Berenberg European Conference

December 02, 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

Overview and strategy

Dr. Frank Hiller | CEO

Overview

- **In Q3 positive business performance overall and significant improvement in operating profit (EBIT before exceptional items) compared with Q2 2020**
- **Further quarter-on-quarter improvement in business performance expected in the fourth quarter of 2020 – signs of an upward trend in the market, but it will take a long time to return to pre-crisis levels**
- **Focused implementation of the growth initiatives despite the coronavirus crisis**
  - Expansion of the profitable service business: acquisition of DEUTZ Austria GmbH, Motorcenter Austria GmbH, and Pro Motor Servis CZ s.r.o., which sell and service diesel engines, at the beginning of Q4 2020 provides DEUTZ with direct access to the markets in Austria, the Czech Republic, Hungary, Slovakia, and Slovenia
  - Continued successful implementation of China strategy
- **Successful launch of the global Transform for Growth efficiency program**
- **Macro economic impact of Corona virus significant though: mid-term outlook for FY 2022 had to be moved out by 1-2 years**

Transform for Growth efficiency program

- As well as a decrease in operating costs, the bulk of the savings are to be achieved by reducing staff costs
- Reduction of up to 1,000 positions worldwide by the end of 2022:
  - A total of around 490 positions already cut in the first three quarters of 2020, partly through natural attrition and a reduction in the number of temporary workers
  - Voluntary program set up for the German sites to reduce the number of positions by 350 while minimizing the social impact
- Restructuring costs of nearly €38 million, predominantly related to planned personnel measures, recognized as an exceptional item in Q3 2020

Our target:

approx. **€100 million**

in annual cost savings from 2022

Main areas of action:

- Optimization of the global production network
- Automation and digitalization of operating and administrative processes
- Groupwide streamlining of the organizational structure coupled with an optimized use of global structures

Transform for Growth provides DEUTZ with basis for securing its long-term competitiveness

China strategy

- Successful integration of the existing SANY engine factory in Kunshan into DEUTZ's network of production sites
- SANY joint venture profitable – production volume expected to increase from around 7,000 engines in 2019 to approx. 20,000 engines in 2020
- Factory at which diesel engine maker BEINEI is contracted to manufacture DEUTZ engines for the local market completed – production of the 2.9 and 6.1 model series to commence there at the start of 2021 as planned
- Construction of the new engine factory in Changsha for the joint venture with SANY proceeding according to plan – planned production volume of around 80,000 engines in 2022

Our target for China:

~ €800 million

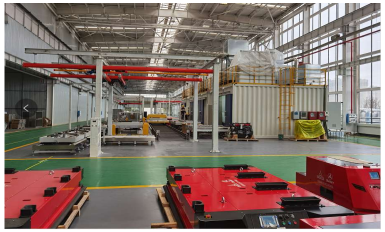
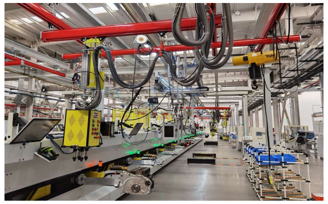
revenue in 2022[1]

Successful implementation of growth strategy in the world's biggest engine market despite coronavirus

[1] The revenue target of approximately €800 million includes the revenue generated by the joint venture with SANY. Under the equity method, this revenue is not recognized in the consolidated financial statements.

DEUTZ in China



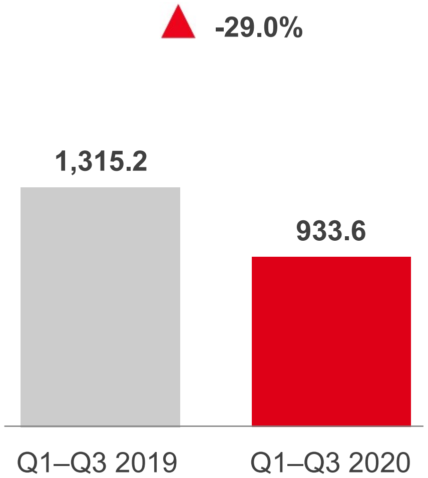

Tianjin, China
Factory for local contract manufacturing under strategic alliance with BEINEI

Changsha, China
Assembly plant for high-performance engines as part of the joint venture with SANY

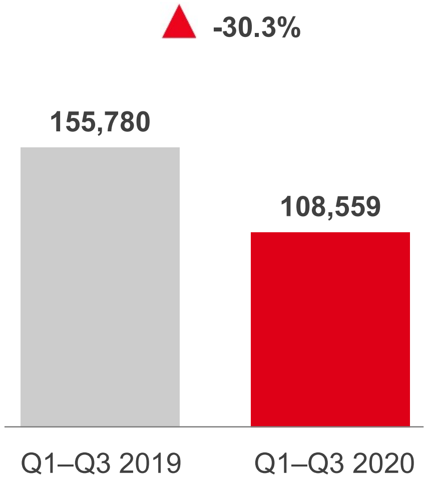
Kunshan, China
SANY engine factory

Sales figures for Q1–Q3 2020, yoy

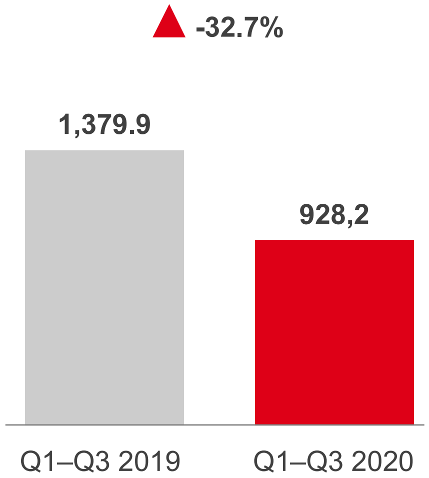
New orders
€ million



Unit sales
Units



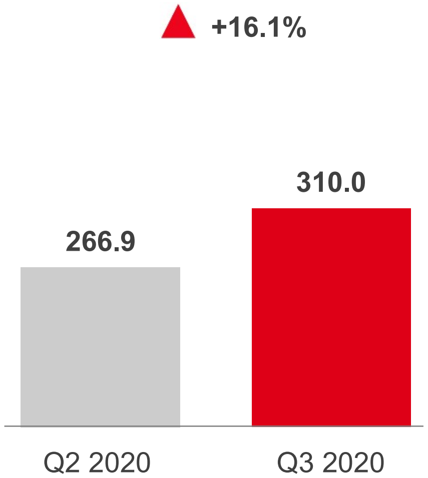
Revenue
€ million



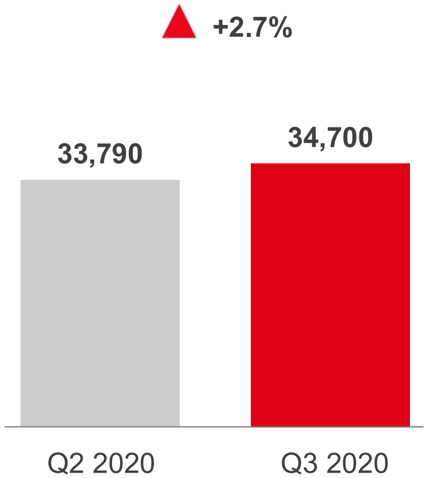
- Sharp falls in new orders due to the coronavirus crisis and resulting reluctance to invest, and due to adverse effects relating to the advance production of engines
- Larger decrease in revenue relative to the fall in unit sales owing to negative product mix effects
- Torqeedo sold a total of 24,057 electric motors, nearly doubling its unit sales
- Orders on hand of €250.4 million as of September 30, 2020 (September 30, 2019: €375.2 million)

Sales figures for Q3 2020, qoq

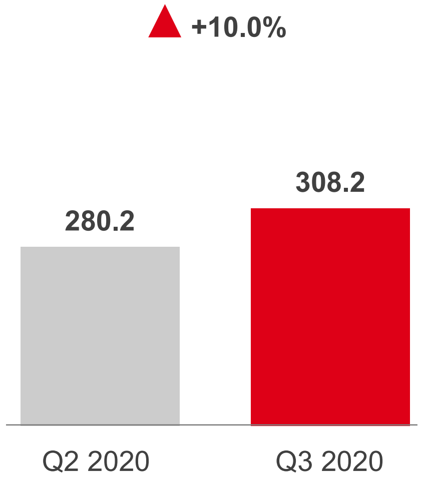
New orders
€ million



Unit sales
Units



Revenue
€ million



- Positive trend for sales figures overall compared with the previous quarter
- Significant 16.1% increase in new orders driven by all application segments, with the exception of Stationary Equipment
- Unit sales up 2.7% thanks to double-digit percentage increases in Material Handling and Agricultural Machinery
- Growth in revenue across all regions leads to a quarter-on-quarter increase of 10.0%

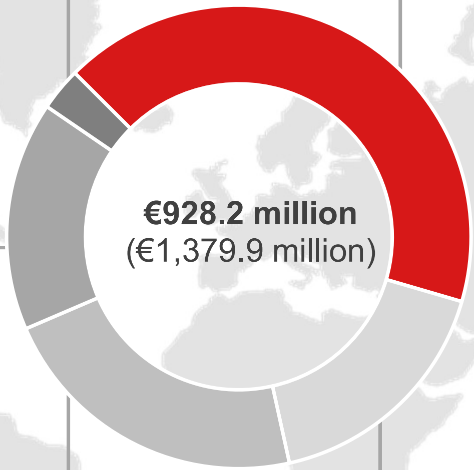
Revenue down in all key regions

Q1–Q3 2020 (Q1–Q3 2019)

Africa and Middle East 4% (3%)
€37.4 million
+0.5%

Asia-Pacific 18% (16%)
€169.9 million
-23.7%

Americas 18% (23%)
€163.5 million
-49.3%



Europe (excl. Germany) 41% (41%)
€381.3 million
-32.1%

Germany 19% (17%)
€176.1 million
-25.2%

Revenue growth across all regions in Q3 2020 compared with Q2 2020

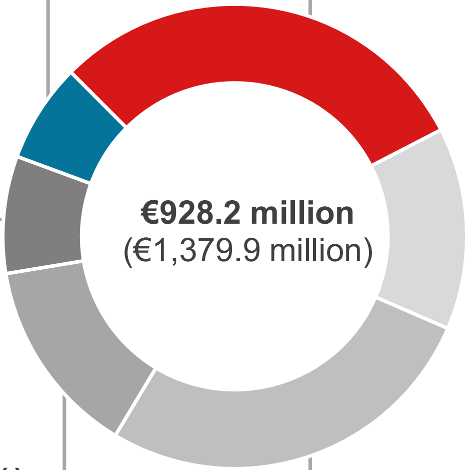
Revenue down in all application segments

Q1–Q3 2020 (Q1–Q3 2019)

Miscellaneous 8% (6%)
€78.5 million
-5.2%

Stationary Equipment 9% (9%)
€81.7 million
-33.3%

Agricultural Machinery 14% (15%)
€126.4 million
-38.7%



Construction Equipment 29% (29%)
€267.7 million
-34.1%

Material Handling 12% (22%)
€117.0 million
-60.5%

Service 28% (19%)
€256.9 million
-3.3%

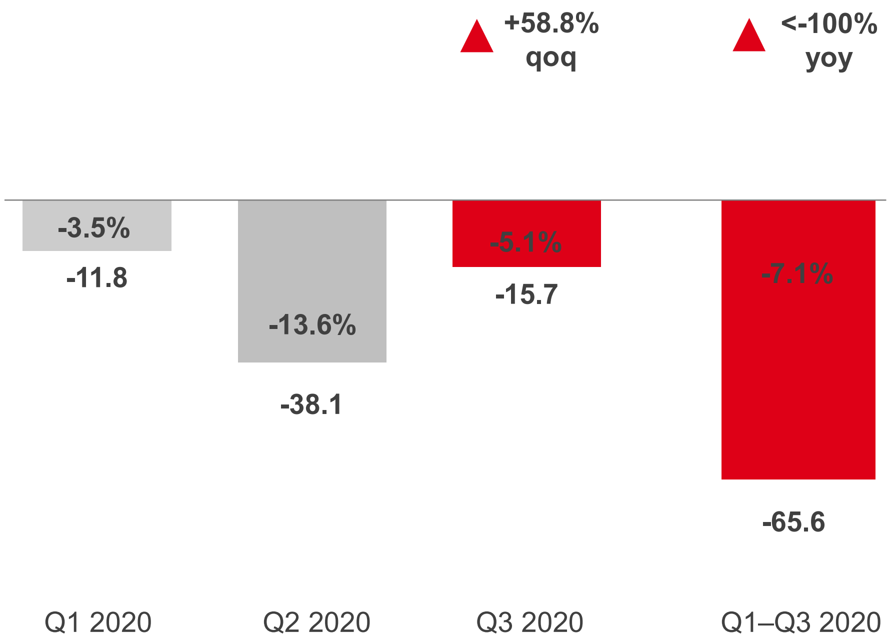
Double-digit % increases over Q2 for Service, Agricultural Machinery, Material Handling, and Miscellaneous

Agenda

Key financials in detail

Significant improvement in operating profit in the third quarter

Operating profit (€ million)
EBIT margin before exceptional items



- **Operating loss** (EBIT before exceptional items) in Q1–Q3 2020 attributable to:
  - Sharp fall in revenue, with related diseconomies of scale, due to the coronavirus crisis
  - Payments made under continuation agreements with suppliers that are going through insolvency proceedings (around €10 million)
  - Demand-related impairment losses recognized on capitalized development projects (around €5 million)
- Mitigating positive impact of general cost-cutting measures, the use of short-time working, and the Board of Management waiving its one-year variable remuneration for 2020 and senior managers waiving a substantial part of their variable remuneration for 2020
- **Restructuring costs** of **€37.8 million** for measures initiated as part of Transform for Growth recognized as an exceptional item in Q3 2020
- Deterioration to a **net loss** of €104.5 million (before exceptional items: net loss of €68.3 million) as a result of the decline in EBIT

Business performance in the segments 1/2

DEUTZ Compact Engines (DCE)

€ million	Q1-Q3 2020	Q1-Q3 2019	YoY change (%)
New orders	660.4	1,019.5	-35.2
Unit sales (units)	70,826	122,638	-42.2
Revenue	668.6	1,079.7	-38.1
EBIT before exceptional items	-67.6	45.8	<-100
EBIT margin before exceptional items (%)	-10.1	4.2	-

DEUTZ Customized Solutions (DCS)

€ million	Q1-Q3 2020	Q1-Q3 2019	YoY change (%)
New orders	241.3	267.2	-9.7
Unit sales (units)	13,676	20,152	-32.1
Revenue	225.8	276.5	-18.3
EBIT before exceptional items	10.9	37.6	-71.0
EBIT margin before exceptional items (%)	4.8	13.6	-

- Significant overall decline in the sales figures of the DCE and DCS segments due to coronavirus
- Additional drag on DCE's operating profit because of payments made under continuation agreements with suppliers that are going through insolvency proceedings and impairment losses recognized on a development project due to the expected decrease in demand
- Additional drag on DCS's operating profit due to demand-related impairment losses recognized on two development projects

Business performance in the segments 2/2

Other

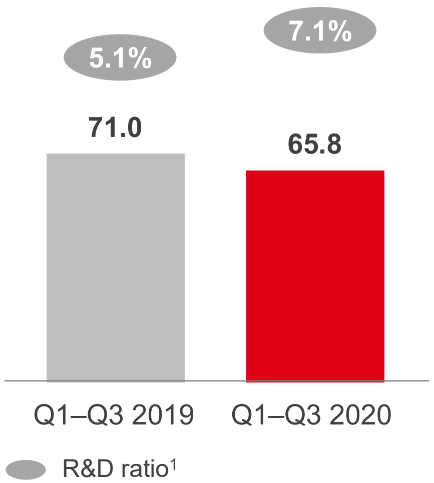
€ million	Q1–Q3 2020	Q1–Q3 2019	YoY change (%)
New orders	34.0	31.3	+8.6
Unit sales (units)	24,057	12,990	+85.2
Revenue	35.9	26.5	+35.5
EBIT before exceptional items	-8.9	-14.2	+37.3
EBIT margin before exceptional items (%)	-24.8	-53.6	-

- Positive trend for the Other segment's sales figures; unit sales nearly double, in part due to the ramp-up of smaller trolling motors at Torqeedo
- Lower increase in revenue, relative to the increase in unit sales, because of negative product mix effects in connection with the aforementioned ramp-up at Torqeedo
- Substantial year-on-year improvement in the operating profit for the segment, partly due to the deconsolidation of DAMSA in H1 2019

R&D: spending and capital expenditure

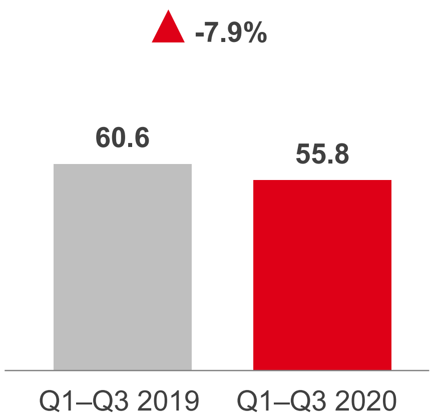
R&D spending (after deducting grants)

€ million



Capital expenditure[2]

€ million



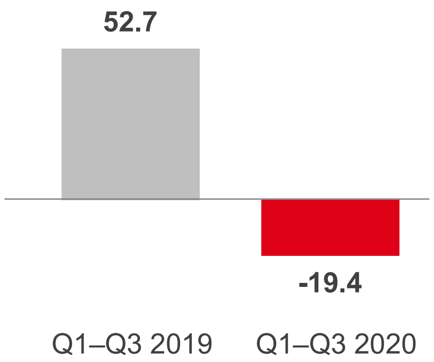
- Disproportionately strong rise in the R&D ratio caused by sharp fall in revenue
- Reduction in capital expenditure as a result of cost-cutting measures being implemented
- €17.4 million of the capital expenditure during the period under review was attributable to additions resulting from leases (Q1–Q3: €8.4 million)

[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.

Cash flow from operating activities & working capital

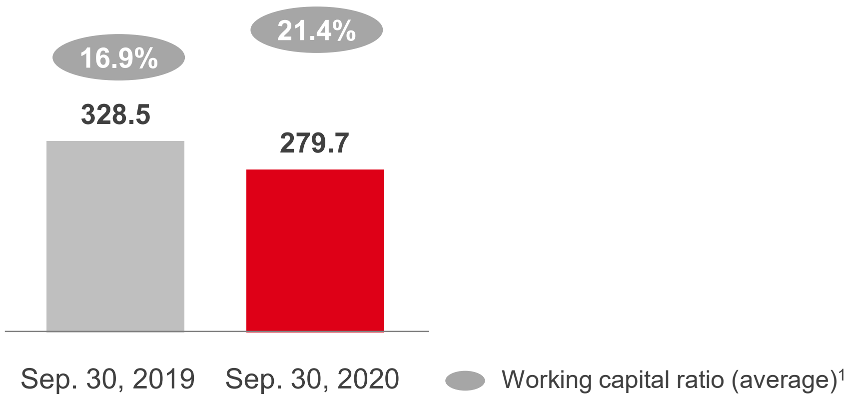
Cash flow from operating activities

€ million



Working capital

€ million



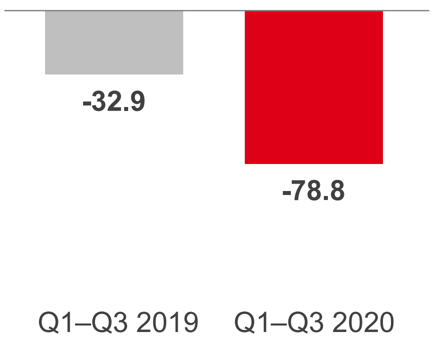
- Decrease in cash flow from operating activities caused by the sharp decline in operating profit as a result of coronavirus and by the repayment of current liabilities to factoring companies
- Significant decline in working capital compared with the prior-year period, mainly due to the early adjustment of production and procurement activities and a further intensification of working capital management in response to the fall in demand resulting from coronavirus

[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

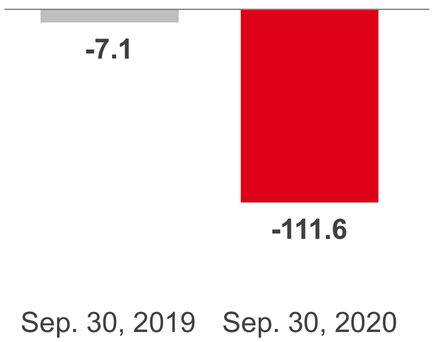
Free cash flow[1]

€ million



Net financial position

€ million

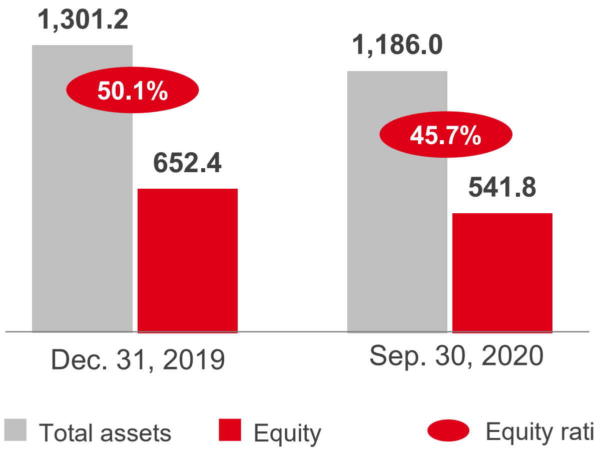


- Significant decline in free cash flow as a result of lower level of cash flow from operating activities
- Decline in the net financial position due to the lower level of cash and cash equivalents resulting from the changes in cash flow and to the significant increase in current and non-current interest-bearing financial debt; excluding the lease liabilities in accordance with IFRS 16, the net financial position deteriorated to minus €64.7 million compared with €33.2 million a year earlier

[1] Cash flow from operating activities and from investing activities less interest expense.

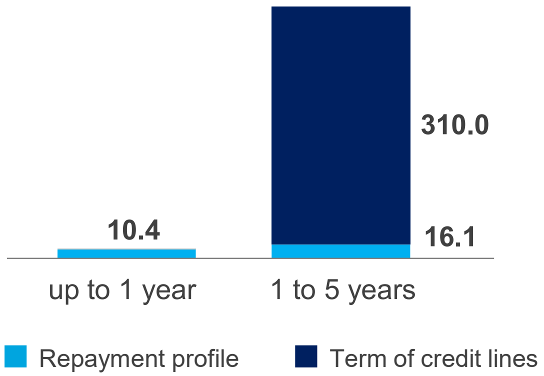
Equity ratio and funding

Equity ratio
€ million



Funding
€ million

Long-term bank loans



Lease liabilities

- Capital structure remains comfortable
- In Q2 2020, syndicated credit line increased by a further tranche of €150 million to a total of €310 million; €160 million maturing in June 2024 and €150 million maturing in Nov. 2021; amount drawn down as of Sep. 30, 2020: €65 million
- Sufficient medium and long-term funding options despite delay in payment of the final installment of the purchase price for the sale of land; the associated positive exceptional item is anticipated in 2021[1]

[1] The amount and the date of the payment depend on when the development plan for the site is formally approved and so cannot be precisely determined yet.

Agenda

Outlook update

Mid-term Outlook postponed by 1-2 years

- **Mid-term outlook of €2 bn in sales and an EBIT margin before exceptional items of 7-8% for FY 2022 had to be moved out to 2023/24**
  - Macro economic corona impact lead to a significant contraction of engine business in FY 2020
  - Ongoing uncertainties are delaying customers investment decisions
  - Slower business recovery than initially anticipated

- **Short-term:**
  - Break-even level to be reduced to 130k engine units in FY2021
  - DEUTZ expects to at least break-even in terms of operating profit next FY

- **Guidance for FY 2021 to be released with publication of FY results 2020 on March 18, 2021**

Thank you for your attention!

Questions & answers

Annex

Overview of segments, Q1–Q3

New orders € million	**Q1–Q3 2020**	**Q1–Q3 2019**	YoY change (%)
DEUTZ Compact Engines	660.4	1,019.5	-35.2
DEUTZ Customized Solutions	241.3	267.2	-9.7
Other	34.0	31.3	+8.6
Consolidation	-2.1	-2.8	+25.0
Total	**933.6**	**1,315.2**	**-29.0**

Revenue € million	**Q1–Q3 2020**	**Q1–Q3 2019**	YoY change (%)
DEUTZ Compact Engines	668.6	1,079.7	-38.1
DEUTZ Customized Solutions	225.8	276.5	-18.3
Other	35.9	26.5	+35.5
Consolidation	-2.1	-2.8	+25.0
Total	**928.2**	**1,379.9**	**-32.7**

Unit sales Units	**Q1–Q3 2020**	**Q1–Q3 2019**	YoY change (%)
DEUTZ Compact Engines	70,826	122,638	-42.2
DEUTZ Customized Solutions	13,676	20,152	-32.1
Other	24,057	12,990	+85.2
Consolidation	0	0	-
Total	**108,559**	**155,780**	**-30.3**

EBIT before except. items € million	**Q1–Q3 2020**	**Q1–Q3 2019**	YoY change (%)
DEUTZ Compact Engines	-67.6	45.8	<-100
DEUTZ Customized Solutions	10.9	37.6	-71.0
Other	-8.9	-14.2	37.3
Consolidation	0	0	-
Total	**-65.6**	69.2	<-100

Overview of segments, Q3

New orders € million	Q3 2020	Q3 2019	YoY change (%)
DEUTZ Compact Engines	220.5	263.3	-16.3
DEUTZ Customized Solutions	75.9	86.7	-12.5
Other	14.5	12.7	+14.2
Consolidation	-0.9	-0.8	-12.5
Total	**310.0**	361.9	-14.3

Revenue € million	Q3 2020	Q3 2019	YoY change (%)
DEUTZ Compact Engines	214.9	349.9	-38.6
DEUTZ Customized Solutions	80.8	91.5	-11.7
Other	13.4	9.5	+41.1
Consolidation	-0.9	-0.8	-12.5
Total	**308.2**	450.1	-31.5

Unit sales Units	Q3 2020	Q3 2019	YoY change (%)
DEUTZ Compact Engines	22,653	40,714	-44.4
DEUTZ Customized Solutions	4,234	6,643	-36.3
Other	7,813	6,832	+14.4
Consolidation	0	0	-
Total	**34,700**	54,189	-36.0

EBIT before except. items € million	Q3 2020	Q3 2019	YoY change (%)
DEUTZ Compact Engines	-17.8	10.9	<-100
DEUTZ Customized Solutions	4.3	14.0	-69.3
Other	-2.2	-2.9	+24.1
Consolidation	0	0	-
Total	**-15.7**	22.0	<-100

Income statement

€ million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019
Revenue	**308.2**	**450.1**	**928.2**	**1,379.9**
Cost of sales	-263.3	-369.3	-798.1	-1,126.3
Research and development costs	-23.7	-24.2	-73.3	-68.2
Selling and administrative expenses	-34.8	-36.4	-110.4	-114.9
Other operating income	3.2	7.6	9.4	25.8
Other operating expenses	-44.0	-5.5	-59.8	-17.7
Write-downs of financial assets	0.0	-0.3	-1.4	-0.5
Profit/loss on equity-accounted investments	0.9	0.0	2.0	0.4
EBIT	**-53.5**	**22.0**	**-103.4**	**78.5**
thereof operating profit/loss (EBIT before exceptional items)	**-15.7**	**22.0**	-65.6	69.2
thereof exceptional items	-37.8	0.0	-37.8	9.3
Financial income, net	**-1.2**	**-9.9**	**-2.9**	**-11.1**
Income taxes	2.5	-2.7	1.8	-12.7
Net income	**-52.2**	**9.4**	**-104.5**	**54.7**
thereof attributable to shareholders of DEUTZ AG	-52.2	9.4	**-104.5**	**54.7**
thereof attributable to non-controlling interests	0.0	0.0	0.0	0.0
Earnings per share (basic/diluted, €)	**-0.43**	**0.08**	-0.86	0.45

Balance sheet: assets

€ million	Sep. 30, 2020	Dec. 31, 2019
Property, plant and equipment	353.3	347.2
Intangible assets	205.6	216.2
Equity-accounted investments	51.5	51.1
Other financial assets	4.7	5.0
Non-current assets (before deferred tax assets)	**615.1**	**619.5**
Deferred tax assets	74.0	68.6
Non-current assets	**689.1**	**688.1**
Inventories	325.7	321.7
Trade receivables	98.7	152.1
Other receivables and assets	44.3	84.0
Cash and cash equivalents	28.2	55.3
Current assets	**496.9**	**613.1**
Total assets	**1,186.0**	**1,301.2**

Balance sheet: equity and liabilities

€ million	Sep. 30, 2020	Dec. 31, 2019
Issued capital	**309.0**	**309.0**
Additional paid-in capital	28.8	28.8
Other reserves	-2.7	0.1
Retained earnings and accumulated income	206.5	314.3
Equity attributable to shareholders of DEUTZ AG	**541.6**	**652.2**
Non-controlling interests	0.2	0.2
Equity	**541.8**	**652.4**
Provisions for pensions and other post-retirement benefits	148.1	151.2
Deferred tax liabilities	0.6	0.8
Other provisions	36.1	33.4
Financial debt	50.9	34.1
Other liabilities	5.4	5.7
Non-current liabilities	**241.1**	**225.2**
Provisions for pensions and other post-retirement benefits	12.3	12.4
Current income tax liabilities	1.2	1.3
Other provisions	95.0	66.6
Financial debt	88.9	36.4
Trade payables	144.7	180.6
Other liabilities	61.0	126.3
Current liabilities	**403.1**	**423.6**
Total equity and liabilities	**1,186.0**	**1,301.2**

Cash flow statement (condensed)

€ million	Q1–Q3 2020	Q1–Q3 2019
EBIT	**-103.4**	**78.5**
Cash flow from operating activities	**-19.4**	**52.7**
Capital expenditure on intangible assets, property, plant and equipment and investments	**-56.2**	**-87.5**
Proceeds from the sale of non-current assets	0.2	4.1
Cash flow from investing activities	**-56.0**	**-83.4**
Cash flow from financing activities	**48.8**	**-41.2**
Change in cash and cash equivalents	**-26.6**	**-71.9**

Financial calendar and contact details

Financial calendar

2020 annual report	March 18, 2021
Annual General Meeting	April 29, 2021
Quarterly statement for the first quarter of 2021	May 6, 2021
Interim report for the first half of 2021	August 12, 2021

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