



Analyst conference

– 2020 results –

—

March 18, 2021

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



Dr. Frank Hiller | CEO

Our challenge: a market environment with many moving parts...



Emissions reduction



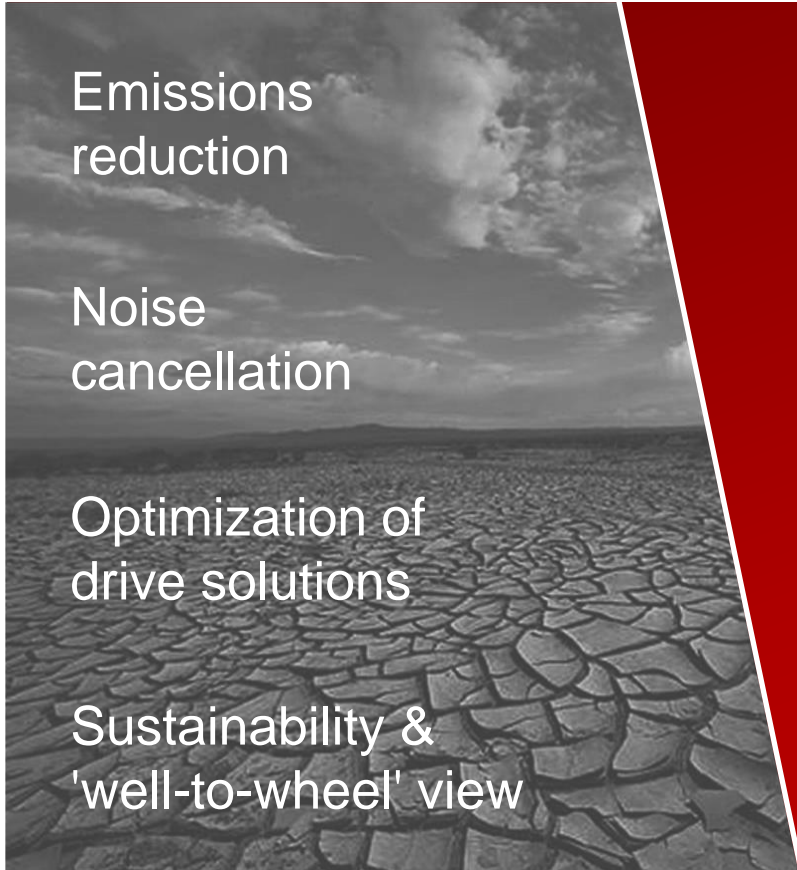
Noise cancellation



Optimization of drive solutions



Sustainability & 'well-to-wheel' view



Hybridization

Efficiency gains

Electrification

E-fuels

Downsizing

Hydrogen

LPG/CNG

Zero-emissions target

NO_x



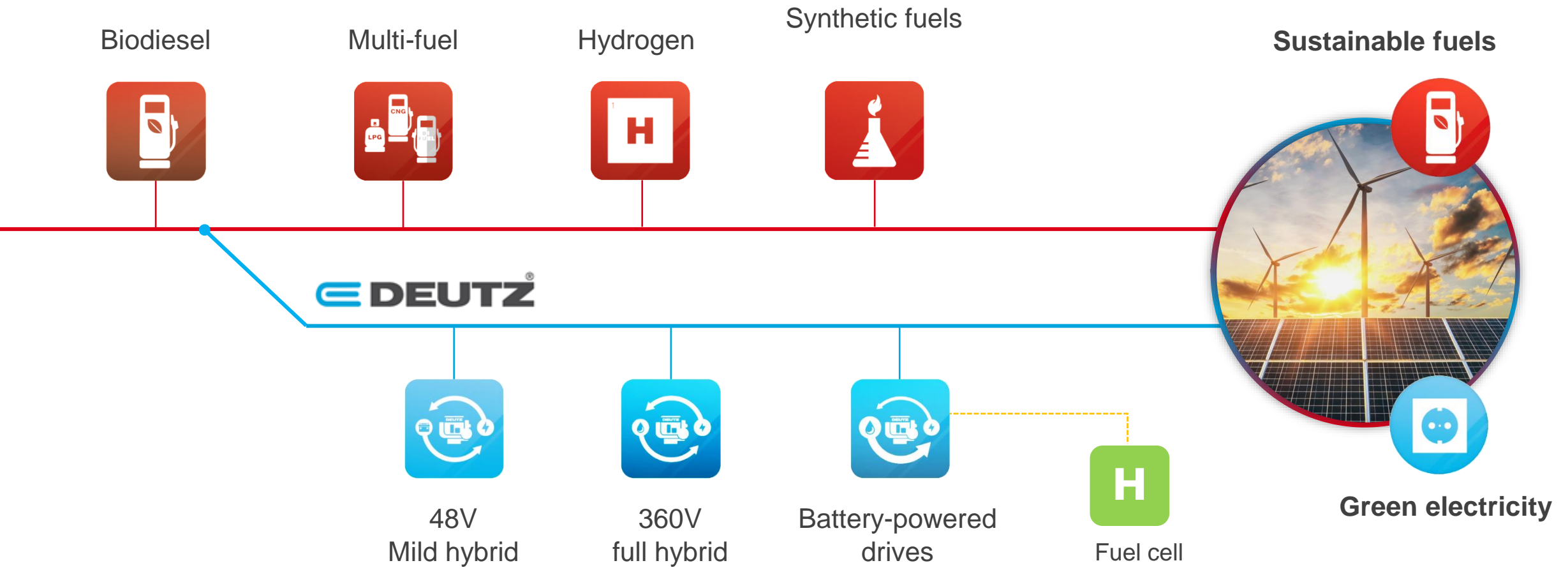
Need for sustainable drive systems, including in off-highway applications

...meets a highly diversified customer base



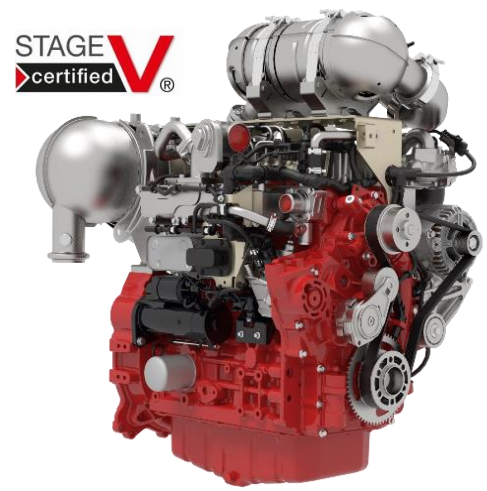
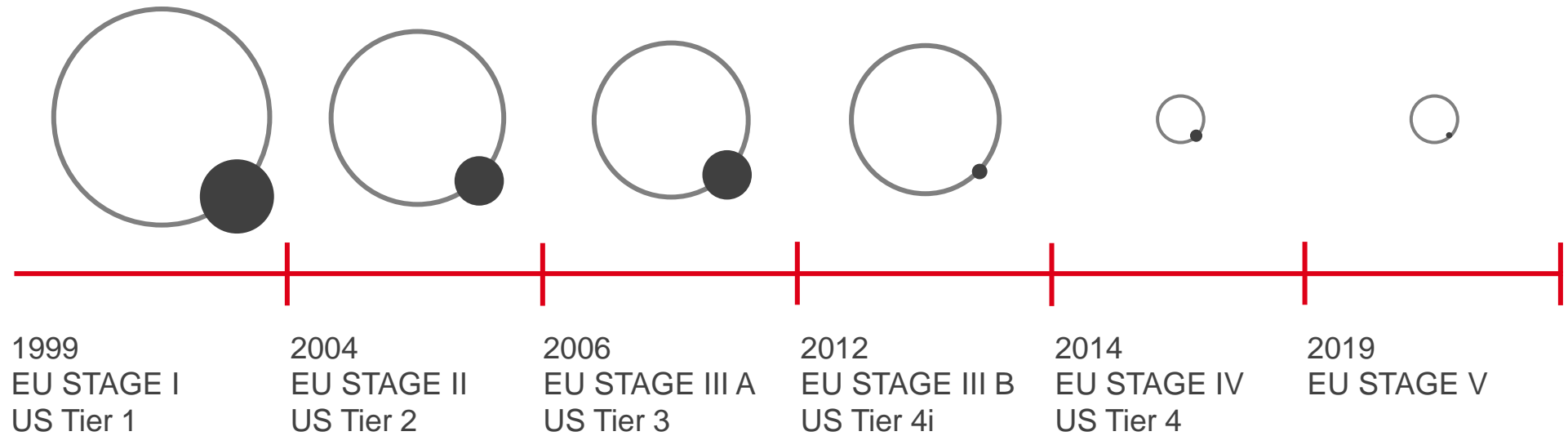
Broad customer base with different power requirements

Open-minded approach to technology



DEUTZ is tackling the challenges in off-highway applications by ensuring compatibility with different technologies

Piston engines have come a long way...



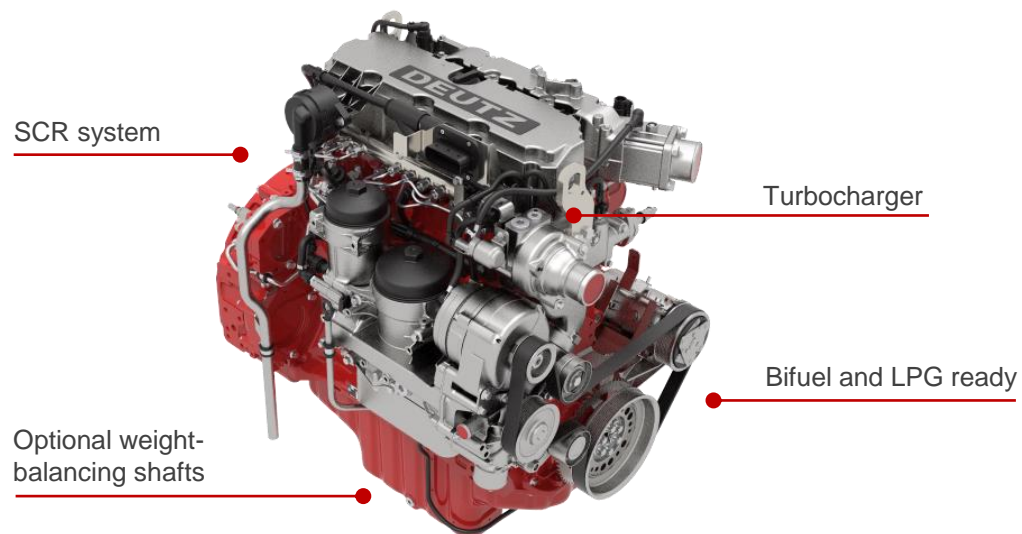
○ NO_x
● Particulate emissions

NO_x and particulate emissions reduced by around 97% since 1999

... and still have a long way to go...



DEUTZ TCD 5.2 L4



- Construction machinery application segment
- First pilot engines shipped to customer in Q1 2021
- SOP for serial production expected 2022

All new <4L engine co-development with John Deere



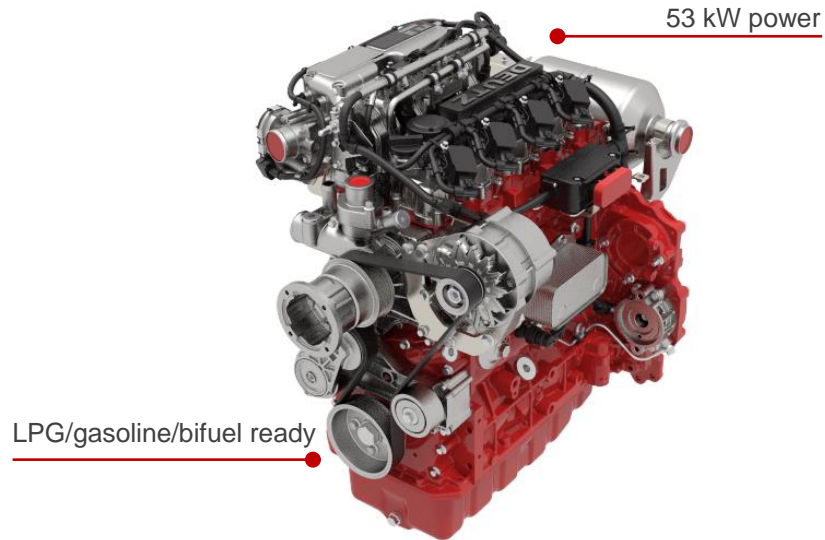
- Contract signed end of 2020
- SOP for serial production expected for 2025
- Development to be headed by DEUTZ

Ongoing refinement of innovative diesel engines

...especially with alternative fuels

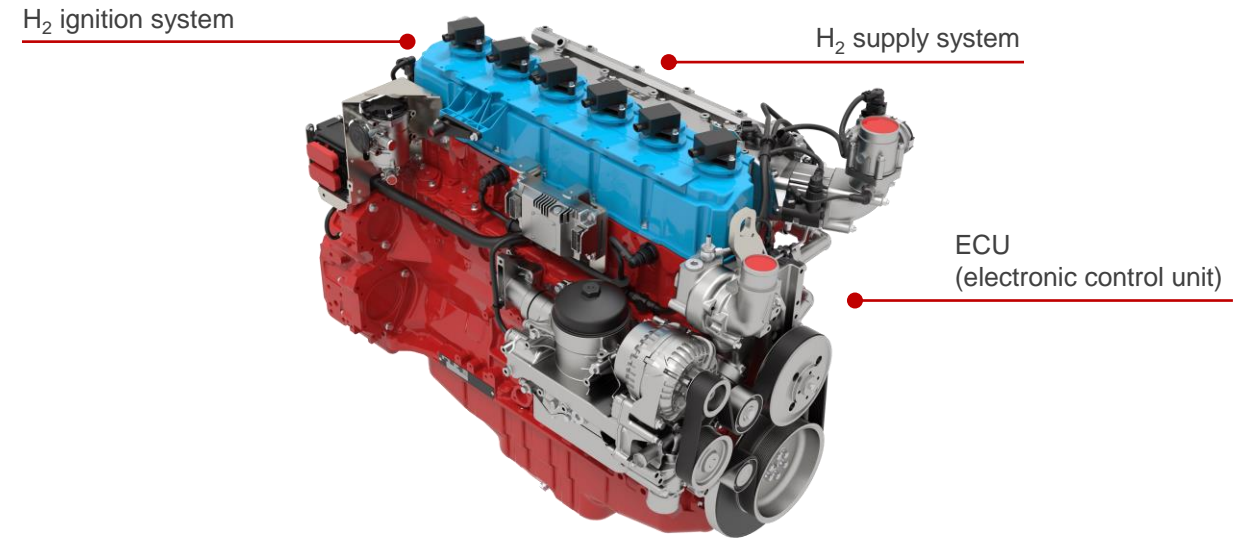


DEUTZ G 2.9 L4



- Base engine DEUTZ 2.9 L Diesel
- Lower emissions levels allow indoor use
- Exhaust aftertreatment cheaper than for diesel

DEUTZ TCG 7.8 hydrogen engine



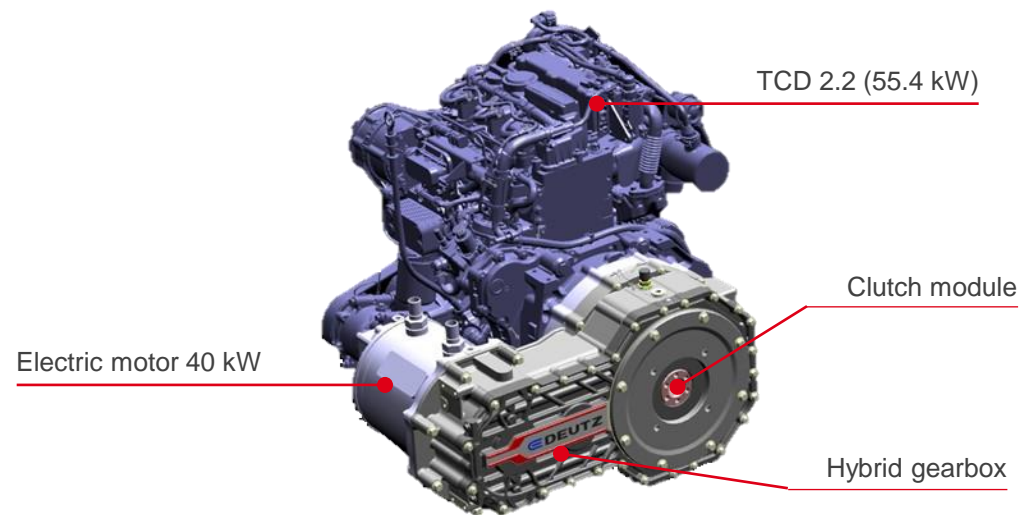
- Base engine DEUTZ 7.8 L Diesel
- A hydrogen-fueled combustion engine is nearly emissions-free
- Pre-development started

Various powertrain concepts under development

With we are prepared for electrification

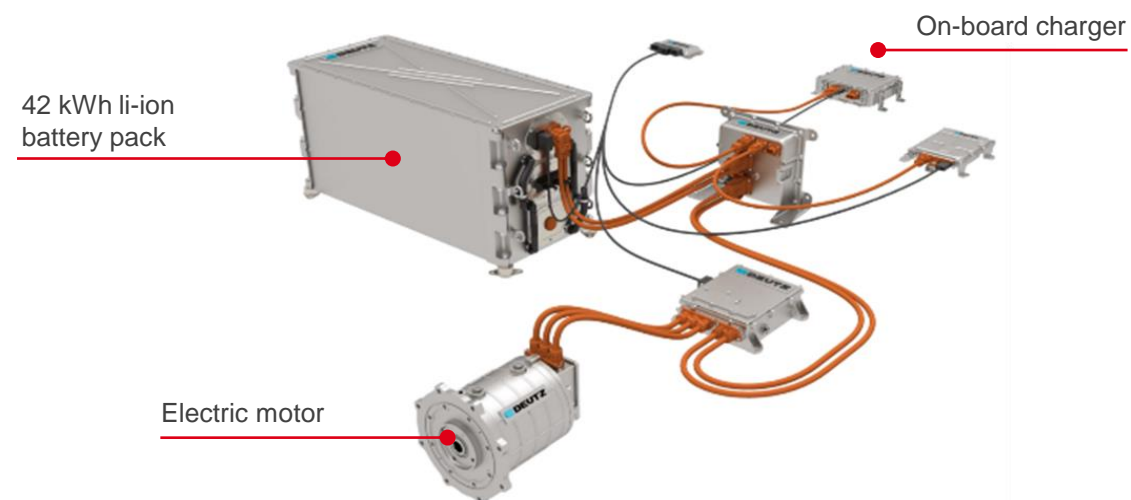


HV hybrid power pack 360V



- Applicable to all DEUTZ combustion engines <4L (diesel/gas/multifuel)
- Electric power 40 kW & 60 kW at 360V
- Available as full, mild and combined hybrid configuration

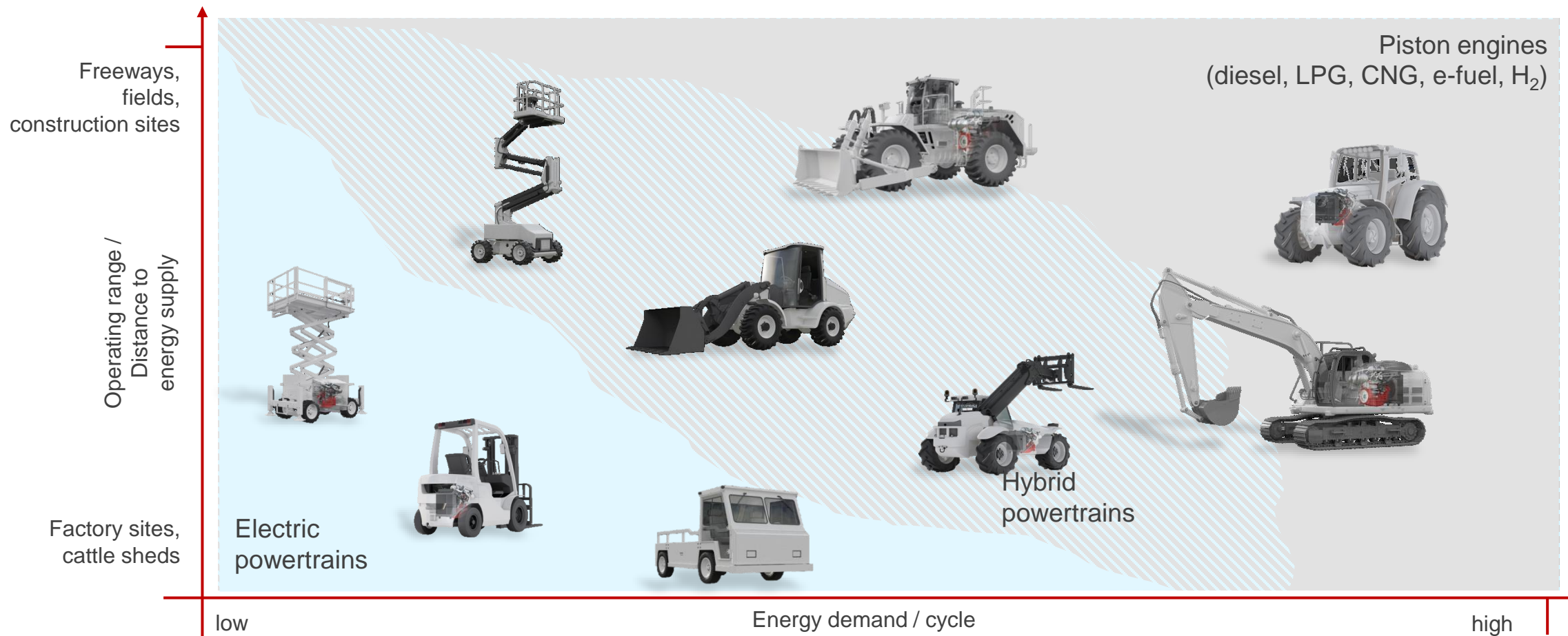
Fully electric drivetrain 360V



- DEUTZ's own li-ion battery pack
- Up to 75 kW power range
- First prototypes available end of 2021

Hybrid and full electric powertrains for 48V and 360V applications

Our goal: the optimal technology for each application



Competitive powertrains for all of our current off-highway markets

Agenda



Overview & highlights of 2020



Dr. Frank Hiller | CEO

Overview



- Sharp decline in sales figures and EBIT before exceptional items in 2020 compared with 2019 due to coronavirus
- Noticeable upward trend in the market – significant improvement in business performance in the final quarter of 2020 compared with previous quarters
- Successful launch of the Transform for Growth efficiency program – restructuring costs totaling €31.9 million recognized as an exceptional item in 2020
- Focused implementation of the growth initiatives despite the coronavirus crisis
- Expansion of sustainability efforts
- Improved outlook for 2021

Successful launch of Transform for Growth

- Substantial reduction in jobs by 2022:
 - Workforce reduced by 477 in 2020, partly through a reduction in the number of temporary workers, fixed-term contracts coming to an end, and natural attrition
 - Voluntary redundancy program for the German sites to reduce the number of positions by 350; taken up by 302 employees by March 12, 2021 – runs until March 31, 2021
- Restructuring costs of €31.9 million recognized as an exceptional item in 2020
- Supplementary collective pay agreement has been agreed:
 - Undertakings from employees have been agreed for the three-year term of the agreement in order to secure the future of the sites
 - Capital expenditure of approximately €41 million at the German sites

Our target:

approx. **€100mn**

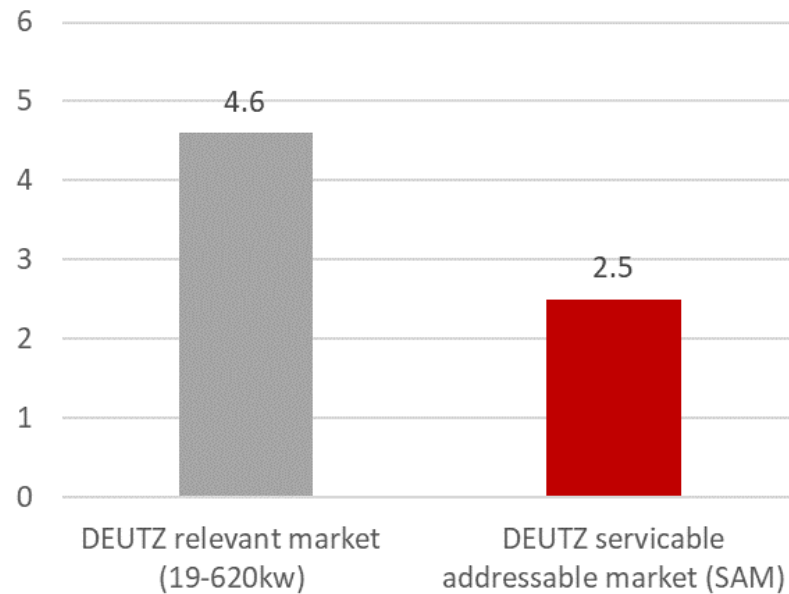
gross cost savings p.a.
from the end of 2022

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

Focus for growth: China

Relevant off-highway market¹

Units (millions)



Serviceable addressable market, broken down by region¹

Americas
15%

EMEA
29%

Asia-Pacific
56%

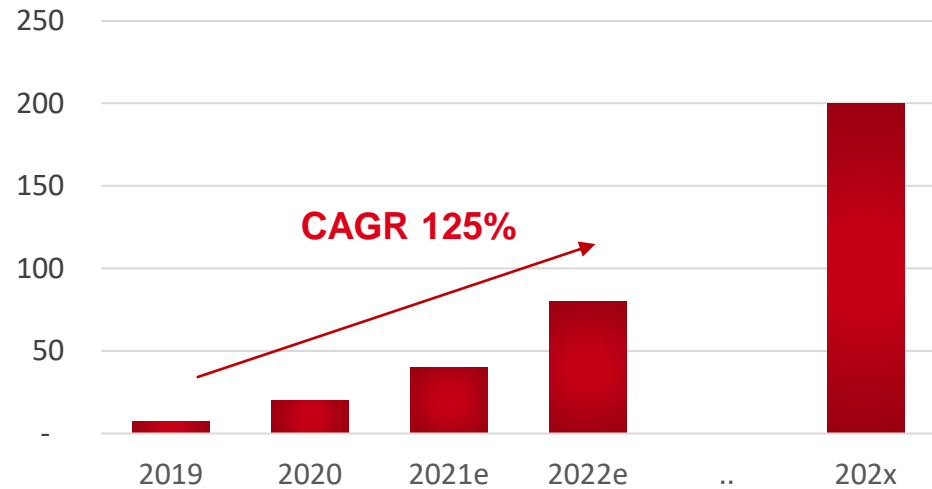


Markets relevant to DEUTZ: agriculture, construction, material handling, and stationary equipment

Ramp-up of capacity in China on track

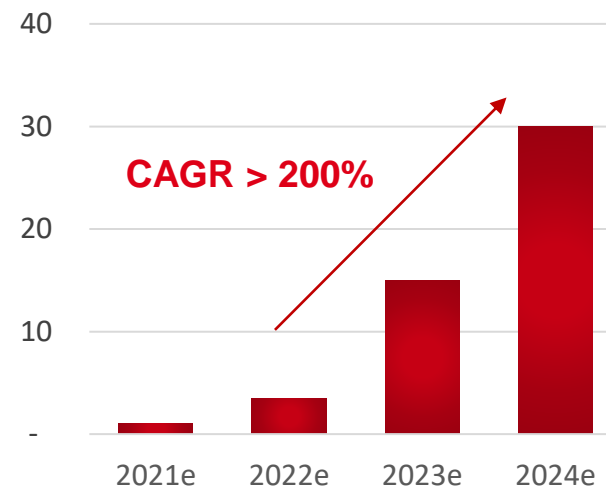
DEUTZ Hunan (SANY JV) output planning

Units (thousands)



DEUTZ Tianjin output planning

Units (thousands)



Our target for China:
 approx. **€800mn**
 revenue in 2022¹



16 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.

Localization of purchasing in China



- New purchasing organization established for the world's biggest engine market
- Supplier audits mainly carried out by local teams during coronavirus-related travel restrictions
- Significant reduction in the cost of materials and logistics costs thanks to highest possible localization rate
- Achievement of maximum potential savings through needs-based SOPs
- Some of the first function runs and validation runs have been completed
- Local procurement process for the TCD 5.7 has already begun



Localization projects in China are on track, despite coronavirus crisis

Progress with implementation of E-DEUTZ strategy

- The aim is for four core drivetrains to be market-ready by the end of 2023
- Marketing of an all-electric 360V base system planned for 2021 – prototype agreement signed in 2020

Our E-DEUTZ target:

approx. **5-10%**

share of revenue in 2023/2024

2021

End of 2023



ALL-ELECTRIC

HYBRID-ELECTRIC

360V base system

48V base system

360V hybrid system

48V hybrid system

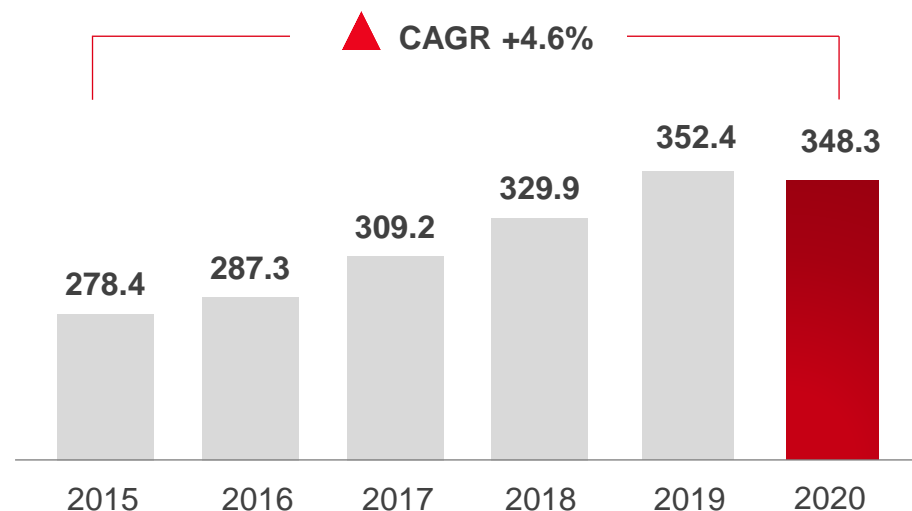
DEUTZ is evolving from being a demonstrator toward full-scale series production

Ongoing expansion of the profitable service business



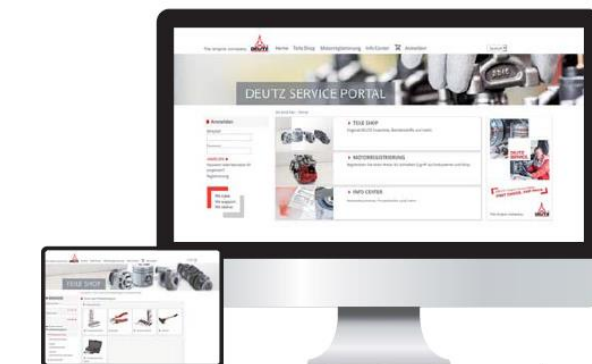
Revenue from the service business

€ million



Our service target:

approx. **€400mn**
revenue in 2021



- **New distribution channels and expansion of existing network:** expansion of our own service centers, acquisition of DEUTZ Austria, Motorcenter Austria, Pro Motor Servis CZ in 2020
- **Digital services:** diagnostics and interpretation of errors, DEUTZ advanced service tool, digital service and repair checklist
- **New 'analog' service concepts and products:** expansion of Xchange, mobile service technicians, servicing and repair of non-DEUTZ engines, parts warranty, E-DEUTZ services

Continual optimization of production processes

- New assembly line at the main Cologne site for engines of less than 4 liters brought on stream in Q4 2020
- Based on lean manufacturing philosophy and implementation of Industry 4.0 applications
- Significant increase in quality, efficiency, and capacity
- Integration of cold testing of engines – lasting reduction in machine busy time and fuel consumption
- Better ergonomics and optimized industrial safety for employees



Expansion of sustainability efforts



- Application to join UN Global Compact submitted at the end of 2020
- Commitment to upholding ten universally accepted principles relating to human rights, labor standards, environmental protection, and the fight against corruption
- Support for the 17 sustainable development goals
- Annual communication on progress to be published
- Greater accountability to be imposed on suppliers in relation to their sustainability contribution



United Nations
Global Compact

SUSTAINABLE DEVELOPMENT GOALS



Agenda



Sales figures for 2020



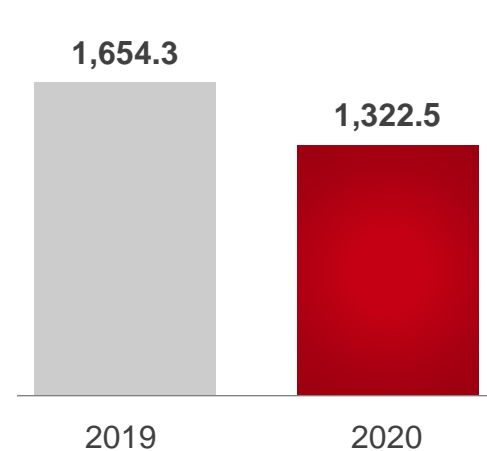
Dr. Frank Hiller | CEO

Sales figures for 2020, yoy

New orders

€ million

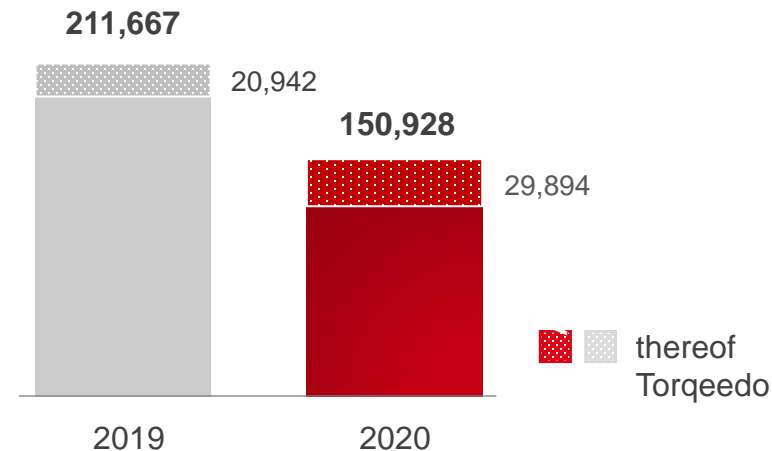
▲ -20.1%



Unit sales

Units

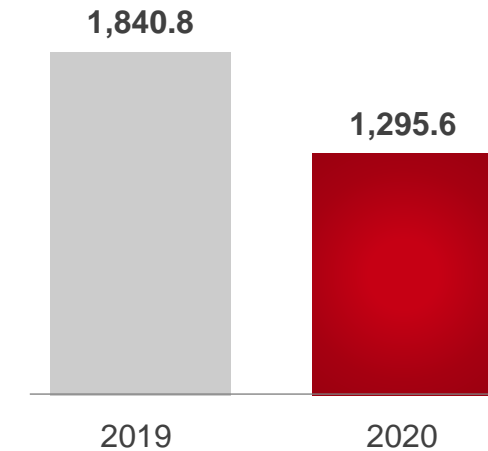
▲ -28.7%



Revenue

€ million

▲ -29.6%



- Huge fall in new orders due to the coronavirus crisis and the resulting reluctance to invest, and due to adverse effects relating to the advance production of engines
- Torqeedo's unit sales jumped by 43% compared with 2019, mainly due to ramp-up of smaller trolling motors
- Orders on hand of €269.0 million as at December 31, 2020 (December 31, 2019: €253.3 million)

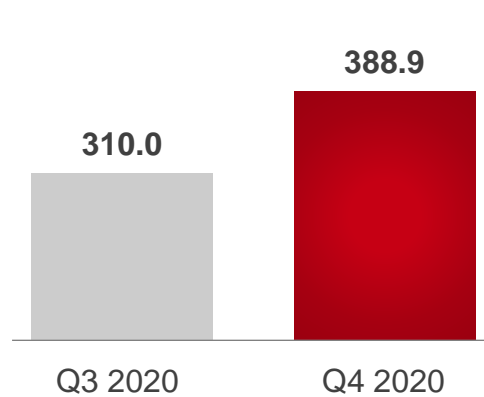
Sales figures for Q4 2020, qoq



New orders

€ million

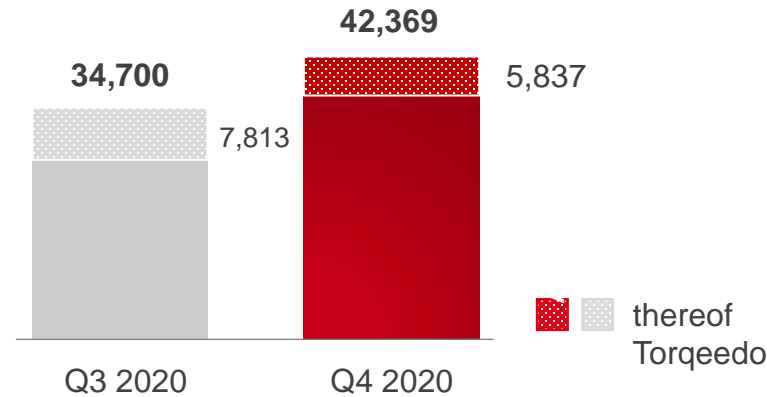
▲ +25.5%



Unit sales

Units

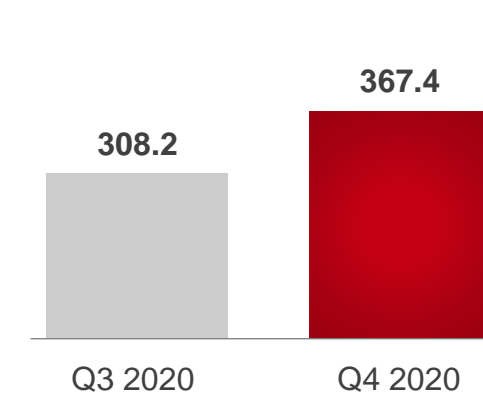
▲ +22.1%



Revenue

€ million

▲ +19.2%



- Clear signs of a gradual economic recovery – double-digit percentage increases in sales figures compared with Q3/2020
- Double-digit percentage rise in new orders in all application segments except Miscellaneous
- Double-digit percentage rise in unit sales in all regions and application segments except Miscellaneous
- Significant revenue growth in all regions and application segments except Miscellaneous
- Business performance in the Miscellaneous application segment affected by seasonal fall in demand

Coronavirus-related fall in revenue in all major regions

2020 (2019)

Africa and Middle East 4% (3%)

€54.8 million
+0.7%

Asia-Pacific 19% (16%)

€243.9 million
-17.2%

Americas 17% (22%)

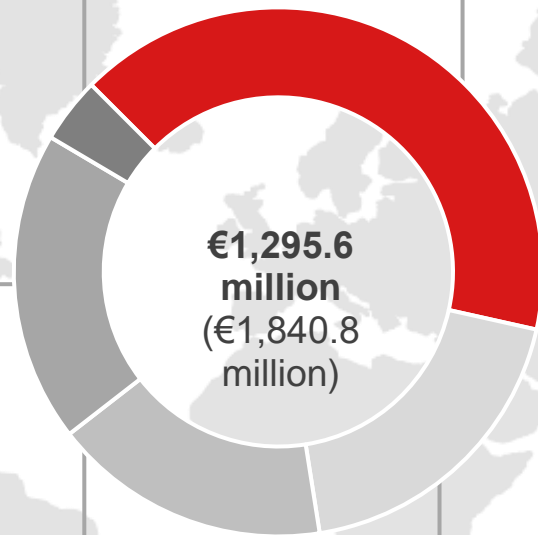
€222.5 million
-45.0%

Europe (excl. Germany) 41% (42%)

€532.8 million
-31.4%

Germany 19% (17%)

€241.6 million
-22.2%



Disproportionately sharp decrease in the Americas due to a weak Material Handling application segment

Revenue down in all application segments

2020 (2019)

Miscellaneous 8% (6%)

€103.3 million
-2.3%

Stationary Equipment 9% (8%)

€114.3 million
-26.6%

Agricultural Machinery 14% (16%)

€178.7 million
-39.1%

Construction Equipment 29% (29%)

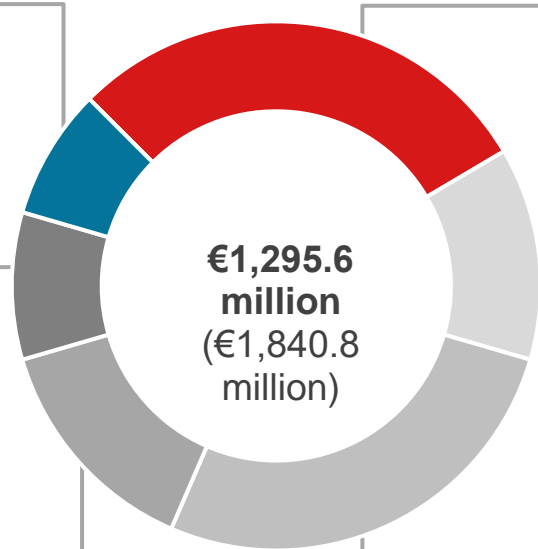
€378.5 million
-29.3%

Material Handling 13% (22%)

€172.5 million
-56.8%

Service 27% (19%)

€348.3 million
-1.2%



Growth strategy for the service business pays off in the crisis

Agenda



Key financials in detail

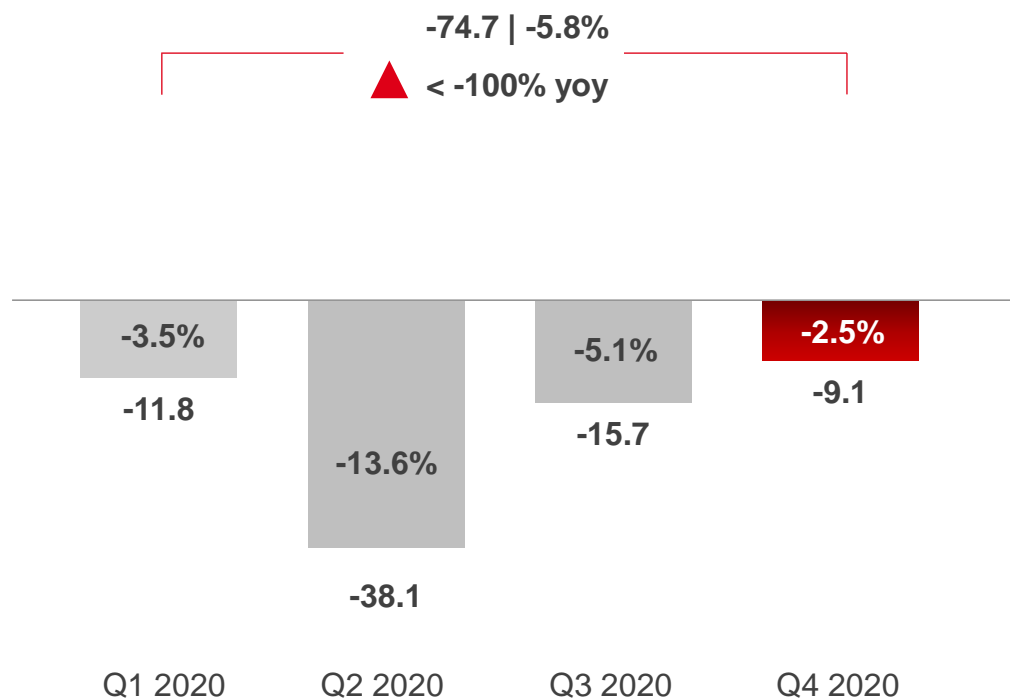


Dr. Sebastian C. Schulte | CFO

Significant improvement in operating profit in Q4 2020



Operating profit (EBIT before exceptional items)
EBIT margin before exceptional items
 (€ million)



- **Operating loss** of €74.7 million (2019: operating profit of €78.8 million)
 - Coronavirus leads to sharp fall in revenue with related diseconomies of scale
 - Payments made under continuation agreements with suppliers that are going through insolvency proceedings (around €9 million)
 - Demand-related impairment losses recognized on capitalized development projects and sales licenses (around €17 million)
- **Restructuring costs** of **€31.9 million**¹ for Transform for Growth recognized as an exceptional item
- **Net loss** of €107.6 million (2019: net income of €52.3 million) owing to decline in EBIT; earnings per share of minus €0.89 (2019: €0.43)
- 42% improvement in operating profit in Q4 compared with Q3, partly because of substantial rise in new engine business

28 ¹ In Q3 2020, restructuring costs of €37.8 million had been anticipated. However, the costs for achieving the confirmed restructuring targets are now expected to be lower overall.

Business performance in the segments 1/2



DEUTZ Compact Engines (DCE)

€ million	2020	2019	YoY change
New orders	954.3	1,268.4	-24.8%
Unit sales (units)	102,054	164,677	-38.0%
Revenue	943.8	1,446.4	-34.7%
EBIT before exceptional items	-80.5	57.7	<-100%
EBIT margin before exceptional items (%)	-8.5	4.0	—

DEUTZ Customized Solutions (DCS)

€ million	2020	2019	YoY change
New orders	324.5	341.7	-5.0%
Unit sales (units)	18,980	26,048	-27.1%
Revenue	310.1	362.5	-14.5%
EBIT before exceptional items	18.7	42.8	-56.3%
EBIT margin before exceptional items (%)	6.0	11.8	—

- Overall, a sharp year-on-year fall in unit sales and revenue owing to coronavirus
- DCE's earnings also squeezed by payments to suppliers going through insolvency proceedings to enable them to continue supplying DEUTZ and by demand-related impairment losses on capitalized development projects
- Additional drag on DCS's earnings due to demand-related impairment losses on sales licenses
- Growth of unit sales and revenue and an improvement in operating profit for both segments in Q4 compared with the previous quarter

Business performance in the segments 2/2

Other

€ million

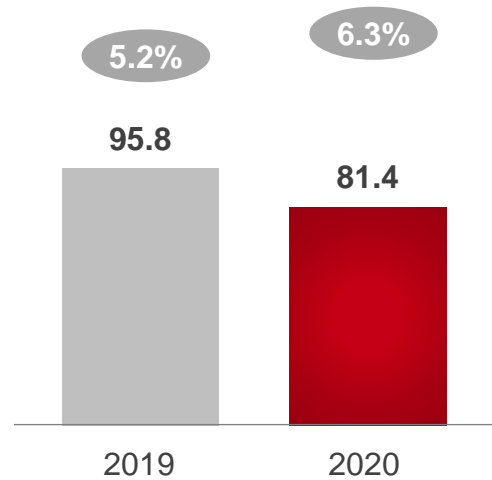
	2020	2019	YoY change
New orders	46.4	47.8	-2.9%
Unit sales (units)	29,894	20,942	+42.7%
Revenue	44.4	35.5	+25.1%
EBIT before exceptional items	-12.9	-21.7	+40.6%
EBIT margin before exceptional items (%)	-29.1	-61.1	–

- Slight decrease in new orders compared with 2019 as a result of coronavirus
- Sharp rise in unit sales and revenue, partly due to ramp-up at Torqeedo
- The smaller increase in revenue than in unit sales was primarily a result of the product mix
- Year-on-year improvement in operating profit for the segment owing to the increase in business volume, implementation of a performance program, and the deconsolidation of DAMSA in H1 2019
- Substantial decline in Q4 2020 compared with Q3 2020 due to seasonal factors

R&D: spending and capital expenditure

R&D spending (after deducting grants)

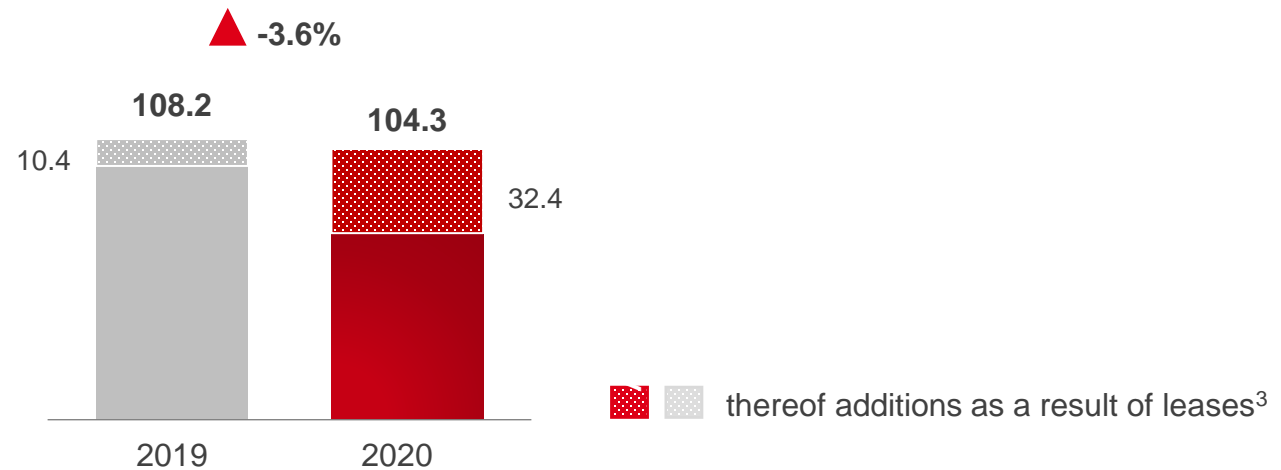
€ million



● R&D ratio¹

Capital expenditure (after deducting grants)²

€ million

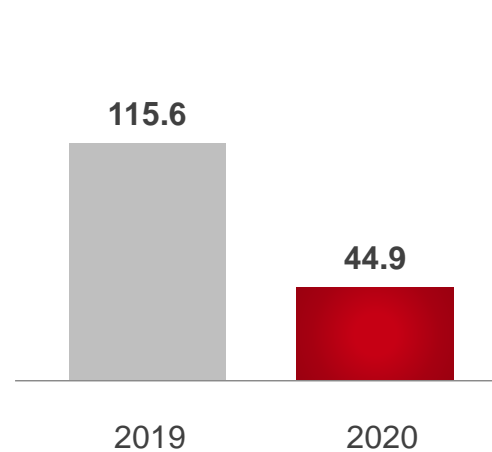


- Disproportionately strong rise in the R&D ratio caused by sharp fall in revenue
- Reduction in capital expenditure as a result of cost-cutting measures being implemented

Cash flow from operating activities & working capital

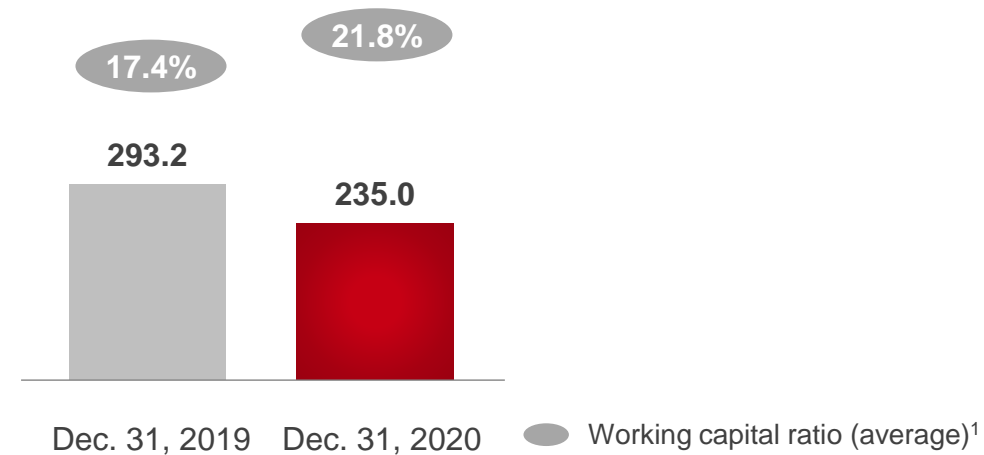
Cash flow from operating activities

€ million



Working capital

€ million

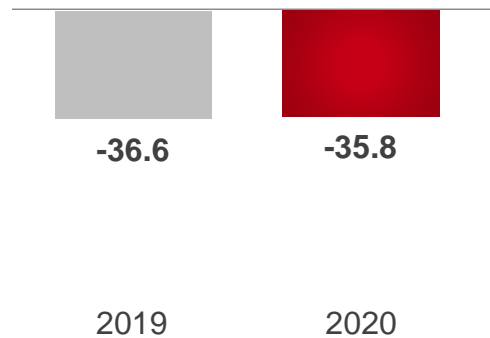


- Decrease in cash flow from operating activities caused by the sharp decline in operating profit as a result of coronavirus
- Significant reduction in working capital compared with the prior year, mainly due to the early adjustment of production and procurement activities and a further intensification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

Free cash flow and net financial position

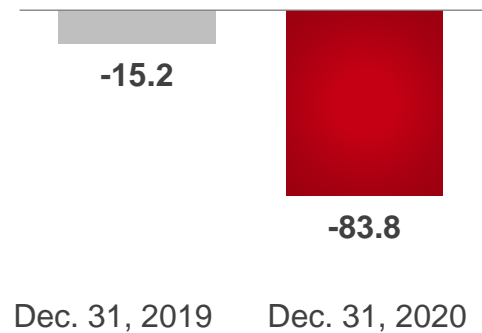
Free cash flow¹

€ million



Net financial position

€ million

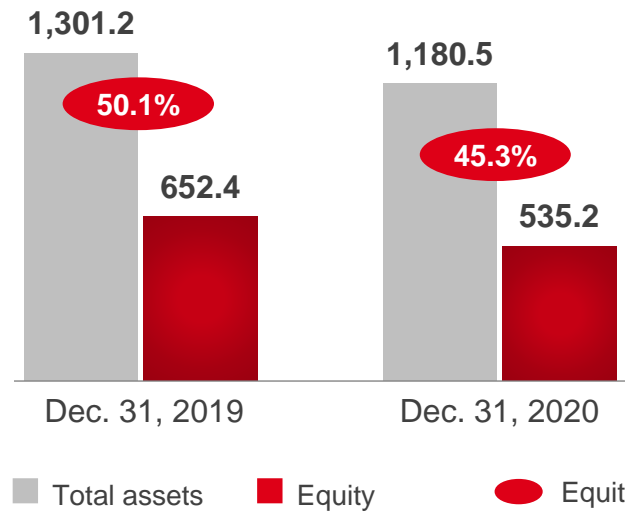


- Proactive management of capital expenditure and working capital clearly helped to offset the coronavirus-related decrease in cash flow from operating activities; reduction in investing activities compared with 2019
- In Q4 2020, free cash flow rose sharply to €43.0 million because of the higher volume of business, optimization of working capital, and the first positive effects from the efficiency program
- Deterioration in net financial position owing to the impact of the coronavirus crisis and a rise in lease liabilities to €58.0 million (December 31, 2019: €41.9 million)²

Sufficient medium- and long-term funding options

Equity ratio

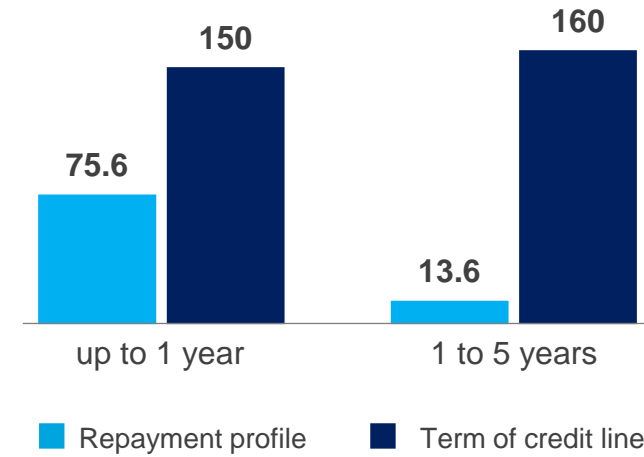
€ million



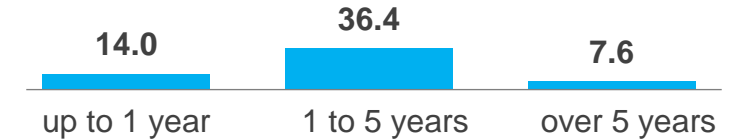
Funding

€ million

Long-term bank loans and syndicated credit lines



Lease liabilities



- Syndicated credit lines totaling €310 million
 - €150 million maturing in November 2021, with an extension option (amount drawn down as at December 31, 2020: €0 million)
 - €160 million maturing in June 2024 (amount drawn down as at December 31, 2020: €65 million)
- Positive exceptional item of around €60 million from payment of the final installment of the purchase price for the sale of land, which is expected to be made in 2021¹

Agenda

Outlook



Dr. Frank Hiller | CEO

2021 outlook for key end-customer markets¹

Change in unit sales compared with 2020 (%)	Europe	North America	China
Construction equipment	0 to +5	+5 to +10	0 to +10
Material handling	0 to +5	+5 to +10	0 to +10
Agricultural machinery	0 to +5	+5 to +10	-5 to 0

- Key customer industries are expected to gradually recover in the next few years

Group guidance for 2021



	Actual 2020	Guidance for 2021
Unit sales	121,034 engines ¹	at least 130,000 engines ¹
Revenue	€1,295.6 million	at least €1.40 billion
EBIT margin (before exceptional items)	-5.8%	to at least break even
Free cash flow	minus €35.8 million	negative low- to mid-double-digit million euro amount ²

- Difficulties with the supply of some components will have an adverse impact in the first half of the year and possibly longer
- Positive exceptional item from payment of the final installment of the purchase price for the sale of the Cologne-Deutz site, which is expected to be made in 2021²

Medium-term targets for 2023/2024

- Technology-neutral approach to development of the product portfolio and expansion of the high-margin service business
- Implementation of regional growth initiatives
- Systematic implementation of the Transform for Growth efficiency program, with targeted gross cost savings of €100 million p.a. from the end of 2022
 - Adjustment of staff costs and operating costs
 - Optimization of the global production network
 - Reduction of complexity

Our targets for 2023/2024:

> €2 billion

revenue

7–8%

EBIT margin
before exceptional items



DEUTZ has taken the steps that are needed for sustained profitable growth



Annex

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Overview of segments, Q1–Q4



New orders

€ million	2020	2019	YoY change (%)
DEUTZ Compact Engines	954.3	1,268.4	-24.8
DEUTZ Customized Solutions	324.5	341.7	-5.0
Other	46.4	47.8	-2.9
Consolidation	-2.7	-3.6	+25.0
Total	1,322.5	1,654.3	-20.1

Unit sales

Units	2020	2019	YoY change (%)
DEUTZ Compact Engines	102,054	164,677	-38.0
DEUTZ Customized Solutions	18,980	26,048	-27.1
Other	29,894	20,942	42.7
Consolidation	0	0	–
Total	150,928	211,667	-28.7

Revenue

€ million	2020	2019	YoY change (%)
DEUTZ Compact Engines	943.8	1,446.4	-34.7
DEUTZ Customized Solutions	310.1	362.5	-14.5
Other	44.4	35.5	25.1
Consolidation	-2.7	-3.6	+25.0
Total	1,295.6	1,840.8	-29.6

EBIT before except. items

€ million	2020	2019	YoY change (%)
DEUTZ Compact Engines	-80.5	57.7	<-100
DEUTZ Customized Solutions	18.7	42.8	-56.3
Other	-12.9	-21.7	-40.6
Consolidation	0	0	–
Total	-74.7	78.8	<-100

Overview of segments, Q4



New orders € million	Q4 2020	Q4 2019	YoY change (%)
DEUTZ Compact Engines	293.9	248.9	+18.1
DEUTZ Customized Solutions	83.2	74.5	+11.7
Other	12.4	16.5	-24.8
Consolidation	-0.6	-0.8	+25.0
Total	388.9	339.1	+14.7

Unit sales Units	Q4 2020	Q4 2019	YoY change (%)
DEUTZ Compact Engines	31,228	42,039	-25.7
DEUTZ Customized Solutions	5,304	5,896	-10.0
Other	5,837	7,952	-26.6
Consolidation	0	0	-
Total	42,369	55,887	-24.2

Revenue € million	Q4 2020	Q4 2019	YoY change (%)
DEUTZ Compact Engines	275.2	366.7	-25.0
DEUTZ Customized Solutions	84.3	86.0	-2.0
Other	8.5	9.0	-5.6
Consolidation	-0.6	-0.8	+25.0
Total	367.4	460.9	-20.3

EBIT before except. items € million	Q4 2020	Q4 2019	YoY change (%)
DEUTZ Compact Engines	-12.9	11.9	<-100
DEUTZ Customized Solutions	7.8	5.2	+50.0
Other	-4.0	-7.5	-46.7
Consolidation	0	0	-
Total	-9.1	9.6	<-100

Income statement



€ million	2020	2019
Revenue	1,295.6	1,840.8
Cost of sales	-1,105.9	-1,510.5
Research and development costs	-97.7	-95.3
Selling and administrative expenses	-146.5	-151.8
Other operating income	15.0	29.0
Other operating expenses	-68.3	-24.3
Write-downs of financial assets	-1.3	-1.7
Profit/loss on equity-accounted investments	1.4	0.7
Other net investment income	1.1	1.2
EBIT	-106.6	88.1
thereof exceptional items	-31.9	9.3
thereof operating profit/loss (EBIT before exceptional items)	-74.7	78.8
Financial income, net	-4.0	-13.0
Income taxes	3.0	-22.8
Net income	-107.6	52.3
thereof attributable to shareholders of DEUTZ AG	-107.6	52.3
thereof attributable to non-controlling interests	0.0	0.0
Earnings per share (basic/diluted, €)	-0.89	0.43

Balance sheet: assets



€ million	Dec. 31, 2020	Dec. 31, 2019
Property, plant and equipment	361.7	347.2
Intangible assets	197.2	216.2
Equity-accounted investments	50.3	51.1
Other financial assets	4.4	5.0
Non-current assets (before deferred tax assets)	613.6	619.5
Deferred tax assets	74.2	68.6
Non-current assets	687.8	688.1
Inventories	274.2	321.7
Trade receivables	113.8	152.1
Other receivables and assets	32.8	79.8
Receivables in respect of tax refunds	7.2	4.2
Cash and cash equivalents	64.7	55.3
Current assets	492.7	613.1
Total assets	1,180.5	1,301.2

Balance sheet: equity and liabilities



€ million	Dec. 31, 2020	Dec. 31, 2019
Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	-3.9	0.1
Retained earnings and accumulated income	201.1	314.3
Equity attributable to shareholders of DEUTZ AG	535.0	652.2
Non-controlling interests	0.2	0.2
Equity	535.2	652.4
Provisions for pensions and other post-retirement benefits	148.5	151.2
Deferred tax liabilities	0.6	0.8
Other provisions	37.5	33.4
Financial debt	58.3	34.1
Other liabilities	5.9	5.7
Non-current liabilities	250.8	225.2
Provisions for pensions and other post-retirement benefits	11.9	12.4
Other provisions	83.3	66.6
Financial debt	90.2	36.4
Trade payables	153.0	180.6
Liabilities arising from income taxes	2.0	2.7
Other liabilities	54.1	124.9
Current liabilities	394.5	423.6
Total equity and liabilities	1,180.5	1,301.2

Cash flow statement (condensed)



€ million	2020	2019
EBIT	-106.6	88.1
Cash flow from operating activities	44.9	115.6
Capital expenditure on intangible assets, property, plant and equipment and investments	-75.9	-145.6
Proceeds from the sale of non-current assets	0.8	4.2
Acquisition of subsidiaries	-1.1	-8.0
Cash flow from investing activities	-76.2	-149.4
Cash flow from financing activities	41.5	-43.9
Change in cash and cash equivalents	10.2	-77.7

Thank you for
your attention!

Questions & answers

Financial calendar and contact details



Financial calendar

2021

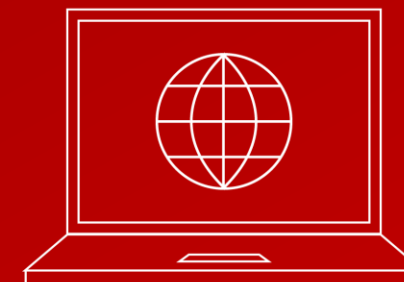
Annual General Meeting (virtual)	April 29
Quarterly statement for Q1 2021	May 6
Interim report for H1 2021	August 12
Quarterly statement for Q3 2021	November 10

Contact

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