

PRESS RELEASE

Cologne, 14 March 2018

DEUTZ publishes its results for 2017

- DEUTZ reports marked increase in new orders, revenue and operating profit
- Positioning of DEUTZ as market leader for innovative drive systems for off-highway applications
- Positive outlook for 2018

DEUTZ AG has today announced its consolidated financial results for 2017. New orders amounted to €1,556.5 million, up by 23.4 per cent on the prior-year figure of €1,261.4 million. All of the major application segments, including the service business, registered an increase in new orders.

Almost 162,000 engines were sold, equating to a year-on-year rise of 22.0 per cent. The Material Handling, Construction Equipment and Agricultural Machinery application segments all saw significant growth in unit sales. Revenue amounted to €1,479.1 million, up by 17.4 per cent compared with the figure of €1,260.2 million for 2016. The rise in revenue was 21.9 per cent in the EMEA region (Europe, Middle East and Africa) and 11.9 per cent in the Americas region. Revenue in the Asia-Pacific region was on a par with the prior year.

Operating profit (EBIT before exceptional items) climbed by 81.2 per cent to €42.4 million in 2017. The EBIT margin (before exceptional items) stood at 2.9 per cent, compared with 1.9 per cent in 2016. Net income advanced from €16.0 million in the previous year to €121.2 million in 2017. Earnings per share therefore amounted to €1.00 (2016: €0.14). "The jump in earnings is due not only to the encouraging improvement in our operations but also to a high level of positive exceptional items resulting from the disposal of land that was no

longer being used following the successful completion of measures to optimise our network of sites,” says DEUTZ’s Chief Financial Officer, Dr Margarete Haase.

The equity ratio saw further improvement from 46.3 per cent to 49.4 per cent. Free cash flow increased sharply, from €4.7 million to €82.5 million, even after taking into account the acquisition of Torqeedo GmbH – in order to accelerate implementation of the electrification strategy – and DEUTZ Italy (formerly IML) in 2017. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a dividend of €0.15 per share be paid, compared with €0.07 last year. The dividend is tax-free for taxpayers resident in Germany and is not subject to German withholding tax.

“2017 was a very successful year for DEUTZ. We have made improvements to our operating performance, got people excited about the new era we are about to embark upon and mapped out the strategic course we intend to follow. The aim with our new E-DEUTZ strategy is to become market leader for innovative drive systems in the off-highway segment,” explains Dr Frank Hiller, Chairman of the DEUTZ Board of Management. “We now need to keep the momentum from 2017 going. I am very optimistic that DEUTZ will continue its success in 2018 and that we will achieve our targets.”

For 2018, the Company expects that the engine business will continue to benefit from the robust global economy and positive unit sales trends in key application segments. Consequently, the Company forecasts a marked increase in revenue and a moderate rise in the EBIT margin before exceptional items.

Detailed information about the 2017 financial year can be found in the accompanying summary of key performance indicators.

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DEUTZ GROUP: KEY FIGURES

€ million

	2017	2016	Change (%)
New orders	1,556.5	1,261.4	23.4
Unit sales (units)	161,646	132,539	22.0
Revenue	1,479.1	1,260.2	17.4
EBITDA	240.0	114.2	110.2
EBITDA (before exceptional items)	135.9	114.2	19.0
EBIT	146.5	23.4	-
EBIT (before exceptional items)	42.4	23.4	81.2
EBIT margin (%)	9.9	1.9	+8.0%-age points
EBIT margin (before exceptional items, %)	2.9	1.9	+1.0%-age points
Net income	121.2	16.0	-
Earnings per share (€)	1.00	0.14	-
Dividend per share (€)	0.15	0.07	114.3
Total assets	1,213.1	1,059.7	14.5
Non-current assets	534.2	483.7	10.4
Equity	599.2	491.1	22.0
Equity ratio (%)	49.4	46.3	+3.1%-age points
Cash flow from operating activities	112.7	63.8	76.6
Free cash flow ¹⁾	82.5	4.7	-
Net financial position ²⁾	98.2	31.6	210.8
Working capital ³⁾	222.2	204.3	8.8
Working capital ratio at the balance sheet date (average, %) ⁴⁾	13.4	17.9	-4.5%-age points
Capital expenditure (excluding capitalisation of R&D, after deducting grants)	54.7	52.9	3.4
Depreciation and amortisation	93.5	90.8	3.0
Research and development	67.0	50.4	32.9
thereof capitalised	17.5	9.1	92.3
Employees (31 December)	4,154	3,665	13.3

¹⁾ Free cash flow: cash flow from operating and investing activities less net interest expense.

²⁾ Net financial position: cash and cash equivalents minus current and non-current interest-bearing financial liabilities.

³⁾ Working capital: inventories plus trade receivables minus trade payables.

⁴⁾ Working capital ratio (average, %): average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.