PRESS RELEASE

Cologne, 8 November 2018

Further strong growth at DEUTZ

- Significant rise in new orders
- Double-digit increase in revenue and significantly improved EBIT margin
- DEUTZ focuses efforts on growth in China
- Implementation of E-DEUTZ strategy continues to gather momentum

DEUTZ AG has today published its consolidated financial results for the first three quarters of 2018. New orders rose from €1,173.8 million to €1,548.7 million, an increase of 31.9 per cent. In the third quarter of 2018, new orders were up by 22.0 per cent to €452.2 million (Q3 2017: €370.8 million).

The unit sales figure for the nine-month period was 156,504 engines, including 8,977 electric motors sold under the Torqeedo brand. This equates to an increase of 32.3 per cent compared with unit sales in the prior-year period (Q1–Q3 2017: 118,279 engines). Revenue advanced from €1,093.2 million to €1,297.3 million, a rise of 18.7 per cent. In the third quarter, revenue was up by a substantial 17.0 per cent to €419.7 million (Q3 2017: €358.7 million).

Operating profit (EBIT before exceptional items) amounted to €45.9 million in the first three quarters of the year (Q1–Q3 2017 €26.7 million). Adjusted for effects on earnings in connection with the DEUTZ Dalian joint venture, it stood at €60.3 million. Operating profit thus improved at a significantly faster rate than revenue, despite the strike at one of the Company's suppliers. Consequently, the EBIT margin (before exceptional items) improved to 4.6 per cent after adjusting for the temporary drag on earnings resulting from DEUTZ Dalian and to 3.5 per cent before adjustment for this drag on earnings (Q1–Q3 2017: 2.4 per cent). In the third quarter of 2018, the EBIT margin was 3.0 per cent (Q3 2017: 1.4 per cent).

"The strike at a supplier put a great deal of strain on management and staff at our Company," says the Chairman of the DEUTZ Board of Management, Dr Ing Frank Hiller. "This makes our substantial revenue growth, to which all regions and segments contributed, and our significant increase in operating profit all the more pleasing. We took further important steps that are aimed at securing growth in the future. We have also succeeded in further

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Sitz und Registergericht / Domicile and Register Court: Köln / Cologne
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Vorsitzender des Aufsichtsrates / Chairman of the Supervisory Board: Hans-Georg Härter
Vorstand / Board of Management:
Dr Ing Frank Hiller (Vorsitz / Chairman),
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expanding our licensing business in China and are making good progress with the implementation of our E-DEUTZ strategy."

In the Chinese market, DEUTZ plans to generally reorganise its presence so that it can generate stronger growth and be even more successful there. As previously announced, DEUTZ signed contracts for the sale of the former DEUTZ Dalian joint venture to its former partner FAW in October 2018. The Company is also currently in talks about entering into new alliances with major local partners in the construction equipment and agricultural machinery industries.

Our E-DEUTZ strategy, introduced in 2017, is continuing to gather momentum. Demonstrating fully working operational systems during the ELECTRIP Event Week was the best way to prove our expertise in this field. An interdisciplinary team of Torqeedo and DEUTZ design engineers succeeded in integrating our drive concept into two prototype machines in just six months. This shows that DEUTZ has mastered the technology and is in a position to supply marketable electrification solutions.

For 2018 as a whole, DEUTZ (assuming no further supply shortage) expects revenue to rise sharply to more than €1.6 billion. The EBIT margin (before exceptional items) is forecast to improve to at least 4.5 per cent.

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FIRST TO THIRD QUARTER AT A GLANCE

DEUTZ Group: Overview

€ million

	7–9/2018	7–9/2017[5]	**1–9/2018**	1–9/2017[5]
New orders	452.2	370.8	1,548.7	1,173.8
Unit sales (units)	51,303	38,680	156,504	118,279
Revenue	419.7	358.7	1,297.3	1,093.2
EBITDA	31.2	21.8	104.9	89.5
EBITDA before exceptional items	31.2	25.8	104.9	89.4
EBIT	12.5	1.0	45.9	26.8
EBIT before exceptional items	12.5	5.0	45.9	26.7
EBIT margin (%)	3.0	0.3	3.5	2.5
EBIT margin before exceptional items (%)	3.0	1.4	3.5	2.4
Net income	10.3	1.5	35.6	20.2
Earnings per share (€)	0.08	0.02	0.29	0.17
Total assets	1,215.3	1,113.6	1,215.3	1,113.6
Non-current assets	490.6	464.4	490.6	464.4
Equity	601.4	499.1	601.4	499.1
Equity ratio (%)	49.5	44.8	49.5	44.8
Cash flow from operating activities	32.3	11.2	55.5	96.4
Free cash flow[1]	11.3	20.6	-0.8	74.4
Net financial position[2]	78.8	95.0	78.8	95.0
Working capital[3]	296.3	190.7	296.3	190.7
Working capital ratio (30 Sep, %)[4]	17.6	13.5	17.6	13.5
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	16.1	23.2	40.3	41.5
Depreciation and amortisation	18.7	20.8	59.0	62.7
Research and development expenditure (after deducting grants)	21.4	15.3	59.1	46.3
thereof capitalised	5.2	2.9	13.4	10.0
Employees (number at 30 Sep)	4,560	3,835	4,560	3,835

[1] Free cash flow: cash flow from operating and investing activities less interest expense.
[2] Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.
[3] Working capital: inventories plus trade receivables less trade payables.
[4] Working capital ratio (percentage as at balance sheet date): working capital as at the balance sheet date divided by revenue for the previous twelve months.
[5] Adjusted as a result of the write-downs on the DEUTZ Dalian joint venture.

DEUTZ Group: Segments

€ million

	7–9/2018	7–9/2017[5]	**1–9/2018**	1–9/2017[5]
New orders				
DEUTZ Compact Engines	381.8	307.7	1,312.2	969.3
DEUTZ Customised Solutions	63.7	63.1	214.8	204.5
Other	6.7	–	21.7	–
Total	**452.2**	**370.8**	**1,548.7**	**1,173.8**
Unit sales (units)				
DEUTZ Compact Engines	46,571	36,465	141,034	111,947
DEUTZ Customised Solutions	2,100	2,215	6,493	6,332
Other	2,632	–	8,977	–
Total	**51,303**	**38,680**	**156,504**	**118,279**
Revenue				
DEUTZ Compact Engines	347.5	294.0	1,085.2	907.6
DEUTZ Customised Solutions	65.8	64.7	191.3	185.6
Other	6.4	–	20.8	–
Total	**419.7**	**358.7**	**1,297.3**	**1,093.2**
EBIT before exceptional items				
DEUTZ Compact Engines	7.5	–4.7	28.2	5.6
DEUTZ Customised Solutions	8.4	10.3	26.3	21.9
Other	–3.4	–0.6	–8.6	–0.8
Total	**12.5**	**5.0**	**45.9**	**26.7**