

PRESS RELEASE

DEUTZ AG

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DEUTZ publishes half-year results

- Business performance in line with expectations
- Improved operating profit
- Forecast confirmed

DEUTZ AG has today announced its consolidated financial results for the first half of 2016. In a tough economic environment, new orders in the DEUTZ Group rose by 1.0 per cent to €677.2 million (H1 2015: €670.7 million). Orders in the second quarter of 2016 amounted to €349.9 million, which was 6.9 per cent higher than the figure of €327.3 million for the first quarter, and the same level as the second quarter of 2015 (€349.7 million).

The number of engines sold fell to 69,705, down by 10.8 per cent compared with the corresponding period of 2015 (H1 2015: 78,120 engines). The sales of 37,594 engines in the second quarter of 2016 represented a 17.1 per cent increase on the first quarter of 2016 (32,112 engines), but an 8.8 per cent drop on the prior-year quarter (Q2 2015: 41,213 engines).

Revenue amounted to €644.4 million in the six-month period and was 3.8 per cent lower than the figure of €670.2 million reported for the corresponding prior-year period. Broken down by region, revenue was up by 1.0 per cent in the EMEA (Europe, Middle East and Africa) region and by 10.3 per cent in the Asia-Pacific region, but down by 22.4 per cent in the Americas. In the second quarter of 2016, revenue was down by 2.2 per cent year on year, falling to €344.2 million (Q1 2015: €352.1 million), although it was 14.7 per cent higher than in the first quarter of 2016 (€300.2 million).

Despite the fall in revenue, the figure of €20.7 million for operating profit (EBIT) was slightly higher than in the comparable prior-year period (H1 2015: € 20.3 million) because of cost-cutting measures and lower depreciation and amortisation. As a result, the EBIT margin went up to 3.2 per cent. Net income for the first six months of 2016 amounted to €20.0 million (H1 2015: €16.7 million), which resulted in earnings per share of €0.17 compared with €0.14 for the same period of 2015. "This means that the first half of 2016 proceeded as we had expected, so we are well on the way to achieving our forecast for the year as a whole," said Dr Helmut Leube, chairman of the DEUTZ Board of Management.

The programme that DEUTZ has introduced to optimise its network of sites in Germany is progressing according to plan. The new shaft centre in Cologne-Porz, its biggest site, has come on stream and will gradually be ramped up in the coming months. "This means that our efficiency measures aimed at optimising our network of sites are right on schedule. We are very well positioned to generate a significantly higher EBIT margin again if unit sales increase," said DEUTZ's Chief Financial Officer, Dr Margarete Haase.

DEUTZ has confirmed its forecast for 2016 as a whole and, in a tough market environment, continues to expect revenue to stagnate or, at best, rise slightly and the EBIT margin to increase moderately. Due to seasonal factors, the second half of 2016 is expected to be weaker than the first six months.

For detailed information about the first half of 2016, see the enclosed summary of key performance indicators.

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THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

€ million	4-6/2016	4-6/2015	1-6/2016	1-6/2015
New orders	349.9	349.7	677.2	670.7
Unit sales (units)	37,594	41,213	69,706	78,120
Revenue	344.2	352.1	644.4	670.2
EBITDA	35.6	36.5	66.9	70.4
EBIT	13.4	10.2	20.7	20.3
EBIT margin (%)	3.9	2.9	3.2	3.0
Net income	11.3	9.0	20.0	16.7
Earnings per share (€)	0.09	0.07	0.17	0.14
Total assets	1,103.8	1,179.8	1,103.8	1,179.8
Non-current assets (before deferred tax assets)	499.6	554.5	499.6	554.5
Equity	494.5	535.1	494.5	535.1
Equity ratio (%)	44.8	45.4	44.8	45.4
Cash flow from operating activities	23.4	41.5	15.4	53.9
Free cash flow ¹⁾	11.7	27.3	-17.2	26.2
Net financial position ²⁾	13.1	33.2	13.1	33.2
Working capital ³⁾	227.1	216.4	227.1	216.4
Working capital ratio (30 Jun, %) ⁴⁾	18.6	15.0	18.6	15.0
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	14.0	16.9	30.0	25.3
Depreciation and amortisation	22.2	26.3	46.2	50.1
R&D expenditure (after deducting grants)	12.6	8.9	22.7	19.8
thereof capitalised	1.6	3.2	2.5	5.0
Employees (number at 30 Jun)	3,708	3,822	3,708	3,822

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 (30 Jun, %): working capital as at the balance sheet date divided by revenue for the previous twelve months.

DEUTZ Group: Segments

€ million	4-6/2016	4-6/2015	1-6/2016	1-6/2015
New orders				
DEUTZ Compact Engines	285.1	281.1	544.5	530.0
DEUTZ Customised Solutions	64.8	68.6	132.7	140.7
Total	349.9	349.7	677.2	670.7
Unit sales (units)				
DEUTZ Compact Engines	35,037	37,758	64,807	71,353
DEUTZ Customised Solutions	2,557	3,455	4,899	6,767
Total	37,594	41,213	69,706	78,120
Revenue				
DEUTZ Compact Engines	277.0	277.3	512.5	528.3
DEUTZ Customised Solutions	67.2	74.8	131.9	141.9
Total	344.2	352.1	644.4	670.2
EBIT before one-off items				
DEUTZ Compact Engines	4.2	2.5	1.9	6.5
DEUTZ Customised Solutions	11.2	6.3	21.4	17.3
Other	-2.0	1.4	-2.6	-3.5
Total	13.4	10.2	20.7	20.3