

# INDEX FOR 2021 CONSOLIDATED FINANCIAL STATEMENTS

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**INCOME STATEMENT FOR THE DEUTZ GROUP**

€ million

	Note	2021	2020
<b>Revenue</b>	1	<b>1,617.3</b>	<b>1,295.6</b>
Cost of sales	2	-1,331.7	-1,105.9
Research and development costs	3	-90.9	-97.7
Selling expenses	4	-103.2	-100.7
General and administrative expenses	4	-61.6	-45.8
Other operating income	5	27.0	15.0
Other operating expenses	6	-22.4	-68.3
Impairment of financial assets and reversals thereof		-0.2	-1.3
Profit/loss on equity-accounted investments	7	-0.8	1.4
Other net investment income	7	0.6	1.1
<b>EBIT</b>		<b>34.1</b>	<b>-106.6</b>
thereof exceptional items		-3.1	-31.9
thereof operating profit (EBIT before exceptional items)		37.2	-74.7
Interest income	8	0.2	0.7
Interest expense	8	-5.2	-4.3
Other financial income	8	0.0	-0.4
<b>Financial income, net</b>	8	<b>-5.0</b>	<b>-4.0</b>
<b>Net income before income taxes</b>		<b>29.1</b>	<b>-110.6</b>
Income taxes	9	9.1	3.0
<b>Net income</b>		<b>38.2</b>	<b>-107.6</b>
thereof attributable to shareholders of DEUTZ AG		38.2	-107.6
thereof attributable to non-controlling interests		0.0	0.0
<b>Earnings per share (basic/diluted, €)</b>	10	<b>0.32</b>	<b>-0.89</b>

**STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP**

€ million

	Note	2021	2020
<b>Net income</b>		<b>38.2</b>	<b>-107.6</b>
<b>Amounts that will not be reclassified to the income statement in the future</b>	11	<b>7.6</b>	<b>-6.2</b>
Remeasurements of defined benefit plans		7.6	-6.2
<b>Amounts that will be reclassified to the income statement in the future if specific conditions are met</b>	11	<b>7.6</b>	<b>-4.0</b>
Currency translation differences		9.7	-5.5
thereof profit/loss on equity-accounted investments		5.5	-1.7
Effective portion of change in fair value from cash flow hedges		-2.1	1.5
Fair value of financial instruments		0.0	0.0
<b>Other comprehensive income, net of tax</b>	11	<b>15.2</b>	<b>-10.2</b>
<b>Comprehensive income</b>		<b>53.4</b>	<b>-117.8</b>
thereof attributable to shareholders of DEUTZ AG		53.4	-117.8
thereof attributable to non-controlling interests		0.0	0.0

## BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	Dec. 31, 2021	Dec. 31, 2020
Property, plant and equipment	12	358.9	361.7
Intangible assets	13	181.8	197.2
Equity-accounted investments	14	56.4	50.3
Other financial assets	15	11.1	4.4
<b>Non-current assets (before deferred tax assets)</b>		<b>608.2</b>	<b>613.6</b>
Deferred tax assets	16	88.6	74.2
<b>Non-current assets</b>		<b>696.8</b>	<b>687.8</b>
Inventories	17	375.3	274.2
Trade receivables	18	135.7	113.8
Other receivables and assets	18	40.3	32.8
Receivables in respect of tax refunds		5.9	7.2
Cash and cash equivalents	19	36.1	64.7
<b>Current assets</b>		<b>593.3</b>	<b>492.7</b>
<b>Total assets</b>		<b>1,290.1</b>	<b>1,180.5</b>
Equity and liabilities	Note	Dec. 31, 2021	Dec. 31, 2020
<b>Issued capital</b>		<b>309.0</b>	<b>309.0</b>
Additional paid-in capital		28.8	28.8
Other reserves		3.7	-3.9
Retained earnings and accumulated income		246.9	201.1
<b>Equity attributable to shareholders of DEUTZ AG</b>		<b>588.4</b>	<b>535.0</b>
Non-controlling interests		0.0	0.2
<b>Equity</b>	20	<b>588.4</b>	<b>535.2</b>
Provisions for pensions and other post-retirement benefits	21	126.7	148.5
Deferred tax liabilities	16	1.8	0.6
Other provisions	22	33.4	37.5
Financial debt	23	49.2	58.3
Other liabilities	24	3.6	5.9
<b>Non-current liabilities</b>		<b>214.7</b>	<b>250.8</b>
Provisions for pensions and other post-retirement benefits	21	11.1	11.9
Other provisions	22	85.6	83.3
Financial debt	23	66.6	90.2
Trade payables	24	257.8	153.0
Liabilities arising from income taxes		3.0	2.0
Other liabilities	24	62.9	54.1
<b>Current liabilities</b>		<b>487.0</b>	<b>394.5</b>
<b>Total equity and liabilities</b>		<b>1,290.1</b>	<b>1,180.5</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP**

€ million

	Issued capital <sup>3</sup>	Additional paid-in capital <sup>3</sup>	Retained earnings / accumulated income <sup>3</sup>	Fair value reserve <sup>1,2</sup>	Currency translation reserve <sup>1</sup>	Equity attributable to shareholders of DEUTZ AG	Non-controlling interests <sup>3</sup>	Total <sup>3</sup>
<b>Balance at Jan. 1, 2020</b>	<b>309.0</b>	<b>28.8</b>	<b>314.3</b>	<b>-0.4</b>	<b>0.5</b>	<b>652.2</b>	<b>0.2</b>	<b>652.4</b>
Net income			-107.6			-107.6	0.0	-107.6
Other comprehensive income			-6.2	1.5	-5.5	-10.2	0.0	-10.2
Comprehensive income			-113.8	1.5	-5.5	-117.8	0.0	-117.8
Changes to basis of consolidation			0.6			0.6		0.6
Repayment of capital contributions to non-controlling interests						0.0	0.0	0.0
<b>Balance at Dec. 31, 2020</b>	<b>309.0</b>	<b>28.8</b>	<b>201.1</b>	<b>1.1</b>	<b>-5.0</b>	<b>535.0</b>	<b>0.2</b>	<b>535.2</b>
<b>Balance at Jan. 1, 2021</b>	<b>309.0</b>	<b>28.8</b>	<b>201.1</b>	<b>1.1</b>	<b>-5.0</b>	<b>535.0</b>	<b>0.2</b>	<b>535.2</b>
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
<b>Balance at Dec. 31, 2021</b>	<b>309.0</b>	<b>28.8</b>	<b>246.9</b>	<b>-1.0</b>	<b>4.7</b>	<b>588.4</b>	<b>0.0</b>	<b>588.4</b>

<sup>1</sup> On the balance sheet these items are aggregated under 'Other reserves'.

<sup>2</sup> Reserves from the measurement of cash flow hedges and reserves from the measurement of financial instruments

<sup>3</sup> 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	2021	2020
<b>EBIT</b>		<b>34.1</b>	<b>-106.6</b>
Income taxes paid		-4.3	-5.5
Depreciation, amortization and impairment of non-current assets		89.0	106.4
Gains/losses on the sale of non-current assets		-0.2	0.1
Profit/loss and impairment on equity-accounted investments		1.5	-0.9
Other non-cash income and expenses		-1.2	0.1
Change in working capital		-0.8	55.1
Change in inventories		-94.1	43.2
Change in trade receivables		-18.0	37.4
Change in trade payables		111.3	-25.5
Change in other receivables and other current assets		-7.2	49.6
Change in provisions and other liabilities (excluding financial liabilities)		-17.6	-53.4
<b>Cash flow from operating activities</b>		<b>93.3</b>	<b>44.9</b>
Capital expenditure on intangible assets, property, plant and equipment		-61.7	-75.9
Expenditure on investments		-5.8	0.0
Acquisition of subsidiaries		-0.6	-1.1
Proceeds from the sale of non-current assets		0.9	0.8
<b>Cash flow from investing activities</b>		<b>-67.2</b>	<b>-76.2</b>
Interest income		0.1	0.1
Interest expense		-4.6	-4.6
Repayment of capital contributions to non-controlling interests		-0.2	0.0
Cash receipts from borrowings		15.0	88.0
Repayments of loans	23	-50.8	-27.4
Principal elements of lease payments		-15.6	-14.6
<b>Cash flow from financing activities</b>		<b>-56.1</b>	<b>41.5</b>
Cash flow from operating activities		93.3	44.9
Cash flow from investing activities		-67.2	-76.2
Cash flow from financing activities		-56.1	41.5
<b>Change in cash and cash equivalents</b>		<b>-30.0</b>	<b>10.2</b>
<b>Cash and cash equivalents at Jan. 1</b>		<b>64.7</b>	<b>55.3</b>
Change in cash and cash equivalents		-30.0	10.2
Change in cash and cash equivalents related to exchange rates		1.4	-1.1
Change in cash and cash equivalents related to the basis of consolidation		0.0	0.3
<b>Cash and cash equivalents at Dec. 31</b>	19	<b>36.1</b>	<b>64.7</b>

# 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 21, 2022.

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 three operating segments: DEUTZ Compact Engines (DCE), DEUTZ Customized Solutions (DCS), and Other. The DCE segment comprises liquid-cooled engines with capacities of up to 8 liters and our joint venture with SANY, which is consolidated using the equity method. The DCS segment specializes in liquid-cooled engines with capacities of over 8 liters and in air-cooled drives. It also includes reconditioned exchange engines and parts produced under the name DEUTZ Xchange, along with engine series that are soon to be discontinued. The Other segment includes the Torquedo 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 2020 with the exceptions set out below.

**'Interest Rate Benchmark Reform – Phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)** In August 2020, the IASB published the results of the second phase of its project that addresses interest-rate benchmark reforms. The recognition of financial assets, financial liabilities, lease liabilities and hedges, and the disclosure requirements, are among the areas that are affected. Where the IBOR reform results in changes to the contractual cash flows, financial instruments are to be recognized using a practical expedient in which only the effective interest rate is updated. It should be noted with regard to hedge accounting that hedging relationships should be amended, but not necessarily discontinued, due to the IBOR reform provided that other qualifying criteria to apply hedge accounting are met. The amendments also require the disclosure of additional information, including on the application of the new interest-rate benchmarks and the changes to the risk management strategy. Early adoption was permitted, but DEUTZ did not take up this option. The transition to the new interest-rate benchmark was

completed with effect from December 31, 2021. The new interest-rate benchmark is defined as €STR plus 8.5 basis points. Initial application of these amendments has not had any material impact on the consolidated financial statements.

**‘COVID-19-Related Rent Concessions’ (Amendment to IFRS 16)** In May 2020, the IASB added an exemption option to IFRS 16 ‘Leases’ to address the accounting treatment of rent concessions granted to lessees as a result of the coronavirus pandemic. Lessees that exercise this option are exempt from the requirement to assess whether there has been a lease modification and do not need to recognize COVID-19-related rent concessions as lease modifications. As no COVID-19-related rent concessions have been granted to entities within the DEUTZ Group, its consolidated financial statements are not affected by these amendments.

## 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 2021 and DEUTZ has not opted to apply these interpretations or amendments to standards before the mandatory application date.

**‘Property, Plant and Equipment: Proceeds before Intended Use’ (Amendments to IAS 16)** In May 2020, the IASB published amendments to IAS 16 clarifying the treatment of proceeds from the sale of products that are made using an item of property, plant or equipment before this has been brought to working condition at its intended location. It prohibits any such proceeds from being deducted from the cost of that item of property, plant, or equipment. These proceeds and the manufacturing costs must instead be recognized under operating income and expenses. The amendments also apply to the measurement of samples. Depreciation and amortization of property, plant and equipment that is used to produce samples cannot be included in the measurement of the samples and the provisions of IAS 2 must be applied when measuring the cost of producing samples. In addition, a definition of the term ‘Costs of testing’ (whether the asset is capable of being operated in the manner intended) has been added to the standard. A further amendment relates to the accounting treatment of proceeds received for the sale of items that are produced outside the ordinary course of business and the costs involved in producing them. These are now to be recognized separately and included as individual items within the statement of comprehensive income. The amendments come into force for reporting

periods commencing on or after January 1, 2022. 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 DEUTZ Group’s consolidated financial statements.

**‘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 amendments come into force for financial years commencing on or after January 1, 2022. They apply to contracts for which not all obligations are fulfilled as at the date of initial application. The amendments are not expected to have any material impact on the DEUTZ Group’s consolidated financial statements.

**‘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 is permitted if other references to the revised 2018 Conceptual Framework are adopted at the same time. DEUTZ will not be adopting these amendments early. The amendments are not expected to have any impact on the DEUTZ Group’s consolidated financial statements.

**‘COVID-19-Related Rent Concessions beyond 30 June 2021’ (Amendment to IFRS 16)** In March 2021, the IASB published changes to the practical expedients that had been published in May 2020 in respect of COVID-19-related rent concessions. The practical expedient published on May 28, 2020 gives lessees the option of not recognizing rent concessions as a lease modification, provided that certain conditions are met. In particular, this exemption could be applied to reduced rental payments that were due on or before June 30, 2021. As a result of the amendment published on March 31, this due date has been put back from June 30, 2021 to June 30, 2022. The amendment applies to financial years commencing on or after April 1, 2021. Early adoption is permitted. DEUTZ is not using this practical expedient, so the amendments are not expected to have any impact on the DEUTZ Group’s 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 DEUTZ Group's 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. The amendments to IFRS 1, IFRS 9, and IAS 41 must be applied in financial years commencing on or after January 1, 2022. Earlier adoption is permitted but DEUTZ will not be adopting these amendments early. The date of initial application for the clarification of the example in respect of IFRS 16 is not specified. The amendments are not expected to have any impact on the DEUTZ Group's 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. The initial application of these amendments is not expected to have a material impact on the Group's consolidated financial statements.

**'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 DEUTZ Group's 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 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 impact on the DEUTZ Group's 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 DEUTZ Group's 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.

## 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. Where the worldwide COVID-19 pandemic has resulted in changes to significant estimates and assumptions, these are explained in the relevant notes.

**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. In 2020, there had been a significant impact on the DEUTZ Group's medium-term planning as a result of the COVID-19 pandemic. The planning that was based on the assessments as at December 31, 2020 showed a reduction in the first two years of the plan. The current planning, based on the assessments as at December 31, 2021, is showing an improvement.

**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, 2021, the carrying amount of deferred tax assets recognized in respect of tax loss carryforwards amounted to €68.2 million (December 31, 2020: €47.7 million). Further details can be found in Note 16 on page 161 f.

**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. 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 in order to determine the amounts to be capitalized. As at December 31, 2021, the carrying amount of capitalized development expenditure was €86.5 million (December 31, 2020: €92.6 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 on page 189.

**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 (2020: nine) and 22 foreign subsidiaries (2020: 22).

With effect from January 1, 2021, the subsidiary Service Center Milan S.r.l, Milan, Italy, was merged with the subsidiary DEUTZ Italy S.r.l., Milan, Italy. This did not have any material impact on the Group's financial position or financial performance.

DEUTZ Japan GK, Tokyo, Japan, and DEUTZ Deutschland GmbH, Stockstadt am Rhein, Germany, were established in the fourth quarter. These changes did not have any material impact on the Group's financial position or financial performance.

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 2020, the consolidated financial statements included one foreign joint venture and two foreign entities (2020: one foreign entity) in accordance with the rules governing associates.

The associate DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, Jiangsu, China, was included in DEUTZ AG's basis of consolidation with effect from October 1, 2021. DEUTZ holds 40 percent of the shares in this company through the subsidiary DEUTZ China Verwaltung GmbH, Cologne. The acquisition cost for the investment was €2.0 million. The first tranche of €1 million was paid in December 2021; the second tranche is to be paid within the next five years. Further information on associates can be found on page 189 of these notes to the financial statements.

## 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, 2021.

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 associate and 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 IN PRIOR PERIODS

**FUTAVIS** The contingent consideration amounted to €1.2 million as at the balance sheet date. Of the €1.3 million reduction in the contingent consideration compared with the end of the previous year (December 31, 2020: €2.5 million), €0.6 million is attributable to a payment and €0.7 million is due to the remeasurement of the remaining consideration. This decrease of €0.7 million in the contingent consideration was recognized in the income statement for 2021 under other operating income. The remaining contingent consideration comprises the fixed-price component discounted on the basis of the maturity-specific cost of borrowing.

### DEUTZ AUSTRIA, PRO MOTOR SERVIS, MOTOR CENTER

**AUSTRIA** Following the acquisition of these companies in October 2020, measurement of the net assets acquired was completed in the reporting year. As part of the purchase price allocation (PPA), unrecognized intangible assets (long-term customer relationships) amounting to €1.5 million and corresponding deferred tax liabilities of €0.4 million were identified and reclassified to the relevant line items on the balance sheet. The negative goodwill of €1.1 million resulting from the purchase price allocation (PPA) was recognized in current income and expense for the period under other operating income.

## 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	
		2021	2020	2021	2020
USA	USD	1.18	1.15	1.13	1.23
China	CNY	7.61	7.90	7.19	8.02
Morocco	MAD	10.64	10.85	10.52	10.90
Australia	AUD	1.58	1.66	1.56	1.59
Russia	RUB	87.33	84.22	85.30	91.47
UK	GBP	0.86	0.89	0.84	0.90

## 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, 2021, the material, completed development projects had the following remaining useful lives:

Engine series 2.9	7 years
Engine series 2.2	7 years
Engine series 3.6	5 years
Engine series 4.1	4 years
Engine series 6.1	4 years
Engine series 7.8	4 years

The useful lives and amortization methods for completed development projects are reviewed at every year-end, 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 2021, changes to demand forecasts and cost estimates gave rise to indications of impairment, or reversals thereof, ('trigger events') on property, plant and equipment and on intangible assets. Subsequent impairment tests identified a need to recognize, or reverse, impairment losses on the affected engine series. 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:

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income, or
- 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 2021, an investment of €3.8 million was made in Blue World Technologies Holding ApS, Aalborg, Denmark. The investment agreement sets out a total amount of €7.5 million for 11.91 percent of the shares in this company and is divided into two tranches. The second tranche is expected to be acquired in the first half of 2022 once official approval has been granted. 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:

- Financial liabilities measured at fair value through profit or loss, or
- Other financial liabilities.

**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.

**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 as gains or losses 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.

# NOTES TO THE INCOME STATEMENT

## 1. REVENUE

### Breakdown of revenue by application segment and by timing of recognition in 2021

€ million

	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Consolidation	Total
Construction Equipment	462.2	28.5			490.7
Material Handling	261.4	22.7			284.1
Agricultural Machinery	202.0	4.1			206.1
Stationary Equipment	78.9	41.4			120.3
Service	223.0	180.1			403.1
Miscellaneous/Marine	15.9	43.4	56.7	-3.0	113.0
<b>Total</b>	<b>1,243.4</b>	<b>320.2</b>	<b>56.7</b>	<b>-3.0</b>	<b>1,617.3</b>
thereof at a point in time	1,232.5	303.6	56.7	-3.0	1,589.8
thereof over a period of time	10.9	16.6	0.0	0.0	27.5

### Breakdown of revenue by application segment and by timing of recognition in 2020

€ million

	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Consolidation	Total
Construction Equipment	352.6	25.9			378.5
Material Handling	152.0	20.5			172.5
Agricultural Machinery	174.7	4.0			178.7
Stationary Equipment	65.1	49.2			114.3
Service	181.4	166.9			348.3
Miscellaneous/Marine	18.0	43.6	44.4	-2.7	103.3
<b>Total</b>	<b>943.8</b>	<b>310.1</b>	<b>44.4</b>	<b>-2.7</b>	<b>1,295.6</b>
thereof at a point in time	935.4	291.7	44.4	-2.7	1,268.8
thereof over a period of time	8.4	18.4	0.0	0.0	26.8

### Breakdown of revenue by region in 2021

€ million

	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Consolidation	Total
Europe/Middle East/Africa	803.8	193.7	36.1	-3.0	1,030.6
Americas	219.4	60.9	14.3		294.6
Asia-Pacific	220.2	65.6	6.3		292.1
<b>Total</b>	<b>1,243.4</b>	<b>320.2</b>	<b>56.7</b>	<b>-3.0</b>	<b>1,617.3</b>

### Breakdown of revenue by region in 2020

€ million

	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Consolidation	Total
Europe/Middle East/Africa	611.6	192.1	28.2	-2.7	829.2
Americas	156.2	54.7	11.6		222.5
Asia-Pacific	176.0	63.3	4.6		243.9
<b>Total</b>	<b>943.8</b>	<b>310.1</b>	<b>44.4</b>	<b>-2.7</b>	<b>1,295.6</b>

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 €2.8 million (2020: €2.7 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	2021	2020
Cost of materials	908.7	735.4
Staff costs	210.4	194.9
Depreciation and amortization on property, plant and equipment and intangible assets (excl. R&D)	52.7	53.1
Other cost of sales items	159.9	122.5
<b>Total</b>	<b>1,331.7</b>	<b>1,105.9</b>

## 3. RESEARCH AND DEVELOPMENT COSTS

The table below gives a breakdown of research and development costs:

€ million	2021	2020
Cost of materials	23.8	16.7
Staff costs	51.2	47.7
Depreciation, amortization and impairment	20.8	37.2
Own work capitalized and reimbursements	-10.7	-12.0
Other research and development costs	5.8	8.1
<b>Total</b>	<b>90.9</b>	<b>97.7</b>

The figure for depreciation, amortization and impairment in the reporting year includes the reversal of impairment losses recognized on capitalized development expenditure in an amount of €4.4 million (2020: impairment losses of €10.8 million).

## 4. SELLING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

Selling expenses amounted to €103.2 million in the year under review (2020: €100.7 million). General and administrative expenses came to €61.6 million (2020: €45.8 million). Both the selling expenses and the general and administrative expenses predominantly consisted of staff costs. The respective amounts were €72.3 million and €41.7 million (2020: €65.7 million and €32.1 million). Depreciation, amortization, and impairment was included in selling expenses in an amount of €6.0 million (2020: €9.8 million) and in general and administrative expenses in an amount of €9.4 million (2020: €6.4 million).



## 5. OTHER OPERATING INCOME

€ million	2021	2020
Income from recharged costs and services	4.5	2.8
Foreign currency gains	11.8	6.5
Income from the measurement of derivatives	1.0	1.0
Income from the reversal of provisions	0.5	0.0
Income from the derecognition of liabilities	0.7	0.0
Sundry other income	8.5	4.7
<b>Total</b>	<b>27.0</b>	<b>15.0</b>

The increase in other operating income was mainly attributable to foreign currency gains, a volume-related rise in the onward charging of costs to logistics partners, and the settlement reached with Torqeedo's former owners in the first quarter of 2021 regarding compensation for losses incurred due to a product recall in 2019.

## 6. OTHER OPERATING EXPENSES

€ million	2021	2020
Restructuring costs	3.1	31.9
Other expenses from the adjustment of provisions	5.6	13.0
Foreign currency losses	3.9	11.7
Expenses for pensions and other post-employment benefits	1.3	2.6
Other cost of fees, contributions and advice	2.3	3.6
Expenses in connection with the measurement of derivatives	1.3	1.0
Sundry other expenses	4.9	4.5
<b>Total</b>	<b>22.4</b>	<b>68.3</b>

Other operating expenses included restructuring costs of €3.1 million. These restructuring costs were the result of the efficiency program that was initiated at the beginning of 2020; they were recognized as an exceptional item. 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.

Lower provisions were recognized for onerous contracts in relation to orders on hand and for foreign currency losses arising on the translation of foreign currency positions.

## 7. PROFIT/LOSS ON EQUITY-ACCOUNTED INVESTMENTS, WRITE-DOWNS OF EQUITY-ACCOUNTED INVESTMENTS, AND OTHER INVESTMENT INCOME

€ million	2021	2020
<b>Profit/loss on equity-accounted investments</b>		
Income from equity-accounted investments	0.8	1.4
Expenses relating to equity-accounted investments	-1.6	0.0
<b>Total</b>	<b>-0.8</b>	<b>1.4</b>
<b>Write-downs of equity-accounted investments</b>	<b>0.0</b>	<b>0.0</b>
<b>Other net investment income</b>	<b>0.6</b>	<b>1.1</b>
<b>Total</b>	<b>-0.2</b>	<b>2.5</b>

Income from equity-accounted investments consisted of DEUTZ AG's share in the profits of its associate D. D. Power Holdings (Pty), South Africa. The expenses consisted of DEUTZ AG's share of the losses of the joint venture Hunan DEUTZ Power, Ltd., Changsha, China.

As in the previous year, other net investment income related to profits transferred by DEUTZ Sicherheit GmbH, Cologne.

## 8. FINANCIAL INCOME, NET

€ million	2021	2020
Interest income on credit balances with banks	0.1	0.0
Other interest income	0.1	0.7
<b>Interest income</b>	<b>0.2</b>	<b>0.7</b>
Interest paid on liabilities to banks	-2.1	-1.8
Interest paid on sales of receivables	-0.9	-0.8
Interest paid on lease liabilities	-1.4	-1.1
Other interest expense and similar charges	-0.8	-0.6
<b>Interest expense</b>	<b>-5.2</b>	<b>-4.3</b>
<b>Other finance income/finance costs</b>	<b>0.0</b>	<b>-0.4</b>
<b>Financial income, net</b>	<b>-5.0</b>	<b>-4.0</b>

No borrowing costs were capitalized in the reporting year, whereas borrowing costs of €0.1 million had been capitalized in 2020.

## 9. TAXES

**Income taxes** The following table gives a breakdown of income taxes:

€ million	2021	2020
Current tax expense	6.5	1.9
thereof unrelated to the reporting period	1.5	0.6
Deferred tax expense (+)/deferred tax income (-)	-15.6	-4.9
thereof from temporary differences	7.0	-19.2
thereof from loss carryforwards	-22.6	14.3
<b>Total tax expense (+)/ income (-)</b>	<b>-9.1</b>	<b>-3.0</b>

The current income tax expenses predominantly related to current income generated by Group companies in 2021.

The deferred tax income included an expense of €7.0 million arising from temporary differences (2020: tax income of €19.2 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 (2020: 31.47 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	2021	2020
<b>Net income before income taxes</b>	<b>29.1</b>	<b>-110.6</b>
Anticipated tax expense (+)/income (-)	9.2	-34.8
Effect from trade tax add-backs and deductions	0.1	0.2
Differing tax rates	0.0	-0.8
Effects of deferred taxes on loss carryforwards and of the utilization of current losses	-22.6	33.3
Effect of non-deductible expenses	1.3	0.7
Effect of consolidation adjustments	0.0	-0.6
Share of profit (loss) of equity-accounted investments	0.5	-0.3
Effect of tax-exempt income	-1.0	-1.1
Effect of potential dividend distributions	0.1	-0.2
Effects not related to the reporting period		
Prior-year tax payments	1.5	0.6
Deferred taxes resulting from prior-year adjustments	0.9	0.0
Other	0.9	0.0
<b>Effective tax expense (+)/ income (-)</b>	<b>-9.1</b>	<b>-3.0</b>
<b>Effective tax rate (%)</b>	<b>-31.3</b>	<b>2.7</b>

The tax effect arising from deferred taxes on loss carryforwards essentially resulted from the utilization 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 2021 or 2020 because there are no exercisable options to convert financial instruments with equity components.

	2021	2020
Net income attributable to shareholders of the DEUTZ Group (€ million)	38.2	-107.6
Weighted average number of shares outstanding (€ thousand)	120,862	120,862
<b>Earnings per share (€)</b>	<b>0.32</b>	<b>-0.89</b>

## 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	2021			2020		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
<b>Amounts that will not be reclassified to the income statement in the future</b>	<b>11.2</b>	<b>-3.6</b>	<b>7.6</b>	<b>-9.0</b>	<b>2.8</b>	<b>-6.2</b>
Remeasurements of defined benefit plans	11.2	-3.6	7.6	-9.0	2.8	-6.2
<b>Amounts that will be reclassified to the income statement in the future if specific conditions are met</b>	<b>6.6</b>	<b>1.0</b>	<b>7.6</b>	<b>-3.3</b>	<b>-0.7</b>	<b>-4.0</b>
Currency translation differences	9.7	0.0	9.7	-5.5	0.0	-5.5
thereof profit/loss on equity-accounted investments	5.5	0.0	5.5	-1.7	0.0	-1.7
Effective portion of change in fair value from cash flow hedges	-3.1	1.0	-2.1	2.2	-0.7	1.5
Fair value of financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other comprehensive income</b>	<b>17.8</b>	<b>-2.6</b>	<b>15.2</b>	<b>-12.4</b>	<b>2.2</b>	<b>-10.2</b>

In 2021, gains totaling €0.6 million on cash flow hedges (2020: losses of €0.3 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	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
Cost of purchase/conversion					
€ million					
<b>Balance at Jan. 1, 2021</b>	<b>279.9</b>	<b>568.0</b>	<b>341.6</b>	<b>13.7</b>	<b>1,203.2</b>
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
<b>Balance at Dec. 31, 2021</b>	<b>294.5</b>	<b>577.2</b>	<b>368.5</b>	<b>18.3</b>	<b>1,258.5</b>

Gross figures	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
Depreciation and impairment					
€ million					
<b>Balance at Jan. 1, 2021</b>	<b>133.4</b>	<b>451.1</b>	<b>257.0</b>	<b>0.0</b>	<b>841.5</b>
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
<b>Balance at Dec. 31, 2021</b>	<b>148.0</b>	<b>469.3</b>	<b>282.3</b>	<b>0.0</b>	<b>899.6</b>
<b>Net carrying amount at Dec. 31, 2021</b>	<b>146.5</b>	<b>107.9</b>	<b>86.2</b>	<b>18.3</b>	<b>358.9</b>

Gross figures	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
Cost of purchase/conversion					
€ million					
<b>Balance at Jan. 1, 2020</b>	<b>269.7</b>	<b>538.3</b>	<b>316.3</b>	<b>21.0</b>	<b>1,145.3</b>
Currency translation differences	-1.3	-0.8	-0.5	-0.1	-2.7
Additions	13.6	26.2	26.8	14.8	81.4
Investment grants	0.0	-1.0	0.0	0.0	-1.0
Disposals	-3.5	-9.8	-7.3	-1.4	-22.0
Changes to basis of consolidation	1.0	0.7	0.5	0.0	2.2
Reclassifications	0.4	14.4	5.8	-20.6	0.0
<b>Balance at Dec. 31, 2020</b>	<b>279.9</b>	<b>568.0</b>	<b>341.6</b>	<b>13.7</b>	<b>1,203.2</b>

Gross figures	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
Depreciation and impairment					
€ million					
<b>Balance at Jan. 1, 2020</b>	<b>119.2</b>	<b>440.8</b>	<b>238.1</b>	<b>0.0</b>	<b>798.1</b>
Currency translation differences	-0.4	-0.6	-0.3	0.0	-1.3
Depreciation	17.2	19.7	25.0	0.0	61.9
Impairment	0.2	0.5	0.8	0.0	1.5
Disposals	-2.9	-9.8	-6.9	0.0	-19.6
Changes to basis of consolidation	0.1	0.5	0.3	0.0	0.9
Reclassifications	0.0	0.0	0.0	0.0	0.0
<b>Balance at Dec. 31, 2020</b>	<b>133.4</b>	<b>451.1</b>	<b>257.0</b>	<b>0.0</b>	<b>841.5</b>
<b>Net carrying amount at Dec. 31, 2019</b>	<b>146.5</b>	<b>116.9</b>	<b>84.6</b>	<b>13.7</b>	<b>361.7</b>

Capital expenditure on property, plant and equipment (excluding right-of-use assets in connection with leases) mainly related to replacement investment in tools, equipment, and machinery. DEUTZ also invested in testing equipment for new drive systems and in IT equipment.

Of the additions in 2021, a sum of €17.7 million was attributable to right-of-use assets in connection with leases (2020: €32.4 million). Capital expenditure in respect of right-of-use assets was mainly attributable to the extension of leases for leased property and to new leases. Detailed information about right-of-use assets in connection with leases can be found on page 176.

Total government grants recognized as at December 31, 2021 amounted to €3.9 million (December 31, 2020: €4.1 million). In 2021, grants of €0.5 million (2020: €1.0 million) were recognized in profit or loss (as a reduction of the depreciation expense).

Purchase commitments for property, plant and equipment are described on page 189.

## 13. INTANGIBLE ASSETS

Gross figures	Internally generated intangible assets				Other intangible assets	Total
	Goodwill	Completed	In development			
Cost of purchase/conversion						
€ million						
<b>Balance at Jan. 1, 2021</b>	<b>54.4</b>	<b>463.2</b>	<b>30.0</b>	<b>189.4</b>	<b>737.0</b>	
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	
<b>Balance at Dec. 31, 2021</b>	<b>54.3</b>	<b>471.3</b>	<b>28.7</b>	<b>189.7</b>	<b>744.0</b>	

Gross figures	Internally generated intangible assets				Other intangible assets	Total
	Goodwill	Completed	In development			
Amortization and impairment						
€ million						
<b>Balance at Jan. 1, 2021</b>	<b>0.0</b>	<b>385.3</b>	<b>15.3</b>	<b>139.3</b>	<b>539.9</b>	
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	
<b>Balance at Dec. 31, 2021</b>	<b>0.0</b>	<b>398.2</b>	<b>15.3</b>	<b>148.7</b>	<b>562.2</b>	
<b>Net carrying amount at Dec. 31, 2021</b>	<b>54.3</b>	<b>73.1</b>	<b>13.4</b>	<b>41.0</b>	<b>181.8</b>	

Gross figures	Internally generated intangible assets				Other intangible assets	Total
	Goodwill	Completed	In development			
Cost of purchase/conversion						
€ million						
<b>Balance at Jan. 1, 2020</b>	<b>58.3</b>	<b>417.9</b>	<b>62.7</b>	<b>174.1</b>	<b>713.0</b>	
Currency translation differences	0.0	0.0	0.0	-0.2	-0.2	
Additions	0.1	2.3	10.3	11.3	24.0	
Investment grants	0.0	0.0	0.0	0.0	0.0	
Disposals	0.0	0.0	0.0	0.0	0.0	
Changes to basis of consolidation	0.1	0.0	0.0	0.1	0.2	
Reclassifications	-4.1	43.0	-43.0	4.1	0.0	
<b>Balance at Dec. 31, 2020</b>	<b>54.4</b>	<b>463.2</b>	<b>30.0</b>	<b>189.4</b>	<b>737.0</b>	

Gross figures	Internally generated intangible assets				Other intangible assets	Total
	Goodwill	Completed	In development			
Amortization and impairment						
€ million						
<b>Balance at Jan. 1, 2020</b>	<b>0.0</b>	<b>358.4</b>	<b>13.3</b>	<b>125.1</b>	<b>496.8</b>	
Currency translation differences	0.0	0.1	0.0	-0.2	-0.1	
Amortization	0.0	16.0	0.0	9.4	25.4	
Impairment	0.0	10.8	2.0	5.0	17.8	
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0	
Disposals	0.0	0.0	0.0	0.0	0.0	
Reclassifications	0.0	0.0	0.0	0.0	0.0	
<b>Balance at Dec. 31, 2020</b>	<b>0.0</b>	<b>385.3</b>	<b>15.3</b>	<b>139.3</b>	<b>539.9</b>	
<b>Net carrying amount at Dec. 31, 2020</b>	<b>54.4</b>	<b>77.9</b>	<b>14.7</b>	<b>50.1</b>	<b>197.1</b>	

Other intangible assets mainly comprise grants for tool costs, rights and licenses, purchased development services, and software. The additions to other intangible assets mainly resulted from grants for tool costs and licenses.

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

The reversal of impairment losses on internally generated intangible assets, in an amount of €4.4 million, related to the capitalized development expenditure on an engine series that had previously been impaired and was the result of changes in market forecasts. This reversal of impairment losses was recognized under research and development costs in the income statement. The impairment testing of this asset was carried out at the level of the cash-generating unit represented by the engine series. The recoverable amount, calculated on the basis of the value in use of this cash-generating unit, stood at €17.9 million. The increase in value recognized arose in the DEUTZ Compact Engines segment. The pre-tax discount rate underlying the calculation was 6.9 percent.

The impairment loss of €0.8 million recognized on other intangible assets related to a license acquired for the sale and marketing of engines and resulted from deteriorating demand forecasts. The impairment loss was recognized under selling expenses in the income statement. The impairment testing of this asset was carried out at the level of the cash-generating unit represented by an engine series. The recoverable amount, calculated on the basis of the value in use of this cash-generating unit, stood at €8.7 million. The impairment loss recognized arose in the DEUTZ Customized Solutions segment. The pre-tax discount rate underlying the calculation was 7.0 percent.

Amortization relating to internally generated intangible assets, amounting to €17.3 million, was recognized under research and development costs in the income statement. Amortization relating to other intangible assets, amounting to €9.7 million, was split across all functional areas in the income statement.

### Goodwill

The table below shows the allocation of goodwill to the Group's business units.

€ million	DEUTZ Compact Engines		DEUTZ Customized Solutions	Other		Not yet allocated	Total
	Product line <4 liters	Product line 4 to 8 liters		Torqueedo	Futavis		
<b>Balance at Jan. 1, 2021</b>	<b>40.3</b>	<b>0.0</b>	<b>0.0</b>	<b>8.3</b>	<b>5.7</b>	<b>0.1</b>	<b>54.4</b>
Additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at Dec. 31, 2021</b>	<b>40.3</b>	<b>0.0</b>	<b>0.0</b>	<b>8.3</b>	<b>5.7</b>	<b>0.0</b>	<b>54.3</b>

The disposals of €0.1 million were due to an adjustment of the purchase consideration for DEUTZ Austria.

Goodwill was tested for impairment at the level of the business units 'product line < 4 liters', 'Torqeedo', and 'Futavis' 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 the value in use according to the discounted cash flow (DCF) method. Value in use 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 cash-generating unit. The cash flows used in the calculation were derived from the financial plan approved by senior management, which covers a five-year period. For the 'Futavis' CGU, 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. The cash flows beyond this period of five and six years respectively were extrapolated on the basis of a growth rate of 1.0 percent.

#### 'Product line < 4 liters' business unit:

In the planning period, total revenue in the 'product line < 4 liters' business unit is generated mainly through the sale of diesel engines with capacities of less than 4 liters, which are the main products, and through the spare parts business (service). The planning is based both on market data from the Power System Research Database (PSR) and on a management estimate that is particularly focused on the potential of the E-DEUTZ business. Our revenue planning considered not only the anticipated performance of the market for diesel engines in our key application segments, but also global construction volumes and the trends in the construction industry 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. In its planning, management is assuming that the ratio of net working capital to revenue will remain stable.

The pre-tax cost of capital used for discounting was 9.3 percent (December 31, 2020: 9.6 percent). The discount rate was based on a risk-free interest rate of 0.1 percent (December 31, 2020: minus 0.2 percent) and a market risk premium of 7.5 percent (December 31, 2020: 7.75 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 'product line < 4 liters' business unit verified the impairment 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 'product line < 4 liters' cash-generating unit:

#### Sensitivity analysis of recoverable amount – 'product line < 4 liters' CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
€ million				
	+1	-110.1	-92.4	-72.1
WACC change (percentage points)	0	-26.8	0.0	31.6
	-1	87.2	129.8	181.9

#### Excess/shortfall compared with the carrying amount of the CGU

€ million		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
	+1	188.2	205.9	226.2
WACC change (percentage points)	0	271.5	298.3	329.9
	-1	385.5	428.1	480.2

#### 'Torqeedo' business unit:

The market for electric drives in the automotive industry remains in a phase of expansion characterized by high growth rates. Technological innovations and stricter emissions standards mean that electric drives are increasingly being chosen over traditional internal combustion engines. Because of the possibility of certain electric drive technologies being transferred from the automotive to the marine sector, as has already happened to an extent, particularly in the case of batteries, Torqeedo's management is working on the basis that the marine sector will follow a similar trend to that seen in the automotive sector, albeit with a time lag. The assumptions on which the budget figures are based for the 'Torqeedo' business unit therefore continue to include fast-rising demand for all-electric and hybrid drives.



On the cost side, management is assuming – as it had in 2020 – that manufacturing costs per unit will go down in the medium term. In particular, this is because the bulk of the capital expenditure on infrastructure has largely been made. Management also expects further economies of scale to be reaped from the optimization and standardization of the production processes and rising learning curves. As in the previous year, management is assuming in its planning that the ratio of net working capital to revenue will fall slightly. This is to be primarily achieved through improved inventory management.

The pre-tax cost of capital used for discounting was 14.9 percent (December 31, 2020: 13.6 percent). The discount rate was based on a risk-free interest rate of 0.1 percent (December 31, 2020: minus 0.2 percent) and a market risk premium of 7.5 percent (December 31, 2020: 7.75 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 'Torqeedo' business unit verified the impairment 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 'Torqeedo' cash-generating unit:

#### Sensitivity analysis of recoverable amount – 'Torqeedo' CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
€ million		-0.5	0	+0.5
	+1	-8.5	-6.4	-4.1
WACC change (percentage points)	0	-2.5	0.0	2.9
	-1	4.7	7.9	11.5

Excess/shortfall compared with the carrying amount of the CGU

€ million		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
	+1	9.4	11.5	13.8
WACC change (percentage points)	0	15.4	17.9	20.8
	-1	22.6	25.8	29.4

#### 'Futavis' business unit:

Revenue in the 'Futavis' business unit in the planning period will be generated mainly through the sale of finished batteries and through long-term development projects with major customers. Particular account is taken of the growth of the overall market for batteries and battery components.

On the cost side, management is assuming that it will be possible to make additional savings in manufacturing costs per unit. This will mainly be the result of economies of scale. In its planning, management is assuming that the ratio of net working capital to revenue will fall. This is to be primarily achieved through improved inventory management.

The pre-tax cost of capital used for discounting was 13.2 percent (December 31, 2020: 14.1 percent). The discount rate was based on a risk-free interest rate of 0.1 percent (December 31, 2020: minus 0.2 percent) and a market risk premium of 7.5 percent (December 31, 2020: 7.75 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 'Futavis' business unit verified the impairment of the goodwill allocated to this business unit.

#### Sensitivity analysis of recoverable amount – 'Futavis' CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
€ million		-0.5	0	+0.5
	+1	-1.2	-0.9	-0.7
WACC change (percentage points)	0	-0.3	0.0	0.3
	-1	0.8	1.2	1.6

Excess/shortfall compared with the carrying amount of the CGU

€ million		Change in growth rate Terminal value (percentage points)		
		-0.5	0	+0.5
	+1	-0.3	-0.1	0.2
WACC change (percentage points)	0	0.5	0.8	1.1
	-1	1.6	2.0	2.4

### Intangible assets with an indefinite useful life

As had also been the case at the end of 2020, 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	2021	2020
<b>Jan. 1</b>	<b>50.3</b>	<b>51.1</b>
Additions	2.0	0.0
Pro-rata profit/loss on equity-accounted investments	-0.8	1.4
Disposals	0.0	0.0
Impairment	0.0	0.0
Other changes arising from measurement using the equity method	4.9	-2.2
<b>Dec. 31</b>	<b>56.4</b>	<b>50.3</b>

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, 2021	Dec. 31, 2020
Equity investments	4.0	0.3
Non-current securities	4.2	3.6
Cost of borrowing	0.2	0.5
Other	2.7	0.0
<b>Total</b>	<b>11.1</b>	<b>4.4</b>

### Equity investments

This line item predominantly consists of the carrying amount of the equity investment in Blue World Technologies, Aalborg, Denmark.

### 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 €801.6 million for corporation tax (2020: €804.1 million) and €913.0 million for trade tax (2020: €916.3 million). The figures disclosed in 2020 for tax loss carryforwards (corporation tax: €809.0 million; trade tax: €921.2 million) were restated as a result of 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, 2021	Dec. 31, 2020
<b>Non-current</b>		
Deferred tax assets	88.6	74.2
Deferred tax liabilities	1.8	0.7
<b>Current</b>		
Current tax assets	5.9	7.2
Liabilities arising from income taxes	3.0	2.0

In 2021, the deferred tax assets net of deferred tax liabilities amounted to €88.6 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 €22.8 million (December 31, 2020: €26.0 million) for provisions for pensions and other post-retirement benefits and €0.4 million (December 31, 2020: minus €0.6) for measurement of cash flow hedges.

The following table shows the breakdown of deferred tax assets and liabilities:

€ million	Dec. 31, 2021		Dec. 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0.0	31.7	0.0	36.4
Property, plant and equipment	1.4	15.9	1.2	12.6
Inventories	9.5	0.1	8.2	0.0
Receivables and other assets	3.1	0.9	2.0	0.7
Pensions	17.7	0.5	23.3	0.0
Other liabilities	34.6	0.8	41.2	0.3
Tax loss carryforwards	70.4	0.0	47.7	0.0
<b>Deferred taxes (gross)</b>	<b>136.7</b>	<b>49.9</b>	<b>123.6</b>	<b>50.0</b>
Netting	48.1	48.1	49.4	49.4
<b>Deferred taxes (net)</b>	<b>88.6</b>	<b>1.8</b>	<b>74.2</b>	<b>0.6</b>

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 €88.6 million (December 31, 2020: €74.2 million).

The decrease in deferred taxes in respect of temporary differences, which was recognized in other comprehensive income, was €2.8 million as at December 31, 2021 (December 31, 2020: increase of €0.7 million) and largely resulted from changes in provisions for pensions and other post-retirement benefits.

As at December 31, 2021, the DEUTZ Group had not recognized any deferred tax liabilities on temporary differences of €35.8 million (December 31, 2020: €29.9 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, 2021	Dec. 31, 2020
Corporation tax/solidarity surcharge	663.9	727.9
Trade tax	751.4	819.0

**Thereof: expiry periods for German and international loss carryforwards in the Group**

€ million	Dec. 31, 2021	Dec. 31, 2020
Up to 5 years	0.1	0.2
6 to 9 years	0.0	0.0
Indefinite		
Corporation tax/solidarity surcharge	663.9	727.9
Trade tax	751.3	818.8

The figures disclosed in 2020 for loss carryforwards on which deferred taxes had not been recognized in full (corporation tax: €732.8 million, trade tax: €824.0 million) were restated following the result of tax audit for previous years.

## 17. INVENTORIES

€ million	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables, bought-in parts and spare parts	224.5	172.4
Work in progress	44.2	33.2
Finished goods	106.6	68.6
<b>Total</b>	<b>375.3</b>	<b>274.2</b>

The cost of materials came to €908.7 million in the year under review (2020: €735.4 million).

Write-downs on raw materials, bought-in parts and spare parts totaled €3.4 million in the reporting year (2020: €9.5 million). As at December 31, 2021, the carrying amount of inventories written down to net realizable value was €91.9 million (December 31, 2020: €60.6 million).

The following table shows the change in the valuation allowance account for inventories:

€ million	2021	2020
<b>Jan. 1</b>	<b>44.9</b>	<b>41.2</b>
Changes	3.9	3.7
<b>Dec. 31</b>	<b>48.8</b>	<b>44.9</b>

## 18. RECEIVABLES AND OTHER ASSETS

€ million	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	140.6	118.6
Less write-downs	-4.9	-4.8
<b>Trade receivables (net)</b>	<b>135.7</b>	<b>113.8</b>
<b>Other receivables and assets</b>		
Receivables arising from other taxes	11.8	5.3
Bonuses and other receivables from suppliers	5.6	3.4
Receivables remaining after sale of receivables	4.5	2.2
Receivables arising from investment grants	5.6	5.7
Receivables due from investments	2.2	0.6
thereof trade receivables	2.2	0.6
thereof other receivables	0.0	0.0
Derivative financial instruments	0.0	2.0
Advances paid	0.7	0.1
Sundry other receivables	9.9	13.5
<b>Total</b>	<b>40.3</b>	<b>32.8</b>

As at December 31, 2021, the volume of receivables sold under factoring agreements was €133.8 million (December 31, 2020: €107.1 million). Essentially, 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, but it is not material so the receivables were not reported in the consolidated financial statements of DEUTZ AG. The remaining exposure in respect of the receivables that have been assigned is largely limited to the administration and collection of these receivables. As at December 31, 2021, the Group had access to factoring lines totaling €220.0 million (December 31, 2020: €225.0 million). They are revolving lines. In 2021, interest expense of €0.9 million (2020: €0.8 million) was recognized in connection with the sale of receivables.

As at December 31, 2021, there were receivables amounting to €4.5 million due from one factor (December 31, 2020: €2.2 million) in connection with the sale of receivables. The fair value of these receivables was also €4.5 million (December 31, 2020: €2.2 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, 2021 was limited to the amount receivable of €4.5 million (December 31, 2020: €2.2 million).

Trade receivables had been written down by an amount of €4.9 million as at December 31, 2021 (December 31, 2020: €4.8 million). The table showing the change in the valuation account can be found in Note 26 on page 179.

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, 2021 (December 31, 2020: €9.2 million). The table showing the change in the valuation account can be found in Note 26 on page 180.

There were no contract assets arising from contracts with customers as at December 31, 2021 or as at December 31, 2020.

## 19. CASH AND CASH EQUIVALENTS

As at December 31, 2021, cash and cash equivalents including cash on hand, short-term deposits, and credit balances with banks amounted to €36.1 million (December 31, 2020: €64.7 million). There were no access restrictions, as had also been the case in the previous year.

## 20. EQUITY

€ million	Dec. 31, 2021	Dec. 31, 2020
Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	3.7	-3.9
Retained earnings and accumulated income	246.9	201.1
Equity attributable to the shareholders of the parent	588.4	535.0
Non-controlling interests	0.0	0.2
<b>Total</b>	<b>588.4</b>	<b>535.2</b>

### Issued capital

At the end of 2021, the issued capital (share capital) of DEUTZ AG amounted to €308,978,241.98 (unchanged on the end of 2020) 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 2021 or in 2020.

### 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 €4.7 million as at the end of 2021 (December 31, 2020: loss of €4.9 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, 2020: €4.5 million).

### Non-controlling interests

The non-controlling interests in the comparative period had related to Mr. Glavan's 25 percent stake in the subsidiary DEUTZ Romania S.r.l., Galati, Romania. DEUTZ AG has an indirect interest in this company through DEUTZ Italy S.r.l.

### 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). No dividend was paid in 2021.

## 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 (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 nominal amount of the as-yet unutilized authorized capital I was €92,693,470.30 as at December 31, 2021.

### 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 (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

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 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.

The nominal amount of the as-yet unutilized authorized capital II was €61,795,646.86 as at December 31, 2021.

## 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 2021 came to €18.4 million (2020: €20.0 million). In addition, a further €1.9 million (2020: €2.0 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 2020.

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 50 percent of the accumulated plan assets must be invested in equity instruments and 50 percent in debt instruments. 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	2021	2020
<b>Pension plans in Germany</b>		
Present value of defined benefit obligation	134.0	153.7
Fair value of plan assets	6.1	5.9
<b>Deficit (net liability)</b>	<b>127.9</b>	<b>147.8</b>
<b>Pension plans in the UK</b>		
Present value of defined benefit obligation	30.7	29.7
Fair value of plan assets	27.3	24.3
<b>Deficit (net liability)</b>	<b>3.4</b>	<b>5.4</b>
<b>Other pension plans</b>		
Present value of defined benefit obligation	6.5	7.2
Fair value of plan assets	0.0	0.0
<b>Deficit (net liability)</b>	<b>6.5</b>	<b>7.2</b>
<b>Total</b>		
Present value of defined benefit obligation	171.2	190.6
Fair value of plan assets	33.4	30.2
<b>Deficit (net liability)</b>	<b>137.8</b>	<b>160.4</b>

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	2021	2020
<b>Pension plans in Germany</b>		
Active members	8.5	10.1
Deferred members	3.5	4.6
Pensioners	122.0	139.0
<b>Present value of defined benefit obligation</b>	<b>134.0</b>	<b>153.7</b>
<b>Pension plans in the UK</b>		
Active members	0.0	0.0
Deferred members	16.3	14.9
Pensioners	14.4	14.8
<b>Present value of defined benefit obligation</b>	<b>30.7</b>	<b>29.7</b>

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	2021	2020
<b>Net liability as at Jan. 1</b>	<b>160.4</b>	<b>163.6</b>
Amounts recognized in the income statement	0.3	1.1
Amounts recognized in other comprehensive income	-11.2	8.6
Employer contributions	-0.5	-0.4
Pension benefits paid	-11.5	-12.1
Effects of changes in foreign exchange rates	0.3	-0.5
Changes to basis of consolidation	0.0	0.1
<b>Net liability as at Dec. 31</b>	<b>137.8</b>	<b>160.4</b>

The following table shows the change in the present value of the defined benefit obligation:

#### Change in present value of defined benefit obligation

€ million	2021	2020
<b>Defined benefit obligation as at Jan. 1</b>	<b>190.6</b>	<b>195.3</b>
Service cost	0.0	0.0
Employee contributions	0.2	0.0
Interest expense	0.6	1.6
Unrecognized past service cost	0.0	0.0
Remeasurements	-9.9	9.8
thereof: experience adjustments	-2.2	-2.0
thereof: actuarial (gains)/losses arising from changes in biometric assumptions	-0.3	0.3
thereof: actuarial (gains)/losses arising from changes in financial assumptions	-7.4	11.5
Effects of changes in foreign exchange rates	2.1	-1.9
Pension benefits paid	-12.4	-14.3
Changes to basis of consolidation	0.0	0.1
<b>Defined benefit obligation as at Dec. 31</b>	<b>171.2</b>	<b>190.6</b>

As at December 31, 2021, the weighted average life of the bulk of the defined benefit obligation was 9.0 years (December 31, 2020: 9.6 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	2021	2020
<b>Fair value of plan assets at Jan. 1</b>	<b>30.2</b>	<b>31.7</b>
Employer contributions	0.5	0.4
Employee contributions	0.2	0.0
Interest income	0.3	0.5
Return on (+)/expenses (-) from plan assets (excl. interest income)	1.3	1.2
Pensions paid from plan assets	-0.9	-2.2
Currency translation differences	1.8	-1.4
Other	0.0	0.0
<b>Fair value of plan assets at Dec. 31</b>	<b>33.4</b>	<b>30.2</b>

**Breakdown of plan assets**

€ million	2021	2020
Cash and cash equivalents	0.0	0.0
Equity instruments (by region)		
UK	4.1	3.6
Europe (excl. UK)	2.5	2.2
North America	3.0	2.7
Japan	1.2	1.1
Asia-Pacific	1.2	1.1
Other	1.7	1.5
	<b>13.7</b>	<b>12.2</b>
Debt instruments		
Government bonds	4.6	4.1
Corporate bonds	9.0	8.0
	<b>13.6</b>	<b>12.1</b>
Reinsurance policies	6.1	5.9
<b>Total</b>	<b>33.4</b>	<b>30.2</b>

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 2021 and 2020 is as follows:

**Net pension cost**

€ million	2021	2020
Unrecognized past service cost	0.0	0.0
Net interest cost	0.3	1.1
<b>Total</b>	<b>0.3</b>	<b>1.1</b>

The actual return on plan assets in 2021 amounted to €1.6 million (2020: €1.7 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**

%	2021	2020
Discount rate		
Germany	0.58	0.04
UK	1.80	1.40
Rate of pension increase		
Germany	1.75	1.75
UK	2.10	2.00

**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**

2021	Impact on defined benefit obligation of	
	0.5% rise	0.5% fall
€ million		
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

**Sensitivity analysis**

2020	Impact on defined benefit obligation of:	
	0.5% rise	0.5% fall
€ million		
in discount rate		
Germany	-6.8	7.4
UK	-3.0	3.0
in rate of pension increase		
Germany	7.2	-6.7
UK	2.4	-2.4

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, 2021 would have been €14.5 million and €1.1 million respectively (December 31, 2020: €16.9 million and €1.0 million respectively).

The sensitivity calculations are based on the average duration of the pension obligations calculated as at November 30, 2021. In order to highlight the impact on the present value of the defined benefit obligations calculated as at December 31, 2021 separately, the calculations were carried out for each of the actuarial parameters deemed to be material and capable of changing.

**Future cash flows**

For 2022, the DEUTZ Group forecasts that its payments into pension plans will amount to €0.5 million (2021: €0.5 million). The following table shows the expected future benefit payments arising from defined benefit obligations:

**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

**Expected benefit payments**

€ million	Dec. 31, 2020
2021	13.7
2022	13.3
2023	12.7
2024	12.2
2025	11.6
2026 – 2030	49.7

## 22. OTHER PROVISIONS

The following table gives a breakdown of other provisions:

€ million	2021			2020		
	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	45.3	33.4	11.9	48.3	35.5	12.8
Obligations to employees	34.1	17.8	16.3	27.3	7.9	19.4
Restructuring	8.3	5.3	3.0	19.3	16.3	3.0
Onerous contracts	20.6	20.6	0.0	15.9	15.9	0.0
Other	10.7	8.5	2.2	10.0	7.7	2.3
<b>Total</b>	<b>119.0</b>	<b>85.6</b>	<b>33.4</b>	<b>120.8</b>	<b>83.3</b>	<b>37.5</b>

The majority of the outflow of cash in connection with the provisions is expected to have materialized by 2024.

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 1.2 percent (December 31, 2020: 1.3 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 2021:

€ million	Warranties	Obligations to employees	Restructuring	Onerous contracts	Other	Total
<b>Jan. 1, 2021</b>	<b>48.3</b>	<b>27.3</b>	<b>19.3</b>	<b>15.9</b>	<b>10.0</b>	<b>120.8</b>
Additions	3.2	24.0	3.2	4.7	1.9	37.0
Currency translation differences	0.2	0.0	0.0	0.0	0.3	0.5
Amounts utilized	-6.0	-15.2	-15.5	0.0	-1.5	-38.2
Reversals	-0.4	-0.7	0.0	0.0	0.0	-1.1
Reclassifications	0.0	-1.3	1.3	0.0	0.0	0.0
<b>Dec. 31, 2021</b>	<b>45.3</b>	<b>34.1</b>	<b>8.3</b>	<b>20.6</b>	<b>10.7</b>	<b>119.0</b>

## 23. FINANCIAL DEBT

€ million	Dec. 31, 2021				Dec. 31, 2020			
	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	53.7	50.5	3.2	0.0	89.5	76.0	13.5	0.0
Lease liabilities	61.3	15.9	39.2	6.2	58.0	14.0	36.4	7.6
Other financial debt	0.8	0.2	0.5	0.1	1.1	0.2	0.8	0.1
<b>Total</b>	<b>115.8</b>	<b>66.6</b>	<b>42.9</b>	<b>6.3</b>	<b>148.6</b>	<b>90.2</b>	<b>50.7</b>	<b>7.7</b>

**Liabilities to banks**

Current liabilities to banks mainly comprised syndicated loans amounting to €34.4 million (December 31, 2020: €65.0 million).

The syndicated working capital facility had been drawn down in an amount of €34.4 million as at December 31, 2021. This revolving line of credit for a total of €160 million provided by a consortium of banks is a floating-rate facility and is also unsecured. Its term runs until June 2024. DEUTZ also has access to three bilateral credit lines, each in an amount of €25 million, which run until February 2023 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 €13.5 million. The fixed interest rates on the loans are 1.30 percent, 0.70 percent, and 0.65 percent. Because these loans of approximately €0.8 million have been used for capital expenditure in Spain, finance costs up to an interest rate of 1.0 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 (€13.9 million), of which CNY 40 million (€5.6 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 leases. Further details about the right-of-use assets and lease liabilities recognized can be found on page 176 onward of 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 on page 184.

The weighted average interest rates (after hedging) of the financial debt are:

%	Dec. 31, 2021	Dec. 31, 2020
Liabilities to banks	1.23	1.57
Lease liabilities	2.40	2.41
<b>Other financial debt</b>	<b>0.00</b>	<b>0.00</b>

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 2021:

€ million	Jan. 1, 2021	Cash changes	Non-cash changes				Dec. 31, 2021
			Acquisition of companies	Exchange rate effects	Fair value changes	Other changes	
<b>Non-current financial debt</b>							
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
<b>Total non-current financial debt</b>	<b>58.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>0.0</b>	<b>-10.7</b>	<b>49.2</b>
<b>Current financial debt</b>							
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
<b>Total current financial debt</b>	<b>90.2</b>	<b>-51.6</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>27.6</b>	<b>66.6</b>
<b>Total financial debt</b>	<b>148.5</b>	<b>-51.6</b>	<b>0.0</b>	<b>2.0</b>	<b>0.0</b>	<b>16.9</b>	<b>115.8</b>

€ million	Jan. 1, 2020	Cash changes	Non-cash changes				Dec. 31, 2020
			Acquisition of companies	Exchange rate effects	Fair value changes	Other changes	
<b>Non-current financial debt</b>							
Liabilities to banks	4.4	11.5				-2.4	13.5
Lease liabilities	28.8		0.7	-0.7		15.2	44.0
Other financial debt	0.9					-0.1	0.8
<b>Total non-current financial debt</b>	<b>34.1</b>	<b>11.5</b>	<b>0.7</b>	<b>-0.7</b>	<b>0.0</b>	<b>12.7</b>	<b>58.3</b>
<b>Current financial debt</b>							
Liabilities to banks	23.1	49.3				3.6	76.0
Lease liabilities	13.1	-14.6	0.1	-0.5		15.9	14.0
Other financial debt	0.2	-0.2				0.2	0.2
<b>Total current financial debt</b>	<b>36.4</b>	<b>34.5</b>	<b>0.1</b>	<b>-0.5</b>	<b>0.0</b>	<b>19.7</b>	<b>90.2</b>
<b>Total financial debt</b>	<b>70.5</b>	<b>46.0</b>	<b>0.8</b>	<b>-1.2</b>	<b>0.0</b>	<b>32.4</b>	<b>148.5</b>

## 24. TRADE PAYABLES AND OTHER LIABILITIES

€ million	Dec. 31, 2021	Dec. 31, 2020
<b>Trade payables</b>	<b>257.8</b>	<b>153.0</b>
<b>Other liabilities</b>		
Personnel-related liabilities	13.6	11.0
Price reduction liabilities	18.5	15.2
Liabilities to customers and factors	8.6	7.8
Advances received	3.1	4.4
Liabilities to investments	4.2	3.0
Liabilities arising from other taxes	4.9	4.3
Derivative financial instruments	1.3	0.0
Sundry other liabilities	12.3	14.3
<b>Total</b>	<b>66.5</b>	<b>60.0</b>

The other liabilities include current contract liabilities arising from contracts with customers:

€ million	Dec. 31, 2021	Dec. 31, 2020
Liabilities from discounts granted	18.5	15.2
Advances received	3.1	4.4
<b>Total</b>	<b>21.6</b>	<b>19.6</b>

In the reporting period, revenue of €2.8 million was recognized that, at the beginning of the reporting period, had been included as advances received in the balance of contract liabilities (2020: €2.7 million).

The Company had no significant unfulfilled performance obligations as at the reporting date (December 31, 2020: €0.1 million).

## 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 €0.7 million was included in cash flow from operating activities (2020: €0.5 million).

Cash and cash equivalents had fallen by €28.6 million to €36.1 million at the end of 2021 (December 31, 2020: €64.7 million).

Investing activities in respect of investments came to €5.8 million and related to the investment in Blue World Technologies, Aalborg, Denmark, of €3.8 million, a capital increase of €1.1 million at subsidiary DEUTZ Global Service Center, and the first tranche of the capital contribution to the joint venture DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, China, of €1.0 million. DEUTZ established this associate with Beijing Fangda Diesel Engine Technology & Service Co., Ltd., Beijing, China, and SINOCHAIN Environment Protection Co., Ltd., Shanghai, China.

## SEGMENT REPORTING

The following table provides an overview of the segments in the DEUTZ Group for 2021 and 2020.

2021	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Total segments	Consolidation	DEUTZ Group
€ million						
External revenue	1,243.4	320.2	53.7	1,617.3	0.0	1,617.3
Intersegment revenue	0.0	0.0	3.0	3.0	-3.0	0.0
<b>Total revenue</b>	<b>1,243.4</b>	<b>320.2</b>	<b>56.7</b>	<b>1,620.3</b>	<b>-3.0</b>	<b>1,617.3</b>
Depreciation and amortization	77.2	10.3	5.1	92.6	0.0	92.6
Impairment of property, plant and equipment and intangible assets	0.8	0.0	0.0	0.8	0.0	0.8
Reversals of impairment losses on property, plant and equipment and intangible assets	-4.4	0.0	0.0	-4.4	0.0	-4.4
Profit/loss on equity-accounted investments	-0.8	0.0	0.0	-0.8	0.0	-0.8
Income from the reversal of provisions	0.5	0.0	0.0	0.5	0.0	0.5
Operating profit/loss (EBIT before exceptional items)	12.4	31.3	-6.5	37.2	0.0	37.2

2020	DEUTZ Compact Engines	DEUTZ Customized Solutions	Other	Total segments	Consolidation	DEUTZ Group
€ million						
External revenue	943.8	310.1	41.7	1,295.6	0.0	1,295.6
Intersegment revenue	0.0	0.0	2.7	2.7	-2.7	0.0
<b>Total revenue</b>	<b>943.8</b>	<b>310.1</b>	<b>44.4</b>	<b>1,298.3</b>	<b>-2.7</b>	<b>1,295.6</b>
Depreciation and amortization	74.8	9.4	5.0	89.2	0.0	89.2
Impairment of property, plant and equipment and intangible assets	17.0	0.2	0.0	17.2	0.0	17.2
Reversals of impairment losses on property, plant and equipment and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss on equity-accounted investments	1.4	0.0	0.0	1.4	0.0	1.4
Income from the reversal of provisions	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit/loss (EBIT before exceptional items)	-80.5	18.7	-12.9	-74.7	0.0	-74.7

**Reconciliation from overall profit of the segments to net income**

€ million	2021	2020
<b>Overall profit of the segments</b>	<b>37.2</b>	<b>-74.7</b>
Consolidation	0.0	0.0
<b>Operating profit (EBIT before exceptional items)</b>	<b>37.2</b>	<b>-74.7</b>
Exceptional items	-3.1	-31.9
<b>EBIT</b>	<b>34.1</b>	<b>-106.6</b>
Financial income, net	-5.0	-4.0
<b>Net income before income taxes</b>	<b>29.1</b>	<b>-110.6</b>
Income taxes	9.1	3.0
<b>Net income</b>	<b>38.2</b>	<b>-107.6</b>

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 Compact Engines** This segment comprises new business, the servicing of liquid-cooled engines with capacities of up to 8 liters, and the joint venture with SANY, which is accounted for under the equity method.

**DEUTZ Customized Solutions** This segment focuses on liquid-cooled engines with capacities exceeding 8 liters and on air-cooled drives. It also includes reconditioned exchange engines and parts produced under the name DEUTZ Xchange, along with engine series that are soon to be discontinued.

**Other** This segment includes the business with electric and hybrid drive systems for marine applications, which is operated under the Torqeedo brand, and the development of battery management hardware and software. It also contains operations that do not belong in any other segment.

**Consolidation** Where relevant, the consolidation table also shows the elimination of intercompany relationships between the segments. Intercompany revenue of €3.0 million was eliminated in the reporting year (2020: €2.7 million).

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 Compact Engines reporting segment was defined, the operating segments 'product line < 4 liters' and 'product line 4 to 8 liters' were grouped together to form the 'DEUTZ Compact Engines' reportable segment due to their similar economic characteristics and the aggregation criteria in IFRS 8.12. The product program of the 'product line < 4 liters' comprises new business and the servicing of liquid-cooled engines with capacities of up to 4 liters. The 'product line 4 to 8 liters' also consists

of new business plus the servicing of liquid-cooled engines with capacities of 4 to 8 liters. The economic characteristics of the two product lines were deemed to be similar on the basis of their future levels of return on revenue.

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 operating profit (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	2021	2020
Engines	1,020.4	762.4
Service	223.0	181.4
<b>DEUTZ Compact Engines</b>	<b>1,243.4</b>	<b>943.8</b>
Engines	140.1	143.2
Service	180.1	166.9
<b>DEUTZ Customized Solutions</b>	<b>320.2</b>	<b>310.1</b>
Engines	54.8	42.7
Miscellaneous	1.9	1.7
<b>Other</b>	<b>56.7</b>	<b>44.4</b>
Consolidation	-3.0	-2.7
<b>Total</b>	<b>1,617.3</b>	<b>1,295.6</b>

**Geographical information about external revenue**

€ million	2021	2020
<b>Germany</b>	<b>324.8</b>	<b>241.6</b>
<b>Outside Germany</b>	<b>1,292.5</b>	<b>1,054.0</b>
Rest of Europe	648.8	532.8
Middle East	20.5	19.8
Africa	36.5	35.0
Americas	294.6	222.5
Asia-Pacific	292.1	243.9
<b>Total</b>	<b>1,617.3</b>	<b>1,295.6</b>



Of the European countries outside Germany, Switzerland accounted for €167.6 million in the reporting year (2020: €165.3 million), Sweden for €106.3 million (2020: €92.0 million), and France for €106.3 million (2020: €69.4 million).

Only one customer accounted for at least 10 percent of total revenue in 2021 (2020: two customers). The revenue from this customer amounted to €256.7 million (revenue from the two customers in 2020: €237.4 million and €154.1 million respectively) and was reported predominantly in the DEUTZ Compact Engines segment.

#### Geographical information about non-current assets

€ million	Dec. 31, 2021	Dec. 31, 2020
Germany	446.7	474.5
Outside Germany	150.7	134.7
<b>Total</b>	<b>597.4</b>	<b>609.2</b>

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.

#### 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	<b>Total</b>
<b>Balance at Jan. 1, 2021</b>	<b>34.9</b>	<b>13.4</b>	<b>8.9</b>	-	<b>57.2</b>
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
<b>Balance at Dec. 31, 2021</b>	<b>38.5</b>	<b>10.6</b>	<b>8.3</b>	<b>0.0</b>	<b>57.4</b>

#### 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	<b>Total</b>
<b>Balance at Jan. 1, 2020</b>	<b>34.1</b>	<b>0.9</b>	<b>6.4</b>	-	<b>41.4</b>
Currency translation differences	-0.7	0.0	0.0	-	-0.7
Additions	12.9	13.3	6.1	-	32.3
Disposals	-0.6	0.0	-0.4	-	-1.0
Changes to basis of consolidation	0.8	0.0	0.0	-	0.8
Reclassifications	0.0	0.0	0.0	-	0.0
Depreciation and impairment	-11.6	-0.8	-3.2	-	-15.6
<b>Balance at Dec. 31, 2020</b>	<b>34.9</b>	<b>13.4</b>	<b>8.9</b>	-	<b>57.2</b>

## OTHER INFORMATION

### 25. LEASES

The DEUTZ Group only 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 following table shows the carrying amounts of the right-of-use assets and changes over the reporting period:

In the reporting period, the total cash outflow for leases (including payments for short-term leases and low-value leased assets) was €18.0 million (2020: €17.0 million).

The following amounts were recognized in profit or loss in 2021:

€ million	2021	2020
Depreciation of right-of-use assets	18.4	15.6
Interest paid on lease liabilities	1.4	1.1
Expense for short-term leases	0.1	0.5
Expense for leases with low-value assets	0.9	0.8
<b>Total amount recognized in profit or loss</b>	<b>20.8</b>	<b>18.0</b>

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 €1.2 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 sub-leased and no sale and leaseback transactions were entered into. The balance of short-term leases was zero as at December 31, 2021. The expense for short-term leases amounted to €0.1 million in the reporting period (2020: €0.5 million). An overview of the terms of the lease liabilities is shown in Note 26.

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 €8.7 million. These are extension options of up to 14 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 €0.2 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 risk report on pages 78 to 84 of 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 €160 million that runs until June 2024 and three bilateral credit lines that are each for an amount of €25 million and run until February 2023. 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, 2021	2022 cash payment	2023–2026 cash payments	> 2026 cash payments	Total
€ million				
<b>Lease liabilities</b>	<b>-17.1</b>	<b>-41.0</b>	<b>-6.4</b>	<b>-64.5</b>
<b>Primary financial instruments</b>	<b>-50.6</b>	<b>-3.2</b>	<b>0.0</b>	<b>-53.8</b>
<b>Derivative financial instruments</b>	<b>-1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.5</b>
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

Dec. 31, 2020	2021 cash payments	2022–2025 cash payments	> 2025 cash payments	Total
€ million				
<b>Lease liabilities</b>	<b>-15.3</b>	<b>-39.0</b>	<b>-7.8</b>	<b>-62.1</b>
<b>Primary financial instruments</b>	<b>-76.6</b>	<b>-13.6</b>	<b>0.0</b>	<b>-90.2</b>
<b>Derivative financial instruments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Currency derivatives				
thereof settled gross: cash payments	-4.9	0.0	0.0	-4.9
thereof settled gross: cash receipts	4.9	0.0	0.0	4.9
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, 2021, 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 €2.0 million (December 31, 2020: €1.0 million) for foreign trade receivables.

## Impairment of financial assets

The model of expected credit losses is applied to the following types of financial assets 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, 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

Dec. 31, 2020	Category 1	Category 2	Total
€ million			
Gross carrying amount of trade receivables	105.4	7.1	112.5
Impairment	0.9	3.9	4.8

The following tables show the changes in impairment losses on trade receivables in 2021 and 2020:

€ million	
<b>Jan. 1, 2021</b>	<b>4.8</b>
Changes to basis of consolidation	0.0
Additions	0.5
Utilized	-0.3
Reversals	-0.1
<b>Dec. 31, 2021</b>	<b>4.9</b>

€ million	
<b>Jan. 1, 2020</b>	<b>3.8</b>
Changes to basis of consolidation	0.0
Additions	1.8
Utilized	-0.6
Reversals	-0.2
<b>Dec. 31, 2020</b>	<b>4.8</b>

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, 2020: €9.2 million).

The following tables show the changes in impairment losses on debt instruments measured at amortized cost in 2021 and 2020:

€ million	Level 1	Level 3
<b>Jan. 1, 2021</b>	<b>0.0</b>	<b>9.2</b>
Additions	0.0	0.0
Utilized	0.0	0.0
Reversals	0.0	0.0
<b>Dec. 31, 2021</b>	<b>0.0</b>	<b>9.2</b>

€ million	Level 1	Level 3
<b>Jan. 1, 2020</b>	<b>0.0</b>	<b>9.9</b>
Additions	0.0	0.0
Utilized	0.0	-0.7
Reversals	0.0	0.0
<b>Dec. 31, 2020</b>	<b>0.0</b>	<b>9.2</b>

The gross carrying amounts of debt instruments assigned to Level 1 amounted to €17.1 million as at December 31, 2021 (December 31, 2020: €14.6 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, 2021 (December 31, 2020: €9.2 million), all of which (€9.2 million) was written down (December 31, 2020: €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, 2021 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 €4.2 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 (€2.5 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

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

€ million

2020	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	76.9	-6.7	31.2	2.8
CNY	13.6	-1.2	0.0	0.0
MAD	7.3	-0.7	0.0	0.0

#### Euro falls by 10 percent

€ 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

€ million

2020	Notional amounts	Impact on net income	Notional amounts	Impact on equity
USD	76.9	8.2	31.2	-3.4
CNY	13.6	1.5	0.0	0.0
MAD	7.3	0.8	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. As at December 31, 2021, there were no material loans or other debt exposed to interest-rate risk.

### 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 €79.7 million, which equated to a year-on-year rise of €4.1 million (December 31, 2020: minus €83.8 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 €21.6 million in 2021 (2020: minus €35.8 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, 2021, the equity ratio for the DEUTZ Group remained at a high level of 45.6 percent (December 31, 2020: 45.3 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, 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
<b>Non-current financial assets</b>	<b>0.0</b>	<b>5.4</b>	<b>2.5</b>	<b>3.2</b>	<b>11.1</b>
<b>Current financial assets</b>	<b>184.7</b>	<b>0.0</b>	<b>4.2</b>	<b>29.1</b>	<b>218.0</b>
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 (assets)

Dec. 31, 2020	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
<b>Non-current financial assets</b>	<b>0.0</b>	<b>1.4</b>	<b>2.2</b>	<b>0.8</b>	<b>4.4</b>
<b>Current financial assets</b>	<b>187.0</b>	<b>2.0</b>	<b>6.1</b>	<b>23.4</b>	<b>218.5</b>
Trade receivables	107.7	0.0	6.1	0.0	113.8
Other receivables and assets	14.6	2.0	0.0	23.4	40.0
Cash and cash equivalents	64.7	0.0	0.0	0.0	64.7

**Financial instruments (liabilities)**

Dec. 31, 2021	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million		Derivatives designated as hedging instruments (recognized in other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
	Financial liabilities				
<b>Non-current financial liabilities</b>	<b>4.4</b>	<b>0.0</b>	<b>0.6</b>	<b>47.8</b>	<b>52.8</b>
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
<b>Current financial liabilities</b>	<b>361.2</b>	<b>1.2</b>	<b>0.7</b>	<b>25.9</b>	<b>389.0</b>
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

**Financial instruments (liabilities)**

Dec. 31, 2020	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million		Derivatives designated as hedging instruments (recognized in other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
	Financial liabilities				
<b>Non-current financial liabilities</b>	<b>15.3</b>	<b>0.0</b>	<b>2.5</b>	<b>46.4</b>	<b>64.2</b>
Financial debt	14.3	0.0	0.0	44.0	58.3
Lease liabilities	0.0	0.0	0.0	44.0	44.0
Miscellaneous financial debt	14.3	0.0	0.0	0.0	14.3
Other liabilities	1.0	0.0	2.5	2.4	5.9
<b>Current financial liabilities</b>	<b>273.4</b>	<b>0.0</b>	<b>0.0</b>	<b>24.8</b>	<b>298.2</b>
Financial debt	76.2	0.0	0.0	14.0	90.2
Lease liabilities	0.0	0.0	0.0	14.0	14.0
Miscellaneous financial debt	76.2	0.0	0.0	0.0	76.2
Trade payables	153.0	0.0	0.0	0.0	153.0
Other liabilities	44.2	0.0	0.0	10.8	55.0



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, 2021		Dec. 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Trade receivables	131.5	131.5	107.7	107.7
Other receivables and assets	17.1	17.1	14.6	14.6
Cash and cash equivalents	36.1	36.1	64.7	64.7
<b>Financial liabilities</b>				
Financial debt – liabilities to banks	54.5	54.6	90.5	91.2
Trade payables	257.8	257.8	153.0	153.0
Other liabilities	52.7	52.7	45.2	45.2

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, 2021**

€ million

	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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

**Dec. 31, 2020**

€ million

	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Equity investments – recognized through other comprehensive income	0.0	0.0	0.0	0.0	0.0
Securities – recognized through other comprehensive income	1.4	1.4	1.4	0.0	0.0
Securities – recognized through profit or loss	2.2	2.2	2.2	0.0	0.0
Currency forwards – recognized through other comprehensive income	2.0	2.0	0.0	2.0	0.0
Currency forwards – recognized through profit or loss	0.0	0.0	0.0	0.0	0.0
Trade receivables	6.1	6.1	0.0	0.0	6.1
<b>Financial liabilities</b>					
Currency forwards – designated as hedging instruments	0.0	0.0	0.0	0.0	0.0
Currency forwards – held for trading	0.0	0.0	0.0	0.0	0.0
Other liabilities – held for trading	2.5	2.5	0.0	0.0	2.5
Financial debt	90.5	91.2	0.0	0.0	91.2

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 €1.2 million (December 31, 2020: €2.5 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. Of the €1.3 million reduction in the contingent consideration compared with the end of the previous year (December 31, 2020: €2.5 million), €0.6 million is attributable to a payment and €0.7 million is due to the remeasurement of the remaining consideration. This decrease of €0.7 million in the contingent consideration was recognized in the income statement for 2021 under other operating income.

## 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	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
<b>2021</b>				
€ million				
Net gains/losses	-0.3	-0.3	8.2	-4.3

	Measured at fair value		Measured at amortized cost	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
<b>2020</b>				
€ million				
Net gains/losses	0.0	0.0	-6.4	-3.4

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.

No material unrealized gains or losses on financial investments measured at fair value through other comprehensive income were reported in other comprehensive income in 2021 or the prior year. As had also been the case in 2020, no material realized gains or losses were reclassified from other comprehensive income to the income statement in 2021.

## Total interest income and interest expense

In 2021, interest income of €0.2 million (2020: €0.7 million) and interest expense of €3.5 million (2020: €2.9 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 €0.2 million of the interest income (2020: €0.7 million).

## Hedging

**Cash flow hedging** As at December 31, 2021, 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 €3.1 million on cash flow hedges were recognized in other comprehensive income in 2021 (2020: gains of €2.2 million), taking into account deferred tax assets of €1.0 million (2020: deferred tax liabilities of €0.7 million). These changes in fair value represent the effective portion of the hedge. In 2021, prior to the inclusion of deferred taxes, gains of €0.6 million (2020: losses of €0.3 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 2021	Notional amounts 2020	Fair value 2021	Fair value 2020
Currency forwards				
not used as hedges	2.1	1.5	-0.1	0.1
used as cash flow hedges	37.3	31.2	-1.2	1.9

## Currency forwards used as cash flow hedges

€ million	2021	2020
Carrying amount (other liabilities/ other receivables and assets)	-1.2	1.9
Notional amount	37.3	31.2
Date of maturity	18.1.2022– 17.1.2023	16.2.2021– 18.2.2022
Hedge ratio	1 : 1	1 : 1
Change in fair value in the reporting period	-1.2	1.9
Change in value of the hedged item used to determine hedge effectiveness	1.2	-1.9
Average hedged rate for 2021	USD 1.1779: EUR 1	USD 1.1605: EUR 1

## Netting

As at December 31, 2021, 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 2021 included 32 subsidiaries, one joint venture, and two associates.

### Subsidiaries and non-controlling interests

There were no non-controlling interests as at December 31, 2021 (December 31, 2020: €0.2 million).

### 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, 2021	Dec. 31, 2020
Revenue	179.6	143.9
Depreciation and amortization	-9.9	-5.7
Interest income	1.4	0.7
Interest expense	0.0	0.0
Interest income, net	0.4	0.7
Income taxes	3.2	0.0
Profit (loss) from continuing operations	-3.2	1.8
<b>Net income</b>	<b>-3.2</b>	<b>1.8</b>
Current assets	129.0	147.8
thereof cash and cash equivalents	89.6	102.5
Non-current assets	68.1	41.4
Current liabilities	63.6	66.5
thereof current financial liabilities	0.0	0.2
Non-current liabilities	43.2	39.8
thereof non-current financial liabilities	0.0	0.0
<b>Net assets</b>	<b>90.4</b>	<b>82.8</b>
Group's share of net assets at Jan. 1	42.2	32.8
Adjustment of net assets after PPA	0.0	9.9
Share of net income	-1.6	0.9
Dividends received in the financial year	0.0	0.0
Effect of currency translation	5.5	-1.4
Group's share of net assets at Dec. 31	46.1	42.2
Goodwill of DEUTZ AG after PPA	6.0	6.0
Impairment	0.0	0.0
<b>Carrying amount using the equity method at Dec. 31</b>	<b>52.1</b>	<b>48.2</b>

### 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 latter is a company that DEUTZ established in 2021 with Beijing Fangda Diesel Engine Technology & Service Co., Ltd., Beijing, China, and SINOCHAIN Environment Protection Co., Ltd., Shanghai, China. DEUTZ holds 40 percent of the shares in this new company. The acquisition cost for the shares was CNY 15.0 million (€2.0 million). 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	2021	2020
<b>Carrying amount of interests</b>	<b>4.3</b>	<b>2.0</b>
Group's share of:		
Profit from continuing operations	0.8	0.5
Other comprehensive income	0.0	0.0
<b>Net income</b>	<b>0.8</b>	<b>0.5</b>

## 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, 2021	Dec. 31, 2020
Warranty liabilities	0.7	1.9

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, 2021	Dec. 31, 2020
due in less than 1 year	10.2	10.2
due in 1 to 5 years	22.1	20.9
due in more than 5 years	0.0	0.5
<b>Total</b>	<b>32.3</b>	<b>31.6</b>

The above obligations largely relate to rental agreements and leases for low-value assets and to financial obligations in connection with IT services.

Commitments to purchase property, plant and equipment and intangible assets amounted to €38.0 million as at December 31, 2021 (December 31, 2020: €29.5 million) and commitments to purchase inventories amounted to €100.9 million (December 31, 2020: €79.8 million).

In 2021, DEUTZ signed an investment agreement with the shareholders of Blue World Technologies Holding ApS, Aalborg, Denmark, concerning the purchase of 11.91 percent of the company's shares for a total of €7.5 million. The investment is divided into two tranches. The first tranche of €3.8 million has already been paid. Purchase of the second tranche of €3.7 million, and the related payment obligation, is conditional on official approval being granted and is expected in the first half of 2022.

### 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 significantly 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Associates	10.4	7.7	0.0	0.0	1.3	1.0	0.0	0.0
Joint ventures	5.9	0.6	0.0	0.0	2.2	0.6	0.0	0.0
Other investments	0.0	0.0	4.9	4.9	0.0	0.0	3.2	3.0
<b>Total</b>	<b>16.3</b>	<b>8.3</b>	<b>4.9</b>	<b>4.9</b>	<b>3.5</b>	<b>1.6</b>	<b>3.2</b>	<b>3.0</b>

The increase in goods and services provided to associates is attributable to the recovery of customer demand following the severe impact of the coronavirus pandemic in the previous year.

As at December 31, 2021, receivables of €9.2 million due from other investments had been written off in full (December 31, 2020: €9.2 million). As had also been the case in 2020, this resulted in no income or expense in 2021.

Of these receivables, €5.2 million related to loans granted by DEUTZ (December 31, 2020: €5.2 million) on which impairment losses of €5.2 million had been recognized (December 31, 2020: €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.

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	
	2021	2020	2021	2020
Short-term remuneration <sup>1</sup>	0.9	1.4	5.3	2.4
Other long-term benefits	0.0	0.0	0.0	-0.3
Share-based remuneration <sup>2</sup>	0.1	0.0	0.2	0.1

<sup>1</sup> 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.

<sup>2</sup> 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 February 12, 2022, the Supervisory Board of DEUTZ AG decided on the following personnel-related changes in respect of the Board of Management. Dr. Sebastian C. Schulte, previously Chief Financial Officer and Labor Relations Director, has taken over as Chairman of the Board of Management of DEUTZ AG with immediate effect. He will retain his existing responsibilities on an interim basis. The Supervisory Board voted unanimously to remove the previous Chairman, Dr. Frank Hiller, from the Board of Management, and he left the Board of Management with immediate effect.

Furthermore, the outbreak of war between Russia and Ukraine may have a negative impact on our business activities. 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 our earnings. As a relatively small amount of our revenue is generated in Russia and Ukraine, very few of our suppliers are based there, and little of our freight transits the countries, we currently do not believe that the war has a material impact on the financial position or financial performance of the DEUTZ Group.

No other events occurred after December 31, 2021 that had a material impact on the financial position or financial performance of the DEUTZ Group.

### 31. SHARE-BASED REMUNERATION PROGRAMS

Between 2007 and 2021, 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 2017	January 1, 2017	102,926
LTI BoM 2018	January 1, and March 1, 2018	54,530 and 19,789
LTI BoM 2019	January 1, and March 1, 2019	57,698 and 21,009
LTI BoM 2020	January 1, 2020	94,049
LTI BoM 2021	January 1, 2021	323,794
LTI no. XV-A	January 1, 2021	117,867

A total of 673,795 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 2017 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 and LTI no. XV-A: 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 2017 to 2020

Entitlement to payment under LTI BoM 2017 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 and LTI no. XV-A

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, 7.6 percent (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 options 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. VIII	September 1, 2014	320,000
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. VIII	September 1, 2018	€5.37
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. VIII	-0.73 %	31 %	Aug. 31, 2022
LTI no. IX	-0.70 %	35 %	May 31, 2023
LTI no. X	-0.64 %	43 %	Aug. 31, 2024
LTI BoM 2017	0.00 %	0 %	Jan. 1, 2022
LTI no. XI	-0.57 %	42 %	Aug. 31, 2025
LTI BoM 2018	-0.73 %	34 %	Mar. 1, 2022
LTI no. XII	-0.64 %	43 %	Aug. 31, 2024
LTI BoM 2019	-0.72 %	33 %	Jan. 1, 2023
LTI no. XIII	-0.57 %	42 %	Sep. 30, 2025
LTI BoM 2020	-0.71 %	34 %	Mar. 1, 2023
LTI no. XIV	-0.50 %	40 %	Oct. 1, 2026
LTI BoM 2021	-0.68 %	42 %	Jan. 1, 2024
LTI no. XV-A	-0.49 %	40 %	Dec. 31, 2024
LTI no. XV-B	-0.43 %	39 %	Oct. 1, 2027

### Total expense recognized for share-based remuneration programs in 2021

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 €6.57 on December 31, 2021 (December 31, 2020: €5.10), which resulted in an overall expense of €766

thousand in 2021 (2020: €324 thousand). A total provision of €2,618 thousand was recognized at the end of 2021 (December 31, 2020: €1,852 thousand). The amount is broken down as follows:

Incentive plan	Dec. 31, 2021 € thousand	Dec. 31, 2020 € thousand
LTI no. VIII	0	56
LTI no. IX	49	103
LTI no. X	224	292
LTI BoM 2017	0	525
LTI no. XI	342	36
LTI BoM 2018	31	280
LTI no. XII	234	91
LTI BoM 2019	382	196
LTI no. XIII	252	115
LTI BoM 2020	309	120
LTI no. XIV	187	38
LTI BoM 2021	434	0
LTI no. XV-A	165	0
LTI no. XV-B	9	0
<b>Total</b>	<b>2,618</b>	<b>1,852</b>

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, 2021	Dec. 31, 2020
LTI no. VIII	1.20	0.00
LTI no. IX	2.17	0.00
LTI no. X	2.63	0.00
LTI no. XI	0.00	0.00
LTI no. XII	0.00	0.00
LTI no. XIII	0.77	0.00
LTI no. XIV	2.01	0.00
LTI no. XV-B	0.00	0.00

## 32. STAFF COSTS

€ million	2021	2020
Wages	139.1	123.4
Salaries	177.7	159.5
Social security contributions	58.0	56.0
Net interest cost for provisions for pensions and other post-retirement benefits	0.6	1.2
Cost of post-employment benefits and other long-term benefits	1.2	2.3
Cost of severance payments/ personnel restructuring	0.1	0.4
<b>Total</b>	<b>376.7</b>	<b>342.8</b>

The following table shows the breakdown of staff costs by functional area:

€ million	2021	2020
Cost of sales	210.4	194.9
Research and development costs	51.2	47.7
Selling expenses	72.3	65.7
Administrative expenses	41.6	31.9
Other operating expenses	1.2	2.6
<b>Total</b>	<b>376.7</b>	<b>342.8</b>

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)

	2021	2020
Non-salaried employees	2,534	2,567
Salaried employees	2,034	1,997
	<b>4,568</b>	<b>4,564</b>
Trainees	91	99
<b>Total</b>	<b>4,659</b>	<b>4,663</b>

From 2019 onward, the number of employees is expressed in full-time equivalents (FTEs). Part-time employees are included pro rata according to their contractual working hours.

### 34. CORPORATE GOVERNANCE

In December 2021, 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 in the "Investor Relations/Corporate Governance" section of the Company's website at [www.deutz.com](http://www.deutz.com).

### 35. AUDITOR'S FEES

The total fees reported for auditing the consolidated financial statements for 2021 and 2020 are broken down as follows:

€ thousand	2021	2020
Auditing	817	717
Other attestation services	70	91
<b>Total</b>	<b>887</b>	<b>808</b>

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 the services rendered in relation to an enforcement procedure in 2021. 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 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 2021 was €7,072 thousand (2020: €2,586 thousand). This consisted of short-term employee benefits of €5,268 thousand (2020: €2,362 thousand) and share-based long-term benefits as part of the long-term incentive plans amounting to €1,804 thousand (2020: €515 thousand). In the previous year, there had also been long-term benefits of minus €219 thousand. The change in long-term benefits related to adjustments of the provisions recognized in 2020 for the deferred portions of the bonus.

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 2021 combined management report.

Remuneration for former members of the Board of Management or their surviving dependants amounted to €1,101 thousand (2020: €1,181 thousand) for DEUTZ AG and the Group. Provisions of €10,247 thousand (December 31, 2020: €12,397 thousand) have been recognized to cover pension obligations to former members of the Board of Management.

#### Supervisory Board

The total remuneration for the Supervisory Board of DEUTZ AG in 2021 was €897 thousand (2020: €840 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 2021 combined management report.

## Advances and loans to members of the Board of Management and the Supervisory Board

As at December 31, 2021, 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, 2021:

On March 31, 2021, 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 29, 2021 and amounted to 5.07 percent (6,130,794 voting rights) on that date. Pursuant to section 34 WpHG, 5.07 percent (6,130,794 voting rights) are attributable to it.

On April 7, 2021, 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 31, 2021 and amounted to 4.82 percent (5,819,661 voting rights) on that date. Pursuant to section 34 WpHG, 4.82 percent (5,819,661 voting rights) are attributable to it.

On May 10, 2021, 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 May 4, 2021 and amounted to 5.01 percent (6,054,813 voting rights) on that date. Pursuant to section 34 WpHG, 5.01 percent (6,054,813 voting rights) are attributable to it.

On May 14, 2021, 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 May 11, 2021 and amounted to 4.96 percent (5,995,689 voting rights) on that date. Pursuant to section 34 WpHG, 4.96 percent (5,995,689 voting rights) are attributable to it.

On May 25, 2021, pursuant to section 33 (1) WpHG, Ardan Livvey Investors B.V., Amsterdam, Netherlands, notified us that its voting share in our Company had exceeded the 3 percent threshold on May 19, 2021 and amounted to 3.89 percent (4,700,000 voting rights) on that date. Pursuant to section 34 WpHG, 3.89 percent (4,700,000 voting rights) are attributable to it.

On June 14, 2021, pursuant to section 33 (1) WpHG, AllianceBernstein Corporation, Delaware, United States of America, notified us that its voting share in our Company had exceeded the 3 percent threshold on June 3, 2021 and amounted to 3.72 percent (4,490,319 voting rights) on that date. Pursuant to section 34 WpHG, 3.72 percent (4,490,319 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: AllianceBernstein LP.

On August 6, 2021, 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 August 2, 2021 and amounted to 5.002884989708 percent (6,046,576 voting rights) on that date. Pursuant to section 34 WpHG, 5.002884989708 percent (6,046,576 voting rights) are attributable to it.

On August 11, 2021, 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 August 5, 2021 and amounted to 4.78 percent (5,774,056 voting rights) on that date. Pursuant to section 34 WpHG, 4.78 percent (5,774,056 voting rights) are attributable to it.

On August 12, 2021, 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 August 9, 2021 and amounted to 5.16 percent (6,242,063 voting rights) on that date. Pursuant to section 34 WpHG, 5.16 percent (6,242,063 voting rights) are attributable to it.

On August 13, 2021, 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 August 10, 2021 and amounted to 4.93 percent (5,961,599 voting rights) on that date. Pursuant to section 34 WpHG, 4.93 percent (5,961,599 voting rights) are attributable to it.

On August 17, 2021, 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 August 11, 2021 and amounted to 5.14 percent (6,206,549 voting rights) on that date. Pursuant to section 34 WpHG, 5.14 percent (6,206,549 voting rights) are attributable to it.

On August 18, 2021, 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 August 12, 2021 and amounted to 4.91 percent (5,928,665 voting rights) on that date. Pursuant to section 34 WpHG, 4.91 percent (5,928,665 voting rights) are attributable to it.

On August 19, 2021, 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 August 13, 2021 and amounted to 5.16 percent (6,236,435 voting rights) on that date. Pursuant to section 34 WpHG, 5.16 percent (6,236,435 voting rights) are attributable to it.

On August 20, 2021, 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 August 16, 2021 and amounted to 4.92 percent (5,945,206 voting rights) on that date. Pursuant to section 34 WpHG, 4.92 percent (5,945,206 voting rights) are attributable to it.

On August 23, 2021, 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 August 17, 2021 and amounted to 5.28 percent (6,387,208 voting rights) on that date. Pursuant to section 34 WpHG, 5.28 percent (6,387,208 voting rights) are attributable to it.

On August 31, 2021, pursuant to section 33 (1) WpHG, Montagu Private Equity LLP, London, United Kingdom, notified us that its voting share in our Company had exceeded the 3 percent threshold on November 24, 2020 and amounted to 3.09 percent (3,731,839 voting rights) on that date. Pursuant to section 34 WpHG, 3.09 percent (3,731,839 voting rights) are attributable to it.

On September 1, 2021, pursuant to section 33 (1) WpHG, Montagu Private Equity LLP, London, United Kingdom, notified us that its voting share in our Company had fallen below the 3 percent threshold on August 19, 2021 and amounted to 0.0 percent (0 voting rights) on that date. Pursuant to section 34 WpHG, 0.0 percent (0 voting rights) are attributable to it.

On November 22, 2021, pursuant to section 33 (1) WpHG, Ardan Livvey Investors B.V., Amsterdam, Netherlands, notified us that its voting share in our Company had exceeded the 5 percent threshold on November 16, 2021 and amounted to 5.000753629458 percent (6,044,000 voting rights) on that date. Pursuant to section 34 WpHG, 5.000753629458 percent (6,044,000 voting rights) are attributable to it.

On December 15, 2021, 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 December 9, 2021 and amounted to 4.79 percent (5,795,115 voting rights) on that date. Pursuant to section 34 WpHG, 4.79 percent (5,795,115 voting rights) are attributable to it.

## 38. EXEMPTION OPTIONS PURSUANT TO 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 2021, 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 a separate list on pages 200 to 201.

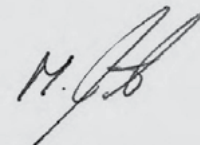
Cologne, February 21, 2022

DEUTZ Aktiengesellschaft

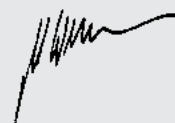
The Board of Management



Dr. Sebastian C. Schulte  
Chairman



Dr. Ing. Markus Müller



Michael Wellenzohn

## SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2021

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (€ thousand)
1	DEUTZ AG, Cologne			612,771	39,953
<b>Consolidated companies in Germany</b>					
2	Ad. Strüver KG (GmbH & Co.), Hamburg <sup>1</sup>	4	94.0	8,207	-37
3	DEUTZ Amerika Holding GmbH, Cologne <sup>1,2</sup>	1	100.0	92,275	0
4	DEUTZ Beteiligung GmbH, Cologne <sup>1</sup>	1	100.0	17	-2
5	Deutz China Verwaltungs GmbH, Cologne <sup>6</sup>	1	100.0	48,350	0
6	DEUTZ Deutschland GmbH, Stockstadt am Rhein <sup>8</sup>	1	100.0	25	0
7	DEUTZ Verwaltungs GmbH, Cologne <sup>1,2</sup>	1	100.0	16,125	0
8	Deutz-Mülheim Grundstücksgesellschaft mbH, Cologne <sup>1</sup>	7	100.0	44	0
9	Futavis GmbH, Aachen <sup>1,2</sup>	1	100.0	1,248	-414
10	Torqueedo GmbH, Gilching <sup>1,2</sup>	1	100.0	21,540	-1,518
11	Unterstützungsgesellschaft mbH der DEUTZ Aktiengesellschaft, Cologne <sup>1</sup>	1	100.0	-1,472	152
<b>Consolidated companies outside Germany</b>					
12	DEUTZ Asia-Pacific (Pte.) Ltd., Singapore (Singapore) <sup>1</sup>	1	100.0	11,580	3,323
13	Deutz Australia (Pty) Ltd., Braeside (Australia) <sup>1</sup>	1	100.0	6,997	823
14	Deutz Austria GmbH, Vienna (Austria) <sup>1</sup>	1	100.0	2,041	1,404
15	DEUTZ (Beijing) Engine Co., Ltd., Beijing (China) <sup>1</sup>	1	100.0	5,293	138
16	Deutz Belgium N.V, Antwerp (Belgium) <sup>1</sup>	17	100.0	4,048	134
17	Deutz Benelux B.V., Rotterdam (Netherlands) <sup>1</sup>	1	100.0	3,601	0
18	Deutz Corporation, Atlanta (USA) <sup>1</sup>	3	100.0	25,572	-1,086
19	DEUTZ CS s.r.o., Modřice (Czech Republic) <sup>1</sup>	1	100.0	840	158
20	DEUTZ DO BRASIL LTDA., São Paulo (Brazil) <sup>1</sup>	1	100.0	1,779	1,008
21	DEUTZ FRANCE SAS, Gennevilliers (France) <sup>1</sup>	1	100.0	12,683	1,884
22	DEUTZ Global Service Center, S.L., Zafra (Spain) <sup>1</sup>	1	100.0	1,097	22
23	DEUTZ Italy S.r.l., Milan (Italy) <sup>1</sup>	1	100.0	11,387	2,714
24	DEUTZ Japan GK, Tokio (Japan) <sup>7</sup>	1	100.0	74	0
25	DEUTZ Netherlands B.V., Dordrecht (Netherlands) <sup>1</sup>	17	100.0	4,063	41
26	DEUTZ Romania S.r.l., Galati (Romania) <sup>1</sup>	23	100.0	853	257
27	DEUTZ (SHANGHAI) INTERNATIONAL TRADE Co., Ltd., Shanghai (China) <sup>1</sup>	1	100.0	9,274	-6,944
28	DEUTZ Spain S.A.U., Zafra (Spain) <sup>1</sup>	1	100.0	41,316	3,215
29	Motor Center Austria GmbH, Wels (Austria) <sup>1</sup>	1	100.0	255	48
30	Nlle Ste MAGIDEUTZ S.A., Casablanca (Morocco) <sup>1</sup>	21	100.0	4,411	585
31	OOO DEUTZ Vostok, Moscow (Russia) <sup>1</sup>	1	100.0	1,885	1,165
32	Torqueedo Inc. Illinois (USA) <sup>1</sup>	10	100.0	1,300	336
33	Torqueedo Asia-Pacific Ltd., Bangkok (Thailand) <sup>1</sup>	10	100.0	-1,256	-262
34	D. D. Power Holdings (Pty) Ltd., Elandsfontein (South Africa) <sup>3,4</sup>	1	30.0	7,211	2,679
35	DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, Jiangsu (China) <sup>3,9</sup>	5	40.0	5,212	0

## SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2021

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (€ thousand)
36	Hunan DEUTZ Power Co., Ltd., Changsha (China) <sup>3</sup>	5	51.0	75,867	-837
<b>Unconsolidated companies in Germany</b>					
37	DEUTZ Sicherheit Gesellschaft für Industrieservice mbH, Cologne <sup>2</sup>	1	100.0	26	0
38	Feld & Hahn GmbH i. L., Cologne <sup>2</sup>	1	100.0	455	0
<b>Unconsolidated companies outside Germany</b>					
39	AROTRIOS S.A., Nea Filadelfia (Greece) <sup>11</sup>	1	100.0	-	-
40	DEUTZ ENGINEERING družba za projektiranje, proizvodnjo in trgovino d.o.o., Maribor (Slovenia)	1	100.0	419	82
41	DEUTZ Engines (India) Private Limited, Pune (India) <sup>5</sup>	1	100.0	584	38
42	DEUTZ UK LTD, Cannock (UK)	1	100.0	149	-23
<b>Other equity investments</b>					
43	Blue World Technologies, Aalborg (Denmark) <sup>10</sup>	1	7.7	22,982	-2,662

<sup>1</sup> Equity and net income in accordance with the annual financial statements prepared for consolidation purposes.

<sup>2</sup> Profit-and-loss transfer agreement with DEUTZ AG.

<sup>3</sup> Consolidated using the equity method.

<sup>4</sup> Figures as at November 30, 2021, measured using exchange rate as at December 31, 2021.

<sup>5</sup> Figures as at March 31, 2021, measured using exchange rate as at December 31, 2021.

<sup>6</sup> Forms a tax group with DEUTZ AG for VAT purposes.

<sup>7</sup> Consolidated for the first time as at October 1, 2021.

<sup>8</sup> Consolidated for the first time as at December 1, 2021.

<sup>9</sup> Addition of the investment on October 1, 2021.

<sup>10</sup> Addition of the equity investment on December 14, 2021.

<sup>11</sup> The company is in liquidation.



## SUPERVISORY BOARD

**Dr. Dietmar Voggenreiter**

Chairman (since February 12, 2022)  
Management consultant, Horváth & Partner GmbH, Munich,  
Germany

**Corinna Töpfer-Hartung<sup>1</sup>**

Deputy Chairwoman  
Chairwoman of the Works Council of the Cologne joint operation of DEUTZ AG, Cologne, Germany  
Chairwoman of the General Works Council of DEUTZ AG, 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

**Sabine Beutert<sup>1</sup>**

Trade Union Secretary, IG Metall Cologne-Leverkusen Administrative Office, Cologne, Germany

**Dr. Ing Bernd Bohr**

Chairman (until February 12, 2022)  
Freelance management consultant  
a) Ottobock SE & Co. KGaA, Duderstadt, Germany

**Yavuz Büyükdag<sup>1</sup>**

Member of DEUTZ AG Works Council, Cologne, Germany

**Dr. Fabian Dietrich<sup>1</sup>**

Senior manager representative, DEUTZ AG, Cologne, Germany  
Head of Legal at DEUTZ AG, Cologne, Germany

**Hans-Peter Finken<sup>1</sup>**

Member of DEUTZ AG Works Council, Cologne, Germany

**Patricia Geibel-Conrad**

Director of her own audit/tax advice business  
Management consultant  
a) HOCHTIEF Aktiengesellschaft, Essen, Germany  
CEWE Stiftung & Co. KGaA, Oldenburg, Germany

**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)  
b) Weifu High-Technology Group Co. Ltd., Wuxi, Jiangsu Province, China (Vice Chairman) (until April 16, 2021)

**Ali Yener<sup>1</sup>**

Chief Representative and Managing Director of IG Metall Koblenz, Germany  
a) ZF Active Safety GmbH, Koblenz, Germany  
(Deputy Chairman)

<sup>1</sup> Employee representative on the Supervisory Board.

<sup>a)</sup> Membership of statutory German supervisory boards within the meaning of section 125 AktG.

<sup>b)</sup> 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)  
 Corinna Töpfer-Hartung, Deputy Chairwoman  
 Dr. Ing. Bernd Bohr, Chairman (until February 12, 2022)  
 Alois Ludwig

**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  
 Corinna Töpfer-Hartung  
 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 (43)**

(Member of the Board of Management since January 1, 2021)  
 Chairman (since February 13, 2022)  
 Finance, human resources, purchasing, and information services (March 1, 2021 – February 12, 2022)  
 Finance, human resources, and information services (on an interim basis since February 12, 2022)  
 Technical and head-office functions (excluding production), sustainability (since February 12, 2022)

**Dr. Ing. Frank Hiller (55)**

(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)

**Dr. Ing. Markus Müller (42)**

(since March 15, 2021)  
 Research and development  
 Production and purchasing (on an interim basis since February 12, 2022)

**Dr. Andreas Strecker (60)**

(until February 28, 2021)  
 Finance, human resources, purchasing, and information services

**Michael Wellenzohn (55)**

Sales, marketing, and service  
 b) DEUTZ Asia-Pacific (Pte) Ltd., Singapore, Singapore  
 DEUTZ Corporation, Atlanta, USA

<sup>a)</sup> Membership of statutory German supervisory boards within the meaning of section 125 AktG

<sup>b)</sup> 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

	Dec. 31, 2021	Dec. 31, 2020
<b>Assets</b>		
Intangible assets	69.9	76.4
Property, plant and equipment	245.2	255.5
Investments	313.9	314.4
<b>Non-current assets</b>	<b>629.0</b>	<b>646.3</b>
Inventories	214.9	161.2
Receivables and other assets	212.4	161.3
Cash and cash equivalents	15.4	28.7
<b>Current assets</b>	<b>442.7</b>	<b>351.2</b>
Prepaid expenses	5.2	2.5
Deferred tax assets	82.5	71.9
<b>Total assets</b>	<b>1,159.4</b>	<b>1,071.9</b>
<b>Equity and liabilities</b>		
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	254.3	265.6
Accumulated income/loss	18.2	-33.1
<b>Equity</b>	<b>612.8</b>	<b>572.8</b>
Provisions	280.9	275.6
Other liabilities	264.5	222.3
Deferred income	1.2	1.2
<b>Total equity and liabilities</b>	<b>1,159.4</b>	<b>1,071.9</b>

## INCOME STATEMENT OF DEUTZ AG

€ million

	2021	2020
Revenue	1,405.2	1,085.2
Cost of sales	-1,219.3	-997.8
<b>Gross profit</b>	<b>185.9</b>	<b>87.4</b>
Research and development costs	-76.4	-72.3
Selling expenses	-49.2	-54.3
General and administrative expenses	-35.4	-24.7
Other operating income	32.4	31.6
Other operating expenses	-20.4	-67.3
thereof expenses pursuant to art. 67 (1) and (2) of the Introductory Act to the HGB (EGHGB)	-2.3	-2.3
Net investment income	-0.6	4.6
Interest expenses, net	-4.0	-3.6
Write-downs of investments	0.0	-19.6
Income taxes	8.2	1.1
<b>Profit after income taxes</b>	<b>40.5</b>	<b>-117.1</b>
Other taxes	-0.5	-0.5
<b>Net income/net losses</b>	<b>40.0</b>	<b>-117.6</b>
Loss/profit carried forward	-33.1	84.5
Dividend payments to shareholders	0.0	0.0
Withdrawals from other retained earnings	11.3	0.0
<b>Accumulated income/loss</b>	<b>18.2</b>	<b>-33.1</b>

# 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.”

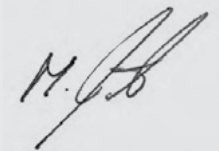
Cologne, February 21, 2022

DEUTZ Aktiengesellschaft

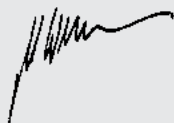
The Board of Management



Dr. Sebastian C. Schulte  
Chairman



Dr. Ing. Markus Müller



Michael Wellenzohn

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

## "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 2021, 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 2021, 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, – which comprise the content included to comply with the German legal requirements as well as the remuneration report pursuant to § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act], including the related disclosures, – included in section „Remuneration Report “ of the group management report for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 the statement on corporate governance referred to above.

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 2021. 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 86.5 million (6.7% 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 2021. 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 identified reversals of write-downs in the total amount of EUR 4.4 million.

The valuations are highly dependent 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 are therefore, also against the background of the effects of the coronavirus pandemic, 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 assessed, among other things, the method used for performing impairment tests and 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 impact of the coronavirus pandemic 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 54.3 million (4.2% 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 ongoing coronavirus pandemic 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 effects of the coronavirus crisis, 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 effects of the coronavirus crisis 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 statement on corporate governance pursuant to § 289f HGB and § 315d HGB as an unaudited part of the group management report.

The other information comprises further

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB
- 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 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.

The executive directors and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the group management report and complies with the requirements of § 162 AktG. They 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 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, the related safeguards.

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\_20211231.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 2021 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 (10.2021))

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 29 April 2021. We were engaged by the supervisory board on 2 December 2021. 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 published in the Federal Gazette – 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, 9 March 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Harald Wimmer  
Wirtschaftsprüfer  
(German public auditor)

ppa. Clivia Döll  
Wirtschaftsprüferin  
(German public auditor)