DEUTZ

– Results for H1 2022 –

August 11, 2022

Disclaimer

Unless stated otherwise, all the figures given in this presentation refer to continuing operations.

The details given in this document are based on the information available at the time it was prepared. This presents the risk that actual figures may differ from forward-looking statements. Such discrepancies may be caused by changes in political, economic, or business conditions, a decrease in the technological lead of DEUTZ's products, changes in competition, the effects of movements in interest rates or exchange rates, the pricing of parts supplied, and other risks and uncertainties not identified at the time this document was prepared.

The forward-looking statements made in this document will not be updated.

Agenda

Overview & highlights of H1 2022

Dr. Sebastian C. Schulte | CEO & CFO (ad interim)

Key operational and strategic developments

New orders

+5% to

€1.01 billion

Book-to-bill ratio of 1.16

Unit sales

DEUTZ Classic engines

+20% to

90,462 units

Revenue

+21% to

€930.4 million

Adjusted EBIT[1]

+€25.8 million to

€42.6 million

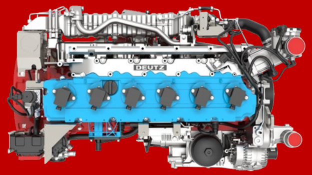
EBIT margin[1] 4.6% (+2.4pp)

Classic segment 6.8% (+3.5pp)

Multi-phase strategy process

Definition of four priority areas of action

DEUTZ hydrogen engine



H2 genset pilot project launched

Repricing

2nd round of price rises completed[2]

Gas supply

Preparations made for potential gas rationing

[1] Before exceptional items. [2] July 2022.

Powering Progress: four priority areas of action

PRIORITIES

Addressing key overarching strategic topics

PERFORMANCE

Improving commercial performance overall and in individual areas

POWERING PROGRESS

POTENTIAL

Improving technological capabilities and developing alternative drive systems

PASSION

Putting our values into practice, improving our culture and the way we work and collaborate across all parts of the business, and developing management staff and specialists

Multi-phase strategy process: first targets defined

Performance initiative: sharing the pain

1 Ongoing market and price monitoring

- Raw materials
- Energy
- Logistics

\+

2 Dialogue with suppliers

- Sharing the pain

3 Impact assessment

4 Dialogue with customers on sharing the pain

5 Management bodies derive appropriate measures

Process established to spread burden of rising costs for raw materials, energy, and logistics in the short term

Performance initiative: gradually passing on price increases

Energy prices

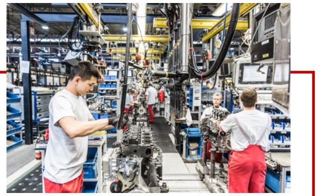
\+

Raw material prices

\+

Logistics costs

\+



Product costs

=

8–12%

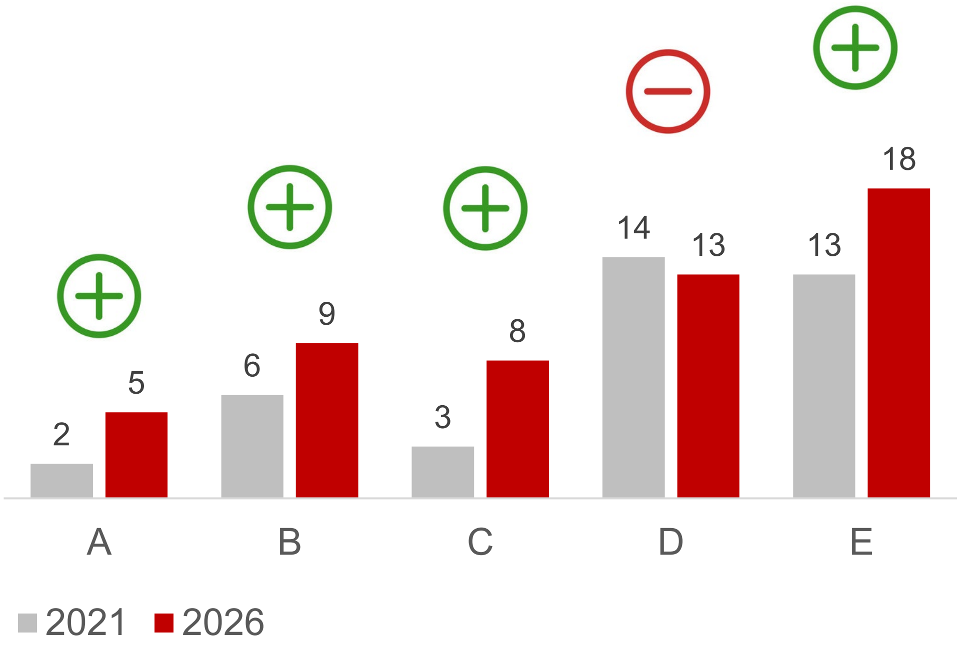
increase in prices in the new engine business in 2022

- Increased costs cannot be passed on to customers immediately due to the high level of orders on hand
- Ongoing monitoring of cost trends – process established for the restructuring of pricing
- First round of price rises in the new engine business implemented with effect from January 1, 2022
- Second round of price rises implemented with effect from July 1, 2022

This will help to gradually ease the pressure on profits arising from higher procurement costs

Performance initiative: diversification of customer base

Number of customers by customer group: target version

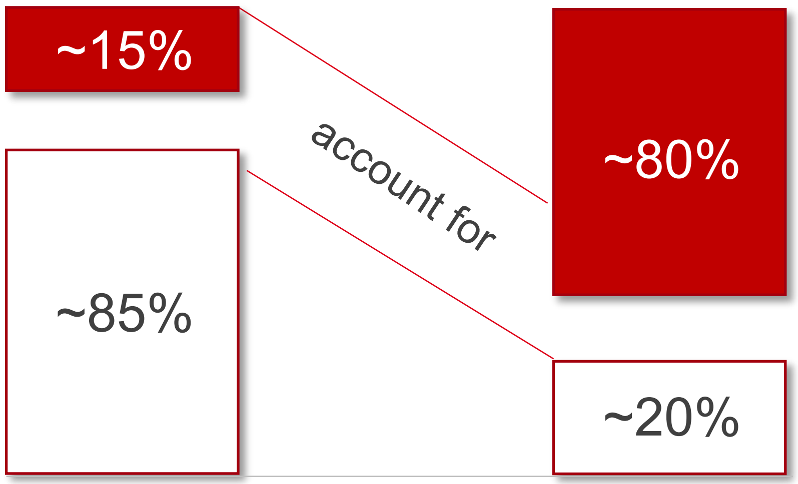


- Sharpening the focus of sales activities
- Expanding the customer base in groups A, B, and C with unit sales volumes of more than 2,500 engines per year
- Reduction in the dependency on individual customers
- Diversification of the demand

Customer base optimization process initiated

Performance initiative: optimizing the existing engine portfolio

Engine variants | **Proportion of unit sales**



Status quo

- Portfolio currently comprises around 2,000 customer specific engine variants
- Growing complexity in the supply chain and in other areas such as purchasing and production is driving up the cost per unit sold
- Around 56% of customer specific engine variants account for just 2% of engine sales

Target

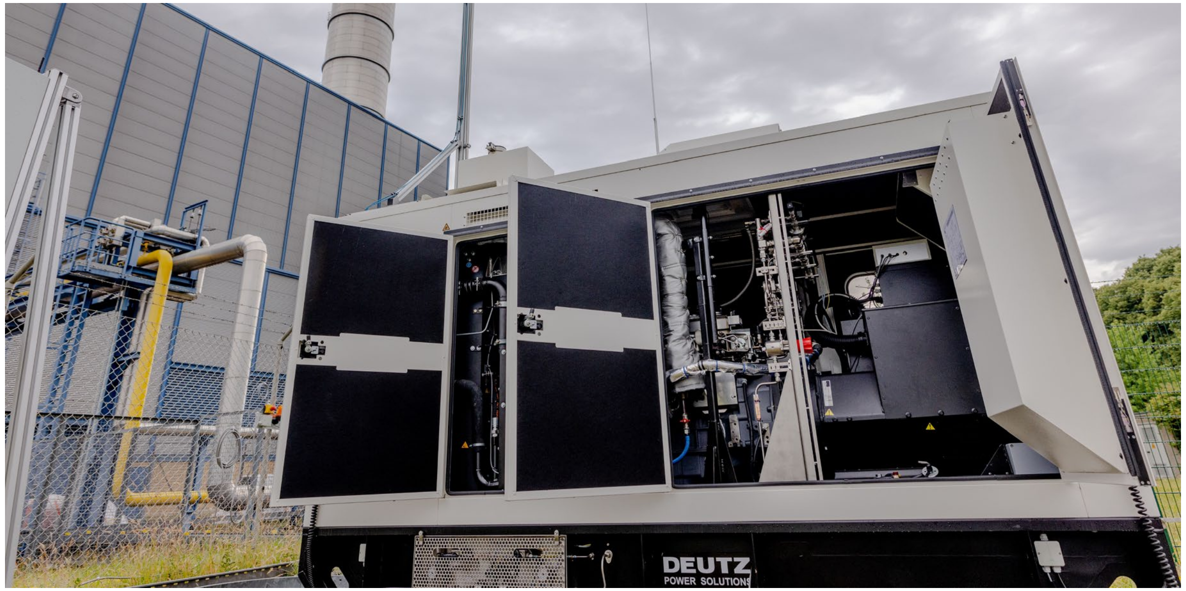
- Variant reduction of 15-20%

Optimization process for the existing portfolio initiated

Progress with hydrogen strategy

Stationary equipment for power generation launched as first pilot application for TCG 7.8 H2

- H2 genset put into service at RheinEnergie's cogeneration plant in the Niehl district of Cologne
- The combination of the TCG 7.8 H2 and a generator will deliver electric power of up to 170 kVA during the six-month test phase
- Use of the genset's waste heat for heat generation planned as a second step
- Volume production of the DEUTZ hydrogen engine scheduled for 2024



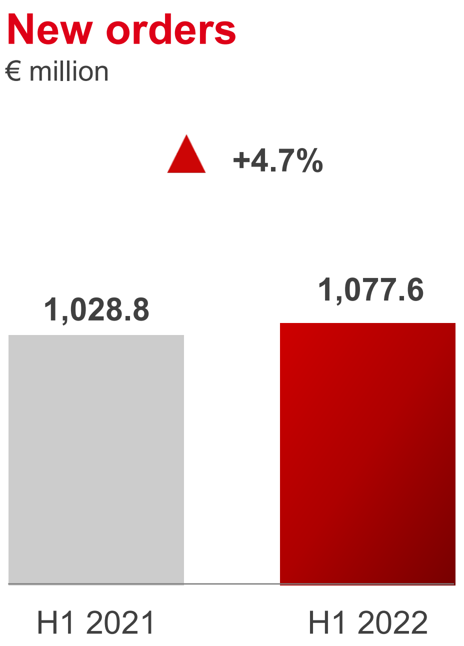
DEUTZ is providing drive solutions to help create green off-highway applications

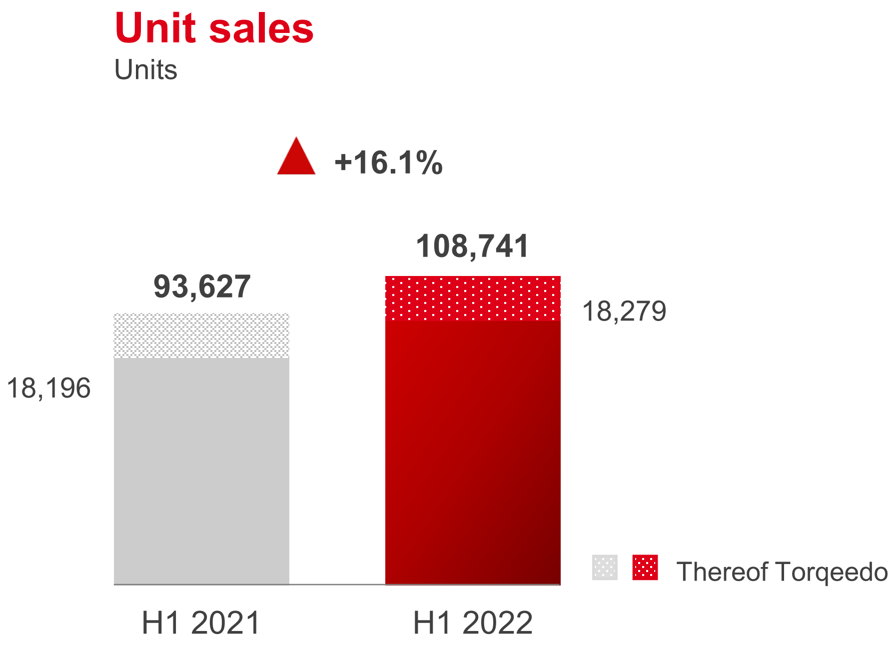
Agenda

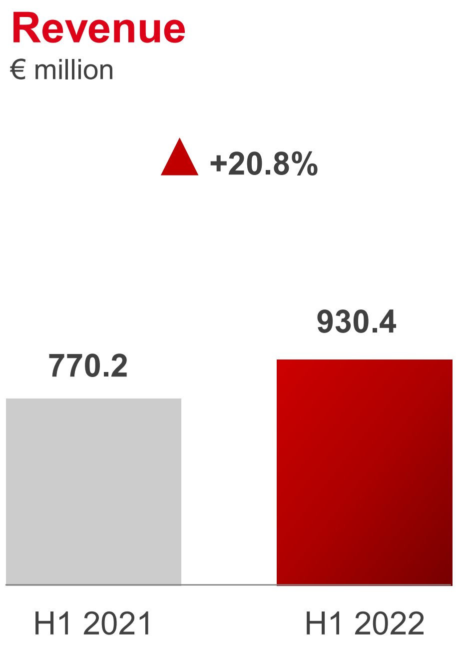
H1 2022 in numbers

Christian Ludwig | SVP Communications & IR

Results for H1 2022



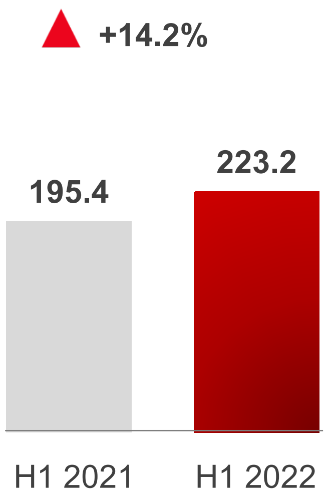




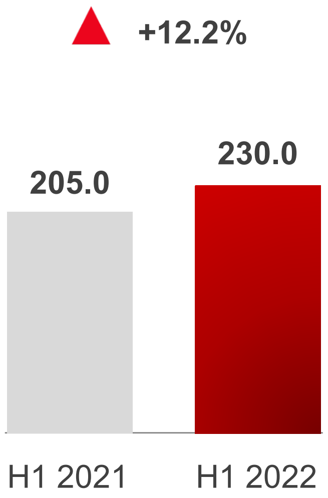
- Solid rise in new orders – book-to-bill ratio of 1.16 (H1 2021: 1.34)
- Rise in unit sales driven by all major application segments and the two biggest regions, EMEA and the Americas
- Revenue growing more strongly than unit sales due to positive product mix effects and higher average sales proceeds
- Orders on hand climb to €768.9 million as at June 30, 2022 (June 30, 2021: €531.3 million)

Further successful expansion of the profitable service business

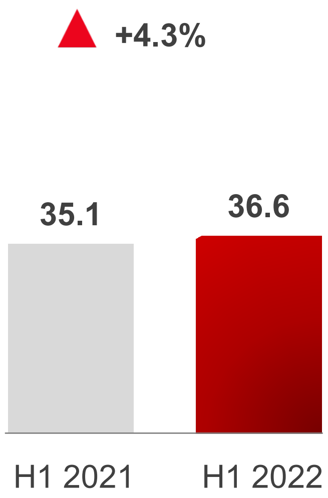
Revenue
€ million



New orders
€ million



Orders on hand
€ million



Our service target:

approx. €500 million

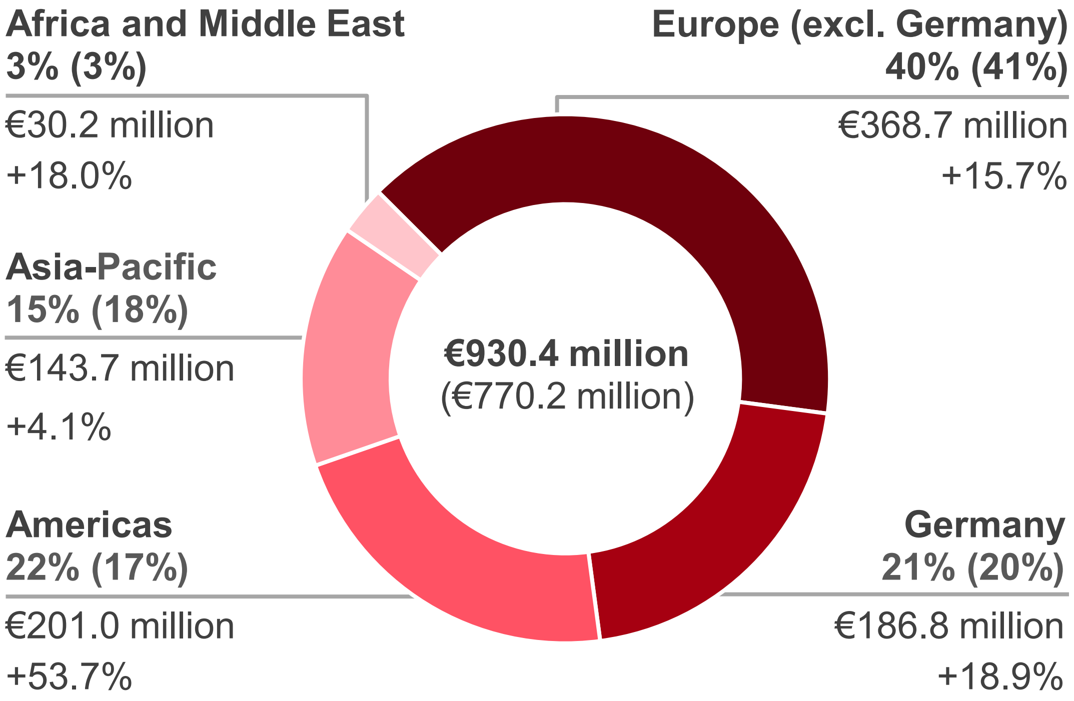
revenue in 2025

- Particularly strong growth of business from parts sales and DEUTZ Xchange
- Acquisition of existing DEUTZ distribution partners and multi-brand dealers AUSMA Motorenrevisie B.V. (Netherlands) and South Coast Diesels Ltd. (Ireland) in Q2 2022

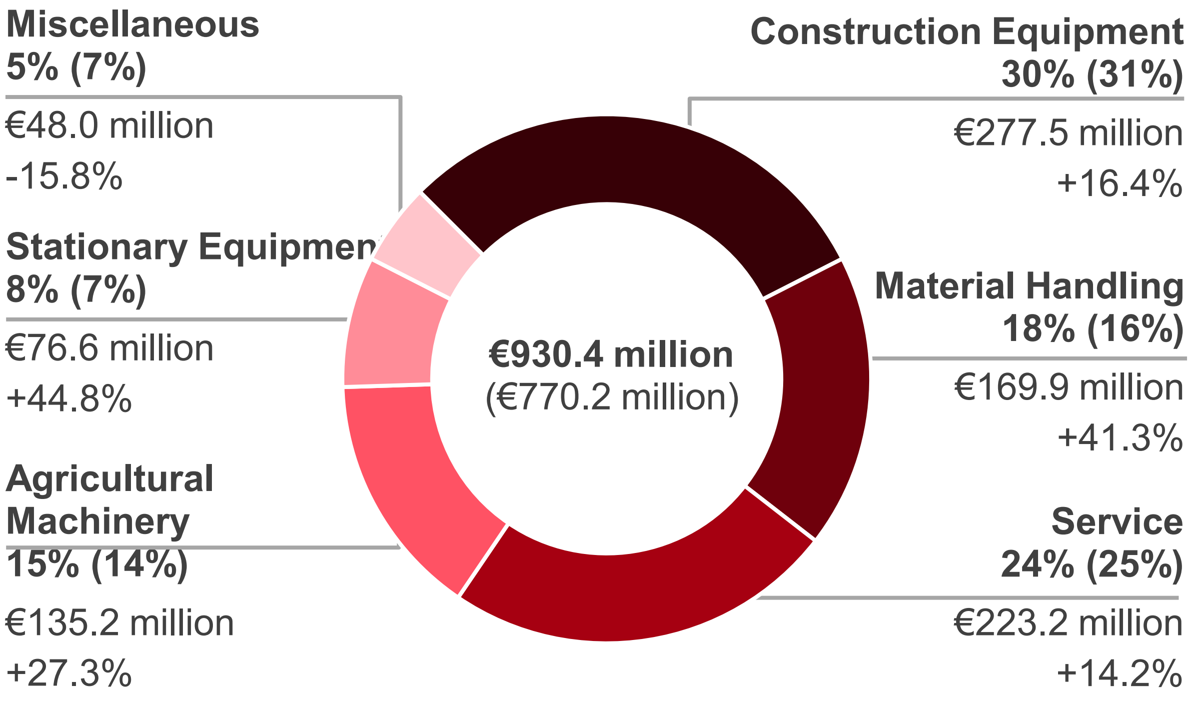
Further growth of ≥ 5% p.a. planned – organic and through acquisitions

Revenue for H1 2022 in detail

Revenue breakdown by region H1 2022 (H1 2021)



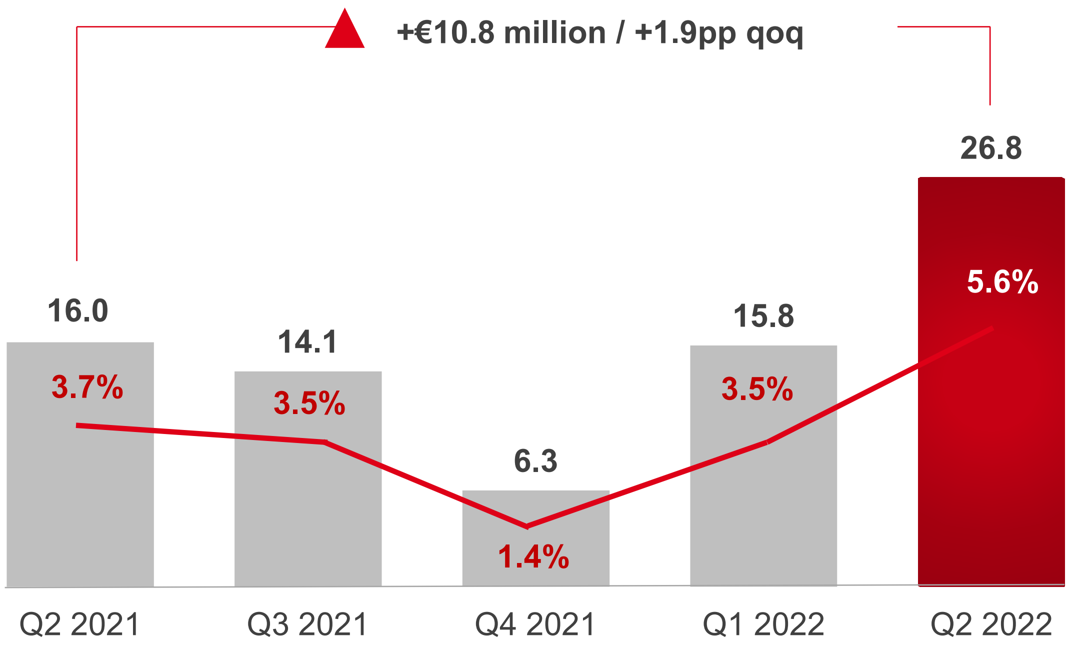
Revenue breakdown by application segment H1 2022 (H1 2021)



All regions and main application segments recorded increases in revenue

Profitability continues to improve

Adjusted EBIT (€ million)
EBIT margin before exceptional items



- Adjusted EBIT[1] improved to €42.6 million in H1 2022 (H1 2021: €16.8 million) due to:
  - increased volume of business, bringing economies of scale
  - effects of cost savings
  - positive currency translation effects
- EBIT margin before exceptional items[1] increased to 4.6% (H1 2021: 2.2%)
- Net income before exceptional items[1] amounted to €34.0 million (H1 2021: €14.0 million)
- Earnings per share before exceptional items[1] came to €0.28 (H1 2021: €0.12)

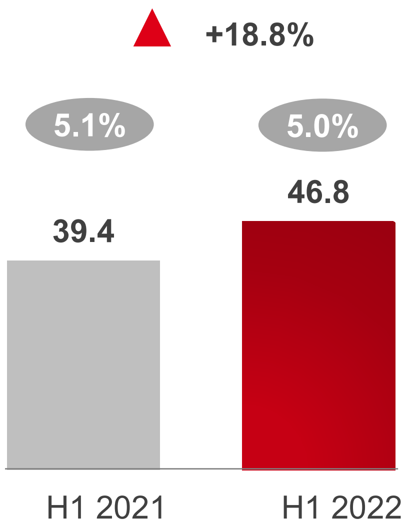
Mounting cost burden can be increasingly alleviated by passing costs on to our customers

[1] Exceptional items amounting to an expense of €7.1 million recognized in H1 2022 due to the recognition of provisions following several changes at senior management level (H1 2021: expense of €0.7 million).

R&D spending, capital expenditure, and working capital

Net R&D spending[1]

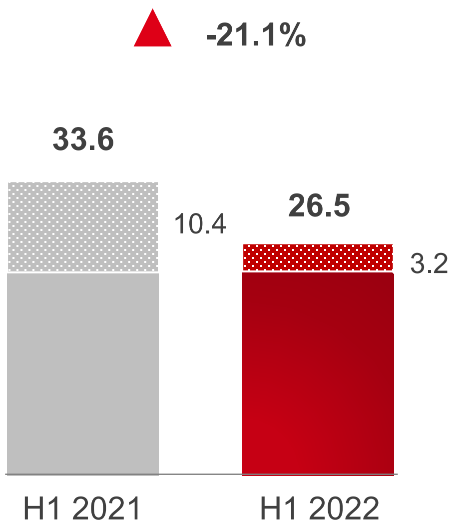
€ million



R&D ratio[1]

Capital expenditure[1,2]

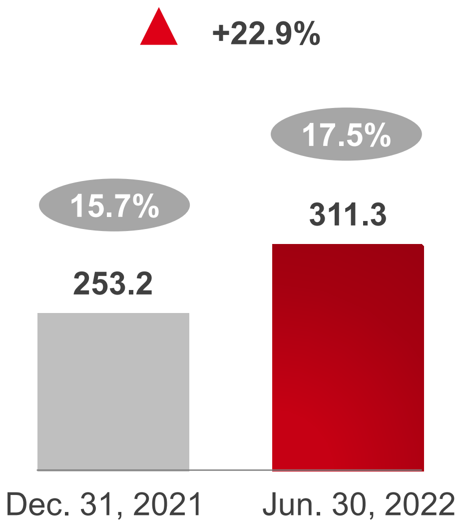
€ million



Thereof additions as a result of leases[3]

Working capital

€ million



Working capital ratio (as at the balance sheet date)[4]

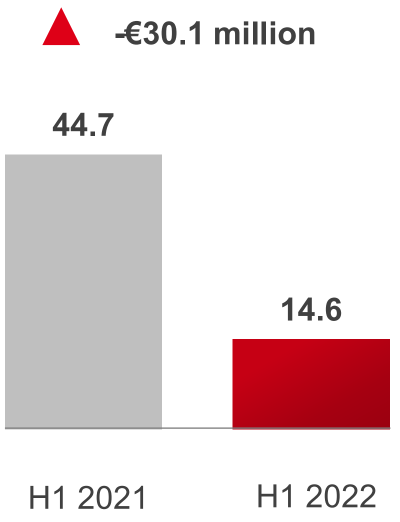
- Rise in R&D expenditure partly attributable to new developments and refinements in the Green segment
- Capital expenditure net of additions resulting from leases on a par with the figure for the prior-year period
- Growth of working capital owing to a sharp rise in inventories and higher trade receivables combined with an increase in trade payables

[1] After deducting grants. [2] Capital expenditure on property, plant, and equipment (incl. right-of-use assets for leases) and intangible assets, excl. capitalization of R&D. [3] Right-of-use assets for leases under IFRS 16. [4] WC as at the balance sheet date divided by revenue for the previous 12 months.

Cash flow and net financial position

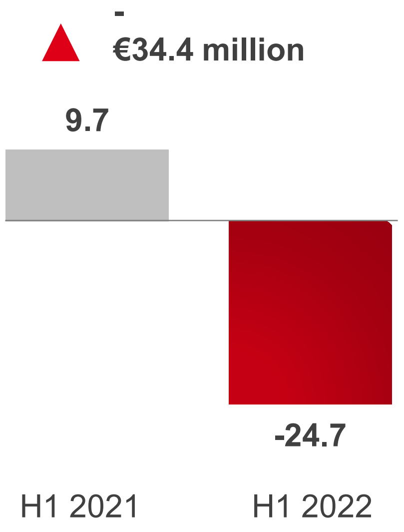
Cash flow from operating activities

€ million



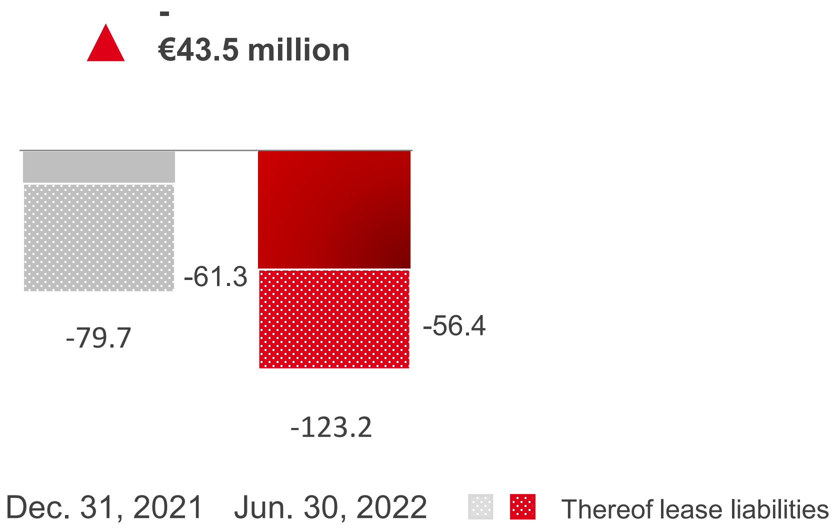
Free cash flow[1]

€ million



Net debt

€ million



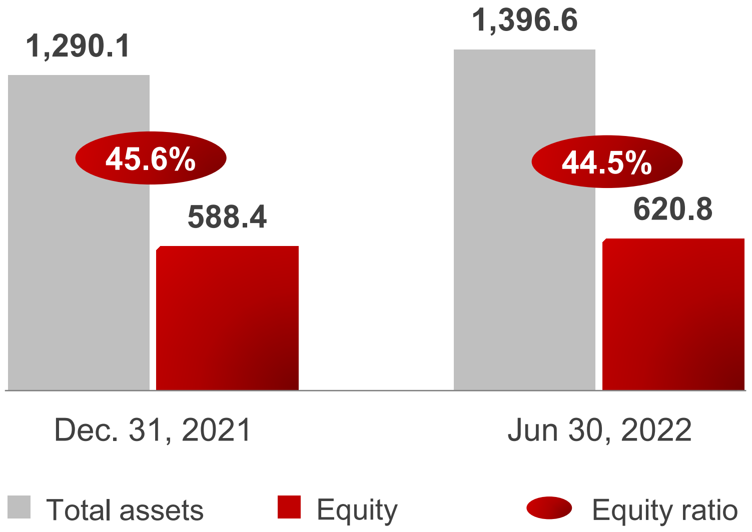
- Fall in cash flow from operating activities compared with H1 2021 due to the rise in working capital and the necessary build-up of inventories
- Decline in free cash flow because of the fall in cash flow from operating activities
- Increase in net financial debt as a result of drawing down an existing credit line in an amount of €60 million

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

Solid balance sheet – equity ratio remains high

Equity and equity ratio

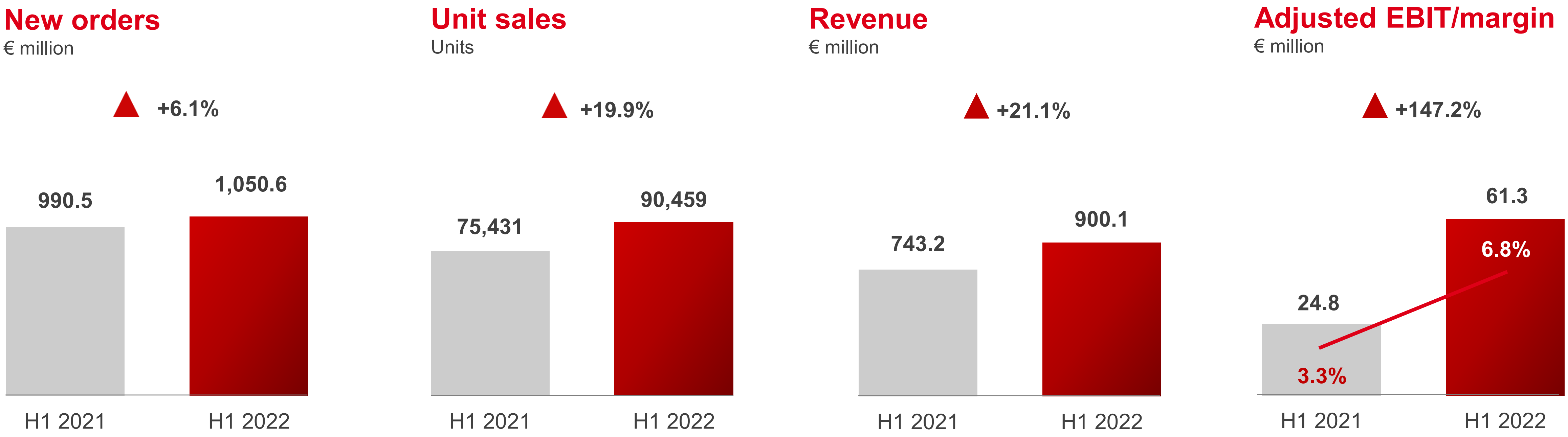
€ million



- Equity ratio down slightly despite the rise in equity, because the balance sheet grew at a faster rate than equity due to the increase in current assets and current liabilities.
- Restructuring of the Group's funding in May 2022
- An unused credit line totaling around €155 million is available
- Sufficient financial headroom, including for growth by acquisition

Equity ratio remains at a comfortable level and well above the target figure of 40%

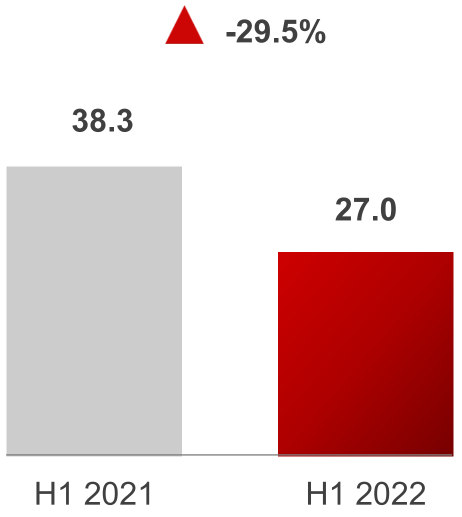
Results for H1 2022 | Classic segment



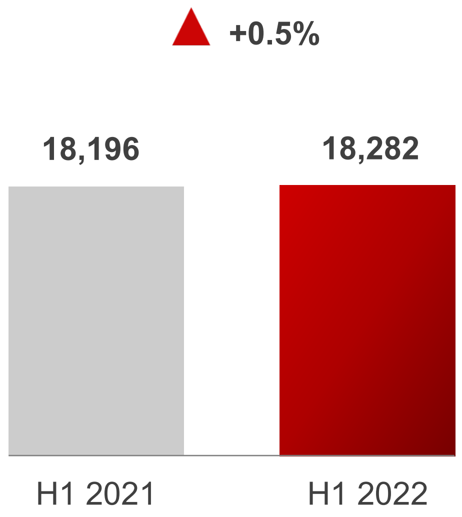
- Strong growth in new orders, unit sales, and revenue
- Significant improvement in adjusted EBIT thanks to the larger volume of business and associated economies of scale, positive currency translation effects, and the optimization of the existing portfolio

Results for H1 2022 | Green segment

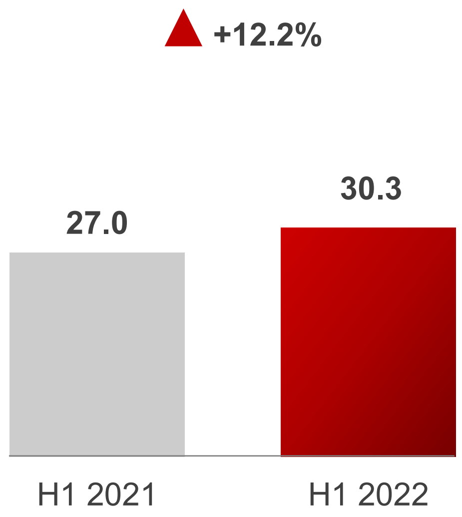
New orders
€ million



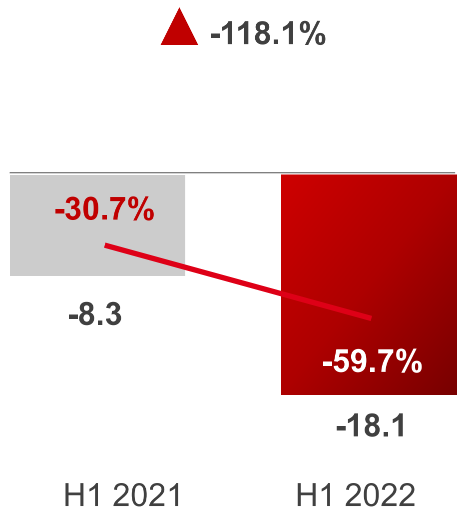
Unit sales[1]
Units



Revenue
€ million



Adjusted EBIT/margin
€ million



- Fall in new orders compared with the high volume in the prior-year period, owing to lower demand for electric boat drives
- Orders on hand up by around 11% year on year at €24.8 million
- Reduction in adjusted EBIT because of higher development expenditure for new drive technologies

[1] Torqeedo drives and other electric drives, hybrid-electric drives, hydrogen drives, battery systems with and without a motor, DEUTZ Powertree.

Agenda

Guidance

Dr. Sebastian C. Schulte | CEO & CFO (ad interim)

Gas supply

- **Cologne-Porz site:**
  Preparations complete for switching the heating supply from gas to heating oil in the short term
- **Ulm site:**
  Alternative concept developed to assist the switch to liquefied petroleum gas (LPG) – difficult procurement market
- Large suppliers are being monitored closely – limited visibility of sub-suppliers

DEUTZ is preparing for any potential gas rationing

DEUTZ is increasingly focusing on using green energy

- Green electricity used at all DEUTZ AG sites since 2021
- First photovoltaic system installed on site of the fire station at the Cologne site; further installation on production buildings has been initiated
- DEUTZ subsidiary Magideutz has been using green electricity, produced inhouse by solar and wind-energy systems, to serve its industrial energy needs since 2022

Our CO_2 target:

-20%

by 2023[1]

DEUTZ is making a contribution to combating climate change

[1] Reduction of carbon emissions from production sites compared with 2017, excluding joint ventures.

Global market growth for 2022 as at July (vs. January 2022)

YoY change in unit sales (%)	Europe	North America	China
Construction Equipment	0 to +5 (+5 to +10)	+5 to +10	-10 to -5 (0 to +5)
Material Handling	0 to +5 (+5 to +10)	+5 to +10	+5 to +10 (+10 to +15)
Agricultural Machinery	0 to +5	+5 to +10 (0 to +5)	-5 to +5 (0 to +10)

Sources: VDMA, Geschäftsklima und Marktentwicklung, January 2022, Power Systems Research, January 2022;
VDMA, Geschäftsklima und Marktentwicklung, May 2022, Power Systems Research, July 2022.

Guidance for 2022 still subject to change

Guidance for 2022 (as at February 2022)

Unit sales	165,000 to 180,000 DEUTZ engines[1]
Revenue	€1.7 billion to €1.85 billion (Classic: €1.6 billion to €1.75 billion / Green: €75 million to €100 million)
EBIT margin before exceptional items	3.5% to 5.5% (Classic: 4.5% to 6.5% / Green: –30% to –20%)
Free cash flow	Low- to mid-double-digit million euro amount

- The continuing war in Ukraine is still leading to significantly limited visibility in what was an already difficult procurement environment as regards:
  - the supply chain
  - price increases for transportation, energy, and raw materials
  - the propensity to proceed with capital expenditure in the main sales markets
  - production stoppages as a result of a potential halt in the supply of Russian gas

DEUTZ's guidance is still subject to change as a result of the potential effects of the geopolitical crisis

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

Thank you for your attention!

Any questions?

Financial calendar and contact details

Financial calendar

Q3 2022 quarterly statement	November 9, 2022
2022 annual report	March 16, 2023
Annual General Meeting	April 27, 2023

Contact

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