

DEUTZ

Quarterly Statement Q1/2023



DEUTZ Group: Overview of key figures

€ million	Q1 2023	Q1 2022	Change
New orders	526.1	509.6	3.2%
Group unit sales (units) ¹	55,333	50,015	10.6%
thereof DEUTZ engines ²	46,110	43,561	5.9%
thereof Torqeedo ¹	9,223	6,454	42.9%
Revenue	517.2	447.9	15.5%
EBIT	32.1	9.0	256.7%
thereof exceptional items	0.0	-6.8	-
Adjusted EBIT (EBIT before exceptional items)	32.1	15.8	103.2%
EBIT margin (%)	6.2	2.0	+4.2pp
EBIT margin before exceptional items (%)	6.2	3.5	+2.7pp
Net income	23.8	6.8	250.0%
Net income before exceptional items	23.8	12.5	90.4%
Earnings per share (€)	0.20	0.06	233.3%
Earnings per share before exceptional items (€)	0.20	0.10	100.0%
Equity (Mar. 31/Dec. 31)	714.0	668.8	6.8%
Equity ratio (%)	45.0	45.3	-0.3pp
Cash flows from operating activities	31.0	9.7	219.6%
Free cash flow	10.8	-4.9	-
Net financial position (Mar. 31/Dec. 31)	-154.9	-164.2	5.7%
Employees ³ (Mar. 31)	5,029	4,805	4.7%

¹ Since 2023, unit sales of DEUTZ subsidiary Torqeedo include battery systems in addition to electric boat drives (Q1 2023: approx. 1,800 units). A retrospective adjustment of the prior-year figure has not been made.

² Excluding electric boat drives of Torqeedo.

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

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

NEW ORDERS

DEUTZ Group: New orders by application segment

€ million	Q1 2023	Q1 2022	Change
Material Handling	130.4	108.6	20.1%
Service	127.6	116.2	9.8%
Construction Equipment	122.8	142.6	-13.9%
Agricultural Machinery	69.1	80.3	-13.9%
Miscellaneous	42.4	20.0	112.0%
Stationary Equipment	33.8	41.9	-19.3%
Total	526.1	509.6	3.2%

In the first quarter of 2023, new orders received by DEUTZ Group reached €526.1 million, an increase of 3.2 percent year on year. In regional terms, this increase was due to a significant rise in new orders in the Americas, whereas new orders in the EMEA and Asia-Pacific regions slightly declined. The application segments also presented a disparate picture: While new orders increased significantly in the Material Handling segment, the Miscellaneous segment and the service business, the level of new orders in the remaining application segments was lower year on year.

Orders on hand rose from €746.7 million in the prior-year period to €779.6 million as at March 31, 2023, indicating a stable order situation in the coming months. Of that total, orders on hand attributable to the service business amounted to €50.3 million (March 31, 2022: €43.8 million).

UNIT SALES

DEUTZ Group: Unit sales by application segment

€ million	Q1 2023	Q1 2022	Change
Construction Equipment	17,604	18,440	-4.5%
Material Handling	15,524	12,609	23.1%
Miscellaneous ⁴	11,051	6,880	60.6%
Agricultural Machinery	6,450	6,719	-4.0%
Stationary Equipment	4,704	5,367	-12.4%
Total	55,333	50,015	10.6%
thereof DEUTZ engines ⁵	46,110	43,561	5.9%

DEUTZ Group: Unit sales by region⁴

€ million	Q1 2023	Q1 2022	Change
EMEA	29,149	27,485	6.1%
Americas	14,037	12,594	11.5%
Asia-Pacific	12,147	9,936	22.3%

With a total of 55,333 units⁴ sold, DEUTZ group registered an increase in unit sales of 10.6 percent in the first quarter of 2023. Within this total, the number of DEUTZ engines⁵ sold rose by 5.9 percent to 46,110. The DEUTZ subsidiary Torqeedo sold 9,223 units⁴, which was 42.9 percent more than in the prior-year period.

The uptrend in unit sales was driven by all regions. With an increase of 22.3 percent, the Asia-Pacific region showed the strongest growth, mainly due to higher unit sales of electric boat drives. This is also reflected by the trend in unit sales in the application segments. Aside from the Material Handling segment, the increase in unit sales is exclusively attributable to the other engines business, primarily the boat drives by Torqeedo.

⁴ Since 2023, unit sales of DEUTZ subsidiary Torqeedo include battery systems in addition to electric boat drives (Q1 2023: approx. 1,800 units). A retrospective adjustment of the prior-year figure has not been made.

⁵ Excluding electric boat drives of Torqeedo.

REVENUE

DEUTZ Group: Revenue by application segment

€ million	Q1 2023	Q1 2022	Change
Construction Equipment	144.8	138.6	4.5%
Service	121.3	109.8	10.5%
Material Handling	110.1	77.6	41.9%
Agricultural Machinery	70.6	66.3	6.5%
Stationary Equipment	39.7	34.7	14.4%
Miscellaneous	30.7	20.9	46.9%
Total	517.2	447.9	15.5%

DEUTZ Group: Revenue by region

€ million	Q1 2023	Q1 2022	Change
EMEA	316.4	283.6	11.6%
Americas	123.2	91.2	35.1%
Asia-Pacific	77.6	73.1	6.2%

Reflecting the growth in unit sales, DEUTZ's revenue rose by 15.5 percent to €517.2 million, driven by all regions and all application segments. The stronger increase in revenue relative to unit sales resulted mainly from market-oriented pricing in the Classic segment as well as from positive mix effects.

EARNINGS

DEUTZ Group: Overview of results of operations

€ million	Q1 2023	Q1 2022	Change
Revenue	517.2	447.9	15.5%
Cost of sales	-400.6	-364.3	10.0%
Research and development costs	-27.7	-27.0	2.6%
Selling and administrative expenses	-54.4	-47.8	13.8%
Other operating income	5.9	7.4	-20.3%
Other operating expenses	-8.3	-6.1	36.1%
Impairment of financial assets and reversals thereof	0.6	-0.3	-
Profit/loss on equity-accounted investments	-0.6	-0.8	25.0%
EBIT	32.1	9.0	256.7%
Interest income	0.3	0.5	-40.0%
Interest expense	-3.4	-1.1	209.1%
Other financial income/finance cost	-0.1	-0.4	75.0%
Financial income, net	-3.2	-1.0	-220.0%
Income taxes	-5.1	-1.2	325.0%
Net income	23.8	6.8	250.0%
Adjusted EBIT (EBIT before exceptional items): Green	-12.1	-9.6	-26.0%
Adjusted EBIT (EBIT before exceptional items): Classic	44.4	25.4	74.8%
Consolidation/Other ⁶	-0.2	0.0	-
Adjusted EBIT (EBIT before exceptional items)	32.1	15.8	103.2%
Exceptional items	0.0	-6.8	-
EBIT	32.1	9.0	256.7%

⁶ Consolidation/Other predominantly consists of non-operating centralized activities as well as effects on earnings resulting from the elimination of intra-group transactions between the segments.

Explanation of adjusted EBIT (EBIT before exceptional items)

DEUTZ calculates adjusted EBIT (EBIT before exceptional items) and the EBIT margin before exceptional items so that it is in a better position to assess its business operations and manage the profitability of its operations at group level and segment level. The EBIT margin before exceptional items is the Company's main key performance indicator (KPI) used for management purposes. The two earnings KPIs are calculated in addition to the disclosures required by international financial reporting standards. The calculation is based on the Group's earnings before interest and tax (EBIT). After adjusting for exceptional items to give the figure for EIBT before exceptional items, this value is expressed as a percentage of revenue to give the EBIT margin before exceptional items. Exceptional items are defined as significant income generated or expenses incurred that, due to their timing and/or specific nature, are unlikely to recur and are outside the scope of the Company's ordinary business activities. Adjusting for exceptional items helps to provide a better comparison of the Company's operating performance over time. Examples of exceptional items include impairment losses, reversals of impairment losses, gains and losses on the disposal of non-current assets, certain costs for strategic projects or organizational changes, restructuring costs, and income from the reversal of related provisions.

The EBIT before exceptional items (adjusted EBIT) improved significantly to €32.1 million in the first quarter of 2023, after €15.8 million in the prior-year period. Aside from the growth in the volume of business and the associated economies of scale, this improvement was primarily attributable to positive product mix effects and market-oriented pricing in the engine and service business. 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 3.5 percent to 6.2 percent.

The EBIT for the period under review stood at €32.1 million (Q1 2022: €9.0 million). No exceptional items were reported in the first quarter of 2023, whereas in the prior-year period, due to the recognition of provisions following several changes at senior management level, exceptional items amounted to €-6.8 million. The EBIT margin came to 6.2 percent, versus 2.0 percent in the same period last year.

The increase in adjusted EBIT meant that net income improved to €23.8 million from €6.8 million in the prior-year period. Accordingly, earnings per share rose from €0.06 to €0.20 year on year.

BUSINESS PERFORMANCE IN THE SEGMENTS

DEUTZ Group's operating activities are divided into the segments Classic and Green. The Classic segment encompasses all activities related to the development, production, distribution, maintenance and servicing of diesel and gas engines. The Green segment consists of all activities related to new alternative drives. Aside from hydrogen engines, this includes the subsidiaries Torqeedo, with its electric boat drives, and Futavis, the battery management specialist, as well as electric drives, mobile rapid charging stations, and the related service business.

Given that DEUTZ is currently only at the start of its technological transformation, the volume of business for the Green segment still largely reflects the performance of the DEUTZ subsidiaries Torqeedo and Futavis and, in terms of earnings, also the growth in research and development activities in the field of electric and hydrogen-powered drive systems.

Key figures for the Classic segment

€ million	Q1 2023	Q1 2022	Change
New orders	515.0	497.1	3.6%
Unit sales (units)	46,104	43,559	5.8%
Revenue	506.1	435.3	16.3%
Construction Equipment	144.8	138.6	4.5%
Service	121.3	109.8	10.5%
Material Handling	110.1	77.6	41.9%
Agricultural Machinery	70.6	66.3	6.5%
Stationary Equipment	39.7	34.7	14.4%
Miscellaneous	19.6	8.3	136.1%
Adjusted EBIT	44.4	25.4	74.8%
Adjusted EBIT margin	8.8	5.8	+3.0pp

In the first quarter of 2023, new orders in the Classic segment amounted to €515.0 million, slightly exceeding the prior year's level. As at March 31, 2023, orders on hand stood at €769.8 million, which was 6.9 percent higher than a year earlier. The segment's unit sales increased by 5.8 percent year on year to 46,104 engines, while its revenue advanced disproportionately by 16.3 percent to €506.1 million. This was primarily due to market-oriented pricing, which was implemented in the second half of 2022, and positive mix effects in terms of both products and customers.

The adjusted EBIT for the segment (EBIT before exceptional items) improved by €19.0 million year on year to €44.4 million. As a result, the Classic segment's adjusted EBIT margin rose from 5.8 percent to 8.8 percent. In addition to structural improvements and growth in the volume of business, this increase is attributable to positive product mix effects in the engine and service business.

Key figures for the Green segment

€ million	Q1 2023	Q1 2022	Change
New orders	11.1	12.5	-11.2%
Unit sales⁷ (units)	9,229	6,456	43.0%
Revenue	11.1	12.6	-11.9%
EMEA	6.1	7.3	-16.4%
Americas	3.1	4.4	-29.5%
Asia-Pacific	1.9	0.9	111.1%
Adjusted EBIT	-12.1	-9.6	-26.0%
Adjusted EBIT margin	-109.0	-76.2	-32.8pp

As a result of slightly lower demand for electric boat drives, new orders in the Green segment declined by 11.2 percent to €11.1 million in the reporting period. Orders on hand were down 62.7 percent year on year and amounted to €9.8 million as at March 31, 2023. The segment's unit sales advanced by 43.0 percent to 9,229 units, whereas revenue fell by 11.9 percent to €11.1 million due to negative mix effects.

Adjusted EBIT for the segment declined by €2.5 million compared with the prior-year period and amounted to a loss of €12.1 million in the first quarter of 2023. This deterioration was attributable to increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine and the negative earnings contribution from the subsidiary Torqeedo. Reflecting the decline in the segment's adjusted EBIT, the adjusted EBIT margin also deteriorated year on year.

⁷ Torqeedo drives and other electric drives, hybrid-electric drives, hydrogen drives, battery systems with a motor, DEUTZ PowerTree. In addition, since 2023 unit sales of Torqeedo include battery systems (Q1 2023: approx. 1,800 units). A retrospective adjustment of the prior-year figure has not been made.

FINANCIAL POSITION

DEUTZ Group: Overview of financial position

€ million	Q1 2023	Q1 2022	Change
Cash flow from operating activities	31.0	9.7	219.6%
Cash flow from investing activities	-17.6	-14.3	-23.1%
Cash flow from financing activities	1.7	10.2	-83.3%
Change in cash and cash equivalents	15.1	5.6	169.6%
Free cash flow⁸	10.8	-4.9	-
Cash and cash equivalents as at Mar. 31/Dec. 31	69.5	54.9	26.6%
Current and non-current interest-bearing financial debt as at Mar. 31/Dec. 31	224.4	219.1	2.4%
thereof lease liabilities (IFRS 16)	91.0	94.6	-3.8%
Net financial position⁹ as at Mar. 31/Dec. 31	-154.9	-164.2	-5.7%

The increase in cash flow from operating activities year on year mainly resulted from the positive earnings performance.

As part of the cooperation with Daimler Truck AG, DEUTZ acquired license rights for the engines of the heavy-duty Daimler Truck HDEP series. The related payments will be made in instalments until 2028. The first instalment was paid in the first quarter of 2023, which meant that the cash outflow from investing activities slightly increased year on year.

The decline in cash flow from financing activities is primarily attributable to lower inflows from further drawing down an existing credit line in the first quarter of 2023. At the same time, due to the greater utilisation of the credit line compared with the prior-year period, interest expenses slightly increased.

⁸ Cash flow from operating activities and from investing activities less interest expenses.

⁹ Cash and cash equivalents less current and non-current interest-bearing financial debt.

As a result of the higher cash flow from operating activities, free cash flow amounted to €10.8 million, which corresponds to an increase of €15.7 million compared with the prior-year period.

Due to the positive free cash flow, net financial debt slightly declined compared to the end of 2022 and fell by €9.3 million to €154.9 million as at March 31, 2023.

NET ASSETS

DEUTZ Group: Overview of net assets

€ million	Mar. 31, 2023	Dec. 31, 2022	Change
Non-current assets	774.0	730.3	6.0%
thereof right-of-use assets in connection with leases	83.6	87.3	-4.2%
Current assets	812.0	745.1	9.0%
Total assets	1,586.0	1,475.4	7.5%
Equity	714.0	668.8	6.8%
Non-current liabilities	209.6	195.8	7.0%
thereof lease liabilities	73.4	76.8	-4.4%
Current liabilities	662.4	610.8	8.4%
thereof lease liabilities	17.6	17.8	-1.1%
Total equity and liabilities	1,586.0	1,475.4	7.5%
Working Capital ¹⁰	359.1	346.3	3.7%
Working capital ratio (Mar. 31, %) ¹¹	17.8	17.7	+0.1pp
Working capital ratio (average, %) ¹²	17.2	16.7	+0.5pp
Equity ratio¹³ (%)	45.0	45.3	-0.3pp

¹⁰ Inventories plus trade receivables less trade payables.

¹¹ Working Capital as at the balance sheet date divided by revenue for the previous twelve months.

¹² Average working capital at the last four quarterly reporting dates divided by revenue for the previous twelve months.

¹³ Equity/total equity and liabilities.

Investments in intangible assets meant that the Company's non-current assets were higher as at March 31, 2023. As part of the cooperation with Daimler Truck AG, which was closed at the end of March¹⁴, DEUTZ acquired IP rights to Daimler Truck's medium-duty MDEG engines by way of a capital increase in kind. In addition, DEUTZ acquired license rights from Daimler Truck so that it can further develop the heavy-duty Daimler Truck HDEP series for use in off-highway applications. It will also distribute these engines independently. The payments for the rights to the HDEP series will be made in instalments until 2028. As a result, non-current liabilities were higher as at March 31, 2023.

Due to the increase in capacity utilization and for seasonal reasons, inventories were significantly higher as at March 31, 2023, which led to a rise in current assets. As trade payables also rose in the period, working capital slightly increased. At 17.8 percent, the working capital ratio as at March 31, 2023 remained virtually unchanged. This is due to the positive revenue performance in the first quarter. The working capital ratio was slightly higher on average as a result of the slightly stronger increase in average working capital.

Despite the rise in equity, the equity ratio marginally declined from 45.3 percent at the end of 2022 to 45.0 percent as at March 31, 2023. This was because the balance sheet grew at a slightly faster rate than equity due to the aforementioned increase in current assets and current liabilities.

In view of the still sound equity ratio, which continues to be above the target figure of more than 40 percent, the DEUTZ Group's financial position remains comfortable.

¹⁴ Please refer to the press releases issued on January 30 and March 29, 2023.

EMPLOYEES

DEUTZ employed 5,029¹⁵ people worldwide as at March 31, 2023, which was 224 more than a year earlier. This rise was primarily due to significant business expansion and regional growth initiatives, mainly in the Americas.

GUIDANCE FOR 2023

In line with the guidance published in mid-March, DEUTZ is forecasting unit sales of between 175,000 and 195,000 DEUTZ engines¹⁶ for the full year 2023, with a corresponding revenue increase to between €1.9 billion and €2.1 billion and an adjusted EBIT margin of 4.0 percent to 5.0 percent. In light of the successful business performance in the first quarter, DEUTZ now expects to achieve the upper end of these guidance ranges. The free cash flow before M&A is still expected to be an amount in the mid-double-digit millions of euros.

¹⁵ Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

¹⁶ Excluding electric boat drives of DEUTZ subsidiary Torqeedo.

FINANCIAL INFORMATION FOR THE FIRST QUARTER OF 2023

DEUTZ GROUP. INCOME STATEMENT

€ million	Q1 2023	Q1 2022
Revenues	517.2	447.9
Cost of sales	-400.6	-364.3
Research and development costs	-27.7	-27.0
Selling expenses	-34.0	-25.9
General and administrative expenses	-20.4	-21.9
Other operating income	5.9	7.4
Other operating expenses	-8.3	-6.1
Impairment of financial assets and reversals thereof	0.6	-0.3
Profit/loss on equity-accounted investments	-0.6	-0.8
EBIT	32.1	9.0
Interest income	0.3	0.5
Interest expense	-3.4	-1.1
Other financial income/finance cost	-0.1	-0.4
Financial income, net	-3.2	-1.0
Net income before income taxes	28.9	8.0
Income taxes	-5.1	-1.2
Net income	23.8	6.8
thereof attributable to shareholders of DEUTZ AG	23.8	6.8
Earnings per share (basic/diluted, €)	0.20	0.06

DEUTZ GROUP: STATEMENT OF COMPREHENSIVE INCOME

€ million	Q1 2023	Q1 2022
Net income	23.8	6.8
Amounts that will not be reclassified to the income statement in the future	-0.7	3.4
Remeasurement of defined benefits plans	-0.7	3.4
Amounts that will be reclassified to the income statement in the future if specific conditions are met	-2.9	2.3
Currency translation differences	-2.3	2.4
thereof profit/loss on equity-accounted investments	-0.9	1.2
Effective portion of change in fair value from cash flow hedges	1.7	-0.1
Fair value of financial instruments	-2.3	0.0
Other comprehensive income, net of tax	-3.6	5.7
Comprehensive income	20.2	12.5
thereof attributable to shareholders of DEUTZ AG	20.2	12.5

DEUTZ GROUP: BALANCE SHEET / ASSETS

€ million	Mar. 31, 2023	Dec. 31, 2022
Property, plant and equipment	391.2	394.7
Intangible assets	209.7	169.3
Equity-accounted investments	49.1	50.6
Other financial assets	21.1	14.4
Non-current assets (before deferred tax assets)	671.1	629.0
Deferred tax assets	102.9	101.3
Non-current assets	774.0	730.3
Inventories	494.3	451.6
Trade receivables	192.0	186.2
Other receivables and assets	55.9	50.7
Receivables in respect of tax refunds	0.3	1.7
Cash and cash equivalents	69.5	54.9
Current assets	812.0	745.1
Total assets	1,856.0	1,475.4

DEUTZ GROUP: BALANCE SHEET / EQUITY AND LIABILITIES

€ million	Mar. 31, 2023	Dec. 31, 2022
Issued capital	322.5	309.0
Additional paid-in capital	40.3	28.8
Other reserves	-2.3	0.6
Retained earnings and accumulated income	353.5	330.4
Equity attributable to shareholders of DEUTZ AG	714.0	668.8
Equity	714.0	668.8
Provisions for pensions and other post-retirement benefits	85.3	86.0
Deferred tax liabilities	1.9	2.0
Other provisions	28.5	28.4
Financial debt	73.9	77.2
Other liabilities	20.0	2.2
Non-current liabilities	209.6	195.8
Provisions for pensions and other post-retirement benefits	10.6	11.1
Other provisions	84.3	81.7
Financial debt	150.5	141.9
Trade payables	327.2	291.5
Liabilities arising from income taxes	6.8	4.9
Other liabilities	83.0	79.7
Current liabilities	662.4	610.8
Total equity and liabilities	1,586.0	1,475.4

DEUTZ GROUP: CASH FLOW STATEMENT

€ million	Q1 2023	Q1 2022
EBIT	32.1	9.0
Income taxes paid	-3.2	-0.6
Depreciation, amortization and impairment of non-current assets	23.6	23.0
Profit/loss and impairment on equity-accounted investments	0.6	0.8
Other non-cash income and expenses	-0.2	-0.1
Change in working capital	-20.5	-18.1
Change in inventories	-45.9	-28.1
Change in trade receivables	-7.3	-11.1
Change in trade payables	32.7	21.1
Change in other receivables and other current assets	-4.7	-6.5
Change in provisions and other liabilities (excluding financial liabilities)	3.3	2.2
Cash flow from operating activities	31.0	9.7
Capital expenditure on intangible assets, property, plant and equipment	-17.6	-14.3
Expenditure on investments	-0.2	0.0
Proceeds from the sale of non-current assets	0.2	0.0
Cash flow from investing activities	-17.6	-14.3
Interest income	0.3	0.5
Interest expense	-2.9	-0.8
Cash receipts from borrowings	11.6	26.9
Repayment of loans	-3.0	-12.2
Principal elements of lease payments	-4.3	-4.2
Cash flow from financing activities	1.7	10.2
Cash flow from operating activities	31.0	9.7
Cash flow from investing activities	-17.6	-14.3
Cash flow from financing activities	1.7	10.2
Change in cash and cash equivalents	15.1	5.6
Cash and cash equivalents at Jan. 1	54.9	36.1
Change in cash and cash equivalents	15.1	5.6
Change in cash and cash equivalents related to exchange rates	-0.5	0.1
Change in cash and cash equivalents related to the basis of consolidation	0.0	0.7
Cash and cash equivalents at Mar. 31	69.5	42.5

Upcoming financial dates

August 10, 2023: Interim report for the first half of 2023

November 9, 2023: Quarterly statement for the first to third quarter of 2023

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Forward-looking statements

This quarterly statement 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.