198.2</td>
<td>1,215.3</td>
</tr>
<tr>
<td>Equity</td>
<td>584.3</td>
<td>601.4</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>48.8%</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

- Equity ratio increased to 49.5%
- Medium- to long-term financing with undrawn facilities available:
  - Credit line of €160 million until June 2023
  - Loan from European Investment Bank repayable by July 2020

(1) Restated
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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><strong>Construction Equipment</strong></td>
<td>+5% to +10%</td>
<td>+10% to +15%</td>
<td>+20% to +25%</td>
</tr>
<tr>
<td>(previous: +5% to 10%)</td>
<td></td>
<td>(previous: +15% to 20%)</td>
<td></td>
</tr>
<tr>
<td><strong>Material Handling</strong></td>
<td>+5% to +10%</td>
<td>+5% to +10%</td>
<td>+10% to +20%</td>
</tr>
<tr>
<td><strong>Agricultural Machinery</strong></td>
<td>0% to +5%</td>
<td>0% to +5%</td>
<td>-10% to -5%</td>
</tr>
</tbody>
</table>

Source: DEUTZ market estimates
## Financial outlook

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018 guidance(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1,479.1</td>
<td>&gt; 1,600</td>
</tr>
<tr>
<td><strong>EBIT margin</strong> (^{(3)}) (before exceptional items)</td>
<td>2.7 %</td>
<td>≥ 4.5 %</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure</strong> (^{(1)})</td>
<td>67.0</td>
<td>70 - 80</td>
</tr>
<tr>
<td><strong>Capex (excl. R&amp;D)</strong> (^{(1)})</td>
<td>54.7</td>
<td>60 - 70</td>
</tr>
</tbody>
</table>

(1) Net of reimbursements  
(2) Assuming no further supply shortage  
(3) Restated

**Guidance raised on 27\(^{th}\) July**
Financial calendar & contact details

- FY 2018 results: 14 March 2019
- Annual general meeting: 30 April 2019
- Q1 2019 results: 7 May 2019

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A NEW DYNAMIC