



Results for the first half of 2020

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August 11, 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



- **Overall sharp decline in sales figures as a result of the coronavirus crisis**
 - Double-digit percentage decreases in new orders, unit sales, and revenue
- **Significant contraction of the EBIT margin to minus 8.0%, mainly due to diseconomies of scale**
- **China strategy continues to be implemented successfully and the revenue target for 2022 has been raised from €500 million to around €800 million¹**
- **Transform for Growth global efficiency program defined**
 - Implementation of an extensive action plan initiated in order to boost efficiency and ensure long-term growth
 - Annual cost savings of around €100 million expected from 2022
- **Still not possible to update the withdrawn guidance for 2020**
- **Medium-term targets confirmed despite the outbreak of the coronavirus pandemic**

4 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.

Transform for Growth

- Main areas of action:
 - Optimization of the global production network
 - Automation/digitalization of operating and administrative processes
 - Groupwide streamlining of the organizational structure
- As well as a decrease in operating costs, the bulk of the savings are to be achieved by reducing staff costs
- Headcount to be reduced by up to 1,000 worldwide by 2022:
 - A total of around 380 jobs were cut in the first half of 2020, partly through natural attrition and a reduction in the number of temporary workers
 - Socially responsible personnel adjustment as part of a voluntary program encompassing 350 jobs planned for the sites in Germany; discussions with employee representatives have already begun
 - Remaining reduction in headcount to be as fixed-term contracts come to an end and through natural attrition



Target
for our efficiency program:
approx.

€100 million

in annual cost savings from 2022



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

Continued successful implementation of China strategy



- First few months of joint venture with SANY were profitable; unit sales for 2020 as a whole expected to double
- Revenue target raised significantly from €500 million to around €800 million:
 - Planned volume for the joint venture with SANY is at the level of current market demand
 - Gains in market share

Our new target for China:

~ **€800 million**

revenue in 2022¹



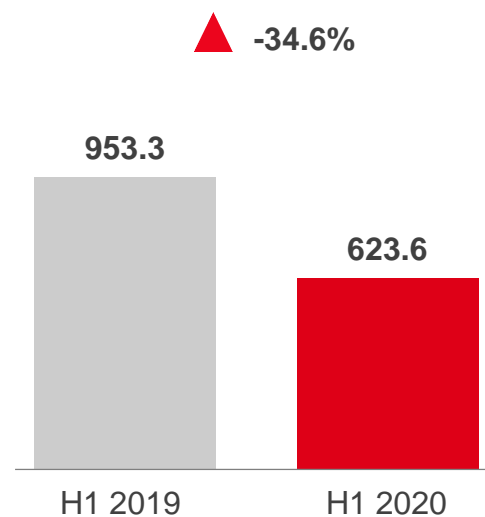
DEUTZ positioning itself as the ideal technology partner in China, the world's biggest engine market

Sales figures



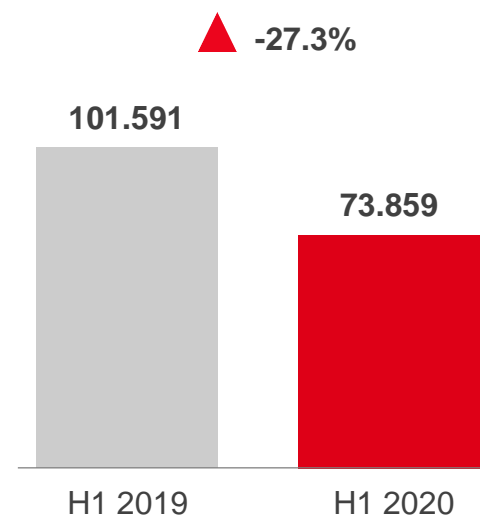
New orders

€ million



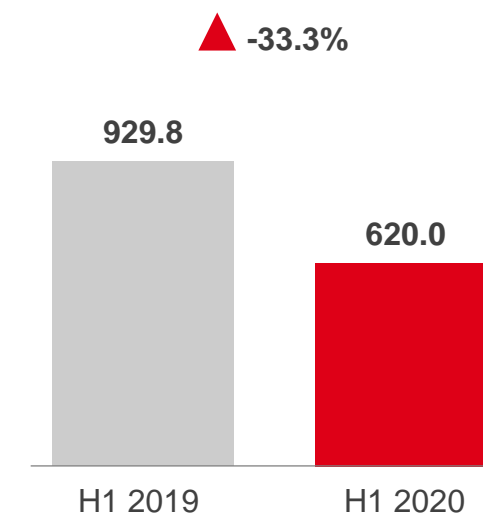
Unit sales

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 16,244 electric motors, more than doubling its unit sales
- Orders on hand of €253.5 million as at June 30, 2020 (June 30, 2019: €462.6 million)

Revenue by region

H1 2020 (H1 2019)

Africa and Middle East 4% (2%)

€24.6 million
-2.9%

Asia-Pacific 18% (17%)

€107.9 million
-30.6%

Americas 18% (23%)

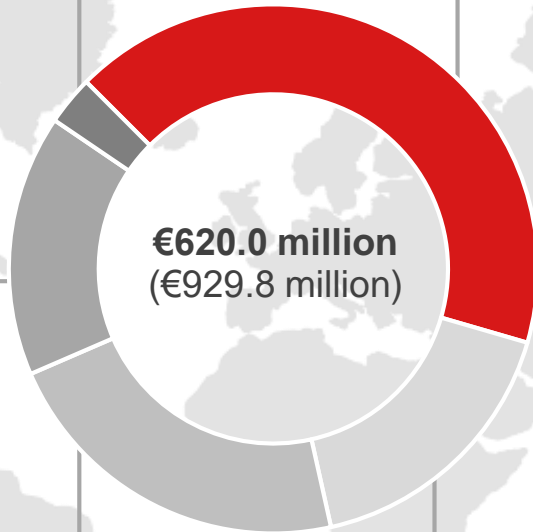
€112.5 million
-47.3%

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

€255.5 million
-32.8%

Germany 19% (17%)

€119.5 million
-23.6%



Decrease in revenue in all regions due to coronavirus crisis

Revenue by application segment

H1 2020 (H1 2019)

Miscellaneous 8% (7%)

€47.8 million
-22.5%

Stationary Equipment 9% (8%)

€55.7 million
-29.4%

Agricultural Machinery 13% (15%)

€81.5 million
-42.4%

Construction Equipment 30% (30%)

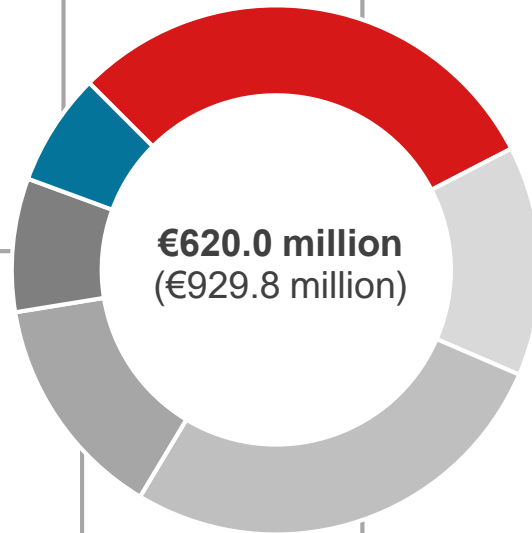
€184.9 million
-32.8%

Material Handling 13% (21%)

€79.4 million
-59.1%

Service 27% (19%)

€170.7 million
-4.5%



Decrease in revenue in all application segments

Agenda



Key financials in detail

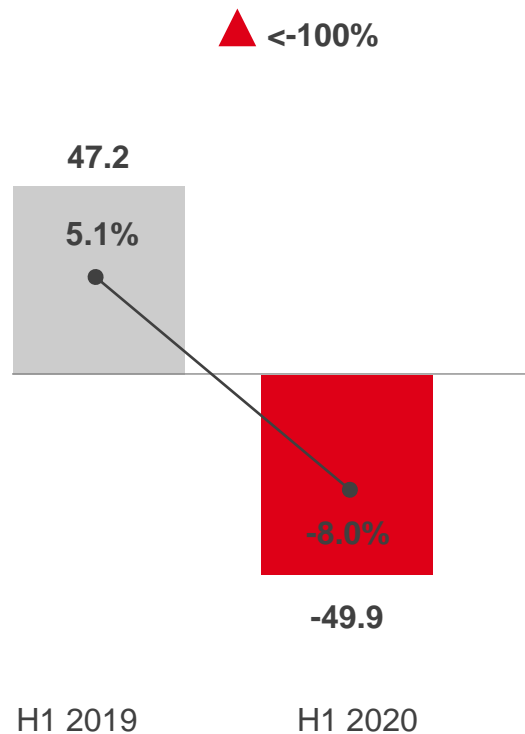


Dr. Andreas Strecker | CFO

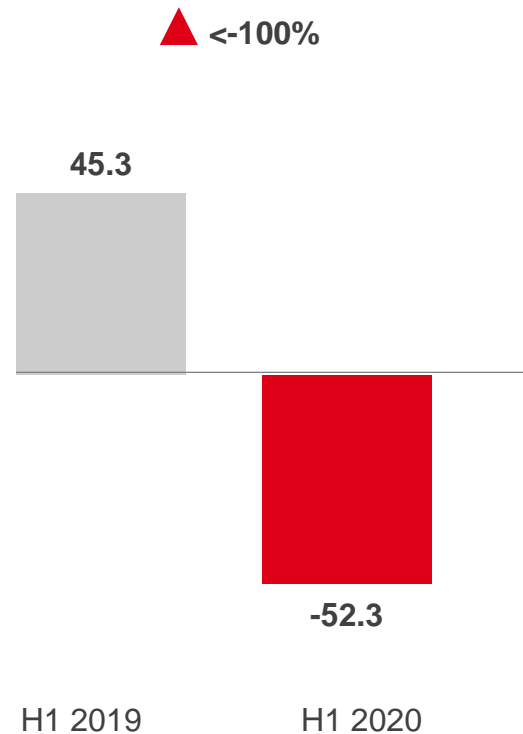
Operating profit and net income



EBIT and EBIT margin before exceptional items¹



Net income



- **Operating loss** (EBIT before exceptional items) mainly 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)
- Positive impact from:
 - Cost-cutting measures and use of short-time working
 - Board of Management waives its one-year variable remuneration for 2020 and senior managers waive a substantial part of their variable remuneration for 2020
- Reduction in **net income** resulting from decrease in EBIT

Business performance in the segments 1/2



DEUTZ Compact Engines (DCE)

€ million	H1 2020	H1 2019	Change (%)
New orders	439.9	756.2	-41.8
Unit sales (units)	48,173	81,924	-41.2
Revenue	453.7	729.8	-37.8
EBIT	-49.8	34.9	<-100
EBIT margin (%)	-11.0	4.8	-

DEUTZ Customized Solutions (DCS)

€ million	H1 2020	H1 2019	Change (%)
New orders	165.4	180.5	-8.4
Unit sales (units)	9,442	13,509	-30.1
Revenue	145.0	185.0	-21.6
EBIT	6.6	23.6	-72.0
EBIT margin (%)	4.6	12.8	-

- Overall decline in the sales figures of the DCE and DCS segments
- 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

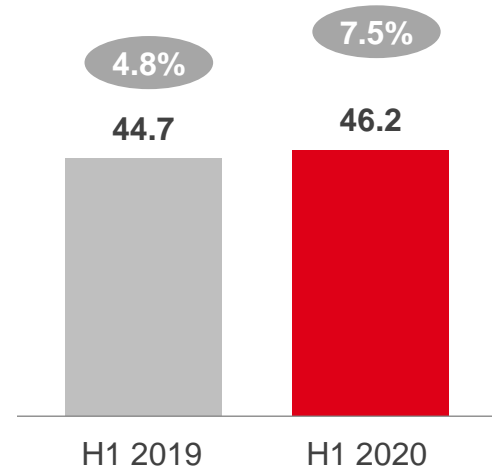
€ million	H1 2020	H1 2019	Change (%)
New orders	19.5	18.6	+4.8
Unit sales (units)	16,244	6,158	>+100
Revenue	22.5	17.0	+32.4
EBIT	-6.7	-11.3	+40.7
EBIT margin (%)	-29.8	-66.5	-

- Positive trend for the Other segment's sales figures; unit sales more than double, primarily thanks to ramp-up of trolling motors at DEUTZ subsidiary Torqeedo
- Improvement in the operating profit for the segment, largely thanks to the deconsolidation of DAMSA in H1 2019

R&D: spending and capital expenditure

R&D spending (after deducting grants)

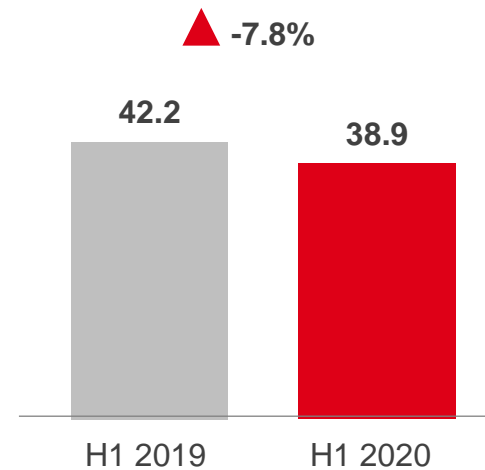
€ million



● R&D ratio¹

Capital expenditure²

€ million

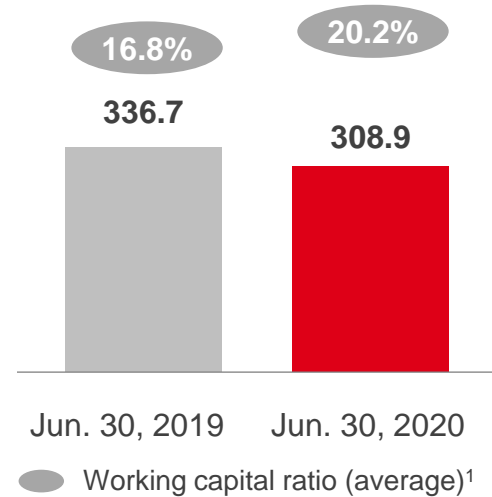


- Disproportionately strong rise in the R&D ratio caused by sharp fall in revenue
- Reduction in capital expenditure as a result of cost-cutting measures being implemented

Working capital and cash flow from operating activities

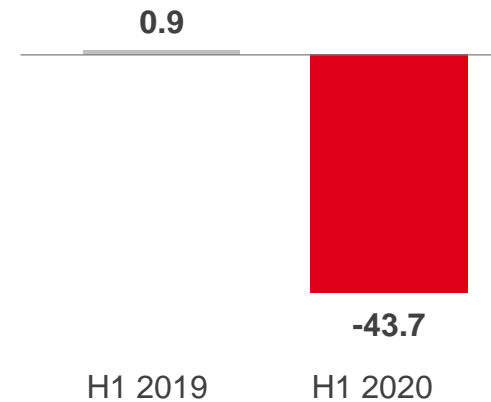
Working capital

€ million



Cash flow from operating activities

€ million

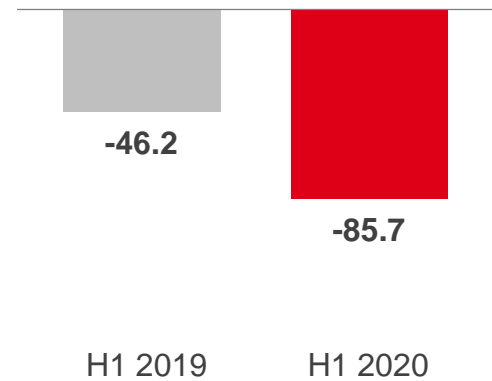


- Main factor affecting the change in working capital was the coronavirus crisis:
 - Significant drop in trade receivables owing to slump in demand and resulting adjustment to production and procurement activities
 - Growth of inventories, partly as a result of deliberate raising of stock levels of bought-in parts to maintain DEUTZ's ability to produce and deliver its products
- Decrease in cash flow from operating activities caused by the decline in earnings and the repayment of current liabilities to factoring companies

Free cash flow and net financial position

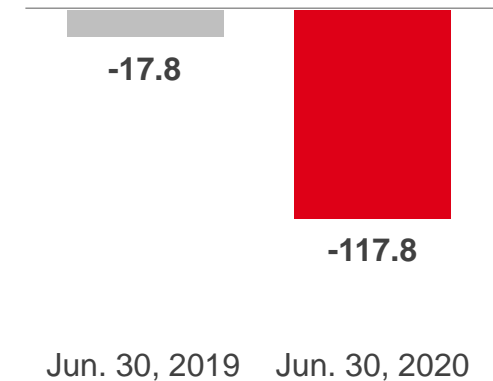
Free cash flow¹

€ million



Net financial position

€ million

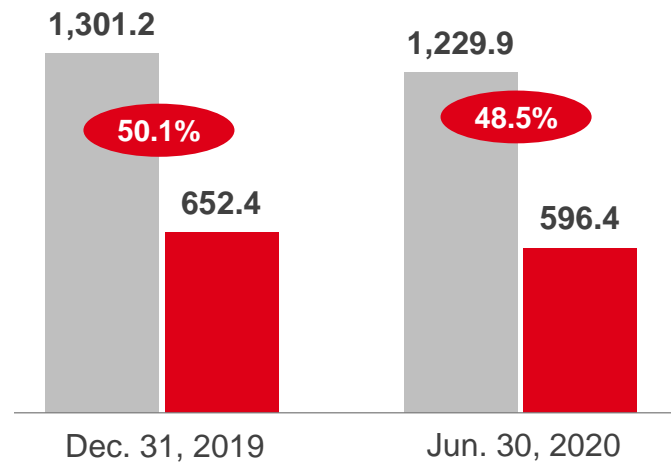


- Deterioration in free cash flow attributable to the decrease in cash flow from operating activities
- Decline in the net financial position due firstly to the lower level of cash and cash equivalents resulting from the changes in cash flow and secondly to the increase in lease liabilities

Equity ratio and funding

Equity ratio

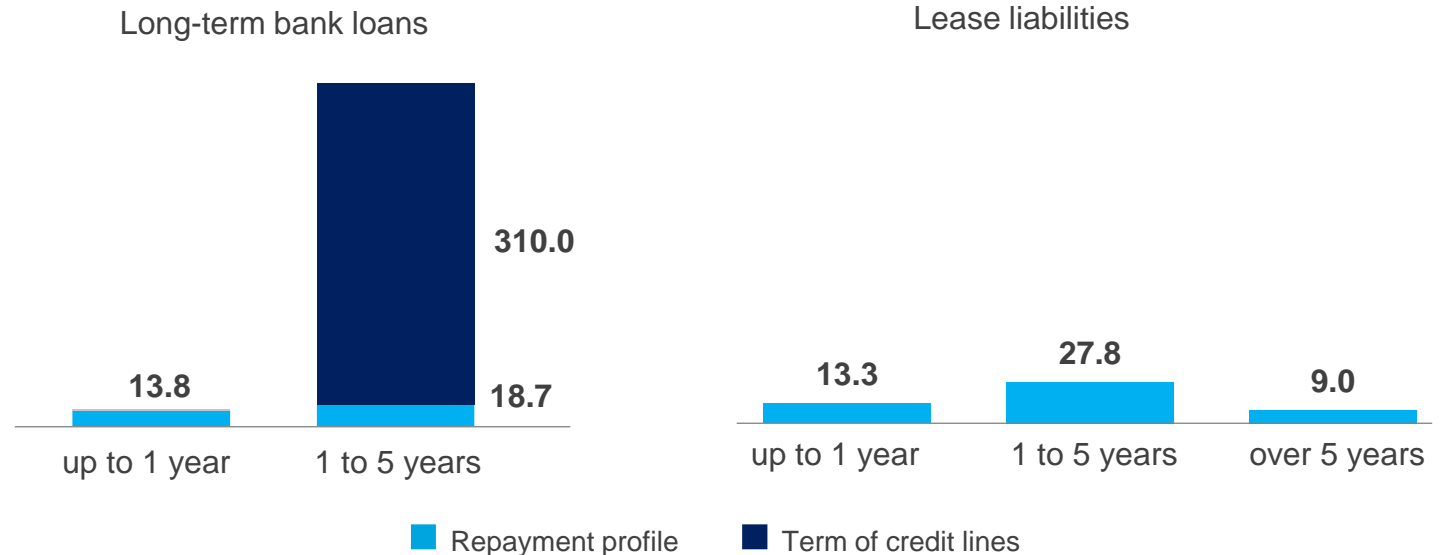
€ million



■ Total assets ■ Equity ● Equity ratio

Funding

€ million



■ Repayment profile ■ Term of credit lines

- Comfortable capital structure
- 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 November 2021; amount drawn down as at June 30, 2020: €49 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 now anticipated in 2021¹

Agenda



Guidance for 2020 and medium-term targets



Dr. Frank Hiller | CEO

Guidance for 2020 and medium-term targets

- The progression and timeline of the coronavirus crisis going forward is very difficult to predict. Consequently, it is not possible to provide updated **guidance for 2020**.
- Fundamentally, it can be assumed that the remainder of the current year, particularly the third quarter, will continue to be heavily affected by the impact of the coronavirus crisis, although to a lesser extent than the second quarter.
- **Outlook for 2022** confirmed, despite outbreak of coronavirus crisis

Our targets for 2022

> €2 billion

revenue

7–8%

EBIT margin
before exceptional items





Annex

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Overview of segments



New orders € million	H1 2020	H1 2019	Change (%)
DEUTZ Compact Engines	439.9	756.2	-41.8
DEUTZ Customized Solutions	165.4	180.5	-8.4
Other	19.5	18.6	+4.8
Consolidation	-1.2	-2.0	+40.0
Total	623.6	953.3	-34.6

Unit sales Units	H1 2020	H1 2019	Change (%)
DEUTZ Compact Engines	48,173	81,924	-41.2
DEUTZ Customized Solutions	9,442	13,509	-30.1
Other	16,244	6,158	>+100
Consolidation	0	0	-
Total	73,859	101,591	-27.3

Revenue € million	H1 2020	H1 2019	Change (%)
DEUTZ Compact Engines	453.7	729.8	-37.8
DEUTZ Customized Solutions	145.0	185.0	-21.6
Other	22.5	17.0	+32.4
Consolidation	-1.2	-2.0	+40.0
Total	620.0	929.8	-33.3

EBIT before except. items € million	H1 2020	H1 2019	Change (%)
DEUTZ Compact Engines	-49.8	34.9	<-100
DEUTZ Customized Solutions	6.6	23.6	-72.0
Other	-6.7	-11.3	+40.7
Consolidation	0.0	0.0	-
Total	-49.9	47.2	<-100

Income statement



€ million

H1 2020

H1 2019

	H1 2020	H1 2019
Revenue	620.0	929.8
Cost of sales	-534.8	-757.0
Research and development costs	-49.6	-44.0
Selling expenses	-51.3	-51.8
General and administrative expenses	-24.3	-26.7
Other operating income	6.2	18.2
Other operating expenses	-15.8	-12.2
Write-downs of financial assets	-1.4	-0.2
Profit/loss on equity-accounted investments	1.1	0.4
EBIT	-49.9	56.5
Financial income, net	-1.7	-1.2
Income taxes	-0.7	-10.0
Net income	-52.3	45.3
thereof attributable to shareholders of DEUTZ AG	-52.3	45.3
thereof attributable to non-controlling interests	0.0	0.0
Earnings per share (basic/diluted, €)	-0.43	0.37

Balance sheet: assets



€ million

	Jun. 30, 2020	Dec. 31, 2019
Property, plant and equipment	353.1	347.2
Intangible assets	210.2	216.2
Equity-accounted investments	51.0	51.1
Other financial assets	4.8	5.0
Non-current assets (before deferred tax assets)	619.1	619.5
Deferred tax assets	70.6	68.6
Non-current assets	689.7	688.1
Inventories	360.4	321.7
Trade receivables	101.9	152.1
Other receivables and assets	47.6	84.0
Cash and cash equivalents	30.3	55.3
Current assets	540.2	613.1
Total assets	1,229.9	1,301.2

Balance sheet: equity and liabilities



€ million	Jun. 30, 2020	Dec. 31, 2019
Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	-1.3	0.1
Retained earnings and accumulated income	259.7	314.3
Equity attributable to shareholders of DEUTZ AG	596.2	652.2
Non-controlling interests	0.2	0.2
Equity	596.4	652.4
Provisions for pensions and other post-retirement benefits	149.7	151.2
Deferred tax liabilities	0.7	0.8
Other provisions	29.7	33.4
Financial debt	56.3	34.1
Other liabilities	5.3	5.7
Non-current liabilities	241.7	225.2
Provisions for pensions and other post-retirement benefits	12.3	12.4
Current income taxes	1.1	1.3
Other provisions	65.6	66.6
Financial debt	91.8	36.4
Trade payables	153.4	180.6
Other liabilities	67.6	126.3
Current liabilities	391.8	423.6
Total equity and liabilities	1,229.9	1,301.2

Cash flow statement (condensed)



€ million

	H1 2020	H1 2019
EBIT	-49.9	56.5
Cash flow from operating activities	-43.7	0.9
Capital expenditure on intangible assets, property, plant and equipment and investments	-39.8	-49.7
Proceeds from the sale of non-current assets	0.2	4.1
Cash flow from investing activities	-39.6	-45.6
Cash flow from financing activities	58.3	-31.3
Change in cash and cash equivalents	-25.0	-76.0

Thank you for
your attention!

Questions & answers

Financial calendar and contact details



Financial calendar

Quarterly statement for the first to third quarter of 2020	November 10, 2020
2020 annual report	March 18, 2021
Annual General Meeting	April 29, 2021
Quarterly statement for the first quarter of 2021	May 6, 2021

Contact

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