

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