



A **NEW** DYNAMIC

Q1 2018 results

2 May 2018

Dr Frank Hiller, CEO

Dr Andreas Strecker, CFO

The engine company.



AGENDA

Key messages & update on E-DEUTZ

Financials

Outlook

Annex

Key messages

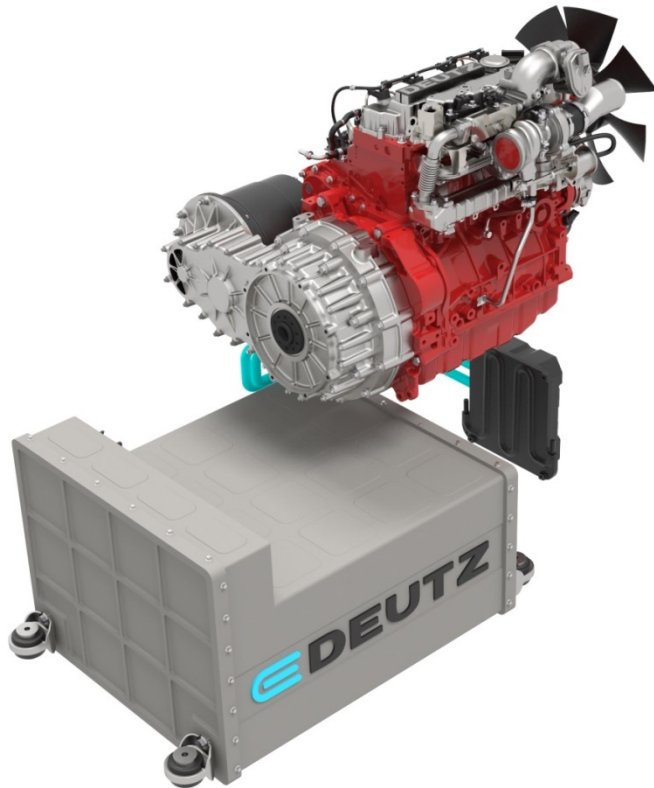
■ Strong start to the 2018 financial year

- 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

Update on E-DEUTZ



- Successful transfer of e-technology from Torqeedo to DEUTZ
- First DEUTZ hybrid concept presented at trade fair Intermat in Paris
- Modular scalable hybrid system:
combination of TCD 2.9 Stage V diesel engine with electric motor

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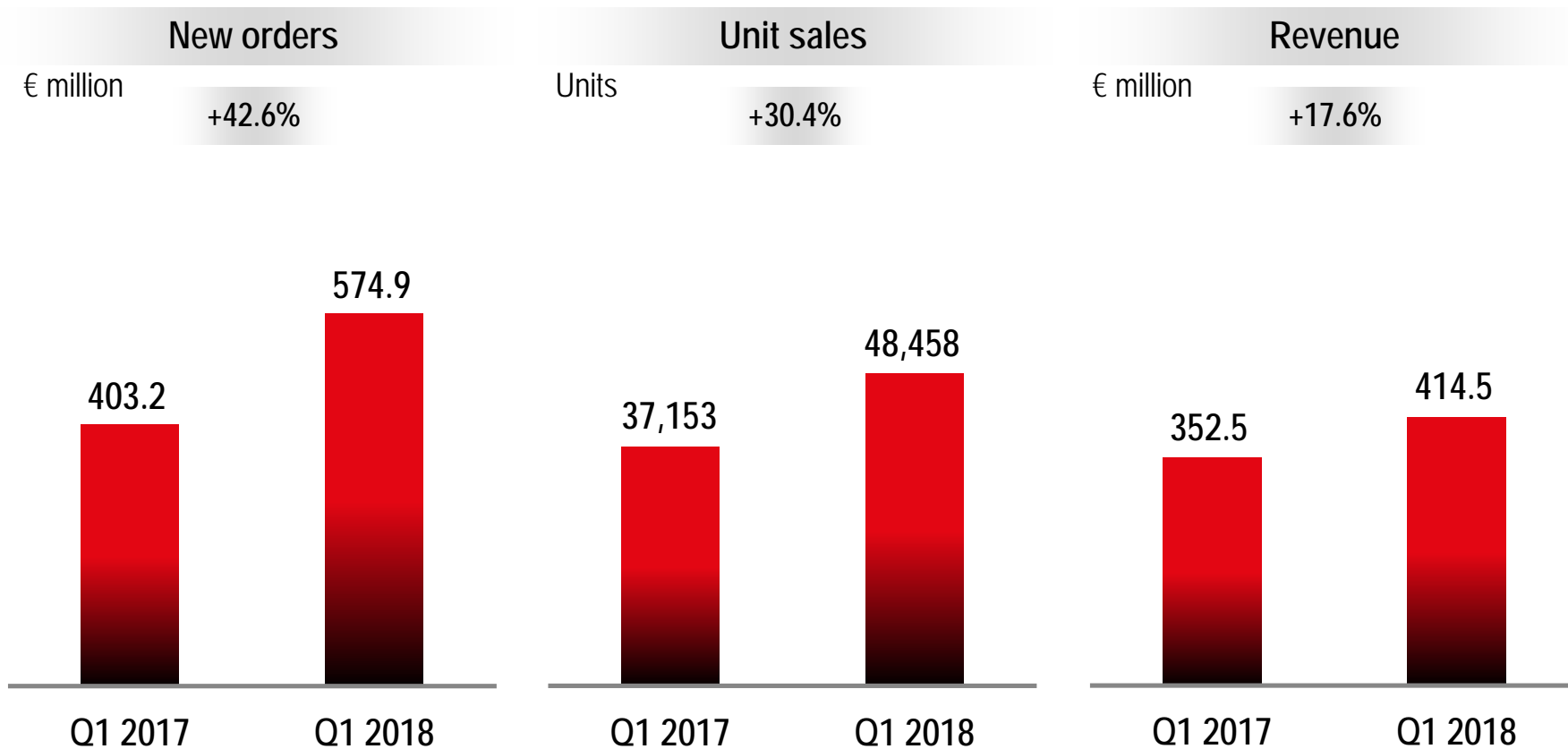
Annex

Key figures

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

→ Dynamic revenue and EBIT improvement

Sales figures



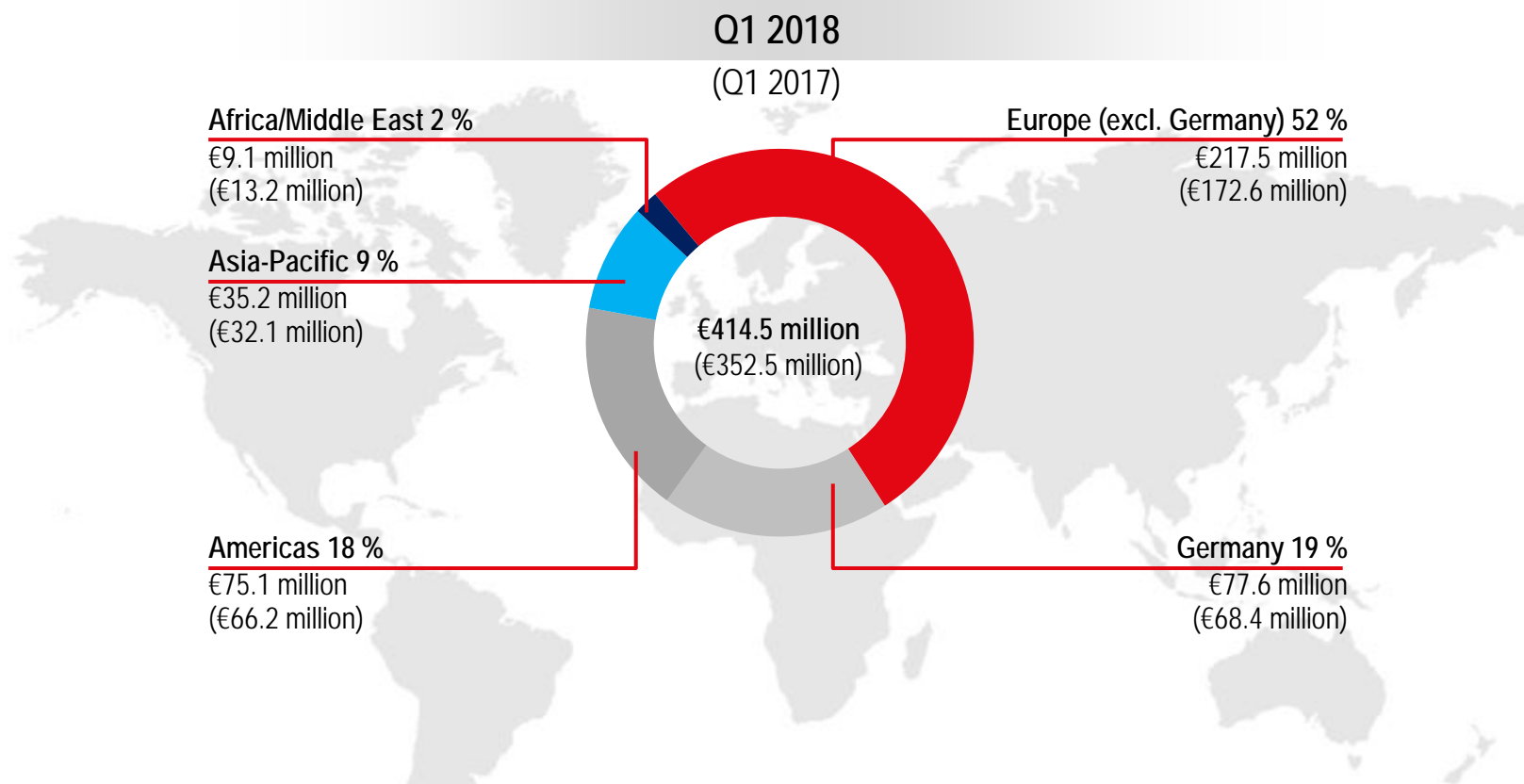
- Organic revenue growth amounts to 15.0%
- Torquedo sold 2.133 electric drive system in Q1 2018

Book-to-bill ratio

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

- 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

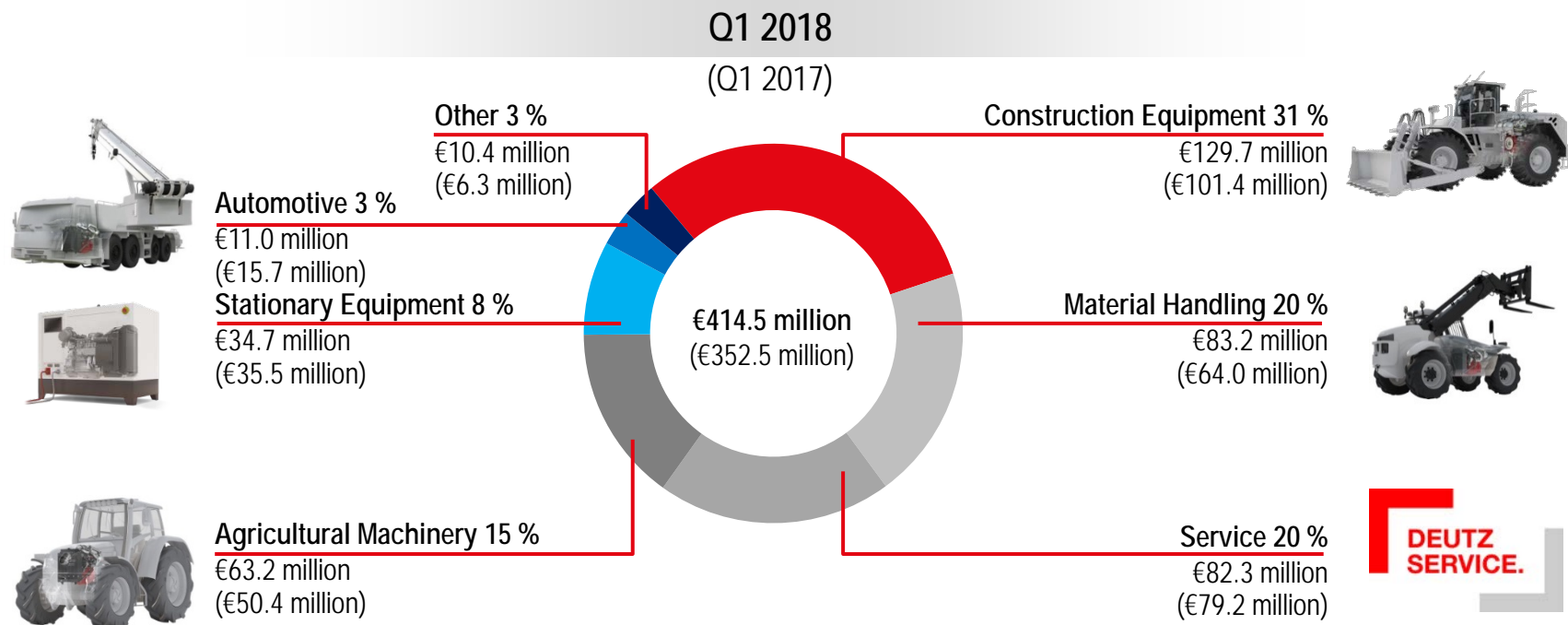
Revenue by region



- Pro-forma revenue⁽¹⁾ including equity-accounted Chinese JV DEUTZ Dalian: €506.1 million (+18.3%); this brings the Asia-Pacific region's share of global revenue up to 25%

(1) Including 100% of JV revenue

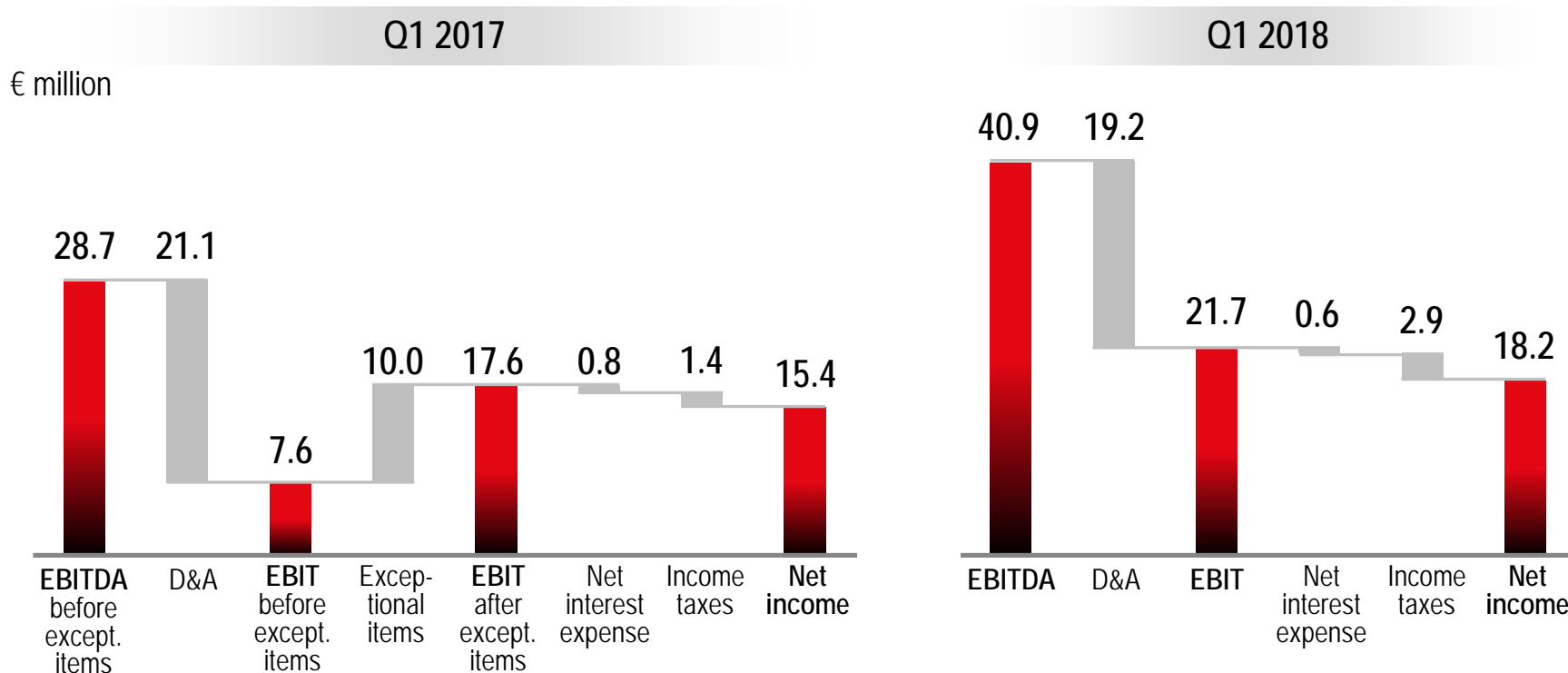
Revenue by application



■ Pro-forma Automotive revenue⁽¹⁾ incl. equity-accounted JV DEUTZ Dalian: €91.6 million (18% of revenue)

(1) Including 100% of JV revenue

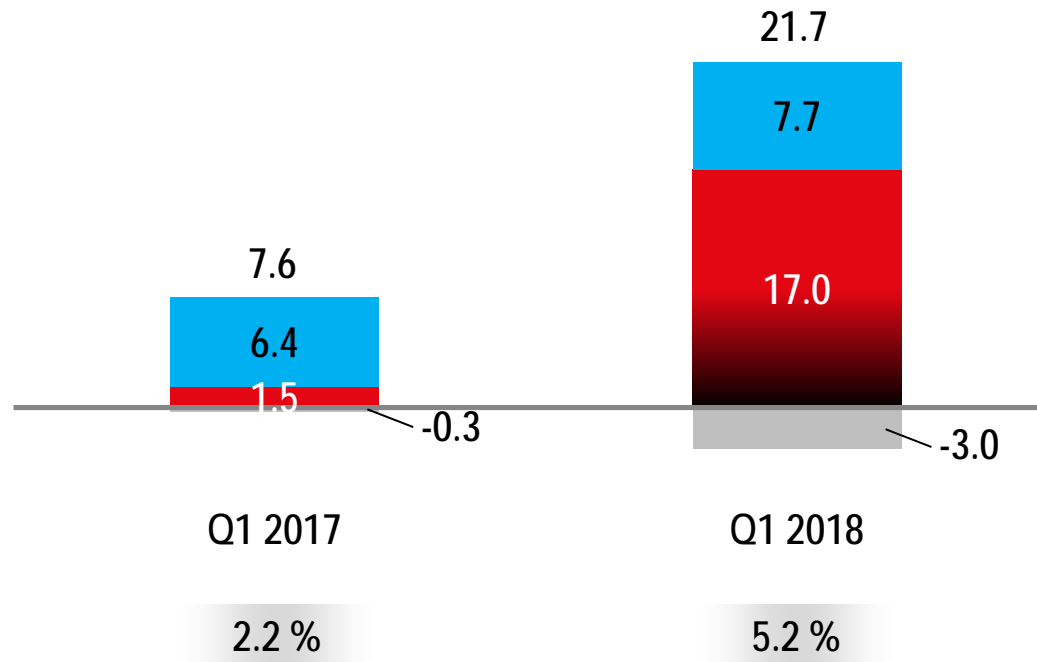
Operating profit & net income



- 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)

EBIT (before exceptional items)

€ 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
 ■ DEUTZ Customised Solutions
 ■ Other

DEUTZ Compact Engines

€ million	Q1 2018	Q1 2017	Change in %
New orders	492.9	326.3	51.1
Unit sales (units)	44,563	35,321	26.2
Revenue	352.0	294.1	19.7
EBIT (before except. items)	17.0	1.5	>100

€ million	Q1 2018	Q4 2017	Change in %
New orders	492.9	321.1	53.5
Unit sales (units)	44,563	39,724	12.2
Revenue	352.0	319.9	10.0
EBIT (before except. items)	17.0	15.8	7.6

- 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

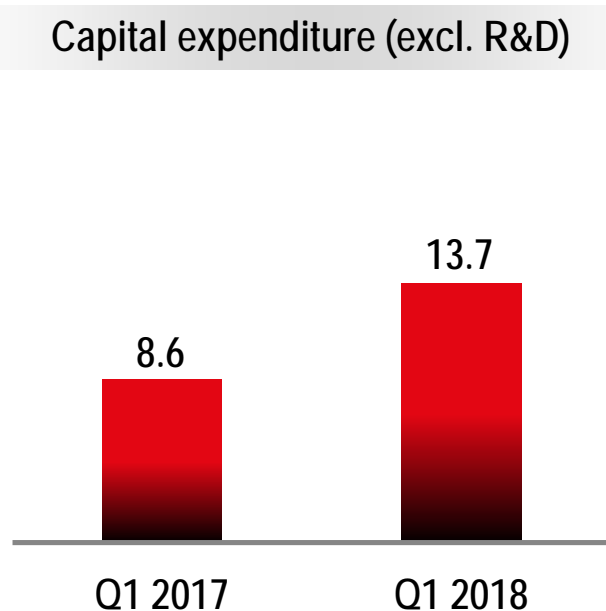
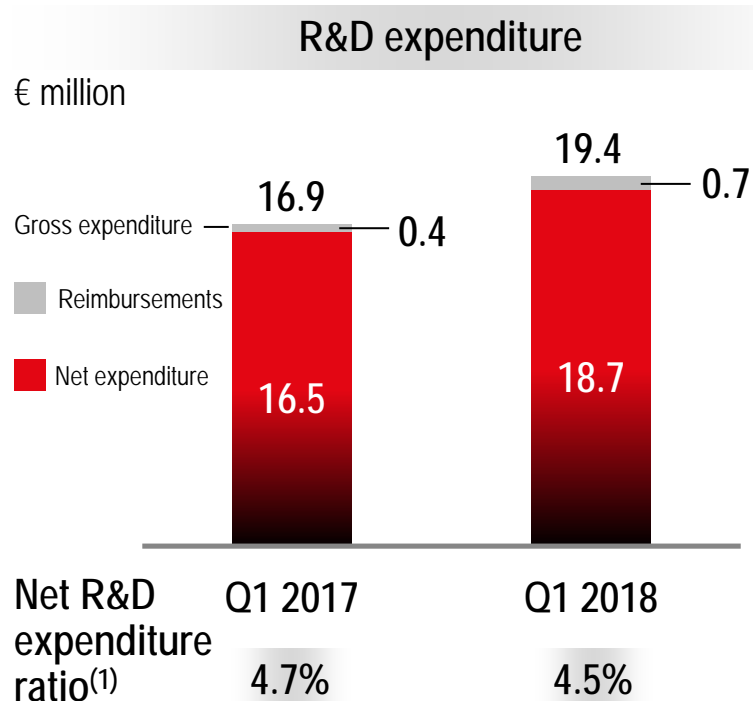
DEUTZ Customised Solutions

€ million	Q1 2018	Q1 2017	Change in %
New orders	76.7	76.9	-0.3
Unit sales (units)	1,762	1,832	-3.8
Revenue	57.7	58.4	-1.2
EBIT (before except. items)	7.7	6.4	20.3

€ million	Q1 2018	Q4 2017	Change in %
New orders	76.7	56.8	35.0
Unit sales (units)	1,762	2,408	-26.8
Revenue	57.7	62.3	-7.4
EBIT (before except. items)	7.7	2.6	>100

- 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 & capital expenditure



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

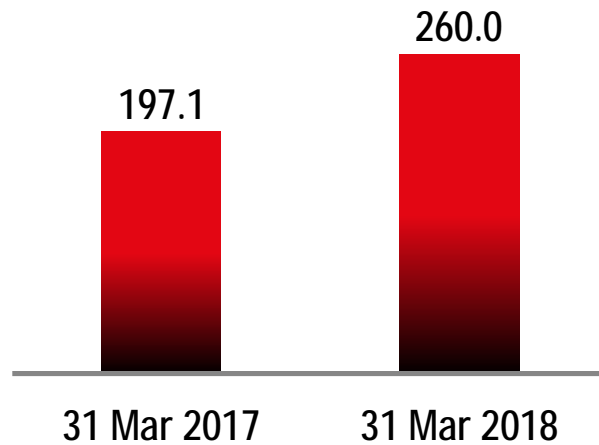
- Capex increase according to budget

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

Working capital & operating cash flow

Working capital

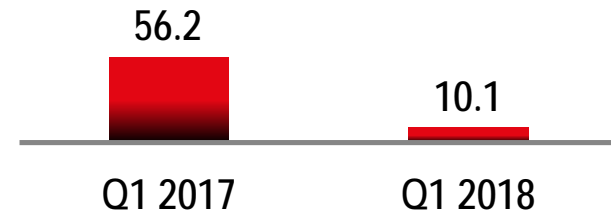
€ million



Working capital ratio 15.0% 16.9%

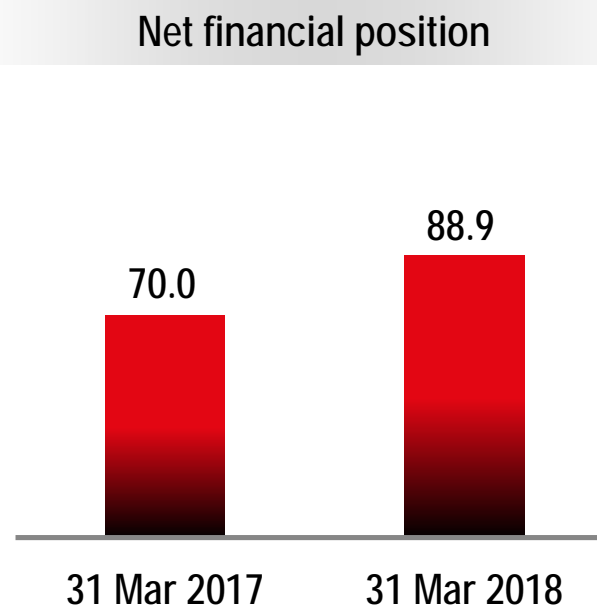
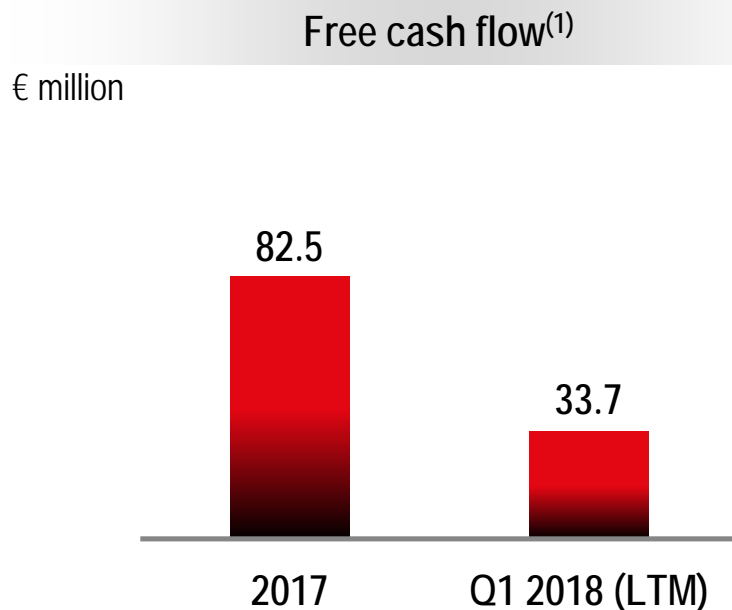
- Working capital increased by €62.9 million mainly due to higher business volume

Operating cash flow



- Operating cash flow decline attributable to higher working capital

Free cash flow generation & net financial position



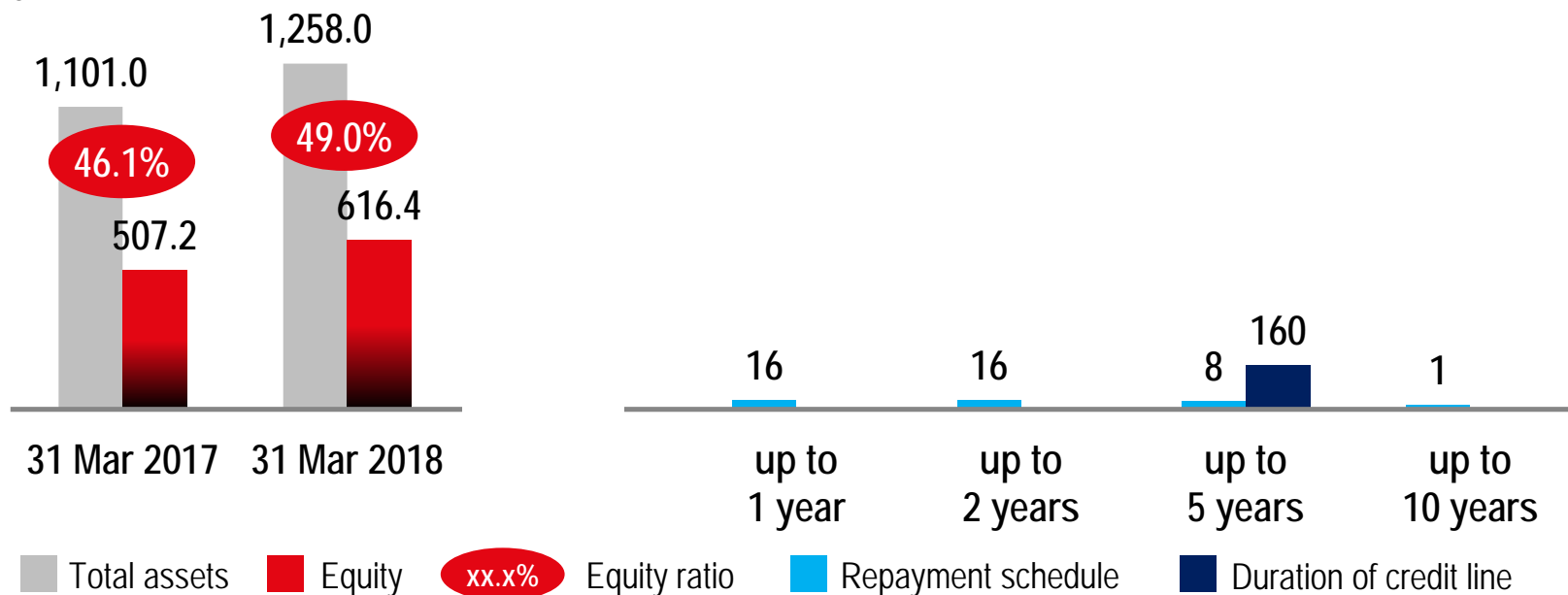
■ Free cash flow decline due to lower operating cash flow

■ 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

€ million



- 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

Summary

Exceptional high volume of new orders

Dynamic revenue growth and EBIT improvement

Successful transfer of e-technology from Torqeedo

First E-DEUTZ hybrid concept presented at trade fair Intermat

Review of carrying amounts at JV DEUTZ Dalian initiated

Strong balance sheet



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Forecast for key end-customer markets, 2018

	Europe	North America	China
Unit sales (equipment)			
Construction Equipment	+5% to +10%	+5% to +10%	+10% to +20%
Material Handling	+5% to +10%	+5% to +10%	+10% to +20%
Agricultural Machinery	0% to +5%	0% to +5%	-5% to 0%
Medium & Light-Duty Trucks			0% to +5%

Financial outlook

€ million	FY 2017 reported	FY 2018 guidance
Revenue	1,479.1	marked increase
EBIT margin (before exceptional items) ⁽¹⁾	2.9 %	moderate increase
R&D expenditure ⁽²⁾	67.0	70 - 75
Capex (excl. R&D) ⁽²⁾	54.7	60 - 70

(1) Subject to final results of review of carrying amounts at JV DEUTZ Dalian

(2) Net of reimbursements

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Summary of key financials (I)

€ million	Q1 2018	Q1 2017	Change (%)
Revenue	414.5	352.5	17.6
EBITDA	40.9	38.7	5.7
EBITDA (before exceptional items)	40.9	28.7	42.5
EBIT	21.7	17.6	23.3
EBIT (before exceptional items)	21.7	7.6	>100
EBIT margin	5.2	5.0	+0.2%-pts
EBIT margin (before exceptional items), %	5.2	2.2	+3.0%-pts
Net income	18.2	15.4	18.2
Basic earnings per share (€)	0.15	0.13	15.4
Number of employees (31 March)	4,245	3,675	15.5

Summary of key financials (II)

€ million	Q1 2018	Q1 2017	Change (%)
Total assets	1,258.0	1,101.0	14.3
Equity	616.4	507.2	21.5
Equity ratio (%)	49.0	46.1	+2.9%-pts
Cash flow from operating activities	10.1	56.2	-82.0
Free cash flow ⁽¹⁾	-9.1	39.7	--
Net financial position	88.9	70.0	27.0
Working capital	260.0	197.1	31.9

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

Income statement

€ million	Q1 2018	Q1 2017	Change (%)
Revenue	414.5	352.5	17.6
Cost of sales	-335.5	-290.9	15.3
Research and development costs	-22.9	-23.2	-1.3
Selling expenses	-23.3	-18.5	25.9
General and administrative expenses	-11.1	-10.2	8.8
Other operating income	4.9	13.5	-63.7
Other operating expenses	-5.4	-4.9	10.2
Profit/loss on equity-accounted investments	0.5	-0.7	--
Other investment income	0.0	0.0	--
EBIT	21.7	17.6	23.3
Thereof: Exceptional items	0.0	10.0	--
Interest expense, net	-0.6	-0.8	-25.0
Net income before income taxes	21.1	16.8	25.6
Income taxes	-2.9	-1.4	107.1
Net income	18.2	15.4	18.2

Balance sheet: assets

€ million	31 Mar 2018	31 Dec 2017	Change (%)
Non-current assets (before deferred tax assets)	533.6	534.2	-0.1
Deferred tax assets	70.3	69.2	1.6
Inventories	317.4	287.0	10.6
Trade receivables	165.6	142.7	16.0
Other receivables and assets	41.4	35.8	15.6
Cash and cash equivalents	129.3	143.8	-10.1
Non-current assets classified as held for sale	0.4	0.4	0.0
Total assets	1,258.0	1,213.1	3.7

Balance sheet: equity & liabilities

€ million	31 Mar 2018	31 Dec 2017	Change (%)
Equity	616.4	599.2	2.9
Provisions for pensions and other post-retirement benefits	160.4	162.9	-1.5
Deferred tax liabilities	0.2	0.2	--
Other provisions	38.8	36.2	7.2
Financial liabilities	24.3	28.1	-13.5
Other liabilities	12.8	13.0	-1.5
Non-current liabilities	236.5	240.4	-1.6
Provisions for pensions and other post-retirement benefits	13.5	13.5	0.0
Other provisions / Provisions for income taxes	83.2	76.7	8.5
Financial liabilities	16.1	17.5	-8.0
Trade payables	223.0	207.5	7.5
Other liabilities	69.3	58.3	18.9
Current liabilities	405.1	373.5	8.5
Total equity and liabilities	1,258.0	1,213.1	3.7

Cash flow statement (condensed)

€ million	Q1 2018	Q1 2017
EBIT	21.7	17.6
Cash flow from operating activities (total)	10.1	56.2
Capital expenditure on intangible assets, property, plant and equipment and investments	-18.6	-16.0
Proceeds from the sale of non-current assets	0.0	0.4
Cash flow from investing activities (total)	-18.6	-15.6
Cash flow from financing activities	-5.9	-6.2
Change in cash and cash equivalents	-14.4	34.4

Overview of segments

	Q1 2018	Q1 2017	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	492.9	326.3	51.1
DEUTZ Customised Solutions	76.7	76.9	-0.3
Other	5.3	--	--
Total for operating activities	574.9	403.2	42.6

	Q1 2018	Q1 2017	Change (%)
Unit sales			
DEUTZ Compact Engines	44,563	35,321	26.2
DEUTZ Customised Solutions	1,762	1,832	-3.8
Other	2,133	--	--
Total for operating activities	48,458	37,153	30.4

	Q1 2018	Q1 2017	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	352.0	294.1	19.7
DEUTZ Customised Solutions	57.7	58.4	-1.2
Other	4.8	--	--
Total for operating activities	414.5	352.5	17.6

	Q1 2018	Q1 2017	Change (%)
EBIT before exceptional items (€ million)			
DEUTZ Compact Engines	17.0	1.5	>100
DEUTZ Customised Solutions	7.7	6.4	20.3
Other	-3.0	-0.3	--
Total for operating activities	21.7	7.6	>100

Employees

	31 Mar 2018	31 Dec 2017	Change (%)
Cologne	2,428	2,356	3.1
Ulm	451	450	0.2
Other German operations	258	254	1.6
Germany	3,137	3,060	2.5
Foreign operations	1,108	1,094	1.3
DEUTZ Group	4,245	4,154	2.2

Financial calendar & contact details

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

▶ Contact details

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THANK YOU VERY MUCH

A **NEW** DYNAMIC