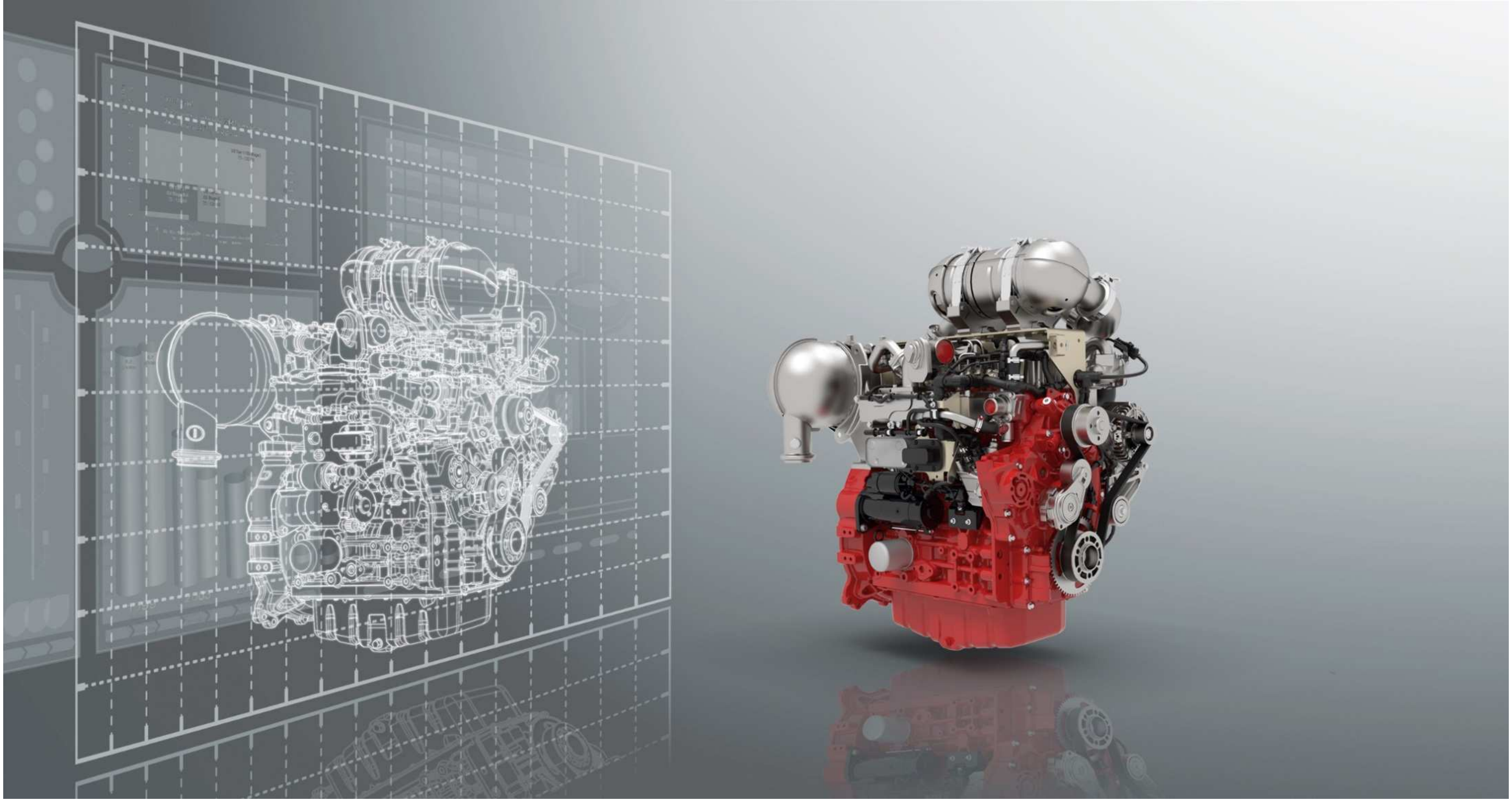


DEUTZ Investor Presentation

August 2016

The engine company.

Agenda

The engine company. DEUTZ

- DEUTZ strategy & positioning
- Financials
- Outlook

DEUTZ at a glance

The engine company. DEUTZ

Profile

- World's first engine factory founded in 1864 by N.A. Otto, the developer of the four the stroke engine
- Independent manufacturer of diesel and gas engines up to 520 kw
- Engineering and manufacturing company with strong expertise as system integrator
- Worldwide sales channels and service network
- Strong brand – synonym for leading technology and high-quality products
- Blue chip customer base

Financials 2015

Revenue	€1,247.4 million
Free Cash Flow	€35.0 million
Equity ratio	45.5%

Board

- Dr. Helmut Leube (CEO)
- Dr. Margarete Haase (CFO)
- Michael Wellenzohn (CSO)

Corporate structure

The engine company. DEUTZ

DEUTZ Group

DEUTZ Compact Engines

- Liquid-cooled engines of up to 8 litres cubic capacity for on- and off-road applications
- Large number of modular approaches
- Joint Venture DEUTZ Dalian (China)

DEUTZ Customised Solutions

- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines over 8 litres for all applications
- Remanufactured (Xchange) engines for all DEUTZ engine series

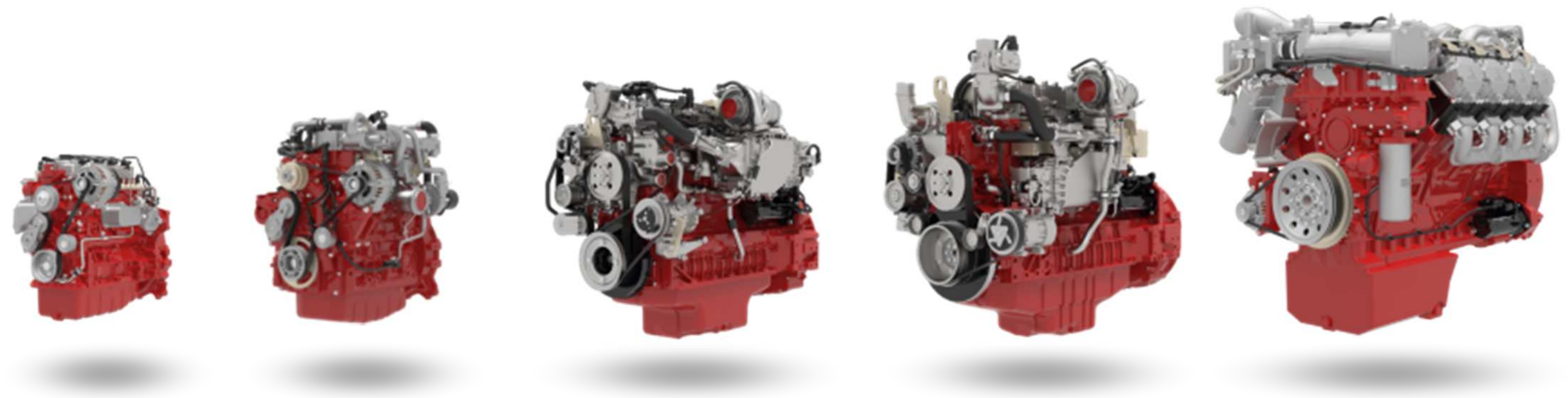
DEUTZ Services (common to both segments)

- Substantial service business based on existing population of approx. 1.6 million engines in the market
- Product portfolio mainly comprises genuine DEUTZ spare parts, remanufactured engines and parts as well as oils and lubricants

DEUTZ engines for EU Stage IV / US Tier 4 emissions standard

The engine company. DEUTZ

TCD 2.9 | TCD 3.6 | TCD 4.1 / TCD 6.1 | TCD 7.8 | TCD 12.0 / TCD 16.0



- Competitive product features: compact size, low fuel consumption, smart exhaust after-treatment
- DEUTZ engine portfolio will satisfy the next EU emissions standard announced for 2019 “Stage V ready”
- Expanding product range for Stage V: New three-cylinder TCD 2.2 engine will create a family platform with four-cylinder TCD 2.9 engine. Both engines will be also available in a gas version (LPG). Engine project TCD 5.0 scheduled to go into production in 2019 to gain market share in the 100-150kW output range

DEUTZ customer base

Long standing customer relationships (not exhaustive)

AGCO, VOLVO, SAME, FENDT, Atlas Copco, FAW, DEUTZ FAHR, WACKER NEUSON, BOMAG FAYAT GROUP, WIRTGEN

New clients & greater share of wallet (not exhaustive)

KION GROUP, JLG, TEREX, TAKEUCHI, SKYJACK, TYM, HITACHI, Zetor, MANITOU, ARGO TRACTORS

- DEUTZ has a lot of long standing relationships with key customers
- Customer base extended and diversified with new emission engines
- New customers attracted by the compact design and smart exhaust aftertreatment of the Stage IV / Tier 4 engines

→ **Successful extension of customer base**

Successful business development

The engine company. DEUTZ

Examples of new applications

- New customers gained in all regions
- Greater share of wallet at existing clients
- New business related to different applications

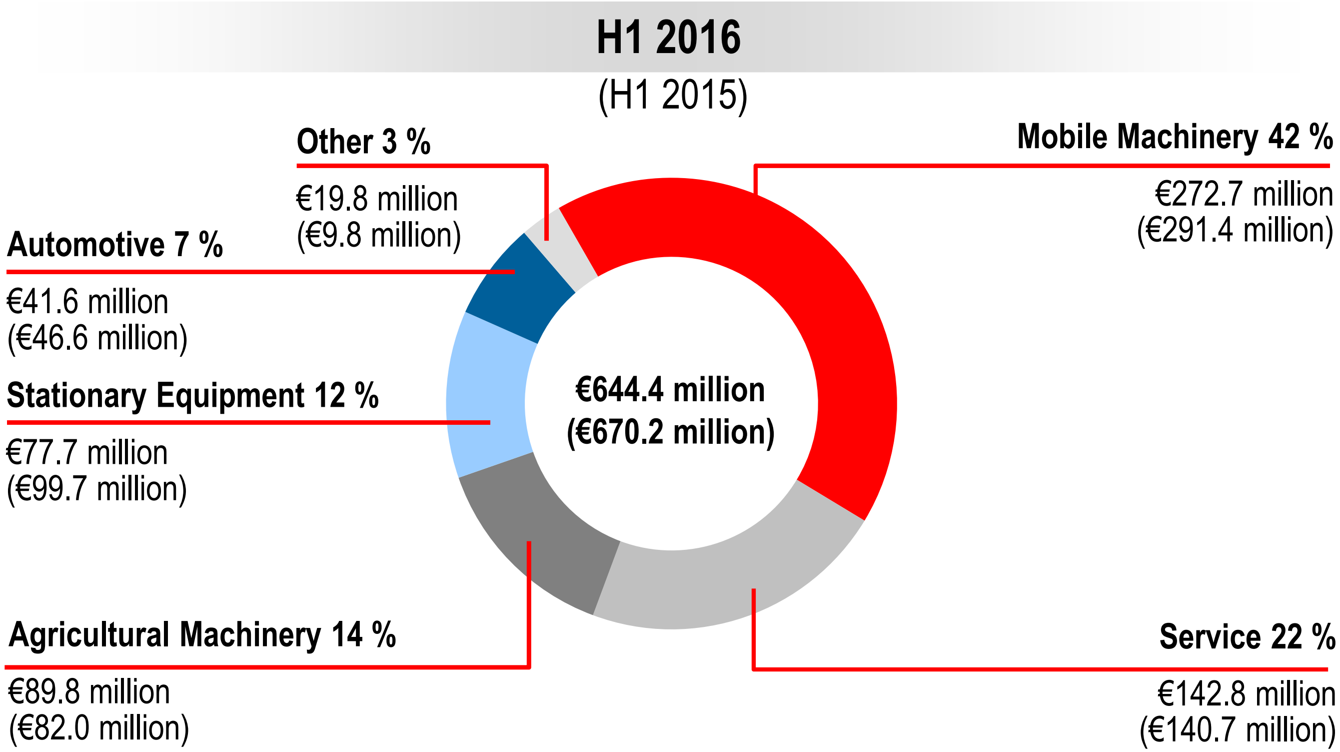
Key applications

The engine company.

	Typical application	Markets benefit from macro trends
Mobile Machinery	Construction equipment Material handling Ground support Mining equipment	 
Agricultural Machinery	Tractors Agricultural equipment	 
Stationary Equipment	Gensets Pumps Compressors	 
Automotive	Trucks Buses Rail vehicles	 

→ **Wide application range for DEUTZ engines**

Revenue split by application

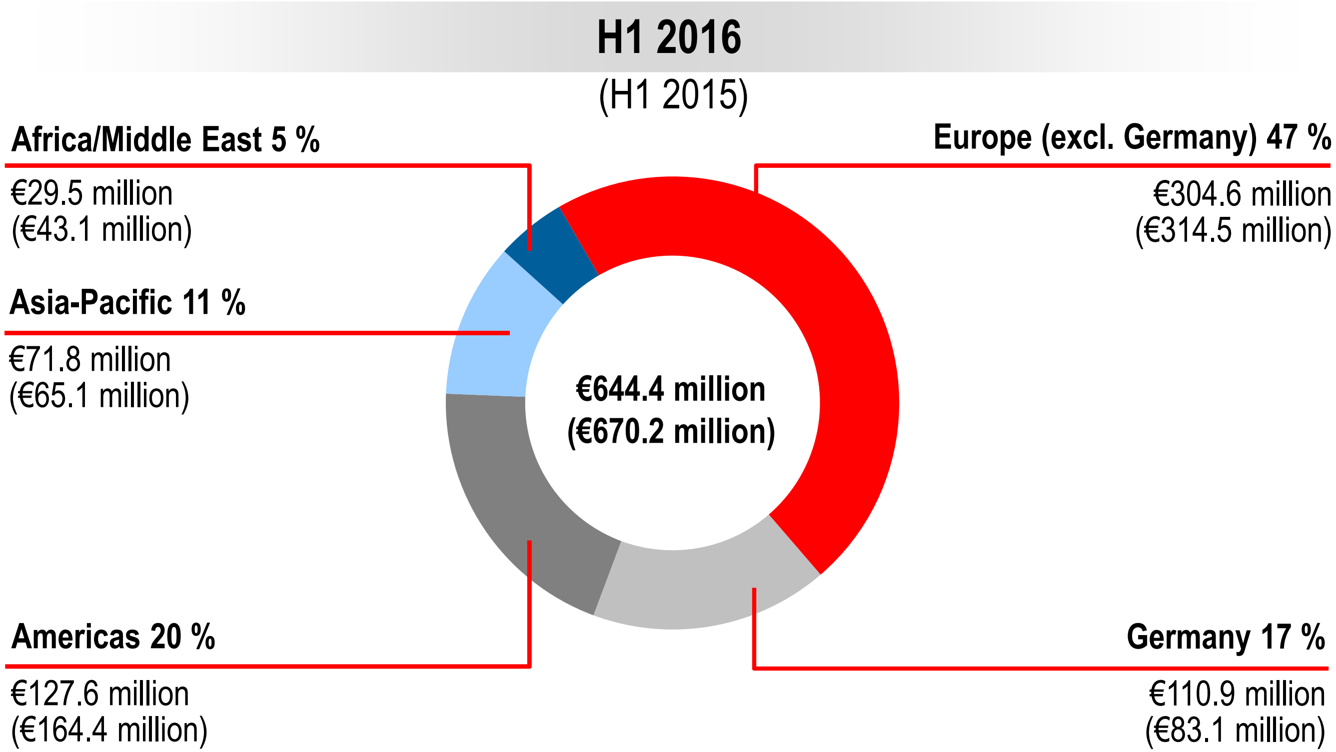


- Pro-forma Automotive revenue[1] incl. equity-accounted JV DEUTZ Dalian: €188.4 million (corresponding revenue share amounts to 23%)

(1) Considering 100% of JV revenue

Revenue split by region

The engine company. DEUTZ



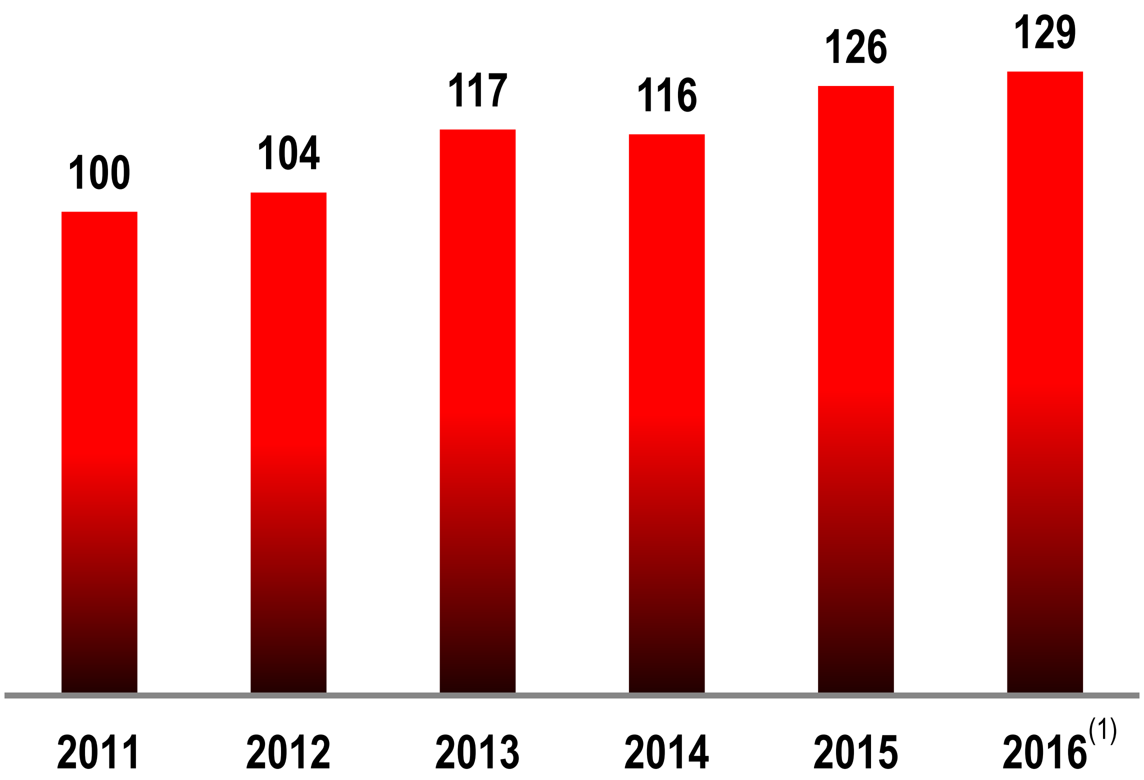
- Pro-forma revenue[1] including equity-accounted Chinese JV DEUTZ Dalian: €809.3 million (-6.3%); corresponding revenue share of Asia-Pacific amounts to 29%

(1) Considering 100% of JV revenue

Emissions standards drive revenue growth

The engine company. DEUTZ

Average sales price per engine
(indexed; FY 2011 = 100)



- EU Stage IV / US Tier 4 engines require exhaust after-treatment devices
- Growing share of new emission engines drives revenue growth
- Positive structural price mix effects are expected to continue in the years to come

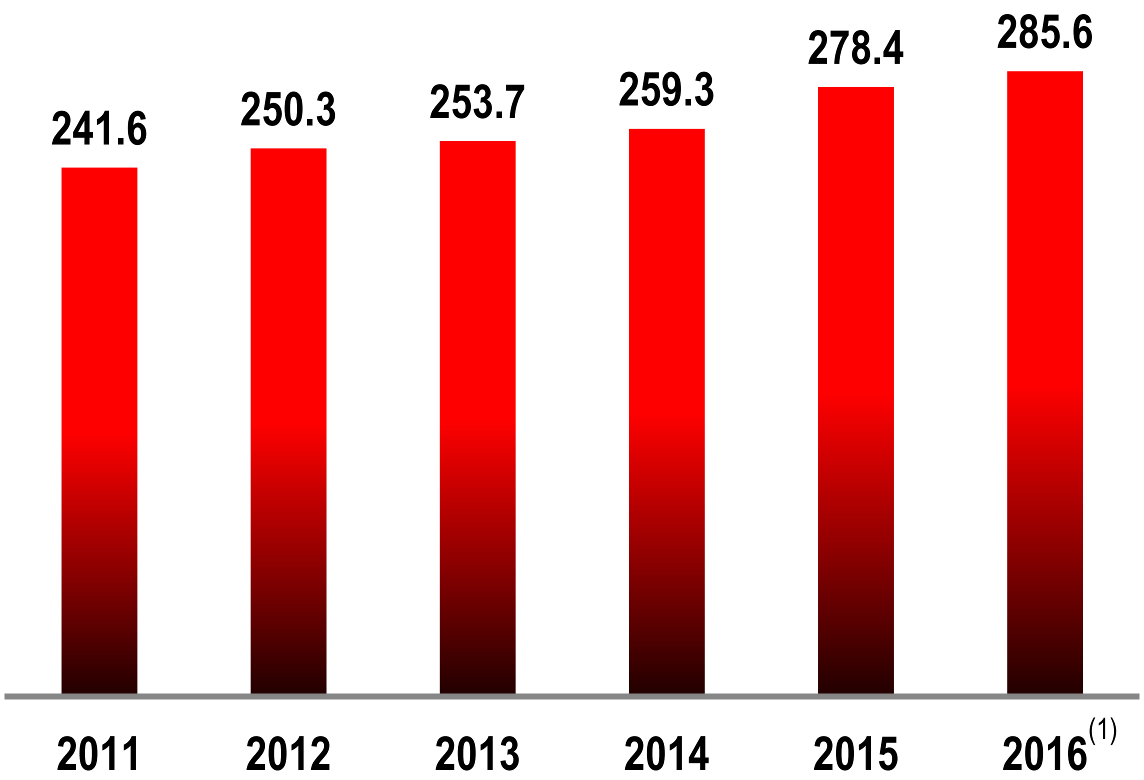
(1) H1 figures annualised

➔ **Structural growth due to tighter emissions standards**

Service business

The engine company. DEUTZ

€ million



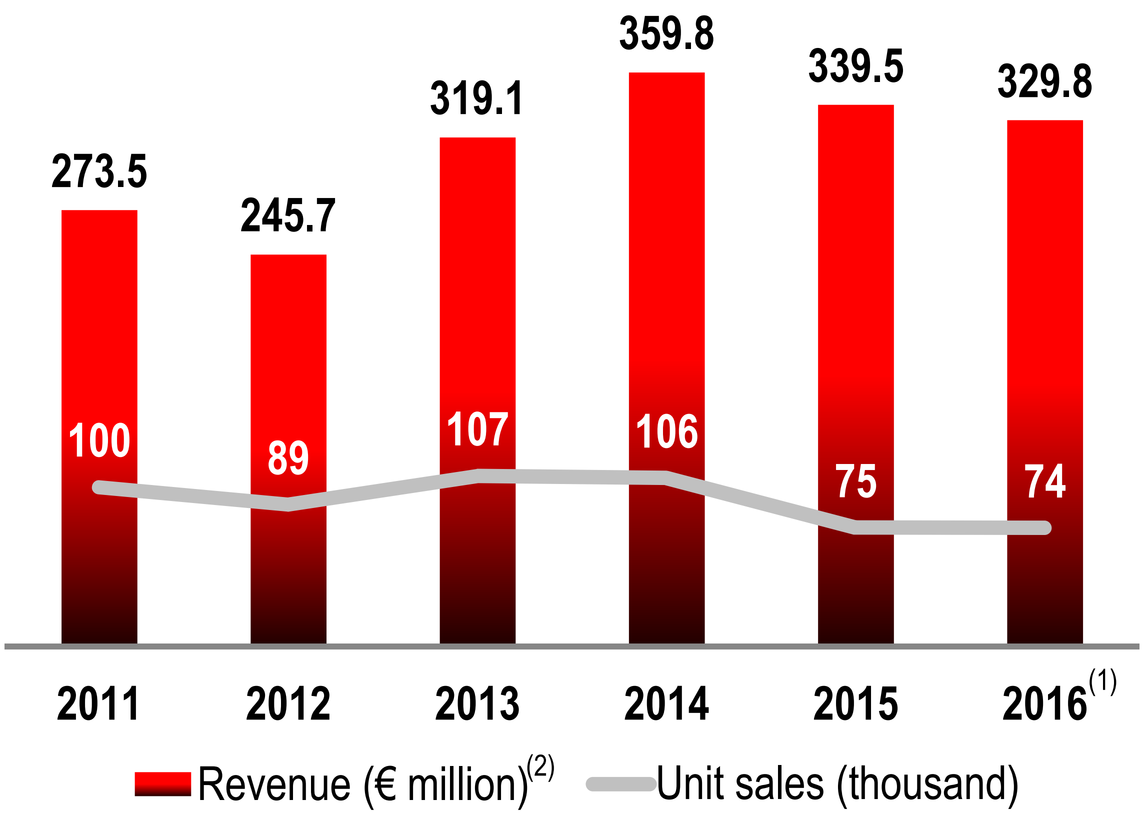
- Further solid service revenue growth
- Strong resilience of profitable service business through different economic cycles

(1) H1 figures annualised

➔ **Continued growth of service revenue**

DEUTZ activities in China

JV DEUTZ Dalian

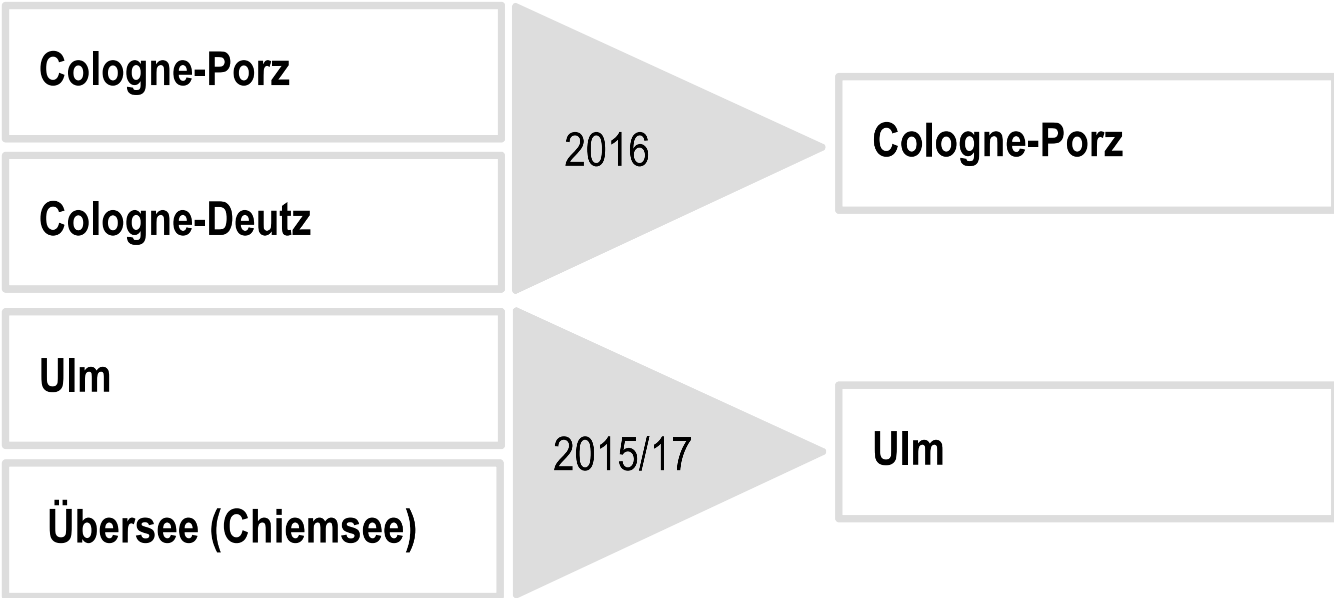


(1) H1 figures annualised
(2) At-equity consolidated; not reflected in the revenue of DEUTZ Group

- Challenging capital goods market conditions in China
- Strategic decision to focus our production in China on our JV DEUTZ Dalian (DDE) which has sufficient capacities
- DDE is a 50:50 JV with FAW producing diesel engines for local customer demand
- Countrywide sales and service network

→ **Consolidation of Chinese production activities at DEUTZ Dalian**

Site optimisation

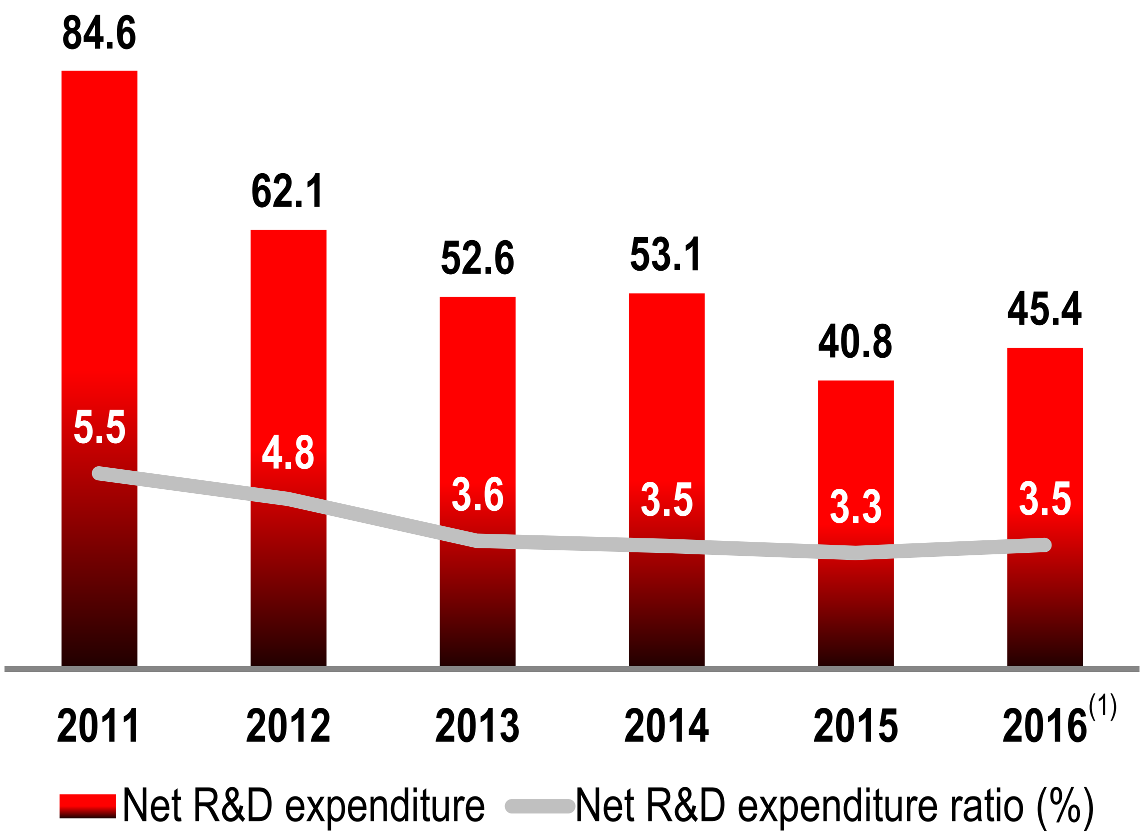


- Site optimisation measures fully on schedule; first relocation stage to Ulm completed
- Annual cost savings > €10 million (considerable effects already in 2016; full effects from 2017 onwards)
- Restructuring costs for site optimisation (€17.1 million) digested in FY 2014 result
- Substantial proceeds from sale of property in Cologne-Deutz in the years to come

→ **Sustainable efficiency improvement by merging facilities**

R&D expenditure

€ million



(1) H1 figures annualised

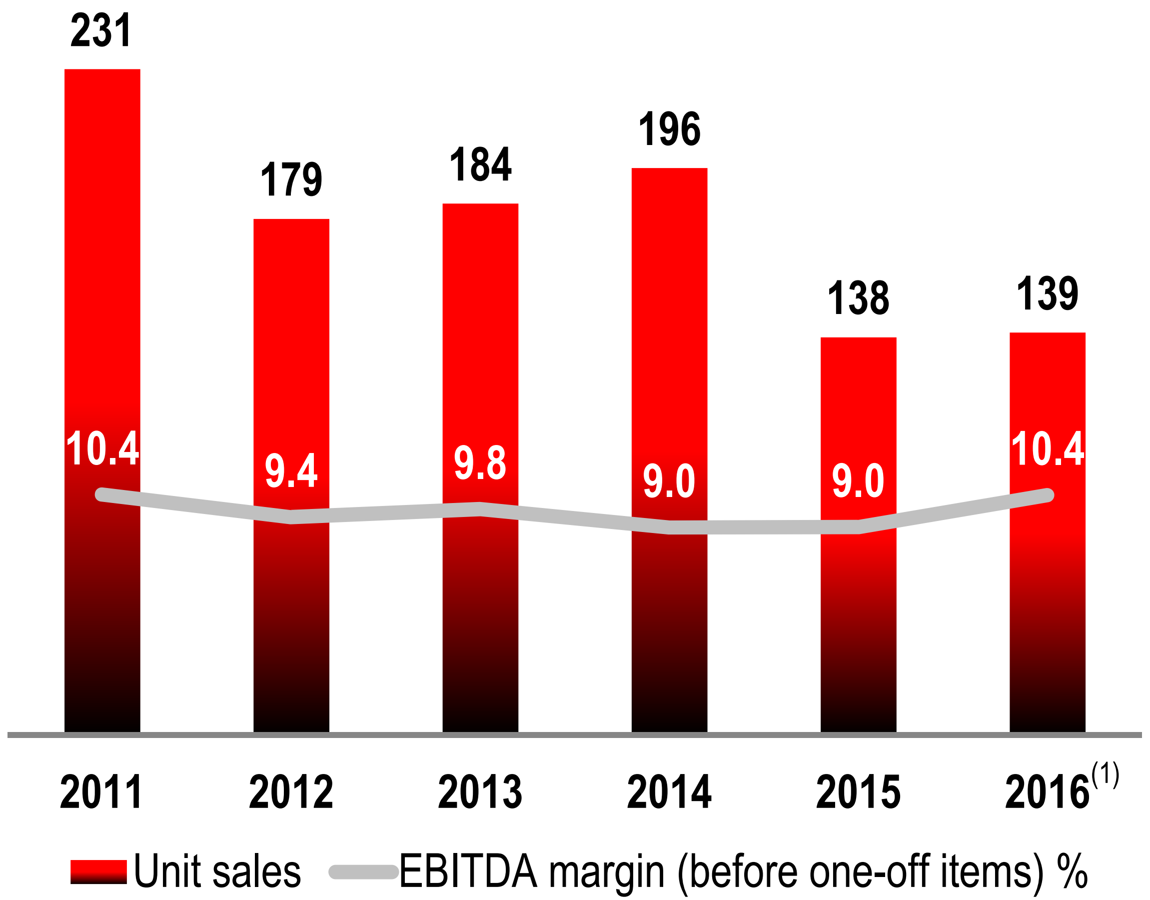
- Spending on R&D has been scaled back due to successful market launch of new engine generation
- Ongoing R&D spending in continuous product innovation

→ **R&D expenditure will remain on a moderate level**

Unit sales & profitability

The engine company. DEUTZ

Thousand units



(1) H1 figures annualised

- Volatile market environment requires flexible production
- Stable EBITDA margin at lower unit sales
- Ramp-up phase of new engine generation terminated
- Higher capacity utilisation most important driver for profitability enhancement

→ **Robust numbers in down cycle & high upside potential at market recovery**

Cash deployment & dividend policy

The engine company. DEUTZ

Financial strength	■ Keep equity ratio above 40% ■ Robust financial framework in volatile markets
Internal funding	■ Invest in profitable organic growth projects and service ■ Continuous product innovation
Dividend policy	■ Stable or growing dividend per share ■ Dividend payout ~30% of earnings over multi year period

➔ **Stable or growing dividend**

Summary: DEUTZ key investment highlights

- Successful extension of customer base
- Structural growth due to tighter emissions standards
- Continued growth of service revenue
- Sustainable efficiency improvement by merging facilities
- Robust numbers in down cycle
- High upside potential at market recovery
- Stable or growing dividend

DEUTZ

Agenda

The engine company. DEUTZ

- DEUTZ strategy & positioning
- **Financials**
- Outlook

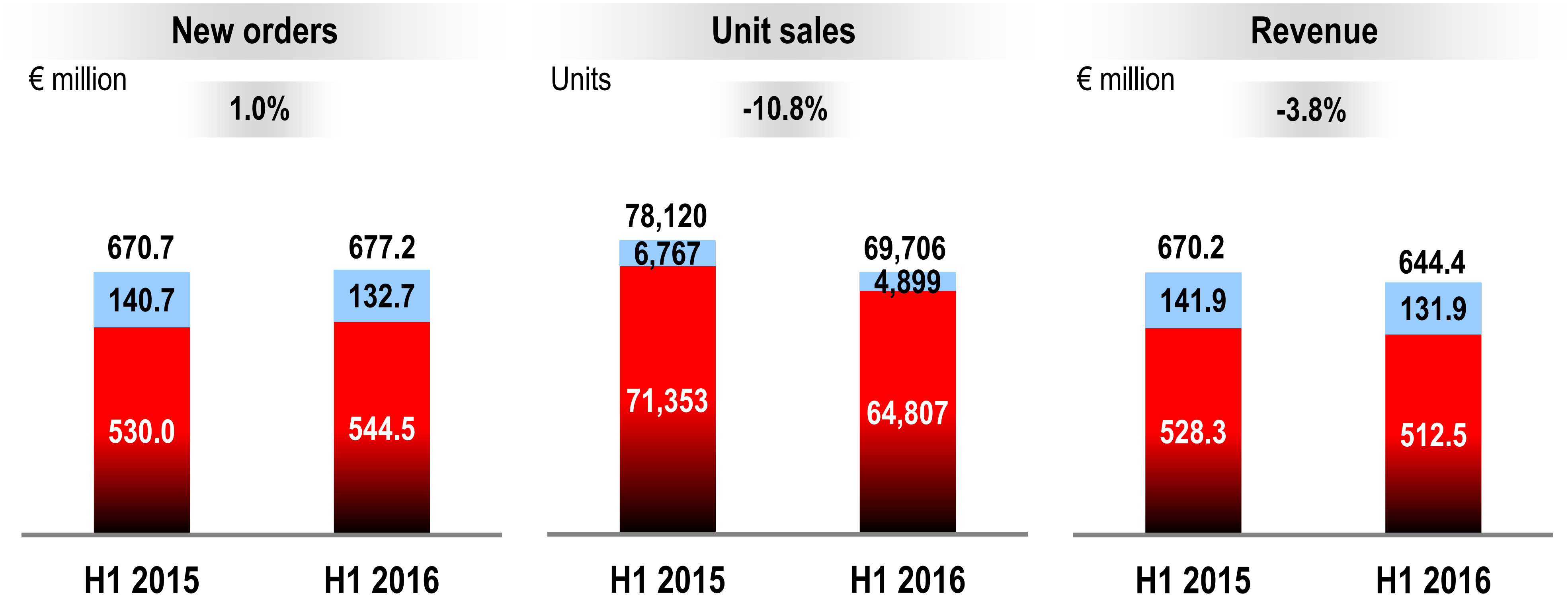
Key figures

The engine company. DEUTZ

€ million	H1 2016	yoy	Q2 2016	qoq
New orders	677.2	+1.0%	349.9	+6.9%
Revenue	644.4	-3.8%	344.2	+14.7%
EBITDA	66.9	-5.0%	35.6	+13.7%
EBIT	20.7	+2.0%	13.4	+83.6%
Net income	20.0	+19.8%	11.3	+29.9%
Free cash flow	-17.2	-€43.4 million	11.7	+€40.6 million

➔ **Significant operating profit improvement in Q2**

Sales figures



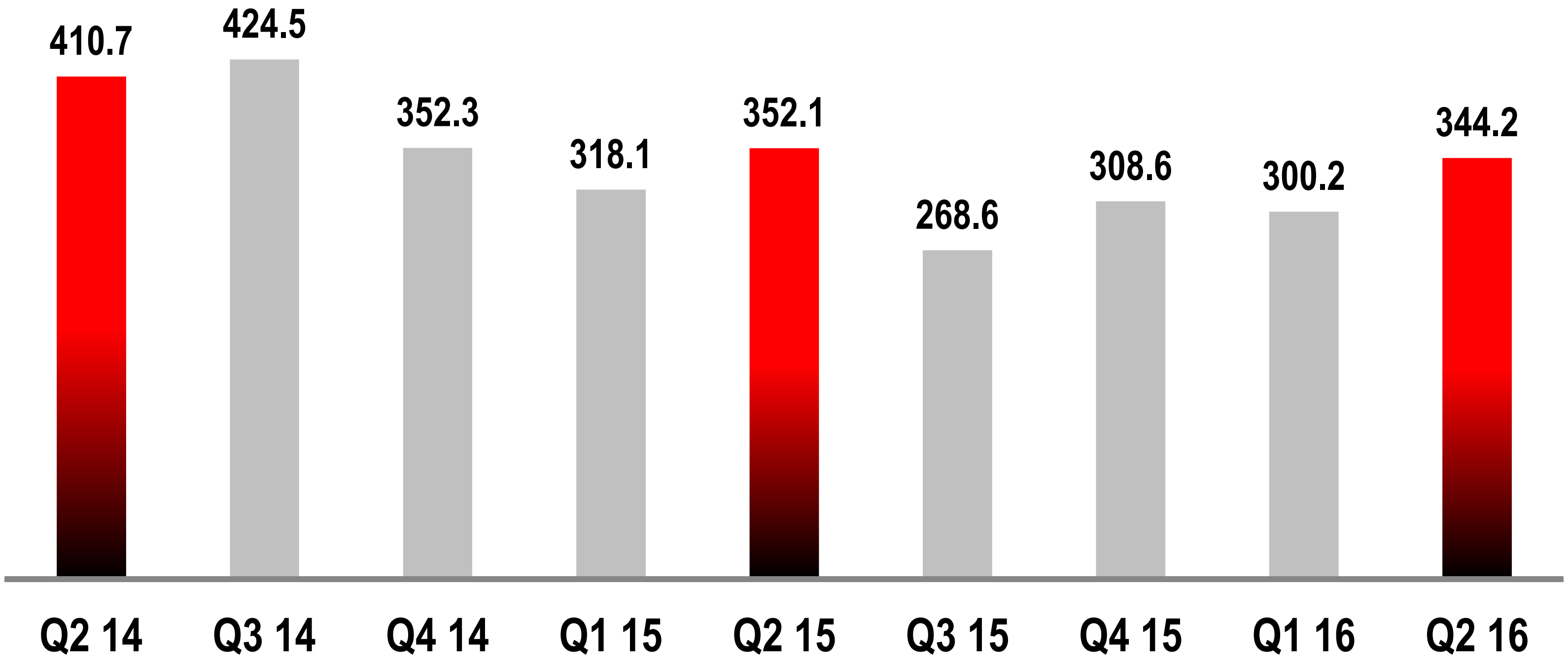
- Revenue decreased to a lesser extent than unit sales due to favorable price mix effects and license proceeds in Q1
- Book-to-bill ratio amounts to 1.05x

DEUTZ Compact Engines DEUTZ Customised Solutions

Revenue by quarter

The engine company. DEUTZ

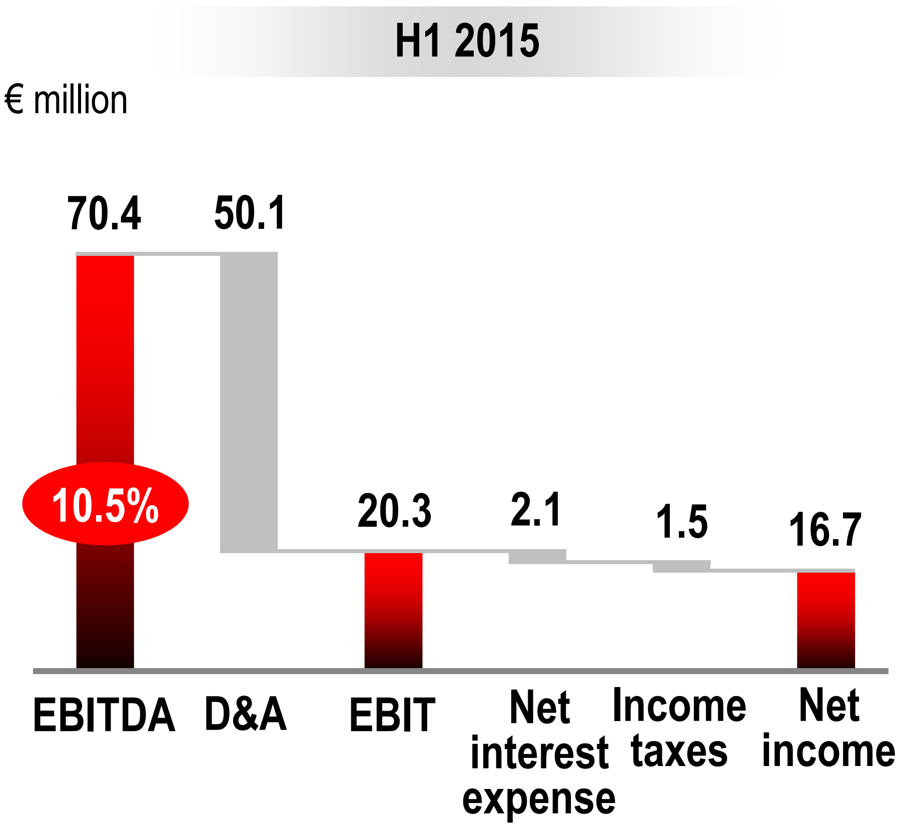
€ million

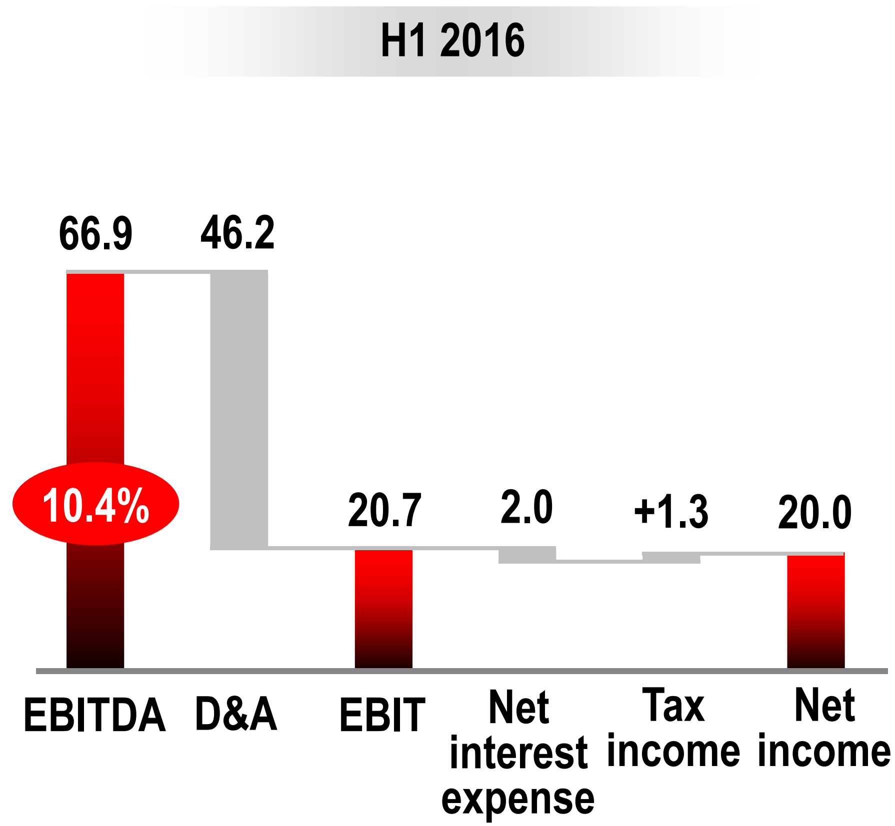


- Advance production of engines ahead of changes to European emissions standards for engines < 130 kW in October 2014 with significant influence on revenue
- Q2 2016 revenue increased 14.7% quarter-on-quarter

Operating profit & net income

The engine company. DEUTZ





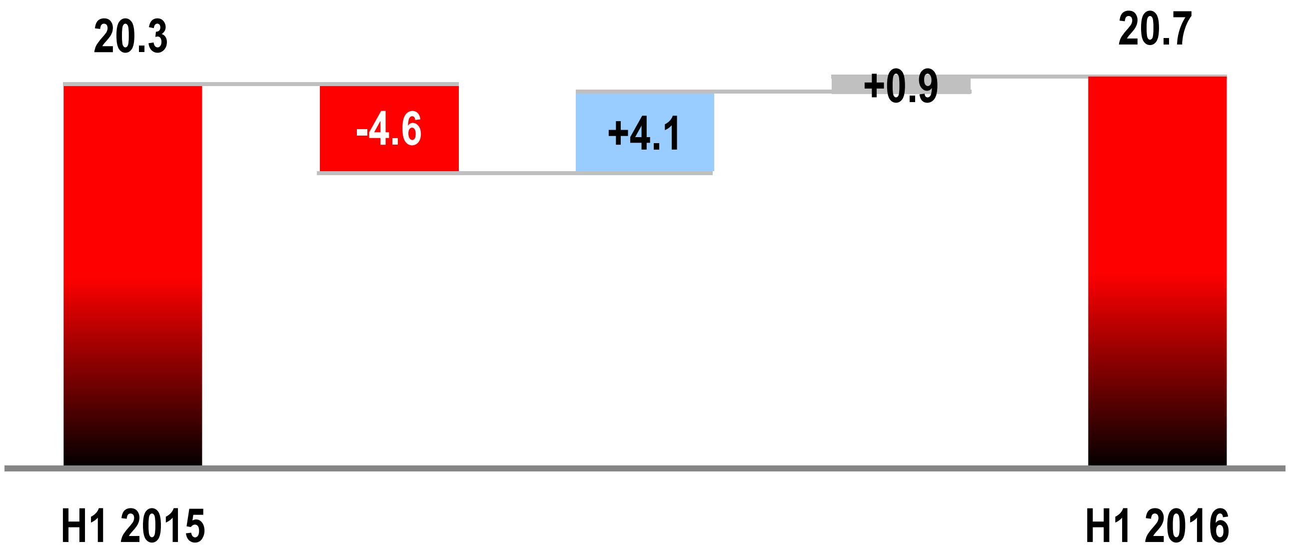
- Operating profit benefitted from licence proceeds of €5.5 million in Q1 2016
- Stable EBITDA margin development despite lower unit sales
- Current tax expense more than offset by deferred tax income
- Net income improved by €3.3 million

xx.x% EBITDA margin

EBIT

The engine company. DEUTZ

€ million



EBIT margin 3.0% 3.2%

- Slight EBIT margin increase attributable to cost improvements and lower depreciation
- Operating profit decline at DEUTZ Compact Engines due to lower unit sales and higher R&D costs
- Licence proceeds at DEUTZ Customised Solutions overcompensated decrease in business volume

DEUTZ Compact Engines | DEUTZ Customised Solutions | Other

Segment: DEUTZ Compact Engines

The engine company. DEUTZ

€ million	**H1 2016**	H1 2015	Change in %
New orders	**544.5**	530.0	2.7
Unit sales	**64,807**	71,353	-9.2
Revenue	**512.5**	528.3	-3.0
EBIT	**1.9**	6.5	-70.8

€ million	**Q2 2016**	Q1 2016	Change in %
New orders	**285.1**	259.4	9.9
Unit sales	**35,037**	29,770	17.7
Revenue	**277.0**	235.5	17.6
EBIT	**4.2**	-2.3	--

- New orders increased 2.7% year-on-year and 9.9% quarter-on quarter
- Revenue increased 17.6% quarter-on quarter
- Operating profit increase in Q2 on the back of higher production volume and cost improvements

Segment: DEUTZ Customised Solutions

The engine company. DEUTZ

€ million	**H1 2016**	H1 2015	Change in %
New orders	**132.7**	140.7	-5.7
Unit sales	**4,899**	6,767	-27.6
Revenue	**131.9**	141.9	-7.0
EBIT	**21.4**	17.3	23.7

€ million	**Q2 2016**	Q1 2016	Change in %
New orders	**64.8**	67.9	-4.6
Unit sales	**2,557**	2,342	9.2
Revenue	**67.2**	64.7	3.9
EBIT	**11.2**	10.2	9.8

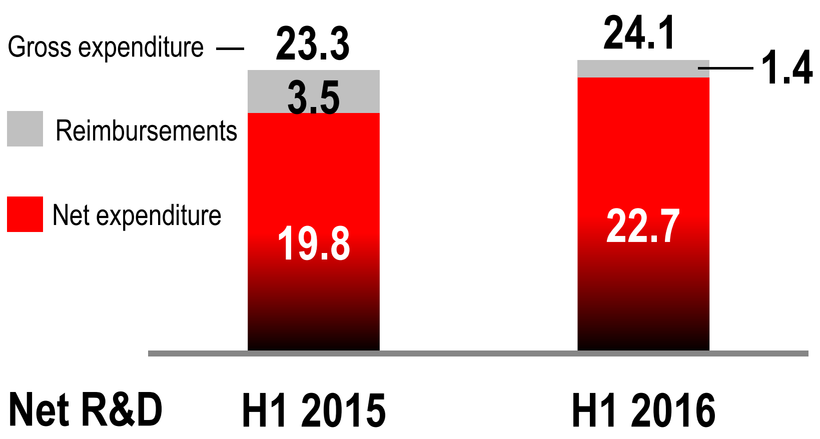
- Unit sales declined year-on-year mainly due to Mobile Machinery (-32.6%) and Stationary Equipment (-32.7%)
- Revenue share of service business amounts to 44.6%
- Q1 operating profit benefitted from licence proceeds of €5.5 million
- EBIT in Q2 increased quarter-on-quarter due to higher production volume, cost improvements and positive mix effects

R&D spending & capital expenditure

The engine company. DEUTZ

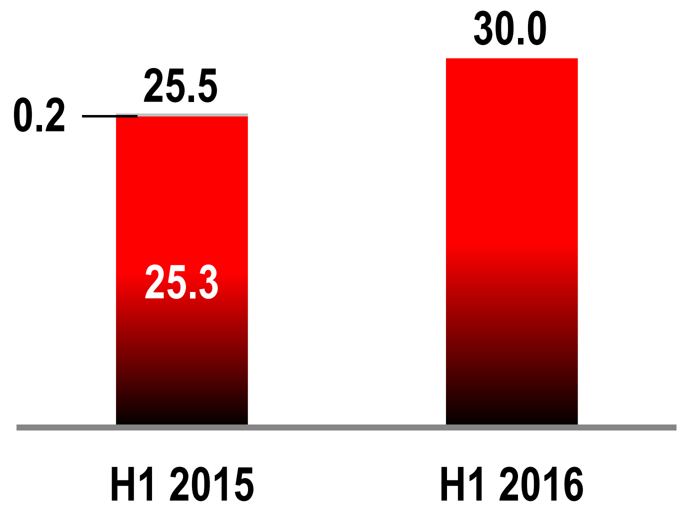
R&D expenditure

€ million



Net R&D expenditure ratio(1) — H1 2015: **3.0%** — H1 2016: **3.5%**

Capital expenditure (excl. R&D)



- R&D expenditure remains at moderate level in line with our guidance
- Proportion of capitalised net R&D expenditure: €2.5 million (H1 2015: €5.0 million)
- Capital expenditure increase due to new shaft centre, which is an important element of our site optimisation

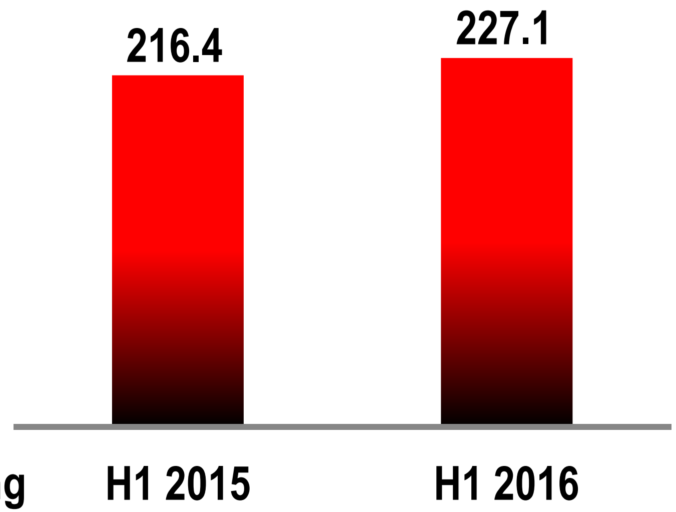
(1) Ratio of net R&D expenditure to consolidated revenue

Working capital & operating cash flow

The engine company. DEUTZ

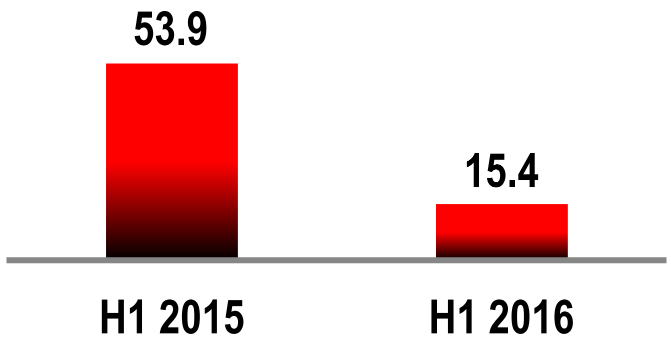
Working capital

€ million



Working capital ratio (30 June)	15.0%	18.6%

Operating cash flow



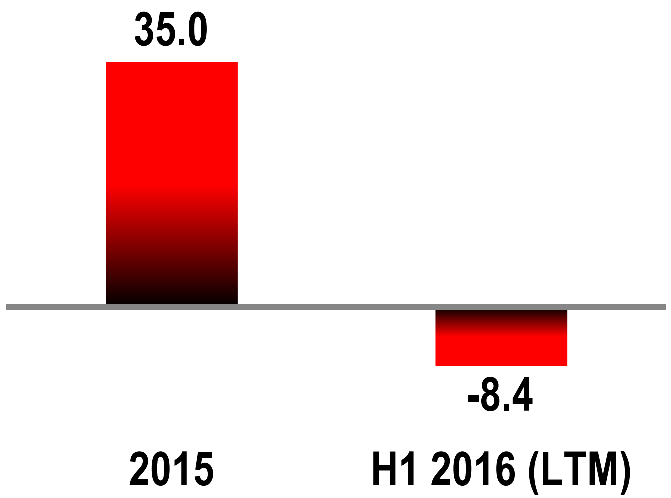
- Working capital increased by €10.7 million due to higher inventories
- Higher working capital ratio also related to revenue decline
- Operating cash flow decline attributable to working capital increase and lower business volume

Free cash flow generation & net financial position

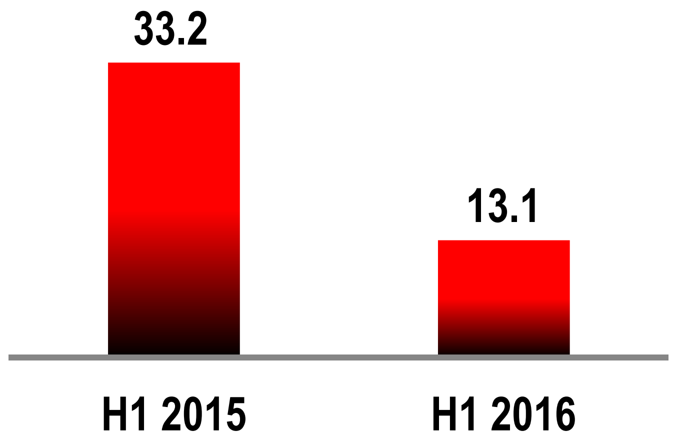
The engine company. DEUTZ

Free cash flow[1]

€ million



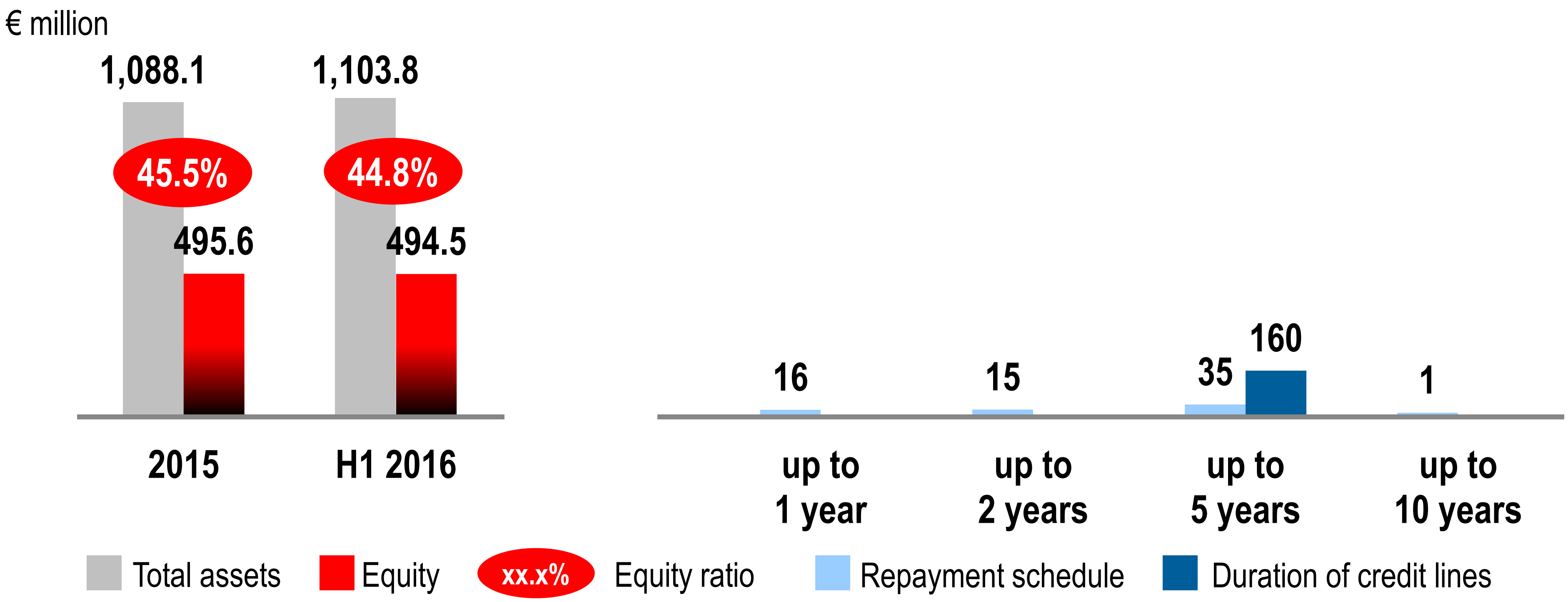
Net financial position



- Free cash flow in Q2 2016 amounted to +€11.7 million
- Net financial position remains in positive territory

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

Equity ratio & funding



- Strong balance sheet
- Medium- to long-term financing with undrawn facilities available:
  - Duration of €160 million credit line until May 2020
  - Loan from European Investment Bank repayable until July 2020

Agenda

The engine company. DEUTZ

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Market assessment

The engine company. DEUTZ

Unit sales (equipment)[1]	2016
Construction equipment Europe	-5% to +5%
Construction equipment North America	-5% to 0% (previous: -5% to +5%)
Construction equipment China	-20% to -10%
Agricultural Machinery Europe	-5% to 0%
Automotive China	-5% to +5%

- Recovery of key application markets not yet visible
- US rental companies reluctant to invest in new equipment
- Chinese construction equipment market expected to remain challenging

(1) Numbers refer to end markets. DEUTZ business may differ due advance production of engines

Financial outlook

The engine company. DEUTZ

€ million	FY 2015 reported	FY 2016 guidance
Revenue	1,247.4	stagnant or slight increase
EBIT margin	0.4%	moderate increase
R&D expenditure[(1)]	40.8	slightly above 50
Capex (excl. R&D)[(1)]	56.2	approx. 55

(1) Net of reimbursements

- Full year guidance confirmed
- Revenue and profitability expected to decrease in Q3 2016 qoq
- Operating profit (EBIT) presumably largely earned in H1 2016 while capacity utilization in H2 2016 will be lower (related to market demand, holiday shutdowns and relocation of shaft centre)

Financial calendar & contact details

The engine company. DEUTZ

- Interim management statement 1st to 3rd quarter 2016 — 8 November 2016
- Annual report FY 2016 — 16 March 2017
- Annual general meeting — 4 May 2017

➢ Contact details

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