

Press release

DEUTZ with profitability improvement in the first half of 2022

- Orders on hand increase to around €770 million
- Revenue increase by around 21 percent
- Full-year guidance for 2022 remains subject to change

Cologne, August 11, 2022 – After a successful start to the year, DEUTZ – one of the world's leading manufacturers of innovative drive systems for off-highway applications – continued to benefit from the sustained recovery in relevant downstream industries in the second quarter and improved its earnings in the first half of 2022. The outbreak of the war in Ukraine has not had a negative impact on demand so far. In this respect, it is proving favorable for DEUTZ that business activities in Russia, Belarus, and Ukraine account for only around €20 million of total annual revenue. Moreover, DEUTZ has no branches in Ukraine or Belarus and also no direct suppliers based in the crisis regions.

“In spite of the outbreak of the war in Ukraine, we increased our revenue by around 21 percent to €930.4 million. At the same time, we raised our adjusted EBIT margin by 2.4 percentage points to 4.6 percent. We want to sustain this growth because we still have a long way to go to reach our envisaged target range. But we have taken the first important steps toward achieving this goal, for example by strengthening our focus on disciplined cost management,” says CEO Dr. Sebastian C. Schulte. Looking ahead to the second half of 2022, he adds: “Our orders on hand totaled more than three-quarters of a billion euros at the end of June and were thus at a very high level. This means that we are tackling the coming months from a solid position. Nonetheless, our full-year guidance is still subject to change. The supply situation remains challenging and the geopolitical implications of the war in Ukraine are very uncertain. The trajectory of macroeconomic conditions is a cause for concern and highlights once again that we need to make DEUTZ even more resilient to economic downturns. However, we are making good progress on this front.”

As well as a healthy operating performance, DEUTZ reached further strategic milestones. At the start of 2022, the Company initiated a multi-phase strategy process called Powering Progress in order to secure its long-term competitiveness. Its objectives include improving the Company's commercial performance and technological capabilities. To this end, four priority areas of action were defined together with a range of sub-initiatives, such as passing on increased costs to customers in the short term in the form of multiple rounds of price increases and establishing a process to completely overhaul pricing in the Classic business. The aim for 2022 is to implement price increases of between 8 and 12 percent for the new engine portfolio. DEUTZ also set itself the target of increasing the amount of annual revenue generated by its high-margin service business to over €500 million by 2025 through both organic growth and growth by acquisition. Two initial acquisitions for the service business were made at the start of May, with DEUTZ acquiring its former service partners AUSMA Motorenrevisie B.V. (Netherlands) and South Coast Diesels (Ireland). The two companies sell and service diesel engines in their home markets, where they operate as multi-brand dealers.

The newly launched strategy program also aims to accelerate the development of alternative drive solutions. At the end of June, DEUTZ reached a key milestone on the path toward preparing its TCG 7.8 H2 hydrogen engine for volume production. An H2 genset has gone into operation in a joint pilot project between DEUTZ and Cologne-based energy provider RheinEnergie. The combination of a DEUTZ hydrogen engine and a generator will deliver electric power of up to 170 kilovolt-amperes during the initial six-month test phase. This electricity will be fed directly into the local power grid. In a second step, the genset's waste heat is to be utilized. The solution being piloted by DEUTZ and RheinEnergie has huge potential for the local, carbon-neutral supply of energy in urban centers. With an output of around 200 kilowatts, the hydrogen engine is generally suitable for all current DEUTZ applications. Volume production of this engine model is scheduled to begin in 2024.

Solid rise in new orders; double-digit increases in unit sales and revenue

In the first half of 2022, new orders received by DEUTZ increased by 4.7 percent year on year to €1,077.6 million. All regions contributed to this growth.

Orders on hand climbed to a substantial €768.9 million as at June 30, 2022 (June 30, 2021: €531.3 million). This points to a consistently stable order situation in the months ahead. The proportion of orders on hand attributable to the service business stood at €36.6 million (June 30, 2021: €35.1 million).

Having sold a total of 108,741 engines, the DEUTZ Group grew its **unit sales** by 16.1 percent in the first half of 2022 with the two largest sales regions, EMEA and the Americas, contributing double-digit percentage growth. Unit sales of DEUTZ engines¹ rose by 19.9 percent to reach 90,462 engines sold. Unit sales of electric boat drives at DEUTZ's subsidiary Torqeedo were slightly higher year on year at 18,279 (H1 2021: 18,196 electric drives). All the major segments generated significant growth, with Material Handling making the largest contribution to unit sales growth in absolute figures.

Reflecting the growth in unit sales, DEUTZ's **revenue** swelled by 20.8 percent to €930.4 million in the reporting period. This rise was driven by all regions and major application segments. Only the Miscellaneous application segment fell short of the figure for the prior-year period. This was due to lower revenue from engines with capacities over 8 liters and from older engine series, which the increase in revenue from electric boat drives at DEUTZ subsidiary Torqeedo could not offset.

¹ Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

Strong improvement in profitability

Despite a rise in research and development spending, EBIT before exceptional items (**adjusted EBIT**) improved significantly to €42.6 million in the first half of 2022, compared with €16.8 million in the prior-year period. This rise was mainly attributable to growth in the volume of business, economies of scale, and the effects of cost-saving measures. The impact of additional costs stemming from persistent supply bottlenecks and higher materials prices is being increasingly mitigated thanks to these costs being passed on to our customers through price increases. In addition, DEUTZ benefited from positive currency effects. However, the Group's adjusted EBIT was once again squeezed by the loss reported by DEUTZ subsidiary Torquedo, which has not yet managed to break even. The **adjusted EBIT margin** made a strong year-on-year improvement from 2.2 percent to 4.6 percent.

The increase in adjusted EBIT meant that **net income before exceptional items** improved to €34.0 million (H1 2021: €14.0 million) while **earnings per share** before exceptional items rose to €0.28 (H1 2021: €0.12).

Financial position remains comfortable

Cash flow from operating activities amounted to €14.6 million in the first half of 2022 (H1 2021: €44.7 million). This reduction was predominantly driven by the need to increase inventories in order to manage the significant expansion in the volume of business and longer sea freight times and to secure production in a challenging procurement environment. As a result of the decrease in cash flow from operating activities, **free cash flow** amounted to minus €24.7 million. This equated to a deterioration of €34.4 million compared with the first half of 2021.

As a result of drawing down an existing credit line in an amount of around €60 million, **net financial debt** rose to €123.2 million as at June 30, 2022. This equates to an increase of €43.5 million compared with the end of 2021.

The **equity ratio** stood at 44.5 percent, compared with 45.6 percent at the end of 2021. The DEUTZ Group's financial position therefore remains comfortable. The unused volume of the syndicated loan stood at around €155 million at the end of the reporting period. DEUTZ thus has sufficient financial means to be able to fund its operating business, invest in its transformation, and generate growth through acquisitions.

Guidance for 2022 still subject to change due to persistently high levels of uncertainty

Although the outbreak of the war in Ukraine did not have a material adverse impact on demand in the first half of 2022, the geopolitical implications of the war and its future trajectory are still creating significant uncertainty that does affect DEUTZ, for example with regard to energy and commodity prices, the availability of materials and freight capacity, and the possibility of Russia cutting off the supply of gas to parts of Europe. For this reason, the guidance published in the 2021 annual report for the full 2022 financial year continues to be subject to change.

After discontinuing all new engine business with Russia and Belarus until further notice immediately after the outbreak of the war in Ukraine, DEUTZ decided to go one step further by suspending all technical and sales activities in these markets.

The interim report for the first half of 2022 is available on our website at www.deutz.com/en/investor-relations.

DEUTZ Group: Overview of key figures

€ million	H1 2022	H1 2021	Change	Q2 2022	Q2 2021	Change
New orders	1,077.6	1,028.8	4.7%	568.0	564.0	0.7%
Group unit sales (units)	108,741	93,627	16.1%	58,726	55,243	6.3%
thereof Torqueedo	18,279	18,196	0.5%	11,825	12,061	-2.0%
Revenue	930.4	770.2	20.8%	482.5	426.8	13.1%
EBIT	35.5	16.1	120.5%	26.5	15.7	68.8%
thereof exceptional items ²	-7.1	-0.7	914.3%	-0.3	-0.3	0.0%
Adjusted EBIT (EBIT before exceptional items)	42.6	16.8	153.6%	26.8	16.0	67.5%
EBIT margin (%)	3.8	2.1	+1.7pp	5.5	3.7	+1.8pp
EBIT margin before exceptional items (%)	4.6	2.2	+2.4pp	5.6	3.7	+1.9pp
Net income	28.0	13.3	110.5%	21.2	14.2	49.3%
Net income before exceptional items	34.0	14.0	142.9%	21.5	14.5	48.3%
Earnings per share (€)	0.23	0.11	109.1%	0.17	0.12	41.7%
Earnings per share before exceptional items (€)	0.28	0.12	133.3%	0.18	0.12	50.0%
Equity (Jun. 30)	620.8	555.1	11.8%			
Equity ratio (Jun. 30, %)	44.5	44.3	+0.2pp			
Cash flow from operating activities	14.6	44.7	-67.3%	4.9	27.6	-82.2%
Free cash flow	-24.7	9.7	-	-19.8	11.4	-
Net financial position (Jun. 30)	-123.2	-84.3	46.1%			
Employees ³ (Jun. 30)	4,946	4,631	6.8%			

² Significant income generated or expenses incurred outside the scope of the Company's ordinary business activities that are unlikely to recur.

³ Number of employees expressed in FTEs (full-time equivalents); including trainees, excluding temporary workers.

Upcoming financial dates

November 9, 2022: Quarterly statement for the first to third quarter of 2022

March 16, 2023: 2022 annual report

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Forward-looking statements

This press release may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at www.deutz.com. The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

About DEUTZ AG

DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ has around 4,750 employees worldwide and over 800 sales and service partners in more than 130 countries. It generated revenue of around €1.6 billion in 2021. Further information is available at www.deutz.com.