PRESS RELEASE

DEUTZ records growth in revenue and earnings

- New orders reflect weakening of demand as a result of the economic climate
- Revenue rises in all regions and major application segments; high-margin service business grows by around 7 percent
- Sharp increase in operating profit and corresponding profit margin even before exceptional items
- Full-year revenue and EBIT guidance[1)] for 2019 confirmed

Key figures for the DEUTZ Group

€ million	Q1-Q3 2019	YoY change	Q3 2019	YoY change
New orders	1,315.2	-15.1%	361.9	-20.0%
Unit sales (units)	155,780	-0.5%	54,189	+5.6%
Revenue	1,379.9	+6.4%	450.1	+7.2%
EBIT	78.5	+71.0%	22.0	+76.0%
EBIT before exceptional items	69.2	+50.8%	22.0	+76.0%
EBIT margin	5.7%	+220 bps	4.9%	+190 bps
EBIT margin before exceptional items	5.0%	+150 bps	4.9%	+190 bps
Net income	54.7	+53.7%	9.4	-8.7%
Net income before exceptional items	46.8	+31.5	9.3	-9.7%

Cologne, November 7, 2019 – DEUTZ, one of the world's leading manufacturers of innovative drive systems, recorded further growth in revenue and earnings in the first nine months of 2019.

"Despite a general slowdown in market growth, we saw revenue advance in all regions and major application segments and also demonstrated our operational strength by delivering a high double-digit percentage increase in earnings," says Dr. Frank Hiller, CEO of the DEUTZ Group, commenting on the results for the first three quarters of 2019. "Overall, we believe that we are on track to achieve the current full-year guidance for revenue and earnings. We also reached important milestones in the implementation of our growth strategy. Preparations for our joint venture with SANY to commence production as planned in 2021 are progressing very well. At the end of September, the foundation stone was laid for the new high-performance engine factory in the Chinese city of Changsha. And at the beginning of the fourth quarter, we added high-voltage battery technology as a key component of our E-DEUTZ strategy by acquiring the battery specialist Futavis, taking us another big step closer to a future of carbon-neutral off-highway vehicles."

New orders reflect slowdown in market growth

DEUTZ received orders worth €1,315.2 million in the period under review. This was 15.1 percent lower than the robust volume reported for the prior-year period, which had been positively influenced by a change in customers' ordering patterns. In addition to this year-on-year effect, a weakening of demand as a result of the economic climate had an adverse impact from the end of the second quarter. New orders in the third quarter decreased by 20.0 percent year on year to €361.9 million.

Unit sales close to the level of the prior-year period

DEUTZ sold a total of 155,780 engines in the first nine months of this year, meaning the Group's overall unit sales were close to the level of the prior-year period. By contrast, unit sales of Torqeedo's drive systems, which are included within that figure, rose by a significant 44.7 percent to reach 12,990. Looking at the third quarter in isolation, the Group's unit sales fell by 5.6 percent to 54,189 engines. This was due to a high double-digit percentage increase in unit sales in the Agricultural Machinery application segment and, in particular, to the boat drive business. At 6,832, Torqeedo's unit sales of boat drives were more than twice as high as in the prior-year quarter, primarily due to an increase in demand for smaller outboard motors.

Year-on-year increase in revenue

In the first three quarters of 2019, DEUTZ's revenue grew by 6.4 percent to €1,379.9 million. The Material Handling application segment performed particularly strongly, delivering double-digit revenue growth of 11.3 percent, as did the Agricultural Machinery application segment and high-margin service business, whose revenues were up by 9.5 percent and 7.3 percent respectively. The Americas and Asia-Pacific were especially buoyant, with business in these regions expanding by 16.3 percent and 14.8 percent respectively. In the Americas region, DEUTZ particularly benefited from the ramp-up of new engine series, the service business with Xchange products, and higher demand for electric boat drives. The main factors in the substantial increase in revenue generated in the Asia-Pacific region were revenue growth in China and the expansion of business with new customers.

Sharp increase in operating profit even before exceptional items

In the first three quarters of 2019, operating profit (EBIT before exceptional items) went up by 50.8 percent year on year to reach €69.2 million. Besides the growth in revenue, this significant increase was predominantly due to a low figure being reported in the prior-year period, which had been adversely affected by a drag on earnings resulting from the joint venture DEUTZ Dalian Engine Co. Ltd. The joint venture has since been sold. However, there were also negative effects on earnings in the first nine months of 2019 relating to the deconsolidation of the Argentinian company DEUTZ AGCO Motores S.A. Furthermore, provisions had to be recognized in the first half of the year due to a product recall involving Torqeedo companies. Operating profit in the third quarter of 2019 was also adversely affected by the opening of insolvency proceedings at a major supplier. The EBIT margin before exceptional items rose from 3.5 percent to 5.0 percent during the reporting period.

Positive exceptional items of €9.3 million arose from the sale of a small part of the land at the former Cologne-Deutz site and were recognized in the second quarter of 2019 in accordance with the sale agreement from 2017. After taking these items into account, EBIT amounted to €78.5 million, which was 71.0 percent higher than in the first three quarters of 2018. The corresponding EBIT margin increased from 3.5 percent in the prior-year period to 5.7 percent.

Net financial income deteriorated by €9.4 million year on year due to the write-down on a loan granted to a supplier at the end of 2018. The opening of insolvency proceedings at the supplier in September 2019 resulted in the receivable being written down by €9.4 million.

Because of the growth in EBIT and despite the deterioration in net financial income, net income increased by 53.7 percent year on year to reach €54.7 million. Earnings per share rose from €0.29 to €0.45. Adjusted net income went up by 31.5 percent to €46.8 million; adjusted earnings per share improved to €0.39.

Segment: DEUTZ Compact Engines

€ million	**Q1-Q3 2019**	**YoY change**	**Q3 2019**	**YoY change**
New orders	1,019.5	-22.3%	263.3	-31.0%
Unit sales (units)	122,638	-13.0%	40,714	-12.6%
Revenue	1,079.7	-0.5%	349.9	+0.7%
EBIT before exceptional items	45.8	+62.4%	10.9	+45.3%
EBIT margin before exceptional items	4.2%	+160 bps	3.1%	+90 bps

- Reassignment of the 2011 engine series to the DCS segment influences business performance
- Despite the reassignment of the engine series, revenue is close to the level of the prior-year period, mainly due to a favorable shift in the product mix toward higher-value engines
- Operating profit for the segment increases compared with the low figure reported for the prior-year period, which had been adversely affected by a drag on earnings resulting from the joint venture DEUTZ Dalian Engine Co. Ltd.
- EBIT margin improving, partly because of the engine series reassignment and positive effects resulting from a shift in the product mix

DEUTZ Customised Solutions segment

€ million	Q1-Q3 2019	YoY change	Q3 2019	YoY change
New orders	267.2	+24.1%	86.7	+35.7%
Unit sales	20,152	+210.4%	6,643	+216.3%
Revenue	276.5	+44.2%	91.5	+38.6%
EBIT before exceptional items	37.6	+43.0%	14.0	+66.7%
EBIT margin before exceptional items	13.6%	-10 bps	15.3%	+260 bps

- Business performance influenced by inclusion in this segment of the 2011 engine series
- Strong revenue growth, partly due to the expansion of the service business with Xchange products in the Americas region
- Sharp increase in operating profit for the segment, mainly because of the greater proportion of earnings generated by the high-margin service business
- EBIT margin close to the level of the prior-year period because the profit margin of the 2011 engine series is lower than that of the other series

Full-year revenue and EBIT guidance[1)] for 2019 confirmed

Despite a persistently challenging macroeconomic and geopolitical environment, the DEUTZ Board of Management confirms its full-year guidance for revenue and EBIT. Revenue is still expected to rise to more than €1.8 billion in 2019 and the EBIT margin before exceptional items is predicted to be in the range of 4 to 5 percent.

DEUTZ had been expecting to register a positive exceptional item of around €50 million in 2019 once it received the final installment of the purchase price for the sale of the Cologne-Deutz site, whereby both the exact amount and the date of payment were/are dependent on the development plan for the site being formally adopted. Formal adoption has been delayed, however, and so, based on current information, the payment is now not expected to be made until 2020. Contrary to previous expectations, the final installment of the purchase price is now likely to be in the region of €60 million (previously around €50 million).

Moreover, it is still possible that the outstanding payments for the purchase of the shares in the joint venture with SANY could be made before the end of 2019. In this event, DEUTZ’s free cash flow would, contrary to the original full-year guidance of a positive mid double-digit million euro amount, fall significantly into negative territory.

1) See the ad-hoc disclosure from DEUTZ AG dated September 20, 2019.

Conference call

Dr. Frank Hiller, CEO, and Dr. Andreas Strecker, CFO, will explain the results to journalists during a conference call on November 7, 2019, 10.30 a.m. CET. The link to the live webcast is available online at https://www.deutz.com/en/media/.

Upcoming financial dates

March 18, 2020: 2019 annual report / annual results press conference
May 7, 2020: results for the first quarter of 2020
May 14, 2020: 2020 Annual General Meeting

Forward-looking statements

This investor news may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at www.deutz.com. The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

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About DEUTZ AG

DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of diesel, gas, and electric engines for professional applications. It offers a broad range of engines delivering up to 620 kW that are used in construction equipment, agricultural machinery, material handling equipment, stationary equipment, commercial vehicles, rail vehicles, and other applications. DEUTZ has around 4,700 employees worldwide and over 800 sales and service partners in more than 130 countries, and in 2018 generated revenue of €1,778.8 million.

Further information is available at www.deutz.com.