DEUTZ
Q1–Q3 2019 results

November 7, 2019

Disclaimer

Unless stated otherwise, all the figures given in this presentation refer to continuing operations.

The details given in this document are based on the information available at the time it was prepared. This presents the risk that actual figures may differ from forward-looking statements. Such discrepancies may be caused by changes in political, economic, or business conditions, decreases in the technological lead of DEUTZ's products, changes in competition, the effects of movements in interest rates or exchange rates, the pricing of parts supplied, and other risks and uncertainties not identified at the time this document was prepared.

The forward-looking statements made in this document will not be updated.

Agenda

Strategy and operational highlights

Dr. Frank Hiller | Chairman of the Board of Management

Key figures for Q1–Q3 2019 at a glance

Growth in revenue and earnings

- Revenue rises in all regions and major application segments:
  Consolidated revenue advances by 6.4%; revenue from the high-margin service business climbs by 7.3%.
  Particularly strong growth in the Americas (+14.8%) and Asia-Pacific (+16.3%).
- Since the end of Q2 2019, new orders have reflected a weakening of demand as a result of the economic climate; new orders down by 15.1% on the strong prior-year period.
- Sharp increase in operating profit even before exceptional items:
  Operating profit before exceptional items jumps 50.8% to €69.2 million.
  EBIT margin before exceptional items improves from 3.5% to 5.0%.
- Revenue and earnings guidance[1)] for 2019 confirmed.

Further milestones reached in the implementation of the growth strategy

- At the end of September 2019, the foundation stone was laid for the new high-performance engine assembly plant in the Chinese city of Changsha.
- Acquisition of battery specialist Futavis adds expertise in high-voltage battery management systems to the E-DEUTZ strategy – another big step toward a future of zero-carbon off-highway vehicles.

1) See the ad-hoc disclosure from DEUTZ AG dated September 20, 2019.

DEUTZ's growth strategy in China

Joint venture agreement[1] with China's largest construction equipment manufacturer, SANY[2]

- At the end of September 2019, the foundation stone was laid for the new high-performance engine assembly plant in the Chinese city of Changsha.
- Province of Hunan is contributing several tens of millions of US dollars in funding.
- From Q4 2020, DEUTZ will take over SANY's existing engine production activities and begin to supply DEUTZ engines.
- Steps to localize procurement have already been initiated.
- Production of around 75,000 engines in 2022/Additional growth potential expected.

Strategic alliance with BEINEI for local contract manufacturing

- DEUTZ management team will oversee the production of around 20,000 new engines in 2022 for China and, looking further ahead, other Asian countries.
- New factory in Tianjin to be completed in Q1 2020.
- Ramp-up planned for 2020 with up to 5,000 engines.

Partnership with China's biggest construction equipment leasing company, FAR EAST HORIZON, to expand the local service business

- Expansion of digital service offering/Joint web store planned.
- First service outlets are under development.

Revenue target in China in 2022: ~€500 million[2]

Introduction of stricter emissions regulations opens up additional opportunities for growth

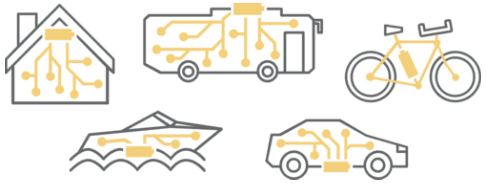
- The Chinese government is promoting the development of cleaner diesel engines and is pressing ahead with alternative drive technologies such as electrification, sustainable fuels, and hydrogen drives.
- China IV Non Road Emission Legislation scheduled to be introduced late 2020/mid-2021 for all off-highway machines/Significant reduction in the threshold values for nitrogen oxide and particulates compared to China III.
- In the heavy-duty on-highway sector, China VI will be introduced for urban commercial vehicles from mid-2020 and nationwide in 2021.
- DEUTZ has the required expertise to position itself as an ideal technology partner.
- DEUTZ will significantly expand its market share in the world's biggest individual market for engines by establishing local production operations and working with strategic partners.

1) DEUTZ holds 51% majority stake in the joint venture.
2) The joint venture is consolidated using the equity method.

DEUTZ acquires battery specialist Futavis

- Acquisition of the battery specialist **Futavis**, which has extensive technical expertise in electronics, software, battery technology, and battery testing and in matters of functional safety.

FUTAVIS
COMPLEXITY SIMPLIFIED



- The company’s expertise in **high-voltage battery management systems** will add to the expertise that DEUTZ and Torqeedo already have in the field of electric drives.
- DEUTZ now has expertise in all relevant technologies, including electric drives, power electronics, low- and high-voltage batteries, and systems integration.

Planned share of revenue generated by electric drives in 2022: 5–10%

2022
5–10% of revenue generated by electrified drive systems

2021
Start of rollout, first relevant revenue

2020
Marketable hybrid and all-electric products

2019
Modular product system

Acquisition of FUTAVIS
COMPLEXITY SIMPLIFIED

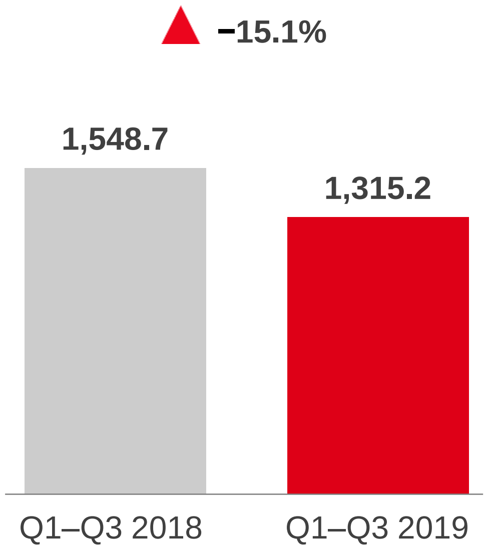
2018
First hybrid and all-electric prototypes

2017
Acquisition of Torqeedo

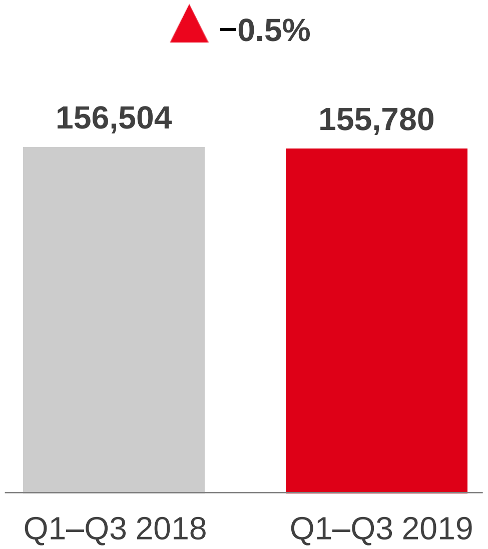
DEUTZ

Sales figures

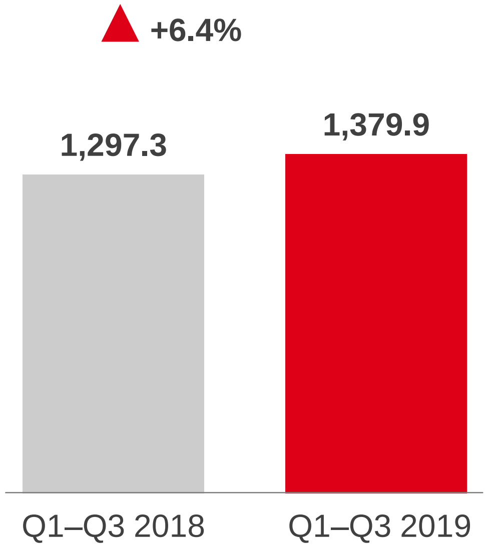
New orders
€ million



Unit sales
Units



Revenue
€ million



- Since the end of Q2 2019, new orders have reflected a weakening of demand as a result of the economic climate; strong prior-year period had been positively influenced by a change in customers' ordering patterns.
- Revenue increasing at a faster rate than unit sales because of the positive effects of a shift in the product mix.
- Sales of Torqeedo's electric drives jump by 44.7% to 12,990.

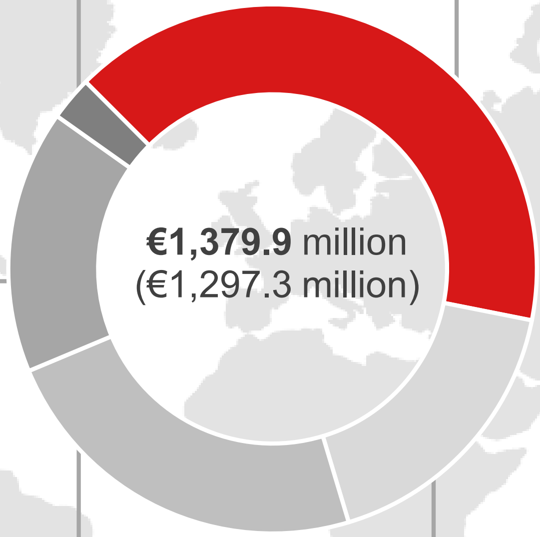
Revenue by region[1)]

Q1–Q3 2019 (Q1–Q3 2018)

Africa and Middle East 3%
€37.2 million
−1.6%

Asia-Pacific 16%
€222.8 million
+16.3%

Americas 23%
€322.8 million
+14.8%



Europe (excl. Germany) 41%
€561.6 million
+3.6%

Germany 17%
€238.3 million
−2.9%

Strong growth in the Americas and Asia-Pacific

1) In Q1 2019, DEUTZ changed the regional assignment of one of its big-ticket customers. Business with this customer is no longer allocated exclusively to the EMEA region. Instead, it can now also be allocated to the Americas and Asia-Pacific regions, depending on the location of the local subsidiary's registered office. The figures for the prior-year period have been restated accordingly.

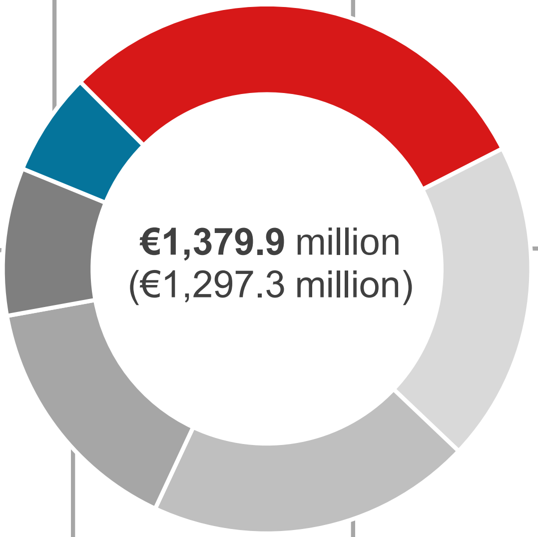
Revenue by application segment[1)]

Q1–Q3 2019 (Q1–Q3 2018)

Miscellaneous 6%
€85.6 million
+13.5%

Stationary Equipment 9%
€122.4 million
−2.2%

Agricultural Machinery 15%
€206.1 million
+9.5%



Construction Equipment 30%
€406.5 million
+2.8%

Material Handling 21%
€296.3 million
+11.3%

Service 19%
€265.8 million
+7.3%

Further successful expansion of high-margin service business

1) From 2019 onwards, the revenue from automotive business is included in the Miscellaneous application segment. Up to and including 2018, it was shown separately. The figures for the prior-year period have been restated accordingly.

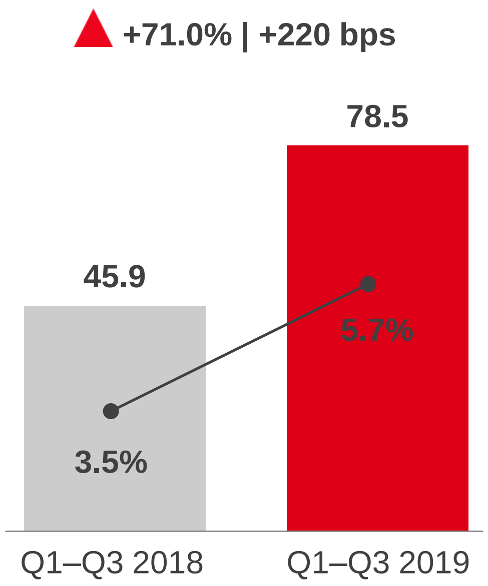
Agenda

Key financials in detail

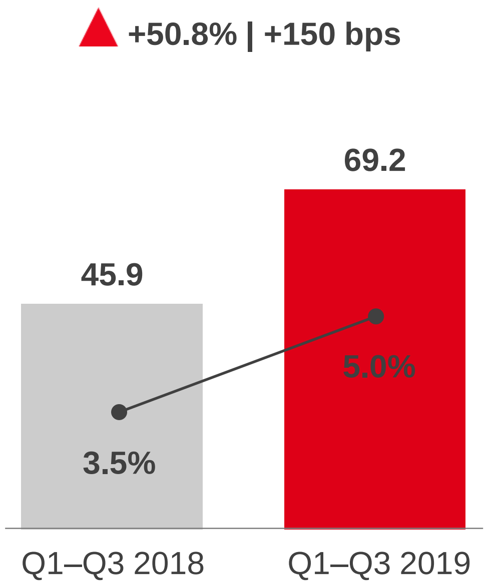
Dr. Andreas Strecker | Chief Financial Officer

EBIT

EBIT and EBIT margin
€ million



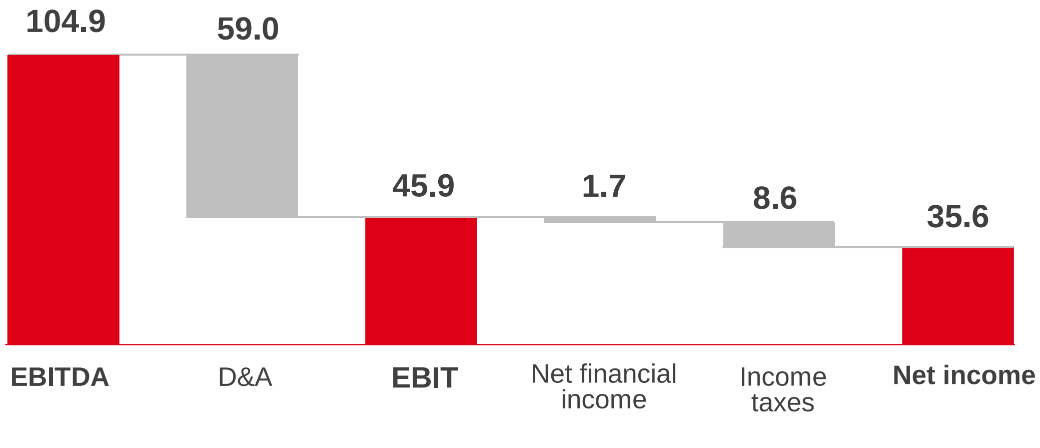
EBIT and EBIT margin before exceptional items
€ million



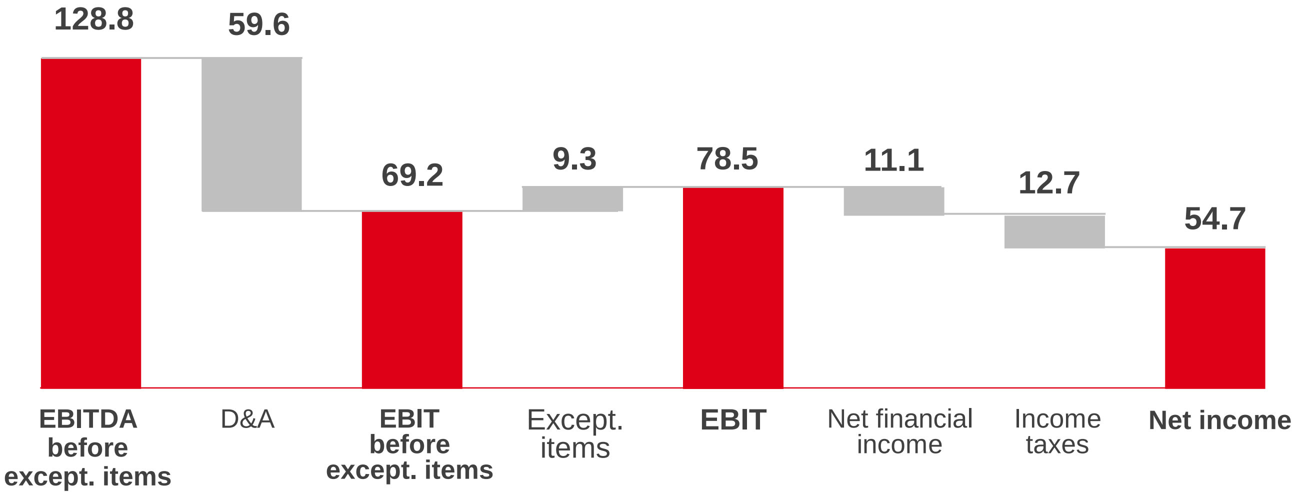
- Significant year-on-year increase in EBIT and EBIT margin, even before exceptional items.
- Excluding non-recurring effects (deconsolidation of Argentinian joint venture, provision at Torqeedo, reversal of impairment loss on engine series), the EBIT margin before exceptional items stood at 5.3%.
- Significant double-digit increase in EBIT in both the DEUTZ Compact Engines and DEUTZ Customised Solutions segments.
- The Other segment's negative impact on earnings is higher mainly because of the deconsolidation of the joint venture in Argentina (Q1 2019: €2.9 million) and the recognition of a provision at Torqeedo (Q2 2019: €2.5 million).

Operating profit and net income

Q1–Q3 2018
€ million



Q1–Q3 2019
€ million



- EBITDA up by 31.6%, or by 22.8% before exceptional items;
  EBITDA margin improves by 190 bps to 10.0%, or by 120 bps to 9.3% before exceptional items.
- Deterioration in net financial income due to the write-down on a loan granted to a supplier at the end of 2018.
- Significant increase in payments for income taxes (+47.7%), mainly due to a positive exceptional item in Q2 2019 (proceeds from the sale of land).
- Net income rises by 53.7%, or by 31.5% before exceptional items.

DEUTZ Compact Engines (DCE)

€ million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
New orders	**1,019.5**	1,312.2	−22.3
Unit sales (units)	**122,638**	141,034	−13.0
Revenue	**1,079.7**	1,085.2	−0.5
EBIT	**45.8**	28.2	+62.4
EBIT margin (%)	**4.2**	2.6	+160 bps

€ million	Q3 2019	Q3 2018	YoY change (%)
New orders	**263.3**	381.8	−31.0
Unit sales (units)	**40,714**	46,571	−12.6
Revenue	**349.9**	347.5	+0.7
EBIT	10.9	7.5	+45.3
EBIT margin (%)	**3.1**	2.2	+90 bps

- Revenue close to the prior-year level despite reassignment of the 2011 engine series to DEUTZ Customised Solutions.
- Revenue increasing at a faster rate than unit sales mainly due to a favorable shift in the product mix toward higher-value engines.
- EBIT up significantly on the low figure reported for the prior-year period, which had been reduced by €14.1 million because of a drag on earnings resulting from a joint venture that has now been sold.
- EBIT margin improving, partly because of the engine series reassignment and positive effects resulting from a shift in the product mix.

DEUTZ Customised Solutions (DCS)

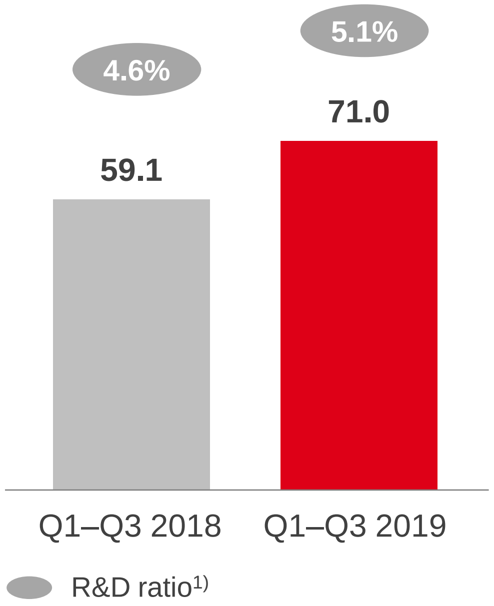
€ million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
New orders	**267.2**	215.3	+24.1
Unit sales (units)	**20,152**	6,493	> +100
Revenue	**276.5**	191.8	+44.2
EBIT	**37.6**	26.3	+43.0
EBIT margin (%)	**13.6**	13.7	−10 bps

€ million	Q3 2019	Q3 2018	YoY change (%)
New orders	**86.7**	63.9	+35.7
Unit sales (units)	**6,643**	2,100	> +100
Revenue	**91.5**	66.0	+38.6
EBIT	**14.0**	8.4	+66.7
EBIT margin (%)	**15.3**	12.7	+260 bps

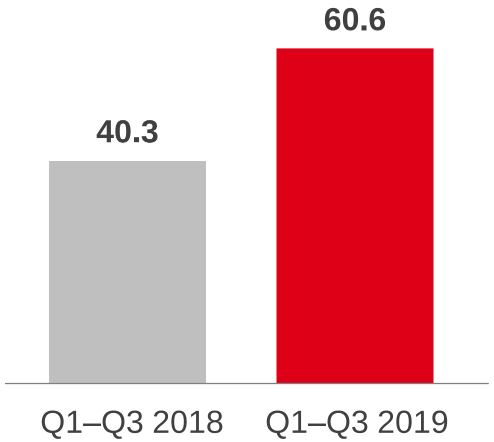
- Business performance influenced by inclusion in segment of the 2011 engine series; new orders rise sharply, unit sales triple.
- Strong revenue growth, partly due to the expansion of the service business with Xchange products.
- Sharp increase in operating profit (EBIT) for the segment, mainly because of the greater proportion of earnings generated by the high-margin service business.
- EBIT margin close to the level of the prior-year period because the profit margin of the 2011 engine series is lower than that of the other series.

R&D spending and capital expenditure

R&D expenditure
€ million



Capital expenditure[2)]
€ million

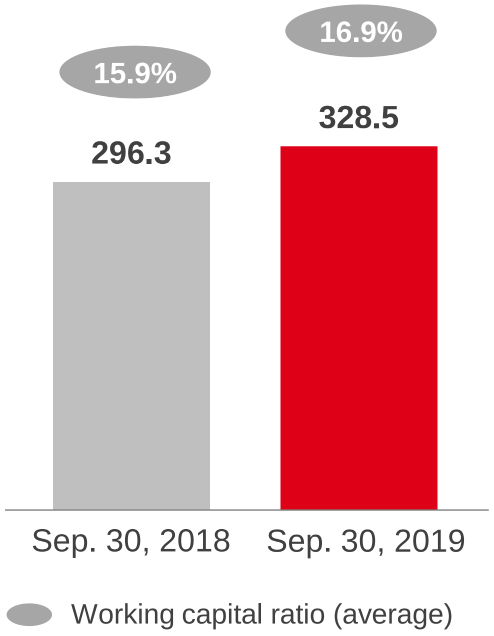


- R&D expenditure and capital expenditure increase as expected due to new engine projects and the implementation of the E-DEUTZ strategy to expand the engine portfolio.
- Amount of net R&D expenditure capitalized in Q1–Q3 2019: €14.9 million (Q1–Q3 2018: €13.4 million).

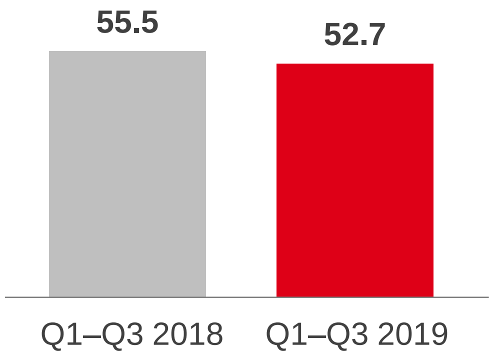
1) Ratio of net R&D expenditure (after reimbursements) to consolidated revenue. 2) After deducting grants; capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of R&D.

Working capital and cash flow from operating activities

Working capital
€ million



Cash flow from operating activities
€ million

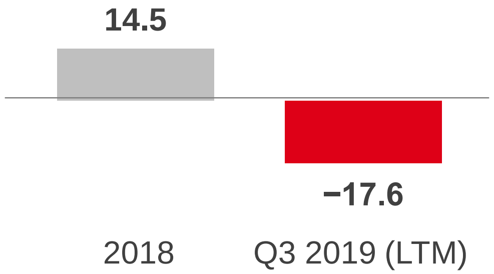


- Increase in working capital mainly due to the rise in inventories.
- Decline in cash flow from operating activities predominantly due to the repayment of current liabilities to factoring companies at the beginning of the reporting period and to the increase in payments for income taxes attributable to the proceeds from the sale of the land at the Cologne-Deutz site in 2017.

Free cash flow and net financial position

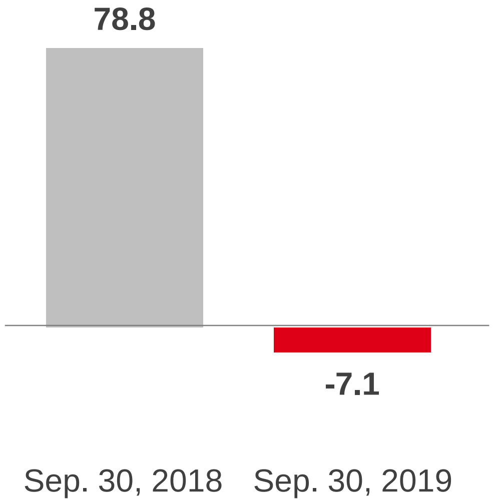
Free cash flow[1)]

€ million



Net financial position

€ million



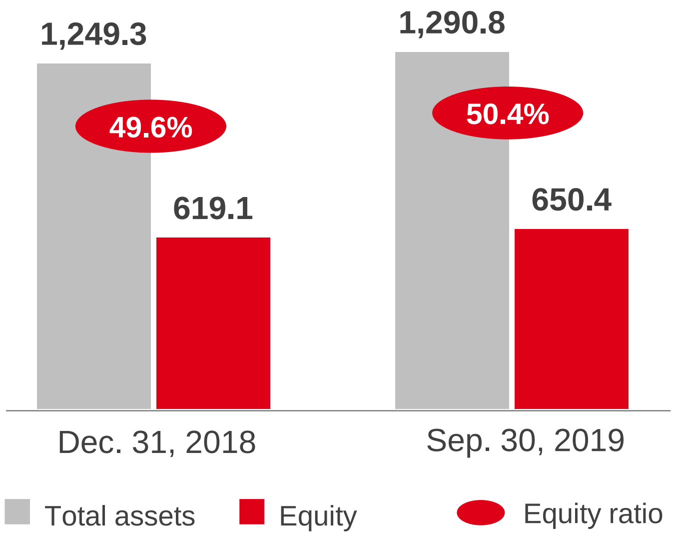
- Deterioration in free cash flow attributable to the rise in net cash used for investing activities, which was driven partly by the payment of the first installment for the purchase of shares in the joint venture with SANY.
- Deterioration in the net financial position partly due to the initial application of IFRS 16 ‘Leases’ on January 1, 2019, as a result of which lease liabilities totaling €40.3 million were included in current and non-current financial debt as at September 30, 2019.

1) Free cash flow: cash flow from operating and investing activities less net interest expense.

Equity ratio and funding

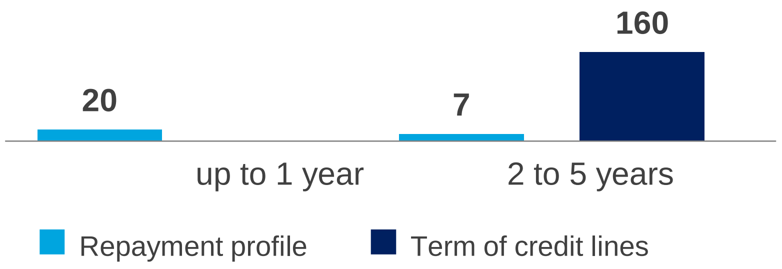
Equity ratio

€ million



Funding

€ million



- Stable financial position – equity ratio of 50.4%.
- Medium- to long-term funding available:
  - Credit line of €160 million available until June 2024

Agenda

Outlook

Dr. Frank Hiller | Chairman of the Board of Management

Group forecast for 2019

€ million	2018	Forecast for 2019
Revenue	1,778.8	> 1,800
EBIT margin (before exceptional items)	4.6%	4–5%[1)]
R&D expenditure[2)]	85.0	85–90
Capex (excl. R&D)[3)]	59.1	85–95[2)]

- The positive exceptional item from payment of the final installment of the purchase price for the sale of the Cologne-Deutz site is, based on current information, now not expected to be made until 2020 due to a delay in the formal approval of the development plan. Contrary to previous expectations, the positive exceptional item is likely to be around €60 million (previous expectation: around €50 million).
- If the outstanding payments for the purchase of the shares in the joint venture with SANY are made before the end of this year, it can be assumed that free cash flow for 2019 would, contrary to the original full-year guidance (mid double-digit millon euro amount), fall significantly into negative territory.

1) Adjusted on September 20, 2019 due to the drag on earnings that is expected as a result of the insolvency of a major supplier.
2) Net of reimbursements. 3) Excluding capital investment in connection with new Chinese growth strategy (mid double-digit million € amount).

Forecast for key end customer markets in 2019

Unit sales (units)	Europe	North America	China
Construction Equipment	−5 to 0%	0 to +5%	0 to +5%
Material Handling	0 to +5%	0 to +5%	+5 to +10%
Agricultural Machinery	0 to +5%	0 to +5%	−5 to −10%

- Forecast for the Construction Equipment application segment in Europe (previously 0 to +5%) revised to −5 to 0%.

 Source: DEUTZ market estimates.

Annex

Summary of key financials

€ million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
EBITDA	**138.1**	104.9	+31.6
EBITDA margin (%)	**10.0**	8.1	+190 bps
EBIT	**78.5**	45.9	+71.0
EBIT margin (%)	**5.7**	3.5	+220 bps
Equity ratio (%)	**50.4**	49.5	-
Free cash flow[1)]	**−32.9**	−0.8	> −100
Net financial position	**−7.1**	78.8	> −100
Working capital	**328.5**	296.3	+10.9
Basic earnings per share (€)	**0.45**	0.29	+55.2
Number of employees (FTEs)	**4,843**	4,546	+6.5

1) Free cash flow: cash flow from operating and investing activities less net interest expense.

Overview of segments

New orders (€ million)	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
DEUTZ Compact Engines	1,019.5	1,312.2	−22.3
DEUTZ Customised Solutions	267.2	215.3	+24.1
Other	31.3	22.2	+41.0
Consolidation	−2.8	1.0	> −100
Total	**1,315.2**	**1,548.7**	**−15.1**

Revenue € million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
DEUTZ Compact Engines	1,079.7	1,085.2	−0.5
DEUTZ Customised Solutions	276.5	191.8	+44.2
Other	26.5	21.3	+24.4
Consolidation	−2.8	−1.0	> −100
Total	**1,379.9**	**1,297.3**	**+6.4**

Unit sales Units	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
DEUTZ Compact Engines	122,638	141,034	−13.0
DEUTZ Customised Solutions	20,152	6,493	> +100
Other	12,990	8,977	+44.7
Consolidation	0	0	-
Total	**155,780**	**156,504**	**−0.5**

EBIT before except. items € million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
DEUTZ Compact Engines	45.8	28.2	+62.4
DEUTZ Customised Solutions	37.6	26.3	+43.0
Other	−14.2	−8.6	−65.1
Consolidation	-	-	-
Total	69.2	45.9	+50.8

Income statement

€ million	Q1–Q3 2019	Q1–Q3 2018	YoY change (%)
Revenue	1,379.9	1,297.3	+6.4
Cost of sales	−1,126.3	−1,057.3	+6.5
Research and development costs	−68.2	−71.5	−4.6
Selling and administrative expenses	−114.9	−108.2	+6.2
Other operating income	25.8	16.5	+56.4
Other operating expenses	−17.7	−16.1	+9.9
Write-downs of financial assets	−0.5	−0.9	−44.4
Profit/loss on equity-accounted investments	0.4	−2.6	> +100
Write-downs of equity-accounted investments	0.0	−11.3	-
EBIT	**78.5**	**45.9**	+71.0
EBIT before exceptional items	**69.2**	**45.9**	+50.8
Interest expenses, net	−1.7	−1.7	-
Other financial income	−9.4	0.0	-
Income taxes	−12.7	−8.6	+47.7
Net income	**54.7**	**35.6**	+53.7

Balance sheet: assets

€ million	Sep. 30, 2019	Dec. 31, 2018	Change (%)
Non-current assets (before deferred tax assets)	554.4	506.2	+9.5
Deferred tax assets	81.6	75.9	+7.5
Inventories	387.6	333.5	+16.2
Trade receivables	152.2	157.3	−3.2
Other receivables and assets	53.5	43.2	+23.8
Cash and cash equivalents	61.5	132.8	−53.7
Non-current assets classified as held for sale	0.0	0.4	-
Total assets	**1,290.8**	**1,249.3**	**+3.3**

Balance sheet: equity and liabilities

€ million	Sep. 30, 2019	Dec. 31, 2018	Change (%)
Equity	**650.4**	**619.1**	**+5.1**
Provisions for pensions and other post-retirement benefits	159.5	152.8	+4.4
Deferred tax liabilities	0.2	0.5	−60.0
Other provisions	36.6	36.2	+1.1
Financial debt	35.4	19.3	+83.4
Other liabilities	3.0	3.5	−14.3
Non-current liabilities	**234.7**	**212.3**	**+10.6**
Provisions for pensions and other post-retirement benefits	13.0	13.0	-
Provisions for current income taxes and other provisions	72.0	83.3	−13.6
Financial debt	33.2	19.8	+67.7
Trade payables	211.3	214.6	−1.5
Other liabilities	76.2	87.2	−12.6
Current liabilities	**405.7**	**417.9**	**−2.9**
Total equity and liabilities	**1,290.8**	**1,249.3**	**+3.3**

Cash flow statement (condensed)

€ million	Q1–Q3 2019	Q1–Q3 2018
EBIT	78.5	45.9
Cash flow from operating activities (total)	**52.7**	**55.5**
Capital expenditure on intangible assets, property, plant and equipment and investments	−87.5	−54.1
Proceeds from the sale of non-current assets	4.1	0.1
Cash flow from investing activities (total)	**−83.4**	**−54.0**
Cash flow from financing activities	**−41.2**	**−23.7**
Change in cash and cash equivalents	**−71.9**	**−22.2**

Financial calendar and contact details

Financial calendar

Results for 2019	March 18, 2020
Q1/2020 results	May 7, 2020
2020 Annual General Meeting	May 14, 2020
H1/2020 results	August 11, 2020
Q1–Q3/2020 results	November 10, 2020

Contact

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Questions & answers

Thank you for your attention!