

PRESS RELEASE

DEUTZ AG

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DEUTZ presents its results for 2016

- Small rise in revenue despite market trend
- Significant increase in operating profit
- Positive outlook for 2017

DEUTZ AG has today announced its consolidated financial results for 2016. New orders amounted to €1,261.4 million, up by 2.9 per cent on the prior-year figure of €1,225.9 million. The level of new orders rose in the Construction Equipment, Material Handling and Agricultural Machinery application segments, and in the service business. For the purposes of reporting, the former Mobile Machinery application segment has been divided into the Construction Equipment and Material Handling application segments, providing greater transparency in terms of the significance of various customer industries.

In total 132,539 engines were sold, representing a drop of 3.8 per cent compared to last year's figure of 137,781 engines. The Stationary Equipment and Automotive application segments, in particular, reported fewer engine sales. Revenue amounted to €1,260.2 million, up by 1.0 per cent on the figure of €1,247.4 million reported a year earlier. Broken down by region, revenue was up by 3.3 per cent in the EMEA (Europe, Middle East and Africa) region and by 15.9 per cent in the Asia-Pacific region, but down by 13.0 per cent in the Americas.

Operating profit (EBIT) rose by €18.5 million to €23.4 million in 2016. The EBIT margin improved to reach 1.9 per cent, compared with 0.4 per cent the year before. Net income increased from €3.5 million in 2015 to €16.0 million, which resulted in earnings per share of €0.14 compared with €0.04 for the same period of the previous year. "We have seen earnings improve on the back of lower material costs and depreciation and amortisation. We have also benefited from the first positive effects of optimising our site network in 2016. These measures are well advanced and will deliver a positive contribution to earnings of around €10 million in 2017 – and an

even higher contribution in future years as capacity utilisation rises,” said Dr Margarete Haase, CFO at DEUTZ.

The equity ratio saw further growth from 45.5 per cent to 46.3 per cent. Free cash flow dropped from €35.0 million to €4.7 million compared to the previous year, due to changes in working capital. The Board of Management and Supervisory Board will propose to the Annual General Meeting that an unchanged dividend of €0.07 per share be paid.

Dr Frank Hiller was appointed as a member of the Board of Management and its chairman with effect from 1 January 2017. “We want to work together with our customers in stable, long-term partnerships and offer them assured and innovative technologies. Our objective is to further strengthen our market position and our commercial success and thus make ourselves more attractive to our customers and the capital markets,” said Dr Hiller.

Although DEUTZ anticipates that the market will stagnate in 2017, or perhaps grow slightly, it can already see early signs of a potential improvement in the market. A strong base effect has resulted from customers in Europe coming to the end of their inventories. Consequently, the company forecasts a marked increase in revenue. The EBIT margin before exceptional items is expected to increase moderately, mainly due to better capacity utilisation and the positive effects of optimising the site network. DEUTZ also anticipates substantial positive exceptional items from property transactions in the near future, some of which may be recognised in the current year, depending on the negotiations to be conducted.

Detailed information about the 2016 financial year can be found in the accompanying summary of key performance indicators.

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DEUTZ GROUP: KEY FIGURES

€ million

	2016	2015	Change (%)
New orders	1,261.4	1,225.9	2.9
Unit sales (units)	132,539	137,781	-3.8
Revenue	1,260.2	1,247.4	1.0
EBITDA	114.2	112.2	1.8
EBIT	23.4	4.9	-
EBIT margin (%)	1.9	0.4	-
Net income	16.0	3.5	-
Earnings per share (€)	0.14	0.04	-
Dividend per share (€)	0.07	0.07	-
Total assets	1,059.7	1,088.1	-2.6
Non-current assets	483.7	520.5	-7.1
Equity	491.1	495.6	-0.9
Equity ratio (%)	46.3	45.5	-
Cash flow from operating activities	63.8	103.3	-38.2
Free cash flow ¹⁾	4.7	35.0	-86.6
Net financial position ²⁾	31.6	39.0	-19.0
Working capital ³⁾	204.3	183.6	11.3
Working capital ratio (31 Dec, %) ⁴⁾	16.2	14.7	-
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	52.9	56.2	-5.9
Depreciation and amortisation	90.8	107.3	-15.4
Research and development expenditure (after deducting grants)	50.4	40.8	23.5
thereof capitalised	9.1	13.0	-30.0
Employees (31 Dec)	3,665	3,730	-1.7

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