



A **NEW** DYNAMIC

FY 2017 results

14 March 2018

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The engine company.



AGENDA

Strategy & operational highlights

Financials

Dividend proposal & outlook

Annex

Highlights

- Significantly improved financial KPIs in 2017 - financial guidance fully achieved
- Site optimisation completed and former Cologne-Deutz property successfully sold
- Extended range of products in the lower and upper output range
- Expansion of service business organically and by acquisition
- DEUTZ is the 1st engine manufacturer to obtain certification for the EU Stage V emissions standard
- E-DEUTZ strategy – hybrid and full-electric drive systems for off-highway markets
- Acquisition of Torqeedo – the global market leader in electric drive systems for boats
- Positioning DEUTZ as market leader in innovative drive systems for off-highway applications
- Ongoing tailwind from end markets and strong order momentum

INNOVATIVE DRIVE SYSTEMS

High-tech Diesel Engines

- Long term future for many off-highway applications
- Pioneering role in reducing emissions
- Additional market opportunities

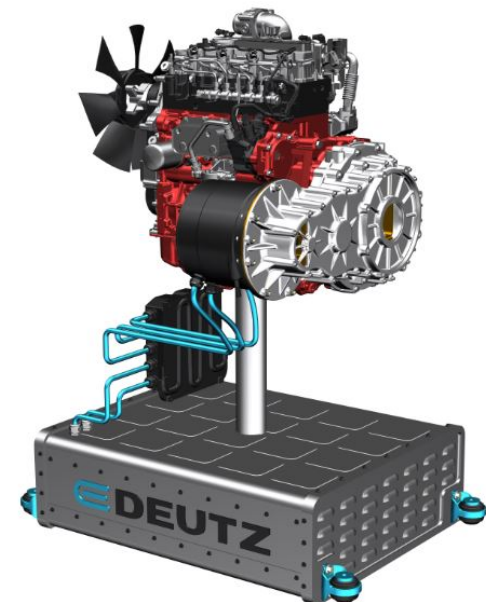


STAGE
certified ®

Alternative Fuels











- Liquid gas (LPG)
- Compressed natural gas (CNG)
- Hydrogen (H₂)
- Synthetic fuels, Biofuels


- Hybrid systems
- Electric systems
- Fully integrated solutions for OEMs



Extended range of products

- Enlarged product offering in the lower output range
- New gas and bi-fuel engines
- Extended product range in the upper output range (200 to 620 kW)

<p>G 2.2 L3 G 2.9 L4</p> <ul style="list-style-type: none"> ■ 26–54 kW 35–72 hp at 2800 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Start of series production in 2019</p>	<p>TCD 2.2 L3</p> <ul style="list-style-type: none"> ■ 55,4 kW 75 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 2.9 L4</p> <ul style="list-style-type: none"> ■ 75 kW 100 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 3.6 L4</p> <ul style="list-style-type: none"> ■ 105 kW 141 hp at 2300 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>STAGE V CERTIFIED®</p> <p>DEUTZ AG is the first engine manufacturer worldwide to be awarded the official certificate for meeting the latest exhaust emission standard. EU Stage V.</p> 
<p>TCD 4.1 L4 TCD 6.1 L6</p> <ul style="list-style-type: none"> ■ 80–180 kW 108–241 hp at 1800–2300 min¹/rpm ■ EU Stage V US EPA Tier 4 		<p>TCD 7.8 L6</p> <ul style="list-style-type: none"> ■ 250 kW 335 hp at 2600 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 12.0 V6 TCD 16.0 V8</p> <ul style="list-style-type: none"> ■ 240–520 kW 322–697 hp at 2100 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 9.0 L4 12.0 L6 13.5 L6</p> <ul style="list-style-type: none"> ■ 300–450 kW 400–600 hp at 2100 min¹/rpm ■ EU Stage V US EPA Tier 4 	<p>TCD 18.0 L6</p> <ul style="list-style-type: none"> ■ 620 kW 831 hp at 1900 min¹/rpm ■ EU Stage V US EPA Tier 4 

Example applications	Electrification	DEUTZ position
	<ul style="list-style-type: none"> ■ Competitive solutions for selected applications <ul style="list-style-type: none"> – Reduced TCO – Lower noise emissions – Performance / torque advantages ■ Reduced CO₂ emissions 	<ul style="list-style-type: none"> ■ Electric and hybrid solutions have not yet made inroads into off-highway markets ■ DEUTZ has established expertise in all relevant technological fields (e-motors, power electronics, battery technology, system integration etc.) ■ Marketable hybrid and full-electric products end of 2019 / early 2020 ■ High interest of OEMs

- ▶ Initial capital expenditure of approx. €100 million (incl. acquisition of Torqeedo)
- ▶ 5-10% revenue share in 2022 / 2023
- ▶ Target EBIT margin in the high single-digit / low double-digit percentage range

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Key figures

€ million	2017	yoy	Q4 2017	yoy
New orders	1,556.5	+23.4%	382.7	+17.4%
Revenue	1,479.1	+17.4%	385.9	+22.6%
EBITDA (before exceptional items)	135.9	+19.0%	45.4	+72.6%
EBIT (before exceptional items)	42.4	+81.2%	14.6	+€10.9 million
Net income	121.2	+€105.2 million	99.9	+€102.7 million
Free cash flow	82.5	+€77.8 million	8.1	-€24.6 million

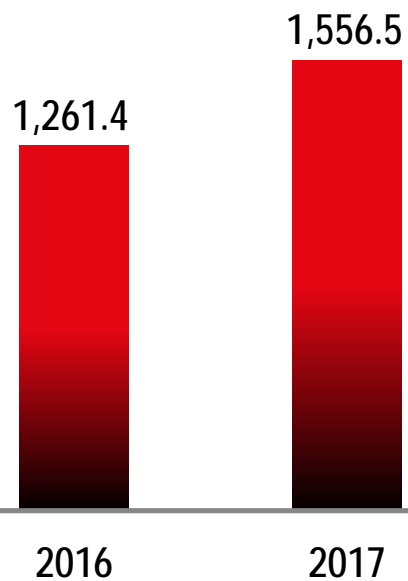
→ Strong 2017 operating results; financial targets fully achieved

Sales figures

New orders

€ million

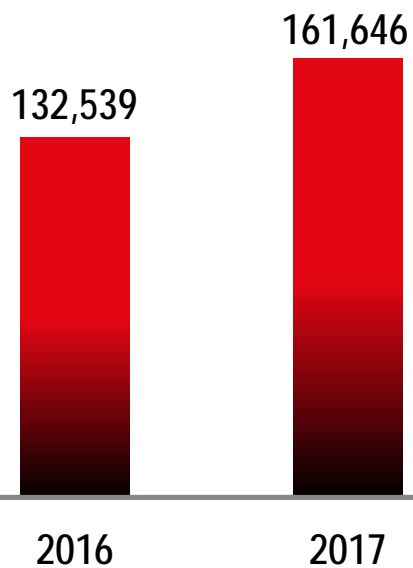
+23.4%



Unit sales

Units

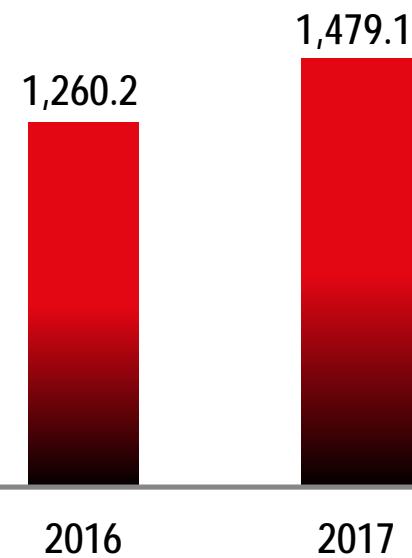
+22.0%



Revenue

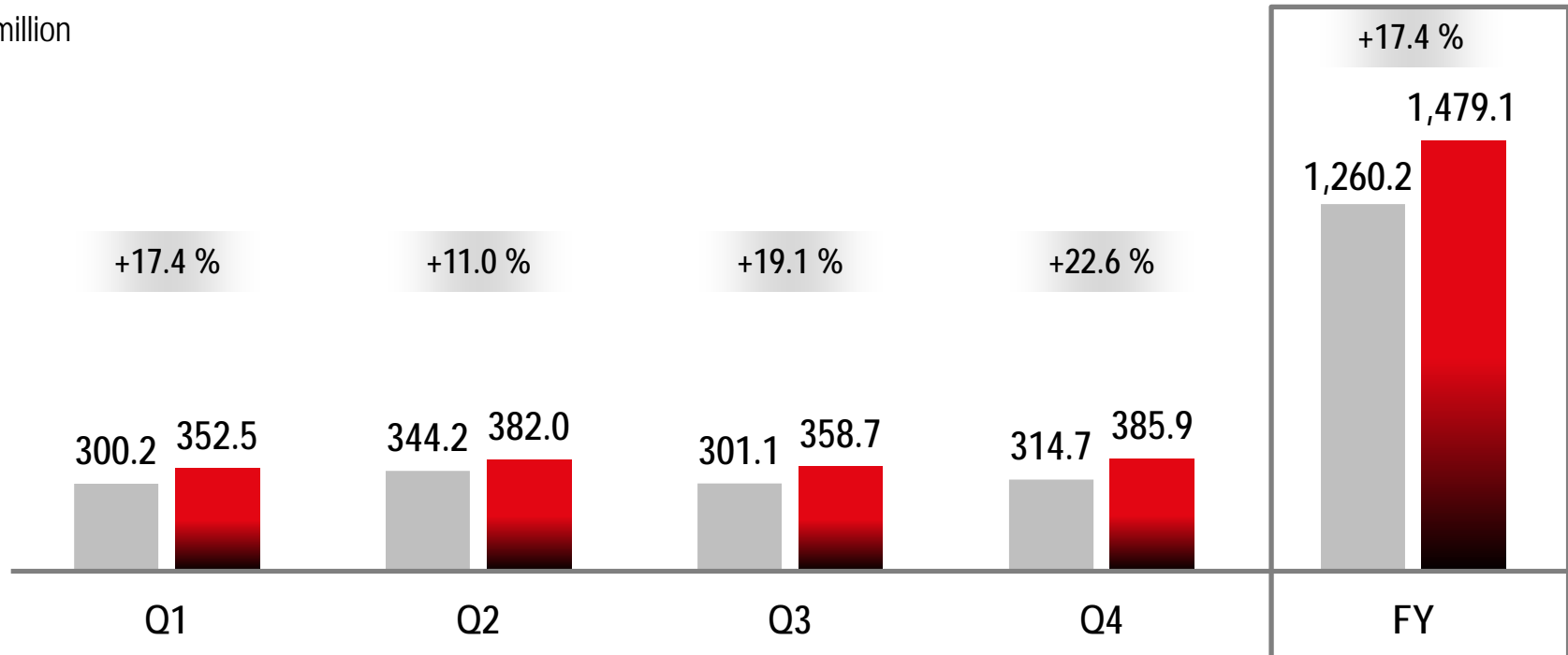
€ million

+17.4%



Revenue by quarter

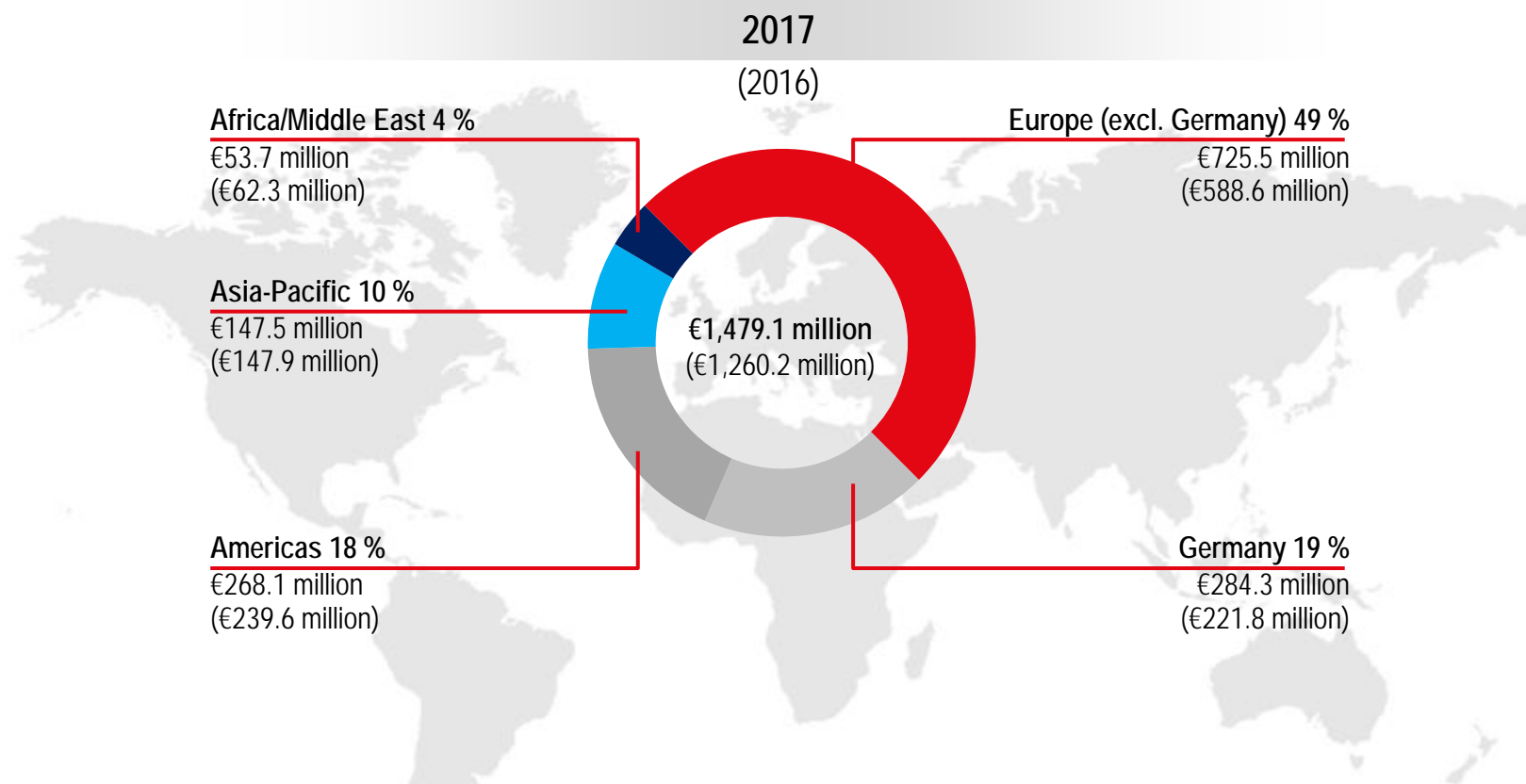
€ million



- Dynamic growth in 2017
- Revenue in each quarter clearly above the previous year's level

■ 2016 ■ 2017

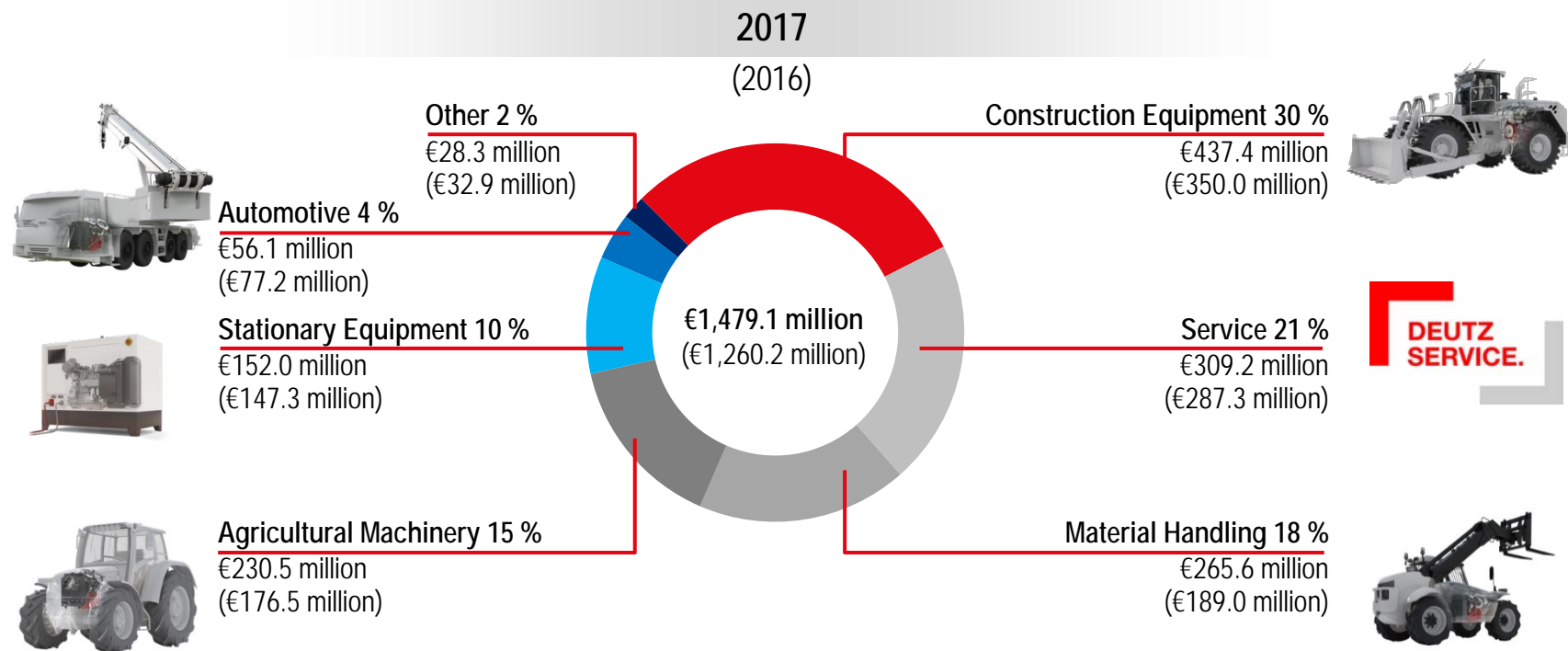
Revenue by region



- Pro-forma revenue⁽¹⁾ including equity-accounted Chinese JV DEUTZ Dalian: €1,784.7 million (+14.2%); this brings the Asia-Pacific region's share of global revenue up to 25%

(1) Including 100% of JV revenue

Revenue by application

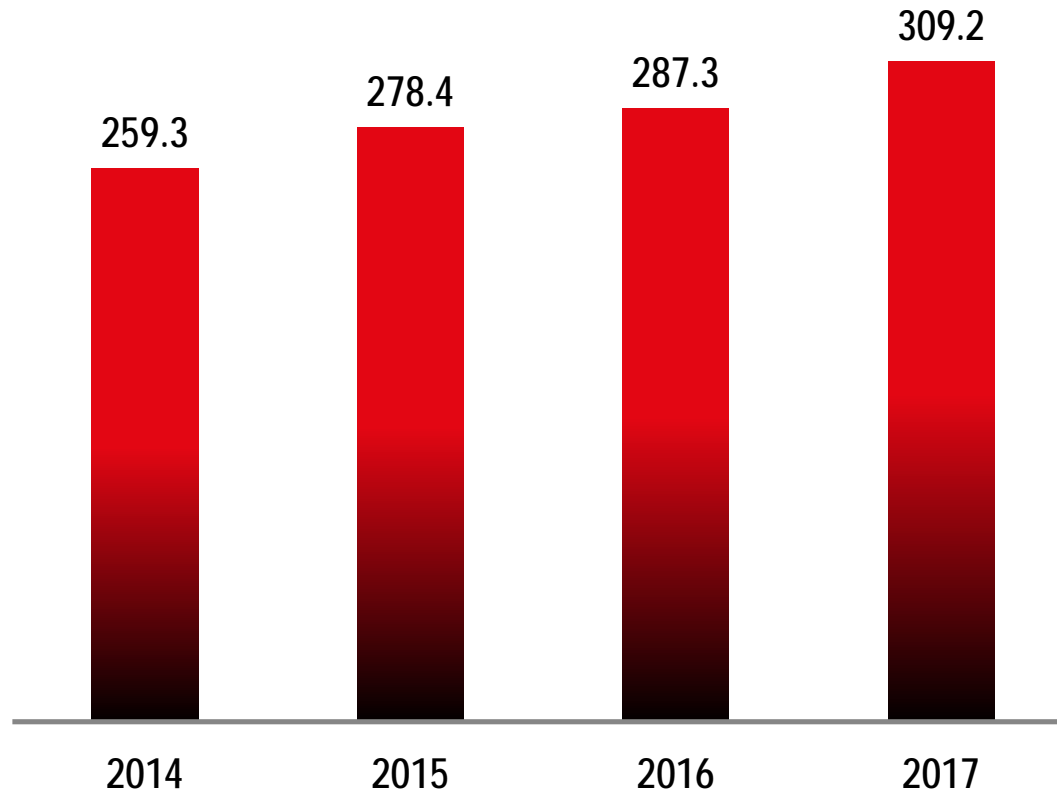


■ Pro-forma Automotive revenue⁽¹⁾ incl. equity-accounted JV DEUTZ Dalian: €325.0 million (18% of revenue)

(1) Including 100% of JV revenue

Service business

€ million



- Profitable service business showing resilience throughout the economic cycle
- Expansion of service business
 - New products
 - Digitalization
 - Investment in own service centers & acquisition of selected dealers

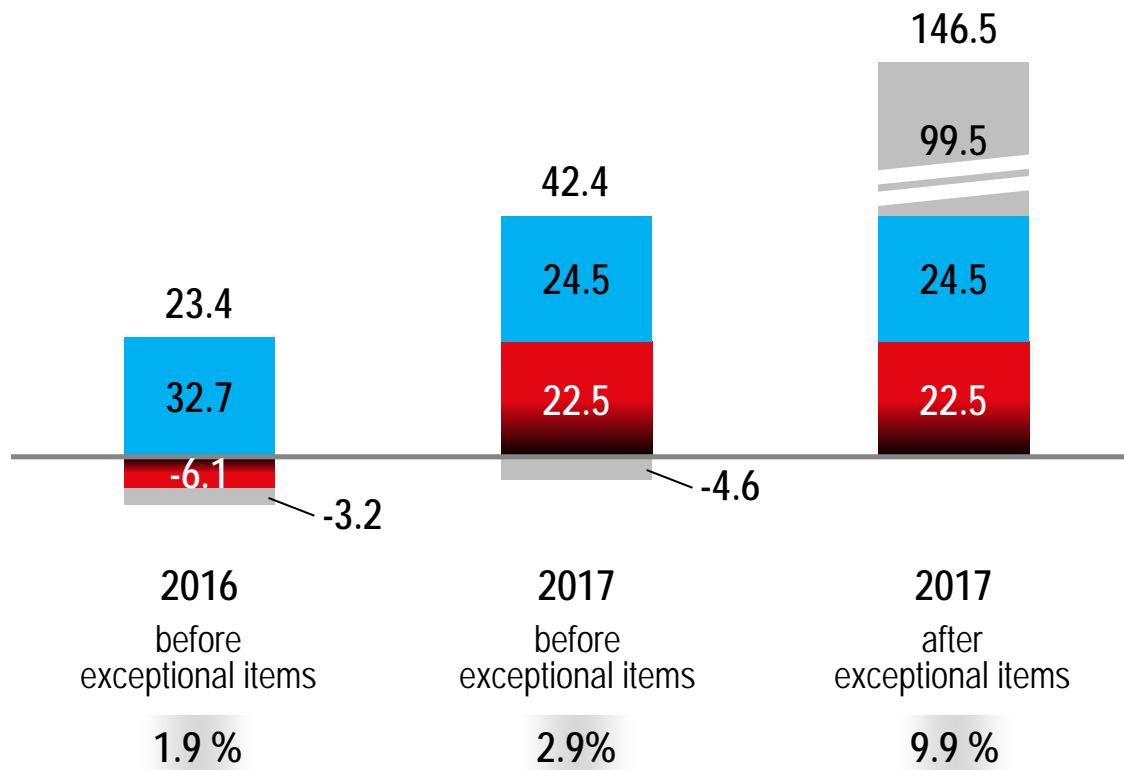
We care. We support. We deliver.

DEUTZ SERVICE.

→ Continuous growth of service revenue

EBIT

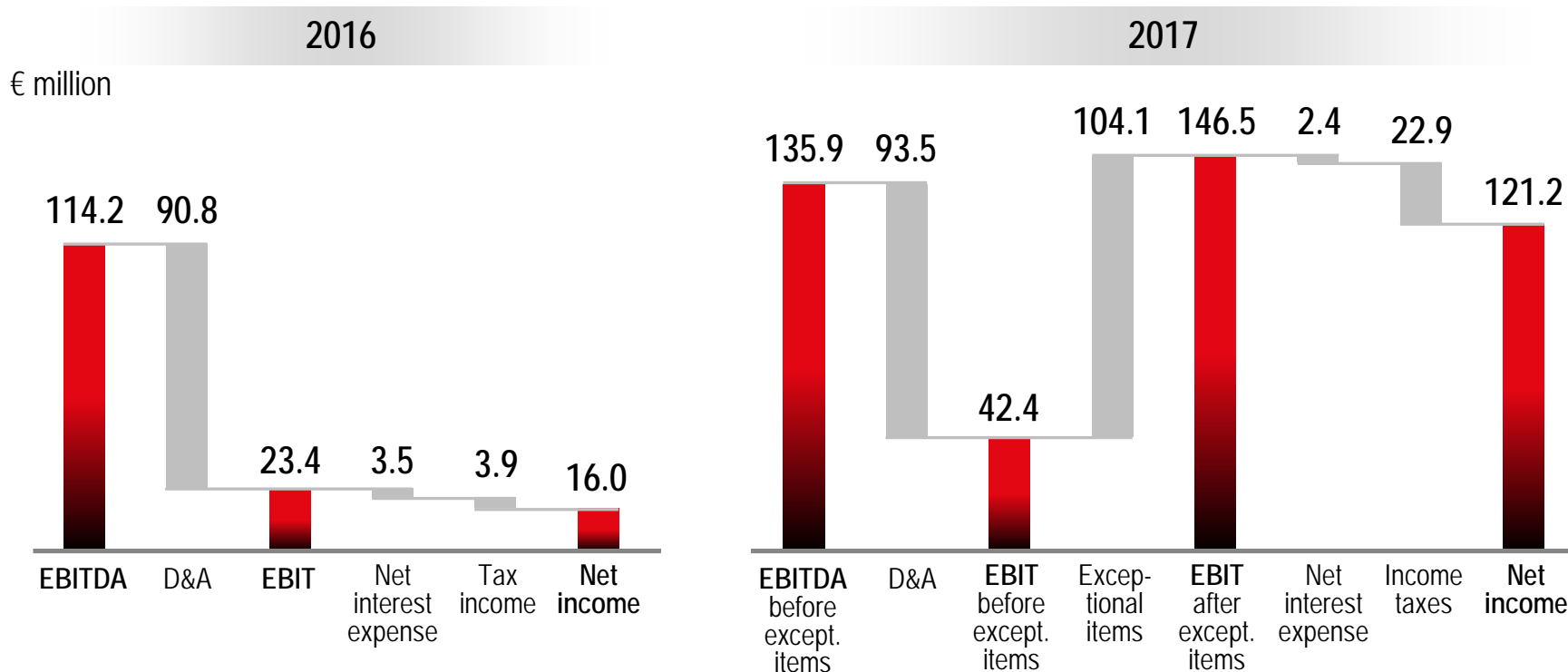
€ million



- Significantly improved EBIT for DEUTZ Compact Engines
- Prior-year result for DEUTZ Customised Solutions had been boosted by licensing income of €5.5 million
- EBIT margin after positive exceptional items amounts to 9.9%

■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

Operating profit & net income



- Solid improvement of EBITDA (+19.0%) due to higher capacity utilisation
- D&A includes an impairment (€8.8 million) of a development project
- EBIT before exceptional items increased strongly by €19.0 million (+81.2%)
- Positive exceptional items of €104.1 million (net) mainly attributable to proceeds of property sale

DEUTZ Compact Engines

€ million	2017	2016	Change in %
New orders	1,290.4	1,011.6	27.6
Unit sales (units)	151,671	123,179	23.1
Revenue	1,227.5	1,000.8	22.7
EBIT (before except. items)	22.5	-6.1	--

€ million	Q4 2017	Q4 2016	Change in %
New orders	321.1	267.9	19.9
Unit sales (units)	39,724	29,869	33.0
Revenue	319.9	251.1	27.4
EBIT (before except. items)	15.8	-0.2	--

- Strong revenue growth driven by key application segments: Material Handling (+43.0% yoy), Agricultural Equipment (+31.4% yoy) and Construction Equipment (+25.1% yoy)
- Service business advances by 11.1% yoy
- Improved EBIT (+€28.6 million yoy) mainly attributable to higher capacity utilisation and profit improvement from Chinese joint venture DEUTZ Dalian
- EBIT in Q4 2017 adversely affected by an €8.8 million impairment on intangible assets (capitalised R&D)

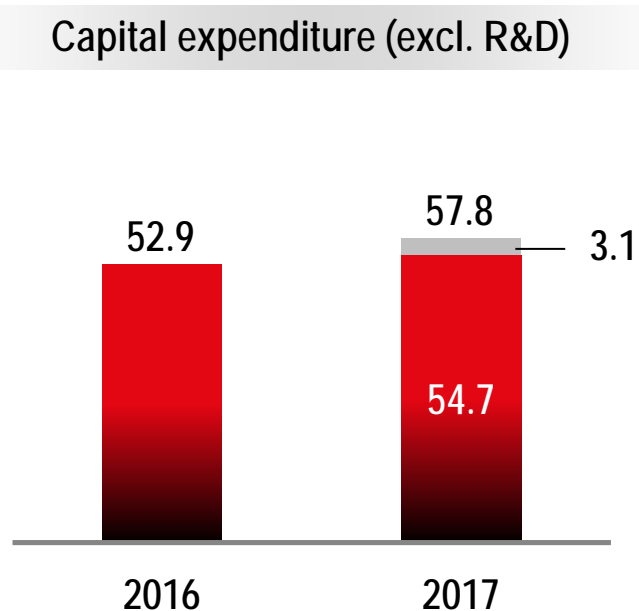
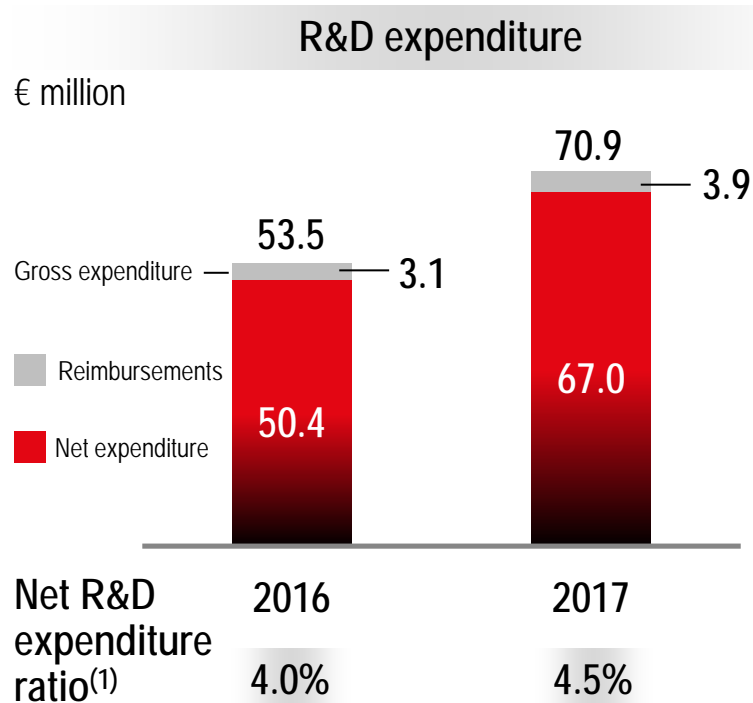
DEUTZ Customised Solutions

€ million	2017	2016	Change in %
New orders	261.3	249.8	4.6
Unit sales (units)	8,740	9,360	-6.6
Revenue	247.9	259.4	-4.4
EBIT (before except. items)	24.5	32.7	-25.1

€ million	Q4 2017	Q4 2016	Change in %
New orders	56.8	58.2	-2.4
Unit sales (units)	2,408	2,231	7.9
Revenue	62.3	63.6	-2.0
EBIT (before except. items)	2.6	5.1	-49.0

- New orders improve by 4.6% yoy
- Decline in unit sales largely attributable to Stationary Equipment and Automotive
- Proportion of revenue generated by the service business increases to 50% (2016: 46%)
- Prior-year operating profit had been boosted by licensing income (€5.5 million in Q1 2016)

R&D & capital expenditure



- R&D increase in line with guidance due to expansion of product offering
- Proportion of capitalised net R&D expenditure: €17.5 million (2016: €9.1 million)

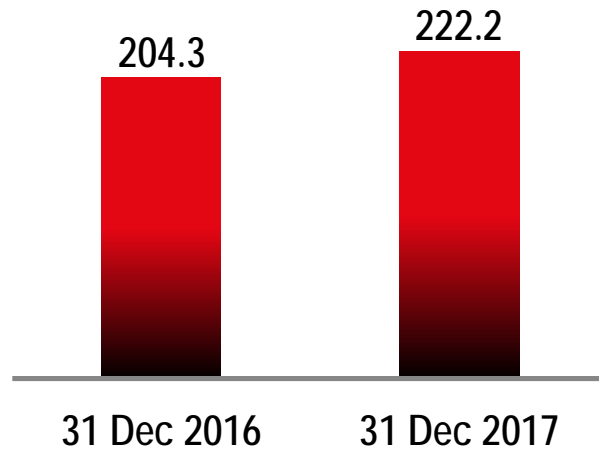
- Capex below initial expectation (~€70 million) due to postponement of investments

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

Working capital & operating cash flow

Working capital

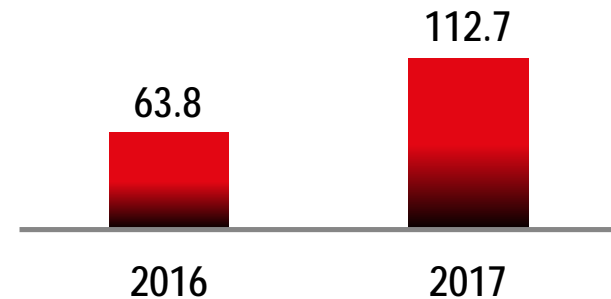
€ million



Working capital ratio 16.2% 15.0%

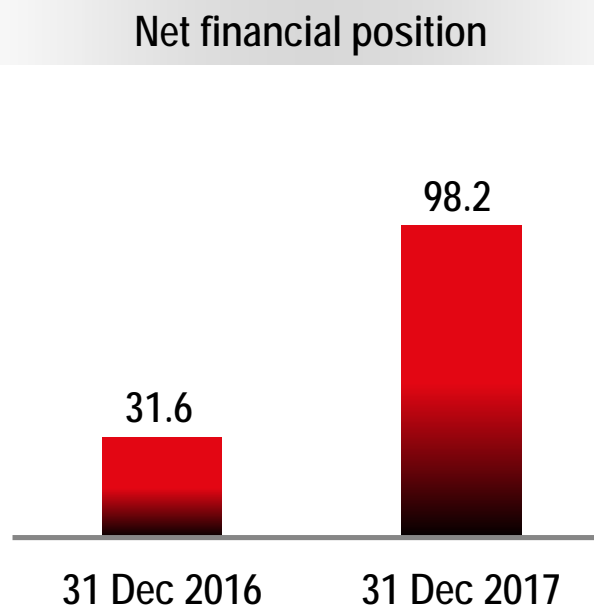
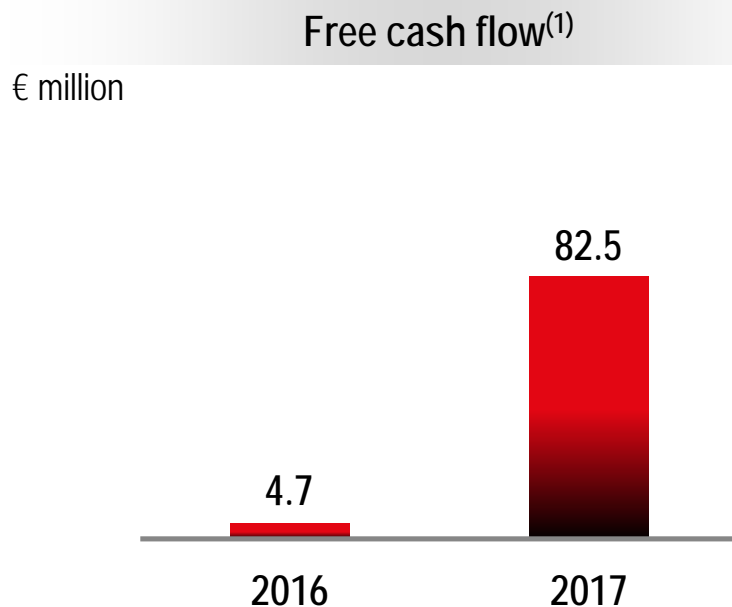
- Improvement of working capital ratio due to strong working capital management and higher volume of business

Operating cash flow



- Higher operating cash flow largely attributable to increase in operating profit

Free cash flow generation & net financial position

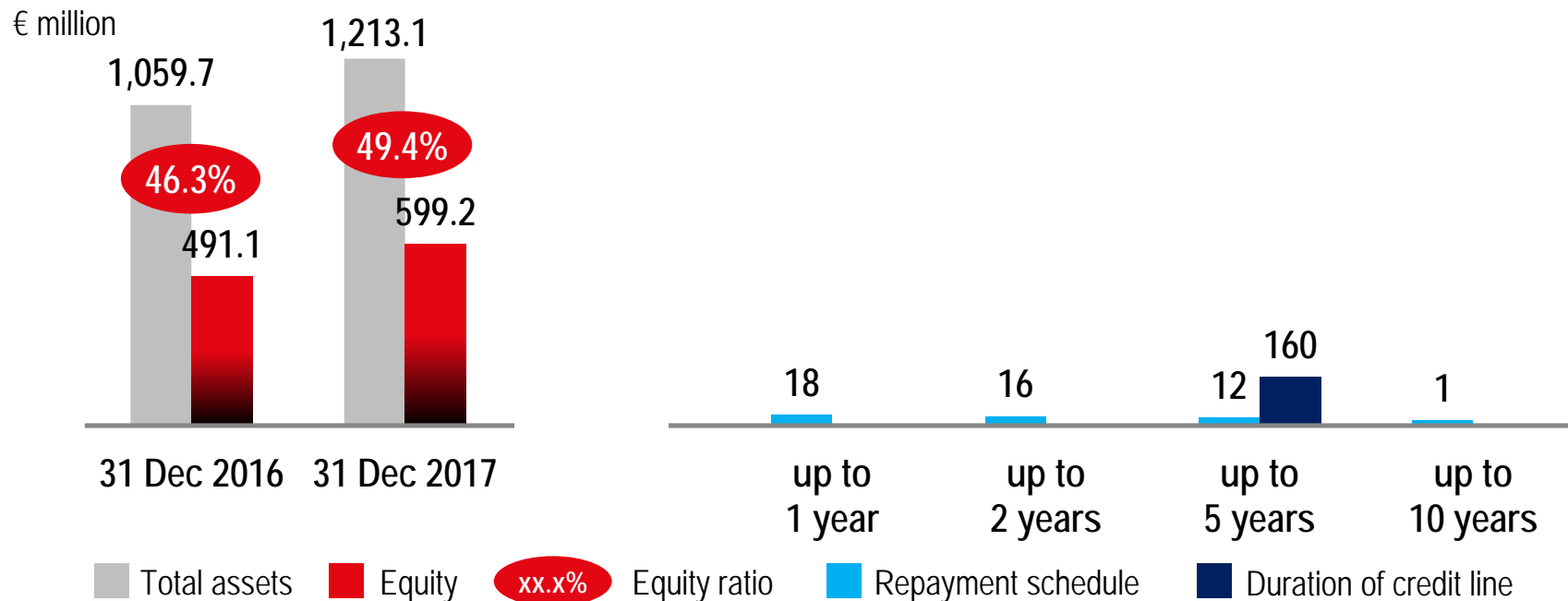


- Significant increase (+€77.8 million) in free cash flow due to higher operating cash flow
- Cash outflow for acquisition of Torqeedo and DEUTZ Italy more than made up for by proceeds from the sale of property

- Strong free cash flow leads to improvement of net financial position

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

Equity ratio & funding



- Equity ratio increased to 49.4%
- Medium- to long-term financing with undrawn facilities available:
 - Credit line of €160 million until June 2022 (extended in Q2 by two years on improved conditions)
 - Loan from European Investment Bank repayable by July 2020

Financial summary

Strong order momentum

Double-digit sales growth

Significant operating profit increase

Net income boosted by substantial property sale proceeds

High free cash flow despite acquisitions

Strong equity ratio



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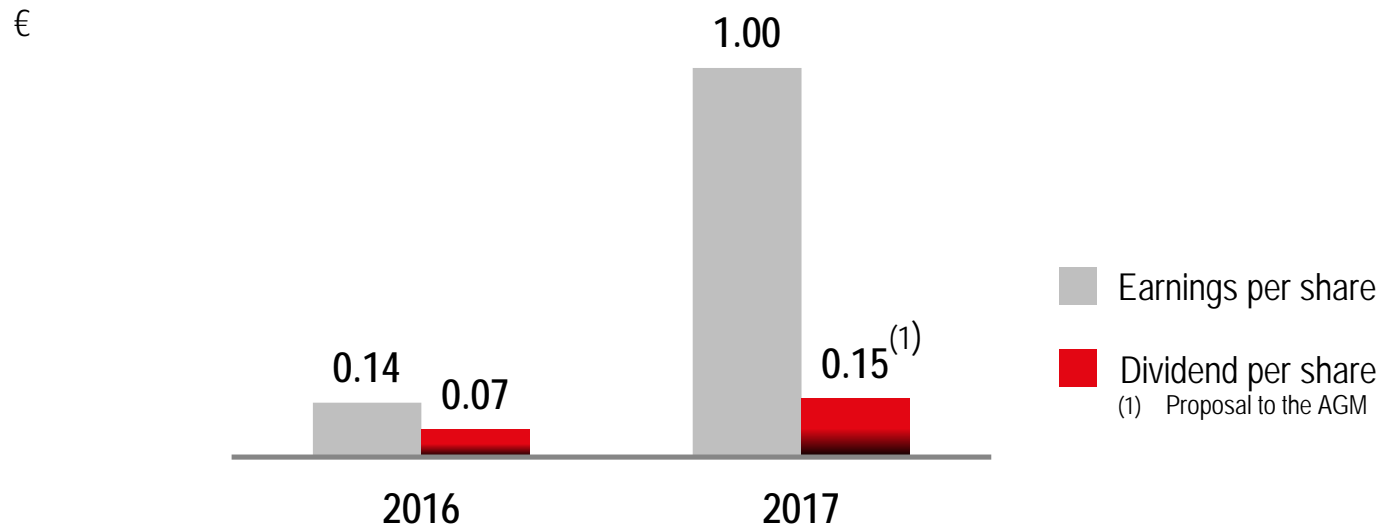
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Dividend proposal



- Dividend proposal reflects positive exceptional items
- Participate shareholders in successful property sale
- Dividend tax exempt for domestic investors and without German withholding tax

→ Dividend more than doubled

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)	2.9 %	moderate increase
R&D expenditure⁽¹⁾	67.0	70 - 75
Capex (excl. R&D)⁽¹⁾	54.7	60 - 70

(1) Net of reimbursements

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Summary of key financials (I)

€ million	2017	2016	Change (%)
Revenue	1,479.1	1,260.2	17.4
EBITDA	240.0	114.2	>100
EBITDA (before exceptional items)	135.9	114.2	19.0
EBIT	146.5	23.4	>100
EBIT (before exceptional items)	42.4	23.4	81.2
EBIT margin	9.9	1.9	--
EBIT margin (before exceptional items), %	2.9	1.9	--
Net income	121.2	16.0	>100
Basic earnings per share (€)	1.00	0.14	>100
Dividend per share (€)	0.15	0.07	>100
Number of employees (31 December)	4,154	3,665	13.3

Summary of key financials (II)

€ million	2017	2016	Change (%)
Total assets	1,213.1	1,059.7	14.5
Equity	599.2	491.1	22.0
Equity ratio (%)	49.4	46.3	--
Cash flow from operating activities	112.7	63.8	76.6
Free cash flow ⁽¹⁾	82.5	4.7	>100
Net financial position	98.2	31.6	>100
Working capital	222.2	204.3	8.8

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

Income statement

€ million	2017	2016	Change (%)
Revenue	1,479.1	1,260.2	17.4
Cost of sales	-1,222.9	-1,041.6	17.4
Research and development costs	-94.8	-77.5	22.3
Selling expenses	-78.8	-68.0	15.9
General and administrative expenses	-41.5	-36.7	13.1
Other operating income	144.1	17.7	>100
Other operating expenses	-42.1	-26.7	57.7
Profit/loss on equity-accounted investments	2.5	-5.1	--
Other investment income	0.9	1.1	-18.2
EBIT	146.5	23.4	>100
Thereof: Exceptional items	104.1	0.0	--
Interest expense, net	-2.4	-3.5	-31.4
Net income before income taxes	144.1	19.9	>100
Income taxes	-22.9	-3.9	>100
Net income	121.2	16.0	>100

Balance sheet: assets

€ million	31 Dec 2017	31 Dec 2016	Change (%)
Non-current assets (before deferred tax assets)	534.2	483.7	10.4
Deferred tax assets	69.2	79.9	-13.4
Inventories	287.0	253.1	13.4
Trade receivables	142.7	113.5	25.7
Other receivables and assets	35.8	37.3	-4.0
Cash and cash equivalents	143.8	91.8	56.6
Non-current assets classified as held for sale	0.4	0.4	0.0
Total assets	1,213.1	1,059.7	14.5

Balance sheet: equity & liabilities

€ million	31 Dec 2017	31 Dec 2016	Change (%)
Equity	599.2	491.1	22.0
Provisions for pensions and other post-retirement benefits	162.9	175.9	-7.4
Deferred tax liabilities	0.2	0.4	-50.0
Other provisions	36.2	38.4	-5.7
Financial liabilities	28.1	44.0	-36.1
Other liabilities	13.0	6.3	>100
Non-current liabilities	240.4	265.0	-9.3
Provisions for pensions and other post-retirement benefits	13.5	14.1	-4.3
Other provisions / Provisions for income taxes	76.7	60.0	27.8
Financial liabilities	17.5	16.2	8.0
Trade payables	207.5	162.3	27.8
Other liabilities	58.3	51.0	14.3
Current liabilities	373.5	303.6	23.0
Total equity and liabilities	1,213.1	1,059.7	14.5

Cash flow statement (condensed)

€ million	2017	2016
EBIT	146.5	23.4
Cash flow from operating activities (total)	112.7	63.8
Capital expenditure on intangible assets, property, plant and equipment and investments	-152.3	-58.0
Proceeds from the sale of non-current assets	125.0	2.6
Cash flow from investing activities (total)	-27.3	-55.4
Cash flow from financing activities	-32.6	-26.8
Change in cash and cash equivalents	52.8	-18.4

Overview of segments, 2017

	2017	2016	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	1,290.4	1,011.6	27.6
DEUTZ Customised Solutions	261.3	249.8	4.6
Other	4.8	--	--
Total for operating activities	1,556.5	1,261.4	23.4

	2017	2016	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	1,227.5	1,000.8	22.7
DEUTZ Customised Solutions	247.9	259.4	-4.4
Other	3.7	--	--
Total for operating activities	1,479.1	1,260.2	17.4

	2017	2016	Change (%)
Unit sales			
DEUTZ Compact Engines	151,671	123,179	23.1
DEUTZ Customised Solutions	8,740	9,360	-6.6
Other	1,235	--	--
Total for operating activities	161,646	132,539	22.0

	2017	2016	Change (%)
EBIT before exceptional items (€ million)			
DEUTZ Compact Engines	22.5	-6.1	--
DEUTZ Customised Solutions	24.5	32.7	-25.1
Other	-4.6	-3.2	--
Total for operating activities	42.4	23.4	81.2

Overview of segments, Q4 2017

	Q4 2017	Q4 2016	Change (%)
New orders (€ million)			
DEUTZ Compact Engines	321.1	267.9	19.9
DEUTZ Customised Solutions	56.8	58.2	-2.4
Other	4.8	--	--
Total for operating activities	382.7	326.1	17.4

	Q4 2017	Q4 2016	Change (%)
Revenue (€ million)			
DEUTZ Compact Engines	319.9	251.1	27.4
DEUTZ Customised Solutions	62.3	63.6	-2.0
Other	3.7	--	--
Total for operating activities	385.9	314.7	22.6

	Q4 2017	Q4 2016	Change (%)
Unit sales			
DEUTZ Compact Engines	39,724	29,869	33.0
DEUTZ Customised Solutions	2,408	2,231	7.9
Other	1,235	--	--
Total for operating activities	43,367	32,100	35.1

	Q4 2017	Q4 2016	Change (%)
EBIT before exceptional items (€ million)			
DEUTZ Compact Engines	15.8	-0.2	--
DEUTZ Customised Solutions	2.6	5.1	-25.1
Other	-3.8	-1.2	-43.8
Total for operating activities	14.6	3.7	81.2

Employees

	31 Dec 2017	31 Dec 2016	Change (%)
Cologne	2,356	2,202	7.0
Ulm	450	411	9.5
Other German operations	254	214	18.7
Germany	3,060	2,827	8.2
Foreign operations	1,094	838	30.5
DEUTZ Group	4,154	3,665	13.3

Financial calendar & contact details

- Annual general meeting 26 April 2018
- Q1 2018 results 3 May 2018
- H1 2018 results 2 August 2018
- Q1-Q3 2018 results 8 November 2018

▶ Contact details

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The details given in this document are based on the information available at the time it was prepared. This presents the risk that actual figures may differ from forward-looking statements. Such discrepancies may be caused by changes in political, economic or business conditions, a decrease in the technological lead of DEUTZ's products, changes in competition, the effects of movements in interest rates or exchange rates, the pricing of parts supplied and other risks and uncertainties not identified at the time this document was prepared.

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

THANK YOU VERY MUCH



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