

Ad-hoc disclosure

(pursuant to article 17 of Regulation (EU)
No 596/2014, published on 3 July 2018 at
6:06pm)

Cologne, 3 July 2018

DEUTZ intends to withdraw from the DEUTZ Dalian joint venture and is negotiating new strategic alliances in China

The Board of Management of DEUTZ AG decided today to fully withdraw from the joint venture DEUTZ (Dalian) Engine Co., Ltd. ('DEUTZ Dalian') and to sell its 50 per cent stake in the company to the joint venture partner FAW, after DEUTZ AG and FAW reached a common understanding of the commercial key aspects. The planned transaction is subject to the approval of the Supervisory Board of DEUTZ AG and should be completed in the second half of 2018. Furthermore, talks on new alliances with major local partners in the construction equipment and agricultural machinery industries have already reached an advanced stage.

This year, DEUTZ expects proceeds of almost €10 million from the disposal of the DEUTZ Dalian joint venture and from related licensing income. In the first half of 2018, earnings are likely to be reduced by a sum in the high single-digit or low double-digit millions of euros. However, the proceeds from the disposal are expected to largely offset, if not exceed, this sum over the course of 2018. Overall, the DEUTZ Dalian joint venture and its sale are not expected to significantly impact on earnings this year.

As at 31 December 2017, DEUTZ Dalian (DDE) was included in the consolidated financial statements at a carrying amount of €38.4 million. Of this total, €15.5 million was attributable to positive exchange differences, which are recognised in other comprehensive income and, in the event of disposal, are reclassified to profit or loss. From a financial perspective, the remaining carrying amount on the consolidated balance sheet – after reclassification of the exchange differences to profit or loss – will thus be just under €23 million. Back in April 2018, DEUTZ had announced that it was reviewing the joint venture's carrying amounts. The resulting valuation adjustments, which had been calculated in April to be in the range of €16 million to €32 million, would – from a financial perspective – now be limited to around €23 million following the implementation of the planned sale of the DDE shares. Based on the information currently available, this will be the size of the write-down of the joint venture's carrying amount in the DEUTZ consolidated financial statements. It is currently anticipated that the adjustments will also relate to prior periods to a significant extent. DEUTZ will provide

The engine company.



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further details of the finalised valuation adjustments when they are disclosed in the interim report for the first half of 2018, which will be published on 2 August 2018.

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