

PRESS RELEASE

DEUTZ achieves record earnings and looks ahead to the new year with confidence

- Revenue up by almost 8 % to €2.1 billion in 2023
- Guidance met third year in a row
- Adjusted group earnings up by 34.7 % to €120.4 million
- Adjusted earnings cont. operations up by 38.7 % to €143.6 million

Cologne, March 19, 2024 – Within a persistently challenging macroeconomic environment, DEUTZ stayed on course in the 2023 financial year and achieved record results for revenue EBIT¹. The drive manufacturer grew its revenue by 7.8 % to around €2.1 billion. The company also significantly increased its profitability: adjusted earnings were up by just under 35 % and the margin rose by 1.1 percentage points to 5.7 %. The company thereby achieved the upper end of the earnings guidance it last specified in November. For the new financial year, DEUTZ expects revenue of between €1.9 billion and €2.1 billion and an EBIT margin before exceptional items of between 5.0 and 6.5 %.

“With the Dual+ strategy we presented at the start of 2023, we are focusing on clean combustion engines, market-oriented green technologies, and the global expansion of our service business. The results for the past financial year prove that this approach is working,” notes DEUTZ CEO Dr. Sebastian C. Schulte. “At the same time, we are delivering step-by-step what we set out to do. We achieved the guidance we upgraded during the course of the year. And the potential of the company becomes even more apparent when taking the 7 % EBIT-margin¹ of our continued operations into account.”

Strong growth in business with classic combustion engines

With almost 187,000 diesel engines sold, DEUTZ achieved strong organic growth in its Classic segment and increased its margin¹ to 8.8 %. The company is continuing to advance market

¹ Adjusted for extraordinary items

consolidation in the area of classic combustion engines through targeted acquisitions and partnerships. The partnership with Daimler Truck and planned takeover of service and sales activities for selected MTU engines from Rolls-Royce Power Systems has enabled the company to take an important step towards its objective of becoming one of the top three independent engine manufacturers by 2030.

Working with partners to create a climate-neutral product ecosystem

The first series order for the DEUTZ hydrogen engine shows that combustion technology can form a building block on the path to a climate-neutral product portfolio. The repositioning and refocusing of the Green segment which has been initiated establishes the preconditions required to meet this objective. The divestiture of electric boat engine specialist Torqeedo to Yamaha Motors represents an important step. Closing is expected after easter. The resources that have been freed up enable DEUTZ to drive forward the development of alternative drive systems more rapidly and with a stronger alignment to market and customer requirements.

Strong service business to keep the world moving

By increasing its share of revenue to €484 million and making two acquisitions on two continents, DEUTZ further expanded and consolidated its regional position in its Service business. In addition to volume, the development of smart maintenance and service applications is key to the growth of the Service segment. The aim is not just to manufacture engines, but to keep them running and extend their life cycle sustainably.

Keeping the world moving means not standing still yourself

Alongside the Classic, Green and Service business areas relating to products, the transformation of the corporate culture forms an essential part of the “Dual+” strategy. To date, more than 2,000 employees have discussed the new strategy at intensive workshops, developed principles for activities, and drawn conclusions for their own work. “We already feel our collaboration is continuing to improve in many areas,” confirms Dr. Sebastian C. Schulte. “In 2023, we have become faster, more variegated, and more international. We aim to power ahead with the continuation of the DEUTZ success story.”

The Group's key figures for 2023 in detail

The DEUTZ Group's **new orders** amounted to €1,797.3 million in the 2023 financial year, below the previous year's high level of €2,033.6 million. Firstly, this reflects lower demand, particularly in the Construction and Agricultural equipment segments, and secondly, the previous year was positively impacted by around €100 million of extraordinary, advanced purchasing effects.

In regional terms, new orders in America posted slight growth in the reporting period. The EMEA region, by contrast, recorded a tangible reduction, while Germany showed a solid development with only a slight decrease. In terms of application areas, the trend was also mixed: the Material Handling and Service segments recorded growth; by contrast, new orders for Stationary Equipment, Agricultural Equipment, and Construction Equipment stood significantly below the previous year's level.

Orders on hand decreased from €773.5 million as of December 31, 2022, to €463.2 million as of the end of 2023, indicating a normalized, stable order situation for the coming months.

Unit sales of DEUTZ Classic engines grew by 3.0 % to 186,718 units. The positive trend was driven by growth in the Material Handling application area. The Construction, Agricultural, and Stationary equipment segments all recorded single-digit percentage reductions. In regional terms, the Americas recorded the most significant increase with growth of 13.8 %, particularly reflecting higher unit sales in the Material Handling segment. DEUTZ recorded slight growth in the EMEA region, while the Asia/Pacific region was down by almost 10 % due to weaker demand from China.

In line with the positive trend in unit sales of DEUTZ Classic engines, DEUTZ **generated revenue growth** of 7.8 % to €2,104.8 million in the reporting period. All application areas performed well, with the exception of the Agricultural Equipment and Miscellaneous segments. The Classic segment grew by 8.9 % to €2,058.2 million, while revenue in the Green segment was down by - 27.5 % to €46.4 million. With revenue growth of 7.5 % to €483.8 million, the Service segment's share of Group revenue amounted to 23.0 %. Parts sales and DEUTZ Xchange performed particularly well.

In the DEUTZ Group's continued operations, **revenue** was up by 9.0 % to €2,063.2 million. The revenue share of the continued operations of the Green segment was €5.0 million.

Strong improvement in profitability

EBIT before exceptional items (adjusted EBIT) improved from €89.4 million to €120.4 million in the reporting period, reflecting 34.7 % growth. This improvement is attributable to business volume growth, the successful implementation of the growth strategy in the Service area, as well as reduced costs. Additional cost burdens due to higher personnel, energy, and material prices were successfully mitigated by pricing in line with the market. This was offset by higher selling and administrative expenses, negative currency effects, and negative earnings contributions from the DEUTZ subsidiary Torqeedo and the Chinese joint venture Hunan DEUTZ Power.

While DEUTZ Classic's EBIT before special items rose by 40.6% year-on-year to €180.1 million, adjusted earnings in the Green segment declined as expected to €-60.3 million, compared with €-39.2 million in the previous year. This is due to higher losses at Torqeedo and high investments in research and development.

The **adjusted EBIT margin** also rose significantly year-on-year, from 4.6 % to 5.7 %. In the high-revenue Classic segment, which encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business, the adjusted EBIT margin improved from 6.8 % to 8.8 %.

Continued operations show earnings potential

Especially promising was the development in the DEUTZ Group's continued operations. **EBIT before exceptional items** (adjusted earnings) improved by 38.7 % to €143.6 million. In addition to the aforementioned reasons, the classification of Torqeedo as discontinued operations was a contributor to the jump in earnings.

The **adjusted EBIT margin** for the DEUTZ Group's continued operations also improved significantly year-on-year, from 5.5 % to 7.0 %.

EBIT of DEUTZ Group amounted to €100.3 million in the 2023 financial year, compared with €82.6 million in the previous year. This includes exceptional items amounting to -€20.1 million.

These relate particularly to impairment losses of €-14.3 million on capitalized development costs and the impairment of a distribution license amounting to €-1.5 million.

EBIT from the DEUTZ Group's continued operations improved by 26.5 % to €123.5 million. In addition to the aforementioned reasons, the classification of Torqeedo as discontinued operations was a contributor to the jump in earnings.

As in the previous year, **net income** in the 2023 reporting year benefited from deferred tax income of €20.1 million (previous year: €20.5 million). Due to exceptional items, lower financial income, and a higher tax burden, net income rose only slightly to €81.9 million, compared with the previous year's €80.2 million. **Earnings per share** remained unchanged at €0.66 due to the new shares issued to Daimler Truck AG as part of a non-cash capital increase.

Positive free cash flow development

Cash flow from operating activities amounted to €138.8 million in the financial year, compared with €57.7 million in the previous year. In addition to the positive earnings performance, this growth also reflects a less pronounced increase in working capital.

Owing to the growth in cash flow from operating activities, **free cash flow before M&A activities** of €55.9 million was also significantly higher than the previous year's level of €-7.4 million, and thereby in line with the guidance of a mid double-digit-million-euro amount. For continued operations the free cash flow before M&A activities improved from €15.6 million to €72.9 million.

At 46.7 %, the **equity ratio** stood slightly above the previous year's level of 45.3 %. The DEUTZ Group's financial position thereby remains comfortable.

Dividend of €0.17 per share proposed for 2023

The company intends to propose a dividend of €0.17 per dividend-bearing share to the Annual General Meeting on May 8, 2024. This would be equivalent to a dividend payout ratio of around 26 %. The proposed dividend for this year diverges from the target of distributing 30 % of net income, but reflects the reported non-cash effect of deferred tax income.

Moderate growth expected in 2024

For the continued operations DEUTZ forecasts unit sales of 160,000 to 180,000 DEUTZ engines in 2024, which, together with the additional revenue expected from the agreement-in-principle with Rolls-Royce Power Systems, should lead to revenue in a range between €1.9 billion and €2.1 billion. In this context, the adjusted EBIT is anticipated in a range between 5.0 % and 6.5 %. Free cash flow before M&A is expected to lie in the mid double-digit-million-euro range.

DEUTZ Group: Overview of key figures

€million	2023	2022	Change	Q4 2023	Q4 2022	Change
New orders	1,797.3	2,033.6	-11.6%	361.5	513.9	-29.7%
Group unit sales (units)	223,247	234,682	-4.9%	58,180	65,330	-10.9%
thereof DEUTZ engines	186,718	181,249	3.0%	49,321	50,379	-2.1%
thereof Torqeedo	36,131	53,414	-32.4%	8,859	14,937	-40.7%
Revenue	2,104.8	1,953.4	7.8%	564.8	557.6	1.3%
EBIT	100.3	82.6	21.4%	8.3	25.2	-67.1%
thereof exceptional items	-20.1	-6.8	195.6%	-19.4	1.7	-
Operating profit (EBIT before exceptional items)	120.4	89.4	34.7%	27.7	23.5	17.9%
EBIT margin (%)	4.8	4.2	+0.5 pp	1.5	4.5	-3 pp
EBIT margin before exceptional items (%)	5.7	4.6	+1.1 pp	4.9	4.2	+0,7 pp
Net income	81.9	80.2	2.1%	16.0	35.1	2.1%
Earnings per share (€)	0.66	0.66	0%	0.13	0.29	-55.2%
Equity (Dec. 31)	743.2	668.8	11.1%	-	-	-
Equity ratio (%)	46.7	45.3	1.4 pp	-	-	-
Cash flow from operating activities	138.8	57.7	140.6%	-	-	-
Free cash flow ²	55.9	-7.4	-	-	-	-
Net financial position (Dec. 31)	-171,5	-164.2	-4.4%	-	-	-
Employees ³ (Dec. 31)	5,284	4,975	6.2%	-	-	-

² Before M&A³ Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

DEUTZ Group continued operations: Overview of key figures

€million	2023	2022	Change	Q4 2023	Q4 2022	Change
New orders	1,749.9	1,980.8	-11.7%	351.0	503.6	-30.3%
Group unit sales (units)	187,116	181,268	3.2%	49,557	50,393	-1.7%
Revenue	2,063.2	1,892.1	9.0%	556.0	545.8	1.9%
EBIT	123.5	97.6	26.5%	17.6	32.1	-45.1%
thereof exceptional items	-20.1	-5.9	240.7%	-19.4	1.7	-
Operating profit (EBIT before exceptional items)	143.6	103.5	38.7%	37.0	30.9	19.7%
EBIT margin (%)	6.0	5.2	0.8 pp	3.2	5.9	-2.7 pp
EBIT margin before exceptional items (%)	7.0	5.5	+1.5 pp	6.7	5.7	+1 pp
Net income	106.9	95.4	12.1%	-	-	-
Earnings per share (€)	0.86	0.79	8.9%	-	-	-
Equity (Dec. 31)	743.2	668.8	11.1%	-	-	-
Equity ratio (%)	46.7	45.3	+1.4 pp	-	-	-
Cash flow from operating activities	151.5	77.7	95.0%	-	-	-
Free cash flow ⁴	72.9	15.6	367%	-	-	-
Net financial position (Dec. 31)	-163.4	-155.9	-4.8%	-	-	-
Employees ⁵ (Dec. 31)	5,084	4,773	6.5%	-	-	-

⁴ Before M&A

⁵ Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

DEUTZ Classic segment: Overview of key figures

€million	2023	2022	Change	Q4 2023	Q4 2022	Change
New orders	1,743.2	1,981.1	-12.0%	350.6	505.4	-30.6%
Unit sales (units)	186,718	181,249	3.0%	49,187	50,379	-2.4%
Revenue	2,058.2	1,889.4	8.9%	554.2	545.0	1.7%
Operating profit (EBIT before exceptional items)	180.1	128.1	40.6%	48.1	35.6	35.1%
EBIT margin before exceptional items (%)	8.8	6.8	+2 pp	8.7	6.5	+2.2 pp

DEUTZ Green segment: Overview of key figures

€million	2023	2022	Change	Q4 2023	Q4 2022	Change
New orders	54.1	52.5	3.0%	10.9	8.5	28.2%
Unit sales (units)	36,529	53,433	-31.6%	8,993	14,951	-39.9%
Revenue	46.6	64.0	-27.2%	10.6	12.6	-15.9%
Operating profit (EBIT before exceptional items)	-60.3	-39.2	-53.8%	-20.8	-13.0	-60.0%
EBIT margin before exceptional items (%)	-129.4	-61.3	-68.1 pp	-196.2	-103.2	-93.0 pp

DEUTZ Green segment continued operations: Overview of key figures

€million	2023	2022	Change	Q4 2023	Q4 2022	Change
New orders	6.7	-0.3	-	0.4	-1.8	-
Unit sales (units)	398	19	1,994.7%	370	14	2,542.9%
Revenue	5.0	2.7	85.2%	1.8	0.8	125.0%
Operating profit (EBIT before exceptional items)	-37.1	-25.1	-47.8%	-11.5	-5.6	-105.4%
EBIT margin before exceptional items (%)	-742.0	-929.6	+187.6pp	-638.9	-700.0	+61.1 pp

The 2023 annual report is available at www.deutz.com/en/investor-relations.

Upcoming financial dates

April 30, 2024: Quarterly statement for the first quarter of 2023

May 8, 2024: Virtual 2024 Annual General Meeting

August 8, 2024: Interim report for the first half of 2024

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Forward-looking statements

This press release 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 5,000 employees worldwide and around 1,000 sales and service partners in more than 130 countries. It generated revenue of more than €2.1 billion in 2023. Further information is available at www.deutz.com.