

Press release

Cologne, 7 November 2017

DEUTZ releases results for first nine months of 2017

- Marked increase in new orders, revenue and EBIT
- Significant improvement in free cash flow
- E-DEUTZ strategy accelerated by acquisition of Torqeedo

DEUTZ AG has today published its consolidated financial results for the first three quarters of 2017. New orders rose by 25.5 per cent to reach €1,173.8 million (Q1–Q3 2016: €935.3 million). In the third quarter of 2017, new orders came to €370.8 million, which was an increase of 43.7 per cent compared with last year's figure of €258.1 million.

The number of engines sold went up by 17.8 per cent to 118,279 in the first nine months of 2017 (Q1–Q3 2016: 100,439 engines). Unit sales in the third quarter of 2017 totalled 38,680 engines, which was 25.9 per cent more than in the prior-year period (Q3 2016: 30,733 engines).

Revenue rose by 15.6 per cent to €1,093.2 million in the nine-month period (Q1–Q3 2016: €945.5 million). The largest region, EMEA (Europe, Middle East, Africa), saw revenue grow by 18.7 per cent, while revenue in the Americas region was up by 13.9 per cent. Revenue in the Asia-Pacific region was on a par with the corresponding period of 2016, in which the first quarter had been boosted by licensing income. Revenue for the third quarter of 2017 amounted to €358.7 million, a year-on-year increase of 19.1 per cent (Q3 2016: €301.1 million).

Operating profit (EBIT before exceptional items) improved by €8.1 million compared with the first nine months of 2016, reaching €27.8 million. The EBIT margin (before exceptional items) widened from 2.1 per cent to 2.5 per cent. At €21.3 million, net income for the first three quarters of 2017 was €2.5 million higher than the corresponding period of last year (Q1–Q3 2016: €18.8 million). Earnings per share therefore amounted to €0.18 (Q1–Q3 2016: €0.16). Free cash flow improved by a substantial €102.4 million year on year to reach €74.4 million. "In 2017, we are benefiting from a broad and sustained brightening of the market environment. We are strategically investing the proceeds from the sale of the land at the former Cologne-Deutz site in innovation, service and internationalisation," says DEUTZ's Chief Financial Officer, Dr Margarete Haase.

In September 2017, DEUTZ became the world's first engine manufacturer to be certified for the EU Stage V emissions standard, which will apply from 2019. It has therefore kept its promise to its customers as 'Stage V ready' becomes 'Stage V certified'. And through the alliance with Liebherr Machines Bulle S.A. agreed in the third quarter of 2017, DEUTZ will also be expanding its product portfolio in the upper power range of 200 to 620 kW. Production start-up is planned for 2019.

"The E-DEUTZ strategy is putting us on the right path to becoming the leading provider of innovative drive systems," says Dr Frank Hiller, Chairman of the DEUTZ Board of Management. "The acquisition of Torqeedo is the critical catalyst for our electrification strategy. It gives us an extensive portfolio of expertise and technology in all relevant areas of drive electrification. We will fully exploit this technological edge over our competitors." DEUTZ AG has also acquired its Italian sales and service partner IML Motori, which will now operate in the market under the name DEUTZ Italy. The aim is to drive growth in the already profitable service business.

For 2017 as a whole, DEUTZ is reiterating its forecast of a marked rise in revenue and a moderate year-on-year increase in the EBIT margin (before exceptional items). It also expects the sale of the Cologne-Deutz site in the fourth quarter to deliver a positive contribution to earnings in the high double-digit million euros, which will be recognised as an exceptional item.

Detailed information about the first three quarters of 2017 can be found in the accompanying summary of key performance indicators.

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FIRST TO THIRD QUARTER AT A GLANCE

DEUTZ Group: Overview

€ million	7-9/2017	7-9/2016	1-9/2017	1-9/2016
New orders	370.8	258.1	1,173.8	935.3
Unit sales (units)	38,680	30,733	118,279	100,439
Revenue	358.7	301.1	1,093.2	945.5
EBITDA	21.8	21.0	90.6	87.9
EBITDA before exceptional items	25.8	21.0	90.5	87.9
EBIT	1.0	-1.0	27.9	19.7
EBIT before exceptional items	5.0	-1.0	27.8	19.7
EBIT margin (%)	0.3	-0.3	2.6	2.1
EBIT margin before exceptional items (%)	1.4	-0.3	2.5	2.1
Net income	1.5	-1.2	21.3	18.8
Earnings per share (€)	0.02	-0.01	0.18	0.16
Total assets	1,113.6	1,063.8	1,113.6	1,063.8
Non-current assets	464.4	490.0	464.4	490.0
Equity	499.1	491.5	499.1	491.5
Equity ratio (%)	44.8	46.2	44.8	46.2
Cash flow from operating activities	11.2	6.9	96.4	22.3
Free cash flow ¹⁾	20.6	-10.8	74.4	-28.0
Net financial position ²⁾	95.0	2.1	95.0	2.1
Working capital ³⁾	190.7	239.4	190.7	239.4
Working capital ratio (30 Sep, %) ⁴⁾	13.5	19.1	13.5	19.1
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	23.2	10.4	41.5	40.4
Depreciation and amortisation	20.8	22.0	62.7	68.2
Research and development expenditure (after deducting grants)	15.3	13.8	46.3	36.5
thereof capitalised	2.9	2.8	10.0	5.3
Employees (number at 30 Sep)	3,835	3,695	3,835	3,695

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 minus 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.

DEUTZ Group: Segments

€ million	7-9/2017	7-9/2016	1-9/2017	1-9/2016
New orders				
DEUTZ Compact Engines	307.7	199.2	969.3	743.7
DEUTZ Customised Solutions	63.1	58.9	204.5	191.6
Total	370.8	258.1	1,173.8	935.3
Unit sales (units)				
DEUTZ Compact Engines	36,465	28,503	111,947	93,310
DEUTZ Customised Solutions	2,215	2,230	6,332	7,129
Total	38,680	30,733	118,279	100,439
Revenue				
DEUTZ Compact Engines	294.0	237.2	907.6	749.7
DEUTZ Customised Solutions	64.7	63.9	185.6	195.8
Total	358.7	301.1	1,093.2	945.5
EBIT before one-off items				
DEUTZ Compact Engines	-4.7	-7.8	6.7	-5.9
DEUTZ Customised Solutions	10.3	6.2	21.9	27.6
Other	-0.6	0.6	-0.8	-2.0
Total	5.0	-1.0	27.8	19.7