

Press release

DEUTZ completes a successful nine-month period and publishes full-year guidance for 2022

- Orders on hand rise to around €830 million
- Revenue increases by 19 percent to almost €1.4 billion
- Adjusted EBIT margin improves to 4.7 percent

Cologne, November 9, 2022 – Following a successful first half of the year, DEUTZ continued to generate growth and recorded double-digit increases in unit sales and revenue in the nine-month period. The war in Ukraine did not have a material adverse effect on business performance. However, as for other companies, the impact of the war on energy and raw material prices and on the global flow of goods around the world is very tangible for DEUTZ.

“Exceptionally high price increases across the board, combined with disruptions to supply chains, are taking their toll on the economy as a whole. Nonetheless, we raised our adjusted EBIT margin by 2.1 percentage points to 4.7 percent. This is proof positive that the performance initiatives that we have launched and our greater focus on maintaining cost discipline are increasingly paying off. This uptrend is encouraging but offers no room for complacency because we still have a long way to go before we achieve our targeted profitability level,” says CEO Dr. Sebastian C. Schulte. DEUTZ defined a range of measures under its Powering Progress strategy program that are aimed at facilitating the Company’s transition to alternative drive systems and new business models and boosting its commercial performance. They include passing on higher costs to customers in the short term through multiple rounds of price rises. This will increasingly mitigate the impact of these higher costs.

Looking to the future, Schulte adds: “Our orders on hand stood at the very high level of approximately €830 million at the end of September. That provides a stable starting position for the coming months. Market demand remains particularly strong for engines with a capacity of less than four liters. At the same time, our book-to-bill ratio of 0.95 in the third quarter indicates that market growth is gradually slowing down. However, we have set a course that will make DEUTZ more resilient in periods of economic weakness.”

As well as delivering a positive operating performance and successfully launching its first performance initiatives, DEUTZ made further progress with implementing its hydrogen strategy and joined the HyCET (Hydrogen Combustion Engine Trucks) research project consortium. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the project, two 18-tonne trucks will be developed and fitted with DEUTZ TCG 7.8 H2 hydrogen engines. The trucks will then be put through their paces by using them in the regular logistics operations of the BMW Group and DEUTZ. The four-year research project has a total investment volume of €19.5 million, of which €11.3 million will be funded by the German Federal Ministry for Digital and Transport (BMDV).

Furthermore, the Supervisory Board of DEUTZ AG has completed the reorganization of the Board of Management: Dr.-Ing. Petra Mayer took up her post as the new Chief Operating Officer (COO) at the start of November, while Timo Krutoff will join the Board of Management as the new CFO and Labor Director on December 1.

New orders close to the prior-year level, sharp rise in unit sales and revenue

In the first three quarters of 2022, **new orders** received by the DEUTZ Group amounted to €1,519.7 million. This was around the same high level of €1,514.0 million achieved in the prior-year period, which had been boosted by one-off effects of spending brought forward in an amount of more than €100 million.

The regional situation was mixed, with new orders rising markedly in the Americas and Asia-Pacific regions but declining slightly in the EMEA region during the reporting period. The application segments also presented a disparate picture. Whereas Material Handling, Agricultural Machinery, Stationary Equipment, and the service business generated increases in new orders (with some of them reporting double-digit percentage growth), there were significant year-on-year decreases for Construction Equipment and Miscellaneous.

Orders on hand continued to climb, advancing by 13.4 percent to reach a substantial €828.8 million as at September 30, 2022 (September 30, 2021: €616.4 million). This points to a stable order situation in the months ahead. Of that total, orders on hand attributable to the service business rose by 62.7 percent to €53.2 million (September 30, 2021: €32.7 million).

With a total of 169,352 units sold, the DEUTZ Group registered an increase in **unit sales** of 16.5 percent in the reporting period. Within this total, the number of DEUTZ engines¹ sold rose by 12.6 percent to 130,875. The DEUTZ subsidiary Torqeedo sold 38,477 electric boat drives, which was 32.3 percent more than in the prior-year period.

The uptrend in unit sales was generated across all application segments. The region with the sharpest increase was the Americas, where the rise of 48.5 percent was primarily attributable to higher unit sales of electric boat drives. The EMEA region, which is DEUTZ's largest sales market, saw its unit sales climb by 10.8 percent.

Reflecting the growth in unit sales, DEUTZ's **revenue** swelled by 19.0 percent to €1,395.8 million in the period under review. All regions and all of the main application segments recorded increases in revenue. The revenue of the service business grew to €336.2 million, accounting for around 25 percent of consolidated revenue. Within this business, parts sales and DEUTZ Xchange performed particularly well.

Strong improvement in profitability

EBIT before exceptional items (adjusted EBIT) improved from €30.9 million to €65.9 million in the period under review and thereby more than doubled. This improvement was attributable to the growth in the volume of business, the associated economies of scale, cost-saving measures, and positive currency effects. Moreover, 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. The growth of research and development expenditure, higher procurement costs, and the losses generated by the DEUTZ subsidiary Torqeedo were more than offset by the

¹ Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

aforementioned earnings drivers. The **adjusted EBIT margin** also increased significantly year on year, rising from 2.6 percent to 4.7 percent. In the high-revenue Classic segment, which encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business, the adjusted EBIT margin improved from 4.0 percent to 6.9 percent. As expected, the adjusted EBIT margin of the Green segment, which includes not only the DEUTZ subsidiary Torqeedo but also all activities related to new drives (such as hydrogen engines), decreased on the back of high levels of capital expenditure on research and development, falling to minus 51 percent.

The increase in adjusted EBIT meant that **net income before exceptional items** improved by 94.8 percent to €52.2 million in the reporting period, resulting in **earnings per share before exceptional items** of €0.43 (Q1–Q3 2021: €0.22).

Financial position remains comfortable

Cash flow from operating activities amounted to a net cash outflow of €13.8 million in the first nine months of 2022, compared with a net cash inflow of €67.9 million in the prior-year period. This decline was largely attributable to the rise in working capital. The growth in the volume of business and delays in the supply chain led to a rise in inventories, especially finished goods and work in progress. Moreover, the procurement of certain items in the market was extremely challenging, which resulted in a build-up of inventories of materials and components in order to safeguard production. The growth of inventories was only partly offset by the net cash inflow resulting from higher trade payables.

As a result of the decrease in cash flow from operating activities, **free cash flow** amounted to minus €69.8 million. This equated to a deterioration of €85.0 million compared with the first three quarters of 2021.

The **equity ratio** stood at 42.6 percent, compared with 45.6 percent at the end of 2021. The DEUTZ Group's financial position therefore remains comfortable.

Full-year guidance for 2022 published

Given the considerable geopolitical uncertainties, DEUTZ stated that the guidance for 2022 published in its 2021 annual report was under review.² Based on its business performance in the first to third quarter, DEUTZ is now forecasting unit sales of between 175,000 and 185,000 DEUTZ engines³ for 2022. This should result in an increase in revenue to between €1.75 billion and €1.85 billion. The adjusted EBIT margin is likely to be in a range of 4.5 percent to 5.0 percent. Despite this encouraging earnings guidance, free cash flow is expected to be a negative amount in the low- to mid-double-digit millions of euros. The main reasons for this are the build-up of inventories in order to safeguard production and delays in the supply chain.

² See the press release dated March 14, 2022.

³ Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

DEUTZ Group: Overview of key figures

€ million	Q1-Q3 2022	Q1-Q3 2021	Change	Q3 2022	Q3 2021	Change
New orders	1,519.7	1,514.0	0.4%	442.1	485.2	-8.9%
Group unit sales (units)	169,352	145,359	16.5%	60,611	51,732	17.2%
thereof DEUTZ engines ⁴	130,875	116,273	12.6%	40,413	40,842	-1.1%
thereof Torqeedo	38,477	29,086	32.3%	20,198	10,890	85.5%
Revenue	1,395.8	1,173.4	19.0%	465.4	403.2	15.4%
EBIT	57.4	27.8	106.5%	21.9	11.7	87.2%
thereof exceptional items	-8.5	-3.1	174.2%	-1.4	-2.4	-41.7%
Adjusted EBIT (EBIT before exceptional items)	65.9	30.9	113.3%	23.3	14.1	65.2%
EBIT margin (%)	4.1	2.4	+1.7pp	4.7	2.9	+1.8pp
EBIT margin before exceptional items (%)	4.7	2.6	+2.1pp	5.0	3.5	+1.5pp
Net income	45.1	23.7	90.3%	17.1	10.4	64.4%
Net income before exceptional items	52.2	26.8	94.8%	18.2	12.8	42.2%
Earnings per share (€)	0.37	0.20	85.0%	0.14	0.09	55.6%
Earnings per share before exceptional items (€)	0.43	0.22	95.5%	0.15	0.10	50.0%
Equity (Sep. 30/Dec. 31)	642.9	588.4	9.3%			
Equity ratio (%)	42.6	45.6	-3.0pp			
Cash flow from operating activities	-13.8	67.9	-	-28.4	23.2	-
Free cash flow	-69.8	15.2	-	-45.1	5.5	-
Net financial position (Sep. 30/Dec. 31)	-217.7	-79.7	-173.1%			
Employees ⁵ (Sep. 30)	4,995	4,701	6.3%			

The quarterly statement for the first to third quarter of 2022 is available on our website at www.deutz.com/en/investor-relations.

⁴ Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

⁵ Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

Upcoming financial dates

March 16, 2023: 2022 annual report

April 27, 2023: 2023 Annual General Meeting

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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.