

PRESS RELEASE

DEUTZ AG

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Successful start to the 2017 financial year

- Significant increase in new orders
- Marked rise in unit sales and revenue
- Improvement in operating profit

Having announced preliminary results on 27 April 2017, DEUTZ AG published its interim management statement for the first quarter of 2017 today. New orders rose significantly to reach €403.2 million, a 23.2 per cent increase on the first three months of last year (Q1 2016: €327.3 million) and 23.6 per cent more than in the previous quarter (Q4 2016: €326.1 million). At 37,153 engines, unit sales were up by 15.7 per cent on both the prior-year period (Q1 2016: 32,112 engines) and the previous quarter (Q4 2016: 32,100 engines). Revenue for the first quarter of 2017 was €352.5 million, a year-on-year rise of 17.4 per cent (Q1 2016: €300.2 million) and 12.0 per cent higher than in the fourth quarter of last year (Q4 2016: €314.7 million). The largest region, EMEA (Europe, Middle East, Africa), saw strong revenue growth. Revenue also improved in the Americas region but declined slightly in the Asia-Pacific region. Broken down by application segment, revenue increased in the Construction Equipment, Material Handling and Agricultural Machinery applications segments whereas it decreased in the Automotive and Stationary Equipment application segments.

At €7.6 million, operating profit (EBIT before exceptional items) was on a par with the first quarter of last year. However, the figure for the prior-year period had been boosted by a contribution of €5.5 million from a licensing transaction in the DEUTZ Customised Solutions segment. Compared with the fourth quarter of 2016, EBIT before exceptional items went up by €3.9 million. The EBIT margin (before exceptional items) was 2.2 per cent in the quarter under review. In the first quarter of 2017, the disposal of a building lease generated a positive exceptional item of €10.0 million. As a result, there was a marked increase in EBIT after exceptional items, which climbed to €17.6 million. Net income for the first three months of the current year advanced to

€15.4 million, a year-on-year rise of €6.7 million (Q1 2016: €8.7 million). This resulted in earnings per share of €0.13 (Q1 2016: €0.08). Free cash flow also improved by a substantial €68.6 million to reach €39.7 million.

As the premises in Cologne-Deutz, which cover an area of around 160,000 square metres, are no longer required following the site's relocation to Cologne-Porz, DEUTZ sold the land occupied by its former Cologne-Deutz site to the Düsseldorf-based project developer GERCHGROUP a few days ago. The former industrial site, which is close to the Rhine, is to be redeveloped to create a new city district with a high proportion of housing. "We are very satisfied that we have sold the land occupied by our former Cologne-Deutz plant on attractive terms. By freeing up former industrial sites for alternative uses, we are contributing to Cologne's development, particularly with regard to the need for new housing within the city," commented Dr Margarete Haase, Chief Financial Officer at DEUTZ.

DEUTZ expects to receive a sum of around €125 million as purchase consideration this year. 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 reach into the mid double-digit million euros. In the current year DEUTZ expects this transaction to deliver a positive contribution to earnings in the high double-digit million euros (after taxes) that will be recognised as an exceptional item.

"We have made a successful start to 2017. New orders increased in all regions and application segments. The inflow of funds provided by the sale of the site opens up new opportunities for investing in our growth and the strengthening of our core business," said Dr Frank Hiller, Chairman of the DEUTZ Board of Management. DEUTZ is reiterating its forecast for 2017 as a whole of a marked rise in revenue and a moderate increase in the EBIT margin before exceptional items. Substantial positive exceptional items are also expected.

The engine company.



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Detailed information on the first quarter of 2017 can be found in the enclosed summary of key performance indicators.

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FIRST QUARTER AT A GLANCE

DEUTZ Group: Overview

€ million	1-3/2017	1-3/2016
New orders	403.2	327.3
Unit sales (units)	37,153	32,112
Revenue	352.5	300.2
EBITDA	38.7	31.3
EBITDA before exceptional items	28.7	31.3
EBIT	17.6	7.3
EBIT before exceptional items	7.6	7.3
EBIT margin (%)	5.0	2.4
EBIT margin before exceptional items (%)	2.2	2.4
Net income	15.4	8.7
Earnings per share (€)	0.13	0.08
Total assets	1,101.0	1,099.6
Non-current assets	469.5	510.0
Equity	507.2	495.4
Equity ratio (%)	46.1	45.1
Cash flow from operating activities	56.2	-8.0
Free cash flow ¹⁾	39.7	-28.9
Net financial position ²⁾	70.0	9.7
Working capital ³⁾	197.1	229.4
Working capital ratio (31 Mar, %) ⁴⁾	15.0	18.7
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	8.6	16.0
Depreciation and amortisation	21.1	24.0
Research and development expenditure (after deducting grants)	16.5	10.1
thereof capitalised	3.6	0.9
Employees (number at 31 Mar)	3,675	3,699

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	1-3/2017	1-3/2016
New orders		
DEUTZ Compact Engines	326.3	259.4
DEUTZ Customised Solutions	76.9	67.9
Total	403.2	327.3
Unit sales (units)		
DEUTZ Compact Engines	35,321	29,770
DEUTZ Customised Solutions	1,832	2,342
Total	37,153	32,112
Revenue		
DEUTZ Compact Engines	294.1	235.5
DEUTZ Customised Solutions	58.4	64.7
Total	352.5	300.2
EBIT before one-off items		
DEUTZ Compact Engines	1.5	-2.3
DEUTZ Customised Solutions	6.4	10.2
Other	-0.3	-0.6
Total	7.6	7.3