

## Q1 2017 results

9 May 2017

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The engine company.



# Agenda

- **Review Q1 2017**

- **Outlook**

- **Annex**

# Key figures

| € million                                | Q1 2017 | yoy            | qoq            |
|--|---------|----------------|----------------|
| <b>New orders</b>                        | 403.2   | +23.2 %        | +23.6 %        |
| <b>Revenue</b>                           | 352.5   | +17.4 %        | +12.0 %        |
| <b>EBITDA</b> (before exceptional items) | 28.7    | -€2.6 million  | +€2.4 million  |
| <b>EBIT</b> (before exceptional items)   | 7.6     | +€0.3 million  | +€3.9 million  |
| <b>Net income</b>                        | 15.4    | +€6.7 million  | +€18.2 million |
| <b>Free cash flow</b>                    | 39.7    | +€68.6 million | +€7.0 million  |

**→ Improvement of most relevant key figures**

# Highlights

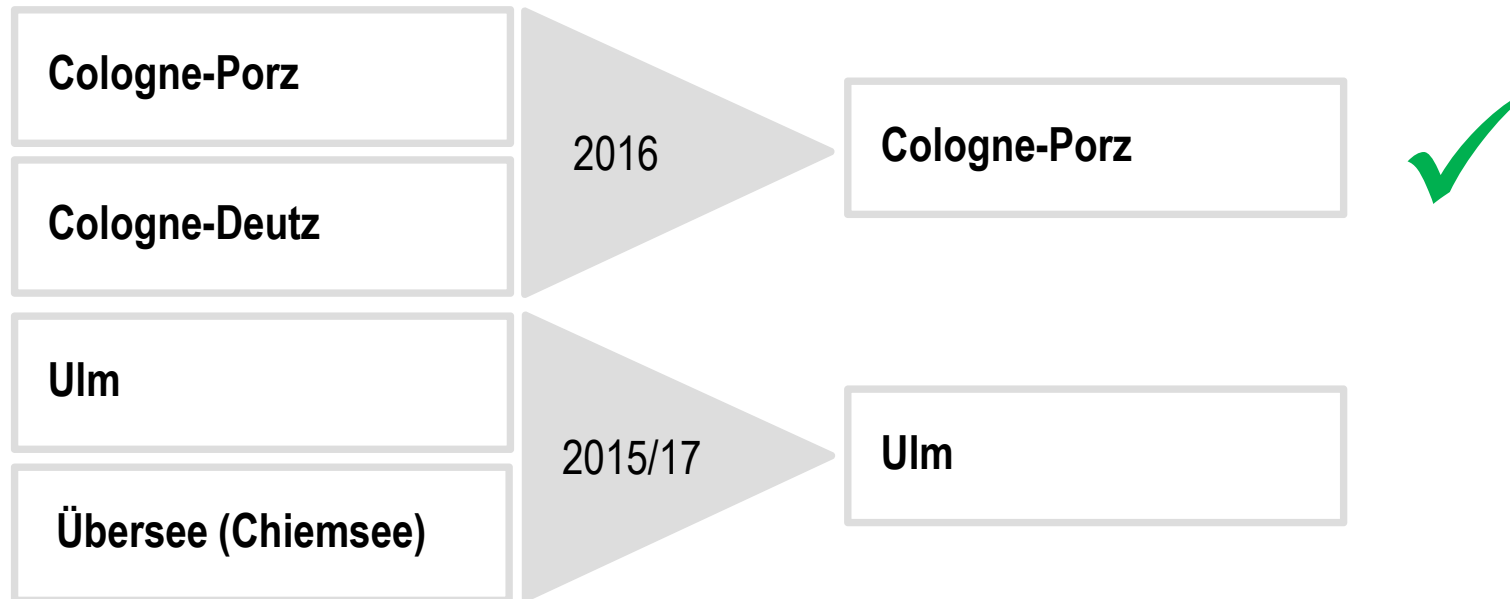
## ■ Successful start to the financial year 2017

- Encouraging market trends
- High level of new orders is a good basis for growth
- Strong free cash flow generation
- Positive exceptional item in Q1: €10.0 million gain from disposal of building lease
- Guidance for FY 2017 confirmed

## ■ DEUTZ sells its Cologne-Deutz site at attractive terms

- In the current year DEUTZ expects this transaction to deliver a positive contribution to earnings in the high double-digit million euros (after taxes) that will be recognised as an exceptional item
- Further final instalment of the purchase consideration anticipated in the coming years

# Site optimisation



- Site optimization in Cologne completed and far advanced at the sites in southern Germany (Ulm / Übersee)
- Efficiency gains of approx. €10 million p.a. from 2017 onwards (higher with better capacity utilisation)
- Former site in Cologne-Deutz sold at attractive terms since no longer required after the site's relocation

**→ Sustainable efficiency improvement by merging facilities**

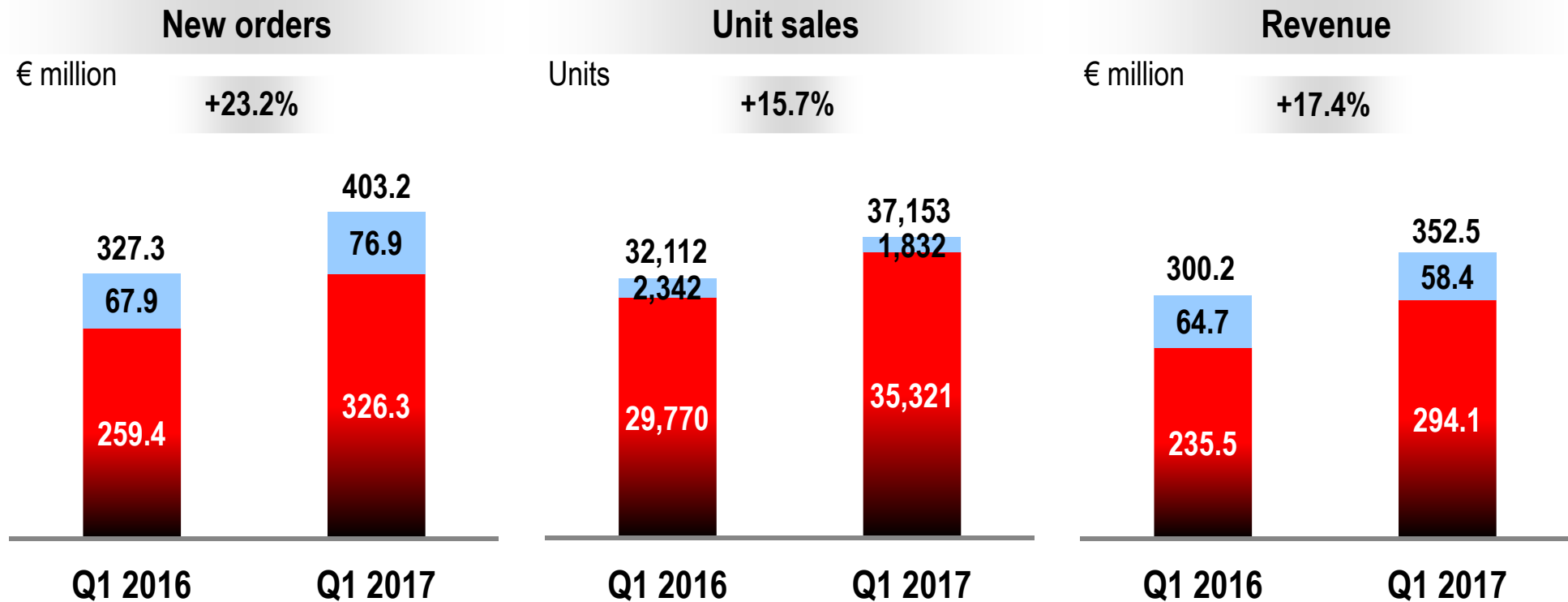
## Former site in Cologne sold



- Former industrial site in Cologne-Deutz (160,000 m<sup>2</sup>) sold to real estate developer
- Area close to the river Rhine will be developed to a new city district with a high proportion of housing
- Purchase price of around €125 million expected in 2017. Sale will lead to positive contribution to earnings in the high double-digit million euros (after taxes) in the current year, which will be shown as an exceptional item
- Final instalment of the purchase price expected in the coming years, depending on completion of the ongoing planning process. If successful, the final instalment might reach into the mid double-digit million euros.



# Sales figures



- Double digit growth of sales figures driven by DEUTZ Compact engines
- Revenue increase ahead of unit sales growth due to positive mix effects

■ DEUTZ Compact Engines    ■ DEUTZ Customised Solutions

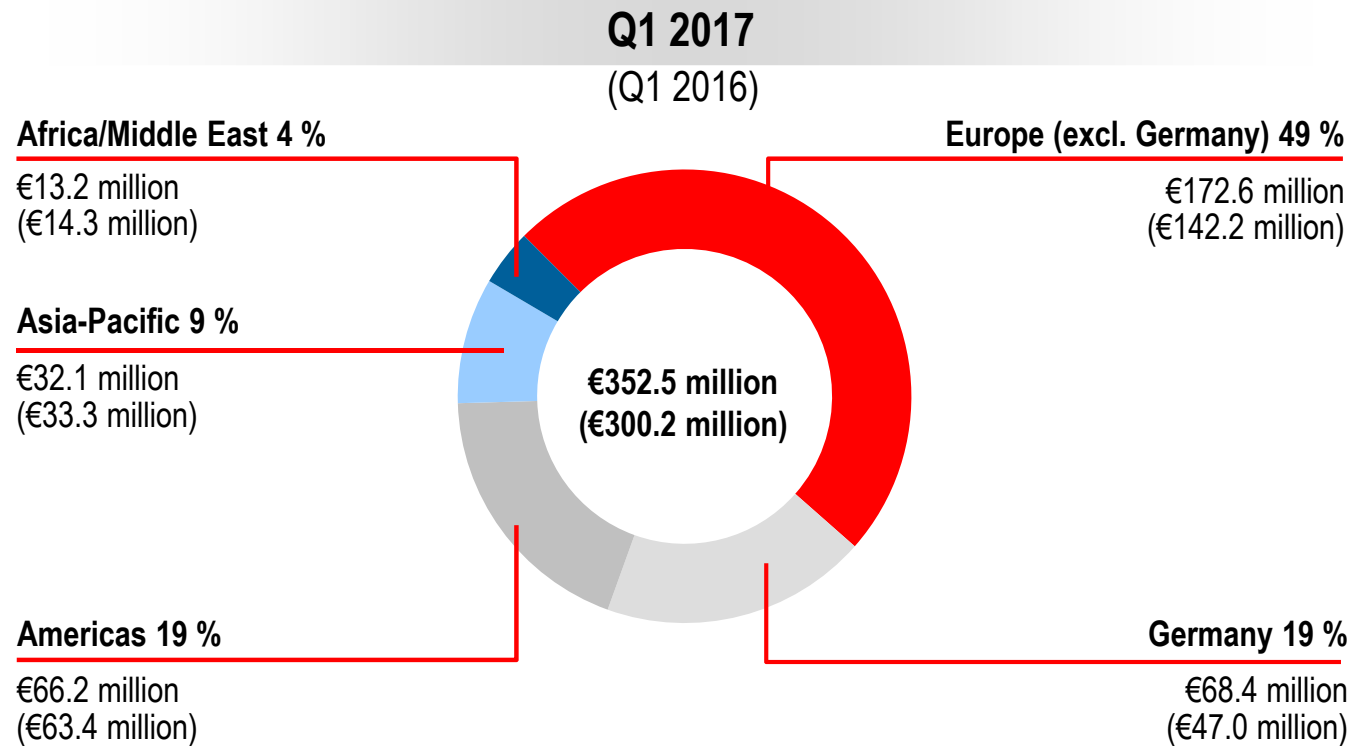
# Book-to-bill ratio

| € million          | <b>Q1<br/>2017</b> | Q4<br>2016 | Q3<br>2016 | Q2<br>2016 | Q1<br>2016 |
|--------------------|--------------------|------------|------------|------------|------------|
| New orders         | <b>403.2</b>       | 326.1      | 258.1      | 349.9      | 327.3      |
| Revenue            | <b>352.5</b>       | 314.7      | 301.1      | 344.2      | 300.2      |
| Book-to-bill ratio | <b>1.14x</b>       | 1.04x      | 0.86x      | 1.02x      | 1.09x      |
| Orders on hand     | <b>238.8</b>       | 191.0      | 178.6      | 222.0      | 215.3      |

- Sharp increase in order intake across all regions and applications
- New orders exceed revenue
- Increased order backlog



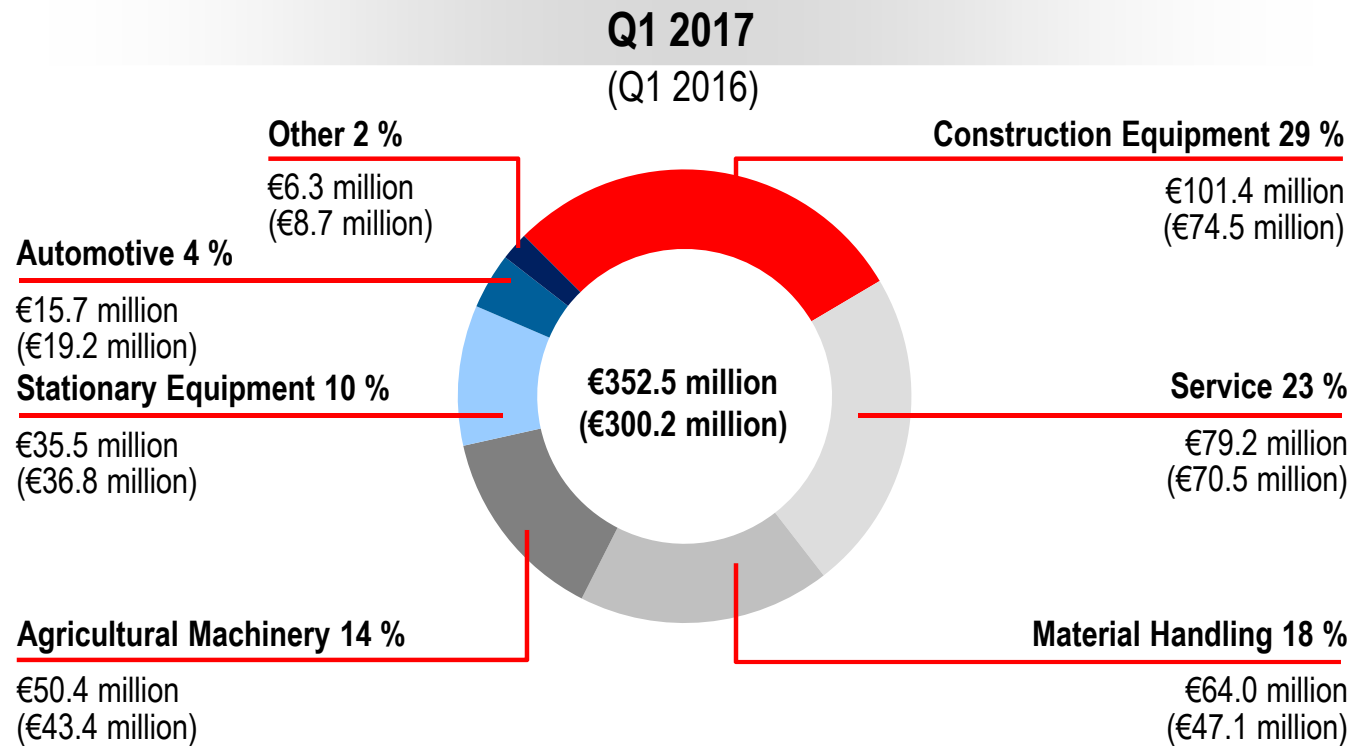
# Revenue split by region



- Substantial revenue improvement in EMEA (+24.9 % yoy)
- Americas advanced by 4.4% yoy, Asia-Pacific declined (-3.6 % yoy) due to licence proceeds in Q1 2016
- Pro-forma revenue<sup>(1)</sup> including equity-accounted Chinese JV DEUTZ Dalian: €427.7 million (+10.1 %); corresponding revenue share of Asia-Pacific amounts to 25 %

(1) Considering 100% of JV revenue

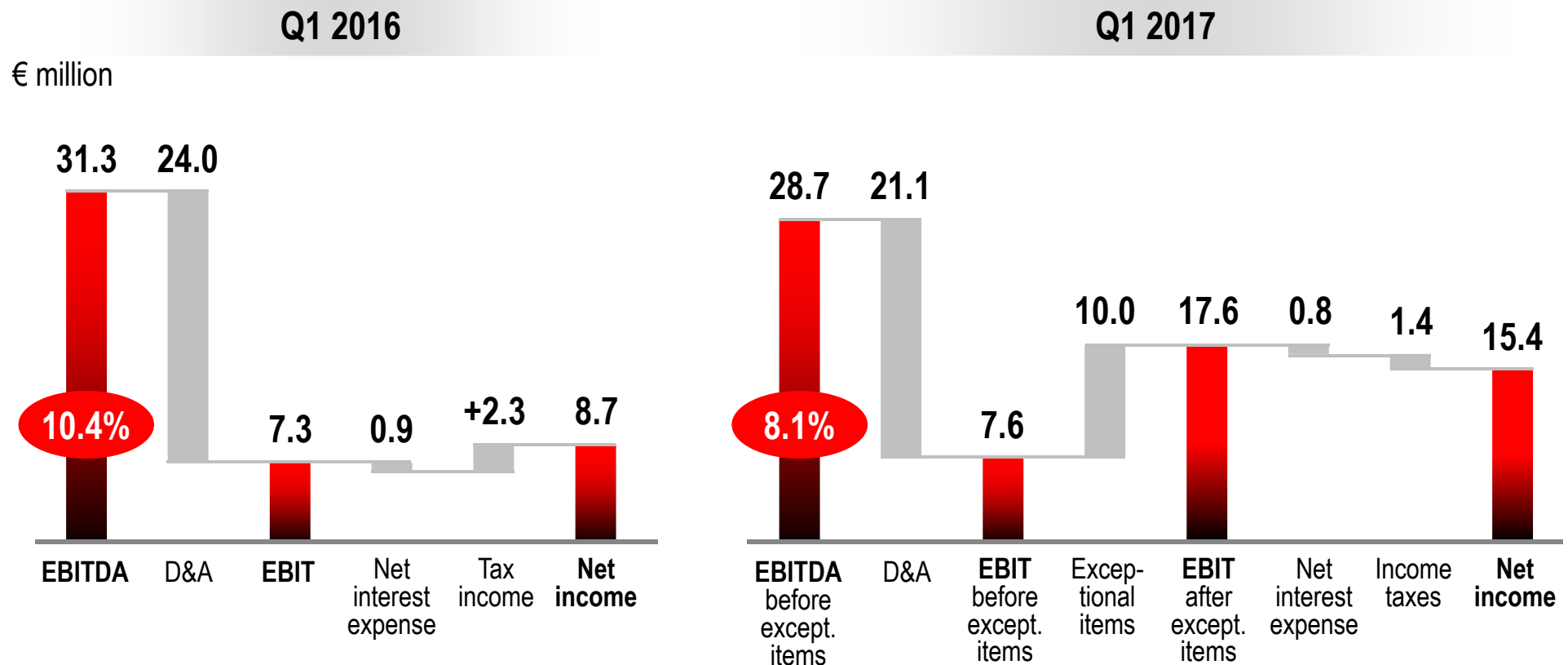
# Revenue split by application



- Strong growth rates (yoy) at largest applications segments Construction Equipment (+36.1 %), Material Handling (+35.9 %) and Agricultural Machinery (+16.1 %)
- Service business growth accelerated to +12.3 % yoy
- Pro-forma Automotive revenue<sup>(1)</sup> incl. equity-accounted JV DEUTZ Dalian: €81.1 million (corresponding revenue share amounts to 19 %)

(1) Considering 100% of JV revenue

# Operating profit & net income

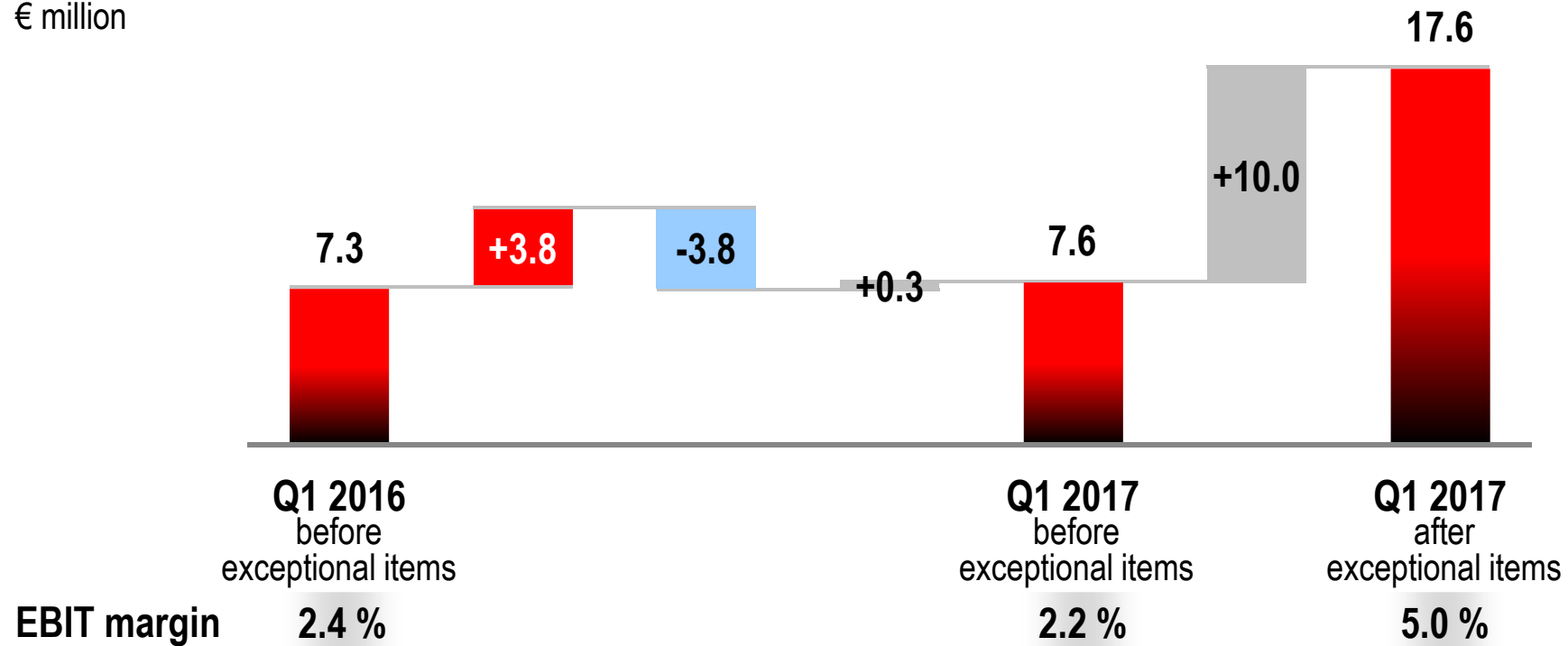


- EBIT (before exceptional items) on prior year's level although Q1 2016 results benefitted from licence proceeds of €5.5 million
- Positive exceptional item in Q1 2017 due to proceeds from disposal of building lease
- Interest expense and tax rate remain on low level
- Net income increased by €6.7 million

**xx.x%** EBITDA margin

# EBIT

€ million



- EBIT improvement at DEUTZ Compact Engines on the back of higher business volume
- Prior year result at DEUTZ Customised Solutions included licence proceeds (€5.5 million)
- Positive exceptional item at Segment Other related to gain from disposal of building lease

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

## Segment: DEUTZ Compact Engines

| € million                       | <b>Q1<br/>2017</b> | Q1<br>2016 | Change<br>in % |
|---------------------------------|--------------------|------------|----------------|
| New orders                      | <b>326.3</b>       | 259.4      | 25.8           |
| Unit sales                      | <b>35,321</b>      | 29,770     | 18.6           |
| Revenue                         | <b>294.1</b>       | 235.5      | 24.9           |
| EBIT (before exceptional items) | <b>1.5</b>         | -2.3       | --             |

| € million                       | <b>Q1<br/>2017</b> | Q4<br>2016 | Change<br>in % |
|---------------------------------|--------------------|------------|----------------|
| New orders                      | <b>326.3</b>       | 267.9      | 21.8           |
| Unit sales                      | <b>35,321</b>      | 29,869     | 18.3           |
| Revenue                         | <b>294.1</b>       | 251.1      | 17.1           |
| EBIT (before exceptional items) | <b>1.5</b>         | -0.2       | --             |

- New orders improved 25.8 % yoy and 21.8 % qoq
- Substantial revenue increase at Construction Equipment (+39.8 % yoy) and Material Handling (+38.2 % yoy)
- Operating profit improved by €3.8 million yoy due to higher business volume

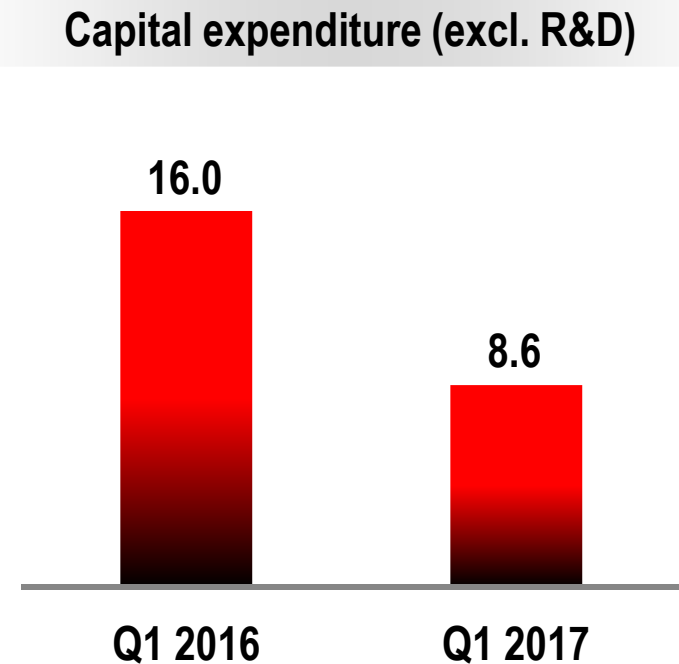
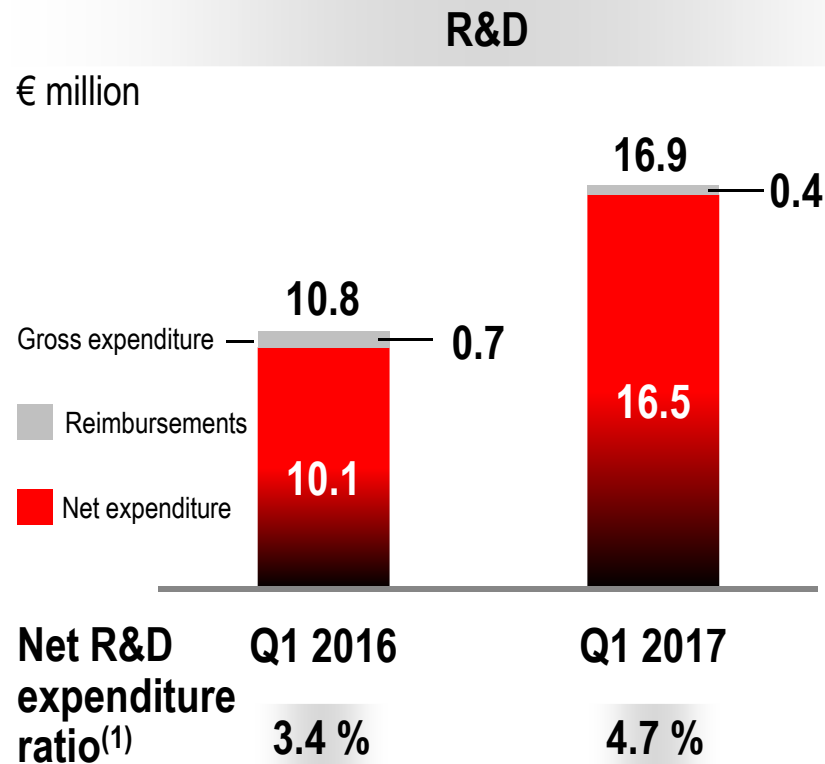
## Segment: DEUTZ Customised Solutions

| € million                       | <b>Q1<br/>2017</b> | Q1<br>2016 | Change<br>in % |
|---------------------------------|--------------------|------------|----------------|
| New orders                      | <b>76.9</b>        | 67.9       | 13.3           |
| Unit sales                      | <b>1,832</b>       | 2,342      | -21.8          |
| Revenue                         | <b>58.4</b>        | 64.7       | -9.7           |
| EBIT (before exceptional items) | <b>6.4</b>         | 10.2       | -37.3          |

| € million                       | <b>Q1<br/>2017</b> | Q4<br>2016 | Change<br>in % |
|---------------------------------|--------------------|------------|----------------|
| New orders                      | <b>76.9</b>        | 58.2       | 32.1           |
| Unit sales                      | <b>1,832</b>       | 2,231      | -17.9          |
| Revenue                         | <b>58.4</b>        | 63.6       | -8.2           |
| EBIT (before exceptional items) | <b>6.4</b>         | 5.1        | 25.5           |

- Unit sales declined mainly due Stationary Equipment applications
- Prior year result benefitted from licence proceeds (€5.5 million)
- Operating profit improved by €1.3 million qoq
- Encouraging order increase (+32.1 % qoq)

# R&D & capital expenditure



- Higher R&D expenditure in line with guidance
- Proportion of capitalised net R&D expenditure: €3.6 million (Q1 2016: €0.9 million)

- Guidance for FY 2017 remains unchanged despite low CAPEX in Q1 2017

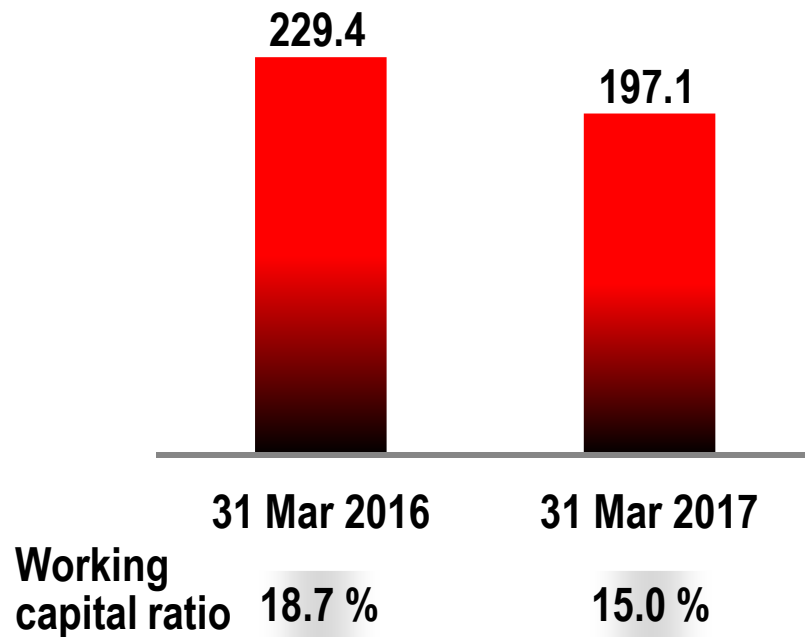
(1) Ratio of net R&D expenditure to consolidated revenue



# Working capital & operating cash flow

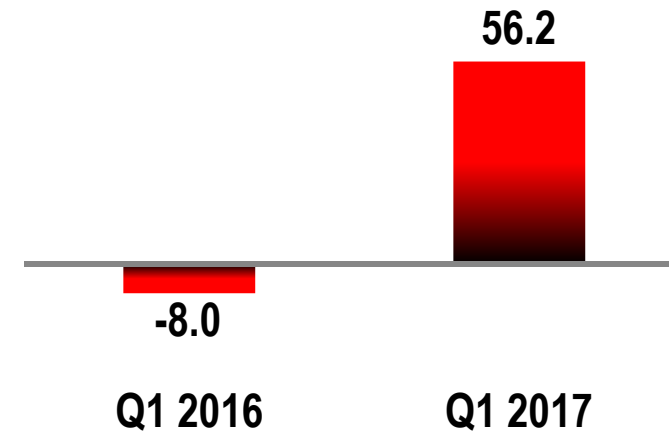
## Working capital

€ million



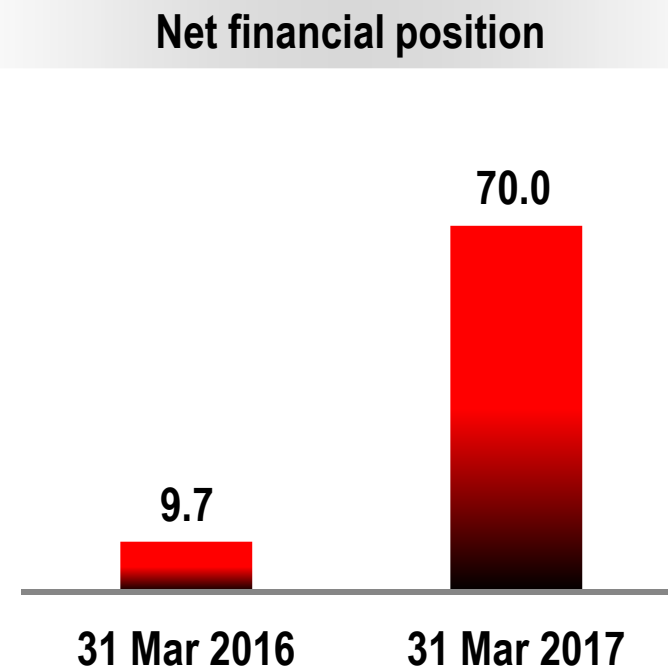
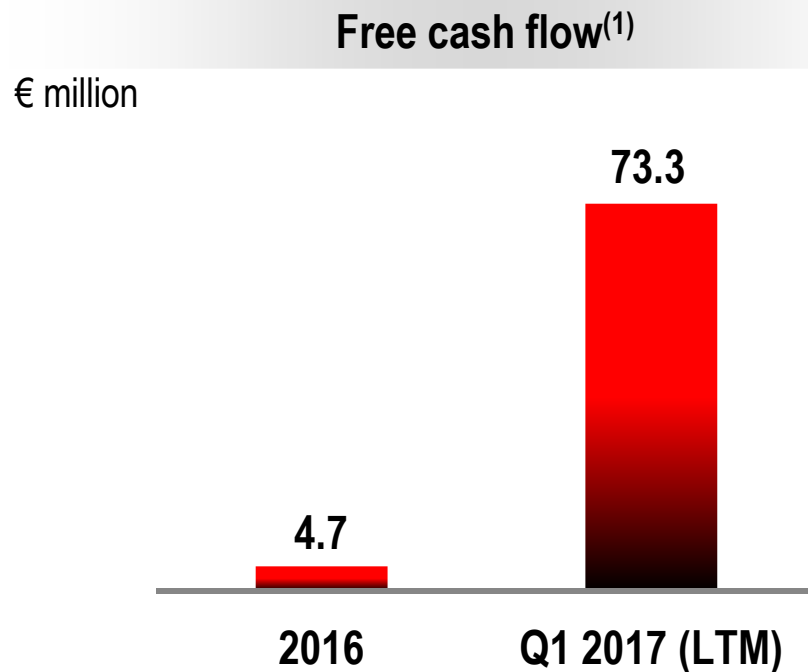
■ Working capital ratio improved strongly

## Operating cash flow



■ Significant improvement of operating cash flow due to lower working capital

# Free cash flow generation & net financial position



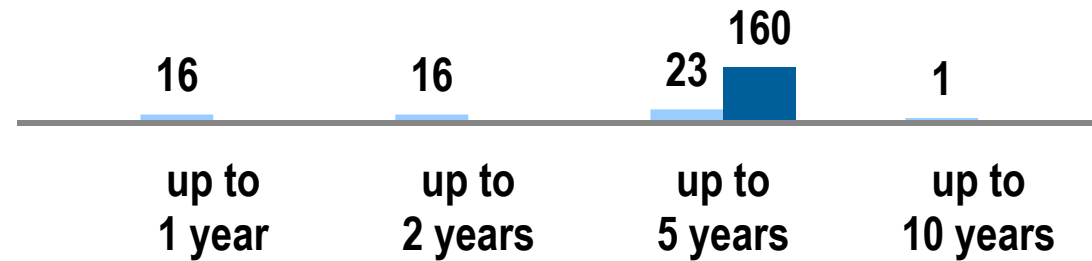
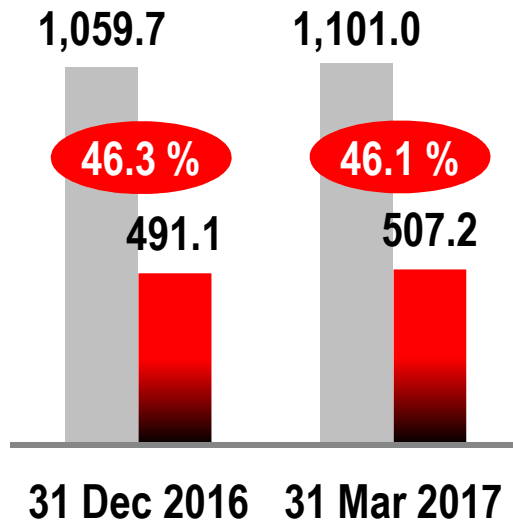
- Substantial increase of free cash flow attributable to good operating cash flow and sale of building lease

- Strong 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 lines

- Healthy balance sheet; equity ratio amounts to 46.1 %
- Financing with undrawn facilities available:
  - Credit line of €160 million until May 2020
  - Loan from European Investment Bank repayable until July 2020

# Summary

Double digit growth of sales figures

Operating profit increase at DEUTZ Compact Engines

Significant increase of free cash flow

Improvement of working capital ratio

Strong net financial position

Substantial proceeds from sale of property



# Agenda

- Review Q1 2017

- Outlook

- Annex

# Assessment for key end markets, 2017

|                                       | Europe                                 | North America | China                                    |
|---------------------------------------|--|---------------|--|
| Unit sales (equipment)                |  |               |  |
| <b>Construction equipment</b>         | +5% to +10%<br>(previous: 0 % to +5 %) | -5 % to +5 %  | +5 % to +10 %                            |
| <b>Material handling</b>              | 0 % to +10 %                           | -5 % to +5 %  | 0 % to +10 %<br>(previous: -5 % to +5 %) |
| <b>Agricultural machinery</b>         | -5 % to +5 %                           |               |  |
| <b>Medium &amp; light duty trucks</b> |  |               | 0 % to +5 %                              |

- Demand for construction equipment and material handling in Europe is expected to grow
- Supportive market environment for automotive and construction equipment in China
- First signs of improvement in North America

# Financial outlook

| € million                                     | FY 2016 reported | FY 2017 guidance  |
|---|------------------|-------------------|
| <b>Revenue</b>                                | 1,260.2          | marked increase   |
| <b>EBIT margin</b> (before exceptional items) | 1.9 %            | moderate increase |
| <b>R&amp;D expenditure<sup>(1)</sup></b>      | 50.4             | 60 - 70           |
| <b>Capex (excl. R&amp;D)<sup>(1)</sup></b>    | 52.9             | approx. 70        |

(1) Net of reimbursements

- R&D expenditure and capex increase due to growth investments for expansion of product range
- Positive exceptional items:
  - Property sale in Cologne-Deutz with positive contribution to earnings in FY 2017 in the high double-digit million euros (after taxes)
  - Gain from disposal of building lease (€10.0 million) from Ad. Strüver in Hamburg realised in Q1 2017



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# Summary of key financials (I)

| € million                                 | Q1 2017 | Q1 2016 | Change (%) |
|---|---------|---------|------------|
| Revenue                                   | 352.5   | 300.2   | 17.4       |
| EBITDA (before exceptional items)         | 28.7    | 31.3    | -8.3       |
| EBIT (before exceptional items)           | 7.6     | 7.3     | 4.1        |
| EBIT margin (before exceptional items), % | 2.2     | 2.4     | --         |
| Net income                                | 15.4    | 8.7     | 77.0       |
| Basic earnings per share (€)              | 0.13    | 0.08    | 62.5       |
| Number of employees (31 March)            | 3,675   | 3,699   | -0.6       |

## Summary of key financials (II)

| € million                           | Q1 2017 | Q1 2016 | Change (%) |
|-------------------------------------|---------|---------|------------|
| Total assets                        | 1,101.0 | 1,099.6 | 0.1        |
| Equity                              | 507.2   | 495.4   | 2.4        |
| Equity ratio (%)                    | 46.1    | 45.1    | --         |
| Cash flow from operating activities | 56.2    | -8.0    | --         |
| Free cash flow <sup>(1)</sup>       | 39.7    | -28.9   | --         |
| Net financial position              | 70.0    | 9.7     | --         |
| Working capital                     | 197.1   | 229.4   | -14.1      |

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

# Income statement

| € million                                   | Q1 2017      | Q1 2016      | Change (%)     |
|---|--------------|--------------|----------------|
| <b>Revenue</b>                              | <b>352.5</b> | <b>300.2</b> | <b>17.4</b>    |
| Cost of sales                               | -290.9       | -241.5       | 20.5           |
| Research and development costs              | -23.2        | -19.2        | 20.8           |
| Selling expenses                            | -18.5        | -17.3        | 6.9            |
| General and administrative expenses         | -10.2        | -8.8         | 15.9           |
| Other operating income                      | 13.5         | 3.6          | >100           |
| Other operating expenses                    | -4.9         | -8.8         | -44.3          |
| Profit/loss on equity-accounted investments | -0.7         | -0.9         | -22.2          |
| <b>EBIT</b>                                 | <b>17.6</b>  | <b>7.3</b>   | <b>&gt;100</b> |
| Thereof: Exceptional items                  | 10.0         | 0.0          | --             |
| <b>EBIT (before exceptional items)</b>      | <b>7.6</b>   | <b>7.3</b>   | <b>4.1</b>     |
| Interest expense, net                       | -0.8         | -0.9         | -11.1          |
| <b>Net income before income taxes</b>       | <b>16.8</b>  | <b>6.4</b>   | <b>&gt;100</b> |
| Income taxes                                | -1.4         | 2.3          | --             |
| <b>Net income</b>                           | <b>15.4</b>  | <b>8.7</b>   | <b>77.0</b>    |

## Balance sheet: assets

| € million                                       | <b>31 March<br/>2017</b> | <b>31 Dec<br/>2016</b> | Change<br>(%) |
|---|--------------------------|------------------------|---------------|
| Non-current assets (before deferred tax assets) | 469.6                    | 483.7                  | -2.9          |
| Deferred tax assets                             | 80.1                     | 79.9                   | 0.3           |
| Inventories                                     | 254.2                    | 253.1                  | 0.4           |
| Trade receivables                               | 135.7                    | 113.5                  | 19.6          |
| Other receivables and assets                    | 30.7                     | 37.3                   | -17.7         |
| Cash and cash equivalents                       | 126.3                    | 91.8                   | 37.6          |
| Non-current assets classified as held for sale  | 4.4                      | 0.4                    | >100          |
| <b>Total assets</b>                             | <b>1,101.0</b>           | <b>1,059.7</b>         | <b>3.9</b>    |

# Balance sheet: equity and liabilities

| € million  | 31 March<br>2017 | 31 Dec<br>2016 | Change<br>(%) |
|--|------------------|----------------|---------------|
| <b>Equity</b>  | <b>507.2</b>     | <b>491.1</b>   | <b>3.3</b>    |
| Provisions for pensions and other post-retirement benefits | 171.2            | 175.9          | -2.7          |
| Deferred tax liabilities                                   | 0.1              | 0.4            | -75.0         |
| Other provisions   | 39.1             | 38.4           | 1.8           |
| Financial liabilities                                      | 40.2             | 44.0           | -8.6          |
| Other liabilities  | 5.2              | 6.3            | -17.5         |
| <b>Non-current liabilities</b>                             | <b>255.8</b>     | <b>265.0</b>   | <b>-3.5</b>   |
| Provisions for pensions and other post-retirement benefits | 14.1             | 14.1           | 0.0           |
| Other provisions / Provisions for income taxes             | 64.2             | 60.0           | 7.0           |
| Financial liabilities                                      | 16.1             | 16.2           | -0.6          |
| Trade payables   | 192.8            | 162.3          | 18.8          |
| Other liabilities  | 50.8             | 51.0           | -0.4          |
| <b>Current liabilities</b>                                 | <b>338.0</b>     | <b>303.6</b>   | <b>11.3</b>   |
| <b>Total equity and liabilities</b>                        | <b>1,101.0</b>   | <b>1,059.7</b> | <b>3.9</b>    |

# Cash flow statement (condensed)

| € million   | Q1 2017      | Q1 2016      |
|---|--------------|--------------|
| EBIT  | 17.6         | 7.3          |
| <b>Cash flow from operating activities (total)</b>                                      | <b>56.2</b>  | <b>-8.0</b>  |
| Capital expenditure on intangible assets, property, plant and equipment and investments | -16.0        | -19.9        |
| Proceeds from the sale of non-current assets  | 0.4          | 0.0          |
| <b>Cash flow from investing activities (total)</b>                                      | <b>-15.6</b> | <b>-19.9</b> |
| <b>Cash flow from financing activities</b>  | <b>-6.2</b>  | <b>-4.6</b>  |
| <b>Change in cash and cash equivalents</b>  | <b>34.4</b>  | <b>-32.5</b> |



# Overview of segments, Q1 2017

|                                       | Q1<br>2017   | Q1<br>2016   | Change<br>(%) |
|---------------------------------------|--------------|--------------|---------------|
| <b>New orders (€ million)</b>         |              |              |               |
| DEUTZ Compact Engines                 | 326.3        | 259.4        | 25.8          |
| DEUTZ Customised Solutions            | 76.9         | 67.9         | 13.3          |
| <b>Total for operating activities</b> | <b>403.2</b> | <b>327.3</b> | <b>23.2</b>   |

|                                       | Q1<br>2017   | Q1<br>2016   | Change<br>(%) |
|---------------------------------------|--------------|--------------|---------------|
| <b>Revenue (€ million)</b>            |              |              |               |
| DEUTZ Compact Engines                 | 294.1        | 235.5        | 24.9          |
| DEUTZ Customised Solutions            | 58.4         | 64.7         | -9.7          |
| <b>Total for operating activities</b> | <b>352.5</b> | <b>300.2</b> | <b>17.4</b>   |

|                                       | Q1<br>2017    | Q1<br>2016    | Change<br>(%) |
|---------------------------------------|---------------|---------------|---------------|
| <b>Unit sales</b>                     |               |               |               |
| DEUTZ Compact Engines                 | 35,321        | 29,770        | 18.6          |
| DEUTZ Customised Solutions            | 1,832         | 2,342         | -21.8         |
| <b>Total for operating activities</b> | <b>37,153</b> | <b>32,112</b> | <b>15.7</b>   |

|  | Q1<br>2017 | Q1<br>2016 | Change<br>(%) |
|--|------------|------------|---------------|
| <b>EBIT before exceptional items (€ million)</b> |            |            |               |
| DEUTZ Compact Engines                            | 1.5        | -2.3       | --            |
| DEUTZ Customised Solutions                       | 6.4        | 10.2       | -37.3         |
| Other  | -0.3       | -0.6       | 50.0          |
| <b>Total for operating activities</b>            | <b>7.6</b> | <b>7.3</b> | <b>4.1</b>    |

# Employees

|                         | <b>31 March<br/>2017</b> | <b>31 March<br/>2016</b> | <b>Change<br/>(%)</b> |
|-------------------------|--------------------------|--------------------------|-----------------------|
| Cologne                 | 2,193                    | 2,237                    | -2.0                  |
| Ulm                     | 414                      | 408                      | 1.5                   |
| Other German operations | 215                      | 222                      | -3.2                  |
| <b>Germany</b>          | <b>2,822</b>             | <b>2,867</b>             | <b>-1.6</b>           |
| Foreign operations      | 853                      | 832                      | 2.5                   |
| <b>DEUTZ Group</b>      | <b>3,675</b>             | <b>3,699</b>             | <b>-0.6</b>           |

# Financial calendar & contact details

■ H1 2017 result

3 August 2017

■ Q1-Q3 2017 result

7 November 2017

## ➤ Contact details

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