DEUTZ

Quarterly Statement
Q1-Q3 2023

DEUTZ Group: Overview of key figures

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	1,435.8	1,519.7	-5.5%	444.1	442.1	0.5%
Group unit sales[1] (units)	165,067	169,352	-2.5%	57,722	60,611	-4.8%
thereof DEUTZ engines[2]	137,559	130,875	5.1%	46,108	40,413	14.1%
thereof Torqeedo	27,508	38,477	-28.5%	11,614	20,198	-42.5%
Revenue	1,540.0	1,395.8	10.3%	516.5	465.4	11.0%
EBIT	92.0	57.4	60.3%	30.2	21.9	37.9%
thereof exceptional items[3]	-0.7	-8.5	-91.8%	0.0	-1.4	-
Adjusted EBIT (EBIT before exceptional items)	92.7	65.9	40.7%	30.2	23.3	29.6%
EBIT margin	6.0%	4.1%	+1.9pp	5.8%	4.7%	+1.1pp
EBIT margin before exceptional items	6.0%	4.7%	+1.3pp	5.8%	5.0%	+0.8pp
Net income	65.9	45.1	46.1%	21.6	17.1	26.3%
Net income before exceptional items	66.5	52.2	27.4%	21.6	18.2	18.7%
Earnings per share (€)	0.53	0.37	43.2%	0.17	0.14	21.4%
Earnings per share before exceptional items (€)	0.53	0.43	23.3%	0.17	0.15	13.3%
Equity (Sep. 30/Dec. 31)	737.8	668.8	10.3%			
Equity ratio	45.7	45.3	+0.4pp			
Cash flow from operating activities	58.3	-13.8	-	9.4	-28.4	-
Free cash flow	-13.4	-69.8	80.8%	-21.7	-45.1	51.9%
Net financial position (Sep. 30/Dec. 31)	-205.7	-164.2	-25.3%			
Employees[4] (Sep. 30)	5,275	4,995	5.6%			

[1] From 2023, the unit sales included for the DEUTZ subsidiary Torqeedo consist not only of electric boat drives but also battery systems (Q1–Q3 2023: 3,624 units). The figure for the prior-year period has not been retrospectively adjusted.
[2] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[3] Exceptional items are defined as significant income generated or expenses incurred that, due to their timing and/or specific nature, are unlikely to recur and are outside the scope of the Company's ordinary business activities.
[4] Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

DEUTZ again reported significant increases in revenue and earnings in the first three quarters of 2023 despite difficulties with the supply of some engine control units and delays to the ramp-up of the new logistics center at its headquarters in Cologne in the first half of 2023, as well as a rise in procurement costs. The market-oriented pricing policy and, in particular, cost savings and steps to boost performance as part of the implementation of the Dual+ strategy had a positive effect on earnings performance.

NEW ORDERS

DEUTZ Group: New orders by application segment

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
Construction Equipment	364.2	415.9	-12.4%	104.0	107.6	-3.3%
Material Handling	318.3	287.9	10.6%	101.7	68.4	48.7%
Agricultural Machinery	204.9	243.3	-15.8%	60.7	73.5	-17.4%
Stationary Equipment	98.3	150.8	-34.8%	28.2	45.7	-38.3%
Service	360.5	349.8	3.1%	119.0	119.8	-0.7%
Miscellaneous	89.6	72.0	24.4%	30.5	27.1	12.5%
Total	1,435.8	1,519.7	-5.5%	444.1	442.1	0.5%

DEUTZ Group: New orders by region

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
EMEA	892.9	865.9	3.1%	287.2	236.5	21.4%
Americas	348.5	350.7	-0.6%	96.3	121.1	-20.5%
Asia-Pacific	194.4	303.1	-35.9%	60.6	84.5	-28.3%

New orders received by the DEUTZ Group amounted to €1,435.8 million in the first nine months of 2023, compared with €1,519.7 million in the prior-year period. The year-on-year decrease of 5.5 percent was primarily due to implementation of the fixed-volume program for compact engines in the fourth quarter of 2022. The supply chain disruptions, resulting in longer delivery times during that period, had prompted customers to place orders early, with longer order horizons. This had boosted new orders in the fourth quarter of 2022, particularly in the Construction Equipment and Material Handling application segments. These pre-orders, along with the normalization of customers' ordering behavior as the supply chain difficulties gradually ease over the course of 2023, is leading to increasingly weak levels of new orders this year. This trend is expected to continue in the fourth quarter of 2023 too.

At regional level, the decline in new orders was predominantly attributable to the Asia-Pacific region, particularly China. Whereas new orders in the Americas region were more or less unchanged year on year, the EMEA region recorded a small increase of 3.1 percent.

In the third quarter of 2023, new orders rose by 0.5 percent compared with the prior-year period to reach €444.1 million. This was mainly due to a jump in demand in the Material Handling application segment.

Orders on hand totaled €666.5 million as at September 30, 2023 (September 30, 2022: €828.8 million). This represents a high level of orders on hand that is well above the volumes seen as at the corresponding dates in the years prior to the pandemic and the supply chain crisis. Within the total figure, the orders on hand attributable to the service business amounted to €43.9 million (September 30, 2022: €53.2 million).

UNIT SALES

DEUTZ Group: Unit sales by application segment

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
Construction Equipment	50,620	52,098	-2.8%	16,487	15,577	5.8%
Material Handling	48,306	39,817	21.3%	17,537	11,640	50.7%
Agricultural Machinery	18,564	20,020	-7.3%	5,791	6,186	-6.4%
Stationary Equipment	17,102	17,019	0.5%	5,710	6,022	-5.2%
Miscellaneous	30,475	40,398	-24.6%	12,197	21,186	-42.4%
Total	165,067	169,352	-2.5%	57,722	60,611	-4.8%
thereof DEUTZ engines[5]	137,559	130,875	5.1%	46,108	40,413	14.1%

DEUTZ Group[6]: Unit sales by region

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
EMEA	87,475	84,352	3.7%	27,833	25,114	10.8%
Americas	40,984	48,279	-15.1%	15,185	20,563	-26.2%
Asia-Pacific	36,608	36,721	-0.3%	14,704	14,934	-1.5%

With a total of 137,559 DEUTZ engines[5] sold, DEUTZ registered an increase in unit sales of 5.1 percent in the first three quarters of the current year. This growth was predominantly attributable to a sharp rise in unit sales in the Material Handling application segment. At Group level, however, unit sales were down slightly year on year owing to a significant drop in demand for electric boat drives used in leisure applications.

[5] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[6] From 2023, the unit sales included for the DEUTZ subsidiary Torqeedo consist not only of electric boat drives but also battery systems (Q1–Q3 2023: 3,624 units). The figure for the prior-year period has not been retrospectively adjusted.

At regional level, DEUTZ generated an increase in unit sales of 3.7 percent in the EMEA region – its largest market – that was primarily due to the sharp rise in unit sales in the Material Handling application segment. Unit sales in the Americas region – when adjusted for the decline in Torqeedo's unit sales there[7] – remained very robust, with an increase of 15.7 percent in the number of DEUTZ engines sold. In the Asia-Pacific region, unit sales were roughly the same as in the prior-year period.

In the third quarter of 2023, the number of DEUTZ engines sold went up by 14.1 percent compared with the corresponding prior-year quarter to reach 46,108 thanks to higher unit sales in the Material Handling and Construction Equipment application segments. The Group's unit sales stood at 57,722 units, compared with 60,611 units in the third quarter of 2022.

REVENUE

DEUTZ Group: Revenue by application segment

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
Construction Equipment	429.0	404.7	6.0%	142.4	127.2	11.9%
Material Handling	336.7	251.6	33.8%	121.5	81.7	48.7%
Agricultural Machinery	195.6	199.0	-1.7%	59.8	63.8	-6.3%
Stationary Equipment	136.7	121.7	12.3%	46.8	45.1	3.8%
Service	360.5	336.2	7.2%	123.0	113.0	8.8%
Miscellaneous	81.5	82.6	-1.3%	23.0	34.6	-33.5%
Total	1,540.0	1,395.8	10.3%	516.5	465.4	11.0%

DEUTZ Group: Revenue by region

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
EMEA	930.0	855.0	8.8%	297.3	269.3	10.4%
Americas	385.4	323.4	19.2%	143.4	122.4	17.2%
Asia-Pacific	224.6	217.4	3.3%	75.8	73.7	2.8%

[7] Q1–Q3 2023: 6,943 units | Q1–Q3 2022: 18,383 units.

The DEUTZ Group's revenue swelled by 10.3 percent to €1,540.0 million in the period under review. All regions and nearly all of the main application segments recorded increases in revenue. The stronger increase in revenue relative to unit sales was largely due to positive product mix effects, combined with a market-oriented pricing policy in the Classic business and the discontinuation of older engine series with lower average revenue than other series. Revenue from the service business went up by 7.2 percent to €360.5 million. It thus accounted for around 23 percent of consolidated revenue and constituted the second-largest area of business – in terms of revenue – after the Construction Equipment application segment.

In line with the increase in revenue in the nine-month period, the revenue generated in the third quarter of 2023 was up by 11.0 percent compared with the corresponding quarter of 2022.

EARNINGS

DEUTZ Group: Overview of results of operations

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
Revenue	1,540.0	1,395.8	10.3%	516.5	465.4	11.0%
Cost of sales	-1,195.4	-1,133.8	5.4%	-405.5	-374.2	8.4%
Research and development costs	-84.0	-80.9	3.8%	-28.1	-27.3	2.9%
Selling and administrative expenses	-163.7	-139.6	17.3%	-54.3	-49.5	9.7%
Other operating income	16.7	36.6	-54.4%	7.5	15.4	-51.3%
Other operating expenses	-21.0	-18.2	15.4%	-4.0	-6.6	-39.4%
Impairment of financial assets and reversals thereof	1.8	-1.3	-	-0.5	-0.7	28.6%
Profit/loss on equity-accounted investments	-2.4	-1.2	-100.0%	-1.4	-0.6	-133.3%
EBIT	**92.0**	**57.4**	**60.3%**	**30.2**	**21.9**	**37.9%**
Interest income	1.0	0.9	11.1%	0.4	0.1	300.0%
Interest expense	-12.5	-3.8	228.9%	-4.9	-1.5	226.7%
Other financial income/finance costs	-0.3	-0.6	50.0%	-0.1	0.0	-
Financial income, net	-11.8	-3.5	-237.1%	-4.6	-1.4	-228.6%
Income taxes	-14.3	-8.8	62.5%	-4.0	-3.4	17.6%
Net income	**65.9**	**45.1**	**46.1%**	**21.6**	**17.1**	**26.3%**
Adjusted EBIT: Green (EBIT before exceptional items)	-39.5	-26.2	-50.8%	-15.1	-8.1	-86.4%
Adjusted EBIT: Classic (EBIT before exceptional items)	132.0	92.5	42.7%	45.3	31.2	45.2%
Consolidation/Other[8]	0.2	-0.4	-	0.0	0.2	-
Adjusted EBIT (EBIT before exceptional items)	**92.7**	**65.9**	**40.7%**	**30.2**	**23.3**	**29.6%**
Exceptional items	-0.7	-8.5	-91.8%	0.0	-1.4	-
EBIT	**92.0**	**57.4**	**60.3%**	**30.2**	**21.9**	**37.9%**

[8] Consolidation/Other predominantly consists of non-operating centralized activities as well as effects on earnings resulting from the elimination of intragroup transactions between the segments.

Explanation of adjusted EBIT (EBIT before exceptional items)

DEUTZ calculates adjusted EBIT (EBIT before exceptional items) and the EBIT margin before exceptional items so that it is in a better position to assess its business operations and manage the profitability of its operations at Group level and segment level. The EBIT margin before exceptional items is the Company's main key performance indicator (KPI) used for management purposes. The two earnings KPIs are additionally calculated in accordance with the disclosures required by international financial reporting standards. The calculation is based on the Group's earnings before interest and tax (EBIT). After adjusting for exceptional items to give the figure for EBIT before exceptional items, this value is expressed as a percentage of revenue to give the EBIT margin before exceptional items. Exceptional items are defined as significant income generated or expenses incurred that, due to their timing and/or specific nature, are unlikely to recur and are outside the scope of the Company's ordinary business activities. Adjusting for exceptional items helps to provide a better comparison of the Company's operating performance over time. Examples of exceptional items include impairment losses, reversals of impairment losses, gains and losses on the disposal of non-current assets, certain costs for strategic projects or organizational changes, restructuring costs, and income from the reversal of related provisions.

Adjusted EBIT Adjusted EBIT (EBIT before exceptional items) amounted to €92.7 million in the first three quarters of 2023, a rise of €26.8 million or 40.7 percent compared with the prior-year period. DEUTZ achieved this despite the year-on-year increase in the loss reported by Torqeedo in the third quarter, along with negative currency effects and higher procurement and employment costs. This significant improvement was due to the growth in the volume of business in the Classic segment, combined with market-oriented pricing and the focused implementation of the growth strategy in the service business. The adjusted EBIT margin also made a strong year-on-year improvement, rising from 4.7 percent to 6.0 percent.

In the third quarter of 2023, adjusted EBIT increased by 29.6 percent year on year to €30.2 million (Q3 2022: €23.3 million).

Taking account of exceptional items amounting to an expense of €0.7 million, EBIT for the first nine months of 2023 amounted to €92.0 million (Q1–Q3 2022: €57.4 million[9]).

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[9] Taking account of exceptional items amounting to an expense of €8.5 million due to the recognition of provisions following several changes at senior management level.

Due to the increase in adjusted EBIT, net income improved from €45.1 million in the first three quarters of 2022 to €65.9 million in the first three quarters of 2023. As a result, earnings per share increased from €0.37 to €0.53. Net income before exceptional items stood at €66.5 million and earnings per share before exceptional items at €0.53.

BUSINESS PERFORMANCE IN THE SEGMENTS

The DEUTZ Group's operating activities are divided into the segments Classic and Green. The Classic segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business. The Green segment consists of all activities related to new, alternative drives. This includes hydrogen engines, the subsidiary Torqeedo and its electric boat drives, the subsidiary Futavis and its battery management systems, other electric drives, mobile rapid charging stations, and the related service business.

Given that DEUTZ is currently only at the start of its technological transformation, the volume of business for the Green segment still largely reflects the performance of DEUTZ subsidiary Torqeedo, which is available for sale[10], and battery management specialist Futavis, while the segment's earnings also reflect the growth in research and development activities in the field of electric and hydrogen-powered drive systems.

[10] Sale process initiated in the first half of 2023.

Key figures for the Classic segment

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	**1,392.6**	**1,475.7**	**-5.6%**	**428.4**	**425.1**	**0.8%**
Unit sales (units)	**137,531**	**130,870**	**5.1%**	**46,107**	**40,411**	**14.1%**
Revenue	**1,504.0**	**1,344.4**	**11.9%**	**507.0**	**444.3**	**14.1%**
EMEA	909.9	829.5	9.7%	293.9	261.2	12.5%
Americas	375.9	305.0	23.2%	140.6	114.3	23.0%
Asia-Pacific	218.2	209.9	4.0%	72.5	68.8	5.4%
Construction Equipment	428.8	404.2	6.1%	142.3	127.0	12.0%
Material Handling	336.7	251.6	33.8%	121.5	81.7	48.7%
Agricultural Machinery	195.6	199.0	-1.7%	59.8	63.8	-6.3%
Stationary Equipment	136.6	121.7	12.2%	46.8	45.1	3.8%
Service	360.2	336.2	7.1%	124.0	113.0	9.7%
Miscellaneous	46.1	31.7	45.4%	12.6	13.7	-8.0%
Adjusted EBIT	**132.0**	**92.5**	**42.7%**	**45.3**	**31.2**	**45.2%**
Adjusted EBIT margin	**8.8%**	**6.9%**	**+1.9pp**	**8.9%**	**7.0%**	**+1.9pp**

New orders in the Classic segment totaled €1,392.6 million in the first three quarters of 2023 (Q1–Q3 2022: €1,475.7 million). This year-on-year reduction of 5.6 percent was primarily due to the aforementioned spending brought forward as a result of the fixed-volume program in the final quarter of 2022. See 'DEUTZ Group: New orders', p. 2 onward. As at the end of the reporting period, the Classic segment's orders on hand stood at €649.3 million (September 30, 2022: €813.0 million).

The segment's unit sales were up sharply compared with the prior-year period, rising from 130,870 to 137,531 engines sold. This was mainly due to a jump in demand in the Material Handling application segment. In the regional breakdown, the increase in unit sales was attributable to the Americas and EMEA regions, which registered growth of 15.7 percent and 5.9 percent respectively. Thanks to positive product mix effects, combined with a market-oriented pricing policy and portfolio optimization, the 5.1 percent rise in unit sales translated into an 11.9 percent increase in revenue to €1,504.0 million. All application segments except Agricultural Machinery recorded increases, albeit at varying rates of growth.

Adjusted EBIT for the segment (EBIT before exceptional items) improved by a significant €39.5 million year on year to €132.0 million despite negative currency effects arising on the translation of foreign currency positions and despite higher procurement and employment costs. Reflecting the earnings drivers at Group level, this increase can be explained by the increased volume of business combined with market-oriented pricing and the expansion of the service business. Acquisitions and the establishment of new companies also contributed to the positive earnings performance. In line with the jump in earnings, the Classic segment's adjusted EBIT margin rose from 6.9 percent in the prior-year period to 8.8 percent.

In the third quarter of 2023, the Classic segment received new orders of €428.4 million, which was slightly higher than the figure for the prior-year period of €425.1 million. In terms of the segment's unit sales, DEUTZ recorded a jump of 14.1 percent to 46,107 engines sold. This was thanks to increases of 50.7 percent for the Material Handling application segment and 5.8 percent for the Construction Equipment application segment. At €507.0 million, revenue for the Classic segment was also up by 14.1 percent.

Adjusted EBIT for the segment amounted to €45.3 million in the third quarter of 2023. The improvement compared with the figure for the prior-year period of €31.2 million was largely due to the earnings drivers mentioned above in connection with the period January to September.

Key figures for the Green segment

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	**43.2**	**44.0**	**-1.8%**	**15.7**	**17.0**	**-7.6%**
Unit sales[11] (units)	**27,536**	**38,482**	**-28.4%**	**11,615**	**20,200**	**-42.5%**
Revenue	36.0	51.4	-30.0%	9.5	21.1	-55.0%
EMEA	20.1	25.5	-21.2%	3.4	8.1	-58.0%
Americas	9.5	18.4	-48.4%	2.8	8.1	-65.4%
Asia-Pacific	6.4	7.5	-14.7%	3.3	4.9	-32.7%
Adjusted EBIT	-39.5	-26.2	-50.8%	-15.1	-8.1	-86.4%
Adjusted EBIT margin	-109.7%	-51.0%	-58.7pp	-158.9%	-38.4%	-120.5pp

Despite sharp increases in the EMEA and Asia-Pacific regions, the Green segment's new orders edged down by 1.8 percent year on year to stand at €43.2 million owing to a slump in demand for electric boat drives in the Americas region. Orders on hand, however, rose by 8.9 percent to €17.2 million at the end of the reporting period. The segment's unit sales dropped by 28.4 percent to 27,536 units sold. As a result, segment revenue decreased by 30.0 percent to €36.0 million.

Adjusted EBIT for the segment amounted to a loss of €39.5 million, which represented a year-on-year deterioration of €13.3 million. This was attributable to the loss generated by the subsidiary Torqeedo and increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine and E-DEUTZ products that are not capitalized. The adjusted EBIT margin declined year on year, reflecting the fall in the segment's adjusted EBIT.

[11] Torqeedo boat drives and, from 2023, Torqeedo battery systems (Q1–Q3 2023: 3,624 units; the figure for the prior-year period has not been retrospectively adjusted), E-DEUTZ battery systems, E-DEUTZ drive systems, DEUTZ PowerTree, hydrogen engines.

In the third quarter of 2023, new orders received in the Green segment fell by 7.6 percent to €15.7 million. Again, this was due to the contraction of the boat drive business in the Americas region. In the same period, the segment's unit sales almost halved to 11,615 units sold and its revenue went down by 55.0 percent to €9.5 million.

In the third quarter of 2023, the adjusted EBIT for the segment amounted to a loss of €15.1 million (Q3 2022: loss of €8.1 million), primarily due to the deterioration in Torqeedo's business performance.

FINANCIAL POSITION

DEUTZ Group: Overview of financial position

€ million	Q1–Q3 2023	Q1–Q3 2022	Change
Cash flow from operating activities	58.3	-13.8	-
Cash flow from investing activities	-61.4	-51.8	-18.5%
Cash flow from financing activities	5.9	68.1	-91.3%
Change in cash and cash equivalents	2.8	2.5	12.0%
Free cash flow[12]	-13.4	-69.8	80.8%
Cash and cash equivalents at Sep. 30/Dec. 31	56.6	54.9	3.1%
Current and non-current interest-bearing financial debt at Sep. 30/Dec. 31	262.3	219.1	19.7%
thereof lease liabilities (IFRS 16)	87.8	94.6	-7.2%
Net financial position[13] at Sep. 30/Dec. 31	-205.7	-164.2	-25.3%

Cash flow from operating activities amounted to a net cash inflow of €58.3 million in the first nine months of 2023, compared with a net cash outflow of €13.8 million in the prior-year period. This improvement was attributable to the smaller amount of net cash used for working capital and to the rise in operating profit. The smaller outflow of cash was primarily due to the

[12] Cash flow from operating activities and from investing activities less net interest expense.
[13] Cash and cash equivalents less current and non-current interest-bearing financial debt.

fact that the delays in the supply chain in the prior-year period had led to an increase in inventories of semi-finished and finished goods.

Under an alliance with Daimler Truck AG,[14] DEUTZ has acquired license rights for engines in Daimler Truck's HDEP heavy-duty engine series. The payments for these rights are being made in installments up to 2028. The first installment was paid in the first quarter of 2023. As a result, there was an increase in the net cash used for investing activities in the form of expenditure on property, plant and equipment and on intangible assets. Furthermore, the purchase consideration for the acquisition of long-standing DEUTZ service partner Mauricio Hochschild Ingeniería Servicios S.A., Santiago, Chile, was paid in the third quarter of 2023. The figure for the prior-year period had included the payment made for the final installment of the purchase consideration for the acquisition of the investment in Blue World Technologies Holding ApS, based in Aalborg, Denmark, and payments for the acquisition of the service partner Ausma Motorenrevisie B.V., headquartered in Roden, Netherlands, and for Kirkwell Ltd. (South Coast Diesels), based in Naas, Ireland. As a result, the cash flow used for investing activities in the first nine months of 2023 was up only slightly year on year.

In July 2023, DEUTZ AG signed an agreement concerning the acquisition of the Diesel Motor Nordic Group, which is headquartered in Järfälla, Sweden. Completion of the transaction and payment of the still provisional purchase consideration took place at the start of October 2023 and will therefore be recognized in the fourth quarter of 2023.

The fall in cash flow from financing activities was primarily due to smaller cash receipts from the drawdown of an existing credit line in the first nine months of 2023.

As a result of the increase in cash flow from operating activities, free cash flow improved from minus €69.8 million in the prior-year period to minus €13.4 million in the reporting period.

Higher financial debt meant that net financial debt was up by €41.5 million compared with the end of 2022, amounting to €205.7 million as at September 30, 2023.

[14] See the press releases dated January 30 and March 29, 2023.

CAPITAL EXPENDITURE

DEUTZ Group: Capital expenditure (after deducting investment grants)

€ million	Q1–Q3 2023	Q1–Q3 2022	Change
Property, plant and equipment	53.1	92.4	-42.5%
thereof right-of-use assets for leases under IFRS 16	8.3	52.9	-84.3%
Property, plant and equipment (excluding right-of-use assets for leases under IFRS 16)	44.8	39.5	13.4%
Intangible assets	57.0	6.8	738.2%
	110.1	**99.2**	**11.0%**

Capital expenditure on property, plant and equipment and on intangible assets after deducting grants, and including capitalization of research and development expenditure, increased by 11.0 percent to €110.1 million (Q1–Q3 2022: €99.2 million). This was due to DEUTZ's aforementioned acquisition of MDEG IP rights from Daimler Truck AG by way of a capital increase by contribution in kind and the acquisition of the HDEP license rights[15] as well as the procurement of new test rigs for the Green segment and capital expenditure on a new assembly line for 4 to 8-liter engines at the Cologne-Porz site.

[15] See the press releases dated January 30 and March 29, 2023.

NET ASSETS

DEUTZ Group: Overview of net assets

€ million	Sep. 30, 2023	Dec. 31, 2022	Change
Non-current assets	771.5	730.3	5.6%
thereof right-of-use assets in connection with leases	78.5	87.3	-10.1%
Current assets	843.5	745.1	13.2%
Total assets	**1,615.0**	**1,475.4**	**9.5%**
Equity	737.8	668.8	10.3%
Non-current liabilities	200.1	195.8	2.2%
thereof lease liabilities	70.4	76.8	-8.3%
Current liabilities	677.1	610.8	10.9%
thereof lease liabilities	17.4	17.8	-2.2%
Total equity and liabilities	**1,615.0**	**1,475.4**	**9.5%**
Working capital[16]	426.7	346.3	23.2%
Working capital ratio (Sep. 30, %)[17]	20.3	17.7	+2.6pp
Working capital ratio (average, %)[18]	18.1	16.7	+1.4pp
Equity ratio[19] (%)	**45.7**	**45.3**	**+0.4pp**

Non-current assets had risen by 5.6 percent as at September 30, 2023 due to capital expenditure on intangible assets. Under the aforementioned alliance entered into with Daimler Truck AG at the end of March, DEUTZ acquired IP rights for Daimler Truck's MDEG medium-duty engines by way of a capital increase by contribution in kind and license rights for Daimler Truck's HDEP engine series. The payments for the license rights for the HDEP series are being made in installments up to 2028. The first installment was paid in the first quarter of 2023.

[16] Inventories plus trade receivables less trade payables.
[17] Working capital as at the balance sheet date divided by revenue for the previous twelve months.
[18] Average working capital at the last four quarterly reporting dates divided by revenue for the previous twelve months.
[19] Equity/total equity and liabilities.

Inventories had risen sharply as at September 30, 2023 for various reasons. Firstly, healthy demand and the high level of orders on hand, especially for compact engines of less than 4 liters, prompted DEUTZ to increase capacity. As a result, production of compact engines has been operating on a three-shift basis since the end of July and a new assembly line has come on stream at the assembly plant in Cologne-Porz. Secondly, higher procurement prices and the expansion of business in Chile also led to an increase in inventories.

These factors meant that the working capital ratio rose sharply and was up by 2.6 percentage points to 20.3 percent as at the reporting date. Thanks to the increase in revenue over the past twelve months, the average working capital ratio increased by only 1.4 percentage points to 18.1 percent.

Despite the rise in equity, the equity ratio was up only slightly as at September 30, 2023 and stood at 45.7 percent (December 31, 2022: 45.3 percent). This was due to the growth of total assets on the back of capital expenditure on non-current assets as well as the increase in inventories. The rise in equity was attributable to the increase in earnings and the acquisition from Daimler Truck AG of the IP rights relating to the technology in its MDEG medium-duty engines. The acquisition was carried out by way of a capital increase from authorized capital by contribution in kind and granted Daimler Truck 5,285,412 new, no-par-value bearer shares in DEUTZ AG with a notional par value of around €2.56 each at a total issue price of €13.5 million. The difference of €11.5 million between the total issue price and the value of the MDEG contribution in kind was allocated to additional paid-in capital.

EMPLOYEES

DEUTZ employed 5,275[20] people worldwide as at September 30, 2023, which was 280 more than a year earlier. This increase was primarily in response to the significant expansion of the production volume. Moreover, the staff hired due to the introduction of a third shift were mainly on fixed-term contracts; most of the people assigned to work on the third shift were temporary workers. New employees were also brought on board as part of the implementation of regional growth initiatives in the service business, for example in connection with the opening of a new DEUTZ service center in the USA and the expansion of the service network in South America thanks to the acquisition of long-standing service partner Mauricio Hochschild, headquartered in Santiago, Chile.

GUIDANCE FOR 2023: IMPROVED PROFITABILITY EXPECTED

DEUTZ is refining its full-year guidance for 2023 as follows in view of its business performance in the first three quarters and on the basis of its existing planning for unit sales and production:

Having announced in April[21] that unit sales would probably reach the upper end of the target range included in the original guidance of 175,000 to 195,000 DEUTZ engines[22], the Company now anticipates unit sales of around 185,000 to 190,000 DEUTZ engines. This is still expected to result in an increase in consolidated revenue to around €2.1 billion.

[20] Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.
[21] See the press release dated April 27, 2023.
[22] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

As the measures to boost efficiency and profitability in the Classic segment continue to be implemented successfully, the adjusted EBIT margin is anticipated to be between 5.3 percent and 5.8 percent, which is higher than the figure previously forecast of around 5.0 percent. Looking at the individual segments, the adjusted EBIT margin for the Classic segment is now expected to be between 8.0 percent and 8.5 percent (previously: 6.0 percent to 7.0 percent). Adjusted EBIT for the Green segment is likely to amount to a loss of around €50 million (previously: adjusted EBIT margin of minus 40 percent to minus 30 percent).

Free cash flow before mergers and acquisitions is still predicted to be in the mid-double-digit millions of euros.

FINANCIAL INFORMATION FOR THE 1ST TO 3RD QUARTER OF 2023

DEUTZ GROUP: INCOME STATEMENT

€ million	Q1–Q3 2023	Q1–Q3 2022	Q3 2023	Q3 2022
Revenue	**1,540.0**	**1,395.8**	**516.5**	**465.4**
Cost of sales	-1,195.4	-1,133.8	-405.5	-374.2
Research and development costs	-84.0	-80.9	-28.1	-27.3
Selling expenses	-102.4	-87.1	-35.6	-32.1
General and administrative expenses	-61.3	-52.5	-18.7	-17.4
Other operating income	16.7	36.6	7.5	15.4
Other operating expenses	-21.0	-18.2	-4.0	-6.6
Impairment of financial assets and reversals thereof	1.8	-1.3	-0.5	-0.7
Profit/loss on equity-accounted investments	-2.4	-1.2	-1.4	-0.6
EBIT	**92.0**	**57.4**	**30.2**	**21.9**
Interest income	1.0	0.9	0.4	0.1
Interest expense	-12.5	-3.8	-4.9	-1.5
Other financial income/finance costs	-0.3	-0.6	-0.1	0.0
Financial income, net	**-11.8**	**-3.5**	**-4.6**	**-1.4**
Net income before income taxes	**80.2**	**53.9**	**25.6**	**20.5**
Income taxes	-14.3	-8.8	-4.0	-3.4
Net income	**65.9**	**45.1**	**21.6**	**17.1**
thereof attributable to shareholders of DEUTZ AG	65.9	45.1	21.6	17.1
thereof attributable to non-controlling interests	0.0	0.0	0.0	0.0
Earnings per share (basic/diluted, €)	**0.53**	**0.37**	**0.17**	**0.14**

DEUTZ GROUP: STATEMENT OF COMPREHENSIVE INCOME

€ million	Q1–Q3 2023	Q1–Q3 2022	Q3 2023	Q3 2022
Net income	**65.9**	**45.1**	**21.6**	**17.1**
Amounts that will not be reclassified to the income statement in the future	**0.9**	**19.6**	**1.8**	**2.7**
Remeasurements of defined benefit plans	0.9	19.6	1.8	2.7
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**-3.9**	**7.5**	**2.1**	**2.3**
Currency translation differences	-3.8	8.1	1.4	1.9
thereof profit/loss on equity-accounted investments	-2.6	2.0	1.0	0.1
Effective portion of change in fair value from cash flow hedges	-0.7	-0.6	-1.1	0.4
Fair value of financial instruments	0.6	0.0	1.8	0.0
Other comprehensive income, net of tax	**-3.0**	**27.1**	**3.9**	**5.0**
Comprehensive income	**62.9**	**72.2**	**25.5**	**22.1**
thereof attributable to shareholders of DEUTZ AG	62.9	72.2	25.5	22.1
thereof attributable to non-controlling interests	0.0	0.0	0.0	0.0

DEUTZ GROUP: BALANCE SHEET / ASSETS

€ million	Sep. 30, 2023	Dec. 31, 2022
Property, plant and equipment	393.9	394.7
Intangible assets	208.9	169.3
Equity-accounted investments	45.7	50.6
Other financial assets	14.0	14.4
Non-current assets (before deferred tax assets)	**662.5**	**629.0**
Deferred tax assets	109.0	101.3
Non-current assets	**771.5**	**730.3**
Inventories	541.7	451.6
Trade receivables	181.1	186.2
Other receivables and assets	61.0	50.7
Receivables in respect of tax refunds	3.1	1.7
Cash and cash equivalents	56.6	54.9
Current assets	**843.5**	**745.1**
Total assets	**1,615.0**	**1,475.4**

DEUTZ GROUP: BALANCE SHEET / EQUITY AND LIABILITIES

€ million	Sep. 30, 2023	Dec. 31, 2022
Issued capital	**322.5**	**309.0**
Additional paid-in capital	40.3	28.8
Other reserves	-3.3	0.6
Retained earnings and accumulated income	378.3	330.4
Equity attributable to shareholders of DEUTZ AG	**737.8**	**668.8**
Equity	**737.8**	**668.8**
Provisions for pensions and other post-retirement benefits	79.4	86.0
Deferred tax liabilities	1.8	2.0
Other provisions	28.4	28.4
Financial debt	70.9	77.2
Other liabilities	19.6	2.2
Non-current liabilities	**200.1**	**195.8**
Provisions for pensions and other post-retirement benefits	10.6	11.1
Other provisions	86.6	81.7
Financial debt	191.4	141.9
Trade payables	296.1	291.5
Liabilities arising from income taxes	11.5	4.9
Other liabilities	80.9	79.7
Current liabilities	**677.1**	**610.8**
Total equity and liabilities	**1,615.0**	**1,475.4**

DEUTZ GROUP: CASH FLOW STATEMENT

€ million	Q1–Q3 2023	Q1–Q3 2022
EBIT	**92.0**	**57.4**
Income taxes paid	-17.1	-8.2
Depreciation, amortization and impairment of non-current assets	70.5	69.5
Gains/losses on the sale of non-current assets	0.0	0.2
Profit/loss and impairment on equity-accounted investments	2.4	1.8
Other non-cash income and expenses	-0.5	1.4
Change in working capital	-78.7	-100.2
Change in inventories	-90.9	-109.3
Change in trade receivables	7.4	-37.0
Change in trade payables	4.8	46.1
Change in other receivables and other current assets	-10.6	-9.4
Change in provisions and other liabilities (excluding financial liabilities)	0.3	-26.3
Cash flow from operating activities	**58.3**	**-13.8**
Capital expenditure on intangible assets, property, plant and equipment	-53.9	-41.8
Expenditure on investments	0.0	-4.6
Acquisition of subsidiaries	-7.8	-5.4
Proceeds from the sale of non-current assets	0.3	0.0
Cash flow from investing activities	**-61.4**	**-51.8**
Dividend payments to shareholders	-18.9	-18.1
Interest income	0.9	0.2
Interest expense	-11.2	-4.4
Cash receipts from borrowings	52.7	119.6
Repayments of loans	-3.9	-16.0
Principal elements of lease payments	-13.7	-13.2
Cash flow from financing activities	**5.9**	**68.1**
Cash flow from operating activities	58.3	-13.8
Cash flow from investing activities	-61.4	-51.8
Cash flow from financing activities	5.9	68.1
Change in cash and cash equivalents	**2.8**	**2.5**
Cash and cash equivalents at Jan. 1	**54.9**	**36.1**
Change in cash and cash equivalents	2.8	2.5
Change in cash and cash equivalents related to exchange rates	-1.1	2.5
Change in cash and cash equivalents related to the basis of consolidation	0.0	0.6
Cash and cash equivalents at Sep. 30	**56.6**	**41.7**

Upcoming financial dates

March 19, 2024: 2023 annual report

May 8, 2024: 2024 Annual General Meeting

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Forward-looking statements

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

About DEUTZ AG

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