PRESS RELEASE

Robust margin for DEUTZ in first half of 2024 despite fall in demand

- Revenue and earnings performance underscore increasing resilience
- At 5.7%, the adjusted EBIT margin is within the forecast target range for 2024
- As expected, new orders declined further owing to sustained market weakness
- Important milestones for future growth reached: completion of transactions for Blue Star Power Systems acquisition and alliance with Rolls-Royce Power Systems

Cologne, August 8, 2024 – DEUTZ remains highly profitable against a backdrop of economically challenging market conditions. This can be seen from the results released today for the first half of 2024. With EBIT before exceptional items at €50.1 million, the Company achieved a strong adjusted EBIT margin of 5.7%. Despite the significant drop in revenue, the margin was therefore almost unchanged year on year at the level of the entire Group[1] (Q1-Q2/2023: 6.1%) and down only slightly in respect of continuing operations (Q1-Q2/2023: 7.1%). This trend not only confirms that DEUTZ is becoming increasingly resilient but also underlines the success of the ongoing optimization of the portfolio.

The economic environment remained weak in nearly all end customer markets, leading to sharp falls of 18.1% and 18.9% in new orders and unit sales respectively. However, the decline in revenue to €875.5 million was much less severe at 12.6%. The contributing factors included the successful measures implemented to optimize costs and boost performance and the ongoing expansion of the less cyclical but high-margin service business, where revenue rose by 6.5% compared with the first half of 2023 to €252.9 million.[2] The Company's most profitable application segment was therefore its biggest source of revenue too.

"Our business performance shows that we are not immune to what happens in the market. Unlike in the past, however, we are operating profitably and earning money during this phase," explains DEUTZ CEO Dr. Sebastian C. Schulte. "This is thanks to the operational measures that we have implemented and the strategic milestones that we have reached. They are enabling us to put DEUTZ on a broader and thus more future-proof footing." This, according to Schulte, is clearly illustrated by the expansion of the service business and the acquisition of Blue Star Power Systems.

[1] Including the Torqeedo Group, which was part of the DEUTZ Group until April 3, 2024.
[2] Figures relating to continuing operations.

DEUTZ announced its entry into the market for decentralized energy supply at the end of June when it signed an agreement to acquire Blue Star Power Systems. The transaction was completed at the beginning of August. The acquisition of this US manufacturer of electricity generators represents an important strategic milestone in more ways than one. It is allowing DEUTZ to make further progress in its transition from component manufacturer to system provider, to gain access to new, complementary business models, and to tap into a fast-growing and less cyclical market in which it is already familiar with the technology and associated service business.

DEUTZ anticipates that the acquisition of Blue Star Power Systems will provide it with additional profitable revenue ranging from more than US$ 100 million to (in the medium term) more than US$ 150 million per year. Building on Blue Star Power Systems' business, revenue in the energy business is expected to increase to approximately €500 million by 2030 through both organic growth and growth by acquisition.

DEUTZ is also continuing to expand its Classic business. At the end of July, the Company completed the transaction announced in December 2023 for DEUTZ to take over Rolls-Royce Power Systems' sales and service activities for heavy-duty and medium-duty Daimler Truck engines. The Company expects the transaction to generate additional annual revenue of around €300 million.

DEUTZ anticipates that the two aforementioned transactions will deliver an EBIT margin that is above the current margin for the Group.

At the start of July, DEUTZ also announced an alliance with TAFE, a leading agricultural machinery company in India. This alliance, which is primarily aimed at expanding the internal combustion engine business, provides DEUTZ with access to one of the world's fastest-growing markets and will allow it to carry on manufacturing with a competitive cost structure in the future.

The strategic milestones reached are proof positive that DEUTZ is continuing to focus on the objectives defined under its Dual+ strategy despite the challenging environment. At the start of July, DEUTZ placed 12.6 million new shares with institutional investors, generating gross issue proceeds of around €72 million and thus creating the flexibility it needs, for example to fund further growth projects.

"High demand from investors showed that the capital markets support our strategy, sending us an important signal," states DEUTZ CFO Timo Krutoff. "In view of the successful capital increase and our comfortable financial position with an equity ratio of just under 50%, we are well equipped financially to fund our operating business and, at the same time, continue with our buy-and-build strategy."

Given the fall in demand as a result of the economic situation, DEUTZ now anticipates that, at best, it will reach the lower end of its forecast range for unit sales of 160,000 to 180,000 engines in 2024. Nevertheless, the Company still expects to generate revenue within a range of €1.9 billion to €2.1 billion thanks to its increasing resilience. The prediction for the adjusted EBIT margin is also unchanged at between 5.0% and 6.5%, with free cash flow (before potential M&A activities) in the mid-double-digit millions of euros. The forecast ranges for revenue and the adjusted EBIT margin are due to be firmed up and announced during the Capital Markets Day in October.

The Group's key figures for the first half of 2024 in detail

(Note: Unless otherwise indicated, all figures disclosed below are for continuing operations only.)

As expected, **new orders** received by the DEUTZ Group fell sharply in the first half of 2024, declining by -18.1% year on year to €791.0 million owing to the decrease in demand caused by the difficult economic situation. Among the application segments, only the service business recorded order growth, with its new orders rising by 6.5% year on year to €257.2 million. This increase was due to stronger demand in parts sales and, in particular, the business of the service company Diesel Motor Nordic, which was acquired in the second half of 2023 and was renamed DEUTZ Nordic in January 2024. The positive trend in the high-margin service business affirms the Company's strategic focus on these activities and, at the same time, is proof of the success of the service-related growth initiatives that DEUTZ is pursuing under its Dual+ strategy. All regions reported a significant fall in new orders compared with the first half of 2023.

As at June 30, 2024, **orders on hand** stood at €365.9 million, compared with €450.4 million at the end of 2023. Within this total, the orders on hand attributable to the service business were up sharply at €44.5 million (December 31, 2023: €40.3 million).

As expected, DEUTZ saw a considerable decrease in **unit sales** in the first half of 2024 as a result of falling new orders in previous quarters. It sold 74,162 engines in the reporting period, a drop of -18.9% compared with the 91,451 engines sold in the prior-year period. All of the application segments except Material Handling saw a substantial decrease in unit sales. The Material Handling application segment's unit sales jumped by 14.1%, as a result of which the Americas region recorded a small rise in unit sales of 0.9%. By contrast, the EMEA and Asia-Pacific regions both saw double-digit percentage decreases in unit sales.

The decline in **consolidated revenue** reflected the decline in unit sales. However, revenue did not fall as significantly as unit sales thanks to market-oriented pricing, active portfolio management, and a jump in service revenue. As a result, consolidated revenue amounted to €875.5 million, a year-on-year decrease of 12.6% (H1/2023: €1,001.2 million). In line with the trend in unit sales, revenue went down in all application segments except Material Handling and the service business. Reflecting its growth in unit sales, the Material Handling application segment increased its revenue by 9.2% to €234.9 million. Service revenue rose by 6.5% to €252.9 million. This uptrend was thanks to growth resulting from the consolidation of the companies DEUTZ Nordic and Mauricio Hochschild (both acquired in the second half of 2023) and, in particular, the expansion of parts sales. At regional level, the decline in revenue was attributable to the EMEA and Asia-Pacific regions, with Germany and the rest of Europe experiencing the sharpest decreases. However, favorable price and portfolio effects meant that the reductions in revenue there were far less pronounced than the reductions in unit sales. In the Americas, by contrast, DEUTZ generated revenue growth of 2.0% that was primarily due to increased revenue in the Construction Equipment and Material Handling application segments.

Adjusted EBIT (EBIT before exceptional items) fell to €50.1 million in the first half of 2024 (Q1-Q2/2023: €71.4 million), mainly due to the decline in revenue. The equivalent figure for the DEUTZ Classic segment was €67.7 million (Q1-Q2/2023: €86.8 million); the Green segment's adjusted EBIT amounted to a net loss of €-17.8 million (Q1-Q2/2023: net loss of €-15.6 million).

The **adjusted EBIT margin** was down only slightly year on year at 5.7% despite the significant drop in revenue (Q1-Q2/2023: 7.1%).

As a result of the decrease in operating profit (EBIT), **net income from continuing operations** fell year on year from €53.8 million to €25.6 million. Furthermore, there was **net income from the discontinued operations** of the Torqeedo Group[3] of €10.2 million (Q1-Q2/2023: net loss of €-9.5 million), predominantly due to the net gain on deconsolidation. **Net income from continuing and discontinued operations** therefore came to €35.8 million (Q1-Q2/2023: €44.3 million). Accordingly, **earnings per share** declined from €0.36 in the prior-year period to €0.28, or from €0.44 to €0.20 for continuing operations only.

Cash flow from operating activities amounted to €3.3 million in the first half of 2024, which was down by €-52.9 million compared with the figure for the prior-year period of €56.2 million. This was mainly attributable to the year-on-year decline in earnings resulting from the fall in revenue and to the change in other provisions and liabilities.

DEUTZ generated free cash flow from continuing operations of -€-35.1 million in the first half of 2024, down from €18.1 million in the prior-year period because of the decline in cash flow from operating activities. There were no changes to this figure as a result of M&A activities in the reporting period.

At €-166.2 million as at June 30, 2024, the DEUTZ Group's net financial debt was up marginally by €-2.8 million compared with December 31, 2023.

The equity ratio for the entire Group improved to 49.8% as at June 30, 2024 (December 31, 2023: 46.7%). The DEUTZ Group's financial position therefore remains comfortable.

[3] In January 2024, DEUTZ signed an agreement to sell its subsidiary Torqeedo, which specializes in electric boat drives. The transaction was completed on April 3.

DEUTZ Group | Overview of key figures for continuing operations

€ million	Q1-Q2/2024	Q1-Q2/2023	Change
New orders	791.0	965.9	-18.1%
Group unit sales (units)	74,162	91,451	-18.9%
Revenue	875.5	1,001.2	-12.6%
EBIT	39.2	70.7	-44.6%
thereof exceptional items	-10.9	-0.7	-1,457.1%
Adjusted EBIT (EBIT before exceptional items)	50.1	71.4	-29.8%
EBIT margin before exceptional items	5.7%	7.1%	-1.4pp
Net income	25.6	53.8	-52.4%
Earnings per share (€)	0.20	0.44	-54.5%
Earnings per share before exceptional items (€)	0.28	0.44	–
Equity (Jun. 30/Dec. 31)[4]	761.2	743.2	2.4%
Equity ratio (%)[5]	49.8	46.7	+3.1 pp
Cash flow from operating activities	3.3	56.2	-94.1%
Free cash flow	-35.1	18.1	–
Net financial position (Jun. 30/Dec. 31)	-166.2	-163.4	-1.7%
Employees (Jun. 30)[6]	5,043	4,963	1.6%

[4] Figure for the entire Group including discontinued operations.
[5] Figure for the entire Group including discontinued operations.
[6] Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

DEUTZ Classic segment: Overview of key figures

€ million	Q1-Q2/2024	Q1-Q2/2023	Change
New orders	788.0	964.2	-18.3%
Unit sales (units)	73,806	91,424	-19.3%
Revenue	873.0	997.0	-12.4%
Adjusted EBIT (EBIT before exceptional items)	67.7	86.8	-22.0%
EBIT margin before exceptional items (%)	7.8	8.7	-0.9 pp

DEUTZ Green segment: Overview of key figures for continuing operations

€ million	Q1-Q2/2024	Q1-Q2/2023	Change
New orders	3.0	1.7	76.5%
Unit sales (units)[7]	356	27	1,218.5%
Revenue	2.5	4.2	-40.5%
Adjusted EBIT (EBIT before exceptional items)	-17.8	-15.6	-14.1%
EBIT margin before exceptional items (%)	-712.0	-371.4	-340.6 pp

The interim report is available at www.deutz.com/en/investor-relations.

Upcoming financial dates

October 8, 2024: Capital Markets Day, Cologne

November 7, 2024: Quarterly statement for the first to third quarter of 2024

March 20, 2025: Annual Report 2024

May 8, 2025: General Annual Meeting

[7] Electric drives, hydrogen engines, battery systems with a motor, DEUTZ PowerTree.

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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 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, stationary equipment such as generator sets (gensets) as well as commercial and rail vehicles. With over 5,000 employees worldwide and around 1,000 sales and service partners in more than 120 countries, DEUTZ generated revenue of around €2.1 billion in the 2023 financial year. Further information is available at www.deutz.com.