POWERING PROGRESS

DEUTZ 2022

DEUTZ

DEUTZ GROUP: OVERVIEW

€ million

	2022	2021	Change
New orders	2,033.6	2,012.6	1.0 %
Unit sales (units)	234,682	201,283	16.6 %
thereof DEUTZ engines	181,268	160,882	12.7 %
thereof Torqeedo	53,414	40,401	32.2 %
Revenue	1,953.4	1,617.3	20.8 %
EBITDA	176.2	123.1	43.1 %
EBITDA (before exceptional items)	183.0	126.2	45.0 %
EBIT	82.6	34.1	142.2 %
thereof exceptional items	– 6.8	– 3.1	119.4 %
Adjusted EBIT (EBIT before exceptional items)	89.4	37.2	140.3 %
EBIT margin (%)	4.2	2.1	+2.1 pp
Adjusted EBIT margin (before exceptional items, %)	4.6	2.3	+2.3 pp
Net income	80.2	38.2	109.9%
Net income (before exceptional items)	86.1	41.3	108.5%
Earnings per share (€)	0.66	0.32	106.3%
Earnings per share (before exceptional items, €)	0.71	0.34	108.8 %
Total assets	1,475.4	1,290.1	14.4 %
Non-current assets	629.0	608.2	3.4 %
Equity	668.8	588.4	13.7 %
Equity ratio (%)	45.3	45.6	– 0.3 pp
Cash flow from operating activities	57.7	93.3	– 38.2 %
Free cash flow[1]	– 16.6	21.6	–
Net financial position[2]	– 164.2	– 79.7	106.0 %
Working capital[3]	346.3	253.2	36.8 %
Working capital ratio[4] (average, %)	16.7	15.5	+ 1.2 pp
Capital expenditure[5] (after deducting grants)	111.6	65.7	69.9 %
Depreciation and amortization	93.6	89.0	5.2 %
Research and development expenditure (after deducting grants)	90.8	82.3	10.3 %
thereof capitalized	5.3	6.8	– 22.1 %
Employees[6] (number as at December 31)	4,975	4,751	4.7 %

[1] Cash flow from operating and investing activities less interest expense.
[2] Cash and cash equivalents less current and non-current interest-bearing financial debt.
[3] Inventories plus trade receivables less trade payables.
[4] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[5] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of R&D.
[6] From 2019 onward, the number of employees is expressed in FTEs (full-time equivalents).

DEUTZ Classic

	2022	2021	Change
New orders (€ million)	1,981.1	1,947.7	1.7 %
Unit sales (units)	181,249	160,880	12.7 %
Revenue (€ million)	1,889.4	1,563.4	20.9 %
Adjusted EBIT (€ million)	128.1	58.7	118.2 %
Adjusted EBIT margin (%)	6.8	3.8	+3.0 pp

DEUTZ Green

	2022	2021	Change
New orders (€ million)	52.5	64.9	–19.1 %
Unit sales (units)	53,433	40,403	32.3 %
Revenue (€ million)	64.0	53.9	18.7 %
Adjusted EBIT (€ million)	–39.2	–22.4	–75.0 %
Adjusted EBIT margin (%)	–61.3	–41.6	–19.7 pp

WE KEEP THE WORLD MOVING

DEUTZ supplies drives that power vehicles and machinery on construction sites, on highways, and in agriculture around the world. That is our core business and our passion.

We are working with our customers to make our product ecosystem climate-neutral by supplying sustainable drive systems, providing intelligent maintenance, and developing innovative solutions.

Our technology-neutral approach ensures the world keeps moving.

DEUTZ ANNUAL REPORT 2022

As of the end of 2020, for environmental reasons, we will no longer be printing annual reports, half-year reports, or quarterly statements for distribution. The online version of the annual report contains the complete report, further information about the overarching corporate strategy, and strategic highlights. This information is additionally summarized in a separate magazine that is also available on our website.

THE 2022 ONLINE ANNUAL REPORT
INCLUDING A KPI TOOL AND INTERACTIVE FEATURES
AT

annualreport.deutz.com/2022

DEUTZ 2022 – THE MAGAZINE
PRINTED OR AS A PDF
AT

www.deutz.com/magazin2022/en

Follow us on:

About this report

This annual report takes an in-depth look at the business performance of the DEUTZ Group and DEUTZ AG. It covers both financial and non-financial aspects. See 'Separate combined non-financial report', p. 92 onward.

REPORTING STRUCTURE

The reporting period covers the 2022 financial year, which began on January 1 and ended on December 31, 2022. To ensure that it is as up to date as possible, this report also contains any relevant information that was available by the time that the responsibility statement was issued on February 24, 2023. The consolidated financial statements and group management report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements pursuant to the German Commercial Code (HGB). The separate combined non-financial report has been prepared in accordance with section 315c in conjunction with sections 289c to 289e HGB. However, the reporting is in parts based on the aspects covered by particular criteria of the German Sustainability Code.

INDEPENDENT AUDIT

The consolidated financial statements prepared by DEUTZ AG – comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the consolidated financial statements – and the group management report were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). See 'Independent auditor's report', p. 216 onward.

The combined non-financial statement for DEUTZ AG and the Group was subject to a separate review with limited assurance by PwC that was conducted in accordance with the International Standard on Assurance Engagements, ISAE 3000 (Revised). See 'Independent practitioner's report', p. 136 onward.

The remit of PwC's audit engagement did not include auditing the online version of the report or references to external sources, such as the Company's website.

FORWARD-LOOKING STATEMENTS

This report includes certain statements and assumptions about future events and developments. Such forward-looking statements include known and unknown risks, uncertainties, and other factors. This means that the actual future performance, development, and results of the Company, and of sectors important to the Company, may be significantly different – in particular, may differ negatively – from those expressly or implicitly assumed in these statements. It is therefore not possible to make any guarantees with regard to the forward-looking statements made in this annual report.

FURTHER INFORMATION

In this report, references to further information are highlighted in the text and the relevant page number is given. A gray font is used to highlight glossary terms, explanations of which can be found on p. 234 onward in this report.

MISCELLANEOUS

This annual report is available in German and English. To improve readability, we do not indicate rounding differences in this report.

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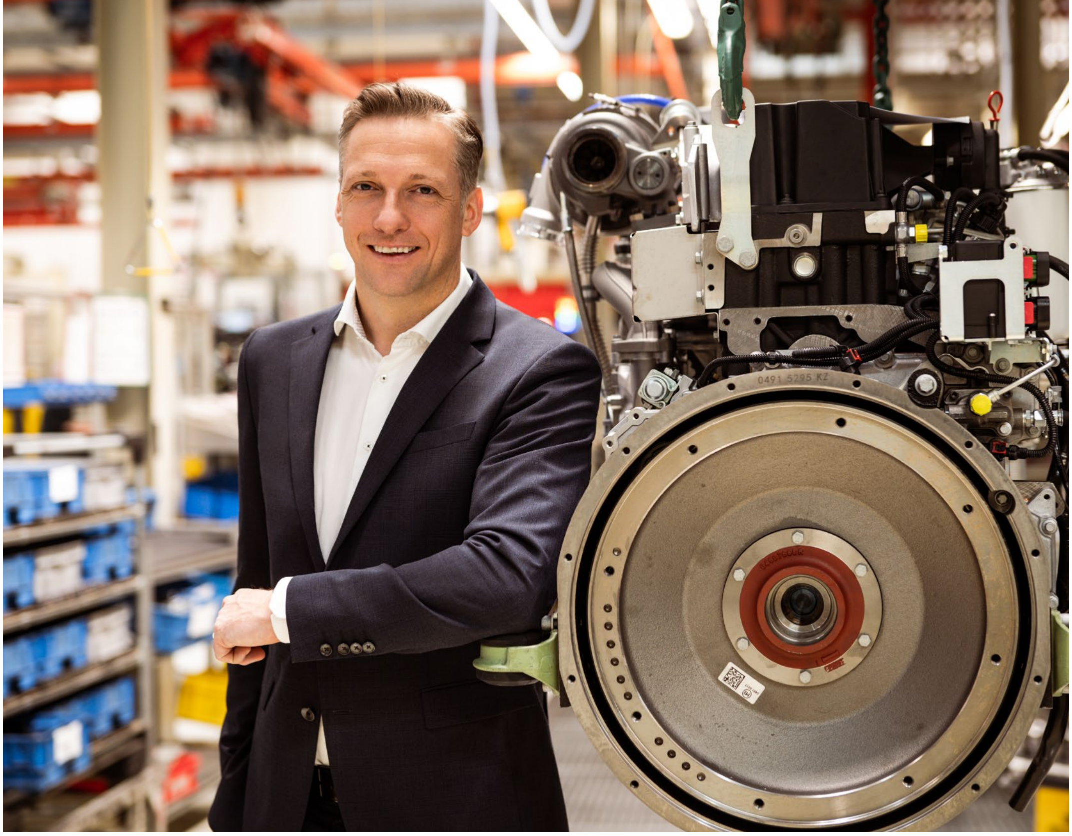
MESSAGE FROM THE CEO

Dear friends of the company,

DEUTZ engines keep the world moving – and the 2022 financial year illustrated this perfectly. Despite the challenging geopolitical and macroeconomic environment, we reached our targets for 2022, even exceeding some of them slightly. Our unit sales went up by 16.6 percent while our revenue jumped by 20.8 percent to €1.95 billion. Our profitability improved markedly too, with our adjusted EBIT more than doubling year on year to €89.4 million and our adjusted EBIT margin rising from 2.3 percent to 4.6 percent. In the Classic segment, the return on revenue of just under 7 percent was the highest in more than ten years. Adjusted for exceptional items, net income rose to €86 million, which translated into earnings per share of €0.71. Our strategic initiatives – including a market-oriented pricing policy, a greater focus on disciplined cost management, and an action plan to boost production efficiency – are already paying off.

Of course, we would also like our shareholders to reap the benefit of last year's positive business performance. The Board of Management and Supervisory Board will therefore propose to the Annual General Meeting on April 27, 2023 that accumulated income be used to pay a dividend of €0.15 per share for the 2022 financial year. This would equate to a dividend ratio of around 23 percent.

We have mapped out the route we will take to ensure that our engines keep the world moving in the future too. Under our Dual+ strategy, we are working for and with our customers to tackle the challenges of DEUTZ's transition to more sustainable drive systems. We have clearly laid out our key goals for the Classic and Green segments and for the highly profitable service business. Our firm belief is that internal combustion engines will continue to play a major role in our application areas for quite some time to come, especially if they can run on alternative fuels that have a smaller environmental impact. This is the only way that we can make the transition to climate-



We are putting DEUTZ in pole position for profitable growth with Dual+.«

DR. SEBASTIAN C. SCHULTE

neutral drive systems for off-highway applications. Going forward, we aim to manufacture at least 200,000 engines per year in the Classic segment, which will enable us to fund the expansion and further development of an innovative, green product portfolio. Last year showed that we are on the right track. This was also true of our service business, where revenue rose to around €450 million. But here too there is more that we can achieve and that we intend to achieve. Whereas we were previously aiming for revenue from this important business to rise to €500 million per year by 2025, we now expect it will be possible to increase it to around €600 million by 2025.

The ever-changing parameters within which our business operates make it essential that we regularly review our decisions. And that is exactly what we are doing. To ensure that we don't set our targets higher than we are actually able to achieve. But also to only invest in areas where we feel we can generate profitable and sustainable growth. This applies both to the advancement of our portfolio and to our regional growth initiatives. In particular, the performance of Torqeedo and our growth in China have not met our expectations of late. We will therefore be keeping a close eye on progress in these areas.

DEUTZ embodies sustainable engines, intelligent maintenance, and innovative solutions. If we are to develop and build drive technologies for the post-fossil age, we have to keep moving. No option should be dismissed out of hand. We are relying on our innovative strength and deliberately embracing new technologies to pursue a number of approaches. The key to our success will be to think and develop with a much stronger focus on connected product ecosystems and to intelligently expand our portfolio and value chains, for example by moving toward new business models beyond drivetrains.

Our plans are ambitious, and our goal is for DEUTZ to be one of the top three independent drive manufacturers by 2030. As the market consolidates, we are forming alliances and acquiring businesses. Our partnership with Daimler Truck is the first major milestone in this regard, not least because it will give us access to technologically advanced engines and save on development costs. It will also enable us to attract new customer groups.

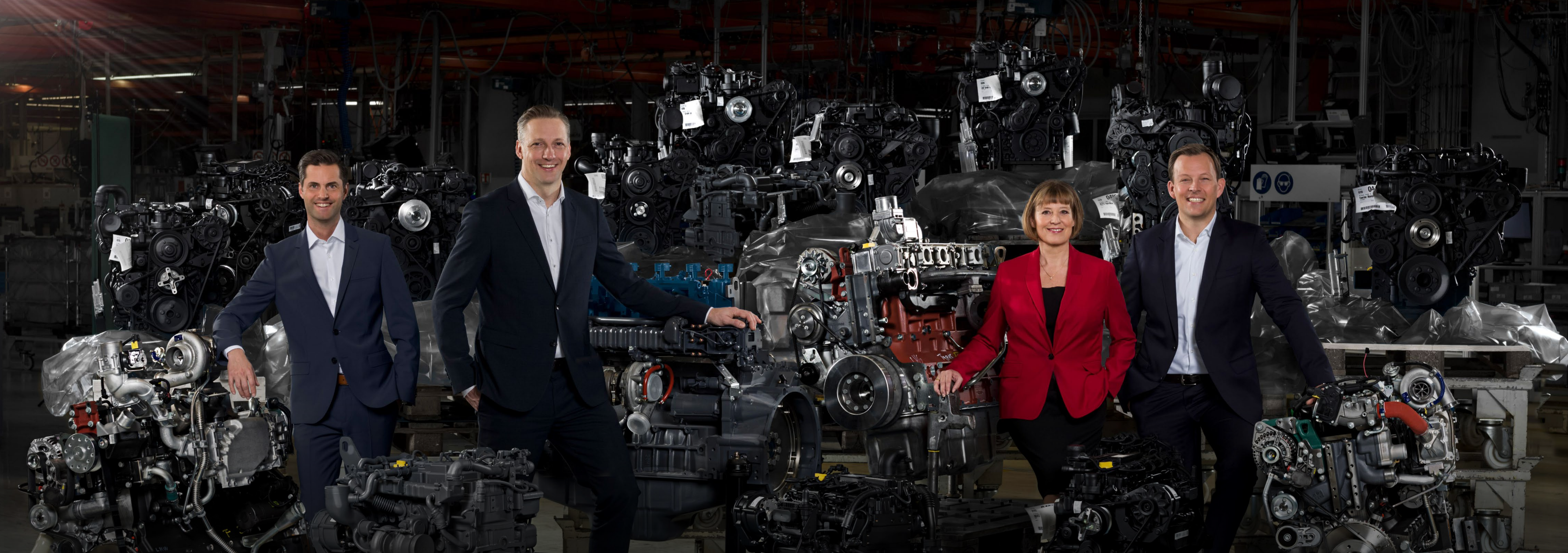
The focus of Dual+ is on sustained profitable growth: By 2025, we aim to have increased our revenue to more than €2.5 billion and to be achieving an adjusted EBIT margin of between 6 and 7 percent. To this end, we have defined four strategic areas of action as part of our Powering Progress program: priorities, potential, performance, and passion. We implemented, or at least launched, various initiatives in 2022. And as a team, we will continue to work hard to equip DEUTZ for the future. As well as reaching our financial targets, this means taking responsibility for future generations and the environment. Both objectives are very important to us. That is why we at DEUTZ are doing everything we can to become a completely climate-neutral company by no later than 2050 and investing more than €100 million in our green product portfolio over the next three years. I am confident that together we can deliver on this vision.

Cologne, March 2023

Dr. Sebastian C. Schulte

CHIEF EXECUTIVE OFFICER

THE BOARD OF MANAGEMENT



TIMO KRUTOFF

CFO and Labor Director

Member of the Board of Management
since December 1, 2022,
appointed until November 30, 2025

DR. SEBASTIAN C. SCHULTE

CEO

Chairman of the Board of Management,
member of the Board of Management
since January 1, 2021,
appointed until December 31, 2028

DR. ING. PETRA MAYER

COO

Member of the Board of Management
since November 1, 2022,
appointed until October 31, 2025

DR. ING. MARKUS MÜLLER

CTO & CSO

Member of the Board of Management
since March 15, 2021,
appointed until March 14, 2029

REPORT OF THE SUPERVISORY BOARD

Dr. Dietmar Voggenreiter
Chairman of the Supervisory Board

Dear Shareholders,

Before I report in detail on the work of the Supervisory Board and its committees in 2022, I would like to mention the many exceptional external factors that the Supervisory Board and Board of Management had to deal with last year. These included the fallout from the coronavirus pandemic, Russia's attack on Ukraine, supply disruptions, and prices for energy and raw materials, to name but a few. All of these issues had to be factored into the running of the Company. The newly formed Board of Management team responded to these external influences with determination, underpinned by a close relationship between the Board of Management and Supervisory Board based on trust, honesty, and a sense of partnership.

Despite the operational challenges to be overcome in 2022, DEUTZ reviewed and updated its strategy and set out the specific details in its Powering Progress strategy program. The program's objective is to prepare the Group for the transformation of the transportation sector, to further expand the service business, and to unlock potential for growth in the classic engine business. At the start of the 2022 financial year, DEUTZ introduced the Classic and Green segments in order to clearly show the transformation of the DEUTZ Group to you, our shareholders. These new segments form the basis for the full-year reporting for the first time in this annual report. Progress with this transformation is discussed and reported on regularly in the meetings of the Supervisory Board and its committees.

OPERATING PROCEDURES OF THE SUPERVISORY BOARD

In 2022, the Supervisory Board of DEUTZ AG continued its ongoing monitoring of the management of the business in accordance with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code and provided advice to the Board of Management on key decisions. The Supervisory Board was involved in all material decisions made by the Board of Management. In particular, the Board of Management coordinated closely with the Supervisory Board on the Company's corporate strategy.

A total of four ordinary and six extraordinary meetings of the Supervisory Board were held in 2022. Apologies for absence were received from Dr. Bernd Bohr for the meeting on June 9, 2022 and from Ms. Sophie Albrecht for the meeting on September 6, 2022. All members of the Supervisory Board participated in all the other meetings in 2022. At two meetings, everyone attended in person, while one meeting was held entirely as a telephone/video conference. The other seven meetings were hybrid events, with some attendees taking part in person and others joining virtually using telephone/video conferencing technology.

The attendance rates of the individual Supervisory Board members were as follows:

Supervisory Board member	Number of meetings of the Supervisory Board and its committees	Number of meetings attended	Attendance rate
Dr. Ing. Bernd Bohr Chairman of the Supervisory Board (until February 12, 2022)	10	9	90%
Corinna Töpfer-Hartung Deputy Chairwoman of the Supervisory Board (until September 21, 2022)	20	19	95%
Sophie Albrecht	12	11	92%
Sabine Beutert Deputy Chairwoman of the Supervisory Board (from September 22, 2022)	15	15	100%
Yavuz Büyükdag	10	10	100%
Dr. Fabian Dietrich	10	10	100%
Hans-Peter Finken	10	10	100%
Patricia Geibel-Conrad	14	14	100%
Alois Ludwig	19	19	100%
Dr. Ing. Rudolf Maier	10	10	100%
Dr. Dietmar Voggenreiter Chairman of the Supervisory Board (from February 12, 2022)	23	23	100%
Ali Yener	10	10	100%

At each of the ordinary meetings of the Supervisory Board, the Board of Management reported on the general economic, market, and competitive environment for the DEUTZ Group, presented a business update and sales report that included detailed information on the actual performance of the business over the immediately preceding period, submitted an up-to-date risk report, provided information on key operational issues, and offered an overview of the results forecast for the year as a whole. These reports were made on the basis of the key performance indicators that were already familiar to the Supervisory Board members from the Company's written monthly reports. These key performance indicators included new orders, orders on hand, revenue, unit sales, EBIT, research and development expenditure, capital expenditure, working capital, quality data, and headcount data, in each case compared against the prior-year figures and budget. Reports from the Human Resources and Audit Committees presented by their respective chairpersons were also a regular item on the agenda of the Supervisory Board meetings.

FOCUS OF SUPERVISORY BOARD DELIBERATIONS

The deliberations and discussions of the Supervisory Board in the year under review focused on the current business position and risk situation of the DEUTZ Group as well as on the operational and strategic development of the business. The latter was the subject of an extraordinary Supervisory Board meeting. In addition to the impact of the ongoing coronavirus pandemic, the Company's revenue, earnings, liquidity, supply of parts, and staffing levels were particularly affected by the war in Ukraine. The continued expansion of the E-DEUTZ activities, the development of new customer business, and steps to bring about lasting quality improvements were also the subject of in-depth discussion.

Other key decisions concerned the 2023 budget, the medium-term planning up to 2027, and the approval of capital expenditure and development projects. The Supervisory Board also adopted resolutions concerning the achievement of targets by the Board of Management – and consequently its variable remuneration for the previous year – as well as the setting of its targets and medium-term targets for the current year.

The Board of Management ensured that it provided the Supervisory Board with comprehensive, regular, and timely information at all times during the period under review. Between meetings, the Board of Management informed the members of the Supervisory Board in writing about all important events. In addition, the chairman of the Supervisory Board and the chairman of the Board of Management remained in regular contact to discuss all important transactions, imminent decisions, and optimization measures. All the decisions that the Supervisory Board was required to make in accordance with the law and Statutes were made on the basis of the reports and draft resolutions submitted by the Board of Management and, where necessary, following preparation by the relevant committees of the Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT

At the time this annual report was published, the Company's Board of Management consisted of four people: Dr. Sebastian C. Schulte (Chairman since February 13, 2022, responsible for technical and head-office functions and for sustainability; in the period February 13, 2022 to November 30, 2022, he was responsible for technical and head-office functions, excluding production, and responsible on an interim basis for finance, human resources, and information services), Dr. Ing. Petra Mayer (since November 1, 2022, responsible for production and purchasing), Dr. Ing. Markus Müller (responsible for research and development and for sales and service; in the period February 12, 2022 to October 31, 2022, he was responsible for research and development and responsible on an interim basis for production and purchasing; from September 6, 2022, he was also responsible for sales and service), and Mr. Timo Krutoff (since December 1, 2022, responsible for finance, human resources, and information services).

Following his appointment to the Board of Management with effect from January 1, 2021, the Supervisory Board appointed Dr. Sebastian C. Schulte as Chairman of the Board of Management with effect from February 13, 2022 and initiated a process to continue the restructuring of the Board of Management.

At the Supervisory Board meeting on June 9, 2022, following preparatory work by the Human Resources Committee, the Supervisory Board appointed Dr. Ing. Petra Mayer as a member of the Board of Management for the period from November 1, 2022 to October 31, 2025 and assigned responsibility for purchasing and production to her.

At the Supervisory Board meeting on September 6, 2022, following preparatory work by the Human Resources Committee, the Supervisory Board then appointed Mr. Timo Krutoff as a member of the Board of Management for the period from December 1, 2022 to November 30, 2025. He has taken over responsibility for finance, human resources, and information services and the role of Labor Director from Dr. Sebastian C. Schulte, to whom these responsibilities had been assigned on an interim basis since February 12, 2022.

Finally, at the Supervisory Board meeting on January 18, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board extended Dr. Ing. Sebastian C. Schulte's term of appointment by five years, i.e. for the period from January 1, 2024 to December 31, 2028.

Mr. Michael Wellenzohn, who had been the member of the Board of Management responsible for sales, marketing, and service and was actively involved in the restructuring of the Board of Management, left the Company on September 6, 2022 with immediate effect by mutual agreement. The Supervisory Board would like to thank Mr. Wellenzohn once again for his invaluable work and dedication and wishes him every success for the future.

As previously reported, the Supervisory Board decided unanimously at an extraordinary Supervisory Board meeting held on February 12, 2022 to revoke the appointment of Dr. Ing. Frank Hiller as Chairman of the Board of Management of DEUTZ AG for good cause and with immediate effect. Mutual agreement was subsequently reached with Dr. Ing. Hiller on the termination of his contract. The process of restructuring the Board of Management, which had begun in February 2022, was successfully concluded with the appointment of Dr. Ing. Petra Mayer and Mr. Timo Krutoff.

CORPORATE GOVERNANCE: DECLARATION OF CONFORMITY NO DEVIATIONS

At its meeting on December 13, 2022, the Supervisory Board held in-depth discussions on the German Corporate Governance Code (DCGK, versions dated December 16, 2019 and April 28, 2022) and, together with the Board of Management, issued a declaration of conformity pursuant to section 161 AktG. This declaration does not include any deviations from the Code. Since December 14, 2022, it has been available in the 'Corporate Governance' section of the DEUTZ AG website at www.deutz.com, where it can be downloaded.

MATTERS HANDLED EFFICIENTLY BY FOUR COMMITTEES

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately on pages 211 to 212 of this annual report.

At the time this annual report was published, the members of the Human Resources Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, and Mr. Alois Ludwig. The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. It particularly focuses on long-term succession planning, which involves identifying suitable candidates at an early stage. In this task, it is supported by external consultants. The Human Resources Committee held seven meetings in 2022, all of which were attended in person by all members of the committee. Among the main matters addressed were succession planning and the new structure for the Board of Management, the achievement of the Board of Management's targets for 2021, and the setting of Board of Management targets, including medium-term targets, for 2022.

At the time this annual report was published, the members of the Audit Committee were Ms. Patricia Geibel-Conrad (chairwoman), Ms. Sabine Beutert (deputy chairwoman), Ms. Corinna Töpfer-Hartung, and Dr. Dietmar Voggenreiter. The committee held four meetings in 2022, all but one of which were attended by all its members (Ms. Töpfer-Hartung sent her apologies on one occasion) and by the Board of Management. The auditor also attended all but one of the meetings. The committee members attended the meetings in person. Guests were able to participate virtually, with some of them making use of this option. Where necessary, the committee meetings were held entirely or in part without the Board of Management and/or without the auditor.

The committee's work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report and separate combined non-financial report of DEUTZ AG and the DEUTZ Group. The auditor's report on its review of the condensed consolidated financial statements and the interim management report for the first half of the year was discussed at length together with the Board of Management and in the presence of the auditor. The interim management statements for the first and third quarters were discussed with the Board of Management. The chairwoman of the Audit Committee kept in close contact with the Chief Financial Officer between meetings so that they could share information and ideas and to ensure that she was kept up to date on any important developments. The committee examined the monitoring of accounting and the accounting process, the appropriateness and effectiveness of the internal control system and the risk management system, internal auditing, the compliance management system, and the reports on significant legal disputes. For individual agenda items, the heads of relevant head-office functions were available in the committee's meetings to answer questions and give reports. The auditor declared to the Audit Committee that there were no circumstances providing grounds to suspect that its opinion was prejudiced. The Audit Committee obtained the necessary declaration of independence from the auditor, verified that it was qualified for the role, discussed the external rotation of the audit firm in 2024, and made a recommendation to the Supervisory Board on the proposal to be made to the Annual General Meeting regarding the election of the auditor for 2022. The committee appointed the auditor, discussed the auditor's fee, determined the focus of the audit, and monitored the quality of the auditing. The chairwoman of the committee and the auditor also shared information between the meetings. The Audit Committee amended the catalog of approvable non-audit services to be performed by the auditor to reflect the new rules, reviewed the services rendered during the year, and received reports on planned projects; no issues were identified.

The Board of Management reported regularly to the Audit Committee on the course of business in the segments, the relevant key performance indicators, the liquidity and funding situation, and the Group's working capital. The measurement of investments, goodwill, and other intangible assets, the structuring and refinement of non-financial reporting, and other accounting-related matters were addressed throughout the year. The Board of Management also reported to the committee on the refinement of the risk management system and of cybersecurity management, on progress with implementing the Supply Chain Due Diligence Act (LkSG), and on the call for tenders for the audit of the 2024 financial statements. At various meetings, the committee discussed the internal control system, the work and findings of Corporate Audit, compliance, IT issues and, due to the current situation, the sanctions compliance program. The head of Accounting, the ICS coordinator, the head of Corporate Audit, the Compliance Officer, the head of IT, and the head of Quality together with the head of Investor Relations gave reports on these matters and answered the Audit Committee's questions.

Reports regarding potential transactions with related parties were provided on at least a quarterly basis; no transactions requiring approval or disclosure were identified in the reporting year. The Audit Committee held preparatory discussions on the qualification matrix for the Supervisory Board. Finally, the Audit Committee resolved on the planning for 2023.

Based on the annual and consolidated financial statements and the combined management report of DEUTZ AG for the year ended December 31, 2022, the Board of Management report, and the corresponding auditor's reports, the Audit Committee carried out a detailed review of the aforementioned financial statements, the proposal for the appropriation of profit, and the remuneration report at its meeting on March 7, 2023, which was attended by the auditor and the Board of Management. During the meeting, the auditor gave a detailed report on the process and key findings of the audits of the financial statements at the parent company and at the German and non-German subsidiaries. No issues were raised in the audit findings. The internal control system relating to the accounting system, the early-warning system for risk, the key audit matters, and the defined focus of the audit were discussed in detail and the auditor provided in-depth answers to all further questions. No material weaknesses in the internal control system were reported. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern. The requirements for the risk identification system in respect of risk-bearing capacity, risk aggregation, and the documentation of risks were determined by the auditor and then implemented.

The committee's preparatory review also encompassed the separate combined non-financial report of DEUTZ AG and the DEUTZ Group and the auditor's review of the remuneration report. The Supervisory Board had engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to also conduct reviews with limited assurance of the non-financial report and remuneration report and to produce related assurance reports. The auditor reported on these reviews at the meeting as well. This was followed by an intensive discussion of the main results and findings.

At the subsequent meeting of the full Supervisory Board, the chairwoman of the committee reported in detail on the aforementioned reviews and their findings. The recommendations prepared for the Supervisory Board for resolutions concerning the financial statements were approved and adopted by the Supervisory Board without change in each case.

In the year under review, the Audit Committee continued to keep up to date with the changes to the regulatory environment and discussed the measures that would need to be taken by DEUTZ AG to meet the enhanced requirements of the European Single Electronic Format (ESEF) regulation, the new rules on risk management systems, the DCGK reforms in 2022, and changes to sustainability reporting (particularly the requirements of the EU Taxonomy Regulation, the EU sustainability reporting standards, and the Corporate Social Responsibility Directive).

In 2022, the chairwoman of the Audit Committee also routinely provided detailed updates on the committee's work at each subsequent meeting of the full Supervisory Board.

At the time this annual report was published, the members of the Arbitration Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, Ms. Sophie Albrecht, and Mr. Ali Yener. The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) MitbestG. It did not need to be convened during the year under review.

At the time this annual report was published, the members of the Nomination Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sophie Albrecht, and Mr. Alois Ludwig. The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. It held two meetings in 2022, both of which were attended in person by all members of the committee. The main matters addressed at the meetings were the preparations for the Supervisory Board election to be held in 2023 and the identification and selection of suitable candidates.

The Supervisory Board gave its approval to the recommendations for board resolutions submitted by the committees.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AUDITED IN DETAIL AND APPROVED

The annual financial statements of DEUTZ AG prepared by the Board of Management in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) – as adopted by the European Union (EU) – and the additional German statutory requirements pursuant to section 315 (1) HGB, and the combined management report for DEUTZ AG and the DEUTZ Group, in each case for the year ended December 31, 2022, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditor appointed by the Annual General Meeting on April 28, 2022. The auditor issued unqualified opinions. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern. PwC GmbH Wirtschaftsprüfungsgesellschaft, Cologne, has been the auditor for DEUTZ AG and the DEUTZ Group since the 2014 financial year. The designated German public auditors [Wirtschaftsprüfer] are Harald Wimmer (the German public auditor responsible for the audit since the 2021 financial year) and Clivia Döll (since the 2021 financial year).

The annual financial statements of DEUTZ AG, the consolidated financial statements, the combined management report, the Board of Management's proposal for the appropriation of profit, and the auditor's reports were made available to all members of the Supervisory Board and were examined by the Supervisory Board. The auditor explained its audit findings in detail to the Audit Committee meeting held on March 7, 2023 and to the Supervisory Board meeting held on March 14, 2023 and answered any supplementary questions raised. The Supervisory Board approved the findings of the auditor's reports on DEUTZ AG and the DEUTZ Group. The concluding findings of the Supervisory Board's own review have not led to any reservations about either the annual financial statements or the consolidated financial statements, and the Supervisory Board has therefore approved them. The annual financial statements have thus been adopted. Finally, the Supervisory Board reviewed the separate combined non-financial report in accordance with its obligation pursuant to section 171 (1) sentence 4 AktG. It did not identify any issues.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

There were no changes to the composition of the Supervisory Board in 2022. However, the Supervisory Board elected Dr. Dietmar Voggenreiter as its new chairman after Dr. Ing. Bernd Bohr stepped down as chairman of the Supervisory Board at the extraordinary Supervisory Board meeting on February 12, 2022. The Supervisory Board would like to take this opportunity to thank Dr. Ing. Bohr for his work as chairman of the Supervisory Board and welcomes the continuation of a professional and close working relationship with him.

At its extraordinary meeting on September 21, 2022, the Supervisory Board elected Ms. Sabine Beutert as its deputy chairwoman after Ms. Corinna Töpfer-Hartung resigned from the role on that day. The Supervisory Board would also like to expressly thank Ms. Töpfer-Hartung for her work as deputy chairwoman and is looking forward to the continuation of a successful working relationship with her.

The following changes to the composition of the Supervisory Board's committees were made in 2022 and up to the time that this annual report was published:

At the extraordinary Supervisory Board meeting on February 12, 2022, in view of the fact that Dr. Dietmar Voggenreiter was taking over as chairman of the Supervisory Board from Dr. Ing. Bernd Bohr, it was decided that Dr. Voggenreiter would succeed Dr. Ing. Bohr in all his committee roles with immediate effect.

Furthermore, because Ms. Sabine Beutert took over as deputy chairwoman of the Supervisory Board from Ms. Corinna Töpfer-Hartung, Ms. Beutert became a member of the Human Resources Committee on the basis of section 7 no. 1 a) of the rules of procedure for the Supervisory Board and a member of the Arbitration Committee on the basis of section 27 (3) MitbestG, in both cases with effect from September 21, 2022. By contrast, the composition of the Audit Committee was such that no changes were required to its membership; this was furthermore confirmed by the Supervisory Board, for the avoidance of doubt, at the extraordinary meeting.

DEUTZ AG supports members when they first join the Supervisory Board and subsequently offers them training and continuing professional development (CPD). Suitable training and CPD measures are regularly discussed by the Supervisory Board members among themselves and also with the Board of Management and the chairman of the Supervisory Board. New members are also provided with comprehensive information on the Company's corporate governance. As is customary at DEUTZ AG, Supervisory Board members are given the chance to get to know the Company and the individual departments for themselves.

CONFLICTS OF INTEREST / INDEPENDENCE OF SUPERVISORY BOARD MEMBERS / THANKS

No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review. The current members of the Supervisory Board of DEUTZ AG are all considered independent within the meaning of article C.6 sentence 2 of the German Corporate Governance Code in the version dated April 28, 2022.

The Supervisory Board would like to express its thanks and appreciation to all employees of the DEUTZ Group in Germany and abroad, to the elected employee representatives, and to the Board of Management for their valuable efforts and the considerable dedication they showed in 2022. Special thanks are due for the hard work and flexibility shown by all employees again this year as they dedicated themselves to the Company's cause in what remained a challenging environment.

Cologne, March 2023

Dr. Dietmar Voggenreiter
The Supervisory Board

DEUTZ in the capital markets

Key data on stock market listing

ISIN	DE0006305006
WKN	630500
Reuters	DEZG.DE
Bloomberg	DEZ:GR
Market segment	Regulated Market/Prime Standard
Index	SDAX
Trading platforms	Xetra, Frankfurt/Main and all other German stock exchanges
Designated sponsor	HSBC Trinkaus & Burkhardt

All in all, 2022 was a weak year for the stock markets. Germany's key DAX index climbed to a new high of 16,285 points on January 6, but then fell continuously to reach its low for the year of 11,862 points at the end of September. Despite picking up noticeably in the fourth quarter, it closed at 13,923 points on December 30, 2022. This represented a decrease of 12.4 percent compared with the end of 2021. The SDAX, to which DEUTZ shares belong, dropped by 27.4 percent over the same period and closed at 11,925 points at the end of 2022. The DAXsector Industrial, which comprises German industrial companies, also declined year on year, sliding by 11.5 percent to 7,895 points.

The impact of the coronavirus pandemic on the stock markets dissipated in 2022, but the war in Ukraine that broke out in February initially led to a sharp correction in the global equity markets. This was followed by substantial increases in oil and gas prices and caused prices to spiral upward. In the USA, inflation peaked at 9.1 percent, while the highest rate for the eurozone was 10.6 percent in October. This surge drove the central banks to take action: The key interest rate in the USA was raised by a total of 350 basis points in five increments and, by the end of the year, the eurozone had notched up three interest-rate hikes amounting to a total of 250 basis points. These interest-rate rises weighed very heavily on the equity markets.

Weaker performance for DEUTZ share price From their high of €6.99 at the beginning of January, DEUTZ shares dropped almost continuously to reach their low for the year of €3.02 at the end of September. The shares then consolidated and climbed to €4.42 following publication of the Company's results for the first three quarters on November 9, 2022, which were well received by the markets. However, DEUTZ shares lost a little ground again toward the end of the year and closed at €4.05, putting the year-end closing price 38.4 percent below the closing price for 2021.

Market capitalization stood at €489 million at the end of the reporting period.

Key figures for DEUTZ shares

€

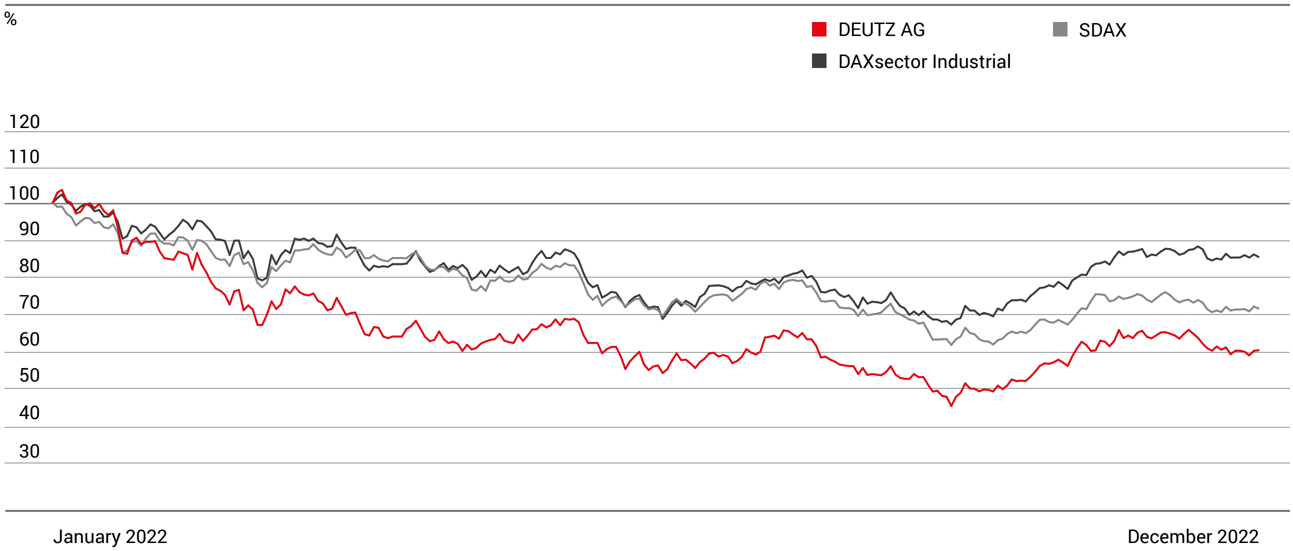
	2022	2021
Number of shares as at Dec. 31	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price[1] as at Dec. 31	4.05	6.57
Share price high[1]	7.00	8.29
Share price low[1]	3.02	5.10
Market capitalization as at Dec. 31 (€ million)	489.0	794.1
Earnings per share	0.66	0.32

[1] Xetra closing price; from Jan. 1, 2022 to Dec. 31 2022.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income or loss for the year attributable to the shareholders of DEUTZ AG by the weighted average number of shares in issue. Based on the number of shares in issue during the 2022 reporting year and net income of €80.2 million, basic earnings per share amounted to €0.66, compared with €0.32 in 2021.

DEUTZ shares relative to DAXsector Industrial and SDAX (indexed)



ALL DEUTZ SHARES IN FREE FLOAT

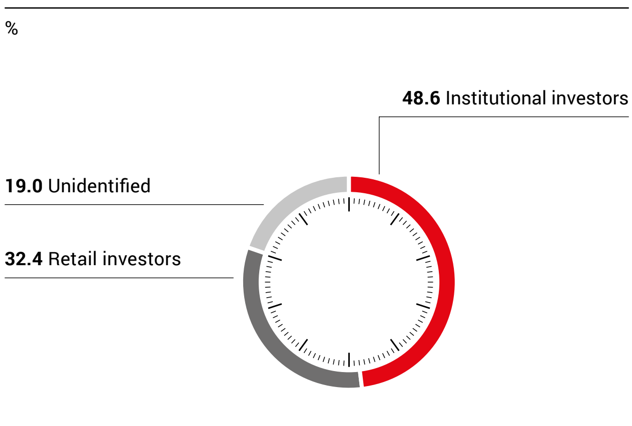
100 percent of DEUTZ AG's shares are in free float. As regards the shareholder structure, the proportion of the shares held by retail investors increased in the reporting year. They held 51.4 percent of the shares as at December 31, 2022 (December 31, 2021: 37.6 percent), while the proportion held by institutional investors stood at 48.6 percent (December 31, 2021: 62.8 percent). The majority of the retail investors are in Germany. US investors dominate among the institutional investors, holding a total of 19.1 percent of the shares, while German fund management companies hold 10.8 percent.[1]

At the end of 2022, the following companies held more than 3 percent of the shares in DEUTZ AG: Ardan Livvey Investors B.V. (Netherlands) 5.0 percent, Dimensional Holdings (USA) 4.0 percent, Janus Henderson (UK) 4.2 percent, Acadian Asset Management (UK) 3.8 percent, The Vanguard Group, Inc. (USA) 3.5 percent, and Norges Bank Investment Management (Norway) 3.3 percent.[1]

Voting right notifications pursuant to section 40 (1) of the German Securities Trading Act (WpHG) and notifiable managers' transactions in securities pursuant to Article 19 of the Market Abuse Regulation (MAR) are published on our website at www.deutz.com under Investor Relations.

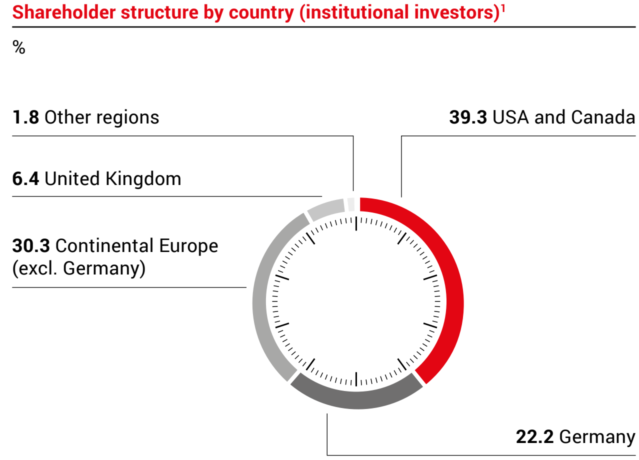
[1] Nasdaq, December 2022.

Shareholder structure[1]



[1] Nasdaq, December 2022.

Shareholder structure by country (institutional investors)[1]



[1] Nasdaq, December 2022.

DIVIDEND

DEUTZ strives to fund a significant proportion of its growth strategy itself, that is to say from its own capital. At the same time, DEUTZ wants its shareholders to participate in the success of the Company in the form of an adequate and regular dividend. Under its dividend policy, it aims to distribute around 30 percent of net income to shareholders.

The Board of Management and Supervisory Board will propose to the Annual General Meeting on April 27, 2023 that accumulated income be used to pay a dividend of €0.15 per share for the 2022 financial year. This would give a dividend ratio of 23.6 percent.

TRANSPARENT CAPITAL MARKETS COMMUNICATIONS

The objective of investor relations work is to provide all stakeholders with transparent information about current and future developments in the DEUTZ Group and thereby to build long-term trust in the Company and thus its shares. To this end, DEUTZ undertakes to comply with the transparency guidelines in the German Corporate Governance Code, always communicating promptly, openly, and comprehensively with shareholders, financial analysts, and other capital market players with an interest in the Company.

As in previous years, DEUTZ engaged in intensive dialogue with the capital markets in 2022. In addition to producing regular financial reports, the Company provided details of current business performance and other key developments during conference calls and in periodic press releases. The Board of Management and the Investor Relations management team were also available for talks with interested parties from the capital markets at conferences, roadshows, and private meetings. As the coronavirus pandemic receded, these events increasingly took place in person again.

ANALYSTS' RECOMMENDATIONS

The assessments and recommendations of financial analysts provide a basis for equity investments by retail and institutional investors. At the time this annual report was published, a total of seven banks and securities houses produced reports on DEUTZ shares.

Analysts' recommendations [1]

Institution	Date	Target price (€)	Recommendation
Berenberg	Feb. 23, 2023	6.00	Hold
DZ Bank	Feb. 21, 2023	6.70	Buy
Hauck & Aufhäuser	Feb. 22, 2023	8.50	Buy
HSBC Trinkaus & Burkhardt	Nov. 14, 2022	6.80	Buy
Kepler Cheuvreux	Feb. 6, 2023	7.00	Buy
M. M. Warburg	Nov. 17, 2022	7.20	Buy
Quirin	Feb. 14, 2023	7.12	Buy

[1] As at February 23, 2023; references to such recommendations and evaluations are made solely to provide readers with information on a non-binding basis. They do not mean that DEUTZ AG endorses, supports, or confirms the recommendations, opinions, or conclusions of the equity research analysts in any way. DEUTZ AG accepts no liability for the selection of analyst recommendations and assessments reproduced here, nor does it accept any liability for whether they are up to date, complete, or accurate. None of the information provided here should be construed as an offer to buy DEUTZ shares, nor does it constitute marketing for DEUTZ shares. DEUTZ AG's liability for loss or damage suffered by third parties as a result of information provided here is excluded.

Further information and publications on the DEUTZ Group and DEUTZ shares can be found on our website at www.deutz.com.

INDEX FOR MANAGEMENT REPORT

FUNDAMENTAL FEATURES OF THE GROUP

BUSINESS MODEL AND SEGMENTS

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 5,000 people worldwide at the end of 2022. 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 current 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.

Since January 1, 2022, the Company's operating activities have been divided into the segments Classic and Green. See also 'Strategy and objectives', p. 22 onward. The Classic segment, which generated around 97 percent of consolidated revenue in 2022, encompasses all activities related to the development, production, distribution, and servicing of diesel and gas engines as well as the equity-accounted joint venture with Chinese construction equipment manufacturer SANY. The Green segment consists of all activities related to new and alternative drive solutions. This includes hydrogen engines, all-electric and hybrid-electric drives, mobile rapid charging stations, the related service business, and the subsidiaries Torqeedo and Futavis.

MARKET AND COMPETITIVE ENVIRONMENT

Sales of engines based on efficient diesel technology, which is the current core business of the DEUTZ Group, are focused on the Europe, North America and Asia regions, and in the case of the latter particularly China. The Group faces competition from rival engine suppliers, mainly in western Europe, North America, and Asia.

DEUTZ's main competitors by application[1,2]

Application segments	Applications	Main competitors[3]
Construction Equipment	Excavators Wheel loaders Pavers Mining equipment	Cummins, USA Isuzu, Japan Weichai, China Yanmar, Japan
Material Handling	Forklift trucks Telehandlers Lifting platforms Ground support equipment	Cummins, USA Isuzu, Japan Volkswagen, Germany Yanmar, Japan
Agricultural Machinery	Tractors Harvesters	Fiat Powertrain, Italy John Deere, USA Perkins, UK Yanmar, Japan
Stationary Equipment	Gensets Pumps Compressors	Cummins, USA Kubota, Japan Perkins, UK Yanmar, Japan
Miscellaneous	Rolling stock Special vehicles Marine engines	Cummins, USA Ford, USA General Motors, USA Kubota, Japan

1 Power Systems Research, October 2022, power output from 19 to 620 kW.
2 With the exception of Weichai, Chinese competitors are not listed here due to the lack of comparable quality standards and the significantly lower cost structures.
3 In alphabetical order.

In February 2023, the EU parliament resolved that, from 2035 onward, newly registered passenger cars and light commercial vehicles up to 3.5 tonnes will no longer be allowed to emit any greenhouse gases. This effectively prohibits the use of gasoline and diesel engines in these vehicles. The resolution does not yet apply to medium- and heavy-duty trucks or to off-highway applications, which means that it does not affect any vehicles that fall under DEUTZ's current or future application segments. However, it can be assumed that DEUTZ's supplier base will change in the future as a result of the decision.

STRATEGY AND OBJECTIVES

The DEUTZ Group's primary objective is to permanently establish itself among the top three independent drive manufacturers and to offer a fully carbon-neutral product and technology portfolio by no later than 2050. At the same time, the Company wants to achieve profitable and sustainable growth and has set itself clear medium-term targets for 2025: revenue in excess of €2.5 billion and an EBIT margin before exceptional items of between 6 percent and 7 percent. See also 'Outlook for 2025', p. 69.

DEUTZ aims to achieve its financial objectives while also fulfilling its environmental, social, and corporate responsibilities. This ambition is reflected in the name of the new sustainability strategy, Taking Responsibility. In line with this strategy, DEUTZ has defined various sustainability-related targets, which alongside the reduction of emissions cover topics such as respect for human rights, diversity, and sustainability in the supply chain. See also the non-financial report, p. 92 onward.

»Dual+« strategy DEUTZ updated its overarching growth strategy in 2022, and in doing so put in place a clear framework for further business expansion. To achieve additional growth and greater profitability, DEUTZ will now be pursuing a Dual+ strategy, which is based on three key pillars: continued growth in DEUTZ's Classic business with optimized internal combustion engines, the creation of a new, zero-emission product ecosystem, and the expansion of the service business. The Company is thereby actively engaging with the challenges of the transition to more sustainable drive systems, and furthering its own evolution from engine manufacturer to provider of drive solutions.

For the implementation of the Dual+ strategy, DEUTZ has specified four strategic areas of action that form part of its Powering Progress program. It defined these priorities over the course of 2022 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). The overarching objective is to improve the Company's technological capabilities and commercial performance and accelerate the shift toward a modern corporate culture.

1. DEUTZ Classic The industry sectors that make up DEUTZ's customer base are in the middle of a fundamental shift toward greater carbon neutrality. The Company's objective is to empower its customers to carry out this transition successfully and capitalize on the resulting opportunities for growth.

DEUTZ believes that off-highway applications will still require the use of combustion engines if the transition to more sustainable drive systems is to be a smooth one. That is why the Classic segment will continue to underpin the growth of DEUTZ's business over the coming years, with the volume of production of these engines set to increase to, and stay at, more than 200,000 units a year. In order to achieve this target, DEUTZ is aiming for a sharp improvement in performance, for example by improving how it utilizes existing capacities and by implementing measures to increase efficiency. The aim is also to significantly increase profitability in the Classic business, for example by optimizing the product portfolio and the production network, by permanently establishing a market-oriented pricing policy, and by forging ahead with the automation and digitalization of operational and administrative processes. See also 'Purchasing and procurement', p. 32 onward, and 'Production and logistics' p. 29 onward.

The engine market is undergoing a process of consolidation as it adapts to the transition to more sustainable drive systems. From a commercial perspective, this presents an opportunity for achieving further growth in the Classic segment through targeted acquisitions and alliances. DEUTZ is looking to seize this opportunity and will therefore play an active role in a consolidating market. The Company made its first move at the end of January 2023 when it announced a partnership with Daimler Truck to develop and market medium- and heavy-duty engines. The alliance mainly covers two areas. First, DEUTZ will acquire the IP rights to Daimler Truck's medium-duty MDEG engines in the on-highway segment so that it can further develop them itself, including for use in off-highway applications, such as construction equipment, and in on-highway commercial vehicles. The IP for the MDEG engines also covers a gas variant, which provides a good basis for developing it into a hydrogen engine. DEUTZ will also acquire license rights from Daimler Truck so that it can further develop the engines in the heavy-duty HDEP series for use in off-highway applications such as large agricultural machinery. It will also market these engines itself. Daimler Truck will continue to build the heavy-duty engines, whereas the medium-duty engines will be assembled at DEUTZ. The engine variants that will be marketed by DEUTZ are scheduled to go into production in 2028. Daimler Truck will be taking a 4.19 percent stake in DEUTZ to underpin the alliance. This will make Daimler Truck one of the biggest single shareholders in DEUTZ AG.[1] See also 'Events after the reporting period', p. 201 onward.

2. DEUTZ Green Some sectors have already reached a consensus on how to achieve net zero. There appears to be no going back with electrification in the automotive sector, for example. But for engines that move large loads and are in continuous use, the Company believes that a number of technological options are available – or even a combination of them. For this reason, DEUTZ pursues a technology-neutral approach when adding to or refining its drive portfolio. This means improving the carbon footprint of the internal combustion engine, for example through the use of HVO[2], hydrogen, or synthetic fuels, and developing alternative drive systems such as electric drives.

Back in 2017, DEUTZ initiated its E-DEUTZ strategy aimed at developing a scalable portfolio of hybrid and all-electric drives to meet specific customer requirements. The Company's role is to act as both systems engineering partner and systems integrator. In other words, DEUTZ supplies a harmonized system consisting of an electric drive, battery, power electronics, and reduction gear for traction and work unit, along with control software for battery management, functional safety, and actuator logic. See also 'Research and development', p. 26 onward.

In addition to electrification, the Company believes that hydrogen drives, the use of e-fuels, and fuel cell technology are key elements of the drive-system mix that helps to create green off-highway applications. See also 'Research and development', p. 26 onward.

DEUTZ intends to expand its portfolio and value chains, for example by moving toward new business models beyond drivetrains, and in doing so to extend its offering across the entire product ecosystem. Reflecting the changing demands on infrastructure, the aim is to harness new value chains in areas such as the charging of electric machinery and supplying the fuel for hydrogen engines. This is illustrated by the DEUTZ PowerTree, a mobile rapid charging station for which DEUTZ received its first volume production order in 2022. See also 'Research and development', p.26 onward.

Over the next three years, DEUTZ plans to invest more than €100 million in the Green segment.

3. DEUTZ Service – the benefits of the Dual+ strategy DEUTZ engines are in operation for around ten years on average in some of the most unforgiving conditions. The Company's aim, going forward, is to do more to capitalize on the associated potential in service and aftersales, thereby growing not just the Classic and Green segments but also the service business. The objective is for revenue from this important business to rise to around €600 million by the end of 2025 while maintaining the same level of profitability. To achieve this, DEUTZ is focusing on expanding its global service network, including through acquisitions and strategic partnerships, expanding its portfolio of services by adding mainly digital concepts, and extending its service activities to non-DEUTZ engines.

Two acquisitions took place in the service business in 2022 as DEUTZ acquired its former service partners Ausma Motorenrevisie B.V. which is headquartered in Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesels), based in Kildare, 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.

[1] Final completion of the two transactions is subject to the usual conditions, in particular with regard to confirmation of the recoverable amount of the non-cash contributions by a court-appointed auditor.
[2] Hydrotreated Vegetable Oils.

MAIN SITES AND BASIS OF CONSOLIDATION

DEUTZ AG is the executive and operating parent company in the DEUTZ Group; it is headquartered in Cologne, Germany. It has various investments in Germany and abroad, including several companies that perform sales and service functions, plus production facilities in China, Germany, Morocco, Spain, and the USA.

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.

The acquired entities, Ausma Motorenrevisie B.V., Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland, were included in the consolidated financial statements of DEUTZ AG for the first time with effect from 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 specialize in selling and servicing diesel engines and operate as multi-brand dealers. As well as improved market penetration, the acquisitions will help DEUTZ to expand its service business in these countries to include competitors' engines.

In addition to DEUTZ AG, ten German companies (December 31, 2021: ten) and 28 foreign companies (December 31, 2021: 25) were included in the consolidated financial statements as at December 31, 2022. A complete list of DEUTZ AG's shareholdings as at December 31, 2022 can be found in the annex to the notes to the consolidated financial statements. See also 'Shareholdings of DEUTZ AG', p. 209 onward.

INTERNAL CONTROL SYSTEM

The DEUTZ Group defines its budget targets and medium-term corporate targets using selected key performance indicators (KPIs). The Group is managed on the basis of the following financial performance indicators in order to increase profitability and achieve sustained growth. These KPIs are alternative performance measures that are not defined in the International Financial Reporting Standards (IFRS). A reconciliation of these KPIs to the amounts recognized in the financial statements is provided below.

Key performance indicators[1]		2022	2021
Revenue growth	%	20.8	24.8
EBIT margin (before exceptional items)	%	4.6	2.3
Working capital ratio (average)	%	16.7	15.5
ROCE (before exceptional items)	%	9.0	4.1
R&D ratio	%	4.6	5.1
Free cash flow	€ million	– 16.6	21.6

[1] Alternative performance measures.

Revenue growth DEUTZ strives to steadily increase its revenue as the basis for the profitable growth of the Company. Revenue data is collated on a monthly basis, broken down by product group, application segment, and region. This data is provided to senior management promptly so that it can, if necessary, react quickly to changes as they materialize.

EBIT margin (before exceptional items) The main key performance indicator that DEUTZ uses to manage the Company's operating performance is the EBIT margin before exceptional items. It is based on the Group's earnings before interest and tax (EBIT). The EBIT figure is then adjusted for exceptional items and calculated as a percentage of revenue. 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 margin before exceptional items is, like revenue growth, calculated monthly and presented to senior management as part of internal reporting. Exceptional items amounted to €6.8 million in 2022. This was the net effect of the recognition of €9.1 million in provisions following several changes at senior management level, partly offset by a reversal of €2.3 million of provisions for decommissioning obligations that were recognized as part of the sale of the land at the former Cologne-Deutz site.

Working capital ratio (average) The Company's tied-up capital is managed using the average working capital ratio. This is the ratio of average working capital over the past four quarters to revenue for the preceding twelve months. Working capital comprises inventories plus trade receivables less trade payables. Along with revenue growth and the EBIT margin (before exceptional items), this key figure is calculated monthly and used by senior management to control the business.

ROCE[1] (before exceptional items) The return on the capital employed in the Group is measured and managed on an annual basis using the key figure ROCE (before exceptional items). This is calculated as follows:

ROCE[1]

€ million

	2022	2021
Total assets	1,475.4	1,290.1
Cash and cash equivalents	–54.9	–36.1
Trade payables	–291.5	–257.8
Other current and non-current liabilities	–81.9	–66.5
Capital employed	**1,047.1**	**929.7**
Capital employed (average for the year)[2]	**988.4**	**916.3**
EBIT before exceptional items (operating profit/loss)	**89.4**	**37.2**
ROCE (before exceptional items, %)	**9.0%**	**4.1%**

[1] Return on capital employed.
[2] Average of the opening and closing balances.

R&D ratio As a technology-focused company, DEUTZ considers the R&D ratio to be one of its most significant performance indicators in the internal management system. It is the ratio of research and development expenditure (after deducting grants) to revenue in the period in question. The R&D ratio is calculated monthly and reported to senior management.

Free cash flow The DEUTZ Group uses free cash flow as its main performance indicator for managing liquidity. It comprises net cash provided by, and used for, the operating activities and investing activities of the Group during the period in question less interest payments in connection with financing activities. This indicator shows what cash flow generated in the relevant year is available to the Company, e.g. for repaying liabilities or paying a possible dividend to shareholders. Free cash flow is reported to senior management monthly.

Based on the performance indicators described here, DEUTZ has set up an early warning system in order to be proactive and respond promptly. At the same time, it operates a robust system of causal analysis to ensure that it minimizes risks and makes the most of opportunities. Three times a year, an annual forecast is produced for all key performance indicators to ensure transparency with regard to the Company's business performance.

In addition to the financial performance indicators that form part of the management system described above, DEUTZ also employs other metrics to measure its economic performance. These include, but are not limited to, new orders received, revenue and unit sales on the income side, the working capital as at the reporting date with regard to tied-up capital, and earnings before interest, taxes, depreciation, and amortization (EBITDA).

[1] Return on capital employed.

Moreover, the Group net income and the DEUTZ AG statutory income in accordance with the German Commercial Code are significant factors for DEUTZ as regards dividend payments.

Continuous optimization of the control system Regardless of fluctuations in the economic cycle, one of the DEUTZ Group's overriding aims is the continuous optimization of its management systems. This essentially involves the annual planning of all performance indicators specified here, taking account of internal estimates of future business as well as benchmark figures from competitors. Each organizational unit prepares detailed plans for its area of responsibility, which are then coordinated with management. Both the specific unit sales and revenue targets and the customer and product-related targets (EBIT margins) are aligned with the operating units each year, taking groupwide objectives into consideration. This means that they are available at the relevant hierarchical level for use in the operational management of the segments.

Working capital targets are specified for the individual group companies in order to optimize the amount of capital tied up in the business. Specific targets for inventories, trade receivables, and trade payables are allocated to the individual employees with responsibility for the respective areas.

In order to secure the financial basis for its growth strategy, the Company has made the management of capital expenditure a central element in the management of tied-up capital, whereby specified budget figures set out the framework for the level of capital expenditure and development expenditure; actual requirements are derived from the medium-term planning of unit sales and the resulting requirements in terms of capacity and technologies. Annual budget meetings are held to coordinate individual projects, development expenditure, and planned capital expenditure with the groupwide financial planning process and to record the outcomes. An additional detailed review is carried out before projects are actually approved. To this end, standard investment appraisal methods are used, such as the internal rate of return, the amortization period, the net present value, the impact on earnings, and cost comparisons. A project with an appropriate budget is only approved if there is a clear positive outcome from this investment appraisal.

In addition to financial key performance indicators, DEUTZ is also guided by sustainability-related targets, which are reported on in detail in the separate non-financial report. See also the non-financial report, p. 92 onward.

RESEARCH AND DEVELOPMENT

Global emissions legislation requirements are not the only factors that shape the DEUTZ Group's research and development activities. Another major influence is the steady march of climate change together with the related debate about reducing harmful greenhouse gases. The 2015 Paris Agreement aims to limit global warming to 1.5 degrees. In contrast to cars and commercial vehicles, there are currently no laws or limits aimed at reducing the CO_2 emissions of mobile machinery. However, in order to achieve the Paris climate goals, DEUTZ believes it is also essential for the off-highway sector to play its part by reducing, as far as possible, the amount of harmful CO_2 emissions that it produces. DEUTZ is therefore actively pursuing the development of carbon-neutral drive systems in the off-highway segment, and aims to offer a climate-neutral product and technology portfolio by no later than 2050.

Open to new technologies Different applications with varying power requirements call for a range of drive solutions. Construction equipment and agricultural machinery, for example, need a great deal more power and energy than forklift trucks or lifting platforms. This is why DEUTZ is taking an open-minded approach to technology as it continues to develop its engine portfolio, essentially pursuing a two-pronged technology route toward carbon-neutral off-highway drive solutions. The Company firmly believes that internal combustion engines will continue to play a dominant role in certain mobile machinery applications in the years ahead, helping to facilitate a smooth transition to more sustainable drive systems. As regards these applications, DEUTZ's R&D activities are directed toward developing more climate-friendly internal combustion engines that can be run on alternative or sustainable energy sources such as HVO, hydrogen, or e-fuels. The second part of our two-pronged approach is to employ electric technology more widely.

Electric drive solutions The E-DEUTZ strategy, initiated back in 2017, plays an instrumental role in the development of green off-highway drive solutions. It aims to create a scalable product portfolio of electric drives and hybrid variants for specific customer requirements in off-highway applications. Electric drive systems are considered carbon-neutral, whereas hybrid systems reduce total carbon emissions during operation by downsizing engine capacity while maintaining overall system performance.

The E-DEUTZ development team is based at a number of sites. Over the next few years, it will be focusing on commercializing basic drive systems for customer applications in the low and medium power output range, for example for airport ground support equipment, construction equipment, and agricultural machinery.

In 2022, DEUTZ launched an electric 360-volt drive system on the market that is used in a range of applications such as electric crawler cranes and tracked dumpers, concrete pumps, telescopic handlers, and mini excavators. An integral element of this system is a 42 kWh lithium-ion battery developed by DEUTZ subsidiary Futavis; it meets the safety technology requirements for electric-powered road vehicles in accordance with the ECE R100 directive. DEUTZ plans to take the 360-volt system, which had reached preproduction by the end of 2022, to full production readiness in 2023.

Electric drive systems are restricted in their autonomy and take longer to 'refuel' (recharge) than conventional internal combustion engines. Which is why DEUTZ developed the PowerTree, a mobile rapid charging station for electric construction vehicles that won the 2022 Diesel Progress Summit Award in the category 'Electric or Hybrid Application of the Year'. Built into a ten-foot container, the PowerTree's integrated battery storage system means that machines can be charged on site even when there is no access to mains power. Downtime is reduced to a minimum thanks to a rapid-charge function that is capable of delivering up to 150 kW. DEUTZ delivered the first prototypes in 2021. The pilot phase concluded in 2022, and at the same time the latest version was launched on the market featuring an improved design that makes it easier to transport. It is now also possible to scale the battery capacity, allowing for optimal adaptation to the customer's technical and commercial requirements.

As regards the electric-powered marine sector, DEUTZ subsidiary Torqeedo stepped up the delivery of a project with Proton Motor Fuel Cell GmbH in 2022, having signed a cooperation agreement at the end of 2021. The project's goal is to develop a marine hydrogen-hybrid kit that enables the integration of hydrogen fuel cell charging into Torqeedo's electric boat propulsion systems. The hydrogen-electric Deep Blue hybrid system is designed to enable faster refueling, reduce speed and range limitations, and meet the emission requirements on ecologically sensitive waterways and in urban areas. On successful completion of the development project, which is being funded by the Bavarian government, the two companies plan to jointly market and industrialize the system.

In 2022, Torqeedo also joined a project funded by the German Federal Ministry of Education and Research (BMBF), the goal of which is to develop an energy-optimized drive system for maritime urban transport. Torqeedo is currently working on a charging infrastructure solution for the drive system with minimal transmission losses. This will then be integrated into the design of Torqeedo's Deep Blue system by making the necessary changes to hardware and software.

Hydrogen drive solutions In addition to electric drives, DEUTZ is pushing ahead with the development of internal combustion engines that use sustainable energy sources and can therefore be run on a carbon-neutral basis. Hydrogen is one of these sustainable energy sources that can be used as a fuel for carbon-neutral internal combustion engines. 'Green' hydrogen, which is generated from solar, hydro, or wind power, offers the possibility to convert energy from renewable sources into a storable gas for efficient use.

After embarking on the development of its first production-ready hydrogen engine, the TCG 7.8 H2, in 2021, DEUTZ made further progress with the implementation of its hydrogen strategy in 2022. A stationary H2 genset went into operation in a joint pilot project between DEUTZ and Cologne-based energy provider RheinEnergie. During the initial six-month test phase, the combination of a DEUTZ hydrogen engine and a generator is delivering electric power of up to 187.5 kilovolt-amperes, which is being fed directly into the local power grid. We believe that the solution being piloted by DEUTZ and RheinEnergie has huge potential for the local, carbon-neutral supply of energy in urban centers and areas without power infrastructure. DEUTZ has also joined forces with AVS and the Voith Group to develop a mobile H2 genset. It quietly and efficiently generates power for electrical applications, and if green hydrogen is used, it is carbon-neutral. This mobile electricity generator is ideal for locations without access to mains power, such as construction sites. Furthermore, DEUTZ joined the HyCET (Hydrogen Combustion Engine Trucks) research project consortium in 2022. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the project, two 18-tonne trucks will be developed and fitted with DEUTZ TCG 7.8 H2 hydrogen engines. The trucks will then be put through their paces by using them in the regular logistics operations of the BMW Group and DEUTZ. The four-year research project has a total investment volume of €19.5 million, of which €11.3 million will be funded by the German Federal Ministry for Digital and Transport (BMDV).

The hydrogen engine, which meets current emissions standards for zero-emission heavy commercial vehicles, is set to go into production at the end of 2024.

Diesel engines At the end of 2020, DEUTZ entered into a development partnership with John Deere Power Systems with a view to expanding its engine portfolio in the power range up to 130 kW. Both partners built additional validation engines in 2022 and trialed them on a test rig. The TCD 3.9 is scheduled to go into full production in 2025. The TCD 3.9 is particularly suited to industrial applications and, thanks to its drive architecture, can be made available in variants fueled by lower-emission alternatives such as gas and hydrogen.

DEUTZ also continued to develop its new TCD 5.2 engine in 2022. This diesel engine has four cylinders and a displacement of 5.2 liters and, looking ahead, is intended to replace larger six-cylinder engines. It does not use exhaust gas recirculation and is instead equipped with an efficient nitrogen oxide (NOx) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The elimination of exhaust gas recirculation means the engine can be made more powerful, which allows its capacity and thus also fuel consumption to be reduced. Combustion efficiency is improved as well, reducing fuel consumption even further. The TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid operation thanks to the 48-volt electric drive option. After supplying prototypes for a range of customer applications in 2021 and 2022, DEUTZ plans to start full production in 2023.

At the end of 2022, DEUTZ approved its entire TCD engine range for operation with alternative diesel fuels. This means that paraffinic diesel fuels such as HVO (hydrotreated vegetable oil) can now be used to run all DEUTZ engines that meet the EU Stage V emissions standard. HVO is an innovative biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. The use of HVO fuels reduces the carbon footprint of DEUTZ's internal combustion engines by up to 95 percent. Synthetic fuels, known as e-fuels, will complement paraffinic diesel fuels in the medium term.

R&D spending Expenditure on research and development in 2022 amounted to €99.5 million, compared with €88.0 million in the prior year. After the deduction of grants received from development partners and subsidies, expenditure rose from €82.3 million in 2021 to €90.8 million. R&D spending was thus above the range of €75 million to €85 million forecast in the 2021 annual report[1] as a result of the increase in activities to expand the Green portfolio. The proportion of capitalized development expenditure after deducting grants amounted to €5.3 million (2021: €6.8 million). The R&D ratio after deducting grants decreased from 5.1 percent in the prior year to 4.6 percent in 2022 due to the unusually sharp increase in revenue.

Research and development expenditure (after deducting grants)

€ million (R&D ratio in %)

R&D spending by the DEUTZ Classic segment after deducting grants came to €59.1 million (2021: €58.9 million) and that of the DEUTZ Green segment came to €31.7 million (2021: €23.4 million), with the latter accounted for mainly by the development of the 360-volt system and the hydrogen engine.

[1] The guidance published in the 2021 annual report (original guidance) was put under review at the time the report was published on March 14, 2022 due to the outbreak of war in Ukraine. No new guidance was provided for this indicator when the new full-year guidance was issued in November 2022; see quarterly statement dated November 9, 2022.

PRODUCTION AND LOGISTICS

DEUTZ Group production sites

Germany

- **ALSDORF/AACHEN (FUTAVIS)**
  Battery management systems
- **OBERPFAFFENHOFEN (TORQEEDO)**
  Electric boat drives, complete e-marine drive systems
- **HERSCHBACH**
  Components plant for manufacturing and pre-assembly of complex add-on components
- **COLOGNE-PORZ (DEUTZ AG HEADQUARTERS)**
  Assembly plant for production engines with capacities of less than 4 liters and between 4 and 8 liters, center of excellence for camshafts and crankshafts
- **COLOGNE-KALK**
  Center of excellence for crankcase manufacturing
- **ULM**
  Production of the DEUTZ PowerTree, Xchange engine remanufacturing, small production runs for crankcases, crankshafts, and gearwheels, and small production runs for engine series due to be discontinued

China

- **CHANGSHA (SANY JOINT VENTURE)**
  New high-performance-engine assembly plant for SANY trucks and construction equipment on a greenfield site; production of engines for trucks, construction equipment, and concrete pump applications on a brownfield site
- **TIANJIN**
  Assembly engines with capacities of less than 4 liters and with capacities of 6 liters for applications in lifting platforms, in forklift trucks, and in small construction equipment as part of the local contract manufacturing alliance with BEINEI

Spain

- **ZAFRA (DEUTZ SPAIN)**
  Center of excellence for the processing and pre-assembly of cylinder heads, crankcases for engines with capacities of less than 4 liters, conrods, and gearwheels

Morocco

- **SAPINO (MAGIDEUTZ)**
  Gensets

USA

- **PENDERGRASS/ATLANTA (DEUTZ CORPORATION)**
  Value-added production, Xchange engine remanufacturing

Ongoing global bottlenecks in the availability of materials, major delays in the supply chain, and pandemic-related outages presented huge challenges for the operational units and the internal and external supplier network in 2022. DEUTZ responded by rescheduling at short notice, and through significant extra work and comprehensive shortfall management. See also 'Purchasing and procurement', p. 32 onward, and 'Procurement market', p. 34.

Despite these challenges, DEUTZ significantly increased production output at all sites from 166,103 in 2021 to 184,965 DEUTZ engines[1] in 2022. DEUTZ improved overall efficiency at its European plants[2] by around 4.3 percent in 2022. It achieved this by implementing measures to increase efficiency in various production units and maintaining tight control over staffing levels. Ongoing **lean** management training across all sites and the delivery of lean projects and **kaizen** workshops further improved the cost base.

Undeterred by these operational challenges, DEUTZ continued to optimize its production processes and expand its global production network in 2022. In particular, the Company focused on initiating and implementing measures to improve technical and commercial performance, such as optimizing groupwide supply chain management (SCM), developing digitalization applications and Industry 4.0 applications, and expanding the global production network in China. The Company's overarching goal is to gradually increase production efficiency with the aim of being able to produce at least 200,000 engines a year in the Classic segment on a sustainable basis. See also 'Strategy and objectives', p. 22 onward.

Optimization of groupwide supply chain management As part of restructuring its supply chain, DEUTZ initiated a multi-stage project in 2020 that seeks to establish a future-proof value chain featuring reliable processes and flexible structures. The goal is to uncouple all stages within the value chain, from the procurement of raw materials to preproduction and the finished product, in order to simplify workflows and speed up response times, and thus add value for the customer. There was a continued focus in 2022 on creating the conditions for meeting systemic requirements.

In a world characterized by volatility, uncertainty, complexity, and ambiguity, DEUTZ needs to be able to react flexibly to ever-changing external factors. To ensure that it can do so, DEUTZ launched its Integrated Global Supply Chain initiative in 2022 as part of its Powering Progress program. The initiative will prepare the Company's complex supply chains for existing and future global requirements by increasing cost efficiency and ensuring reliable and timely delivery to the plants, and therefore to customers. Digitalizing and harmonizing SCM processes, optimizing value streams, and restructuring the organization are some of the key tasks defined by the initiative, which will run until 2025. Among other things, DEUTZ plans to establish a central Corporate SCM unit with global responsibility for strategic SCM alignment and for ensuring that all production sites across the Group use standard processes. A new SCM Excellence unit was established in 2022. Furthermore, export distribution centers (EDC) will be set up to manage global material flows and requirements in line with the global material planning strategy. They will channel the requirements of the regional plants and act as the sole interface with the supplier. Moreover, the introduction of constraints management alongside inventory management will ensure that any supplier-side shortfalls are covered.

As part of its digitalization strategy to increase commercial performance, DEUTZ launched a new global logistics platform in 2022. Its purpose is to map all global supply chains in a standardized way and link all stakeholders in the supply chain to provide a comprehensive data ecosystem. After the platform went live in China at the end of 2022, the next stage in 2023 is to continue the implementation for the Chinese supplier network, and to launch it in Germany. In the medium term, a new system for detailed planning and management will be introduced to provide more productive and transparent production capacity planning, thus enabling the necessary modernization of assembly planning at the engine factory in Cologne-Porz.

Capital expenditure DEUTZ continued to plan and deliver a range of investment projects in 2022 with the aim of improving its technical performance and safeguarding its long-term competitiveness.

In 2022, DEUTZ began to implement a new assembly setup for its 4 to 8-liter engines at its headquarters in **Cologne**. It is scheduled to be up and running by the second half of 2023. It will offer a higher level of automation and greater flexibility, paving the way for the move from the current two assembly lines to a single line for all newer 4 to 8-liter engine series, including DEUTZ's TCG 7.8 H2 hydrogen engine. The assembly system will also feature new, longer assembly stations that can accommodate engines for varying amounts of time, thus making it easier to efficiently manage differences in takt time. For the first time, the operator guidance system and tightening technology will be integrated on the assembly vehicles alongside the engine and materials to optimize flexibility in the overall system.

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

At the **shaft center** in Cologne-Porz, DEUTZ implemented an automation project in 2022 that used robot chains to supply a number of processing machines, which significantly increased efficiency and productivity in the manufacture of crankshafts and camshafts. Further automation projects are in the pipeline for 2023, and another three processing machines and a new crankshaft cleaning system are also scheduled to come on stream.

At the end of 2022, DEUTZ started using its new **logistics center** on a trial basis, just a stone's throw from its headquarters in Cologne-Porz. In addition to engine storage and dispatch, the 45,000m² building has space for other logistics activities, including the empty containers center for outer packaging, part of stationary assembly, and exhaust aftertreatment (EAT) picking. The multi-function center simplifies DEUTZ's logistics structures considerably, reducing the number of sites from five to two. By consolidating premises in this way, production and logistics can be brought closer together while lowering costs at the same time. The center is scheduled to officially open in the first half of 2023.

A new machine for processing rocker arms came on stream at the DEUTZ site in **Herschbach** in 2022. In addition to halving the takt time, its automated loading and unloading feature also increases output quality. Tool and maintenance costs are also lower as the new machine replaces three old machines in total. DEUTZ is also investing in a new logistics hall in Herschbach with the aim of improving the efficiency of goods inward, storage, picking, and the provision of outgoing material at the plant in line with the latest lean principles. It is set to come on stream in late 2023/ early 2024.

An updated version of the PowerTree was industrialized at the DEUTZ site in **Ulm** in 2022. See also the non-financial report, 'Product stewardship', p. 113 onward. Production times and costs were reduced by simplifying the new design and optimizing processes. The resulting savings are helping to offset the current price increases for bought-in parts such as electronic components.

At DEUTZ Spain's components plant in **Zafra**, the first prototypes of the 3.9 liter engine were manufactured for delivery to DEUTZ and John Deere in 2022. The engine is set to enter full production in 2025. Several flexible processing machines were purchased in 2022 with a view to upgrading the plant, and workpiece handling was automated on a crankcase processing line at the turn of 2022/2023.

Expansion of production capacity in China As part of its joint venture with SANY, DEUTZ opened a new assembly plant for high-performance engines close to the SANY truck factory in Changsha. Existing production lines at the sites in Kunshan and Changsha were moved to the new production facility and brought on stream in 2022. Initially, larger 9, 12, and 13-liter diesel engines will be built here for SANY trucks and construction vehicles. In mid-2023, another assembly line is set to go live that will produce DEUTZ engines exclusively for off-highway applications.

At the site in Tianjin, which manufactures drives for construction equipment and material handling systems under a cooperation agreement with diesel engine maker BEINEI, volume production of DEUTZ's 2.9 CN4 series was ramped up in 2022 after the China 4 off-highway emissions legislation came into force. Production increased from around 500 engines in 2021 to 4,732 in 2022, and that number is set to rise again in 2023. Since the end of 2022, the new factory, which will initially operate as a production hub for the local market, has been manufacturing DEUTZ TCD 6.1 engines as well as the 2.9 series.

New Board of Management role of Chief Operating Officer The success of a company depends to a large extent on the satisfaction of its customers, which is directly linked to the quality of its products. The foundations for high product quality and delivery reliability are laid at the purchasing and production stages. See also the non-financial report, 'Product quality', p. 117 onward. In 2022, DEUTZ established the new role of Chief Operations Officer to link purchasing, production, and logistics more closely together. The purpose of creating a role focused on the processes in purchasing, logistics, and production is to leverage synergies more efficiently, further minimize costs, and better optimize quality.

PURCHASING AND PROCUREMENT

The DEUTZ Group maintains business relationships with around 5,900 suppliers in more than 60 countries. With a total purchasing volume of nearly €1.4 billion worldwide, the Company's supply chain makes a significant contribution to its value creation process.

Substantial delays in the supply chain in 2022 were enormously challenging not just for the production units but also for Purchasing as well as the supply chain function and its processes. In an already difficult environment for procurement, the outbreak of the war in Ukraine further exacerbated global bottlenecks in materials and transportation. The war's impact on the global flow of goods has severely affected DEUTZ, even though none of its direct suppliers are located in the crisis-hit regions. The geopolitical fallout from the war also pushed up prices, including those for energy and raw materials, leading to direct and indirect cost increases on the procurement side. See also 'Procurement market', p. 34.

As part of its performance initiatives, DEUTZ established a process to share the burden of rising procurement costs with its suppliers and customers. Continual monitoring of markets and prices provided the starting point for the many negotiations conducted with suppliers in this context in 2022. DEUTZ also passed on higher input prices in full to its customers through two rounds of price rises.

DEUTZ has adopted this more market-oriented pricing policy in order to be better able to compensate for swings in prices for raw materials, energy, etc. and to strengthen its competitive position. The increasingly proactive approach to pricing is primarily aimed at maintaining relatively stable margins, even in an inflationary environment.

Supplier risk management The primary aim of the overarching supplier risk management system is to avoid disruptions to supply by minimizing and managing risks and supply shortages. In order to identify potential risks at an early stage, Purchasing uses a digital information tool to continuously monitor more than 1,000 production component suppliers and suppliers of non-production items. This enables Purchasing to proactively take risk-mitigating measures where required.

When the coronavirus pandemic broke out, DEUTZ strengthened its existing risk management system 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.

Global purchasing organization and strategy DEUTZ intends to gradually centralize Group purchasing so that, in the medium term and as far as is reasonably practical, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. In 2021, as a first step, it set up a groupwide organizational structure for purchasing and established the Purchasing Excellence department, which assumed global responsibility for the purchasing function's strategy, governance, processes, methods, and tools. DEUTZ also set up a platform that provides it with a transparent overview of the supplier base across all sites and allows it to structure spending across the Group in a standardized way. The DEUTZ subsidiary Torqeedo and the DEUTZ companies in China and Morocco were integrated into this platform in 2022. The reporting year also saw a groupwide purchasing policy drawn up that, once signed off as planned in 2023, will require all procurement activities to be approved by Group purchasing.

Sustainable procurement DEUTZ systematically manages its suppliers using a 'supplier cockpit', with which it monitors the performance of key suppliers, primarily from the perspective of the quality of the supplied components, lead times, availability, and commercial conditions. With the implementation of the groupwide sustainability strategy, however, the selection of suppliers is also going to be increasingly based on sustainability criteria. For example, DEUTZ uses a web-based assessment platform for global supply chains and a business partner compliance tool in order to be able to query and evaluate various aspects of sustainability. See also the non-financial report, 'Supplier management', p. 110 onward.

The topic of sustainable procurement gained added significance with the adoption of the Supply Chain Due Diligence Act (LkSG) in 2021. This act came into effect in Germany on January 1, 2023 and is intended to prevent, minimize, or eliminate risks relating to human rights and the environment within the supply chain. In relation to this, DEUTZ will publish its first declaration of principles in 2023. As well as a description of how DEUTZ fulfills its due diligence obligations, the declaration will disclose the high-priority human rights risks and environmental risks that have been identified and, building on this, will set forth what DEUTZ expects from its employees and suppliers. See also the non-financial report, 'Supplier Management', p. 110 onward.

The DEUTZ code of conduct for suppliers (Supplier Code) is a key instrument in the Company's efforts to communicate sustainability aspects to its supply chain. The code sets out mandatory groupwide requirements, for example with regard to ensuring compliance with occupational health and safety standards and certain environmental protection standards as well as respecting human rights. In 2022, DEUTZ comprehensively revised the content of its code of conduct for suppliers. Certain expectations that the code sets out were expanded and formulated in greater detail in line with the LkSG and international frameworks, such as the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Moreover, content that had previously taken the form of recommendations was turned into mandatory requirements that a supplier now has to fulfill in order to work with DEUTZ. In order to ensure and track the effectiveness of the Supplier Code to the greatest possible extent, site audits of both existing and new suppliers are conducted on a sample basis to assess their compliance with the requirements set out in the code. See also the non-financial report, 'Supplier Management', p. 110 onward.

EMPLOYEES

Overview of the DEUTZ Group's workforce[1]

Headcount

	Dec. 31, 2022	Dec. 31, 2021
DEUTZ Group	**4,975**	**4,751**
Thereof		
In Germany	3,434	3,273
Outside Germany	1,541	1,478
Thereof		
Non-salaried employees	2,694	2,576
Salaried employees	2,195	2,083
Trainees	86	92

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

DEUTZ employed 4,975[1] people worldwide as at December 31, 2022, which was 224 more than at the end of 2021. This rise was primarily due to the sharp increase in production volume. In response to the noticeable increase in demand, DEUTZ hired new employees and made previously temporary workers part of its regular workforce. Further reasons for the headcount growth were the expansion of the basis of consolidation – for example due to the acquisition of the DEUTZ service partners Ausma Motorenrevisie B.V. and Kirkwell Ltd. (South Coast Diesels) and the inclusion of the subsidiary DEUTZ Engines (India) Private Limited, which had previously not been consolidated on grounds of materiality – and the implementation of regional growth initiatives, for example in connection with the shared service center in Spain and the establishment of the new DEUTZ Power Centers in the USA.

At 69 percent, the bulk of the Group's workforce is based in Germany. Of the 3,434 employees in Germany, 2,591 work at the Company's headquarters in Cologne.

The number of temporary workers decreased year on year from 401 to 237, mainly because people who had previously been temporary workers were taken on as employees. They made up around 5 percent of the workforce in 2022 compared to around 8 percent in 2021.

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

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

ECONOMIC ENVIRONMENT

High inflation leads to lower growth Following a robust global economic recovery in 2021, the 2022 reporting year was characterized by the impact of the war in Ukraine, rising inflation, and renewed outbreaks of coronavirus in China. The latest estimate from the International Monetary Fund (IMF) shows a rise in global value creation of 3.4 percent, a marked a decline compared with the prior-year figure of 6.2 percent. Growth in global trade slowed significantly, from a rate of 10.4 percent in 2021 to 5.4 percent in 2022. This was primarily attributable to rising inflation, which was up from an annual average of 4.7 percent in 2021 to 8.8 percent in the reporting year.[1]

GDP growth[1]

YoY change (%)

	2022	2021
Global	3.4	6.2
Industrialized countries	2.7	5.4
Eurozone	3.5	5.3
Germany	1.9	2.6
USA	2.0	5.9
Emerging markets	3.9	6.7
China	3.0	8.4

[1] IMF: World Economic Outlook Update, January 2023.

Whereas GDP in the industrialized countries increased by a total of 2.7 percent, the emerging markets experienced slightly stronger growth of 3.9 percent. China, an emerging market with great influence on the global economy, recorded below-average growth of 3.0 percent for the first time in many years as a result of its highly restrictive coronavirus containment policies.

PROCUREMENT MARKET

Following the substantial supply shortages in the global procurement market in 2021, the procurement of components and raw materials remained challenging in 2022. This was due to ongoing bottlenecks worldwide in the availability of materials, particularly electronics, plastic, and steel. The outbreak 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, particularly due to the coronavirus lockdowns in China and the sustained level of very high demand in the global economy. This resulted in further cost increases as well as supply chain delays. Electricity and gas prices also jumped to record highs in the reporting year.

Energy prices Forward contract prices in both the electricity market and the gas market in Europe rose sharply at the start of 2022 compared with their levels in previous years.[2] The outbreak of the war in Ukraine and the resulting reduction in the volume of gas supplied by Russia, the main supplier, caused prices in the German electricity and gas markets to shoot up by 800 percent and 315 percent respectively compared with the end of 2021, reaching all-time highs of around €985 and €314 per MWh.[2] Although electricity and gas prices came back down in the fourth quarter of 2022, they remained significantly above their levels at the end of 2021.

Commodity prices Having already reached a high level in 2021, commodity prices continued to climb in 2022. However, they remained below the levels reached in 2021. Prices for foundry scrap and wrought iron scrap went up by a further 7 percent and 4 percent[3] respectively compared with average prices for 2021, while prices for the non-ferrous metals aluminum and nickel, for example, jumped by around 20 percent and 55 percent respectively[4].

Transportation market In 2022, the transportation market experienced cost increases, particularly on routes between Asia and Europe and between Europe and the USA, as well as capacity bottlenecks and longer transit times. Tight shipping capacity and an insufficient number of containers available to shipping lines led to significantly longer transit times and delays for goods being transported by sea. This situation was made worse by queues at the ports caused by a significant reduction in the capacity available at ports due to the pandemic. The land freight situation was also challenging owing to a shortage of drivers and transportation bottlenecks. Furthermore, costs went up sharply as a result of rising fuel prices, energy prices, and wages.

[1] IMF: World Economic Outlook Update, January 2023.
[2] dataview.rwest-services.com.
[3] www.bdguss.de.
[4] www.lme.com.

INDUSTRY-SPECIFIC ENVIRONMENT

Diesel engine market Based on currently available figures, the individual off-highway markets served by DEUTZ – construction equipment, material handling equipment, and agricultural machinery – presented a mixed picture in terms of how they performed in 2022. This can be explained by a variety of factors across the regions. In Europe, for example, they included the impact of the war in Ukraine, while North America faced high inflation and rising interest rates, and China pursued a strict zero-COVID strategy.

In the construction equipment segment, the year-on-year change in unit sales varied from region to region in 2022. Thanks to comprehensive government initiatives in North America, such as President Biden's infrastructure bill, and the European Commission's infrastructure program, the markets in these regions proved very robust in the face of difficult economic conditions.[1] In contrast, the Chinese market for construction equipment experienced a considerable year-on-year slump. This was the result of market saturation and the restrictive zero-COVID policy, which repeatedly led to local lockdowns and plant closures, and thus to major production outages.[2]

Demand for material handling equipment followed the trend in the construction industry. For example, unit sales of forklift trucks in North America and Europe rose in 2022 as a result of government stimulus packages,[3] while unit sales in China fell year on year for the reasons outlined above.[2] For lifting platforms and telehandlers, a sharp increase in fleet investment by equipment leasing companies led to a substantial rise in unit sales.

Growth in the European agricultural machinery market in 2022 was dampened by the impact of the war in Ukraine but was positive overall. In North America, the persistently high demand for tractors, in particular, contributed to renewed market growth. In China, the structural and technological adjustments appear to have been mostly completed, leading to a larger rise in unit sales.[4]

The Chinese market for heavy-duty trucks contracted sharply overall in the reporting period. The main reason for this downturn was the CN6 emissions standard for heavy-duty trucks introduced in China in mid-2021, which led customers to bring capital investment forward and hold high levels of inventory. Moreover, the transportation and logistics industry was adversely affected by local coronavirus-related lockdowns, which resulted in massive reductions in capacity among the truck manufacturers.[5]

[1] VDMA, Construction Equipment and Building Material Machinery, January 2023.
[2] Chinese Construction Machinery Association, CCMA Sales YTD 11-2022, January 2023.
[3] Power Systems Research, OE Link Update Bulletin Q4 2022, January 2023.
[4] VDMA, Geschäftsklima und Marktentwicklung weltweit, November 2022.
[5] China Automotive Industry Association, January 2023.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

Following a successful first six months of the year, DEUTZ continued to benefit from robust demand in relevant customer industries in the second half of 2022. The waning coronavirus pandemic and the war in Ukraine did not directly have any significant negative impact during the reporting year. However, DEUTZ was not alone in experiencing the very real geopolitical impact that the war had on energy and raw material prices and on the global flow of goods around the world. See also 'Procurement market', p. 34. Nevertheless, the resulting additional cost pressures were mitigated by passing on the higher costs to our customers through price increases. Cost savings attributable to implementation of the Powering Progress initiatives also had a positive effect on earnings performance. See also 'Purchasing and procurement', p. 32 onward, and 'Production and logistics' p. 29 onward.

NEW ORDERS

DEUTZ Group: New orders

€ million

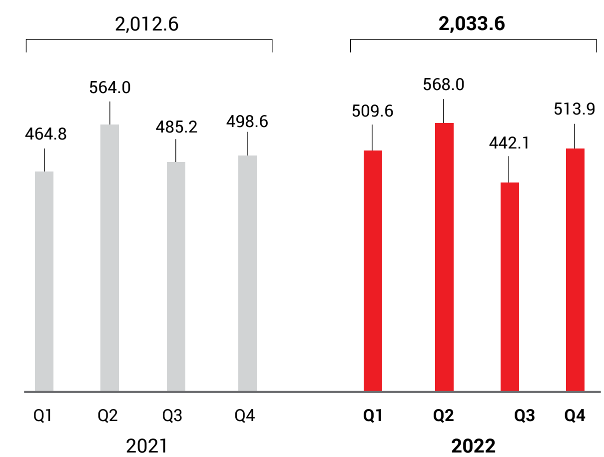
In 2022, new orders received by the DEUTZ Group amounted to €2,033.6 million. This was 1.0 percent higher than the level achieved in the prior-year period, which had been boosted by one-off effects of spending brought forward in an amount of more than €100 million, a situation that came about mainly due to customer orders being brought forward and to longer lead times.

The regional situation was mixed, with new orders rising markedly in the Americas and Asia-Pacific regions but declining slightly in the EMEA[1] region during the reporting period. The application segments also presented a disparate picture. Whereas Material Handling, Agricultural Machinery, and the service business generated significant increases in new orders, there were year-on-year decreases for Construction Equipment, Stationary Equipment, and Miscellaneous. These decreases, which were in some cases significant, were attributable to a downturn in the construction industry driven by a sharp rise in costs, a streamlining of portfolios around older engine series, and, most notably, a fall in demand for electric boat drives.

In the service business, which is a key pillar of DEUTZ's Dual+ growth strategy, new orders rose by 10.0 percent year on year to reach €453.5 million. Major contributors to this were parts sales and the business with DEUTZ Xchange engines in the Americas and EMEA regions.

DEUTZ Group: New orders by quarter

€ million



In the fourth quarter of 2022, the volume of new orders rose year on year by 3.1 percent to €513.9 million due to higher demand in the Construction Equipment, Material Handling, and Agricultural Machinery application segments.

As at December 31, 2022, orders on hand stood at €773.5 million (December 31, 2021: €676.7 million), which indicates continued growth. The level of orders on hand attributable to the service business advanced year on year from €35.7 million to €43.6 million.

UNIT SALES

With a total of 234,682 engines sold, the DEUTZ Group registered an increase in unit sales of 16.6 percent in the reporting period. The number of DEUTZ engines sold[2] climbed by 12.7 percent to 181,268. Unit sales were thus within the most recent forecasts of between 175,000 and 185,000 DEUTZ engines.[3]

DEUTZ Group: Unit sales

units

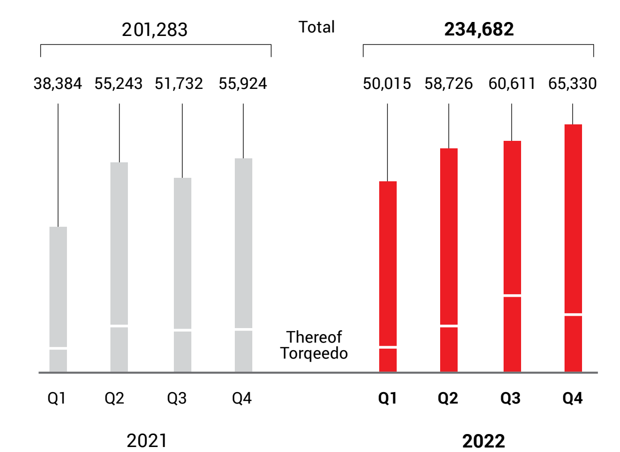
[1] Europe, Middle East, and Africa
[2] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[3] See the quarterly statement dated November 9, 2022.

The uptrend in unit sales was generated across all application segments, with Construction Equipment the only one not to achieve strong double-digit growth. The Americas region saw the sharpest increase in absolute terms, with an increase in unit sales of 41.6 percent. This was primarily attributable to much higher unit sales of electric boat drives, but there was also growth in unit sales in the Material Handling and Stationary Equipment application segments. Unit sales rose year on year by 10.7 percent in the Asia-Pacific region and by 8.4 percent in the EMEA region, which is currently DEUTZ's largest sales market.

The DEUTZ subsidiary Torqeedo increased its unit sales by 32.2 percent to 53,414 electric boat drives in 2022. This was due to a sharp uptick in demand that was generated mainly from the OEM[1] business in the Americas and Asia-Pacific regions. Unit sales in the EMEA region, meanwhile, were well below the prior-year level as a result of a fall in demand for drives used in leisure applications.

DEUTZ Group: Unit sales by quarter

units



In the fourth quarter of 2022, unit sales across the Group were up by 16.8 percent compared with the equivalent quarter of the prior year to stand at 65,330 units. All regions contributed to the increase, with Asia-Pacific (up by 42.0 percent) and the Americas (up by 25.2 percent) delivering the strongest growth. Almost all the application segments reported double-digit percentage growth, with only Construction Equipment falling slightly short of the level achieved in the prior year.

In the final quarter of 2022, unit sales of DEUTZ engines[2] stood at 50,393 units, an increase of 13.0 percent compared with the equivalent quarter of 2021. Over the same period, unit sales at Torqeedo rose by 32.0 percent to 14,937 boat drives.

REVENUE

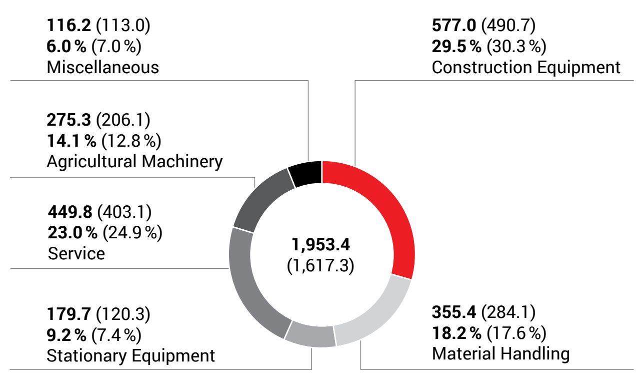
DEUTZ Group: Revenue

€ million

Reflecting the growth in unit sales, consolidated revenue increased by 20.8 percent to €1,953.4 million in 2022, which was higher than the forecast range of €1.75 billion to €1.85 billion.[3] Revenue rose at a faster rate than unit sales mainly due to the effective implementation of price rises and positive product mix and currency effects.

DEUTZ Group: Revenue and proportion of revenue by application segment

€ million (2021 figures)

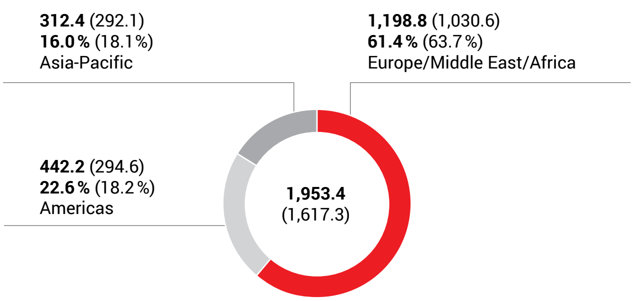


Every application segment contributed to the growth in revenue, with all of them – except for Miscellaneous – reporting double-digit percentage increases. DEUTZ's revenue from the service business rose by 11.6 percent year on year to €449.8 million, primarily thanks to an expansion of parts sales and the exchange engine business (DEUTZ Xchange).

[1] Original equipment manufacturer.
[2] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[3] See the quarterly statement dated November 9, 2022.

DEUTZ Group: Revenue and proportion of revenue by region

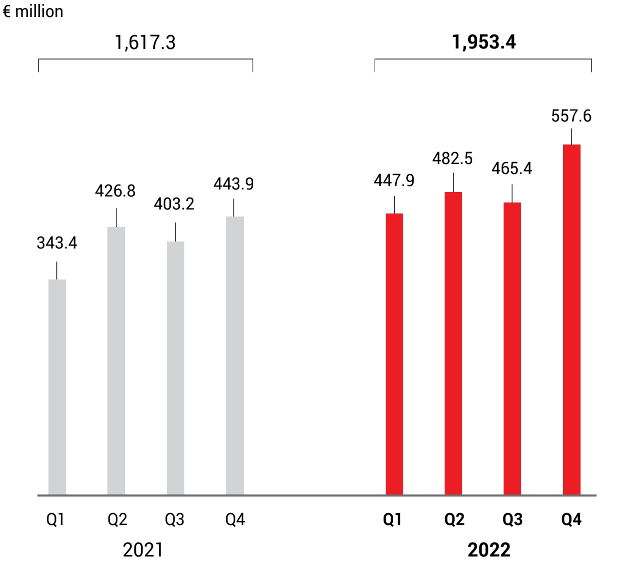
€ million (2021 figures)



All regions also reported growth. In absolute terms, the EMEA region, and particularly Germany and the rest of Europe, saw the highest rises.

DEUTZ Group: Consolidated revenue by quarter

€ million



Consolidated revenue amounted to €557.6 million in the fourth quarter of 2022, which was 25.6 percent more than in the corresponding period of 2021. All regions and all application segments contributed to the increase.

EARNINGS

DEUTZ Group: Overview of results of operations

€ million

	1–12/2022	1–12/2021	Change
Revenue	**1,953.4**	**1,617.3**	**20.8 %**
Cost of sales	– 1,574.8	– 1,331.7	18.3 %
Research and development costs	– 105.8	– 90.9	16.4 %
Selling and administrative expenses	– 189.6	– 164.8	15.0 %
Other operating income	35.3	27.0	30.7 %
Other operating expenses	– 27.4	– 22.4	22.3 %
Impairment of financial assets and reversals thereof	– 5.0	– 0.2	2,400.0 %
Profit/loss on equity-accounted investments	– 3.7	– 0.8	–362.5 %
Other net investment income	0.2	0.6	–66.7 %
EBIT	**82.6**	**34.1**	**142.2 %**
Interest income	1.3	0.2	550.0 %
Interest expense	**– 7.2**	– 5.2	38.5 %
Other financial income/ finance costs	– 0.9	0.0	–
Financial income, net	**– 6.8**	**– 5.0**	**–36.0 %**
Income taxes	4.4	9.1	– 51.6 %
Net income	**80.2**	**38.2**	**109.9 %**
Adjusted EBIT – Green (EBIT before exceptional items)	–39.2	– 22.4	– 75.0 %
Adjusted EBIT – Classic (EBIT before exceptional items)	128.1	58.7	118.2 %
Consolidation/Other[1]	0.5	0.9	– 44.4 %
Adjusted EBIT (EBIT before exceptional items)	**89.4**	**37.2**	**140.3 %**
Exceptional items	– 6.8[2]	– 3.1	119.4 %
EBIT	**82.6**	**34.1**	**142.2 %**

[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.

DEUTZ Group: Adjusted EBIT and EBIT margin (before exceptional items)

€ million (EBIT margin in %)

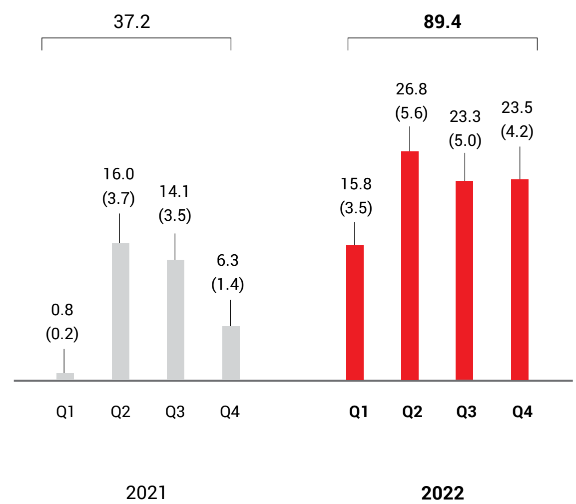
Adjusted EBIT DEUTZ generated adjusted EBIT (EBIT before exceptional items) of €89.4 million in 2022. This is more than double the equivalent figure for the prior-year of €37.2 million. The significant improvement of €52.2 million was primarily due to the sharp rise in revenue in connection with economies of scale, and cost savings stemming from the restructuring and cost reduction measures initiated in the previous year. Moreover, the market-oriented pricing policy proved effective in mitigating additional cost pressures that arose from higher transportation costs and prices for materials. Downside factors included higher impairment losses on trade receivables and negative contributions to earnings from the DEUTZ subsidiary Torqeedo and the Chinese joint venture Hunan DEUTZ Power.

The adjusted EBIT margin doubled from 2.3 percent in 2021 to 4.6 percent in the reporting year and was thus within the most recently forecast range of 4.5 percent to 5 percent.[1] The DEUTZ Group's return on capital employed[2] (ROCE before exceptional items) improved from 4.1 percent to 9.0 percent in the same period and therefore matched the guidance originally provided in the 2021 annual report[3] of a percentage figure in the high single digits.

In the final quarter of 2022, adjusted EBIT rose year on year from €6.3 million to €23.5 million due to the significant increase in revenue.

DEUTZ Group: Adjusted EBIT (EBIT before exceptional items) by quarter

€ million (EBIT margin in %)



In 2022, there were exceptional items amounting to an expense of €6.8 million. These related mainly to several changes at the most senior management level in the DEUTZ Group. After taking exceptional items into account, EBIT for the year under review stood at €82.6 million (2021: €34.1 million).

Cost of sales The significant growth in the volume of business pushed the cost of sales up by 18.3 percent to €1,574.8 million in 2022. Higher transportation and packing costs were particularly important factors in this year-on-year increase, alongside the volume-related rise in staff costs and in the cost of materials. The gross margin[4] improved from 17.7 percent in 2021 to 19.4 percent in 2022.

Research and development costs In the year under review, research and development costs amounted to €105.8 million. They largely comprised staff costs, the cost of materials, and amortization on completed development projects, from which investment grants received and capitalized development expenditure were deducted. The increase in development activities in the Green segment is the main reason why this figure is €14.9 million higher than in 2021.

[1] See the quarterly statement dated November 9, 2022.
[2] Return on capital employed (ROCE): ratio of EBIT to average capital employed. Capital employed: total assets less cash and cash equivalents, trade payables, and other current and non-current liabilities, based on average values from two balance sheet dates.
[3] The guidance published in the 2021 annual report (original guidance) was put under review at the time the report was published on March 14, 2022 due to the outbreak of war in Ukraine. No new guidance was provided for this indicator when the new full-year guidance was issued in November 2022; see quarterly statement dated November 9, 2022.

[4] Gross margin: ratio of revenue less cost of sales to revenue (excluding amortization relating to capitalized development expenditure).

Other operating income Other operating income totaled €35.3 million in the reporting year. This year-on-year increase of €8.3 million was mainly attributable to a reversal of provisions for onerous contracts in relation to orders on hand and to higher foreign currency gains.

Selling and administrative expenses In 2022, selling and administrative expenses rose by a total of €24.8 million to €189.6 million. This increase was mainly attributable to the recognition of provisions for severance payments triggered by changes at the most senior management level in the DEUTZ Group, to the growth of personnel provisions in line with increased earnings, to higher consultancy costs, and to a larger overall workforce.

Other operating expenses Other operating expenses rose by €5.0 million to €27.4 million in 2022, primarily due to higher foreign currency losses arising on the translation of foreign currency positions.

Impairment of financial assets and reversals thereof The impairment of financial assets relates to impairment losses on trade receivables. It increased year primarily in connection with individual issues.

Share of profit (loss) of equity-accounted investments Owing to the loss attributable to the Chinese joint venture Hunan DEUTZ Power Co., Ltd., the share of profit (loss) of equity-accounted investments deteriorated by €2.9 million to a loss of €3.7 million in 2022.

Financial income, net Net finance costs deteriorated by €1.8 million to €6.8 million in the reporting period, primarily due to an increased drawdown of lines of credit granted by banks and to a rise in the sale of receivables and in lease liabilities.

Income taxes Tax income totaling €4.4 million was recognized in 2022. The current tax expense rose by €9.6 million to €16.1 million in line with earnings. Deferred tax income of €20.5 million was also recognized. This effect was due to temporary differences resulting from the differing recognition of provisions under IFRS and in the tax accounts. It was also related to an increase in deferred tax assets on tax losses carried forward, which was primarily attributable to an upgraded earnings expectation for the upcoming five-year period.

Earnings per share Net income rose by €42.0 million to €80.2 million in 2022. This meant that earnings per share more than doubled from €0.32 in 2021 to €0.66 in the reporting year. Adjusted for exceptional items, net income rose to €86.1 million (2021: €41.3 million) and adjusted earnings per share to €0.71 (2021: €0.34).

Net income for the reporting year was boosted by deferred tax income of €20.5 million. Excluding this deferred tax income, net income amounted to €59.7 million and earnings per share to €0.49.

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. This includes hydrogen engines, the subsidiaries Torqeedo and battery management specialist Futavis, electric and hybrid-electric drives, mobile rapid charging stations, and the related service business.

With the new segmentation of its business activities, DEUTZ intends to report its work on climate-neutral mobility in the off-highway sector more transparently and to enable targeted management of 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

	2022	2021
New orders		
Classic	1,981.1	1,947.7
Green	52.5	64.9
Total	**2,033.6**	**2,012.6**
Unit sales (units)		
Classic	181,249	160,880
Green	53,433	40,403
Total	**234,682**	**201,283**
Revenue		
Classic	1,889.4	1,563.4
Green	64.0	53.9
Total	**1,953.4**	**1,617.3**
Adjusted EBIT (EBIT before exceptional items)		
Classic	128.1	58.7
Green	–39.2	–22.4
Consolidation/Other	0.5	0.9
Total	**89.4**	**37.2**

DEUTZ CLASSIC

DEUTZ Classic

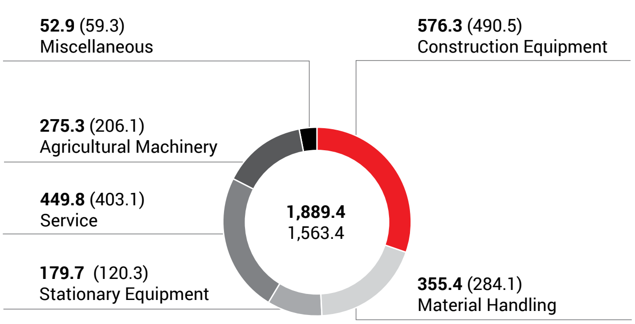
€ million

	2022	2021	Change
New orders	1,981.1	1,947.7	1.7%
Unit sales (units)	181,249	160,880	12.7%
Revenue	1,889.4	1,563.4	20.9%
EMEA	1,167.9	997.3	17.1%
Americas	419.5	280.3	49.7%
Asia-Pacific	302.0	285.8	5.7%
EBIT before exceptional items	128.1	58.7	118.2%
EBIT margin before exceptional items (%)	6.8	3.8	+3.0 PP

New orders received in the Classic segment rose by 1.7 percent to €1,981.1 million in 2022. The growth was driven by the Material Handling and Agricultural Machinery application segments and the service business. Orders on hand totaled €763.7 million as at December 31, 2022, which was 16.8 percent higher than the figure reported at the end of 2021. The segment's unit sales increased by 12.7 percent year on year to 181,249 engines, with the Americas and EMEA regions contributing increases of 29.2 percent and 13.6 percent respectively and all the main application segments registering growth. Segment revenue climbed by 20.9 percent to €1,889.4 million in 2022, a much higher amount than the original forecast range of €1.6 billion to €1.75 billion.[1] Revenue rose at a faster rate than unit sales, primarily due to the effective implementation of price rises and to positive product mix and currency effects.

DEUTZ Classic: Revenue by application segment

€ million (2021 figures)



In the fourth quarter of 2022, new orders rose by 4.1 percent compared with the corresponding quarter of 2021 to reach €505.4 million, growth that was attributable to the Material Handling, Construction Equipment, and Agricultural Machinery application segments. The segment's unit sales rose by 12.9 percent to 50,379 engines. All of the regions and application segments recorded double-digit percentage increases. Only the unit sales of Construction Equipment fell slightly short of the level achieved in the prior year. The Classic segment's revenue increased by 26.6 percent to €545.0 million in the final quarter of 2022.

Adjusted EBIT for the segment (EBIT before exceptional items) improved by a significant €69.4 million year on year to €128.1 million. As a result, the Classic segment's adjusted EBIT margin rose from 3.8 percent to 6.8 percent, which was its highest return on revenue in around ten years, whereas an improvement to between 4.5 percent and 6.5 percent had originally[1] been forecast. 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.

In the fourth quarter of 2022, adjusted EBIT for the segment rose year on year by €22.3 million to €35.6 million as a result of the higher volume of business. This increase was partly offset by negative currency effects arising on the translation of foreign currency positions and by higher consultancy costs.

[1] The guidance published in the 2021 annual report (original guidance) was put under review at the time the report was published on March 14, 2022 due to the outbreak of war in Ukraine. No new guidance was provided for this indicator when the new full-year guidance was issued in November 2022; see quarterly statement dated November 9, 2022.

DEUTZ GREEN

DEUTZ Green

€ million

	2022	2021	Change
New orders	52.5	64.9	–19.1%
Unit sales (units)	53,433	40,403	32.3%
Revenue	64.0	53.9	18.7%
EMEA	30.9	33.3	–7.2%
Americas	22.7	14.3	58.7%
Asia-Pacific	10.4	6.3	65.1%
EBIT before exceptional items	–39.2	–22.4	–75.0%
EBIT margin before exceptional items (%)	–61.3	–41.6	–19.7 pp

New orders received in the Green segment fell by 19.1 percent to €52.5 million in the reporting year. In addition to a decline in demand for electric boat drives for use in leisure applications, this decrease was primarily due to the high volume of new orders received in the prior year, which had been boosted by an order placed by an OEM customer. As at December 31, 2022, orders on hand were down by 57.2 percent year on year and amounted to €9.8 million. The segment's unit sales were up by 32.3 percent to 53,433 units as a result of higher demand from OEM customers in the Americas and Asia-Pacific regions. Segment revenue advanced year on year by 18.7 percent to €64.0 million, which was below the original forecast range[1] of €75 billion to €100 billion. The fact that the increase in unit sales was not fully reflected in a corresponding increase in revenue is due to the sharp expansion in the OEM business, which has a lower average price per drive than other areas of business with boat drives.

In the fourth quarter of 2022, new orders in the Green segment declined year on year by 35.1 percent to €8.5 million. Whereas the segment's unit sales increased by 32.1 percent to 14,951 units over the same period, segment revenue was down by 6.0 percent to €12.6 million.

Adjusted EBIT for the segment declined by €16.8 million compared with the prior-year period and amounted to a loss of €39.2 million. This deterioration 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, as well as the loss generated by the subsidiary Torqeedo. Moreover, the figure for the prior-year period had been boosted by a compensation payment. Reflecting the decline in the segment's adjusted EBIT, the adjusted EBIT margin also deteriorated year on year and was significantly weaker than the original forecast range[1] of between minus 30 percent and minus 20 percent.

Adjusted EBIT for the segment deteriorated by €5.4 million to a loss of €13.0 million in the fourth quarter of 2022. This was mainly due to the increase in development expenditure for new drive technologies and the larger loss reported by Torqeedo GmbH.

FINANCIAL POSITION

BASIC PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The purpose of financial management is to ensure the solvency of the DEUTZ Group at all times by obtaining the necessary funds, to hedge and contain interest-rate risk, currency risk, and commodities risk throughout the Group, and to optimize the cost of capital. Responsibility for groupwide financial management, including managing funds within the Group, lies with DEUTZ AG as the parent company of the Group.

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 May 2, 2027. The three existing bilateral credit lines, which had a total volume of €75 million, were terminated.

The syndicated loan is unsecured and has a floating interest rate. In addition to better overall terms and conditions and two one-year extension options, the new lending arrangements include an ESG component derived from the Company's sustainability targets. See also the non-financial report, 'Sustainability strategy and objectives', p. 98 onward.

The unused volume of the syndicated loan stood at around €140 million at the end of 2022. DEUTZ thus has sufficient financial means to be able to fund its operating business, invest in its transformation, and generate growth through acquisitions.

Over the course of 2022, DEUTZ also arranged three further bilateral credit lines, each in an amount of €25 million, which run until the end of the first quarter of 2024 and are also unsecured and floating-rate facilities. None of the three lines were drawn down as at the balance sheet date.

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

As part of its funding agreements, DEUTZ has undertaken to comply with certain financial and non-financial covenants. If, however, there is a dramatic deterioration in the general economic situation – for example because of the fallout from the coronavirus pandemic or the war in Ukraine – 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. See also 'Financial risk management', note 26, p. 188 onward.

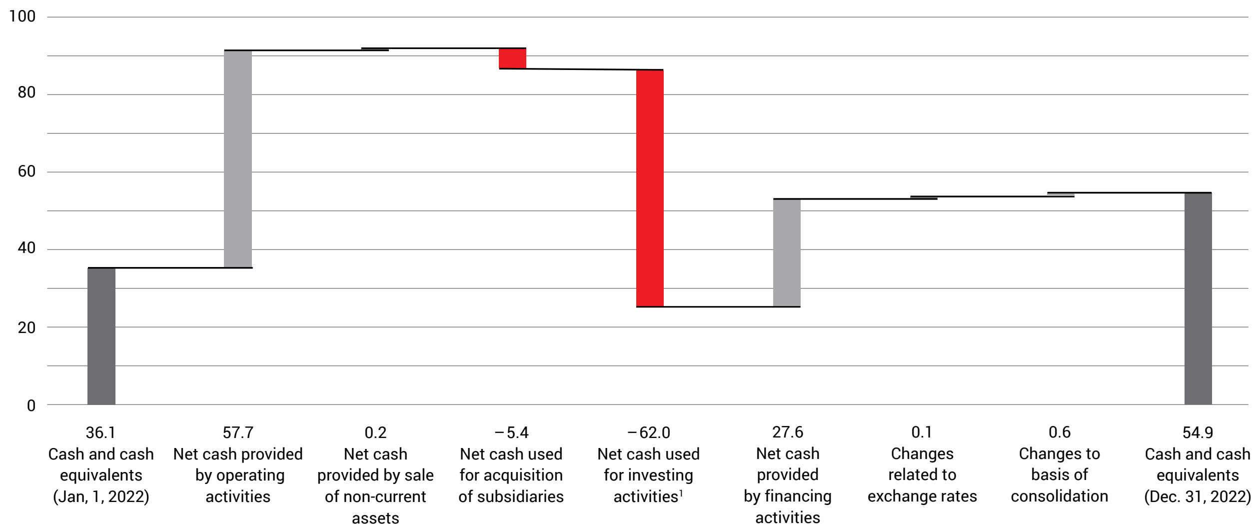
Receivables management optimized by means of factoring and systematic improvement of payment terms The sale of receivables, known as factoring, is an important way of optimizing receivables management. It enables DEUTZ to not only ensure sufficient liquidity but also improve its working capital, which 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 €171.6 million as at the balance sheet date, which was above the level a year earlier (December 31, 2021: €133.8 million) due to the improved business performance.

Other financial obligations Off-balance sheet obligations and investment obligations came to €205.4 million as at December 31, 2022. Of this total, commitments to purchase inventories amounted to €116.8 million, commitments to purchase property, plant and equipment and intangible assets totaled €49.8 million, and a sum of €38.8 million was attributable to IT services. Utilization of the IT services will amount to €10.7 million in 2023. Further financial obligations totaling €28.1 million are due in the period 2024 to 2027. The off-balance sheet obligations do not have a material impact on the Group's financial position.

DEUTZ Group: Change in cash and cash equivalents

€ million



[1] Capital expenditure on intangible assets, investments, property, plant and equipment.

CASH FLOW

Overview of the DEUTZ Group's financial position

€ million

	2022	2021	Change
Cash flow from operating activities	57.7	93.3	– 38.2 %
Cash flow from investing activities	– 67.2	–67.2	– 0.0 %
Cash flow from financing activities	27.6	–56.1	–
Change in cash and cash equivalents	**18.1**	**–30.0**	**–**
Free cash flow[1] from continuing operations	**– 16.6**	**21.6**	**–**
Cash and cash equivalents at Dec. 31	54.9	36.1	52.1 %
Current and non-current interest-bearing financial debt at Dec. 31	219.1	115.8	89.2 %
thereof lease liabilities	94.6	61.3	54.3 %
Net financial position[2] at Dec. 31	– 164.2	–79.7	– 106.0 %

[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.

Cash flow from operating activities amounted to €57.7 million in 2022, which was down by €35.6 million on the figure reported in 2021 despite a much higher level of operating profit. The decrease was largely due to the increase in working capital. Trade receivables and inventories rose sharply due to the expansion of business activities. The increase in inventories of finished goods was also partly attributable to delays in the supply chain. Moreover, the procurement of certain items in the market was extremely challenging, which resulted in a build-up of inventories of materials and components in order to safeguard production. The growth of inventories was only offset to a small extent by the increase in trade payables.

At €67.2 million, net cash used for investing activities was at the same level as 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 was due to DEUTZ's acquisition of its former service partners AUSMA Motorenrevisie B.V., which is headquartered in Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesel), based in Kildare, Ireland. It was also affected by 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.

The main factors affecting cash flow from financing activities, which came to €27.6 million in 2022, were the drawdown of short-term lines of credit and the payment of a dividend totaling €18.2 million. Cash flow from financing activities included payments of interest and principal in connection with leases amounting to €2.0 million and €16.6 million respectively (2021: €1.4 million and €15.6 million respectively).

In line with the decline in cash flow from operating activities, free cash flow deteriorated year on year due to the increase in working capital described above. It declined by €38.2 million to minus €16.6 million. This figure was at the upper end of the most recently issued guidance of a negative low- to mid-double-digit million euro amount.[1]

The cash flow situation gradually improved as the year progressed. Free cash flow in the fourth quarter of 2022 reached a figure of €53.2 million. This significant improvement compared with the corresponding quarter of 2021 (up by €46.8 million) and with the third quarter of 2022 (up by €98.3 million) was also mainly the result of changes in working capital. However, the better level of operating profit also played a part in this substantial improvement.

These changes in cash flow during the reporting period resulted in an overall increase in cash and cash equivalents to €54.9 million. Net financial debt increased by €84.3 million to minus €164.2 million. As at December 31, 2022, the net financial position included lease liabilities totaling €94.6 million (December 31, 2021: €61.3 million).

CAPITAL EXPENDITURE

Capital expenditure (after deducting investment grants)

€ million

	2022	2021	Change
Property, plant and equipment	106.1	61.8	44.3
of which right-of-use assets for leases under IFRS 16	54.3	17.7	36.6
Property, plant and equipment (excluding right-of-use assets for leases under IFRS 16)	51.8	44.1	7.7
Intangible assets	10.8	10.7	0.1
	116.9	**72.5**	**44.4**

Total capital expenditure in 2022 on property, plant and equipment and on intangible assets after deducting investment grants, and including capitalization of research and development expenditure, was significantly above both the prior-year level and the original guidance[2] of between €90 million and €100 million. This was mainly the result of the sharp rise in additions to leases in connection with the new logistics center.

Additions to property, plant and equipment were mainly in connection with replacement investment in machinery and tools. DEUTZ also invested in assembly and testing equipment, IT equipment and software, and logistics.

The much higher level of capital expenditure on right-of-use assets was primarily attributable to DEUTZ entering into new long-term leases for its logistics operations and, in particular, the commissioning of a new logistics center in Cologne-Porz.

See also 'Production and logistics', p. 29 onward.

Capital expenditure on intangible assets was mainly in connection with the development of the new 5.2 engine series.

The Classic segment accounted for the bulk of the total capital expenditure after deducting investment grants, at €104.1 million (2021: €68.7 million). €12.8 million was invested in the Green segment (2021: €3.8 million).

[1] See the quarterly statement dated November 9, 2022.
[2] The guidance published in the 2021 annual report (original guidance) was put under review at the time the report was published on March 14, 2022 due to the outbreak of war in Ukraine. No new guidance was provided for this indicator when the new full-year guidance was issued in November 2022; see quarterly statement dated November 9, 2022.

NET ASSETS

DEUTZ Group: overview of net assets

€ million

	Dec. 31, 2022	Dec. 31, 2021	Change
Non-current assets	730.3	696.8	4.8 %
thereof right-of-use assets in connection with leases	87.3	57.4	52.1 %
Current assets	745.1	593.3	25.6 %
Total assets	**1,475.4**	**1,290.1**	**14.4 %**
Equity	668.8	588.4	13.7 %
Non-current liabilities	195.8	214.7	– 8.8 %
thereof lease liabilities	76.8	45.4	69.2 %
Current liabilities	610.8	487.0	25.4 %
thereof lease liabilities	17.8	15.9	11.9 %
Total equity and liabilities	**1,475.4**	**1,290.1**	**14.4 %**
Working capital[1] (€ million)	346.3	253.2	36.8 %
Working capital ratio[2] (Dec. 31, %)	17.7	15.7	+ 2.0 PP
Working capital ratio[3] (average, %)	16.7	15.5	+ 1.2 PP
Equity ratio[4] (%)	**45.3**	**45.6**	**– 0.3 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.

Assets Non-current assets stood at €730.3 million as at December 31, 2022, a year-on-year rise of €33.5 million. This was mostly attributable to an increase of €29.9 million in right-of-use assets in connection with leases. These additions were primarily the result of the Company entering into new long-term leases for logistics premises with the aim of making logistics processes simpler and more efficient. Other financial assets went up too, mainly due to the payment of the second installment of the purchase consideration of €3.7 million for the investment in Blue World Technologies, Aalborg, Denmark. The carrying amount of equity-accounted investments declined, primarily because of the losses attributable to the Chinese joint venture Hunan DEUTZ Power Co., Ltd. Intangible assets decreased. This was because capitalized development expenditure was significantly lower than amortization in the period.

The year-on-year rise in deferred tax assets was due to temporary differences resulting from the differing recognition of provisions under IFRS and in the tax accounts and to increased opportunities to utilize tax loss carryforwards.

The increase in current assets was due, in particular, to higher inventories and trade receivables.

Working Capital The sharp rise in the volume of business and the associated increase in capacity utilization meant that inventories, in particular, were significantly higher as at December 31, 2022. In addition to higher procurement prices, the rise in inventories was also due to increased stockpiling, which became necessary to safeguard production in the face of an expanded volume of business coupled with disrupted supply chains. Trade receivables and trade payables also rose sharply due to the growth in the volume of business. Working capital increased by €93.1 million overall in the reporting period. Despite the steep increase in revenue, the average working capital ratio improved year on year from 15.5 percent to 16.7 percent, which put it at the upper end of the original forecast range[1] of 15 percent to 17.0 percent.

Equity As at December 31, 2022, equity had risen to €668.8 million because of the net income generated in the reporting year. Nevertheless, the equity ratio of 45.3 percent as at December 31, 2022 was slightly lower than the prior-year figure of 45.6 percent. However, it was still well above the long-term target of more than 40 percent. Increases in right-of-use assets, inventories, and trade receivables were the main factors in this decrease.

Liabilities The fall in non-current liabilities was primarily due to the significant reduction in provisions for pensions and other post-retirement benefits. This can be explained by scheduled pension payments and by actuarial gains (recognized in other comprehensive income) resulting from much higher pension discount rates. Lease liabilities were higher, however, because of the increase in right-of-use assets. The rise in current liabilities was mainly attributable to the increase in trade payables on the back of the growth in the volume of business. Furthermore, liabilities to banks went up due to the increased drawdown of short-term lines of credit.

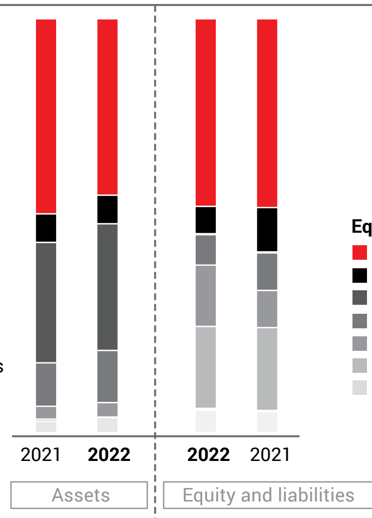
[1] The guidance published in the 2021 annual report (original guidance) was put under review at the time the report was published on March 14, 2022 due to the outbreak of war in Ukraine. No new guidance was provided for this indicator when the new full-year guidance was issued in November 2022; see quarterly statement dated November 9, 2022.

DEUTZ Group: Balance sheet structure

% (2021 figures)

Assets

42.6	(47.1)	Non-current assets
6.9	(6.9)	Deferred tax assets
30.6	(29.1)	Inventories
12.6	(10.5)	Trade receivables
3.5	(3.1)	Other receivables and assets
0.1	(0.5)	Receivables in respect of tax refunds
3.7	(2.8)	Cash and cash equivalents



Equity and liabilities

45.3	(45.6)	Equity
6.6	(10.7)	Pension provisions
0.1	(0.1)	Deferred tax liabilities
7.5	(9.2)	Other provisions
14.8	(9.0)	Financial liabilities
19.8	(20.0)	Trade payables
0.3	(0.2)	Liabilities arising from income taxes
5.6	(5.2)	Other liabilities

DEUTZ AG

The following remarks refer to the annual financial statements of DEUTZ AG. The annual financial statements of DEUTZ AG are prepared in accordance with the requirements of the German Commercial Code (HGB).

BASIC PRINCIPLES AND BUSINESS PERFORMANCE OF DEUTZ AG

DEUTZ AG is the parent company of the DEUTZ Group. In Germany and abroad, DEUTZ AG has a direct or indirect stake in 44 companies (2021: 42 companies). DEUTZ AG is also by far the largest production company of the DEUTZ Group and provides the head-office functions for the Group. See 'Shareholdings of DEUTZ AG', p. 209 onward, for further information on DEUTZ AG's equity investments.

Because the business performance and financial situation of DEUTZ AG are essentially the same as for the DEUTZ Group, we make reference here to the 'Business performance in the DEUTZ Group' section of this combined management report. See also 'Business performance in the DEUTZ Group', p. 36 onward.

Because of the significance of DEUTZ AG within the Group, and its heavy interdependencies with other Group companies, the Group is managed at the level of DEUTZ AG. In addition to the key performance indicators used for management at Group level, the net income of DEUTZ AG – the relevant variable for the payment of dividends – is also an element of the management system of the Company. The internal control system for the DEUTZ Group is described in this combined management report. See also 'Internal control system', p. 24 onward.

The DEUTZ Group's net income in accordance with IFRS is reconciled to DEUTZ AG's net income in accordance with the HGB:

RESULTS OF OPERATIONS

DEUTZ AG: Reconciliation

€ million

DEUTZ Group net income (IFRS)	**80.2**
Consolidation of equity investments	–12.8
DEUTZ AG income (IFRS)	**67.4**
Material differences due to different financial reporting standards	
Recognition of development expenditure	10.3
Measurement of provisions for pensions and other post-retirement benefits	5.8
Measurement of investments	–6.4
Recognition of deferred taxes	–2.8
Measurement of other provisions	–2.2
Other differences relating to the financial reporting standards	1.7
DEUTZ AG net income (HGB)	**73.8**

Overview of DEUTZ AG's results of operations

€ million

	2022	2021	Change
Revenue	**1,667.8**	**1,405.2**	**262.6**
Cost of sales	–1,407.1	–1,219.3	–187.8
Research and development costs	–85.2	–76.4	–8.8
Selling and administrative expenses	–96.4	–84.6	–11.8
Other operating income	48.7	32.4	16.3
Other operating expenses	–25.4	–20.4	–5.0
Net investment income	–3.8	–0.6	–3.2
Write-downs of investments	–24.5	0.0	–24.5
Operating profit (EBIT)	**74.1**	**36.3**	**37.8**
Interest expenses, net	–1.6	–4.0	2.4
Income taxes	1.8	8.2	–6.4
Other taxes	–0.5	–0.5	0.0
Net income	**73.8**	**40.0**	**33.8**

Revenue DEUTZ AG's revenue increased by 18.7 percent to €1,667.8 million in 2022. All application segments contributed to this significant growth, with the most notable increases registered for Stationary Equipment (up by 40.4 percent to €153.9 million), Agricultural Machinery (up by 30.1 percent to €267.4 million), Construction Equipment (up by 18.0 percent to €559.4 million), and Material Handling (up by 15.3 percent to €285.0 million). The high-margin service business also generated very strong growth, with revenue rising by 6.0 percent to €328.3 million. In the regional breakdown, the most pronounced increases in revenue were recorded in the Americas (up by 38.5 percent to €303.0 million) and in the EMEA region (up by 16.6 percent to €1,085.8 million). Revenue in the Asia-Pacific region went up by 9.2 percent to €279.0 million.

Earnings performance DEUTZ AG reported an operating profit (EBIT) of €74.1 million in 2022. This marked year-on-year improvement was mainly attributable to the significant growth in the volume of business, the associated economies of scale, and cost savings stemming from the restructuring and cost reduction measures initiated in the previous year. The improvement was partly offset by write-downs of €24.5 million on investments in Torqeedo GmbH, Futavis GmbH, and D. D. Power Holdings (Pty) Ltd.

Cost of sales DEUTZ AG's cost of sales came to €1,407.1 million in 2022. The year-on-year increase was mainly attributable to the volume-related rise in the cost of materials and staff costs. The gross margin[1] improved significantly from 13.2 percent to 15.6 percent thanks to economies of scale.

Research and development costs In the year under review, research and development costs amounted to €85.2 million. They largely comprised staff costs, the cost of materials, and amortization on completed development projects, from which investment grants received and capitalized development expenditure were deducted. The increase in development activities for new drive systems in the Green segment is the main reason why this figure is €8.8 million higher than in 2021.

Selling and administrative expenses The growth of selling and administrative expenses was primarily attributable to expenses for severance payments in connection with the changes made at senior management level in the reporting year. Higher consultancy costs were also a contributing factor.

Other operating income Other operating income increased year on year by €16.3 million. This rise was mainly attributable to a partial reversal of provisions for onerous contracts in relation to orders on hand, amounting to €10.3 million, and to a sum of €6.9 million in relation to the valuation of pension provisions.

[1] Ratio of revenue less cost of sales to revenue (excluding amortization relating to development expenditure).

Other operating expenses Other operating expenses went up by €5.0 million year on year to €25.4 million. This increase was primarily due to higher expenses arising from currency translation (2022: €17.4 million; 2021: €2.9 million). It was partly offset by the change in provisions recognized for onerous contracts in relation to orders on hand. These provisions were reduced significantly in 2022, whereas a sum of €7.8 million had been added in 2021. The income from the reversal was recognized under other operating income.

Income taxes Tax income totaling €1.8 million was recognized in 2022. The current tax expense rose by €6.8 million to €9.2 million owing to the higher level of net income before income taxes. Deferred tax income of €11.0 million was also recognized.

Net income As a result of the business performance described above, net income for 2022 amounted to €73.8 million and therefore exceeded the forecast made in the 2021 annual report for an amount in the mid-double-digit millions of euros.

FINANCIAL POSITION

Financial management in the DEUTZ Group is one of the core functions of the Group, and DEUTZ AG holds responsibility for this function. The basic principles and objectives of financial management at DEUTZ AG are therefore largely the same as those of the Group, as is the funding of DEUTZ AG. In this regard, please refer to the relevant sections of this combined management report.

See also 'Financial position of the DEUTZ Group', p. 43 onward.

Overview of DEUTZ AG's financial position

€ million

	2022	2021	Change
Cash flow from operating activities	101.9	64.0	37.9
Cash flow from investing activities	– 154.1	– 45.2	– 108.9
Cash flow from financing activities	57.4	– 32.1	89.5
Change in cash and cash equivalents	5.2	– 13.3	18.5
Free cash flow[1]	– 52.3	17.3	– 69.6
Cash and cash equivalents at Dec. 31	20.6	15.4	5.2

[1] Cash flow from operating activities and from investing activities less net interest expense.

Liquidity The sharp rise in operating profit on the back of the growth in business resulted in a significant year-on-year improvement of €37.9 million in cash flow from operating activities. Net cash used for investing activities was €108.9 million higher than in 2021. This significant increase was primarily due to expenditure on investments. In 2022, DEUTZ AG granted a long-term loan of US$ 100.0 million to its wholly owned subsidiary Deutz Corporation and acquired all of the shares in Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland, for €5.4 million. Cash flow from investing activities also included the payment of €3.7 million for the second and final tranche of the investment in Blue World Technologies, which is based in Aalborg, Denmark. The total investment in this company comes to €7.5 million. The main factor affecting cash flow from financing activities was the drawdown of short-term lines of credit. Despite the significantly better level of operating profit, free cash flow fell by €69.6 million as a result of the higher level of capital expenditure.

Capital expenditure After deducting investment grants, DEUTZ AG's capital expenditure in 2022 amounted to a total of €155.5 million (2021: €60.0 million). This was broken down into €36.1 million (2021: €28.1 million) on property, plant and equipment, €10.2 million (2021: €8.8 million) on intangible assets, and €109.2 million (2021: €4.9 million) on investments. Additions to property, plant and equipment were mainly in connection with replacement investment in machinery and tools. DEUTZ AG also invested in assembly and testing equipment, IT equipment, and software.

Capital expenditure on intangible assets was mainly in connection with the development of the new 5.2 engine series. Additions to investments primarily related to the grant of a long-term loan of US$ 100.0 million to Deutz Corporation, the acquisition of all the shares in Kirkwell Ltd., which is headquartered in Kildare, Ireland, and the investment of €3.7 million in Blue World Technologies, which is based in Aalborg, Denmark.

NET ASSETS

Overview of DEUTZ AG's net assets

€ million

	Dec. 31, 2022	Dec. 31, 2021	Change
Non-current assets	706.7	629.0	77.7
Current assets	499.9	442.7	57.2
Prepaid expenses	6.1	5.2	0.9
Deferred tax assets	93.5	82.5	11.0
Excess of plan assets over post-employment benefit liability	6.0	0.0	6.0
Total assets	**1,312.2**	**1,159.4**	**152.8**
Equity	668.5	612.8	55.7
Provisions	284.7	280.9	3.8
Liabilities	357.8	264.5	93.3
Deferred income	1.2	1.2	0.0
Total equity and liabilities	**1,312.2**	**1,159.4**	**152.8**
Working capital[1] (€ million)	62.4	51.1	11.3
Working capital ratio (Dec. 31, %)	3.7	3.6	0.1
Equity ratio[2] (%)	50.9	52.9	–1.9

[1] Inventories plus trade receivables less trade payables.
[2] Equity/total equity and liabilities.

Non-current assets Compared with the end of 2021, non-current assets were up by €77.7 million. This was primarily due to expenditure on investments.

Current assets The sharp rise in current assets primarily resulted from the growth in inventories, trade receivables, and receivables due from affiliated companies as a result of the significantly increased volume of business.

Working capital Working capital stood at €62.4 million as at December 31, 2022, which was €11.3 million above the level reported a year earlier. This increase was mainly attributable to the growth of inventories. The rises in trade receivables and trade payables broadly offset one another. Despite the increase in working capital, the working capital ratio as at the balance sheet date was virtually unchanged year on year at 3.7 percent as a result of the higher revenue (December 31, 2021: 3.6 percent).

Equity ratio Owing to the net income generated, equity advanced by €55.7 million to €668.5 million as at December 31, 2022. At 50.9 percent, the equity ratio was down slightly at the end of the year due to the rise in total assets.

Liabilities The main reason for the increase in liabilities of €93.3 million was the rise in liabilities to banks resulting from the higher drawdown of short-term lines of credit. Trade payables also went up owing to the growth in the volume of business.

Provisions The increase in provisions was primarily attributable to the growth of provisions for severance payments in connection with multiple changes at senior management level and the provision for the collectively agreed inflation compensation payment. The increase was partly offset by a reduction in provisions for order-related losses and utilization of the provision for restructuring as planned.

EMPLOYEES

DEUTZ AG employed 3,238 people as at December 31, 2022, which was 158 more than at the end of 2021. By contrast, the number of temporary workers fell by 152. See also 'Employees', p. 33.

DEUTZ AG: Employees

Headcount

	Dec. 31, 2022	Dec. 31, 2021
Cologne	2,591	2,473
Ulm	492	448
Other	155	159
Total	**3,238**	**3,080**

RISK AND OPPORTUNITY REPORT

DEUTZ AG is integrated into the risk management system of the DEUTZ Group. As a head-office function, risk management for the Group is performed by DEUTZ AG. Information about the structuring and mechanics of the risk management system and of risk management with regard to financial instruments can be found in the risk report of the DEUTZ Group on p. 57 onward.

Because DEUTZ AG is closely integrated with the other Group companies, its risk and opportunities situation is essentially the same as that of the Group. Risks arising from subsidiaries may have an effect on DEUTZ AG because of the carrying amount of an equity investment, reduced dividend payments, and the internal business relations. The risks and opportunities for the DEUTZ Group are described in this combined management report. See also 'Risk report of the DEUTZ Group', p. 57 onward.

Information about DEUTZ AG's internal accounting-related control system and about risk management with regard to the use of financial instruments at DEUTZ AG can be found in the combined management report. See also 'Internal control system', p. 24 onward.

OUTLOOK

DEUTZ AG performs the head-office functions of the DEUTZ Group and is the biggest production company within the Group by some margin. Because of DEUTZ AG's wide-ranging relationships with other Group companies and because of its size within the Group, the expectations presented in the Group outlook for 2023 are essentially the same as those for DEUTZ AG. It is therefore likely that the revenue of DEUTZ AG will develop largely in line with the statements made for the DEUTZ Group. In 2023, net income is expected to be in the mid-double-digit millions of euros and therefore similar to the level of net income achieved in 2022. See also 'Outlook for 2023', DEUTZ Group, p. 65 onward.

For information about events after the reporting period, please see Note 30 on page 201 onward of the notes to the consolidated financial statements.

OVERALL ASSESSMENT FOR 2022

Target/actual comparison for 2022

DEUTZ Group	Actual 2021	Original guidance 2022[1]	Adjustment of the guidance in November 2022[2]	Actual 2022
Unit sales of DEUTZ engines[3]	160,882	165,000 to 180,000	175,000 to 185,000	**181,268**
Revenue	€1.62 billion €1.56 billion €53.9 million	€1.7 billion to €1.85 billion thereof DEUTZ Classic: €1.6 to €1.75 billion thereof DEUTZ Green: €75 to €100 million	€1.75 billion to €1.85 billion – –	**€1.95 billion** €1.89 billion €64.0 million
EBIT margin before exceptional items	2.3 % 3.8 % –41.6 %	3.5 % to 5.5 % thereof DEUTZ Classic: 4.5 % to 6.5 % thereof DEUTZ Green: – 30 % to – 20 %	4.5 % to 5.0 % – –	**4.6 %** 6.8 % –61.3 %
ROCE (before exceptional items)	4.1 %	High-single digit percentage figure	–	**9.0 %**
R&D expenditure (after deducting grants[4])	€82.3 million	€75 million to €85 million	–	**€90.8 million**
Capital expenditure[5] (after deducting grants[4])	€65.7 million	€90 million to €100 million	–	**€111.6 million**
Free cash flow[6]	€21.6 million	Low to mid-double-digit million euro amount	Negative low- to mid-double-digit million euro amount	**– €16.6 million**
Average working capital ratio[7]	15.5 %	15 % to 17 %	–	**16.7 %**
Equity ratio[8]	45.6 %	Well above 40 percent	–	**45.3 %**

DEUTZ AG	Actual 2021	Original guidance 2022[1]	Adjustment of the guidance in November 2022[2]	Actual 2022
Net income	€40.0 million	Mid-double-digit million euro amount	–	**€73.8 million**

[1] Published in the 2021 annual report; put under review on March 14, 2022, see press release dated March 14, 2022.
[2] See the quarterly statement dated November 9, 2022.
[3] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[4] After deducting grants from development partners and subsidies.
[5] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of research and development expenditure.
[6] Cash flow from operating activities and from investing activities less interest expense.
[7] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[8] Equity divided by total equity and liabilities.

The outbreak of war in Ukraine created a great deal of uncertainty with regard to its geopolitical impact on the global economy and on the flow of goods around the world. Although DEUTZ did little business in Russia, Belarus, and Ukraine even before the outbreak of war, and DEUTZ had no direct suppliers based in the regions affected by the war, it was impossible to predict the indirect impact on DEUTZ's business. For this reason, when DEUTZ published its annual report for 2021 in mid-March 2022, it announced that it was putting under review the guidance for 2022 that it had presented in the annual report, which was based on information available at the end of February 2022.

DEUTZ issued new full-year guidance in November 2022 when it published its quarterly statement for the first to third quarter of the year. Whereas unit sales of DEUTZ drives, at 181,268 units, were within the range indicated in this guidance, its actual revenue of €1,953.4 million was well above the forecast range. In addition to positive product mix and currency effects, this was also due to factors such as the effective implementation of price rises. At 4.6 per cent, the adjusted EBIT margin was within the forecast range. Free cash flow amounted to minus €16.6 million and so was at the upper end of expectations. Despite the positive earnings guidance, DEUTZ had expected free cash flow to be a negative amount in the low- to mid-double-digit millions of euros. This was mainly because it needed to build up inventories in order to safeguard production and because of the potential for delays in the supply chain.

Forecasts for both revenue and adjusted EBIT margin at segment level, ROCE before exceptional items, R&D expenditure and capital expenditure, in each case after grants, the average working capital ratio, and the equity ratio were not provided in November. Looking at the guidance originally published in the 2021 annual report for these key figures provides something of a mixed picture. Whereas revenue in the Classic segment was above the anticipated range in line with the growth in revenue at Group level, revenue in the Green segment was well below expectations. It was a similar situation for the adjusted EBIT margins of the two segments. At 9.0 percent, the return on capital employed (ROCE) before exceptional items was within the anticipated high single-digit range. The equity ratio of 45.3 percent was at the expected level of well above 40 percent. The average working capital ratio of 16.7 percent was at the upper end of the expected range. By contrast, R&D expenditure and capital investment (after deducting grants) were both higher than the interval forecast, at €90.8 million and €111.6 million respectively. In the case of R&D expenditure, this was because DEUTZ stepped up activities aimed at expanding the Green portfolio, in particular. The much higher level of capital expenditure was mainly the result of the sharp rise in additions to leases in connection with the new logistics center.

Given the geopolitical impact of the war in Ukraine on the global economy and the ongoing challenges in the supply chain, the DEUTZ Board of Management is satisfied with the business performance in 2022, which in terms of unit sales and revenue was actually better than had been forecast before the outbreak of war.

NON-FINANCIAL REPORT PURSUANT TO SECTIONS 289b AND 315b HGB

DEUTZ AG publishes a separate combined non-financial report for the DEUTZ Group and DEUTZ AG. We refer here to our remarks on pages 92 onward of the annual report and to our website www.deutz.com/nfb2022/en.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTIONS 289f AND 315d HGB[1]

The corporate governance declaration pursuant to section 289f HGB is an integral element of the combined management report. We refer here to our remarks on pages 223 onward of the annual report and to our website www.deutz.com/ezu2022/en.

DISCLOSURES PURSUANT TO SECTIONS 289a AND 315a HGB

Composition of the issued capital There were no changes to the issued capital (share capital) of DEUTZ AG in 2022. As at December 31, 2022, the issued capital amounted to €308,978,241.98 and was divided into 120,861,783 no-par-value bearer shares.

Restrictions affecting voting rights or the transfer of shares We are not aware of any restrictions affecting voting rights or the transfer of shares.

Direct or indirect shareholdings representing more than 10 percent of voting rights At the end of 2022, there were no direct or indirect shareholdings in DEUTZ AG representing more than 10 percent of the voting rights.

Legal provisions and Statute provisions regarding the appointment and removal of members of the Board of Management and regarding changes to the Statutes According to articles 7 (1) and 7 (2) of the Statutes of DEUTZ AG:

"(1) The Board of Management shall comprise at least two members.
(2) The Supervisory Board shall determine the number of members of the Board of Management and the allocation of responsibilities. It may draw up and issue rules of procedure."

As far as the appointment and removal of members of the Board of Management are concerned, sections 84 and 85 of the German Stock Corporation Act (AktG) and section 31 of the German Codetermination Act (MitbestG) also apply.

According to article 14 of the Statutes of DEUTZ AG: "The Supervisory Board may change the wording but not the spirit of the Statutes." Sections 179 and 133 AktG also apply in the case of changes to the Statutes.

Authority of the Board of Management, in particular with regard to share issue or buyback The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 25, 2023 on one or more occasions in installments through the issue of up to 36,258,534 new no-par-value bearer shares for cash by up to a total amount of €92,693,470.30 (authorized capital I). Pre-emption rights must be granted to existing shareholders. Pursuant to section 203 (1) sentence 1 and section 186 (5) AktG, the new shares may be transferred to one or more banks or to a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) of the German Banking Act (KWG) subject to an undertaking by the bank(s) or company to offer the shares to existing shareholders (indirect pre-emption right). However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply the pre-emption rights of shareholders for fractional amounts arising on the calculation of pre-emption rights. The Board of Management is further authorized, with the consent of the Supervisory Board, to specify the further content of the share rights and the terms of the share issue for implementing any capital increases under authorized capital I. The Board of Management is also authorized, subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 25, 2023 on one or more occasions in installments through the issue of up to 24,172,356 new no-par-value bearer shares for cash and/or non-cash contribution by up to a total amount of €61,795,646.86 (authorized capital II). Pre-emption rights must be granted to existing shareholders. Pursuant to section 203 (1) sentence 1 and section 186 (5) AktG, the new shares may be transferred to one or more banks or to a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) KWG subject to an undertaking by the bank(s) or company to offer the shares to existing shareholders (indirect pre-emption right). However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply the pre-emption rights of the existing shareholders

[1] Not audited.

a) for fractional amounts;
b) for capital increases against non-cash contributions, in particular
   (i) when issuing new shares for mergers or acquisitions of entities, parts of entities, or equity investments in entities, including increases in existing shareholdings or other assets eligible as capital contributions in connection with such acquisition plans, including receivables from the Company,

   (ii) when acquiring other assets or claims to the acquisition of assets, and

   (iii) when carrying out a so-called scrip dividend, where shareholders are offered the option of exchanging their rights to a dividend (wholly or in part) for new shares;

c) for cash contributions, if the issue price of the shares is not significantly below the market price of the existing publicly listed shares in the Company on the date the final issue price is fixed;

d) in order to grant holders or creditors of bonds with option or conversion rights to shares of the Company or with option or conversion obligations (where such bonds are issued or are to be issued in the future by the Company or by one of its direct or indirect majority shareholdings) a pre-emption right to the same amount of new shares in the Company that they would be entitled to as shareholders following the exercise of their option or conversion rights or after fulfilling option or conversion obligations.

The total shares issued subject to a disapplication of pre-emption rights against cash and/or non-cash contributions must not exceed 20 percent of the issued capital either at the time this authorization becomes effective or at the time this authorization is utilized, if the amount of issued capital is lower. The aforementioned 20 percent limit includes shares that are sold or issued during the term of this authorization on the basis of all other authorizations under disapplication of pre-emption rights ('disapplication limit'), with the exception of a disapplication of pre-emption rights for fractional amounts. An issue of shares in this sense also includes the issue or creation of option or conversion rights or obligations in respect of the Company's shares from bonds issued by the Company or by its direct or indirect majority shareholdings, if the bonds are issued on the basis of an appropriate authorization during the term of this authorization, disapplying pre-emption rights. If another authorization for a disapplication of shareholders' pre-emption rights that was exercised during the term of this authorization is renewed by the Annual General Meeting, however, the disapplication limit will not apply to the extent that the renewed authorization permits the issue of shares with disapplication of pre-emption rights.

The total of the shares issued for cash with the disapplication of pre-emption rights pursuant to c) must not exceed 10 percent of the issued capital at the time the issue becomes effective or – if lower – 10 percent of the issued capital existing at the time this authorization is exercised. The aforementioned 10 percent limit includes shares that are sold or issued during the term of this authorization on the basis of other authorizations in direct application or application with the necessary modifications of section 186 (3) sentence 4 AktG with the disapplication of pre-emption rights ('disapplication limit'). This restriction also includes shares that have been or will be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as the bonds were issued by the Company or a direct or indirect majority shareholding during the term of this authorization with the disapplication of pre-emption rights in application of section 186 (3) sentence 4 AktG with any necessary modifications. If another authorization for a disapplication of shareholders' pre-emption rights that was exercised during the term of this authorization is renewed by the Annual General Meeting, the disapplication limit will cease to apply to the extent that the renewed authorization permits the issue of shares with the disapplication of pre-emption rights in direct application of section 186 (3) sentence 4 AktG or in application of section 186 (3) sentence 4 AktG with any necessary modifications. The Board of Management is further authorized, with the consent of the Supervisory Board, to specify the further content of the share rights and the terms of the share issue for implementing any capital increases under authorized capital II.

FURTHER DISCLOSURES

No bearers of shares have any special rights conferring authority to control the Company. Numerous employees have direct shareholdings in DEUTZ AG. There are no restrictions affecting the direct exercise of rights of control in connection with these shares.

A consortium of banks has provided DEUTZ AG with a syndicated cash credit line of €250 million. Under the terms of the loan agreements, the lenders can demand that the outstanding loan be repaid within a specified period in the event of a change of control, i.e. one or more people acting jointly acquire a direct or indirect shareholding of at least 50 percent of all shares and/or voting rights in DEUTZ AG. Further bilateral credit agreements covering a sum of €75 million stipulate that, in the event of a change of control, a mutually acceptable arrangement must be reached regarding the continuation of the credit agreement, if necessary under different terms. If DEUTZ AG needs to repay a considerable proportion of the loans prematurely in the event of a change of control, it needs to raise the necessary funds some other way in the short term.

The cooperation agreement concluded between DEUTZ AG and Liebherr gives Liebherr the right to terminate the agreement if there is a change of control at DEUTZ AG. A change of control for these purposes shall be deemed to have occurred if a competitor of Liebherr directly or indirectly acquires a shareholding representing at least 30 percent of the voting rights in DEUTZ AG or is able to exert direct or indirect influence by means of contracts. Similarly, under the agreement underlying the joint venture with SANY, a change of control at one of the joint venture partners gives the other joint venture partner the right to terminate the agreement. A change of control for these purposes shall be deemed to have occurred if a third party acquires more than 50 percent of the shares or voting rights in DEUTZ AG, otherwise obtains control over DEUTZ AG in accordance with German law, or is otherwise able to exert significant influence over the decisions of its shareholders or Board of Management. In the event of a change of control, the partners must first try to find a mutually acceptable solution. If they cannot, the partner entitled to terminate the agreement may purchase the other partner's shares at an agreed price ('call option'), sell its shares at an agreed price to the partner that gave rise to the termination right ('put option'), or demand that the joint venture be liquidated.

And under the cooperation agreement with Deere & Company, either party has the right to terminate the agreement in the event of a change of control or if a competitor of the other partner acquires an equity investment of more than 25 percent. A change of control for these purposes shall be deemed to have occurred if a third party acquires more than 50 percent of the shares in the other company or is able to exert a controlling influence within the meaning of section 17 AktG.

The service contracts of Board of Management members concluded in view of the new provisions in the German Act Implementing the Second Shareholder Rights' Directive (ARUG II) and in the German Corporate Governance Code (DCGK) do not, in accordance with the suggestion in article G.14 DCGK, provide for any termination benefits if the service contract is ended prematurely as the result of a change of control.

The previous long-term incentive plans (LTI), under which the highest level of senior management in the DEUTZ Group (executives and managing directors of major subsidiaries) have been granted virtual options that they can exercise after a vesting period and upon achievement of certain performance targets See 'Notes to the consolidated financial statements', p. 202, for more information contain the following provision in the event of an entity – either alone or acting jointly with an affiliated company – acquiring a minimum of 50 percent of the shares in DEUTZ AG: Provided one of the performance targets has been achieved, the LTI participants may exercise their options within a short time frame after the acquisition, even if the vesting period has not yet expired. Since 2021, a new LTI has been in use whose structure reflects that of the LTI used for the Board of Management and no longer contains such a provision. This LTI applies to new and existing members of the highest level of senior management. DEUTZ AG has no indemnification agreements with employees that would come into force in the event of a takeover bid.

EXPLANATORY STATEMENT BY THE BOARD OF MANAGEMENT IN CONNECTION WITH SECTIONS 289a AND 315a HGB

The disclosures contained in the combined management report and management report pursuant to sections 289a and 315a HGB relate to arrangements that may be significant in the success of any public takeover bid for DEUTZ AG. It is the opinion of the Board of Management that these arrangements are normal for publicly traded companies comparable with DEUTZ AG.

RISK REPORT

RISK MANAGEMENT SYSTEM

To ensure their long-term survival, companies must act quickly – and react even faster – in a world in which economic conditions and the individual markets are constantly in a state of rapid change. In the face of increasingly complex corporate structures and growing internationalization, systematic risk management therefore forms an important basis for long-term business success.

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, the subsidiaries, the sales offices, and the authorized agents. This organizational structure presents the Company with both opportunities and business-specific risks.

The DEUTZ Group's objective is to generate profits on a sustained basis and to increase these profits significantly over the medium and long term in order to develop the Company and secure its future competitiveness. It is therefore critically important to identify and assess business risks at an early stage and to take corrective action where required. DEUTZ has an appropriate risk management system to ensure it can meet this requirement.

The risk management system heightens employees' sense of responsibility and raises their awareness of potential or existing risks. It is intended to help everyone involved to identify, analyze, and communicate risks in good time and to initiate effective corrective action.

The basic principles, monitoring standards, personnel responsibilities, functions, and procedures in the financial risk management system have been defined by the Board of Management of DEUTZ AG and summarized in a manual that is continually updated. A systematic reporting structure provides the basis for the work of the Risk Management Committee and ensures that all major financial risks are documented and communicated, and that appropriate corrective action is taken and documented at an early stage.

The DEUTZ Group conducts risk inventories four times a year. These risk inventories are carried out in all functions and areas of the Company and in the main affiliated companies to identify whether new risks or changes to existing risks have arisen compared with the Company's short-term and medium-term planning. The identified risks are categorized by importance, based on estimated probability of occurrence and potential impact. At the same time, a review is carried out to establish whether and how action that has been agreed and implemented has successfully minimized known risks or whether there is a need for further action. Tail risks are documented at least once a year as well. These are risks to the Company's survival as a going concern that have a very low probability of occurring. The Risk Management Committee analyzes the risks and the progress of the action that is being taken to minimize them and reports to the Board of Management on the results of the risk inventory. The Board of Management is presented with a risk aggregation at the same time. A risk-bearing capacity statement focused on the Company's equity and liquidity is also shown to the Board of Management on an ad hoc basis, but at least every quarter.

To enable the Company to respond promptly at all times to any possible risks that may arise, the DEUTZ Group's risk officers and their staff are under an obligation to submit immediate reports to the risk coordinator detailing any new material risks or if there is an increase in the threat from risks that are already known. The risk coordinator would then promptly notify the Board of Management accordingly.

The risk management system documents both risks and opportunities, and maintains a strict separation between the two.

The independent auditor conducts an annual audit of the DEUTZ Group's system for the early identification of risks pursuant to section 91 (2) AktG to assess whether the system is functioning efficiently. Corporate Audit is set to do the same at regular intervals going forward.

RISK MANAGEMENT WITH REGARD TO FINANCIAL INSTRUMENTS

Basic principles Owing to its global business operations, the DEUTZ Group is exposed to various financial risks that can arise from adverse movements and trends in the international sales, procurement, interest-rate, and foreign-exchange markets. The Group's overarching risk management strategy used is designed to mitigate potentially negative effects on the financial position and financial performance. The management and early identification of financial risks is based on annual financial planning, together with updates and regular analyses of variances during the year. Financial management in the Group is the responsibility of DEUTZ AG as the parent company.

The Treasury department identifies, measures, and hedges financial risk in close collaboration with the Group's operating segments. The Board of Management specifies principles for the Group's overarching risk management strategy as well as guidelines for certain aspects, such as how to manage currency risk, interest-rate risk, and credit risk and how to hedge them using derivative and non-derivative financial instruments. The Finance Committee, which meets every quarter, or on an ad hoc basis as required, provides a forum at which operational issues relating to risk management and other financially relevant decisions are discussed. The Finance Committee consists of the Chief Financial Officer plus the Head of Finance & Controlling and a further representative of the Treasury department.

The objective of risk management is to mitigate fluctuations in earnings and cash flows caused by volatility in interest rates, exchange rates, and prices for raw materials. Derivative financial instruments are used only for hedging purposes, i.e. only in connection with corresponding underlying transactions arising from the Group's ordinary business activities or financial transactions that have a countervailing risk profile to that of the hedging transaction. The nature and scope of the hedged items are specified in a binding financing directive.

DEUTZ works exclusively with leading banks in order to minimize **counterparty risk**. The Treasury department manages the lines of credit in accordance with the Group's financing principles. Subsidiaries are funded primarily by DEUTZ Group loans. DEUTZ manages the financial risk as follows:

:

Risk from bad debts DEUTZ protects itself against the risk of bad debts by continually monitoring its situation through electronic and other means and by regularly analyzing receivables and their breakdown. The Company takes out credit insurance to cover a large proportion of its receivables where payment for goods has not been received in advance or is not covered by a letter of credit. It also conducts creditworthiness checks on new customers and monitors existing credit limits on an ongoing basis.

Currency risk arising from operating activities Currency risk, primarily in regard to US dollars, which arises as a result of transactions with third parties denominated in foreign currency, is monitored by means of a central currency management system and mitigated by the use of derivative financial instruments. The DEUTZ Group's net currency exposure is normally hedged by forwards equivalent to 50 to 80 percent of open items. DEUTZ is also taking specific action to increase the volume of purchasing in US dollars; this enables the Company to counteract exchange-rate risks from sales invoiced in US dollars by way of natural hedging.

Interest-rate risk arising from funding arrangements The DEUTZ Group is exposed to risk from interest-rate changes, above all in relation to floating-rate loans and other loans that it has taken up.

Liquidity risk The funding agreements concluded provide the Company with adequate liquidity for its further development. During the term of an agreement, DEUTZ AG must ensure that the DEUTZ Group complies with certain financial covenants (ratio of financial debt to equity and to EBITDA). These agreed financial covenants allow sufficient financial leeway in line with the medium-term balance sheet planning and profit planning. If, however, there is a dramatic deterioration in the general economic situation – for example because of pandemics or unexpectedly severe escalations in geopolitical crises (e.g. Taiwan, Ukraine) – there is a risk of the covenants being breached in the short term. Should such a risk materialize, DEUTZ would approach its funding partners at an early stage in order to negotiate the necessary waiver and to enable further amounts to be drawn down under the syndicated loan. In the event of a liquidity crunch, additional lines of credit would be negotiated or factoring would be extended. See also 'Financial risk management', note 26, p. 188 onward.

RISK ASSESSMENT

The assessment of risks in the DEUTZ Group is based on the estimated probability of occurrence in conjunction with the potential impact of the risk on the business objectives. A 'best case', 'mid case', and 'worst case' are considered for the assessed risks. In the following risk report for the DEUTZ Group, the risks are categorized as either 'low', 'moderate', or 'high'. Risks that have been classified as 'low' would be expected to have a low impact of up to €10 million on financial position and financial performance. Risks classified as 'moderate', however, would have a significant impact, of between €10 million and €50 million, and risks classified as 'high' would have a major impact, of over €50 million, on financial position and financial performance. Risks to the Company's survival as a going concern are described as such.

DEUTZ Group: Risk assessment

Probability of occurrence (%)	**minor** (€0.5 – €10 million)	**moderate** (>€10 million)	**significant** (>€25 million)	**critical** (>€50 million)	**very critical** (>€100 million)
80–99	low	moderate	moderate	high	high
60–79	low	moderate	moderate	high	high
40–59	low	moderate	moderate	moderate	high
20–39	low	low	moderate	moderate	moderate
1–19	low	low	low	moderate	moderate

Impact

RISK

As with the internal risk reporting, the following presentation of the current risk situation is focused on the risk factors that are relevant to the DEUTZ Group's financial position and financial performance. These risk factors consist of the risks that were categorized as 'low' or higher before taking into account any measures to counter that risk. In contrast to the internal risk management, the risks in the following description are aggregated by risk category.

Unless otherwise stated, the risks refer to the relevant expected value for 2023, weighted by probability, that remains after existing and effective measures and checks have been carried out. The values are calculated on a net basis, whereby the risks are addressed that remain after existing and effective measures and checks have been carried out.

If not explicitly stated, the assessment of the risk is unchanged from the prior year.

MACROECONOMIC RISKS

The further course of the coronavirus pandemic and its consequences for the economy as a whole continue to represent an external risk for DEUTZ. Further waves of infection, the lockdown measures that would result from this, and mutations of the virus could have a negative impact both on unit sales and on procurement and production. The effects of the coronavirus pandemic on financial position and financial performance are taken into account in market risk and operational risk.

Another external risk is the war in Ukraine. The current sanctions and any further sanctions imposed in the future, along with their direct impact on the global economy and the flow of goods around the world, may adversely affect earnings. The level of risk currently posed by the war in Ukraine with regard to attainment of the targets is categorized as 'low' for 2023. However, there is a great deal of uncertainty about the effects of the war – particularly if it were to escalate further – and it is therefore currently impossible to predict exactly what these effects will be.

MARKET RISK

Geopolitical events, trade disputes, the emergence of new competitors, and pandemics can all influence the macroeconomic situation. There is also the risk of being unable to pass on to customers any price increases on the purchasing side. Given that DEUTZ operates in international sales markets, the aforementioned developments and events could have a negative impact on the financial position and financial performance of the Group. As well as having a direct effect on unit sales and revenue, this may also impact negatively on the value of assets on the balance sheet. DEUTZ operates in very cyclical markets in the Construction Equipment and Material Handling application segments, which are the strongest drivers of revenue, and in the principal sales regions of Germany, western Europe, China and North America. The objective is to mitigate this cyclicality from a regional and application segment perspective in order to further reduce its negative impact on business performance.

In the medium and long term, DEUTZ seeks to mitigate regional and application-related sales risks by aligning development activities with the product strategy and by entering into long-term supply agreements. It therefore pursues a strategy of continually signing up new customers across all regions and progressively expanding business with them. DEUTZ is very well diversified and well positioned for the future in terms of the geographical and sectoral distribution of its customers. Furthermore, it supplies the market-leading manufacturers in the various application segments. Active management of orders, inventories, and stock levels is used to respond to volatility in the markets.

Despite the countermeasures taken, it is impossible to completely control external risks. In view of the measures in place, DEUTZ categorizes the level of market risk with regard to the attainment of its targets as 'moderate' in 2023 (2022: low).

STRATEGIC RISK

Based on the objective of broadening the customer and product base, the DEUTZ Group's strategy mainly focuses on expanding and developing its portfolio of alternative drives as part of a technology-neutral approach, continually growing the service business and, at the same time, unlocking potential for growth in the classic engine business. See also 'Strategy and objectives', p. 22 onward.

In pursuit of its overarching objective of pioneering carbon-neutral drive systems for off-highway applications, DEUTZ focuses not only on electrification in the advancement of its portfolio but also, in particular, on the development of internal combustion engines that can run on a zero-carbon basis by using sustainable energy sources such as hydrogen and e-fuels. See also 'Research and development', p. 26 onward.

The product strategy presents numerous opportunities but is, of course, also associated with risks. For example, new product developments may not be as well received by customers as predicted or may not be able to compete with rival products. There is also the risk that markets and prices may change in unexpected ways. Strategic decisions in respect of product collaborations may also impact negatively on the value of assets on the balance sheet.

DEUTZ attempts to mitigate the aforementioned risks in various ways, such as precisely analyzing the trends in relevant markets, for which it also draws on external market research. It also enters into close alliances with major customers, long-term supply agreements, and strategic development partnerships. Where appropriate, DEUTZ is continuing to expand its inhouse capabilities by making targeted acquisitions and strategic investments. In the field of alternative drive solutions, for example, DEUTZ joined the HyCET research project consortium in 2022. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. See also 'Research and development', p. 26 onward.

There is also the risk that strategic projects do not progress as anticipated or are delayed. They are therefore closely monitored so that DEUTZ can respond to changes immediately.

In view of the measures in place, the level of strategic risk with regard to the attainment of the financial targets continues to be categorized as 'low' for 2023.

OPERATIONAL RISK

Procurement risk Supply shortages at suppliers may lead to delays in DEUTZ's own deliveries or even production downtime if there are no alternative sources of supply. This would adversely affect earnings.

In terms of securing the supply chain, DEUTZ sees risks not only in the ongoing coronavirus pandemic and the potential fallout from the war in Ukraine but also in bottlenecks on the part of suppliers, for example because of the global shortage of supply in the semiconductor sector. In addition, it sees risks in the general economic and political situation and the associated paradigm shift within the automotive industry. Any resulting supplier insolvencies, factory closures, or discontinuation of products could also have a negative impact on the supply chain. Moreover, the DEUTZ Group's earnings could be further dented if logistics and material costs are pushed up by longer replenishment lead times for bought-in parts, price increases at suppliers due to rising energy costs, and bottlenecks in freight and warehouse capacity. See also 'Procurement market', p. 34.

DEUTZ seeks to mitigate the aforementioned risks by carrying out intensive supplier management, by continually negotiating with its suppliers, and by monitoring the market on an ongoing basis. See also 'Purchasing and procurement', p. 32 onward, and 'Production and logistics p. 29 onward.

There are essentially three cornerstones to the DEUTZ Group's procurement strategy for strategic and production-critical components: firstly, long-term supplier relationships and supply agreements; secondly, the increased use of second-source suppliers that are independent of each other; and, thirdly, where required, inhouse production and/or allocation of production to subcontractors. These measures minimize the procurement risks and secure the required capacity to the greatest extent possible. In the event that suppliers charge higher prices, DEUTZ has established a process to spread the burden of rising costs.

In view of the measures in place, the level of procurement risk with regard to the attainment of the financial targets continues to be categorized as 'moderate' for 2023.

Production risk There is a risk that fluctuations in capacity utilization in production have a negative impact on profitability. These could result not just from the business model's degree of dependency on the general economic situation or production delays due to material shortages but also from production downtime, for example because of the coronavirus pandemic, strikes, availability of staff, disruption to internal material flows, or machinery outages.

In 2020, DEUTZ drew up a comprehensive safety plan to prevent production from being disrupted by the coronavirus pandemic. As well as suitable safeguards in the workplace, this continues to include the option of working from home for employees in administrative functions, greater use of virtual meetings, and rapid COVID-19 testing on site.

In order to avoid mistakes in planning and capital expenditure, the necessary production capacity is regularly reviewed and planned using different timescales: over a number of years as part of the medium-term planning process, which is revised each year, and for the following financial year as part of the budget planning process, which is then updated quarterly for the current year. Furthermore, production program meetings and capacity planning meetings are held monthly to ensure that capacity is adjusted in line with orders on hand. Where required, temporary employment contracts are increasingly being used in order to ensure greater flexibility. Projects to stabilize the internal flow of materials and potential Saturday shifts will also help to realize the planned production program.

In view of the measures in place to avoid or minimize these risks, the level of production risk with regard to the financial targets continues to be categorized as 'low'.

Quality risk The DEUTZ Group is exposed to liability and warranty risks. Potential warranty claims and claims for compensation could have a negative impact on financial position and financial performance. In addition, a change in supplier or a relocation of a supplier's operations presents a risk in terms of supplier quality.

All DEUTZ plants and all other relevant areas of the Group have local quality departments in order to ensure quality. These departments systematically analyze sources of errors and defects, optimize production processes, and take action to minimize the risk in production start-ups, thereby reducing warranty risks. A central quality management organization ensures that standardized processes and methods are in place and carries out regular audits. In addition, DEUTZ has defined uniform standards for the selection of suppliers and, in close cooperation with the suppliers, continuously improves the quality of supplied parts.

Regular certification audits and additional quality initiatives also enable DEUTZ to handle the significant technical complexity of engines and to satisfy the steadily increasing quality requirements of customers.

DEUTZ has recognized sufficient provisions on the balance sheet to account for warranty risks. In view of the precautionary measures that have been taken, any further quality risks that could negatively impact on the financial targets continue to be categorized as 'low' for 2023.

OTHER RISKS

Cyber risk DEUTZ is a technology-driven company that is heavily focused on research and development. It regards the continuing development of the engine portfolio with a focus on sustainable drive solutions as a competitive advantage that will form the basis of its long-term success. However, there is a risk that strictly confidential information, particularly concerning new technological insights or partnerships in research and development, could find its way to competitors through illegitimate means. As well as the loss of confidential information, it is conceivable that forged documents could be used to siphon off capital without authorization. In addition, technical defects or IT system outages could have a negative impact on market position and on financial position and financial performance. This is also true of potential cyberattacks and the harm resulting from such attacks, which could lead to financial loss or reputational damage.

DEUTZ has put a series of measures in place to protect against cyber risk. As well as taking out insurance against cyber risk and providing regular security training for employees, these include security measures for computer hardware and software and the management of defined IT security guidelines. In view of the precautions that have been taken, DEUTZ continues to categorize the level of cyber risk as 'low'.

Legal and compliance risk As a Group with multinational operations, DEUTZ is subject to a multitude of regulations under tax, competition, and patent law as well as to other legal and regulatory requirements. Existing and potential legal disputes, along with possible infringements of the law, are therefore recorded and analyzed on an ongoing basis; they are assessed in terms of their legal and financial impact and an appropriate amount is recognized on the balance sheet in the form of risk provisions. The outcome of legal disputes and proceedings is inherently uncertain, however. This means that there are further risks, not accounted for through provisions on the balance sheet, that could negatively impact on the financial targets.

Groupwide standards such as the general terms and conditions of business, sample contracts for various uses, and implementation provisions in the form of organizational guidelines are refined on an ongoing basis and reduce the level of new legal risk at DEUTZ. The Legal Affairs department and external attorneys are also regularly consulted about projects and the signing of contracts that fall outside the scope of the standards developed for day-to-day business.

Based on the current status of ongoing cases and in view of the measures that have been taken to either avoid or minimize risk, DEUTZ continues to categorize the level of legal risk as 'low'.

RISK MANAGEMENT IN RELATION TO KEY TOPICS PURSUANT TO SECTION 289c (3) NOS. 3 AND 4 HGB

Dealing responsibly with risks that could negatively impact on the financial targets is not the only part of good corporate governance. Another important measure of good corporate governance is the regular identification and assessment of non-financial risks arising from the Company's own business activities, business relationships, and/or products and services, where such risks could have a negative impact on material non-financial aspects. This is also the case for risks that could affect the achievement of non-financial targets set by DEUTZ as part of its 'Taking Responsibility' sustainability strategy. To this end, the DEUTZ Sustainable Development Committee, for example, generally reports to the Board of Management every quarter on the current situation with regard to the non-financial KPIs. The objective, as part of a preventive risk management approach, is to identify risks that might jeopardize the achievement of the targets at an early stage and to modify the action plan if necessary. See the non-financial report, p. 92 onward, for more information on the DEUTZ sustainability strategy and the Sustainable Development Committee.

Whereas risks related to material non-financial aspects have up to now been identified and evaluated manually, the plan is for the process to be integrated into the Group's regular, system-based risk inventory in 2023.

Using the **net method**, no material risks were found in 2022 in relation to DEUTZ's own business activity, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on aspects subject to reporting requirements now or in the future.

OVERALL ASSESSMENT OF THE RISK SITUATION

DEUTZ uses its risk management system to identify and evaluate material risks on an ongoing basis. Appropriate action is taken to manage these risks and, as far as possible, bring them under control. Changes in material risks are monitored regularly at Group level. Currently, the DEUTZ Group has not identified any risks that either individually or in their totality could jeopardize the continued existence of the enterprise as a going concern.

Because of the precautions that have been taken and its position in the market, DEUTZ is confident in its ability to successfully manage the existing risks and overcome the resulting challenges. Overall, the Company's risk-bearing capacity in terms of equity and liquidity is assured.

ASSESSMENT OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE FINANCIAL RISK MANAGEMENT SYSTEM[1]

DEUTZ routinely analyses the appropriateness and effectiveness of its financial risk management system. The risk management system is adjusted or refined as necessary as part of a continuous process of improvement. In 2023, for example, there will be a reconfiguration of the risk management system that will see a set of integrated groupwide operational risk management processes integrated into the existing structures. The objective is to improve the base data for the quarterly reporting and to ensure that risk is managed in a uniform way at all levels of the Company.

The ongoing analysis of actual financial loss compared with the forecast risks shows that risks are identified at an early stage in the Company and that the mechanisms in place are effective. For this reason, the Company regards its financial risk management system as appropriate and effective.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

The risk management system forms part of, and is closely linked to, the internal control system. Whereas the risk management system focuses on the identification, analysis, assessment, communication, and management of risk, the internal control system (ICS) also aims to avoid or limit risk through process-integrated and process-independent monitoring mechanisms. The ICS is there to ensure the security and efficiency of business activity, compliance with relevant laws, principles, and internal guidelines, and the propriety and reliability of internal and external financial reporting. The internal control system of DEUTZ AG is designed in such a way that all significant business processes are looked at and it therefore has a wider reach than the accounting-related controls.

The Board of Management is responsible for setting up, monitoring, refining, and ensuring the effectiveness of the ICS. At operational level, the ICS coordinators are responsible for continually improving the DEUTZ AG's ICS and ensuring that its processes are documented. The Board of Management and Audit Committee are routinely provided with reports on the status of the ICS. However, even a properly structured ICS is unable to provide absolute security; it can only provide a relative level of security in helping to achieve targets and/or avoid material risks. With regard to the accounting-related internal control system, there can be no absolute certainty that material misstatements in financial reporting will be either avoided or identified. There can only ever be a relative degree of certainty.

The accounting process itself includes those parts of the operating processes that contain the financial reporting value flows, the process for preparing the separate financial statements and the consolidated financial statements, and all information sources and processes from which the significant disclosures in the separate financial statements and the consolidated financial statements are derived.

Following a risk-oriented approach, risk is one of the aspects that is included in the analysis and assessment of DEUTZ AG's business processes. The risks identified by the risk management system and the findings of the audit of the ICS and of the processes are incorporated into the risk inventory as part of this. The accounting process includes those parts of the operating processes that contain the financial reporting value flows, the process for preparing the separate financial statements and the consolidated financial statements, and all information sources and processes from which the significant disclosures in the separate financial statements and the consolidated financial statements are derived.

Various monitoring mechanisms and risk-specific internal controls are in place to ensure that accounting is carried out properly and to ensure that the consolidated financial statements are correctly and consistently prepared. The controls include IT-supported and manual reconciliations, monitoring controls, and general IT controls such as access rules for IT systems and change management, while the fundamental principles of separation of functions and having work checked by a second member of staff reduce the risk of fraudulent acts.

The consolidated financial statements are prepared on the basis of central specifications. The same consolidation software is used for all entities and follows a prescribed chart of accounts for the Group. Relevant requirements are documented in the Group Accounting Manual, communicated as appropriate, and, together with the groupwide schedule for the year-end closing, form the basis of the process for preparing the separate financial statements and the consolidated financial statements. Ongoing analysis is carried out to determine whether the central specifications need to be modified due to changes in the regulatory environment. The reporting entities are responsible for adhering to the specifications; the Group Accounting department supports and monitors them. The data reported to DEUTZ's Group Accounting department by the subsidiaries is analyzed and validated on an ongoing basis as part of the monthly financial reporting process. Where necessary, DEUTZ also uses external service providers, such as independent assessors of pension liabilities. The Group Accounting department ensures that these requirements are adhered to across the Group.

[1] Not audited

The results of the analysis of risks and controls are recorded in a risk-control matrix to ensure proper documentation in the ICS. Documentation in the ICS is supported by procedural instructions, process descriptions, and guidelines. An ICS procedure tailored to DEUTZ AG is used to define fundamental principles regarding updates. This provides ongoing verification that the business processes analyzed in the ICS are up to date and appropriate.

As a process-independent monitoring function, Corporate Audit regularly verifies whether the statutory regulations and the DEUTZ Group's internal guidelines for its control and risk management system are being complied with and whether the internal controls are effective. The findings of these reviews are reported directly to the Board of Management and the ICS coordinators and allow DEUTZ to eliminate any deficiencies that have been identified and ensure that the ICS is continually refined.

Besides discussing the single-entity and consolidated financial statements, the Audit Committee set up by the Supervisory Board regularly discusses the quarterly financial reporting. The Audit Committee's monitoring function covers the effectiveness of the ICS set up by the Board of Management as well as the accounting process itself.

ASSESSMENT OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM[1]

Audit reviews contribute to the efficient monitoring of the internal control system and the risk management system. Based on the results of the reviews of the ICS by Corporate Audit, the Board of Management is unaware of any circumstances that would suggest the ICS is not essentially appropriate and effective. It is, however, subject to ongoing optimization as part of a continuous process of improvement.

OPPORTUNITIES REPORT

DEUTZ operates in a fast-paced market environment. The aforementioned risks that are associated with this have the potential to negatively impact on the attainment of its business objectives. However, opportunities are also presented that could have a positive effect on the objectives of the Group for 2023 and beyond. It is to be viewed as an opportunity, for example, that particular events or developments may result in a positive deviation from the planned objectives for 2023. Identifying and harnessing these opportunities is the responsibility of the individual operating segments of the Group and the Board of Management.

OPPORTUNITY ASSESSMENT

In the DEUTZ Group, the assessment of opportunities is based on the estimated probability of occurrence in conjunction with the potential impact of the opportunity on the business objectives. As with the assessment of risks, a 'best case', 'mid case', and 'worst case' are considered. In the following opportunity report for the DEUTZ Group, the opportunities are categorized as either 'low', 'moderate', or 'high'. Opportunities that have been classified as 'low' would be expected to have a low impact of up to €10 million on financial position and financial performance. Opportunities classified as 'moderate', however, would have a significant impact, of between €10 million and €50 million, and opportunities classified as 'high' would have a major impact, of over €50 million, on financial position and financial performance.

Unless otherwise stated, the opportunities refer to the relevant expected value for 2023, weighted by probability.

Growth strategy As part of its overarching growth strategy Dual+, DEUTZ is particularly focusing on unlocking potential for growth in the classic engine business and, at the same time, ramping up the activities relating to alternative drive solutions, which are assigned to the Green segment, and expanding the high-margin service business.

The onus is on companies to reduce or limit carbon emissions around the world in the face of advancing climate change and the targets that have been set in order to achieve climate neutrality. However, DEUTZ firmly believes that internal combustion engines will continue to play, and will need to play, a dominant role in mobile machinery applications in the years ahead. To help facilitate a smooth transition to more sustainable drive systems, DEUTZ is therefore taking an open-minded approach to technology as it continues to develop its engine portfolio. This means that in addition to the expansion of the Green portfolio, DEUTZ will also be forging ahead with the use of drive solutions that represent a more environmentally-friendly alternative to the traditional internal combustion engine, for example using HVO, hydrogen, or synthetic fuels. This is enabling DEUTZ to build on its competitive position and attract new customer groups. Despite the transition to carbon-neutral drive systems, and the associated consolidation of the market, the use of internal combustion engines in mobile machinery is expected to remain dominant for certain applications in the years ahead. This provides DEUTZ with potential for growth, provided that it can play an active part in the market's consolidation and thus strengthen its market position. In the service business, by contrast, potential for growth stems firstly from new and, in particular, digital services and service products that are designed to increase customer loyalty and

[1] Not audited

satisfaction. Secondly, growth opportunities are arising from the expansion of the global DEUTZ service network, from acquisitions and alliances, and from extending the scope of service activities to include non-DEUTZ engines. See also 'Strategy and objectives', p. 22 onward, and 'Research and development', p. 26 onward.

DEUTZ categorizes the level of strategic opportunity with regard to the attainment of the financial targets as 'low' for 2023.

Market opportunities In the budget for 2023, DEUTZ has anticipated a continuation of the challenging conditions due to the macroeconomic uncertainties, which primarily relate to the coronavirus pandemic and the geopolitical impact of the war in Ukraine. If the market environment brightens during the year, additional growth opportunities will open up. See also 'Outlook for 2023', p. 65 onward.

DEUTZ categorizes the level of market opportunity with regard to the attainment of its targets as 'low' for 2023.

Operational opportunities In a mirror-image of the risk of suppliers charging higher prices, the significant fluctuation in energy prices represents an opportunity in the form of falling procurement costs.

DEUTZ categorizes the level of operational opportunity with regard to the attainment of its targets as 'moderate' for 2023 (2022: 'low').

Legal opportunities In view of the current status of ongoing cases and in view of the measures that have been taken, DEUTZ categorizes the level of legal opportunity as 'low'.

OUTLOOK FOR 2023

ECONOMIC OUTLOOK

GDP growth[1]

YoY change (%)

	2023	2024
Global	2.9	3.1
Industrialized countries	1.2	1.4
Eurozone	0.7	1.6
Germany	0.1	1.4
USA	1.4	1.0
Emerging markets	4.0	4.2
China	5.2	4.5

[1] IMF, World Economic Outlook Update, January 2023.

In its January 2023 forecast, the International Monetary Fund (IMF) raised its expectations with regard to GDP growth for 2023 by 20 basis points to 2.9 percent compared with its forecast in October 2022[1]. This adjustment was prompted by stronger-than-expected growth rates in 2022 and the fact that many economies performed quite robustly. The relatively lower growth rate compared with the previous year reflects anticipated interest-rate increases as part of the central banks' continuing efforts to curb inflation as well as the effects of the ongoing war in Ukraine.[2] See also 'Economic and industry-specific environment', p. 34.

The IMF's expectations for GDP for 2024 underwent a moderate downward adjustment of 10 basis points to 3.1 percent. However, this is essentially a technical effect, based on the assumption that growth in 2023 is forecast to be slightly stronger than originally expected. In addition, global trade is predicted to increase by 2.4 percent year on year in 2023 and by around 2.5 percent in 2024.[2]

The moderate GDP forecast is set to be accompanied by a recovery in commodity prices, which should help to lower inflation. Generally, the IMF projects that 84 percent of countries will see their inflation rates fall over the course of 2023. Globally, inflation is expected to slow from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.4 percent in 2024. However, this would still see inflation remaining above the long-term average of around 3.5 percent. It can be assumed that, in keeping with historical patterns, industrialized countries will experience lower rates of inflation than emerging economies.

[1] IMF, World Economic Outlook Update, October 2022.
[2] IMF, World Economic Outlook Update, January 2023.

PROCUREMENT MARKET

Only parts of the procurement market are expected to stabilize in 2023 following the extraordinary rises in commodity prices, energy prices, and transportation costs seen in 2022. While prices for raw materials are starting to fall and sea freight capacity is likely to increase, it is anticipated that freight costs for overland transport will stay high and the supply of materials in the semiconductor sector will remain at critical levels. The elevated level of energy prices is also expected to continue. The German government adopted various relief packages at the end of 2022 in order to mitigate the resulting difficulties for households and businesses. These include the price brakes for electricity and gas that will cover the period from March 31, 2023 to April 30, 2024.[1]

The procurement market is likely to remain challenging as a result of persistent geopolitical uncertainty in connection with the war in Ukraine, the ongoing coronavirus pandemic, rising inflation, and political debate surrounding factors such as the shift toward renewable energies and a carbon-neutral economy.

[1] www.bmwk.de/Redaktion/DE/Artikel/Energie/strom-gaspreis-bremse.html.

DIESEL ENGINES MARKET

DEUTZ customer industries: forecast for 2023

YoY change in unit sales (%)

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

[1] Power Systems Research, OE Link Update Bulletin Q4 2022, January 2023.
[2] VDMA, Geschäftsklima und Marktentwicklung weltweit, November 2022.

In 2023, based on currently available figures, the performance of key industries for sales of DEUTZ diesel engines for off-highway applications is likely to be inconsistent. In Europe and North America, high inflation, rising interest rates and energy costs, and the ongoing global bottlenecks in the supply chain are set to limit any rise in demand. In the rest of Asia, especially in Korea and Japan, the trend is likely to mirror that in Europe and North America. While customer industries in China are expected to grow moderately, this will probably be at a much lower rate than in the past due to China's current sluggish growth and the uncertainty surrounding the pandemic situation.

Demand for construction equipment is expected to continue to rise overall. The long-term investment and infrastructure programs approved by the European Commission in the EU and the Biden administration in the USA should ensure steady demand in Europe and North America over the coming years. In China too, the construction sector – a key driver of Chinese economic growth – is expected to contribute to sustained demand for construction equipment, provided that no further lockdowns are ordered by the Beijing government in 2023.

Demand for material handling equipment, especially forklift trucks, lifting platforms, and telehandlers, is also set to grow overall across all regions. In all probability, 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 in 2022 and the announcements for 2023 indicate that the level of capital investment will remain high.

The factors that will influence unit sales of agricultural machinery in 2023 are very varied, and growth rates are expected to be in the low single digits. The new emissions standard for the <19 kW segment is likely to 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 unit sales and recent interest-rate rises. The China IV emissions standard introduced in China at the end of 2022 will make tractors more expensive, and with subsidies for new purchases also cut, any rise in demand is poised to be moderate.

We expect the Chinese market for heavy-duty trucks[1] to recover slightly in 2023 following a considerable slump in 2022. The reasons behind this included high inventory levels at customers who expanded their fleets before the introduction of the CN6 emissions standard in 2021 and multiple plant closures ordered by the Beijing government. We expect that the resulting production outages will be gradually made up for over the course of 2023.

BUSINESS OUTLOOK FOR 2023

Given the sustained upward trajectory experienced in 2022 by the industries in which DEUTZ's customers operate, it is expected that customers' greater propensity to invest will be maintained in 2023. However, it should be borne in mind that the sharp rises in raw material and energy prices in 2022 created a highly inflationary environment, meaning that a recession this year cannot be entirely ruled out. This makes it hard to predict what the effects would be on the global economy and, in turn, on the DEUTZ Group's business performance. The global procurement market also remains a source of uncertainty.

The business outlook presented here was made on the basis of the information available at the end of February 2023.

[1] China Automotive Industry Association, January 2023.

UNIT SALES, REVENUE

Based on the macroeconomic conditions outlined above and the assumption that bottlenecks in the supply chain will ease, DEUTZ expects unit sales of 175,000 to 195,000 DEUTZ engines[1] in 2023. This should result in an increase in revenue to between €1.9 billion and €2.1 billion, with the revenue attributable to the Classic segment accounting for between €1.8 billion and €2.0 billion. The Green segment, which comprises all activities connected with the development and production of new, alternative drive solutions, such as electric or hydrogen-powered drives, is expected to contribute revenue of between €60 million and €100 million.

EARNINGS

If unit sales and revenue prove to be as described above, DEUTZ expects the EBIT margin before exceptional items (adjusted EBIT margin) at Group level to be in a range of 4.0 percent to 5.0 percent. This span is the product, on the one hand, of the aforementioned revenue range and, on the other, of the rise in staff costs – particularly in Germany as a result of the collective agreement concluded at the end of 2022 – and the expectation that raw material and energy prices will increase again in 2023. See also 'Procurement market', p. 66, and 'Employees', p. 68.

Looking at the individual segments, the adjusted EBIT margin for the Classic segment is expected to be between 6.0 percent and 7.0 percent, while the adjusted EBIT margin for the Green segment is likely to be in a range of minus 40 percent to minus 30 percent. It should be noted that in the Green segment, smaller revenues will still be coinciding with the increased level of investment that is required to establish the portfolio of alternative drive systems. See also 'Strategy and objectives', p. 22 onward, and 'Research and development', p. 26 onward.

In the outlook section of the 2021 report, DEUTZ anticipated payment of the final installment of the purchase consideration for the sale of the Cologne-Deutz site in 2023, resulting in a positive exceptional item of around €60 million. Based on current information, however, this payment is no longer expected to materialize in the short term and it is currently not possible to name a firm date for when it will be made.[2]

Based on our earnings guidance, we believe that the return on capital employed (ROCE) before exceptional items in 2023 will be a high single digit percentage figure.

[1] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[2] The amount and the timing of this payment depend on when the development plan for the site is formally approved by the City of Cologne.

RESEARCH AND DEVELOPMENT EXPENDITURE[1]

After deducting grants[2], DEUTZ expects expenditure on research and development to be in the range of €100 million to €120 million in 2023. This money is to be spent primarily on activities in the field of alternative drive systems and on the ongoing development of our portfolio of engines with capacities of less than 4 liters. See also 'Research and development', p. 26 onward.

CAPITAL EXPENDITURE[3]

After deducting grants[2], capital expenditure[4] is likely to be in a range of €70 million to €90 million in 2023. This expected year-on-year decrease is primarily attributable to the one-off effect of the investment of around €30 million in the logistics center in 2022. See also 'Production and logistics', p. 29 onward.

WORKING CAPITAL RATIO, FREE CASH FLOW, AND EQUITY RATIO

The average working capital ratio for 2023 is predicted to be between 16 percent and 18 percent. Free cash flow is likely to be an amount in the mid-double-digit millions of euros.[4] The equity ratio is expected to remain well over 40 percent.

EMPLOYEES

Staffing levels Short-term peaks in demand for labor as a result of unexpected increases in production volume will be managed by offering flexible employment conditions in the shape of fixed-term and temporary employment contracts.

Supplementary collective pay agreement In mid-December 2020, the IG Metall labor union and the employers' association agreed on a fixed-term supplementary collective pay agreement, which includes a commitment by the Company to protect jobs at the sites in Cologne, Herschbach, and Ulm until the end of 2025.

Wage settlement In December 2022, IG Metall reached a new wage settlement for the metalworking and electrical engineering industry, to which DEUTZ AG belongs. The settlement includes an increase of 5.2 percent in the monthly basic pay of employees covered by collective pay agreements and in apprentices' monthly pay from June 2023 onward. In addition, there will be a one-off inflation compensation payment of €3,000 net, of which at least half is to be paid in 2023. DEUTZ also intends to increase the remuneration of its employees not covered by collective pay agreements and its senior managers.

[1] Research and development expenditure constitutes actual spending on R&D projects. It differs from the research and development costs recognized in the income statement in that development expenditure that can be capitalized is deducted and amortization on completed development projects is added.
[2] Grants from development partners and subsidies.
[3] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of research and development expenditure.
[4] Excl. M&A.

OUTLOOK FOR 2025

The pace of the global economic recovery remains fraught with uncertainty. This is due to the sharp rise in raw material and energy prices and the fact the challenging situation in the global procurement market is easing only slowly. Interest rates were raised across the world last year in response to the high rates of inflation, and a recession now seems possible. This is one of the reasons why DEUTZ has either revised the targets for 2023/2024, See also 'Outlook for 2023', p. 65 onward which were most recently confirmed in its 2022 annual report, or set new medium-term targets for 2025.

Originally, an increase in consolidated revenue to more than €2 billion was envisaged for 2023/2024, which was expected to result in an EBIT margin before exceptional items in a range of 7 to 8 percent. Whereas, according to the business outlook for 2023, this revenue target could be achieved as early as this year, it no longer appears possible for the profit margin target to be achieved due to the macroeconomic environment described above and to the much lower than expected EBIT contribution from the equity-accounted Chinese joint venture with SANY. DEUTZ also believes that it needs to invest significantly larger sums in alternative drives in order to be prepared for the transition to more sustainable drive systems. Indeed, it plans to invest more than €100 million in this area over the next three years.

DEUTZ has set new medium-term targets for 2025 based on the implementation of its Dual+ strategy, namely an increase in annual revenue to more than €2.5 billion, tied to which is an EBIT margin before exceptional items in the range of 6 to 7 percent.

Ongoing internationalization and the expansion of the service business, together with a technology-neutral approach to the development of the Classic engine portfolio, are expected to remain key growth drivers. DEUTZ predicts that the volume of annual revenue attributable to its service business will rise to around €600 million by 2025. The continued implementation of measures aimed at optimizing prices while raising efficiency will further underpin its profitability going forward. See also 'Strategy and objectives', p. 22 onward.

Under its sustainability strategy, DEUTZ had set itself the target of raising the proportion of consolidated revenue generated by the Green segment to between 5 and 10 percent by 2023/2024. Currently, the segment's revenue is almost exclusively derived from the business with Torqeedo subsidiary's electric boat drives. But because demand for alternative drives is taking longer than anticipated to ramp up, DEUTZ now does not expect to reach this target until 2025. See also 'Strategy and objectives', p. 22 onward.

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.

REMUNERATION REPORT

REMUNERATION REPORT OF DEUTZ AG PURSUANT TO SECTION 162 AKTG

The remuneration report provides details of the remuneration granted and owed to former and current members of the Board of Management and Supervisory Board of DEUTZ AG in 2022. It meets the requirements of section 162 of the German Stock Corporation Act (AktG).

I. REVIEW OF 2022 FROM A REMUNERATION PERSPECTIVE

In accordance with the provisions of the AktG, the remuneration report for 2021 prepared jointly by the Board of Management and Supervisory Board was presented for approval at the Annual General Meeting of DEUTZ AG on April 28, 2022, at which it was approved with 83.07 percent of the votes. The resolution did not result in any need to amend the 2021 remuneration report.

There were changes to the membership of the Board of Management in 2022. Dr. Ing. Frank Hiller left the Board of Management on February 13, 2022. Dr. Sebastian C. Schulte took over as Chairman of the Board of Management on February 13, 2022. Mr. Michael Wellenzohn left the Board of Management on September 6, 2022. Dr. Ing Petra Mayer and Mr. Timo Krutoff were appointed as new members of the Board of Management. Dr. Ing. Mayer has been responsible for production and purchasing since November 1, 2022. Mr. Krutoff took charge of finance, human resources, and information services and assumed the role of Labor Director on December 1, 2022. The Board of Management therefore has four members. All of the current Board of Management members are paid in accordance with the 2021 remuneration system.

There were also changes to the membership of the Supervisory Board in 2022. The Supervisory Board elected Dr. Dietmar Voggenreiter as its new chairman with effect from February 12, 2022 following the resignation of the previous chairman, Dr. Ing. Bernd Bohr, who remains an ordinary member of the Supervisory Board.

The remuneration report was jointly prepared by the Board of Management and Supervisory Board and was audited in form and content by the auditor. See 'Auditor's report', p. 91.

II. REMUNERATION FOR BOARD OF MANAGEMENT MEMBERS

A. GENERAL PRINCIPLES OF THE REMUNERATION SYSTEM

The Supervisory Board of DEUTZ AG revised the remuneration system for the members of the Board of Management in line with the German Act Implementing the Second Shareholder Rights' Directive (ARUG II) in 2021. The Annual General Meeting approved the revised system on April 29, 2021. The revised system incorporates the statutory requirements and the recommendations in the version of the German Corporate Governance Code (DCGK) dated April 28, 2022. It comprises non-performance-related and performance-related remuneration components and supports DEUTZ AG's long-term, sustainable development. The new remuneration system for the members of the Board of Management has applied since 2021.

The aim of the remuneration system is to support the achievement of DEUTZ's strategic objectives and ensure that the members of the Board of Management are paid appropriately. In line with the corporate strategy, the remuneration system incentivizes the Board of Management members to achieve profitable growth and sustainable value creation. Long-term variable remuneration is higher than short-term variable remuneration in order to underscore the particular importance of DEUTZ AG's long-term development. To this end, it includes a share-based element.

The Supervisory Board of DEUTZ AG is responsible for the remuneration system and for setting the remuneration of the individual members of the Board of Management. It is supported by the Human Resources Committee, which prepares recommendations on the Board of Management remuneration system and carries out the preparatory work for the decisions of the Supervisory Board and for the review of the appropriateness of the level of remuneration.

B. REMUNERATION SYSTEM IN 2022

In 2022, the remuneration of the members of DEUTZ's Board of Management consisted of non-performance-related and performance-related remuneration components. The individual components of the remuneration system in 2022 are summarized in the following table:

Remuneration components	Support for long-term development	Structure in 2022
Non-performance-related remuneration		
Basic remuneration	Forms the basis for attracting and retaining highly qualified Board of Management members who develop and implement the strategy	▪ Fixed remuneration paid in monthly installments
Additional benefits		▪ Company car and insurance policies
Retirement pension		▪ Annual contribution to a benevolent fund
Performance-related remuneration		
Short-term variable remuneration (bonus/STI)	Rewards the degree to which the corporate strategy has been operationalized, including how forward–looking sustainability targets have been implemented during a year	▪ Plan type: target bonus ▪ Performance criteria: – 30 % revenue – 30 % EBIT – 25 % strategy target – 15 % sustainability target ▪ Payment cap: 150 % of target amount ▪ Term: one year
Long-term variable remuneration (LTI)	Incentivizes Board of Management members to contribute to the sustainable growth of DEUTZ AG and increase its value over the long term; brings the interests of investors and Board of Management members into line	▪ Plan type: virtual performance share plan ▪ Performance criteria: – 50 % relative total shareholder return (TSR) compared with DAXsubsector All Industrial Machinery – 50 % return on capital employed (ROCE) ▪ Payment cap: 180 % of target amount ▪ Term: four years
Miscellaneous		
Malus/clawback	Safeguards responsible corporate governance for the benefit of DEUTZ AG	▪ Option to reduce or claw back some or all of the variable remuneration in the event of a serious compliance violation
Special remuneration	Rewards special achievements in connection with exceptional (structural) events that were not factored into the strategic planning or that have a particularly strong impact on the Group	▪ Option to grant special remuneration ▪ Limited to half of the annual basic remuneration and also limited by the maximum amount of remuneration
Maximum amount of remuneration	Limits remuneration to an amount that is high enough to motivate the members of the Board of Management but is not inappropriately high	▪ Limit on the total remuneration granted for a year in accordance with section 87a (1) sentence 2 no. 1 AktG: – Chairman of the Board of Management: €2,800,000 – Ordinary members of the Board of Management: €1,900,000 each
Cap on severance pay	Avoids excessive severance payments that are not in the interests of DEUTZ AG	▪ Severance payments are limited to twice the amount of annual remuneration and may not exceed the remuneration due for the remaining term of the contract

B.1. NON-PERFORMANCE-RELATED REMUNERATION

Non-performance-related remuneration is granted to the Board of Management members irrespective of their specific performance in relation to their targets and irrespective of the Company's performance. This remuneration comprises basic remuneration, additional benefits, and a retirement pension. The components of non-performance-related remuneration form the basis for attracting and retaining highly qualified Board of Management members who develop and implement the corporate strategy.

Basic remuneration The basic remuneration is a fixed amount that is granted irrespective of the actual performance of DEUTZ AG.

Additional benefits Each Board of Management member receives additional benefits in the form of non-monetary remuneration and other benefits. In 2022, the additional benefits for the members of the Board of Management comprised the provision of a company car that can also be used privately, the option of a driver for the car, and payment of insurance premiums for accident and D&O insurance policies.

Retirement pension The retirement pension for Board of Management members is structured as a defined contribution plan. For the Board of Management members, DEUTZ AG paid an amount into a reinsured benevolent fund in 2022 (pension expense). The amount for Mr. Krutoff's pension will be paid into the benevolent fund for the first time in 2023. When they retire, the Board of Management members are entitled to the capital promised to them; this payment is made by the benevolent fund.

Aspect	Details
Pension plan type	Defined contribution pension plan
Start of retirement	Standard retirement age is 65; earliest possible retirement age is 62 (provided that the statutory pension is also drawn)
Return	The return depends on the policyholder dividend arrangements of the insurer. There is no guaranteed return, i.e. there is no return over and above what is agreed in the policyholder dividend arrangements.
Payment options	An amount of capital is promised. In agreement with the Board of Management member, DEUTZ AG can agree a life-long annuity instead of a lump sum. This annuity is paid by the benevolent fund once there has been a pension trigger event.
Invalidity/death	Death before the start of retirement: the policy value is paid out. Benefits may also be paid in the form of a share of the valuation reserves. Death after the start of retirement (applies only if a life-long annuity has been arranged): payment of ten times the annual annuity guaranteed from the start of retirement. Guaranteed annuities that have already been paid are deducted from this amount.

Pension expense for Board of Management members The pension expenses in 2022 are shown in the following table:

	Pension expense in 2022 (€ thousand)
Dr. Sebastian C. Schulte (Chairman of the Board of Management since February 13, 2022; ordinary member of the Board of Management from January 1, 2021 to February 12, 2022)	135
Dr. Ing. Petra Mayer (since November 1, 2022)	50
Dr. Ing. Markus Müller	50
Dr. Ing. Frank Hiller (until February 13, 2022)	150
Michael Wellenzohn (until September 6, 2022)	80

B.2. PERFORMANCE-RELATED REMUNERATION

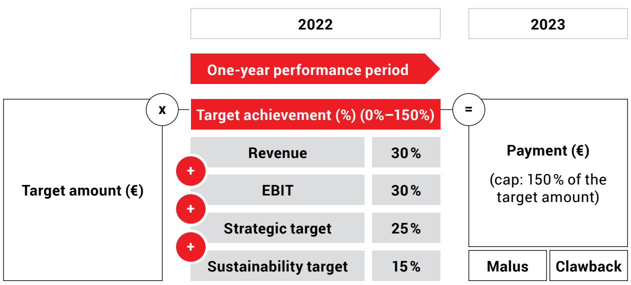
The following chapters describe the structure of the remuneration granted or owed in 2022. Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full (i.e. the performance period has ended and the performance criteria have been met). Remuneration owed is when DEUTZ has a legal obligation to the Board of Management member that is due but has not yet been fulfilled.

The structure of the LTI promised in 2022 (2022–2025) is also described. Remuneration promised is the remuneration that is promised to the Board of Management members for 2022, irrespective of the timing of payment (target remuneration).

2.1 SHORT-TERM VARIABLE REMUNERATION – BONUS (SHORT TERM INCENTIVE, STI)

The bonus contributes to the Company's long-term development by specifying how the corporate strategy is to be implemented operationally during a year and rewarding its implementation. Success is assessed on the basis of financial, strategic, and sustainability performance criteria. The financial targets revenue and EBIT underpin DEUTZ AG's growth strategy and its regional growth initiatives because together they incentivize the Board of Management members to contribute to profitable growth. The strategy target is based on the achievement of specific strategic initiatives, such as implementation of the E-DEUTZ strategy. The sustainability target reflects DEUTZ AG's social and environmental responsibility and is derived from the groupwide Taking Responsibility sustainability strategy, which forms part of the overall strategy.

Short-term variable remuneration – bonus (STI)



The target amount is the starting point for the STI. The target amount is multiplied by the total target achievement rate to obtain the amount payable. Total target achievement for the STI is the weighted sum of the rates of target achievement for the four performance criteria revenue, EBIT, strategy target, and sustainability target. For 2022, the Supervisory Board specified a strategy target from the alternative drives category and a sustainability target from the supply chain and diversity categories.

The target values for the performance criteria are set by the Supervisory Board, and target achievement in respect of these values is determined by the Supervisory Board after the end of the performance period. If performance is below a threshold, target achievement for the relevant share of the STI is 0 percent. This may result in no STI being paid at all. Target achievement is limited to a maximum of 150 percent. Linear interpolation is applied between the aforementioned rates of target achievement.

Revenue Revenue is defined as the consolidated revenue calculated and audited in accordance with the accounting principles that apply to DEUTZ AG by law. Revenue has a weighting of 30 percent.

The minimum threshold, the target value corresponding to 100 percent target achievement, the cap, the actual value achieved in 2022, and the resulting rate of target achievement for the revenue performance criterion are shown in the following table:

STI 2022

	Revenue	Target achievement
Minimum threshold	€1,592 million	50%
Target value	€1,792 million	100%
Cap	€1,992 million	150%
Actual value	€1,953.4 million	140.4%

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 150 percent.

EBIT EBIT is defined as the consolidated earnings before interest and tax (EBIT) less income generated or expenses incurred that are outside the scope of the Company's ordinary business activities and are unlikely to recur (EBIT before exceptional items). It is calculated and audited in accordance with the accounting principles that apply to DEUTZ AG by law. EBIT has a weighting of 30 percent.

The minimum threshold, the target value corresponding to 100 percent target achievement, the cap, the actual value achieved in 2022, and the resulting rate of target achievement for the EBIT performance criterion are shown in the following table:

STI 2022

	EBIT	Target achievement
Minimum threshold	€42 million	50%
Target value	€82 million	100%
Cap	€122 million	150%
Actual value	€89.4 million	109.3%

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 150 percent.

Strategy target and sustainability target The strategy target for 2022 was selected from the alternative drives category and given a weighting of 25 percent. The sustainability target for 2022 was selected from the supply chain and diversity categories and given a weighting of 15 percent.

Ten individual targets were set for the strategy target and ten for the sustainability target. Examples of these individual targets, which are grouped into clusters, are shown in the following table:

Strategy targets for 2022 in the alternative drives category, derived from the growth and internationalization strategy:

Target cluster	Examples of individual targets
Hydrogen	Expand the hydrogen-capable test rigs; continue to develop a hydrogen engine; decide on the suppliers of the main and functional components for a hydrogen engine
E-DEUTZ	Complete customer applications; secure a customer order; refine the modular E-DEUTZ toolbox (DMBK)

Sustainability targets for 2022 in the supply chain and diversity categories, derived from the sustainability strategy:

Target cluster	Examples of individual targets
Supply chain	Develop a plan to establish logistics suppliers in accordance with sustainability criteria; assess suppliers using sustainability criteria
Diversity	Increase the proportion of women at upper management levels; take steps to strengthen diversity at DEUTZ

Target achievement for the strategy target and sustainability target is measured by the number of individual targets that were reached in the relevant category in 2022. The correlation between the number of targets reached and target achievement is shown in the following table along with the actual rate of target achievement in 2022:

STI 2022

	Number of individual targets reached in the categories for the strategy target and sustainability target	Target achievement
Minimum threshold	3	50 %
Target value	5	100 %
Cap	7	150 %
Actual value: **strategy target**	8	150 %
Actual value: **sustainability target**	10	150 %

Ex post changes to the performance criteria and target values for the performance criteria are not permitted. In accordance with the recommendation in G.11 DCGK, the Supervisory Board also has the option, in exceptional cases and where it is justifiable to do so, of taking extraordinary developments appropriately into account in the STI if such developments were not explicitly factored into the strategic planning and defined individual targets. As was also the case in 2021, the Supervisory Board did not exercise this option in 2022.

Determination of the STI The determined target achievement rates are multiplied by the relevant weightings for the performance criteria and then added up to give the total target achievement. This is multiplied by the target amount to obtain the amount payable, which is limited to 150 percent of the target amount.

The following table summarizes the target amount, total target achievement, and the resulting amount payable under the STI 2022 for each member of the Board of Management:

STI 2022

	Dr. Sebastian C. Schulte	Timo Krutoff	Dr. Ing. Petra Mayer	Dr. Ing. Markus Müller	Dr. Ing. Frank Hiller[1]	Michael Wellenzohn[2]
Target amount	€459 thousand	€25 thousand	€50 thousand	€300 thousand	€143 thousand	€200 thousand
Total target achievement	134.9 %	134.9 %	134.9 %	134.9 %	134.9 %	134.9 %
Amount payable	€618 thousand	€34 thousand	€67 thousand	€405 thousand	€192 thousand	€270 thousand

[1] Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022; his Board of Management contract ended on April 30, 2022. In the reporting period, his remuneration was reduced pro rata to reflect the period up to the end of this contract.
[2] Mr. Wellenzohn stepped down from the Board of Management on September 6, 2022; his Board of Management contract remains in force beyond the end of the reporting period. In the reporting period, his remuneration was reduced pro rata to reflect his departure from the Board of Management.

2.2 LONG-TERM VARIABLE REMUNERATION (LONG-TERM INCENTIVE, LTI)

Long-term variable remuneration contributes to the Company's long-term development by rewarding implementation of the corporate strategy, its focus on sustainability, and the long-term increase in the value of DEUTZ AG on the basis of the original remuneration system that applied until 2020 and the new remuneration system that has applied to the Board of Management since 2021. Success is assessed using financial and share-based performance criteria derived from DEUTZ AG's strategy.

2.2.1 2021 – 2022 DEFERRAL (2020 BONUS) – GRANTED IN 2022

Of the bonus promised in the past, only 60 percent was paid following the determination of target achievement, while 20 percent was deferred for one year and another 20 percent for two years. These deferred amounts were then paid, provided that further performance targets (medium-term targets) were achieved. Consequently, the deferred portion of the 2020 bonus (deferred for two years) was granted in 2022.

The amounts payable under the 2020 bonus were determined on the basis of the total target achievement rate for the performance criteria. If total target achievement was below 75 percent, there was no entitlement to a bonus. If total target achievement was 75 percent (minimum threshold), the bonus was 50 percent. If total target achievement was 100 percent, the bonus was measured at 100 percent. And if total target achievement was 150 percent or higher (cap), the bonus was 150 percent. The bonus was interpolated on a linear basis between the minimum threshold and 100 percent target achievement and between 100 percent target achievement and the cap.

For the total target achievement rate for the bonus in 2020, the EBIT margin before exceptional items (40 percent), average working capital (20 percent), revenue (20 percent), and strategic objectives (30 percent) were the relevant performance criteria. In 2020, the target values were 2.5 percent for the EBIT margin before exceptional items, 20.6 percent for average working capital, and approximately €1.6 billion for revenue. The strategic objectives for 2020 related to E-DEUTZ, the China strategy, and external alliances with other companies; they consisted of three targets in each of these areas. Target achievement for 2020 was 0 percent for the EBIT margin before exceptional items, 0 percent for average working capital, 0 percent for revenue, and 139.0 percent for the strategic objectives. This gives total target achievement of 41.7 percent for 2020. As total target achievement was below the minimum threshold, there was no entitlement to a bonus for 2020. Consequently, no bonus amounts were deferred from 2020 and no deferral amounts were granted or owed in 2022.

2.2.2 LTI (LTI 2019 – 2022)

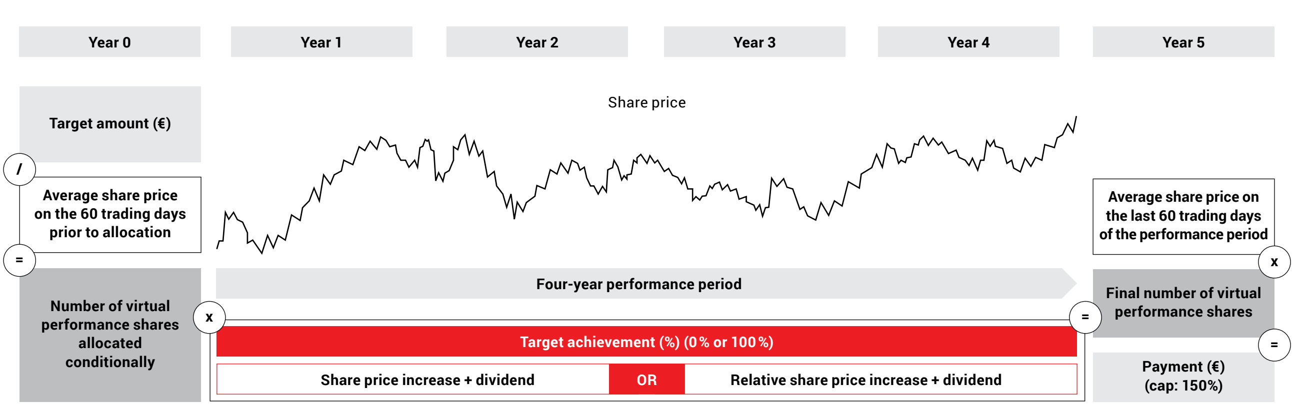
In 2022, the Board of Management members were granted remuneration in connection with the LTI promised in 2019. The LTI promised in 2019 was promised in the form of virtual performance shares. The target amount is the starting point for the allocation.

At the start of the four-year term, the target amount was divided by the average DEUTZ AG share price (arithmetic mean of the XETRA closing price during the last 60 trading days prior to the start of the performance period) in order to determine a number of virtual shares that are promised conditionally (**virtual performance shares, VPSs**). The start of the term was January 1, 2019 for Dr. Ing. Hiller and Mr. Wellenzohn. For Dr. Strecker, it was March 1, 2019. The target amount for Dr. Strecker was allocated in installments for the period from March 1, 2019 to December 31, 2019 because the allocation was brought in line with the financial year from 2020 onward. The average DEUTZ AG share price to be used was €6.33 for Dr. Ing. Hiller and Mr. Wellenzohn. For Dr. Strecker, it was €5.95. The number of VPSs promised to the Board of Management members for 2019 is shown in the following table:

Number of virtual shares promised conditionally to each Board of Management member in 2019

Board of Management member	Number of virtual shares promised conditionally in 2019
Dr. Ing. Frank Hiller (until February 2022)	31,615
Dr. Andreas Strecker (until February 2021)	21,009
Michael Wellenzohn (until September 2022)	26,083

Long-term Incentive (2019 – 2022)



Entitlement to payment after expiry of the four-year performance period depends on whether one of the two performance criteria – share price increase or relative share price increase – has been met.

The LTI payment is limited to 150 percent of the target amount. Target achievement for the performance criteria is calculated as follows:

Share price increase To calculate the increase in the share price during the performance period, the price of DEUTZ shares on the stock exchange (average closing price of DEUTZ AG shares in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period) is compared with the reference price (average closing price of DEUTZ AG shares in Xetra on the Frankfurt Stock Exchange during the 60 trading days prior to the allocation date). In this calculation of the share price increase, any gross dividends distributed up to the end of the vesting period are added to the market value of the DEUTZ shares.

The target value resulting in 100 percent target achievement and the actual value achieved in 2022 for the share price increase performance criterion are as follows:

LTI grant in 2022

	Share price increase in the period 2019 to 2022	Target achievement
Minimum threshold	< 30%	0%
Target value	>= 30%	100%
Actual value in 2022	–32.3%	0%

Relative share price increase To calculate the relative increase in the share price, the increase in the DEUTZ share price (see 'Share price increase performance criterion') is compared with share price performance on the MDAX.

The target value resulting in 100 percent target achievement and the actual value achieved in 2022 for the relative share price increase performance criterion are as follows:

LTI grant in 2022

	Difference between the increase in the DEUTZ share price and share price performance on the MDAX in the period 2019 to 2022	Target achievement
Minimum threshold	< 10 percentage points	0%
Target value	>= 10 percentage points	100%
Actual value in 2022	–37.2%	0%

Ex post changes to the performance criteria and target values for the performance criteria are not permitted.

Determination of the LTI After the end of the performance period, it is determined whether entitlement to payment arose during the performance period. To calculate the amount of the cash payment after the end of the performance period, the final number of VPSs in the event of entitlement to payment is multiplied by the average DEUTZ AG share price (arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period). The amount payable is limited to 150 percent of the target amount.

The following table summarizes various items of information, including the target amount, total target achievement, and the resulting amount payable for the LTI 2019 – 2022 for each member of the Board of Management to whom the LTI 2019 – 2022 was granted:

LTI 2019 – 2022[1]

	Dr. Ing. Frank Hiller	Michael Wellenzohn
Target amount	€200 thousand	€165 thousand
Allocation price	€6.33	€6.33
Number of VPSs	31,615	26,083
Total target achievement	0%	0%
Final number of virtual shares	0	0
Closing price (including dividend)	€4.28	€4.28
Amount payable	€0 thousand	€0 thousand

[1] For Dr. Andreas Strecker, the term of the LTI 2019 – 2022 began on March 1, 2019 and ends on February 28, 2023. Consequently, it will not be possible to disclose target achievement and the amount payable until the 2023 remuneration report.

As the LTI 2018 – 2021 for Dr. Strecker also ended in 2022, the parameters for the LTI 2018 – 2021 that are relevant to the grant to Dr. Strecker are set out below. The underlying logic for the LTI, as described in this chapter 2.2.2, also applies to the LTI 2018 – 2021 with regard to all parameters (i. e. plan type, performance period, performance criteria, and determination of amount payable). Furthermore, the target values for the performance criteria of the LTI 2018 – 2021 are the same as the target values described in this chapter for the LTI 2019 – 2022. Between March 1, 2018 and February 28, 2022, the increase in the DEUTZ share price was minus 14.9 percent and the difference between the increase in the DEUTZ share price and share price performance on the MDAX (relative share price performance) was minus 43.3 percent. Dr. Strecker's target achievement for the LTI 2018 – 2021 was therefore 0 percent.

LTI 2018 – 2021

	Dr. Andreas Strecker
Target amount	€150 thousand
Allocation price	€7.58
Number of VPSs	19,789
Total target achievement	0%
Final number of virtual shares	0
Closing price (including dividend)	€6.45
Amount payable	€0 thousand

2.2.3 LTI (ALLOCATION IN 2022)

The LTI promised in 2022 is promised in the form of annual tranches of VPSs. The target amount is the starting point for the promised LTI and totals between 63 percent and 69 percent of the Board of Management members' basic remuneration.

At the start of the four-year term, the target amount is divided by the average DEUTZ AG share price (arithmetic mean of the XETRA closing price during the last 60 trading days prior to the start of the performance period) in order to determine a number of VPSs that are promised conditionally. For 2022, the average DEUTZ AG share price was €6.80. The number of VPSs promised to the Board of Management members for 2022 is shown in the following table:

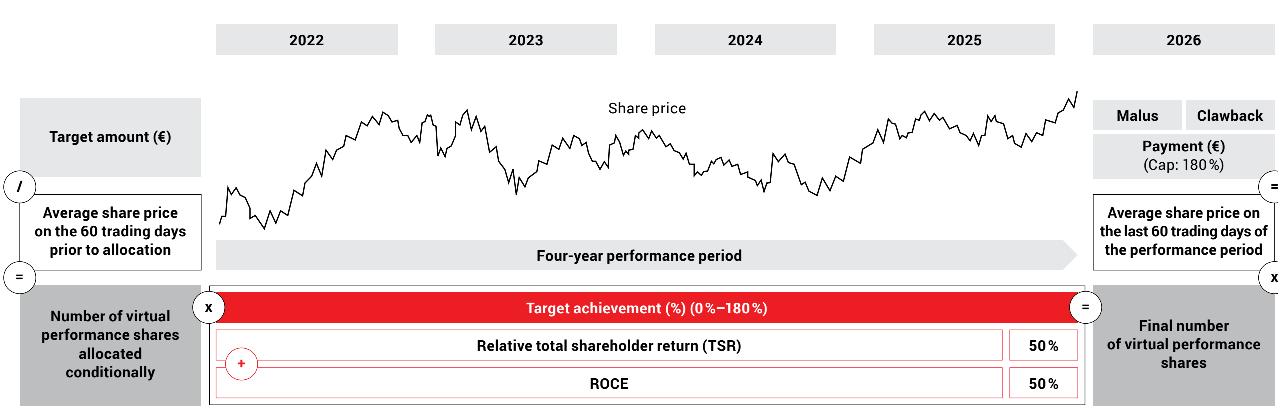
Board of Management member	Promised LTI amount (target amount)	Number of virtual shares allocated conditionally in 2022
Dr. Sebastian C. Schulte (Chairman of the Board of Management since February 13, 2022; ordinary member of the Board of Management from January 1, 2021 to February 12, 2022)	€561 thousand	82,618
Timo Krutoff (since December 1, 2022)	€31 thousand	4,537
Dr. Ing. Petra Mayer (since November 1, 2022)	€62 thousand	9,075
Dr. Ing. Markus Müller	€370 thousand	54,448
Dr. Ing. Frank Hiller (until February 13, 2022)[1]	€174 thousand	25,605
Michael Wellenzohn (until September 6, 2022)[2]	€243 thousand	35,808

[1] Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022; his Board of Management contract ended on April 30, 2022. In the reporting period, his remuneration was reduced pro rata to reflect the period up to the end of this contract.
[2] Mr. Wellenzohn stepped down from the Board of Management on September 6, 2022; his Board of Management contract remains in force beyond the end of the reporting period. In the reporting period, his remuneration was reduced pro rata to reflect his departure from the Board of Management.

The final number of VPSs depends on the aggregated rates of target achievement for the performance criteria return on capital employed (ROCE) and relative total shareholder return (relative TSR).

Target achievement for relative TSR is determined after the end of the performance period on the basis of DEUTZ AG's percentile ranking within a TSR peer group. The target value for the ROCE performance criterion is set by the Supervisory Board. Target

Long-term Incentive (2022 – 2025)



achievement for ROCE is determined once the relevant consolidated financial statements for the final year of the performance period have been approved by the Supervisory Board.

The LTI payment is limited to 180 percent of the target amount. Target achievement for the performance criteria is calculated as follows:

Relative total shareholder return Relative TSR compares DEUTZ's TSR performance against that of a specific peer group and has a weighting of 50 percent. TSR performance is calculated by comparing the share price (plus the dividend paid) at the end of the performance period with the value at the start of the performance period. The TSR peer group comprises companies in the DAXsubsector All Industrial Machinery.

Some of the companies in this peer group are therefore different from those in the peer group used to check whether the Board of Management's remuneration is typical in comparison with that in similar companies. The composition of the peer group for assessing how remuneration compares with that of other companies is based on stock-corporation law criteria, such as sector, size, and country. The composition of the TSR peer group has been given a greater sectoral focus, which means that companies that are larger or smaller than DEUTZ are also included. Some companies in the TSR peer group would therefore not meet the stock-corporation law criteria regarding size that are applied in the comparison of Board of Management remuneration with that in similar companies. The Supervisory Board believes that a peer group with a greater sectoral focus is better suited to evaluating DEUTZ's performance relative to relevant competitors and the overall sector than the peer group used to compare Board of Management remuneration with that in similar companies.

As at December 2022, the TSR peer group comprised the following companies:

Aumann AG, Datron AG, DMG MORI AG, Dürr AG, Francotyp-Postalia Holding AG, Heidelberger Druckmaschinen AG, Jungheinrich AG, KHD Humboldt Wedag International AG, KHD Humboldt Wedag Vermögensverwaltungs-AG, KION GROUP AG, Knorr-Bremse AG, Koenig & Bauer AG, Krones AG, KSB SE & Co. KGaA, Maschinenfabrik Berthold Hermle AG, Masterflex SE, NORMA Group SE, PITTLER Maschinenfabrik AG, SAF-Holland SE, SCHUMAG AG, Stabilus SE, Wacker Neuson SE, WashTec AG.

TSR performance is determined for each company in the peer group and for DEUTZ after the end of the performance period. The individual values are then ranked and given a percentile ranking in which the 0th percentile ranking represents the lowest TSR performance and the 100th percentile ranking represents the highest TSR performance.

Target achievement for relative TSR is determined after the end of the performance period on the basis of DEUTZ AG's percentile ranking as follows:

LTI allocation in 2022

	DEUTZ's percentile ranking for TSR	Target achievement
Minimum threshold	25th	0%
Target value	50th	100%
Cap	75th	180%

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 180 percent.

Return on capital employed ROCE is the ratio of EBIT before exceptional items (consolidated earnings before interest and tax less income generated or expenses incurred that are outside the scope of the Company's ordinary business activities and are unlikely to recur, based on the consolidated financial statements) to capital employed and has a weighting of 50 percent. The relevant figure for the assessment of target achievement for the 2022 tranche is ROCE for the final year of the performance period, i.e. ROCE in 2025.

The threshold for ROCE equates to DEUTZ AG's weighted average cost of capital (WACC). If ROCE is below the WACC, target achievement is 0 percent. There is thus no entitlement to the payment of a bonus unless the return on capital employed exceeds the costs.

The minimum threshold, the target value corresponding to 100 percent target achievement, and the cap including the resulting target achievement for ROCE in 2025 are as follows:

LTI allocation in 2022

	ROCE	Target achievement
Minimum threshold	7.6%	50%
Target value	10.0%	100%
Cap	15.0%	180%

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 180 percent.

Ex post changes to the performance criteria and target values for the performance criteria are not permitted. In accordance with the recommendation in G.11 DCGK, however, for the LTI, the

Supervisory Board has the option, in exceptional cases and where it is justifiable to do so, of taking extraordinary developments appropriately into account in respect of measurement variables, targets, and the determination of target achievement. The Supervisory Board did not exercise this option in 2022.

Determination of the LTI After the end of the performance period, the final number of VPSs is determined by multiplying the number of VPSs that are promised conditionally by the weighted total target achievement. To calculate the amount of the cash payment after the end of the performance period, the final number of VPSs is multiplied by the average DEUTZ AG share price (arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period). The amount payable is limited to 180 percent of the target amount.

2.3 OVERVIEW OF THE VARIABLE REMUNERATION GRANTED AND OWED IN 2022

The following table summarizes the short-term and long-term variable remuneration resulting from the performance criteria that was granted or owed for 2022:

	Dr. Sebastian C. Schulte	Timo Krutoff	Dr. Ing. Petra Mayer	Dr. Ing. Markus Müller	Dr. Ing. Frank Hiller	Dr. Andreas Strecker	Michael Wellenzohn
STI 2022							
Target amount	€459 thousand	€25 thousand	€50 thousand	€300 thousand	€143 thousand[1]	–	€200 thousand[2]
Total target achievement	134.9 %	134.9 %	134.9 %	134.9 %	134.9 %	–	134.9 %
Amount payable	**€618 thousand**	**€34 thousand**	**€67 thousand**	**€405 thousand**	**€192 thousand**	–	**€270 thousand**
LTI 2018 – 2021							
Target amount	–	–	–	–	–	€150 thousand	–
Allocation price	–	–	–	–	–	€7.58	–
Number of virtual shares	–	–	–	–	–	19,789	–
Total target achievement	–	–	–	–	–	0 %	–
Final number of virtual shares	–	–	–	–	–	0	–
Closing price	–	–	–	–	–	€6.45	–
Amount payable	–	–	–	–	–	**€0 thousand**	–
LTI 2019 – 2022							
Target amount	–	–	–	–	€200 thousand	€125 thousand	€165 thousand
Allocation price	–	–	–	–	€6.33	€5.95	€6.33
Number of virtual shares	–	–	–	–	31,615	21,009	26,083
Total target achievement	–	–	–	–	0 %	–[3]	0 %
Final number of virtual shares	–	–	–	–	0	–[3]	0
Closing price	–	–	–	–	€4.28	–[3]	€4.28
Amount payable	–	–	–	–	**€0 thousand**	–[3]	**€0 thousand**
Variable remuneration granted and owed (total)	**€618 thousand**	**€34 thousand**	**€67 thousand**	**€405 thousand**	**€192 thousand**	**€0 thousand**	**€270 thousand**

[1] Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022; his Board of Management contract ended on April 30, 2022. In the reporting period, his remuneration was reduced pro rata to reflect the period up to the end of this contract.
[2] Mr. Wellenzohn stepped down from the Board of Management on September 6, 2022; his Board of Management contract remains in force beyond the end of the reporting period. In the reporting period, his remuneration was reduced pro rata to reflect his departure from the Board of Management.
[3] For Dr. Andreas Strecker, the term of the LTI 2019–2022 began on March 1, 2019 and ends on February 28, 2023. Consequently, it will not be possible to disclose target achievement and the amount payable until the 2023 remuneration report.

2.4 MISCELLANEOUS

Malus and clawback The short-term variable remuneration and the virtual performance shares are subject to malus and clawback conditions. This means that if, as proved by the Company, a Board of Management member is in serious violation of applicable law, his or her statutory obligations, or the obligations in his or her employment contract, the Supervisory Board is entitled to withhold some of the variable remuneration that has not yet been paid (malus) and to claw back variable remuneration that has already been paid. The Supervisory Board decides on this at its professional discretion. The Supervisory Board did not withhold or claw back any variable remuneration components in 2022.

Special remuneration In exceptional cases, the Supervisory Board can, at its professional discretion, grant a special bonus to Board of Management members in accordance with the recommendation in G.11 DCGK. The Supervisory Board must both identify and provide grounds for such exceptions. The special bonus is limited in two ways. Firstly, it is limited in relative terms to half of the Board of Management member's annual basic remuneration. Secondly, it is limited by the maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG, which represents the absolute upper limit on total remuneration. No such special bonus has been granted in the past ten years, and this was again the case in 2022.

Adherence to the maximum remuneration limit As well as limiting the variable remuneration components, the Supervisory Board has specified a maximum amount of remuneration for each member of the Board of Management pursuant to section 87a (1) sentence 2 no. 1 AktG that limits the remuneration to be paid that was granted for a particular year. This maximum remuneration encompasses the basic remuneration, additional benefits, retirement pension, payments under the STI and LTI, and any special bonuses. The following maximum remuneration amounts for the members of the DEUTZ Board of Management are lower than the maximum remuneration amounts specified in the 2021 remuneration system and therefore meet the requirements of this system.

Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG

Board of Management member	
Dr. Sebastian C. Schulte (Chairman of the Board of Management since February 13, 2022; ordinary member of the Board of Management from January 1, 2021 to February 12, 2022)	€2,777 thousand
Timo Krutoff (since December 1, 2022)	€1,746 thousand
Dr. Ing. Petra Mayer (since November 1, 2022)	€1,746 thousand
Dr. Ing. Markus Müller	€1,746 thousand
Dr. Ing. Frank Hiller (until February 13, 2022)	€2,482 thousand
Michael Wellenzohn (until September 6, 2022)	€1,767 thousand

For 2022, the maximum remuneration limit was adhered to in respect of the basic remuneration, additional benefits, retirement pension, and payments under the STI without having to reduce any component. Because the amount payable for the multi-year variable remuneration will not be known until the third year after the end of the reporting year owing to the four-year performance period, it will not be possible to report conclusively on adherence to the maximum remuneration limit for 2022 until the remuneration report for 2025.

Benefits in the event of early termination of Board of Management membership If the employment contract or the appointment of a Board of Management member is terminated prematurely without good cause pursuant to section 626 of the German Civil Code (BGB), the Board of Management member receives a severance payment equivalent to the total remuneration that the Company is likely to owe him or her for the period until the original termination date of the contract of employment up to a maximum of two years (cap on severance pay).

Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022. In connection with his departure, Dr. Ing. Hiller will receive a compensation payment in settlement of his contractual entitlements relating to the remuneration to which he is still entitled owing to early termination. Overall, this payment is below the cap on severance pay. The severance payment for his basic remuneration and additional benefits for 2022 to 2024 was paid in full in 2022. The portion of the compensation payment for the variable remuneration will not become due until the end of the performance periods for the relevant STI and LTI tranches. A final target achievement of 145 percent was agreed for the compensation payment for the STI and LTI tranches. The portion of the compensation payment for the LTI largely depends on the performance of the DEUTZ share price during the relevant performance periods, which means that the final value of this variable component of the compensation payment cannot be determined until 2027 after the end of the performance period for the final LTI tranche promised. Based on this agreement, the compensation payment for Dr. Ing. Hiller is expected to amount to €1.5 million pro rata for 2022, €2.4 million for 2023, and €0.8 million pro rata for 2024. Furthermore, an amount of €320 thousand will be paid into the benevolent fund under the occupational pension plan agreed with Dr. Ing. Hiller, divided into payments for the years 2022 to 2024.

In connection with his early departure from the Board of Management with effect from September 6, 2022, Mr. Wellenzohn will also receive a compensation payment in settlement of his contractual entitlements. As part of the termination of his contract, a compensation payment was agreed with Mr. Wellenzohn that covers the likely total pay owned for a period of ten months. The severance payment for his basic remuneration will be paid pro rata in the relevant financial year. Moreover, the portion of the compensation payment for the variable remuneration will not become due until the end of the performance periods for the relevant STI and LTI tranches. The portion of the compensation payment for the pro rata STI 2022 and the pro rata LTI 2022 tranche is calculated on the basis of actual target achievement and is therefore variable. Target achievement for the pro rata STI 2022 is 134.9 percent. Target achievement of 100 percent was agreed for the portion of the compensation payment for the pro rata STI 2023 and the pro rata LTI 2023 tranche. Moreover, the portion of the compensation payment for the LTI depends on the performance of the DEUTZ share price during the relevant performance periods, which means that the final value of this variable component of the compensation payment cannot be determined until 2026 after the end of the performance period for the final LTI tranche promised. Based on this agreement, the compensation payment for Mr. Wellenzohn is expected to amount to €0.4 million pro rata for 2022 and €0.6 million pro rata for 2023.

C. AMOUNT OF BOARD OF MANAGEMENT REMUNERATION IN 2022

C.1. REMUNERATION FOR BOARD OF MANAGEMENT MEMBERS WHO WERE CURRENT MEMBERS IN THE REPORTING YEAR

Remuneration promised and remuneration granted and owed in 2022 The remuneration that was promised to the members of the Board of Management and the remuneration that was granted and owed in 2022 pursuant to section 162 (1) sentence 1 AktG is shown in the following tables.

Promised remuneration: Remuneration promised is the remuneration that is promised to the Board of Management members for 2022, irrespective of the timing of payment (target remuneration).

In respect of the remuneration components in 2022, ‘promised’ specifically refers to the following:

Remuneration promised in 2022

Remuneration components
Basic remuneration
Additional benefits
Pension expense
STI 2022 (granted in 2022)
LTI 2022 – 2025 (to be granted in 2025)

Granted and owed: Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full. Remuneration owed is when DEUTZ has a legal obligation to the Board of Management member that is due but has not yet been fulfilled.

In respect of the remuneration components in 2022, ‘granted and owed’ specifically refers to the following:

Remuneration granted and owed in 2022 (section 162 (1) sentence 1 AktG)[1]

Remuneration components
Basic remuneration
Additional benefits
STI 2022 (promised in 2022)
LTI 2019 – 2022 (promised in 2019)
Miscellaneous (severance payments for Dr. Ing. Hiller and Mr. Wellenzohn)

[1] Pension expenses for a year are not deemed remuneration granted and owed pursuant to section 162 (1) no. 1 AktG because the work to which the remuneration is related has not yet been performed in full.

The following tables show the remuneration promised to the members of the Board of Management in 2022 (target remuneration):

Target remuneration

	Dr. Sebastian C. Schulte, Chairman of the Board of Management (since February 13, 2022; ordinary member from January 1, 2021 to February 12, 2022)				Timo Krutoff, ordinary member of the Board of Management (since December 1, 2022)			
	2022		2021		**2022**		2021	
	(€ thousand)	(%)[1]	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	818	41.1	580	43.9	48	44.2	–	–
+ Additional benefits	19	1.0	21	1.6	1	0.9	–	–
= Total non-performance-related remuneration	**837**	**42.0**	**601**	**45.5**	**49**	**45.1**	**–**	**–**
+ One-year variable remuneration (total)	459	23.0	300	22.7	25	22.9	–	–
STI 2021	–	–	300	22.7	–	–	–	–
STI 2022	459	23.0	–	–	25	22.9	–	–
+ Multi-year variable remuneration (total)	561	28.2	370	19.8	31	28.2	–	–
LTI 2021 – 2024	–	–	370	28.0	–	–	–	–
LTI 2022 – 2025	561	28.2	–	–	31	28.2	–	–
= Total performance-related remuneration	**1,020**	**51.2**	**670**	**50.7**	**56**	**51.1**	**–**	**–**
+ Expense for occupational pension scheme	135	6.8	50	3.8	4	3.8	–	–
= Total remuneration	**1,992**	**100.0**	**1,321**	**100.0**	**109**	**100.0**	**–**	**–**

[1] Rounding differences may mean that the percentages indicated for the remuneration components do not add up to 100 percent.

Target remuneration

	Dr. Ing. Petra Mayer, ordinary member of the Board of Management (since November 1, 2022)				Dr. Ing. Markus Müller, ordinary member of the Board of Management			
	2022		2021		**2022**		2021	
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	97	44.2	–	–	580	43.9	459	24.5
+ Additional benefits	2	0.9	–	–	20	1.5	19	1.8
= Total non-performance-related remuneration	**99**	**45.1**	**–**	**–**	**600**	**45.5**	**478**	**45.1**
+ One-year variable remuneration (total)	50	22.9	–	–	300	22.7	238	12.7
STI 2021	–	–	–	–	–	–	238	22.4
STI 2022	50	22.9	–	–	300	22.7	–	–
+ Multi-year variable remuneration (total)	62	28.2	–	–	370	28.0	294	15.7
LTI 2021 – 2024	–	–	–	–	–	–	294	27.7
LTI 2022 – 2025	62	28.2	–	–	370	28.0	–	–
= Total performance-related remuneration	**112**	**51.1**	**–**	**–**	**670**	**50.8**	**532**	**50.2**
+ Expense for occupational pension scheme	8	3.8	–	–	50	3.8	50	4.7
= Total remuneration	**219**	**100.0**	**–**	**–**	**1,320**	**100.0**	**1,060**	**100.0**

Target remuneration

	Dr. Ing. Frank Hiller, Chairman of the Board of Management (until February 13, 2022)				Michael Wellenzohn, ordinary member of the Board of Management (until September 6, 2022)			
	2022[1]		2021		2022[2]		2021	
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	250	40.0	750	40.1	387	43.0	580	42.8
+ Additional benefits	9	1.4	22	1.2	16	1.7	30	2.2
= Total non-performance-related remuneration	**259**	**41.4**	**772**	**41.2**	**402**	**44.8**	**610**	**45.0**
+ One-year variable remuneration (total)	143	22.8	428	22.9	200	22.2	300	22.1
STI 2021	–	–	428	22.9	–	–	300	22.1
STI 2022	143	22.8	–	–	200	22.2	–	–
+ Multi-year variable remuneration (total)	174	27.8	522	27.9	243	27.1	365	26.9
LTI 2021 – 2024	–	–	522	27.9	–	–	365	26.9
LTI 2022 – 2025	174	27.8	–	–	243	27.1	–	–
= Total performance-related remuneration	**317**	**50.6**	**950**	**50.7**	**443**	**49.3**	**665**	**49.1**
+ Expense for occupational pension scheme	50	8.0	150	8.0	53	5.9	80	5.9
= Total remuneration	**626**	**100.0**	**1,872**	**100.0**	**899**	**100.0**	**1,355**	**100.0**

[1] Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022; his Board of Management contract ended on April 30, 2022. In the reporting period, his remuneration was reduced pro rata to reflect the period up to the end of this contract.
[2] Mr. Wellenzohn stepped down from the Board of Management on September 6, 2022; his Board of Management contract remains in force beyond the end of the reporting period. In the reporting period, his remuneration was reduced pro rata to reflect his departure from the Board of Management.

The following tables show the remuneration granted and owed to the members of the Board of Management in 2022 pursuant to section 162 (1) sentence 1 AktG:

Remuneration granted and owed

	Dr. Sebastian C. Schulte, Chairman of the Board of Management (since February 13, 2022; ordinary member from January 1, 2021 to February 12, 2022)				Timo Krutoff, ordinary member of the Board of Management (since December 1, 2022)			
	2022		2021		2022		2021	
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	818	56.2	580	55.9	48	58.2	–	–
+ Additional benefits	19	1.3	21	2.0	1	1.2	–	–
= Total non-performance-related remuneration	**837**	**57.5**	**601**	**57.9**	**49**	**59.4**	**–**	**–**
+ One-year variable remuneration (total)	618	42.5	436	42.1	34	40.6	–	–
STI 2021	–	–	436	42.1	–	–	–	–
STI 2022	618	42.5	–	–	34	40.6	–	–
+ Multi-year variable remuneration (total)	–	–	–	–	–	–	–	–
2020 – 2021 deferral (STI 2019)	–	–	–	–	–	–	–	–
LTI 2018 – 2021	–	–	–	–	–	–	–	–
LTI 2019 – 2022	–	–	–	–	–	–	–	–
= Total performance-related remuneration	618	42.5	**436**	**42.1**	34	40.6		
+ Miscellaneous[1]	–	–	–	–	–	–	–	–
= Total remuneration	**1,455**	**100.0**	**1,037**	**100.0**	**83**	**100.0**	**–**	**–**

[1] Miscellaneous remuneration comprises any remuneration not covered by the other remuneration components, e.g. severance payments or compensation for a non-compete period.

Remuneration granted and owed

	Dr. Ing. Petra Mayer, ordinary member of the Board of Management (since November 1, 2022)				Dr. Ing. Markus Müller, ordinary member of the Board of Management			
		2022		2021		**2022**		2021
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	97	58.2	–	–	580	57.7	459	55.8
+ Additional benefits	2	1.2	–	–	20	2.0	19	2.3
= Total non-performance-related remuneration	**99**	**59.4**	**–**	**–**	**600**	**59.7**	**478**	**58.1**
+ One-year variable remuneration (total)	67	40.6	–	–	405	40.3	345	41.9
STI 2021	–	–	–	–	–	–	345	41.9
STI 2022	67	40.6	–	–	405	40.3	–	–
+ Multi-year variable remuneration (total)	–	–	–	–	–	–	–	–
2020 – 2021 deferral (STI 2019)	–	–	–	–	–	–	–	–
LTI 2018 – 2021	–	–	–	–	–	–	–	–
LTI 2019 – 2022	–	–	–	–	–	–	–	–
= Total performance-related remuneration	**67**	**40.6**	–	–	**405**	**40.3**	**345**	**41.9**
+ Miscellaneous[1]	–	–	–	–	–	–	–	–
= Total remuneration	**166**	**100.0**	–	**–**	**1,005**	**100.0**	**823**	**100.0**

[1] Miscellaneous remuneration comprises any remuneration not covered by the other remuneration components, e.g. severance payments or compensation for a non-compete period.

Remuneration granted and owed

	Dr. Ing. Frank Hiller, Chairman of the Board of Management (until February 13, 2022)				Michael Wellenzohn, ordinary member of the Board of Management (until September 6, 2022)			
		2022[1]		2021		**2022[2]**		2021
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)
Basic remuneration	250	9.5	750	51.6	387	38.7	580	53.5
+ Additional benefits	9	0.3	22	1.5	16	1.6	30	2.8
= Total non-performance-related remuneration	**259**	**9.9**	**772**	**53.1**	**402**	**40.2**	**610**	**56.3**
+ One-year variable remuneration (total)	192	7.3	622	42.8	270	27.0	436	40.3
STI 2021	–	–	622	42.8	–	–	436	40.3
STI 2022	192	7.3	–	–	270	27.0	–	–
+ Multi-year variable remuneration (total)	0	0.0	60	4.1	0	0.0	37	3.4
2020 – 2021 deferral (STI 2019)	–	–	60	4.1	–	–	37	3.4
LTI 2018 – 2021	–	–	0	0.0	–	–	0	0.0
LTI 2019 – 2022	0	0.0	–	–	0	0.0	–	–
= Total performance-related remuneration	**192**	**7.3**	**682**	**46.9**	**270**	**27.0**	**473**	**43.7**
+ Miscellaneous[3]	2,167	82.8	–	–	328	32.8	–	–
= Total remuneration[4]	**2,618**	**100.0**	**1,454**	**100.0**	**1,000**	**100.0**	**1,083**	**100.0**

[1] Dr. Ing. Hiller stepped down from the Board of Management with effect from February 13, 2022; his Board of Management contract ended on April 30, 2022. In the reporting period, his basic remuneration, additional benefits, and the STI 2022 were reduced pro rata to reflect the period up to the end of this contract.
[2] Mr. Wellenzohn stepped down from the Board of Management on September 6, 2022; his Board of Management contract remains in force beyond the end of the reporting period. In the reporting period, his basic remuneration, additional benefits, and the STI 2022 were reduced pro rata to reflect his departure from the Board of Management.
[3] Miscellaneous remuneration comprises the compensation payment in settlement of Dr. Ing. Hiller's contractual entitlements in connection with his early departure and is entirely non-performance-related. Miscellaneous remuneration comprises the compensation payment in settlement of Mr. Wellenzohn's contractual entitlements in connection with his early departure and is made up of a fixed component of €193 thousand (19.3 percent of the total remuneration) and a variable component of €135 thousand (13.5 percent of the total remuneration). The variable component relates entirely to the compensation payment in settlement of the STI 2022. See 'Benefits in the event of early termination of Board of Management membership', p. 82.
[4] Of the total remuneration (including miscellaneous remuneration) of Dr. Ing Frank Hiller, 92.7 percent is non-performance-related remuneration and 7.3 percent is performance-related remuneration. Of the total remuneration (including miscellaneous remuneration) of Michael Wellenzohn, 59.6 percent is non-performance-related remuneration and 40.4 percent is performance-related remuneration.

Remuneration of the Board of Management members in 2022 pursuant to section 314 (1) no. 6a HGB The total remuneration for the Board of Management of DEUTZ AG recognized in expenses for 2022 was €4,214 thousand (2021: €7,072 thousand). This consisted of short-term employee benefits of €4,359 thousand (2021: €5,268 thousand) and share-based long-term benefits as part of the long-term incentive plans amounting to minus €145 thousand (2021: €1,804 thousand).

Remuneration for former members of the Board of Management or their surviving dependants pursuant to section 314 (1) no. 6a HGB amounted to €6,845 thousand (2021: €1,101 thousand) for DEUTZ AG and the Group. This included benefits of €5,798 thousand (of which €2,027 thousand related to share-based long-term benefits) in connection with the early termination of the Board of Management employment contracts of Dr. Hiller and Mr. Wellenzohn in 2022. Provisions of €9,836 thousand (December 31, 2021: €10,247 thousand) have been recognized to cover pension obligations to former members of the Board of Management.

Review of whether Board of Management remuneration is typical The Supervisory Board regularly reviews the level of the Board of Management's remuneration in order to ensure that it is typical for the market and is competitive. This review involves checking and assessing factors such as whether the remuneration is typical in comparison with that of Board of Management members in similar companies and is typical in comparison with remuneration and employment conditions within DEUTZ. Companies are selected that are similar to DEUTZ, particularly in terms of the criteria country, sector, and size. Within DEUTZ, a comparison is made with the current situation and with the situation over time in respect of senior management and the workforce as a whole.

The remuneration of the Board of Management members was last reviewed in 2020 when the current remuneration system was being drawn up. It was found to be typical. Two peer groups were formed in order to assess whether the remuneration is typical in comparison with that in similar companies. The first peer group primarily consisted of German listed companies that were similar to DEUTZ in terms of sector, volume of revenue, and number of employees. The following companies were part of this peer group: Aumann AG, DMG MORI AG, ElringKlinger AG, Jungheinrich AG, KION GROUP AG, Knorr-Bremse AG, LEONI AG, Rolls-Royce Power Systems AG, Sulzer AG, VARTA AG, and Wacker Neuson SE. The SDAX was chosen as the second peer group because DEUTZ is listed on the SDAX.

C.2. REMUNERATION OF FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration that was granted and owed to the former members of the DEUTZ AG Board of Management pursuant to section 162 (1) no. 1 AktG amounted to €354 thousand in 2022. The remuneration granted and owed to Dr. Margarete Haase, who left in 2018, amounted to €56 thousand in 2022 and was entirely attributable to her fixed, non-performance-related retirement pension. Dr. Ing. Helmut Leube, who left in 2016, received a fixed, non-performance-related retirement pension of €79 thousand in 2022. The remuneration of the other former members, who stepped down from the DEUTZ AG Board of Management more than ten years ago, came to €219 thousand in 2022 and was entirely attributable to the granting of fixed, non-performance-related retirement pensions. The retirement pensions of former members of the Board of Management are granted entirely by the benevolent fund, not by DEUTZ AG.

C.3. DISCLOSURES ON THE RELATIVE CHANGE IN THE REMUNERATION OF THE BOARD OF MANAGEMENT, THE REMUNERATION OF THE REST OF THE WORKFORCE, AND THE COMPANY'S EARNINGS PERFORMANCE

The following table shows the year-on-year change in the remuneration granted and owed to the Board of Management members in the reporting year, the earnings performance of DEUTZ AG, and the remuneration of the workforce. The change in the remuneration granted and owed to the Board of Management members is based on the remuneration presented above (see section C. 'Amount of Board of Management remuneration in 2022', chapters 1 and 2, remuneration granted and owed). The earnings performance of the Company (DEUTZ AG) and of the Group (DEUTZ Group) is presented on the basis of EBIT, which is one of the main financial KPIs. The remuneration of the workforce shows the average remuneration of the Company's (DEUTZ AG's) salaried and non-salaried employees in Germany (excluding trainees, apprentices, and interns). To ensure comparability, the remuneration of part-time workers was extrapolated into remuneration for full-time equivalents.

The retirement pensions of the former members of the Board of Management Dr. Margarete Haase and Dr. Ing. Helmut Leube are paid by the benevolent fund, not by DEUTZ AG.

	2022	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
Board of Management remuneration	Absolute value		Year-on-year change (%)		
Dr. Sebastian C. Schulte (Chairman of the Board of Management since February 13, 2022)	€1,455 thousand	40.3	–[1]	–	–
Timo Krutoff (since December 1, 2022)	€83 thousand	–[2]	–	–	–
Dr. Ing. Petra Mayer (since November 1, 2022)	€166 thousand	–[2]	–	–	–
Dr. Ing. Markus Müller	€1,005 thousand	22.0	–[1]	–	–
Dr. Ing. Frank Hiller (Chairman of the Board of Management until February 13, 2022)	€2,618 thousand	80.1	88.3	–47.2	–5.6
Michael Wellenzohn (until September 6, 2022)	€1,000 thousand	–7.7	75.6	–50.6	1.1
Dr. Margarete Haase (until April 30, 2018)	€56 thousand	1.0	1.0	1.0	–95.9
Dr. Ing. Helmut Leube (until December 31, 2016)	€79 thousand	1.0	1.0	1.0	141.0
Earnings performance of DEUTZ					
EBIT of DEUTZ AG	€74.1 million	104.1	131.7[3]	–226.2	83.8
EBIT before exceptional items of the DEUTZ Group	€89.4 million	140.3	149.8	–194.8	–3.9
Average remuneration of the DEUTZ AG workforce					
Workforce		**3.5**	–0.2	3.5	2.1

[1] As Dr. Ing. Markus Müller and Dr. Sebastian C. Schulte only joined the Board of Management in 2021, a comparison with their 2020 remuneration is not possible.
[2] As Dr. Ing. Petra Mayer and Mr. Timo Krutoff only joined the Board of Management in 2022, a comparison with their 2021 remuneration is not possible.
[3] The difference compared with the 2021 remuneration report is due to an adjustment to the EBIT of DEUTZ AG and the DEUTZ Group for 2021.

III. REMUNERATION FOR SUPERVISORY BOARD MEMBERS

A. REMUNERATION SYSTEM IN 2022

The remuneration system for the members of the Supervisory Board, which is governed by section 15 of the Company's Statutes, was adopted by the Annual General Meeting on April 26, 2018 and approved by the AGM with 99.65 percent of the votes on April 29, 2021. The remuneration of the Supervisory Board is structured so as to help to attract highly qualified people to the Supervisory Board and ensure that they remain with the Company. This means that the Supervisory Board can advise the Board of Management on the development of strategy and monitor the work of the Board of Management.

The annual remuneration of the Supervisory Board members consists of fixed basic remuneration, fixed remuneration for committee membership, and attendance fees for participating in meetings of the Supervisory Board and its committees. The basic remuneration and committee remuneration are paid annually after the end of the financial year, before the Annual General Meeting; the attendance fees are paid after each meeting attended.

Each ordinary member of the Supervisory Board is paid fixed basic remuneration of €40,000 each year. The chairperson of the Supervisory Board receives €80,000 and the deputy receives €60,000. Members of the Human Resources Committee and members of the Audit Committee receive an additional €12,000 per year, and members of the Nominations Committee and members of the Arbitration Committee receive an additional €8,000. The chairpersons of each committee receive double these amounts, and their deputies one-and-a-half times these amounts. In addition, each member is paid an attendance fee of €1,500 for each Supervisory Board meeting and committee meeting attended.

Furthermore, DEUTZ reimburses the members of the Supervisory Board for any VAT they incur in connection with the performance of their mandate and ensures that appropriate liability insurance is taken out (D&O insurance).

B. REMUNERATION GRANTED AND OWED IN 2022

The remuneration granted and owed to the members of the Supervisory Board in 2022 is shown below. Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full. Remuneration owed is when DEUTZ has a legal obligation to the Supervisory Board member that is due but has not yet been fulfilled.

In respect of the remuneration components in 2022, 'granted and owed' specifically refers to the following:

Remuneration granted and owed in 2022 (section 162 (1) sentence 2 no. 1 AktG)

Remuneration components
Fixed basic remuneration (promised for membership of the Supervisory Board in 2022)
Remuneration for committee membership (promised for membership of a committee in 2022)
Attendance fees (promised for attendance of meetings in 2022)

The remuneration granted and owed to all members of the Supervisory Board for 2022 totaled €1,053.0 thousand. The breakdown of the total remuneration by individual Supervisory Board member is shown in the following table:

	Fixed basic remuneration		Remuneration for committee membership		Attendance fee		Total remuneration
	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)	(%)	(€ thousand)
Dr. Dietmar Voggenreiter (chairman since February 12, 2022)	75.4	44.3	60.2	35.4	34.5	20.3	170.1
Sabine Beutert[1] (deputy chairwoman since September 22, 2022)	45.5	48.8	25.2	27.0	22.5	24.1	93.2
Sophie Albrecht	40.0	55.2	16.0	22.1	16.5	22.8	72.5
Dr. Ing. Bernd Bohr (chairman until February 12, 2022; ordinary member since February 13, 2022)	44.6	67.7	7.8	11.9	13.5	20.5	65.9
Yavuz Büyükdag[1]	40.0	72.7	0.0	0.0	15.0	27.3	55.0
Dr. Fabian Dietrich[1]	40.0	72.7	0.0	0.0	15.0	27.3	55.0
Hans-Peter Finken[1]	40.0	72.7	0.0	0.0	15.0	27.3	55.0
Patricia Geibel-Conrad	40.0	47.1	24.0	28.2	21.0	24.7	85.0
Alois Ludwig	40.0	45.2	20.0	22.6	28.5	32.2	88.5
Dr. Ing. Rudolf Maier	40.0	72.7	0.0	0.0	15.0	27.3	55.0
Corinna Töpfer-Hartung[1] (deputy chairwoman until September 21, 2022; ordinary member since September 22, 2022)	54.5	47.9	30.8	27.1	28.5	25.1	113.8
Ali Yener[1]	40.0	63.5	8.0	12.7	15.0	23.8	63.0
Total	**540.0**		**192.0**		**240.0**		**972.0**

[1] Employee representative.

C. DISCLOSURES ON THE RELATIVE CHANGE IN THE REMUNERATION OF THE SUPERVISORY BOARD, THE REMUNERATION OF THE REST OF THE WORKFORCE, AND THE COMPANY'S EARNINGS PERFORMANCE

The following table shows the year-on-year change in the remuneration granted and owed to the Supervisory Board members in the reporting year, the earnings performance of DEUTZ AG, and the remuneration of the workforce. DEUTZ AG's earnings performance and the remuneration of its workforce are calculated in the same way as in the section on Board of Management remuneration.

	2022	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
Supervisory Board remuneration	Absolute value	Year-on-year change (%)			
Dr. Dietmar Voggenreiter, (since April 30, 2019; chairman since February 12, 2022)	€170.1 thousand	236.8	9.8	40.0	–
Sabine Beutert[1] (deputy chairwoman since September 22, 2022)	€93.2 thousand	25.1	6.4	– 4.1	3.2
Sophie Albrecht (since April 26, 2018)	€72.5 thousand	9.0	4.7	10.2	45.0
Dr. Ing. Bernd Bohr (since April 26, 2018; chairman from January 1, 2019 until February 12, 2022; ordinary member since February 13, 2022)	€65.9 thousand	–61.3	4.6	– 2.7	368.0
Yavuz Büyükdag[1] (since April 26, 2018)	€55.0 thousand	8.9	9.8	– 6.1	36.9
Dr. Fabian Dietrich[1] (since April 26, 2018)	€55.0 thousand	8.9	9.8	– 6.1	36.9
Hans–Peter Finken[1]	€55.0 thousand	8.9	9.8	– 6.1	2.2
Patricia Geibel–Conrad (since April 26, 2018)	€85.0 thousand	5.6	5.9	– 3.8	43.2
Alois Ludwig	€88.5 thousand	22.9	–4.0	2.0	14.7
Dr. Ing. Rudolf Maier (since October 7, 2020)	€55.0 thousand	8.9	368.0	–	–
Corinna Töpfer–Hartung[1] (deputy chairwoman from April 26, 2018 until September 21, 2022; ordinary member since September 22, 2022)	€113.8 thousand	–5.6	5.2	– 1.3	43.0
Ali Yener[1] (since April 26, 2018)	€63.0 thousand	5.0	14.3	– 7.9	38.2
Earnings performance of DEUTZ					
EBIT of DEUTZ AG	€74.1 million	104.1	131.7[2]	– 226.2	83.8
EBIT before exceptional items of the DEUTZ Group	€89.4 million	140.3	149.8	– 194.8	– 3.9
Average remuneration of the DEUTZ AG workforce					
Workforce		**3.5**	– 0.2	3.5	2.1

[1] Employee representative.
[2] The difference compared with the 2021 remuneration report is due to an adjustment to the EBIT of DEUTZ AG for 2021.

AUDITOR'S REPORT

To DEUTZ AG, Köln

We have audited the remuneration report of DEUTZ AG, Köln, for the financial year from January 1 to December 31, 2022 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The executive directors and the supervisory board of DEUTZ AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

REFERENCE TO AN OTHER MATTER – FORMAL AUDIT OF THE REMUNERATION REPORT ACCORDING TO § 162 AKTG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

RESTRICTION ON USE

We issue this auditor's report on the basis of the engagement agreed with DEUTZ AG. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Cologne, March 13, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Wimmer	Clivia Döll
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

SEPARATE COMBINED NON-FINANCIAL REPORT

ABOUT THIS NON-FINANCIAL REPORT

Scope and reporting period The content of this separate combined non-financial report pursuant to sections 289b (3) and 315b (3) of the German Commercial Code (HGB) ('non-financial report') covers both the parent company DEUTZ AG and the DEUTZ Group. Unless indicated otherwise, all quantitative and qualitative disclosures pertain to the Group as a whole ('DEUTZ'). Disclosures that relate only to DEUTZ AG are labeled accordingly. The reporting period is the 2022 financial year.

Report content and framework In accordance with section 315c in conjunction with sections 289c to 289e HGB, this non-financial report summarizes the key topics identified as a result of the materiality assessment of environmental matters, treatment of employees, social responsibility, respect for human rights, measures to combat corruption and bribery, and other matters. See also 'Materiality assessment', p. 97.

Key topics	Aspects under the HGB
Product stewardship	▪ Social responsibility ▪ Environmental matters
Product quality	▪ Environmental matters ▪ Other
Corporate governance and compliance	▪ Treatment of employees ▪ Respect for human rights ▪ Measures to combat corruption and bribery
Data protection	▪ Respect for human rights ▪ Other
HR management	▪ Treatment of employees ▪ Respect for human rights
Occupational health and safety	▪ Treatment of employees ▪ Respect for human rights
Supplier management	▪ Respect for human rights ▪ Measures to combat corruption and bribery ▪ Environmental matters
Environmental and climate protection	▪ Environmental matters

As a result of its 2022 stakeholder survey, DEUTZ also identified material topics that can only partly be assigned to the aspects defined under HGB. See also 'Materiality assessment', p. 97. These topics are therefore included in the preceding table under the non-HGB-defined 'Other' aspect. The war in Ukraine did not have any direct impact on the topics defined as material or on the related KPIs in 2022.

In accordance with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('EU Taxonomy Regulation'), any company that is required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU must disclose in its non-financial statement how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable in the sense of Article 3 and Article 9 of the EU Taxonomy Regulation. DEUTZ makes the relevant disclosures in its non-financial report. See also information on the Taxonomy Regulation (EU) 2020/852, p. 125 onward.

The **German Sustainability Code** serves as the framework for this report. The content, for example, is based in part on the underlying aspects of the Code's criteria and in particular criteria 1–3, 5–9, 13–15, 17–18, and 20.

This non-financial report makes reference to further information provided elsewhere in the annual report. References to disclosures outside the scope of the consolidated financial statements, the annual financial statements of DEUTZ AG, and the combined management report for 2022 do not form part of the non-financial report.

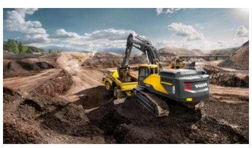
Risks pursuant to section 289c (3) nos. 3 and 4 HGB Using the net method, no material risks were found in relation to DEUTZ's own business activities, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on those aspects subject to reporting requirements now or in the future. See the combined management report, risk report, p. 57 onward, for information on risks and opportunities.

Content review On behalf of the Supervisory Board of DEUTZ AG, the non-financial report was voluntarily submitted for an external review with limited assurance pursuant to ISAE 3000 (Revised). See p. 136 onward for the findings of the review.

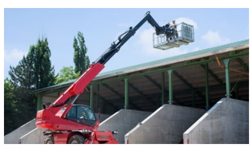
BUSINESS MODEL

The DEUTZ Group's core competencies are the development, production, and distribution of drive solutions for off-highway applications. The Company was founded in 1864 and has around 5,000 employees worldwide. Its current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ also offers a comprehensive range of analog and digital services through more than 800 sales and service partners in over 130 countries. See the combined management report, p. 22 onward, for further information on strategy and objectives.

Portfolio of technology-neutral drive systems for different application segments



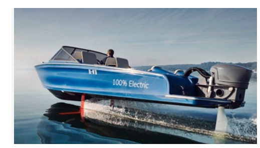
Construction machinery



Material handling

Agricultural machinery

Stationary systems



Other

DIESEL

ALTERNATIVE FUELS

GAS

HYDROGEN

HYBRID ELECTRIC

FULLY ELECTRIC

SUSTAINABILITY ORGANIZATION AND MANAGEMENT

DEUTZ Sustainable Development Committee (SDC)
Responsibilities and reporting structure

Member of the Board of Management responsible for sustainability — Supervisory Board
Dr. Sebastian Schulte, CEO

Sustainable Development Committee (SDC)

Strategy Development
Quality Management | Investor Relations

Non-Financial Reporting/Sustainability Communications
Investor Relations

Topic-specific responsibilities at DEUTZ AG level

Product stewardship	Corporate citizenship	Personnel development	Occupational health and safety	Corp. Governance & Compliance	Supplier management	Environmental & climate protection
Head of Global Product Management	Head of Corporate Communications & Investor Relations	Head of Human Resources	Head of Quality, Safety, Health and Environment	Chief Compliance Officer	Head of Sustainability and Compliance in Purchasing	Head of Quality, Safety, Health and Environment

Local representatives at the subsidiaries

Sustainability is firmly anchored at senior management level in the DEUTZ Group, and overall responsibility lies with the Chairman of the Board of Management. The Sustainable Development Committee (SDC), which comprises the heads of the relevant departments and the individuals responsible for the key sustainability topics, provides the information that is used as the basis for making decisions related to corporate sustainability in the DEUTZ Group. Guided by the Group's Investor Relations function and the Quality Management team, the SDC sets sustainability-related targets, creates action plans for achieving them, and discusses the continuous improvement of sustainability efforts across the Group at regular intervals. Responsibility for implementing and monitoring strategic initiatives lies either with the relevant departmental heads or the individuals nominated by them. In view of the fact that the DEUTZ Group is highly decentralized, they are supported in their work by local representatives at the subsidiaries.

The SDC regularly reports to the Board of Management on progress with implementation of the sustainability strategy and on changes to its content. This reporting includes an update on the current situation with regard to the sustainability-related KPIs. The objective, as part of a preventive risk management approach, is to identify risks that might jeopardize the achievement of the targets at an early stage and to modify the action plan if necessary.
See also 'Corporate governance and compliance', p. 100 onward.

The Supervisory Board, in its function as an oversight body, is updated by the Board of Management and/or the SDC management at least once a year on the Company's sustainability activities. In 2022, the Supervisory Board's Audit Committee was also provided with detailed information on how the non-financial reporting would need to be brought into line with the Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation and what preparations are being made to this end.

MATERIALITY ASSESSMENT

Stakeholder survey The materiality assessment was previously carried out by the members of the SDC on the basis of the DEUTZ Group's business activities, the corporate philosophy, the principles of the United Nations Global Compact, and the **Women's Empowerment Principles**. In late 2021/early 2022, DEUTZ conducted a questionnaire-based stakeholder survey so that the views of further internal stakeholders, and especially those of external stakeholders, could be taken into account. This was used to determine the specific individual topics that are regarded as material in the context of the overarching topics that DEUTZ had previously included in its non-financial report. In order to ensure that a broad spectrum of potentially relevant individual topics are covered, the questionnaire also included those that have previously not been covered by either the groupwide sustainability strategy or the non-financial reporting. These topics were identified by analyzing the non-financial reports of certain peer group companies. The respondents also had the option of naming, in a free-text field, any further sustainability topics that they considered to be material. The questionnaire was given to two main groups of stakeholders: representatives of the Group's workforce across various hierarchy levels, who evaluated the individual topics from the perspective of the Company, and external stakeholders – customers, suppliers, analysts, and investors as well as experts from trade associations and networks focused on sustainability issues.

The stakeholder survey not only confirmed that the topics previously deemed as material were still considered as such, but also identified new topics as being material. These included data protection, product quality, and water consumption. DEUTZ reports on data protection and on product quality in this report and plans to make disclosures relating to water consumption for the first time in its 2024 non-financial report.

In 2022, the SDC confirmed the findings of the stakeholder survey and thus that DEUTZ continues to regard certain overarching topics, including the individual topics referenced above, as key to understanding the development, performance, and position of the Group and the impact of its business activities on the non-financial aspects defined in accordance with HGB. These topics are product stewardship, HR management (including occupational health and safety), corporate governance and compliance, supplier management, and environmental and climate protection. DEUTZ reports on its corporate citizenship activities on a voluntary basis in this report.

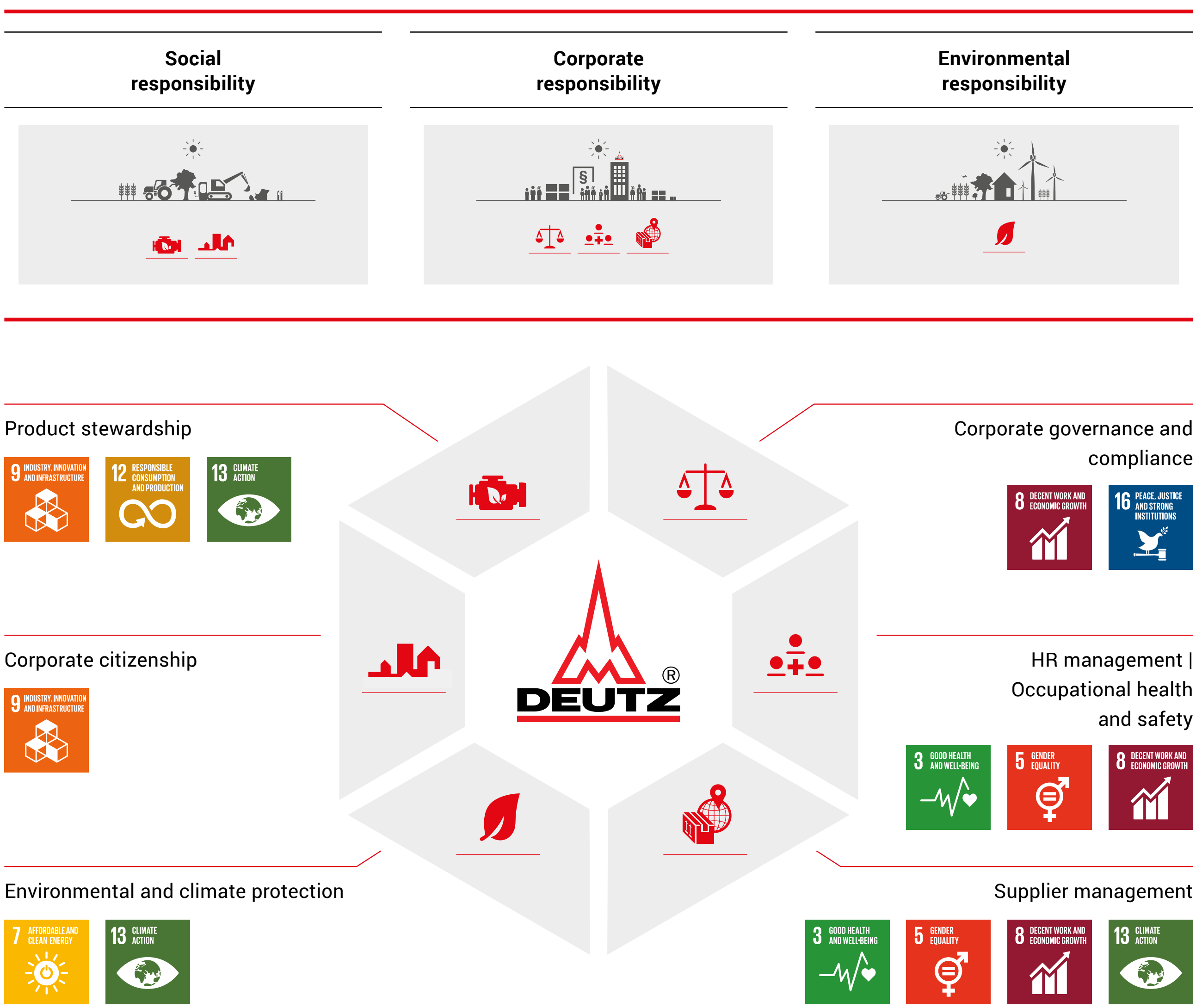
Frequency of the materiality assessment The sustainability topics that are found to be relevant by the materiality assessment not only determine the scope of the non-financial report, they also form the main components of the groupwide sustainability strategy. This is based on the belief that any topics regarded as material (in terms of how the Company's business activities affect the non-financial aspects defined in accordance with HGB) are also those that will have a bearing on the sustainable growth of the Company. In view of the fact that DEUTZ partly derives its medium-term sustainability strategy from its materiality assessment, the Company decided at the end of 2021 that it would involve external and internal stakeholders in all its materiality assessments going forward and always in conjunction with the definition of new medium-term targets. The members of the SDC will continue to conduct an annual internal review of the materiality assessment. Relevant information will be added to the non-financial report if this is required due to extraordinary events or developments – such as the outbreak of the coronavirus pandemic and the war in Ukraine – that have a significant impact on the topics defined as material. The content of the non-financial report is also enhanced through ongoing analysis of sustainability-related questionnaires completed by customers and rating agencies, for example. This ensures that any information that is routinely surveyed but that DEUTZ itself does not yet report on can be added to the report, thus continually enhancing the level of transparency in the interests of the stakeholders.

SUSTAINABILITY STRATEGY AND OBJECTIVES

The name of the groupwide sustainability strategy, Taking Responsibility, reflects the Company's ambition of achieving its financial objectives while fulfilling its environmental, social and corporate governance responsibilities. Consequently, the DEUTZ Group's sustainability activities are divided into three fields of action to which the relevant key topics are assigned. DEUTZ had set quantitative targets for 2023 when adopting its sustainability strategy in 2019 and has now followed this up by setting new medium-term targets for 2026. See DEUTZ Sustainability Vision 2023 and 2026 at a glance, p. 99.

Because it operates within global value chains, DEUTZ has an influence on economic, environmental, and social developments. The Company is aware of the responsibility that comes with this, and as a consequence signed up to the United Nations Global Compact in 2021. As a member of the UNGC, DEUTZ has voluntarily undertaken – on the basis of ten universally accepted principles – to promote human rights, fair working conditions, environmental protection, and the fight against corruption and to support the achievement of the United Nations' general objectives, in particular its 17 sustainable development goals (SDGs). DEUTZ focuses on a total of eight of the 17 SDGs, which are incorporated into the strategic planning of groupwide sustainability activities, with the aim of continually raising its own contribution to their achievement.

Taking Responsibility – DEUTZ's sustainability strategy



Sustainability as a component of Board of Management remuneration In accordance with the German Corporate Governance Code, remuneration for the Board of Management must be aligned with the sustainable, long-term growth of the Company and contribute to the delivery of the business strategy. The DEUTZ Group's sustainability strategy forms an integral part of the overarching corporate strategy, which means that incentives need to be put in place to ensure that it is implemented rigorously. The Board of Management remuneration system has included a sustainability target since 2021, for example. The specific performance criteria, which apply not only to all members of the Board of Management but also to other senior managers, are specified on an annual basis by the Supervisory Board. These criteria relate to environmental and climate protection targets, alternative drives, corporate governance, occupational health and safety, diversity, personnel development, and supply chains. See also 'Remuneration report', p. 70 onward.

Sustainability-linked loan DEUTZ restructured the Group's funding in 2022. See also 'Financial position', p. 43 onward, for further information In addition to better overall terms and conditions, the new lending arrangements include an ESG component derived from the Company's sustainability strategy. An improvement in the recordable incident rate (RIR) and a reduction in CO_2 emissions were the specific key performance indicators that were agreed.

DEUTZ Sustainability Vision 2023 and 2026 at a glance

Key topics	Corresponding KPIs	Targets for 2023	Targets for 2026	Status in 2022
Corporate governance and compliance	▪ Proportion of workforce to have completed compliance training[1]	>95%	>95%	97.4%
HR management	▪ Proportion of women in the workforce[2]	>10%	12%	12.9%
	▪ Proportion of women in management positions[3]	>20%	18%[4]	15.4%
	▪ Ratio of trainees to total employees[5]	2.5–3.0%	2.5–3.0%	2.4%
	▪ Engagement[6]	78%	80%	–
	▪ Enablement[6]	69%	75%	–
	▪ Rate of staff turnover[7]	5–10%	5–10%	9.6%
Occupational health and safety	▪ Recordable incident rate[8]	8.5	7	8.8
Supplier management	▪ Proportion of new production component suppliers to have had their compliance with the supplier code of conduct verified	90%[9]	100%	71%
	▪ Number of existing suppliers to have had their compliance with the supplier code of conduct verified (Cumulated numbers)	55[10]	25[11]	43
	▪ Proportion of suppliers assessed against sustainability criteria[12]	50%	80%	62%
	▪ Proportion of suppliers that have passed business partner compliance checks[13]	90%	–	2%
Product stewardship	▪ (Proportion of) Consolidated revenue generated by the Green[14] segment	€60 – 100 million	5–10%[15]	3.3%
Environmental and climate protection	▪ CO_2 emissions from production sites (tonnes CO_2e)[16]	–61%[18]	–66%[18]	–62.5%
	▪ CO_2 emissions from production sites per manufactured engine (kg CO_2e)[17]	–66%[18]	–70%[18]	–68.1%
	▪ Waste for disposal	–10%[19]	15%[19]	–22.3%

1 To be completed by all administrative employees of the DEUTZ Group.
2 Including staff on fixed-term contracts but excluding temporary workers.
3 Including staff on fixed-term contracts but excluding temporary workers, second level below the Board of Management.
4 The reason for this reduction is because it is already clear that the target for the proportion of female managers in 2023 will be not be achieved as even a small number of personnel changes in this narrow field has the potential to disproportionately affect the ratio.
5 Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.
6 Measured using a groupwide employee survey (all employees within the Group including staff on fixed-term contracts but excluding temporary workers), which was first carried out in 2019 and will be repeated in 2023.
7 Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals.
8 For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but weekends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.
9 90 percent of the suppliers brought on board between 2020 and 2023.
10 2020 to 2023; existing suppliers as at the end of 2019. Verified by way of on-site audits.
11 2023 to 2026; existing suppliers as at the end of 2023. Verified by way of on-site audits.
12 Proportion of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.
13 Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.
14 Including revenue of DEUTZ subsidiary Torqeedo.
15 Target for 2025.
16 CO_2e = carbon dioxide equivalents; CO_2 emissions from the production sites of the DEUTZ Group excluding joint ventures. CO_2 figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.
17 Excluding joint ventures. CO_2e = carbon dioxide equivalents; CO_2 figures are reported in accordance with the Greenhouse Gas Protocol. The 'emissions per engine' figure is calculated by dividing total emissions by the number of engines made. CO_2 reporting covers Scope 1 (CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by combustion in our own facilities) and Scope 2 (CO_2 emissions relating to purchased energy (e.g. electricity, district heating)). Only internal combustion engines and electric drives are counted.
18 Base year 2017.
19 Base year 2019.

CORPORATE RESPONSIBILITY

CORPORATE GOVERNANCE AND COMPLIANCE

DEUTZ understands good corporate governance and **compliance** to mean acting responsibly and in accordance with the laws of the countries in which it operates. It also understands this to mean showing integrity and adopting an ethical and moral approach in day-to-day business conduct toward not only business partners and employees but also investors and other stakeholders of the Company. As this represents the foundations for a sustainable and successful system of corporate governance, the key tasks of the groupwide compliance organization include cementing the importance of integrity and compliance in the mind of every DEUTZ employee, effectively preventing or limiting the manifestation of compliance risks, and taking rigorous action against breaches of the rules. In addition, compliance includes ensuring that any legal requirements that must be made of third parties are also fulfilled.

Compliance organization DEUTZ has established a groupwide compliance organization to ensure that the Company and its employees act in accordance with the prescribed rules and regulations. At the heart of the organization is the internal compliance management system (CMS), whose function includes combating corruption and bribery, tackling money laundering, and ensuring compliance with export regulations and antitrust laws. As measures to combat corruption and bribery form an integral part of the CMS, these issues and the topics introduced above are explained together in the following section.

In accordance with the schedule of responsibilities, the Supervisory Board of DEUTZ AG has delegated overall responsibility for the groupwide compliance organization to the Chairman of the Board of Management of DEUTZ AG. He appoints the Compliance Officer, and together they appoint individual compliance coordinators who are responsible for compliance in their respective departments. Twice a year, the coordinators submit a written report to the Compliance Officer, who in turn reports to the Board of Management and the Audit Committee of the Supervisory Board. As well as information on changes to the legal situation, the reports also focus on compliance-relevant matters, possible risks associated with these matters, and the countermeasures in place to mitigate or eliminate the risks. The basic principles of the compliance organization are set forth in a groupwide compliance policy.

The Compliance Officer and compliance coordinators hold regular meetings to plan the compliance activities that need to be initiated. The Compliance department also works closely with the Legal Affairs department, the Data Protection Officer, and Corporate Audit. The latter is involved in a supportive capacity in all key compliance activities and conducts ad hoc investigations, for example to uncover cases of corruption on behalf of the Compliance Officer. It also carries out compliance audits to address other potential compliance violations or fraudulent acts. Corporate Audit's plan for these follows a risk-oriented approach that takes into account the Corruption Perceptions Index produced by Transparency International. There was one confirmed case of corruption in the DEUTZ Group in 2022.

DEUTZ code of conduct and human rights code | UNGC 1–10 The successful and sustainable management of a company depends not only on the achievement of targets but also on the manner in which they are achieved. The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity and in accordance with the law. The code contains mandatory rules for behavior that cover areas such as respect for human rights, working conditions and social responsibility, anti-competitive practices, and data protection. It also sets out the Company's zero-tolerance approach to corruption and bribery. Organizational policies on specific topics supplement the code of conduct. They either summarize or provide more detail on laws and regulations as well as internal rules, and all employees are required to abide by them.

Because of the Company's global activities, the employees of the DEUTZ Group operate within different legal frameworks and value systems. To ensure that every employee follows standardized rules of behavior in spite of this, the code of conduct is applicable across the Group and available in seven languages.

The latest version of the code of conduct is available to download for employees on the intranet and for third parties on the Company website under Compliance.

As a member of the United Nations Global Compact, DEUTZ attaches particular importance to respect for human rights. It is the Company's stated aim to ensure that they are upheld without exception and at all times. In 2022, in pursuit of this aim, DEUTZ adopted a groupwide human rights code. It serves to document the human rights principles that are most relevant to us and underlines our commitment to international conventions and declarations such as the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. DEUTZ views compliance with the rights, obligations, and prohibitions set forth in these as an essential part of its internal and external interactions. The human rights code therefore applies not just to the Company itself but also to its employees, suppliers, and other business partners. DEUTZ's aim is to ensure that human rights are upheld within its own sphere of influence and that it is not indirectly complicit in human rights abuses. See also 'Supplier management', p. 110 onward.

DEUTZ plans to update its general code of conduct in 2023 and will pay particular attention to aligning it with the human rights code.

E-learning courses and classroom-based training To support employees in their efforts to avoid breaking the law or breaching regulations, they are required to complete annual compliance training in the form of e-learning courses or classroom-based training. At the start of the year, all of DEUTZ's administrative employees[1] are assigned training modules that they are asked to complete by November 30 of that year. The modules are assigned according to the employees' individual areas of responsibility and finish with tests that confirm whether the e-learning course has been completed and the content of the training has been assimilated. Disciplinary action may be taken if an employee fails to participate in the e-learning, and they will still have to complete it the following year but in a shorter period of time.

To take account of recent developments, for example new laws or regulations, the content of the training is regularly reviewed and expanded with new topic areas as needed. In addition to the fixed modules (basic principles of compliance, anti-corruption, antitrust law, export controls and embargoes, health and safety in the office, prevention of money laundering/financing of terrorism, and information security), the training program includes further modules that change on an annual basis. These cover subjects such data protection for employees, the German General Equal Treatment Act (AGG) and non-discrimination, and how to handle trade secrets, deal with conflicts of interest, and prevent insider trading.

In 2022, a total of 3,280 (97.4 percent) of all administrative employees within the Group had successfully completed their e-learning. DEUTZ therefore again exceeded the target of increasing the proportion of the workforce to have successfully completed compliance training to more than 95 percent, a target that it was aiming to achieve by 2023.

DEUTZ Group: Proportion of workforce to have completed compliance training[1]

%

	2022	2021	2020	2019	2018
Proportion of workforce to have completed compliance training	97.4	99.1	97.3	98.1	93.5

[1] Only includes administrative employees.

Employees in the individual departments of DEUTZ AG and its subsidiaries are generally given additional training on topical compliance matters once a year as part of a classroom-based training course tailored to their areas of activity. Classroom-based training is provided every year for non-administrative employees, most of whom work in the plants. This training did not take place in 2022 due to the ongoing coronavirus pandemic.

Whistleblowing system To identify, at the earliest possible stage, behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, DEUTZ has established a publicly accessible whistleblowing system for the purposes of reporting suspected compliance violations. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy.

The whistleblowing system is available to employees and to third parties, such as suppliers, on the Company website under Compliance. Strict secrecy and confidentiality are guaranteed both for whistleblowers and for the individuals involved. This is maintained during the course of any investigation that is launched if, following a careful review of the evidence, there are concrete indications that a law or regulation has been violated. People can also report actual or suspected compliance violations, anonymously if they so wish, by email, post, or fax. Again, the relevant contact details are published on the Company website under Compliance.

No confirmed human rights abuses were reported via the whistleblowing system in 2022.

Business partner compliance tool | UNGC 10 DEUTZ expects not only its employees to act in compliance with the law but also its business partners. DEUTZ has implemented an IT-based business partner compliance tool that enables it to respond appropriately and at an early stage to matters such as suspected money laundering, anti-competitive practices, corruption, or bribery on the part of its business partners. The tool provides a web-based self-declaration form that business partners are asked to fill out and then checks both the company itself and the members of its governing and supervisory bodies as well as the beneficial owners against up-to-date sanctions lists. On the basis of the information obtained, the business partners are classified using an internal DEUTZ risk model and, if required, action is taken to minimize risks.

[1] Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at November 30 of any given year and who are integrated into the Group's IT infrastructure and have access to a PC. It excludes employees who left the Company during the year, were on parental leave, or were absent for more than 50 percent of the year due to long-term sick leave.

Since the end of 2020, the business partner compliance tool has been used at the sites in Germany to conduct compliance checks on new business partners of DEUTZ AG. At the same time, work began on progressively applying these checks to existing business partners as well. The tool is set to be rolled out to the first DEUTZ companies based outside Germany soon.

In 2022, the business partner compliance tool was used to conduct checks on a total of 348 existing business partners. There was one case in which the findings led to an existing business relationship being terminated.

Risk management Dealing responsibly with risks is an important part of good corporate governance. The Board of Management holds primary responsibility for groupwide risk management. With the help of DEUTZ's internal risk management system, it is able to proactively identify groupwide risks so that it can respond rapidly to potentially relevant changes in the risk profile. Because all the departments are integrated into the risk management system, the monitoring of risks can be said to be comprehensive and it includes those that may arise in relation to corruption and bribery. Corporate Audit evaluates the system at regular intervals to verify whether it is functioning effectively.

The DEUTZ Group generally conducts risk inventories four times a year. The Treasury department is responsible for identifying, assessing, and hedging financial risks as part of this. See also the risk report in the combined management report, p. 57 onward. Non-financial risks that arise as a result of the Company's own business activity, business relationships, and/or products and services and that could have a negative impact on the non-financial aspects defined in accordance with HGB have up to now been identified and evaluated manually under the supervision of the Sustainable Development Committee (SDC). At the end of 2022, the process was integrated into the Group's regular, system-based risk inventory. In 2023, the process is to be integrated into the Group's regular, system-based risk inventory. Risks related to the achievement of non-financial KPIs will continue to be examined manually and regularly reported to the Board of Management.

German Corporate Governance Code In addition to laws, regulations, and internal policies, the regulatory framework in which the Company operates encompasses other standards and guidelines such as the **Corporate Governance Code.** See p. 223 onward for the corporate governance declaration for DEUTZ AG and the Group and for the corporate governance report. In addition, the declaration of conformity issued by the Board of Management and Supervisory Board is published on the Company website under Corporate Governance.

Stakeholder engagement and dialogue A stakeholder is considered to be any person, organization, or company with which DEUTZ maintains relations or is in dialogue or that has an interest in, and seeks dialogue with, DEUTZ. Shareholders are an important stakeholder group. The shareholders of DEUTZ AG routinely exercise their rights of membership and rights of codetermination at the Annual General Meeting. The Annual General Meeting decides on matters such as the appropriation of profit and the formal approval of the actions of the Board of Management and Supervisory Board. It also elects shareholder representatives to the Supervisory Board. See 'Composition of the Supervisory Board', p. 211 onward. In addition, the Annual General Meeting rules on matters pertaining to the legal basis of the Company, such as amendments to the Statutes or corporate actions. It also passes advisory resolutions for the approval of the remuneration system for the Board of Management submitted by the Supervisory Board and for the details of the Supervisory Board's remuneration, and recommendatory resolutions for the approval of the remuneration report for the previous year.

With regard to general capital market communications, DEUTZ undertakes to comply with the transparency guidelines in the German Corporate Governance Code, always communicating with private shareholders, investors, financial analysts, and all other interested capital market players comprehensively, promptly, and openly. Each quarter, for example, a conference call for investors, analysts, and journalists is held to coincide with the publication of the Company's latest financial results. The Board of Management and the Investor Relations management team are also available for talks with interested parties from the capital markets at conferences, roadshows, and private meetings. Other current developments and significant events are communicated by means of press releases. DEUTZ also proactively seeks to engage in ad hoc dialogue with proxies, for example, in order to discuss matters such as their expectations or the business decisions that have been made and to jointly reflect on the underlying reasons.

DATA PROTECTION

The collection, processing, and storage of data is essential for the day-to-day running of the business. In addition to data relating to machinery, processes, and other applications, it includes the personal data of employees, suppliers, customers, etc. As an engine manufacturer, DEUTZ operates in a business-to-business market. This means that while the processing of personal data is not a core focus, it is still necessary for certain activities.

Data breaches and the misuse of personal data have the potential to significantly damage relationships with employees or business partners. All stakeholders need to be able to rely on the Company to protect their data against misuse. DEUTZ believes that upholding data protection rights forms part of its corporate responsibility. It is therefore critical for DEUTZ, not just from a legal perspective but also in our own interests as a company, to handle data responsibly and to comply with the relevant laws and regulations. This is a particular reason why the DEUTZ code of conduct also covers data protection.

Data protection organization The Data Protection department bears overall responsibility for the implementation of data protection laws, the monitoring of compliance with them, and ongoing improvements to the data protection organization. The department is the responsibility of DEUTZ AG's Data Protection Officer (DPO), who is not bound by instructions from the Company's management and reports directly to the Chief Financial Officer of DEUTZ AG on matters such as audits, complaints, and progress in implementing the data protection measures. In addition to handling complaints related to data protection, the DPO is also responsible for communicating with the regulatory body.

At operational level, each organizational unit within the DEUTZ Group must appoint a Data Protection Manager (DPM). The DPM's job is to ensure that any processes in place in their department involving the processing of personal data are documented and evaluated. See also 'Documentation and evaluation processes', p. 104.

The subsidiaries of the DEUTZ Group generally bear individual responsibility for compliance with local data protection laws and internal requirements. However, DEUTZ AG's data protection organization provides support if necessary.

To give the departments the best possible support, the DPO is supported by a data protection coordinator (DPC). The primary task of the DPC is to train the DPMs in the proper use of the data protection software and to advise on the implementation of processes relevant to data protection law.

Data protection policy Any personal data collected and stored by DEUTZ is processed solely for the intended purpose, in a verifiable manner, carefully, and in accordance with the applicable data protection laws. An overarching organizational policy covering data protection ('data protection policy') summarizes the basic rules for handling the personal data of employees and third parties. It is based on the provisions of the European General Data Protection Regulation (GDPR) and describes how to collect, process, and use personal data in compliance with the law, as well as the tasks and responsibilities of the Company's Data Protection Officer. The policy is mandatory for all employees of the DEUTZ Group. Specific data protection matters, such as the protocol for erasure and archiving, are detailed in supplementary organizational policies.

At the end of 2022, DEUTZ updated and extended its data protection policy, for example regarding the rights of affected individuals, responsibilities, and the role and remit of the DPM.

Data protection training To ensure as far as possible that its employees handle data in compliance with the law and relevant policies, all administrative employees in the DEUTZ Group are required to regularly complete data protection training as part of the compliance e-learning program. See also 'Corporate governance and compliance', p. 100 onward. Employees can also access various documents on the intranet, including practical guides and self-learning materials, that provide further information.

Violations of the organizational policies or of existing laws may result in disciplinary action, contractual measures, or consequences under criminal law. The procedure for reporting known or suspected breaches of data protection is described in the data protection policy. Employees can also submit reports using a form available on the intranet. The data protection team investigates all reports and notifies the relevant regulatory body if necessary. There was one incident in 2022 that needed to be reported to the regulatory body.

Documentation and evaluation processes At the end of 2020, DEUTZ introduced web-based data protection software with the aim of simplifying and standardizing its documentation and evaluation processes related to data protection. The software enables data processing activities to be comprehensively documented and evaluated at the same time, providing a basis for developing and initiating any necessary risk-mitigating measures.

In 2022, the focus on using the software to document new and existing data processing activities within the Group was maintained. The system was also rolled out to the European Group companies. The plan for 2023 is to integrate the remaining subsidiaries outside Europe, provided that this fulfills a legal requirement and is permitted under local regulations.

In addition, DEUTZ has continued to drive forward the groupwide standardization of data protection. For example, a Group Data Sharing Agreement (GDSA) was adopted to specify the shared responsibilities between the Group companies.

Assessment of data protection risk with regard to third parties The day-to-day running of the business requires us to work with various external partners, including customers and suppliers as well as companies to which certain processes and services are outsourced. The sharing and/or processing of personal data forms a routine part of this work. For DEUTZ to fulfill all its requirements with regard to data protection, it is essential that it not only monitors its own data processing activities but also ensures that third parties have adequate technical and organizational measures in place to protect personal data. In 2021, in pursuit of this aim, DEUTZ began to conduct **vendor risk assessments** (VRA) that are set to become a formal part of its purchasing conditions in 2023.

HR MANAGEMENT

At the end of 2022, the DEUTZ Group employed a total of 4,975 people.[1] They are based in around 20 countries and therefore subject to different local conditions, requirements, and legal systems. The DEUTZ Group's human resources organization is essentially decentralized. This gives the subsidiaries the strategic and organizational freedom they need to tailor their HR management activities to their specific needs and thus respond flexibly to local circumstances.

Number of employees by region[1]

	2022	2021
Europe	4,281	4,123
thereof Germany	3,434	3,273
Americas	398	339
Brazil	25	24
Australia	20	19
Asia-Pacific	30	37
India	6	–
Japan	5	–
Morocco	70	69
China	140	140
Total	**4,975**	**4,751**

[1] Full-time equivalents (FTE); excluding temporary workers.

In 2019, DEUTZ began to roll out an SAP-based IT environment for HR with the aim of centralizing HR management – where appropriate – and digitalizing processes. The first stage involved creating a standardized format for recording employee master data at DEUTZ AG sites. The format was subsequently rolled out to the Spanish subsidiary DEUTZ Spain in 2022 following its implementation at the Company's US site in 2021.

Under its sustainability strategy, DEUTZ has set various targets for HR management that – unless indicated otherwise below – relate to the entire Group, despite the largely decentralized organizational structure.

[1] Number of employees expressed as full-time equivalents (FTE); excluding temporary workers.

Corporate culture | UNGC 1, 3–6 DEUTZ strives to ensure a respectful, non-discriminatory, and prejudice-free working environment for all employees – regardless of their age, ethnicity, nationality, gender, gender identity, physical and mental capabilities, religious beliefs and worldview, sexual orientation, or social background. To lend weight to this endeavor, DEUTZ signed up to Germany's Diversity Charter in 2021. The Company thus pledges its commitment to cultivating an organizational culture characterized by mutual respect and appreciation. This saw DEUTZ take part in Germany's Diversity Day for the first time in 2022. It also raised rainbow flags, a symbol of tolerance and respect for diversity, at its sites in Germany and Spain from late May to late June.

In addition, DEUTZ attaches a high priority to maintaining a corporate culture that is shaped by team spirit and a sense of responsibility, and that fosters a culture of innovation. This corporate culture is encapsulated in the five corporate values of the DEUTZ Group. In 2022, to reinforce the perception of the Company being one team and to encourage a more open and more modern corporate culture, the DEUTZ Board of Management gave the entire workforce the option of addressing them by their first names.

DEUTZ Corporate Values

The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity in their day-to-day work. It contains mandatory rules for behavior, whose aims include creating a working environment that is free of discrimination, bullying, and harassment. The code of conduct applies across the Group and must be adhered to by all employees. See also 'Corporate governance and compliance' p. 100 onward.

Diversity and equality-friendly management culture | UNGC 1, 6 Diversity in society, influenced by globalization and by demographic and societal shifts, is also reflected in the world of work. DEUTZ firmly believes that having a diverse set of employees with different skills and talents opens up opportunities for innovative and creative solutions while also providing access to a wider pool of talent. It attaches a high priority to increasing the proportion of women in the Company, for example. Recruitment decisions should therefore be made solely on the basis of the candidate's professional suitability and there should be equal pay for women and men. This means that an employee's remuneration is essentially determined by their personal and professional qualifications and by the responsibilities assigned to them. For the approximately 91 percent of DEUTZ AG employees covered by a binding collective pay agreement, gender-specific differences in salaries for equal tasks are excluded from the outset.

With a view to advancing the careers of women within the Group, DEUTZ participates in a cross-mentoring program for female management trainees. Under the scheme, the mentee works in tandem with a mentor from a different company in order to gain insight into the structures and processes that are in place at another organization.

DEUTZ has set itself the target of increasing the proportion of women in the workforce as a whole to more than 10 percent and the proportion of female managers to more than 20 percent, in both cases by the end of 2023. For 2026, there is an increased target of 12 percent[1] for the proportion of women in the workforce as a whole but a lower target of 18 percent for the proportion of female managers. The reason for this reduction is that it is already clear that the target for the proportion of female managers in 2023 will not be achieved as even a small number of personnel changes in this narrow field has the potential to disproportionately affect the ratio.

DEUTZ Group: Proportion of women

%

	2022	2021	2020	2019
Proportion of women in the workforce[1]	12.9	13.0	12.1	11.4
Proportion of women in management positions[2]	15.4	11.4	11.4	12.4

[1] Including staff on fixed-term contracts but excluding temporary workers.
[2] Including staff on fixed-term contracts but excluding temporary workers. The second level below the Board of Management, i.e. all female managers who report directly to a manager in the top level of senior management and have managerial responsibility.

In 2022, women made up 12.9 percent of the total workforce, so the target for 2023 and the medium-term target for 2026 were both exceeded. At 15.4 percent, the percentage of women in management positions was noticeably higher than in 2021 but remained well below the target for 2023.

Representation of interests and codetermination | UNGC 3, 6
Pay-scale employees in Germany, who make up the majority (89 percent[2]) of the DEUTZ AG workforce, are subject to the collective pay agreement of the metalworking and electrical engineering industry. Their interests are represented by the works councils at the individual sites. A key task for these works councils is to monitor whether DEUTZ AG is fulfilling its responsibility to society as an employer. To enable them to perform this task, they are afforded the right to be informed about certain decisions and actions of the employer and to participate and have a say in them. HR matters such as working hours, pay, and occupational health and safety are among the key issues that are subject to this codetermination process. The works councils of DEUTZ AG therefore get involved in all employee-related matters regarding recruitment, remuneration, reassignment, and dismissal. Their primary objective is to agree mutually acceptable rules and arrangements for the matters at hand. The rights and obligations of the works councils in Germany are derived from the Works Constitution Act. An independent works council represents the interests of the Spanish employees at the site in Zafra.

The particular interests of staff with disabilities or equivalent impairments are additionally monitored and protected by a disabled persons' representative. Performing a similar role to that of the works council, this individual ensures that DEUTZ AG enforces the laws, collective pay agreements, and works agreements that are in place for disabled employees. Moreover, it appointed an inclusion officer in 2022. In 2022, to the best of its knowledge, the Company employed a total of 127 people with disabilities or equivalent impairments.

An elected Senior Staff Committee represents the interests of senior managers. Both the works council and senior managers also appoint representatives to the Company's Supervisory Board, thereby exercising their right of codetermination.

Employee motivation and empowerment A company's success and capacity for innovation depends to a large extent on its employees' motivation and satisfaction (engagement) and empowerment (enablement), and not just on their ability to do their job. DEUTZ endeavors to provide its employees with a working environment that motivates and empowers them at every stage of their working life. The measures offered by DEUTZ AG in this context include fair pay, paid vacation, flexible working time models for balancing work with family life, a day care center at its headquarters in Cologne, a comprehensive training and development program, the agreement of individual targets, a wide variety of healthcare and sports programs, and an equality-friendly management culture.

The bonus-driven ideas management scheme is a further tool for motivating the workforce to make a proactive contribution to the success of the Company. It allows any employee at DEUTZ AG to put forward ideas for discussion, such as how to improve product quality, enhance the portfolio of drive systems and services, make the working environment more efficient, and optimize existing processes. Not only does this help to foster a culture of

[1] The targets for 2026 were set at the end of 2021/start of 2022.
[2] Number of employees expressed as full-time equivalents (FTE); excluding temporary workers.

innovation in the Company, but it can also increase employees' motivation and give them a greater sense of empowerment, for example because they can suggest ways to improve their working conditions. A total of 732 ideas were submitted in 2022.

Internal communications DEUTZ uses various communication channels to ensure its employees are fully up to date on all the latest news. These channels include letters to staff, the intranet, the regular myDEUTZ employee magazine, and the employee app DEUTZ Mobile. This app gives access to a wide range of information about DEUTZ and can be downloaded by all employees of DEUTZ AG and of the Spanish subsidiary DEUTZ Spain (as well as US employees in the near future) on their personal or work smartphones and/or tablets. In terms of analog formats, a works meeting is held at the DEUTZ AG sites at least once a year, at which the Board of Management and works council inform employees of current developments.

Employee survey In 2019, DEUTZ carried out a groupwide employee survey for the first time in order to measure the levels of engagement and enablement in its workforce. The objective of the survey is to use the resulting insights to define specific measures that can motivate and empower employees to realize their potential to the fullest possible extent.

The employee survey carried out in 2019 found that 78 percent of DEUTZ employees were motivated (engagement) and 69 percent felt empowered to do their work (enablement). These results showed that DEUTZ compares favorably with other companies in Europe, and so it set itself the target of maintaining these levels up to 2023. The target for 2026, meanwhile, is to increase the levels of engagement and enablement to 80 percent and 75 percent respectively.

The employee survey was originally meant to be carried out every three years. However, the latest survey has been put back to 2023 because of the reorganization of the Board of Management in 2022 and the reallocation of responsibilities at this level and at the management level below.

Training DEUTZ attaches great importance to training. The Company's success in this area is evidenced by the fact that, in 2022, the Cologne Chamber of Industry and Commerce recognized its training center at the headquarters in Cologne, the Factory for Talents, for its outstanding achievements in vocational training for the twelfth time in succession. Moreover, a DEUTZ apprentice was named one of North Rhine-Westphalia's best, while four other DEUTZ apprentices achieved some of the best exam results in the city of Cologne.

In 2022, a total of 30 apprentices embarked on careers at DEUTZ AG. As a result, the ratio of trainees to total employees was 2.4 percent as at the end of 2022.

DEUTZ AG: Ratio of trainees to total employees[1]

%

	2022	2021	2020	2019	2018
Ratio of trainees to total employees	2.4	2.7	3.2	2.6	2.5

[1] Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.

DEUTZ has set itself the target of maintaining the ratio of trainees to total employees at between 2.5 percent and 3.0 percent in each year up to 2026. The fact that this target was not quite met in 2022 is because the relevant number of employees in Germany usually rises as production volumes increase, whereas the number of trainees remains virtually the same every year and in 2022 the number of employees rose by 5.6 percent compared with the previous year.

Staff turnover DEUTZ believes that a healthy rate of staff turnover, while retaining the services of experienced workers in the organization, should also recognize that new employees bring with them new perspectives that can help a company to develop and improve its ability to innovate. HR activities are therefore aimed at ensuring the groupwide rate of staff turnover remains within a range of 5 to 10 percent up to 2026.

DEUTZ Group: Staff turnover[1]

%

	2022	2021	2020	2019
Rate of staff turnover	9.6	10.5	6.3	6.3

[1] Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers; number of employees calculated as full-time equivalents (FTE). The calculation includes both resignations and dismissals.

In 2022, the rate of staff turnover for the DEUTZ Group was 9.6 percent and therefore within the targeted range.

OCCUPATIONAL HEALTH AND SAFETY

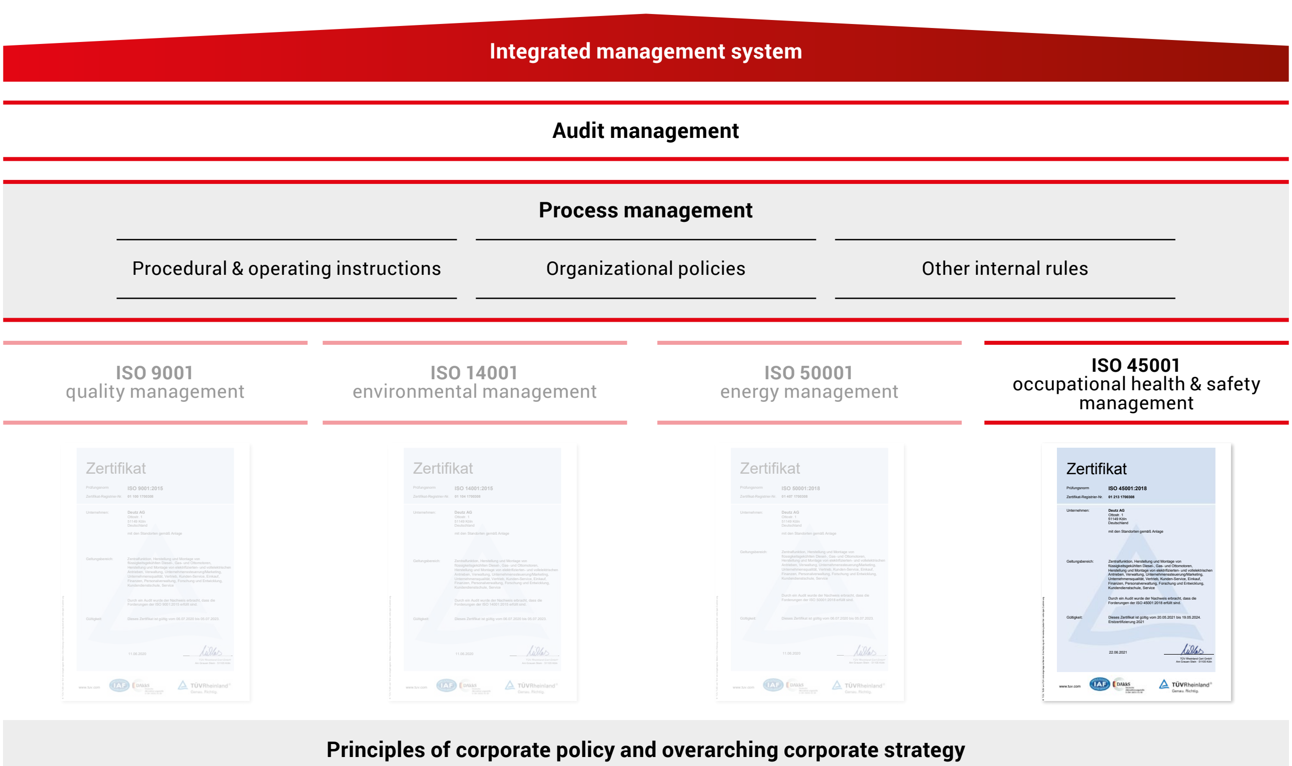
Financial considerations must never be allowed to compromise the health and safety of staff, because every individual has the fundamental right to health and physical well-being. DEUTZ recognizes that providing a safe working environment that is conducive to health is part of its responsibility as an employer. Across the Group, the Company therefore complies with the statutory requirements on occupational health and safety that apply from country to country and implements measures based on local circumstances.

At present, occupational health and safety within the DEUTZ Group is still largely managed at local level. This means that, unless indicated otherwise, the following information essentially relates to the sites of DEUTZ AG, where the majority of the Group's workforce – around 65 percent[1] – is based. However, the Company aims to set up a centralized organization and, going forward, to initiate planned health and safety activities on a groupwide basis. In 2022, in pursuit of this aim, DEUTZ began to put together a global safety board comprising the occupational health and safety representatives of the German and non-German Group companies. Their common objective is, in the medium term, to define minimum global standards for occupational health and safety and to establish best practice processes that are applicable across the Group.

ISO 45001 certification | UNGC 1 In 2021, the integrated management system (IMS) that had been established in Germany was extended to cover occupational health and safety. See 'Product quality', p. 117 onward, for further information on the IMS. This entailed a matrix certification process, in accordance with the global ISO 45001 standard, that started with the Cologne sites. ISO 45001 sets out the requirements for an effective system for managing occupational health and safety. The next step, which took place in 2022, involved assessment of the German sites in Ulm and Herschbach by the certification auditors. The production site in Zafra, Spain, has held ISO 45001 certification since 2019. Based on the number of people employed at production sites across the Group, the ISO 45001 certification covered around 75 percent of the Group's workforce as at December 31, 2022.[1]

The management of occupational health and safety at DEUTZ AG is organized by the Health, Safety, and Environment department. Its overarching objective is to protect the health of employees over the long term while ensuring, as a consequence, that they can continue to perform to the required level. In addition to general preventive measures (for example those initiated as a result of near misses), its main tasks include the ongoing analysis and evaluation of potential hazards and the specification of suitable countermeasures to minimize risk. Regular training is provided to the key players in occupational health and safety to ensure that their knowledge is up to date and in keeping with the times.

[1] Percentage calculated on the basis of full-time equivalents (FTE); excluding temporary workers.



In order to raise awareness of occupational health and safety among the workforce, all managers must provide their staff with relevant annual training. Furthermore, all of DEUTZ's administrative employees[1] are required to complete a training module on health and safety in the office as part of their annual compliance e-learning courses. See 'Corporate governance and compliance', p. 100 onward for further information on the e-learning courses.

Risk assessments and health and safety inspections | UNGC 1 Internal risk assessments and subsequent inspections play an integral role in how workplace safety is managed at DEUTZ AG and its Spanish subsidiary, DEUTZ Spain. The frequency with which these take place depends on the extent and type of the risk presented by the machinery or workspace. Any issues identified are documented in action plans that specify a timeframe for remedial measures to be taken. In addition to internal audits, there are also health and safety inspections conducted at regular intervals by the employers' liability insurance association.

Management of hazardous substances | UNGC 1 DEUTZ uses hazardous substances in its engine production that could cause harm to people and the environment if they are not handled properly. DEUTZ AG manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. These include training courses and manuals that provide employees with guidance on how to handle hazardous substances safely. Whereas the priority with regard to hazardous substances has up to now been on systematic documentation and establishing approval processes, the focus is now primarily on purchasing. The aim is to ensure, across the Group, that only approved hazardous substances are able to be purchased.

Occupational healthcare center and cooperating company doctors Measures to protect employees' health are managed and offered centrally by the occupational healthcare center at the headquarters in Cologne and the company doctors at the Ulm site that cooperate with the center. In addition to regular consultation times, the offering includes PCR tests, mandatory check-ups and medicals, advice on nutrition, ergonomics, and addiction, a range of vaccinations (including against coronavirus), and a managed process of returning to work after illness or injury that is run in conjunction with the HR department.

[1] Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, and who are integrated into the Group's IT infrastructure and have access to a PC.

Recordable incident rate The recordable incident rate (RIR) is one of the means of measuring and monitoring the effectiveness of the measures described above.

The DEUTZ Group's RIR improved year on year from 9.4 to 8.8 in 2022. This positive trend is proof that the ongoing implementation of the health and safety measures mentioned earlier is gradually paying off.

There were no fatal accidents in 2022.

DEUTZ Group: Recordable incident rate (RIR)[1]

	2022	2021	2020	2019	2018[2]
RIR	8.8	9.4	7.4	11.2	15.0

[1] For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but weekends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.
[2] The figures for 2022 – 2019 are not directly comparable with the figure for 2018 because temporary workers were not included in the calculation before 2019.

As part of its Sustainability Vision for 2023, DEUTZ had been working toward the target of improving its RIR to 7 by the end of 2023. This target was changed to 8.5 during the reporting year. Achieving a RIR of 7 is now the medium-term target for 2026.

SUPPLIER MANAGEMENT

DEUTZ maintains business relationships with around 5,900 suppliers in more than 60 countries. With a purchasing volume of nearly €1.4 billion worldwide, the DEUTZ Group's supply chain makes a significant contribution to its value creation process. As the Company's subsidiaries are mainly sales companies, overall responsibility for supplier management[1], including the approval of production component suppliers, lies predominantly with DEUTZ AG as the executive parent company. Despite this, the purchasing-related targets that DEUTZ has set as part of its sustainability strategy apply not only to DEUTZ AG but to the DEUTZ Group as a whole.

Standardization of Group purchasing DEUTZ intends to gradually centralize Group purchasing so that, in the medium term and as far as is reasonably practical, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. In 2021, as a first step, it set up a groupwide organizational structure for purchasing and established the Purchasing Excellence department, which assumed global responsibility for the purchasing function's strategy, governance, processes, methods, and tools. DEUTZ also set up a platform that is able to provide a transparent overview of the global supplier base. The DEUTZ subsidiary Torqeedo and the DEUTZ companies in China and Morocco were integrated into this platform in 2022. A groupwide purchasing policy was also drawn up in 2022. Once signed off in 2023, it will require all procurement activities to be approved by Group purchasing.

Supplier management system DEUTZ AG systematically manages its suppliers using a 'supplier cockpit', which it uses to monitor the performance of key suppliers primarily from a purchasing, logistics, and quality perspective. In 2020, in order to be able to query and evaluate various aspects of sustainability, the Company also introduced a web-based assessment platform for global supply chains and a business partner compliance tool. DEUTZ initiated a digitalization process in 2021 with the aim of combining these previously stand-alone assessment platforms into a single supplier cockpit in the medium term. The objective is to ensure that, from the outset, the assessment of suppliers takes particular account of aspects such as respect for human rights, measures to combat corruption and/or bribery, and compliance with certain environmental and social standards. Employees in the purchasing department should, with the help of specialist training, be able to give sufficient consideration to this information when selecting suppliers while also utilizing it in their purchasing negotiations.

Code of conduct for suppliers | UNGC 2–6, 10 The DEUTZ code of conduct for suppliers (Supplier Code) is a key instrument in the Company's efforts to communicate sustainability aspects to its supply chain. The code sets out mandatory groupwide requirements, for example with regard to ensuring compliance with occupational health and safety standards and certain environmental protection standards as well as respecting human rights. Among other objectives, the code thus helps to ensure that DEUTZ does not make itself complicit in human rights abuses as defined in the second principle of the UN Global Compact. It also expresses the Company's expectation that suppliers should impose the same requirements on their supply chain that DEUTZ imposes on them.

In 2022, DEUTZ comprehensively revised its code of conduct for suppliers. The expectations that the code sets out were expanded and formulated in greater detail in line with national and international laws and guidelines, such as Germany's Supply Chain Due Diligence Act (LkSG), the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Moreover, content that had previously taken the form of recommendations was turned into mandatory requirements that a supplier now has to fulfill in order to work with DEUTZ. The new Supplier Code was published at the beginning of 2023.

In order to ensure and track the effectiveness of the Supplier Code to the greatest possible extent, DEUTZ conducts site audits of both existing and new suppliers to assess their compliance with the requirements set out in the code. The Supplier Code, which is referenced in all standard supplier contracts and in the general purchasing conditions, specifies that DEUTZ reserves the right to conduct such audits.

DEUTZ has set itself the target of conducting site audits of a total of 55 existing suppliers between 2020 and the end of 2023 regarding their compliance with the Supplier Code, as well as of 90 percent of all new production component suppliers taken on during this period. By 2026, the target is to have audited a further 25 existing suppliers and for 100 percent of new production component suppliers to have been audited. In 2022, site audits were conducted at a total of 23 existing suppliers. The proportion of new suppliers that were audited came to 0 percent. This is because DEUTZ only entered into contracts with two new suppliers last year and the volume of business in both cases was relatively insignificant. The cumulative total of new suppliers that have been audited came to 71 percent.

[1] The information in this section relates to direct suppliers that have a contractual relationship with DEUTZ.

DEUTZ Group: Number of suppliers[1] to have undergone site audits regarding their compliance with the Supplier Code

	2022	2021	2020
Number of suppliers audited	23	16	4

[1] Existing suppliers as at the end of 2019.

DEUTZ Group: Proportion of new production component suppliers audited regarding their compliance with the Supplier Code

%

	2022	2021	2020
Proportion of new production component suppliers audited	0	83	0

Suspected violations of the Supplier Code can be reported at any time via a publicly accessible whistleblowing system. See also 'Corporate governance and compliance', p. 100 onward.

Monitoring and assessing the sustainability performance of suppliers | UNGC 2–7, 10 Supplier management had previously focused primarily on the quality of the supplied components, lead times, availability, and commercial conditions. The implementation of the groupwide sustainability strategy, however, now means that increasing consideration is given to sustainability criteria as well. DEUTZ has created a tool that draws on publicly accessible information to ensure that potential sustainability risks in its supply chain are monitored on an ongoing basis. Using predefined data sources, such as those provided by the World Health Organization, the tool identifies any reports that pertain to relevant risks, for example in connection with human rights issues or labor practices, selects them, and automatically forwards them to the appropriate employees in the purchasing department. These reports are also incorporated into the system-based assessment of the general risk of working with that supplier.

At the end of 2020, DEUTZ also began using EcoVadis, a web-based assessment platform for global supply chains, in order to gain a rounded picture of the sustainability performance of its biggest suppliers by revenue. The assessment criteria cover environmental and ethical topics, labor rights, human rights, and sustainable sourcing.

DEUTZ has set itself the target of having audited the sustainability performance of 50 percent of its top 150 suppliers – as measured by its purchasing volume in the prior year – by the end of 2023 and 80 percent of them by 2026. The proportion of suppliers to have undergone such an audit came to 62 percent at the end of 2022. 77 percent of the audited suppliers achieved silver, gold, or platinum status.

DEUTZ Group: Proportion of suppliers[1] assessed against sustainability criteria

%

	2022	2021	2020
Proportion of suppliers assessed	62	55	31

[1] Top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.

In the next step, DEUTZ plans to establish a process that will make it possible to systematically capture and document the assessment findings and any weaknesses identified. This documentation will then be used as a starting point for the definition of remedial measures in collaboration with the suppliers.

Business partner compliance | UNGC 1–6, 10 As part of a preventive risk management approach, business partners are also checked regarding any potential misconduct – e.g. in connection with money laundering, unfair competitive practices, or corruption and/or bribery – in addition to the assessment of their sustainability performance using EcoVadis. DEUTZ introduced a business partner compliance tool for this purpose at the end of 2020. See also 'Corporate governance and compliance', p. 100 onward.

DEUTZ's original target for 2023 was to have used – or be using – the business partner compliance tool to conduct checks on 90 percent of all existing suppliers with which its purchasing volume for the prior year exceeded €0.5 million. At the beginning of 2023, it tightened up this KPI to only include suppliers that had undergone and actually completed the business partner compliance checks and therefore no longer find themselves within the audit process. The target for 2023 was adjusted to 20 percent as a result.

At December 31, 2022, 67 percent of existing suppliers were undergoing business partner compliance checks. 2 percent of existing suppliers had already undergone and completed business partner compliance checks by this time.

DEUTZ AG: Suppliers[1] that have undergone and completed business partner compliance checks

%

	2022	2021	2020
Proportion of suppliers audited	2	11	0

[1] Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

Materials compliance | UNGC 7–8 DEUTZ purchases components and raw materials for use in engine production that contain an extensive range of compounds, substances and minerals. As a result, the Company is subject to international regulations including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH), the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS), and provisions governing the use of conflict minerals.

The Materials Compliance function is tasked with ensuring compliance with the aforementioned regulations. Its main responsibilities include continually assessing developments at regulatory and policy level and determining whether the engines that are produced fulfill the criteria of all the many environmental laws and regulations. The function is also responsible for optimizing processes with regard to the materials and substances that are used. This includes introducing conformity checks in the product development process and in the purchased parts approval process. To achieve these aims, it works closely with Component Purchasing for Series Production and the Supplier Quality department and stipulates the criteria for the selection of production component suppliers with regard to materials compliance. DEUTZ uses an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes.

As it does not purchase any minerals directly, DEUTZ has to work in conjunction with its business partners in order to exercise its responsibility in this respect. In order to avoid minerals from conflict-affected and high-risk areas in the supply chain and counteract illegal or unethical procurement practices, DEUTZ has put in place a corporate policy on conflict minerals as a supplement to the Supplier Code. Among other sources, this policy reflects the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Since 2022, it has been mandatory for the corporate policy on conflict minerals to be included in all new supplier contracts. DEUTZ carries out surveys on the use of conflict minerals at regular intervals to ensure compliance with this policy to the greatest possible extent. These surveys use the Conflict Minerals Reporting Template, which was developed by the Responsible Minerals Initiative (RMI) to support companies in their efforts to provide their customers with accurate information on the countries of provenance of certain minerals and the smelting plants and refineries they use.

Implementation of the Supply Chain Due Diligence Act The Supply Chain Due Diligence Act entered into force in Germany on January 1, 2023. It is intended to prevent, minimize, or eliminate risks relating to human rights and the environment. In the second half of 2021, DEUTZ, under the direction of the purchasing department, established a cross-departmental task force that has since been working on implementing the resulting requirements. These requirements include conducting regular risk analyses and developing and implementing preventive and remedial measures aimed at minimizing risk. There is also a legal requirement to publish a declaration of principles. As well as a description of how a company fulfills its due diligence obligations, this should set out the results of the risk analysis and the expectations that the company makes of its suppliers on this basis. DEUTZ will publish such a declaration for the first time during the course of 2023, which it will then update at least once a year.

SOCIAL RESPONSIBILITY

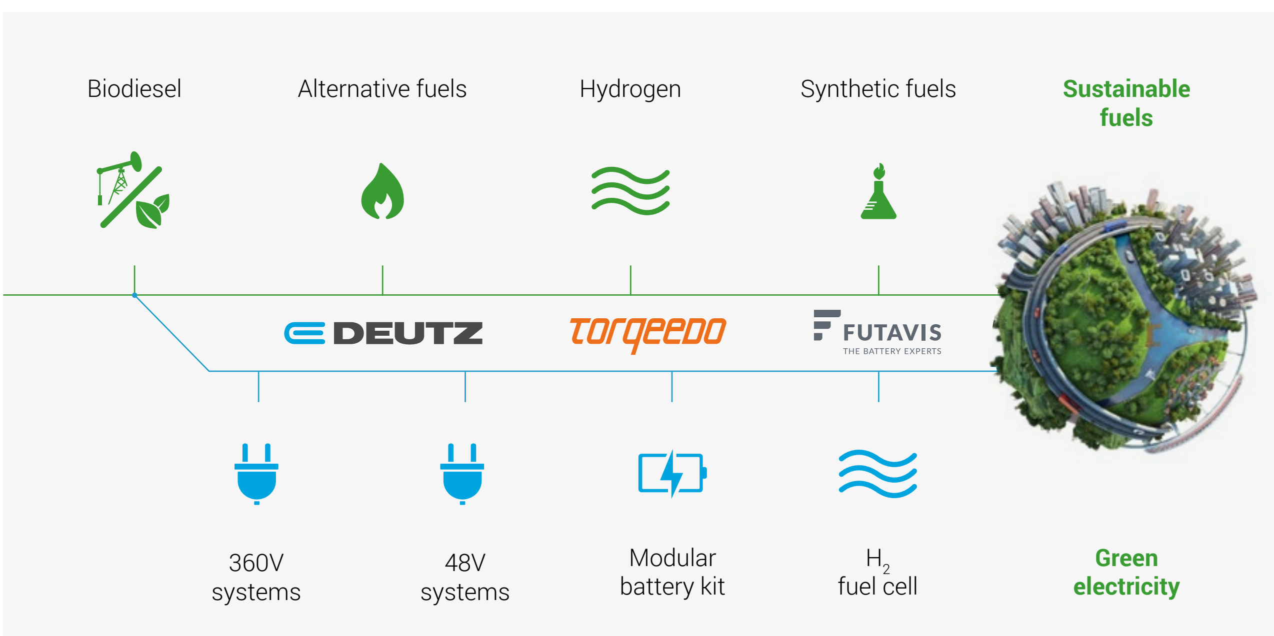
PRODUCT STEWARDSHIP

An ever-growing global population, finite natural resources, and the steady march of climate change as a result of global warming present fundamental challenges for the future of mobility, and not just in the on-road sector. The **Paris Agreement** from 2017 aims to limit global warming to 1.5 degrees by 2030. The off-highway sector also needs to play its part in the achievement of this target by reducing, as far as possible, the amount of harmful CO_2 emissions that it produces. As a leading manufacturer of engines for off-highway applications, DEUTZ believes it has a responsibility to society to make products that move us toward a future of carbon-neutral off-highway vehicles and marine vessels, thereby contributing to the achievement of the Paris climate goals. Which is why DEUTZ has set the target in its Dual+ strategy to offer a climate-neutral portfolio of products and technologies by no later than 2050.

In addition to the Company's ambition to play an active role in the transition to more sustainable drive systems, the ongoing development of its drive portfolio is also influenced by legislation aimed at reducing emissions and limiting noise pollution. To establish whether an engine meets the legal requirements, it has to undergo mandatory certification processes. These are carried out by bodies such as Germany's Federal Motor Transport Authority or equivalent foreign authorities like the US Environmental Protection Agency. With regard to conventional diesel-powered internal combustion engines, DEUTZ continually assesses older engine series that are coming to the end of their lifecycle, particularly if they cannot be converted to meet future emissions standards. This means that engines that do not comply with current standards or cannot be upgraded to achieve compliance will be progressively withdrawn from the portfolio.

Different applications with varying power requirements call for a range of drive solutions. Construction equipment and agricultural machinery, for example, need a great deal more power and energy than forklift trucks or lifting platforms. In view of this fact, DEUTZ adopts a technology-neutral approach to the development of its engine portfolio. Our current product range comprises the latest diesel technology together with gas, hybrid, electric, petrol, and hydrogen drives, as well as solutions that use alternative fuels.

Technology-neutral approach to development of the drive portfolio



Electric drive systems | **UNGC 7–9** The E-DEUTZ strategy, initiated back in 2017, plays an instrumental role in the development of green off-highway drive solutions. In the medium term, it aims to create a scalable product portfolio of electric drives and hybrid variants for specific customer requirements that can be used in areas such as ground support, construction, and agricultural applications. Electric drive systems are classed as carbon-neutral, whereas hybrid systems reduce total carbon emissions by downsizing engine capacity while maintaining overall system performance.

In 2022, DEUTZ launched an electric 360-volt drive system on the market. It is used in the MOROOKA MST-700VDRe crawler carrier and the all-electric Maeda CC 1485 crawler crane. With an output of 40 kW generated by two lithium-ion batteries, this zero-emission construction-site vehicle has a load capacity of six tonnes. Both vehicles were presented to visitors at bauma 2022 in Munich, the world's leading trade fair for construction equipment, building material machines, mining equipment, construction vehicles, and plant and machinery. Also on show were the first battery-powered concrete pumps made by PUTZMEISTER. The pumps use a 360-volt drive system from E-DEUTZ instead of the usual 2.2 liter DEUTZ diesel engine, providing up to eight hours of power. The iONTRON concrete pump can also be powered via a charging cable. KTEG, a manufacturer of specialist construction machinery, also presented the KTEG ZE20 mini excavator, powered by a 48-volt drive system from E-DEUTZ.

DEUTZ plans to take the 360-volt system, which had reached preproduction by the end of 2022, to full production readiness in 2023.

Mobile rapid charging station | **UNGC 7–9** Electric drive systems are restricted in their autonomy and take longer to 'refuel' (recharge) than conventional internal combustion engines. Which is why DEUTZ developed the PowerTree, a mobile rapid charging station for electric construction vehicles that won the 2022 Diesel Progress Summit Award in the category 'Electric or Hybrid Application of the Year'. Built into a ten-foot container, the PowerTree's integrated battery storage system means that machines can be charged on site even when there is no access to mains power. Downtime is reduced to a minimum thanks to a rapid-charge function that is capable of delivering up to 150 kW.

In 2022, DEUTZ received the first volume production order for its PowerTree, with KTEG, a manufacturer of specialist construction machinery and pilot customer for the first PowerTree units, ordering 17 of them.

Hydrogen-powered drive solutions | **UNGC 7–9** DEUTZ firmly believes that the internal combustion engine will continue to have a dominant role in mobile machinery applications in the years ahead, helping to facilitate a smooth transition to more sustainable drive systems. Which is why the DEUTZ Group's development activities are directed not only at alternative drive solutions, such as electrification, but also toward making internal combustion engines more climate-friendly by running them on alternative or sustainable energy sources such as HVO, e-fuels, or hydrogen. 'Green' hydrogen, which is generated from solar, hydro, or wind power, offers the possibility to convert energy from renewable sources into a storable gas for efficient use.

After embarking on the development of its first production-ready hydrogen engine, the TCG 7.8 H2, in 2021, DEUTZ made further progress with the implementation of its hydrogen strategy in 2022. A stationary H2 genset went into operation in a joint pilot project between DEUTZ and Cologne-based energy provider RheinEnergie. The combination of a DEUTZ hydrogen engine and a generator delivered electric power of up to 170 kilovolt-amperes during the initial six-month test phase. This electricity was fed directly into the local power grid. In a second step, the waste heat from the genset will also be captured and used to supply heating. The solution being piloted by DEUTZ and RheinEnergie has huge potential for the local, carbon-neutral supply of energy in urban centers and areas without power infrastructure. DEUTZ has also joined forces with AVS and the Voith Group to develop a mobile H2 genset. It quietly and efficiently generates power for electrical applications, and if green hydrogen is used, it is carbon-neutral. The genset can be used as a mobile power supply in areas without access to the main power grid, such as construction sites. Furthermore, DEUTZ joined the HyCET (Hydrogen Combustion Engine Trucks) research project consortium in 2022. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the project, two 18-tonne trucks will be developed and fitted with DEUTZ TCG 7.8 H2 hydrogen engines. The trucks will then be put through their paces by using them in the regular logistics operations of the BMW Group and DEUTZ. The four-year research project has a total investment volume of €19.5 million, of which €11.3 million will be funded by the German Federal Ministry for Digital and Transport (BMDV).

The hydrogen engine, which meets current emissions standards for zero-emission heavy commercial vehicles, is set to go into production at the end of 2024.

New segment: Green | UNGC 7–9 With effect from January 1, 2022, DEUTZ put in place a new reporting structure and introduced the Green and Classic segments. The Company's aim is to provide a more transparent picture of its work on off-highway technology for a carbon-neutral future. All activities connected with the development and production of non-diesel drives are assigned to the Green segment. This includes E-DEUTZ drive systems, the subsidiaries Torqeedo and battery management provider Futavis, hydrogen engines, and the related service business.

The introduction of the new segment reporting structure means that the previous E-DEUTZ KPI has been superseded. The target is now to raise the proportion of consolidated revenue generated by the Green segment to between 5 and 10 percent by 2023/2024. Currently, the segment's revenue is almost exclusively derived from the business with the Torqeedo subsidiary's electric boat drives. According to DEUTZ's latest business outlook, the Green segment is expected to contribute revenue of between €60 million and €100 million in 2023. But because demand for alternative drives beyond the Torqeedo business is taking longer than anticipated to ramp up, DEUTZ now does not expect the Green segment's proportion of consolidated revenue to reach the 5 to 10 percent range until 2025.

In 2022, the Green segment accounted for 3.3 percent of consolidated revenue, which was roughly the same level as its contribution in 2021.

DEUTZ Group: Proportion of revenue attributable to Green segment

%

	2022	2021
Green segment[1]	3.3	3.3

[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.

Innovative diesel engines | UNGC 7–9 Commercial vehicles, tractors, and construction equipment are used for heavy-duty applications and for extended operating periods, so they need a fuel with a high energy density and short refueling times. E-fuels may be the answer. They are synthetic fuels such as paraffinic diesel fuels that are made on a renewable basis using electricity, water, and carbon dioxide (CO_2). The combustion of e-fuels produces a lower or equivalent level of emissions compared to those generated from the combustion of conventional fuels. Furthermore, if the electricity used to make them is produced entirely from renewable sources and the necessary CO_2 is taken from the atmosphere or from biomass, they can power an internal combustion engine on a fully carbon-neutral basis.

At the end of 2022, DEUTZ approved its entire TCD engine range for operation with alternative diesel fuels. This means that paraffinic diesel fuels such as HVO (hydrotreated vegetable oil) can now be used to run all DEUTZ engines that meet the EU Stage V emissions standard. HVO is an innovative biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. The use of HVO fuels reduces the carbon footprint of DEUTZ's internal combustion engines by up to 95 percent.

The TCD 5.2 is another example of how environmental compatibility and a long service life are priorities in the development of DEUTZ's drive portfolio. This diesel engine has four cylinders and a displacement of 5.2 liters and, looking ahead, is intended to replace larger six-cylinder engines. It does not use exhaust gas recirculation and is instead equipped with an efficient nitrogen oxide (NOx) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The elimination of exhaust gas recirculation means the engine can be made more powerful, which allows its capacity and thus also fuel consumption to be reduced. Combustion efficiency is improved as well, reducing fuel consumption even further. The TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid operation thanks to the 48-volt electric drive option. After supplying prototypes for a range of customer applications in 2021 and 2022, DEUTZ plans to start full production in 2023.

Modular product system DEUTZ gives its customers the option of individually configuring their ideal drive solution from a set of product modules, based on defined parameters such as application segment, power output, emissions characteristics, and technical specification. The system enables the Company to offer bespoke solutions that can reduce carbon emissions, fuel consumption, and overall costs while allowing it to still respond quickly and flexibly to technological advances and changing market requirements.

Environmentally friendly and resource-efficient services | UNGC 7–9 DEUTZ play its part in mitigating climate change by continually reducing the fuel consumption and emissions of its engines and developing carbon-neutral drive solutions. But the Company goes further than that. It also offers its customers a variety of services that help to reduce pollution and the use of resources. One example is the provision of reconditioned engines and spare parts under the DEUTZ Xchange program. Old engines are professionally reconditioned and wearing parts are replaced with genuine DEUTZ components. At the end of the process, the engines are as good as new and identical to the original ones in every respect. This extends the lifecycle of engines and provides a cost-effective and, above all, environmentally friendly alternative to purchasing a brand-new engine.

Digital solutions are a priority for DEUTZ in the expansion of its service portfolio, as they can provide an eco-friendly alternative to previously analog-only formats. These digital services include S-DEUTZ Telematics, for example, which allows the customer to plan service events with greater efficiency thanks to digital engine condition checks with integrated diagnostics and fault interpretation. The technician at the service outlet is able to use the digitally collected data to plan ahead and make sure that the parts and tools needed to fix a fault are available at the right time. In addition, it allows for planned maintenance and unplanned repairs to be combined, reducing the number of visits to the service outlet.

Innovation platform | UNGC 7–9 To complement its ideas management system, DEUTZ AG established an additional format in 2021 called the innovation platform, which allows employees to work together on a range of ideas for enhancing the drive and service portfolio. The theme of the current campaign is ‘green construction sites’, focusing on the three aspects of energy logistics, energy storage, and energy management. It is accompanied by a series of webinars designed to give employees a deeper understanding of the questions that are currently being asked and the challenges that they pose. In a spirit of openness to new technologies, the innovation campaigns are essentially aimed at pursuing approaches based on all kinds of different drive systems. The platform not only fosters a culture of innovation at the Company but also allows for the exploration of new ideas for green drive systems that are tailored to the requirements of customers in the off-highway sector. See also ‘HR management’, p. 105 onward, for further information on ideas management.

PRODUCT QUALITY

The success of a company depends to a large extent on the satisfaction of its customers. After all, this is crucial if these relationships are to continue or be stepped up. Customer satisfaction is, of course, directly influenced by having an innovative product offering that is firmly focused on customers' needs and expectations. However, the quality of our products and services is equally important.

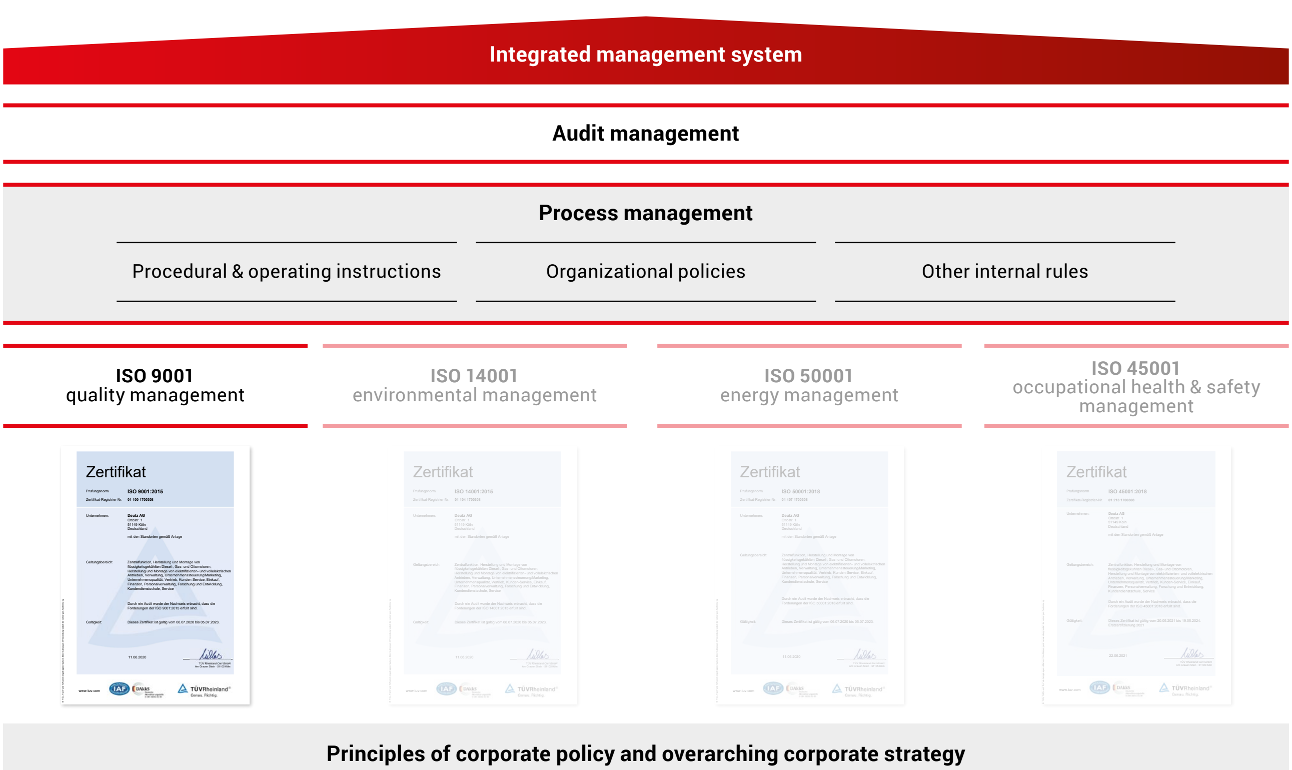
DEUTZ acts as a strategic partner for its customers and plays a key role in their value chains. That means that defective products, for example, may result in production delays at the installation stage for our customers, or even to end customers experiencing malfunctions while subsequently using the application in the field. At the same time, quality defects and the resulting complaints may lead to additional financial costs and investments in resources for us as well. Consequently, a high standard of product and service quality ensures not only that our customers can remain competitive and well positioned in their markets but also that we maintain our long-term position.

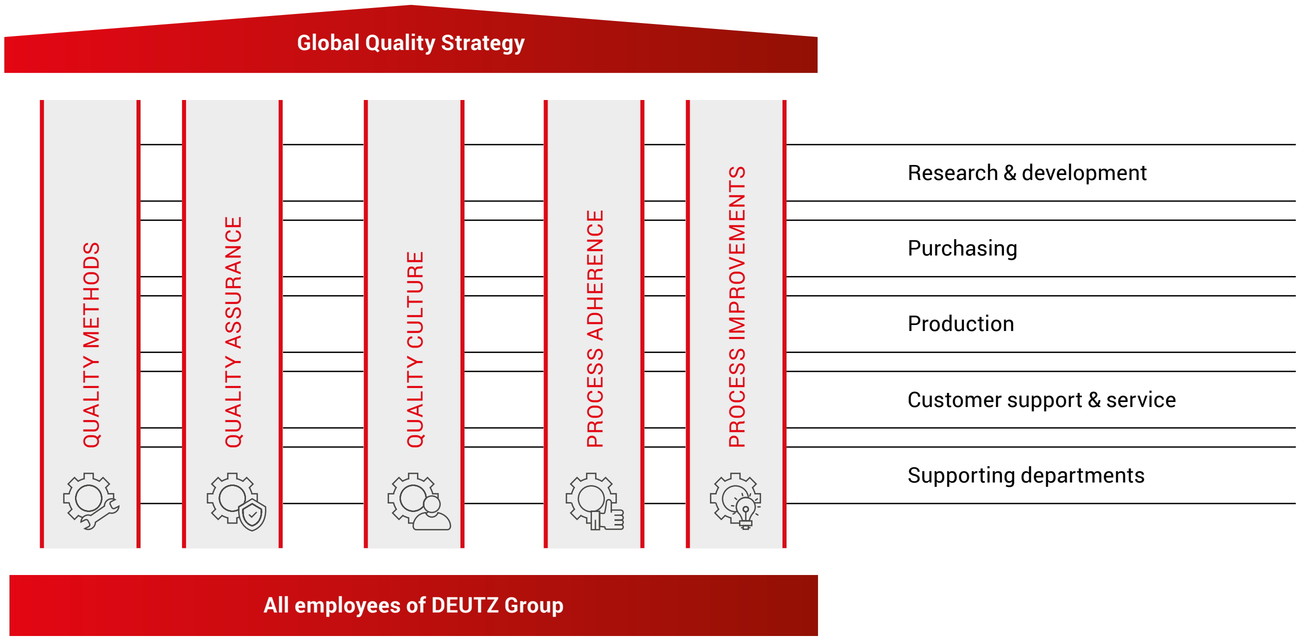
Quality management as part of the integrated management system DEUTZ AG's integrated management system (IMS) specifies the rules and processes for certain organization-wide functions and thus provides the basis for collaboration between all employees. The IMS is grounded in the general principles of the corporate policy as well as the overarching corporate objectives. Its functioning is subject to regular review by internal system and process audits.

Quality management forms part of the integrated management system and sets out a central strategy covering the entire DEUTZ Group. It is designed to ensure that all processes, from the development to the delivery of our engines, adhere to strict quality guidelines.

The Corporate Quality Department is responsible for the continuous improvement of quality management. This is achieved, for example, through harmonization of processes and methods and through permanent, standardized monitoring of all quality management processes. The ongoing analysis and internal audits that this involves are aimed at identifying potential for improvement so that appropriate measures can be devised to enhance quality across the Group on a continual basis.

The Corporate Quality Department is led by the Head of Quality, Safety, Health, and Environment, who reports directly to the Chairman of the Board of Management.





ISO 9001 certification The central plank for quality management systems is the DIN EN ISO 9001 international standard for quality management systems. An independent auditor conducts regular reviews to verify whether the relevant quality requirements are being met. As at the end of 2022, all DEUTZ Group production sites had been certified either independently or as part of the Group certification.

Quality strategy Across all units, DEUTZ pursues the overarching objective of preventing defects from occurring in the first place. This is preferable to having to rectify them further down the line, which can tie up resources and be expensive. For this reason, we have a wide-ranging quality and process management system in place to address the risks resulting from quality defects. It covers everything from development, purchasing, and production to aftersales care and the handling of complaints. There is also a particular focus on the ongoing optimization of process efficiency.

The assessment of product quality requires the use of quality targets that can be further broken down into quality criteria and quality specifications. Product-related quality targets may cover, for example, durability, delivery quality, quality in the field, delivery reliability, and the length of time taken to rectify defects. Various key figures are identified and calculated throughout the value chain so that the achievement of these targets can be measured. As well as the zero-hour defect rate and rate of defects in the field, these include metrics for measuring the performance of our suppliers, such as adherence to delivery schedules and supply quality.

To monitor the quality situation, DEUTZ has established a quality dashboard that provides round-the-clock access to all relevant key figures. In 2022, the dashboard was rolled out to the production sites outside Germany, in Spain, the US, and China, meaning it is now possible to get an overview of quality almost right across the Group.

- Quality in development The basis for high-quality products is to a large extent created during the development stage. In order to meet customers' expectations of reliable products that offer high performance and durability in the field, DEUTZ makes use of both preventive and reactive methods. Examples of the preventive development methods include clearly setting out the product specifications in a document at the beginning of each project and use of failure mode and effects analysis (FMEA). The latter is a systematic, prevention-focused form of analysis that identifies and evaluates risks and/or sources of risk in technical systems so that measures to minimize the risks can then be taken. The reactive methods include reliability projections, analysis of data from the field to ensure any design errors made in the past are not repeated, and the identification of the most important **zero-hour defects** and **field defects**. DEUTZ uses various quality tools for these purposes, one of which is the cause-and-effect diagram. This provides a means of systematically tracking down the potential causes of a problem that has occurred or may occur and visualizing the interrelationships. The root cause of the defect, e.g. the material, the machine, the method, or the manpower, can then be identified, investigated, and resolved in a targeted manner.

- Quality in purchasing Component defects not only have the potential to cause issues at the assembly stage of the production process, but they can also lead to malfunctions further down the line. A single engine contains an average of around 650 individual parts, over 90 percent of which DEUTZ sources from external suppliers. The quality of an engine therefore depends to a large extent on the quality of the supplied components.

  DEUTZ uses a supplier cockpit to evaluate and categorize the performance of its suppliers. Its evaluation method covers the four areas of purchasing, logistics, quality, and development and draws on various key figures such as delivery reliability, defect rate, sample quality, and complaints about manufacturing. The information obtained is used as the basis for continuous supplier development. DEUTZ also carries out regular site audits to ensure its suppliers are meeting the defined quality requirements. See also 'Supplier management', p. 110 onward.

- Quality in production Quality management in the production units of the DEUTZ Group is largely organized at local level. For example, each production site, including those outside Germany, has its own quality department, and there are also quality departments for the different areas, such as assembly and production.

  Various quality assurance methods and tools are used to ensure the products have a high level of maturity. These include the lean management system See also 'Production and logistics' in the combined management report, p. 29 onward. and the use of quality gates. The latter are checkpoints in the production process that require predefined and measurable quality criteria to be met before approval can be given to proceed to the next phase of production. This means that if there is a documented failure to meet the predefined quality criteria, it will not be possible to commence the subsequent assembly phase.

  In addition, DEUTZ uses statistical process control (SPC) as a prevention-based tool to maintain process stability in mechanical fabrication at the shaft center and at the production facility in Zafra, Spain. SPC involves the real-time measurement or monitoring of production and/or process parameters. If statistically preselected warning and intervention limits are exceeded, a decision as to whether to intervene in the process is made on the basis of statistical probabilities. The objective in doing so is to improve product quality.

  In order to continually improve production processes, data from production and assembly processes are analyzed on an ongoing basis, internal audits are conducted to identify potential for improvement, and quality control loops are put in place. These loops, with the aid of certain indicators, serve to combine the processes of target definition, measurement of target achievement, and formulation of appropriate measures for improvement.

- Complaints management In the event of product complaints or defects, DEUTZ endeavors to swiftly come up with effective resolutions and at the same time to take action that will permanently remedy the issues identified so that repeat occurrences are avoided. Cross-functional teams handle product complaints using the 8D problem resolution method. This eight-stage process begins with a description of what caused the problem and runs through various other steps before immediate measures are taken to rectify the fault. It also targets a continuous process of improvement. A cause-and-effect diagram is used to identify the cause of the defect. See also 'Quality in development', p. 118.

Quality awareness Quality management is an ongoing process that is seen as a core task for the Company and needs to be put into practice every day by every employee. Cross-departmental workshops are held regularly as a means of strengthening quality awareness and the Company's zero-error culture. The focus here is on imparting knowledge and establishing a 'lessons learned' culture that is geared toward continuous improvement. In addition, all employees have the opportunity to participate in training on the application of the tools and methods used in quality assurance.

CORPORATE CITIZENSHIP

DEUTZ endeavors to make a positive and sustainable contribution to society, particularly in the regions in which it operates. The emphasis is on the promotion of education, innovation, and environmental projects. A groupwide donation and sponsorship strategy and an accompanying organizational policy provide a mandatory framework for DEUTZ's activities in these areas. As well as defining responsibilities and decision-making processes, they set out the principles for corporate citizenship activities and aim to ensure their effectiveness and legal integrity – particularly with regard to potential conflicts of interest and measures to combat corruption and bribery – by laying down binding rules.

In its Powering Progress program, DEUTZ focuses on more than simply improving its commercial performance. See also 'Sustainability strategy and objectives', p. 98 onward. It also features an area of action called 'Passion', under which the Company intends to pursue objectives such as reorganizing its donation and sponsorship strategy. Step one of the process saw a cross-departmental workshop take place that asked the question: How can the DEUTZ Group build on its engagement as a corporate citizen in a targeted way? Whereas the main focus in 2022 was on gathering ideas, the objective in 2023 is to select the best ones and flesh them out into specific initiatives and projects.

Nicolaus August Otto Award DEUTZ regards innovation and a pioneering spirit as the driving force behind progress of any kind, and nowhere is this reflected more than in the corporate values that are put into practice across the Group. DEUTZ also aims to support advances in wider society by promoting innovative ideas in fields such as alternative drives, mobility, and pioneering spirit. That is why, in 2019, it established the Nicolaus August Otto Award, named for the founder of DEUTZ AG and co-inventor of the four-stroke engine. The award is presented annually and endowed with prize money of €30,000.

In 2022, DEUTZ presented the Nicolaus August Otto Award to Zara Rutherford in recognition of her pioneering spirit and passion for technology. At the age of 19, the Belgian-British aviator became the youngest woman to fly solo around the world and the youngest person ever to circumnavigate the world alone in an ultralight aircraft.

Nurturing young people DEUTZ regards education as the foundation of a sustainable society. This is why DEUTZ Spain started work on the DEUTZ Business School (DBS) at its site in Zafra in 2017. The objective was, and still is, to support economic development in a region where educational institutions such as the business school are rare. The DBS aims to equip young people with the knowledge and skills they need to meet current and future requirements of business and of the labor market. In addition to university lecturers, the teaching is also provided by managers from DEUTZ Spain who are certified lecturers. The programs on offer are geared toward the needs of companies in all sectors. They focus on dual vocational training, university courses in lean management, and language courses with official certification. Around 975 students gained a certificate after completing on DBS courses in 2022.

Social causes are also a focus of the training center at the headquarters in Cologne. See also 'HR management', p. 105 onward. For more than 20 years, DEUTZ has worked with the charity IN VIA to provide training and labor market integration support at the center. The participants are young women and men who have difficulties finding a job after leaving school. Over a period of ten months, they are prepared for working life and receive basic training in metalwork and warehouse logistics.

Donations for Ukrainian refugees In 2022, DEUTZ and its employees arranged for humanitarian support to be sent to Ukrainian refugees. Shortly after the war in Ukraine broke out, the Company set up collection points at the DEUTZ AG sites in Germany where staff could drop off relief items such as non-perishable food, toiletries, school materials, sleeping bags, and medical products. The Company itself joined in by making in-kind donations worth around €5,000. Once the collection drive was over, DEUTZ employees took care of packaging and palletizing the donations. By the end, they had put together a full truckload of supplies that was handed over to an aid organization in the Polish city of Bydgoszcz. DEUTZ also donated a sum of €25,000 to Aktion Deutschland hilft, an alliance of German relief organizations.

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL AND CLIMATE PROTECTION

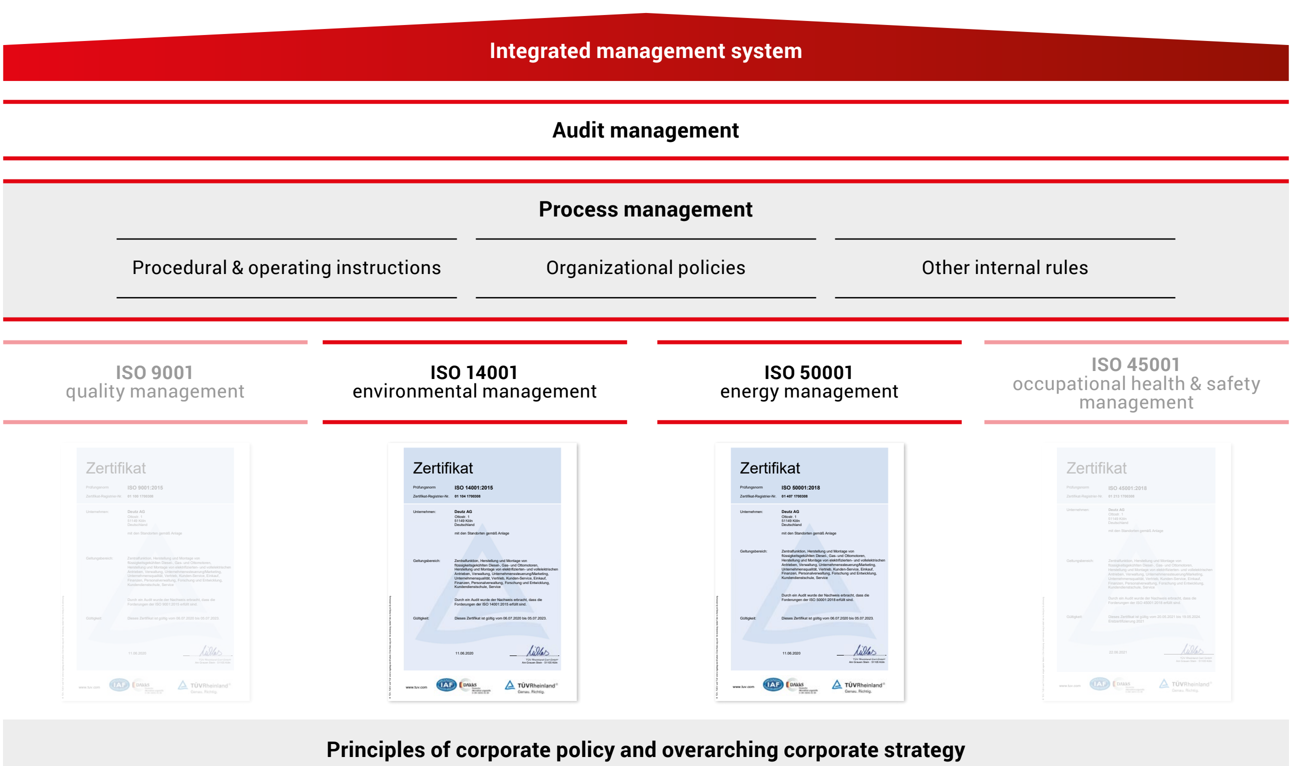
DEUTZ believes that part of its responsibility to society is to help to improve the protection of the environment and climate around the world by developing innovative drive solutions for its customers. The Company also strives to fulfill its responsibility in this area by continuously optimizing the processes and activities associated with its own business operations with regard to their impact on the environment and society. The production sites of the DEUTZ Group are largely managed at local level due to differing circumstances at each location, which is why the following remarks refer in the main to the DEUTZ AG network of production sites. Despite its decentralized organizational structure, DEUTZ has set a number of targets as part of its sustainability strategy that – unless otherwise specified – relate to the production sites[1] of the Group as a whole.

[1] Excluding joint ventures.

ISO 14001 and ISO 50001 certification The integrated management system (IMS) used by DEUTZ AG and its Spanish subsidiary DEUTZ Spain covers areas such as environmental protection and energy. See also 'Product quality', p. 117 onward for further information on the IMS.

The environmental management system, which is intended to help to continually improve the Company's overall environmental performance, meets the criteria of the international standard DIN EN ISO 14001:2015. The energy management system, meanwhile, meets the requirements of the energy management standard DIN EN ISO 50001:2018. It enables the continuous monitoring of consumption and energy flows, which in turn facilitates the effective planning and implementation of optimization measures. The conformity of the IMS with regard to the various scopes is reviewed annually by an independent certification body and was recertified in the reporting year.

The ISO 14001:2015 and ISO 50001:2018 certifications cover around 77 percent of the DEUTZ Group's 2022 sales volume.



Controls and legal conformity | UNGC 7 The activities of certain operational areas of the business, such as research and development, mechanical metalworking, the assembly line, and the paintshop, carry a risk of having harmful effects on the environment. An internal team of specialists together with external experts and certification bodies inspect these areas regularly to enable possible hazards and potential for improvement to be identified at an early stage. The inspections focus on verifying compliance with the Company's own objectives and specifications and with statutory requirements. The requirements in Germany derive, for example, from the Act on the Prevention of Harmful Effects on the Environment Caused by Air Pollution, Noise, Vibration and Similar Phenomena (Federal Immission Control Act – BImSchG) and the Act to Promote Circular Economy and Safeguard the Environmentally Compatible Management of Waste (Circular Economy Act – KrWG). An approval procedure ensures that the use of hazardous substances in production that could be detrimental to the safety of employees, or harmful to the environment if they are improperly handled, is minimized wherever possible. See 'Supplier management', p. 110 onward, for further information on materials compliance.

Measures to reduce energy consumption | UNGC 7–9 In 2022, with the aim of progressively optimizing energy consumption, DEUTZ continued to pursue the measures that had been initiated in the prior year. The focus was on ongoing efforts to increase the energy efficiency of existing buildings and facilities and on the optimization of existing systems. This included analyzing the potential for optimizing the heating network at the head office in Cologne-Porz and the compressed air system at the Cologne-Kalk plant. The elimination of a leak that had been detected at the latter should significantly reduce the amount of electricity used by the compressors. In addition, DEUTZ is gradually expanding the use of the cold tests that had been introduced in 2020 for testing certain diesel engines. Unlike in conventional hot testing, cold testing involves running diagnostic programs with hardly any fuel being used. Both hot and cold tests replicate the real-life operation of an engine to check whether it is functioning properly. Furthermore, the phased replacement of conventional lighting with LED lighting was continued in 2022.

A progressive reduction of electricity consumption is not all that DEUTZ is striving to achieve, however. It also intends to promote the generation of power from alternative or renewable energy sources, which is why all of DEUTZ AG's German production sites have been purchasing only green electricity since the beginning of 2021. In addition, photovoltaic systems were brought on stream at various sites in 2022. At the site in Zafra, Spain, for example, DEUTZ Spain switched on the solar cells that had been installed on its parking lot roofs (total output of 800 kWp), while a photovoltaic system with an output of 50 kWp was installed at the head office in Cologne. Meanwhile, DEUTZ also made preparations for the installation of further systems with a combined output of up to 700 kWp. These are scheduled to go into operation in 2023. The DEUTZ subsidiary Magideutz, based in Sapino, Morocco, has also installed solar energy facilities and – for storing energy – battery modules, some of which draw on products from the E-DEUTZ program. From 2023, DEUTZ wants these systems to be supplying all of the electricity required by its local production and administration unit. The plan is also to run the buildings' heating and air conditioning systems using green power.

DEUTZ Group: Energy consumption at the production sites[1]

MWh	2022	2021	2020	2019	2018	2017[2]
Electricity	86,860	85,629	72,678	87,334	94,999	84,605
Natural gas	27,842	33,558	29,158	35,989	38,271	35,277
District heating	9,825	13,984	11,262	10,969	12,349	12,223
Heating oil[3]	2,563	2,954	2,317	2,685	3,359	3,653
Diesel fuel[4]	23,586	22,590	18,951	20,764	18,165	19,218
CNG[5]	0	0	108	72	0	0
LPG[6]	137	160	245	390	633	421
Gasoline[7]	667	50	0	0	0	0
Hydrogen[8]	133	41	0	0	0	0
Total	**151,614[9]**	**158,966[10]**	**134,720**	**158,205**	**167,777**	**155,397**

[1] Excluding joint ventures.
[2] The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqeedo, which was acquired in 2017, is only included in the calculation of the KPI from the start of 2018.
[3] At 10.5 kWh/liter (mean).
[4] At 9.85 kWh/liter (mean).
[5] At 10.0 kWh/m³ for CNG (H) (mean) and 8.2 kWh/m³ for CNG (L) (mean).
[6] At 12.8 kWh/kg (mean).
[7] At 8.55 kWh/liter (mean).
[8] At 33.3 kWh/kg and 3 kWh/Nm³.
[9] As a result of differing accounting periods, the total for 2022 includes an extrapolated figure for the Atlanta production for December 2022.
[10] Due to differing accounting periods, the total published in the 2021 non-financial report included an extrapolated figure for the Atlanta production site for December 2021. The total figure for 2021 was retrospectively adjusted in line with the actual consumption.

In 2022, overall energy consumption at DEUTZ Group production sites decreased by 5.4 percent year on year to 151,614 megawatt hours. This fall is mainly attributable to the significant reduction in the consumption of gas and district heating, which went down not only due to cost-cutting measures introduced in response to the energy crisis but also due to the mild weather.

CO_2 emissions | UNGC 7–9 The majority of the scope 1 emissions[1] from the DEUTZ Group's production sites are generated in connection with testing in the area of research and development and with production quality controls. This testing involves using rigs to replicate the real-life operation of engines, which of course produces emissions. The majority of the scope 2 emissions[1] are generated in connection with production processes and other business operations. To reduce the emissions, existing equipment is being progressively optimized and processes are being trialed and introduced that could allow DEUTZ to dispense with some of the tests currently run for quality control. This includes the aforementioned cold test.

DEUTZ Group: CO_2 emissions from production sites[1]

Tonnes CO_2e[2]	2022	2021	2020	2019	2018	2017[3]
CO_2-emissions (scope 1)[4]	12,774	13,590	11,565	13,590	13,530	13,239
CO_2-emissions (scope 2)[5]	6,420	6,467	33,159	38,828	42,240	38,012
Total CO_2 emissions	**19,195**[6]	**20,057**	**44,724**	**52,418**	**55,770**	**51,251**

[1] CO_2 emissions from the production sites of the DEUTZ Group excluding joint ventures. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance).
[2] CO_2e = carbon dioxide equivalents.
[3] The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqeedo, which was acquired in 2017, is only included from the start of 2018.
[4] Scope 1: CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by burning these fuels in our own facilities.
[5] Scope 2: CO_2 emissions relating to purchased energy, for example electricity and district heating.
[6] The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2022 will be cancelled in the first half of 2023.

DEUTZ Group: CO_2 emissions from production sites per manufactured engine[1]

CO_2e (kg)[2]	2022	2021	2020	2019	2018	2017[3]
Emissions per engine	**95.4**[4]	104	331	250	257	299

[1] Excluding joint ventures. The 'emissions per engine' figure is calculated by dividing total emissions by the number of engines made. CO_2 reporting covers scope 1 (CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by burning these fuels in our own facilities) and scope 2 (CO_2 emissions relating to purchased energy (e.g. electricity, district heating). Only internal combustion engines and electric drives are counted, i.e. no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance)
[2] CO_2e = carbon dioxide equivalents.
[3] The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqeedo, which was acquired in 2017, is only included from the start of 2018.
[4] The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2022 will be cancelled in the first half of 2023.

Reflecting the decrease in overall energy consumption, CO_2 emissions from production sites fell by 4.3 percent in 2022 compared to 2021 despite a significant increase in production volume and a persistently high level of research activity at the Cologne-Porz site. Over the same period, CO_2 emissions per manufactured engine went down by 8.3 percent. This is mainly because the KPI is, by definition, dependent on the production volume in the relevant year, which increased by 3.9 percent in 2022.

Under its sustainability strategy, DEUTZ had set itself the target for 2023 of reducing CO_2 emissions by 20 percent compared to the base year 2017, both for its production sites as a whole and per manufactured engine.[2] Last year, this target was exceeded comfortably and well ahead of schedule thanks to all of DEUTZ AG's German production sites switching to purchasing only green electricity from the start of 2021. For this reason, the Company revised its original target at the beginning of 2022 so that, by the end of 2023, the CO_2 emissions generated by its production sites are to be reduced by 61 percent and the CO_2 emissions per manufactured engine by 66 percent. The equivalent targets for 2026 are for reductions of 66 percent and 70 percent respectively.

[1] CO_2 emissions from the production sites of the DEUTZ Group excluding joint ventures. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance).; scope 1: CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by burning these fuels in our own facilities; scope 2: COs emissions relating to purchased energy, for example electricity and district heating.

[2] Excluding joint ventures.

Based on the figures for 2022, the production sites' CO_2 emissions fell by 62.5 percent and the CO_2 emissions per manufactured engine by 68.1 percent compared with 2017. This means that DEUTZ slightly exceeded its targets for 2023 during the reporting year. However, it should be remembered that the KPI CO_2 emissions per manufactured engine is, by definition, dependent on the production volume in the relevant year.

Calculation of scope 3 emissions and product carbon footprint DEUTZ previously only recorded and reported its scope 1 and scope 2 emissions, but in 2022 it began working with an external consultancy on calculating its scope 3 emissions for the first time, on the basis of data from 2021. Scope 3 emissions made up the vast majority (99.9 percent) of the Company's total emissions. The main intention, in a first step, was to identify the emissions hotspots that will form the starting point for the development of an evidence-based climate strategy. DEUTZ plans to report on its scope 3 emissions for the first time in its 2023 non-financial report. In addition, a **product carbon footprint** review was carried out for the TCD 2.9 engine and for the 360-volt system from the E-DEUTZ program.

Becoming climate-neutral by 2050 | UNGC 7–9 The DEUTZ Group's primary objective is to proactively push ahead with the use of alternative, carbon-neutral drive systems in the off-highway sector. This raises the prospect of significantly reducing the carbon footprint of the applications in which they are deployed. The Company is also playing its part in lowering emissions and achieving the Paris climate goals by endeavoring to continually optimize its processes. That is why DEUTZ has set the target in its Dual+ strategy to make its business climate-neutral along the entire process chain and offer a completely climate-neutral portfolio of products and technologies by no later than 2050. It intends to achieve this by carrying out various initiatives under its Powering Progress program. See also 'Product stewardship', p. 113 onward, and 'Strategy and objectives', p. 22 onward.

Waste | UNGC 7–9 The majority of the waste produced at the DEUTZ Group's production sites is directly related to the manufacturing of engines and metal products as well as to their painting and subsequent shipping. The types of waste that occur therefore comprise recyclable metal fragments and bits of wood, plastic, and paper, plus liquids that are used to treat, clean, and cool the metal surfaces of engine components. Because these liquids contain oil, they mainly constitute waste for disposal.

In 2021, in order to reduce the amount of waste for disposal, the Company took steps to introduce a process to reduce its use of aqueous cleaners. Implementation is planned for 2023. A system for optimizing wastewater treatment was brought on stream at the start of 2022. This reduces wastewater discharge and the use of chemicals and enables the water to be fed back into the process cycle.

DEUTZ is also making efforts to gradually reduce its volume of waste for recovery. In spare part logistics, for example, it looked into how goods inward and goods outward could be made more sustainable with regard to packaging types and bundle sizes. For example, depending on the customer, certain spare parts are now packed and shipped in bundles rather than as single shrink-wrapped items. They are then transported in reusable boxes.

DEUTZ Group: Volume of waste from the production sites[1]

Tonnes	**2022**	2021	2020	2019
Waste for disposal	4,926	5,061	4,312	6,337
Waste for recycling	17,328	17,366	11,892	14,160
Total waste	**22,254**	**22,427**	**16,204**	**20,498**

[1] Volume of waste from the DEUTZ Group's production sites, excluding joint ventures.

Despite the large increase in production volume, the amount of waste generated at the production sites in 2022 declined by 0.8 percent in total compared to 2021; the volume of waste sent for disposal declined by 2.7 percent.

By 2023, DEUTZ intends to have reduced waste for disposal from its production sites[1] by a total of 10 percent compared with 2019. The target for 2026 is for a reduction of 15 percent.

The volume of waste for disposal generated in 2022 fell by 22.3 percent compared to 2019 despite a comparable production program. This means that DEUTZ would have exceeded its target for 2023 and 2026 already during the reporting year.

[1] Excluding joint ventures.

INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION

Global warming means that sustainability is becoming ever more important and this can now increasingly be seen in the financial sector too, not least since the European Commission introduced its **Sustainable Finance Action Plan**. Both the **Paris Agreement** and the European **Green Deal**, which aims to make Europe the first climate-neutral continent by 2050, place particular emphasis on sustainable investment, as capital markets can play a key supporting role in achieving environmental objectives by channeling private financial resources into sustainability-oriented investments (sustainable finance). If these goals are to be achieved, it is critically important to harness the full potential of the internal market. One of a number of packages of measures in this area, Regulation (EU) 2020/852 (EU Taxonomy Regulation) came into force in July 2020 and was required to be applied for the first time for reporting periods commencing on or after January 1, 2021. It provides a classification system that is designed to establish a common understanding of the sustainability of economic activities.

As a first step, the EU Taxonomy Regulation is primarily focusing on environmental objectives. These objectives are (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems. Reporting on environmental objectives (1) and (2) is required for the 2022 reporting year; reporting on all six environmental objectives is planned for the 2023 financial year at the earliest.

KEY PERFORMANCE INDICATORS, CALCULATION RULES, AND TECHNICAL SCREENING CRITERIA

Pursuant to Article 8 of the EU Taxonomy Regulation and Article 10 (4) of the Delegated Act (Commission Delegated Regulation (EU) 2021/2178), the key performance indicators to be disclosed for 2022 are the proportions of consolidated revenue, capital expenditure (CapEx), and operating expenses (OpEx) that DEUTZ generates from taxonomy-eligible and taxonomy-aligned economic activities in connection with the currently applicable environmental objectives of (1) climate change mitigation and (2) climate change adaptation.

A taxonomy-aligned economic activity continues to be an economic activity that is described in the delegated acts supplementing the EU Taxonomy Regulation and the current Climate Delegated Act. It must also meet certain technical screening criteria and must be carried out in accordance with the criteria for the minimum safeguards pursuant to Article 18 of the EU Taxonomy Regulation. The following rules apply with regard to taxonomy alignment:

1. The economic activity makes a substantial contribution to both or at least one of the currently applicable environmental objectives. With regard to climate change mitigation, an economic activity makes a substantial contribution if:

- the activity itself is associated with very low or no greenhouse gas emissions;
- the activity supports the transition to a climate-neutral economy by 2050 and there is no alternative to it; and
- the activity enables another economic activity to protect the environment.

2. The economic activity does not significantly harm any of the other environmental objectives ('do no significant harm' (DNSH), pursuant to Article 17 of the EU Taxonomy Regulation and the Delegated Act).

3. The minimum safeguards have been implemented.

The aforementioned minimum safeguards relate to human rights (including labor rights), bribery and corruption, taxation, and fair competition. The underlying frameworks are the OECD Guidelines, the fundamental conventions of the International Labour Organization (ILO), the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights.

Companies must implement the following six steps regarding human rights due diligence in order to satisfy the criteria for the minimum safeguards:

1. A responsible approach to business is firmly enshrined in the management systems, policies, and strategies.

2. The negative effects of a company's own business activities, supply chains, and business relationships are identified and evaluated.

3. Negative and/or disadvantageous effects are stopped, avoided, or reduced.

4. The implementation of measures, and the outcomes, are tracked.

5. The way in which negative effects are dealt with is communicated.

6. Where appropriate, remedial action is initiated or supported.

Revenue-related KPI[1] The proportion of total revenue generated from taxonomy-eligible and taxonomy-aligned economic activities is the amount of consolidated revenue – pursuant to point 1.1.1 of Annex I of Article 8 of the EU Taxonomy Regulation – that is derived from products and services associated with taxonomy-eligible and taxonomy-aligned economic activities, divided by consolidated revenue for 2022 pursuant to IAS 1.82(a). See also the consolidated financial statements, p. 138 onward.

KPI related to capital expenditure (CapEx KPI) The taxonomy-eligible and taxonomy-aligned CapEx KPI is calculated by dividing taxonomy-eligible and taxonomy-aligned capital expenditure by total CapEx. This encompasses additions to property, plant and equipment and intangible assets during the reporting period before depreciation, amortization, and any remeasurements, including those resulting from remeasurements and impairment for the year concerned and excluding fair value changes. The CapEx KPI also encompasses the acquisition of property, plant and equipment pursuant to IAS 16, paragraph 73, letter e), (i) and (iii), including right-of-use assets in accordance with IFRS 16 Leases, paragraph 53, letter (h), and additions to intangible assets pursuant to IAS 38, paragraph 118, letter e), (i). Goodwill is not included in the CapEx KPI because it is not defined as an intangible asset pursuant to IAS 38.[2,3]

Capital expenditure is taxonomy-aligned if it can be assigned to the following three categories a), b), or c):

a) Capital expenditure related to assets or processes that are associated with taxonomy-aligned economic activities

b) Capital expenditure that is part of a capital expenditure plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (not currently applicable to DEUTZ)

c) Capital expenditure that is related to the purchase of output from taxonomy-aligned economic activities and individual measures pursuant to the EU Taxonomy Regulation that enable certain target activities to become low-carbon or that lead to greenhouse gas reductions. Capital expenditure is also deemed taxonomy-aligned if the products purchased or the individual measures correspond to the description of the particular economic activity and the technical screening criteria and adhere to the minimum safeguards.

KPI related to operating expenses (OpEx KPI) The taxonomy-eligible/aligned OpEx KPI is defined as the OpEx KPI associated with taxonomy-eligible/aligned economic activities divided by total OpEx. This covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day maintenance and repair of property, plant and equipment. The taxonomy-eligible/aligned OpEx KPI also covers operating expenses that are part of a capital expenditure plan (CapEx plan) to expand taxonomy-aligned economic activities or to transform taxonomy-eligible economic activities into taxonomy-aligned economic activities. Expenditure related to day-to-day operations is not included.

[1] Key performance indicator.
[1] See p. 144 onward for further details of the accounting standards.
[1] See 'Statement of changes in non-current assets' in the notes to the consolidated financial statements, p. 153 onward.

The OpEx KPI consists of the following items:

- Research and development expenditure that is recognized as an expense during the reporting period; in accordance with IAS 38.126, all non-capitalized expenses and amortization and impairment on development expenditure already capitalized that can be directly assigned to the research and development activities.

- The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases.[1]

- Maintenance and repair costs and other direct expenditure relating to ongoing maintenance of property, plant and equipment were determined on the basis of the maintenance and repair costs allocated to the internal cost centers. The relevant cost items are included in various line items in the income statement. Building renovation work that helps to reduce carbon emissions is also included here. As a rule, the cost items are staff costs, costs for services, the cost of materials for maintenance, and costs for regular and unscheduled maintenance and repair work.

To ensure that nothing was counted more than once for the purposes of the OpEx and CapEx KPIs, DEUTZ first determined all capital expenditure and operating expenses in category c) and then determined the remaining capital expenditure and operating expenses in category a). Any unassigned capital expenditure is non-taxonomy-eligible. The DEUTZ Group's capital expenditure and operating expenses can be assigned to categories a) and c) only. Revenue is recorded at the level of the individual companies to ensure that it is not counted more than once.

TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN THE DEUTZ GROUP

Business model The DEUTZ Group's core competencies are primarily the development and production of drive systems for off-highway applications. These 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. The Company's operating activities are divided into 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.

See also 'Business model and segments', p. 21.

In view of DEUTZ's business model, the economic activities that are taxonomy-eligible and taxonomy-aligned are essentially those relating to alternative drive solutions. Examples are DEUTZ's hydrogen engine, which is being used in applications such as stationary equipment for the generation of electricity, and the activities relating to the electrification of the engine portfolio under the E-DEUTZ name. The latter include the manufacture of all-electric and hybrid drive systems (e.g. for use in construction-site vehicles and ground support equipment), the manufacture of battery management systems and components by the DEUTZ subsidiary Futavis, and the manufacture of batteries and electric boat drives by the DEUTZ subsidiary Torqeedo. In addition to these activities from which DEUTZ generates external revenue, investing activities that exclusively result in taxonomy-aligned CapEx were also identified. These activities relate to interdisciplinary topics and individual measures in connection with optimizing energy efficiency within operations.

Identification of taxonomy-eligible and taxonomy-aligned economic activities in the DEUTZ Group As the first step in identifying taxonomy-eligible and taxonomy-aligned economic activities, DEUTZ assessed which of its business activities might potentially be relevant. It did this by referring to Annexes 1 and 2 of Delegated Act 2021/2139 supplementing the EU Taxonomy Regulation.

[1] See also 'Leases', note 25, p. 187 onward.

The following table shows the taxonomy-eligible economic activities – pursuant to Annex 1 of Delegated Act 2021/2139 – in the DEUTZ Group that can be assigned to the environmental objective of (1) climate change mitigation.

Overview and assignment of taxonomy-eligible economic activities in the DEUTZ Group

Activity pursuant to Annex 1	Economic activity at DEUTZ
3.2. Manufacture of equipment for the production and use of hydrogen	Manufacture of hydrogen engines that produce electricity in combination with a generator in stationary equipment
3.4 Manufacture of batteries	Futavis subsidiary: manufacture of battery management systems and components
	Torqeedo subsidiary: manufacture of battery modules, battery management systems, and battery casings in collaboration with suppliers
3.6. Manufacture of other low carbon technologies	Manufacture of electric drive systems, e.g. for use in construction-site vehicles and ground support equipment
	Torqeedo subsidiary: manufacture of electric boat drives
6.5 Transport by motorbikes, passenger cars and light commercial vehicle	Use (including leasing) of company cars with an electric, hybrid, or hydrogen drive
7.1 Construction of new buildings, non-residential	Construction of the new fire station at the Cologne-Porz site
7.3 Installation, maintenance and repair of energy efficiency equipment	Replacement of conventional lighting with LED lighting
	Use of solar shading to optimize the thermal performance of the glazing in the assembly hall at the Cologne-Porz site
	Optimization of the thermal performance of the glazing in the boiler house at the Cologne-Porz site
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Installation of electric charging stations at the Cologne-Porz site
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	Maintenance and expansion of the energy monitoring system to include new electricity meter points at the Cologne and Ulm sites in order to measure consumption and energy flows at additional points
7.6 Installation, maintenance and repair of renewable energy technologies	Installation of a photovoltaic system on top of the new fire station at the Cologne-Porz site
	Implementation of preparatory measures for installing a photovoltaic system on top of a factory building at the Cologne-Porz site
	Installation of heat pumps with pipes in the new fire station at the Cologne-Porz site
7.7 Acquisition and ownership of buildings	New logistics center
9.1 Close-to-market research, development and innovation	Use of HVO in internal combustion engines
	Operation of internal combustion engines on test rigs where the brakes are linked to an electric drive that generates electricity

The second step was to analyze the economic activities identified as taxonomy-eligible (listed above) to assess their taxonomy alignment. See 'Key performance indicators, calculation rules, and technical screening criteria', p. 125 onward, for details of the requirements for taxonomy alignment.

1. Substantial contribution In an in-depth analysis, DEUTZ identified a substantial contribution to at least one of the six environmental objectives and, specifically, to the environmental objective of (1) climate change mitigation. On the basis of data recorded in 2021, DEUTZ calculated a **greenhouse gas footprint** (scopes 1, 2, and 3) and a **product carbon footprint** for its electrical 360-volt drive system and, for comparison purposes, for its TCD 2.9 diesel engine in 2022 in order to provide evidence of the substantial contribution of the core activities 3.2/3.4 and 3.6 to climate change mitigation. The table 'Overview and assignment of taxonomy-eligible economic activities in the DEUTZ Group' indicates the extent and nature of the substantial contributions. A substantial contribution from economic activity 7.3 is achieved through optimization of the thermal performance of the glazing of production buildings and replacement of conventional lighting with LED lighting. The substantial contribution from economic activity 7.6 is achieved through the installation of photovoltaic systems.

2. Adherence to the DNSH criteria DEUTZ believes that part of its responsibility to society is to help to improve the protection of the environment and climate around the world by developing innovative drive solutions for its customers. The Company also strives to fulfill its responsibility in this area by continuously optimizing the processes and activities associated with its own business operations with regard to their negative impact on the environment and to continuously improve its management of resources. To this end, DEUTZ has established an environmental management system certified in accordance with the international DIN EN ISO 14001:2015 standard. See also 'Environmental and climate protection', p. 121 onward.

To assess whether the economic activities assigned to environmental objective (1) do no significant harm to the environmental targets (2) to (6), a review was conducted pursuant to Commission Delegated Regulation (EU) 2021/2139, appendices A to D:

2.1 Adherence to the DNSH principle for environmental objective (2) climate change adaptation DEUTZ conducted a climate risk analysis with the assistance of an external consultancy and a climatologist in order to identify the physical climate risks that are material to its taxonomy-eligible economic activities. The analysis covered the following sites, reflecting the location of DEUTZ's taxonomy-eligible economic activities: Cologne, Ulm, Aachen, Wessling, and Herschbach in Germany and Zafra in Spain. Future climate-related risks in the categories temperature, wind, water, and solid matter were evaluated for these sites. DEUTZ took into account both chronic climate risks, i.e. those that persist over a long period of time, and acute (short-term) but severe climate risks. Four different emissions scenarios were used for the future climate outcomes: RCP2.6, RCP4.5, RCP6.0, and RCP8.5. The analysis was carried out for the current and future climate. The necessary data was either taken from the ERAS reanalysis (weather maps) and from official climate models from the Intergovernmental Panel on Climate Change (IPCC) or was compiled and processed using external hazard and risk data sets. No material physical climate risks resulting from the economic activities identified as taxonomy-eligible were ascertained.

2.2 Adherence to the DNSH principle for environmental objective (3) sustainable use and protection of water and marine resources To identify risks in connection with maintaining water quality and avoiding water shortages, DEUTZ developed an evaluation form that sites can use to conduct a self-assessment relating to water pollution control, water supply, water disposal, and water consumption. The content of the evaluation form was based on the mandatory environmental impact assessment in accordance with the German Environmental Impact Assessment Act (UVPG). No negative impact resulting from the economic activities was ascertained.

2.3 Adherence to the DNSH principle for environmental objective (4) transition to a circular economy The vast majority of the components used by DEUTZ in its production processes are designed to last for a very long time and to be capable of being refurbished/overhauled, thereby extending their useful life. The components are recyclable and still have significant value at the end of their useful life because they contain materials such as steel, aluminum, or copper. After being recycled by a third party, the recovered materials can be used as a secondary resource in the production of new goods. For example, old batteries are added to a register of old electrical goods maintained by Stiftung Elektro-Altgeräte-Register before important raw materials are recovered from them using efficient metallurgical, chemical, and mechanical recycling processes.

Sustainable waste management is a key component of the DEUTZ Group's environmental management system. The Company's waste, such as metal, wood, paper, cardboard, cardboard packaging, and plastic, is sold so that it can be recycled and reused by a third party.

2.4 Adherence to the DNSH principle for environmental objective (5) pollution prevention and control DEUTZ purchases components and raw materials for use in engine production that contain an extensive range of pure substances and minerals and that could cause harm to people and the environment if they are not handled properly. Some of these substances and minerals are subject to international regulations, including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH) and the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS).

An engine has an average of 650 parts, and a variety of different substances are contained in these parts or are used in their manufacturing process. The Materials Compliance function makes sure that the engines produced are continually assessed for compliance with the many environmental laws and regulations and that processes are incrementally optimized with regard to the materials and substances used. This includes introducing conformity checks in the product development process. In addition, the Company defines materials compliance criteria to be applied when selecting production component suppliers. In 2020, DEUTZ introduced an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes. Over time, all materials processed and used by the Company will be recorded in the database. This means it will include the full range of substances and minerals, and not just those that are subject to the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH) and to the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS).

DEUTZ intends to use the information on materials declarations held in its database not only to ensure compliance with the law and relevant policies, but also to take steps that will help to avoid pollution caused by the use of chemicals and their placement in the market. See also 'Supplier management', p. 110 onward. The Company manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. See also 'Occupational health and safety', p. 108 onward.

2.5 Adherence to the DNSH principle for environmental objective (6) protection and restoration of biodiversity and ecosystems The evaluation form referred to in 2.2 above sets out criteria for assessing the protection of ecosystems and biodiversity in addition to the criteria on assessing the sustainable use of water resources. No significant adverse effects on the protection of ecosystems and biodiversity resulting from the economic activities were ascertained. None of the sites evaluated that are relevant to DEUTZ's taxonomy-eligible economic activities are near to areas with fragile biodiversity.

3. Adherence to the minimum safeguards A responsible approach to business, including in relation to human rights, bribery and corruption, taxation, and fair competition, is a high priority for DEUTZ and therefore firmly enshrined in its management systems, policies, and strategies. This is also reflected in the content of various internal organizational policies and of the groupwide codes of conduct for employees, suppliers, and other business partners. The codes are based on the Supply Chain Due Diligence Act (LkSG), the UN Universal Declaration of Human Rights, the ILO's fundamental conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ten principles of the United Nations Global Compact (UNGC), and other sources.

Regular classroom-based courses and annual compliance training are provided to ensure that employees understand the content of the code of conduct and that they act in accordance with pertinent laws and regulations. The various modules include anti-corruption, antitrust law, health and safety in the office, and the German General Equal Treatment Act (AGG) and non-discrimination. See also 'Corporate governance and compliance', p. 100 onward. With regard to taxation, DEUTZ has established a system for managing tax compliance that is designed to ensure lawful conduct in relation to tax matters and to minimize and avoid financial risk, reputational risk, and consequences under criminal law that could arise in the event of unlawful behavior.

Using the internal control system (ICS), the ICS coordinator and Corporate Audit regularly evaluate the processes established in the Group and, if necessary, initiate and implement any need for action that is identified.

As a member of the United Nations Global Compact, DEUTZ attaches particular importance to respect for human rights and measures to combat corruption. At the end of 2022, DEUTZ adopted a human rights code in order to emphasize its zero-tolerance approach to human rights abuses. The code applies to employees, suppliers, and business partners alike. See also 'Corporate governance and compliance', p. 100 onward, and 'Supplier management', p. 110 onward.

To identify, as far as possible, any behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, DEUTZ has provided a publicly accessible whistleblowing system on its website for the purposes of reporting suspected violations of DEUTZ's codes of conduct. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy. See also 'Corporate governance and compliance', p. 100 onward.

DEUTZ has various instruments at its disposal that allow it to identify and evaluate any negative effects on its business activities, supply chains, and business relationships. For example, it conducts quarterly risk inventories for its business activities that also cover risks relating to human rights, bribery and corruption, taxation, and fair competition. With regard to its business partners, DEUTZ has established a business partner compliance tool with which it checks for aspects such as potential misconduct, e.g. in connection with money laundering, unfair competitive practices, and corruption and/or bribery. See also 'Corporate governance and compliance', p. 100 onward. In addition, DEUTZ uses a tool that draws on publicly accessible information so that it can monitor suppliers on an ongoing basis. Compliance with the DEUTZ supplier code of conduct is also checked during on-site audits. See also 'Supplier management', p. 110 onward.

If any negative or disadvantageous effects were to be identified, e.g. regarding human rights, bribery and corruption, taxation, and fair competition, DEUTZ would take action to stop or reduce them and to avoid them in the future. Implementation of the measures above, and the outcomes, would be tracked. Using a suitable channel, DEUTZ would also communicate the way in which negative effects are dealt with and, where appropriate, would initiate or support remedial action for confirmed violations, including those relating to human rights, bribery, and corruption. In relation to negative effects attributable to its suppliers, DEUTZ will publish an annual declaration of principles pursuant to the LkSG from 2023 onward. The declaration includes a description of how DEUTZ fulfills its due diligence obligations regarding human rights and the environment, the results of the regular risk analyses, and the implementation of preventive and remedial measures aimed at minimizing risk. See also 'Supplier management', p. 110 onward.

Based on the information in this section, DEUTZ concludes that it satisfies the criteria for the minimum safeguards. Moreover, it has not identified any violations relating to the aforementioned topics in connection with its business activities. Consequently, there have been no convictions in court in respect of such violations.

The DEUTZ Group's taxonomy-aligned economic activities encompass those taxonomy-eligible economic activities that verifiably satisfy all criteria in Article 3 of the EU Taxonomy Regulation. See 'Key performance indicators, calculation rules, and technical screening criteria', p. 125 onward.

The following tables show the proportion of total revenue, total CapEx, and total OpEx associated with the economic activities that are taxonomy-eligible pursuant to the EU Taxonomy Regulation and, based on the analysis and checking process described above, can be considered taxonomy-aligned.

DEUTZ does not engage in any economic activities related to nuclear power and the use of natural gas, and therefore does not disclose information using the relevant reporting forms.

Proportion of revenue in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities

				Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)										
Economic Activities	**Code(s)**	**Absolute Turnover**	**Proportion of turnover**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy aligned proportion of turnover (year 2022)**	**Taxonomy aligned proportion of turnover (year 2021)**	**Category (enabling activity**	**Category (transitional activity)**
		currency in €	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.4 Battery manufacture[2]	3.4	14,242,159.69	0.73	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	0.73	–	E	–
Turnover of environmentally sustainable activities (Taxonomy aligned) (A1)		**14,242,159.69**	**0.73**														**0.73**			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies[1,2]	3.6	49,774,368.74	2.55																	
Turnover of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		**49,774,368.74**	**2.55**														–	–	–	–
Total (A.1.) + (A.2.)		**64,016,582.43**	**3.28**														**0.73**	–	–	–
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy non eligible activities (B)		**1,889,431,262.96**	**96.70**																	
Total (A) + (B)		**1,953,447,845.39**	**100.00**																	

[1] The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.
[2] The allocation of Torqeedo's turnover figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
[3] Not applicable.

Proportion of CapEx in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities

Economic Activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH Criteria (Do No Significant Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of CapEx (year 2022)	Taxonomy aligned proportion of CapEx (year 2021)	Category (enabling activity	Category (transition-al activity)
		currency in €	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.2 Manufacture of equipment for the production and use of hydrogen	3.2	226,006.83	0.19	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	0.19	–	E	–
3.4 Battery manufacture[2]	3.4	2,607,409.68	2.15	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	2.15	–	E	–
7.3 Lighting with LED lamps, thermal optimization of buildings	7.3	481,596.62	0.40	100	0	0	0	0	0	–[3]	YES	–[3]	–[3]	YES	–[3]	YES	0.40	–	E	–
7.4 E-charging station installation	7.4	13,053.73	0.01	100	0	0	0	0	0	–[3]	YES	–[3]	–[3]	–[3]	–[3]	YES	0.01	–	E	–
7.5 Maintenance and expansion of the energy monitoring system (electricity meter) to determine consumption levels	7.5	13,006.70	0.01	100	0	0	0	0	0	–[3]	YES	–[3]	–[3]	–[3]	–[3]	YES	0.01	–	E	–
7.6 Installation of a photovoltaic system, installation of heat pumps	7.6	236,819.27	0.19	100	0	0	0	0	0	–[3]	YES	–[3]	–[3]	–[3]	–[3]	YES	0.19	–	E	–
9.1 Market oriented research, development and innovation	9.1	62,005.85	0.05	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	0.05	–	E	–
CapEx of environmentally sustainable activities (Taxonomy aligned) (A1)		3,639,898.68	**3.00**														**3.00**			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies[1,2]	3.6	9,736,427.18	8.01																	
6.5 Operation of company cars with electric, hybrid and hydrogen drives[4]	6.5	196,252.75	0.16																	
7.1 New construction of the fire station[5]	7.1	2,147,290.00	1.77																	
7.7 Acquired, rented and leased buildings[5]	7.7	2,430,519.30	2.00																	
CapEx of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		**14,510,489.23**	**11.94**																	
Total (A.1.) + (A.2.)		**18,150,387.91**	**14.94**														**3.00**	–	–	–
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy non eligible activities (B)		**103,348,335.05**	**85.06**																	
Total (A) + (B)		**121,498,722.96**	**100.00**																	

[1] The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.
[2] The allocation of Torqeedo's CapEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
[3] Not applicable.
[4] The economic activities listed under 6.5 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable contribution to the transition to a circular economy and are therefore reported as taxonomy-eligible, but not taxonomy-aligned; required manufacturer declarations from purchasing to production are not available.
[5] The economic activities listed under 7.1 and 7.7 do not satisfy the technical screening criteria for EU taxonomy alignment with regard to making a substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.

Proportion of OpEx in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities.

				Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)										
Economic Activities	**Code(s)**	**Absolute OpEx**	**Proportion of OpEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy aligned proportion of OpEx (year 2022)**	**Taxonomy aligned proportion of OpEx (year 2021)**	**Category (enabling activity**	**Category (transition-al activity)**
		currency in €	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.2 Manufacture of equipment for the production and use of hydrogen	3.2	8,086,697.00	6.13	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	6.13	–	E	–
3.4 Battery manufacture[2]	3.4	3,597,956.19	2.73	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	3.44	–	E	–
9.1 Market oriented research, development and innovation	9.1	1,681.00	0.00	100	0	0	0	0	0	–[3]	YES	YES	YES	YES	YES	YES	0.00	–	E	–
OpEx of environmentally sustainable activities (Taxonomy aligned) (A1)		**11,686,334.19**	**8.86**														**8.86**			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies[1,2]	3.6	23,030,060.01	17.45																	
6.5 Operation of company cars with electric, hybrid and hydrogen drives[4]	6.5	43,505.14	0.03																	
OpEx of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		**23,073,565.15**	**17.48**														–	–	–	–
Total (A.1.) + (A.2.)		**34,759,899.34**	**26.34**														**8.86**	–	–	–
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy non eligible activities (B)		**97,247,667.75**	**73.67**																	
Total (A) + (B)		**132,007,567.09**	**100.00**																	

[1] The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.
[2] The allocation of Torqeedo's OpEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
[3] Not applicable.
[4] The economic activities listed under 6.5 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable contribution to the transition to a circular economy and are therefore reported as taxonomy-eligible, but not taxonomy-aligned; required manufacturer declarations from purchasing to production are not available.

Quantitative breakdown of CapEx (€)

Delegated Act 2021/2178		Annex 1 art. 1.2.3.2. a	
Economic activity	**Additions to property, plant and equipment**	**Additions to internally generated or acquired intangible assets**	**Additions through right-of-use assets**
3.2	226,006.83	0.00	0.00
3.4	712,849.75	94,249.84	1,800,310.09
7.3	481,596.62	0.00	0.00
7.4	13,053.73	0.00	0.00
7.5	13,006.70	0.00	0.00
7.6	236,819.27	0.00	0.00
9.1	62,005.85	0.00	0.00
Total	**1,745,338.75**	**94,249.84**	**1,800,310.09**

Quantitative breakdown of OpEx (€)

Delegated Act 2021/2178	Annex 1 art. 1.2.3.3. a
R&D costs	33,218,384.90
Building renovation measures	0.00
Non-capitalized leases	108,325.30
Maintenance and repair	1,433,189.14
Total	**34,759,899.34**

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING[1]

To DEUTZ AG, Köln

We have performed a limited assurance engagement on the combined separate non-financial report of DEUTZ AG, Köln, (hereinafter the "Company") for the period from 1 January 2022 to 31 December 2022 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Separate Non-financial Report
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January 2022 to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt, 13 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke Wirtschaftsprüfer [German public auditor]	ppa. Benjamin Wolf

INDEX FOR 2022 CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	2022	2021
Revenue	1	**1,953.4**	**1,617.3**
Cost of sales	2	–1,574.8	–1,331.7
Research and development costs	3	–105.8	–90.9
Selling expenses	4	–120.6	–103.2
General and administrative expenses	4	–69.0	–61.6
Other operating income	5	35.3	27.0
Other operating expenses	6	–27.4	–22.4
Impairment of financial assets and reversals thereof		–5.0	–0.2
Profit/loss on equity-accounted investments	7	–3.7	–0.8
Other net investment income	7	0.2	0.6
EBIT		**82.6**	**34.1**
Interest income	8	1.3	0.2
Interest expense	8	–7.2	–5.2
Other financial income	8	–0.9	0.0
Financial income, net	8	**–6.8**	**–5.0**
Net income before income taxes		**75.8**	**29.1**
Income taxes	9	4.4	9.1
Net income		**80.2**	**38.2**
thereof attributable to shareholders of DEUTZ AG		80.2	38.2
Earnings per share (basic/diluted, €)	10	**0.66**	**0.32**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million

	Note	2022	2021
Net income		**80.2**	**38.2**
Amounts that will not be reclassified to the income statement in the future	11	**21.1**	**7.6**
Remeasurements of defined benefit plans		21.1	7.6
Amounts that will be reclassified to the income statement in the future if specific conditions are met	11	**–3.1**	**7.6**
Currency translation differences		0.3	**9.7**
thereof profit/loss on equity-accounted investments		–1.1	5.5
Effective portion of change in fair value from cash flow hedges		–3.7	–2.1
Fair value of financial instruments		0.3	0.0
Other comprehensive income, net of tax	11	**18.0**	**15.2**
Comprehensive income		**98.2**	**53.4**
thereof attributable to shareholders of DEUTZ AG		98.2	53.4

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	**Dec. 31, 2022**	Dec. 31, 2021
Property, plant and equipment	12	394.7	358.9
Intangible assets	13	169.3	181.8
Equity-accounted investments	14	50.6	56.4
Other financial assets	15	14.4	11.1
Non-current assets (before deferred tax assets)		**629.0**	**608.2**
Deferred tax assets	16	101.3	88.6
Non-current assets		**730.3**	**696.8**
Inventories	17	451.6	375.3
Trade receivables	18	186.2	135.7
Other receivables and assets	18	50.7	40.3
Receivables in respect of tax refunds		1.7	5.9
Cash and cash equivalents	19	54.9	36.1
Current assets		**745.1**	**593.3**
Total assets		**1,475.4**	**1,290.1**

Equity and liabilities	Note	Dec. 31, 2022	Dec. 31, 2021
Issued capital		**309.0**	**309.0**
Additional paid-in capital		28.8	28.8
Other reserves		0.6	3.7
Retained earnings and accumulated income		330.4	246.9
Equity attributable to shareholders of DEUTZ AG		**668.8**	**588.4**
Equity	20	**668.8**	**588.4**
Provisions for pensions and other post-retirement benefits	21	86.0	126.7
Deferred tax liabilities	16	2.0	1.8
Other provisions	22	28.4	33.4
Financial debt	23	77.2	49.2
Other liabilities	24	2.2	3.6
Non-current liabilities		**195.8**	**214.7**
Provisions for pensions and other post-retirement benefits	21	11.1	11.1
Other provisions	22	81.7	85.6
Financial debt	23	141.9	66.6
Trade payables	24	291.5	257.8
Liabilities arising from income taxes		4.9	3.0
Other liabilities	24	79.7	62.9
Current liabilities		**610.8**	**487.0**
Total equity and liabilities		**1,475.4**	**1,290.1**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital[3]	Additional paid-in capital[3]	Retained earnings/accumulated income[3]	Fair value reserve[1,2]	Currency translation reserve[1]	Equity attributable to shareholders of DEUTZ AG	Non-controlling interests[3]	Total[3]
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
Net income			38.2			38.2	0.0	38.2
Other comprehensive income			7.6	–2.1	9.7	15.2	0.0	15.2
Comprehensive income			45.8	–2.1	9.7	53.4	0.0	53.4
Changes to basis of consolidation			0.0			0.0		0.0
Repayment of capital contributions to non-controlling interests						0.0	–0.2	–0.2
Balance at Dec. 31, 2021	**309.0**	**28.8**	**246.9**	**–1.0**	**4.7**	**588.4**	**0.0**	**588.4**
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			–18.2			–18.2		–18.2
Net income			80.2			80.2	0.0	80.2
Other comprehensive income			21.1	–3.4	0.3	18.0	0.0	18.0
Comprehensive income			101.3	–3.4	0.3	98.2	0.0	98.2
Changes to basis of consolidation			0.4			0.4		0.4
Repayment of capital contributions to non-controlling interests						0.0	0.0	0.0
Balance at Dec. 31, 2022	**309.0**	**28.8**	**330.4**	**–4.4**	**5.0**	**668.8**	**0.0**	**668.8**

[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.
[3] The Items of equity are explained in Note 20 of the notes to the consolidated financial statements.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	2022	2021
EBIT		**82.6**	**34.1**
Income taxes paid		–9.9	–4.3
Depreciation, amortization and impairment of non-current assets		93.6	89.0
Gains/losses on the sale of non-current assets		0.4	–0.2
Profit/loss and impairment on equity-accounted investments		3.7	1.5
Other non-cash income and expenses		0.7	–1.2
Change in working capital		–89.2	–0.8
Change in inventories		–72.4	–94.1
Change in trade receivables		–48.0	–18.0
Change in trade payables		31.2	111.3
Change in other receivables and other current assets		–6.7	–7.2
Change in provisions and other liabilities (excluding financial liabilities)		–17.5	–17.6
Cash flow from operating activities		**57.7**	**93.3**
Capital expenditure on intangible assets, property, plant and equipment		–58.2	–61.7
Expenditure on investments		–3.8	–5.8
Acquisition of subsidiaries		–5.4	–0.6
Proceeds from the sale of non-current assets		0.2	0.9
Cash flow from investing activities		**–67.2**	**–67.2**
Dividend payments to shareholders	20	–18.2	0.0
Interest income		0.3	0.1
Interest expense		–7.4	–4.6
Repayment of capital contributions to non-controlling interests		0.0	–0.2
Cash receipts from borrowings		89.5	15.0
Repayments of loans	23	–20.0	–50.8
Principal elements of lease payments		–16.6	–15.6
Cash flow from financing activities		**27.6**	**–56.1**
Cash flow from operating activities		57.7	93.3
Cash flow from investing activities		–67.2	–67.2
Cash flow from financing activities		27.6	–56.1
Change in cash and cash equivalents		**18.1**	**–30.0**
Cash and cash equivalents at Jan. 1		**36.1**	**64.7**
Change in cash and cash equivalents		18.1	–30.0
Change in cash and cash equivalents related to exchange rates		0.1	1.4
Change in cash and cash equivalents related to the basis of consolidation		0.6	0.0
Cash and cash equivalents at Dec. 31	19	**54.9**	**36.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

PARENT COMPANY

The parent company of the DEUTZ Group is DEUTZ AG. Its registered office is located at Ottostrasse 1, 51149 Cologne, Germany, and the Company is entered under no. HRB 281 in the commercial register at the local court in Cologne. The Board of Management approved these consolidated financial statements for publication by adoption of a resolution dated February 24, 2023.

DEUTZ AG shares are listed in the Deutsche Börse SDAX segment and are publicly traded on the Xetra electronic trading platform and on all German stock exchanges.

DEUTZ is one of the world's leading manufacturers of drive systems for off-highway applications. Its portfolio extends from diesel and gas engines to hybrid and all-electric drives that are used in various 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. The business is broken down into the main application segments of Construction Equipment, Material Handling, Agricultural Machinery, and Stationary Equipment. Comprehensive aftersales service rounds off the product range offered. The Group's activities are divided into two operating segments: DEUTZ Classic and DEUTZ Green. The Classic segment encompasses 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. The Green segment consists of all activities unrelated to diesel engines. Firstly, this includes all-electric, hybrid-electric, and hydrogen-powered drives as well as mobile rapid charging stations. Secondly, the Green segment includes the Torqeedo subsidiary, which focuses on the electrification of drive systems and electric-powered watercraft, and Futavis, a development services provider that specializes in high-voltage battery management systems. In its operating segments, DEUTZ focuses on value creation processes involving the development, design, production, and sales of liquid-cooled and air-cooled engines, hybrid engines, and electrified drive systems.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The DEUTZ Group's consolidated financial statements prepared for the parent company DEUTZ AG are based on uniform accounting policies. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as adopted by the European Union (EU) and are consistent with the statutory obligations applicable to publicly traded parent companies subject to disclosure requirements pursuant to section 315e (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002 concerning the application of international accounting standards, as amended (IAS Regulation).

The consolidated financial statements are generally prepared using the cost method. Specific exceptions are derivative financial instruments and other financial instruments that are measured at fair value. The consolidated financial statements are prepared in euros. Unless otherwise stated, all figures are in millions of euros rounded up or down to one decimal place.

APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1) Amendments to accounting policies

The accounting policies on which the consolidated financial statements are based are fundamentally the same as the policies applied in 2021 with the exceptions set out below.

'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 impairment 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) was 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 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 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 has not had any impact on the 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 was 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 the 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 material impact on the consolidated financial statements.

2) Published standards, interpretations, and amendments that have already become part of EU law but are not yet mandatory

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have published the following standards and amendments to standards that have already become part of EU law via the comitology procedure. However, the application of these standards was not yet mandatory in 2022 and DEUTZ has not opted to apply these interpretations or amendments to standards before the mandatory application date.

'Disclosure of Accounting Policies' (Amendments to IAS 1 and IFRS Practice Statement 2) In February 2021, the IASB published amendments to IAS 1 and IFRS Practice Statement 2. The amendments clarify that entities are required to disclose only 'material' accounting policies in the notes to the financial statements, and not 'significant' ones. An accounting policy is deemed 'material' if it relates to a material transaction or event. This condition is met if the accounting policy helps the reader to understand other material information in the financial statements and is applied in a manner that is specific to the company, resulting in the disclosure of company-specific information rather than generic disclosures. IFRS Practice Statement 2 has been amended accordingly. The amendments come into force for reporting periods commencing on or after January 1, 2023. They are not expected to have any material impact on the consolidated financial statements.

'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendments to IAS 8) These amendments published by the IASB in February 2021 are intended to help entities to distinguish between changes in accounting policies and changes in accounting estimates. A definition of the term 'accounting estimate' has been added to IAS 8. According to this definition, accounting estimates are deemed to be monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy, meanwhile, sets out how monetary amounts are calculated. The amendments come into force for reporting periods commencing on or after January 1, 2023. They are not expected to have any material impact on the consolidated financial statements.

'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12) The IASB published amendments to IAS 12 in May 2021. As a result of these amendments, deferred tax assets and liabilities have to be recognized on temporary differences that arise from one transaction and are for the same amount, for example in the context of leases or decommissioning obligations. The amendments come into force for transactions in reporting periods commencing on or after January 1, 2023. Furthermore, the amounts for the earliest comparative period presented must be adjusted if the temporary differences arise in connection with leases and decommissioning obligations. Early adoption is permitted, but DEUTZ will not be taking up this option. The amendments are not expected to have any material impact on the consolidated financial statements.

IFRS 17 'Insurance Contracts' The IASB published IFRS 17 in May 2017 and amended it in June 2020. The new standard replaces IFRS 4 'Insurance Contracts'. IFRS 17 governs the accounting treatment of insurance contracts to ensure that they are measured and presented consistently. The standard and amendments are effective for financial years commencing on or after January 1, 2023. They are not expected to have any impact on the consolidated financial statements.

'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (Amendment to IFRS 17) The amendments published in December 2021 should help to make comparative information presented on initial application of IFRS 17 and IFRS 9 more useful for users of financial statements. The amendments are effective for financial years commencing on or after January 1, 2023. They are not expected to have any impact on the consolidated financial statements.

3) Published standards, interpretations, and amendments that have not yet been adopted by the EU

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have published the following standards and interpretations that have not yet been adopted by the EU and have not yet been applied by the DEUTZ Group.

'Classification of Liabilities as Current or Non-Current' (Amendments to IAS 1) In January 2020, the IASB made changes to IAS 1, introducing a comprehensive definition of liabilities in order to ensure a more accurate presentation of an entity's financial position. Essentially, the amendments clarify that the classification of liabilities as current or non-current has to be based on the contractual rights in place as at the balance sheet date. They also provide a more precise definition of the settlement of a liability. On July 15, 2020, the date on which these amendments become effective was put back from January 1, 2022 to January 1, 2023. Initial application of these amendments is not expected to have any material impact on the consolidated financial statements.

'Non-current Liabilities with Covenants' (Amendments to IAS 1) In October 2022, the IASB published amendments to IAS 1 that affect the amendments to IAS 1 that had been published in January 2020 concerning the classification of liabilities as current or non-current. The latest amendments seek to clarify which conditions affect the classification of a liability. Conditions with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. By contrast, conditions with which an entity does not have to comply until after the reporting date do not affect the classification. Additional information on this matter has to be disclosed in the notes in the annual report. The amendments are effective for financial years commencing on or after January 1, 2024. Earlier adoption is permitted, but DEUTZ will not be taking up this option. The amendments are not expected to have any impact on the consolidated financial statements.

'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (Amendments to IFRS 10 and IAS 28) The IASB issued these amendments in September 2014. They clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business as defined by IFRS 3 'Business Combinations'. The amendments have been postponed indefinitely owing to inconsistencies between the standards.

'Lease Liability in a Sale and Leaseback' (Amendments to IFRS 16) The IASB published amendments to IFRS 16 in September 2022 that seek to clarify how a seller-lessee subsequently measures sale and leaseback transactions. The gain or loss arising from the transaction in relation to the retained right of use is not recognized. The amendments are effective for financial years commencing on or after January 1, 2024. Earlier adoption is permitted, but DEUTZ will not be taking up this option. The amendments are not expected to have any impact on the consolidated financial statements.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

To a certain extent, the preparation of the consolidated financial statements in accordance with IFRS requires estimates and assumptions that have an impact on the recognition, measurement, and reporting of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the reporting of income and expenses. Estimates and assumptions giving rise to a material risk in the form of adjustments to the carrying amounts of assets or liabilities over the next financial year are explained below. Adjustments to estimates are recognized in income when better knowledge becomes available.

Impairment of non-financial assets The DEUTZ Group conducts tests at each balance sheet date to determine whether there are any indications that non-financial assets, except goodwill, may be impaired. Goodwill must be tested for impairment at least once a year or on an ad hoc basis if there are any indications of impairment. In order to estimate the value in use, the management must estimate future cash flows expected to be derived from the asset or from the cash-generating unit and select an appropriate discount rate to determine the present value of these cash flows.

Deferred tax assets The DEUTZ Group is obliged to pay income taxes in various countries. It therefore needs to make estimates on the basis of which tax provisions and deferred taxes can be recognized. When determining the amount of deferred tax assets, the management must make judgments – which may involve material uncertainties – regarding the expected timing and amount of future taxable income as well as future tax planning strategies. DEUTZ mainly recognizes deferred tax assets on losses carried forward. They are recognized for all unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the loss carryforwards can actually be set off. Planning forecasts over a period of five years are used to determine the future taxable profit that is likely to be available.

As at December 31, 2022, the carrying amount of deferred tax assets recognized in respect of tax loss carryforwards amounted to €80.0 million (December 31, 2021: €68.2 million). Further details can be found in Note 16.

Pension benefits The expense for defined benefit plans is determined using actuarial calculations. These actuarial calculations are based largely on assumptions regarding discount rates, mortality, and future increases in pensions. These estimates are subject to material uncertainty owing to the long-term nature of these plans.

Because of changes in economic and market conditions, the costs and liabilities actually incurred may differ significantly from the estimates made on the basis of actuarial assumptions. The rate of pension increases, the longevity of those entitled to pension benefits, and the discount rate used can have a material impact on the amount of the defined benefit obligation and, consequently, on future pension costs.

Development expenditure is capitalized in accordance with the accounting policies described below. In order to determine the amounts to be capitalized, management makes assumptions about the amount of future cash flows expected to be generated from the development projects, the discount rates to be applied, and the period over which the cash is expected to flow into the Company. As at December 31, 2022, the carrying amount of capitalized development expenditure was €74.6 million (December 31, 2021: €86.5 million).

Pending or potential legal disputes DEUTZ AG and other companies in the DEUTZ Group are subject to a variety of regulations under tax, competition, and patent law as well as to other legal and statutory requirements. Existing and potential legal disputes are recorded and analyzed on an ongoing basis at DEUTZ; they are assessed in terms of their legal and financial impact and an appropriate amount is recognized in the risk provisions in the accounts. At present, it is not possible to predict the outcome of pending cases with any degree of certainty beyond the provisions already recognized. We do not expect them to have a significant adverse impact on the DEUTZ Group's financial position or financial performance. The overall position as regards the legal risks facing the DEUTZ Group is explained in more detail in Note 28.

Business combinations When acquirees are consolidated for the first time, the identifiable assets and liabilities (including contingent liabilities) are recognized at their fair value as at the date of acquisition. The measurement of intangible assets is particularly subject to uncertainties. They are measured using accepted valuation methods on the basis of estimates of future cash flows, expected growth rates and exchange rates, discount rates, and useful lives.

Leases The lessee's incremental borrowing rate is used to measure lease liabilities because it is not possible to ascertain the interest rate implicit in the lease. The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow – over a similar term and with a similar level of security – the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. This incremental borrowing rate is determined using observable inputs: interbank rate, intra-group interest margin for contributions and short-term funding, interest rates for mortgage bonds, and country risk premium. The average duration is also calculated. As lease liabilities are fully repaid over the lease term, it is assumed that the duration in each case is equivalent to half of the lease term.

Leases with an indefinite term are assumed to have a term of five years, which is equivalent to the Group's medium-term planning period. However, this does not apply to leases that have an annual termination option that can be exercised by either the lessee or the lessor, such option giving rise to only an immaterial termination penalty or other immaterial disadvantages for the lessee. These leases are treated as short-term leases.

BASIS OF CONSOLIDATION

All subsidiaries, joint ventures, and associates are included in the consolidated financial statements.

Subsidiaries are all entities directly or indirectly controlled by DEUTZ AG. Subsidiaries are consolidated from the point at which the parent company acquires control. Consolidation ends when the parent company no longer has control. In addition to DEUTZ AG, the consolidated financial statements include ten German subsidiaries (2021: ten) and 25 foreign subsidiaries (2021: 22).

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 consolidated financial statements of DEUTZ AG for the first time with effect from May 1, 2022. Details of the acquisitions during the reporting year can be found under 'Acquisitions' in these notes to the financial statements.

Joint ventures are companies over which control is exercised jointly by DEUTZ and other entities on the basis of a contractual agreement. Associates are entities over whose business and financial policies DEUTZ AG is able to exert a significant influence but are neither subsidiaries nor joint ventures. Associates and joint ventures are both accounted for in the consolidated financial statements using the equity method.

In the year under review, as had also been the case in 2021, the consolidated financial statements included one foreign joint venture and two foreign entities in accordance with the rules governing associates.

PRINCIPLES OF CONSOLIDATION

The separate financial statements of the individual entities included in the consolidated financial statements have been prepared using uniform accounting policies in accordance with the regulations on consolidation. The consolidated financial statements comprise the financial statements of DEUTZ AG and of its subsidiaries prepared each year for the twelve months ended December 31.

The acquisition method has been used to account for business combinations since January 1, 2010. The acquisition cost is measured at the fair value of the assets transferred, the liabilities incurred or assumed (including conditional liabilities), and the equity instruments issued at the acquisition date, irrespective of the amount of any non-controlling interests. The determined acquisition cost is then allocated to the identifiable assets and liabilities (including contingent liabilities) that were measured at their fair value as at the date of acquisition in accordance with the rules of IFRS 3. The excess of the cost of acquisition over the value of net assets, after deduction of any non-controlling interests in acquirees, is recognized as goodwill. Negative goodwill is recognized in profit or loss in the period in which the business combination takes place. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value (full goodwill method) or at the proportionate fair value of the assets acquired and the liabilities assumed. The option to measure non-controlling interests at fair value is currently not exercised. Non-controlling interests are thus recognized at their proportionate share of the net assets, disregarding the goodwill. Acquisition-related costs arising in connection with business combinations are expensed as incurred.

The acquisition method was used to account for acquisitions between the transition to accounting based on IFRS on January 1, 2005 and December 31, 2009. Under this method, the carrying amount of the investment was offset against the DEUTZ Group's proportionate share of equity in the consolidated subsidiary remeasured at fair value on the acquisition date. Transaction costs directly attributable to the acquisition constituted some of the acquisition-related costs.

Non-controlling interests are the share of net profit/loss and net assets not attributable to the DEUTZ Group. There were no non-controlling interests as at December 31, 2022.

Income and expenses, receivables and payables, and intercompany profits and losses generated between the consolidated entities are eliminated unless they are of no material significance.

JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates are accounted for using the equity method. Under the equity method, investments in an associate or joint venture are recognized on the balance sheet at cost plus any changes in the DEUTZ Group's share of the entity's net assets that have occurred since the acquisition. The goodwill related to the associate or joint venture is included in the carrying amount of the investment and is not amortized. The income statement includes the DEUTZ Group's share of the profit or loss generated by the associate or joint venture. Unless they are material, gains and losses on transactions between the Group and its associates or joint ventures are eliminated. Changes recognized directly in the equity of the associate or joint venture are recognized by the DEUTZ Group in the amount of its investment and, as such, are appropriately presented in the statement of changes in equity. With one exception, the financial statements of the associates and the joint venture are prepared to the same balance sheet date as the financial statements for the parent. Interim financial statements have not been prepared for reasons of materiality. Where required, figures are restated in line with the uniform accounting policies throughout the DEUTZ Group.

ACQUISITIONS

AUSMA MOTORENREVISIE

Ausma Motorenrevisie B.V., Roden, Netherlands, which was acquired at the start of May 2022, was included in the consolidated financial statements of DEUTZ AG for the first time with effect from 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. The acquiree specializes in selling and servicing diesel engines and operates as a multi-brand dealer. As well as improved market penetration, the acquisition will enable DEUTZ to expand its service business 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	0.2
Trade receivables	0.1
Cash and cash equivalents	0.1
Current assets	**0.4**
Total assets	**0.5**
Trade payables	0.2
Current liabilities	**0.2**
Total liabilities	**0.2**
Net assets acquired	**0.3**
thereof attributable to the DEUTZ GROUP	0.3
Consideration transferred (cash payment)	**0.6**
Goodwill of the DEUTZ Group	0.3

The goodwill resulting from the acquisition is derived from the strengthening of DEUTZ AG's service business and the expected revenue-related synergies. This goodwill is currently not tax-deductible. Following the purchase price allocation, the goodwill was allocated to the Classic segment in line with the company's business activities. The Classic segment is also the relevant cash-generating unit.

The purchase consideration amounted to €0.6 million and was transferred in cash. No material transaction costs were incurred with regard to the business combination. 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 €1.5 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.

KIRKWELL

DEUTZ AG acquired 100 percent of the shares in Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland, at the start of May 2022 and included the company in its consolidated financial statements for the first time with effect from May 1, 2022. Just like Ausma Motorenrevisie B.V., Kirkwell Ltd. specializes in selling and servicing diesel engines and operates in the market as a multi-brand dealer. As well as improved market penetration, the acquisition will enable DEUTZ to expand its service business to include competitors' engines.

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
Customer relationships	1.6
Non-current assets	**2.6**
Inventories	0.6
Trade receivables	1.5
Other receivables	0.2
Cash and cash equivalents	0.5
Current assets	**2.8**
Total assets	**5.4**
Trade payables	0.5
Other current liabilities	0.2
Current liabilities	**0.7**
Deferred tax liabilities	0.2
Total liabilities	**0.9**
Net assets acquired	**4.5**
thereof attributable to the DEUTZ GROUP	4.5
Consideration transferred (cash payment)	**5.4**
Goodwill of the DEUTZ Group	0.9

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. Following the purchase price allocation, the goodwill was allocated to the Classic segment in line with the company's business activities. The Classic segment is also the relevant cash-generating unit.

The purchase consideration amounted to €5.4 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 €3.3 million and net income to increase by €0.3 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 €4.9 million has been recognized for the acquisition of the company in the 'Acquisition of subsidiaries' line item in the cash flow statement.

ACQUISITIONS IN PRIOR PERIODS

FUTAVIS The contingent consideration amounted to €0.6 million as at the balance sheet date (December 31, 2021: €1.2 million). The €0.6 million reduction in the contingent consideration compared with the end of the previous year was attributable to a scheduled payment of €0.6 million. The remaining contingent consideration comprises the fixed-price component discounted on the basis of the maturity-specific cost of borrowing.

CURRENCY TRANSLATION

The items in the financial statements of each individual entity in the DEUTZ Group are measured in the currency that corresponds to the currency of the primary economic environment in which the entity operates (functional currency). Transactions denominated in foreign currency are translated into the functional currency using the relevant exchange rates on the date of the transaction. Subsequently they are translated on every balance sheet date using the closing rate. All currency translation differences are recognized in profit or loss unless they are in connection with qualified cash flow hedges, in which case they are recognized in other comprehensive income.

With the exception of equity, balance sheet items in separate financial statements denominated in foreign currency are translated into the functional currency of the DEUTZ Group (euros) at closing rates. Income and expense items – including net income or loss – are translated at the average rates for the year. Equity – with the exception of net income or loss – is translated at the prevailing historical closing rates.

Differences arising from the translation of equity at historical rates and the translation of net income or loss at average rates for the year are reported in other comprehensive income in a separate item.

The main exchange rates used for currency translation purposes are shown in the following table (€1 translated into foreign currencies):

		Average rates		Closing rates at Dec. 31	
		2022	2021	**2022**	2021
USA	USD	1.05	1.18	1.07	1.13
China	CNY	7.07	7.61	7.36	7.19
Morocco	MAD	10.70	10.64	11.16	10.52
Australia	AUD	1.52	1.58	1.57	1.56
UK	GBP	0.85	0.86	0.89	0.84

ACCOUNTING POLICIES

Significant accounting policies used to prepare these consolidated financial statements are described below.

REVENUE RECOGNITION

Revenue generated by the sale of engines and services comprises the fair value received excluding VAT, discounts, and price reductions.

Revenue and other income are recognized as follows:

Revenue from the sale of engines Revenue from the sale of engines is recognized once a DEUTZ Group entity has delivered to a customer and control has passed to the customer. Estimates of future price reductions are covered by provisions and deducted from revenue.

Revenue generated by services Revenue generated by services mainly relates to the sale of remanufactured engines (Xchange business) as well as spare parts and is recognized at the time that control passes to the customer. Revenue from maintenance work is recognized over the period of time in which the services are rendered.

Income from the awarding of engine licenses and any related project business This income is either recognized over a period of time in accordance with the substance of the relevant agreements or recognized at a specific point in time once control has been transferred.

Interest income, dividends, and other income Interest income is recognized pro rata using the effective interest method. Dividend income is recognized at the time the right to receive the payment arises. Other income is recognized according to contractual agreements on the transfer of risks and rewards.

BORROWING COSTS

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalized as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by a company in connection with borrowing funds.

ADDITIONAL DISCLOSURES

In addition to the information required by IFRS, the DEUTZ Group reports a figure for EBIT adjusted for exceptional items, which it uses for internal purposes to gauge the profitability of its business. Exceptional items are defined as significant income generated or expenses incurred outside the scope of the Company's ordinary business activities that are unlikely to recur. We use this KPI internally so that we can compare the Company's operating performance over time.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized at cost and, if depreciable, less any depreciation on a straight-line basis and any additional impairment losses. Cost comprises the purchase price and any directly attributable costs incurred to bring the asset to the required location and working condition.

The costs of conversion of property, plant and equipment constructed internally comprise directly attributable costs, pro rata material and production overheads, and administrative expenses related to production or delivery of the service.

Subsequent costs are added to the carrying amount of the asset concerned as incurred, provided that the recognition criteria are satisfied. Repair and maintenance costs are expensed as incurred.

The depreciation period is based on the expected useful life of the asset. Land is not depreciated.

Straight-line depreciation is based on the following useful lives for the main asset categories:

	Useful life (years)
Buildings and grounds	15 – 33
Technical equipment and machines	10 – 15
Other equipment, furniture and fixtures	3 – 10

Residual carrying amounts, useful lives, and depreciation methods are reviewed at the end of each year and adjusted where appropriate.

An item of property, plant or equipment is derecognized either on disposal or if no further economic benefit is expected from further use or sale of the asset. Gains or losses arising from the derecognition of the asset are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement in the period in which the asset is derecognized.

LEASES

At the inception of a contract, an assessment is made about whether the contract is or contains a lease. This is deemed the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lessee recognizes a right-of-use asset and a lease liability at the time the underlying asset becomes available for use.

A right-of-use asset is measured at its cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred, any costs for restoring the underlying asset to its original condition or for restoring the site or similar, and any lease payments made when or before the asset was made available, less any lease incentives received. Depreciation is recognized on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If ownership of the asset is transferred to the lessee, the right-of-use asset is depreciated until the end of the useful life of the underlying asset. Right-of-use assets are also tested for impairment.

A lease liability is measured at the present value of the lease payments still to be made. These payments are discounted at the lessee's incremental borrowing rate, because the interest rate implicit in the lease cannot be readily determined. The lease payments comprise fixed payments less any lease incentives received, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the exercising of that option is reasonably certain, and payments of penalties in the event that an option to terminate the lease is exercised. Extension options and purchase options, the exercising of which is reasonably certain, are taken into account when determining lease terms. Upon subsequent measurement, the lease liability's carrying amount is increased by the interest expense and reduced by the lease payments made. The lease liability is remeasured if there is a change in the lease term, a change in the assessment of an option to purchase the underlying asset, or a change in the lease payments.

A practical expedient is applied to short-term leases with a term of no more than twelve months and to low-value leased assets (less than €5,000). The lease payments under these leases are recognized as an expense on a straight-line basis over the term of the lease.

INTANGIBLE ASSETS

Goodwill

Goodwill is the difference between the cost of an acquisition and the fair value of the net assets acquired less any non-controlling interests. As goodwill has an indefinite useful life, it is not amortized. However, it must be tested for impairment at least once a year in accordance with the provisions of IAS 36. It must also be tested for impairment on an ad hoc basis if there are any indications of impairment. Goodwill is tested for impairment at the level of the cash-generating units (CGUs). A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or other CGUs. Goodwill has to be allocated at the lowest level within the entity that is monitored for goodwill for internal management purposes. The CGUs defined in this way must not be bigger than an operating segment.

In an impairment test, the carrying amount of the goodwill is compared with the recoverable amount (higher of the fair value less costs to sell and the value in use) of the CGU in question. The recoverable amount of a CGU is calculated by determining the value in use according to the discounted cash flow (DCF) method. Value in use is calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the CGU. The cash flows used in the calculation are derived and extrapolated from operational planning (five-year period).

For information on the allocation of goodwill to the Group's operating segments, see Note 13 'Intangible assets'.

MISCELLANEOUS INTANGIBLE ASSETS

Miscellaneous intangible assets are measured at cost. The cost of purchase or conversion includes directly attributable costs. The cost of conversion also includes a proportion of overheads and borrowing costs for long-term projects provided the recognition criteria are met. In subsequent periods, intangible assets are reported at cost less amortization on a straight-line basis and any additional impairment losses. Investment grants from customers are deducted from cost. The useful lives of both purchased and internally generated intangible assets are limited. The amortization expense and impairment losses are reported in the income statement accordingly.

The following principles are applied:

Internally generated intangible assets The accounting treatment of internally generated intangible assets is based on an implemented development process with defined milestones. During this process, the development costs for the products are capitalized provided that:

– they are technically and commercially feasible;

– a future economic benefit is likely;

– there is the intention to complete their development and sufficient resources are available to do so; and

– the costs of development can be reliably determined.

The review of whether these criteria are met takes place in connection with the achievement of defined milestones in the development process. Development projects at DEUTZ relate almost exclusively to the development of new engine series. The fact that these development projects are technically feasible and will actually be completed is borne out by a multitude of evidence from the past. The development expenditure incurred up to this point, and the research costs, are recognized in the income statement in the period in which they are incurred. As a rule, completed development projects are amortized on a straight-line basis over the expected production cycle of eight to ten years.

As at December 31, 2022, the material, completed development projects had the following remaining useful lives:

Engine series 2.9	6 years
Engine series 2.2	6 years
Engine series 3.6	4 years
Engine series 4.1	3 years
Engine series 6.1	3 years
Engine series 7.8	3 years

The useful lives and amortization methods for completed development projects are reviewed at the end of each year, if not more frequently. If any changes in their useful lives are required, they are treated as changes in accounting estimates.

Other intangible assets These are measured at amortized cost and amortized on a straight-line basis over their estimated useful life of three to ten years.

Gains or losses arising from the derecognition of intangible assets are the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement in the period in which the asset is derecognized.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each balance sheet date, the DEUTZ Group carries out tests to establish whether there are any indications that an asset may be impaired. An impairment test is carried out at least once a year on intangible assets that are not yet available for use.

Impairment is determined by comparing the carrying amount with the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If future cash inflows cannot be allocated to an individual asset separately from cash flows generated independently by other assets, the impairment test is applied to the cash-generating unit that includes the asset concerned. When impairment tests are conducted, assets are aggregated into cash-generating units at the lowest possible level at which cash inflows can largely be independently identified.

Value in use is calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the asset or cash-generating unit. The cash flows used in the calculation are derived and extrapolated from operational planning (five-year period). If the reasons for previously recognized impairment losses no longer exist, these impairment losses are reversed.

In 2022, there were indications of impairment ('trigger events') on property, plant and equipment and on intangible assets, primarily due to the rise in interest rates. Subsequent impairment tests identified no need to recognize, or reverse, impairment losses on the affected property, plant and equipment or intangible assets. For further details, see Note 13 in these notes to the consolidated financial statements.

The estimates and assumptions used in the impairment tests are based on projections, which by their nature are subject to uncertainty, particularly with regard to future prices and volumes. Adjustments to the estimates made, for example due to unexpectedly poor economic conditions, could result in an impairment loss, especially in the case of individual engine series.

GOVERNMENT GRANTS

Government grants are recognized when there is sufficient certainty that the associated conditions will be fulfilled and the grants will actually be awarded. The DEUTZ Group deducts government grants relating to purchases of non-current assets from the cost of the respective asset. The amount of depreciation and amortization is based on the cost of purchase after deduction of such grants.

TAXES

Deferred taxes Deferred taxes are recognized using the liability method for temporary differences between the carrying amount of an asset or a liability on the consolidated balance sheet and its tax base as at the reporting date as well as for tax loss and interest carryforwards.

Deferred tax assets are recognized to the extent that sufficient future taxable income is likely to be generated over the planning period against which the deductible temporary differences and the as yet unused tax loss carryforwards can be offset.

Deferred tax liabilities that arise from temporary differences in connection with investments in subsidiaries, joint ventures, and associates are always recognized unless the timing of the reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will reverse in the foreseeable future.

Deferred taxes relating to items recognized in other comprehensive income are likewise recognized in other comprehensive income and not in the income statement.

Deferred tax assets and liabilities are netted if the DEUTZ Group is entitled to have the current tax assets offset against tax liabilities and if the deferred taxes relate to income taxes levied by the same tax authority.

Deferred taxes are recognized at the rates anticipated on recognition of the asset or liability. The anticipated tax rate is the rate that has already been enacted or announced at the balance sheet date, provided announcement of the tax rate has the substantive effect of actual enactment.

Current taxes Current income taxes for the current period and for previous periods are recognized at the amount that is expected to be paid to (or recovered from) the tax authorities or has already been paid. The tax amount is calculated on the basis of tax rates and tax legislation enacted or substantively enacted as at the relevant balance sheet date.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price achievable in the ordinary course of business less estimated costs still to be incurred.

The cost of raw materials and consumables as well as bought-in and spare parts is calculated using weighted average purchase prices.

Work in progress and finished goods are measured at the cost of conversion, which includes production materials and production wages as well as a proportion of material and production overheads.

Additional write-downs are applied to cover risks resulting from inventories' period of storage and impaired usability as well as contract-related losses.

FINANCIAL ASSETS

In the DEUTZ Group, financial assets within the meaning of IFRS 9 can be in any of the following categories and are classified accordingly:

1. Financial assets measured at fair value through profit or loss

2. Financial assets measured at fair value through other comprehensive income, or

3. Financial assets measured at amortized cost

On initial recognition, financial assets are measured at fair value. In the case of financial assets other than those measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the assets are also included.

Financial assets are assigned to one of the measurement categories on initial recognition. Assets may be reclassified if this is permitted and necessary.

Except in the case of held-for-trading financial assets, all regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by DEUTZ. Held-for-trading financial assets are recognized on the trade date, i.e. the date on which the DEUTZ Group enters into the obligation to buy or sell the asset. Regular way purchases and sales are purchases or sales of financial assets that provide for the delivery of the asset within a period determined by market regulations or conventions.

1. Financial assets measured at fair value through profit or loss
In the DEUTZ Group, the group of financial assets measured at fair value through profit or loss includes held-for-trading financial assets. Equity instruments purchased for the purposes of trading and trade receivables earmarked for factoring are also allocated to this category.

Derivatives, including separately recognized embedded derivatives, are classified as held for trading unless they are derivatives designated as hedging instruments and are deemed effective. Gains and losses on financial assets held for trading are recognized in the income statement. At the time the DEUTZ Group first becomes a party to a contract, it determines whether an embedded derivative needs to be accounted for separately from the host contract. This decision is only reassessed if there is a substantial amendment to the terms of the contract and this amendment results in a significant change to the cash flows that would otherwise have been derived from the contract.

2. Financial assets measured at fair value through other comprehensive income Financial assets measured at fair value through other comprehensive income include debt instruments that are held either for sale or in order to collect the contractual cash flows. The contractual cash flows must consist solely of principal repayments and interest payments and accrue at specified intervals. At the time of derecognition, the changes in fair value recognized in other comprehensive income must be reclassified to the income statement. Non-current securities that do not constitute equity instruments are allocated to this category in the DEUTZ Group.

Equity instruments can also be subsumed under this category provided that they have not been purchased for trading purposes. In this instance, however, the changes in fair value recognized in other comprehensive income do not need to be reclassified to the income statement at the time of derecognition. In 2022, the second tranche of the investment in Blue World Technologies Holding ApS, Aalborg, Denmark was paid in an amount of €3.7 million (2021: payment of the first tranche of €3.8 million). The total investment in this company comes to €7.5 million for 9.1 percent of the shares. The investment constitutes an equity instrument that was not acquired for trading purposes and DEUTZ elected to assign it to this category.

3. Financial assets measured at amortized cost This group includes financial assets that are held for the purposes of collecting contractual cash flows. The contractual cash flows must consist solely of principal repayments and interest payments on outstanding repayment amounts. In the DEUTZ Group, this category covers all receivables and financial assets that are not intended for disposal. The assets are measured using the effective interest method less any impairment losses. A gain or loss is recognized in profit or loss when these financial instruments are derecognized or written down, and through the amortization process.

IMPAIRMENT OF FINANCIAL ASSETS

For all financial debt instruments, with the exception of financial assets measured at fair value through profit or loss, a loss allowance is recognized on the date the asset is initially recognized that is equivalent to the expected loss from default events over the next twelve months. At every subsequent balance sheet date, the financial assets are subjected to an impairment test to establish whether there are any indications of impairment (for example, substantial financial difficulties on the part of the debtor, significant probability of insolvency proceedings against the debtor, the disappearance of an active market for the financial asset, significant changes in the technological, economic, legal, and/or market environment in which the issuer operates, a sustained fall in the fair value of the financial asset below amortized cost). In the event of a significant increase in credit risk, the loss allowance is adjusted to reflect the losses expected over the term to maturity or a write-down is recognized in the event of default of the financial asset if there are objective indications of impairment.

1. Financial assets measured at amortized cost Expected credit losses reflect the difference between the contractually agreed cash flows and those that are actually anticipated. They are recognized in the income statement as an impairment loss in a valuation allowance account. However, the gross carrying amount continues to be used to determine the interest income. If there are objective indications that financial assets measured at amortized cost are permanently impaired, the loss allowance is offset against the gross carrying amount of the financial asset. Following this partial write-down, the amortized cost is used to determine the interest income.

The loss allowance for trade receivables is calculated immediately over the entire term of the financial instrument. The allowance for other receivables and assets that are subject to low credit risk is recognized upon initial recognition of the asset for a period covering the subsequent twelve months.

If the amount of this impairment loss is found to be lower in subsequent reporting periods and this decrease can be attributed objectively to factors occurring after the recognition of the impairment loss, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset must not exceed what the amortized cost would have been at the time the impairment loss is reversed if the impairment loss had not been recognized. The reversal of the impairment loss is recognized in the income statement.

2. Financial assets measured at fair value through other comprehensive income The impairment of debt instruments measured at fair value through other comprehensive income is recognized in profit or loss for the period and reduces the loss resulting from measurement at fair value that would otherwise be recognized in other comprehensive income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, short-term deposits with an original term of up to three months, and credit balances held with banks.

FINANCIAL LIABILITIES

In the DEUTZ Group, financial liabilities within the meaning of IFRS 9 can be in either of the following categories and are classified accordingly:

1. Financial liabilities measured at fair value through profit or loss, or
2. Other financial liabilities.

1. Financial liabilities measured at fair value through profit or loss In the DEUTZ Group, the group of financial liabilities measured at fair value through profit or loss includes held-for-trading financial liabilities. To date, the DEUTZ Group has not made use of the option to designate financial liabilities as at fair value through profit or loss on initial recognition.

Derivatives, including separately recognized embedded derivatives, are classified as held for trading unless they are derivatives designated as hedging instruments and determined to be effective. If the fair value of these derivatives is negative, they are recognized under financial liabilities. Gains and losses on financial liabilities held for trading are recognized in the income statement.

2. Other financial liabilities in the DEUTZ Group for the most part comprise the following:

– Financial debt (liabilities to banks),

– Trade payables, and

– Other liabilities.

Other financial liabilities are classified as current unless the DEUTZ Group does not have the right to settle the liability until at least twelve months after the balance sheet date.

Other financial liabilities are initially recognized at their fair value including transaction costs. They are subsequently measured at amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

DEUTZ only uses derivative financial instruments (currency derivatives) for hedging purposes as part of its business operations, in particular to reduce foreign currency risk in forecast transactions involving foreign currencies.

Derivatives are initially recognized at their fair value on the day they are entered into and are subsequently measured at the fair value prevailing at the time. The fair value of derivatives corresponds to the present value of estimated future cash flows. The fair value of currency forwards is based on the forward exchange rate as at the balance sheet date.

Changes in the fair value of non-hedging derivatives are immediately recognized in the income statement.

Cash flow hedges Forecast transactions (cash flows) in foreign currency are hedged using cash flow hedges. The effective portion of the changes in the fair value of derivatives designated as cash flow hedges is recognized in other comprehensive income. The ineffective portion of the changes in fair value is reported in the income statement under other income or other expenses.

The changes in fair value reported in the reserve for cash flow hedges are reclassified to the income statement in the period in which the hedged item is recognized in income.

The market values of derivatives designated as cash flow hedges are stated in Note 26. Changes in the cash flow hedge reserve are reported under a separate item in other comprehensive income (fair value reserve).

PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The occupational pension scheme offered by the DEUTZ Group takes account of the relevant legislation in various countries and the benefits that each company provides for its staff.

Occupational pensions take the form of defined benefit pension plans, which are funded by the recognition of pension provisions. Besides entitlements to an employer-funded pension, employees in Germany can build up an employee-funded pension by participating in a deferred compensation plan. In the UK (branch of DEUTZ AG), there is an employer-funded pension plan and the option of building up an employee-funded pension by participating in a deferred compensation plan. There are also employer-funded pension plans at Deutz Corporation, Atlanta (USA), at DEUTZ FRANCE S.A.S., Gennevilliers (France), and at DEUTZ Italy S.r.l., Milan (Italy).

The Group's liabilities arising from employer-funded defined benefit pension plans are calculated separately for each plan using actuarial principles. First, the pension benefits vested in earlier periods and in the current period are estimated. The next step is to discount these benefits using the projected unit credit method. The resulting present value represents the defined benefit obligation. The fair value of the plan asset is then deducted from the defined benefit obligation to determine the net liability to be reported on the balance sheet.

The interest rate used to discount the estimated pension benefits is determined using the yields available in the market on each valuation date for investment-grade, fixed-income corporate paper. The currency and terms to maturity of the underlying corporate paper match the currency and predicted duration of the post-retirement pension liabilities to be met.

The net interest cost is calculated by multiplying the net liability at the beginning of the reporting period by the interest rate used to discount the pension obligations at the beginning of the period.

The effects of the revaluation include the actuarial gains and losses on the valuation of the defined benefit obligation and the difference between the actual return on plan assets and the typical return on plan assets assumed at the beginning of the period when calculating the net interest cost.

While the revaluation effects are recognized in other comprehensive income, the net interest cost and the current service cost are reported in profit or loss in the reporting period. Net interest cost is reported in operating profit.

The calculation of the individual cost components in the net liability to be reported on the balance sheet on each reporting date is based on a report by a qualified actuary.

In the case of the employee-funded deferred compensation plan, the Company has taken out a reinsurance policy with a life insurance company based on the amount of salary contribution and undertakes to pay a pension based on the guaranteed capital that has been underwritten. The present value of the benefit obligation corresponds to the fair value of the entitlements to reinsurance cover on the basis of the asset values calculated by the insurer. For the purposes of recognition on the balance sheet, the present value of the benefit obligation is offset against the fair value of the entitlements to reinsurance cover in an equal amount.

As well as defined benefit pension plans, there are also defined contribution pension plans (e.g. direct insurance policies). The mandatory contributions are immediately recognized as staff costs. In this case, the recognition of provisions is not required because the DEUTZ Group has no obligation apart from the obligation to pay premiums.

OTHER PROVISIONS

Other provisions are recognized if there are legal or constructive obligations toward third parties that arise from past events and are likely to result in cash outflows. Furthermore, it must be possible to estimate the obligation reliably. Provisions are recognized at their settlement value calculated at the balance sheet date and take account of projected cost increases. Non-current provisions are discounted. Provisions for warranty obligations are recognized when products are sold or when new warranties are initiated. The measurement of potential warranty liabilities is based primarily on historical experience.

CONTINGENT LIABILITIES

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the DEUTZ Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

EFFECTS OF THE UKRAINE CRISIS ON THE 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. Furthermore, no material assets are held in these countries.

NOTES TO THE INCOME STATEMENT

1. REVENUE

Breakdown of revenue by application segment and by timing of recognition in 2022

€ million

	Classic	Green	**Total**
Construction Equipment	576.3	0.7	**577.0**
Material Handling	355.4		**355.4**
Agricultural Machinery	275.3		**275.3**
Stationary Equipment	179.7		**179.7**
Service	449.8		**449.8**
Miscellaneous/Marine	52.9	63.3	**116.2**
Total	**1,889.4**	**64.0**	**1,953.4**
thereof at a point in time	1,856.5	64.0	**1,920.5**
thereof over a period of time	32.9	0.0	**32.9**

Breakdown of revenue by application segment and by timing of recognition in 2021

€ million

	Classic	Green	**Total**
Construction Equipment	490.5	0.2	**490.7**
Material Handling	284.1		**284.1**
Agricultural Machinery	206.1		**206.1**
Stationary Equipment	120.3		**120.3**
Service	403.1		**403.1**
Miscellaneous/Marine	59.3	53.7	**113.0**
Total	**1,563.4**	**53.9**	**1,617.3**
thereof at a point in time	1,535.9	53.9	**1,589.8**
thereof over a period of time	27.5	0.0	**27.5**

Breakdown of revenue by region in 2022

€ million

	Classic	Green	**Total**
Europe/Middle East/ Africa	1,167.9	30.9	**1,198.8**
Americas	419.5	22.7	**442.2**
Asia-Pacific	302.0	10.4	**312.4**
Total	**1,889.4**	**64.0**	**1,953.4**

Breakdown of revenue by region in 2021

€ million

	Classic	Green	**Total**
Europe/Middle East/ Africa	997.3	33.3	**1,030.6**
Americas	280.3	14.3	**294.6**
Asia-Pacific	285.8	6.3	**292.1**
Total	**1,563.4**	**53.9**	**1.617.3**

The Group primarily generates revenue from the sale of engines and spare parts (service) to manufacturers of applications and to dealers. The revenue is recognized when control of the products is transferred to the purchaser and no unfulfilled obligations remain. This is usually deemed to have occurred when the products have been delivered or when the shipping documents have passed to the purchaser, whichever is the earlier. At this point in time, the opportunities and risks are transferred to the purchaser and the obligation to pay the purchase price is created.

Retrospective volume discounts that are based on total revenue for the financial year are often agreed with major customers for the sale of engines and spare parts. Revenue from these sales is recognized in the amount specified in the contract less the estimated volume discount. The provision is estimated mainly on the basis of the sales that are expected to be generated from the customer (most likely amount), a figure that is periodically updated. The provision is recognized as a contract liability under other liabilities. No significant financing components are involved as payment terms in line with market practice are usually agreed with the customer. A provision for guarantees is recognized to cover the Group's obligation to repair or replace defective products in accordance with standard guarantee conditions.

When a remanufactured engine is sold (Xchange business), the customer is invoiced for the remanufactured engine and for a deposit for their old reconditionable engine. The revenue for the remanufactured engine is recognized at the point at which control is transferred. This is usually deemed to have occurred when the products have been delivered or when the shipping documents have passed to the purchaser, whichever is the earlier. At this point in time, the opportunities and risks are transferred to the purchaser and the obligation to pay the purchase price is created. The purchase price received for the deposit is recognized as a contract liability until the obligation to take back the reconditionable old engine expires.

In the reporting period, revenue of €1.9 million (2021: €2.8 million) was recognized that, at the beginning of the period, had been included in the balance of contract liabilities.

As part of its service business, the Group also carries out maintenance work. The revenue generated from this is recognized in the reporting period in which the services are rendered. As the services are usually rendered within a very short period of time, however, any revenue accrued at the end of the reporting period for services that have been rendered but not yet invoiced is not material.

DEUTZ applies the practical expedients in accordance with IFRS 15.121, IFRS 15.63, and IFRS 15.94.

2. COST OF SALES

The cost of sales comprises the following cost items:

€ million	**2022**	2021
Cost of materials	1,106.8	908.7
Staff costs	231.3	210.4
Depreciation and amortization on property, plant and equipment and intangible assets (excl. R&D)	53.7	52.7
Other cost of sales items	183.0	159.9
Total	**1,574.8**	**1,331.7**

3. RESEARCH AND DEVELOPMENT COSTS

The table below gives a breakdown of research and development costs:

€ million	**2022**	2021
Cost of materials	31.4	23.8
Staff costs	55.4	51.2
Depreciation, amortization and impairment	24.7	20.8
Own work capitalized and reimbursements	– 13.6	– 10.7
Other research and development costs	7.9	5.8
Total	**105.8**	**90.9**

The figure for depreciation, amortization, and impairment in the reporting year included no impairment losses or reversal of impairment losses (2021: reversal of impairment losses of €4.4 million).

4. SELLING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

Selling expenses amounted to €120.6 million in the year under review (2021: €103.2 million). General and administrative expenses came to €69.0 million (2021: €61.6 million). Both the selling expenses and the general and administrative expenses predominantly consisted of staff costs. The respective amounts were €80.9 million and €45.6 million (2021: €72.3 million and €41.7 million). Depreciation, amortization, and impairment was included in selling expenses in an amount of €6.1 million (2021: €6.0 million) and in general and administrative expenses in an amount of €9.1 million (2021: €9.4 million).

5. OTHER OPERATING INCOME

€ million	2022	2021
Income from recharged costs and services	3.7	4.5
Foreign currency gains	15.4	11.8
Income from the measurement of derivatives	0.7	1.0
Income from the reversal of provisions	10.8	0.5
Income from the derecognition of liabilities	0.5	0.7
Sundry other income	4.2	8.5
Total	**35.3**	**27.0**

The increase in other operating income was mainly attributable to foreign currency gains and the reversal of provisions.

6. OTHER OPERATING EXPENSES

€ million	2022	2021
Restructuring costs	0.4	3.1
Other expenses from the adjustment of provisions	0.9	5.6
Foreign currency losses	13.1	3.9
Expenses for pensions and other post-employment benefits	2.1	1.3
Other cost of fees, contributions and advice	3.5	2.3
Expenses in connection with the measurement of derivatives	0.7	1.3
Sundry other expenses	6.7	4.9
Total	**27.4**	**22.4**

The rise in other operating expenses was largely due to foreign currency losses.

7. PROFIT/LOSS ON EQUITY-ACCOUNTED INVESTMENTS, WRITE-DOWNS OF EQUITY-ACCOUNTED INVESTMENTS, AND OTHER INVESTMENT INCOME

€ million	2022	2021
Profit/loss on equity-accounted investments		
Income from equity-accounted investments	1.3	0.8
Expenses relating to equity-accounted investments	– 5.0	–1.6
Total	**– 3.7**	**–0.8**
Other net investment income	**0.2**	**0.6**
Total	**– 3.5**	**–0.2**

Income from equity-accounted investments consisted of DEUTZ AG’s share in the profits of its associates D. D. Power Holdings (Pty), South Africa, and DEUTZ Power Solution (Xuzhou) Co., Ltd., China. The expenses consisted of DEUTZ AG’s share of the losses of the joint venture Hunan DEUTZ Power, Ltd., China.

As in the previous year, other net investment income related to profits transferred by DEUTZ Sicherheit GmbH, Cologne.

8. FINANCIAL INCOME, NET

€ million	2022	2021
Interest income on credit balances with banks	0.2	0.1
Other interest income	1.1	0.1
Interest income	**1.3**	**0.2**
Interest paid on liabilities to banks	– 2.6	–2.1
Interest paid on sales of receivables	– 1.6	–0.9
Interest paid on lease liabilities	– 2.0	–1.4
Other interest expense and similar charges	– 1.0	–0.8
Interest expense	**– 7.2**	**–5.2**
Other finance income/finance costs	**– 0.9**	**0.0**
Financial income, net	**– 6.8**	**–5.0**

No borrowing costs were capitalized in either 2022 or 2021.

9. TAXES

Income taxes The following table gives a breakdown of income taxes:

€ million	2022	2021
Current tax expense	16.1	6.5
thereof unrelated to the reporting period	−1.6	1.5
Deferred tax expense (+)/ deferred tax income (–)	−20.5	−15.6
thereof from temporary differences	−11.0	7.0
thereof from loss carry-forwards	−9.5	−22.6
Total tax expense (+)/ income (-)	**−4.4**	**−9.1**

The current income tax expenses predominantly related to current income generated by Group companies in 2022.

The deferred tax income included income of €11.0 million arising from temporary differences (2021: tax expense of €7.0 million). These were mainly due to the differences in the recognition of provisions under IFRS and in the tax accounts.

It is likely that more loss carryforwards can be used over the upcoming medium-term period of five years, resulting in deferred tax income on the recognition of deferred tax assets on loss carryforwards.

The tax reconciliation table shows the reconciliation from anticipated income taxes to effective taxes as shown in the income statement. Effective income taxes include current and deferred taxes. The applicable tax rate is 31.44 percent (2021: 31.44 percent), comprising corporation tax at 15 percent, the solidarity surcharge (5.50 percent of the corporation tax), and trade tax at 15.61 percent based on an average assessment rate.

€ million	2022	2021
Net income before income taxes	**75.8**	**29.1**
Anticipated tax expense (+)/ income (-)	23.8	9.2
Effect from trade tax add-backs and deductions	0.0	0.1
Effects of deferred taxes on loss carryforwards and of the utilization of current losses	−25.7	−22.6
Effect of non-deductible expenses	0.5	1.3
Share of profit (loss) of equity-accounted investments	1.5	0.5
Effect of tax-exempt income	−1.2	−1.0
Effect of potential dividend distributions	0.2	0.1
Effects not related to the reporting period		
Prior-year tax payments	−1.6	1.5
Deferred taxes resulting from prior-year adjustments	−2.2	0.9
Other	0.3	0.9
Effective tax expense (+)/ income (–)	**−4.4**	**−9.1**
Effective tax rate (%)	**−5.8**	**−31.3**

The tax effect arising from deferred taxes on loss carryforwards essentially resulted from the capitalization of deferred taxes recognized on loss carryforwards.

10. EARNINGS PER SHARE

Earnings per share is calculated in accordance with IAS 33. The DEUTZ Group calculates basic earnings per share by dividing the net income attributable to its shares by the weighted average number of shares outstanding.

There were no dilutive effects in 2022 or 2021 because there are no exercisable options to convert financial instruments with equity components.

	2022	2021
Net income attributable to shareholders of the DEUTZ Group (€ million)	80.2	38.2
Weighted average number of shares outstanding (€ thousand)	120,862	120,862
Earnings per share (€)	**0.66**	**0.32**

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

11. 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	2022			2021		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Amounts that will not be reclassified to the income statement in the future	**30.8**	**–9.7**	**21.1**	**11.2**	**–3.6**	**7.6**
Remeasurements of defined benefit plans	30.8	–9.7	21.1	11.2	–3.6	7.6
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**–4.7**	**1.6**	**–3.1**	**6.6**	**1.0**	**7.6**
Currency translation differences	0.3	0.0	0.3	9.7	0.0	9.7
thereof profit/loss on equity-accounted investments	–1.1	0.0	–1.1	5.5	0.0	5.5
Effective portion of change in fair value from cash flow hedges	–5.4	1.7	–3.7	–3.1	1.0	–2.1
Fair value of financial instruments	0.4	–0.1	0.3	0.0	0.0	0.0
Other comprehensive income	**26.1**	**–8.1**	**18.0**	**17.8**	**–2.6**	**15.2**

In 2022, losses totaling €5.5 million on cash flow hedges (2021: gains of €0.6 million) recognized in other comprehensive income during the year (prior to the inclusion of deferred taxes) were reclassified to other operating income in the consolidated income statement.

NOTES TO THE BALANCE SHEET

12. PROPERTY, PLANT AND EQUIPMENT

Gross figures Cost of purchase/conversion	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2022	**294.5**	**577.2**	**368.5**	**18.3**	**1,258.5**
Currency translation differences	0.8	0.5	0.5	0.0	1.8
Additions	54.4	10.9	27.9	13.6	106.8
Investment grants	0.0	–0.7	0.0	0.0	–0.7
Disposals	–19.6	–22.0	–29.5	–0.2	–71.3
Changes to basis of consolidation	0.9	0.7	0.7	0.0	2.3
Reclassifications	1.9	5.8	3.8	–9.5	2.0
Balance at Dec. 31, 2022	**332.9**	**572.4**	**371.9**	**22.2**	**1,299.4**

Gross figures Depreciation and impairment	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2022	**148.0**	**469.3**	**282.3**	**0.0**	**899.6**
Currency translation differences	0.3	0.3	0.3	0.1	1.0
Depreciation	17.3	22.2	27.7	0.0	67.2
Impairment	0.0	0.0	0.0	0.3	0.3
Disposals	–15.5	–21.8	–29.2	0.0	–66.5
Changes to basis of consolidation	0.0	0.6	0.5	0.0	1.1
Reclassifications	0.2	0.8	1.0	0.0	2.0
Balance at Dec. 31, 2022	**150.3**	**471.4**	**282.6**	**0.4**	**904.7**
Net carrying amount at Dec. 31, 2022	**182.6**	**101.0**	**89.3**	**21.8**	**394.7**

Gross figures Cost of purchase/conversion	Land, lease-hold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2021	**279.9**	**568.0**	**341.6**	**13.7**	**1,203.2**
Currency translation differences	1.3	2.0	0.8	0.2	4.3
Additions	14.8	7.2	27.5	12.5	62.0
Investment grants	0.0	−0.2	0.0	0.0	−0.2
Disposals	−2.3	−5.3	−2.8	−0.4	−10.8
Changes to basis of consolidation	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.8	5.5	1.4	−7.7	0.0
Balance at Dec. 31, 2021	**294.5**	**577.2**	**368.5**	**18.3**	**1,258.5**

Gross figures Depreciation and impairment	Land, lease-hold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2021	**133.4**	**451.1**	**257.0**	**0.0**	**841.5**
Currency translation differences	0.6	0.7	0.5	0.0	1.8
Depreciation	16.1	22.7	26.8	0.0	65.6
Impairment	0.0	0.0	0.0	0.0	0.0
Disposals	−2.1	−5.1	−2.1	0.0	−9.3
Changes to basis of consolidation	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	−0.1	0.1	0.0	0.0
Balance at Dec. 31, 2021	**148.0**	**469.3**	**282.3**	**0.0**	**899.6**
Net carrying amount at Dec. 31, 2021	**146.5**	**107.9**	**86.2**	**18.3**	**358.9**

Capital expenditure on property, plant and equipment (excluding right-of-use assets in connection with leases) related, in particular, to the set-up of the new assembly line for engine series with capacities of between 4 and 8 liters, new test rigs for gas and electric drives, and replacement investment in equipment, machinery, and resources. In addition, the works fire brigade's new building at the Porz site went into operation. DEUTZ also invested in testing equipment for new drive systems.

Of the additions in 2022, a sum of €54.3 million was attributable to right-of-use assets in connection with leases (2021: €17.7 million). Capital expenditure in respect of right-of-use assets was mainly attributable to the extension of leases for leased property and to new property leases. Detailed information about right-of-use assets in connection with leases can be found in Note 25 in these notes to the financial statements.

Total government grants recognized as at December 31, 2022 amounted to €4.0 million (December 31, 2021: €3.9 million). In 2022, grants of €0.5 million (2021: €0.5 million) were recognized in profit or loss (as a reduction of the depreciation expense).

Purchase commitments for property, plant and equipment are described in Note 28.

13. INTANGIBLE ASSETS

Gross figures Cost of purchase/conversion	Goodwill	Internally generated intangible assets		Other intangible assets	Total
		Completed	In development		
€ million					
Balance at Jan. 1, 2022	**54.3**	**471.3**	**28.7**	**189.7**	**744.0**
Currency translation differences	0.0	0.0	0.0	– 0.1	– 0.1
Additions	0.0	0.0	5.3	5.5	10.8
Investment grants	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	– 0.1	0.0	– 0.8	– 0.9
Changes to basis of consolidation	1.2	0.0	0.0	1.6	2.8
Reclassifications	0.0	0.7	– 0.9	0.8	0.6
Balance at Dec. 31, 2022	**55.5**	**471.9**	**33.1**	**196.7**	**757.2**

Gross figures Amortization and impairment	Goodwill	Internally generated intangible assets		Other intangible assets	Total
		Completed	In development		
€ million					
Balance at Jan. 1, 2022	**0.0**	**398.2**	**15.3**	**148.7**	**562.2**
Currency translation differences	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	17.4	0.0	8.6	26.0
Impairment	0.0	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	– 0.1	0.0	– 0.8	– 0.9
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	1.5	–1.7	0.8	0.6
Balance at Jan. 1, 2022	**0.0**	**417.0**	**13.6**	**157.3**	**587.9**
Net carrying amount at Dec. 31, 2022	**55.5**	**54.9**	**19.5**	**39.4**	**169.3**

Gross figures Cost of purchase/conversion	Goodwill	Internally generated intangible assets		Other intangible assets	Total
		Completed	In development		
€ million					
Balance at Jan. 1, 2021	**54.4**	**463.2**	**30.0**	**189.4**	**737.0**
Currency translation differences	0.0	0.0	0.0	1.0	1.0
Additions	0.0	0.0	6.8	3.9	10.7
Investment grants	0.0	0.0	0.0	0.0	0.0
Disposals	–0.1	0.0	0.0	–4.6	–4.7
Changes to basis of consolidation	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	8.1	–8.1	0.0	0.0
Balance at Dec. 31, 2021	**54.3**	**471.3**	**28.7**	**189.7**	**744.0**

Gross figures Amortization and impairment	Goodwill	**Internally generated intangible assets** Completed	 In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2021	**0.0**	**385.3**	**15.3**	**139.3**	**539.9**
Currency translation differences	0.0	0.0	0.0	0.2	0.2
Amortization	0.0	17.3	0.0	9.7	27.0
Impairment	0.0	0.0	0.0	0.8	0.8
Reversals of impairment losses	0.0	–4.4	0.0	0.0	–4.4
Disposals	0.0	0.0	0.0	–1.3	–1.3
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance at Dec. 31, 2021	**0.0**	**398.2**	**15.3**	**148.7**	**562.2**
Net carrying amount at Dec. 31, 2021	**54.3**	**73.1**	**13.4**	**41.0**	**181.8**

Capital expenditure on intangible assets was mainly in connection with the development of the new 5.2 engine series and grants for tool costs and licenses.

Amortization relating to internally generated intangible assets, amounting to €17.4 million (2021: €17.3 million), was recognized under research and development costs in the income statement. Amortization relating to other intangible assets, amounting to €8.6 million (2021: €9.7 million), was split across all functional areas in the income statement.

Goodwill

As a result of the new segment structure introduced with effect from January 1, 2022, the goodwill of €54.3 million in existence as at December 31 was reallocated to the new cash-generating units DEUTZ Classic and DEUTZ Green, which is the level at which it is managed. The goodwill previously assigned to the cash-generating units 'Torqeedo' (€8.3 million) and 'Futavis' (€5.7 million) in the Other segment was assigned directly to the DEUTZ Green segment along with the two cash-generating units. By contrast, the goodwill of €40.3 million assigned to the 'product line <4 liters' cash-generating unit was split between the DEUTZ Green and DEUTZ Classic segments on the basis of the relative amounts for the relevant parts of the old cash-generating unit ('product line <4 liters' – electric drives and 'product line <4 liters' – excl. electric drives) in accordance with value in use. Of this total of €40.3 million, €31.3 million was allocated to DEUTZ Classic and €9.0 million to DEUTZ Green.

The table below shows the changed allocation of goodwill to the Group's business units.

€ million	DEUTZ Classic	DEUTZ Green	Not yet allocated	Total
Balance at Jan. 1, 2022	**31.3**	**23.0**	**0.0**	**54.3**
Additions	1.2	0.0	0.0	**1.2**
Disposals	0.0	0.0	0.0	**0.0**
Reclassifications	0.0	0.0	0.0	**0.0**
Balance at Dec. 31, 2022	**32.5**	**23.0**	**0.0**	**55.5**

Goodwill was tested for impairment at the level of the business units DEUTZ Classic and DEUTZ Green as these are the cash-generating units (CGUs) to which the goodwill has been allocated. The recoverable amounts of these business units were then offset against the carrying amounts of the business units including the allocated goodwill. The recoverable amount of a business unit is calculated by determining fair value less costs to sell in accordance with the discounted cash flow (DCF) method. Fair value less costs to sell was calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the CGU. The cash flows used in the calculation were derived from the financial plan approved by senior management, which reflects market expectations and covers a five-year period. For the two CGUs, DEUTZ Classic and DEUTZ Green, the detailed planning phase was extended by an additional rough planning period of one year in order to achieve a sustainable level prior to the transition to perpetuity.

DEUTZ Classic business unit:

Revenue in the DEUTZ Classic business unit in the planning period will be generated mainly through the sale of diesel and gas engines and through the spare parts business (service). The planning is based both on market data and on a management estimate. Our revenue planning considered not only the anticipated performance of the market for diesel engines in our key application segments but also the trends in the industries in which our major customers operate.

On the cost side, management is assuming that it will be possible to make additional savings in manufacturing costs per unit. This will be the result of economies of scale and an anticipated shift in the sales mix from more powerful to less powerful engine types.

The pre-tax cost of capital used for discounting was 13.5 percent. The discount rate was based on a risk-free interest rate of 2.0 percent and a market risk premium of 7.5 percent. In addition, the beta factor, the cost of debt, and the capital structure were determined using a peer group specific to the business unit.

The impairment test carried out for the DEUTZ Classic business unit verified the recoverability of the goodwill allocated to this business unit. A change in the material assumptions that is possible in the view of management would have the following impact on the recoverable amount of the DEUTZ Classic cash-generating unit:

Sensitivity analysis of recoverable amount – 'DEUTZ Classic' CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
€ million		**−0.5**	**0**	**+0.5**
	−1	138.0	141.0	144.4
WACC change (percentage points)	**0**	−1.5	0.0	1.7
	+1	−118.2	−117.5	−116.8

Excess/shortfall compared with the carrying amount of the CGU		Change in growth rate Terminal value (percentage points)		
€ million		**−0.5**	**0**	**+0.5**
	−1	755.9	758.9	762.3
WACC change (percentage points)	**0**	616.4	617.9	619.6
	+1	499.7	500.4	501.1

DEUTZ Green business unit:

The pre-tax cost of capital used for discounting was 11.6 percent. The discount rate was based on a risk-free interest rate of 2.0 percent and a market risk premium of 7.5 percent. In addition, the beta factor, the cost of debt, and the capital structure were determined using a peer group specific to the business unit.

The impairment test carried out for the DEUTZ Green business unit verified the recoverability of the goodwill allocated to this business unit. A change in the material assumptions that is possible in the view of management would have the following impact on the recoverable amount of the DEUTZ Green cash-generating unit:

Sensitivity analysis of recoverable amount – 'DEUTZ Green' CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
€ million		**–0.5**	**0**	**+0.5**
	–1	22.8	31.3	40.9
WACC change (percentage points)	**0**	–6.1	0.0	6.7
	+1	–28.9	–24.5	–19.6

Excess/shortfall compared with the carrying amount of the CGU		Change in growth rate Terminal value (percentage points)		
€ million		**–0.5**	**0**	**+0.5**
	–1	67.3	75.8	85.4
WACC change (percentage points)	**0**	38.4	44.5	51.2
	+1	15.6	20.0	24.9

Intangible assets with an indefinite useful life

As had also been the case at the end of 2021, other intangible assets included the carrying amount of €7.0 million for the 'Torqeedo' brand purchased as part of the acquisition of the Torqeedo group of companies. Management continues to consider the 'Torqeedo' brand to have an indefinite useful life as there are no indications that the brand will be withdrawn. The intention is for the products made by the Torqeedo group of companies to carry on being marketed under the 'Torqeedo' brand.

14. EQUITY-ACCOUNTED INVESTMENTS

The shares held by the DEUTZ Group in associates and joint ventures, none of which are listed companies, are as follows:

€ million	**2022**	2021
Jan. 1	**56.4**	**50.3**
Additions	0.0	2.0
Pro-rata profit/loss on equity-accounted investments	-3.7	–0.8
Other changes arising from measurement using the equity method	–2.1	4.9
Dec. 31	**50.6**	**56.4**

A summary of further financial information about associates and joint ventures is provided in Note 27 'Interests in other entities'.

15. OTHER FINANCIAL ASSETS (NON-CURRENT)

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Equity investments	7.6	4.0
Non-current securities	3.7	4.2
Cost of borrowing	0.7	0.2
Other	2.4	2.7
Total	**14.4**	**11.1**

Equity investments

This line item predominantly consists of the carrying amount of the equity investment in Blue World Technologies, Aalborg, Denmark. The change was essentially due to the payment of the second installment of the purchase consideration of €3.7 million.

Non-current securities

This line item on the balance sheet includes securities in the form of equities and bonds. The securities are mainly used to hedge the pension obligations of the Group company DEUTZ Corporation, Atlanta, USA.

Cost of borrowing

The cost of borrowing directly associated with the working capital facility is accounted for as a non-current asset and is recognized in the income statement in installments over the capital commitment period. The financial debt (including the pro rata cost of borrowing) is recognized when the working capital facility is drawn down as a loan and is subsequently measured using the effective interest method.

16. DEFERRED TAXES, CURRENT TAX ASSETS AND LIABILITIES

At the balance sheet date, DEUTZ AG had unutilized tax losses carried forward of €752.4 million for corporation tax (2021: €801.9 million) and €862.1 million for trade tax (2021: €912.7 million). The figures disclosed in 2021 for tax loss carryforwards (corporation tax: €801.6 million; trade tax: €913.0 million) were restated as a result of the tax audit for previous years.

Further tax loss carryforwards were also available to international companies in the Group.

The following table gives a breakdown of the deferred tax assets and liabilities and the current tax assets and liabilities reported on the balance sheet:

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Non-current		
Deferred tax assets	101.3	88.6
Deferred tax liabilities	2.0	1.8
Current		
Current tax assets	1.7	5.9
Liabilities arising from income taxes	4.9	3.0

In 2022, the deferred tax assets net of deferred tax liabilities amounted to €101.3 million. They were largely the result of capitalizing deferred tax assets on tax losses carried forward and of temporary differences, particularly those between the carrying amount of provisions for pensions and other post-retirement benefits on the consolidated balance sheet and their tax base in the financial statements at DEUTZ AG. Deferred tax assets from items recognized in other comprehensive income amounted to €14.1 million (December 31, 2021: €22.8 million) for provisions for pensions and other post-retirement benefits and minus €0.1 million (December 31, 2021: €0.4 million) for measurement of cash flow hedges.

The following table shows the breakdown of deferred tax assets and liabilities:

€ million	**Dec. 31, 2022**		Dec. 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0.0	27.2	0.0	31.7
Property, plant and equipment	1.4	26.5	1.4	15.9
Investments	1.9	0.0	0.0	0.0
Inventories	14.4	0.0	9.5	0.1
Receivables and other assets	5.2	1.3	3.1	0.9
Pensions	7.7	0.1	17.7	0.5
Other liabilities	76.9	33.1	34.6	0.8
Tax loss carryforwards	80.0	0.0	70.4	0.0
Deferred taxes (gross)	**187.5**	**88.2**	**136.7**	**49.9**
Netting	86.2	86.2	48.1	48.1
Deferred taxes (net)	**101.3**	**2.0**	**88.6**	**1.8**

The tax asset in excess of deferred tax liabilities – for which tax planning indicates sufficient taxable profit will be available in the future – amounted to €101.3 million (December 31, 2021: €88.6 million).

The decrease in deferred taxes in respect of temporary differences, which was recognized in other comprehensive income, was €8.0 million as at December 31, 2022 (December 31, 2021: decrease of €2.8 million) and largely resulted from changes in provisions for pensions and other post-retirement benefits.

As at December 31, 2022, the DEUTZ Group had not recognized any deferred tax liabilities on temporary differences of €32.8 million (December 31, 2021: €35.8 million) in respect of untransferred profits from subsidiaries, associates, or joint ventures because the timing of the reversal of the differences can be controlled or the sums are mostly tax exempt and no material impact on taxes is expected in the near future.

Deferred tax assets are only recognized to the extent that sufficient future taxable income is likely to be generated over a certain planning period against which the as yet unused tax loss carryforwards can be offset. Consequently, as well as tax loss carryforwards on which deferred taxes have been recognized, there are loss carryforwards for which deferred taxes have not been recognized because the losses cannot be utilized. The following tables show the amounts and expiry dates of the tax loss carryforwards on which deferred taxes have not been recognized:

Loss carryforwards in the Group on which deferred taxes have not been recognized

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Corporation tax/solidarity surcharge	583.4	664.2
Trade tax	669.5	751.0

Thereof: expiry periods for German and international loss carryforwards in the Group

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Up to 5 years	0.0	0.1
Indefinite		
Corporation tax/ solidarity surcharge	583.4	664.2
Trade tax	669.5	750.9

The figures disclosed in 2021 for loss carryforwards on which deferred taxes had not been recognized in full (corporation tax: €663.9 million, trade tax: €751.4 million) were restated following the submission of tax returns.

17. INVENTORIES

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Raw materials, consumables, bought-in parts and spare parts	274.4	224.5
Work in progress	49.9	44.2
Finished goods	127.3	106.6
Total	**451.6**	**375.3**

The cost of materials came to €1,106.8 million in the year under review (2021: €908.7 million).

Write-downs on raw materials, bought-in parts, and spare parts totaled €4.8 million in the reporting year (2021: €3.4 million). As at December 31, 2022, the carrying amount of inventories written down to net realizable value was €134.1 million (December 31, 2021: €91.9 million).

The following table shows the change in the valuation allowance account for inventories:

€ million	**2022**	2021
Jan. 1	**48.8**	**44.9**
Changes	0.6	3.9
Dec. 31	**49.4**	**48.8**

18. RECEIVABLES AND OTHER ASSETS

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Trade receivables	196.1	140.6
Less write-downs	−9.9	−4.9
Trade receivables (net)	**186.2**	**135.7**
Other receivables and assets		
Receivables arising from other taxes	10.8	11.8
Bonuses and other receivables from suppliers	9.9	5.6
Receivables remaining after sale of receivables	4.4	4.5
Receivables arising from investment grants	4.7	5.6
Prepayments	3.2	2.9
Receivables arising from reimbursements	2.5	1.0
Receivables due from investments	1.5	2.2
thereof trade receivables	1.5	2.2
thereof other receivables	0.0	0.0
Derivative financial instruments	0.8	0.0
Advances paid	0.9	0.7
Sundry other receivables	12.0	6.0
Total	**50.7**	**40.3**

As at December 31, 2022, the volume of receivables sold under factoring agreements was €171.6 million (December 31, 2021: €133.8 million). Not all the opportunities and risks connected with title to the receivables that were sold were transferred to the factor. While the entire credit risk was transferred, a risk of late payment remains for trade receivables of €1.1 million that were sold. This risk was mitigated by recognizing a liability in the corresponding amount. The fair values of the receivables transferred and the related liabilities amounted to €171.6 million and €1.1 million respectively. The net value of the receivables transferred was €170.5 million. The total carrying amount of the receivables before they were transferred as part of factoring arrangements stood at €356.7 million. An amount of €186.2 million continues to be recognized. The remaining exposure in respect of the receivables that have been transferred is largely limited to the administration and collection of these receivables. As at December 31, 2022, the Group had access to factoring lines totaling €250.0 million (December 31, 2021: €220.0 million). They are revolving lines. In 2022, interest expense of €1.6 million (2021: €0.9 million) was recognized in connection with the sale of receivables.

As at December 31, 2022, there were receivables amounting to €4.4 million due from one factor (December 31, 2021: €4.5 million) in connection with the sale of receivables. The fair value of these receivables was also €4.4 million (December 31, 2021: €4.5 million). The risk arising from the factoring transaction was the credit risk of the factor, which was lower than the credit risk of the original debtors. The maximum downside risk as at December 31, 2022 was limited to the amount receivable of €4.4 million (December 31, 2021: €4.5 million).

Trade receivables had been written down by an amount of €5.8 million as at December 31, 2022 (December 31, 2021: €4.9 million). The table showing the change in the valuation account can be found in Note 26.

If other receivables or assets are found to be impaired, a direct write-down is applied to the relevant carrying amounts. Total impairment losses of €9.2 million were recognized on other receivables and assets as at December 31, 2022 (December 31, 2021: €9.2 million). The table showing the change in the valuation account can be found in Note 26.

There were no contract assets arising from contracts with customers as at December 31, 2022 or as at December 31, 2021.

19. CASH AND CASH EQUIVALENTS

As at December 31, 2022, cash and cash equivalents including cash on hand, short-term deposits, and credit balances with banks amounted to €54.9 million (December 31, 2021: €36.1 million). There were no access restrictions, as had also been the case in the previous year.

20. EQUITY

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	0.6	3.7
Retained earnings and accumulated income	330.4	246.9
Equity attributable to the shareholders of the parent	668.8	588.4
Total	**668.8**	**588.4**

Issued capital

At the end of 2022, the issued capital (share capital) of DEUTZ AG amounted to €308,978,241.98 (unchanged on the end of 2021) and was divided into 120,861,783 no-par-value bearer shares (also unchanged).

Additional paid-in capital

The additional paid-in capital contains premiums and contributions from shareholders as well as the equity component of compound financial instruments such as non-interest-bearing convertible profit-sharing rights and low-interest-bearing convertible bonds. The value of the conversion right linked to previous profit-sharing rights and bonds was recognized in equity on the issue date at fair value less pro rata transaction costs, taking account of deferred taxes.

No such compound financial instruments were in issue, either in 2022 or in 2021.

Other reserves

Currency translation Translation differences allocated to the shareholders of DEUTZ AG arising from the translation of equity at historical rates and the translation of the net income or loss at average rates for the year are reported under accumulated other comprehensive income/loss. The cumulative gain on translation differences recognized in other reserves amounted to €5.0 million as at the end of 2022 (December 31, 2021: gain of €4.7 million recognized).

Fair value reserve This reserve is used for the recognition of changes in the fair value of available-for-sale financial instruments. That portion of the gain or loss on a cash flow hedging instrument determined to be an effective hedge is also recognized in the fair value reserve.

Retained earnings and accumulated income

This item includes DEUTZ AG's legal reserve of €4.5 million (December 31, 2021: €4.5 million).

Non-controlling interests

There were no non-controlling interests in existence either in the reporting year or in the comparative period.

Dividend

According to the German Stock Corporation Act (AktG), the dividend is paid from the accumulated income reported in the annual financial statements of DEUTZ AG prepared in accordance with the German Commercial Code (HGB). In 2022, DEUTZ AG distributed a dividend of €18.1 million to its shareholders (€0.15 per share) from the accumulated income reported as at December 31, 2021.

The Board of Management proposes using €18.9 million of the accumulated income reported by DEUTZ AG as at December 31, 2022 to pay a dividend of €0.15 per no-par-value share.

Authorized capital

Authorized capital I

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 25, 2023 on one or more occasions in installments through the issue of up to 36,258,534 new no-par-value bearer shares for cash by up to a total amount of €92,693,470.30. Pre-emption rights must be granted to existing shareholders. Pursuant to section 203 (1) sentence 1 and section 186 (5) AktG, the new shares may be transferred to one or more banks or to a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) of the German Banking Act (KWG) subject to an undertaking by the bank(s) or company to offer the shares to existing shareholders (indirect pre-emption right). However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply the pre-emption rights of shareholders for fractional amounts arising on the calculation of pre-emption rights.

The nominal amount of the as-yet unutilized authorized capital I was €92,693,470.30 as at December 31, 2022.

Authorized capital II

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 25, 2023 on one or more occasions in installments through the issue of up to 24,172,356 new no-par-value bearer shares for cash and/or non-cash contribution by up to a total amount of €61,795,646.86. Pre-emption rights must be granted to existing shareholders. Pursuant to section 203 (1) sentence 1 and section 186 (5) AktG, the new shares may be transferred to one or more banks or to a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) KWG subject to an undertaking by the bank(s) or company to offer the shares to existing shareholders (indirect pre-emption right). However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply the pre-emption rights of the existing shareholders

a) for fractional amounts;

b) for capital increases against non-cash contributions, in particular

(I) when issuing new shares for mergers or acquisitions of entities, parts of entities, or equity investments in entities, including increases in existing shareholdings or other assets eligible as capital contributions in connection with such acquisition plans, including receivables from the Company,

(II) when acquiring other assets or claims to the acquisition of assets, and

(III) when carrying out a so-called scrip dividend, where shareholders are offered the option of exchanging their rights to a dividend (wholly or in part) for new shares;

c) for cash contributions, if the issue price of the shares is not significantly below the market price of the existing publicly listed shares in the Company on the date the final issue price is fixed;

d) in order to grant holders or creditors of bonds with option or conversion rights to shares of the Company or with option or conversion obligations (where such bonds are issued or are to be issued in the future by the Company or by one of its direct or indirect majority shareholdings) a pre-emption right to the same amount of new shares in the Company that they would be entitled to as a shareholder following the exercise of their option or conversion rights or after fulfilling option or conversion obligations.

The total shares issued subject to a disapplication of pre-emption rights against cash and/or non-cash contributions must not exceed 20 percent of the issued capital either at the time this authorization becomes effective or at the time this authorization is utilized, if the amount of issued capital is lower. The aforementioned 20 percent limit includes shares that are sold or issued during the term of this authorization on the basis of all other authorizations under disapplication of pre-emption rights ('disapplication limit'), with the exception of a disapplication of pre-emption rights for fractional amounts. An issue of shares in this sense also includes the issue or creation of option or conversion rights or obligations in respect of the Company's shares from bonds issued by the Company or by its direct or indirect majority shareholdings, if the bonds are issued on the basis of an appropriate authorization during the term of this authorization, disapplying pre-emption rights. If another authorization for a disapplication of shareholders' pre-emption rights that was exercised during the term of this authorization is renewed by the Annual General Meeting, however, the disapplication limit will not apply to the extent that the renewed authorization permits the issue of shares with disapplication of pre-emption rights.

The total of the shares issued for cash with the disapplication of pre-emption rights pursuant to c) must not exceed 10 percent of the issued capital at the time the issue becomes effective or – if lower – 10 percent of the issued capital existing at the time this authorization is exercised.

The aforementioned 10 percent limit includes shares that are sold or issued (with the disapplication of pre-emption rights, 'disapplication limit') during the term of this authorization on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 AktG. This restriction also includes shares that have been or will be issued in order to service bonds with conversion rights, option rights or conversion or option obligations in so far as the bonds are issued (with the disapplication of pre-emption rights) by the Company or a direct or indirect majority shareholding during the term of this authorization in application, with the necessary modifications, of section 186 (3) sentence 4 AktG. If another authorization for a disapplication of shareholders' pre-emption rights that was exercised during the term of this authorization is renewed by the Annual General Meeting, the disapplication limit will cease to apply to the extent that the renewed authorization permits the issue of shares (with the disapplication of pre-emption rights) in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 AktG.

The Board of Management is further authorized, with the consent of the Supervisory Board, to specify the further content of the share rights and the terms of the share issue for implementing any capital increases under authorized capital II.

The nominal amount of the as-yet unutilized authorized capital II was €61,795,646.86 as at December 31, 2022.

21. PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

DEUTZ AG has both defined contribution plans and defined benefit plans for its employees.

Defined contribution plans

Employees in Germany receive statutory social insurance benefits for which contributions are paid as part of income. At DEUTZ, there are also further direct insurance policies that are financed by employees. These plans are treated as defined contribution plans because the Company has no obligation beyond the payment of contributions to private insurers. Ongoing contribution payments are reported as an expense for the period concerned.

The employer's contribution to the German statutory pension insurance scheme in 2022 came to €19.2 million (2021: €18.4 million). In addition, a further €1.7 million (2021: €1.9 million) was paid for pension and direct insurance policies in connection with deferred compensation.

Defined benefit plans

The DEUTZ Group maintains several defined benefit pension plans in Germany and abroad. The largest pension plans are in Germany and the UK. Together, they accounted for more than 95 percent of defined benefit obligations and 100 percent of plan assets, as had also been the case in 2021.

In all, there are four defined benefit pension plans in Germany. While three of the plans are employer funded, the fourth is a deferred compensation plan. As a rule, the employer-funded pension plans comprise a general employee retirement pension for life, a disability pension, and a surviving dependants' pension. The level of the monthly pension paid under the employer-funded pension plans is based on earned income and years of service in the DEUTZ Group. Since the pension plans were frozen in 1995, employees can no longer acquire any further employer-funded pension entitlements. In the case of the deferred compensation plan, the Company has taken out a reinsurance policy with a life insurance company based on the amount of salary contribution and undertakes to pay a pension based on the guaranteed capital that has been underwritten. In Germany, occupational pension schemes are governed by the Occupational Pensions Act (BetrAVG), according to which the DEUTZ Group has sole responsibility for meeting the requirements of defined benefit pension plans. The normal retirement age is 67.

The existing defined benefit plan in the UK entitles pension beneficiaries to a pension that depends on the level of their basic salary and the number of eligible years of service. However, since the pension plans were frozen in 2016, no employees can now acquire any further employer-funded pension entitlements. The retirement age is between 62 and 65. The annual pension paid is between 1/55 and 1/60 of the highest basic salary received in the final five years of service for each eligible year of service. The pension plan is primarily funded by converting pension beneficiaries' basic salary and employer contributions into plan assets. The DEUTZ Group undertakes to compensate for any shortfall in the scheme. Every year, the amount for which the Company is liable is determined with reference to a report by an independent pensions actuary.

According to legislation in the UK, the pension plan, including the plan assets, must be administered by independent trustees. The investment policy for the pension plan specifies that the accumulated plan assets must be invested in such a way as to strike the optimum balance between equity instruments and debt instruments from a risk and reward perspective in the current market situation. This investment strategy is specifically intended to counteract capital market risk and the associated risk of mismatches between the Company's payment obligations arising from the pension plan on the one hand and the plan assets on the other.

In connection with the defined benefit pension plans, the Group is exposed to capital market risk arising from its investment of the plan's assets in addition to general actuarial risks such as interest-rate risk, the risk of rising annuity rates, and longevity risk.

Funded status of pension plans

€ million	**2022**	2021
Pension plans in Germany		
Present value of defined benefit obligation	97.0	134.0
Fair value of plan assets	5.2	6.1
Deficit (net liability)	**91.8**	**127.9**
Pension plans in the UK		
Present value of defined benefit obligation	16.6	30.7
Fair value of plan assets	16.6	27.3
Deficit (net liability)	**0.0**	**3.4**
Other pension plans		
Present value of defined benefit obligation	5.2	6.5
Fair value of plan assets	0.0	0.0
Deficit (net liability)	**5.2**	**6.5**
Total		
Present value of defined benefit obligation	118.9	171.2
Fair value of plan assets	21.8	33.4
Deficit (net liability)	**97.1**	**137.8**

The following table shows the breakdown of separate groups to which the pension plans in Germany and the UK have obligations to pay benefits:

Breakdown of defined benefit obligation by beneficiary

€ million	**2022**	2021
Pension plans in Germany		
Active members	6.3	8.5
Deferred members	1.6	3.5
Pensioners	89.2	122.0
Present value of defined benefit obligation	**97.1**	**134.0**
Pension plans in the UK		
Active members	0.0	0.0
Deferred members	7.9	16.3
Pensioners	8.7	14.4
Present value of defined benefit obligation	**16.6**	**30.7**

The change in the net liability for defined benefit pension plans is shown in the table below:

Change in the net liability for defined benefit pension plans

€ million	**2022**	2021
Net liability as at Jan. 1	**137.8**	**160.4**
Amounts recognized in the income statement	0.9	0.3
Amounts recognized in other comprehensive income	–30.6	–11.2
Employer contributions	–0.5	–0.5
Pension benefits paid	–11.0	–11.5
Effects of changes in foreign exchange rates	0.5	0.3
Changes to basis of consolidation	0.0	0.0
Net liability as at Dec. 31	**97.1**	**137.8**

The following table shows the change in the present value of the defined benefit obligation:

Change in present value of defined benefit obligation

€ million	**2022**	2021
Defined benefit obligation as at Jan. 1	**171.2**	**190.6**
Service cost	0.0	0.0
Employee contributions	0.0	0.2
Interest expense	1.3	0.6
Unrecognized past service cost	0.0	0.0
Remeasurements	–40.1	–9.9
thereof: experience adjustments	–1.6	–2.2
thereof: actuarial (gains)/losses arising from changes in biometric assumptions	–1.7	–0.3
thereof: actuarial (gains)/losses arising from changes in financial assumptions	–36.8	–7.4
Effects of changes in foreign exchange rates	–0.8	2.1
Pension benefits paid	–12.7	–12.4
Changes to basis of consolidation	0.0	0.0
Defined benefit obligation as at Dec. 31	**118.9**	**171.2**

As at December 31, 2022, the weighted average life of the bulk of the defined benefit obligation was 7.3 years (December 31, 2021: 9.0 years).

The following two tables show the change in the fair value of the plan assets and the breakdown of the plan assets:

Change in fair value of plan assets

€ million	2022	2021
Fair value of plan assets at Jan. 1	**33.4**	**30.2**
Employer contributions	0.5	0.5
Employee contributions	0.0	0.2
Interest income	0.5	0.3
Return on (+)/expenses (–) from plan assets (excl. interest income)	–9.5	1.3
Pensions paid from plan assets	–1.8	–0.9
Currency translation differences	–1.3	1.8
Other	0.0	0.0
Fair value of plan assets at Dec. 31	**21.8**	**33.4**

Breakdown of plan assets

€ million	2022	2021
Cash and cash equivalents	0.0	0.0
Equity instruments (by region)		
UK	1.0	4.1
Europe (excl. UK)	0.6	2.5
North America	0.7	3.0
Japan	0.3	1.2
Asia-Pacific	0.4	1.2
Other	0.5	1.7
	3.5	**13.7**
Debt instruments		
Government bonds	7.5	4.6
Corporate bonds	5.6	9.0
	13.1	**13.6**
Reinsurance policies	5.2	6.1
Total	**21.8**	**33.4**

Market prices were available for all the equity and debt instruments because they are traded in active markets.

In view of the objective of protecting capital, the investment strategy is primarily aimed at achieving a balanced regional allocation for the investments and a combination of equity instruments and debt instruments.

The breakdown of the portions of the net pension cost recognized in current income and expense for 2022 and 2021 is as follows:

Net pension cost

€ million	2022	2021
Unrecognized past service cost	0.0	0.0
Net interest cost	0.9	0.3
Total	**0.9**	**0.3**

The actual return on plan assets in 2022 amounted to €4.0 million (2021: €1.6 million).

The measurement of pension obligations is based on actuaries' reports. The tables below show the main actuarial assumptions underlying the calculations for the defined benefit obligation as at the balance sheet date. The discount rates and pension increases are reported in the form of weighted averages.

Actuarial assumptions

%	2022	2021
Discount rate		
Germany	3.84	0.58
UK	5.00	1.80
Rate of pension increase		
Germany	2.00	1.75
UK	2.60	2.10

Mortality tables

Germany	Heubeck 2018G mortality tables
UK	S1 YoB (standard mortality tables for self-administered plans taking into account future changes in mortality)

The following sensitivity analysis for each material actuarial assumption as at the balance sheet date shows the impact that potential changes in the assumptions at the relevant balance sheet date would have on the defined benefit obligations in Germany and the UK.

Sensitivity analysis

2022	Impact on defined benefit obligation of	
€ million		
	0.5 % rise	0.5 % fall
in discount rate		
Germany	−3.2	3.4
UK	−1.1	1.1
in rate of pension increase		
Germany	3.4	−3.2
UK	0.7	−0.6

Sensitivity analysis

2021	Impact on defined benefit obligation of:	
€ million		
	0.5 % rise	0.5 % fall
in discount rate		
Germany	−5.5	6.0
UK	−2.6	2.8
in rate of pension increase		
Germany	5.9	−5.4
UK	2.0	−1.7

Furthermore, we also believe it is possible that the life expectancy of eligible DEUTZ employees will change. If the life expectancy of eligible DEUTZ employees had risen by one year, the increases in the defined benefit obligation arising from the pension plans in Germany and the UK as at December 31, 2022 would have been €8.9 million and €0.5 million respectively (December 31, 2021: €14.5 million and €1.1 million respectively).

The sensitivity calculations are based on the average duration of the pension obligations calculated as at November 30, 2022. In order to highlight the impact on the present value of the defined benefit obligations calculated as at December 31, 2022 separately, the calculations were carried out for each of the actuarial parameters deemed to be material and capable of changing.

Future cash flows

For 2023, the DEUTZ Group forecasts that its payments into pension plans will amount to €0.5 million (2022: €0.5 million). The following table shows the expected future benefit payments arising from defined benefit obligations:

Expected benefit payments

€ million	Dec. 31, 2022
2023	11.5
2024	10.9
2025	10.3
2026	9.6
2027	9.1
2028 – 2032	38.1

Expected benefit payments

€ million	Dec. 31, 2021
2022	12.5
2023	11.7
2024	11.0
2025	10.5
2026	9.9
2027 – 2031	41.4

22. OTHER PROVISIONS

The following table gives a breakdown of other provisions:

€ million	**2022**			2021		
	Total	**Residual term of up to 1 year**	**Residual term of more than 1 year**	Total	Residual term of up to 1 year	Residual term of more than 1 year
Warranties	47.2	35.6	11.6	45.3	33.4	11.9
Obligations to employees	37.5	23.6	13.9	34.1	17.8	16.3
Restructuring	1.8	1.1	0.7	8.3	5.3	3.0
Onerous contracts	12.1	12.1	0.0	20.6	20.6	0.0
Other	11.5	9.3	2.2	10.7	8.5	2.2
Total	**110.1**	**81.7**	**28.4**	**119.0**	**85.6**	**33.4**

The majority of the outflow of cash in connection with the provisions is expected to have materialized by 2025.

Other provisions are recognized at their settlement value calculated as at the balance sheet date and take account of projected cost increases. Non-current provisions are discounted at a rate of 4.1 percent (December 31, 2021: 1.2 percent).

Other provisions cover all identifiable risks and other contingent liabilities. The main items are the cost of warranties and potential risks, provisions for obligations to employees, and onerous contracts. Warranty provisions are recognized for repair or replacement obligations in the event of manufacturing defects or other product defects, free reworking or replacements, purchase price reductions, and compensation for non-performance; they also include general provisions recognized for revenue in respect of which the warranty period had not expired by the reporting date. Provisions for obligations to employees predominantly consist of provisions for early retirement, pre-retirement part-time employment, bonuses, incentives, personnel obligations under share-based payment programs, and profit-sharing. Restructuring provisions relate to obligations under the program to optimize the network of sites and obligations under the Transform for Growth restructuring program. Onerous contracts include losses in relation to orders on hand. The other provisions essentially relate to obligations arising from legal risk and obligations under public law.

The following table shows the changes to other provisions in 2022:

€ million	Warranties	Obligations to employees	Restructuring	Onerous contracts	Other	**Total**
Jan. 1, 2022	**45.3**	**34.1**	**8.3**	**20.6**	**10.7**	**119.0**
Additions	10.2	29.7	0.4	0.0	3.3	43.6
Currency translation differences	0.2	0.0	0.0	0.0	0.1	0.3
Amounts utilized	−7.1	−23.7	−4.6	0.0	−2.2	−37.6
Reversals	−1.4	−1.6	−2.3	−8.5	−0.4	−14.2
Additions to basis of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Effect of changes in interest rates	0.0	−0.1	0.0	0.0	0.0	−0.1
Reclassifications	0.0	−0.9	0.0	0.0	0.0	−0.9
Dec. 31, 2022	**47.2**	**37.5**	**1.8**	**12.1**	**11.5**	**110.1**

23. FINANCIAL DEBT

€ million	Dec. 31, 2022				Dec. 31, 2021			
	Total	**Residual term of up to 1 year**	**Residual term of 1–5 years**	**Residual term of more than 5 years**	Total	Residual term of up to 1 year	Residual term of 1–5 years	Residual term of more than 5 years
Liabilities to banks	123.9	123.9	0.0	0.0	53.7	50.5	3.2	0.0
Lease liabilities	94.6	17.8	46.1	30.7	61.3	15.9	39.2	6.2
Other financial debt	0.6	0.2	0.3	0.1	0.8	0.2	0.5	0.1
Total	**219.1**	**141.9**	**46.4**	**30.8**	**115.8**	**66.6**	**42.9**	**6.3**

Liabilities to banks

Current liabilities to banks mainly comprised syndicated loans amounting to €110.0 million (December 31, 2021: €34.4 million).

The syndicated working capital facility had been drawn down in an amount of €110.0 million as at December 31, 2022. This revolving line of credit, provided by a consortium of banks, has been extended by three years until 2027. The total volume has been increased from €160 million to €250 million. The line of credit has a floating interest rate and is unsecured. DEUTZ also has access to three bilateral credit lines, each in an amount of €25 million, which run until March 2024 and are also unsecured and floating-rate facilities. As part of its contractual agreements, DEUTZ has undertaken to comply with certain financial covenants (ratio of financial debt to equity and ratio of financial debt to EBITDA).

Banco Bilbao Vizcaya Argentaria has also granted loans via our Spanish subsidiary; they have a total remaining balance of €3.2 million. The fixed interest rates on the loans are 1.30 percent, 0.70 percent, and 0.65 percent. Loans with a total remaining balance of €0.5 million were used for capital expenditure in Spain. The resulting finance costs up to an interest rate of 3.0 percent are reimbursed by the Spanish government as part of a subsidy program.

In addition, our Chinese subsidiary DEUTZ Shanghai has agreed a credit line with the HSBC Shanghai branch totaling CNY 100 million (€13.6 million), of which CNY 69.6 million (€9.5 million) had been drawn down as at the balance sheet date.

Lease liabilities

The increase in lease liabilities was mainly attributable to the extension of leases for leased property and to new property leases. Further details about the right-of-use assets and lease liabilities recognized can be found in Note 25 in these notes to the financial statements.

Other financial debt

Other financial debt comprises an interest-free government loan.

The fair value of financial debt is described in Note 26.

The weighted average interest rates (after hedging) of the financial debt are:

%	**Dec. 31, 2022**	Dec. 31, 2021
Liabilities to banks	2.87	1.23
Lease liabilities	3.12	2.40
Other financial debt	0.00	0.00

The liabilities to banks were denominated in euros or renminbi. Other financial debt was denominated in euros. Most of the current and non-current lease liabilities were denominated in euros, US dollars, or renminbi.

The level of financial debt changed as follows over the course of 2022:

€ million	Jan. 1, 2022	Cash changes	Non-cash changes: Acquisition of companies	Exchange rate effects	Fair value changes	Other changes	Dec. 31, 2022
Non-current financial debt							
Liabilities to banks	3.2					–3.2	0.0
Lease liabilities	45.4		0.0	0.0		31.4	76.8
Other financial debt	0.6					–0.2	0.4
Total non-current financial debt	**49.2**	**0.0**	**0.0**	**0.0**	**0.0**	**28.0**	**77.2**
Current financial debt							
Liabilities to banks	50.5	70.2				3.2	123.9
Lease liabilities	15.9	–16.6	0,0	0.1		18.4	17.8
Other financial debt	0.2	–0.2				0.2	0.2
Total current financial debt	**66.6**	**53.4**	**0.0**	**0.1**	**0.0**	**21.8**	**141.9**
Total financial debt	**115.8**	**53.4**	**0.0**	**0.1**	**0.0**	**49.8**	**219.1**

€ million	Jan. 1, 2021	Cash changes	Non-cash changes: Acquisition of companies	Exchange rate effects	Fair value changes	Other changes	Dec. 31, 2021
Non-current financial debt							
Liabilities to banks	13.5					–10.3	3.2
Lease liabilities	44.0			1.6		–0.2	45.4
Other financial debt	0.8					–0.2	0.6
Total non-current financial debt	**58.3**	**0.0**	**0.0**	**1.6**	**0.0**	**–10.7**	**49.2**
Current financial debt							
Liabilities to banks	76.0	–35.8				10.3	50.5
Lease liabilities	14.0	–15.6		0.4		17.1	15.9
Other financial debt	0.2	–0.2				0.2	0.2
Total current financial debt	**90.2**	**–51.6**	**0.0**	**0.4**	**0.0**	**27.6**	**66.6**
Total financial debt	**148.5**	**–51.6**	**0.0**	**2.0**	**0.0**	**16.9**	**115.8**

24. TRADE PAYABLES AND OTHER LIABILITIES

€ million	Dec. 31, 2022	Dec. 31, 2021
Trade payables	**291.5**	**257.8**
Other liabilities		
Personnel-related liabilities	20.8	13.6
Price reduction liabilities	18.2	18.5
Liabilities to customers and factors	12.2	8.6
Advances received	4.9	3.1
Liabilities to investments	3.8	4.2
Liabilities arising from other taxes	6.6	4.9
Derivative financial instruments	0.6	1.3
Sundry other liabilities	14.8	12.3
Total	**81.9**	**66.5**

The other liabilities include current contract liabilities arising from contracts with customers:

€ million	Dec. 31, 2022	Dec. 31, 2021
Liabilities from discounts granted	18.2	18.5
Advances received	4.9	3.1
Total	**23.1**	**21.6**

In the reporting period, revenue of €1.9 million was recognized that, at the beginning of the reporting period, had been included as advances received in the balance of contract liabilities (2021: €2.8 million).

The Company had unfulfilled performance obligations amounting to €0.1 million as at the reporting date (December 31, 2021: no significant unfulfilled performance obligations).

NOTES TO THE CASH FLOW STATEMENT

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, short-term deposits, and credit balances held with banks.

Dividend income of €1.0 million was included in cash flow from operating activities (2021: €0.7 million).

Investing activities in respect of investments came to €3.7 million and related to the investment of €3.7 million in Blue World Technologies, Aalborg, Denmark, as part of the second tranche of investment.

Cash flow from financing activities included the dividend paid to the shareholders of DEUTZ AG for 2021, amounting to €18.1 million.

Cash and cash equivalents had risen by €18.8 million to €54.9 million at the end of 2022 (December 31, 2021: €36.1 million).

SEGMENT REPORTING

With effect from January 1, 2022, DEUTZ put a new reporting structure in place and introduced the Classic and Green segments. The following table provides an overview of the segments in the DEUTZ Group for 2022 and 2021. The segment figures for the prior year have been adjusted to reflect the new reporting structure.

2022	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	1,889.4	64.0	**1,953.4**	0.0	**1,953.4**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**1,889.4**	**64.0**	**1,953.4**	**0.0**	**1,953.4**
Depreciation and amortization	88.1	5.5	**93.6**	0.0	**93.6**
Impairment of property, plant and equipment and intangible assets	0.3	0.0	**0.3**	0.0	**0.3**
Reversals of impairment losses on property, plant and equipment and intangible assets	0.0	0.0	**0.0**	0.0	**0.0**
Profit/loss on equity-accounted investments	–3.7	0.0	**–3.7**	0.0	**–3.7**
Income from the reversal of provisions	10.8	0.0	**10.8**	0.0	**10.8**
Adjusted EBIT (EBIT before exceptional items)	128.1	–39.2	**88.9**	0.5	**89.4**

2021	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	1,563.4	53.9	**1,617.3**	0.0	**1,617.3**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**1,563.4**	**53.9**	**1,617.3**	**0.0**	**1,617.3**
Depreciation and amortization	87.5	5.1	**92.6**	0.0	**92.6**
Impairment of property, plant and equipment and intangible assets	0.8	0.0	**0.8**	0.0	**0.8**
Reversals of impairment losses on property, plant and equipment and intangible assets	–4.4	0.0	**–4.4**	0.0	**–4.4**
Profit/loss on equity-accounted investments	–0.8	0.0	**–0.8**	0.0	**–0.8**
Income from the reversal of provisions	0.5	0.0	**0.5**	0.0	**0.5**
Adjusted EBIT (EBIT before exceptional items)	58.7	–22.4	**36.3**	0.9	**37.2**

Reconciliation from overall profit of the segments to net income

€ million	2022	2021
Overall profit of the segments	**88.9**	**36.3**
Consolidation	0.5	0.9
Operating profit (EBIT before exceptional items)	**89.4**	**37.2**
Exceptional items	– 6.8	–3.1
EBIT	**82.6**	**34.1**
Financial income, net	– 6.8	–5.0
Net income before income taxes	**75.8**	**29.1**
Income taxes	4.4	9.1
Net income	**80.2**	**38.2**

External segment reporting is based on intragroup corporate management and internal financial reporting and, in line with the nature of the products and services offered, covers the following reportable operating segments:

DEUTZ Classic This segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines, the related service business, and the equity-accounted joint venture with SANY.

DEUTZ Green This segment encompasses business involving all-electric and hybrid drives, hydrogen-powered drive solutions, mobile rapid charging stations, and the development of battery management hardware and software.

The designation of a business area as an operating segment is based on internal reporting by segment regularly used by the Board of Management to monitor performance and allocate resources. When the DEUTZ Classic reporting segment was defined, the activities related to the development, production, distribution, and maintenance of diesel and gas engines, as well as the related service business, were grouped together. The Green segment comprises all activities of the Torqeedo and Futavis subsidiaries, electric and hydrogen-powered drive solutions, mobile rapid charging stations, and the related service business.

The measurement principles applied to the DEUTZ Group's segment reporting are based on the IFRS principles applied in the consolidated financial statements. The Board of Management, in its capacity as the senior decision-making body, assesses the performance of the segments in terms of their adjusted EBIT (EBIT before exceptional items). If entities included in the consolidated financial statements using the equity method are directly attributable to a particular segment, the relevant share of the net income or loss for the period is reported under that segment. Finance costs, financial income, and income taxes are reported for the DEUTZ Group as a whole and are not allocated to individual operating segments. External revenue constitutes the revenue that the segments generate from their customers. Revenue generated between segments – where relevant – is reported as intersegment revenue. Transfers between segments are reported at fair value.

Information about products and services

€ million	2022	2021
Engines	1,439.6	1,160.3
Service	449.8	403.1
DEUTZ Classic	**1,889.4**	**1,563.4**
DEUTZ Green	**64.0**	**53.9**
Total	**1,953.4**	**1,617.3**

Geographical information about external revenue

€ million	2022	2021
Germany	**386.0**	**324.8**
Outside Germany	**1,567.4**	**1,292.5**
Rest of Europe	746.7	648.8
Middle East	29.2	20.5
Africa	36.9	36.5
Americas	442.2	294.6
Asia-Pacific	312.4	292,1
Total	**1,953.4**	**1,617.3**

Of the European countries outside Germany, Switzerland accounted for €175.0 million in the reporting year (2021: €167.6 million), Italy for €136.6 million (2021: €101.2 million), France for €125.8 million (2021: €106.3 million), and Sweden for €122.4 million (2021: €106.3 million).

Only one customer accounted for 10 percent or more of total revenue in both 2022 and 2021. The revenue from this customer amounted to €254.6 million (2021: €256.7 million) and was reported predominantly in the Classic segment.

Geographical information about non-current assets

€ million	**Dec. 31, 2022**	Dec. 31, 2021
Germany	466.6	446.7
Outside Germany	148.0	150.7
Total	**614.6**	**597.4**

The non-current assets comprise property, plant and equipment, goodwill, miscellaneous intangible assets, and equity-accounted investments. They are presented by location of the consolidated entity.

OTHER INFORMATION

25. LEASES

The DEUTZ Group has leases in which it acts as lessee for land and buildings (used for office space, warehousing, and manufacturing), technical equipment and machines, office furniture and equipment, and vehicles. It has also entered into short-term leases with a total term of no more than twelve months and leases where the value of the underlying assets does not exceed €5,000. A practical expedient has been applied to these leases, as a result of which the lease payments under these leases are recognized as an expense on a straight-line basis over the term of the lease. The DEUTZ Group also has leases in which it acts as lessor. These leasing activities predominantly relate to the renting out of parts of the Group's premises as office space. The overall volume of lease income is insignificant.

The following table shows the carrying amounts of the right-of-use assets and changes over the reporting period:

Right-of-use assets

€ million	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	**Total**
Balance at Jan. 1, 2022	**38.5**	**10.6**	**8.3**	**–**	**57.4**
Currency translation differences	0.4	0.0	0.0	–	0.4
Additions	51.2	1.3	1.7	–	54.2
Disposals	–4.0	–0.1	–0.4	–	–4.5
Changes to basis of consolidation	0.0	0.0	0.0	–	0.0
Reclassifications	0.0	0.0	0.0	–	0.0
Depreciation and impairment	–12.8	–4.3	–3.1	–	–20.2
Balance at Dec. 31, 2022	**73.3**	**7.5**	**6.5**	**–**	**87.3**

Right-of-use assets

€ million	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	**Total**
Balance at Jan. 1, 2021	**34.9**	**13.4**	**8.9**	**–**	**57.2**
Currency translation differences	0.7	1.0	0.0	–	1.7
Additions	14.4	0.1	3.2	–	17.7
Disposals	–0.2	0.0	–0.6	–	–0.8
Changes to basis of consolidation	0.0	0,0	0.0	–	0.0
Reclassifications	0.0	0.0	0.0	–	0.0
Depreciation and impairment	–11.3	–3.9	–3.2	–	–18.4
Balance at Dec. 31, 2021	**38.5**	**10.6**	**8.3**	**–**	**57.4**

In the reporting period, the total cash outflow for leases (including payments for short-term leases and low-value leased assets) was €19.3 million (2021: €18.0 million).

The following amounts were recognized in profit or loss in 2022:

€ million	2022	2021
Depreciation of right-of-use assets	20.2	18.4
Interest paid on lease liabilities	2.0	1.4
Expense for short-term leases	0.2	0.1
Expense for leases with low-value assets	0.5	0.9
Total amount recognized in profit or loss	**22.9**	**20.8**

A number of leases contain extension and/or termination options. These options provide the flexibility to adjust the leasing portfolio in the event of changed business requirements. Assessing the probability of the options being exercised requires significant judgments to be made. If, taking all facts and circumstances into account, the exercising of the options is regarded as highly probable, the options are deemed exercisable. In the event that facts or circumstances change, the probability of the options being exercised has to be reassessed. Until then, the liability recognized is deemed the best indicator of the future cash outflows. Details of future cash outflows in connection with leasing are presented in Note 26.

As at the balance sheet date, there was one lease in the asset class 'real estate' that was signed but not yet recognized. This will give rise to future payments of €0.3 million. As at the balance sheet date, there were no unrecognized residual value guarantees that may give rise to possible cash payments in the future. The leases entered into do not contain any clauses that restrict DEUTZ or require it to comply with certain key financial performance indicators. There were no variable lease payments in the reporting period. Furthermore, no right-of-use assets were subleased and no sale and leaseback transactions were entered into. The balance of short-term leases was zero as at December 31, 2022. The expense for short-term leases amounted to €0.2 million in the reporting period (2021: €0.1 million). An overview of the terms of the lease liabilities is shown in Note 23.

Extension options that were not factored into the measurement of lease liabilities because it is not reasonably certain that they will be exercised could result in future cash outflows of €27.7 million. These are extension options of up to ten years on property leases. Termination options that were not factored into the measurement of lease liabilities because it is not reasonably certain that they will be exercised could, if exercised, result in termination penalties of €1.7 million.

26. FINANCIAL RISK MANAGEMENT AND ADDITIONAL INFORMATION ON CAPITAL MANAGEMENT

Owing to its global business operations, the DEUTZ Group is exposed to various financial risks that can arise from adverse movements and trends in the international sales, procurement, interest-rate, and foreign-exchange markets. Information about the principles of risk management with regard to financial instruments can be found in the relevant section of the risk report in the DEUTZ Group's combined management report.

a) Liquidity risk

Prudent liquidity management includes the holding of a sufficient reserve of cash and cash equivalents, the option of obtaining funding through bank loans, and the ability to issue short-term and long-term capital market instruments. Because the business environment is constantly changing, the Treasury department aims to ensure that it has sufficient unused credit lines at its disposal at all times.

The management of liquidity risk in the DEUTZ Group has a number of components: annual planning with interim updates, rolling four-week planning updated weekly, and monthly planning updated monthly up to the end of the financial year. Liquidity risk is also assessed in the regular meetings of the Finance Committee.

In order to ensure sufficient liquidity, DEUTZ has at its disposal a syndicated, revolving cash credit line amounting to €250 million that runs until 2027 and three bilateral credit lines that are each for an amount of €25 million and run until March 2024. As part of the loan agreements, the Company is required to comply with certain covenants.

The liquidity analysis also provides information about contractually agreed interest payments and capital repayments in connection with financial liabilities as at the balance sheet date. As far as the utilization of revolving credit facilities was concerned, it was assumed that the amounts already drawn down by the balance sheet date would continue to apply until the facilities expire.

Dec. 31, 2022	2023 cash payments	2024–2027 cash payments	> 2027 cash payments	Total
€ million				
Lease liabilities	**–20.5**	**–52.2**	**–34.8**	**–107.5**
Primary financial instruments	**–123.3**	**0.0**	**0.0**	**–123.3**
Derivative financial instruments	**–0.9**	**0.0**	**0.0**	**–0.9**
Currency derivatives				
thereof settled gross: cash payments	–24.7	0.0	0.0	–24.7
thereof settled gross: cash receipts	23.8	0.0	0.0	23.8
thereof settled net	0.0	0.0	0.0	0.0
Interest rate derivatives				
Presentation of net cash flow	0.0	0.0	0.0	0.0

Dec. 31, 2021	2022 cash payment	2023–2026 cash payments	> 2026 cash payments	Total
€ million				
Lease liabilities	**–17.1**	**–41.0**	**–6.4**	**–64.5**
Primary financial instruments	**–50.6**	**–3.2**	**0.0**	**–53.8**
Derivative financial instruments	**–1.5**	**0.0**	**0.0**	**–1.5**
Currency derivatives				
thereof settled gross: cash payments	–37.8	0.0	0.0	–37.8
thereof settled gross: cash receipts	36.3	0,0	0.0	36.3
thereof settled net	0.0	0.0	0.0	0.0
Interest rate derivatives				
Presentation of net cash flow	0.0	0.0	0.0	0.0

b) Credit risk

Credit risk arises in relation to cash and cash equivalents, to the contractual cash flows from debt instruments measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, and to derivatives with a positive market value.

There are no significant concentrations of potential credit risk in the DEUTZ Group. With regard to cash and cash equivalents, DEUTZ works only with selected banks with at least an investment-grade rating. The risk from bad debts is restricted by constant monitoring and regular analysis of receivables and their breakdown. Receivables are to a large extent covered by credit insurance. Further measures, such as guarantees and creditworthiness checks, are used to protect against credit risk. The Group has also put in place procedures and guidelines to ensure that products and services are only sold to customers who have a satisfactory payment record. The maximum credit risk exposure is limited to the carrying amount in the case of trade receivables and other financial assets such as cash and cash equivalents, available-for-sale financial assets, and derivative financial instruments. Credit risk in connection with financial instruments is limited by careful selection of counterparties.

As at December 31, 2022, the bulk of the DEUTZ Group's trade receivables were insured with the COFACE Group. There is usually an obligation to the trade credit insurance association (WKV) or, where applicable, the German government's export credit guarantee scheme (APG) to meet defaults on the receivables unless they are secured by letters of credit confirmed by a bank or similar instruments. DEUTZ does not produce any standardized credit rating for its customers itself but usually sets the maximum customer exposure in accordance with the level of cover provided by the credit insurance agency. In addition, we have received collateral in the form of payment guarantees amounting to €1.0 million (December 31, 2021: €2.0 million) for foreign trade receivables.

Impairment of financial assets

The model of expected credit losses is applied to the following types of financial asset in the Group:

1. Trade receivables

2. Debt instruments measured at amortized cost

3. Debt instruments measured at fair value through other comprehensive income

Although cash and cash equivalents are also subject to the impairment rules of IFRS 9, the identified impairment loss was negligible.

1. Trade receivables

The Group applies the simplified approach in line with IFRS 9 to calculate the expected credit losses. Under this approach, the lifetime expected credit losses are calculated for all unsold trade receivables measured at amortized cost. Expected losses on receivables not sold under factoring agreements and not insured are calculated using the current external credit ratings of the relevant debtors, taking into account the Group's own experience. The individual receivables are initially assigned to one of two categories on the basis of defined criteria such as credit rating or age structure. For category 1 receivables, which according to the defined criteria have a lower credit risk, the default rates assigned to the credit ratings are used to calculate the expected losses. Category 2 receivables have a higher level of risk according to the criteria and a specific value adjustment is recognized.

Impairment losses on trade receivables that were identified using this method were as follows:

Dec. 31, 2022	Category 1	Category 2	**Total**
€ million			
Gross carrying amount of trade receivables	178.1	13.0	**191.1**
Impairment	1.1	8.8	**9.9**

Dec. 31, 2021	Category 1	Category 2	**Total**
€ million			
Gross carrying amount of trade receivables	128.6	7.8	**136.4**
Impairment	1.2	3.7	**4.9**

The following tables show the changes in impairment losses on trade receivables in 2022 and 2021:

€ million	
Jan. 1, 2022	**4.9**
Changes to basis of consolidation	0.0
Additions	1.5
Utilized	–0.2
Reversals	–0.4
Dec. 31, 2022	**5.8**

€ million	
Jan. 1, 2021	**4.8**
Changes to basis of consolidation	0.0
Additions	0.5
Utilized	–0.3
Reversals	–0.1
Dec. 31, 2021	**4.9**

Trade receivables are derecognized when it is reasonable to assume that they are no longer realizable. A debtor refusing to agree on a repayment plan with the Group or a debtor filing for insolvency are among the indicators that a receivable is unlikely to be realized.

Impairment losses on trade receivables are recognized in operating profit for the current period under 'write-downs of financial assets'. The same line item is used to recognize amounts received in subsequent periods that had previously been written down.

2. Debt instruments measured at amortized cost

Debt instruments measured at amortized cost comprise current individual items such as receivables due from factoring companies for receivables remaining after the sale of receivables or receivables due from suppliers as a result of discounts or bonuses. The receivables are tested for impairment on an individual basis. A debtor refusing to agree on a repayment plan with the Group or a debtor filing for insolvency are among the indicators that a receivable is unlikely to be realized. The risk of non-performance was very low, because the issuer is always able to meet its contractual payment obligations at short notice. The impairment loss identified in the reporting period was therefore insignificant. The existing impairment losses relate to receivables of €9.2 million due from investments as a result of older items (December 31, 2021: €9.2 million).

The following tables show the changes in impairment losses on debt instruments measured at amortized cost in 2022 and 2021:

€ million	Level 1	Level 3
Jan. 1, 2022	**0.0**	**9.2**
Additions	0.0	0.0
Utilized	0.0	0.0
Reversals	0.0	0.0
Dec. 31, 2022	**0.0**	**9.2**

€ million	Level 1	Level 3
Jan. 1, 2021	**0.0**	**9.2**
Additions	0.0	0.0
Utilized	0.0	0.0
Reversals	0.0	0.0
Dec. 31, 2021	**0.0**	**9.2**

The gross carrying amounts of debt instruments assigned to Level 1 amounted to €27.3 million as at December 31, 2022 (December 31, 2021: €17.1 million) and showed no signs of increased credit risk. The gross carrying amounts of debt instruments assigned to Level 3 amounted to €9.2 million as at December 31, 2022 (December 31, 2021: €9.2 million), all of which (€9.2 million) was written down (December 31, 2021: €9.2 million).

3. Debt instruments measured at fair value through other comprehensive income

The assets referred to here are units in a fund that is invested in exchange-traded debt instruments. Because their credit risk is classified as low, the calculation of the impairment loss is limited to the expected twelve-month credit losses. Management considers the criterion of 'low credit risk' to be met in the case of direct or indirect investments in exchange-traded debt instruments that, as a minimum, have an investment-grade credit rating. The volume of such debt instruments was very small as at December 31, 2022 and the credit risk was low. The impairment loss identified was therefore insignificant.

Financial assets measured at fair value through profit or loss

The DEUTZ Group is also exposed to credit risk arising from debt instruments and equity instruments measured at fair value through profit or loss. The debt instruments relate to trade receivables that have been earmarked for factoring. At the end of the reporting period, the maximum credit risk was limited to the carrying amounts of the debt instruments, which was €5.0 million in the case of the trade receivables. The equity instruments are units in a fund that is invested in publicly listed shares in order to hedge pension obligations. Here too, the maximum credit risk was limited to the carrying amount of the units (€2.1 million).

Currency risk

The DEUTZ Group operates internationally and, consequently, is exposed to currency risk arising from fluctuating exchange rates, principally US dollar exchange rates. Exchange-rate risks are monitored under a centralized currency management system and mitigated by the use of hedging transactions. The Treasury department uses hedges, primarily currency forwards, to hedge currency risk emanating from the net position of estimated future cash flows in foreign currency. Between 50 percent and 80 percent of the net positions anticipated in the budget for the year are usually hedged.

DEUTZ also takes specific action to increase the volume of purchasing in US dollars; this enables the Company to counteract currency risk arising from sales invoiced in US dollars by creating a natural hedge. Risks arising from the translation of financial statements of subsidiaries prepared in currencies other than the euro are not hedged.

Currency sensitivity analysis

The following tables illustrate the sensitivity – from a Group perspective – to a 10 percent rise or fall in the euro against the different currencies. The sensitivity analysis only takes into account outstanding monetary positions denominated in foreign currency and adjusts the period-end translation of those amounts to reflect a 10 percent change in the exchange rate. The positions involved include currency forward contracts that form part of an effective cash flow hedge, the purpose of which is to hedge fluctuations in foreign-currency payments and receipts caused by changes in exchange rates. Because hedging transactions are measured at fair value, changes in the exchange rates for the currencies underlying these transactions have an impact on the hedging reserve in other comprehensive income. Other positions involved are currency forward contracts that are no longer used as hedges. Changes in the exchange rates for the currencies underlying these financial instruments result in gains or losses due to restating these instruments at their fair value. Primary instruments (trade receivables and trade payables) denominated in foreign currency and outstanding as at the balance sheet date are also included in the sensitivity analysis. Changes in the exchange rates for the currencies underlying these items result in gains or losses when they are marked to market.

The following tables show the impact on net income and on equity if the euro rises or falls by 10 percent against relevant foreign currencies.

Cash payments and receipts are shown as net amounts under 'notional amounts'.

Euro rises by 10 percent

€ million

2022	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	124.4	−7.7	49.1	4.4
CNY	68.5	−6.2	0.0	0.0
MAD	5.2	−0.5	0.0	0.0

€ million

2021	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	119.0	–10.4	1.6	3.3
CNY	17.4	–1.6	0.0	0.0
MAD	6.1	–0.6	0.0	0.0

Euro falls by 10 percent

€ million

2022	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	124.4	9.4	49.1	−5.3
CNY	68.5	7.6	0.0	0.0
MAD	5.2	0.6	0.0	0.0

€ million

2021	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	119.0	12.7	1.6	–4.2
CNY	17.4	1.9	0.0	0.0
MAD	6.1	0.7	0.0	0.0

Interest-rate risk and sensitivity analysis

The DEUTZ Group is exposed to risk from interest-rate changes, primarily in relation to floating-rate loans and other debt. The interest-rate risk that existed as at December 31, 2022 mainly related to the short-term syndicated loan of €110 million. If interest rates were to rise by 100 basis points, net income before income taxes would decrease by €4.8 million in the coming financial year. A cut in interest rates of 100 basis points would have an equal but opposite effect. The sensitivity analysis was based on the interest-rate risk exposure as at the balance sheet date. It is assumed that the syndicated loan can be repaid in the coming financial year.

Capital management

The DEUTZ Group manages its capital with the primary objective of supporting business operations and ensuring the continued existence of the Company as a going concern over the long term. A healthy financial structure is necessary to assure the required flexibility in the provision of financial resources. At present, no credit rating has been set for DEUTZ. However, the DEUTZ Group is endeavoring to achieve a balance-sheet structure that meets the requirements for an investment-grade rating. Capital management therefore extends to both equity and debt.

DEUTZ is not subject to capital requirements under its Statutes. However, it is under an obligation toward the banks from which it has obtained loans to ensure that its ratio of net financial debt to equity does not exceed a certain level. This external requirement has been integrated into capital management and was met at all times.

As at the balance sheet date, the net financial position (cash and cash equivalents less interest-bearing financial debt) was minus €164.2 million, which equated to a year-on-year fall of €84.5 million (December 31, 2021: minus €79.7 million). In addition to the net financial position, free cash flow (defined as cash flow from operating activities and from investing activities less interest expense) is an essential part of active capital management and is used as a key figure to show changes in the liquidity situation. The free cash flow from continuing operations was minus €16.6 million in 2022 (2021: €21.6 million).

The equity ratio is another indicator used by the DEUTZ Group to monitor its capital. This indicator reflects the ratio of total assets to Group equity as reported on the consolidated balance sheet. As at December 31, 2022, the equity ratio for the DEUTZ Group remained at a high level of 45.3 percent (December 31, 2021: 45.6 percent), meeting all internal targets in full.

Financial instruments

The following tables show 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)

Dec. 31, 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**	**9.0**	**2.1**	**3.2**	**14.4**
Current financial assets	**263.3**	**0.8**	**5.0**	**24.4**	**293.5**
Trade receivables	181.2	0.0	5.0	0.0	186.2
Other receivables and assets	27.2	0.8	0.0	24.4	52.4
Cash and cash equivalents	54.9	0.0	0.0	0.0	54.9

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	17.1	0.0	0.0	29.1	46.2
Cash and cash equivalents	36.1	0.0	0.0	0.0	36.1

Financial instruments (liabilities)

Dec. 31, 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 in other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**1.0**	**0.0**	**0.0**	**78.4**	**79.4**
Financial debt	0.4	0.0	0.0	76.8	77.2
Lease liabilities	0.0	0.0	0.0	76.8	76.8
Miscellaneous financial debt	0.4	0.0	0.0	0.0	0.4
Other liabilities	0.6	0.0	0.0	1.6	2.2
Current financial liabilities	**482.3**	**0.5**	**0.7**	**32.0**	**515.5**
Financial debt	124.1	0.0	0.0	17.8	141.9
Lease liabilities	0.0	0.0	0.0	17.8	17.8
Miscellaneous financial debt	124.1	0.0	0.0	0.0	124.1
Trade payables	291.5	0.0	0.0	0.0	291.5
Other liabilities	66.7	0.5	0.7	14.2	82.1

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 in 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	52.7	1.2	0.7	10.0	64.6

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

€ million	Dec. 31, 2022		Dec. 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Trade receivables	181.2	181.2	131.5	131.5
Other receivables and assets	27.3	27.3	17.1	17.1
Cash and cash equivalents	54.9	54.9	36.1	36.1
Financial liabilities				
Financial debt – liabilities to banks	124.5	126.0	54.5	54.6
Trade payables	291.5	291.5	257.8	257.8
Other liabilities	67.3	67.3	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 computed by discounting estimated future cash flows using arm's length discount rates and taking into account the DEUTZ Group's own credit risk and that of its 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 disclosed in the notes to the financial statements:

Dec. 31, 2022

€ 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	1.5	1.5	1.5	0.0	0.0
Securities – recognized through profit or loss	2.1	2.1	2.1	0.0	0.0
Currency forwards – recognized through other comprehensive income	0.8	0.8	0.0	0.8	0.0
Currency forwards – recognized through profit or loss	0.0	0.0	0.0	0.0	0.0
Trade receivables	5.0	5.0	0.0	0.0	5.0
Financial liabilities					
Currency forwards – designated as hedging instruments	0.5	0.5	0.0	0.5	0.0
Currency forwards – held for trading	0.1	0.1	0.0	0.1	0.0
Other liabilities – held for trading	0.6	0.6	0.0	0.0	0.6
Financial debt	124.6	126.0	0.0	0.0	126.0

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 other comprehensive income	0.0	0.0	0.0	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					
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) is calculated over the remaining term of the instrument using current exchange rates, market interest rates, and yield curves and taking into account the DEUTZ Group's own credit risk and that of its counterparties. The disclosures are based on valuations by banks.

The other liabilities recognized at fair value, which amounted to €0.6 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. The measurement particularly drew on management assessments regarding the occurrence of certain conditions, for example the achievement of earnings targets. The €0.6 million reduction in the contingent consideration compared with the end of the previous year (December 31, 2021: reduction of €1.3 million) was attributable to a payment of €0.6 million.

Net gains and losses on financial instruments

Net gains or losses recognized in the income statement are broken down by measurement category in IFRS 9 as follows::

	Measured at fair value		Measured at amortized cost	
2022	Financial assets	**Financial liabilities**	Financial assets	**Financial liabilities**
€ million				
Net gains/losses	–1,1	0,0	–1,3	–4,6

	Measured at fair value		Measured at amortized cost	
2021	Financial assets	**Financial liabilities**	Financial assets	**Financial liabilities**
€ million				
Net gains/losses	–0.3	–0.3	8.2	–4.3

The net gains or losses for each measurement category primarily comprise gains and losses recognized in profit or loss resulting from the measurement of financial instruments at fair value, currency translation of financial instrument carrying amounts, impairment losses and/or reversal of impairment losses on financial instruments, and interest income and expense.

Unrealized gains of €0.3 million on financial investments measured at fair value through other comprehensive income were recognized in other comprehensive income in 2022 (2021: -). As had also been the case in 2021, no material realized gains or losses were reclassified from other comprehensive income to the income statement in 2022.

Total interest income and interest expense

In 2022, interest income of €1.3 million (2021: €0.2 million) and interest expense of €4.6 million (2021: €3.5 million) were attributable to financial assets and financial liabilities that were not measured at fair value through profit or loss. Assets measured at amortized cost accounted for €1.3 million of the interest income (2021: €0.2 million).

Hedging

Cash flow hedging As at December 31, 2022, there were currency futures that were classified as hedging instruments. Currency futures are used to hedge the currency risk arising from forecast transactions in foreign currencies.

Unrealized losses of €5.4 million on cash flow hedges were recognized in other comprehensive income in 2022 (2021: €3.1 million), taking into account deferred tax assets of €1.7 million (2021: €1.0 million). These changes in fair value represent the effective portion of the hedge. In 2022, prior to the inclusion of deferred taxes, losses of €5.5 million (2021: gains of €0.6 million) recognized in other comprehensive income during the year were reclassified to other operating income or expenses in the consolidated income statement. There was no hedging ineffectiveness requiring reclassification from the reserve for cash flow hedges to the income statement in the year under review. Hedges relating to foreign-currency transactions in the operating business are expected to be unwound within the next 13 months. The associated gains that have been recognized in other comprehensive income will be reclassified to the income statement.

Derivative financial instruments

The following derivative financial instruments were reported as at the balance sheet date:

€ million	**Notional amounts 2022**	Notional amounts 2021	**Fair value 2022**	Fair value 2021
Currency forwards				
not used as hedges	4.3	2.1	−0.1	−0.1
used as cash flow hedges	49.1	37.3	0.4	−1.2

Currency forwards used as cash flow hedges

€ million	**2022**	2021
Carrying amount (other liabilities/ other receivables and assets)	0.4	−1.2
Notional amount	49.1	37.3
Date of maturity	Jan. 17, 2023– Jan. 16, 2024	Jan. 18, 2022– Jan. 17, 2023
Hedge ratio	1:1	1 : 1
Change in fair value in the reporting period	0.4	−1.2
Change in value of the hedged item used to determine hedge effectiveness	−0.4	1.2
Average hedged rate for 2022	USD 1.0722: EUR 1	USD 1.1779: EUR 1

Netting

As at December 31, 2022, there were no material financial assets and liabilities subject to netting agreements in the DEUTZ Group.

27. INTERESTS IN OTHER ENTITIES

In addition to the parent company DEUTZ AG, the consolidated financial statements for 2022 included 35 subsidiaries, one joint venture, and two associates.

Subsidiaries and non-controlling interests

There were no non-controlling interests in existence either in the reporting year or in the comparative period.

Joint ventures

The joint venture is Hunan DEUTZ Power Co., Ltd., headquartered in Changsha, China, which DEUTZ established with SANY. Hunan DEUTZ Power Co., Ltd. is an unlisted joint arrangement in which the Group shares joint control and has an ownership interest of 51 percent. Hunan DEUTZ Power Co., Ltd., Changsha, China, itself holds 100 percent of the shares in the operational production company Kunshan SANY Power Co., Ltd., Kunshan, China. The primary objective of the strategic partnership is the manufacture of new engines for the Chinese market that comply with the China IV emissions standard for off-highway applications and China 6 for on-highway applications. The shares are classified as a joint venture and accounted for in the consolidated financial statements using the equity method.

A summary of financial information for Hunan DEUTZ Power Co., Ltd., based on its consolidated financial statements prepared in accordance with IFRS, is shown in the following table.

€ million	**Dec. 31, 2022**	**Dec. 31, 2021**
Revenue	100.2	179.6
Depreciation and amortization	−9.8	−9.9
Interest income	1.3	1.4
Interest expense	0.0	0.0
Interest income, net	1.3	0.4
Income taxes	−0.3	3.2
Profit (loss) from continuing operations	−9.8	−3.2
Net income	**−9.8**	**−3.2**
Current assets	97.3	129.0
thereof cash and cash equivalents	47.7	89.6
Non-current assets	90.4	68.1
Current liabilities	68.5	63.6
thereof current financial liabilities	0.0	0.0
Non-current liabilities	40.3	43.2
thereof non-current financial liabilities	0.0	0.0
Net assets	**78.8**	**90.4**
Group’s share of net assets at Jan. 1	46.1	42.2
Adjustment of net assets after PPA	0.0	0.0
Share of net income	−5.0	−1.6
Dividends received in the financial year	0.0	0.0
Effect of currency translation	−0.9	5.5
Group’s share of net assets at Dec. 31	40.2	46.1
Goodwill of DEUTZ AG after PPA	6.0	6.0
Impairment	0.0	0.0
Carrying amount using the equity method at Dec. 31	**46.2**	**52.1**

Non-material associates
A summary of financial information is shown below for the Group's interest in the following two companies, both classified as non-material associates: D. D. Power Holdings (Pty) Ltd., Elandsfontein, South Africa, and DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, China. The associate D. D. Power Holdings (Pty) Ltd. has a different financial year (ending on November 30). Annual financial statements for the year ended December 31 have not been prepared for reasons of materiality.

€ million	2022	2021
Carrying amount of interests	**4.4**	**4.3**
Group's share of:		
Profit from continuing operations	1.3	0.8
Other comprehensive income	0.0	0.0
Net income	**1.3**	**0.8**

28. CONTINGENT LIABILITIES

Guarantees and similar commitments
The DEUTZ Group's guarantees and similar commitments as at the balance sheet date were as follows:

€ million	Dec. 31, 2022	Dec. 31, 2021
Warranty liabilities	0.7	0.7

Warranty liabilities are recognized for repair or replacement obligations in the event of manufacturing defects or other product defects. This covers free reworking or replacements, purchase price reductions, and compensation for non-performance. The obligations are recognized as contingent liabilities because they do not yet meet the requirements for recognizing provisions.

Other financial obligations
The following table shows the notional amounts and due dates of other financial obligations:

€ million	Dec. 31, 2022	Dec. 31, 2021
due in less than 1 year	10.6	10.2
due in 1 to 5 years	28.2	22.1
due in more than 5 years	0.0	0.0
Total	**38.8**	**32.3**

The obligations largely consist of financial obligations in connection with IT services.

Commitments to purchase property, plant and equipment and intangible assets amounted to €49.8 million as at December 31, 2022 (December 31, 2021: €38.0 million) and commitments to purchase inventories amounted to €116.8 million (December 31, 2021: €100.9 million).

Legal disputes
DEUTZ AG and other companies in the DEUTZ Group are involved in a number of legal disputes, claims for damages, and arbitration proceedings that could have an impact on the Group's financial position.

Financial provision has been made to cover litigation risks facing the respective Group companies if the event in question occurred before the balance sheet date, an obligation is probable, and the amount of the obligation can be determined with a sufficient degree of reliability.

We do not expect the above risks to have a significant adverse long-term impact on the DEUTZ Group's financial position or financial performance beyond the financial provision already made.

29. 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.

Related parties also include the Supervisory Board and the Board of Management.

The following table shows the volume of material goods and services either provided for or received from entities in which the DEUTZ Group holds significant investments:

€ million	Goods and services provided		Other expenses for services received		Receivables Dec. 31		Payables Dec. 31	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Associates	11.8	10.4	0.0	0.0	1.7	1.3	1.0	0.0
Joint ventures	4.2	5.9	0.0	0.0	1.5	2.2	0.0	0.0
Other investments	0.0	0.0	4.9	4.9	0.0	0.0	2.8	3.2
Total	**16.0**	**16.3**	**4.9**	**4.9**	**3.2**	**3.5**	**3.8**	**3.2**

As at December 31, 2022, receivables of €9.2 million due from other investments had been written off in full (December 31, 2021: €9.2 million). As had also been the case in 2021, this resulted in no income or expense in 2022.

Of these receivables, €5.2 million related to loans granted by DEUTZ (December 31, 2021: €5.2 million) on which impairment losses of €5.2 million had been recognized (December 31, 2021: €5.2 million). 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.

There are liabilities to DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, Jiangsu, China, of €1.0 million.

The following payments were made to the Supervisory Board and the Board of Management as related parties of the DEUTZ Group:

€ million	Supervisory Board		Board of Management	
	2022	2021	**2022**	2021
Short-term remuneration[1]	1.6	0.9	3.9	5.3
Post-employment benefits	0.0	0.0	0.5	0.0
Other long-term benefits	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	5.8	0.0
Share-based remuneration[2]	−0.1	0.1	−0.1	0.2

[1] The current remuneration for members of the Supervisory Board includes both remuneration for their work as Supervisory Board members and the regular salaries of the salaried employee representatives.
[2] The disclosure of share-based remuneration corresponds with the expense (+) or income (–) recognized in the operating profit in the reporting year from the changes in provisions made for distributed virtual share options.

30. EVENTS AFTER THE REPORTING PERIOD

On January 30, 2023, DEUTZ AG and Daimler Truck AG signed agreements on the acquisition by DEUTZ of IP and license rights for medium-duty engines and of license rights for heavy-duty engines of Daimler Truck AG.

Specifically, the agreements relate to the acquisition by DEUTZ of the on-highway IP and license rights for the development, production, and marketing of medium-duty Daimler Truck engines (Medium Duty Engine Generation – MDEG) by way of a capital increase in kind in return for issuing new DEUTZ shares. Furthermore, DEUTZ will acquire the license rights for the development and marketing of the next generation of heavy-duty engines currently being developed at Daimler Truck (Heavy Duty Engine Generation – HDEP) for the off-highway segment.

Under the contractual agreements, DEUTZ will further develop both the MDEG series and the HDEP series into an off-highway variant for the next off-highway emissions standard. It will also distribute these engines independently. In addition, the contracts provide for an operational alliance relating to MDEG and HDEP for off-highway applications. DEUTZ is scheduled to commence production and marketing at the end of this decade.

DEUTZ will pay a cash sum in installments for the acquisition of the HDEP license rights. To acquire the MDEG IP and license rights, DEUTZ will use the existing authorized capital II to issue 5,285,412 new no-par-value bearer shares by way of a capital increase in kind. The aforementioned number of shares, which are eligible for dividends for the 2022 financial year, will be issued at a share price of €4.73 and a notional par value (rounded) of €2.56. Shareholders' statutory pre-emption rights will be disapplied. The value of the two transactions is in the mid-double-digit millions of euros.

Completion of the MDEG transaction is subject to the usual conditions and had not yet taken place at the time of preparation of the 2022 annual financial statements. On completion of the MDEG transaction, DEUTZ's issued capital will amount to €322,490,183.20, divided into 126,147,195 no-par-value bearer shares. In this case, Daimler Truck will hold 4.19 percent of the issued capital of DEUTZ. The new DEUTZ shares will be admitted for trading after entry in the commercial register.

Final completion of the two transactions is subject to the usual conditions, in particular with regard to confirmation of the recoverable amount of the non-cash contributions by a court-appointed auditor.

No other events occurred after December 31, 2022 that had a material impact on the financial position or financial performance of the DEUTZ Group.

31. SHARE-BASED REMUNERATION PROGRAMS

Between 2007 and 2022, DEUTZ AG launched long-term incentive plans as long-term components of remuneration. Under these long-term incentive plans, virtual stock options or, alternatively, virtual performance shares are issued to reward management for its sustained contribution to the Company's success.

General description of the incentive plans of DEUTZ AG under which virtual performance shares are granted

The following incentive plans are based on the issuance of virtual performance shares in DEUTZ AG. The Company decides at its discretion who is eligible to participate in the plans. However, only members of the DEUTZ Group's senior management and members of the Board of Management of DEUTZ AG may be considered for inclusion. It is at the discretion of the Company to decide how many instruments are granted.

By the balance sheet date, the following long-term incentive plans (LTI) that were still in existence, with the (original) number of performance shares shown, had been granted:

Incentive plan	Date of grant	Number of performance shares
LTI BoM 2019	January 1 and March 1, 2019	56,117 and 21,002
LTI BoM 2020	January 1, 2020	94,049
LTI BoM 2021	January 1, 2021	323,794
LTI no. XV-A	January 1, 2021	104,384
LTI BoM 2022	January 1, 2022	281,206
LTI no. XVI	January 1, 2022	128,752
LTI BoM 2023	January 1, 2023	256,011
LTI BoM 2024	January 1, 2024	69,092

A total of 1,101,271 of these performance shares had been granted to current and former members of the DEUTZ AG Board of Management.

Vesting of performance shares

The performance shares give rise to an entitlement to payment of a cash sum based on their virtual performance since allocation. The vesting period before payment of this cash sum is four years, starting from the date on which the virtual performance shares are allocated (performance period). After the four-year performance period has expired, the final number and value of the performance shares are calculated on the basis of the performance targets described below.

Depending on achievement of various performance targets, the beneficiary receives a cash payment after expiry of the performance period, the amount of which is the difference between the average DEUTZ AG share price on the 60 trading days prior to expiry of the performance period and the reference price for DEUTZ AG shares at the time the performance shares were granted. The amount payable according to this calculation is limited as follows:

- LTI BoM 2019 to 2020: The amount payable is limited to 1.5 times the average closing price of DEUTZ AG shares on the Frankfurt Stock Exchange on the 60 trading days prior to the allocation date ('reference price').

- LTI BoM 2021 to 2022 and LTI no. XV-A and no. XVI: The amount payable is limited to 1.8 times the target amount specified for the individual beneficiary.

No beneficiary receives shares in the Company.

Performance targets for LTI BoM 2019 to 2020

Entitlement to payment under LTI BoM 2019 to 2020 is contingent on achievement of at least one of the following two performance targets:

- The market price of DEUTZ shares must have risen by at least 30 percent compared with the reference price, or
- The market price of DEUTZ shares must have outperformed the MDAX by at least 10 percentage points over a period that begins on the date on which the virtual performance shares are granted and ends upon expiry of the vesting period.

Dividend distributions by DEUTZ AG must be taken into consideration in both of the performance targets described above, i.e. for the purposes of calculating these performance targets, the total gross dividend distribution up to the end of the vesting period must be added to the DEUTZ share price in each case.

In addition to achievement of one of the two aforementioned performance targets, all entitlements to payment require the Board of Management member to themselves invest in the Company. The Board of Management member must hold one DEUTZ share per 20 allocated virtual performance shares. This investment must be held continuously until the end of the vesting period.

Performance targets for LTI BoM 2021 to 2022 and LTI no. XV-A and no. XVI

During the four-year term, the number of performance shares depends on the achievement of a total shareholder return component (TSR component) and a return on capital employed component (ROCE component) ('performance targets'). 50 percent of the conditionally allocated performance shares are assigned to each of the two performance targets.

The performance shares only have a value at the end of the performance period and therefore only then result in a payment being made

- if the performance of the DEUTZ AG share price plus notionally reinvested gross dividends during the performance period is greater than, or equal to, the 25th percentile ranking of the DAXsubsector All Industrial Machinery peer group (TSR component) and/or
- if the relevant figure for ROCE (EBIT / capital employed) at the end of the final year of the performance period is greater than, or equal to, a predefined target value (ROCE component).

If target achievement for one or both of these two performance targets is below the aforementioned thresholds, the number of performance shares assigned to the performance target in question is reduced to zero. If one or both of these two performance targets are exceeded, the number of performance shares assigned to the performance target in question is increased up to a maximum of 180 percent of the number of performance shares originally allocated (cap).

General description of the incentive plans of DEUTZ AG under which stock options are granted

The following incentive plans are based on the issuance of virtual options on shares in DEUTZ AG. The Company decides at its discretion who is eligible to participate in the plans. However, only members of the DEUTZ Group's senior management and members of the Supervisory Board of DEUTZ AG may be considered for inclusion. It is at the discretion of the Company to decide how many instruments are granted.

By the balance sheet date, the following long-term incentive plans (LTI) that were still in existence, with the number of options shown, had been granted free of charge:

Incentive plan	Date of grant	Number of options
LTI no. IX	June 1, 2015	320,000
LTI no. X	September 1, 2016	340,000
LTI no. XI	September 1, 2017	320,000
LTI no. XII	September 1, 2018	322,501
LTI no. XIII	October 1, 2019	280,000
LTI no. XIV	October 1, 2020	290,000
LTI no. XV-B	October 1, 2021	70,000

Exercise of stock options

One of the fundamental requirements for exercising options is that the option holders themselves invest in the Company at a ratio of one share per ten options. The absolute earliest that options can be exercised is four years after the date of grant (vesting period) and then only within four years from the end of the vesting period and only within ten days from the date of publication of quarterly financial statements. The Company may delay the start of the exercise window for the options or accelerate the exercise and vesting periods.

Furthermore, options may only be exercised:

- if the market price of DEUTZ AG shares has risen by at least 30 percent relative to the reference price (dividend distributions by DEUTZ AG must be taken into consideration, i.e. for the purposes of calculating the performance target, the total gross dividend distribution up to the exercise date must be added to the DEUTZ AG share price), or
- if, in the period starting from the grant date of the option and ending on the date of exercise, DEUTZ AG shares outperform the DAXsector Industrial Performance Index – or any future index that replaces the DAXsector Industrial Performance Index – by at least 30 percent.

A request to exercise options must be submitted to the Company in writing.

The following specific terms and conditions apply to the incentive plans still in existence under which virtual stock options are granted:

Incentive plan	Earliest exercise date	Reference price
LTI no. IX	June 1, 2019	€4.40
LTI no. X	September 1, 2020	€3.94
LTI no. XI	September 1, 2021	€6.66
LTI no. XII	September 1, 2022	€7.15
LTI no. XIII	October 1, 2023	€5.80
LTI no. XIV	October 1, 2024	€4.56
LTI no. XV-B	October 1, 2025	€7.45

When an option is exercised, the beneficiary receives a cash payment in the amount of the difference between the DEUTZ AG share price on the exercise date and the reference price at the time the option was granted. No beneficiary receives shares in the Company.

Fair value of the performance shares and stock options

Because the virtual performance shares and the virtual stock options are cash-based instruments rather than equity-based instruments, the Company is obliged to recognize a provision, the amount of which is derived from the fair value of the virtual performance shares and the virtual stock options at the grant date and apportioned pro rata over the applicable vesting period.

Depending on the complexity of the plan terms and conditions and the financial/mathematical requirements, fair value is determined using either a Monte Carlo simulation or a Black-Scholes-based option pricing model. The models take account of the aforementioned vesting conditions and exercise prices, the term of the plans, the DEUTZ AG share price, and other factors. The relevant measurement parameters for each incentive plan are shown in the following table:

Incentive plan	Risk-free interest rate	Volatility	Assumed maturity
LTI no. IX	1.99 %	37 %	May 31, 2023
LTI no. X	2.48 %	37 %	Aug. 31, 2024
LTI no. XI	2.47 %	38 %	Aug. 31, 2025
LTI no. XII	2.44 %	43 %	Aug. 31, 2026
LTI no. XIII	2.47 %	39 %	Sep. 30, 2025
LTI BoM 2020	1.76 %	33 %	Mar. 1, 2023
LTI no. XIV	2.43 %	42 %	Oct. 1, 2026
LTI BoM 2021	2.32 %	34 %	Jan. 1, 2025
LTI no. XV-A	2.32 %	34 %	Dec. 31, 2024
LTI no. XV-B	2.42 %	42 %	Oct. 1, 2027
LTI BoM 2022	2.51 %	38 %	Jan. 1, 2026
LTI no. XVI	2.51 %	38 %	Jan. 1, 2026

Total expense recognized for share-based remuneration programs in 2022

In accordance with the requirement for the fair value of the performance shares and options to be recalculated on each balance sheet date, a calculation was carried out on the basis of the DEUTZ AG share price of €4.05 on December 31, 2022 (December 31, 2021: €6.57), which resulted in an overall expense of €1,026 thousand in 2022 (2021: €766 thousand). A total provision of €3,644 thousand was recognized at the end of 2022 (December 31, 2021: €2,618 thousand). The amount is broken down as follows:

Incentive plan	Dec. 31, 2022 € thousand	Dec. 31, 2021 € thousand
LTI no. IX	3	49
LTI no. X	65	224
LTI no. XI	80	342
LTI no. XII	119	234
LTI BoM 2019	20	382
LTI no. XIII	102	252
LTI BoM 2020	285	309
LTI no. XIV	140	187
LTI BoM 2021	405	434
LTI no. XV-A	83	165
LTI no. XV-B	18	9
LTI BoM 2022	758	0
LTI no. XVI	112	0
LTI BoM 2023	1,139	0
LTI BoM 2024	315	0
Total	**3,644**	**2,618**

The options granted had the following intrinsic values, provided the vesting conditions were met:

Incentive plan	Intrinsic value per option, provided the vesting conditions are met (€)	
	Dec. 31, 2022	Dec. 31, 2021
LTI no. IX	0.00	2.17
LTI no. X	0.11	2.63
LTI no. XI	0.00	0.00
LTI no. XII	0.00	0.00
LTI no. XIII	0.00	0.77
LTI no. XIV	0.00	2.01
LTI no. XV-B	0.00	0.00

32. STAFF COSTS

€ million	**2022**	2021
Wages	144.0	139.1
Salaries	198.5	177.7
Social security contributions	65.1	58.0
Net interest cost for provisions for pensions and other post-retirement benefits	1.1	0.6
Cost of post-employment benefits and other long-term benefits	1.4	1.2
Cost of severance payments/ personnel restructuring	5.2	0.1
Total	**415.3**	**376.7**

The following table shows the breakdown of staff costs by functional area:

€ million	**2022**	2021
Cost of sales	231.3	210.4
Research and development costs	55.4	51.2
Selling expenses	80.9	72.3
Administrative expenses	45.6	41.6
Other operating expenses	2.1	1.2
Total	**415.3**	**376.7**

The average number of employees during the year is stated in the disclosures under German accounting standards in Note 33.

DISCLOSURES UNDER GERMAN ACCOUNTING STANDARDS

33. AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR (PURSUANT TO SECTION 314 (1) NO. 4 HGB)

	2022	2021
Non-salaried employees	2,708	2,534
Salaried employees	2,144	2,034
	4,852	**4,568**
Trainees	78	91
Total	**4,930**	**4,659**

Since 2019, the number of employees has been expressed in full-time equivalents (FTEs). Part-time employees are included pro rata according to their contractual working hours.

34. CORPORATE GOVERNANCE

In December 2022, the Board of Management and the Supervisory Board of DEUTZ AG issued a declaration of conformity with the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG and made this declaration permanently and publicly available on the Company's website (https://www.deutz.com/en/investor-relations/corporate-governance/declaration-of-conformity/).

35. AUDITOR'S FEES

The total fees reported for auditing the consolidated financial statements for 2022 and 2021 are broken down as follows:

€ thousand	**2022**	2021
Auditing	916	817
Other attestation services	102	70
Other services	5	0
Total	**1,023**	**887**

The fees for auditing services essentially consisted of the fees for the audit of the consolidated financial statements, the review of the interim financial statements for the six months to June 30, the audit of DEUTZ AG's annual financial statements, and services rendered in relation to an enforcement procedure. The fees for auditing services also included fees for the audit of the annual financial statements of Torqeedo GmbH. The fees for other attestation services primarily related to the audit of the remuneration report, the audit of the declaration of completeness in respect of sales packaging pursuant to the German Packaging Ordinance (VerpackV), the audit of the non-financial report, and the audit of compliance with key financials.

The auditor responsible for the audit, Harald Wimmer, has overseen the audit of the single-entity and consolidated annual financial statements of DEUTZ AG since 2021.

36. TOTAL REMUNERATION FOR THE BOARD OF MANAGEMENT, FORMER BOARD OF MANAGEMENT MEMBERS, AND THE SUPERVISORY BOARD

Board of Management

The total remuneration for the Board of Management of DEUTZ AG recognized in expenses in 2022 was €4,214 thousand (2021: €7,072 thousand). This consisted of short-term employee benefits of €4,359 thousand (2021: €5,268 thousand) and share-based long-term benefits as part of the long-term incentive plans amounting to €– 145 thousand (2021: €1,804 thousand).

Further details about the remuneration system for members of the Board of Management and details of individual remuneration can be found in the 'Remuneration report' section of the 2022 combined management report.

Remuneration for former members of the Board of Management or their surviving dependants amounted to €6,845 thousand (2021: €1,101 thousand) for DEUTZ AG and the Group. This included benefits of €5,798 thousand (of which €2,027 thousand related to share-based long-term benefits) in connection with the early termination of the Board of Management employment contracts of Dr. Hiller and Mr. Wellenzohn in 2022. Provisions of €8,507 thousand (December 31, 2021: €10,247 thousand) have been recognized to cover pensions to former members of the Board of Management.

Supervisory Board

The total remuneration for the Supervisory Board of DEUTZ AG in 2022 was €972 thousand (2021: €897 thousand). In addition, the employee representatives on the Supervisory Board who are also employees of the DEUTZ Group received normal salaries in line with their employment contracts. The level of their salaries represented appropriate remuneration for corresponding functions and tasks in the Group.

Further details about the Supervisory Board remuneration system and details of individual remuneration can be found in the 'Remuneration report' section of the 2022 combined management report.

Advances and loans to members of the Board of Management and the Supervisory Board As at December 31, 2022, there were no outstanding advances or loans to any members of the Board of Management or the Supervisory Board, nor had any guarantees or other warranties been issued in favor of any such persons.

37. DISCLOSURES UNDER THE GERMAN SECURITIES TRADING ACT (WPHG)

The German Securities Trading Act (WpHG) obliges investors whose share of voting rights in listed companies reaches certain thresholds to notify the company accordingly. DEUTZ AG had received the following voting right notifications as at December 31, 2022:

On January 7, 2022, pursuant to section 33 (1) WpHG, the Ministry of Finance on behalf of the State of Norway, Oslo, Norway, notified us that its voting share in our Company had fallen below the 3 percent threshold on January 5, 2022 and amounted to 2.96 percent (3,572,323 voting rights) on that date. Pursuant to section 34 WpHG, 2.96 percent (3,572,323 voting rights) are attributable to it.

On February 3, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on January 31, 2022 and amounted to 5.09 percent (6,152,258 voting rights) on that date. Pursuant to section 34 WpHG, 5.09 percent (6,152,258 voting rights) are attributable to it.

On February 7, 2022, pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on February 4, 2022 and amounted to 4.97 percent (6,007,953 voting rights) on that date. Pursuant to section 34 WpHG, 4.97 percent (6,007,953 voting rights) are attributable to it.

On February 16, 2022, pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 3 percent threshold on February 15, 2022 and amounted to 2.93 percent (3,538,000 voting rights) on that date. Pursuant to section 34 WpHG, 2.93 percent (3,538,000 voting rights) are attributable to it.

On February 22, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on February 17, 2022 and amounted to 4.51 percent (5,452,236 voting rights) on that date. Pursuant to section 34 WpHG, 4.51 percent (5,452,236 voting rights) are attributable to it.

On March 1, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on February 24, 2022 and amounted to 5.06 percent (6,121,582 voting rights) on that date. Pursuant to section 34 WpHG, 5.06 percent (6,121,582 voting rights) are attributable to it.

On March 2, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on February 25, 2022 and amounted to 4.64 percent (5,604,611 voting rights) on that date. Pursuant to section 34 WpHG, 4.64 percent (5,604,611 voting rights) are attributable to it.

On March 17, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 14, 2022 and amounted to 5.06 percent (6,112,652 voting rights) on that date. Pursuant to section 34 WpHG, 5.06 percent (6,112,652 voting rights) are attributable to it.

On March 22, 2022, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 16, 2022 and amounted to 4.99 percent (6,027,966 voting rights) on that date. Pursuant to section 34 WpHG, 4.99 percent (6,027,966 voting rights) are attributable to it.

On May 27, 2022, pursuant to section 33 (1) WpHG, Janus Henderson Group plc, St Helier, Jersey, notified us that its voting share in our Company had fallen below the 3 percent threshold on May 20, 2022 and amounted to 2.81 percent (3,392,328 voting rights) on that date. Pursuant to section 34 WpHG, 2.81 percent (3,392,328 voting rights) are attributable to it.

On July 29, 2022, pursuant to section 33 (1) WpHG, AllianceBernstein Corporation, Delaware, United States of America, notified us that its voting share in our Company had fallen below the 3 percent threshold on July 27, 2022 and amounted to 2.99 percent (3,618,759 voting rights) on that date. Pursuant to section 34 WpHG, 2.99 percent (3,618,759 voting rights) are attributable to it.

On December 14, 2022, pursuant to section 33 (1) WpHG, the Ministry of Finance on behalf of the State of Norway, Oslo, Norway, notified us that its voting share in our Company had exceeded the 3 percent threshold on December 13, 2022 and amounted to 3.31 percent (4,001,757 voting rights) on that date. Pursuant to section 34 WpHG, 3.31 percent (4,001,757 voting rights) are attributable to it. The voting rights attributable to it are held by the following company under its control, whose voting share in DEUTZ AG is 3 percent or more: Norges Bank.

38. EXEMPTION OPTIONS PURSUANT TO SECTIONS 264 (3) AND 291 HGB

The subsidiary Torqeedo GmbH is exercising the exemption rules pursuant to sections 264 (3) and 291 HGB and will therefore neither prepare its consolidated financial statements for 2022, management report, and notes to the financial statements nor publish its annual financial statements.

39. SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Information on the members of the Supervisory Board and the Board of Management, including non-executive directorships held at other companies, is given in the following separate lists: SUPERVISORY BOARD; SUPERVISORY BOARD COMMITTEES, and BOARD OF MANAGEMENT.

Cologne, February 24, 2023

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr. Ing. Petra Mayer

Dr. Ing. Markus Müller

SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2022

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (€ thousand)
1	DEUTZ AG, Cologne			668,472	73,830
Consolidated companies in Germany					
2	Ad. Strüver KG (GmbH & Co.), Hamburg[1]	4	94.0	8,341	134
3	DEUTZ Amerika Holding GmbH, Cologne[1, 2]	1	100.0	92,275	0
4	DEUTZ Beteiligung GmbH, Cologne[1]	1	100.0	11	– 6
5	Deutz China Verwaltungs GmbH, Cologne[1, 5]	1	100.0	48,350	0
6	DEUTZ Deutschland GmbH, Stockstadt am Rhein[1]	1	100.0	26	1
7	DEUTZ Verwaltungs GmbH, Cologne[1, 2]	1	100.0	16,125	0
8	Deutz-Mülheim Grundstücksgesellschaft mbH, Cologne[1]	7	100.0	45	1
9	Futavis GmbH, Aachen[1, 2]	1	100.0	837	– 411
10	Torqeedo GmbH, Oberpfaffenhoffen/Wessling[1, 2]	1	100.0	20,100	–1,440
11	Unterstützungsgesellschaft mbH der DEUTZ Aktiengesellschaft, Cologne[1]	1	100.0	–724	43
Consolidated companies outside Germany					
12	Ausma Motorenrevisie B.V., Roden (Netherlands)[1,7]	27	100.0	402	1
13	DEUTZ Asia-Pacific (Pte.) Ltd., Singapore (Singapore)[1]	1	100.0	13,798	5,218
14	Deutz Australia (Pty) Ltd., Braeside (Australia)[1]	1	100.0	7,085	985
15	Deutz Austria GmbH, Vienna (Austria)[1]	1	100.0	2,143	615
16	DEUTZ (Beijing) Engine Co., Ltd., Beijing (China)[1]	1	100.0	4,590	45
17	Deutz Belgium N.V, Antwerp (Belgium)[1]	18	100.0	4,592	544
18	Deutz Benelux B.V., Rotterdam (Netherlands)[1]	1	100.0	3,600	0
19	Deutz Corporation, Atlanta (USA)[1]	3	100.0	31,720	4,026
20	DEUTZ CS s.r.o., Modřice (Czech Republic)[1]	1	100.0	832	6
21	DEUTZ DO BRASIL LTDA., São Paulo (Brazil)[1]	1	100.0	2,487	1,380
22	DEUTZ Engines (India) Private Limited, Pune (India)[1,6]	1	100.0	637	1
23	DEUTZ FRANCE SAS, Gennevilliers (France)[1]	1	100.0	13,976	2,941
24	DEUTZ Global Service Center, S.L., Zafra (Spain)[1]	1	100.0	1,161	64
25	DEUTZ Italy S.r.l., Milan (Italy)[1]	1	100.0	13,168	4,642
26	DEUTZ Japan GK, Tokio (Japan)[1]	1	100.0	56	–13
27	DEUTZ Netherlands B.V., Dordrecht (Netherlands)[1]	18	100.0	4,408	345
28	DEUTZ Romania S.r.l., Galati (Romania)[1]	25	100.0	759	184
29	DEUTZ (SHANGHAI) INTERNATIONAL TRADE Co., Ltd., Shanghai (China)[1]	1	100.0	5,701	–3,503
30	DEUTZ Spain S.A.U., Zafra (Spain)[1]	1	100.0	45,677	4,360
31	Kirkwell Ltd. (South Coast Diesels), Kildare (Irland) [1,7]	1	100.0	3,303	220
32	Motor Center Austria GmbH, Wels (Austria)[1]	1	100.0	331	76
33	Nlle Ste MAGIDEUTZ S.A., Casablanca (Morocco)[1]	23	100.0	3,656	–102
34	OOO DEUTZ Vostok, Moscow (Russia)[1]	1	100.0	2,647	661
35	Torqeedo Inc. Illinois (USA)[1]	10	100.0	1,522	144
36	Torqeedo Asia-Pacific Ltd., Bangkok (Thailand) [1]	10	100.0	–1,063	222
37	D. D. Power Holdings (Pty) Ltd., Elandsfontein (South Africa)[3, 4]	1	30.0	8,737	3,554
38	DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, Jiangsu (China)[3]	5	40.0	2,940	408
39	Hunan DEUTZ Power Co., Ltd., Changsha (China)[3]	5	51.0	67,041	–7,263

SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2022

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (€ thousand)
Unconsolidated companies in Germany					
40	DEUTZ Sicherheit Gesellschaft für Industrieservice mbH, Cologne[2]	1	100.0	26	0
41	Feld & Hahn GmbH i. L., Cologne[2]	1	100.0	455	0
Unconsolidated companies outside Germany					
42	AROTRIOS S.A., Nea Filadelfia (Greece)[8]	1	100.0	–	–
43	DEUTZ ENGINEERING druzba za projektiraje, proizvodnjo in trgovino d.o.o., Maribor (Slovenia)	1	100.0	630	211
44	DEUTZ UK LTD, Cannock (UK)	1	100.0	167	15
Other equity investments					
45	Blue World Technologies, Aalborg (Denmark)	1	9.1	36,739	–10.740

[1] Equity and net income in accordance with the annual financial statements prepared for consolidation purposes.
[2] Profit-and-loss transfer agreement with DEUTZ AG.
[3] Consolidated using the equity method.
[4] Figures as at November 30, 2022, measured using exchange rate as at December 31, 2022.
[5] Forms a tax group with DEUTZ AG for VAT purposes.
[6] Consolidated for the first time as at January 1, 2022.
[7] Consolidated for the first time as at May 1, 2022.
[8] The company is in liquidation.

SUPERVISORY BOARD

Dr. Dietmar Voggenreiter
Chairman (since February 12, 2022)
Management consultant, Horváth & Partner GmbH, Munich, Germany

Sabine Beutert[1]
Deputy Chairwoman (since September 21, 2022)
Trade Union Secretary, IG Metall Cologne-Leverkusen Administrative Office, Cologne, Germany

Sophie Albrecht
Businesswoman
b) Liebherr-International AG, Bulle, Switzerland
Mariso Bulle S.A., Bulle, Switzerland
Liebherr-Intertrading S.A., Bulle, Switzerland
Eglesia AG, Bulle, Switzerland

Dr. Ing Bernd Bohr
Chairman (until February 12, 2022)
Freelance management consultant
a) Ottobock SE & Co. KGaA, Duderstadt, Germany
b) Brose Fahrzeugteile SE & Co. KG, Coburg, Germany (since October 10, 2022)

Yavuz Büyükdag[1]
Chairman of the General Works Council of DEUTZ AG, Cologne, Germany (since March 2022)
Deputy Chairman of the Works Council of the Cologne joint operation of DEUTZ AG, Cologne, Germany (since March 2022)

Dr. Fabian Dietrich[1]
Senior manager representative, DEUTZ AG, Cologne, Germany
Head of Legal at DEUTZ AG, Cologne, Germany

Hans-Peter Finken[1]
Member of the DEUTZ AG Works Council, Cologne, Germany

Patricia Geibel-Conrad
Director of her own audit/tax advice business
Management consultant
a) HOCHTIEF Aktiengesellschaft, Essen, Germany (until October 19, 2022)
CEWE Stiftung & Co. KGaA, Oldenburg, Germany
NEMETSCHEK SE, Munich, Germany (since May 12, 2022)

Alois Ludwig
Freelance management consultant

Dr. Ing. Rudolf Maier
Freelance management consultant
a) Bosch Engineering GmbH, Abstatt, Germany (Chairman)
ITK Engineering GmbH, Rülzheim, Germany (Chairman)

Corinna Töpfer-Hartung[1]
Deputy Chairwoman (until September 21, 2022)
Chairwoman of the Works Council of the Cologne joint operation of DEUTZ AG, Cologne, Germany (until March 2022)
Chairwoman of the General Works Council of DEUTZ AG, Cologne, Germany (until March 2022)
Sustainability/Climate Management, DEUTZ AG, Cologne, Germany (since July 2022)

Ali Yener[1]
Chief Representative and Managing Director of IG Metall Koblenz, Germany
a) ZF Active Safety GmbH, Koblenz, Germany (Deputy Chairman)

[1] Employee representative on the Supervisory Board.
[a] Membership of statutory German supervisory boards within the meaning of section 125 AktG.
[b] Membership of comparable German or international supervisory bodies within the meaning of section 125 AktG.

SUPERVISORY BOARD COMMITTEES

Human Resources Committee
Dr. Dietmar Voggenreiter, Chairman (since February 12, 2022)
Sabine Beutert, Deputy Chairwoman
(since September 21, 2022)
Dr. Ing. Bernd Bohr, Chairman
(until February 12, 2022)
Alois Ludwig
Corinna Töpfer-Hartung, Deputy Chairwoman
(until September 21, 2022)

Audit Committee
Patricia Geibel-Conrad, Chairwoman
Sabine Beutert, Deputy Chairwoman
Dr. Ing. Bernd Bohr (until February 12, 2022)
Corinna Töpfer-Hartung
Dr. Dietmar Voggenreiter (since February 12, 2022)

Arbitration Committee
(Section 27 (3) German Codetermination Act (MitbestG))
Dr. Dietmar Voggenreiter, Chairman (since February 12, 2022)
Dr. Ing. Bernd Bohr, Chairman (until February 12, 2022)
Sophie Albrecht
Sabine Beutert (since September 21, 2022)
Corinna Töpfer-Hartung (until September 21, 2022)
Ali Yener

Nominations Committee
Dr. Dietmar Voggenreiter, Chairman (since February 12, 2022)
Dr. Ing. Bernd Bohr, Chairman (until February 12, 2022)
Sophie Albrecht
Alois Ludwig

BOARD OF MANAGEMENT

Dr. Sebastian C. Schulte (44)
Chairman (since February 13, 2022)
Finance, human resources, purchasing, and information services (until February 12, 2022)
Finance, human resources, and information services
(on an interim basis from February 12, 2022
to November 30, 2022)
Technical and head-office functions, sustainability
(since February 12, 2022)

Dr. Ing. Frank Hiller (56)
until February 13, 2022)
Chairman
Technical and head-office functions, sustainability
a) STRATEC SE, Birkenfeld, Germany, Deputy Chairman
b) DEUTZ Corporation, Atlanta, USA, Chairman
(until February 14, 2022)

Timo Krutoff (44)
(since December 1, 2022)
Finance, human resources, and information services

Dr. Ing. Petra Mayer (56)
(since November 1, 2022)
Production and purchasing

Dr. Ing. Markus Müller (43)
Research and development
Production and purchasing (on an interim basis
from February 12, 2022 to October 31, 2022)
Sales and service (since September 6, 2022)

Michael Wellenzohn (56)
(until September 6, 2022)
Sales, marketing, and service
a) Advisory Council of the BORBET Foundation,
Hallenberg-Hesborn, Germany (June 2021 to October 2022)
b) DEUTZ Asia-Pacific (Pte) Ltd., Singapore, Singapore
(until September 6, 2022)
DEUTZ Corporation, Atlanta, USA (until September 6, 2022)

a) Membership of statutory German supervisory boards within the meaning of section 125 AktG.
b) Membership of comparable German or international supervisory bodies within the meaning of section 125 AktG.

ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

BALANCE SHEET OF DEUTZ AG

€ million

Assets	Dec. 31. 2022	Dec. 31. 2021
Intangible assets	69.5	69.9
Property, plant and equipment	244.8	245.2
Investments	392.4	313.9
Non-current assets	**706.7**	**629.0**
Inventories	233.3	214.9
Receivables and other assets	246.0	212.4
Cash and cash equivalents	20.6	15.4
Current assets	**499.9**	**442.7**
Prepaid expenses	6.1	5.2
Deferred tax assets	93.5	82.5
Excess of plan assets over post-employment benefit liability	6.0	0.0
Total assets	**1,312.2**	**1,159.4**

Equity and liabilities	Dec. 31, 2022	Dec. 31, 2021
Issued capital	309.0	309.0
Additional paid-in capital	26.8	26.8
Retained earnings		
Legal reserve	4.5	4.5
Other retained earnings	291.2	254.3
Accumulated income	37.0	18.2
Equity	**668.5**	**612.8**
Provisions	284.7	280.9
Other liabilities	357.8	264.5
Deferred income	1.2	1.2
Total equity and liabilities	**1,312.2**	**1,159.4**

INCOME STATEMENT OF DEUTZ AG

€ million

	2022	2021
Revenue	1,667.8	1,405.2
Cost of sales	–1,407.1	–1,219.3
Gross profit	**260.7**	**185.9**
Research and development costs	–85.2	–76.4
Selling expenses	–56.6	–49.2
General and administrative expenses	–39.8	–35.4
Other operating income	48.7	32.4
Other operating expenses	–25.4	–20.4
thereof expenses pursuant to art. 67 (1) and (2) of the Introductory Act to the HGB (EGHGB)	–2.3	–2.3
Net investment income	–3.8	–0.6
Interest expenses, net	–1.6	–4.0
Write-downs of investments	–24.5	0.0
Income taxes	1.8	8.2
Profit after income taxes	**74.3**	**40.5**
Other taxes	–0.5	–0.5
Net income	**73.8**	**40.0**
Peofit/losst carried forward	18.2	–33.1
Dividend payments to shareholders	–18.1	0.0
Withdrawals from other retained earnings	0.0	11.3
Additions to other retained earnings	–36.9	0.0
Accumulated income	**37.0**	**18.2**

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operation of the Group, and the group management report presents a true and fair view 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.”

Cologne, February 24, 2023

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr. Ing. Petra Mayer

Dr. Ing. Markus Müller

"INDEPENDENT AUDITOR'S REPORT

To DEUTZ Aktiengesellschaft, Cologne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of DEUTZ Aktiengesellschaft, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DEUTZ Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1) Accounting treatment of internally generated intangible assets

2) Recoverability of goodwill

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue

2) Audit approach and findings

3) Reference to further information

Hereinafter we present the key audit matters:

1) Accounting treatment of internally generated intangible assets

1) Expenses for the development of new technologies – in particular the development of new engine series – amounting to EUR 74,4 million (5,0 % of consolidated total assets) are reported under the "Intangible assets" balance sheet item in the consolidated financial statements of the Company. Development costs are capitalized based on milestones within the development process that are defined by the Company. The assets are generally subject to amortization on a straight-line basis over the expected production cycle of eight to ten years.

A test is performed as of each balance sheet date to determine whether there are indications that an asset may be impaired. An impairment test is carried out at least once annually for intangible assets that are not yet available for use. Impairments are calculated by comparing the carrying amount against the recoverable amount. The recoverable amount of an asset is either the fair value of an asset or a cash-generating unit, less costs to sell, and the value in use, whichever is higher. For the purposes of impairment testing, assets are grouped, at the lowest level that makes sense, into cash-generating units for which cash inflows can be identified largely independently. In order to calculate the value in use, the expected future cash flows are discounted to their present values using a discount rate that reflects the current market expectations regarding the interest rate effect and the specific risks associated with the asset or cash-generating unit.

The calculations are based on model calculations that take into account the projections, with a finite planning period, and the corresponding carrying amounts as of 31 December 2022. These projections were also used to prepare the Group's medium-term plan prepared by the executive directors and adopted by the Supervisory Board. The financial surpluses are discounted using the weighted cost of capital of the asset in question or the cash-generating unit in question that applies based on the relevant term.

The impairment test determined that no write-downs were necessary.

The valuations are highly dependent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective assets or cash-generating units, the discount rate used and other assumptions but also the impacts of the macroeconomic conditions, and are therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2) For the purposes of our audit, we first of all asked for the development process to be explained to us and assessed adherence to the requirements for capitalizing development costs based on milestones that had been reached.

We also assessed the procedures for identifying and evaluating issues and developments which could result in an impairment of the intangible assets, including the controls established. In a further step, we reviewed, among other things, the method used for performing impairment tests and assessed the assumptions and parameters used to determine whether they form an appropriate basis overall for the Company's executive directors to test internally generated intangible assets for impairment. After matching the future cash inflows used for the calculation against the model calculations and the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also assessed the executive directors' estimate as to the impacts of the macroeconomic conditions on the Group's business and evaluated how this was taken into consideration in calculating the future cash inflows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. We performed ad hoc sensitivity analyses in order to reflect the uncertainty inherent in the projections. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company's disclosures relating to internally generated intangible assets are contained in the sections of the notes to the consolidated financial statements entitled "Accounting policies" and "Notes to the balance sheet".

2) Recoverability of Goodwill

1) In the Company's consolidated financial statements goodwill amounting in total to EUR 55,5 million (3,8 % of consolidated total assets) is reported under the "Intangible assets" balance sheet item.

Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the macroeconomic conditions on the Group's business. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore also against the background of the impacts of the macroeconomic conditions, subject to considerable uncertainty.

Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2) As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the impacts of the macroeconomic conditions on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company's disclosures relating to goodwill are contained in the sections of the notes to the consolidated financial statements entitled "Accounting policies" and "Notes to the balance sheet".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section „Corporate Governance Declaration pursuant to sections 289f and 315d HGB" of the group management report

- the sections "Assessment of the appropriateness and effectiveness of the risk management system" and "Assessment of the appropriateness and effectiveness of the accounting-related internal control system" of the group management report

The other information comprises further

- the non-financial statement pursuant to § 289b to § 289e HGB and § 315b to 315c HGB included in section „Non-financial Report pursuant to sections 289b and 315b HGB" of the group management report

- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible

- all remaining parts of the annual report - excluding cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file DEUTZ_KA_LB_20221231.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 28 April 2022. We were engaged by the supervisory board on 16 December 2022. We have been the group auditor of the DEUTZ Aktiengesellschaft, Köln, without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Harald Wimmer."

Cologne, 13 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Wimmer Wirtschaftsprüfer (German public auditor)	ppa. Clivia Döll Wirtschaftsprüferin (German public auditor)

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

For DEUTZ, a responsible approach to management that meets the standards of good corporate governance forms the basis for enhancing shareholder value over the long term. This is one of the main reasons why we attach great importance to the implementation of the **German Corporate Governance Code** (DCGK) and ensure quality and transparency in all key decisions and processes in our Company.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289F AND SECTION 315D HGB

Declaration of conformity with no exceptions

In 2022, the Board of Management and the Supervisory Board once again carefully considered to what extent it was proper and consistent with the Company's objectives for DEUTZ to apply all principles, recommendations, and suggestions of the DCGK. As a result, DEUTZ AG has complied with all the recommendations of the Code, as amended on December 16, 2019, since submitting its declaration of conformity dated December 9, 2020. The most recent declaration of conformity pursuant to section 161 AktG, issued by the Board of Management and the Supervisory Board on December 13, 2022, confirms that DEUTZ AG also complies with the recommendations of the Code, as amended on April 28, 2022, without exceptions and will continue to do so in the future.

The latest version of the declaration of compliance, dated December 13, 2022, can be found in the 'Investor Relations/ Corporate Governance' section of the Company's website at www.deutz.com. The previous declarations of conformity can also be viewed and downloaded there.

Composition of the Board of Management and Supervisory Board; composition and operating procedures of Supervisory Board committees

At the time this annual report was published, the Company's Board of Management consisted of four people: Dr. Sebastian C. Schulte (Chairman since February 13, 2022, responsible for technical and head-office functions and for sustainability; in the period February 13, 2022 to November 30, 2022, he was responsible for technical and head-office functions, excluding production, and, on an interim basis, for finance, human resources, and information services), Dr. Ing. Petra Mayer (since November 1, 2022, responsible for production and purchasing), Dr. Ing. Markus Müller (responsible for research and development and for sales and service; in the period February 12, 2022 to October 31, 2022, he was responsible for research and development and, on an interim basis, for production and purchasing; from September 6, 2022, he was also responsible for sales and service), and Mr. Timo Krutoff (since December 1, 2022, responsible for finance, human resources, and information services).

Following his appointment to the Board of Management with effect from January 1, 2021, the Supervisory Board appointed Dr. Sebastian C. Schulte as Chairman of the Board of Management with effect from February 13, 2022 and initiated a process to continue the restructuring of the Board of Management.

At the Supervisory Board meeting on June 9, 2022, following preparatory work by the Human Resources Committee, the Supervisory Board appointed Dr. Ing. Petra Mayer as a member of the Board of Management for the period from November 1, 2022 to October 31, 2025 and assigned responsibility for purchasing and production to her.

At the Supervisory Board meeting on September 6, 2022, following preparatory work by the Human Resources Committee, the Supervisory Board then appointed Mr. Timo Krutoff as a member of the Board of Management for the period from December 1, 2022 to November 30, 2025. He has taken over responsibility for finance, human resources, and information services and the role of Labor Director from Dr. Sebastian C. Schulte, to whom these responsibilities had been assigned on an interim basis since February 12, 2022.

Finally, at the Supervisory Board meeting on January 18, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board extended Dr. Ing. Sebastian C. Schulte's term of appointment by five years, i.e. for the period from January 1, 2024 to December 31, 2028.

Mr. Michael Wellenzohn, who had been the member of the Board of Management responsible for sales, marketing, and service and was actively involved in the restructuring of the Board of Management, left the Company on September 6, 2022 with immediate effect by mutual agreement. The Supervisory Board would like to thank Mr. Wellenzohn once again for his invaluable work and dedication and wishes him every success for the future.

As previously reported, the Supervisory Board decided unanimously at an extraordinary Supervisory Board meeting held on February 12, 2022 to revoke the appointment of Dr. Ing. Frank Hiller as Chairman of the Board of Management of DEUTZ AG for good cause and with immediate effect. Mutual agreement was subsequently reached with Dr. Ing. Hiller on the termination of his contract. The process of restructuring the Board of Management, which had begun in February 2022, was successfully concluded in the reporting year with the appointments of Dr. Ing. Petra Mayer and Mr. Timo Krutoff.

In accordance with the provisions of the German Codetermination Act (MitbestG), the Supervisory Board of DEUTZ AG comprises twelve members, six members being the representatives of the shareholders and six members being the representatives of the employees.

There were no changes to the composition of the Supervisory Board in 2022. However, the Supervisory Board elected Dr. Dietmar Voggenreiter as its new chairman after Dr. Ing. Bernd Bohr stepped down as chairman of the Supervisory Board at the extraordinary Supervisory Board meeting on February 12, 2022. The Supervisory Board would like to take this opportunity to thank Dr. Ing. Bohr for his work as chairman of the Supervisory Board and welcomes the continuation of a professional and close working relationship with him.

At its extraordinary meeting on September 21, 2022, the Supervisory Board elected Ms. Sabine Beutert as its deputy chairwoman after Ms. Corinna Töpfer-Hartung resigned from the role on that day. The Supervisory Board would also like to expressly thank Ms. Töpfer-Hartung for her work as deputy chairwoman and is looking forward to the continuation of a successful working relationship with her.

The following changes to the composition of the Supervisory Board's committees were made in 2022 and up to the time that this annual report was published:

At the extraordinary Supervisory Board meeting on February 12, 2022, in view of the fact that Dr. Dietmar Voggenreiter was taking over as chairman of the Supervisory Board from Dr. Ing. Bernd Bohr, it was decided that Dr. Voggenreiter would succeed Dr. Ing. Bohr in all his committee roles with immediate effect.

Furthermore, because Ms. Sabine Beutert took over as deputy chairwoman of the Supervisory Board from Ms. Corinna Töpfer-Hartung, Ms. Beutert became a member of the Human Resources Committee on the basis of section 7 no. 1 a) of the rules of procedure for the Supervisory Board and a member of the Arbitration Committee on the basis of section 27 (3) MitbestG, in both cases with effect from September 21, 2022. By contrast, the composition of the Audit Committee was such that no changes were required to its membership; this was furthermore confirmed by the Supervisory Board, for the avoidance of doubt, at the extraordinary meeting.

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately on pages 211 to 212 of this annual report.

At the time this annual report was published, the members of the Human Resources Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, and Mr. Alois Ludwig. The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. It particularly focuses on long-term succession planning, which involves identifying suitable candidates at an early stage. In this task, it is supported by external consultants. The Human Resources Committee held seven meetings in 2022, all of which were attended in person by all members of the committee. Among the main matters addressed were succession planning and the new structure for the Board of Management, the achievement of the Board of Management's targets for 2021, and the setting of Board of Management targets, including medium-term targets, for 2022.

At the time this annual report was published, the members of the Audit Committee were Ms. Patricia Geibel-Conrad (chairwoman), Ms. Sabine Beutert (deputy chairwoman), Ms. Corinna Töpfer-Hartung, and Dr. Dietmar Voggenreiter. The committee held four meetings in 2022, all but one of which were attended by all its members (Ms. Töpfer-Hartung sent her apologies on one occasion) and by the Board of Management. The auditor also attended all but one of the meetings. The committee members attended the meetings in person. Guests were able to participate virtually, with some of them making use of this option. Where necessary, the committee meetings were held entirely or in part without the Board of Management and/or without the auditor.

The committee's work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report and separate combined non-financial report of DEUTZ AG and the DEUTZ Group. The auditor's report on its review of the condensed consolidated financial statements and the interim management report for the first half of the year was discussed at length together with the Board of Management and in the presence of the auditor. The interim management statements for the first and third quarters were discussed with the Board of Management. The chairwoman of the Audit Committee kept in close contact with the Chief Financial Officer between meetings so that they could share information and ideas and to ensure that she was kept up to date on any important developments. The committee examined the monitoring of accounting and the accounting process, the appropriateness and effectiveness of the internal control system and the risk management system, internal auditing, the compliance management system, and the reports on significant legal disputes. For individual agenda items, the heads of relevant head-office functions were available in the committee's meetings to answer questions and give reports. The auditor declared to the Audit Committee that there were no circumstances providing grounds to suspect that its opinion was prejudiced. The Audit Committee obtained the necessary declaration of independence from the auditor, verified that it was qualified for the role, discussed the external rotation of the audit firm in 2024, and made a recommendation to the Supervisory Board on the proposal to be made to the Annual General Meeting regarding the election of the auditor for 2022. The committee appointed the auditor, discussed the auditor's fee, determined the focus of the audit, and monitored the quality of the auditing. The chairwoman of the committee and the auditor also shared information between the meetings. The Audit Committee amended the catalog of approvable non-audit services to be performed by the auditor to reflect the new rules, reviewed the services rendered during the year, and received reports on planned projects; no issues were identified.

The Board of Management reported regularly to the Audit Committee on the course of business in the segments, the relevant key performance indicators, the liquidity and funding situation, and the Group's working capital. The measurement of investments, goodwill, and other intangible assets, the structuring and refinement of non-financial reporting, and other accounting-related matters were addressed throughout the year. The Board of Management also reported to the committee on the refinement of the risk management system and of cybersecurity management, on progress with implementing the Supply Chain Due Diligence Act (LkSG), and on the call for tenders for the audit of the 2024 financial statements. At various meetings, the committee discussed the internal control system, the work and findings of Corporate Audit, compliance, IT issues and, due to the current situation, the sanctions compliance program. The head of Accounting, the ICS coordinator, the head of Corporate Audit, the Compliance Officer, the head of IT, and the head of Quality together with the head of Investor Relations gave reports on these matters and answered the Audit Committee's questions. Reports regarding potential transactions with related parties were provided on at least a quarterly basis; no transactions requiring approval or disclosure were identified in the reporting year. The Audit Committee held preparatory discussions on the qualification matrix for the Supervisory Board. Finally, the Audit Committee resolved on the planning for 2023.

Based on the annual and consolidated financial statements and the combined management report of DEUTZ AG for the year ended December 31, 2022, the Board of Management report, and the corresponding auditor's reports, the Audit Committee carried out a detailed review of the aforementioned financial statements, the proposal for the appropriation of profit, and the remuneration report at its meeting on March 7, 2023, which was attended by the auditor and the Board of Management. During the meeting, the auditor gave a detailed report on the process and key findings of the audits of the financial statements at the parent company and at the German and non-German subsidiaries. No issues were raised in the audit findings. The internal control system relating to the accounting system, the early-warning system for risk, the key audit matters, and the defined focus of the audit were discussed in detail and the auditor provided in-depth answers to all further questions. No material weaknesses in the internal control system were reported. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern. The requirements for the risk identification system in respect of risk-bearing capacity, risk aggregation, and the documentation of risks were determined by the auditor and then implemented.

The committee's preparatory review also encompassed the separate combined non-financial report of DEUTZ AG and the DEUTZ Group and the auditor's audit of the remuneration report. The Supervisory Board had engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to also conduct a review with limited assurance of the content of the non-financial report, to audit the remuneration report, and to produce related assurance reports. The auditor reported on this audit and review at the meeting as well. This was followed by an intensive discussion of the main results and findings.

At the subsequent meeting of the full Supervisory Board, the chairwoman of the committee reported in detail on the aforementioned audit and review, and their findings. The recommendations prepared for the Supervisory Board for resolutions concerning the financial statements were approved and adopted by the Supervisory Board without change in each case.

In the year under review, the Audit Committee continued to keep up to date with the changes to the regulatory environment and discussed the measures that would need to be taken by DEUTZ AG to meet the enhanced requirements of the European Single Electronic Format (ESEF) regulation, the new rules on risk management systems, the DCGK reforms in 2022, and changes to sustainability reporting (particularly the requirements of the EU Taxonomy Regulation, the EU sustainability reporting standards, and the Corporate Social Responsibility Directive).

In 2022, the chairwoman of the Audit Committee also routinely provided detailed updates on the committee's work at each subsequent meeting of the full Supervisory Board. At the time this annual report was published, the members of the Arbitration Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, Ms. Sophie Albrecht, and Mr. Ali Yener. The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) MitbestG. It did not need to be convened during the year under review.

At the time this annual report was published, the members of the Nomination Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sophie Albrecht, and Mr. Alois Ludwig. The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. It held two meetings in 2022, both of which were attended in person by all members of the committee. The main matters addressed at the meetings were the preparations for the Supervisory Board election to be held in 2023 and the identification and selection of suitable candidates.

The Supervisory Board gave its approval to the recommendations for board resolutions submitted by the committees.

The following changes to the composition of the Supervisory Board's committees were made in 2022 and up to the time that this annual report was published:

At the extraordinary Supervisory Board meeting on February 12, 2022, in view of the fact that Dr. Dietmar Voggenreiter was taking over as chairman of the Supervisory Board from Dr. Ing. Bernd Bohr, it was decided that Dr. Voggenreiter would succeed Dr. Ing. Bohr in all his committee roles with immediate effect.

Furthermore, because Ms. Sabine Beutert took over as deputy chairwoman of the Supervisory Board from Ms. Corinna Töpfer-Hartung, Ms. Beutert became a member of the Human Resources Committee on the basis of section 7 no. 1 a) of the rules of procedure for the Supervisory Board and a member of the Arbitration Committee on the basis of section 27 (3) MitbestG, in both cases with effect from September 21, 2022. By contrast, the composition of the Audit Committee was such that no changes were required to its membership; this was furthermore confirmed by the Supervisory Board, for the avoidance of doubt, at the extraordinary meeting.

The current members of the Supervisory Board are all considered independent within the meaning of article C.6 sentence 2 DCGK, as amended on April 28, 2022. The names of the independent members are Dr. Dietmar Voggenreiter, Ms. Sabine Beutert, Dr. Ing. Bernd Bohr, Ms. Sophie Albrecht, Mr. Yavuz Büyükdag, Dr. Fabian Dietrich, Mr. Hans-Peter Finken, Ms. Patricia Geibel-Conrad, Mr. Alois Ludwig, Dr. Ing. Rudolf Maier, Ms. Corinna Töpfer-Hartung, and Mr. Ali Yener. See also p. 211 onward fur further information on the composition of the Supervisory Board and its committees, and on the further mandates held by its members.

In the reporting year, the Supervisory Board did not conduct a self-assessment (article D.12 DCGK, as amended on April 28, 2022).

Targets and timeframes in accordance with sections 76 (4), 111 (5) AktG

On August 21, 2022, the Board of Management of DEUTZ AG set certain targets and timeframes in accordance with section 76 (4) AktG. The proportion of women employed by DEUTZ AG at the top level of senior management below the Board of Management was to be increased to 13 percent by June 30, 2022. The proportion of women at the second level of senior management below the Board of Management was to be increased to 7 percent over the same period. On December 19, 2022, the DEUTZ Board of Management updated the targets and timeframes in accordance with section 76 (4) AktG as follows: The proportion of women employed by DEUTZ AG at the top level of senior management below the Board of Management is to be increased to 20 percent by June 30, 2027. The proportion of women at the second level of senior management below the Board of Management is to be increased to 12 percent over the same period. The top level of senior management below the Board of Management encompasses all managers in Germany who report directly to a member of the Board of Management. The second level of senior management below the Board of Management comprises all managers in Germany who report directly to a manager in the top level of senior management.

To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development program. When positions in the top and second levels of senior management below the Board of Management become available, the Board of Management and the HR department strive to ensure that at least one woman is always shortlisted for the post (article A.2. DCGK, version dated April 28, 2022). This means that external recruitment must focus on female managers.

As at the end of the reporting year, the proportion of women was 27 percent in the top level of senior management below the Board of Management and 12 percent in the second level of senior management below the Board of Management. DEUTZ AG thus attained the aforementioned targets.

At its meeting on June 9, 2022, the Supervisory Board of DEUTZ AG set the following target in accordance with section 111 (5) AktG: On December 31, 2023, the Board of Management of DEUTZ AG should have at least one female member.

Disclosures regarding compliance with the statutory quotas for women and men on the Supervisory Board

In accordance with the Law for the equal participation of women and men in managerial positions in the private and public sectors (law on the quota for women), the Supervisory Board of DEUTZ AG had to have at least four female members and four male members following the election of the Supervisory Board at the Annual General Meeting on April 26, 2018, if not before.

The Supervisory Board of DEUTZ AG has been in compliance with these statutory quotas since the Supervisory Board election held in 2018.

Description of the diversity plan for the composition of the Board of Management

The Supervisory Board, with the support of the Human Resources Committee and the involvement of the Board of Management, carries out long-term planning for appointments to the Board of Management. At its meeting on September 27, 2018, the Supervisory Board agreed the following diversity plan for the composition of the Board of Management, incorporating the recommendations of the German Corporate Governance Code, as amended on dated February 7, 2017, and also complying with the German Corporate Governance Code as amended on December 16, 2019, and April 28, 2022:

1. Description of the diversity plan

The Supervisory Board has developed the following diversity plan for the composition of the Board of Management in accordance with section 289f (2) no. 6 HGB: In addition to basic suitability criteria such as good character, integrity, outstanding leadership qualities, professional expertise needed for the member's specific remit, proven track record, knowledge of the Company, and the ability to adapt business models and processes to the needs of a changing world, the Supervisory Board also considers diversity when selecting candidates for a position on the Board of Management. The Supervisory Board regards diversity as meaning, in particular:

- appropriate gender representation
- an adequate mix of ages among the members of the Board of Management
- a range of educational backgrounds and occupations.

2. Objectives of the diversity plan

The objective of the diversity plan for the Board of Management is to consciously harness diversity as a means of driving the Company forward. After all, taking account of different perspectives, skills, backgrounds, and experience will be key to maintaining our competitiveness and success over the long term. Diversity within the Board of Management will, in particular, help us to better understand new business models and the wide-ranging expectations of our customers from around the world.

3. Manner of implementation

The Supervisory Board takes particular account of the following aspects with regard to the composition of the Board of Management:

- Members of the Board of Management should have several years of managerial experience.
- Members of the Board of Management should bring experience from a wide range of occupations and professional backgrounds.
- The Board of Management collectively should have technical expertise, particularly knowledge and experience of manufacturing and sales of all types of engines and of other technical products, as well as international experience.
- The Board of Management collectively should have many years' experience in the areas of research and development, production, sales, finance, and human resources.
- The Board of Management collectively should have international experience.
- The Supervisory Board has formally agreed a target quota in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG). The resolution stipulates that there should be at least one woman on the Board of Management of DEUTZ AG on June 30, 2022.
- An age limit of 65 (standard retirement age) applies in principle to the members of the Board of Management.

The Supervisory Board determines which candidate should be offered a specific position on the Board of Management. Its decision is based on the best interests of the Company, taking all the circumstances of the individual case into account.

4. Current composition

As well as many years of experience within the Group, the members of the Board of Management also have extensive knowledge and experience – some international – from various activities outside DEUTZ AG. In its current composition, the four-person Board of Management meets all the specified targets. The current age range on the Board of Management is 43 to 56 years. The average age of the Board of Management members is 47.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, PROFILE OF THE SKILLS AND EXPERTISE REQUIRED OF ITS MEMBERS, AND DESCRIPTION OF THE DIVERSITY PLAN

The diversity plan for the Supervisory Board was adopted by the Supervisory Board at its meeting on September 27, 2018 together with the objectives for the Supervisory Board's composition and profile of skills and expertise, and was last updated as follows at the meeting on December 13, 2021:

The Supervisory Board of DEUTZ AG has defined specific targets for its composition and has drawn up a profile of skills and expertise for the Supervisory Board as a whole in accordance with article C.1 of the German Corporate Governance Code.

The composition of the Supervisory Board has to ensure that its members have the knowledge, skills, and professional experience required to properly perform all duties within an international group of companies. This does not mean that each individual member of the Supervisory Board must have all the knowledge and experience required, but that for each key area of the Supervisory Board's activities, at least one member has competence in that area so that collectively – including the employee representatives and taking account of the special features of the right of codetermination – the Supervisory Board covers the required knowledge and experience.

1. Description of the areas of expertise required for the Supervisory Board

The Supervisory Board of DEUTZ AG should be composed of individuals who collectively provide a range of skills and expertise that ensures the Supervisory Board can comprehensively and effectively advise and supervise the Board of Management on every aspect of DEUTZ's business activity. The Supervisory Board regards the following as key elements of this skill set:

- Experience in managing and supervising international companies
- Familiarity of the members collectively with the Company's key areas of activity and of the associated markets and value chains
- Understanding of the Company's strategy and its future strategic development, including against the background of any changing market requirements
- Knowledge of codetermination law
- Adequate knowledge of finance, financial reporting, accounting, compliance and risk management
- In-depth experience in the area of technological research and development, industrial manufacturing, or service
- In-depth experience in the area of sales, service, or marketing in the industrial sector for engines, drive systems, or associated machinery
- Expertise in corporate social responsibility (CSR)
- Expertise in sustainability matters of relevance to the Company
- Expertise in digital strategy and Industry 4.0
- Expertise in corporate and capital market communication
- Fundamental knowledge of stock market law, stock corporation law, and the financial markets

In addition, in accordance with the requirements of section 100 (5) AktG, at least one member of the Supervisory Board and the Audit Committee must have expertise in the area of accounting and at least one member of the Supervisory Board and the Audit Committee must have expertise in the area of auditing (financial experts). Expertise in the area of accounting should primarily comprise knowledge of, and experience with, the application of accounting principles and internal control and risk management systems, while expertise in the area of auditing should primarily comprise knowledge of, and experience with, audits of financial statements. Accounting and auditing also encompasses sustainability reporting and associated audits. The chairperson of the Audit Committee must have appropriate expertise in at least one of these areas. Collectively, the members of the Supervisory Board must be familiar with the engine manufacturing, drive systems and associated machinery sector.

2. Minimum requirements for professional expertise and personal capabilities

The individual members of the Supervisory Board should have certain minimum competencies that are necessary for the proper performance of their role:

- The ability to understand and critically scrutinize the business model
- Fundamental knowledge of the relevant legal provisions
- Fundamental knowledge of compliance
- Fundamental financial expertise, particularly in accounting, risk management, and annual financial statements
- The ability to examine the annual financial statements, if necessary with the assistance of the independent auditors
- The ability to understand, critically scrutinize, and draw conclusions from the reports of the Board of Management and of the Supervisory Board committees
- The ability to assess the propriety, commercial viability, appropriateness, and legality of business decisions and to check their plausibility
- The willingness and ability to devote the time and effort required
- The willingness to undertake ongoing professional development in the form of both inhouse and external training activities
- Personal independence and integrity

3. Objectives for the composition of the Supervisory Board as a whole

3.1 Diversity

In terms of the diversity of its composition, the Supervisory Board strives to ensure the appropriate participation of both genders, a range of professional and international experience, and the inclusion of members with many years of relevant experience. As DEUTZ AG is a publicly listed company that is subject to the German Codetermination Act, the Supervisory Board must include at least 30 percent women and at least 30 percent men in accordance with the principles laid down in section 96 (2) AktG.

3.2 International expertise

As DEUTZ is an international group of companies, care must be taken to ensure that the Supervisory Board has a sufficient number of members with many years of international experience. Supervisory Board members can satisfy this requirement in a variety of ways, e.g. by currently or previously holding a senior management role in an international company or by currently or previously living and working in another country.

3.3 Independence and potential conflicts of interest

More than half of the shareholder representatives on the Supervisory Board should be independent within the meaning of articles C.6 (2) and C.7 of the German Corporate Governance Code. Shareholder representatives on the Supervisory Board must not hold directorships or similar positions or advisory functions for, or have a personal relationship with, major competitors of the DEUTZ Group, and must generally – or at least in the majority – be deemed independent of the Company, the Board of Management and/or a controlling shareholder. Conflicts of interest that are substantial and not merely temporary relating to the personal circumstances of a Supervisory Board member shall result in the termination of the mandate.

3.4 Time required to perform Supervisory Board duties

The Supervisory Board believes it is important that both its current members and future candidates for Supervisory Board seats are able to devote sufficient time to preparing for and following up the regular Supervisory Board meetings, taking part in such meetings and reading the regular reports. Additional time is required if members are elected to committees, particularly if they chair such committees. Based on these criteria, the time demanded of Supervisory Board members and candidates in respect of seats on other supervisory or advisory bodies, their active professional activity, or other duties must be taken into account.

3.5 Regular review/evaluation

(1) In the process for selecting shareholder representatives, the Nominations Committee proposes candidates to the Supervisory Board, taking account of the above criteria, and the Supervisory Board then proposes these candidates for election by the Annual General Meeting. The representatives to be elected to the Supervisory Board by the employees must also fulfill the key criteria of this profile of skills and expertise.

(2) In addition, evaluations must be carried out at regular intervals to establish the extent to which the members of the Supervisory Board and the composition of the Supervisory Board remain compliant with the objectives specified in point (1), and the extent to which the Supervisory Board and its committees in their existing composition are able to carry out their duties effectively.

4. Diversity plan

a) Description of the diversity plan

The Supervisory Board has also resolved to strive for a diverse composition, particularly with regard to age, gender, educational background and occupation.

b) Objective of the diversity plan

The objective of the diversity plan for the Supervisory Board is to ensure that it has a broad understanding of the social and business requirements placed upon DEUTZ AG. In particular, diversity should help the Supervisory Board to judge the business decisions made by the Board of Management from different perspectives and on the basis of a wide range of experience.

c) Manner in which the diversity plan is to be implemented

The Supervisory Board must be able to draw on as wide a range of expertise, capabilities and experience as possible. It is therefore important to take due account of diversity in its composition and, when preparing election nominations, to make sure that the profiles of the candidates complement those of the existing members.

In accordance with statutory provisions, the Supervisory Board includes at least 30 percent women and at least 30 percent men.

A further target for the composition of the Supervisory Board is that members do not remain in post beyond the end of the Annual General Meeting following the member's 75th birthday (standard retirement age), unless special circumstances apply. Nor should members of the Supervisory Board serve any more than three full terms, unless special circumstances apply.

d) Results of the diversity plan achieved in the past year

The current composition of the Supervisory Board reflects the stated objectives and matches the agreed profile of skills and expertise.

The following qualification matrix in accordance with article C.1 of the German Corporate Governance Code, as amended on April 28, 2022, illustrates the implementation status:

Skills matrix for the composition of the Supervisory Board of DEUTZ AG	Experience in managing and supervising international companies	Familiarity with the Company's activities/markets/value chain	Understanding of the Company's strategic development, technologies, and markets	Knowledge of codetermination law	Adequate knowledge of finance, financial reporting, accounting, compliance and risk management	In-depth experience in R&D, industrial manufacturing, and service	In-depth experience in sales, service, or marketing in the industrial sector for engines, drive systems, machinery	Expertise in CSR	Expertise in sustainability matters of relevance to the Company	Expertise in digital strategy/Industry 4.0	Expertise in corporate and capital market communication	Fundamental knowledge of stock market law, stock corporation law, and the financial markets
	1	2	3	4	5	6	7	8	9	10	11	12
Dr. Dietmar Voggenreiter	X	X	X	X	X		X	X	X		X	X
Sabine Beutert	X	X	X	X	X					X		
Sophie Albrecht	X	X	X		X	X	X	X		X		
Dr.-Ing. Bernd Bohr	X	X	X		X	X				X		X
Yavuz Büyükdag		X	X	X				X		X		
Dr. Fabian Dietrich		X	X	X	X			X			X	X
Hans-Peter Finken		X	X	X		X				X		
Patricia Geibel-Conrad	X	X	X	X	X			X	X			X
Alois Ludwig	X	X	X	X	X	X	X	X		X		
Dr.-Ing. Rudolf Maier	X	X	X	X		X	X	X	X	X		
Corinna Töpfer-Hartung		X	X	X		X		X	X			
Ali Yener	X	X	X	X						X		X

Disclosures pursuant to section 289f (2) no. 5a HGB

Pursuant to section 76 (3a) AktG, DEUTZ AG is required to appoint at least one woman and at least one man as members of its Board of Management, provided that the Board of Management comprises more than three members. Any appointment of a member of the Board of Management that is made in breach of this minimum quota requirement is void.

DEUTZ complied with this requirement in the reporting period.

Disclosures pursuant to section 289f (2) no. 1a HGB

The remuneration report for the last financial year, the independent auditor's report pursuant to section 162 AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 AktG, and the most recent resolution on remuneration pursuant to section 113 (3) AktG can be accessed online at www.deutz.com under Corporate Governance.

Disclosures relevant to corporate management practices: compliance management system, environmental, quality, and energy management

DEUTZ AG has a compliance management system that is firmly anchored in the Company's organizational structure. The system is continually enhanced in order to meet changing requirements. At the time this annual report was published, the Chairman of the Board of Management, Dr. Sebastian C. Schulte, was the member of the Board of Management responsible for compliance.

The prime objective of the compliance management system is to prevent violations of applicable laws, rules, regulations, and internal policies. To this end, employees are given help in familiarizing themselves with the relevant laws, regulations, and policies as well as guidance on how to apply them correctly. This is primarily achieved through a structured policy management system in which existing policies are reviewed on an ongoing basis to see if they need updating and new policies are published. The policy management system is based on the code of conduct, which provides a framework for ensuring that behavior toward business partners and employees is fair and in compliance with the law.

In 2022, the code of conduct was distributed to all employees of the new affiliated companies in which DEUTZ AG holds a stake of more than 50 percent and was also made available via internal communications platforms. Third parties can view the code of conduct on the Company's website. The guidelines set out in the code of conduct are supplemented by and formalized in specific policies, including a compliance policy, a policy on gifts and entertainment, an information security policy, a policy on engaging external sales service providers, an anti-money laundering policy, a policy on export controls, a privacy policy, and an insider trading policy. These policies help to ensure that employees are aware of the relevant laws and regulations and are able to apply them correctly.

The Board of Management supports and promotes ethical conduct. It is unreservedly committed to corporate compliance and declines to be involved in any transactions that are inconsistent with these values. The Board of Management does not tolerate any form of corruption and is fully committed to compliance with competition law and to incorporating sustainability aspects into the Company's activities. In addition, DEUTZ adopted a human rights code in 2022 that documents the human rights principles that are most relevant to the Company. It is based on national and internal laws, on conventions and declarations such as the UN Guiding Principles on Business and Human Rights, on the fundamental conventions of the International Labour Organization, and on the United Nations Global Compact. DEUTZ believes that professional and business relationships absolutely have to be grounded in compliance with the human rights code and that this will secure the long-term success of the Company. This ambition is also reflected in the name of the new groupwide sustainability strategy, Taking Responsibility.

Training is intended to ensure that employees are aware of the relevant laws and corporate policies, and that they comply with them at all times in their day-to-day work. For all clerical staff who work in the central sales, procurement, research & development, production, and administrative functions, or in subsidiaries, and have a PC work station, training courses were conducted via a web-based e-learning program. These comprised modules on basic principles of compliance, preventing corruption, antitrust law, export controls, data protection, preventing money-laundering and financing of terrorism, the German General Equal Treatment Act (AGG) / equal treatment, information security, and health and safety in the workplace. In 2022, a total of 3,280 clerical employees successfully completed all modules of the e-learning program that had been assigned to them. This equates to a compliance training completion ratio of 97.3 percent. In the production plants, compliance training takes place in conjunction with the regular safety training in a manner that is tailored to the particular area of work.

A Compliance Officer appointed by the Board of Management coordinates compliance activities at DEUTZ. The individual business units and subsidiaries have their own compliance coordinators, who are responsible for compliance in their organizations and submit regular structured reports in writing to the Compliance Officer, who in turn reports to the Board of Management and

Audit Committee. The basic principles of the compliance organization are described in the compliance organizational policy. The duties of the relevant employees are set out in job descriptions.

Employees can supply information or direct questions to line managers, compliance coordinators, the Compliance Officer, or the managers responsible for the legal affairs or internal audit units. Furthermore, the Company's website incorporates a whistleblowing system that can also be accessed by non-employees. Notices can also be submitted anonymously and any information supplied is rigorously followed up. Any necessary investigations are carried out by the Compliance Officer, with external support if required.

Regular meetings are held to develop, discuss, and coordinate compliance initiatives. The compliance activities focus on preventing corruption, tackling money laundering, and complying with export regulations (including export controls). They also ensure safety in the workplace, IT and data security, corporate security, and product safety. A further aim is to prevent breaches of environmental, antitrust, and insider trading laws.

As and when needed, the Board of Management and the Compliance Officer take legal advice on establishing and continuously improving the compliance management system. The internal audit department reviews the activities, and the Audit Committee monitors them on behalf of the Supervisory Board.

Another essential element of corporate management is rigorous environmental, quality, energy, and workplace safety management. In the year under review, DEUTZ AG continued to satisfy the quality management requirements in accordance with ISO 9001, the environmental management requirements in accordance with ISO 14001, and the energy management requirements in accordance with ISO 50001, and applied a system ensuring health and safety in the workplace in accordance with ISO 45001. The relevant certificates from TÜV Rheinland can be found on the DEUTZ AG website.

All standards set by the Deutsches Institut für Normung e.V., Berlin (DIN) can be inspected free of charge at DIN standards repositories.

CORPORATE GOVERNANCE REPORT

Basic principles and objectives of the composition of the Supervisory Board; particularly, conflicts of interest/independence of Supervisory Board members and the consideration of women

At its meeting held on December 13, 2022, the Supervisory Board adopted the profile of skills and expertise required for its members together with the objectives regarding its composition in accordance with article C.1 DCGK as amended on April 28, 2022. See also p. 228 onward.

The Supervisory Board has met the applicable objectives, such as the international experience available on the Supervisory Board and the number of independ ent members. The current members of the Supervisory Board are all considered independent within the meaning of article C.6 sentence 2 DCGK, as amended on April 28, 2022). No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.

Consideration of women when making appointments to the Board of Management

At the time this annual report was published, the Board of Management of DEUTZ AG consisted of four members, one of whom was female. This equates to a ratio of 25 percent.

Responsible risk management

A forward-looking, prudent, and responsible approach to corporate risk is a core aspect of good corporate governance and forms the basis for the risk management system at DEUTZ. The Board of Management regularly notifies the Supervisory Board of any existing or anticipated risks. See also on 'Risk report', p. 57 onward, for further information on risk management.

Comprehensive transparency and active investor relations

The transparent presentation of developments and decisions in a company forms the core of any model system of corporate governance. Regular, open, and proactive dialogue with all stakeholders ensures trust in a company and its value creation process. It is therefore of utmost importance to DEUTZ to ensure that all stakeholder groups receive the same information simultaneously and in a timely manner. We achieve this objective by using various communication formats and media. DEUTZ AG reports on the performance and development of its business and on significant changes and events four times a year, in its annual report, its half-year report, and its quarterly statements. The quarterly statements and half-year reports are published within 45 days of the end of a reporting period; the annual report is published within 90 days of the end of the financial year. At the annual analysts' meeting held when the Company's consolidated financial statements are published, and at conference calls on the publication dates of half-year reports and quarterly statements, senior management is available to answer questions from investors and analysts. See also 'DEUTZ in the capital markets', p. 16 onward.

The Annual General Meeting, at which shareholders have the opportunity to exercise their voting rights, is usually held in the first five months of the year; shareholders who do not attend the AGM in person can instruct proxies to vote on their behalf.

Our website also offers comprehensive information on the Company: Annual reports, half-year reports, quarterly statements, press releases, ad hoc announcements, voting right notifications, analyst recommendations, presentations, the Company's Statutes, and the remuneration systems for the Supervisory Board and Board of Management can all be found at www.deutz.com. In addition, our online financial calendar provides information on upcoming events in the Company's financial year.

Our website content is generally published in both German and English to ensure that important company news and information is as accessible as possible, including to an international audience.

Apart from the regularly published information, DEUTZ also issues ad hoc announcements regarding circumstances that are not in the public domain but that could have a significant impact on DEUTZ's share price were they to become known. The Company's reporting policy therefore complies both with legal requirements and the guidelines in the DCGK, as amended on April 28, 2022.

Accounting and auditing

DEUTZ AG's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements are prepared by the Board of Management and reviewed by the auditor.

The auditor has agreed to inform the chairperson of the Supervisory Board or the chairperson of the Audit Committee of any findings or incidents relevant to their role of which it becomes aware during the audit.

The auditor has also agreed to inform the Supervisory Board or the Audit Committee if it identifies any facts while performing the audit that show that the declaration of conformity with the DCGK submitted by the Board of Management and Supervisory Board contains misrepresentations. The auditor will also note this in the audit report.

The Audit Committee discussed the assessment of audit risk, the audit strategy, the audit plan, and the findings of the audit with the auditor. The chairperson of the Audit Committee regularly discussed the progress of the audit with the auditor and reported on the discussion to the committee. The Audit Committee also regularly met the auditor without the Board of Management.

The auditor informs the chairperson of the Supervisory Board without delay of any findings or incidents relevant to the role of the Supervisory Board that arise during the audit of the financial statements.

Conflicts of interest and consultancy agreements

Information about conflicts of interests in relation to Supervisory Board members can be found under 'Basic principles and objectives of the composition of the Supervisory Board' at the start of this corporate governance report.

The Company does not have any consultancy agreements with members of the Supervisory Board.

The members of the Board of Management must disclose any conflicts of interest to the Supervisory Board. The Supervisory Board then reports these cases, along with any conflicts of interest relating to its own members, to the Annual General Meeting.

Remuneration report

The remuneration of the Board of Management complies with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the recommendations in the DCGK. From 2021, the remuneration will also comply with the German Act Implementing the Second Shareholder Rights' Directive (ARUG II). See also 'Remuneration report', p. 70 onward, for further information on the remuneration systems for the Board of Management and Supervisory Board and the remuneration granted to individual board members.

Dealings subject to reporting requirements

Article 19 of the Market Abuse Regulation (MAR) states that persons with executive functions or persons with whom they are closely associated must notify both the company and the German Federal Financial Supervisory Authority (BaFin) of their own dealings in shares of the company or in financial instruments of the company based on such shares.

In 2022, Dr. Schulte and Dr. Ing. Müller disclosed the purchase of DEUTZ shares in accordance with article 19 MAR. Dr. Schulte made a further disclosure of this nature before the adoption of the 2022 annual financial statements. The disclosed transactions are published in the Investor Relations section of the DEUTZ AG website.

GLOSSARY

Audit An analysis examining whether processes comply with policy and/or meet the requirements of certain standards, for example for certification in accordance with a particular ISO standard.

CNG (compressed natural gas) Fuel gas composed mainly of methane that is compressed to a pressure of approximately 200 to 250 bar for storage. Engines powered by CNG emit far fewer pollutants than equivalent engines run on gasoline or diesel fuels. And because CNG combustion is very quiet, the engine noise is much lower than in diesel-powered applications.

Cold testing An inspection method in the assembly process for internal combustion engines. It checks whether the preceding stages of assembly were carried out correctly and whether the assembled engine components function properly. Contrary to hot testing, cold testing involves running diagnostic programs without any fuel being used.

Compliance Denotes the entirety of measures taken by a company to comply with laws, regulations, and directives and also to comply with contractual obligations and self-imposed obligations.

Conflict minerals Minerals or similar natural resources that are extracted in a part of the world afflicted by armed conflicts and that are sold in order to fund these conflicts.

Conrod Component connecting the crankshaft and piston in a piston engine.

Corporate citizenship Denotes a company's corporate social responsibility activities.

Corporate governance Responsible management and control of a company with a view to long-term value creation and increasing shareholder value.

Counterparty risk The risk that a counterparty, i.e. a contractual partner, does not fulfill its contractual obligations in full or in part.

Diversity The concept of diversity encompasses the acceptance of and respect for all people, regardless of their social background, ethnicity, gender, sexual orientation, religious beliefs, age, physical and mental capabilities, or how they see the world and live their lives. A tolerant corporate culture that accepts the differences between individual employees can be utilized to boost the success of a company.

Downsizing Reduction of technical dimensions (such as weight and engine capacity) but delivering the same or similar power output.

E-fuels Synthetic fuels that are produced from water and carbon dioxide (CO_2) using electricity.

End of life assessment In engine manufacturing, the term end of life (EOL) describes the transition from full production of a model to its discontinuation or post-production phase. The focus of the assessment is therefore on the end of the product lifecycle.

ESG Abbreviation for environmental, social, and corporate governance. These are the three areas of corporate responsibility related to sustainability.

EU emissions standard Exhaust emissions standard laid down by the European Union for off-highway applications. It sets limits for pollutants such as nitrogen oxide, hydrocarbons, and soot particulates in exhaust gas.

Factoring Form of funding for companies in which open receivables, e.g. trade receivables, are sold to a third party in order to improve the company's liquidity.

Field defects Engine defects experienced while operating the application and/or when the end customer is using it in the field.

Genset A generator unit that generates electrical energy from available resources, specifically so that the equipment being powered is not dependent on the electricity grid.

German Corporate Governance Code (DCGK) Sets out statutory provisions concerning the management and supervision of listed companies in Germany. It also contains recommendations and suggestions on good and responsible corporate governance.

German Sustainability Code Transparency standard for reporting on the sustainability efforts of companies from across all sectors. It contains 20 criteria that can be used as a framework for preparing non-financial reports.

Green Deal The Green Deal sets out the EU's objective of cutting net greenhouse gas emissions to zero by 2050, thus making Europe the world's first climate-neutral continent. Its initiatives cover the areas of finance, energy, transport, commerce, industry, agriculture, and forestry.

HVO (hydrotreated vegetable oil) is an innovative biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. Its properties are very similar to fossil-based diesel and as a result it can be used as a direct replacement.

IMS (integrated management system) Standardized structure bringing together methods and tools for ensuring compliance with requirements in various areas, such as quality, environmental protection, and health and safety, in order to enable comprehensive management and control.

Industry 4.0 Describes the digital transformation of industry. Components autonomously communicate with the production plant and, if needed, can request a repair or order materials themselves. Industry 4.0 is characterized by the intelligent networking of people, machines, and industrial processes.

Kaizen Kai is Japanese for 'change' and zen means 'better', but kaizen is usually translated as 'continuous improvement'. It is a principle in which interdisciplinary improvements are developed and implemented in small steps, for example in the kaizen workshop week.

Lean Philosophy/guidelines promoting customer-focused, lean processes without waste in every area of a company. Important aspects include the pull principle, the reduction of lead times, flexibility, and the ability to synchronize with the customer. Lean manufacturing, for example, describes a way of organizing production processes that aims to improve productivity, production factors, product quality, and production flexibility by avoiding any type of resources being wasted, be it time, human resources, money, material, or space.

LPG (liquefied petroleum gas) Mixture of gases that can be liquefied at room temperature under a relatively low pressure of between 5 and 15 bar. The main components of LPG (also known as autogas) are propane and butane. Autogas burns very cleanly. No soot is produced by burning LPG and its nitrogen oxide emissions are lower than for diesel despite the less complicated exhaust aftertreatment system.

Material compliance Adherence to environmental and material-specific laws, regulations, and directives – such as REACH, RoHS, and the provisions governing the use of conflict minerals – that restrict or prohibit various substances and materials in products with the aim of protecting people and the environment. It is also the name of the department at DEUTZ that deals with implementation of the relevant rules.

Material handling Equipment for moving goods within contained areas, such as airports or factories. Examples include forklift trucks, telehandlers, lifting platforms, and ground support equipment.

Net method Method for determining the net or residual risk. It calculates the risk that would remain after implementation of risk-mitigating measures: gross risk less all potentially negative effects, which have been reduced by taking suitable measures.

NOx (nitrogen oxide) Nitrogen oxide is a generic term for numerous gaseous compounds of nitrogen and oxygen, with nitric oxide (NO) and nitrogen dioxide (NO2) grouped together as NOx. They are unwanted byproducts of the burning of fuel, for example in internal combustion engines and in coal, oil, gas, wood, and waste furnaces.

OECD Guidelines The guidelines of the Organisation for Economic Co-operation and Development (OECD) represent an international instrument for promoting responsible business conduct. They contain principles and standards in the areas of human rights, labor rights, social responsibilities, environment, combating corruption, taxation, consumer interests, information disclosure, science and technology, and competition. The guidelines constitute non-binding recommendations from the OECD member states to multinational enterprises. Although they are not legally binding, the German government expects German companies to comply with them in their international activities.

OEM (original equipment manufacturer) Manufacturer from which another company purchases components for its own production operations and then sells them on under its own brand name or markets them without any branding.

Off-highway Segment comprising engine-powered applications whose use on roads is subject to restrictions, e.g. trains, ships, agricultural vehicles, and construction vehicles.

On-road Engine-powered applications that, unlike off-highway applications, traditionally use the roads, e.g. trucks.

Paris Agreement Agreement adopted on December 12, 2015 that was signed by 195 parties at the UN climate change conference in Paris. It sets out a global framework for avoiding climate change catastrophe by keeping the rise in global temperatures to well below 2°C and ideally limiting the increase to 1.5°C.

Percentile ranking Percentage rank in an ordered data set that indicates which percentage of all data points are smaller or equal to the associated point.

Product carbon footprint The product carbon footprint (PCF), also known as the cradle-to-grave analysis, is a method for calculating greenhouse gas emissions. It looks at all phases of the product lifecycle, from the extraction of the raw materials and the usage phase to the disposal of the product.

REACH (Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals) European Union regulation concerning the registration, evaluation, authorization, and restriction of chemicals.

RoHS (Restriction of Hazardous Substances) Abbreviation for Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment, which governs the use and placement in the market of hazardous substances in electrical and electronic components.

SCM (Supply chain management The coordination and optimization of value chains and supply chains. It encompasses various procurement and manufacturing departments as well as distribution to customers.

Sustainable Development Goals (SDG) The 17 sustainable development goals are policy objectives set by the UN that are intended to foster sustainable development at economic, societal, and environmental level and on a global basis. They entered into force on January 1, 2016 and have a term of 15 years (up to 2030).

Sustainable Finance Action Plan Adopted in 2018 by the European Commission, the Sustainable Finance Action Plan aims to put ESG (environment, social, and governance) criteria at the heart of Europe's financial system and in doing so increase the flow of money into sustainable initiatives throughout the European Union.

Synthetic fuels See e-fuels.

United Nations Global Compact (UNGC) A global pact for sustainable and responsible corporate governance. The signatories (businesses, non-governmental organizations, and other non-business entities) commit to embedding ten universally accepted principles into their strategy and contributing to the implementation of the sustainable development goals. (see also UNGC principles and sustainable development goals).

Virtual performance shares (VPS) are a number of conditionally allocated virtual shares. The final number of shares is determined at the end of the performance period based on the attainment of previously specified performance targets. Payment is in cash rather than in the form of shares.

Waiver (request) Request made to a business partner to waive a particular provision or condition despite this provision or condition being contractually agreed.

Women's Empowerment Principles (WEP) Joint initiative of UN Women and UN Global Compact that provides a framework for the empowerment of women in business. The seven principles offer guidance to companies on how to promote gender equality in the workplace and in society.

Xchange Professionally reconditioned engines and parts that represent a quick, economic, and eco-friendly alternative to purchasing a new product. Xchange engines and parts have to meet the same quality standards as apply to the manufacturing of new ones.

Xetra (Exchange Electronic Trading) Name given to the electronic dealing system run by Deutsche Börse (also known as screen-based trading).

Zero-hour defects Number of engine defects per one million engines delivered.

DEUTZ GROUP: MULTI-YEAR OVERVIEW

	Continuing operations 2018	Continuing operations 2019	Continuing operations 2020	Continuing operations 2021	**Continuing operations 2022**
New orders	1,952.6	1,654.3	1,322.5	2,012.6	2,033.6
Unit sales (units)[1]	214,776	211,667	150,928	201,283	234,682
DEUTZ Compact Engines	195,259	164,677	102,054		
DEUTZ Customized Solutions	9,259	26,048	18,980		
Other	10,258	20,942	29,894		
DEUTZ Classic				160,880	181,249
DEUTZ Green				40,403	53,433
Revenue[1]	1,778.8	1,840.8	1,295.6	1,617.3	1,953.4
DEUTZ Compact Engines	1,484.0	1,446.4	943.8		
DEUTZ Customized Solutions	271.2	362.5	310.1		
Other	26.8	35.5	44.4		
Consolidation	–3.2	–3.6	–2.7		
DEUTZ Classic				1,563.4	1,889.4
DEUTZ Green				53.9	64.0
EBITDA	161.4	175.5	–0.2	123.1	176.2
EBITDA (before exceptional items)	161.4	166.2	31.7	126.2	183.0
EBIT	82.0	88.1	–106.6	34.1	82.6
EBIT (before exceptional items)	82.0	78.8	–74.7	37.2	89.4
EBIT margin (%)	4.6	4.8	–8.2	2.1	4.2
EBIT margin (before exceptional items, %)	4.6	4.3	–5.8	2.3	4.6
Net income	69.9	52.3	–107.6	38.2	80.2
Net income (before exceptional items)	69.9	44.2	–75.7	41.3	86.1
Earnings per share (€)	0.58	0.43	–0.89	0.32	0.66
Earnings per share (before exceptional items, €)	0.58	0.37	–0.63	0.34	0.71
Dividend per share (€)	0.15	0.15	–	–	0.15
Total assets	1,249.3	1,301.2	1,180.5	1,290.1	1,475.4
Non-current assets	506.2	619.5	613.6	608.2	629.0
Equity	619.1	652.4	535.2	588.4	668.8
Equity ratio (%)	49.6	50.1	45.3	45.6	45.3
Cash flow from operating activities	97.5	115.6	44.9	93.3	57.7
Free cash flow	14.5	–36.6	–35.8	21.6	–16.6
Net financial position[2]	93.7	–15.2	–83.8	–79.7	–164.2
Working capital[3]	276.2	293.2	235.0	253.2	346.3
Working capital ratio (average, %)[4]	15.8	17.4	21.8	15.5	16.7
Capital expenditure (after deducting grants)[5]	59.1	86.5	91.7	65.7	111.6
Depreciation and amortization	79.4	87.4	106.4	89.0	93.6
Research and development (after deducting grants)	85.0	95.8	81.4	82.3	90.8
thereof capitalized	21.0	21.7	12.6	6.8	5.3
Employees (Dec. 31)[6]	4,631	4,906	4,586	4,751	4,975

[1] New segment structure since 2022. The figures for 2021 have been restated accordingly.
[2] Cash and cash equivalents less current and non-current interest-bearing financial debt.
[3] Inventories plus trade receivables less trade payables.
[4] Average working capital at the last four quarterly reporting dates divided by revenue for the previous twelve months.
[5] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases since 2019) and intangible assets, excluding capitalization of R&D.
[6] From 2019 onward, the number of employees is expressed in FTEs (full-time equivalents). The figures for 2018 have been restated accordingly.

DEUTZ GROUP: MULTI-YEAR OVERVIEW

	Continuing operations 2018	Continuing operations 2019	Continuing operations 2020	Continuing operations 2021	**Continuing operations 2022**
Revenue by region € million	**1,778.8**	**1,840.8**	**1,295.6**	**1,617.3**	**1,953.4**
Europe/Middle East/Africa	1,139.7[1]	1,141.9	829.2	1,030.6	1,198,8
Americas	365.3[1]	404.3	222.5	294.6	442.2
Asia-Pacific	273.8[1]	294.6	243.9	292.1	312.4
Revenue by application segment € million	**1,778.8**	**1,840.8**	**1,295.6**	**1,617.3**	**1,953.4**
Construction Equipment	545.5	535.5	378.5	490.7	577.0
Material Handling	373.1	398.9	172.5	284.1	355.4
Stationary Equipment	166.3	155.8	114.3	120.3	179.7
Agricultural Machinery	261.1	293.3	178.7	206.1	275.3
Service	329.9	352.4	348.3	403.1	449.8
Miscellaneous[2]	102.9	104.9	103.3	113.0	116.2
Key figures for DEUTZ shares					
Number of shares (Dec. 31)	120,861,783	120,861,783	120,861,783	120,861,783	120,861,783
Number of shares (average)	120,861,783	120,861,783	120,861,783	120,861,783	120,861,783
Share price (Dec. 31, €)[3]	5.15	5.57	5.10	6.57	4.05
Share price high (€)[3]	8.68	8.84	5.77	8.29	7.00
Share price low (€)[3]	5.02	4.86	2.74	5.10	3.02
Market capitalization (€ million)[3]	622.4	673.2	616.4	794.1	489.0
Earnings per share (€)	0.58	0.43	–0.89	0.32	0.66
thereof from continuing operations	0.58	0.43	–0.89	0.32	0.66
thereof from discontinued operations	0.00	0.00	0.00	0.00	0.00
Earnings per share (before exceptional items, €)	0.58	0.37	–0.63	0.34	0.71

[1] Adjusted due to a change in the regional allocation of the revenue of one big-ticket customer.
[2] From 2019 onward, the revenue from automotive business is included in the Miscellaneous application segment. Up to and including 2018, it was shown separately. The figure for 2018 has been restated accordingly.
[3] Xetra closing prices; January 1, 2022 to December 31,2022.

FINANCIAL CALENDAR

2023	
April 27	Annual General Meeting (virtual)
May 4	Quarterly 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	Quarterly statement for the first to third quarter of 2023 Conference call with analysts and investors
2024	
March	2023 annual report Annual results press conference with analysts and investors
May	Annual General Meeting

« FURTHER INFORMATION AT
www.deutz.com/en/investor-relations/financial-calendar

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