

Press Release

Cologne, 2 May 2018

DEUTZ benefits from strong level of orders on hand

- DEUTZ announces final results for the first quarter of 2018
- Very successful start to 2018
- Sharp rise in revenue and operating profit

Having announced preliminary results on 13 April 2018, DEUTZ AG published its interim management statement for the first quarter of 2018 today. The volume of new orders rose by 42.6 per cent year on year to €574.9 million. The figure for the corresponding period in 2017 was €403.2 million, while in the fourth quarter of 2017 it was €382.7 million. This was attributable not only to the favourable business environment but also, in particular, to a change in customers' ordering patterns. In light of strong demand and the introduction of emissions standard EU Stage V in the coming year, customers have been placing their orders early to be sure of securing delivery.

The unit sales figure for the first quarter of 2018 was 48,458 engines, including 2,133 electric motors sold under the Torqeedo brand. This was 30.4 per cent higher than in the first quarter of the previous year (37,153 engines) and 11.7 per cent up on the previous quarter (43,367 engines). Revenue came to €414.5 million, a 17.6 per cent increase on the first three months of last year (Q1 2017: €352.5 million) and 7.4 per cent more than in the previous quarter (Q4 2017: €385.9 million). All regions contributed to this positive result. The service business and most of the application segments also recorded increases. Only in the Automotive application segment did revenue decline by a significant amount; there was a minor decrease in revenue for Stationary Equipment.

Operating profit (EBIT before exceptional items) increased year on year by €14.1 million to €21.7 million in the first quarter of 2018. Compared with the fourth quarter of 2017, EBIT before exceptional items went up by €7.1 million. The EBIT margin (before exceptional items) improved from 2.2 per cent in the first three months of 2017 to 5.2 per cent in the reporting period. In the first quarter of 2017, the disposal of a building lease resulted in an exceptional item that added €10.0 million to income, whereas no exceptional items were recorded in the quarter just ended. Net income increased by €2.8 million on the prior-year period (Q1 2017: €15.4 million) to reach €18.2 million. This resulted in earnings per share of €0.15 (Q1 2017: €0.13). "2018 has got off to a very good start from an operational perspective," says Dr Frank Hiller, Chairman of the DEUTZ

Board of Management. "And DEUTZ has made successful progress from a strategic standpoint too. The recent presentation of our first off-highway hybrid concept at the Intermat trade fair in Paris was a milestone in this regard. Our E-DEUTZ strategy launched in 2017 is really beginning to take off now."

Carrying amounts for DEUTZ (Dalian) Engine Co., Ltd. are currently being reviewed as part of an overall review initiated by the DEUTZ AG Board of Management into strategic options for the joint venture based in Dalian (China). This could lead to write-downs in DEUTZ's consolidated financial statements in the order of €16 million to €32 million. We expect to include the findings of the review in the interim report for the first half of 2018 in consultation with the auditors of our consolidated financial statements.

Subject to the final outcome of the review into our DEUTZ Dalian joint venture, we are forecasting a marked increase in revenue and a moderate rise in the EBIT margin before exceptional items for 2018 as a whole.

Detailed information on the first quarter of 2018 can be found in the enclosed summary of key performance indicators.

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DEUTZ AT A GLANCE

million		1 3/2017
New orders		403.2
Unit sales (units)		37,153
Revenue		352.5
EBITDA		38.7
EBITDA before exceptional items		28.7
EBIT		17.6
EBIT before exceptional items		7.6
EBIT margin (%)		5.0
EBIT margin before exceptional items (%)		2.2
Net income		15.4
Earnings per share ()		0.13
Total assets		1,101.0
Non-current assets		469.5
Equity		507.2
Equity ratio (%)		46.1
Cash flow from operating activities		56.2
Free cash flow, ¹⁾		39.7
Net financial position ²⁾		70.0
Working capital ³⁾		197.1
Working capital ratio (average, %) ⁴⁾		16.5
Capital expenditure (excl. capitalisation of R&D, after deducting grants)		8.6
Depreciation and amortisation		21.1
Research and development expenditure (after deducting grants)		16.5
thereof capitalised		3.6
Employees (number at 31 Mar)		3,675

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 (average, %): average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.

million		1 3/2017
New orders		
DEUTZ Compact Engines		326.3
DEUTZ Customised Solutions		76.9
Other		
Total		403.2
Unit sales (units)		
DEUTZ Compact Engines		35,321
DEUTZ Customised Solutions		1,832
Other		
Total		37,153
Revenue		
DEUTZ Compact Engines		294.1
DEUTZ Customised Solutions		58.4
Other		
Total		352.5
EBIT before exceptional items		
DEUTZ Compact Engines		1.5
DEUTZ Customised Solutions		6.4
Other		0.3
Total		7.6