

## Press Release

### DEUTZ reports significant increase in revenue and earnings for 2021

- Orders on hand at around €680 million, more than double the figure as at the end of 2020
- Significant improvement in operating profit and free cash flow
- Proposed dividend of €0.15 per share
- Guidance for 2022 under review

Cologne, March 14, 2022 –DEUTZ, one of the world’s leading manufacturers of innovative drive systems for off-highway applications, can look back on a successful 2021. The Company achieved its guidance, which it had most recently raised in September 2021.<sup>1</sup> “For DEUTZ, 2021 was a highly successful year from both an operational and a strategic perspective. We increased our revenue by almost 25 percent to €1.62 billion and improved our EBIT margin before exceptional items by around 8 percentage points to 2.3 percent. The book-to-bill ratio stood at 1.24 at the end of the year. At the same time, we made substantial progress with transforming our business to focus more on alternative, green drive systems. Our hydrogen engine is just one example of how DEUTZ is positioning itself in the field of off-highway drive technologies for a sustainable future,” says CEO Dr. Sebastian C. Schulte. Commenting on the current year, he adds: “The supply situation remains difficult, and we anticipate that the supply chain will continue to contribute to the pressure on margins. Moreover, nobody can predict the economic impact of the war between Russia and Ukraine. We are therefore preparing for a challenging year.”

To report even more transparently on its transformation, DEUTZ introduced a new Green segment on January 1, 2022 that will cover all activities connected with the development and production of new non-diesel drives. The new reporting structure will be used for the first time in connection with the results for the first quarter of 2022.

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<sup>1</sup> See the ad hoc disclosure dated September 13, 2021.

In 2021, DEUTZ also expanded its high-margin service business – a key pillar of its growth strategy – and tailored it even more closely to the requirements of its customers. This included the launch of S-DEUTZ Telematics, the Lifetime Parts Warranty, and DEUTZ Lifecycle Solutions. DEUTZ reached its service revenue target of around €400 million for 2021.

### **Double-digit percentage increases in new orders, unit sales, and revenue**

At €2,012.6 million in 2021, DEUTZ's **new orders** were up by 52.2 percent compared with 2020, which had been heavily affected by coronavirus. This growth can be explained by the fact that customers were very willing to invest, reflected in double-digit percentage increases across all application segments and regions. The exceptionally strong rise was also attributable to **one-off effects of spending brought forward** in June and September, which amounted to more than €100 million. This situation came about mainly because of customer orders being brought forward in response both to price adjustments and to longer lead times.

As at December 31, 2021, **orders on hand** stood at €676.7 million (December 31, 2020: €269.0 million), which indicates continued growth. The proportion of orders on hand attributable to the service business stood at €35.7 million (December 31, 2020: €24.4 million).

With a total of 201,283 engines sold, the DEUTZ Group registered an **increase in unit sales** of 33.4 percent in the reporting period. The number of DEUTZ engines<sup>2</sup> sold rose by 32.9 percent to 160,882. The DEUTZ subsidiary Torqeedo sold 40,401 electric boat drives, which was 35.1 percent more than in 2020.

Reflecting the growth in unit sales, DEUTZ generated **consolidated revenue** of €1,617.3 million in 2021. All application segments contributed to this year-on-year growth of 24.8 percent. Service revenue rose by 15.7 percent to €403.1 million in the reporting period.

All regions contributed to the increase in revenue with double-digit percentage growth rates. The EMEA region saw a particularly sharp rise.

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<sup>2</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

## **Strong improvement in profitability**

**EBIT before exceptional items** (operating profit) amounted to €37.2 million in 2021, following an operating loss of €74.7 million in 2020. This improvement was primarily due to the jump in revenue, the related economies of scale, and the increasingly tangible savings resulting from the restructuring and cost-cutting measures that have been initiated. However, operating profit was once again squeezed by the loss reported by DEUTZ subsidiary Torqeedo, which has not yet managed to break even. The **EBIT margin before exceptional items** made a strong year-on-year improvement from minus 5.8 percent to plus 2.3 percent.

**EBIT** for 2021 stood at €34.1 million (2020: minus €106.6 million). This figure includes exceptional items of minus €3.1 million. These related to the efficiency program and were the result of the adjustment of the provision for restructuring, which had been recognized for the first time in the previous year. In 2020, restructuring costs of €31.9 million had been recognized as an exceptional item in connection with this program. The **EBIT margin** came to 2.1 percent (2020: minus 8.2 percent).

**Net income** amounted to €38.2 million in 2021, following a net loss of €107.6 million reported in 2020. **Earnings per share** increased from minus €0.89 in 2020 to €0.32 in the reporting year. **Adjusted for exceptional items**, net income improved to €41.3 million (2020: net loss of €75.7 million) and **adjusted earnings per share** improved to €0.34 (2020: minus €0.63).

## **Clear improvement in free cash flow; financial position remains comfortable**

**Cash flow from operating activities** more than doubled in 2021 compared with the figure of €44.9 million in 2020, when cash flow had been weakened by the pandemic. The improvement to €93.3 million was primarily attributable to the increased volume of business and the higher level of operating profit. At the same time, careful monitoring enabled working capital to be kept virtually unchanged year on year, despite the growth in the volume of business. As a result of the increase in cash flow from operating activities, **free cash flow** was also up substantially year on year at €21.6 million, having been at minus €35.8 million in 2020.

Reflecting these changes in cash flow in 2021, **net financial debt** improved slightly compared with the end of 2020, falling by €4.1 million to €79.7 million as at December 31, 2021.

With an **equity ratio** of 45.6 percent, which is above the general target figure of greater than 40 percent, the DEUTZ Group's financial position remains very comfortable. Despite having ended the €150 million credit line that was granted to it with the assistance of Germany's KfW development bank (known as the COVID-19 tranche), DEUTZ has unused credit lines totaling around €200 million at its disposal.

### **Dividend of €0.15 per share proposed for 2021**

Last year, DEUTZ did not pay its shareholders a dividend for 2020 due to the coronavirus-related accumulated loss. For 2021, however, DEUTZ AG would like its shareholders to reap the benefits of its success once again, and the Board of Management and Supervisory Board are jointly proposing to the Annual General Meeting that €18.1 million of the accumulated income be used to pay a dividend of €0.15 per share. This would give a dividend ratio of 46.9 percent. Under its dividend policy, the Company aims for a ratio of around 30 percent.

### **Guidance for 2022 due to significant uncertainty under review**

The geopolitical impact of the war between Russia and Ukraine on the global economy and on the flow of goods around the world is highly uncertain. Fortunately, none of DEUTZ's direct suppliers are located in these regions. Also our direct business activities in the regions affected by the war account for a relatively small portion of our revenue. But the indirect impact for the DEUTZ business is currently impossible to assess. We therefore have put the guidance as published in our annual report 2021 under review. All new engine business with Russia and Belarus has been discontinued until further notice.

Before the war between Russia and Ukraine broke out, we had assumed that the upturn in the relevant customer industries would be sustained this year. At that time, it was also assumed that global problems with the supply of input materials would continue to weigh on business performance and that supply issues for certain components would persist. Based on these assumptions, we predicted unit sales of 165,000 to 180,000 DEUTZ engines in 2022, which would have resulted in an increase in revenue to between €1.70 billion and €1.85 billion. The EBIT margin before exceptional items would likely have been between 3.5 percent and 5.5 percent. This span reflects not only the aforementioned revenue range but also the expectation that prices for commodities and energy would rise further and that it would not be possible to pass on the additional costs to customers straight away due to the high level of orders on hand. Free cash flow would likely have been an amount in the low to mid-double-digit millions of euros.

The 2021 annual report is available on our website at [www.deutz.com/en/investor-relations](http://www.deutz.com/en/investor-relations).

## DEUTZ Group: overview of key figures

€ million	FY 2021	FY 2020	Change	Q4 2021	Q4 2020	Change
New orders	2,012.6	1,322.5	52.2%	498.6	388.9	28.2%
Group unit sales (units)	201,283	150,928	33.4%	55,924	42,369	32.0%
thereof DEUTZ engines	160,882	121,034	32.9%	44,609	36,532	22.1%
thereof Torqeedo	40,401	29,894	35.1%	11,315	5,837	93.8%
Revenue	1,617.3	1,295.6	24.8%	443.9	367.4	20.8%
EBIT	34.1	-106.6	-	6.3	-3.2	-
thereof exceptional items	-3.1	-31.9	90.3%	0.0	5.9	-
Operating profit/loss (EBIT before exceptional items)	37.2	-74.7	-	6.3	-9.1	-
EBIT margin (%)	2.1	-8.2	+10.3pp	1.4	-0.9	+2.3pp
EBIT margin before exceptional items (%)	2.3	-5.8	+8.1pp	1.4	-2.5	+3.9pp
Net income	38.2	-107.6	-	14.5	-3.1	-
Net income before exceptional items	41.3	-75.7	-	14.5	-7.4	-
Earnings per share (€)	0.32	-0.89	-	0.12	-0.03	-
Earnings per share before exceptional items (€)	0.34	-0.63	-	0.12	-0.06	-
Equity	588.4	535.2	9.9%	-	-	-
Equity ratio (%)	45.6	45.3	+0.3pp	-	-	-
Cash flow from operating activities	93.3	44.9	107.8%	25.4	64.3	-60.5%
Free cash flow	21.6	-35.8	-	6.4	43.0	-85.1%
Net financial position (Dec. 31)	-79.7	-83.8	4.9%	-	-	-
Employees <sup>3</sup> (Dec. 31)	4,751	4,586	3.6%	-	-	-

<sup>3</sup> Number of full-time equivalents (FTEs).

## Upcoming financial dates

April 28, 2022: Annual General Meeting (virtual)

May 5, 2022: Quarterly statement for the first quarter of 2022

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

## Contact

DEUTZ AG / Christian Ludwig / SVP Communications & Investor Relations

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

DEUTZ AG / Svenja Deißler / Investor Relations

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

## Forward-looking statements

This press release may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at [www.deutz.com](http://www.deutz.com). The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

## About DEUTZ AG

*DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ has around 4,750 employees worldwide and over 800 sales and service partners in more than 130 countries. It generated revenue of around €1.6 billion in 2021. Further information is available at [www.deutz.com](http://www.deutz.com).*