Joint report of the Board of Management of DEUTZ AG and the Executive Board of Futavis GmbH pursuant to section 293a German Stock Corporation Act (AktG) on the conclusion of the profit transfer agreement between DEUTZ AG and Futavis GmbH dated December 16, 2020

I. Introduction

On December 16, 2020, DEUTZ AG and Futavis GmbH concluded a profit transfer agreement in which Futavis GmbH undertook to transfer its profit to DEUTZ AG. At the same time, DEUTZ AG undertook to assume its losses.

The profit transfer agreement requires the agreement of the Supervisory Board and Annual General Meeting of DEUTZ AG and the shareholders' meeting of Futavis GmbH in order to be effective.

Pursuant to section 294 (2) AktG, the agreement will not take effect until it is entered into the commercial register at the location of the registered office of the controlled company, i.e. Futavis GmbH.

The Board of Management of DEUTZ AG and Executive Board of Futavis GmbH have prepared the following report in order to set out the legal and economic grounds and provide an explanation for the conclusion and content of the agreement.

II. Parties to the agreement

1) DEUTZ AG

DEUTZ AG is a public limited company based in Cologne and entered under no. HRB 281 in the commercial register at the local court in Cologne.

According to the objects clause in the company's articles of incorporation, DEUTZ AG heads and manages a group of companies and investments in companies which operate in the area of development, manufacture, and selling of machinery, particularly diesel engines marketed under the DEUTZ brand, as well as in the distribution and service sectors. It is entitled to engage in all transactions and activities that serve to further its objects. It may also establish, acquire, or invest in other companies for this purpose, or become directly active in the relevant business areas itself. The company's financial year runs from January 1 to December 31 each year. For details of DEUTZ AG's business performance and profitability, please refer to its annual financial statements and combined management reports for the previous financial years.

2) Futavis GmbH

Futavis GmbH, in which DEUTZ AG holds 100 percent of the voting capital, was established with the adoption of its articles of incorporation on June 3, 2013. It is entered under no. HRB 118437 in the commercial register at the local court in Aachen and has its registered office in Alsdorf. The objects of the company are the development and production of electronic systems and products to promote the use of renewable energies, and other related activities. The company is entitled to engage in all transactions and activities that directly or indirectly serve to further its objects.

The executive directors of Futavis GmbH are Dr. Jens Bockstette and Mr. Martin Treiber.

DEUTZ AG acquired all the voting shares in Futavis GmbH by means of a notarized purchase agreement dated October 8, 2019. The financial year of Futavis GmbH is the same as that of DEUTZ AG.

3) Profitability of Futavis GmbH

Futavis GmbH generated net income of around €843 thousand in the 2019 financial year, net income of around €233 thousand in 2018, and a net loss of around €69 thousand in 2017. The company is expected to generate a net profit in the current year.

III. Reasons for concluding the profit transfer agreement

It is the DEUTZ Group's aim to offset the results achieved by Futavis GmbH for purposes of corporation and trade tax against the results of other domestic companies within the DEUTZ Group (consolidated tax group). A prerequisite for the formation of the necessary consolidated tax group is the conclusion of a profit transfer agreement between Futavis GmbH (controlled company) and DEUTZ AG (controlling company). The results will be allocated to DEUTZ AG on an accruals basis for the purposes of commercial and tax law, and consolidated at group level with the results of the group companies already forming part of the consolidated tax group.

The agreement offers advantages to the controlled company in terms of financial protection, as the controlling company must absorb all and any upcoming losses.

IV. Alternatives to concluding the profit transfer agreement

The profits and losses of legal entities can only be offset for tax purposes through the establishment of consolidated tax groups, for which the conclusion and implementation of the profit transfer agreement are necessary prerequisites.

If the tax objectives described above are to be achieved therefore, there are no alternatives to the conclusion of the agreement.

V. Explanatory comments regarding the profit transfer agreement

The profit transfer agreement is a standard consolidated tax group agreement, of the sort frequently encountered in business practice within a group of companies. It is an agreement between business enterprises as defined by sections 291 et seq. of the German Stock Corporation Act (AktG). A copy of the agreement is attached as an annex to this report. The main provisions of the agreement are as follows:

Section 1 (1) of the agreement sets out the obligation that is characteristic of a profit transfer agreement, namely the transfer of one party's entire profit to the other party to the agreement. According to this provision, the controlled company is obliged to transfer all of its profits to the controlling company for the duration of the agreement. The contents of section 301 AktG, as amended, which defines the arrangements for the specific transfer, additionally apply.

Pursuant to section 1 (2) of the agreement, the controlled company is entitled, with the consent of the controlling company, to transfer amounts from net income to its statutory reserves, provided this is permitted under commercial law and is justified in accordance with prudent business practice. Under section 1 (3), any other retained earnings recognized under section 272 (3) of the German Commercial Code (HGB) that accrue during the term of the agreement should, at the request of the controlling company, be released and used to offset any net loss for the financial year or transferred as profit. Other revenue reserves, profit carried forward, or additional paid-in capital originating from the time before this agreement may neither be transferred nor used to offset any net loss for the year, regardless of whether they were generated before or after the profit transfer agreement entered into force.

Section 1 (4) deals with when the claim to the profit transfer arises and falls due: the claim to the profit transfer arises at the end of the controlled company's financial year and the transfer also falls due on that date.

Section 2 of the agreement sets out the obligation of the controlling company to absorb any net loss otherwise arising at the controlled company during the term of the agreement in accordance with section 302 AktG, as amended, that has not been offset by transfers from other retained earnings generated during the term of the agreement. This obligation to absorb losses is a necessary consequence of the profit transfer agreement. All provisions of section 302 AktG, as amended, apply with the necessary modifications. This refers specifically to the legal possibility to waive or compromise the claim, and to the legal statute of limitation.
The obligation to absorb losses applies after the profit transfer agreement has taken effect upon its entry in the commercial register. Furthermore, it applies retrospectively from the beginning of the controlled company's financial year in which this agreement is entered in the commercial register. This retrospective application has been arranged in order to be able to benefit from the consolidated tax group in the current financial year. The claim for a net loss for the financial year to be offset arises on the reporting date of the controlled company's annual financial statements for the financial year in question and falls due at midnight on that day.

In accordance with section 3 (1), the agreement only becomes effective upon its entry in the commercial register at the location of the controlled company's registered office (section 294 (2) AktG) and the obligation to transfer profits or absorb losses applies retrospectively from the start of controlled company's financial year in which this agreement takes effect through its entry in the commercial register at the location of the controlled company's registered office. The agreement was concluded subject to the consent of Annual General Meeting of the controlling company and the shareholder's meeting of the controlled company.

Pursuant to section 3 (2), the agreement is indefinite and may be terminated with six months' notice to the end of the controlled company's financial year, but not before the end of the financial year in which the minimum term as required under tax law has been fulfilled. This period is five full years in accordance with section 14 of the German Corporation Tax Act (KStG). The right to terminate this agreement without notice for cause remains unaffected. Examples of compelling reasons justifying the termination of this agreement without notice are listed in the profit transfer agreement under section 3 (3). Upon the termination of this agreement, the controlling company is obliged, where applicable, to provide security to the controlled company's creditors, in accordance with the more detailed requirements of section 303 AktG, as amended.

Finally, the profit transfer agreement also contains provisions regarding the partial effectiveness and interpretation of the agreement, the requirement for the written form and the observance of other provisions relating to additions or changes to the agreement, and on establishing the agreement's effectiveness based on the necessity of obtaining resolutions from the controlled and controlling companies.

There was no need to make provision for any compensation payment or settlement for external shareholders of the controlled company in the profit transfer agreement as the controlled company has no external shareholders. The controlling company directly owns 100 percent of the controlled company's voting capital. Nor was there any need therefore to undertake a valuation of the companies involved to determine appropriate compensation and settlement amounts. Furthermore, as the controlling company directly holds all voting shares in the controlled company, there was no requirement for the agreement to be audited by an expert auditor (contract auditor) pursuant to section 293 b (1) AktG.

Signatures of the Board of Management and Executive Board

Cologne, February 3, 2020

The Board of Management of DEUTZ AG

_____ _____
Dr. Frank Hiller Dr. Andreas Strecker

_____
Michael Wellenzohn

Alsdorf, February 3, 2020

Executive Board of Futavis GmbH

_____ _____
Dr. Jens Bockstette Martin Treiber

Text of the Agreement appended:

The profit transfer agreement between DEUTZ AG ('CONTROLLING COMPANY') and Futavis GmbH ('CONTROLLED COMPANY') has the following content:

1

Profit transfer

(1) The CONTROLLED COMPANY undertakes to transfer its entire profit to the CONTROLLING COMPANY, starting from the beginning of the financial year in which this Agreement is entered in the commercial register. The provisions of the prevailing version of section 301 of the German Stock Corporation Act (AktG) apply.

(2) The CONTROLLED COMPANY may, with the consent of the CONTROLLING COMPANY, transfer amounts from the net income to retained earnings (section 272 (3) of the German Commercial Code (HGB)), provided this is permitted under commercial law and is justified in accordance with prudent business practice.

(3) Any other retained earnings recognized under section 272 (3) HGB during the term of this Agreement may – so far as is legally permissible – be reversed at the request of the CONTROLLING COMPANY and transferred as profit. Other reserves and any profit carried forward or retained earnings originating from the period before this Agreement came into effect must not be transferred to the CONTROLLING COMPANY. The same applies to additional paid-in capital irrespective of whether this was recognized before or after this Agreement came into effect.

(4) The right to demand transfer of profits arises at the end of the CONTROLLED COMPANY's financial year. The amount must be credited to the account of the CONTROLLING COMPANY on that date.

2

Transfer of losses

The provisions of the prevailing version of section 302 AktG apply with the necessary modifications.

3
Term and end date of the Agreement

(1) This Agreement is subject to the consent of the Annual General Meeting of the CONTROLLING COMPANY and the shareholders' meeting of the CONTROLLED COMPANY. It takes effect upon being entered in the commercial register of the CONTROLLED COMPANY and applies retrospectively from the beginning of the CONTROLLED COMPANY's financial year in which this Agreement is entered in the commercial register.

(2) The Agreement is concluded for an indefinite period. It may be terminated with six months' notice to the end of the CONTROLLED COMPANY's financial year, but not before the end of the financial year in which the tax group to be consolidated for the purposes of corporation tax and trade tax, established under this Agreement, has fulfilled its minimum term as required under tax law (the 'minimum term') (under current law this period is five years; section 14 (1) sentence 1 no. 3 in conjunction with section 17 of the German Corporation Tax Act (KStG), section 2 (2) sentence 2 of the German Trade Tax Act (GewStG)).

(3) Both parties are entitled to terminate this Agreement for cause, in particular if,

(a) as the result of a disposal of shares or for other reasons the conditions required for a financial integration of the CONTROLLED COMPANY in the CONTROLLING COMPANY under tax law will no longer exist once the measure concerned has been carried out;

(b) the CONTROLLING COMPANY moves its investment in the CONTROLLED COMPANY to a different entity; or

(c) the CONTROLLING COMPANY or the CONTROLLED COMPANY is merged, split or liquidated.

(4) If the validity of this Agreement or its due and proper implementation is not recognized or is not fully recognized under tax law, the parties agree that the minimum term will not commence until the first day of the CONTROLLED COMPANY's financial year in which the conditions required for the Agreement or its due and proper implementation to be recognized under tax law are in place for the first time, or are first met again.

4
Concluding provisions

(1) Amendments and additions to this Agreement require the consent of the Annual General Meeting of the CONTROLLING COMPANY and the shareholders' meeting of the CONTROLLED COMPANY. The consent of the CONTROLLED COMPANY must be unanimous and must be entered in the commercial register of the CONTROLLED COMPANY.

(2) Amendments and additions to this Agreement must further be made in writing, unless recording by a notary is stipulated. This also applies to the revocation of this requirement for the written form.

(3) Should any provision of this Agreement be or become ineffective, impracticable, or unenforceable wholly or in part, or should the Agreement prove to contain an omission, this will not affect the effectiveness and enforceability of the remaining provisions. The parties undertake to replace the ineffective, impracticable, unenforceable, or missing provision with one that is effective, practicable, and enforceable and that most closely approximates the economic purpose pursued by the parties.