

# A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF MANAGEMENT

*Dear friends of the company,*

The lights are on green. Green because we achieved a great deal in 2021 and set the course for the future too, both in strategic and, most significantly, in operational terms.

In the industries that we serve, an increase in customers' willingness to proceed with capital expenditure prompted us to raise our guidance for 2021 as a whole, not once but twice over the course of the year. Despite the challenging situation in the procurement market, our results reveal that we delivered on the prediction we made to you: An increase of around 33 percent in unit sales to 201,283 engines sold and revenue growth of approximately 25 percent to nearly €1.62 billion. Our EBIT margin before exceptional items, meanwhile, improved by 8.1 percentage points year on year to 2.3 percent, due in no small part to the rigorous implementation of our efficiency program. Adjusted for exceptional items, net income came to roughly €41 million, which translated into earnings per share of €0.34.

Of course, we would also like our shareholders to reap the benefit of last year's positive business performance. The Board of Management and Supervisory Board will therefore propose to the Annual General Meeting on April 28, 2022 that accumulated income be used to pay a dividend of €0.15 per share. This would equate to a dividend ratio of just under 47 percent.

As well as a strong operating performance, DEUTZ reached further strategic milestones that sent a clear signal to the market. For example, we entered into a long-term alliance with the agricultural machinery manufacturer AGCO in 2021, building on the partnership with John Deere Power Systems that was sealed back in 2020. And, once again, we were able to significantly expand our collaboration with SDF. These partnerships are opening up further growth potential for us – both in new business and in the service business. Thanks to S-DEUTZ, we are also making our high-margin service activities even simpler, more digital, and more future-proof. And two new DEUTZ Power Centers in the USA mean we are now even closer to our customers.



“We confirmed our credentials as a leader of innovation in our industry in impressive style last year.”

DR. SEBASTIAN C. SCHULTE

All this is producing results: We hit our revenue target of around €400 million for the service business in 2021, which gave it an approximate 25 percent share of consolidated revenue. But we will not be resting on our laurels. The expansion of our service business is continuing apace, with steps already being taken to make further acquisitions in Europe.

Another reason why the lights are on green – perhaps the main reason – is the excellent progress we are making in DEUTZ’s transition to alternative drives. To green engines. The world is increasingly turning to carbon-neutral drive solutions, and the off-highway segment is no exception. We are helping to keep the world moving with our innovative drive solutions. After all, we know how to make engines better, cleaner, and more efficient. In August 2021, DEUTZ unveiled the first market-ready hydrogen engine – the TCG 7.8 H2 – which meets the EU’s prescribed CO<sub>2</sub> ‘Zero Emission’ limit.

But that was not the only way in which we confirmed our credentials as a leader of innovation in our industry last year. At the DEUTZ DAYS event in November 2021, we presented the all-electric crawler crane which is made by Maeda and fitted with an electric drive from DEUTZ. Volume production of the crane is set to begin as early as 2023. And because power supply infrastructure is key when it comes to using green drive systems, we are also developing and producing mobile rapid-charging stations such as the DEUTZ Powertree.

We are reinventing the engine, making sustainable drive systems a reality. This is reflected in our new reporting structure. We have created new segments, 'Classic' and 'Green', that came into effect from the beginning of 2022. All activities connected with the development and production of new non-diesel drives will now be assigned to the Green segment, providing much greater transparency in this area.

Overall, we maintain an optimistic view of the future, even in light of the prevailing uncertainties surrounding the coronavirus pandemic, global material and transport bottlenecks, and the Ukraine crisis and its impact on the global economy. We have taken the steps that are needed to secure the Company's future success. The restructuring measures that we have initiated are increasingly taking effect. We are forging ahead with our growth projects despite the impact of the coronavirus pandemic – and we have the financial means to continue investing in the long-term transformation of our business.

We want to achieve our financial objectives while fulfilling our corporate, social, and environmental responsibilities. To underline our commitment, we signed up to the United Nations Global Compact in March 2021. In doing so, we voluntarily undertook – on the basis of ten universally accepted principles – to promote human rights, fair working conditions, environmental protection, and the fight against corruption. Today and in the future. Because, ultimately, only those who understand sustainability as a necessity of our times will be successful in the long run – and have an environment fit to live in.

Our employees are the driving force for what we have achieved so far but also for what we aim to achieve going forward. As pioneers and innovators, they are paving the way for DEUTZ itself to become a pioneer of carbon-neutral drive systems for the off-highway sector. I would like to thank them for this. My thanks also go to our customers and business partners and to you, our valued shareholders, for the confidence you have shown in us in times of great uncertainty for us all.

Let us all pull together to ensure that the DEUTZ engine continues to turn even in challenging times. Toward a sustainable and successful future.

Cologne, March 2022



**Dr. Sebastian C. Schulte**

CHAIRMAN OF THE BOARD OF MANAGEMENT