



A **NEW** DYNAMIC

Q1-Q3 2018 results

8 November 2018

Dr Frank Hiller, CEO

Dr Andreas Strecker, CFO

The engine company.



AGENDA

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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

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Key figures⁽¹⁾

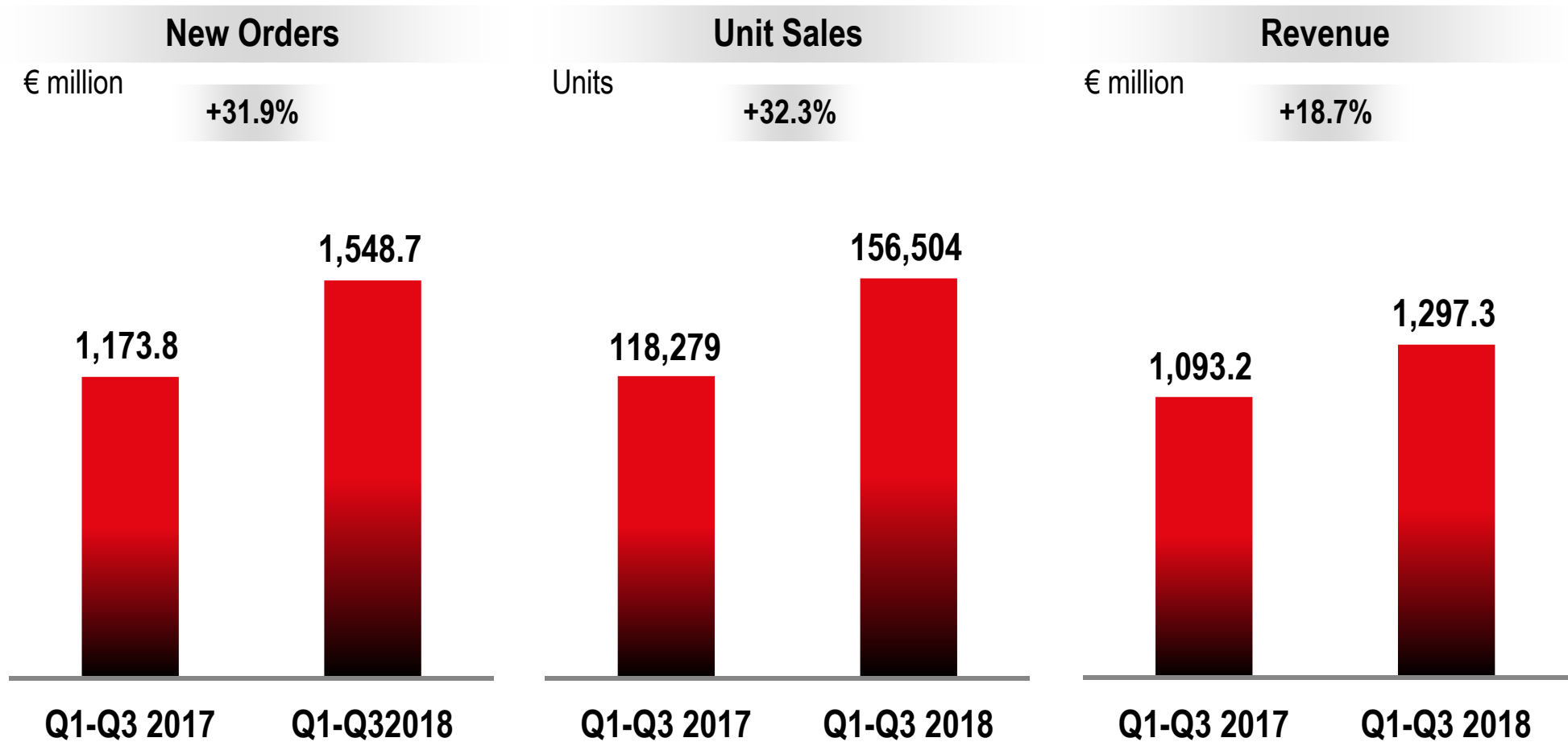
€ million	Q1-Q3 2018	yoy	Q3 2018	yoy
New orders	1,548.7	+31.9%	452.2	+22.0%
Revenue	1,297.3	+18.7%	419.7	+17.0%
Adjusted EBIT⁽²⁾	60.3	+115.4%	12.8	+146.2%
EBIT (before exceptional items)	45.9	+71.9%	12.5	+150.0%
Net income	35.6	+76.2%	10.3	+586.7%

(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**

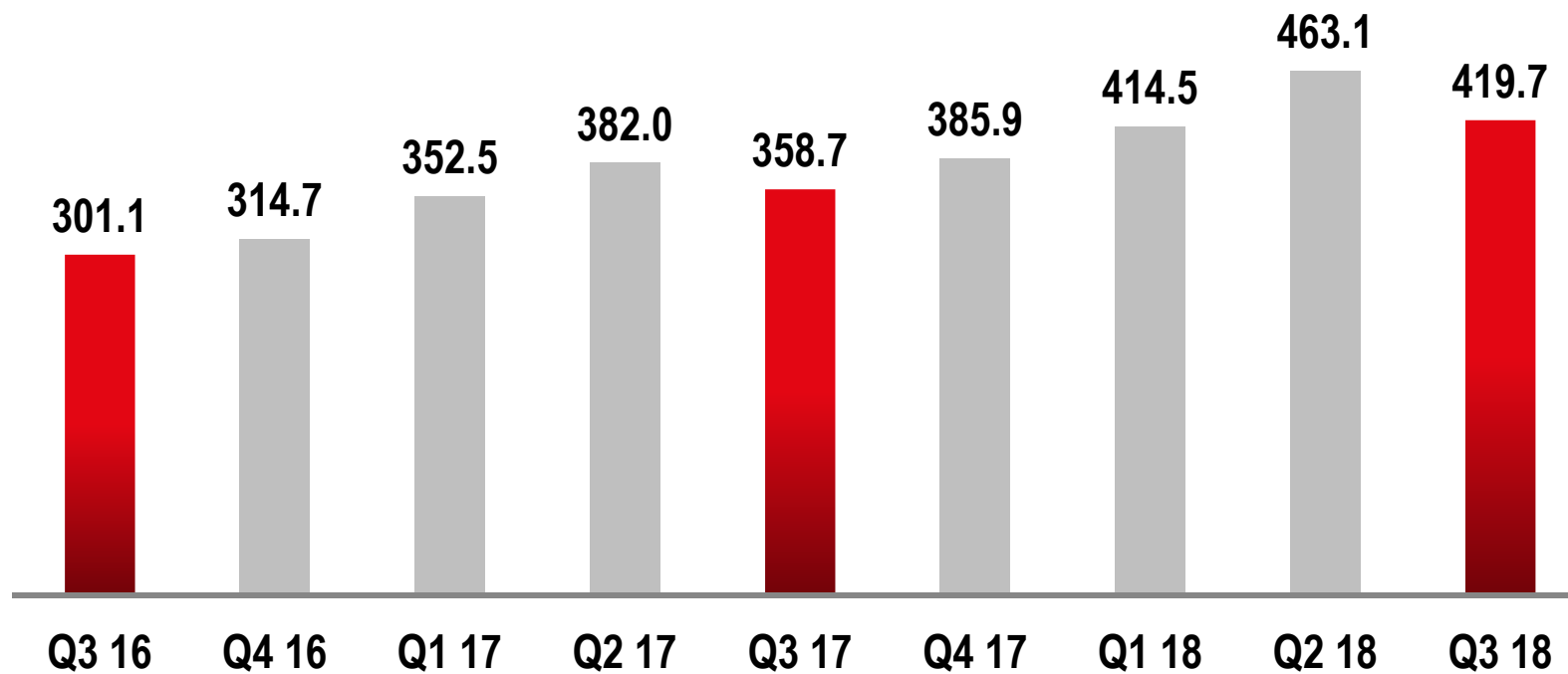
Sales figures



- 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 %

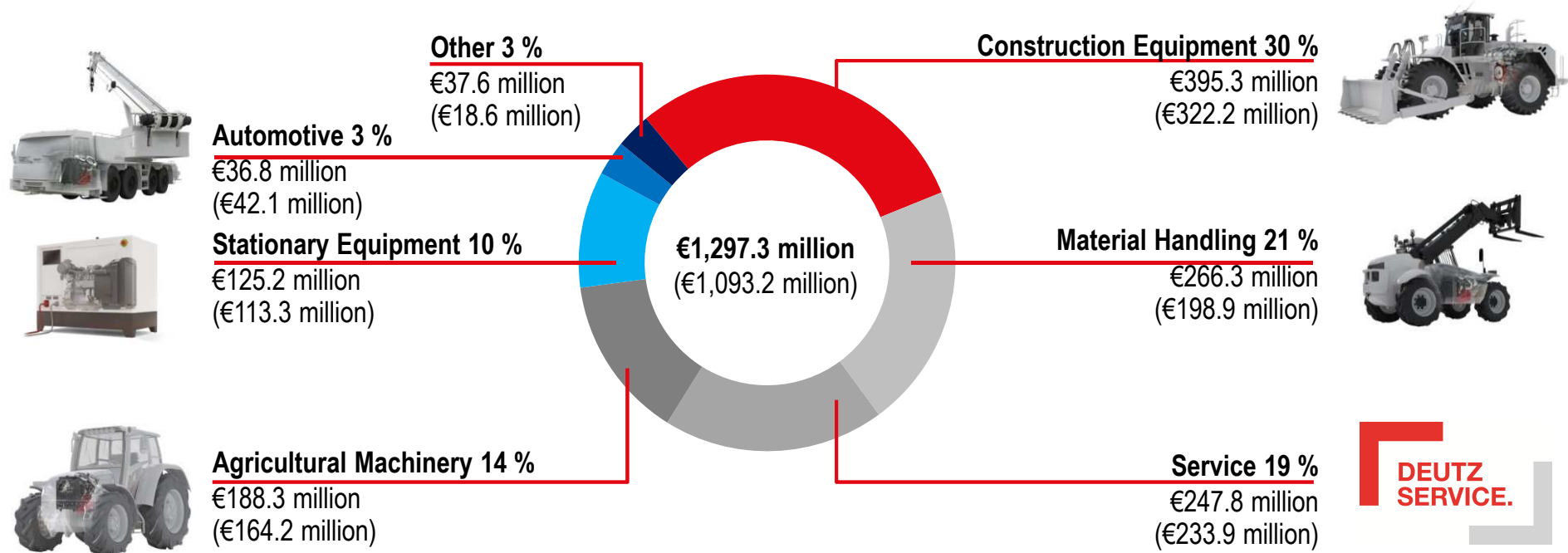
€244.5 million
(€211.4 million)

€1,297.3 million
(€1,093.2 million)

■ Strong revenue growth supported by all regions

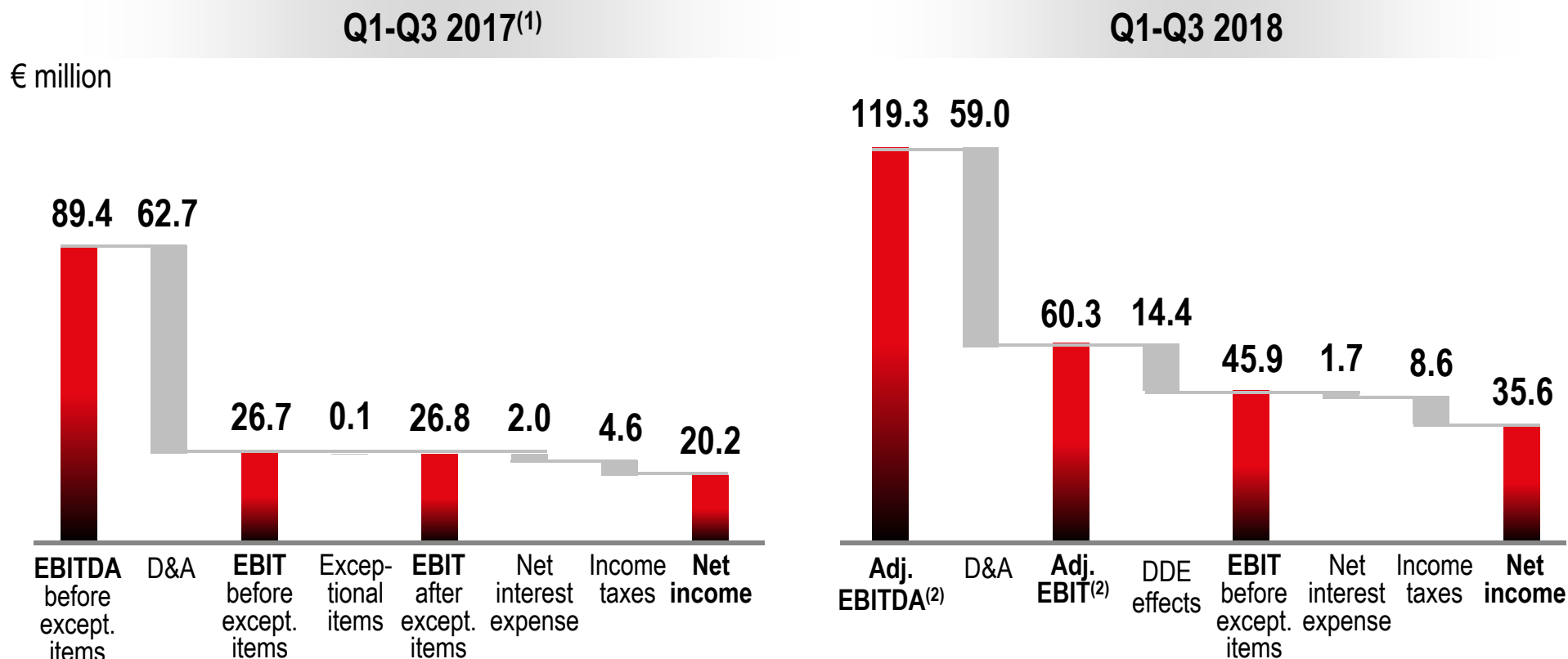
Revenue by application

Q1-Q3 2018
(Q1-Q3 2017)



- Substantial revenue growth in all off-road applications

Operating profit & net income



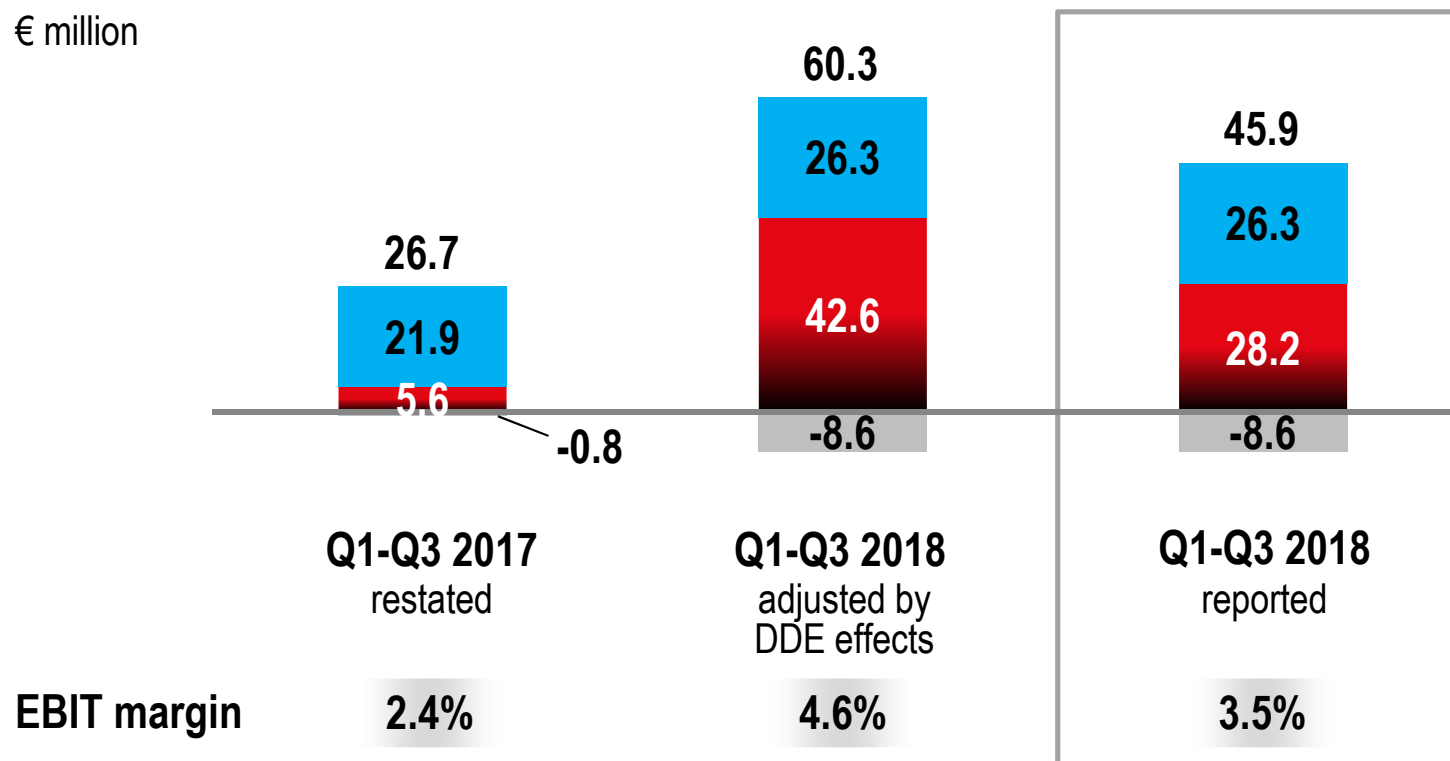
- Adj. EBITDA advanced by 33.4% and adj. EBIT more than doubled
- Q1-Q3 2018 EBIT burdened by JV DDE (€14.4 million), which will be compensated in Q4
- Low interest expenses and tax rate
- Net income increased by 76.2%

(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)

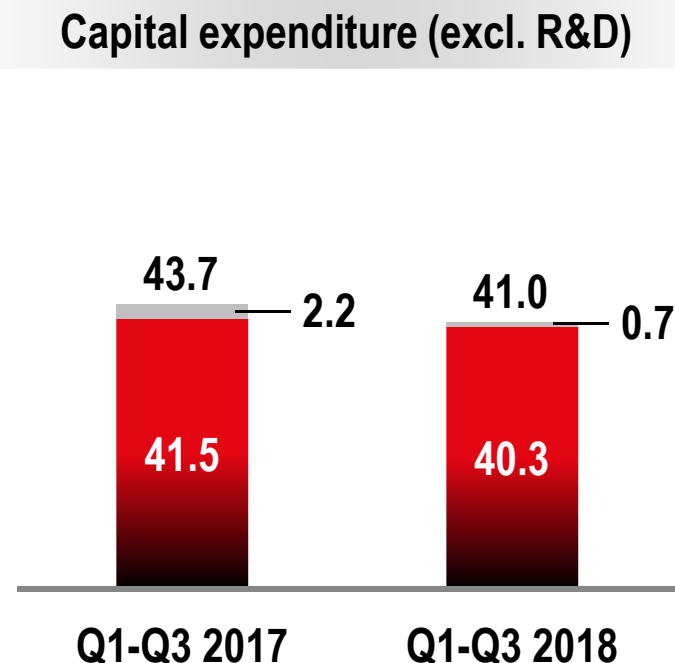
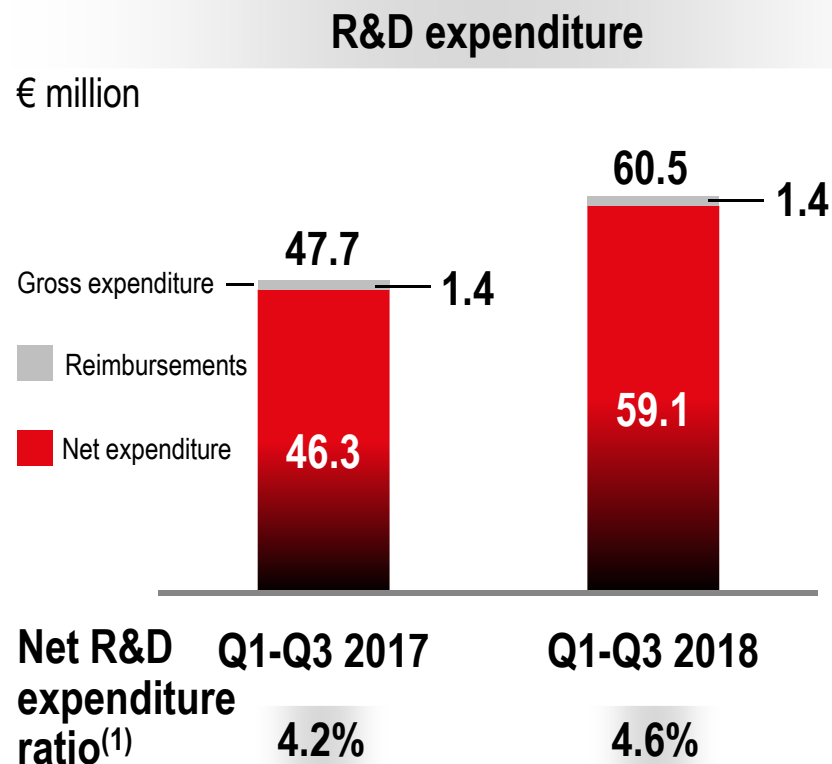
DEUTZ Customised Solutions

€ 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

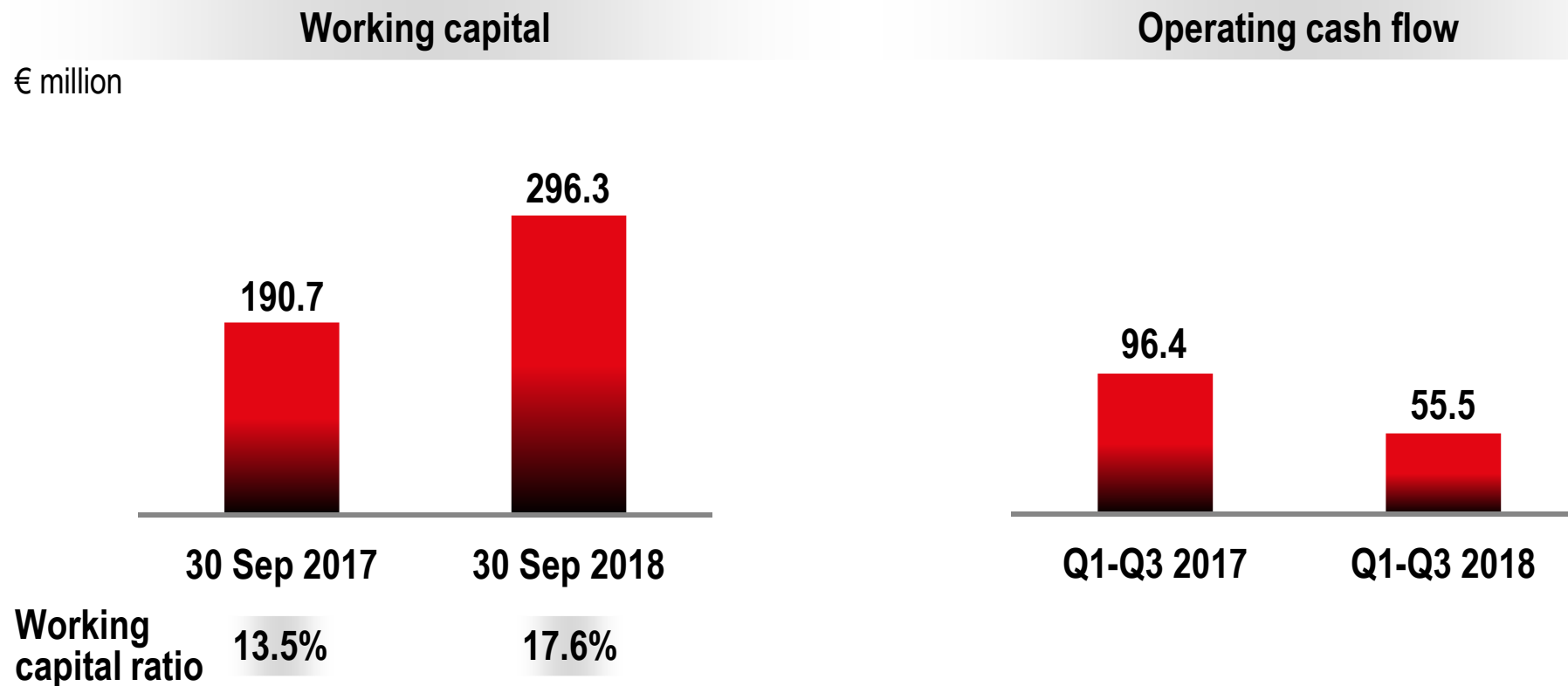
R&D & capital expenditure



- 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)

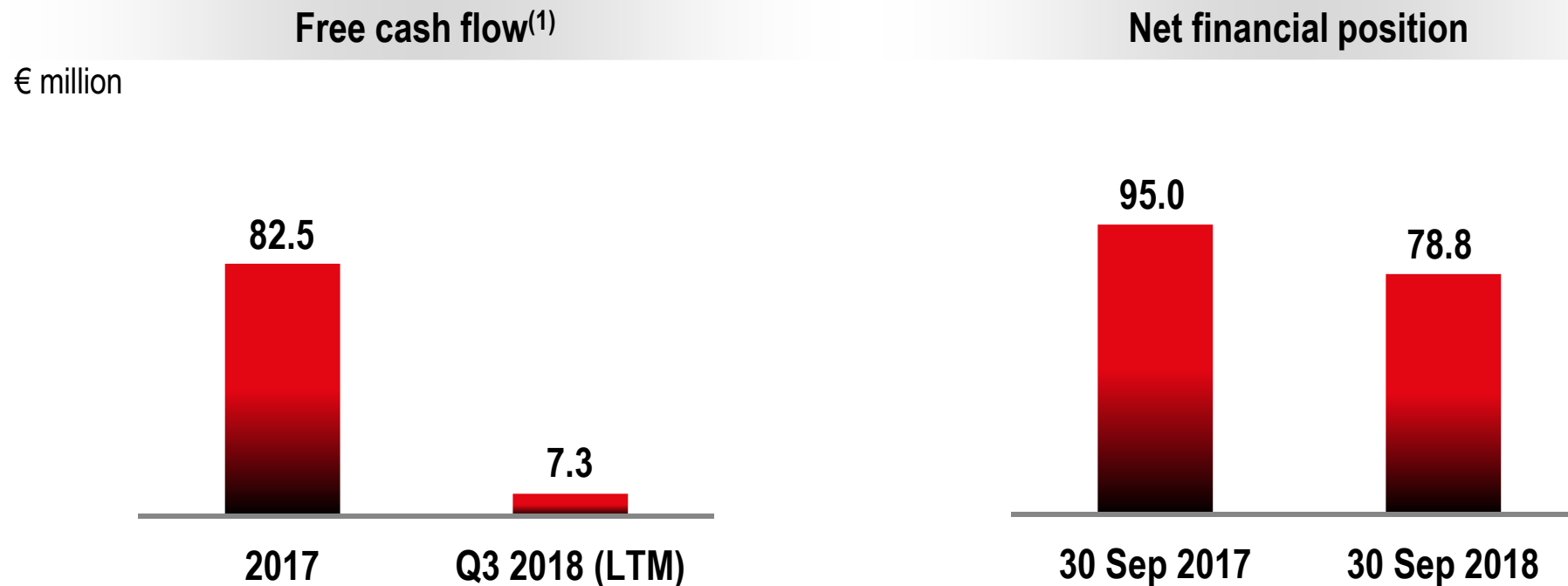
(1) Ratio of net R&D expenditure to consolidated revenue

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

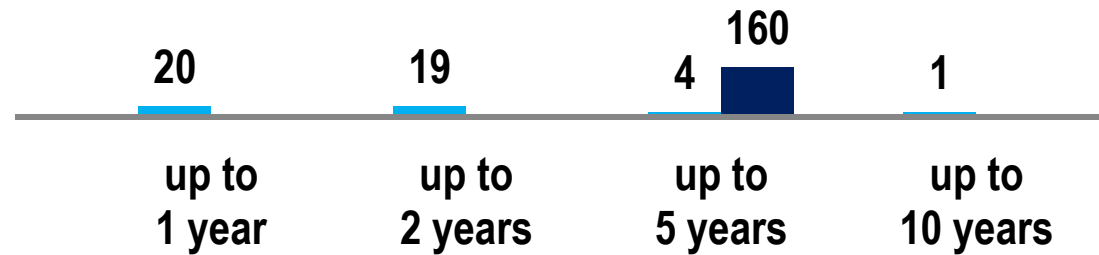
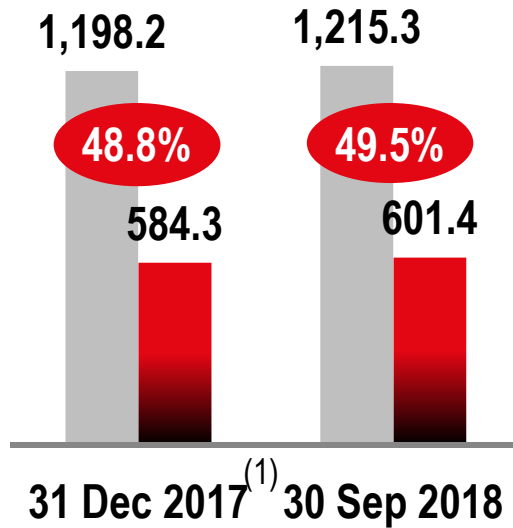


- Decline of free cash flow due to working capital increase
- Positive net financial position

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

Equity ratio & funding

€ million



Total assets
 Equity
 xx.x% Equity ratio
 Repayment schedule
 Duration of credit line

- 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

Summary

High order backlog

Double-digit revenue increase

Substantial improvement of operating profit

DEUTZ sets course for further growth in China

E-DEUTZ strategy well on track



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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

Financial outlook

€ 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**

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Summary of key financials

€ million	Q1-Q3 2018	Q1-Q3 2017 ⁽¹⁾	Change (%)
Revenue	1,297.3	1,093.2	18.7
EBITDA	104.9	89.5	17.2
EBITDA (before exceptional items)	104.9	89.4	17.3
EBIT	45.9	26.8	71.3
EBIT (before exceptional items)	45.9	26.7	71.9
EBIT margin	3.5	2.5	+1.0%-pts
EBIT margin (before exceptional items), %	3.5	2.4	+1.1%-pts
Net income	35.6	20.2	76.2
Basic earnings per share (€)	0.29	0.17	70.6
Number of employees (30 Sep)	4,560	3,835	18.9

(1) Restated

Income statement

€ million	Q1-Q3 2018	Q1-Q3 2017 ⁽¹⁾	Change (%)
Revenue	1,297.3	1,093.2	18.7
Cost of sales	-1,057.3	-909.9	16.2
Research and development costs	-71.5	-67.1	6.6
Selling expenses	-72.1	-56.1	28.5
General and administrative expenses	-36.1	-28.4	27.1
Other operating income	16.5	22.9	-27.9
Other operating expenses	-17.0	-26.9	-36.8
Profit/loss on equity-accounted investments	-2.6	-0.9	>100
Impairment on equity-accounted investments	-11.3	0.0	--
EBIT	45.9	26.8	71.3
Thereof: Exceptional items	0.0	0.1	--
Interest expense, net	-1.7	-2.0	-15.0
Net income before income taxes	44.2	24.8	78.2
Income taxes	-8.6	-4.6	87.0
Net income	35.6	20.2	76.2

(1) Restated

Balance sheet: assets

€ million	30 Sep 2018	31 Dec 2017 ⁽¹⁾	Change (%)
Non-current assets (before deferred tax assets)	490.6	519.3	-5.5
Deferred tax assets	71.1	69.2	2.7
Inventories	333.9	287.0	16.3
Trade receivables	154.4	142.7	8.2
Other receivables and assets	34.0	35.8	-5.0
Cash and cash equivalents	121.5	143.8	-15.5
Non-current assets classified as held for sale	9.8	0.4	>100
Total assets	1,215.3	1,198.2	1.4

(1) Restated

Balance sheet: equity & liabilities

€ million	30 Sep 2018	31 Dec 2017 ⁽¹⁾	Change (%)
Equity	601.4	584.3	2.9
Provisions for pensions and other post-retirement benefits	153.9	162.9	-5.5
Deferred tax liabilities	0.2	0.2	0.0
Other provisions	39.4	36.2	8.8
Financial liabilities	23.2	28.1	-17.4
Other liabilities	12.5	13.0	-3.8
Non-current liabilities	229.2	240.4	-4.7
Provisions for pensions and other post-retirement benefits	13.5	13.5	0.0
Other provisions / Provisions for income taxes	84.8	76.7	10.6
Financial liabilities	19.5	17.5	11.4
Trade payables	192.0	207.5	-7.5
Other liabilities	74.9	58.3	28.5
Current liabilities	384.7	373.5	3.0
Total equity and liabilities	1,215.3	1,198.2	1.4

(1) Restated

Cash flow statement (condensed)

€ million	Q1-Q3 2018	Q1-Q3 2017 ⁽¹⁾
EBIT	45.9	26.8
Cash flow from operating activities (total)	55.5	96.4
Capital expenditure on intangible assets, property, plant and equipment and investments	-54.1	-40.9
Proceeds from the sale of non-current assets	0.1	21.2
Cash flow from investing activities (total)	-54.0	-19.7
Cash flow from financing activities	-23.7	-24.1
Change in cash and cash equivalents	-22.2	52.6

(1) Restated

Overview of segments Q1-Q3 2018

New orders (€ million)	Q1-Q3 2018	Q1-Q3 2017	Change (%)
DEUTZ Compact Engines	1,312.2	969.3	35.4
DEUTZ Customised Solutions	214.8	204.5	5.0
Other	21.7	--	--
Total for operating activities	1,548.7	1,173.8	31.9

Unit sales	Q1-Q3 2018	Q1-Q3 2017	Change (%)
DEUTZ Compact Engines	141,034	111,947	26.0
DEUTZ Customised Solutions	6,493	6,332	2.5
Other	8,977	--	--
Total for operating activities	156,504	118,279	32.3

Revenue (€ million)	Q1-Q3 2018	Q1-Q3 2017	Change (%)
DEUTZ Compact Engines	1,085.2	907.6	19.6
DEUTZ Customised Solutions	191.3	185.6	3.1
Other	20.8	--	--
Total for operating activities	1,297.3	1,093.2	18.7

EBIT before exceptional items (€ million)	Q1-Q3 2018	Q1-Q3 2017 ⁽¹⁾	Change (%)
DEUTZ Compact Engines	28.2	5.6	>100
DEUTZ Customised Solutions	26.3	21.9	20.1
Other	-8.6	-0.8	--
Total for operating activities	45.9	26.7	71.9

(1) Restated

Overview of segments Q3 2018

	Q3 2018	Q3 2017	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	381.8	307.7	24.1
DEUTZ Customised Solutions	63.7	63.1	1.0
Other	6.7	--	--
Total for operating activities	452.2	370.8	22.0

	Q3 2018	Q3 2017	Change (%)
Unit sales			
DEUTZ Compact Engines	46,571	36,465	26.0
DEUTZ Customised Solutions	2,100	2,215	-5.2
Other	2,632	--	--
Total for operating activities	51,303	38,680	32.6

	Q3 2018	Q3 2017	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	347.5	294.0	18.2
DEUTZ Customised Solutions	65.8	64.7	1.7
Other	6.4	--	--
Total for operating activities	419.7	358.7	17.0

	Q3 2018	Q3 2017 ⁽¹⁾	Change (%)
EBIT before exceptional items (€ million)			
DEUTZ Compact Engines	7.5	-4.7	>100
DEUTZ Customised Solutions	8.4	10.3	-18.4
Other	-3.4	-0.6	--
Total for operating activities	12.5	5.0	150.0

(1) Restated

Employees

	30 Sep 2018	30 Sep 2017	Change (%)
Cologne	2,618	2,257	16.0
Ulm	472	449	5.1
Other German operations	275	138	99.3
Germany	3,365	2,844	18.3
Foreign operations	1,195	991	20.6
DEUTZ Group	4,560	3,835	18.9

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 VERY MUCH



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