

The background of the slide is an abstract composition of vibrant red and blue streaks that sweep across the frame from the bottom left towards the top right, creating a sense of high speed and dynamic movement. The streaks vary in thickness and intensity, with some appearing as sharp lines and others as soft, blurred washes of color. The overall effect is one of energy and forward motion.

A **NEW** DYNAMIC

## H1 2018 results

2 August 2018

Dr Frank Hiller, CEO

Dr Andreas Strecker, CFO

The engine company.



## AGENDA

**Key messages**

Financials

Outlook

Annex

# Key messages

## ■ Successful first half of 2018

- Substantial revenue increase (+19.5% yoy)
- Measures introduced to improve earnings are showing effect

## ■ DEUTZ sets a course for further growth in China

- Withdrawal from the 50%-JV with FAW which was focused on automotive applications
- Valuation adjustments at DEUTZ Dalian have been finalised – largely prior years' affected
- Disposal proceeds and positive FX difference will compensate negative effect on earnings from DDE in H1
- Emissions standard China 4 creates market opportunities in the Chinese off-highway market
- Talks on new alliances with major local partners in the construction equipment and agricultural machinery industries in advanced stage

## ■ Positive business development clouded by the strike at supplier Halberg in Q3

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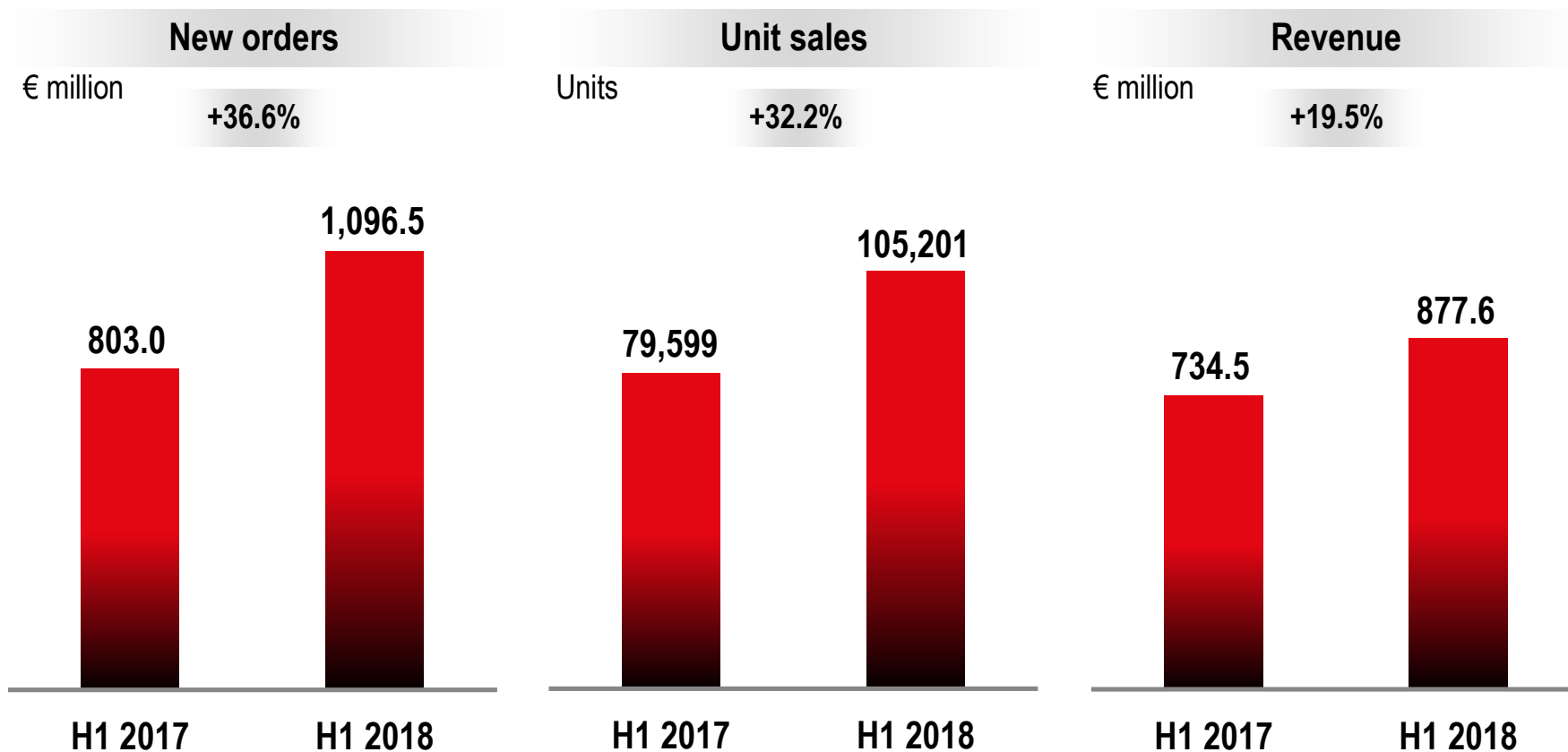
# Key figures<sup>(1)</sup>

€ million	H1 2018	yoy	Q2 2018	yoy
<b>New orders</b>	1,096.5	+36.6%	521.6	+30.5%
<b>Revenue</b>	877.6	+19.5%	463.1	+21.2%
<b>Adjusted EBIT<sup>(2)</sup></b>	47.5	+108.3%	25.8	+83.0%
<b>EBIT</b> (before exceptional items)	33.4	+53.9%	11.7	-17.0%
<b>Net income</b>	25.3	+35.3%	7.1	+115.2%
<b>Free cash flow</b>	-12.1	-€65.9 million	-3.0	-€17.1 million

(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)

# Sales figures

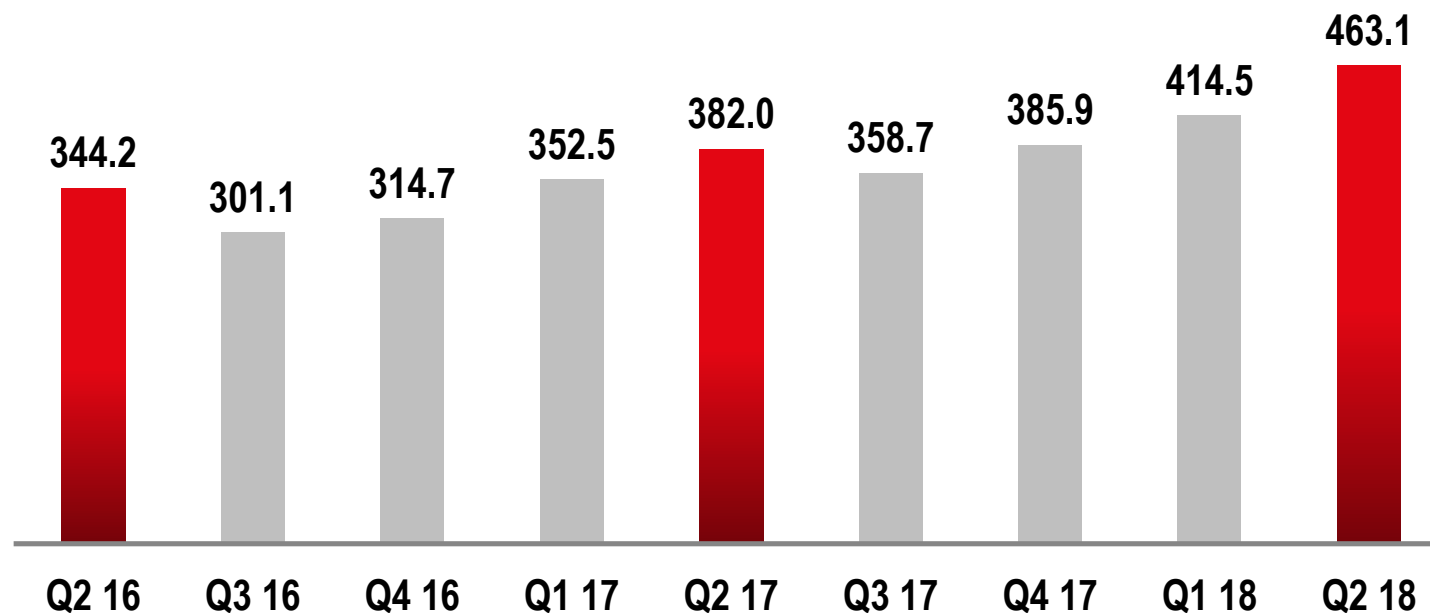


- Organic revenue growth amounts to 14.4%
- Torquedo sold 6.345 electric drive system in H1 2018



# Revenue by quarter

€ million



■ Dynamic revenue growth

■ Q2 2018 revenue improved 21.2% yoy and 11.7% qoq

# Revenue by region

**H1 2018**

(H1 2017)

**Africa/Middle East 3 %**

€21.5 million  
(€25.2 million)

**Asia-Pacific 9 %**

€79.6 million  
(€70.9 million)

**Americas 19 %**

€169.3 million  
(€141.0 million)

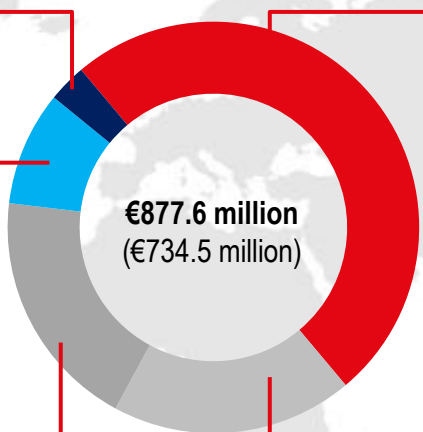
**Europe (excl. Germany) 50 %**

€443.7 million  
(€354.1 million)

**Germany 19 %**

€163.5 million  
(€143.3 million)

**€877.6 million**  
(€734.5 million)

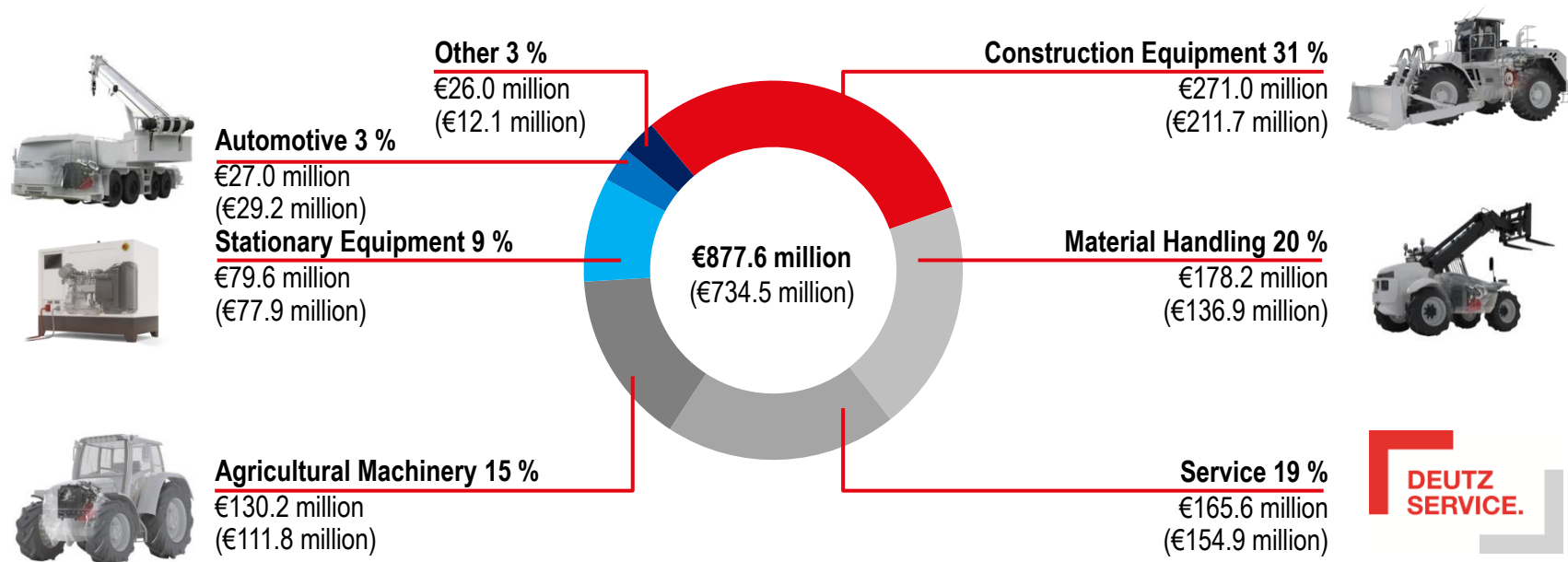




# Revenue by application

**H1 2018**

(H1 2017)



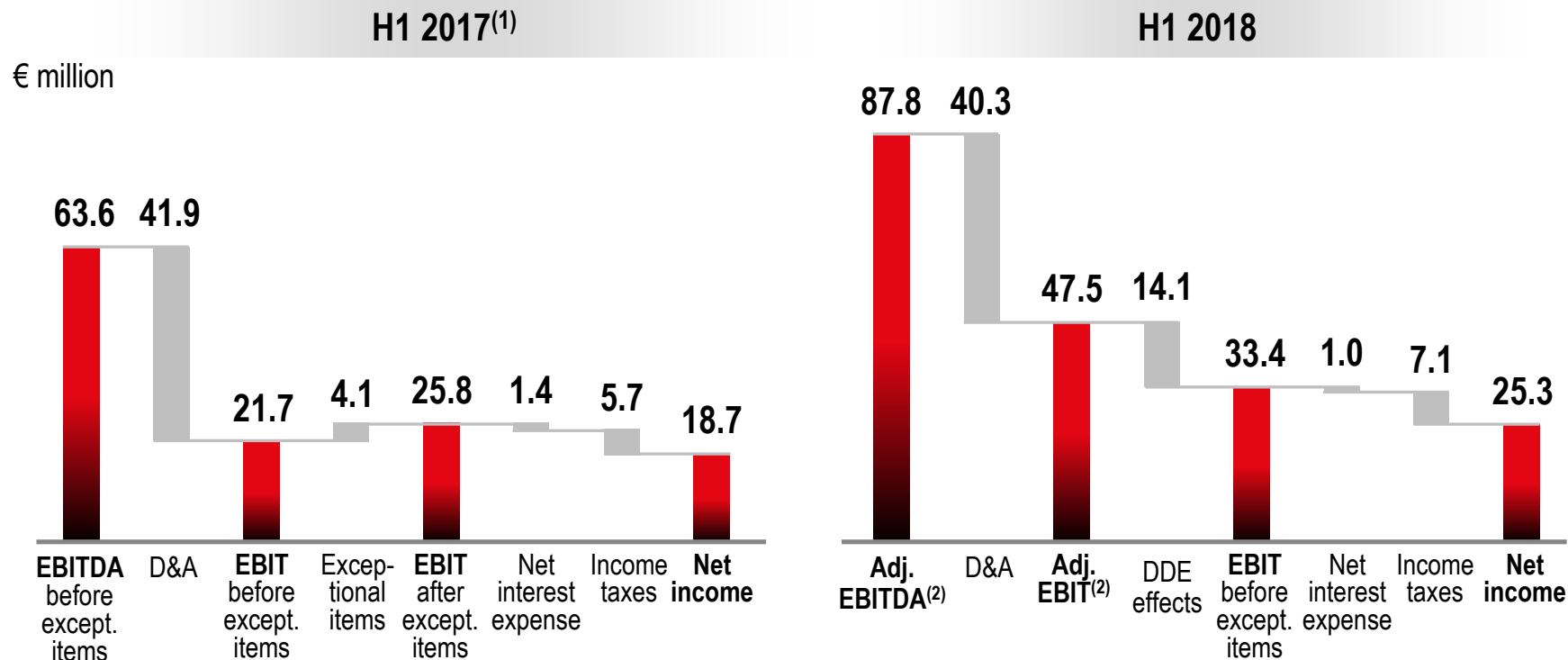
# DEUTZ Dalian – adjustment of carrying amounts

€ million

<b>Book value 31 Dec 2017</b>	38.4
<b>Correction prior years</b>	-14.9
<b>Book value 1 Jan 2018</b>	23.5
<b>At-equity result H1 2018</b>	-2.8
<b>FX translation differences</b>	0.3
<b>Book value 30 Jun 2018</b> (before impairment)	21.0
<b>Impairment</b>	-11.3
<b>Book value 30 Jun 2018</b>	9.7

- Review of carrying amounts of joint venture DEUTZ Dalian (DDE) finalised
- DDE' prior years carrying amounts reduced by €14.9 million
- H1 at-equity result of -€ 2.8 million includes additional valuation adjustment of €8.2 million. Thus, the total valuation adjustment amounts to €23.1 million
- In addition, the book value was written down by €11.3 million to €9.7 million (= expected proceeds from JV disposal)
- In total, H1 2018 earnings impacted by DDE in the amount of €14.1 million
- After divestment in H2 2018 positive currency translation differences of €15.8 million (OCI) will be reclassified to the income statement
- In FY 2018, no negative P&L impact by DDE expected

# Operating profit & net income



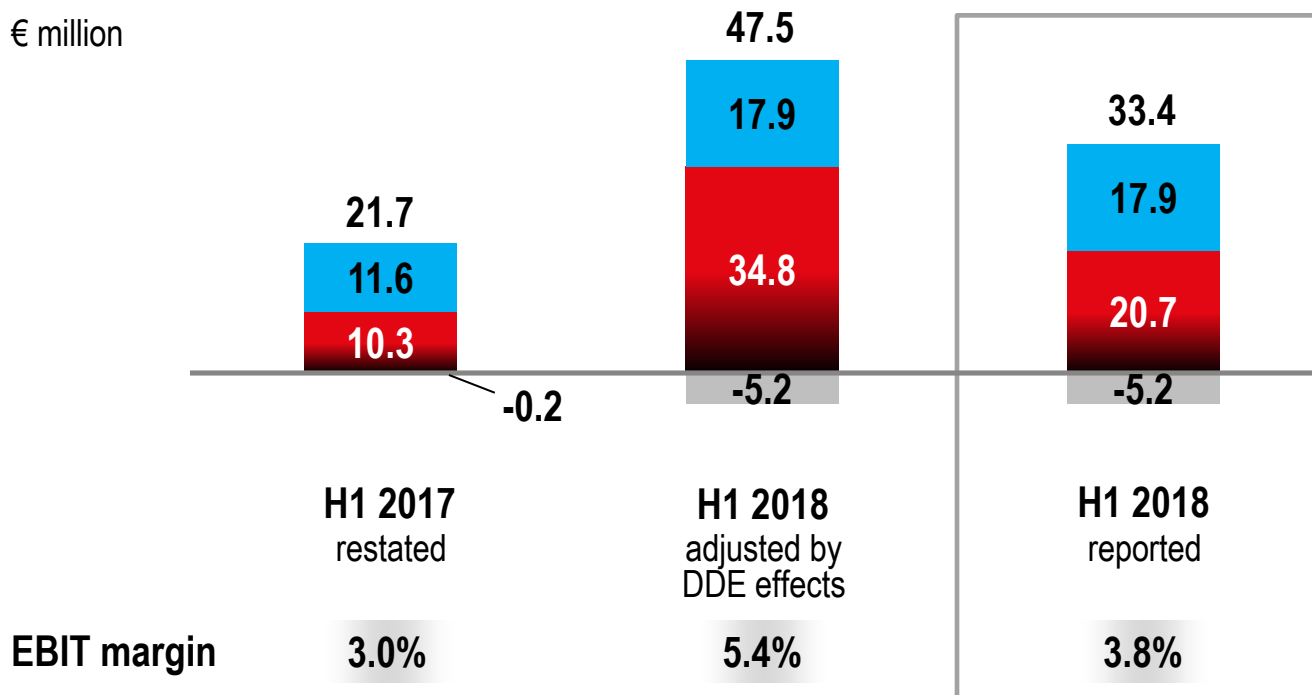
- Adj. EBITDA increased by 38.1% and adj. EBIT more than doubled
- H1 2018 EBIT dampened by DDE (€14.1 million)
- Negative DDE effects will be compensated in H2
- Net income increased by 35.3%

(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



- Both operating segments contributed to the significant increase in operating profit
- Adjusted EBIT-margin improved by 2.4%-points
- Reported EBIT of Segment Compact Engines burdened by DDE – will be compensated in H2

■ DEUTZ Compact Engines   ■ DEUTZ Customised Solutions   ■ Other

# DEUTZ Compact Engines<sup>(1)</sup>

€ million	<b>H1 2018</b>	H1 2017	Change in %
New orders	<b>930.4</b>	661.6	40.6
Unit sales (units)	<b>94,463</b>	75,482	25.1
Revenue	<b>737.7</b>	613.6	20.2
Adjusted EBIT <sup>(2)</sup>	<b>34.8</b>	10.3	237.9
EBIT (before except. items)	<b>20.7</b>	10.3	101.0

€ million	<b>Q2 2018</b>	Q2 2017	Change in %
New orders	<b>437.5</b>	335.3	30.5
Unit sales (units)	<b>49,900</b>	40,161	24.2
Revenue	<b>385.7</b>	319.5	20.7
Adjusted EBIT <sup>(2)</sup>	<b>17.8</b>	8.8	102.3
EBIT (before except. items)	<b>3.7</b>	8.8	-58.0

- Double-digit revenue growth in key applications: Material Handling (+31.6% yoy), Construction Equipment (+30.5% yoy) and Agricultural Equipment (+16.3% yoy)
- Service revenues increased by 7.9% yoy
- Substantial improvement of underlying profitability
- Reported Q2 2018 EBIT affected by JV valuation which will be compensated in H2

(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)

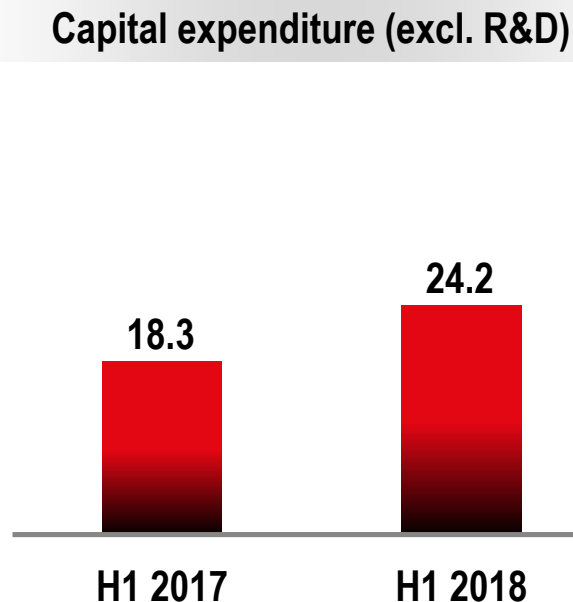
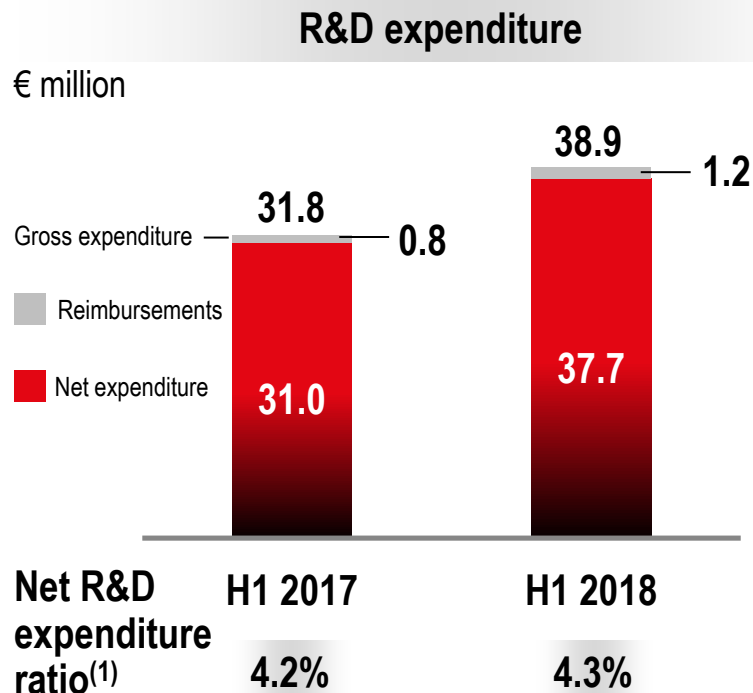
# DEUTZ Customised Solutions

€ million	<b>H1 2018</b>	H1 2017	Change in %
New orders	<b>151.1</b>	141.4	6.9
Unit sales (units)	<b>4,393</b>	4,117	6.7
Revenue	<b>125.5</b>	120.9	3.8
EBIT (before except. items)	<b>17.9</b>	11.6	54.3

€ million	<b>Q2 2018</b>	Q2 2017	Change in %
New orders	<b>74.4</b>	64.5	15.3
Unit sales (units)	<b>2,631</b>	2,285	15.1
Revenue	<b>67.8</b>	62.5	8.5
EBIT (before except. items)	<b>10.2</b>	5.2	96.2

- New orders increased by 6.9% yoy
- Book-to-bill ratio amounts to 1.20x
- Profitable service revenue advanced by 5.3% yoy
- EBIT improvement (+54.3% yoy) attributable to higher business volume and better product mix

# R&D & capital expenditure



- Planned increase of R&D due to expansion of product range
- Proportion of capitalised net R&D expenditure: €8.2 million (H1 2017: €7.1 million)

- Capex increase in-line with budget

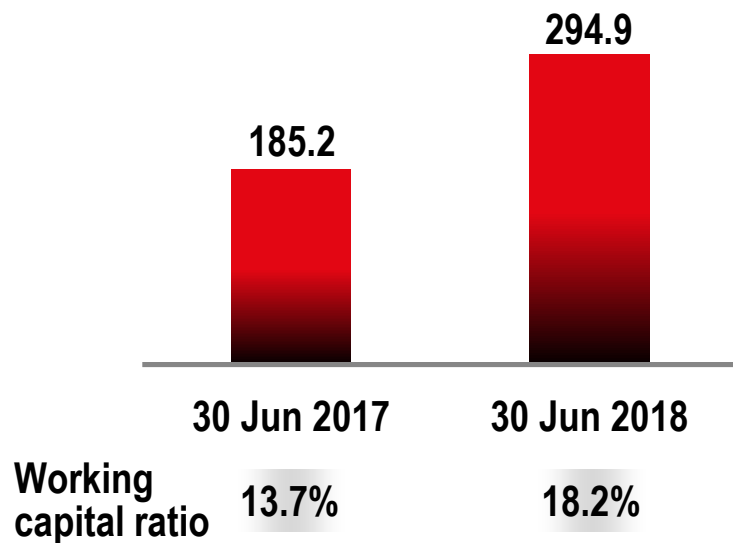
(1) Ratio of net R&D expenditure to consolidated revenue



# Working capital & operating cash flow

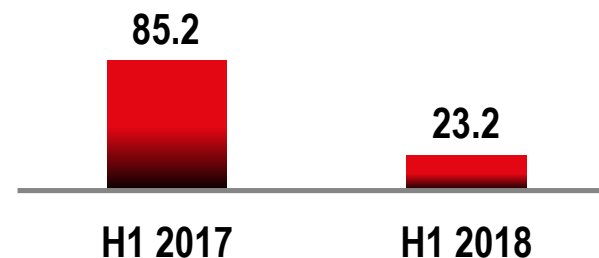
## Working capital

€ million



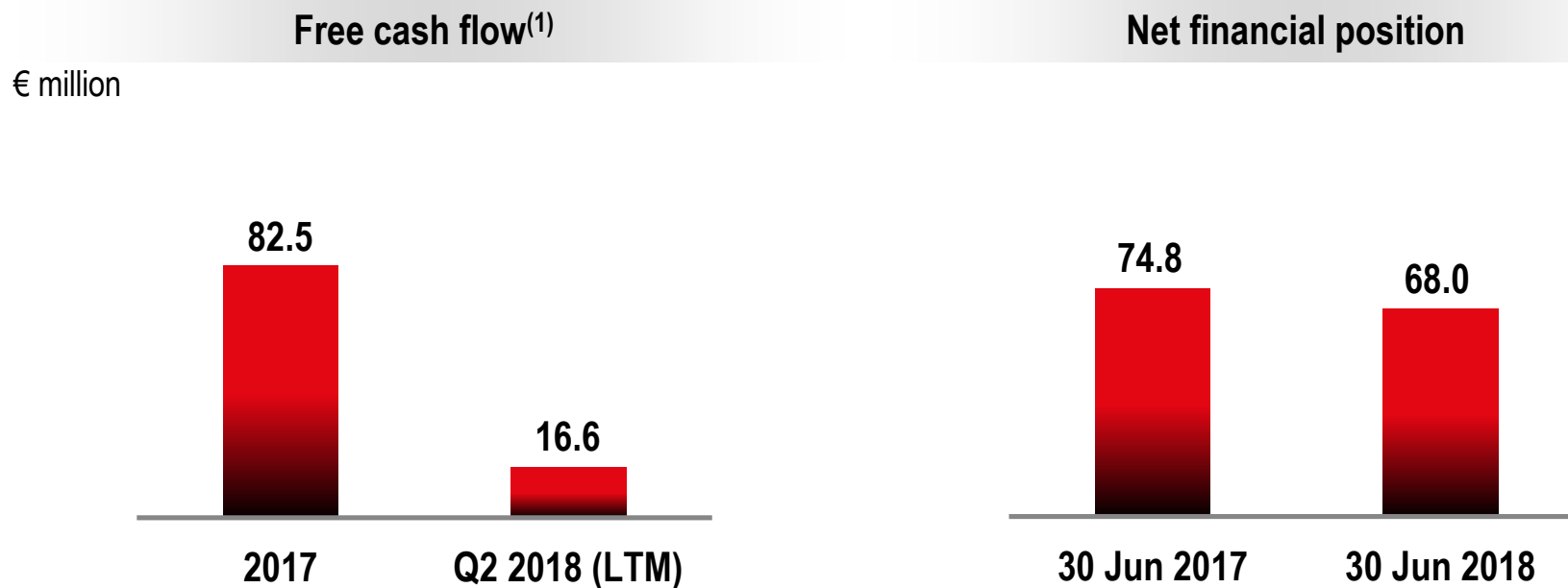
- Working capital increase driven by higher business volume

## Operating cash flow



- Operating cash flow decline attributable to increase of working capital

# Free cash flow generation & net financial position



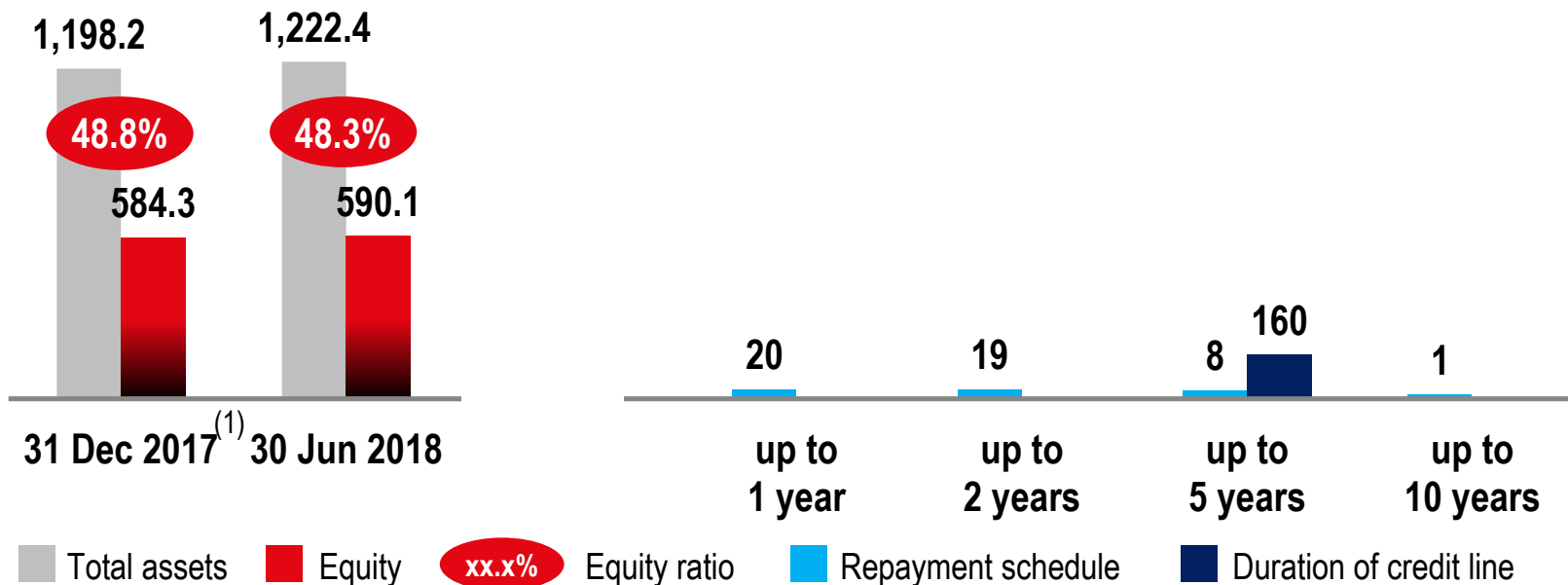
■ Decline of free cash flow due to working capital increase

■ Net financial position remains positive

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

# Equity ratio & funding

€ million



- Strong balance sheet
- Medium- to long-term financing with undrawn facilities available:
  - Credit line of €160 million prolonged by one year until June 2023
  - Loan from European Investment Bank repayable by July 2020

(1) Restated

# Summary

Strong order book

Dynamic revenue growth

Significant improvement of underlying profitability

Measures to improve earnings are showing its effect

Withdrawal from JV with FAW

New alliances with Chinese partners planned



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# Forecast for key end-customer markets, 2018

	Europe	North America	China
Unit sales (equipment)			
<b>Construction Equipment</b>	+5% to +10%	+5% to +10%	+15% to +20% (previous: +10% to +20%)
<b>Material Handling</b>	+5% to +10%	+5% to +10%	+10% to +20%
<b>Agricultural Machinery</b>	0% to +5%	0% to +5%	-10% to -5% (previous: -5% to 0%)
<b>Medium &amp; Light-Duty Trucks</b>			0% to +5%

# Financial outlook

€ million	FY 2017	Previous FY 2018 guidance	New FY 2018 guidance <sup>(2)</sup>
<b>Revenue</b>	1,479.1	marked increase	> 1,600
<b>EBIT margin</b> (before exceptional items)	2.7 % <sup>(3)</sup>	moderate increase	≥ 4.5 %
<b>R&amp;D expenditure<sup>(1)</sup></b>	67.0	70 - 75	70 - 80
<b>Capex (excl. R&amp;D)<sup>(1)</sup></b>	54.7	60 - 70	60 - 70

(1) Net of reimbursements

(2) Assuming no further supplier strike-related disruptions

(3) Restated

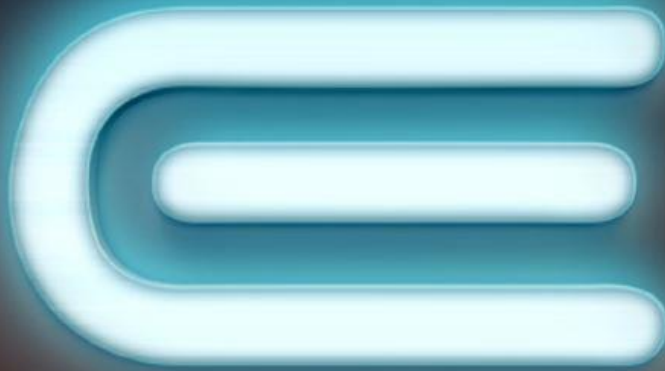
→ Revenue forecast specified and to profit estimate raised on July 27



# Invitation to our Capital Markets Day

# DEUTZ

## CAPITAL MARKETS DAY



# ELECTRIP

- **18<sup>th</sup> September** 2018 from 9.45 to 5.00pm at our headquarter:  
Ottostrasse 1 in 51149 Cologne (Porz-Eil)
- Dr Frank Hiller (CEO) and DEUTZ` entire management team will present you our strategy
- Experience an exciting day with Live-Action of DEUTZ`s advanced drive systems

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# Summary of key financials

€ million	H1 2018	H1 2017 <sup>(1)</sup>	Change (%)
Revenue	877.6	734.5	19.5
EBITDA	73.7	67.7	8.9
EBITDA (before exceptional items)	73.7	63.6	15.9
EBIT	33.4	25.8	29.5
EBIT (before exceptional items)	33.4	21.7	53.9
EBIT margin	3.8	3.5	+0.3%-pts
EBIT margin (before exceptional items), %	3.8	3.0	+0.8%-pts
Net income	25.3	18.7	35.3
Basic earnings per share (€)	0.21	0.15	40.0
Number of employees (30 June)	4,432	3,774	17.4

(1) Restated

# Income statement

€ million	H1 2018	H1 2017 <sup>(1)</sup>	Change (%)
<b>Revenue</b>	<b>877.6</b>	<b>734.5</b>	<b>19.5</b>
Cost of sales	-714.5	-604.7	18.2
Research and development costs	-47.8	-45.1	6.0
Selling expenses	-47.9	-37.0	29.5
General and administrative expenses	-23.2	-20.5	13.2
Other operating income	13.3	17.2	-22.7
Other operating expenses	-10.2	-17.8	-42.7
Profit/loss on equity-accounted investments	-2.6	-0.8	--
Impairment on equity-accounted investments	-11.3	0.0	--
<b>EBIT</b>	<b>33.4</b>	<b>25.8</b>	<b>29.5</b>
Thereof: Exceptional items	0.0	4.1	--
Interest expense, net	-1.0	-1.4	-28.6
<b>Net income before income taxes</b>	<b>32.4</b>	<b>24.4</b>	<b>32.8</b>
Income taxes	-7.1	-5.7	24.6
<b>Net income</b>	<b>25.3</b>	<b>18.7</b>	<b>35.3</b>

(1) Restated

## Balance sheet: assets

€ million	30 Jun 2018	31 Dec 2017 <sup>(1)</sup>	Change (%)
Non-current assets (before deferred tax assets)	487.9	519.3	-6.0
Deferred tax assets	71.5	69.2	3.3
Inventories	332.0	287.0	15.7
Trade receivables	173.6	142.7	21.7
Other receivables and assets	31.7	35.8	-11.5
Cash and cash equivalents	115.6	143.8	-19.6
Non-current assets classified as held for sale	10.1	0.4	>100
<b>Total assets</b>	<b>1,222.4</b>	<b>1,198.2</b>	<b>2.0</b>

(1) Restated

# Balance sheet: equity & liabilities

€ million	30 Jun 2018	31 Dec 2017 <sup>(1)</sup>	Change (%)
<b>Equity</b>	<b>590.1</b>	<b>584.3</b>	<b>1.0</b>
Provisions for pensions and other post-retirement benefits	157.8	162.9	-3.1
Deferred tax liabilities	0.2	0.2	0.0
Other provisions	38.1	36.2	5.2
Financial liabilities	27.9	28.1	-0.7
Other liabilities	12.6	13.0	-3.1
<b>Non-current liabilities</b>	<b>236.6</b>	<b>240.4</b>	<b>-1.6</b>
Provisions for pensions and other post-retirement benefits	13.5	13.5	0.0
Other provisions / Provisions for income taxes	80.9	76.7	5.5
Financial liabilities	19.7	17.5	12.6
Trade payables	210.7	207.5	1.5
Other liabilities	70.9	58.3	21.6
<b>Current liabilities</b>	<b>395.7</b>	<b>373.5</b>	<b>5.9</b>
<b>Total equity and liabilities</b>	<b>1,222.4</b>	<b>1,198.2</b>	<b>2.0</b>

(1) Restated

# Cash flow statement (condensed)

€ million	H1 2018	H1 2017 <sup>(1)</sup>
EBIT	33.4	25.8
<b>Cash flow from operating activities (total)</b>	<b>23.2</b>	<b>85.2</b>
Capital expenditure on intangible assets, property, plant and equipment and investments	-34.1	-30.1
Proceeds from the sale of non-current assets	0.0	0.4
<b>Cash flow from investing activities (total)</b>	<b>-34.1</b>	<b>-29.7</b>
<b>Cash flow from financing activities</b>	<b>-17.5</b>	<b>-19.5</b>
<b>Change in cash and cash equivalents</b>	<b>-28.4</b>	<b>36.0</b>

(1) Restated



# Overview of segments H1 2018

	<b>H1 2018</b>	<b>H1 2017</b>	<b>Change (%)</b>
<b>New orders (€ million)</b>			
DEUTZ Compact Engines	930.4	661.6	40.6
DEUTZ Customised Solutions	151.1	141.4	6.9
Other	15.0	--	--
<b>Total for operating activities</b>	<b>1.096.5</b>	<b>803.0</b>	<b>36.6</b>

	<b>H1 2018</b>	<b>H1 2017</b>	<b>Change (%)</b>
<b>Unit sales</b>			
DEUTZ Compact Engines	94,463	75,482	25.1
DEUTZ Customised Solutions	4,393	4,117	6.7
Other	6,345	--	--
<b>Total for operating activities</b>	<b>105,201</b>	<b>79,599</b>	<b>32.2</b>

	<b>H1 2018</b>	<b>H1 2017</b>	<b>Change (%)</b>
<b>Revenue (€ million)</b>			
DEUTZ Compact Engines	737.7	613.6	20.2
DEUTZ Customised Solutions	125.5	120.9	3.8
Other	14.4	--	--
<b>Total for operating activities</b>	<b>877.6</b>	<b>734.5</b>	<b>19.5</b>

	<b>H1 2018</b>	<b>H1 2017<sup>(1)</sup></b>	<b>Change (%)</b>
<b>EBIT before exceptional items (€ million)</b>			
DEUTZ Compact Engines	20.7	10.3	>100
DEUTZ Customised Solutions	17.9	11.6	54.3
Other	-5.2	-0.2	--
<b>Total for operating activities</b>	<b>33.4</b>	<b>21.7</b>	<b>53.9</b>

(1) Restated

# Overview of segments Q2 2018

	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Change (%)</b>
<b>New orders (€ million)</b>			
DEUTZ Compact Engines	437.5	335.3	30.5
DEUTZ Customised Solutions	74.4	64.5	15.3
Other	9.7	--	--
<b>Total for operating activities</b>	<b>521.6</b>	<b>399.8</b>	<b>30.5</b>

	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Change (%)</b>
<b>Unit sales</b>			
DEUTZ Compact Engines	49,900	40,161	24.2
DEUTZ Customised Solutions	2,631	2,285	15.1
Other	4,212	--	--
<b>Total for operating activities</b>	<b>56,743</b>	<b>42,446</b>	<b>33.7</b>

	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Change (%)</b>
<b>Revenue (€ million)</b>			
DEUTZ Compact Engines	385.7	319.5	20.7
DEUTZ Customised Solutions	67.8	62.5	8.5
Other	9.6	--	--
<b>Total for operating activities</b>	<b>463.1</b>	<b>382.0</b>	<b>21.2</b>

	<b>Q2 2018</b>	<b>Q2 2017 <sup>(1)</sup></b>	<b>Change (%)</b>
<b>EBIT before exceptional items (€ million)</b>			
DEUTZ Compact Engines	3.7	8.8	-58.0
DEUTZ Customised Solutions	10.2	5.2	96.2
Other	-2.2	0.1	--
<b>Total for operating activities</b>	<b>11.7</b>	<b>14.1</b>	<b>-17.0</b>

(1) Restated

# Employees

	30 Jun 2018	30 Jun 2017	Change (%)
Cologne	2,528	2,210	14.4
Ulm	452	424	6.6
Other German operations	274	213	28.6
<b>Germany</b>	<b>3,254</b>	<b>2,847</b>	<b>14.3</b>
Foreign operations	1,178	927	27.1
<b>DEUTZ Group</b>	<b>4,432</b>	<b>3,774</b>	<b>17.4</b>

# Financial calendar & contact details

- Capital markets day 18 September 2018
- Q1-Q3 2018 results 8 November 2018
- FY 2018 results 14 March 2019

## ► Contact details

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The forward-looking statements made in this document will not be updated.

THANK YOU VERY MUCH

A **NEW** DYNAMIC