

Press release

DEUTZ generates further growth in first quarter of 2022

- Rise in orders on hand to around €750 million
- Significant improvement in adjusted EBIT
- New revenue target defined for the profitable service business: €500 million by 2025
- Restructuring of the Group's funding

Cologne, May 5, 2022 – DEUTZ, one of the world's leading manufacturers of innovative drive systems for off-highway applications, can look back on a highly promising start to 2022 despite the outbreak of war in Ukraine.

“With revenue rising by around 30 percent, our adjusted EBIT margin increased by 3.3 percentage points compared with the prior-year quarter to reach 3.5 percent. Now we need to sustain and accelerate this uptrend. We will resolutely implement further measures aimed at boosting our profitability,” says CEO Dr. Sebastian C. Schulte. Turning to the year ahead, he adds: “Our orders on hand climbed to around three-quarters of a billion euros at the end of March. That provides a stable starting position for the coming months. However, the supply situation remains challenging. At the same time, the geopolitical impact of the war in Ukraine creates a lot of uncertainty, including for DEUTZ. Our forecast is therefore still subject to change.”

DEUTZ also made progress from a strategic perspective in the first few months of this year. It has initiated a multi-phase strategy process aimed at increasing its profitability and unlocking potential for growth. The first targets have been defined: revision of the pricing structure for the new engine business, optimization of the engine portfolio, and accelerated expansion of the profitable service business. The aim is to increase service revenue to €500 million by 2025 as a result of organic growth and through acquisitions. Two acquisitions have already taken place: At the start of May, DEUTZ acquired its former service partners AUSMA Motorenrevisie B.V., which is headquartered in Roden, Netherlands, and South Coast Diesels, based in Naas, Ireland. The two companies sell and service diesel engines in their home markets, where they operate as multi-brand dealers. As well as improved market

penetration, the acquisitions will enable DEUTZ to expand its service business in these countries to include competitors' engines.

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

In the first quarter of 2022, new orders received by DEUTZ increased by 9.6 percent year on year to €509.6 million. All regions contributed to this growth.

Orders on hand continued to climb, reaching a substantial €746.7 million as at March 31, 2022 (March 31, 2021: €394.3 million). This points to a stable order situation in the months ahead. The proportion of orders on hand attributable to the service business stood at €43.8 million (March 31, 2021: €31.8 million).

With a total of 50,015 units sold, the DEUTZ Group registered an **increase in unit sales** of 30.3 percent in the first three months of 2022. The number of DEUTZ engines¹ sold rose by 35.1 percent to 43,561. The DEUTZ subsidiary Torqeedo sold 6,454 electric boat drives, which was 5.2 percent more than in the first quarter of 2021. The growth in unit sales was driven by all application segments and by DEUTZ's two most important sales markets, EMEA and the Americas.

Reflecting the growth in unit sales, DEUTZ's **revenue** swelled by 30.4 percent to €447.9 million in the period under review. As was the case for unit sales, all application segments contributed to this increase. From a regional perspective too, the trend was positive across the board.

¹ Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

Strong improvement in profitability

EBIT before exceptional items (**adjusted EBIT**) improved significantly to €15.8 million in the first quarter of 2022, compared with €0.8 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. Higher research and development expenditure and increased procurement costs were more than offset by the positive impact of the revenue growth. Moreover, it is becoming increasingly possible to gradually pass on rising costs for raw materials and logistics to customers. However, the Group's adjusted EBIT was once again squeezed by the loss reported by DEUTZ subsidiary Torqeedo, which has not yet managed to break even. The **EBIT margin before exceptional items** also made a strong year-on-year improvement, rising from 0.2 percent to 3.5 percent.

EBIT for the period under review stood at €9.0 million (Q1 2021: €0.4 million). This figure takes account of exceptional items amounting to an expense of €6.8 million that related to the recognition of provisions following several changes at senior management level. The **EBIT margin** came to 2.0 percent (Q1 2021: 0.1 percent).

Due to the increase in adjusted EBIT, **net income** improved by €7.7 million to €6.8 million. As a result, **earnings per share** increased from minus €0.01 to plus €0.06. Net income before exceptional items amounted to €12.5 million; earnings per share before exceptional items came to €0.10.

Financial position remains comfortable; restructuring of the Group's funding

Cash flow from operating activities amounted to €9.7 million in the first quarter of 2022 (Q1 2021: €17.1 million). The reduction was predominantly due to the change in working capital and an increase in inventories that became necessary due to the significant expansion in the volume of business. This outweighed the significant improvement in operating profit. As a result of the decrease in cash flow from operating activities, **free cash flow** amounted to minus €4.9 million. This equated to a small deterioration compared with the figure for the prior-year period of minus €1.7 million.

As a result of drawing down an existing credit line in an amount of €25 million in the first quarter of 2022, **net financial debt** swelled by €7.0 million to €86.7 million as at March 31, 2022.

The **equity ratio** stood at 45.0 percent, compared with 45.6 percent at the end of 2021. The DEUTZ Group's financial position therefore remains very comfortable. As at March 31, 2022, the Company had unutilized credit lines totaling around €185 million at its disposal.

DEUTZ restructured its existing funding at the start of May 2022. This involved increasing the volume of the long-term syndicated loan from €160 million to €250 million and terminating the three existing short-term bilateral credit lines, which had a total volume of €75 million. The new lending arrangements include an ESG component and better overall terms and conditions. The term of the syndicated loan was extended by three years to 2027. DEUTZ has thus once again expanded the financial means at its disposal for investment in its transformation and for growth by acquisition.

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

Although the DEUTZ Group made a highly promising start to the year, it is unclear how the ongoing war in Ukraine and its consequences will affect DEUTZ's engine business going forward. DEUTZ's business in Russia, Belarus, and Ukraine had previously been generating annual revenue of around €20 million and is therefore relatively modest in terms of its size. Moreover, DEUTZ has no branches in Ukraine or Belarus and also no direct suppliers based in the crisis regions. Nevertheless, the geopolitical impact of the war on the global economy, on its flow of goods, and on the supply of energy brings with it a great deal of uncertainty for DEUTZ. For this reason, the guidance published in the 2021 annual report for the full 2022 financial year continues to be subject to change. DEUTZ has discontinued all new engine business with Russia and Belarus until further notice.

DEUTZ Group: Overview of key figures

€ million	Q1 2022	Q1 2021	Change
New orders	509.6	464.8	9.6%
Group unit sales (units)	50,015	38,384	30.3%
thereof DEUTZ engines ²	43,561	32,249	35.1%
thereof Torqeedo	6,454	6,135	5.2%
Revenue	447.9	343.4	30.4%
EBIT	9.0	0.4	> +1,000%
thereof exceptional items	-6.8	-0.4	> +1,000%
Adjusted EBIT (EBIT before exceptional items)	15.8	0.8	> +1,000%
EBIT margin (%)	2.0	0.1	+1.9pp
EBIT margin before exceptional items (%)	3.5	0.2	+3.3pp
Net income	6.8	-0.9	-
Net income before exceptional items	12.5	-0.5	-
Earnings per share (€)	0.06	-0.01	-
Earnings per share before exceptional items (€)	0.10	0.00	-
Equity (Mar. 31/Dec. 31)	601.3	588.4	2.2%
Equity ratio (%)	45.0	45.6	-0.6pp
Cash flow from operating activities	9.7	17.1	-43.3%
Free cash flow	-4.9	-1.7	-188.2%
Net financial position (Mar. 31/Dec. 31)	-86.7	-79.7	-8.8%
Employees ³ (Mar. 31)	4,805	4,548	5.7%

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

² Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

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

Upcoming financial dates

August 11, 2022: Interim report for the first half of 2022

November 10, 2022: Quarterly statement for the first to third quarter of 2022

Contact

DEUTZ AG / Christian Ludwig / SVP Communications & Investor Relations

Tel: +49 (0)221 822 3600 / Email: Christian.Ludwig@deutz.com

DEUTZ AG / Svenja Deißler / Investor Relations

Tel: +49 (0)221 822 2491 / Email: Svenja.Deissler@deutz.com

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.