

PRESS RELEASE

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Successful first half of 2018

- Sales up by 20 per cent, EBIT more than doubled
- EBIT margin increases from 3.1 to 5.5 per cent
- Strike at supplier Neue Halberg-Guss will burden

DEUTZ AG has today published the Group's preliminary financial results for the first half of 2018. The volume of new orders rose by 36.6 per cent year on year to €1,097 million. The figure for the corresponding period in 2017 was €803 million. Following the strong start to the year, new orders were also very high at €522 million in the second quarter of 2018, a 30.5 per cent increase on the second quarter of 2017 (Q2 2017: €400 million). Orders on hand rose by €60 million compared with the previous quarter to €488 million.

The unit sales figure for the first half of 2018 was 105,201 engines, including 6,345 electric motors sold under the Torquedo brand. This was 32.2 per cent higher than in the previous year (79,599 engines). Revenue came to €878 million, a 20 per cent increase year on year (H1 2017: €735 million). In the second quarter of 2018, revenue totalled €463 million, which was 11.6 per cent higher than in the first quarter of this year and 21.2 per cent more than in the prior-year period (Q1 2018: €415 million; Q2 2017: €382 million).

Operating profit (EBIT before exceptional items) more than doubled to €48 million year on year (H1 2017: €23 million) according to the preliminary financial results – before profit contribution of the joint venture DEUTZ Dalian for the second quarter of 2018 and any adjustment of the joint venture's carrying amounts. Second-quarter operating profit was €26 million, more than a 70 per cent increase compared with the same period of the previous year (€15 million) and an increase just under 20 per cent compared to the previous quarter (€22 million). The EBIT margin (before exceptional items) improved to 5.5 per cent in the first six months after 3.1 per cent in the previous year period. In the second quarter 2018, the EBIT margin was 5.7 per cent, up from 4.0 per cent in the second quarter 2017 and 5.2 per cent in the previous quarter.

“The start to the new business year has clearly exceeded our expectations,” commented Dr Frank Hiller, Chairman of the DEUTZ Board of Management, adding, “The sharp increase of the EBIT margin signals that the measures introduced to improve earnings are showing its effect.”

In the second quarter, the joint venture DEUTZ Dalian will impact group earnings by a sum in the high single-digit or low double-digit millions of euros due to an adjustment of carrying amounts. Over the course of 2018, this negative effect on earnings is expected to be more than offset by the proceeds from the disposal, license income and positive exchange differences. The valuation adjustments already announced in April will relate to a significant extent to prior periods. DEUTZ is withdrawing from activities that have not lived up to its expectations in the past. This clears the way for a strategic realignment of the companies' operations in China. Talks on new alliances with major local partners in the construction equipment and agricultural machinery industries have already reached an advanced stage.

The positive business development is, however, clouded by the strike at Neue Halberg-Guss. The strike at DEUTZ AG's important supplier for castings is meanwhile continuing in the fourth week. So far, the effects at DEUTZ have been largely offset by adjustments to production planning. However, a continuing strike will lead to production losses at DEUTZ and the subsequent supply chain in the current quarter. The management of DEUTZ is in constant dialogue with supplier and customers and appeals to union and company to show willingness to negotiate and to end the strike very promptly. Dr Frank Hiller, Chairman of the DEUTZ Board of Management: "We cannot raise our earnings forecast for 2018 at the moment since we are unable to predict how the strike will continue. We appeal to the responsibility of all those involved in trade union, works council, management and shareholders to come to an agreement quickly."

The full interim report for the first half of 2018 containing the final results including the valuation adjustment of the joint venture DEUTZ Dalian will be published on 2 August 2018.

For further information on this DEUTZ AG press release, please contact:

Investor & Public Relations

Christian Krupp

Tel: +49 (0)221 822 5400

Fax: +49 (0)221 822 155 401

Email: christian.krupp@deutz.com