Interim report for the

FIRST HALF OF 2022

DEUTZ AG

DEUTZ GROUP: OVERVIEW

€ million

	Q1–Q2/2022	Q1–Q2/2021	Change	Q2/2022	Q2/2021	Change
New orders	1,077.6	1,028.8	4.7%	568.0	564.0	0.7%
Unit sales (units)	108,741	93,627	16.1%	58,726	55,243	6.3%
thereof Torqeedo	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[1]	–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 at Jun. 30/Dec. 31	620.8	588.4	5.5%			
Equity ratio at Jun. 30/Dec. 31 (%)	44.5	45.6	–1.1PP			
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 at Jun. 30/Dec. 31	–123.2	–79.7	54.6%			
Employees[2] (Jun. 30)	4,946	4,631	6.8%			

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

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

CONTENTS

FUNDAMENTAL FEATURES OF THE GROUP

BUSINESS MODEL

DEUTZ is one of the world's leading manufacturers of drive systems for off-highway applications. The Company was founded in 1864 and employed around 4,750 people worldwide at the end of 2021. Its core competencies are the development, production, and distribution of drive solutions in the power range up to 620 kW for off-highway applications. The portfolio extends from diesel and gas engines to hybrid, all-electric, and hydrogen 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 also offers a comprehensive range of digital and analog services through more than 800 sales and service partners in over 130 countries.

The Company's operating activities are divided into the segments DEUTZ Classic and DEUTZ Green. The Classic segment, which generated around 97 percent of consolidated revenue in 2021, encompasses all activities related to the development, production, distribution, and servicing of diesel engines as well as the equity-accounted joint venture with Chinese construction equipment manufacturer SANY. All activities connected with non-diesel drives are assigned to the Green segment. This includes all-electric, hybrid-electric, and hydrogen-powered drives as well as mobile rapid charging stations. The DEUTZ subsidiary Torqeedo, which develops and sells electric boat drives, is also included in the Green segment alongside development services provider Futavis, which focuses on high-voltage battery management systems and safety engineering.

STRATEGY AND OBJECTIVES

The DEUTZ Group's primary objective is to become the world's leading manufacturer of innovative drive systems and a trailblazer of off-highway technology for a carbon-neutral future. At the same time, the Company wants to achieve profitable and sustainable growth and has set itself clear targets for 2023/2024: revenue in excess of €2 billion and an EBIT margin before exceptional items of between 7 percent and 8 percent.

In the first quarter of 2022, DEUTZ initiated a multi-phase strategy process called Powering Progress in order to secure its long-term competitiveness. Among the objectives are to improve the Company's commercial performance and technological capabilities and to drive forward the development of alternative drive systems. Four priority areas of action were defined together with a range of sub-initiatives and sub-targets, some of which are short term (to be achieved by 2025), medium-term (to be achieved by 2030), and long term (target horizon extending beyond 2030).

As well as setting out the strategic agenda, DEUTZ also already started to initiate measures aimed at improving the Company's performance in the first half of 2022. For example, it wasted no time in passing on increased costs to customers in the form of multiple rounds of price increases. It also established a process to completely overhaul pricing in the Classic business. An increase in prices of between 8 and 12 percent is targeted 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., headquartered in Roden in the 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. These acquisitions should enable DEUTZ to improve market penetration and expand its service business in these countries to include competitors' engines.

DEUTZ aims to achieve its financial objectives while fulfilling its social, corporate, and environmental responsibilities. This ambition is reflected in the name of the new sustainability strategy, Taking Responsibility. For further information see the non-financial report from page 90 onward in the 2021 Annual Report.

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

ECONOMIC ENVIRONMENT

In the first half of 2022, the global economy recovered further in spite of the continuing difficulties in global supply chains and the war in Ukraine. In its economic report published in April 2022, the International Monetary Fund (IMF) estimated that global economic activity in 2022 would increase by 3.6 percent compared with the prior year. Due to the rising cost of raw materials, this estimate is 80 basis points below the forecast published at the start of the year.[1]

According to data from the United Nations (UNCTAD), global trade grew by roughly 15 percent year on year in the first quarter of 2022 to reach US$7.7 trillion. The increase compared with the fourth quarter of 2021 stood at around 3.3 percent and was largely driven by higher commodity prices. The UN anticipates that growth will have slowed significantly in the second quarter.[2]

PROCUREMENT MARKET

Following the substantial supply shortages in the global procurement market in 2021, the procurement of components and raw materials remained challenging in the first half of 2022. This was due to ongoing bottlenecks worldwide in the availability of materials, particularly electronics, plastic, and steel. The impact of the war in Ukraine also exacerbated what was already a difficult supply situation. Moreover, there continued to be bottlenecks in global freight and transportation capacity due to the reintroduction of coronavirus lockdowns in China and the sustained level of very high demand in the global economy, which meant that the significant delays in the supply chain persisted.

DEUTZ had already strengthened its existing risk management system in 2020, when the coronavirus pandemic first broke out, in order to counteract supply bottlenecks. Measures that have been in place since then to secure supplies as far as possible include the greater use of existing second-source suppliers, the procurement of stocks of finished parts from suppliers in high-risk regions, the creation of increased inventory ranges, and the organization of special shipments.

Commodity prices Having already reached a high level in 2021, commodity prices continued to climb in the first half of 2022. Prices for cast iron scrap and foundry scrap went up by a further 25 percent or so compared with average prices for 2021[3], while prices for the non-ferrous metals aluminum and nickel, for example, jumped by around 32 percent and 63 percent respectively.[4] Energy prices in the domestic spot markets recorded even stronger increases. As in most other European countries, spot prices for electricity in Germany surged by more than 90 percent.[5]

[1] IMF, World Economic Outlook, April 2022.
[2] UNCTAD, Global Trade Update, 7 July 2022.
[3] www.bdguss.de.
[4] www.lme.com.
[5] www.energy-charts.info.

SALES MARKET

Based on currently available figures, the individual markets served by DEUTZ presented a mixed picture in terms of how they performed in the first half of 2022. Across the world, growth in specific industries has been hampered by the current supply bottlenecks for construction materials and purchased components, by the increasing cost of energy and fuel, and by high inflation and rising interest rates. In some countries, including China, the situation is exacerbated by restrictions imposed to contain coronavirus.

Figures from the Mechanical Engineering Industry Association (VDMA) indicate that unit sales of construction equipment in Europe and North America increased again in the first half of 2022, thanks to the ongoing comprehensive government investment programs and infrastructure projects. The rate of growth, however, seems to be much lower than in the corresponding prior-year period.[1] The rapid upturn that the Chinese construction equipment market has experienced in recent years appears to have stalled for now. This is mainly due to it beginning to show the first signs of saturation. In addition, the restrictions put in place by the state to contain the spread of coronavirus have caused massive disruption and even shutdowns at the manufacturers.[2]

Demand for material handling applications has been following the trend in the construction industry. Unit sales of forklift trucks in Europe, North America, and Asia, for example, are likely to have increased overall,[2] whereas unit sales in China will probably have fallen for the reasons mentioned above.[1] Unit sales in the business with smaller construction equipment and other material handling applications, such as telehandlers and work platforms, are expected to have grown further, in part because major international leasing companies have significantly ramped up investment in their company fleets again.[4]

There were also regional differences in how the market for agricultural machinery, and particularly tractors, performed in the first half of 2022. Whereas the market in Europe proved to be extremely robust during the pandemic, the geopolitical situation in Ukraine, rising inflation, and the growing cost of investment now appear to have resulted in a downturn in new orders at agricultural equipment manufacturers.[3] In North America too, financing costs and the high rate of inflation led to unit sales falling from what had been a high level in the prior-year period.[5] In China, the structural and technological adjustments of recent years appear to have largely come to an end. Nevertheless, the strict restrictions imposed by Beijing to contain coronavirus meant that the Chinese market for agricultural machinery also saw a slower rate of growth in unit sales in the first half of 2022.[3]

The Chinese market for heavy duty trucks contracted overall in the reporting period. The main reason for this downturn was the introduction of the CN6 emissions standard for heavy duty trucks in China, which, particularly in 2020 and the first half of 2021, had led customers to bring capital investment forward and hold high levels of inventory. Moreover, the transport and logistics industry was adversely affected by coronavirus-related lockdowns, which resulted in massive reductions in capacity among the truck manufacturers.[6]

[1] VDMA, 'Construction equipment and building material machinery', July 2022.
[2] Chinese Construction Machinery Association, 'CCMA Sales YTD 05-2022', June 2022.
[3] Power Systems Research, 'OE Link Update Bulletin – Q2 2022', July 2022.
[4] Quarterly reports of major leasing companies such as United Rentals and Loxam.
[5] Association of Equipment Manufacturers, 'United States Ag Tractor & Combine Report', June 2022.
[6] China Automotive Industry Association, June 2022.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

After a successful start to the year, DEUTZ continued to benefit from the sustained market recovery in relevant customer industries in the second quarter and put in a good overall performance in the first six months of 2022.

The ongoing coronavirus pandemic had no significant negative impact on demand in the reporting period. The same applies to the war in Ukraine that erupted at the end of February 2022. DEUTZ's business in Russia, Belarus, and Ukraine generated revenue of around €20 million in 2021 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. However, as for other companies, the war's geopolitical effect on energy and commodity prices and on the global flow of goods around the world is very tangible for DEUTZ: In an already challenging environment for procurement, the war in Ukraine is further exacerbating global bottlenecks in materials and transportation, thereby continuing to put the brakes on the Group's growth. In addition, price increases for materials and rising energy costs are weighing heavily on earnings. See also 'Procurement market', p. 6.

NEW ORDERS

DEUTZ Group: New Orders

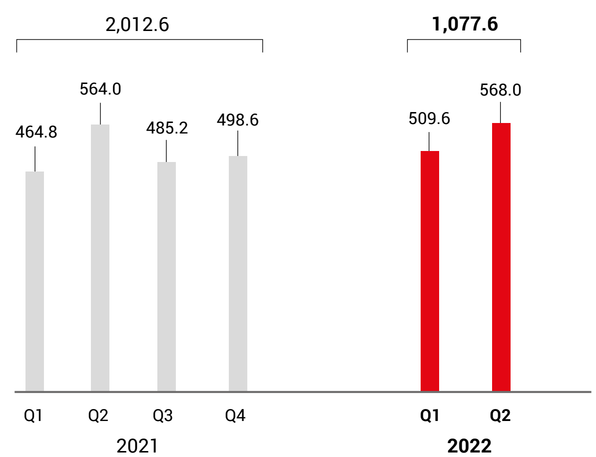
€ million

In the first six months of 2022, new orders received by DEUTZ increased by 4.7 percent year on year to €1,077.6 million. This positive trend was seen across all regions. The strongest rise in demand was recorded in the US market, which notched up a double-digit percentage increase. The application segments presented a disparate picture, however. Whereas Material Handling, Agricultural Machinery, Stationary Equipment, and the service business generated increases in new orders (including double-digit percentage increases in some cases), there were year-on-year decreases for Construction Equipment and Miscellaneous.

At €568 million, order volume in the second quarter was on a par with the prior-year period (€564 million).

DEUTZ Group: New orders by quarter

€ million



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).

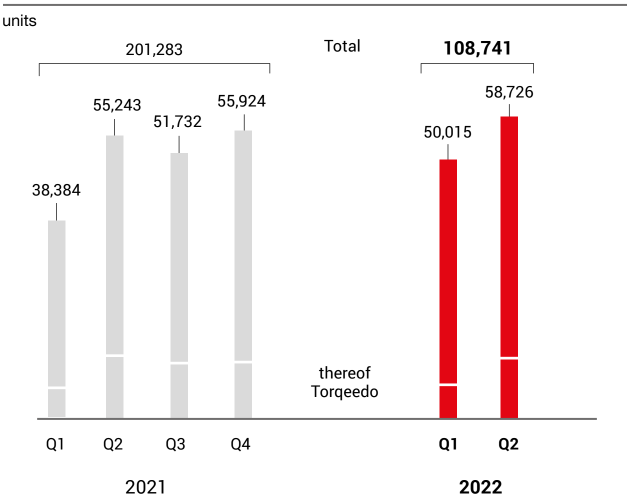
UNIT SALES

DEUTZ Group: Unit sales

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 engines[1] 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.

DEUTZ Group: Unit sales by quarter



In the second quarter of 2022, unit sales came to 58,726 engines across the Group, which was 6.3 percent more than the prior-period figure of 55,243 engines.

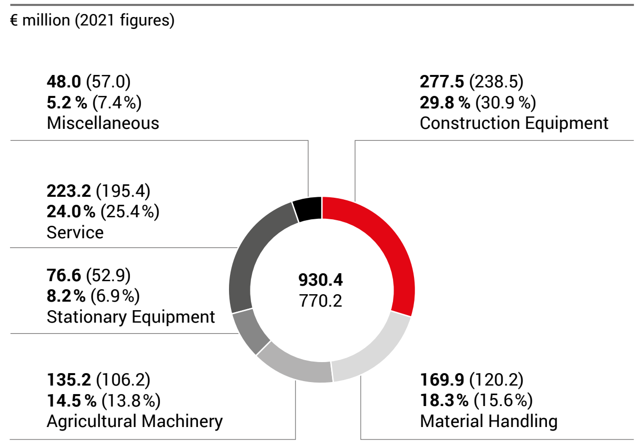
REVENUE

DEUTZ Group: Revenue

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. See also 'Business performance in the segments', Green segment, p. 12.

Revenue rose at a faster rate than unit sales, primarily due to positive product mix effects and higher average sales proceeds.

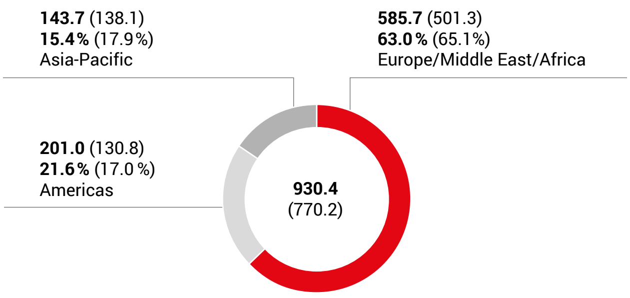
DEUTZ Group: revenue and share of revenue by application segment



[1] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

DEUTZ Group: revenue and share of revenue by region

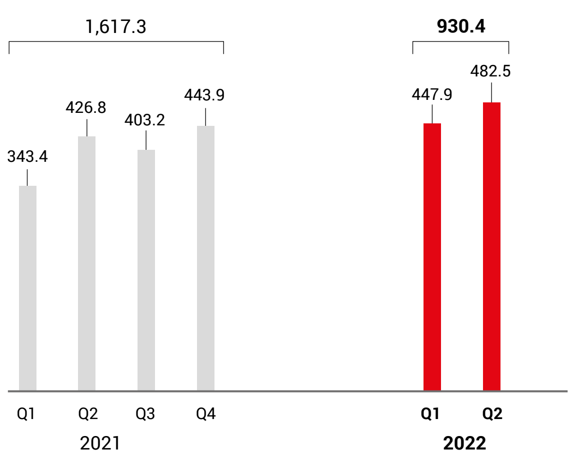
€ million (2021 figures)



Revenue in the second quarter of 2022 came to €482.5 million. The increase of 13.1 percent on the same quarter of 2021 was achieved through significant growth in all major application segments and regions.

DEUTZ Group: Revenue by quarter

€ million



EARNINGS

DEUTZ Group: Overview of results of operations

€ million

	Q1–Q2/2022	Q1–Q2/2021	Change
Revenue	**930.4**	**770.2**	**20.8%**
Cost of sales	–759.6	–631.0	20.4%
Research and development costs	–53.6	–45.9	16.8%
Selling and administrative expenses	–90.1	–79.7	13.0%
Other operating income	21.2	12.0	76.7%
Other operating expenses	–11.6	–10.9	6.4%
Impairment of financial assets and reversals thereof	–0.6	–1.1	45.5%
Profit/loss on equity-accounted investments	–0.6	2.5	–
EBIT	**35.5**	**16.1**	**120.5%**
Interest income	0.8	0.1	700.0%
Interest expense	–2.3	–2.9	–20.7%
Other financial income/ finance costs	–0.6	0.0	–
Financial income, net	**–2.1**	**–2.8**	**25.0%**
Income taxes	–5.4	0.0	–
Net income	**28.0**	**13.3**	**110.5%**
Adjusted EBIT (EBIT before exceptional items): Green	–18.1	–8.3	–118.1%
Adjusted EBIT (EBIT before exceptional items): Classic	61.3	24.8	147.2%
Consolidation/Other[1]	–0.6	0.3	–
Adjusted EBIT (EBIT before exceptional items)	**42.6**	**16.8**	**153.6%**
Exceptional items	–7.1[2]	–0.7	914.3%
EBIT	**35.5**	**16.1**	**120.5%**

[1] 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.

[2] Due to the recognition of provisions following several changes at senior management level.

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 additionally calculated in accordance with 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 EBIT 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.

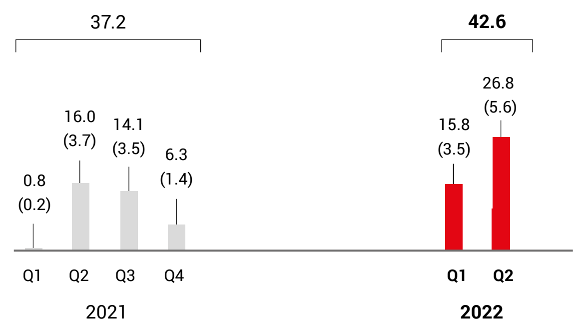
EBIT before exceptional items (adjusted EBIT) improved to €42.6 million in the first half of 2022, compared with €16.8 million in the prior-year period. This rise was mainly attributable to growth in the volume of business, economies of scale, and the effects of cost-saving measures. Higher research and development expenditure and increased procurement costs were more than offset by the positive impact of the revenue growth and currency effects. What is more, 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. 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 adjusted EBIT margin made a strong year-on-year improvement from 2.2 percent to 4.6 percent.

Adjusted EBIT for the second quarter of 2022 was up significantly on the first quarter, rising by €11.0 million to €26.8 million. This improvement was mainly attributable to the growth in the volume of business, the associated economies of scale, rigorous cost management, and positive currency effects.

The increase in adjusted EBIT meant that net income improved to €28.0 million, compared with €13.3 million in the prior-year period. Earnings per share therefore increased from €0.11 in the first six months of 2021 to €0.23 in the reporting period. Net income before exceptional items stood at €34.0 million and earnings per share before exceptional items at €0.28.

DEUTZ Group: Operating profit (EBIT before exceptional items) by quarter

€ million (EBIT margin in %)



BUSINESS PERFORMANCE IN THE SEGMENTS

With effect from January 1, 2022, DEUTZ put a new reporting structure in place and introduced the Classic and Green segments. The Classic segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business. The Green segment consists of all activities related to new drives that are not covered by the Classic segment. This includes the subsidiary Torqeedo, battery management specialist Futavis, electric and hydrogen-powered drives, mobile rapid charging stations, and the related service business.

DEUTZ hopes the new segmentation of its business activities will enable it to report more transparently on its work on off-highway technology for a carbon-neutral future and, at the same time, improve the way in which it manages its transformation into the leading provider of green drive solutions for off-highway applications.

Given that DEUTZ is currently only at the start of this 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.

The segment figures for the prior-year period shown below have been adjusted to reflect the new reporting structure.

DEUTZ Group: segments

€ million

	Q1–Q2/2022	Q1–Q2/2021	Change
New orders			
Classic	1,050.6	990.5	6.1 %
Green	27.0	38.3	– 29.5 %
Total	**1,077.6**	**1,028.8**	**4.7 %**
Unit sales (units)			
Classic	90,459	75,431	19.9 %
Green	18,282	18,196	0.5 %
Total	**108,741**	**93,627**	**16.1 %**
Revenue			
Classic	900.1	743.2	21.1 %
Green	30.3	27.0	12.2 %
Total	**930.4**	**770.2**	**20.8 %**
Adjusted EBIT (EBIT before exceptional items)			
Classic	61.3	24.8	147.2 %
Green	– 18.1	– 8.3	– 118.1 %
Consolidation/Other	– 0.6	0.3	–
Total	**42.6**	**16.8**	**153.6 %**

DEUTZ CLASSIC

DEUTZ Classic

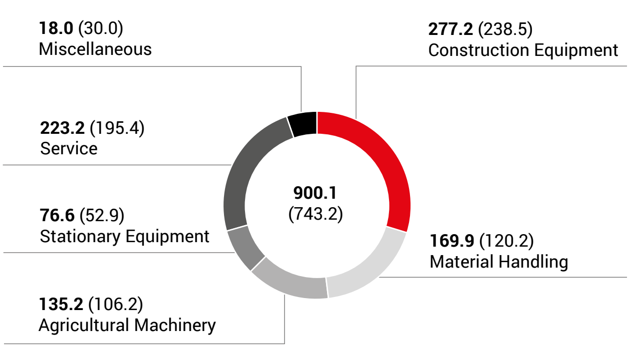
	Q1–Q2/2022	Q1–Q2/2021	Change
New orders (€ million)	**1,050.6**	**990.5**	**6.1 %**
Unit sales (units)	**90,459**	**75,431**	**19.9 %**
Revenue (€ million)	**900.1**	**743.2**	**21.1 %**
Construction Equipment	277.2	238.5	16.2%
Service	223.2	195.4	14.2%
Material Handling	169.9	120.2	41.3%
Agricultural Machinery	135.2	106.2	27.3%
Stationary Equipment	76.6	52.9	44.8%
Miscellaneous	18.0	30.0	– 40.0%
EBIT[1] (€ million)	**61.3**	**24.8**	**147.2%**
EBIT margin[1] (%)	**6.8**	**3.3**	**+3.5 PP**

[1] Before exceptional items.

In the first half of 2022, new orders received in the Classic segment increased by 6.1 percent to € 1,050.6 million. The increase was attributable to all major application segments with the exception of Construction Equipment. As at June 30, 2022, orders on hand in the Classic segment stood at € 744.1 million, which was 46.2 percent higher than a year earlier. The segment's unit sales increased by 19.9 percent year on year to 90,459 engines, while its revenue advanced by 21.1 percent to € 900.1 million.

DEUTZ Classic:
revenue and proportion of revenue by application segment

€ million (2021 figures)



Adjusted EBIT for the Classic segment (EBIT before exceptional items) improved by € 36.5 million year on year to € 61.3 million. As a result, the adjusted EBIT margin rose from 3.3 percent to 6.8 percent. In addition to the effects of cost savings, this increase was attributable to growth in the volume of business, associated economies of scale, positive currency effects, and optimization of the existing portfolio.

DEUTZ GREEN

DEUTZ Green

	Q1–Q2/2022	Q1–Q2/2021	Change
New orders (€ million)	**27.0**	**38.3**	**– 29.5 %**
Unit sales[1] (units)	**18,282**	**18,196**	**0.5 %**
Revenue (€ million)	**30.3**	**27.0**	**12.2 %**
Europe/Middle East/Africa	17.4	17.1	1.8 %
Americas	10.3	7.1	45.1 %
Asia-Pacific	2.6	2.8	– 7.1 %
EBIT[2] (€ million)	**– 18.1**	**– 8.3**	**– 118.1 %**
EBIT margin[2] (%)	**– 59.7**	**– 30.7**	**– 29.0 PP**

[1] Electric boat drives of the subsidiary Torqeedo, battery systems of the subsidiary Futavis, all-electric, hybrid-electric, and hydrogen-powered drives, mobile rapid charging stations.
[2] Before exceptional items.

In the reporting period, new orders received in the Green segment fell by 29.5 percent to € 27.0 million, which was attributable to lower retail demand for electric boat drives. By contrast, orders on hand were up by 10.7 percent year on year and amounted to € 24.8 million as at June 30, 2022. With 18,282 electric motors sold, unit sales were 0.5 percent higher than in the prior-year period. Thanks to price increases, revenue grew at a much stronger rate, rising by 12.2 percent to € 30.3 million.

Adjusted EBIT for the segment (EBIT before exceptional items) declined by € 9.8 million compared with the same period in the prior year and amounted to a loss of € 18.1 million. This decrease was attributable to increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine and activities relating to electric drive systems. Moreover, the figure for the prior-year period had been boosted by a compensation payment made under an out-of-court settlement.

FINANCIAL POSITION

FUNDING

Funding restructured – sufficient liquidity ensured DEUTZ restructured its existing funding at the start of May 2022. The Company increased the volume of the long-term syndicated loan from € 160 million to € 250 million and extended the term by three years to 2027. At the same time, the three existing bilateral credit lines, which had a volume of € 25 million each and were due to run until February 2023, were terminated. The syndicated loan is unsecured and has a floating interest rate. In addition to better overall terms and conditions and an extension option, the new lending arrangements include an ESG component derived from the Company's sustainability targets.

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.

DEUTZ also continues to have access to short-term credit lines and makes use of loans with subsidized interest rates.

As part of its contractual agreements, DEUTZ has undertaken to comply with certain financial covenants. If, however, there is a dramatic deterioration in the general economic situation – for example because of the fallout from the coronavirus pandemic – there is a risk of the covenants being breached in the short term. Should such a risk materialize, DEUTZ would approach its funding partners in advance in order to negotiate the necessary waiver and to enable further amounts to be drawn down under the syndicated loan. Compliance with the financial covenants would not place any restrictions on DEUTZ's ability to pursue growth projects.

Receivables management optimized by means of factoring and systematic improvement of payment terms The sale of receivables, known as factoring, is an important way of optimizing receivables management. It enables DEUTZ to not only ensure sufficient liquidity but also improve its working capital, which tends to be affected by large amounts of capital being tied up in the preliminary financing of engine production and in the payment terms that it has granted.

The volume of sales of receivables totaled € 146.8 million as at the balance sheet date, which was above the level a year earlier (June 30, 2021: € 131.4 million) due to the improved business performance.

CASH FLOW

DEUTZ Group: overview of financial position

€ million

	Q1–Q2/2022	Q1–Q2/2021	Change
Cash flow from operating activities	14.6	44.7	– 67.3 %
Cash flow from investing activities	– 36.5	– 32.5	– 12.3 %
Cash flow from financing activities	29.5	– 15.6	–
Change in cash and cash equivalents	**7.6**	**– 3.4**	**–**
Free cash flow[1]	**– 24.7**	**9.7**	**–**
Cash and cash equivalents at Jun. 30/Dec. 31	46.5	36.1	28.8 %
Current and non-current interest-bearing financial debt at Jun. 30/Dec. 31	169.7	115.8	46.5 %
thereof lease liabilities	56.4	61.3	– 8.0%
Net financial position[2] at Jun. 30/Dec. 31	– 123.2	– 79.7	– 54.6%

[1] Cash flow from operating activities and from investing activities less interest expense.
[2] Cash and cash equivalents less current and non-current interest-bearing financial debt.

The reduction in cash flow from operating activities compared with the first half of the previous year was predominantly due to the change in working capital and the increase in inventories that became necessary due to the significant expansion in the volume of business and longer journey times by sea, as well as to secure production in light of the challenging situation in the procurement market. This outweighed the significant improvement in adjusted EBIT.

Net cash used for investing activities was slightly higher than the figure reported in the prior-year period in spite of the decrease in payments for property, plant and equipment and for intangible assets. This is due to the payment of the final installment of the purchase consideration for the acquisition of the investment in Blue World Technologies Holding Aps, based in Aalborg, Denmark, and the acquisition of the former DEUTZ service partners Ausma Motorenrevisie B. V., headquartered in Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesels), based in Naas, Ireland.

The positive trend for cash flow from financing activities was primarily due to the net cash provided as a result of drawing down € 60 million from an existing credit line in the first six months of 2022; this inflow was greater than the outflow resulting from the dividend payout, repayment of lease liabilities, and other payments of principal.

As a result of the decrease in cash flow from operating activities, free cash flow amounted to minus € 24.7 million and was therefore down by € 34.4 million compared with a year earlier.

The aforementioned utilization of the credit line meant that net financial debt was higher than at the end of 2021, rising by € 43.5 million to € 123.2 million as at June 30, 2022.

NET ASSETS

DEUTZ Group: overview of net assets

€ million

	Jun. 30, 2022	Dec. 31, 2021	Change
Non-current assets	684.5	696.8	– 1.8 %
thereof right-of-use assets in connection with leases	51.5	57.4	– 10.3 %
Current assets	712.1	593.3	20.0 %
Total assets	**1,396.6**	**1,290.1**	8.3 %
Equity	620.8	588.4	5.5 %
Non-current liabilities	177.4	214.7	– 17.4 %
thereof lease liabilities	40.4	45.4	– 11.0 %
Current liabilities	598.4	487.0	22.9 %
thereof lease liabilities	16.0	15.9	0.6 %
Total equity and liabilities	**1,396.6**	**1,290.1**	8.3 %
Working capital[1] (€ million)	311.3	253.2	22.9 %
Working capital ratio[2] (Jun. 30, %)	17.5	15.7	+ 1.8 PP
Working capital ratio[3] (average, %)	15.5	15.5	0.00 PP
Equity ratio[4] (%)	**44.5**	45.6	– 1.1 PP

[1] Inventories plus trade receivables less trade payables.
[2] Working capital (inventories plus trade receivables less trade payables) as at the balance sheet date divided by revenue for the previous twelve months.
[3] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[4] Equity / total equity and liabilities.

Seasonal factors and the increase in capacity utilization meant that inventories and trade receivables were significantly higher as at June 30, 2022, which led to a rise in current assets. In addition to higher procurement prices, the rise in inventories was due to increased stockpiling, which became necessary following substantial growth in the volume of business and longer journey times by sea, as well as to safeguard production in light of the challenging situation in the procurement market. In spite of a simultaneous rise in trade payables, working capital rose considerably. Accordingly, the working capital ratio as at the reporting date was up by just under two percentage points. Thanks to the increase in revenue over the past twelve months, however, the average working capital ratio was unchanged compared with the end of 2021.

Despite the rise in equity, the equity ratio edged down from 45.6 percent at the end of 2021 to 44.5 percent. This was because the balance sheet grew at a 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 our target figure of more than 40 percent, the DEUTZ Group's financial position remains comfortable.

RESEARCH AND DEVELOPMENT

Research and development expenditure (after deducting grants)

€ million (R&D ratio in %)

Expenditure on research and development (R&D) in the first half of 2022 amounted to € 49.6 million, compared with € 41.9 million in the first half of 2021. After the deduction of grants received from development partners and subsidies, F&E expenditure rose from € 39.4 million in the prior-year period to € 46.8 million. This increase was mainly attributable to new developments and refinements in the Green segment, where R&D expenditure (after reimbursements) went up from € 11.2 million to € 16.1 million year on year. In the Classic segment, R&D expenditure (after reimbursements) came to € 30.7 million (H1 2021: € 28.2 million). Capitalized development expenditure after deducting grants stood at € 3.2 million.

Despite the increase in R&D spending, the R&D ratio after deducting grants of 5.0 percent was still at around the same level as in the prior-year period (H1 2021: 5.1 percent) because revenue had increased at a higher rate.

EMPLOYEES

DEUTZ Group: overview of the workforce[1]

Number	**Jun. 30, 2022**	Jun. 30, 2021
DEUTZ Group	**4,946**	**4,631**
Thereof		
In Germany	3,313	3,182
Outside Germany	1,633	1,449
Thereof		
Non-salaried employees	2,772	2,536
Salaried employees	2,116	2,010
Trainees	58	85

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

DEUTZ employed 4,946[1] people worldwide as at June 30, 2022, which was 315 more than at June 30, 2021. This rise was primarily due to the sharp increase in production volume. The basis of consolidation was expanded to include Ausma Motorenrevisie B.V. and Kirkwell Ltd. (South Coast Diesels), which had previously been DEUTZ service partners, and new employees were also hired as part of regional growth initiatives, for example in order to establish the new DEUTZ Power Centers in the USA and the Shared Service Center in Spain.

At around 67 percent, the bulk of the Group's workforce is based in Germany. Of the 3,313 employees in Germany, 2,507 work at the Company's headquarters in Cologne.

The number of temporary workers decreased year on year from 372 to 302, partly because people who had previously been temporary workers were taken on as employees. Temporary workers now make up around 6 percent of the total workforce.

RISK AND OPPORTUNITY REPORT

DEUTZ operates in a variety of industries and regions worldwide and manages its business through various organizational units, namely the operating segments of the Group's parent company, subsidiaries, sales offices, and authorized agents. This organizational structure presents the Company with both opportunities and business-specific risks.

Due to the ongoing Russia-Ukraine war, there is a heightened risk that a decrease in gas supplies from Russia will lead to gas rationing for companies. The resulting impact on the wider economy, including integrated supply chains and thus the availability of materials, is impossible to predict. Nevertheless, DEUTZ is for now still categorizing the level of operational risk – and particularly procurement risk – with regard to the attainment of its financial targets as 'moderate' for 2022.

In the first half of 2022, DEUTZ did not identify any risks or opportunities beyond those described in the 2021 annual report. There continue to be no risks to the Company's ability to continue as a going concern.

The structure of the DEUTZ Group's risk management system is described in detail on page 78 onward of the 2021 annual report.

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

OUTLOOK FOR 2022

ECONOMIC OUTLOOK

When the International Monetary Fund (IMF) updated its outlook in July 2022, it lowered its global economic growth forecast for 2022 by 140 basis points compared with its January forecast. Now, the IMF expects global gross domestic product (GDP) to grow by 3.2 percent. The downward adjustment was prompted by higher inflation and a stronger decline in demand from China than previously anticipated, as well as other adverse implications of the war in Ukraine. [1]

GDP growth forecast for 2022 and 2023[1]

Year-on-year change

	2022	2023
Global	3.2%	2.9%
Industrialized countries	2.5%	1.4%
Eurozone	2.6%	1.2%
Germany	1.2%	0.8%
US	2.3%	1.0%
Emerging markets	3.6%	3.9%
China	3.3%	4.6%

[1] IMF World Economic Outlook, July 2022.

Against the backdrop of persistently rising commodity prices in both the food sector and the energy sector, the IMF believes that inflation will remain at a high level for longer than originally expected. It forecasts that inflation in the developed economies will rise from 3.1 percent in 2021 to 6.6 percent in 2022, while inflation in the emerging markets will climb from 5.9 percent to 9.5 percent.[1]

The growth projection for 2023 was revised downward more moderately to 2.9 percent. This is just 90 basis points lower than the figure at the start of the year. It is expected that measures taken by the central banks to curb inflation will cause economic growth to slow down.

PROCUREMENT MARKET

Commodity prices, energy prices, and transport costs increased at an extraordinary rate in 2021, and further significant price volatility is expected in 2022. This is due, in particular, to the current and unfolding geopolitical impact of the war in Ukraine and to the transition in industry toward a carbon-neutral future.

The procurement situation is also expected to remain very challenging. This is because of ongoing allocation arrangements in the global market, for example in the semiconductor, steel, and plastics industries.

SECTORAL OUTLOOK

DEUTZ customer industries: forecast for 2022

YoY change in unit sales (%)

	Europe	North America	China
Construction equipment[1]	0 – +5	+5 – +10	–10 – –5
Material handling[1]	0 – +5	+5 – +10	+5 – +10
Agricultural machinery[1,2]	0 – +5	+5 – +10	–5 – +5

[1] Power Systems Research, 'OE Link Update Bulletin – Q2 2022', July 2022.
[2] VDMA, Geschäftsklima und Marktentwicklung weltweit, May 2022.

In 2022 as a whole, based on currently available figures, the performance of key industries for sales of DEUTZ diesel engines for off-highway applications is likely to vary from one region to another.

In Europe and North America, the comprehensive support packages and investment programs that have been adopted should keep overall demand in the construction equipment segment at a healthy level, albeit with lower rates of growth than in the previous years. In China, however, the construction sector and demand for construction equipment are expected to contract for the first time in six years. This is seen as likely because the market is already starting to show signs of saturation. Moreover, the effects of the factory closures and disrupted production caused by coronavirus in the first half of 2022 will probably prove difficult to recover from during the remainder of the year, thus putting an additional squeeze on sales.[2]

Demand for material handling applications, especially forklift trucks, lifting platforms, and telehandlers, is set to grow across all regions. The assumption is that the increase in demand in Europe and North America will continue to be driven in particular by equipment leasing companies investing in their fleets. The capital spending already carried out in 2022 and the announcements for the remainder of the year indicate that the level of capital investment will be high again.[3]

Unit sales of agricultural machinery are set to benefit from persistently high prices for agricultural products worldwide and are therefore likely to continue to grow during 2022.[4] Bottlenecks in the supply chain and the impact of the war in Ukraine will probably slow down market growth in Europe, while in North America there are signs that the rate of growth will drop off after two years of strong sales. In China, sales of more powerful tractors, where demand is rising as a result of the recent agricultural reforms, are just starting to rise slowly.[5]

[1] IMF World Economic Outlook, July 2022.
[2] Power Systems Research, 'OE Link Update Bulletin – Q2 2022', July 2022.
[3] Quarterly reports of major leasing companies such as United Rentals and Loxam.
[4] VDMA, Geschäftsklima und Marktentwicklung weltweit, May 2022.
[5] Power Systems Research, 'OE Link Update Bulletin – Q2 2022', July 2022.

We expect the Chinese market for heavy duty trucks[1] to contract further in 2022. The reasons behind this include the high inventory levels at customers who expanded their fleets before the introduction of the CN6 emissions standard in 2021. Moreover, the transport and logistics industry was adversely affected by the strict coronavirus measures, and these resulted in massive reductions in capacity among the truck manufacturers. It also remains unclear, given that sales are falling so sharply, whether Beijing will continue to incentivize the truck market to the same extent as it has done so far.

BUSINESS OUTLOOK

DEUTZ's business in Russia, Belarus, and Ukraine had recently been generating annual revenue of around €20 million and was 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. Consequently, demand was not adversely affected by the outbreak of the war in Ukraine in the first half of 2022. DEUTZ benefited from the continuing recovery in relevant customer industries and delivered a positive overall performance. See also 'Business performance in the DEUTZ Group', p. 8 onward. Nevertheless, the geopolitical impact of the war and its future trajectory give rise to significant uncertainty. This has implications for DEUTZ, for example with regard to energy and commodity prices, availability of materials and freight capacity, and the possibility of Russia cutting off the supply of gas to parts of Europe. See also 'Economic outlook' and 'Procurement market', p. 17. For this reason, the guidance for 2022 provided below, which was prepared before the outbreak of the war at the end of February 2022 and published in the 2021 annual report, remains subject to change.

Based on the assumption that the uptrend in customer industries of relevance to DEUTZ would continue and that supply bottlenecks and shortages of materials would persist, DEUTZ forecast unit sales of between 165,000 and 180,000 engines[2] for 2022, which should result in an increase in revenue to between €1.7 billion and €1.8 billion. In this scenario, the EBIT margin before exceptional items would likely be between 3.5 percent and 5.5 percent. This span reflected not only the aforementioned revenue range but also the expectation that prices for raw materials and energy would rise further and that it would not be possible to pass on the additional costs to customers straight away due to the high level of orders on hand. Free cash flow would have been in the low to mid-double-digit millions of euros in this scenario.

After discontinuing all new engine business with Russia and Belarus 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.

[1] China Automotive Industry Association, June 2022.
[2] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

OUTLOOK FOR 2023/2024

The ongoing war in Ukraine and its geopolitical implications, paired with an already challenging procurement environment, mean that the pace of the global economic recovery is subject to substantial uncertainty. See also 'Outlook for 2022', p. 17 onward. In spite of this, DEUTZ is confirming its current medium-term targets for 2023/2024, which envisage an increase in annual revenue to more than €2.0 billion and an EBIT margin before exceptional items in the range of 7 to 8 percent.

Ongoing internationalization and the expansion of the high-margin service business, together with our technology-neutral approach to the development of our engine portfolio, will remain key growth drivers. The continued implementation of measures aimed at containing costs while raising efficiency will further underpin our profitability going forward. See also 'Strategy and objectives', p. 5.

Disclaimer This management report includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties, and other factors that may mean that the actual performances, developments, and results in the Company or those in sectors important to the Company are significantly different (especially from a negative point of view) from those expressly or implicitly assumed in these statements. The Board of Management cannot therefore make any guarantees with regard to the forward-looking statements made in this management report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2022

INCOME STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	**1–6/2022**	1–6/2021
Revenue	**1**	**930.4**	**770.2**
Cost of sales		–759.6	–631.0
Research and development costs		–53.6	–45.9
Selling expenses		–55.0	–49.5
General and administrative expenses		–35.1	–30.2
Other operating income	2	21.2	12.0
Other operating expenses	3	–11.6	–10.9
Impairment of financial assets and reversals thereof		–0.6	–1.1
Profit/loss on equity-accounted investments		–0.6	2.5
EBIT		**35.5**	**16.1**
Interest income		0.8	0.1
Interest expense		–2.3	–2.9
Other financial income / finance costs		–0.6	0.0
Financial income, net		**–2.1**	**–2.8**
Net income before income taxes		**33.4**	**13.3**
Income taxes		–5.4	0.0
Net income		**28.0**	**13.3**
thereof attributable to shareholders of DEUTZ AG		28.0	13.3
thereof attributable to non-controlling interests		0.0	0.0
Earnings per share (basic/diluted, €)		**0.23**	**0.11**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million	Note	**1–6/2022**	1–6/2021
Net income		**28.0**	**13.3**
Amounts that will not be reclassified to the income statement in the future		**16.9**	**3.6**
Remeasurements of defined benefit plans		**16.9**	3.6
Amounts that will be reclassified to the income statement in the future if specific conditions are met		**5.2**	**3.0**
Currency translation differences		6.2	4.5
thereof profit/loss on equity-accounted investments		1.9	2.1
Effective portion of change in fair value from cash flow hedges		–1.0	–1.4
Fair value of financial instruments		0.0	–0.1
Other comprehensive income, net of tax	**4**	**22.1**	**6.6**
Comprehensive income		**50.1**	**19.9**
thereof attributable to shareholders of DEUTZ AG		50.1	19.9
thereof attributable to non-controlling interests		0.0	0.0

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	**Jun. 30, 2022**	Dec. 31, 2021
Property, plant and equipment	5	352.3	358.9
Intangible assets	5	176.2	181.8
Equity-accounted investments		57.7	56.4
Other financial assets		14.7	11.1
Non-current assets (before deferred tax assets)		**600.9**	**608.2**
Deferred tax assets		83.6	88.6
Non-current assets		**684.5**	**696.8**
Inventories		437.4	375.3
Trade receivables		174.6	135.7
Other receivables and assets		50.6	40.3
Receivables in respect of tax refunds		3.0	5.9
Cash and cash equivalents		46.5	36.1
Current assets		**712.1**	**593.3**
Total assets		**1,396.6**	**1,290.1**

Equity and liabilities	Note	**Jun. 30, 2022**	Dec. 31, 2021
Issued capital		**309.0**	**309.0**
Additional paid-in capital		28.8	28.8
Other reserves		8.9	3.7
Retained earnings and accumulated income		274.1	246.9
Equity attributable to shareholders of DEUTZ AG		**620.8**	**588.4**
Non-controlling interests		0.0	0.0
Equity		**620.8**	**588.4**
Provisions for pensions and other post-retirement benefits		97.1	126.7
Deferred tax liabilities		1.9	1.8
Other provisions	7	34.5	33.4
Financial debt	6	40.9	49.2
Other liabilities		3.0	3.6
Non-current liabilities		**177.4**	**214.7**
Provisions for pensions and other post-retirement benefits		11.2	11.1
Other provisions	7	79.5	85.6
Financial debt	6	128.8	66.6
Trade payables		300.7	257.8
Liabilities arising from income taxes		1.8	3.0
Other liabilities		76.4	62.9
Current liabilities		**598.4**	**487.0**
Total equity and liabilities		**1,396.6**	**1,290.1**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital	Additional paid-in capital	Retained earnings & accumulated income	Fair value reserve [1,2]	Currency translation reserve [1]	Equity attributable to shareholders of DEUTZ AG	Non-controlling interests	**Total**
Balance at Jan. 1, 2021	**309.0**	**28.8**	**201.1**	**1.1**	**–5.0**	**535.0**	**0.2**	**535.2**
Dividend payments to shareholders			0.0			0.0	0.0	0.0
Net income			13.3			13.3	0.0	13.3
Other comprehensive income			3.6	–1.5	4.5	6.6	0.0	6.6
Comprehensive income			16.9	–1.5	4.5	19.9	0.0	19.9
Changes to basis of consolidation			0.0			0.0		0.0
Balance at Jun. 30, 2021	**309.0**	**28.8**	**218.0**	**–0.4**	**–0.5**	**554.9**	**0.2**	**555.1**
Balance at Jan. 1, 2022	**309.0**	**28.8**	**246.9**	**–1.0**	**4.7**	**588.4**	**0.0**	**588.4**
Dividend payments to shareholders			–18.1			–18.1	0.0	–18.1
Net income			28.0			28.0	0.0	28.0
Other comprehensive income			16.9	–1.0	6.2	22.1	0.0	22.1
Comprehensive income			44.9	–1.0	6.2	50.1	0.0	50.1
Changes to basis of consolidation			0.4			0.4		0.4
Balance at Jun. 30, 2022	**309.0**	**28.8**	**274.1**	**–2.0**	**10.9**	**620.8**	**0.0**	**620.8**

[1] On the balance sheet these items are aggregated under 'Other reserves'.
[2] Reserves from the measurement of cash flow hedges and reserves from the measurement of financial instruments.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	1–6/2022	1–6/2021
EBIT		**35.5**	**16.1**
Income taxes paid		–5.5	–4.5
Depreciation, amortization and impairment of non-current assets		45.7	45.7
Profit/loss and impairment on equity-accounted investments		0.7	–2.2
Other non-cash income and expenses		1.3	–0.4
Change in working capital		–42.2	0.2
Change in inventories		–51.8	–48.1
Change in trade receivables		–32.7	–21.2
Change in trade payables		42.3	69.5
Change in other receivables and other current assets		–8.8	–3.2
Change in provisions and other liabilities (excluding financial liabilities)		–12.1	–7.0
Cash flow from operating activities		**14.6**	**44.7**
Capital expenditure on intangible assets, property, plant and equipment		–26.6	–32.6
Capital expenditure on investments		–4.8	0.0
Acquisition of subsidiaries		–5.1	0.0
Proceeds from the sale of non-current assets		0.0	0.1
Cash flow from investing activities		**–36.5**	**–32.5**
Dividend payments to shareholders		–18.1	0.0
Interest income		0.2	0.0
Interest expense		–3.0	–2.5
Cash receipts from borrowings		64.2	0.0
Repayments of loans		–5.4	–5.6
Principal elements of lease payments		–8.4	–7.5
Cash flow from financing activities		**29.5**	**–15.6**
Cash flow from operating activities		14.6	44.7
Cash flow from investing activities		–36.5	–32.5
Cash flow from financing activities		29.5	–15.6
Change in cash and cash equivalents		**7.6**	**–3.4**
Cash and cash equivalents at Jan. 1		**36.1**	**64.7**
Change in cash and cash equivalents		7.6	–3.4
Change in cash and cash equivalents related to exchange rates		2.2	0.7
Change in cash and cash equivalents related to the basis of consolidation		0.6	0.0
Cash and cash equivalents at Jun. 30		**46.5**	**62.0**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2022

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements for the period ended June 30, 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated financial statements do not contain all the information and notes required by IFRS for consolidated financial statements for a full financial year, and should therefore be read in conjunction with the IFRS consolidated financial statements published for the 2021 financial year.

The condensed interim consolidated financial statements for the period ended June 30, 2022 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected notes to the consolidated financial statements – and the interim group management report for the period from January 1 to June 30, 2022 have been reviewed by an auditor pursuant to section 115 of the German Securities Trading Act (WpHG).

SIGNIFICANT ACCOUNTING POLICIES

With the exception of the amendments described below, the accounting policies used in the preparation of these interim consolidated financial statements are essentially the same as those used in the most recent consolidated financial statements for the year ended December 31, 2021. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2021.

'Property, Plant and Equipment: Proceeds before Intended Use' (Amendments to IAS 16) In May 2020, the IASB published amendments to IAS 16 clarifying the treatment of proceeds from the sale of products that are made using an item of property, plant or equipment before this has been brought to working condition at its intended location. It prohibits any such proceeds from being deducted from the cost of that item of property, plant, or equipment. These proceeds and the manufacturing costs must instead be recognized under operating income and expenses. The amendments also apply to the measurement of samples. Depreciation and amortization of property, plant and equipment that is used to produce samples cannot be included in the measurement of the samples and the provisions of IAS 2 must be applied when measuring the cost of producing samples. In addition, a definition of the term 'Costs of testing' (whether the asset is capable of being operated in the manner intended) has been added to the standard. A further amendment relates to the accounting treatment of proceeds received for the sale of items that are produced outside the ordinary course of business and the costs involved in producing them. These are now to be recognized separately and included as individual items within the statement of comprehensive income. Early adoption was permitted, but DEUTZ did not take up this option. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

'Onerous Contracts – Cost of Fulfilling a Contract' (Amendments to IAS 37) In May 2020, the IASB published amendments specifying the costs that need to be included in the assessment of onerous contracts. When assessing whether a contract is onerous, an entity must now include the full costs of fulfilling that contract, i.e. all additional costs arising as a result of the contract as well as costs that relate directly to the contract. The amendment applies to contracts for which not all obligations are fulfilled as at the date of initial application. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

'Reference to the Conceptual Framework' (Amendments to IFRS 3) In May 2020, the IASB published amendments to IFRS 3. The amendments encompass an update to the reference to the revised 2018 Conceptual Framework, application of IAS 37 or IFRIC 21 in the identification of assumed liabilities insofar as they fall within the specified areas of application, and a prohibition on the recognition of acquired contingent assets. They apply to new business combinations in financial years commencing on or after January 1, 2022. Earlier adoption was permitted if other references to the revised 2018 Conceptual Framework were adopted at the same time. DEUTZ did not adopt these amendments early. Initial application of the amended standards did not impact on the interim consolidated financial statements.

'COVID-19-Related Rent Concessions beyond 30 June 2021' (Amendment to IFRS 16) In March 2021, the IASB published changes to the practical expedients that had been published in May 2020 in respect of COVID-19-related rent concessions. The practical expedient published on May 28, 2020 gives lessees the option of not recognizing rent concessions as a lease modification, provided that certain conditions are met. In particular, this exemption could be applied to reduced rental payments that were due on or before June 30, 2021. As a result of the amendment published on March 31, this due date has been put back from June 30, 2021 to June 30, 2022. DEUTZ is not using this practical expedient, so the amendment has not had any impact on its interim consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020 Cycle In May 2020, the IASB published amendments to the standards IFRS 1, IFRS 9, IFRS 16, and IAS 41. The standards that are relevant to the DEUTZ Group are IFRS 9 and IFRS 16. The amendment to IFRS 9 clarifies that in the '10 percent test' used to assess whether to derecognize a financial liability, an entity only needs to include costs and fees that are paid or received between the entity and the lender or that are paid or received on their behalf. The amendments to IFRS 16 clarify Illustrative Example 13 relating to the treatment of lease incentives. Initial application has not had any impact on the interim consolidated financial statements.

If they are material, revenue-related and cyclical items are accrued during the year.

Income taxes Income taxes are calculated on the basis of the effective tax rate currently expected to apply to the DEUTZ Group for the year as a whole.

Significant estimates and assumptions The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made that have an impact on the recognition, measurement, and reporting of assets and liabilities, on the disclosure of contingent assets and liabilities as at the balance sheet date, and on the reporting of income and expenses in the reporting period.

CHANGES IN THE BASIS OF CONSOLIDATION

The subsidiary DEUTZ Engines (India) Private Limited, Pune, India, which had not previously been consolidated on grounds of materiality, was included in the consolidated financial statements of DEUTZ AG with effect from January 1, 2022 due to its increasing strategic significance for the DEUTZ Group. First-time consolidation did not have any material impact on the Group's financial position or financial performance.

The entities acquired at the start of May, Ausma Motorenrevisie B. V., Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland, were included in the interim consolidated financial statements of DEUTZ AG for the first time as of May 1, 2022. DEUTZ Netherlands B.V., Dordrecht, Netherlands, which is indirectly wholly owned by DEUTZ AG, acquired all of the voting shares in Ausma Motorenrevisie B. V., Roden, Netherlands. DEUTZ AG directly acquired 100 percent of the voting shares in Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland. The two acquirees are specialized in selling and servicing diesel engines and 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.

The acquisition of Ausma Motorenrevisie B. V. impacted on the DEUTZ Group's net assets as follows:

€ million	Fair values as at the acquisition date
Property, plant and equipment	0.1
Non-current assets	**0.1**
Inventories	0.3
Trade receivables	0.1
Cash and cash equivalents	0.1
Current assets	**0.5**
Total assets	**0.6**
Trade payables	0.2
Current liabilities	**0.2**
Total liabilities	**0.2**
Net assets acquired	**0.4**
thereof attributable to the DEUTZ GROUP	0.4
Consideration transferred (cash payment)	**0.6**
Goodwill of the DEUTZ Group	0.2

The goodwill resulting from the acquisition is derived from the strengthening of the DEUTZ Group's service business and the expected revenue-related synergies. This goodwill is currently not tax-deductible.

As the acquisition only took place at the start of May 2022 and the net assets acquired are still being examined, the figures for net assets acquired and the resulting goodwill are still provisional. The allocation of the goodwill to the relevant cash-generating units has therefore not yet been finalized.

The purchase consideration amounted to €0.6 million and was transferred in cash. No material transaction costs were incurred with regard to the business combinations. The net amount of the acquired trade receivables came to €0.1 million. At the date of acquisition, there were no uncollectible receivables. The business combination caused consolidated revenue to rise by €0.3 million and net income to improve marginally. If the acquisition of the company had taken place with effect from January 1, 2022, there would have been additional consolidated revenue of €0.9 million and an increase in net income of €0.1 million.

A net cash outflow (after deduction of the cash acquired) of €0.5 million has been recognized for the acquisition of the company in the 'Acquisition of subsidiaries' line item in the cash flow statement.

The acquisition of Kirkwell Ltd. (South Coast Diesels) impacted on the DEUTZ Group's net assets as follows:

€ million	Fair values as at the acquisition date
Property, plant and equipment	1.0
Non-current assets	**1.0**
Inventories	0.6
Trade receivables	1.5
Other receivables	0.2
Cash and cash equivalents	0.5
Current assets	**2.8**
Total assets	**3.8**
Trade payables	0.5
Other current liabilities	0.2
Current liabilities	**0.7**
Total liabilities	**0.7**
Net assets acquired	**3.1**
thereof attributable to the DEUTZ GROUP	3.1
Consideration transferred (cash payment)	**5.1**
Goodwill of the DEUTZ Group	2.0

The goodwill resulting from the acquisition is mainly derived from the strengthening of DEUTZ AG's service business and the expected revenue-related synergies. This goodwill is currently not tax-deductible.

As the acquisition only took place at the start of May 2022 and the net assets acquired are still being examined, the figures for net assets acquired and the resulting goodwill are still provisional. The allocation of the goodwill to the relevant cash-generating units has therefore not yet been finalized.

The purchase consideration amounted to €5.1 million and was transferred in cash. No material transaction costs were incurred with regard to the business combinations. The net amount of the acquired trade receivables came to €1.5 million. At the date of acquisition, there were no uncollectible receivables. The business combination caused consolidated revenue to rise by €0.7 million and net income to increase by €0.1 million. If the acquisition of the company had taken place with effect from January 1, 2022, there would have been additional consolidated revenue of €2.6 million and an increase in net income of €0.1 million.

A net cash outflow (after deduction of the cash acquired) of €4.6 million has been recognized for the acquisition of the company in the 'Acquisition of subsidiaries' line item in the cash flow statement.

EFFECTS OF THE UKRAINE CRISIS ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Overall, the Ukraine crisis has a negligible impact on the financial position and financial performance of the DEUTZ Group due to the Group's insignificant level of business in Russia, Belarus and Ukraine.

SELECTED EXPLANATORY DISCLOSURES

Selected explanatory disclosures relating to the interim consolidated financial statements are provided below. Further disclosures relating to the balance sheet, income statement, and cash flow statement as well as the segment reporting can be found in the interim group management report.

1. REVENUE

Breakdown of revenue by application segment in the first half of 2022

€ million

	Classic	Green	Total
Construction Equipment	277.2	0.3	**277.5**
Material Handling	169.9		**169.9**
Agricultural Machinery	135,2		**135.2**
Stationary Equipment	76.6		**76.6**
Service	223.2		**223.2**
Miscellaneous/Marine	18.0	30.0	**48.0**
Total	**900.1**	**30.3**	**930.4**

Breakdown of revenue by application segment in the first half of 2021

€ million

	Classic	Green	Total
Construction Equipment	238.5		**238.5**
Material Handling	120.2		**120.2**
Agricultural Machinery	106.2		**106.2**
Stationary Equipment	52.9		**52.9**
Service	195.4		**195.4**
Miscellaneous/Marine	30.0	27.0	**57.0**
Total	**743.2**	**27.0**	**770.2**

Breakdown of revenue by region in the first half of 2022

€ million

	Classic	Green	Total
Europe/Middle East/Africa	568.3	17.4	**585.7**
Americas	190.7	10.3	**201.0**
Asia-Pacific	141.1	2.6	**143.7**
Gesamt	**900.1**	**30.3**	**930.4**

Breakdown of revenue by region in the first half of 2021

€ million

	Classic	Green	Total
Europe/Middle East/Africa	484.2	17.1	**501.3**
Americas	123.7	7.1	**130.8**
Asia-Pacific	135.3	2.8	**138.1**
Gesamt	**743.2**	**27.0**	**770.2**

2. OTHER OPERATING INCOME

Other operating income increased by €9.2 million compared with the first six months of 2021. This was largely due to foreign currency gains.

3. OTHER OPERATING EXPENSES

The change in other operating expenses is chiefly attributable to foreign currency losses owing to increased volatility in the euro exchange rate.

4. OTHER COMPREHENSIVE INCOME

Other comprehensive income comprises the elements of the statement of comprehensive income not reported in the income statement. The taxes resulting from other comprehensive income are shown in the following table:

€ million	1–6/2022			1–6/2021		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Amounts that will not be reclassified to the income statement in the future	**24.6**	**–7.7**	**16.9**	**5.3**	**–1.7**	**3.6**
Remeasurements of defined benefit plans	24.6	–7.7	16.9	5.3	–1.7	3.6
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**4.7**	**0.5**	**5.2**	**2.4**	**0.6**	**3.0**
Currency translation differences	6.2	0.0	6.2	4.5	0.0	4.5
thereof profit/loss on equity-accounted investments	1.9	0.0	1.9	2.1	0.0	2.1
Effective portion of change in fair value from cash flow hedges	–1.5	0.5	–1.0	–2.0	0.6	–1.4
Fair value of financial instruments	0.0	0.0	0.0	–0.1	0.0	–0.1
Other comprehensive income	**29.3**	**–7.2**	**22.1**	**7.7**	**–1.1**	**6.6**

A pre-tax loss of €1.7 million relating to cash flow hedges was reclassified to the income statement in the first six months of 2022 (H1 2021: pre-tax gain of €1.1 million).

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (after deducting grants) amounted to €29.7 million in the first half of the year (H1 2021: €36.8 million). This was broken down into €24.8 million (H1 2021: €32.4 million) on property, plant and equipment and €4.8 million (H1 2021: €4.4 million) on intangible assets.

Additions to property, plant and equipment mainly related to the set-up of the new assembly line for engine series with capacities of between 4 and 8 liters, replacement purchases, and new test rigs for gas and electric drives. The bulk of capital expenditure on intangible assets was channeled into the development of new engines. As at June 30, 2022, property, plant and equipment included right-of-use assets in connection with leases amounting to €51.5 million (December 31, 2021: €57.4 million).

As in the comparative period, capital expenditure was partly offset by depreciation and amortization of €45.7 million. An impairment loss of €0.3 million was recognized on property, plant and equipment in the reporting period. The impairment arose because software that had been in development was no longer required. The impairment loss is attributable to the Classic segment.

6. FINANCIAL DEBT

€ million	**Jun. 30, 2022**	Dec. 31, 2021
Non-current	40.9	49.2
Current	128.8	66.6
Total	**169.7**	**115.8**

As at June 30, 2022, financial debt included non-current lease liabilities of €40.4 million (December 31, 2021: €45.4 million) and current lease liabilities of €16.0 million (December 31, 2021: €15.9 million).

7. OTHER PROVISIONS

€ million	**Jun. 30, 2022**	Dec. 31, 2021
Non-current	34.5	33.4
Current	79.5	85.6
Total	**114.0**	**119.0**

OTHER INFORMATION

FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of the individual financial assets and liabilities for each separate category of financial instrument, reconciled to the corresponding balance sheet item.

Financial instruments (assets)

Jun. 30, 2022	**Measured at amortized cost**	**Measured at fair value**		**Assets not within the scope of IFRS 9**	
€ million					
		Through other comprehensive income	Through profit or loss	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial assets	**0.1**	**9.1**	**2.3**	**3.2**	**14.7**
Current financial assets	**225.1**	**0.0**	**19.0**	**30.6**	**274.7**
Trade receivables	155.7	0.0	18.9	0.0	174.6
Other receivables and assets[1]	22.9	0.0	0.1	30.6	53.6
Cash and cash equivalents	46.5	0.0	0.0	0.0	46.5

[1] Incl. receivables in respect of tax refunds of €3.0 million.

Financial instruments (assets)

Dec. 31, 2021	**Measured at amortized cost**	**Measured at fair value**		**Assets not within the scope of IFRS 9**	
€ million					
		Through other comprehensive income	Through profit or loss	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial assets	**0.0**	**5.4**	**2.5**	**3.2**	**11.1**
Current financial assets	**184.7**	**0.0**	**4.2**	**29.1**	**218.0**
Trade receivables	131.5	0.0	4.2	0.0	135.7
Other receivables and assets[1]	17.1	0.0	0.0	29.1	46.2
Cash and cash equivalents	36.1	0.0	0.0	0.0	36.1

[1] Incl. receivables in respect of tax refunds of €5.9 million.

Financial instruments (liabilities)

Jun. 30, 2022	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million					
	Financial liabilities	Derivatives designated as hedging instruments (recognized as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**1.1**	**0.2**	**0.6**	**42.0**	**43.9**
Financial debt	0.5	0.0	0.0	40.4	40.9
Lease liabilities	0.0	0.0	0.0	40.4	40.4
Miscellaneous financial debt	0.5	0.0	0.0	0.0	0.5
Other liabilities	0.6	0.2	0.6	1.6	3.0
Current financial liabilities	**474.6**	**2.7**	**1.2**	**28.3**	**506.8**
Financial debt	112.8	0.0	0.0	16.0	128.8
Lease liabilities	0.0	0.0	0.0	16.0	16.0
Miscellaneous financial debt	112.8	0.0	0.0	0.0	112.8
Trade payables	300.7	0.0	0.0	0.0	300.7
Other liabilities [1]	61.1	2.7	1.2	12.3	77.3

[1] Incl. income tax liability of € 0.9 million.

Financial instruments (liabilities)

Dec. 31, 2021	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million					
	Financial liabilities	Derivatives designated as hedging instruments (recognized as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**4.4**	**0.0**	**0.6**	**47.8**	**52.8**
Financial debt	3.8	0.0	0.0	45.4	49.2
Lease liabilities	0.0	0.0	0.0	45.4	45.4
Miscellaneous financial debt	3.8	0.0	0.0	0.0	3.8
Other liabilities	0.6	0.0	0.6	2.4	3.6
Current financial liabilities	**361.2**	**1.2**	**0.7**	**25.9**	**389.0**
Financial debt	50.7	0.0	0.0	15.9	66.6
Lease liabilities	0.0	0.0	0.0	15.9	15.9
Miscellaneous financial debt	50.7	0.0	0.0	0.0	50.7
Trade payables	257.8	0.0	0.0	0.0	257.8
Other liabilities [1]	52.7	1.2	0.7	10.0	64.6

[1] Incl. income tax liability of € 1.7 million.

The following table shows the carrying amounts and fair values of all financial instruments included in the interim consolidated financial statements that fall within the scope of IFRS 7 'Financial Instruments: Disclosures' and that are not reported at fair value.

€ million	**Jun. 30, 2022**		Dec. 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Trade receivables	155.7	155.7	131.5	131.5
Other receivables and assets	22.9	22.9	17.1	17.1
Cash and cash equivalents	46.5	46.5	36.1	36.1
Financial liabilities				
Financial debt – liabilities to banks	113.3	113.4	54.5	54.6
Trade payables	300.7	300.7	257.8	257.8
Other liabilities	61.7	61.7	52.7	52.7

In the case of cash and cash equivalents, trade receivables, trade payables, and other current financial assets and liabilities (due within one year), the carrying amounts are virtually the same as the fair values owing to the short residual maturity.

The fair value of non-current financial assets and liabilities is calculated by discounting estimated future cash flows using arm's length discount rates and taking into account our own credit risk and that of our counterparties based on credit ratings and exchange rates on the balance sheet date.

The following table shows the assignment to the three levels of the IFRS 13 measurement hierarchy of the fair values as at the balance sheet date of financial assets and liabilities that were measured at fair value in the consolidated financial statements, or for which a fair value was calculated in the notes to the financial statements:

Jun. 30, 20221

€ million

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Equity investments – recognized through other comprehensive income	7.5	7.5	7.5	0.0	0.0
Securities – recognized through other comprehensive income	1.6	1.6	1.6	0.0	0.0
Securities – recognized through profit or loss	2.3	2.3	2.3	0.0	0.0
Currency forwards – recognized through profit or loss	0.1	0.1	0.0	0.1	0.0
Trade receivables	18.9	18.9	0.0	0.0	18.9
Financial liabilities					
Interest-rate swaps	0.2	0.2	0.0	0.2	0.0
Currency forwards – designated as hedging instruments	2.7	2.7	0.0	2.7	0.0
Currency forwards – held for trading	0.6	0.6	0.0	0.6	0.0
Other liabilities – held for trading	1.2	1.2	0.0	0.0	1.2
Financial debt	113.3	113.4	0.0	0.0	113.4

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
Level 2: Measurement is based on the price of a similar instrument in active markets/
measurement using a method in which all the critical input factors are based on observable market data.
Level 3: Measurement using a method in which critical input factors are not based on observable market data.

Dec. 31, 2021

€ million

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Equity investments – recognized through other comprehensive income	3.7	3.7	3.7	0.0	0.0
Securities – recognized through other comprehensive income	1.7	1.7	1.7	0.0	0.0
Securities – recognized through profit or loss	2.5	2.5	2.5	0.0	0.0
Currency forwards – recognized through profit or loss	0.0	0.0	0.0	0.0	0.0
Trade receivables	4.2	4.2	0.0	0.0	4.2
Financial liabilities					
Interest-rate swaps	0.0	0.0	0.0	0.0	0.0
Currency forwards – designated as hedging instruments	1.2	1.2	0.0	1.2	0.0
Currency forwards – held for trading	0.1	0.1	0.0	0.1	0.0
Other liabilities – held for trading	1.2	1.2	0.0	0.0	1.2
Financial debt	54.5	54.6	0.0	0.0	54.6

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
Level 2: Measurement is based on the price of a similar instrument in active markets/
measurement using a method in which all the critical input factors are based on observable market data.
Level 3: Measurement using a method in which critical input factors are not based on observable market data.

The equity investment measured at fair value through other comprehensive income is the equity investment in Blue World Technologies, Aalborg, Denmark. The decision was made to assign it to this measurement category because it is a long-term equity investment in new drive technologies. This is a field of strategic importance to DEUTZ AG but is difficult to forecast as there are still significant uncertainties.

The fair value of securities is derived from prices in active markets.

The trade receivables recognized at fair value relate to receivables that are sold as part of the existing factoring agreements. The receivables are transferred to the factoring companies at their nominal value. The fair value of the receivables corresponds to the sale price and therefore the nominal value of the receivables. The main influencing factor on the fair value of the receivables is credit risk. However, this is deemed to be negligible given that they are being sold to the factoring company.

The fair value of derivative financial instruments (currency forwards and interest-rate swaps) is calculated over the remaining term of the instrument using current exchange rates, market interest rates, and yield curves and taking into account our own credit risk and that of our counterparties. The disclosures are based on valuations by banks.

The other liabilities recognized at fair value, which amounted to €1.2 million (December 31, 2021: €1.2 million), relate to the remaining contingent consideration for the purchase of the shares in Futavis. Fair value was determined using a method based on present value. Measurement was based, in particular, on senior management's estimates of the likelihood of certain conditions occurring, for example the achievement of earnings targets.

SEGMENT REPORTING

With effect from January 1, 2022, DEUTZ put a new reporting structure in place and introduced the Classic and Green segments. The Classic segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business. The Green segment comprises all activities of the subsidiaries Torqeedo and Futavis, electric and hydrogen-powered drives, mobile rapid charging stations, and the related service business. The figures for the prior year have been restated in line with the new reporting structure. Information about the segments of the DEUTZ Group for the first half of 2022 and the first half of 2021 is shown in the following table:

1–6/2022	Classic	Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	900.1	30.3	930.4	0.0	930.4
Intersegment revenue	0.0	0.0	0.0	0.0	0.0
Total revenue	**900.1**	**30.3**	**930.4**	**0.0**	**930.4**
Operating profit/loss (EBIT before exceptional items)	61.3	–18.1	43.2	–0.6	42.6

1–6/2021	Classic	Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	743.2	27.0	770.2	0.0	770.2
Intersegment revenue	0.0	0.0	0.0	0.0	0.0
Total revenue	**743.2**	**27.0**	**770.2**	**0.0**	**770.2**
Operating profit/loss (EBIT before exceptional items)	24.8	–8.3	16.5	0.3	16.8

Reconciliation from overall profit of the segments to net income

€ million	**1–6/2022**	1–6/2021
Overall profit of the segments	**42.6**	**16.8**
Reconciliation	0.0	0.0
EBIT before exceptional items	**42.6**	**16.8**
Exceptional items	–7.1	–0.7
EBIT	**35.5**	**16.1**
Financial income, net	–2.1	–2.8
Net income before income taxes	**33.4**	**13.3**
Income taxes	–5.4	0.0
Net income	**28.0**	**13.3**

RELATED PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties.

These include the business relationships between the DEUTZ Group and entities in which it holds significant investments.

The following table shows the volume of material business relationships with entities in which the DEUTZ Group holds significant investments:

	Goods and services provided		Other expenses in connection with goods and services received		Receivables		Payables	
€ million								
	1–6/2022	1–6/2021	**1–6/2022**	1–6/2021	**Jun. 30, 2022**	Dec. 31, 2021	**Jun. 30, 2022**	Dec. 31, 2021
Associates	6.1	5.1	0.0	0.0	2.1	1.3	0.0	0.0
Joint ventures	3.0	1.4	0.0	0.0	1.9	2.2	0.0	0.0
Other investments	0.0	0.0	2.4	2.4	0.0	0.0	2.7	3.2
Total	**9.1**	**6.5**	**2.4**	**2.4**	**4.0**	**3.5**	**2.7**	**3.2**

The rise in goods supplied and services rendered to joint ventures is attributable to increased customer demand.

As at June 30, 2022, receivables of €9.2 million due from other investments had been written off in full (December 31, 2021: €9.2 million).

Some of the receivables and liabilities resulted from loans. Taken together, neither the interest and similar income nor the interest expense and similar charges arising from the interest paid on these loans are material.

Related parties also include the Supervisory Board and the Board of Management. No significant business relationships exist between members of these boards and the DEUTZ Group.

Further disclosures relating to the balance sheet, income statement, and cash flow statement as well as the segment reporting can be found in the group management report.

Cologne, August 3, 2022

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Dr. Ing. Markus Müller

Michael Wellenzohn

RESPONSIBILITY STATEMENT

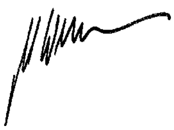
“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Cologne, August 3, 2022

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman



Dr. Ing. Markus Müller

Michael Wellenzohn

REVIEW REPORT

To DEUTZ Aktiengesellschaft, Cologne

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim group management report of DEUTZ Aktiengesellschaft, Cologne, for the period from January 1 to June 30, 2022, which are part of the half-year financial report pursuant to section 115 Wertpapierhandelsgesetz (WpHG, German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the Company's Board of Management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Cologne, August 3, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Wimmer Wirtschaftsprüfer (German public auditor)	Clivia Döll Wirtschaftsprüfer (German public auditor)

FINANCIAL CALENDAR

2022	
November 9	Quarterly statement for the first to third quarter of 2022 Conference call with analysts and investors
2023	
March 16	2022 annual report Annual results press conference with analysts and investors
April 27	Annual General Meeting
May 4	Interim management statement for the first quarter of 2023 Conference call with analysts and investors
August 10	Interim report for the first half of 2023 Conference call with analysts and investors
November 9	Interim management statement for the first to third quarter of 2023 Conference call with analysts and investors

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Only the German version of this report is legally binding. The Company cannot be held responsible for any misunterstanding or misinterpretation arising from this translation.

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