

Press release

DEUTZ AG

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Cologne, 3 August 2017

DEUTZ announces half-year results

- Marked increase in new orders and revenue
- Significant improvement in free cash flow
- Substantial exceptional gains from sales of company property

Today, DEUTZ AG published its consolidated financial results for the first half of 2017. New orders in the DEUTZ Group went up by 18.6 per cent to €803.0 million (H1 2016: €677.2 million). Orders in the second quarter of 2017 amounted to €399.8 million, which was 14.3 per cent higher than in the second quarter of last year (Q2 2016: €349.9 million) and at the same level as in the first quarter of this year (Q1 2017: €403.2 million).

A total of 79,599 engines were sold in the six-month period, a year-on-year rise of 14.2 per cent (H1 2016: 69,706 engines). Second-quarter unit sales came to 42,446 engines, which was 12.9 per cent higher the prior-year figure (Q2 2016: 37,594 engines) and 14.2 per cent above the previous quarter (Q1 2017: 37,153 engines).

Revenue rose by 14.0 per cent to €734.5 million in the first half of 2017 (H1 2016: €644.4 million). The largest region, EMEA (Europe, Middle East, Africa), saw revenue grow by 17.4 per cent, while revenue in the Americas region was up by 10.5 per cent. Revenue in the Asia-Pacific region, however, was down by 1.3 per cent, as the figure for the prior-year period had included licensing income. In the second quarter of 2017, revenue totalled €382.0 million, which was 11.0 per cent higher than in the prior-year period (Q2 2016: €344.2 million) and 8.4 per cent more than in the first quarter of this year (Q1 2017: €352.5 million).

At €22.8 million, operating profit (EBIT before exceptional items) was up by €2.1 million on the first half of 2016. This more than compensated for the €5.5 million contribution to earnings from a licensing transaction in

the prior-year period. However, the absence of this contribution did result in the EBIT margin falling marginally to 3.1 per cent compared with 3.2 per cent in the first half of 2016. At €19.8 million, net income in the six-month period was on a par with the prior-year period. Earnings per share therefore amounted to €0.16 (H1 2016: €0.17). Free cash flow improved by a substantial €71.0 million year on year to reach €53.8 million.

“Since the beginning of 2017, we have seen a positive market trend that is still ongoing. The property sale of the former Cologne-Deutz site was a milestone in the second quarter of 2017,” says DEUTZ’s Chief Financial Officer, Dr Margarete Haase. It is expected to make a positive contribution to the year’s earnings in the high double-digit million euros (after taxes), which will be recognised as an exceptional item. Furthermore, depending on completion of the ongoing planning process, DEUTZ anticipates a further, final instalment of the purchase consideration in the coming years. The exact amount is not yet known and, provided the planning application is successful, will be in the mid double-digit million euros.

“Going forward, we will be positioning ourselves much more strongly as a supplier of innovative drive systems and focusing on alternative fuels,” says Chairman of the DEUTZ Board of Management Dr Frank Hiller. “The new E-DEUTZ strategy, for example, includes hybrid solutions, partial electrification and electric drive components. And the proceeds from the sale of property are allowing us to invest even more heavily in technology, innovation and service.”

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.

For detailed information about the first half of 2017, see the enclosed summary of key performance indicators.

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THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

€ million	4-6/2017	4-6/2016	1-6/2017	1-6/2016
New orders	399.8	349.9	803.0	677.2
Unit sales (units)	42,446	37,594	79,599	69,706
Revenue	382.0	344.2	734.5	644.4
EBITDA	30.1	35.6	68.8	66.9
EBITDA before exceptional items	36.0	35.6	64.7	66.9
EBIT	9.3	13.4	26.9	20.7
EBIT before exceptional items	15.2	13.4	22.8	20.7
EBIT margin (%)	2.4	3.9	3.7	3.2
EBIT margin before exceptional items (%)	4.0	3.9	3.1	3.2
Net income	4.4	11.3	19.8	20.0
Earnings per share (€)	0.03	0.09	0.16	0.17
Total assets	1,101.6	1,103.8	1,101.6	1,103.8
Non-current assets	461.0	499.6	461.0	499.6
Equity	500.4	494.5	500.4	494.5
Equity ratio (%)	45.4	44.8	45.4	44.8
Cash flow from operating activities	29.0	23.4	85.2	15.4
Free cash flow ¹⁾	14.1	11.7	53.8	-17.2
Net financial position ²⁾	74.8	13.1	74.8	13.1
Working capital ³⁾	185.2	227.1	185.2	227.1
Working capital ratio (30 Jun, %) ⁴⁾	13.7	18.6	13.7	18.6
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	9.7	14.0	18.3	30.0
Depreciation and amortisation	20.8	22.2	41.9	46.2
Research and development expenditure (after deducting grants)	14.5	12.6	31.0	22.7
thereof capitalised	3.5	1.6	7.1	2.5
Employees (30 Jun)	3,774	3,708	3,774	3,708

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	4-6/2017	4-6/2016	1-6/2017	1-6/2016
New orders				
DEUTZ Compact Engines	335.3	285.1	661.6	544.5
DEUTZ Customised Solutions	64.5	64.8	141.4	132.7
Total	399.8	349.9	803.0	677.2
Unit sales (units)				
DEUTZ Compact Engines	40,161	35,037	75,482	64,807
DEUTZ Customised Solutions	2,285	2,557	4,117	4,899
Total	42,446	37,594	79,599	69,706
Revenue				
DEUTZ Compact Engines	319.5	277.0	613.6	512.5
DEUTZ Customised Solutions	62.5	67.2	120.9	131.9
Total	382.0	344.2	734.5	644.4
EBIT before one-off items				
DEUTZ Compact Engines	9.9	4.2	11.4	1.9
DEUTZ Customised Solutions	5.2	11.2	11.6	21.4
Other	0.1	-2.0	-0.2	-2.6
Total	15.2	13.4	22.8	20.7