DEUTZ at a glance

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

■ 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

DEUTZ has always driven change. Now, we are ready for the next step.
DEUTZ offers a broad range of engines

- Expanded product offering in the lower output range
- New gas and bi-fuel engines
- Expansion of product portfolio in the upper output range (200 to 620 kW)

Expansion of product portfolio for EU Stage V emissions standard in 2019
DEUTZ is present in more than 130 countries worldwide
DEUTZ is successfully expanding customer base worldwide

**Long-standing customer relationships**
(not exhaustive)

**New customers & greater share of wallet**
(not exhaustive)
## Agenda

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<td>Outlook</td>
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</table>
DEUTZ is well on track to become a leading provider of innovative drive systems.

Combustion engines here to stay

~200,000 units per year expected

Alternative drives on the rise

Hybrid & electric, hybrid, gas, synthetic & bi-fuels

Reduction of complexity, CO₂ optimisation

5-10% share of revenue from electric and hybrid solutions in 2022
Electrification strategy

- Acquisition of Torqueedo (Sep 2017) is paying off
- Successful know-how transfer – DEUTZ saves 5 years development time
- First prototype after 6 months
- Marketable hybrid and full-electric products expected at end of 2019 / early 2020

→ DEUTZ has taken on a pioneering role in the field of electrification
Electrification strategy

- Electrification strategy is as “door opener” for new customers
- DEUTZ has established expertise in all relevant technological fields (e-motors, power electronics, battery technology, systems integration etc.)
- DEUTZ offers a modular kit solution for customer-specific drive specifications
- Key selling points: lower emissions & total cost of ownership

➔ DEUTZ leads the development of electrification solutions for off-highway applications
DEUTZ performance programme
Further increase in revenue

Growth of core business:
expanded portfolio of combustion engines for EU Stage V emissions standard, further expansion of customer base

Expansion of product portfolio:
new innovative drive systems (alternative drives & E-DEUTZ), win new customers

Expansion of service business:
more than € 400 million revenue in 2022, digitalisation

Regional growth:
improve market position in the USA, exploit growth potential in Asia with strong focus on China

Key drivers

- €1.26 billion (2016)
- €1.6 billion (2018)
- > €2.0 billion (2022)
DEUTZ performance programme
Further improvement in profitability

Investments in product portfolio: e.g. Torqeedo, E-DEUTZ, 9-18L engines

Expansion of service business: revenues of more than €400 million expected in 2022, digitalisation

Growth in core business and regions: Optimise existing portfolio/product mix, optimisation of distribution

Key drivers

Operational excellence: Optimise global production and sourcing network, better efficiency in all operations, reduction of complexity and improvement of quality
Expansion of service business

Service business showing resilience throughout the economic cycle

- Expansion of service business
  - New products
  - Best-in-class availability of spare parts
  - Optimised repair concepts (e.g., Xchange engines)
  - Direct connection to our end customers via digital channels
  - Investment in own service centres & acquisition of selected dealers
  - Digitalisation

€ million

259.3 278.4 287.3 309.2 >400

2014 2015 2016 2017 2022

Revenue of more than € 400 million expected in 2022
Digitalisation
“From data to value”

Where?
- Production
- Sales
- Service
- Administration
- Quality

How?
- DEUTZ as a “learning organisation”
- Data processing & analysis

Improve efficiency & customer loyalty
Regional growth strategy

Off-highway market 2017 in thousand units

- **Americas** offers growth potential with full-electric, hybrid, gas and bi-fuel drives. Focus on strengthening market position in the USA

- **EMEA**: further development of OEMs, increase market penetration with innovative drive systems such as full-electric & hybrid

- **Asia-Pacific**: China is the world’s largest individual market and offers growth potential due to fast implementation of emissions standard China IV

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

➡ **DEUTZ aims to further increase its market share**
China growth strategy

Three-pillar strategy

- China’s biggest construction equipment group
- Large customer
- Joint venture partner

- HORIZON is the largest rental company for material handling in China
- Service partner
- Partner for digitalisation

- First diesel engine company in China
- Contract manufacturing cooperation
- Ability to satisfy additional demand throughout Asia

Revenue target in China: ~€500 million in 2022

(1) Whether this revenue will be fully consolidated is still to be reviewed
Financial strength

- **Strong balance sheet**
  - Equity ratio to remain >40%
  - Medium- to long-term financing with undrawn facilities available

- **Potential acquisitions**
  - Firepower for acquisitions available
  - Focus on innovation, service & internationalisation

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

⇒ Robust financial framework in volatile markets
Key investment highlights

- Well on track to become a leading provider of innovative drive systems
- Leading position in the development of electrification solutions for off-highway applications
- Successful expansion of customer base worldwide
- Strongly growing service business to enhance resilience and profitability
- Regional expansion of the business including three-pillar growth strategy in China
- Robust financial framework in volatile markets
- Clear strategy to further increase profitability
Agenda

DEUTZ at a glance
Strategy & market position
Financials
Outlook
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 due to the implementation of China 4 emissions standard for off-highway applications, which has been brought forward to 2020. Licence 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></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</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 for 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></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></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></td>
</tr>
</tbody>
</table>

- Torqueedo 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
Strong growth supported by all regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1-Q3 2018</th>
<th>Q1-Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa/Middle East 3 %</td>
<td>€37.7 million</td>
<td>(€36.4 million)</td>
</tr>
<tr>
<td>Asia-Pacific 9 %</td>
<td>€113.7 million</td>
<td>(€109.3 million)</td>
</tr>
<tr>
<td>Americas 20 %</td>
<td>€259.5 million</td>
<td>(€206.1 million)</td>
</tr>
<tr>
<td>Europe (excl. Germany) 49 %</td>
<td>€641.9 million</td>
<td>(€530.0 million)</td>
</tr>
<tr>
<td>Germany 19 %</td>
<td>€244.5 million</td>
<td>(€211.4 million)</td>
</tr>
</tbody>
</table>

(Q1-Q3 2017)
Revenue by application
Substantial revenue growth in all off-highway 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)

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

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

Automotive 3 %
€36.8 million
(€42.1 million)

Other 3 %
€37.6 million
(€18.6 million)
Adj. EBITDA advanced by 33.4% and adj. EBIT more than doubled

€14.4 million drag on EBIT in Q1-Q3 2018 by DDE JV, but this will be recovered in Q4

Low interest expenses and tax rate

Net income increased by 76.2%

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

€ million

- Operating profit increase driven by DEUTZ Compact Engines
- Adjusted EBIT margin improved by 2.2%-points
- Reported EBIT in the DEUTZ Compact Engines segment was affected by JV DDE

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q3 2017 restated</th>
<th>Q1-Q3 2018 adjusted for DDE effects</th>
<th>Q1-Q3 2018 reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT margin</td>
<td>2.4%</td>
<td>4.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>EBIT (€ million)</td>
<td>26.7</td>
<td>60.3</td>
<td>45.9</td>
</tr>
<tr>
<td></td>
<td>21.9</td>
<td>26.3</td>
<td>26.3</td>
</tr>
<tr>
<td></td>
<td>-0.8</td>
<td>-8.6</td>
<td>-8.6</td>
</tr>
</tbody>
</table>

- DEUTZ Compact Engines
- DEUTZ Customised Solutions
- Other
DEUTZ Compact Engines\(^{(1)}\)

<table>
<thead>
<tr>
<th></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></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 revenue increased by 5.5% yoy
- Substantial improvement of underlying profitability

\(^{(1)}\) 2017 figures restated  
\(^{(2)}\) EBIT (before exceptional items) adjusted for 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
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)

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

- Working capital increase mainly due to higher business volume and higher inventory level
- Higher working capital to meet production requirements in Q4
Free cash flow & net financial position

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

Free cash flow (1)

€ million

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>Q3 2018 (LTM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>82.5</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Net financial position

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2017</th>
<th>30 Sep 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financial position</td>
<td>95.0</td>
<td>78.8</td>
</tr>
</tbody>
</table>

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

- 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
Agenda

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Strategy & market position
Financials
Outlook
**Financial outlook**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018 guidance&lt;sup&gt;(2)&lt;/sup&gt;</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></td>
<td>2.7%&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>≥ 4.5%</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure</strong></td>
<td>67.0</td>
<td>70 - 80</td>
</tr>
<tr>
<td><strong>Capex (excl. R&amp;D)</strong></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 figures increased on 27 July 2018**
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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Thank you for your attention