DEUTZ
Full-Year 2019

March 18, 2020

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

Operational highlights and strategy

Dr. Frank Hiller | Chairman of the Board of Management

Operational highlights

DEUTZ meets its 2019 targets for revenue and EBIT margin

- Consolidated revenue rises by 3.5% to €1,840.8 million, in line with the updated forecast of more than €1.8 billion, with strong revenue growth in the Americas (+10.7%) and Asia-Pacific (+7.6%)
- EBIT margin before exceptional items reaches 4.3%, which is within the target range[1] that was updated during the year to between 4 and 5%

Further strong growth in the profitable service business

- Revenue increases by 6.8% to 352.4 Mio. in 2019
- Revenue target of around €400 million brought forward to 2021

‘Transform for Growth’ efficiency program launched

- Intensification of activities to increase earnings through global cost reduction program as a result of the changed market situation
- Goal: focus on profitable growth in a demanding market environment
- Program includes all functions worldwide: operations, R&D, overhead-functions, global sales and service network

Medium-term targets for 2022 confirmed

- Revenue of more than 2 billion € with an EBIT margin before exceptional items of 7 to 8%

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

Strategic highlights

Progress of growth strategy in China with revenue target[1] of around half a billion Euros in 2022

- Closing of Joint venture agreement[2] with SANY, China's biggest construction equipment group
- Production of around 75,000 engines in 2022/additional growth potential expected
- Integration of an existing SANY-engine plant in Kunshan into the DEUTZ production network
- Localization of purchasing initiated

Expansion and focused implementation of the E-DEUTZ strategy

- Acquisition of Futavis, which specializes in high-voltage battery management systems
- Growing number of customer projects in various application segments
- First products are planned to go into full production in early 2021

Expansion of the global services business

- Benelux: Acquisition of Netherlands-based DPS Power Group strengthens presence in the service and aftersales business
- USA: Establishment of Power Centers to optimize the service program through a comprehensive offering (e.g. spare parts, maintenance, emergency service for DEUTZ engines)

Groupwide sustainability strategy implemented called 'Taking Responsibility'

- Targets set for 'Deutz Sustainability Vision 2023'

[1] Revenue target includes the revenue generated from the joint venture with SANY, which is not included in the consolidated financial statements because the joint venture is accounted for using the equity method. However, the share of profit (loss) is included. [2] DEUTZ holds 51% majority stake in the joint venture.

Expansion and focused implementation of the E-DEUTZ strategy

DEUTZ

Acquisition of development services provider Futavis in Q4/2019

- Strengthens DEUTZ's expertise in electronics, software, battery technology, and battery testing and in matters of functional safety
- Preproduction of high-voltage batteries commences and use for a well-known German customer in retrofit applications of electric buses

Implementation of a modular kit for electrification

- 360V all-electric drive is first to be industrialized
- Preproduction planned for early 2021

Strong inhouse expertise in key battery technology

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

2021
Start of rollout, first significant 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

Expansion of the profitable service business

Strategic initiatives for sustained service growth

New sales channels

- Expansion of the DEUTZ-Webshop and integration of external platforms
- Expansion of direct business with fleet operators and major customers

Expansion of existing network

- Expansion of own service centers and supply chain
- Mobile serivce technicians to further strengthen the 24/7 service

Digitalization of DEUTZ service concept

- Strengthening of the service portal (Digiatl Interaction to the end customer)
- Digital solutions for remote service and condition monitoring

Expansion of product portfolio

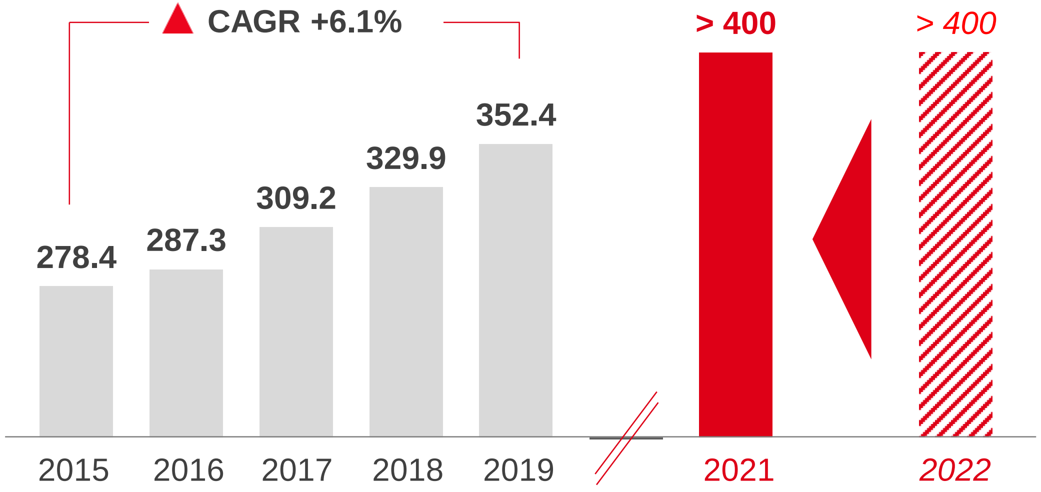
- Expansion of the Xchange program for parts and engines
- Service and related services for electrified drives

New service concepts

- Service contracts in combination with extended guarantees
- Maintenance and repair for third-pary motors and complete devices

Service business revenue

€ million



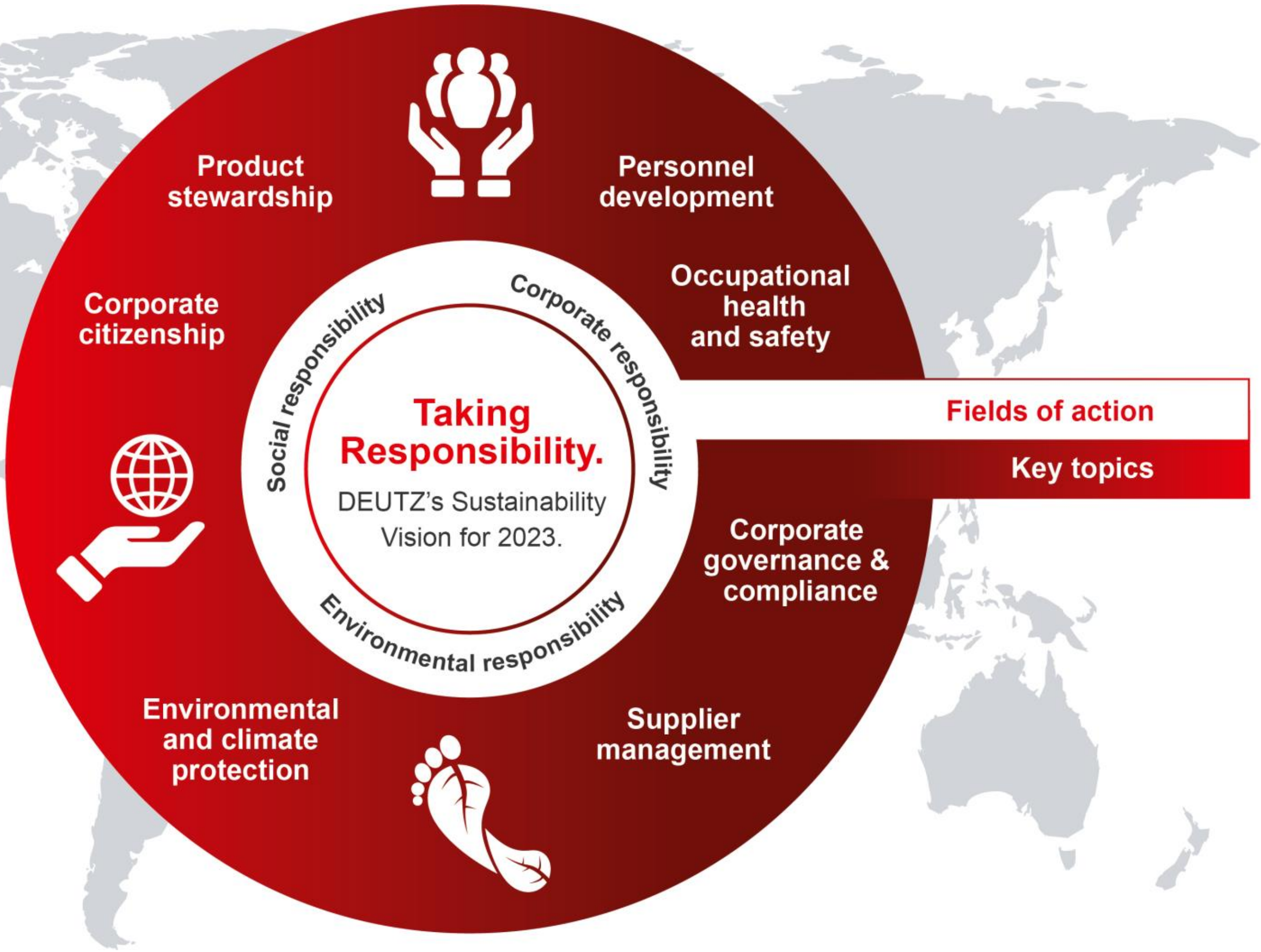
Service revenue increased by 6.8% in 2019

Revenue target of around €400 million brought forward to 2021

'Taking Responsibility' – DEUTZ's sustainability strategy

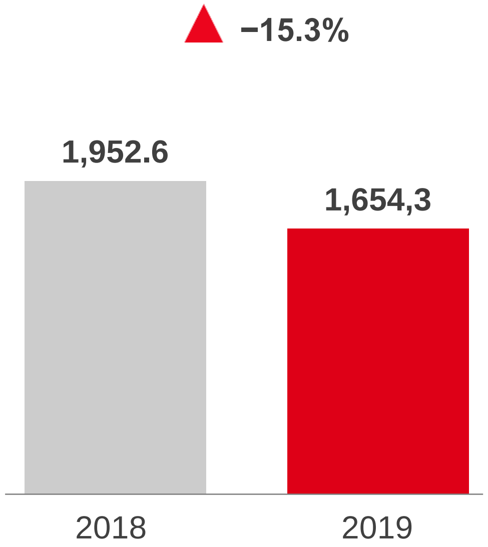
Our objective:
To strive for commercial success while fulfilling our corporate, social, and environmental responsibilities.

- Groupwide sustainability strategy, called **'Taking Responsibility'**, implemented in 2019
- Sets various targets for 2023 that are brought together in **'DEUTZ's Sustainability Vision for 2023'**

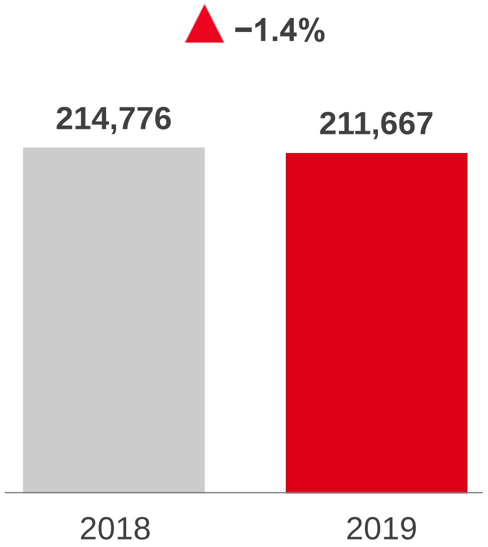


Sales figures

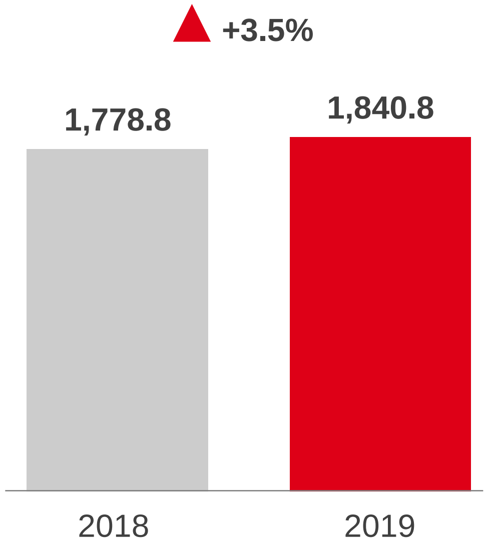
New orders
€ million



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 increases 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 104.2% to 20,942

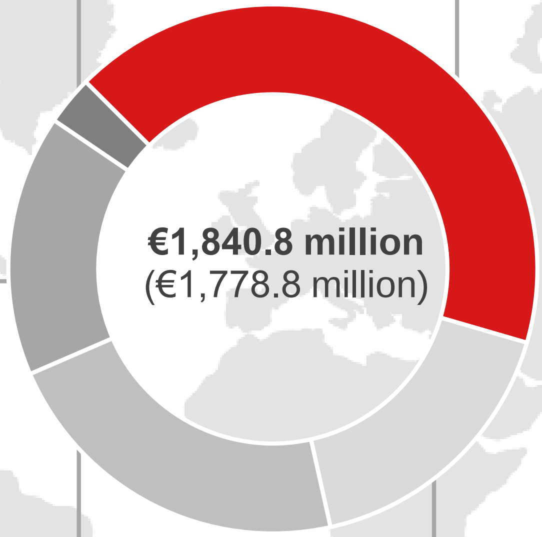
Revenue by region[1]

2019 (2018)

Africa and Middle East 3% (3%)
€54.4 million
+3.6%

Asia-Pacific 16% (15%)
€294.6 million
+7.6%

Americas 22% (21%)
€404.3 million
+10.7%



Europe (excl. Germany) 42% (42%)
€776.8 million
+4.0%

Germany 17% (19%)
€310.7 million
−8.8%

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]

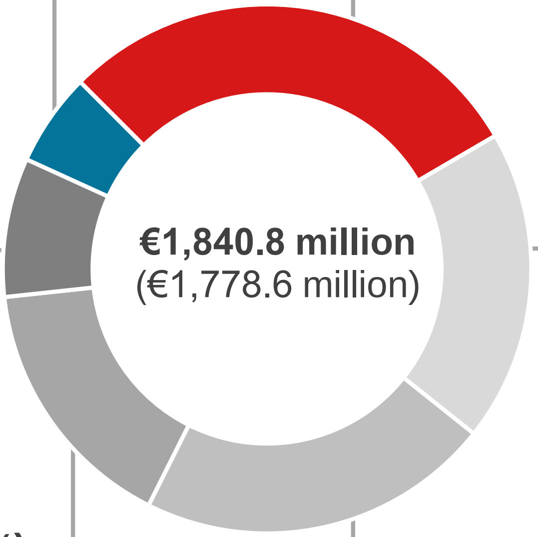
DEUTZ

2019 (2018)

Miscellaneous 6% (6%)
€104.9 million
+1.9%

Stationary Equipment 8% (9%)
€155.8 million
−6.3%

Agricultural Machinery 16% (15%)
€293.3 million
+12.3%



Construction Equipment 29% (31%)
€535.5 million
−1.8%

Material Handling 22% (21%)
€398.9 million
+6.9%

Service 19% (18%)
€352.4 million
+6.8%

Successful expansion of high-margin service business

[1] From 2019 onward, 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.

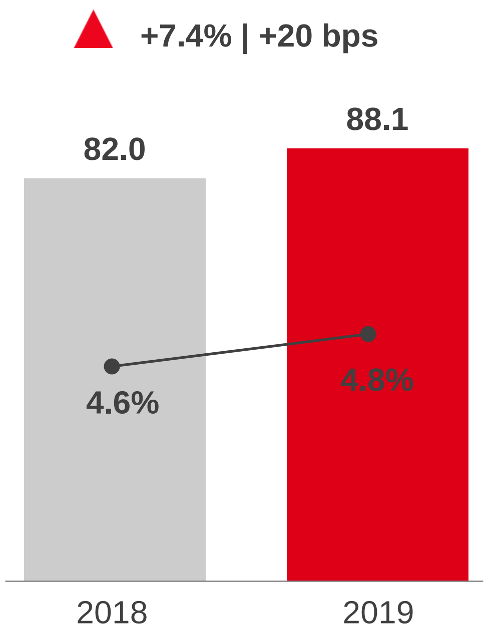
Agenda

Key financials in detail

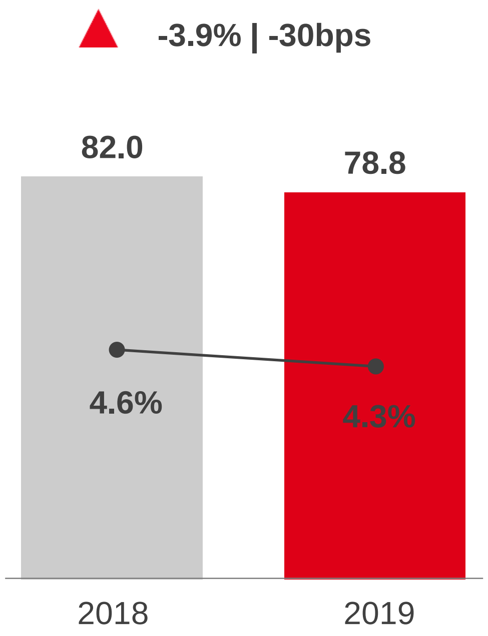
Dr. Andreas Strecker | Chief Financial Officer

EBIT

EBIT and EBIT margin
€ million



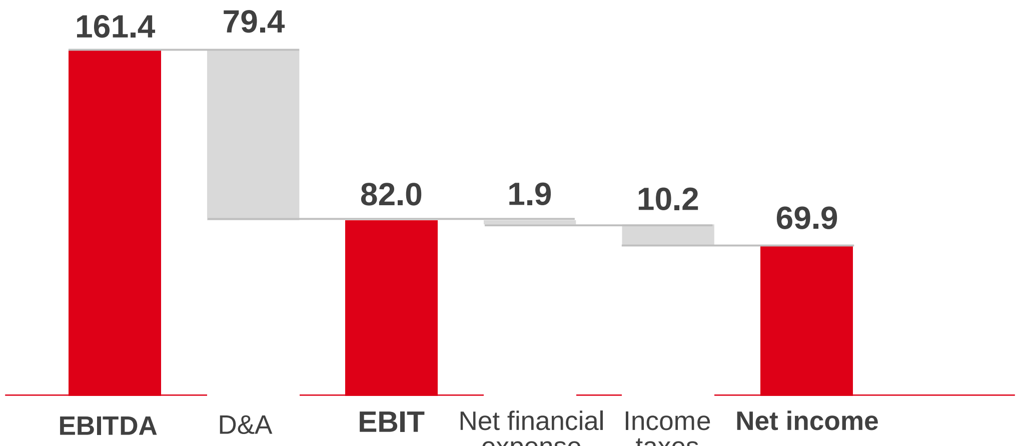
EBIT and EBIT margin before exceptional items
€ million



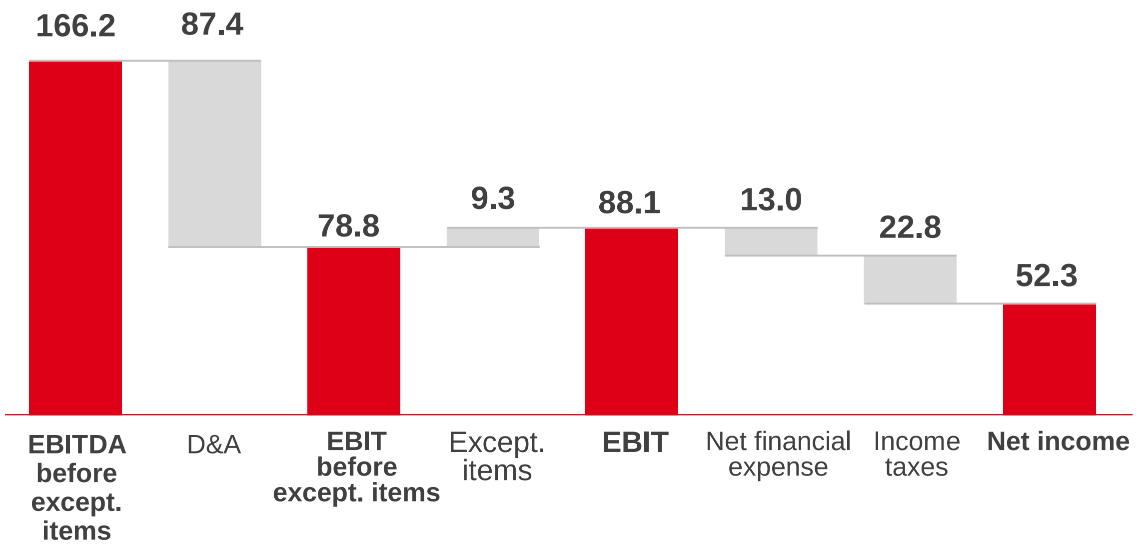
- Operating profit (EBIT before exceptional items) down by 3.9% to €78.8 million
- EBIT margin before exceptional items down by 30 bps to 4.3%
- Excluding non-recurring effects, the EBIT margin before exceptional items stood at 5.1%
- Segment results marked by engine series reassignment: EBIT growth in the DEUTZ Customized Solutions segment well into double figures (+30.1%); 8.7% contraction in EBIT in the DEUTZ Compact Engines segment
- The Other segment had an increased negative impact on earnings, primarily because of the recognition of a provision at Torqeedo (€3.2 million) and the deconsolidation of the joint venture in Argentina (€2.9 million)

Operating profit and net income

2018
€ million



2019
€ million



- EBITDA increases by 8.8% to €175.5 million, EBITDA margin up 40 bps to 9.5%
- Deterioration in net financial income due to the write-down on a loan granted to a supplier at the end of 2018
- Increase in income tax expenses by +123.5% due to a rise in deferred tax expenses, mainly resulting from the reduction in deferred tax assets recognized on loss carryforwards due to a downgraded earnings expectation for 2020 in view of the economic situation
- Net income down by 25.2%

DEUTZ Compact Engines (DCE)

€ million	2019	2018	Change (%)
New orders	1,268.4	1,638.2	-22.6
Unit sales (units)	164,677	195,259	-15.7
Revenue	1,446.4	1,484.0	-2.5
EBIT	57.7	63.2	-8.7
EBIT margin (%)	4.0	4.3	-30 bps

€ million	Q4 2019	Q4 2018	Change (%)
New orders	248.9	326.0	-23.7
Unit sales (units)	42,039	54,225	-22.5
Revenue	366.7	398.8	-8.0
EBIT	11.9	35.0	-66.0
EBIT margin (%)	3.2	8.8	-560 bps

- Revenue close to the prior-year level despite reassignment of the 2011 engine series to DEUTZ Customized Solutions
- Favorable shift in the product mix toward higher-value engines means that revenue held up relatively well compared to unit sales
- Decline in EBIT due to the reassignment of the engine series, negative effects in connection with the opening of insolvency proceedings at various suppliers, and impairment losses recognized on capitalized development expenditure

DEUTZ Customized Solutions (DCS)

€ million	2019	2018	Change (%)
New orders	**341.7**	286.0	+19.5
Unit sales (units)	**26,048**	9,259	+181.3
Revenue	**362.5**	271.2	+33.7
EBIT	**42.8**	32.9	+30.1
EBIT margin (%)	**11.8**	12.1	-30 bps

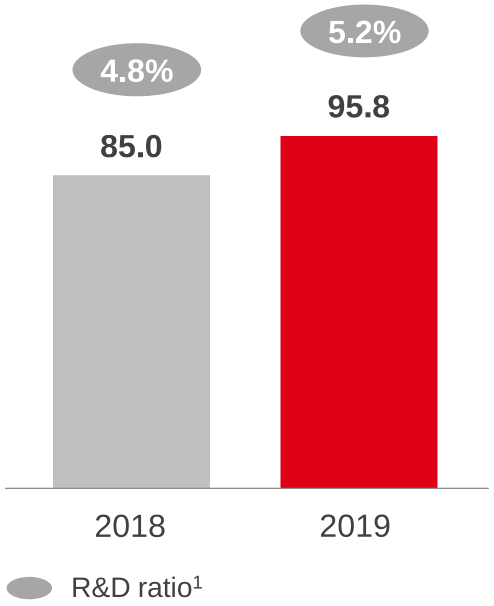
€ million	2019	2018	Change (%)
New orders	**74.5**	70.7	+5.4
Unit sales (units)	**5,896**	2,766	+113.2
Revenue	**86.0**	79.4	+8.3
EBIT	**5.2**	6.6	-21.2
EBIT margin (%)	**6.0**	8.3	-230 bps

- Business performance influenced by inclusion in this segment of the 2011 engine series; new orders and unit sales rise sharply as a result
- 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 primarily affected by engine series reassignment with lower margins

R&D spending and capital expenditure

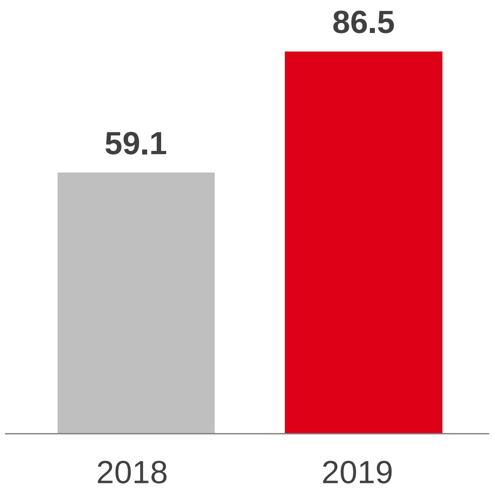
R&D expenditure (after deducting grants)

€ million



Capital expenditure[2]

€ million

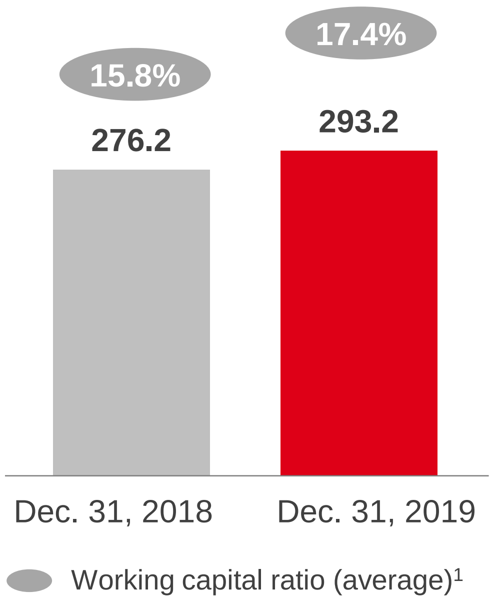


- R&D expenditure increases as expected due to new engine projects
- Net R&D expenditure capitalized in 2019: €21.7 million (2018: €21.0 million)
- Capital expenditure significantly increased, including the construction of the new assembly line for the series smaller than 4 litres, more efficient testing facilities, replacement investments and investments related to our new China activities

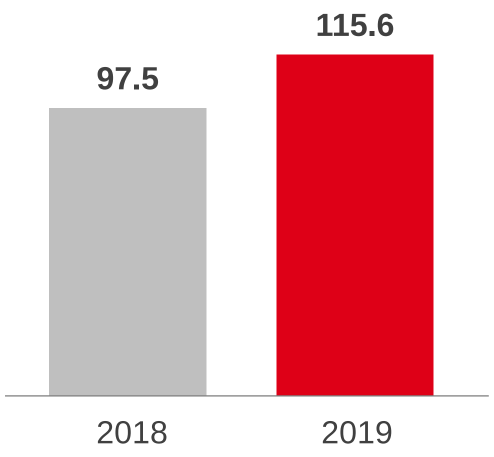
[1] Ratio of net R&D expenditure (after deducting grants) to consolidated revenue. [2] After deducting grants; capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of R&D.

Working capital and cash flow from operating activities

Working capital
€ million



Cash flow from operating activities
€ million



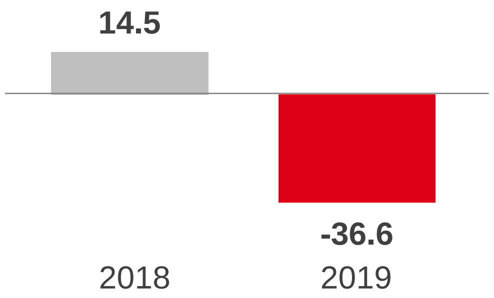
- Increase in working capital primarily due to decrease in trade liabilities
- Increase in cash flow from operating activities mainly due to the fact that the rise in working capital was much smaller in 2019 than in 2018

[1] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.

Free cash flow and net financial position

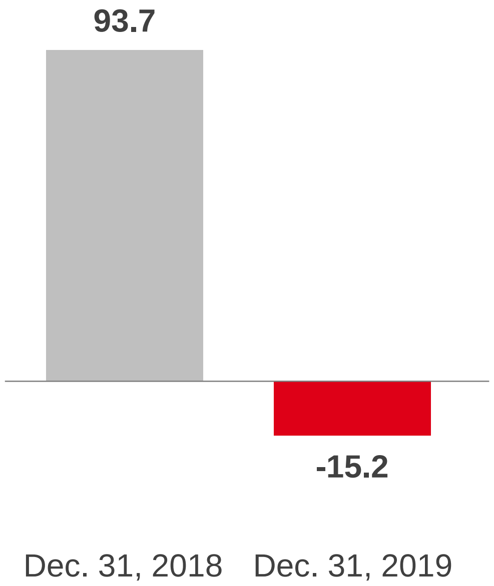
Free cash flow[1]

€ million



Net financial position

€ million



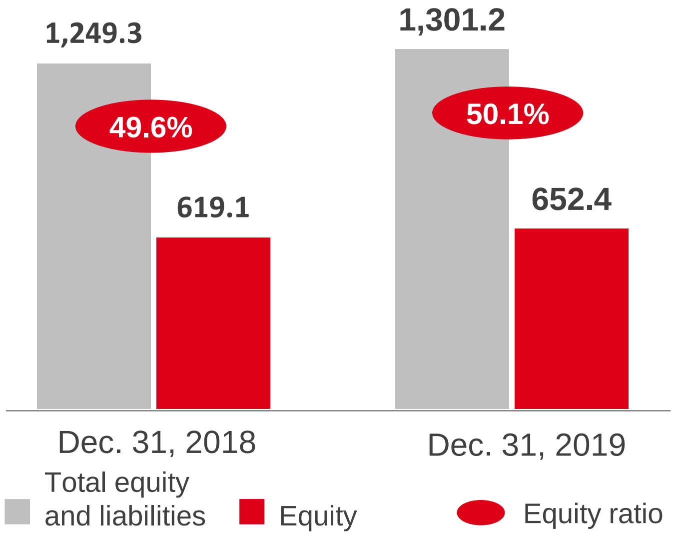
- Deterioration in free cash flow attributable to the rise in net cash used for investing activities, which was driven partly by the payment of the first installment for the purchase of shares in the joint venture with SANY
- Deterioration in the net financial position partly due to the initial application of IFRS 16 'Leases' on January 1, 2019, as a result of which lease liabilities totaling €41.9 million were included in current and non-current financial debt as at December 31, 2019

[1] Free cash flow: cash flow from operating activities, before payment of compensation for vested company pension rights, and from investing activities less interest expense.

Equity ratio and funding

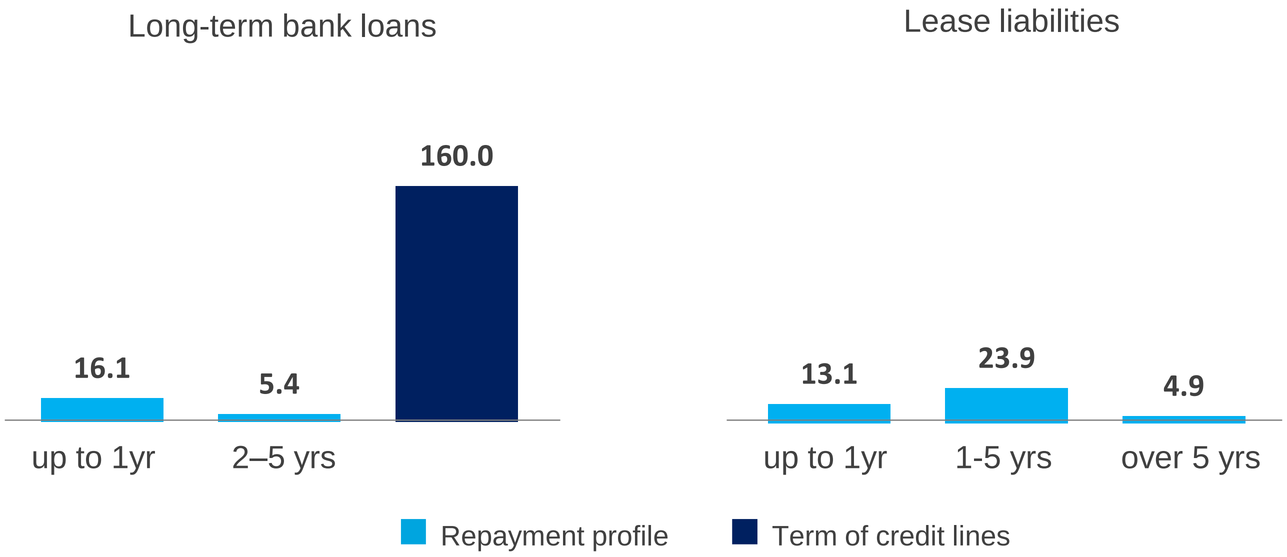
Equity ratio

€ million



Funding

€ million



- Solid capital structure: equity ratio improves by 50 bps to a comfortable 50.1%
- Sufficient medium- to long-term financing thanks to syndicated credit line of €160 million (amount utilized as at Dec. 31, 2019: €7.3 million) that runs until June 2024

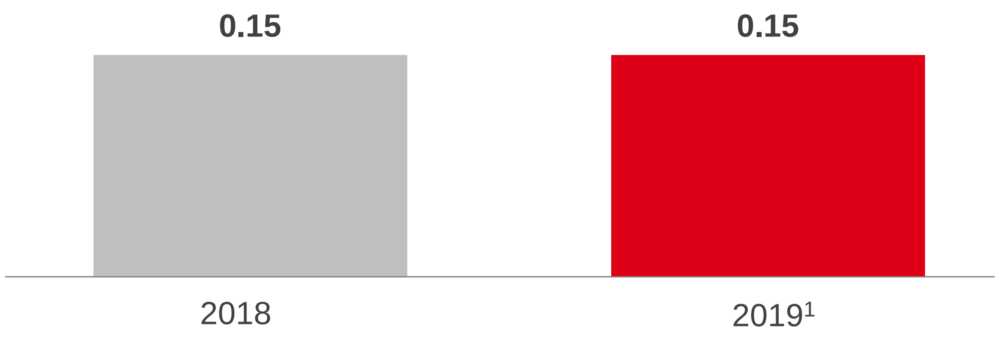
Agenda

Dividend proposal and outlook

Dr. Frank Hiller | Chairman of the Board of Management

Dividend proposal

Dividend per share
€



- Continuation of consistent dividend policy
- The objective is for a payout ratio of around 30% of net income over a multi-year period
- Dividend yield based on the year-end 2019 closing price: 2.7%

[1] Subject to approval by the AGM.

Group forecast for 2020

	2019	Forecast for 2020
Revenue	€1,840.8 million	Low double-digit percentage decline compared with prior year
EBIT margin (before exceptional items)	4.3%	Mid double-digit percentage decline compared with prior year
R&D expenditure[1]	€95.8 million	€80 million to €90 million
Capex (excl. R&D)[2]	€86.5 million	€80 million to €90 million

- Economic climate and coronavirus make 2020 a year of transition
- Launch of Transform for Growth efficiency program, which aims to strengthen competitiveness by reducing complexity and implementing optimizations along the whole value chain

[1] Research and development expenditure constitutes actual spending on R&D projects. It differs from the research and development costs recognized in the income statement in that development expenditure that can be capitalized is deducted and amortization on completed development projects is added. [2] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of research and development expenditure.

Forecast for key end customer markets in 2020

YoY change in unit sales (%)	Europe	North America	China
Construction Equipment[1]	-5 to 0%	-10 to -5%	-15 to -5%
Material Handling[1]	-5 to +5%	0 to +5%	0 to +5%
Agricultural Machinery[2]	-5 to 0%	0 to +5%	-10 to -5%

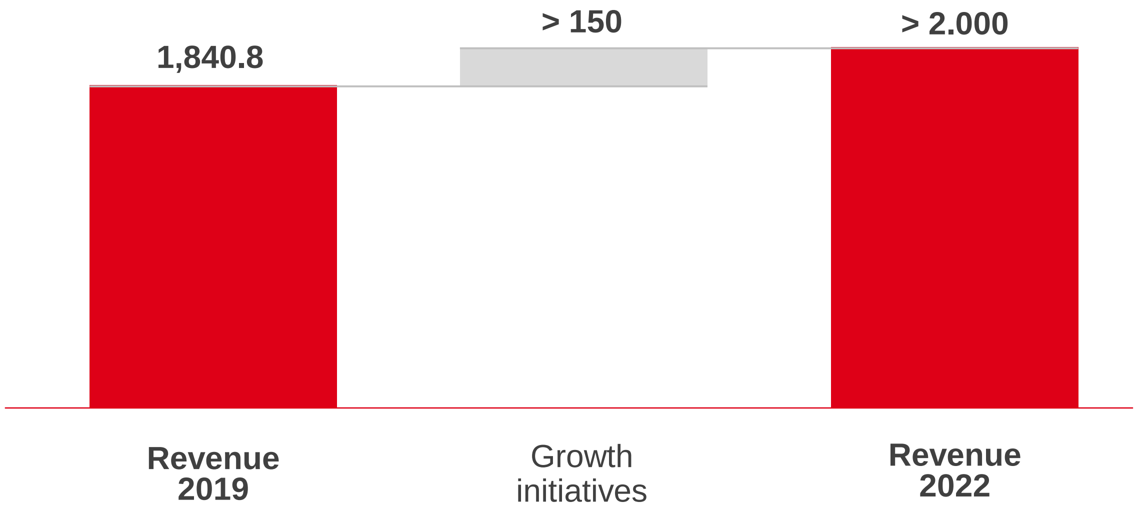
- Marked differences in the performance of the key industries for sales of DEUTZ diesel engines
- Overall, a continued slowdown in market growth, partly due to the ongoing trade dispute between the US and China, the saturation of the market for compact machinery in Europe, and the fact that end customers in this region now hold high inventories of engines that were purchased in advance before new emissions standards into force

[1] Power Systems Research OELink Database, January 2020. [2] VDMA, ‘Business and Market Development for Agricultural Machinery Worldwide’, February 2020.

Growth needed to achieve the medium-term objectives for 2022

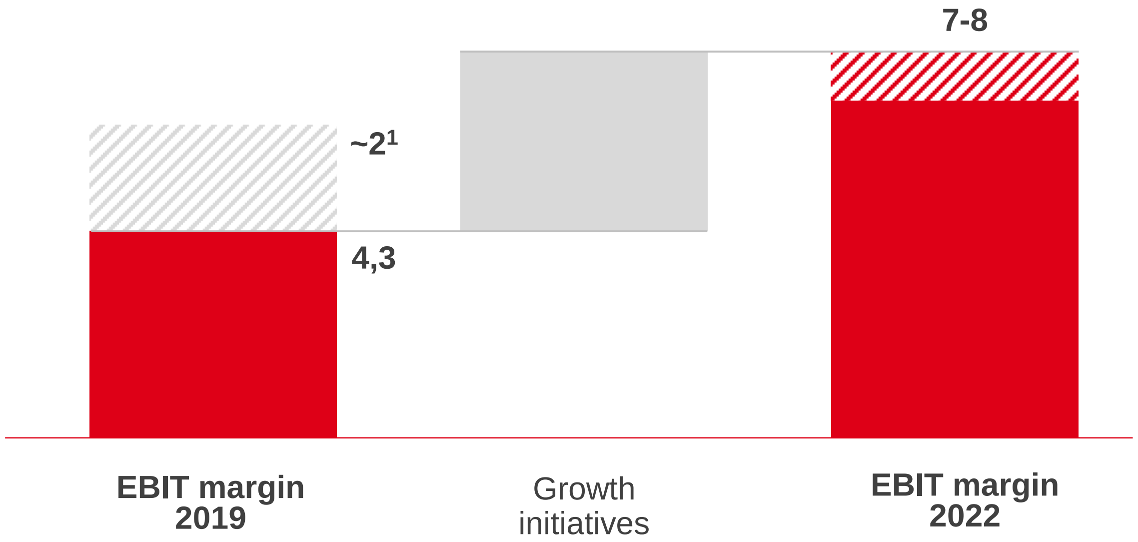
Revenue

€ million



EBIT margin before exceptional items

%



- EBIT margin 2019 excluding costs for growth initiatives at roughly 6.5 %
- Efficiency program ‘Transform for Growth‘ additionally secures the increase in the EBIT margin in a difficult market environment

Significant stimulus from growth initiatives: China strategy, E-DEUTZ, Service

[1] Earnings effects from the growth initiatives China Strategy, E-DEUTZ, Torqeedo.

Annex

Summary of key financials

€ million	2019	2018	Change (%)
EBITDA	**175.5**	161.4	+8.7
EBITDA margin (%)	**9.5**	9.1	+40 bps
EBIT (before exceptional items)	**78.8**	82.0	-3.9
EBIT (before exceptional items) margin (%)	**4.3**	4.6	-30 bps
Equity ratio (%)	**50.1**	49.6	+50 bps
Free cash flow[1]	**-36.6**	14.5	–
Net financial position	**-15.2**	93.7	–
Working capital	**293.2**	276.2	+6.2
Basic earnings per share (€)	**0.43**	0.58	-25.9
Number of employees (FTEs)	**4,906**	4,631	+5.9

[1] Free cash flow: cash flow from operating activities, before payment of compensation for vested company pension rights, and from investing activities less interest expense.

Overview of segments

New orders € million	2019	2018	Change (%)
DEUTZ Compact Engines	1,268.4	1,638.2	-22.6
DEUTZ Customized Solutions	341.7	286.0	+19.5
Other	47.8	31.6	+51.3
Consolidation	-3.6	-3.2	+12.5
Total	**1,654.3**	**1,952.6**	**-15,3**

Revenue € million	2019	2018	Change (%)
DEUTZ Compact Engines	1,446.4	1,484.0	-2.5
DEUTZ Customized Solutions	362.5	271.2	+33.7
Other	35.5	26.8	+32.5
Consolidation	-3.6	-3.2	+12.5
Total	**1,840.8**	**1,778.8**	**+6.4**

Unit sales Units	2019	2018	Change (%)
DEUTZ Compact Engines	164,677	195,259	-15.7
DEUTZ Customized Solutions	26,048	9,259	+181.3
Other	20,942	10,258	+104.2
Consolidation	0	0	0.0
Total	**211,667**	**214,776**	**-1.4**

EBIT before except. items € million	2019	2018	Change (%)
DEUTZ Compact Engines	57.7	63.2	-8.7
DEUTZ Customized Solutions	42.8	32.9	+30.1
Other	-21.7	-14.1	+53.9
Consolidation	0	0	0.0
Total	**78.8**	**82.0**	**-3.9**

Income statement

€ million	2019	2018	Change (%)
Revenue	1,840.8	1,778.8	+3.5
Cost of sales	-1,510.5	-1,468.3	+2.9
Research and development costs	-95.3	-92.0	+3.6
Selling and administrative expenses	-151.8	-145.7	+4.2
Other operating income	29.0	40.6	-28.6
Other operating expenses	-24.3	-17.7	+37.3
Write-downs of financial assets	-1.7	-0.7	+142.9
Profit/loss on equity-accounted investments and other financial income	1.9	-1.7	–
Write-downs of equity-accounted investments	0.0	-11.3	-100.0
EBIT	**88.1**	**82.0**	+7.4
EBIT before exceptional items	**78.8**	**82.0**	-3.9
Interest expenses, net	-1.9	-1.9	0.0
Other financial income/finance costs	-11.1	0.0	–
Income taxes	-22.8	-10.2	+123.5
Net income	**52.3**	**69.9**	-25.2

Balance sheet: assets

€ million	Dec. 31, 2019	Dec. 31, 2018	Change (%)
Non-current assets (before deferred tax assets)	619.5	506.2	+22.4
Deferred tax assets	68.6	75.9	-9.6
Non-current assets	**688.1**	**582.1**	**+18.2**
Inventories	321.7	333.5	-3.5
Trade receivables	152.1	157.3	-3.3
Other receivables and assets	84.0	43.2	+94.4
Cash and cash equivalents	55.3	132.8	-58.4
Current assets	**613.1**	**666.8**	**-8.1**
Non-current assets classified as held for sale	0.0	0.4	-100.0
Total assets	**1,301.2**	**1,249.3**	**+4.2**

Balance sheet: equity and liabilities

€ million	Dec. 31, 2019	Dec. 31, 2018	Change (%)
Equity	**652.4**	**619.1**	**+5.4**
Provisions for pensions and other post-retirement benefits	151.2	152.8	-1.0
Deferred tax liabilities	0.8	0.5	+60.0
Other provisions	33.4	36.2	-7.7
Financial debt	34.1	19.3	+76.7
Other liabilities	5.7	3.5	+62.9
Non-current liabilities	**225.2**	**212.3**	**+6.1**
Provisions for pensions and other post-retirement benefits	12.4	13.0	-4.6
Provisions for current income taxes and other provisions	67.9	83.3	-18.5
Financial debt	36.4	19.8	+83.8
Trade payables	180.6	214.6	-15.8
Other liabilities	126.3	87.2	+44.8
Current liabilities	**423.6**	**417.9**	**+1.4**
Total equity and liabilities	**1,301.2**	**1,249.3**	**+4.2**

Cash flow statement (condensed)

€ million	2019	2018
EBIT	88.1	82.0
Cash flow from operating activities	**115.6**	**97.5**
Capital expenditure on intangible assets, property, plant and equipment and investments	-145.6	-90.1
Acquisition of subsidiaries	-8.0	0.0
Proceeds from the sale of non-current assets	4.2	9.8
Cash flow from investing activities	**-149.4**	**-80.3**
Cash flow from financing activities	**-43.9**	**-28.2**
Change in cash and cash equivalents	**-77.7**	**-11.0**

DEUTZ's Sustainability Vision for 2023 at a glance

Product stewardship	Personnel development	Occupational health and safety	Corporate governance and compliance	Supplier management	Environmental and climate protection[11]
▪ Increase the share of revenue attributable to E-DEUTZ products from 5% to 10%.[1]	▪ Maintain the current level of employee engagement at 78%.[2] ▪ Maintain the current level of employee enablement at 69%.[2] ▪ Increase the proportion of women in the workforce to more than 10%.[3] ▪ Increase the proportion of women in management positions to more than 20%.[4] ▪ Maintain the rate of staff turnover at between 5 and 10%.[5] ▪ Increase the ratio of trainees to total employees to more than 3%[6].	▪ Improve the recordable incident rate (RIR) to 7.[7]	▪ Increase the proportion of the administrative employees to have completed compliance training to more than 95%.	• For 90% of new suppliers to have had their compliance with the supplier code of conduct verified[8]; every year, the aim is for an additional 30 existing suppliers to have undergone the same checks. • For 90% of suppliers to have passed business partner compliance checks.[9] • To have assessed 50% of suppliers against sustainability criteria.[10]	• Reduce CO_2 emissions from our production plants[12] by 20%. • Reduce CO_2 emissions per manufactured engine[13] by 20%. • Reduce particulate and nitrogen oxide emissions per manufactured engine[14] by 3%. • Reduce waste for disposal by 10%.[15]

1) The target for the share of consolidated revenue attributable to E-DEUTZ products was set in 2018 for 2022 and has not been updated under the new sustainability strategy. 2) DEUTZ measures the levels of engagement (motivation) and enablement (empowerment) in its workforce (all employees within the Group including staff on fixed-term contracts but excluding temporary workers) using a groupwide employee survey, which it first carried out in 2019 and will repeat every two years going forward. 3) Including staff on fixed-term contracts but excluding temporary workers. 4) Including staff on fixed-term contracts but excluding temporary workers; the second level below the Board of Management, i.e. all female managers who report directly to a manager in the top level of senior management and have managerial responsibility. 5) Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals. 6) Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers and Torqeedo. 7) For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. 8) 90% of the suppliers brought on board each year. 9) Relates to existing suppliers with whom DEUTZ's purchasing volume for the prior year exceeded €0.5 million. 10) 50% of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year. 11) Unless otherwise stated, the environmental KPIs are recorded for the production sites in Cologne-Porz/Kalk, Ulm, Herschbach, Gilching (Germany), Zafra (Spain), Norcross, Pendergrass (Atlanta, USA); base year 2017. 12) Scope 1 and 2; CO_2e = carbon dioxide equivalents; recorded in accordance with the GHG Protocol. 13) This figure is calculated by dividing total emissions by the number of engines made. CO_2 reporting covers Scope 1 (CO_2 emissions from diesel, natural gas, LPG, heating oil, and CNG caused by combustion in our own facilities) and Scope 2 (CO_2 emissions relating to purchased energy (e.g. electricity, district heating)). Only internal combustion engines and electric motors are counted, i.e. no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines.14) These figures are calculated by dividing total emissions from test bays by the number of engines made. Only internal combustion engines are counted, i.e. no electric motors and no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines. Electric motors do not produce nitrogen oxide emissions or particulate emissions. 15) Base year 2019; KPI measured for the first time in 2019.

Financial calendar and contact details

Financial calendar

Q1/2020 results	May 7, 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!