PRESS RELEASE

Cologne, 2 August 2018

Significant improvement in earnings at DEUTZ

- New orders up by almost 37 per cent
- Sharp increases in revenue, operating profit and EBIT margin
- New market presence in China

Having announced preliminary results on 11 July 2018, DEUTZ AG published its interim report for the first half of 2018 today. New orders rose by €803.0 million to €1,096.5 million, an increase of 36.6 per cent. At €521.6 million, the level of new orders remained very high in the second quarter of 2018 and was up by 30.5 per cent on the figure for the prior-year period (Q2 2017: €399.8 million).

Unit sales in the first half of 2018 came to 105,201, which included 6,345 electric motors sold under the Torqeedo brand. This was an increase of 32.2 per cent on the number of engines sold in the prior year period (H1 2017: unit sales of 75,599). Revenue amounted to €877.6 million, which was 19.5 per cent higher than the €734.5 million generated in the first half of last year. DEUTZ also saw a further double-digit percentage increase in revenue in the second quarter of 2018, relative to both the first quarter of the current year and the second quarter of 2017.

Operating profit (EBIT before exceptional items) came to €33.4 million in the first half of 2018. Adjusted for effects on earnings in connection with the DEUTZ Dalian joint venture, it stood at €47.5 million. This represents a significant improvement in operating profit. Consequently, the EBIT margin (before exceptional items) rose to 5.4 per cent after adjusting for the effects on earnings in connection with the DEUTZ Dalian joint venture and to 3.8 per cent including these effects (H1 2017: 3.0 per cent). The EBIT margin for the second quarter of 2018 (before the aforementioned effects on earnings) was 5.7 per cent.

“DEUTZ’s business performance in the first half of 2018 exceeded our expectations,” said the Chairman of the DEUTZ Board of Management Dr Frank Hiller, before adding: “The steps that have been taken to improve efficiency are having the desired impact. By making changes to our market presence in China, we are looking to bolster our successful growth strategy.” DEUTZ is currently reorganising its activities in China, the world’s largest engine market, in order to make better use of opportunities there in future. The Company’s 50 per cent

DEUTZ AG · www.deutz.com
Sitz und Registergericht / Domicile and Register Court: Köln / Cologne
Nr. des Handelsregisters / Commercial Register No.: 42 HRB 281

Vorsitzender des Aufsichtsrates / Chairman of the Supervisory Board: Hans-Georg Härter
Vorstand / Board of Management:
Dr Ing Frank Hiller (Vorsitz / Chairman),
Dr Andreas Strecker, Michael Wellenzohn

stake in the DEUTZ Dalian joint venture is to be sold to the joint venture partner, FAW. Talks with new Chinese partners in the construction equipment and agricultural machinery industries are already at an advanced stage.

The thorough review of the carrying amounts for DEUTZ Dalian revealed that the carrying amount calculated using the equity method would have to be written down by a total of €23.1 million. Of this figure, €14.9 million relates to prior financial years and, in line with the applicable IFRSs, is to be applied retrospectively by adjusting the carrying of DEUTZ Dalian and by adjusting Group equity as at 31 December 2017 and earlier. The remaining €8.2 million relates to the current financial year and thus reduces the share of profit/loss under the equity method attributable to DEUTZ Dalian in the first half of 2018, which amounted to a total loss of €2.8 million. In addition, the carrying amount of the DEUTZ Dalian shares was tested for impairment and was written down by €11.3 million to the total proceeds of €9.7 million that are expected to be obtained from the disposal. The amount of €14.1 million by which earnings for the first half of 2018 has been reduced is likely to be fully offset before the end of the year as a result of the planned disposal of the joint venture.

For 2018 as a whole, DEUTZ is forecasting a significant increase in revenue to more than €1.6 billion and a moderate increase of at least 4.5 per cent in the EBIT margin (before exceptional items). This revised guidance was communicated on 27 July 2018. Previously, DEUTZ had forecast a significant rise in revenue and a moderate improvement in the EBIT margin (before exceptional item), but had not provided any specific figures. These projections rest on the assumption that there will be no further disruption related to the strike at Halberg and that the arbitration process that has started there will result in a definitive end to the industrial action.

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THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

€ million

	4–6/2018	4–6/2017[5]	**1–6/2018**	1–6/2017[5]
New orders	521.6	399.8	1,096.5	803.0
Unit sales (units)	56,743	42,446	105,201	79,599
Revenue	463.1	382.0	877.6	734.5
EBITDA	32.8	29.0	73.7	67.7
EBITDA before exceptional items	32.8	34.9	73.7	63.6
EBIT	11.7	8.2	33.4	25.8
EBIT before exceptional items	11.7	14.1	33.4	21.7
EBIT margin (%)	2.5	2.1	3.8	3.5
EBIT margin before exceptional items (%)	2.5	3.7	3.8	3.0
Net income	7.1	3.3	25.3	18.7
Earnings per share (€)	0.06	0.02	0.21	0.15
Total assets	1,222.4	1,101.6	1,222.4	1,101.6
Non-current assets	487.9	461.0	487.9	461.0
Equity	590.1	500.4	590.1	500.4
Equity ratio (%)	48.3	45.4	48.3	45.4
Cash flow from operating activities	13.1	29.0	23.2	85.2
Free cash flow[1]	–3.0	14.1	–12.1	53.8
Net financial position[2]	68.0	74.8	68.0	74.8
Working capital[3]	294.9	185.2	294.9	185.2
Working capital ratio (30 June, %)[4]	18.2	13.7	18.2	13.7
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	10.5	9.7	24.2	18.3
Depreciation and amortisation	21.1	20.8	40.3	41.9
Research and development expenditure (after deducting grants)	19.0	14.5	37.7	31.0
thereof capitalised	3.9	3.5	8.2	7.1
Employees (number at 30 Jun)	4,432	3,774	4,432	3,774

[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 less 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.
[5] Adjusted as a result of the write-downs on the DEUTZ Dalian joint venture. See page 15 et seq. in the notes to the interim consolidated financial statements for further details.

DEUTZ Group: Segments

€ million

	4–6/2018	4–6/2017	**1–6/2018**	1–6/2017
New orders				
DEUTZ Compact Engines	437.5	335.3	930.4	661.6
DEUTZ Customised Solutions	74.4	64.5	151.1	141.4
Other	9.7	–	15.0	–
Total	**521.6**	**399.8**	**1,096.5**	**803.0**
Unit sales (units)				
DEUTZ Compact Engines	49,900	40,161	94,463	75,482
DEUTZ Customised Solutions	2,631	2,285	4,393	4,117
Other	4,212	–	6,345	–
Total	**56,743**	**42,446**	**105,201**	**79,599**
Revenue				
DEUTZ Compact Engines	385.7	319.5	737.7	613.6
DEUTZ Customised Solutions	67.8	62.5	125.5	120.9
Other	9.6	–	14.4	–
Total	**463.1**	**382.0**	**877.6**	**734.5**
EBIT before one-off items				
DEUTZ Compact Engines	3.7	8.8[1]	20.7	10.3[1]
DEUTZ Customised Solutions	10.2	5.2	17.9	11.6
Other	–2.2	0.1	–5.2	–0.2
Total	**11.7**	**14.1**[1]	**33.4**	**21.7**[1]

[1] Adjusted as a result of the write-downs on the DEUTZ Dalian joint venture. See page 15 et seq. in the notes to the interim consolidated financial statements for further details.