



Results for the 1st quarter of 2020

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May 7, 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



Dr. Frank Hiller | Chairman of the Board of Management

Overview



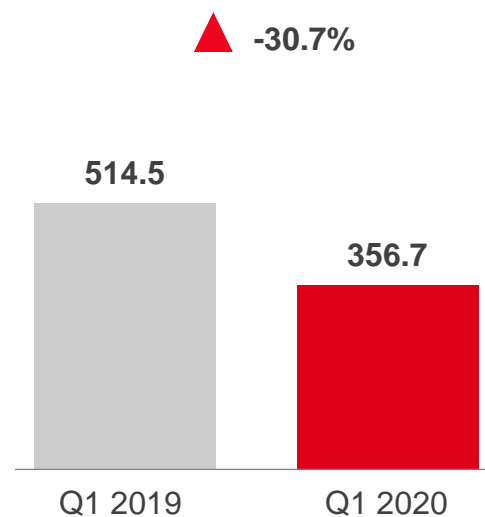
- **DEUTZ engine business declines overall due to a marked fall in demand caused by the coronavirus crisis and adverse effects resulting from customers running down inventories of engines purchased ahead of new emissions standards coming into force**
 - Double-digit percentage decreases in new orders, unit sales, and revenue
 - EBIT margin falls to minus 3.5 percent
- **Adverse impact of coronavirus pandemic on business performance intensifies – significant drag on operating activities at the start of Q2 2020**
 - Temporary stoppages for most production in Europe during April – now progressively restarting
- **Profitable service business continues to grow despite coronavirus crisis**
 - Service activities increasingly picking up pace, with revenue advancing by 2.9 percent to €92.4 million
- **Implementation of China strategy is still progressing according to plan**
- **“Transform for growth”** – Ongoing development of a detailed catalog of measures aimed at further improving competitiveness and efficiency along the entire value chain, including: reduction in operating costs, shared services, automation of the order management process, digitalization of value creation processes in production, optimization of the global production network
- **Vision of Success 2020** – guidelines defined for 2020, which is a year of transition
- **Guidance for 2020 remains under review**

Sales figures



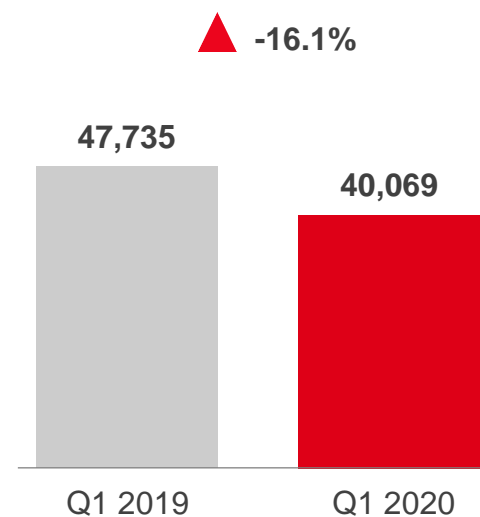
New orders

€ million



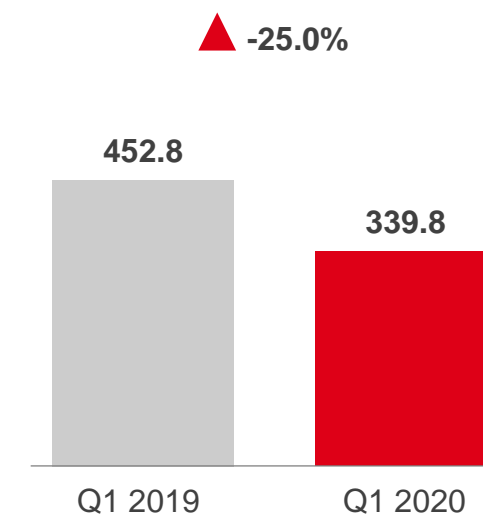
Unit sales

Units



Revenue

€ million



- Marked fall in new orders due to the impact of the coronavirus crisis on the global economy
- Larger decrease in revenue relative to the fall in unit sales owing to negative product mix effects
- Torqeedo sold a total of 8,523 electric motors, an almost fivefold increase in unit sales
- Orders on hand of €267.1 million as at March 31, 2020 (March 31, 2019: €497.6 million)

Revenue by region

Q1 2020 (Q1 2019)

Africa and Middle East 4% (3%)

€13.8 million
+19.0%

Asia-Pacific 15% (17%)

€51.1 million
-35.1%

Americas 18% (22%)

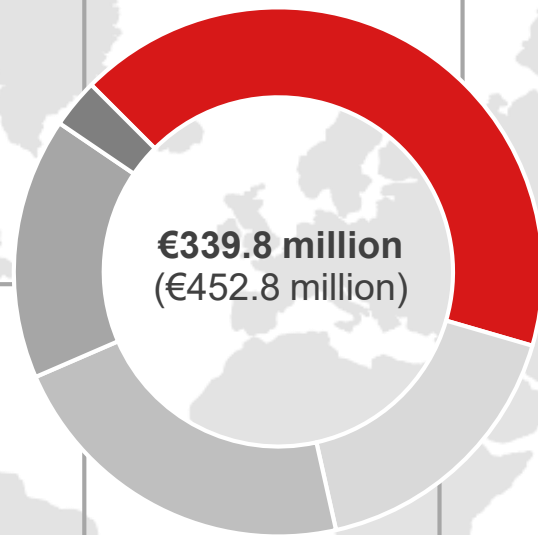
€63.1 million
-37.6%

Europe (excl. Germany) 43% (40%)

€144.7 million
-20.3%

Germany 20% (18%)

€67.1 million
-15.8%



Reduction in revenue in all key regions

Revenue by application segment

Q1 2020 (Q1 2019)

Miscellaneous 7% (6%)

€22.7 million
-14.3%

Stationary Equipment 8% (8%)

€27.8 million
-21.0%

Agricultural Machinery 14% (16%)

€47.1 million
-35.7%

Construction Equipment 30% (30%)

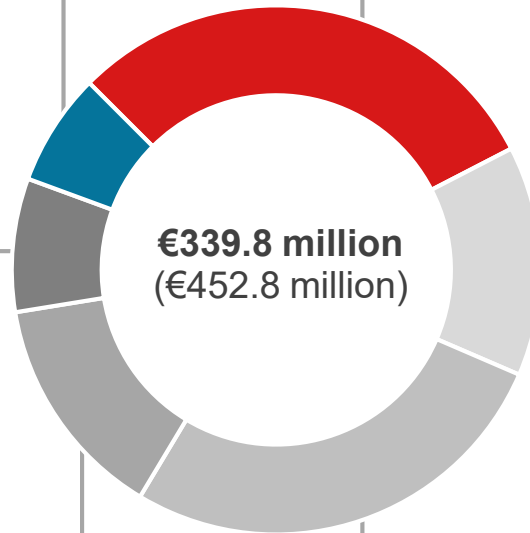
€101.9 million
-25.9%

Material Handling 14% (20%)

€47.9 million
-47.0%

Service 27% (20%)

€92.4 million
+2.9%



Further growth of high-margin service business

Agenda



Key financials in detail

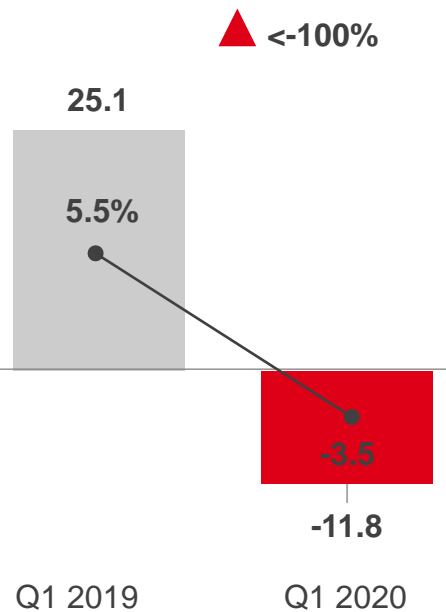


Dr. Andreas Strecker | Chief Financial Officer

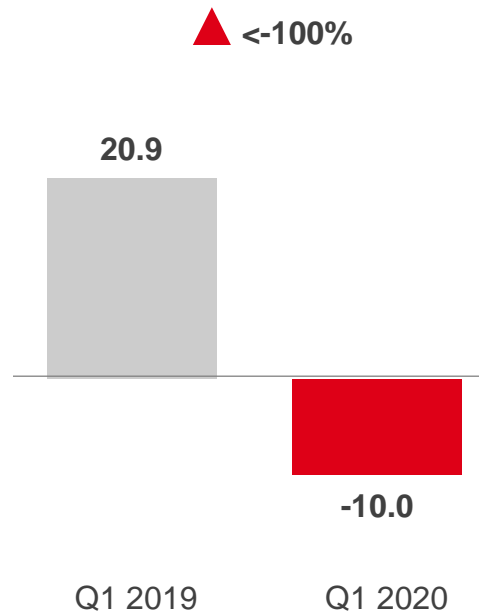
Operating profit and net income



EBIT and EBIT margin before exceptional items¹



Net income



- Decrease in **operating profit** (EBIT before exceptional items) mainly attributable to:
 - Sharp fall in revenue – caused by the coronavirus crisis and customers selling the inventories of engines they had built up before new emissions standards came into force – and the resulting diseconomies of scale
 - Payments made under continuation agreements with suppliers that are going through insolvency proceedings
- Reduction in **net income** resulting from decrease in EBIT, although mitigated by positive income tax situation that was predominantly attributable to deferred tax income

Business performance in the segments 1/2



DEUTZ Compact Engines (DCE)

| € million | Q1 2020 | Q1 2019 | Change (%) |
|--------------------|---------------|---------|------------|
| New orders | 255.3 | 409.3 | -37.6 |
| Unit sales (units) | 26,993 | 38,970 | -30.7 |
| Revenue | 255.9 | 356.2 | -28.2 |
| EBIT | -16.7 | 18.5 | <-100 |
| EBIT margin (%) | -6.5 | 5.2 | - |

DEUTZ Customized Solutions (DCS)

| € million | Q1 2020 | Q1 2019 | Change (%) |
|--------------------|--------------|---------|------------|
| New orders | 92.5 | 96.9 | -4.5 |
| Unit sales (units) | 4,553 | 7,094 | -35.8 |
| Revenue | 74.8 | 91.2 | -18.0 |
| EBIT | 8.3 | 12.8 | -35.2 |
| EBIT margin (%) | 11.1 | 14.0 | - |

- Performance of the DCE and DCS segments significantly impacted by the sharp decline in demand in the market and adverse effects resulting from customers running down inventories of engines that had been purchased ahead of new emissions standards coming into force
- There was also a drag on the operating profit of the DCE segment because of the aforementioned payments made under continuation agreements with suppliers that are going through insolvency proceedings – DCS remains profitable

Business performance in the segments 2/2



Other

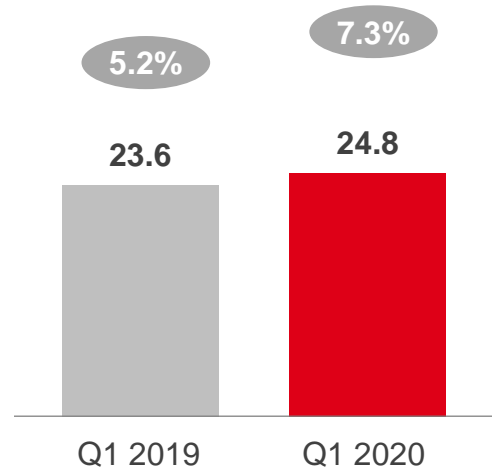
| € million | Q1 2020 | Q1 2019 | Change (%) |
|--------------------|---------|---------|------------|
| New orders | 9.7 | 9.2 | +5.4 |
| Unit sales (units) | 8,523 | 1,671 | >+100 |
| Revenue | 9.9 | 6.3 | +57.1 |
| EBIT | -3.4 | -6.2 | +45.2 |
| EBIT margin (%) | -34.3 | -98.4 | - |

- The Other segment delivered a positive business performance overall thanks to increased demand for newly launched trolling motors made by Torqeedo
- Improvement in the operating profit for the segment was mainly due to deconsolidation of DAMSA in Q1 2019 – significant improvement in Torqeedo's profitability owing to expansion of business

R&D: spending and capital expenditure

R&D spending (after deducting grants)

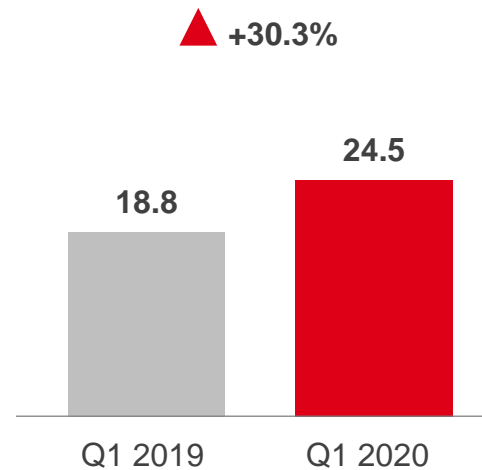
€ million



● R&D ratio¹

Capital expenditure²

€ million

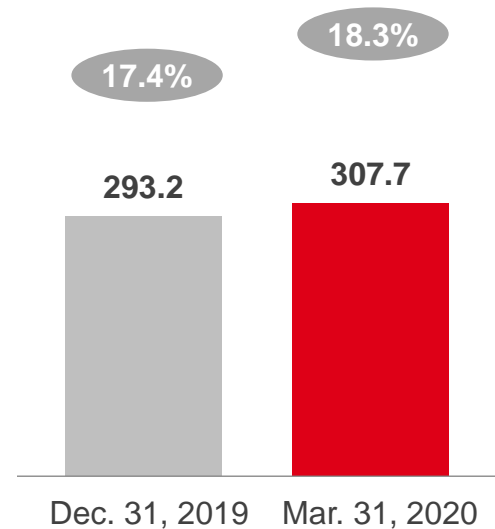


- Increase in capital expenditure largely attributable to the extension of leases and the replacement of expired leases
- R&D expenditure increased as expected due to ongoing development of the engine portfolio

Working capital and cash flow from operating activities

Working capital

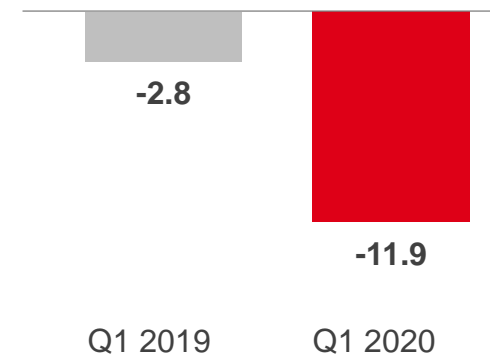
€ million



● Working capital ratio (average)¹

Cash flow from operating activities

€ million

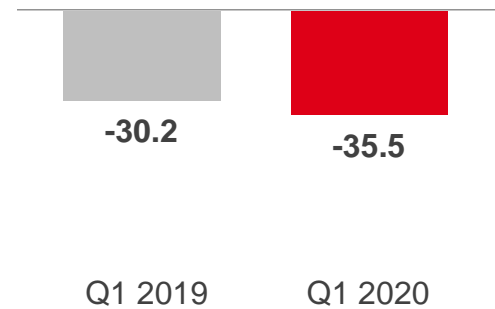


- Rise in working capital, primarily owing to a seasonal-related increase in inventories
- Reduction in cash flow from operating activities, mainly because of the sharp fall in operating profit

Free cash flow and net financial position

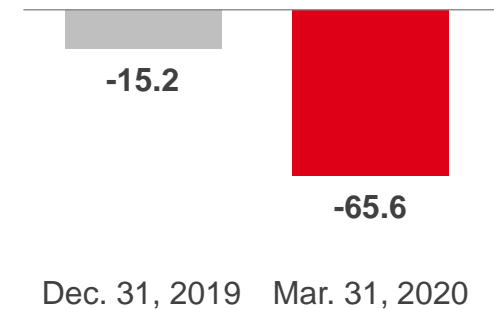
Free cash flow¹

€ million



Net financial position

€ million

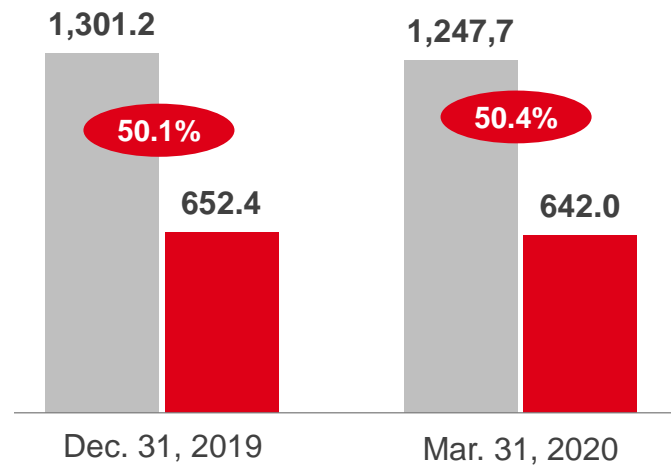


- Deterioration in free cash flow attributable to the decrease in cash flow from operating activities
- Decline in the net financial position due firstly to the lower level of cash and cash equivalents resulting from the changes in cash flow and secondly to the increase in current and non-current interest-bearing financial debt

Equity ratio and funding

Equity ratio

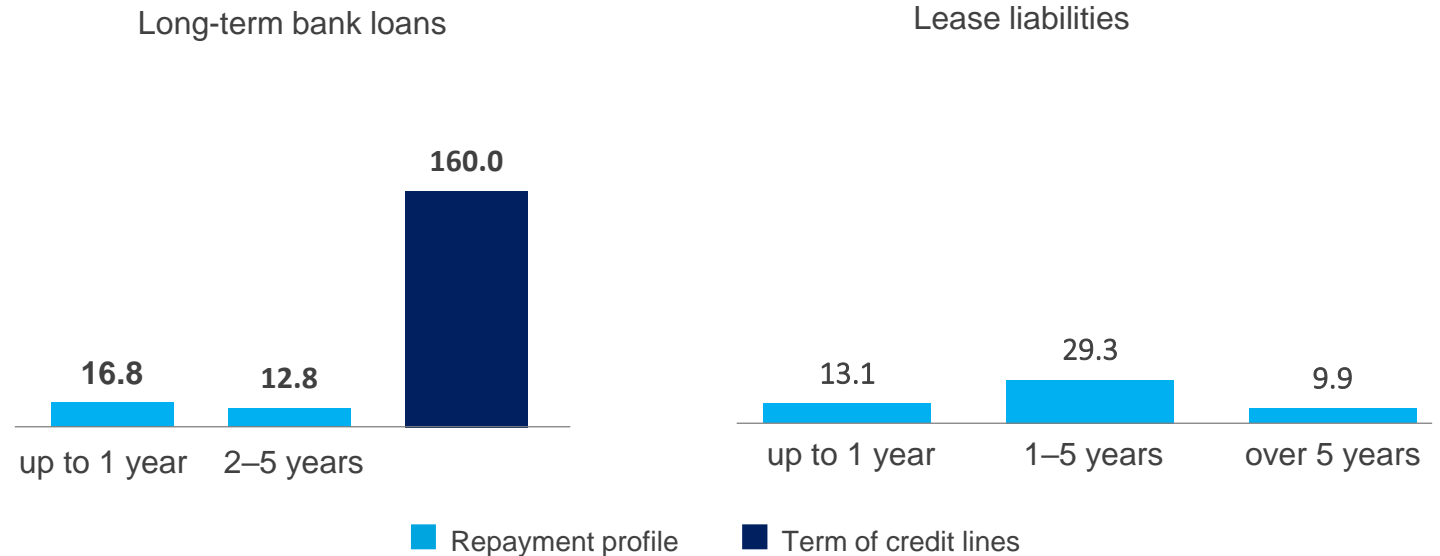
€ million



■ Total assets ■ Equity ● Equity ratio

Funding

€ million



■ Repayment profile ■ Term of credit lines

- Comfortable capital structure: equity ratio improves by 30 bps to 50.4 percent
- Sufficient medium- to long-term funding thanks to syndicated credit line of €160 million (amount utilized as at March 31, 2020: €15 million) that runs until June 2024
- Negotiations ongoing about obtaining a further credit line for a low triple-digit million euro amount

Agenda

Outlook



Dr. Frank Hiller | Chairman of the Board of Management

Outlook for 2020



- The impact of the coronavirus crisis on the global economy is expected to take a heavy toll on DEUTZ's engine business.¹
- The timing and course of the coronavirus crisis going forward is very difficult to predict. Consequently, it is still not possible to provide updated guidance for 2020.
- In agreement with the Supervisory Board, the Board of Management of DEUTZ AG proposes that the dividend payment for the 2019 financial year be suspended in order to help maintain financial stability.²
- DEUTZ is currently also at an advanced stage of negotiations about obtaining a further credit line for a low triple-digit million euro amount.
- Despite the coronavirus crisis, growth projects are to continue being implemented as planned.



Annex



Overview of segments



| New orders (€ million) | Q1 2020 | Q1 2019 | Change (%) |
|----------------------------------|----------------|----------------|----------------------|
| DEUTZ Compact Engines | 255.3 | 409.3 | -37.6 |
| DEUTZ Customized Solutions | 92.5 | 96.9 | -4.5 |
| Other | 9.7 | 9.2 | +5.4 |
| Consolidation | -0.8 | -0.9 | +11.1 |
| Total | 356.7 | 514.5 | -30.7 |

| Unit sales Units | Q1 2020 | Q1 2019 | Change (%) |
|----------------------------|----------------|----------------|----------------------|
| DEUTZ Compact Engines | 26,993 | 38,970 | -30.7 |
| DEUTZ Customized Solutions | 4,553 | 7,094 | -35.8 |
| Other | 8,523 | 1,671 | >+100 |
| Consolidation | 0 | 0 | 0.0 |
| Total | 40,069 | 47,735 | -16.1 |

| Revenue € million | Q1 2020 | Q1 2019 | Change (%) |
|-----------------------------|----------------|----------------|----------------------|
| DEUTZ Compact Engines | 255.9 | 356.2 | -28.2 |
| DEUTZ Customized Solutions | 74.8 | 91.2 | -18.0 |
| Other | 9.9 | 6.3 | +57.1 |
| Consolidation | -0.8 | -0.9 | +11.1 |
| Total | 339.8 | 452.8 | -25.0 |

| EBIT before except. items € million | Q1 2020 | Q1 2019 | Change (%) |
|---|----------------|----------------|----------------------|
| DEUTZ Compact Engines | -16.7 | 18.5 | <-100 |
| DEUTZ Customized Solutions | 8.3 | 12.8 | -35.2 |
| Other | -3.4 | -6.2 | +45.2 |
| Consolidation | - | - | - |
| Total | -11.8 | 25.1 | <-100 |

Income statement



€ million

Q1 2020

Q1 2019

| | Q1 2020 | Q1 2019 |
|---|----------------|----------------|
| Revenue | 339.8 | 452.8 |
| Cost of sales | -288.4 | -365.3 |
| Research and development costs | -24.1 | -22.7 |
| Selling expenses | -27.5 | -25.9 |
| General and administrative expenses | -11.5 | -12.7 |
| Other operating income | 5.1 | 6.8 |
| Other operating expenses | -5.6 | -8.3 |
| Write-downs of financial assets | 0.0 | 0.4 |
| Profit/loss on equity-accounted investments | 0.4 | 0.0 |
| EBIT | -11.8 | 25.1 |
| Financial income, net | -0.7 | -0.6 |
| Income taxes | 2.5 | -3.6 |
| Net income | -10.0 | 20.9 |
| thereof attributable to shareholders of DEUTZ AG | -10.0 | 20.9 |
| thereof attributable to non-controlling interests | 0.0 | 0.0 |
| Earnings per share (basic/diluted, €) | -0.08 | 0.17 |

Balance sheet: assets



€ million

| | Mar. 31, 2020 | Dec. 31, 2019 |
|--|----------------|----------------|
| Property, plant and equipment | 355.6 | 347.2 |
| Intangible assets | 215.2 | 216.2 |
| Equity-accounted investments | 51.6 | 51.1 |
| Other financial assets | 4.3 | 5.0 |
| Non-current assets (before deferred tax assets) | 626.7 | 619.5 |
| Deferred tax assets | 71.2 | 68.6 |
| Non-current assets | 697.9 | 688.1 |
| Inventories | 367.1 | 321.7 |
| Trade receivables | 124.4 | 152.1 |
| Other receivables and assets | 43.9 | 84.0 |
| Cash and cash equivalents | 41.4 | 55.3 |
| Current assets | 576.8 | 613.1 |
| Total assets | 1,274.7 | 1,301.2 |

Balance sheet: equity and liabilities



| € million | Mar. 31, 2020 | Dec. 31, 2019 |
|--|----------------|----------------|
| Issued capital | 309.0 | 309.0 |
| Additional paid-in capital | 28.8 | 28.8 |
| Other reserves | -0.9 | 0.1 |
| Retained earnings and accumulated income | 304.9 | 314.3 |
| Equity attributable to shareholders of DEUTZ AG | 641.8 | 652.2 |
| Non-controlling interests | 0.2 | 0.2 |
| Equity | 642.0 | 652.4 |
| Provisions for pensions and other post-retirement benefits | 148.2 | 151.2 |
| Deferred tax liabilities | 0.7 | 0.8 |
| Other provisions | 30.5 | 33.4 |
| Financial debt | 51.9 | 34.1 |
| Other liabilities | 5.7 | 5.7 |
| Non-current liabilities | 237.0 | 225.2 |
| Provisions for pensions and other post-retirement benefits | 12.3 | 12.4 |
| Provision for current income taxes | 1.2 | 1.3 |
| Other provisions | 71.5 | 66.6 |
| Financial debt | 55.1 | 36.4 |
| Trade payables | 183.8 | 180.6 |
| Other liabilities | 71.8 | 126.3 |
| Current liabilities | 395.7 | 423.6 |
| Total equity and liabilities | 1,274.7 | 1,301.2 |

Cash flow statement (condensed)



€ million

| | Q1 2020 | Q1 2019 |
|---|--------------|--------------|
| EBIT | -11.8 | 25.1 |
| Cash flow from operating activities | -11.9 | -2.8 |
| Capital expenditure on intangible assets, property, plant and equipment and investments | -23.1 | -26.9 |
| Proceeds from the sale of non-current assets | 0.2 | 0.0 |
| Cash flow from investing activities | -22.9 | -26.9 |
| Cash flow from financing activities | 20.8 | -8.4 |
| Change in cash and cash equivalents | -14.0 | -38.1 |

Financial calendar and contact details



Financial calendar

| | |
|----------------------------------|-------------------|
| Annual General Meeting (virtual) | June 25, 2020 |
| H1 2020 results | August 11, 2020 |
| Q1–Q3 2020 results | November 10, 2020 |

Contact

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Questions & answers

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**Thank you for
your attention!**

