The engine company. DEUTZ

PRESS RELEASE

DEUTZ AG

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DEUTZ releases results for first nine months of 2015

- Weak capital spending impacts on business
- Decline in new orders and unit sales
- Optimisation of the network of sites proceeding to plan

DEUTZ AG has today published its consolidated financial results for the first three quarters of 2015. New orders amounted to €932.9 million in the nine-month period, down by 13.4 per cent on the figure of €1,076.8 million reported a year earlier. In the third quarter of 2015, new orders came to €262.2 million. This was 20.5 per cent less year on year and 25.0 per cent less than in the previous quarter (Q3 2014: €330.0 million; Q2 2015: €349.7 million).

Unit sales fell by 30.9 per cent, from 155,099 engines in the prior-year period to 107,236 engines in the first nine months of this year. Third-quarter unit sales totalled 29,116 engines, which was 48.0 per cent below the figure in the third quarter of 2014 when 56,020 engines were sold and 29.4 per cent fewer than in the previous quarter (Q2 2015: 41,213 engines).

Revenue for the nine-month period was €938.8 million, a decrease of 20.3 per cent compared with the figure of €1,177.9 million for the corresponding period of 2014. This decline in revenue was due partly to the changes to emissions standards for engines under 130kW that came into force in the European Union on 1 October 2014 and the resulting effects from the advance production of engines. Furthermore, the current reluctance of end customers to invest is subduing business across all regions, which means that the inventories of a number of our European customers are being used up more slowly. In the third quarter of 2015, revenue stood at €268.6 million, which was a 36.7 per cent reduction on the third quarter of 2014 and a 23.7 per cent decrease on the second quarter of 2015.

Operating profit (EBIT before one-off items) fell to €10.6 million in the first nine months of the year (Q1-Q3 2014: €22.8 million). This decline was mainly attributable to the smaller volume of business. The EBIT margin (before one-off items) was therefore 1.1 per cent. By contrast, net income rose to €7.3 million (Q1-Q3 2014: €3.4 million).

"Our current expectation is that this market weakness will continue throughout the fourth quarter of 2015 and feature strongly well into the first quarter of 2016. We are responding by putting a stop on spending and by extending short-time working, particularly in Cologne," explained Dr Margarete Haase, DEUTZ's Chief Financial Officer. The programme to optimise the network of sites in Germany, which we began last year, is being implemented on schedule and will continue to proceed as planned. This will substantially increase efficiency.

"We are well positioned with our products and processes. As soon as the market starts to recover, DEUTZ AG will be able to reap the rewards," said Dr Helmut Leube, Chairman of the DEUTZ Board of Management.

The forecast for the current year had already been adjusted on 15 September 2015 because of the current very low level of new orders and the small volume of business. DEUTZ now expects revenue to decline by around 20 per cent year on year. In terms of operating profit (EBIT), it will just about break even. Previously, the Company had anticipated a drop in revenue of approximately 10 per cent and an EBIT margin of roughly 3 per cent.

For detailed information about the first nine months of 2015, see the enclosed summary of key performance indicators.

For further information on this DEUTZ AG press release, please contact

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FIRST TO THIRD QUARTER AT A GLANCE

DEUTZ Group: Overview

€ million	7–9/2015	7–9/2014	1–9/2015	1–9/2014
New orders	262.2	330.0	932.9	1,076.8
Unit sales (units)	29,116	56,020	107,236	155,099
Revenue	268.6	424.5	938.8	1,177.9
EBITDA	15.2	27.0	85.6	80.6
EBITDA before one-off items	15.2	27.0	85.6	94.5
EBIT	–9.7	2.7	10.6	8.9
EBIT before one-off items	–9.7	2.7	10.6	22.8
EBIT margin (%)	–3.6	0.6	1.1	0.8
EBIT margin before one-off items (%)	–3.6	0.6	1.1	1.9
Net income	–9.4	0.7	7.3	3.4
Earnings per share (€)	–0.07	0.01	0.07	0.03
Total assets	1,087.2	1,180.3	1,087.2	1,180.3
Non-current assets (before deferred tax assets)	537.2	578.5	537.2	578.5
Equity	500.9	497.6	500.9	497.6
Equity ratio (%)	46.1	42.2	46.1	42.2
Cash flow from operating activities	–10.3	46.0	43.6	86.9
Free cash flow[1]	–35.7	30.7	–9.5	39.6
Net financial position[2]	–3.1	1.0	–3.1	1.0
Working capital[3]	231.1	214.5	231.1	214.5
Working capital ratio (30 Sep, %)[4]	17.9	13.5	17.9	13.5
Capital expenditure (excluding capitali-sation of R&D, after deducting grants)	15.9	9.5	41.2	28.5
Depreciation and amortisation	24.9	24.3	75.0	71.7
R&D expenditure (after deducting grants)	10.0	14.1	29.8	39.8
thereof capitalised	4.4	5.9	9.4	21.7
Employees (number at 30 Sep)	3,755	3,976	3,755	3,976

[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 (30 Sep, %): working capital as at the balance sheet date divided by revenue for the previous twelve months.

DEUTZ Group: Segments

€ million	7–9/2015	7–9/2014	1–9/2015	1–9/2014
New orders				
DEUTZ Compact Engines	194.0	270.4	724.0	882.5
DEUTZ Customised Solutions	68.2	59.6	208.9	194.3
Total	**262.2**	**330.0**	**932.9**	**1,076.8**
Unit sales (units)				
DEUTZ Compact Engines	26,243	53,589	97,596	146,524
DEUTZ Customised Solutions	2,873	2,431	9,640	8,575
Total	**29,116**	**56,020**	**107,236**	**155,099**
Revenue				
DEUTZ Compact Engines	201.8	368.2	730.1	1,002.8
DEUTZ Customised Solutions	66.8	56.3	208.7	175.1
Total	**268.6**	**424.5**	**938.8**	**1,177.9**
EBIT before one-off items				
DEUTZ Compact Engines	–23.4	–0.7	–16.9	4.9
DEUTZ Customised Solutions	8.7	4.2	26.0	18.5
Other	5.0	–0.8	1.5	–0.6
Total	**–9.7**	**2.7**	**10.6**	**22.8**