



A **NEW** DYNAMIC

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

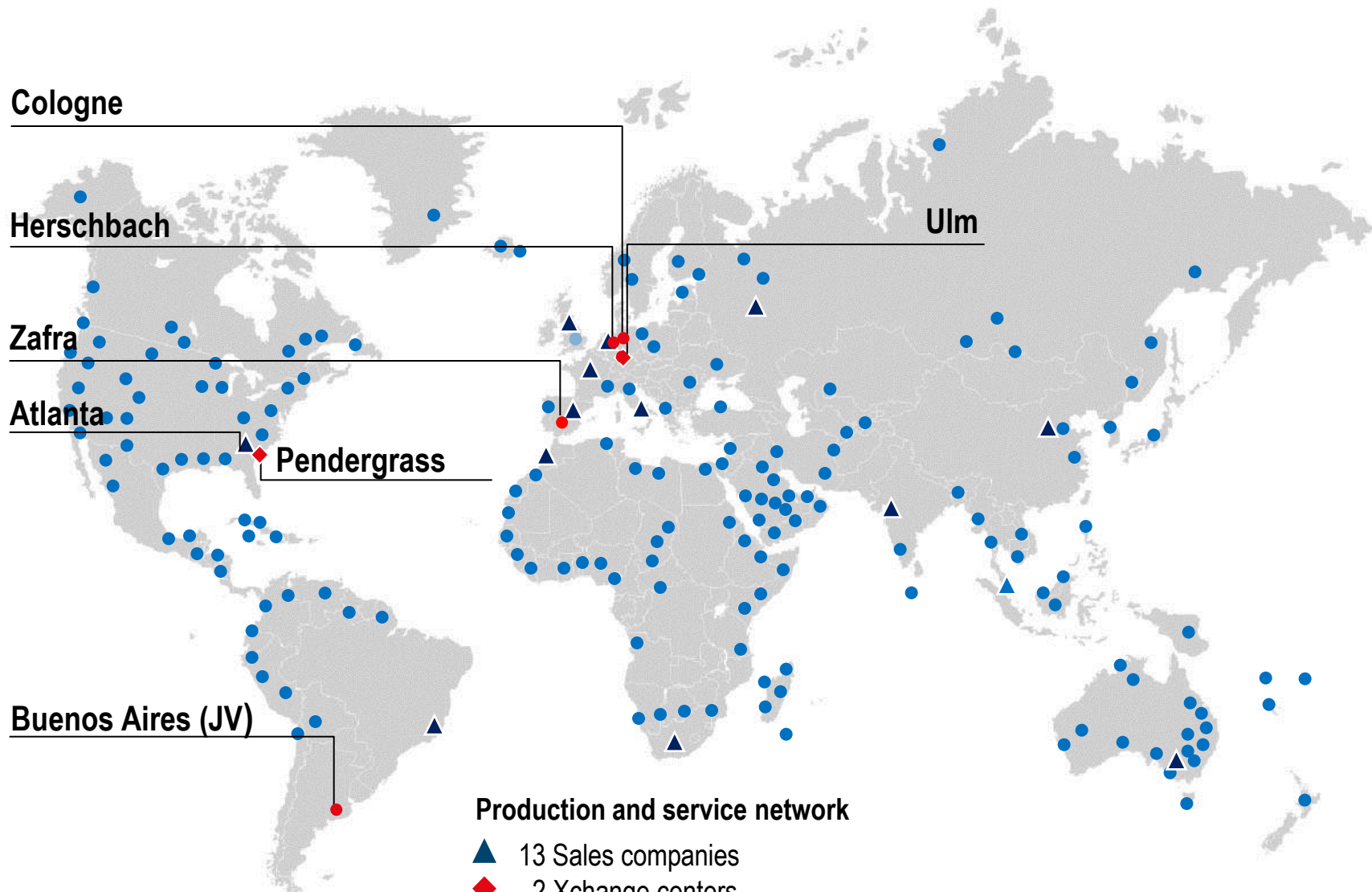
→ **DEUTZ** has always driven change. Now, we are ready for the next step.

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.



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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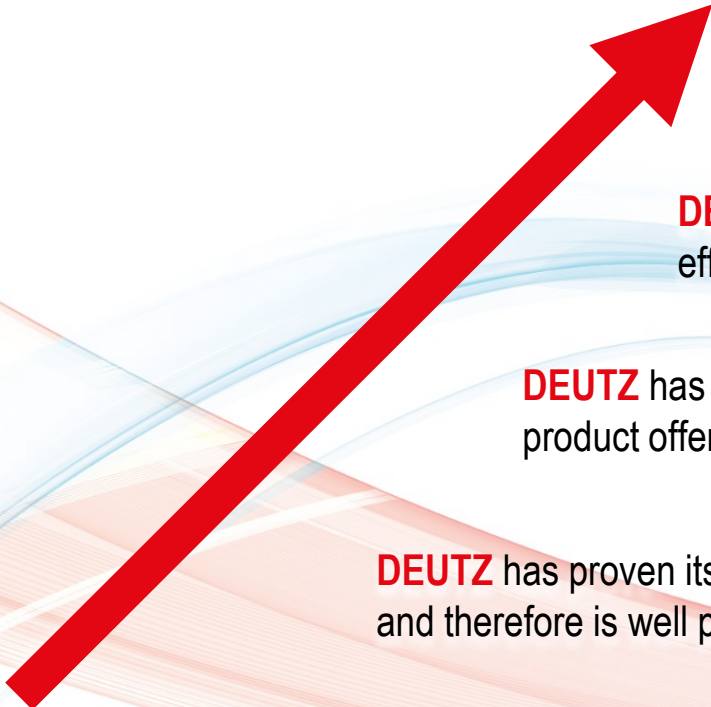
Outlook

Mega trends in our industry

Sustainability




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:



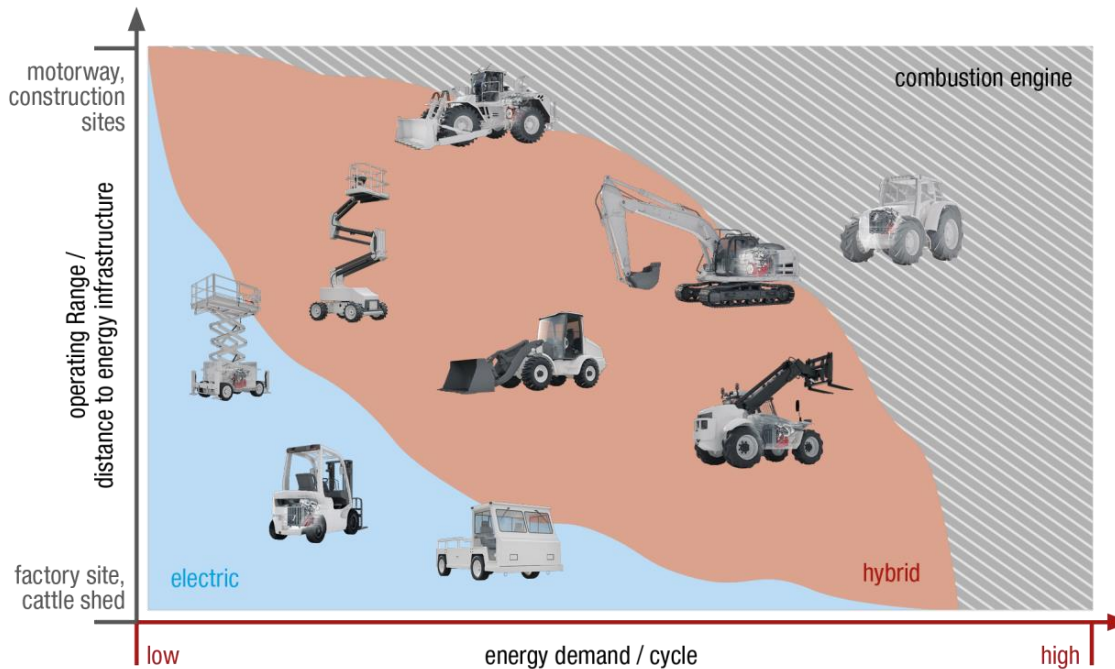
- **DIESEL** is here to stay, its future secured by its high energy density that allows for autonomous operation
- Use of **ALTERNATIVE FUELS**, leading to CO₂ neutral approaches, through renewable energies
- Use of **GAS** or bi-fuel engines that offer the same levels of efficiency but are less complex 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)

<p>G 2.2 L3 G 2.9 L4</p> <ul style="list-style-type: none"> ■ 26–54 kW 35–72 hp at 2800 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Start of series production in 2019</p>	<p>TCD 2.2 L3</p> <ul style="list-style-type: none"> ■ 55,4 kW 75 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 2.9 L4</p> <ul style="list-style-type: none"> ■ 75 kW 100 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 3.6 L4</p> <ul style="list-style-type: none"> ■ 105 kW 141 hp at 2300 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>STAGE V CERTIFIED®</p> <p>DEUTZ AG is the first engine manufacturer worldwide to be awarded the official certificate for meeting the latest exhaust emission standard. EU Stage V.</p> 
<p>TCD 4.1 L4 TCD 6.1 L6</p> <ul style="list-style-type: none"> ■ 80–180 kW 108–241 hp at 1800–2300 min¹/rpm ■ EU Stage V US EPA Tier 4 		<p>TCD 7.8 L6</p> <ul style="list-style-type: none"> ■ 250 kW 335 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 12.0 V6 TCD 16.0 V8</p> <ul style="list-style-type: none"> ■ 240–520 kW 322–697 hp at 2100 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 9.0 L4 12.0 L6 13.5 L6</p> <ul style="list-style-type: none"> ■ 300–450 kW 400–600 hp at 2100 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 18.0 L6</p> <ul style="list-style-type: none"> ■ 620 kW 831 hp at 1900 min¹/rpm ■ EU Stage V US EPA Tier 4 

Markets / segments / applications



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

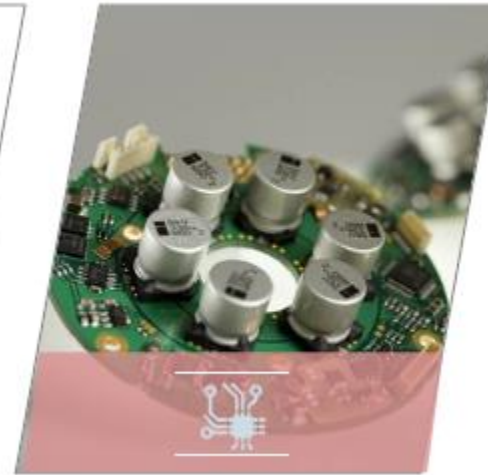
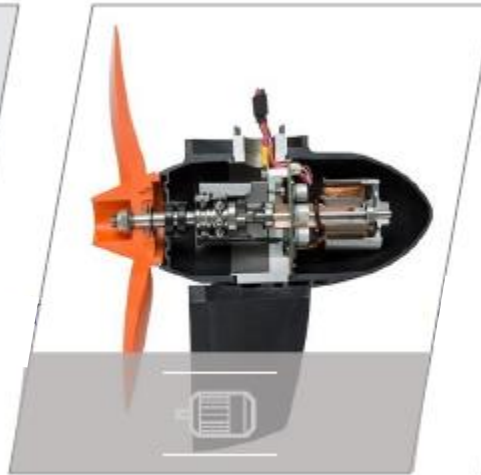
▶ Target EBIT margin in the high single-digit / low double-digit percentage range

Lithium battery technology

Electric motor

Power electronics

Mechanical design



- 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

TORQUEEDO growth potential in electric boating

TORQUEEDO world market leader in electric boating

TORQUEEDO has more than 80'000 E-drive systems based on Li – Ionic Batteries in the field

TORQUEEDO growth opportunities ahead

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

TORQUEEDO will build up clean concepts for alternative city transportation on water

TORQUEEDO is realising synergies joining DEUTZ Group in industrialisation and purchasing

TORQUEEDO uses sales synergies through DEUTZ distribution network



DEUTZ successfully expanding customer base worldwide

Long-standing customer relationships
(not exhaustive)

New clients & greater share of wallet
(not exhaustive)







































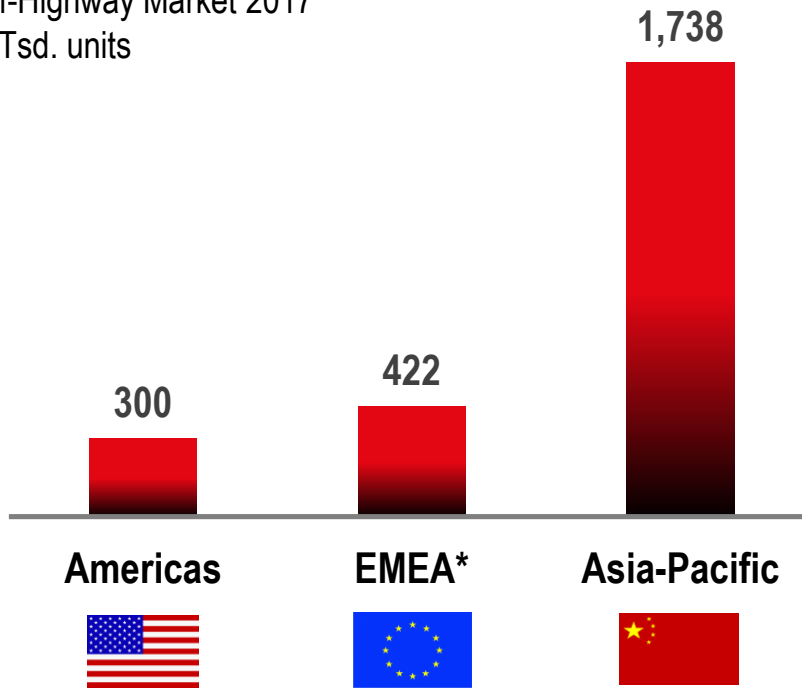






Regional growth strategy

Off-Highway Market 2017
in Tsd. units



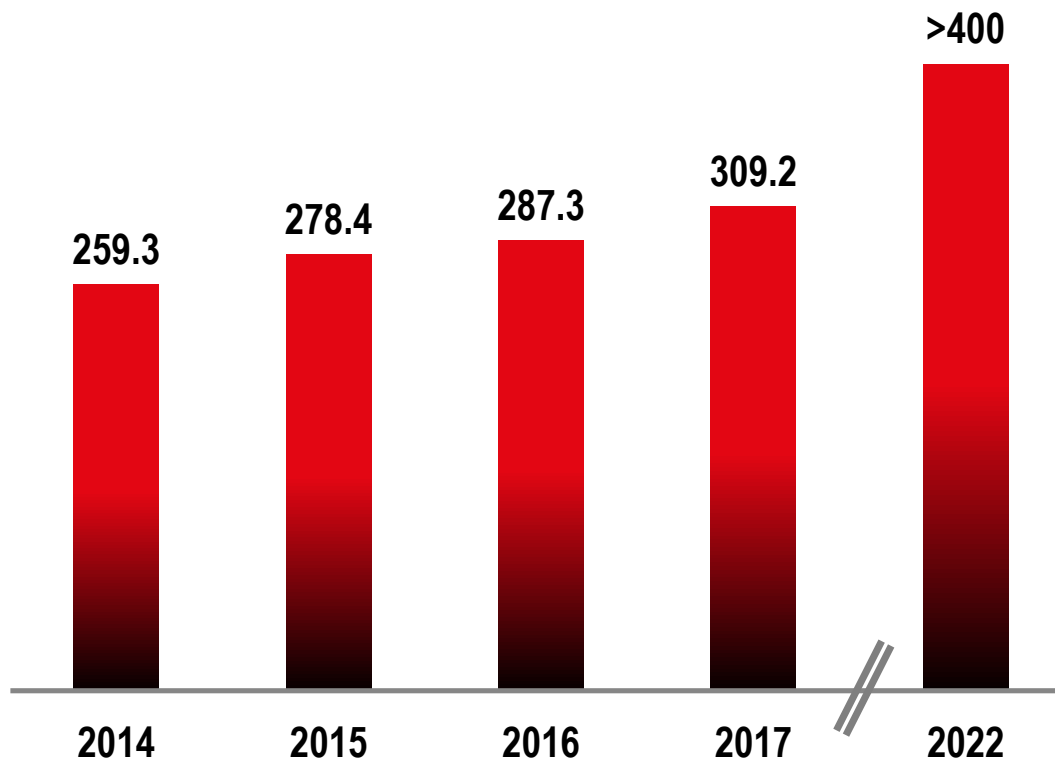
Attainable market: Non-captive engine supply,
CE / AG / MH / StE segments, 19-620 kW, emission level >= Tier 3
(based on PSR 2017 database)

- **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

→ DEUTZ targets to further increase its market share mid-term

Service business

€ million

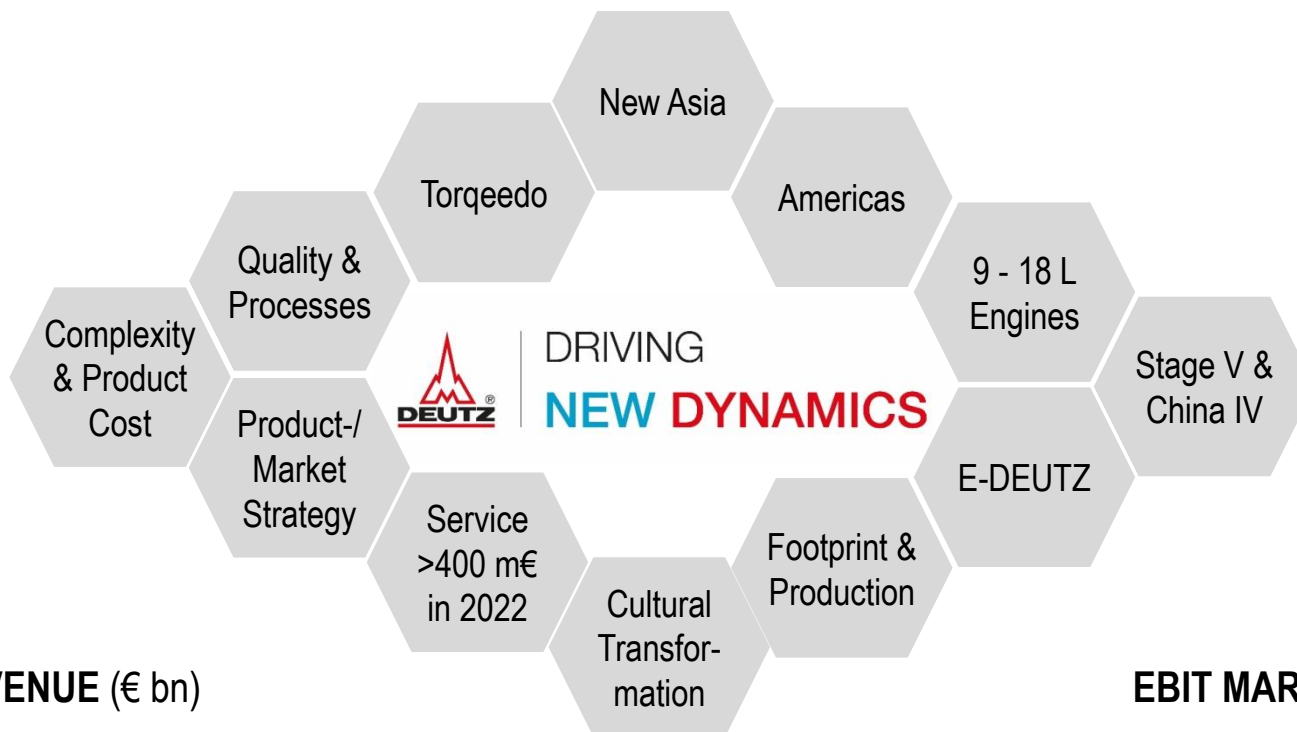


- Service business showing resilience throughout the economic cycle
- Expansion of service business
 - New products
 - Digitalization
 - Investment in own service centers & acquisition of selected dealers

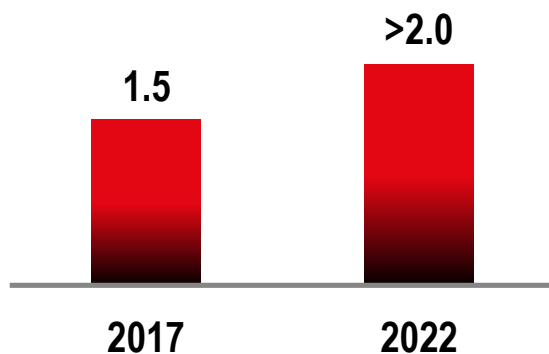


➔ Further expansion of profitable service business

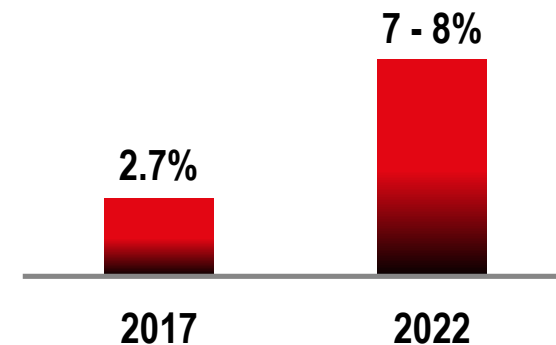
DEUTZ initiatives to further improve financial performance



REVENUE (€ bn)



EBIT MARGIN⁽¹⁾



(1) Before exceptional items

Key investment highlights

Well on track to become a leading provider of Innovative Drive Systems

Torqueado 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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■ 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⁽¹⁾

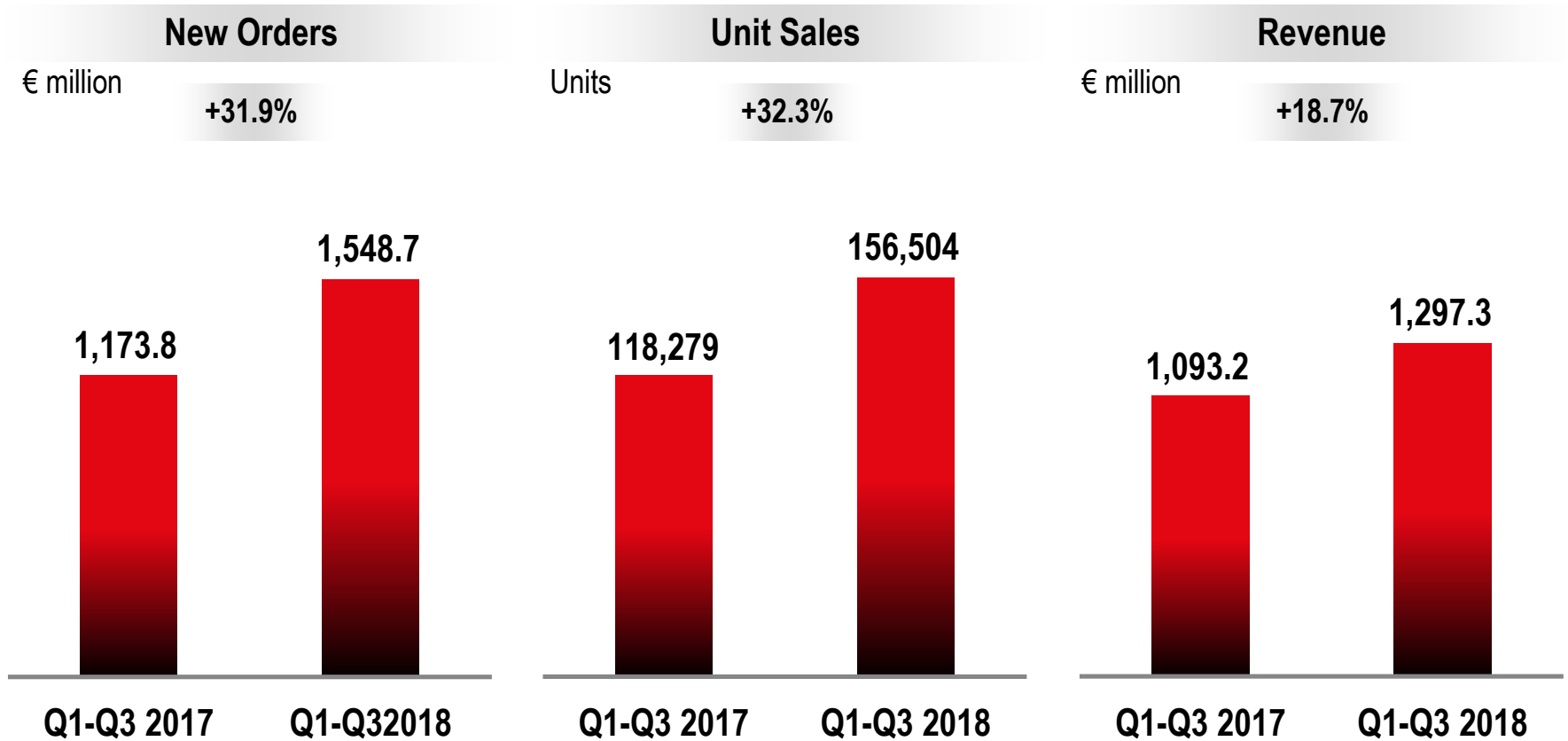
€ million	Q1-Q3 2018	yoy	Q3 2018	yoy
New orders	1,548.7	+31.9%	452.2	+22.0%
Revenue	1,297.3	+18.7%	419.7	+17.0%
Adjusted EBIT⁽²⁾	60.3	+115.4%	12.8	+146.2%
EBIT (before exceptional items)	45.9	+71.9%	12.5	+150.0%
Net income	35.6	+76.2%	10.3	+586.7%

(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**

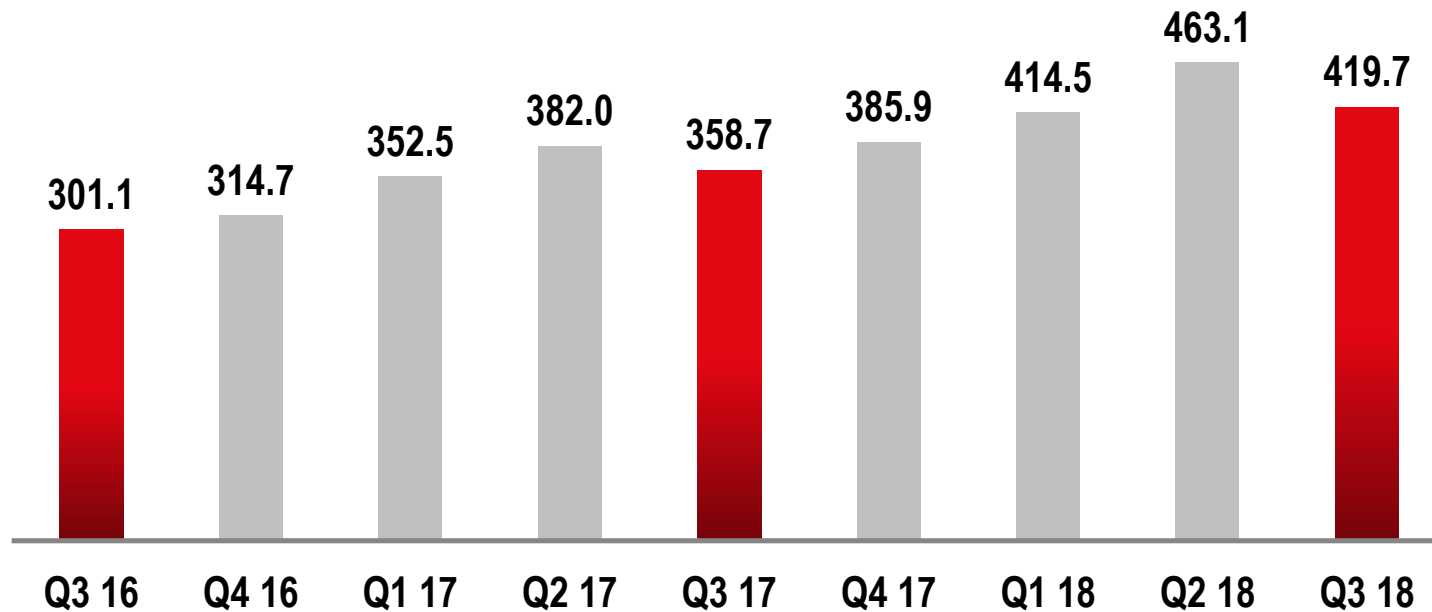
Sales figures



- 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 %

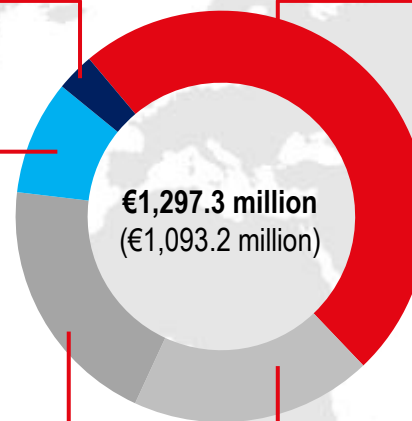
€259.5 million
(€206.1 million)

Europe (excl. Germany) 49 %

€641.9 million
(€530.0 million)

Germany 19 %

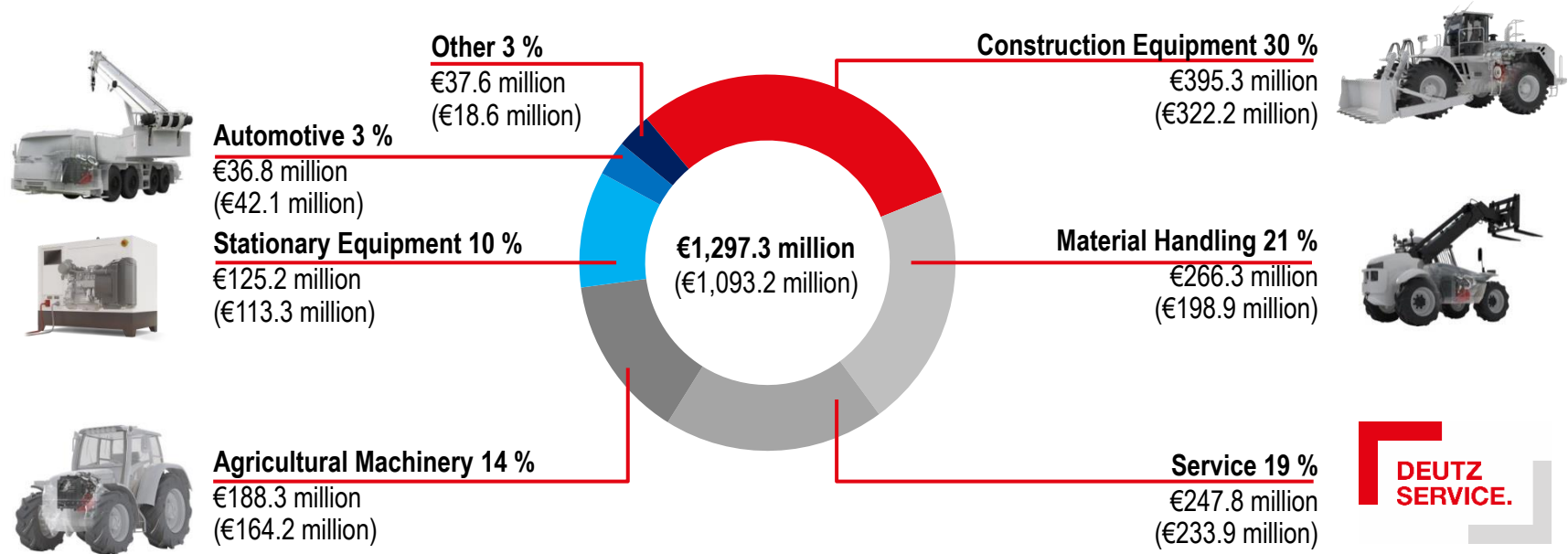
€244.5 million
(€211.4 million)



■ Strong revenue growth supported by all regions

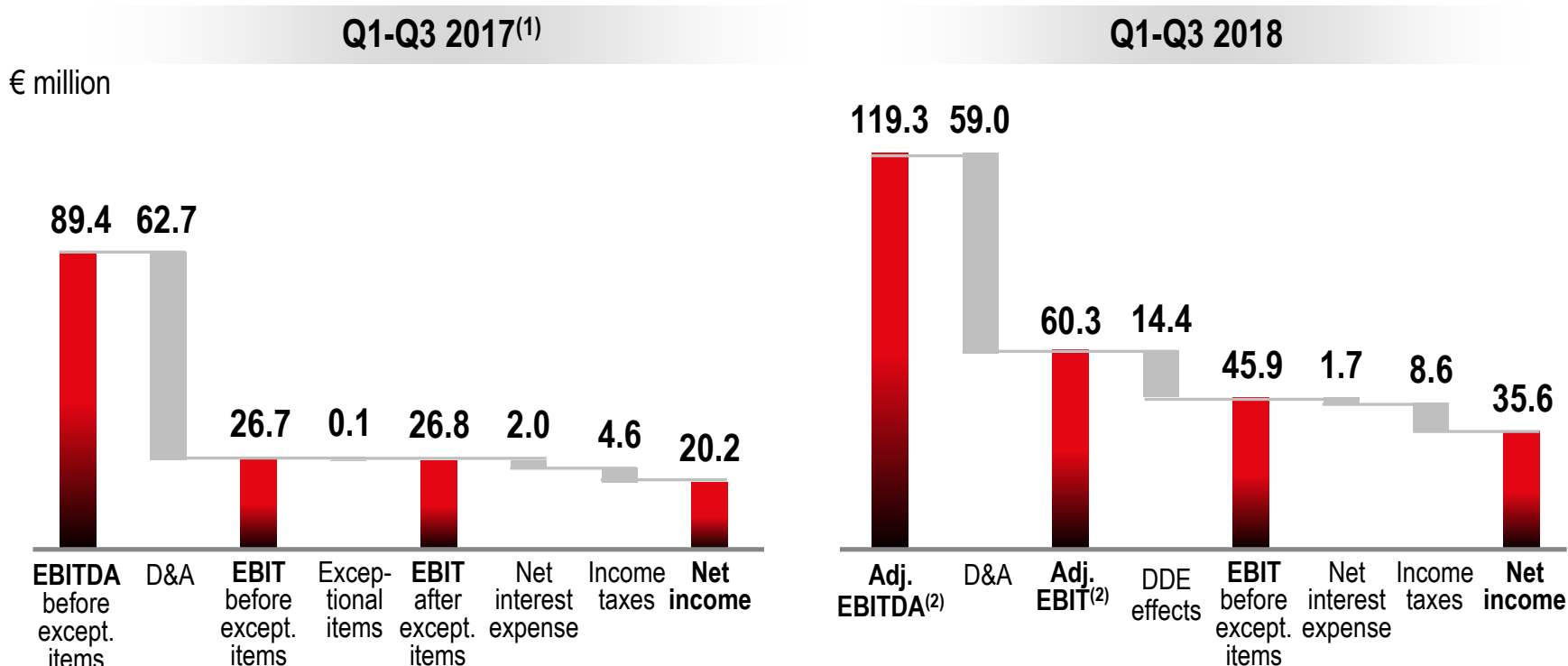
Revenue by application

Q1-Q3 2018
(Q1-Q3 2017)



■ Substantial revenue growth in all off-road applications

Operating profit & net income



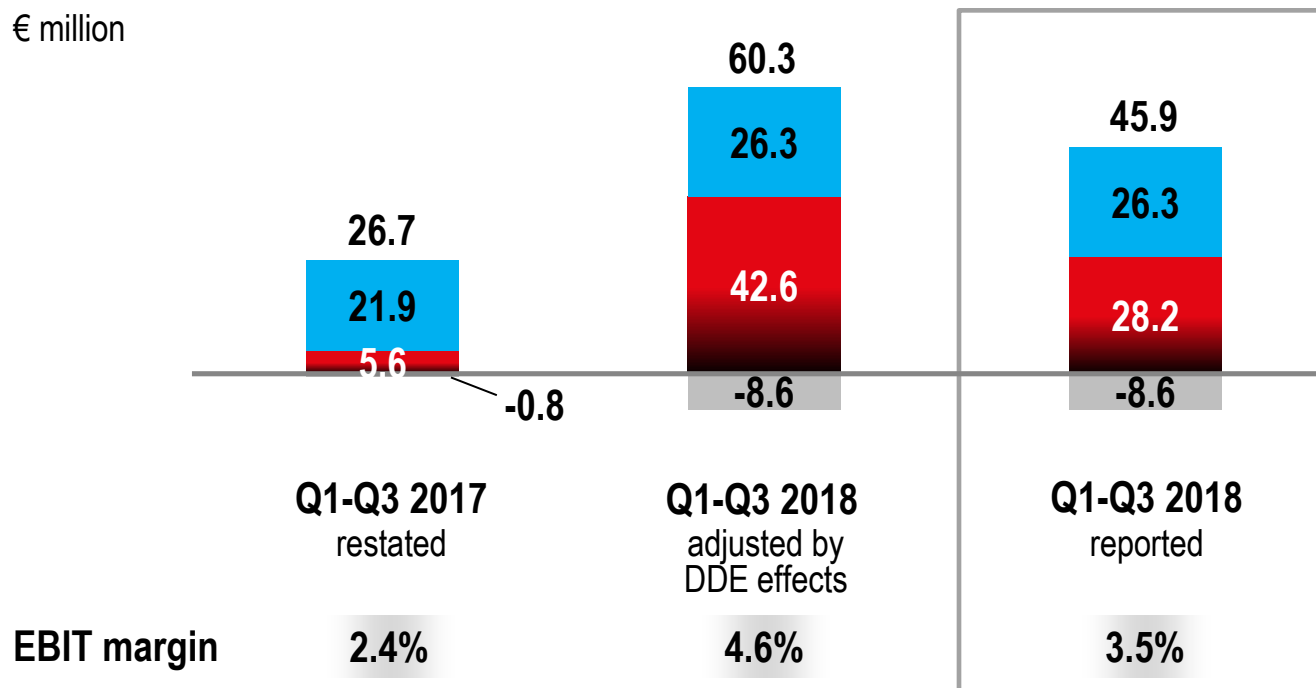
- Adj. EBITDA advanced by 33.4% and adj. EBIT more than doubled
- Q1-Q3 2018 EBIT burdened by JV DDE (€14.4 million), which will be compensated in Q4
- Low interest expenses and tax rate
- Net income increased by 76.2%

(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)

€ million



- 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 ■ DEUTZ Customised Solutions ■ Other

DEUTZ Compact Engines⁽¹⁾

€ million	Q1-Q3 2018	Q1-Q3 2017	Change in %
New orders	1,312.2	969.3	35.4
Unit sales (units)	141,034	111,947	26.0
Revenue	1,085.2	907.6	19.6
Adjusted EBIT ⁽²⁾	42.6	6.9	517.4
EBIT (before except. items)	28.2	5.6	403.6

€ million	Q3 2018	Q3 2017	Change in %
New orders	381.8	307.7	24.1
Unit sales (units)	46,571	36,465	27.7
Revenue	347.5	294.0	18.2
Adjusted EBIT ⁽²⁾	7.8	-4.5	--
EBIT (before except. items)	7.5	-4.7	--

- 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

(1) 2017 figures restated

(2) EBIT (before exceptional items) adjusted by DDE effect (i.e. operating profit, adjustment of carrying amount and impairment)

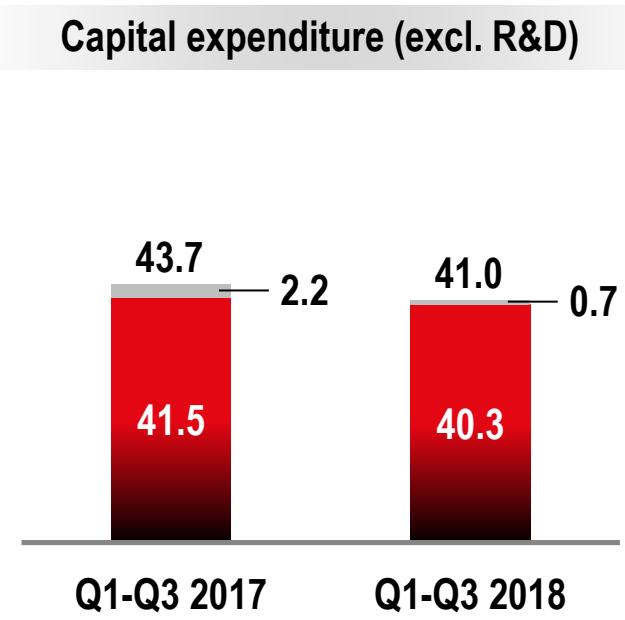
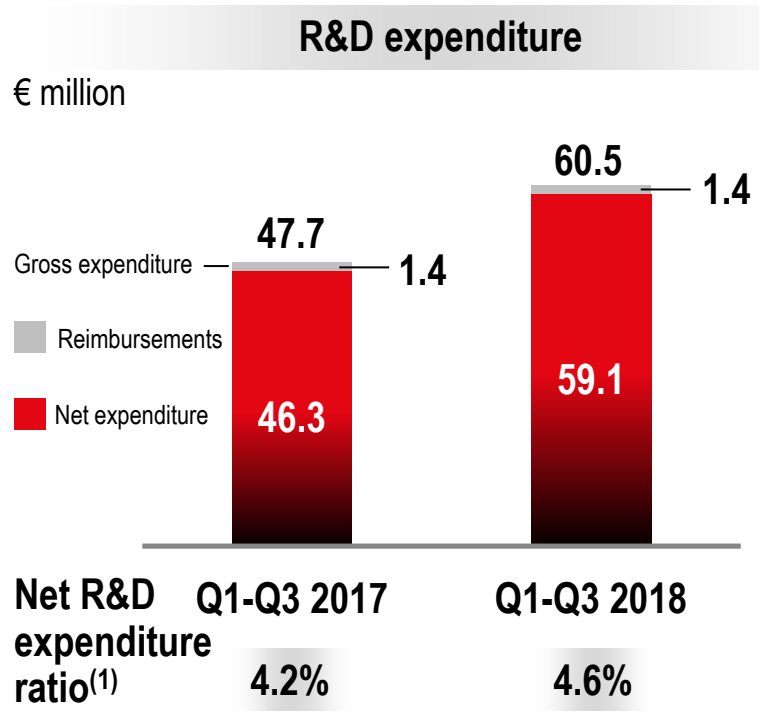
DEUTZ Customised Solutions

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

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

- 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

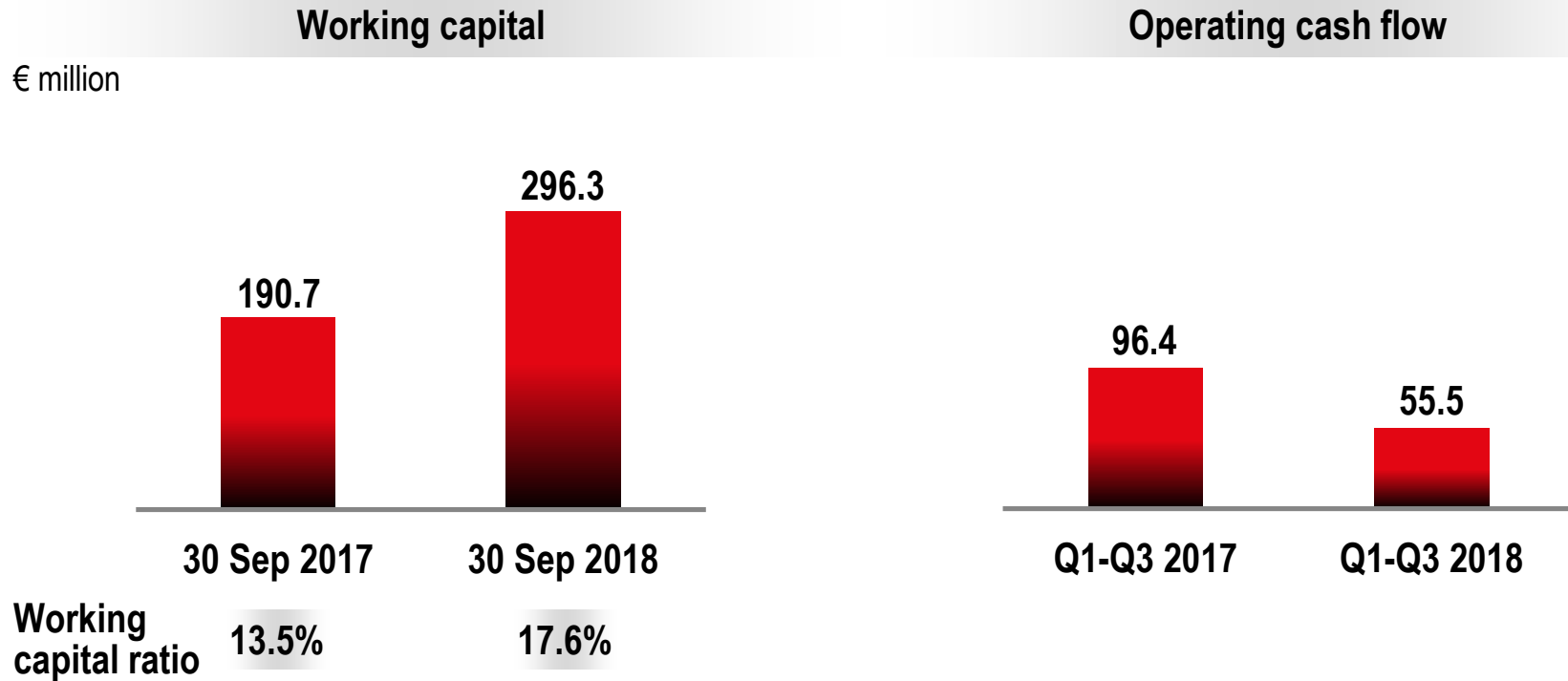
R&D spending & capital expenditure



- 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)

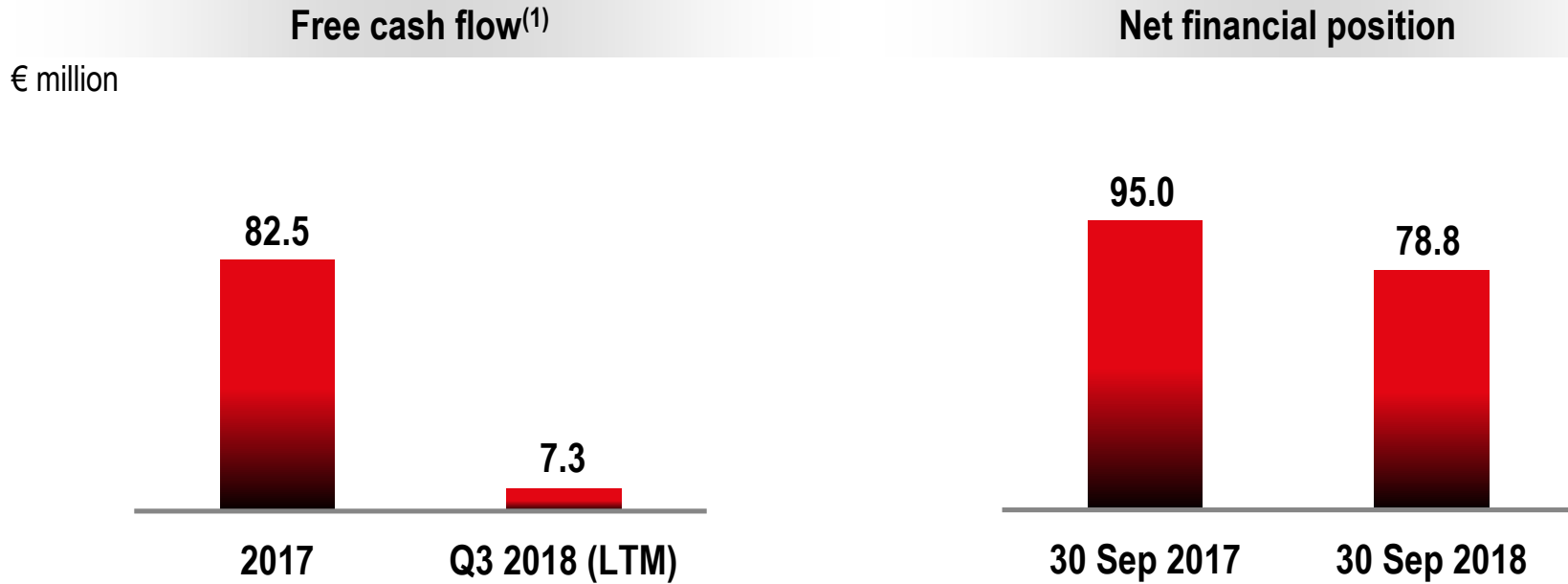
(1) Ratio of net R&D expenditure to consolidated revenue

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 generation & net financial position

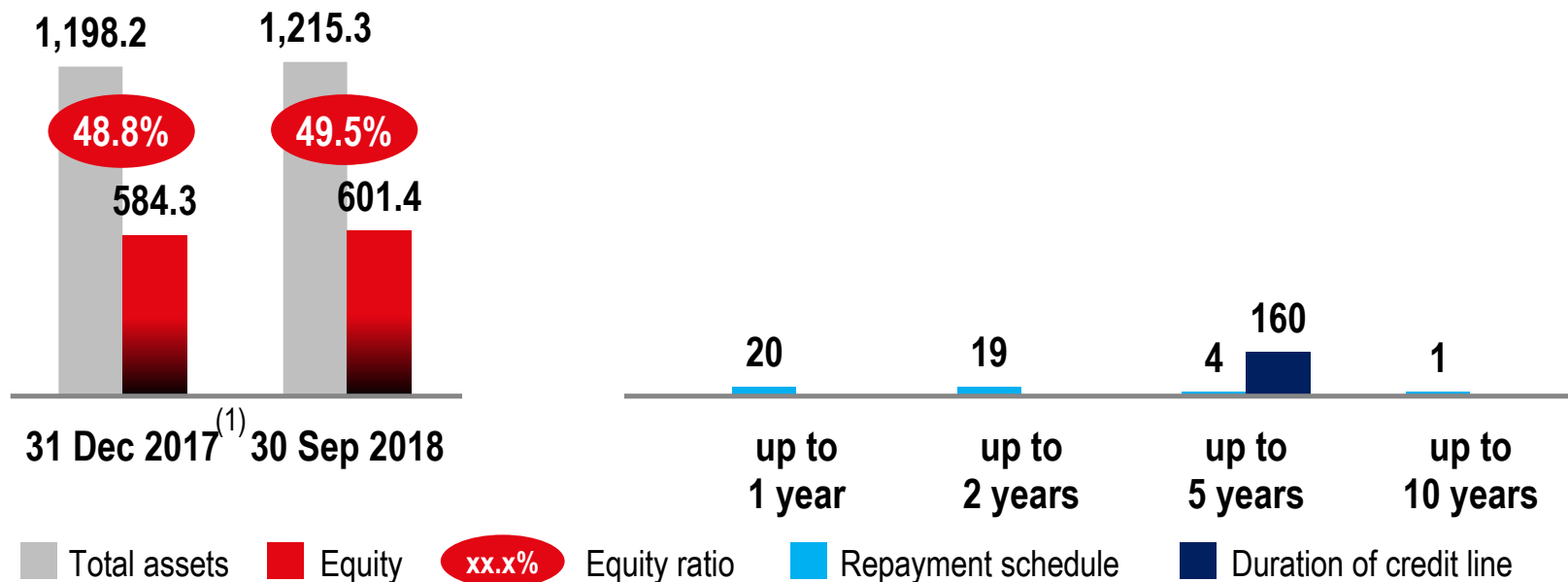


- Decline of free cash flow due to working capital increase
- Positive net financial position

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

Equity ratio & funding

€ million



- 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

	Europe	North America	China
Unit sales (equipment)			
Construction Equipment	+5% to +10%	+10% to +15% (previous: +5% to 10%)	+20% to +25% (previous: +15% to 20%)
Material Handling	+5% to +10%	+5% to +10%	+10% to +20%
Agricultural Machinery	0% to +5%	0% to +5%	-10% to -5%

Source: DEUTZ market estimates

€ million	FY 2017	FY 2018 guidance ⁽²⁾
Revenue	1,479.1	> 1,600
EBIT margin (before exceptional items)	2.7 % ⁽³⁾	≥ 4.5 %
R&D expenditure⁽¹⁾	67.0	70 - 80
Capex (excl. R&D)⁽¹⁾	54.7	60 - 70

(1) Net of reimbursements

(2) Assuming no further supply shortage

(3) Restated

→ **Guidance raised on 27th July**

Financial calendar & contact details

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

▶ Contact details

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THANK YOU FOR YOUR ATTENTION

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