160 YEARS | DEUTZ

INTERIM REPORT

FIRST HALF OF 2024

DEUTZ 2024

DEUTZ GROUP: OVERVIEW (continuing operations)[1]

€ million

	Q1-Q2/2024	Q1-Q2/2023[2]	Change	**Q2/2024**	Q2/2023	Change
New orders	791.0	965.9	-18.1%	371.8	450.1	-17.4%
Unit sales (units)	74,162	91,451	-18.9%	35,920	45,341	-20.8%
Revenue	875.5	1,001.2	-12.6%	420.8	494.2	-14.9%
EBITDA	83.4	115.3	-27.7%	37.3	56.1	-33.5%
EBITDA (before exceptional items)	94.3	116.0	-18.7%	44.3	56.8	-22.0%
EBIT	39.2	70.7	-44.6%	15.4	33.9	-54.7%
thereof exceptional items	-10.9	-0.7	-1,457.1%	-7.0	-0.7	-900.0%
EBIT margin (%)	4.5	7.1	- 2.6pp	3.7	6.9	-3.2pp
Adjusted EBIT margin (before exceptional items)	50.1	71.4	-29.8%	22.4	34.6	-35.3%
EBIT margin (before exceptional items, %)	5.7	7.1	-1.4pp	5.3	7.0	-1.7pp
Net income	25.6	53.8	-52.4%	9.1	25.0	-63.6%
Earnings per share (€)	0.20	0.44	-54.5%	0.07	0.20	-65.0%
Earnings per share (before exceptional items, €)	0.28	0.44	-36.4%	0.12	0.20	-40.0%
Free cash flow[3]	-35.1	18.1	–	-40.2	3.8	–
Net financial position at Jun. 30/Dec. 31[4]	-166.2	-163.4	-1.7%			
Working capital[5]	423.6	353.1	20.0%			
Working capital ratio (average, %)[6]	20.5	16.8	+3.7pp			
Capital expenditure (after deducting grants)[7]	45.5	88.3	-48.5%	25.7	20.8	23.6%
Employees (number as at June 30)[8]	5,043	4,963	1.6%			

DEUTZ GROUP: OVERVIEW (entire Group)

Revenue	883.1	1,023.5	-13.7%	420.7	506.3	-16.9%
EBIT	48.9	61.9	-21.0%	32.4	29.8	8.7%
thereof exceptional items	-1.2	-0.7	-71.4%	10.0	-0.7	-
Adjusted EBIT margin (before exceptional items)	50.1	62.6	-20.0%	22.4	30.5	-26.6%
EBIT margin (before exceptional items, %)	5.7	6.1	-0.4pp	5.3	6.0	-0.7pp
Net income	35.8	44.3	-19.2%	27.0	20.5	31.7%
Earnings per share (€)	0.28	0.36	-22.2%	0.21	0.16	31.3%
Equity at Jun. 30/Dec. 31	761.2	743.2	2.4%			
Equity ratio (%)	49.8	46.7	+3.1pp			
Free cash flow	31.2	8.3	275.9%	32.6	-2.5	-
Working capital	423.6	383.6	10.4%			
Working capital ratio (average, %)	21.3	17.9	+3,4pp			
Employees (number as at June 30)	5,043	5,147	-2.0%			

DEUTZ Classic (continuing operations)

	1-6/2024	1-6/2023	Change
New orders (€ million)	788.0	964.2	-18.3%
Unit sales (units)	73,806	91,424	-19.3%
Revenue (€ million)	873.0	997.0	-12.4%
Adjusted EBIT (€ million)	67.7	86.8	-22.0%
Adjusted EBIT margin (%)	7.8	8.7	-0.9pp

DEUTZ Green (continuing operations)

	1-6/2024	1-6/2023	Change
New orders (€ million)	3.0	1.7	76.5%
Unit sales (units)	356	27	1,218.5%
Revenue (€ million)	2.5	4.2	-40.5%
Adjusted EBIT (€ million)	-17.8	-15.6	-14.1%
Adjusted EBIT margin (%)	-712.0	-371.4	-340.6pp

[1] In accordance with IFRS 5, continuing operations do not include the Torqeedo Group.
[2] The figures for the prior-year period have been restated in accordance with the provisions of IFRS 5. In addition, balance sheet-related key figures as at December 31, 2023 have been restated for comparability.
[3] Cash flow from operating activities and from investing activities less interest expense.
[4] Cash and cash equivalents less current and non-current interest-bearing financial debt.
[5] Inventories plus trade receivables less trade payables.
[6] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[7] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding the Group's capitalized development expenditure.
[8] Full-time equivalents (FTEs).

CONTENTS

About this report

REPORTING STRUCTURE

This report covers the reporting period from January 1 to June 30, 2024. To ensure that it is as up to date as possible, this report also contains any relevant information that was available by the time that the responsibility statement was issued on July 30, 2024. The consolidated financial statements and group management report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and with the additional requirements pursuant to the German Commercial Code (HGB).

AUDITOR'S REVIEW

The condensed interim consolidated financial statements prepared by DEUTZ AG – comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and selected notes to the consolidated financial statements – and the interim group management report for the period from January 1 to June 30, 2024, which are part of the half-year financial report pursuant to section 115 of the German Securities Trading Act (WpHG), have been reviewed by the auditor BDO AG Wirtschaftsprüfungsgesellschaft (BDO). See 'Review report', p. 50 onward.

The remit of BDO's engagement did not include a review of references to the 2023 annual report, which was audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, or to external sources such as the Company website.

FORWARD-LOOKING STATEMENTS

This report includes certain statements and assumptions about future events and developments. Such forward-looking statements include known and unknown risks, uncertainties, and other factors. This means that the actual future performance, development, and results of the Company, and of sectors important to the Company, may be significantly different – in particular, may differ negatively – from those expressly or implicitly assumed in these statements. It is therefore not possible to make any guarantees with regard to the forward-looking statements made in this report.

FURTHER INFORMATION

In this report, references to further information are highlighted in the text and the relevant page number is given.

MISCELLANEOUS

This interim report for the first half of 2024 is available in German and English. To improve readability, we do not indicate rounding differences in this report.

Interim management report

Fundamental features of the Group

Business model and segments

DEUTZ is one of the world's leading manufacturers of drive systems for off-highway applications. The Company was founded in 1864 and employed around 5,043 people worldwide at the end of the first half of 2024. Its core competencies are the development, production, and distribution of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel and gas engines to electric and hydrogen drives. DEUTZ drives are used in a wide range of applications, including construction equipment and agricultural machinery, forklift trucks, lifting platforms, and other material handling equipment, stationary equipment such as generator sets (»gensets«), and commercial and rail vehicles. DEUTZ also offers a comprehensive range of digital and analog services through around 1,000 sales and service partners in over 120 countries.

The Company's operating activities are divided into the segments Classic and Green. See also 'Strategy and objectives', p. 6 onward. The Classic segment, which generated around 99% of consolidated revenue from continuing operations in the first half of 2024, encompasses all activities related to the development, production, distribution, and servicing of diesel and gas engines, the equity-accounted joint venture with Chinese construction equipment manufacturer SANY, and other joint ventures. The Green segment consists of all activities related to new and alternative drive solutions. This includes hydrogen drives, electric drives, the related service business, and the subsidiary Futavis, which specializes in battery management systems.

Market and competitive environment

Sales of engines based on efficient diesel technology, which is currently the core business of the DEUTZ Group, are focused on the Europe, North America, and Asia regions. Competing engine suppliers are based primarily in Italy, the United Kingdom, Japan, and the USA.

DEUTZ's main competitors by application segment[9,10]

Application segments	Applications	Main competitors[11]
Construction Equipment	Excavators Wheel loaders Pavers Mining equipment	Cummins, USA Isuzu, Japan Weichai, China Yanmar, Japan
Material Handling	Forklift trucks Telehandlers Lifting platforms Ground support	Cummins, USA Isuzu, Japan Kubota, Japan Yanmar, Japan
Agricultural Machinery	Tractors Harvesters	Fiat Powertrain, Italy John Deere, USA Perkins, UK Yanmar, Japan
Stationary Equipment	Gensets Pumps Compressors	Cummins, USA Kubota, Japan Perkins, UK Yanmar, Japan
Other	Rolling stock Special vehicles Marine engines	Ford, USA General Motors, USA Kubota, Japan Yanmar, Japan

At the start of 2023, the European Parliament resolved that, from 2035 onward, newly registered passenger cars and light commercial vehicles up to 3.5 tonnes will no longer be allowed to emit any greenhouse gases. This will effectively prohibit the use of gasoline and diesel engines in these vehicles. In February 2024, the EU also reached a provisional agreement on stricter restrictions for heavy-duty commercial vehicles. The aim is to lower CO_2 emissions from trucks, buses, and trailers in the EU by 90% by 2040, compared with 2019 levels. It should be possible to count the use of e-fuels toward the total reduction, though there is not yet any binding regulation in place. These CO_2 targets do not currently apply to off-highway applications. However, experience has shown that the regulatory framework for off-highway applications is brought into line some years later. For this reason and so that it can offer customers more climate-friendly solutions in the future, DEUTZ is developing both electric drives and engines that run on alternative fuels. Furthermore, it can be assumed that DEUTZ's supplier base will change in the future as a result of this resolution, because it is likely to result in fewer suppliers being active in the engine parts sector.

[9] Power Systems Research, April 2024, power output from 15 to 620 kW.
[10] With the exception of Weichai, Chinese competitors are not listed here due to the lack of comparable quality standards and the significantly lower cost structures.
[11] In alphabetical order.

Strategy and objectives

The DEUTZ Group's primary objectives are to achieve profitable and sustainable growth until 2030 in order to create added value for its shareholders, to establish itself among the top three independent drive manufacturers, and to offer a fully climate-neutral product and technology portfolio by no later than 2050.

Dual+ strategy for sustainable, profitable growth The industry sectors that make up DEUTZ's customer base are in the middle of a fundamental shift toward greater climate neutrality. DEUTZ also strives to empower its customers to carry out this transition successfully and capitalize on the resulting opportunities for growth.

DEUTZ is pursuing a Dual+ strategy in response to the global challenges of the transition to more sustainable drive systems and in order to achieve its overarching objectives. There are three main pillars to the strategy: continued growth of the DEUTZ Classic business through optimized internal combustion engines, the creation – under the name DEUTZ Green – of a zero-emission product ecosystem that is aligned to the needs of the market, and the worldwide expansion of the high-margin service business.

DEUTZ Classic DEUTZ believes that internal combustion engines will continue to play an important role in the off-highway segment over the next 20 years and indeed will need to do so to help facilitate a smooth transition to more sustainable drive systems. That is why the Classic segment will continue to underpin the growth of DEUTZ's business over the coming years, with the volume of production of these engines set to rise to, and stay at, more than 200,000 units a year. In order to achieve this, DEUTZ intends to substantially improve its technical and financial performance, for example through better utilization of existing capacities. The aim is also to significantly increase profitability in the Classic business, for example by adding higher-margin products to the product mix, optimizing the production network, permanently establishing a market-oriented pricing policy, and forging ahead with the automation and digitalization of operational and administrative processes.

In order to be able to respond better to changing market requirements, DEUTZ started up a new assembly line with updated production technology in the existing area of its assembly plant at its headquarters in Cologne-Porz at the beginning of June. This currently has the highest level of variant and volume flexibility of all DEUTZ production lines. Engines with a displacement of 4 to 8 liters will be manufactured on the new assembly line. The series production of the DEUTZ hydrogen engine TCG 7.8 H2 will also take place on this line.

The engine market is undergoing a process of consolidation as it adapts to the transition to more sustainable drive systems. From a commercial perspective, this presents DEUTZ with an opportunity to achieve further growth in its Classic segment by securing new orders and through targeted acquisitions and alliances. DEUTZ is looking to seize this opportunity and will therefore continue to play an active role in a consolidating market.

At the beginning of 2023, DEUTZ and Daimler Truck AG entered into an alliance regarding the development and distribution of medium- and heavy-duty engines (MDEG and HDEP platforms) in the off-highway segment, for which activities are due to commence in 2028. At the beginning of August, DEUTZ will reach a further important milestone in connection with this strategic alliance. This saw DEUTZ and Rolls-Royce's Power Systems business unit (RRPS) will conclude the agreement initially reached at the end of 2023 for DEUTZ to take over the sales and service activities for various industrial engines produced by Daimler Truck. The economic take over is planned for August 1, 2024. Specifically, the transaction will provide for DEUTZ to take over from RRPS the distribution of the mtu Classic model series and the mtu engine series 1000-1500, which are based on three Daimler Truck engine platforms. These engines are used in a range of off-highway applications, mainly in the agricultural machinery and construction equipment sectors.

This agreement for DEUTZ to take over Rolls-Royce Power System's sales and service activities means that, at the time of takeover, it will be distributing the off-highway variants of heavy- and medium-duty Daimler Truck engines four years earlier than provided for under the current alliance with Daimler Truck. DEUTZ will also distribute the older mtu Classic series (Daimler Truck engine series OM900 & OM460). By accessing the engine platforms at this significantly earlier stage, DEUTZ can offer its existing and prospective customers a much better concept for the transition, which will give them greater planning certainty. DEUTZ, meanwhile, benefits from faster access to the market. The service activities for engines that are already in use also form part of the takeover, and these activities will be carried out exclusively by authorized DEUTZ partners from January 1, 2025.

As a result of the takeover, DEUTZ expects to generate additional annual revenue of approximately €300 million, of which roughly 90% should contribute to the growth of the Classic segment and around 10% to the expansion of the service business. This additional revenue has an EBIT margin that is above the Group's current margin. The purchase price for the engine portfolio is in the upper double-digit millions of euros.

Furthermore, at the beginning of July 2024, DEUTZ announced that it would be entering into an alliance with the Indian agricultural machinery company TAFE Motors and Tractors Limited, a subsidiary of TAFE, the third-largest tractor manufacturer worldwide. This long-term alliance encompasses both the further development of alternative drive systems and the expansion of the internal combustion engine business. It will initially see TAFE Motors produce up to 30,000 DEUTZ engines with a capacity of 2.2 to 2.9 liters under license at its manufacturing facility in Alwar, Rajasthan in India. Production is scheduled to start in 2027 and to have fully ramped up by 2030. DEUTZ will use the Indian manufacturing base to sell the engines in neighboring markets, mainly in the Asia-Pacific region, meaning it will benefit from efficiencies in production and logistics.

Through this strategic alliance, DEUTZ is not only tapping into one of the world's fastest-growing markets. The Company is also expanding its supplier base in order to make its production more efficient and resilient, and reducing its reliance on supply chains in geopolitically tense regions which means that it will be able to continue producing its smaller internal combustion engines at competitive costs in the future.

DEUTZ Green Some sectors have already reached a consensus on how to achieve net zero. There appears to be no going back on electrification in the automotive sector, for example. But for engines that move large loads and are in continuous use, DEUTZ believes that a number of technological options are available – or even a combination of them. For this reason, DEUTZ is pursuing a technology-neutral approach as it establishes its Green segment. This means improving the carbon footprint of the internal combustion engine, for example through the use of HVO[12], hydrogen, or synthetic fuels, and developing alternative drive systems such as electric drive systems.

With regard to hydrogen drive solutions, several pilot projects are already under way, for example in stationary power generation, in rail transportation, in transportation logistics, and in off-highway applications. The DEUTZ hydrogen engine is due to go into volume production as scheduled at the end of 2024. DEUTZ had already received its first large order, for 100 hydrogen-powered gensets (H2 gensets), from China at the end of 2023.

The Company also made further progress in the implementation of its electrification strategy aimed at developing a scalable portfolio of all-electric drives to meet specific customer requirements. In this context, DEUTZ presents itself as both systems engineering partner and systems integrator, supplying a harmonized system consisting of an electric motor, battery, power electronics, and reduction gear for traction, along with control software for battery management, functional safety, and actuator logic.

In May 2024, DEUTZ appointed a new CEO for its Green business as part of the realignment of the segment that had been initiated the previous year. Now that Green has a more independent organizational structure, it should be able to align its development activities even more closely with the market and the needs of customers. Back in 2022, DEUTZ had announced that it would be investing around €100 million in the Green segment between 2023 and 2025, of which more than a third had already been spent in 2023. A revised segment strategy including medium-term targets is set to be defined and announced between now and the end of the year.

DEUTZ Service The third pillar (the 'plus') of the Dual+ strategy involves the expansion of the profitable service and aftermarket business. The objective here is for the contribution to consolidated revenue from the service business to rise to more than €600 million by the end of 2025 while maintaining the same level of profitability. To achieve this, the Company intends to expand both the global service network and the service portfolio, particularly with regard to digital service concepts, and to extend its service activities to the maintenance of non-DEUTZ engines through targeted acquisitions and strategic partnerships.

Ongoing optimization of the product portfolio through new business models DEUTZ is continually analyzing its existing portfolio of products and services in order to ensure that it is properly prepared for the future. In January 2024, as part of this process, DEUTZ signed an agreement regarding the sale of its subsidiary Torqeedo, which specializes in electric drives for boats. The transaction was completed at the beginning of April.[13]

For DEUTZ, the further development and optimization of its portfolio also means increasing its resilience by prudently expanding its range of products and its value chains to incorporate new business models beyond drivetrains. To achieve this, DEUTZ is not only pursuing organic growth but also taking a buy-and-build approach. In this context, it signed an agreement at the end of June to acquire all of the shares in Blue Star Power Systems, Inc.[14] Currently privately run, the company is headquartered in North Mankato, Minnesota (USA), and develops, manufactures, and sells gensets – predominantly diesel and gaseous at present – in the 20 kWe to 2,000 kWe power range in the USA and Canada. It is one of the leading manufacturers in the US market. The acquisition of the shares is expected with commercial effect at August 1, 2024.

The acquisition of Blue Star Power Systems will represent the first step in systematically establishing a new business unit focused on decentralized energy supply. The acquisition will help DEUTZ to significantly accelerate its expansion into the rapidly growing and less cyclical energy market, while also increasing the Company's presence in North America. At the same time, it will facilitate DEUTZ's transition from component manufacturer to system provider: DEUTZ engines have long been used in gensets,

[12] Hydrotreated vegetable oil.
[13] See the press releases dated January 19 and March 4, 2024.
[14] See the press release dated June 27, 2024.

and the Company is now laying the foundations needed to be able to offer all-in-one solutions for local electricity generation.

Based on Blue Star Power Systems' current level of orders on hand and its own market analysis, DEUTZ anticipates that the completion of the deal will result in additional annual revenue of more than US$ 100 million to (in the medium term) around US$ 150 million. The EBITDA margin is above DEUTZ's current margin and is likely to result in a contribution to EBITDA that is in the low-double-digit millions of US dollars. Building on this, revenue in the decentralized energy business is expected to increase to approximately €500 million by 2030 through both organic growth and growth by acquisition.[15]

Capital increase against cash contributions secures financial flexibility On July 2, the DEUTZ Board of Management has, with the approval of the Supervisory Board, resolved to carry out a capital increase against cash contributions – with the disapplication of pre-emption rights – by using some of the existing authorized capital.[16] In a private placement by way of an accelerated bookbuilding process, with disapplication of pre-emption rights, the Company used some of its authorized capital to successfully issue 12,614,719 new shares. The share capital of DEUTZ AG has therefore risen by 10% to 138,761,914 no-par-value bearer shares. The Board of Management and Supervisory Board of DEUTZ AG set the placement price at €5.71 per share, resulting in gross issue proceeds of approximately €72 million.[17]

The net issue proceeds from the capital increase will give DEUTZ the financial flexibility to be able to continue investing in growth by acquisition once it has paid the purchase price for the acquisition of Blue Star Power Systems. See also 'Financial position', p. 20 onward.

[15] Completion of the transaction is subject to the usual conditions, particularly the necessary regulatory approvals, and is expected to take place in the second half of 2024.
[16] See the ad hoc disclosure dated July 2, 2024.
[17] See the ad hoc disclosure dated July 3, 2024.

Macroeconomic and industry-specific environment

Economic environment

Global trade continues on moderate growth path In the first quarter of 2024, worldwide trade in goods picked up by 1% quarter on quarter according to data from the United Nations Conference on Trade and Development (UNCTAD).[18] This increase was primarily driven by particularly strong growth in exports from China (up by 9%), India (up by 7%), and the USA (up by 3%), while Europe's exports were flat and African exports declined by 5%. Global exports of services fared better than trade in goods once again, growing by 1.5% compared with the previous quarter. UNCTAD believes that the modest growth trend continued in the second quarter of 2024 and is forecasting growth of 2% in global trade (goods and services) for the first half of 2024 as a whole.

Although inflation in both the eurozone and the USA continued to hover around the central banks' target level of 2% in the first half of 2024 – having declined sharply in 2023 – the ECB and the Fed held on to their broadly restrictive monetary policies[19]. In contrast to the Fed, however, the ECB rang the changes and announced its first interest-rate reduction in almost five years with a 25 basis point cut to 4.25% in June 2024. All in all, the International Monetary Fund (IMF)[20] believes that the global economy has the ability to stabilize, but how the central banks respond to the inflation environment is a key challenge. In its latest World Economic Outlook Update from July 2024, the IMF is projecting global economic growth of 3.2% for 2024, in line with 2023. Based on the performance in the first half of 2024, therefore, it is slightly more optimistic than in its January forecast, which was 10 basis points lower.

Procurement market

Energy prices Electricity and gas prices continued to settle in the first half of 2024, with prices falling below their 2023 level.[21] However, they remained significantly higher than in 2020 and 2021.

Raw material prices In the period under review, prices for raw materials were at roughly the same level they had been a year earlier. Compared with their average for 2023, the price of foundry scrap edged down by 2%[22] and the price of wrought iron scrap edged up by 3%.[23] There were slightly stronger price rises for non-ferrous metals such as aluminum and copper, however, which saw year-on-year increases of around 4% and 6% respectively.

Transportation Market Geopolitical events continued to affect the transportation market in the reporting period. The attacks by Houthi rebels on container ships,[24] for example, led to a surge in sea freight rates.[25] The route from Asia to Europe is particularly affected, with container ships diverting around the Cape of Good Hope since January 2024. Despite this lengthier route and the resulting increase in transit times, there were no disruptions to supply or other negative effects for the DEUTZ Group's manufacturing operations during the first six months of this year.

[18] United Nations Conference on Trade and Develeopment (UNCTAD), Global Trade Update, July 2024.
[19] ft.com, Global inflation and interest rates tracker.
[20] IMF World Economic Outlook Update, July 2024.
[21] https://www.eex.com/en/.
[22] German Foundry Industry Association (BDG).
[23] Federal Association of German Steel Recycling and Waste Management Companies (BDSV).
[24] https://www.tagesschau.de/wirtschaft/weltwirtschaft/schifffahrt-angriffe-rotes-meer-100.html.
[25] World Container Index (WCI), 2024.

Sales market

Diesel engine market According to currently available figures, the individual off-highway markets served by DEUTZ – construction equipment, material handling equipment, and agricultural machinery – all presented a similar picture in terms of their performance in the first half of 2024. However, the reasons for this varied considerably by region. In Europe, low economic growth and the ongoing negative impact of the war in Ukraine led to a fall in unit sales. The markets in North America proved more resilient in the face of global crises, although they did not achieve any unit sales growth either. In China, the faltering domestic economy and ongoing structural reforms in specific sectors had a negative impact on unit sales.

The year-on-year change in unit sales of construction equipment varied from region to region. In Europe, there was a sustained decrease in new orders that adversely impacted on demand. The European Commission's infrastructure program does not seem to be having any significant effect so far. In North America, the market proved to be somewhat more robust in the face of difficult economic conditions, thanks to state-sponsored initiatives such as the Biden administration's infrastructure bill.[26] Despite the escalating real estate crisis, falls in unit sales in the Chinese construction equipment market are likely to have become less pronounced, as they were partially offset by growing exports to the ASEAN region,[27] among other factors.[28]

Demand for material handling equipment also varied from region to region, following the trend in the construction industry. Unit sales in Europe fell sharply in the first half of 2024, with new orders also dropping further. There was no unit sales growth in North America either. This may be because equipment leasing firms, e.g. in the lifting platform and telehandler product segment, are now not investing as much in their fleets following two strong years.[29] Further growth in material handling unit sales is expected in China, as – unlike the construction industry – the logistics sector continues to grow.[30]

After two years of strong growth, unit sales in the agricultural machinery market seem to have reached a turning point in Europe and North America.[31] New orders fell in these markets during the period under review. In China, the market for agricultural machinery continues to be characterized by the shift in the agricultural sector toward large-scale farming, with more powerful tractors and the transition from the CN3 to the CN4 emissions standard. The promised central government grants have not yet led to any notable increase in unit sales. [32]

[26] VDMA, Construction equipment and building material machinery, June 2024.
[27] Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia.
[28] Power Systems Research, OE Link Update Bulletin Q2 2024, July 2024.
[29] Quarterly reports of major leasing companies such as United Rentals, Ashtead, and Herc Rentals.
[30] Power Systems Research, OE Link Update Bulletin Q2 2024, July 2024.
[31] VDMA, Geschäftsklima und Marktentwicklung weltweit, May 2024.
[32] Power Systems Research, OE Link Update Bulletin Q2 2024, July 2024.

Business performance in the DEUTZ Group

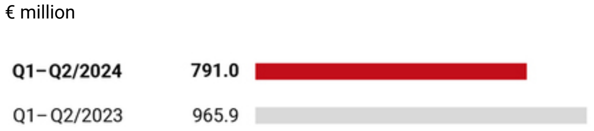
Following a challenging start to the year, increasingly weak economic conditions continued to beset the majority of DEUTZ's end customer markets across all regions in the second quarter, as had been expected. Despite the difficult market environment, the DEUTZ Group was able to generate a profit in the first half of 2024 even though it recorded year-on-year decreases in new orders, unit sales, and revenue. The Company is therefore proving to be increasingly resilient in times of economic weakness when unit sales decline accordingly. This is as a result of DEUTZ forging ahead with its Dual+ strategy, which it launched at the beginning of 2023. The positive impact of measures under this strategy to reduce costs and raise efficiency is becoming increasingly evident. A market-oriented pricing policy and active portfolio management are continuing to bear fruit too. Furthermore, the success of the ongoing optimization of the portfolio is reflected in the earnings performance at the level of the entire Group. The adjusted EBIT margin for the entire Group[33] in the first half of 2024 was close to the level of the prior-year period.

DEUTZ is continually analyzing its existing portfolio of products and services in order to remain focused on its fast-growing core business and ensure it is properly prepared for the future. In January 2024, as part of this process, DEUTZ signed an agreement regarding the sale of its subsidiary Torqeedo, which specializes in electric drives for boats.[34] The transaction was completed on April 3.[35] The effect of the disposal and deconsolidation of Torqeedo amounts to a figure in the low-double-digit millions of euros and was recognized in the second quarter of 2024.

In accordance with IFRS 5, the activities of the Torqeedo Group continue to be reported as discontinued operations in this report up to the point of deconsolidation at the beginning of April. Unless otherwise indicated, the figures for the Group and for the DEUTZ Classic and DEUTZ Green segments are for continuing operations only. To ensure comparability, the figures for the prior-year period have been restated in accordance with the provisions of IFRS 5. Where figures for the entire Group are disclosed, they include the figures for the Torqeedo Group, which was still a DEUTZ subsidiary until April 3.

New orders

DEUTZ Group: New orders



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 (Q1-Q2/2023: €965.9 million) owing to the decrease in demand caused by the difficult economic situation.

DEUTZ Group: Unit sales by application segment

Units

	1-6/2024	1-6/2023	Change
Service	257.2	241.5	6.5%
Material Handling	212.0	216.6	-2.1%
Construction Equipment	171.4	260.2	-34.1%
Stationary Equipment	51.3	70.1	-26.8%
Agricultural Machinery	72.6	144.2	-49.7%
Miscellaneous	26.5	33.3	-20.4%
Total	**791.0**	**965.9**	**-18.1%**

All application segments except the service business recorded a decline in new orders, although the decrease in the Material Handling application segment was relatively small. In the service business, however, new orders were up by 6.5% compared with the first half of 2023 at €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.

[33] Including the Torqeedo Group, which was part of the DEUTZ Group until April 3, 2024.
[34] See the press release dated January 19, 2024.
[35] See the press release dated April 3, 2024.

DEUTZ Group: New orders by region

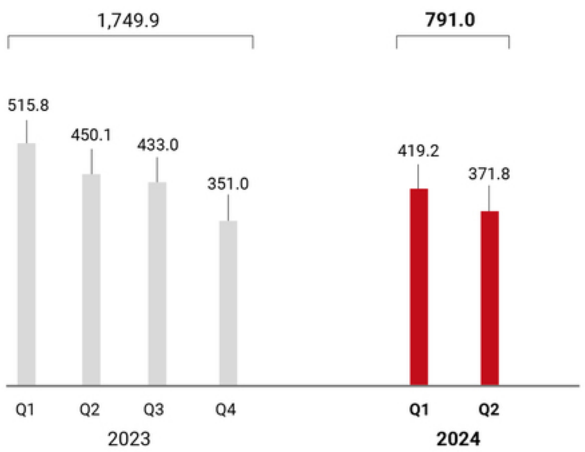
€ million

	1-6/2024	1-6/2023	Change
EMEA	501.0	594.0	-15.7%
Americas	201.5	244.4	-17.6%
Asia-Pacific	88.5	127.5	-30.6%
Total	**791.0**	**965.9**	**-18.1%**

All regions reported a fall in new orders. The EMEA region, which is DEUTZ's largest sales market, saw the biggest decreases in absolute terms. In percentage terms, demand slumped the most in the Asia-Pacific region. This was primarily attributable to China, where new orders almost halved year on year.

DEUTZ Group: New orders

€ million



In the second quarter of 2024, new orders declined by -17.4% year on year to €371.8 million (Q2/2023: €450.1 million). New orders went down in all regions in the second quarter, in line with the trend for the six-month period as a whole. By contrast, the picture in the main application segments was mixed. New orders in the service business jumped by 12.5%, while the Material Handling application segment saw a significant increase of 5.2% on the back of higher demand for engines used in ground support equipment. Meanwhile, the other application segments recorded double-digit percentage decreases in new orders.

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).

Unit sales

DEUTZ Group: Unit sales

Units

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.

DEUTZ Group: Unit sales by application segment

Units

	1-6/2024	1-6/2023	Change
Material Handling	35,122	30,769	14.1%
Construction Equipment	22,427	34,133	-34.3%
Agricultural Machinery	8,573	12,773	-32.9%
Stationary Equipment	6,713	11,392	-41.1%
Miscellaneous	1,327	2,384	-44.3%
Total	**74,162**	**91,451**	**-18.9%**

Among the DEUTZ application segments, Material Handling notched up significant growth of 14.1% compared with the first half of 2023. However, this encouraging increase did not make up for the reduction in unit sales in all other application segments.

DEUTZ Group: Unit sales by region

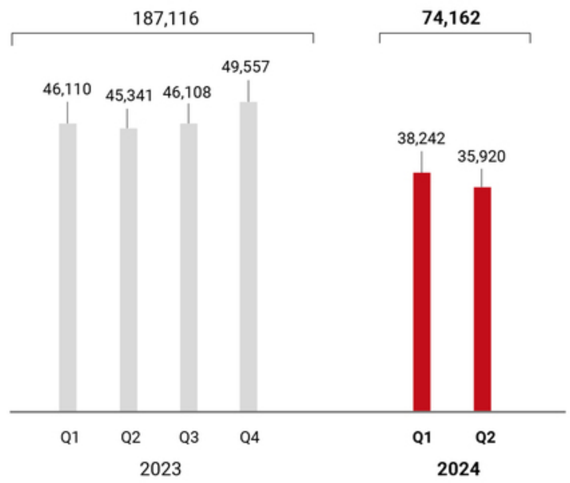
Units

	1-6/2024	1-6/2023	Change
EMEA	39,687	54,699	-27.4%
Americas	21,879	21,683	0.9%
Asia-Pacific	12,596	15,069	-16.4%
Total	**74,162**	**91,451**	**-18.9%**

At regional level, the decline in unit sales was attributable to the EMEA and Asia-Pacific regions. By contrast, unit sales edged up by 0.9 % in the Americas thanks to increased unit sales of engines for material handling applications.

DEUTZ Group: Unit sales by quarter

Units



DEUTZ sold 35,920 engines in the second quarter of 2024, which was down by 20.8% on the same period of 2023. Reflecting the pattern for the first half of the year, unit sales in the Material Handling application segment rose by 13.9% to 17,367 engines in the second quarter of this year. The Miscellaneous application segment also recorded very encouraging growth. However, unit sales fell sharply in all other application segments, which saw higher percentage decreases than in the first quarter of 2024.

Revenue

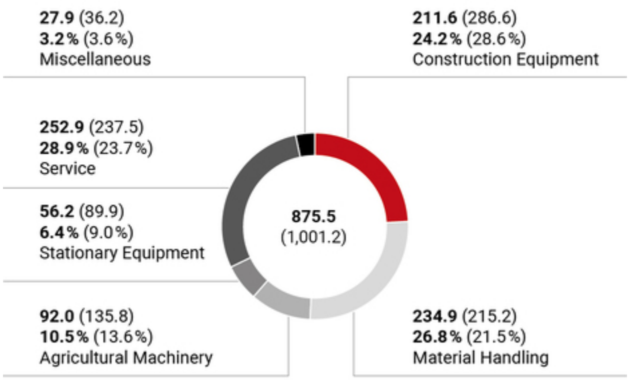
DEUTZ Group: Revenue

€ million

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% (Q1-Q2/2023: €1,001.2 million).

DEUTZ Group: Revenue and proportion of revenue by application segment

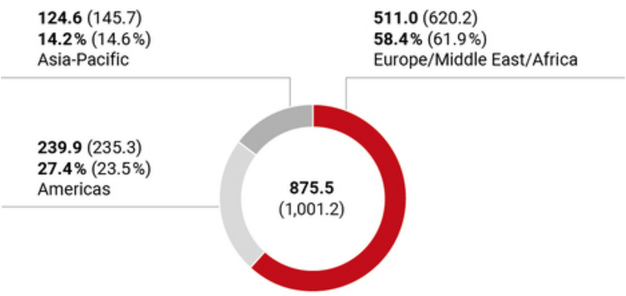
€ million (Q1-Q2/2023 figures)



In line with the trend in unit sales, revenue went down in all application segments except Material Handling and the service business in the first half of 2024. Reflecting its growth in unit sales, the Material Handling application segment increased its revenue by 9.2% to €234.9 million (Q1-Q2/2023: €215.2 million). Service revenue rose by 6.5% to €252.9 million, compared with €237.5 million in the prior-year period. This was thanks to growth resulting from the consolidation of the service companies DEUTZ Nordic (formerly: Diesel Motor Nordic) and Mauricio Hochschild, which were acquired in the second half of 2023, and thanks to the expansion of parts sales. There was also an increase in income from R&D services in connection with an R&D project in which a DEUTZ hydrogen engine is being adapted for use in rail transportation.

DEUTZ Group: Revenue and proportion of revenue by region

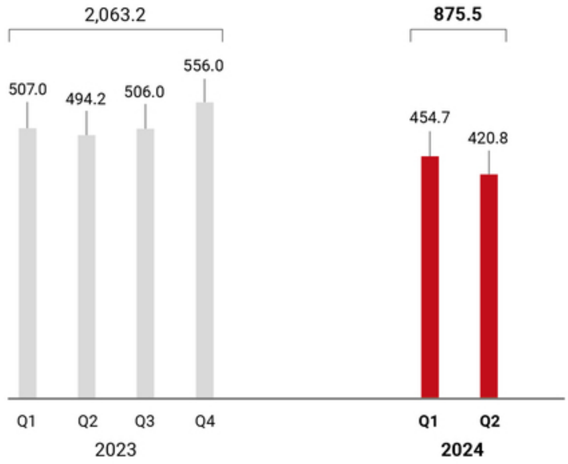
€ million (Q1-Q2/2023 figures)



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 in the EMEA region, most notably in Germany and the rest of Europe, were far less pronounced than the reductions in unit sales. In the Americas, by contrast, DEUTZ generated revenue growth of 2% that was primarily due to increased revenue in the Construction Equipment and Material Handling application segments.

DEUTZ Group: Consolidated revenue by quarter

€ million



In the second quarter of 2024, consolidated revenue amounted to €420.8 million, which was down by -14.9% compared with the second quarter of the previous year (Q2/2023: €494.2 million). Revenue in the Material Handling application segment increased by a substantial 10.2% to €115.8 million. The service business's revenue swelled by 9.3% to €127.0 million. By contrast, revenue fell sharply in all the other main application segments, which – in line with the trend for unit sales – saw higher percentage decreases than in the first quarter of 2024.

Earnings

DEUTZ Group: Overview of results of operations[36]

€ million

	1-6/2024	1-6/2023	Change
Revenue	**875.5**	**1,001.2**	**-12.6%**
Cost of sales	-667.3	-779.9	-14.4%
Research and development costs	-49.2	-45.6	7.9%
Selling and administrative expenses	-121.4	-99.3	22.3%
Other operating income	10.8	9.1	18.7%
Other operating expenses	-9.7	-16.2	-40.1%
Impairment of financial assets and reversals thereof	0.7	2.4	-70.8%
Profit/loss on equity-accounted investments	-0.2	-1.0	80.0%
Other net investment income	0.0	0.0	–
EBIT	**39.2**	**70.7**	**-44.6%**
Interest income	0.8	0.7	14.3%
Interest expense	-9.8	-6.7	46.3%
Other financial income/ finance cost	0.0	-0.2	–
Financial income, net	**-9.0**	**-6.2**	**-45.2%**
Income taxes	-4.6	-10.7	-57.0%
Net income continuing operations	**25.6**	**53.8**	**-52.4%**
Net income discontinued operations	**10.2**	**-9.5**	**–**
Net income	**35.8**	**44.3**	**-19.2%**
Adjusted EBIT – Green (EBIT before exceptional items)	-17.8	-15.6	-14.1%
Adjusted EBIT – Classic (EBIT before exceptional items)	67.7	86.8	-22.0%
Consolidation/ Other[37]	0.2	0.2	–%
Adjusted EBIT (EBIT before exceptional items)	**50.1**	**71.4**	**-29.8%**
Exceptional items	-10.9	-0.7	-1,457.1%
EBIT	**39.2**	**70.7**	**-44.5%**

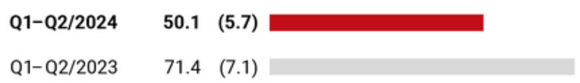
DEUTZ Group: Key figures for the entire Group[38]

€ million

	1-6/2024	1-6/2023	Change
Revenue	883.1	1,023.5	-13.7%
EBIT	**48.9**	**61.9**	**-21.0%**
Net income	**35.8**	**44.3**	**-19.2%**
Adjusted EBIT – Green (EBIT before exceptional items)	-17.8	-24.4	-27.0%
Adjusted EBIT – Classic (EBIT before exceptional items)	67.7	86.8	-22.0%
Consolidation/ Other	0.2	0.2	–%
Adjusted EBIT (EBIT before exceptional items)	**50.1**	**62.6**	**-20.0%**
Exceptional items[39]	-1.2	-0.7	-71.4%
EBIT	**48.9**	**61.9**	**-21.0%**

DEUTZ Group: Adjusted EBIT and EBIT margin (before exceptional items)

€ million (EBIT margin, %)



Adjusted EBIT 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. Other factors affecting earnings performance were higher research and development costs, particularly for new drive technologies, and a rise in selling and administrative expenses that was due to headcount growth. The workforce increased in connection with the implementation of regional growth initiatives, especially in the Americas region, and as a result of employees being taken on as part of the acquisition of Mauricio Hochschild Ingeniería y Servicios S.A. and DEUTZ Nordic (formerly: Diesel Motor Nordic). Conversely, earnings performance received a boost from measures to reduce costs and raise efficiency, the flexible adjustment of operations to reflect declining demand, and positive currency effects.

In the first six months of 2024, the adjusted EBIT margin declined only moderately to 5.7% (Q1-Q2/2023: 7.1%) and was thus within the forecast target range for the full 2024 financial year. This shows that the measures initiated by DEUTZ under its Dual+ strategy aimed at doing business more efficiently and thus more profitably on a long-term basis are bearing fruit and that DEUTZ is becoming increasingly resilient.

Despite lower earnings than in the prior-year period, DEUTZ improved its gross margin to 23.8% in the first six months of this year (Q1-Q2/2023: 22.1%). This was due to the positive impact of the product mix and pricing and to the expansion of the higher-margin service business.

[36] Since 2023, amortization of capitalized development expenditure has been recognized under »cost of sales« rather than under »research and development costs« where it had been recognized previously. The figure for the prior-year period in the results of operations has been restated accordingly to ensure comparability.
[37] 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.
[38] The key figures for the entire Group include the continuing and discontinued operations (including the Torqeedo Group).
[39] Exceptional items for the entire Group (including discontinued operations) in the first half of 2024 also include the Torqeedo Group's EBIT for the first quarter of 2024, the effect of deconsolidation, and costs in connection with the disposal of the Torqeedo Group.

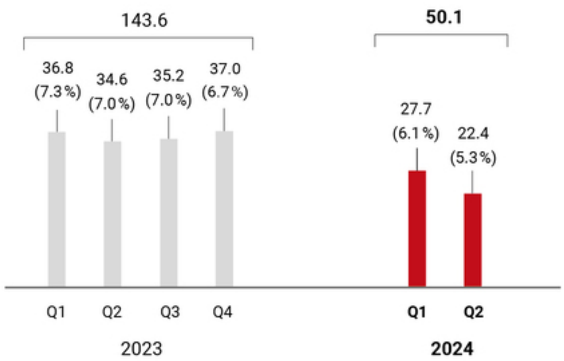
In the first half of 2024, exceptional items amounted to an expense of €-10.9 million (Q1-Q2/2023: expense of €-0.7 million). These were attributable to costs of €10.1 million for strategic projects and additions of €0.8 million to provisions for former Board of Management members' share options. After taking these exceptional items into account, EBIT for the first half of 2024 stood at €39.2 million (Q1-Q2/2023: €70.7 million). The corresponding EBIT margin was 4.5%, compared with 7.1% in the prior-year period.

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.

In addition, the Torqeedo Group's discontinued operations generated net income of €10.2 million (Q1-Q2/2023: net loss of €-9.5 million). This figure comprised the earnings of the Torqeedo Group up to the point of deconsolidation, the effect of deconsolidation, and costs in connection with the sale of the Torqeedo Group. The net income for the entire Group, i.e. from continuing and discontinued operations, therefore amounted to €35.8 million, compared with €44.3 million in the prior-year period. This brought earnings per share down year on year from €0.36 to €0.28, or from €0.44 to €0.20 for continuing operations only.

DEUTZ Group: Adjusted EBIT (before exceptional items) by quarter

€ million (EBIT margin, %)



In the second quarter, adjusted EBIT decreased year on year to €22.4 million (Q2/2023: €34.6 million) owing to the reduction in the volume of business. This decrease was partly offset by positive currency effects.

Business performance in the segments

DEUTZ's reporting structure is based on two segments: Classic and Green. The Classic segment encompasses all activities related to the development, production, distribution, and servicing of diesel and gas engines, the equity-accounted joint venture with Chinese construction equipment manufacturer SANY, and other joint ventures. The Green segment consists of all activities related to new drives. This includes hydrogen engines, the business of battery management specialist Futavis, electric drives, and the related service business. Given that DEUTZ is currently only at the start of its transformation, the earnings-related key figures for the Green segment also reflect a substantial level of research and development in the field of hydrogen-powered and electric drive systems.

At the start of April 2024, DEUTZ completed the sale of Torqeedo, its subsidiary specializing in electric boat drives.[40] In accordance with IFRS 5, the activities of the Torqeedo Group, which were included in the consolidated accounts within the Green segment, are reported as discontinued operations up to the point of deconsolidation. Unless otherwise indicated, the figures presented below for the DEUTZ Green segment are for continuing operations only. The figures for the prior-year period have been restated in accordance with the provisions of IFRS 5. The sale has no impact on the key figures for the DEUTZ Classic segment.

DEUTZ Group: Segments

€ million

	1-6/2024	1-6/2023
New orders		
Classic	788.0	964.2
Green	3.0	1.7
Total	**791.0**	**965.9**
Unit sales (units)		
Classic	73,806	91,424
Green	356	27
Total	**74,162**	**91,451**
Revenue		
Classic	873.0	997.0
Green	2.5	4.2
Total	**875.5**	**1,001.2**
Adjusted EBIT (EBIT before exceptional items)		
Classic	67.7	86.8
Green	-17.8	-15.6
Consolidation/ Other	0.2	0.2
Total	**50.1**	**71.4**

DEUTZ Classic

As described above in the section »Business performance in the DEUTZ Group«, the figures that follow for the DEUTZ Classic and DEUTZ Green segments are reported solely for continuing operations unless otherwise indicated. The Classic segment currently accounts for almost 100% of consolidated revenue. Consequently, the disclosures regarding new orders, unit sales, and revenue at Group level can essentially be applied to the Classic segment too.

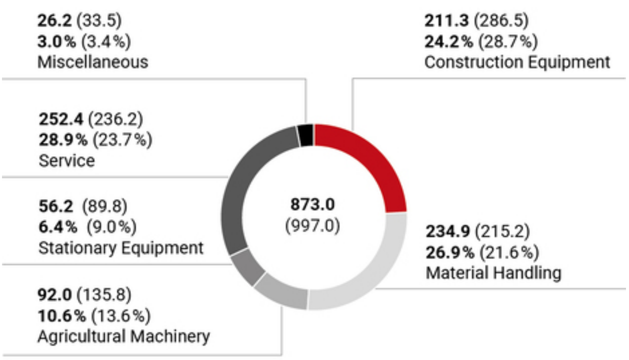
DEUTZ Classic

€ million

	1-6/2024	1-6/2023	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%**
EMEA	509.6	616.0	-17.3%
Americas	239.0	235.3	1.6%
Asia-Pacific	124.4	145.7	-14.6%
EBIT before exceptional items	**67.7**	**86.8**	**-22.0%**
EBIT margin before exceptional items (%)	**7.8**	**8.7**	**-0.9pp**

DEUTZ Classic: Revenue by application segment

€ million (Q1-Q2/2023 figures)



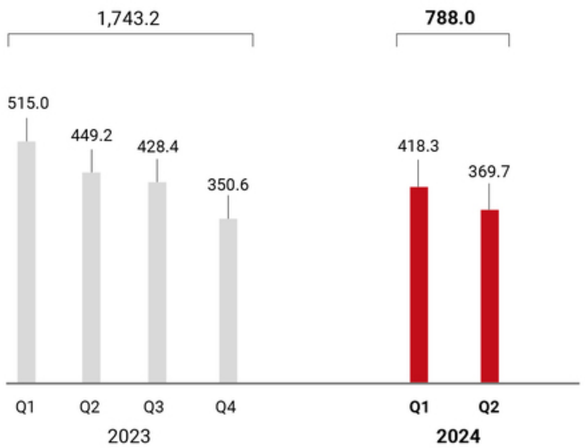
New orders received in the Classic segment contracted by -18.3% to €788.0 million in the first half of 2024. All regions and nearly all application segments recorded a decrease in new orders, although Material Handling fell only just short of the level for the prior-year period. In the service business, DEUTZ achieved an increase in new orders of 6.3%. Within this business, on-site customer service business and parts sales proved particularly buoyant. Orders on hand amounted to €360.9 million as at June 30, 2024, which was half the volume as at June 30, 2023.

[40] See the press release dated April 3, 2024.

The segment's unit sales decreased by -19.3%, with 73,806 engines sold. This reduction was predominantly attributable to the EMEA and Asia-Pacific regions. Unit sales in the Americas were more or less at the level of the first half of 2023. The unit sales of the Material Handling application segment jumped by 14.1%, whereas the other application segments recorded double-digit percentage decreases in unit sales. Segment revenue went down by -12.4% year on year to €873.0 million. Revenue did not fall as significantly as unit sales, mainly because of market-oriented pricing, the resulting positive price effects, and the increase in service revenue.

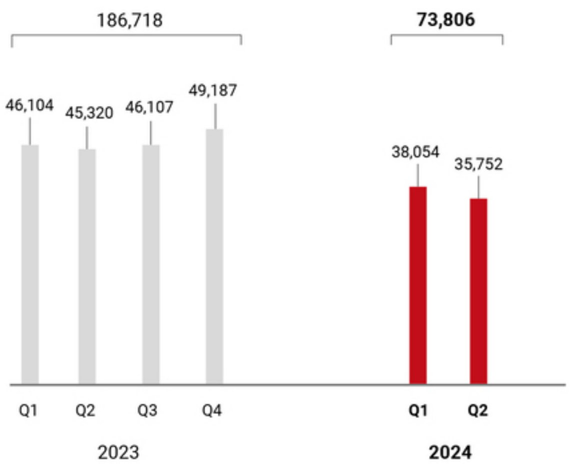
DEUTZ Classic: New orders by quarter

€ million



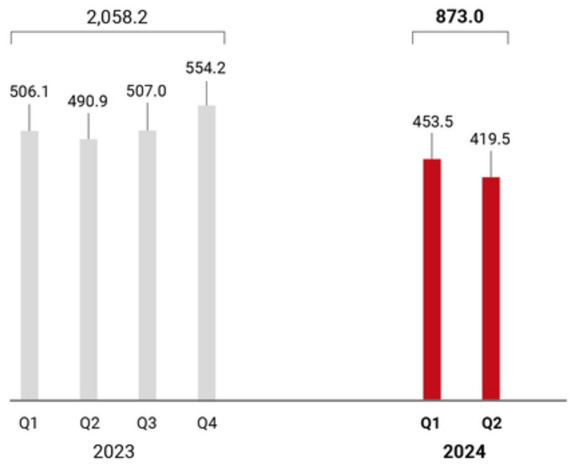
DEUTZ Classic: Unit sales by quarter

Units



DEUTZ Classic: Consolidated revenue by quarter

€ million



In the second quarter of 2024, new orders in the Classic segment declined by -17.7% year on year to €369.7 million (Q2/2023: €449.2 million). Over the same period, unit sales of engines fell by 21.1% to 35,752 (Q2/2023: 45,320). This led to a -14.5% decrease in revenue to €419.5 million.

Adjusted EBIT for the Classic segment (EBIT before exceptional items) deteriorated by €-19.1 million compared with the first half of 2023 to €67.7 million. As a result, the Classic segment's adjusted EBIT margin declined from 8.7% to 7.8%. The Classic segment therefore maintained a very high level of profitability despite the fall in revenue.

In the second quarter of 2024, adjusted EBIT for the segment amounted to €30.5 million (Q2/2023: €42.4 million). This year-on-year decrease of €11.9 million was largely due to the lower volume of business and to an increase in administrative expenses resulting from acquisitions in the second half of 2023 (Mauricio Hochschild Ingeniería y Servicios S.A. and DEUTZ Nordic). The decrease was slightly mitigated by positive currency effects in the second quarter of 2024.

DEUTZ Green

DEUTZ Green

€ million

	1-6/2024	1-6/2023	Change
New orders	**3.0**	**1.7**	**76.5%**
Unit sales (units)	**356**	**27**	**1,218.5%**
Revenue	**2.5**	**4.2**	**-40.5%**
EMEA	1.4	4.2	-66.7%
Americas	0.9	0.0	–
Asia-Pacific	0.2	0.0	–
EBIT before exceptional items	**-17.8**	**-15.6**	**-14.1%**
EBIT margin before exceptional items (%)	**-712.0**	**-371.4**	**-340.6pp**

In the first half of 2024, new orders from continuing operations amounted to €3.0 million. New orders thus remain at a very low level due to the start-up nature of the segment's activities, although they were up significantly on the figure for the prior-year period of €1.7 million. This was primarily thanks to the business activities of Futavis and to the service business. Orders on hand stood at €5.0 million at the end of the reporting period, more than doubling compared with the figure of €2.4 million as at June 30, 2023. The segment's unit sales were up sharply compared with the prior-year period, rising from 27 to 356 units sold. This figure relates almost entirely to electric drives of Mauricio Hochschild, which was acquired in the second half of 2023. Despite the growth in unit sales, segment revenue fell from €4.2 million to €2.5 million. This was primarily due to the decline in the service business.

In the second quarter, the Green segment's new orders rose year on year to €2.1 million (Q2/2023: €0.9 million). The segment's unit sales swelled from 21 to 168 units in the same period, whereas its revenue fell from €3.3 million to €1.3 million.

Adjusted EBIT for the Green segment amounted to a loss of €-17.8 million in the first half of 2024, which represented a year-on-year deterioration of €-2.2 million. This was attributable to increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine and the E-DEUTZ battery toolbox.

In the second quarter of 2024, adjusted EBIT for the segment amounted to a loss of €-8.2 million, which was unchanged year on year (Q2/2023: loss of €-8.2 million).

Financial position

Funding

Sufficient liquidity ensured DEUTZ restructured its funding in 2022. This involved increasing the volume of the existing long-term syndicated loan from €160 million to €250 million and, at the same time, extending the term of the loan by three years to May 2, 2027. The lending arrangements for this unsecured, floating-rate loan include two one-year extension options. In June 2024, DEUTZ utilized the second of these extension options, thereby extending the term to May 2, 2029. The unused volume of the syndicated loan stood at around €115 million at the end of the first half of 2024.

DEUTZ also has access to five existing bilateral credit lines with a total value of €140 million. These five lines are also unsecured, floating-rate facilities and fall due at the end of the second quarter of 2025. None of the five lines were drawn down as at June 30, 2024.

Furthermore, DEUTZ has access to short-term credit lines and makes use of loans with subsidized interest rates.

To refinance the takeover of sales and services for selected off-highway engines from Rolls-Royce Power Systems, DEUTZ also signed a dedicated loan agreement for a high double-digit million euro amount in the second quarter of 2024. After the transaction was completed at the end of July, DEUTZ immediately made use of this. See also Strategy and objectives, p. 6 onward.

The financial instruments the Company has in place, its continued comfortable financial position with regard to its equity ratio, and the capital increase it completed at the start of July all provide DEUTZ with sufficient financial flexibility to be able to fund its operating business, invest in its transformation, and generate growth through acquisitions. See also Strategy and objectives, p. 6 onward.

As part of its funding agreements, DEUTZ has undertaken to comply with certain financial and non-financial covenants. If, however, there is a dramatic deterioration in the general economic situation – for example because of the fallout from the coronavirus pandemic or the war in Ukraine – there is a risk of the covenants being breached in the short term. Should such a risk materialize, DEUTZ would approach its funding partners in advance in order to negotiate the necessary waiver and to enable further amounts to be drawn down under the syndicated loan. Compliance with the financial covenants would not place any restrictions on DEUTZ's ability to pursue growth projects.

To reduce interest-rate risk, DEUTZ AG has entered into interest-rate swaps with a total volume of €80 million.

Receivables management optimized by means of factoring and systematic improvement of payment terms The sale of receivables, known as factoring, is an important way of optimizing receivables management. It enables DEUTZ to not only ensure sufficient liquidity but also improve its working capital, which tends to be affected by large amounts of capital being tied up in the preliminary financing of engine production and in the payment terms that it has granted.

The volume of sales of receivables totaled €101.5 million as at June 30, 2024, which was below the level a year earlier (June 30, 2023: €158.6 million) due to the business performance.

Cash flow

DEUTZ Group: Overview of financial position

€ million

	1-6/2024	1-6/2023	Change
Cash flow from operating activities	3.3	56.2	-94.1%
Cash flow from investing activities	-29.2	-32.7	10.7%
Cash flow from financing activities	-60.6	0.1	–
Free cash flow from continuing operations[41]	**-35.1**	**18.1**	**–**
Free cash flow for entire Group[42]	**31.2**	**8.3**	**275.9%**
Key figures for continuing operations			
Cash and cash equivalents at Jun.30/Dec. 31	70.0	90.1	-22.3%
Current and non-current interest-bearing financial debt at Jun. 30/Dec. 31	236.2	253.5	-6.8%
thereof lease liabilities	85.1	81.5	4.4%
Net financial position at Jun. 30/Dec. 31[43]	**-166.2**	**-163.4**	**-1.7%**

Cash flow from operating activities amounted to €3.3 million in the first half of 2024, which was €-52.9 million lower than in the prior-year period. This decrease was mainly attributable to the decline in earnings compared with the first half of 2023 as a result of the decrease in revenue and the decrease in other provisions and other liabilities.

At €-29.2 million, cash flow from investing activities was at more or less the same level as in the prior-year period and chiefly related to capital expenditure on property, plant and equipment.

Cash flow from financing activities amounted to €-60.6 million in the first half of 2024 (Q1-Q2/2023: €0.1 million). This was due in particular to an increase in the repayment of loans.

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. Free cash flow before mergers and acquisitions was at the same level as free cash flow in both the first half of 2024 and the first half of 2023.

These changes in cash flow during the first half of 2024 brought cash and cash equivalents to €70.0 million. The decline of €-20.1 million roughly corresponded to the volume of loan repayments. As a result of the repayments, net financial position edged up by €-2.8 million to €-166.2 million as at June 30, 2024.

Capital expenditure

DEUTZ Group: Capital expenditure (after deducting investment grants)

€ million

	1-6/2024	1-6/2023	Change
Property, plant and equipment	40.3	32.5	7.8
thereof right-of-use assets for leases under IFRS 16	12.4	6.0	6.4
thereof property, plant and equipment (excluding right-of-use assets for leases under IFRS 16)	27.9	26.5	1.4
Intangible assets	5.2	55.9	-50.7
	45.5	**88.4**	**-42.9**

Total capital expenditure on property, plant and equipment and on intangible assets after deducting investment grants, and including capitalization of research and development expenditure, fell by -48.5% from €88.4 million in the first half of 2023 to €45.5 million. The prior-year figure had been particularly high as a result of a comprehensive alliance with Daimler Truck AG. The alliance involved DEUTZ's acquisition from Daimler Truck AG, by way of a non-cash capital increase, of intellectual property rights (IP rights) relating to the latter's medium-duty engines (MDEG engine series). DEUTZ also acquired license rights for engines in Daimler Truck's HDEP heavy-duty engine series.

Additions to property, plant and equipment primarily related to new test rigs for the DEUTZ Green segment, a new flexible production line at the Cologne-Porz site for engines with capacities of between 4 and 8 liters, and the expansion of logistics centers.

The increase in capital expenditure on right-of-use assets was primarily due to leased forklift trucks and DEUTZ entering into new long-term leases.

[41] Cash flow from operating activities and from investing activities less interest expense.
[42] The key figures for the entire Group include the continuing and discontinued operations (including the Torqeedo Group).
[43] Cash and cash equivalents less current and non-current interest-bearing financial debt.

Net assets

DEUTZ Group: Overview of net assets

€ million

	Jun. 30, 2024	Dec. 31, 2023	Change
Non-current assets	736.2	734.7	0.2%
thereof right-of-use assets in connection with leases	73.7	70.8	4.1%
Current assets	793.3	779.8	1.7%
Assets classified as held for sale of discontinued operations	0.0	75.7	–
Total assets	**1,529.5**	**1,590.2**	**-3.8%**
Equity	761.2	743.2	2.4%
Non-current liabilities	197.9	202.9	-2.5%
thereof lease liabilities	68.0	65.6	3.7%
Current liabilities	570.4	625.1	-8.8%
thereof lease liabilities	17.1	15.9	7.5%
Liabilities associated with assets of discontinued operations	0.0	19.0	–
Total equity and liabilities	**1,529.5**	**1,590.2**	**-3.8%**
Key figures for continuing operations			
Working capital (€ million)	423.6	379.8	11.5%
Working capital ratio (Jun.30, %)	21.9	18.4	+3.5pp
Working capital ratio (average, %)	20.5	17.7	+2.8pp
Key figures for the entire Group[44]			
Working capital (€ million)[45]	423.6	405.7	4.4%
Working capital ratio (Jun. 30, %)[46]	21.6	19.3	+2.3pp
Working capital ratio (average, %)[47]	21.3	18.7	+2.6pp
Equity ratio (%)[48]	**49.8**	**46.7**	**+3.1pp**

Inventories were up sharply as at June 30, 2024 compared with the end of 2023, most notably as a result of higher levels of inventory being held in order to ensure the security of supply chains. There was also a build-up of inventories at the logistics center in Cologne because a key logistics service provider is closing for a period of several weeks this summer so that extensive maintenance work can be carried out.

Although trade receivables went down, the simultaneous fall in trade payables meant that working capital increased by €43.8 million compared with the end of 2023 to stand at €423.6 million. Because of this change and despite the decline in revenue, the working capital ratio rose to 21.9% as at June 30, 2024 (December 31, 2023: 18.4%). The increase in average working capital in the first half of 2024 meant that the average working capital ratio was also higher than at the end of 2023.

The Torqeedo Group was sold to Yamaha Motor Co., Ltd. and deconsolidated with effect from April 3, 2024. In accordance with IFRS 5, the activities of the Torqeedo Group were reported as discontinued operations until the time of the sale. One of the main effects of disposing of the Torqeedo Group's assets and liabilities was that the DEUTZ Group's total assets fell sharply by €-60.7 million to €1,529.5 million. A detailed explanation can be found under 'Net income from discontinued operations' in the notes to the condensed interim consolidated financial statements for the first half of 2024.

The equity ratio increased from 46.7% as at December 31, 2023 to 49.8% as at June 30, 2024. This was due not only to the reduction in total assets but also to the growth in equity resulting from the positive earnings situation.

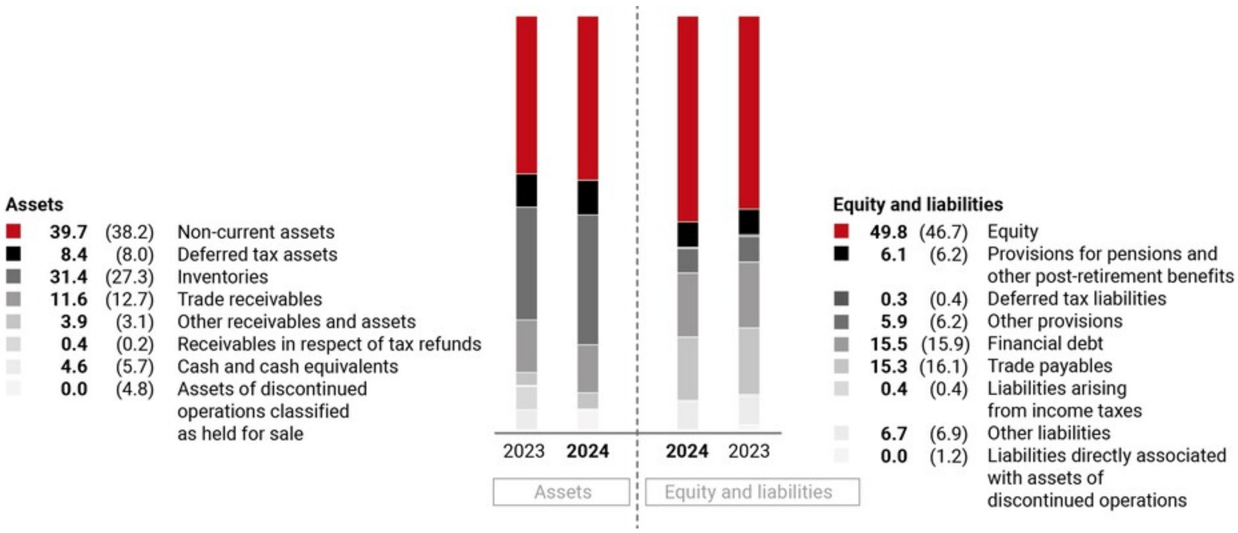
In view of the continuing strength of the equity ratio, which is still above the target figure of more than 40%, the DEUTZ Group's financial position remains comfortable.

Current liabilities fell sharply compared with the end of 2023. There were two reasons for this. Firstly, repayments of loans increased, resulting in lower liabilities to banks. Secondly, trade payables went down owing to the reduced volume of business.

[44] The key figures for the entire Group include the continuing and discontinued operations (including the Torqeedo Group).
[45] Inventories plus trade receivables less trade payables.
[46] Working capital (inventories plus trade receivables less trade payables) as at the balance sheet date divided by revenue for the previous twelve months.
[47] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[48] Equity/total equity and liabilities.

DEUTZ Group: Balance sheet structure

% (2023 figures)



Research and development

As a leading engine manufacturer, DEUTZ is committed to playing an active role in the transition to more sustainable drive systems. Under its Dual+ strategy, launched at the beginning of 2023, the Company's areas of focus therefore include optimized internal combustion engines and green technologies that meet the needs of the market. This is why DEUTZ is taking a technology-neutral approach as it develops its portfolio and is investing both in the refinement of its Classic portfolio and in the establishment of its Green portfolio.

When it comes to refining the Classic portfolio, the focus of research and development (R&D) is primarily on complying with changing emissions legislation for mobile machinery, reducing the environmental impact of traditional diesel engines – for example by adapting them to run on HVO[49] – and optimizing them by installing efficient exhaust aftertreatment systems.

R&D activities relating to the Green portfolio are aimed firstly at enabling internal combustion engines to run on alternative fuels such as hydrogen or e-fuels. With regard to hydrogen drive solutions, several pilot projects are already under way, for example in stationary power generation, in rail transportation, in transportation logistics, and in off-highway applications. The DEUTZ hydrogen engine is due to go into volume production at the end of 2024. Secondly, the aim is to make a significant contribution to improving the climate credentials of the off-highway segment by developing electric drive systems. Here, the E-DEUTZ development team is focusing on the commercialization of basic drive systems for customer applications with low to medium power requirements. In this context, DEUTZ presents itself as a systems engineering partner and systems integrator, supplying a harmonized system consisting of an electric motor, battery, power electronics, and reduction gear for traction, along with control software for battery management, functional safety, and actuator logic. In 2023, DEUTZ successfully brought its 360-volt drive system to production readiness.

Research and development expenditure (after deducting grants)

€ million (R&D ratio, %)

R&D expenditure amounted to €52.5 million in the first half of 2024, compared with €51.4 million in the prior-year period. After the deduction of grants received from development partners and subsidies, expenditure rose from €47.1 million in the first six months of last year to €49.2 million in the period under review. Capitalized development expenditure after deducting grants amounted to €0.0 million (Q1-Q2/2023: €1.5 million). The combination of the rise in R&D expenditure and the decline in revenue meant that the R&D ratio after deducting grants increased year on year from 4.7% to 5.6%. R&D spending after deducting grants came to €41.8 million in the DEUTZ Classic segment (Q1-Q2/2023: €39.6 million), the bulk of which related to support for existing engine series, the development of the TCD 3.9 engine, and the Daimler Truck HDEP and MDEG engine series. In the Green segment, R&D expenditure after deducting grants amounted to €7.4 million in the first half of 2024 (Q1-Q2/2023: €7.5 million). This was mainly channeled into R&D activities relating to the DEUTZ hydrogen engine and the E-DEUTZ battery toolbox.

[49] Hydrotreated vegetable oil.

Employees[50]

Overview of the DEUTZ Group's workforce[51]

FTEs	Jun. 30, 2024	Jun. 30, 2023
DEUTZ Group	**5,043**	**4,963**
thereof		
In Germany	3,310	3,252
Outside Germany	1,733	1,711
thereof		
Non-salaried employees	2,588	2,809
Salaried employees	2,385	2,091
Trainees	70	63

At the end of the first half of 2024, DEUTZ employed 5,043 people worldwide, which was 80 people (i.e. 2%) more than a year earlier. The slight increase was mainly due to the setting up of new service locations in the USA, as well as to the expansion of the basis of consolidation following the acquisition of Diesel Motor Nordic Group in Scandinavia (DEUTZ Nordic since January 2024) and the Chilean engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. (MHIS). Both service companies have been fully owned by DEUTZ AG since the second half of 2023.

At around 66%, the bulk of the Group's workforce is based in Germany. Of the 3,310 employees in Germany, 2,603 work at the Company's headquarters in Cologne.

As a rule, short-term peaks in demand for labor as a result of unexpected increases in production volumes are managed through flexible employment, e.g. in the form of temporary contracts. The number of temporary workers fell sharply year on year, from 285 to 90 people, representing a proportion of 2% of the workforce as a whole as at June 30, 2024. One of the main reasons for this significant reduction is the termination of three-shift operation, which had been introduced introduced in certain areas in 2023 due to an exceptional level of orders on hand. Once order levels had normalized again and it became apparent that the macroeconomic situation was making customers increasingly reluctant to place new orders, DEUTZ adjusted the shift systems to normalized customer demand in the first quarter of 2024.

Risk and opportunity report

DEUTZ operates in a variety of industries and regions worldwide and manages its business through various organizational units, namely the operating segments of the Group's parent company, subsidiaries, sales offices, and authorized agents. This organizational structure presents the Company with both opportunities and business-specific risks.

In the first half of 2024, DEUTZ did not identify any risks or opportunities that would impact negatively on its assessment of the risk categories as published in the 2023 annual report. The Company continues to see no risks to its ability to continue as a going concern. Having put various measures in place, DEUTZ now categorizes the level of operational risk – and particularly procurement risk – with regard to the attainment of its financial targets as »low« for 2024 (previously »moderate«). See also the 2023 annual report, p. 75 onward.[52]

[50] Figures for the number of employees and temporary workers in this section are expressed as FTEs (full-time equivalents).
[51] Employee data from the perspective of continuing operations; excluding temporary workers.
[52] The remit of BDO's engagement did not include a review of the reference to the 2023 annual report, which was audited by PwC, or of the information to which the reference relates.

Outlook for 2024

Economic outlook

In April, the IMF[53] raised its expectations slightly with regard to global economic growth for 2024 – by 10 basis points to 3.2% compared with its January forecast – and confirmed this forecast in its latest World Economic Outlook Update in July 2024. The revision was prompted by more robust growth than expected in the USA and several large emerging markets. The stable level of growth compared with the prior year reflects not only expectations of falling inflation and, consequently, initial rate cuts by the central banks, but also low productivity gains.

The IMF also raised its GDP expectations for 2025, revising its January 2024 forecast by 10 basis points to its current forecast of 3.3%. This scenario is based on the assumption that inflation rates will continue to decrease in 2025, but that monetary policy will remain restrictive. Given that fiscal support is lessening in light of high levels of debt globally, and productivity growth remains low, the IMF forecasts that GDP growth will remain below the recent historical average (2000–2019) of 3.8%. According to the IMF's forecast, world trade growth is expected to reach around 3.25% annually in 2024 and 2025 and align with global GDP growth again.

GDP growth forecast for 2024 and 2025

YoY change (%)	2024	2025
Global	3.2	3.3
Industrialized countries	1.7	1.8
Eurozone	0.9	1.5
Germany	0.2	1.3
USA	2.6	1.9
Emerging markets	4.3	4.3
China	5.0	4.5

Procurement market

The conflict in the Middle East, the war in Ukraine, persistently high inflation, and the ongoing political discussions around the transition to renewable energies and achieving carbon neutrality continue to lead to geopolitical uncertainty. Against this backdrop, it is hard to predict how the procurement market will develop, but the situation is likely to remain challenging. It is currently impossible to foresee whether there will be a further sustained fall in raw material prices over 2024 as a whole. We anticipate year-on-year decreases in energy prices,[54] particularly in the case of electricity. However, with regard to transportation costs, owing to the attacks by Houthi rebels on container ships in the Red Sea,[55] we are already seeing a significant rise in sea freight prices[56] and longer delivery times. This is likely to result in a further shortage of capacity and containers[57] in the Asian market, which could lead to supply difficulties in the sea freight sector in the second half of the year. Land freight costs are expected to remain more or less unchanged from 2023 if consumers continue to hold back on spending and the European economy weakens.

Diesel engine market

Currently available figures suggest that the key industries for sales of DEUTZ diesel engines for the off-highway segment are likely to experience similar levels of growth in 2024, as all regions and segments are equally affected by the current global crises and the related negative impacts. Business expectations across all sectors are being tempered by the wars in Ukraine and Israel, the attacks by Houthi militias on international shipping in the Red Sea, the resulting supply bottlenecks in global markets, and persistently high energy costs and interest rates.

A softening of demand for construction equipment is predicted.[58] While the long-term investment and infrastructure programs approved by the European Commission and the US government should ensure steady demand in the public sector, overall demand is likely to decline – with a much more pronounced fall in Europe than in North America – owing to surging construction costs in the private residential construction sector and a decrease in new orders received by manufacturers. In China, the simmering real estate crisis and the weak economy are expected to squeeze construction equipment manufacturers' unit sales.

Demand for material handling applications, especially forklift trucks, lifting platforms, and telehandlers, is also expected to decline, albeit to a lesser extent than demand for construction

[53] IMF World Economic Outlook Update, July 2024.
[54] https://www.eex.com/en/
[55] https://www.tagesschau.de/wirtschaft/weltwirtschaft/schifffahrt-angriffe-rotes-meer-100.html
[56] WCI, World Container Index.
[57] https://www.kopf-luebben.com/de/news-details/zunehmende-containerknappheit-sorgt-fuer-chaos
[58] VDMA, Construction Equipment and Building Material Machinery, July 2024.

equipment.[59] Europe saw high demand from dealers in 2023, which means they have built up significant inventories and this is therefore likely to result in reduced demand this year. In all probability, demand in North America will continue to primarily be driven by major equipment leasing companies. However, capital spending announcements for 2024 indicate that levels of capital investment will decrease.[60] Unit sales of diesel engines in China are most likely to continue to fall owing to the government's electrification strategy for material handling applications.

Demand for agricultural machinery is forecast to decline significantly in 2024 too.[61] In Europe, the volume of new orders continues to fall and business expectations are also low, while in North America there are signs that the rate of growth will continue to drop off in 2024. In China, the transformation of the agricultural sector presents enormous challenges for manufacturers of agricultural machinery, with little expectation of growth at the current time.

Business outlook

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.

Outlook for 2025

Based on the implementation of its Dual+ strategy and the macroeconomic conditions, DEUTZ continues to anticipate an increase in annual revenue to more than €2.5 billion and an EBIT margin before exceptional items of between 6% and 7% by 2025.

Ongoing internationalization and the expansion of the profitable service business, together with a technology-neutral approach to the development of the Classic portfolio, are expected to be key drivers of growth. The volume of annual revenue attributable to the service business is forecast to rise to over €600 million by 2025. Meanwhile, the continued implementation of measures aimed at optimizing prices while raising efficiency will further underpin the Company's earnings performance going forward.

DEUTZ believes that it needs to invest significant sums in alternative drives in order to be prepared for the transition to more sustainable drive systems. It therefore plans to have invested a total of more than €100 million in its Green portfolio between 2023 and 2025. A revised strategy for the Green segment and the new business models is set to be announced in the second half of 2024. See also 'Strategy and objectives', p. 6 onward.

Disclaimer This management report includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties, and other factors. This means that the actual future performance, development, and results of the Company, and of sectors important to the Company, may be significantly different – in particular, may differ negatively – from those expressly or implicitly assumed in these statements. The Board of Management cannot therefore make any guarantees with regard to the forward-looking statements made in this management report.

[59] Power Systems Research, OE Link Update Bulletin Q2 2024, July 2024.
[60] Quarterly reports of leasing companies such as United Rentals, Ashtead, and Herc Rentals.
[61] VDMA, Geschäftsklima und Marktentwicklung weltweit, May 2024.

INDEX FOR CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Interim consolidated financial statements

Condensed interim consolidated financial statements for the first half of 2024

INCOME STATEMENT FOR THE DEUTZ GROUP[62]

€ million

	Note	1-6/2024	1-6/2023
Revenue	1	**875.5**	**1,001.2**
Cost of sales		-667.3	-772.4
Research and development costs		-49.2	-53.1
Selling expenses		-67.5	-62.7
General and administrative expenses		-53.9	-36.6
Other operating income	2	10.8	9.1
Other operating expenses	3	-9.7	-16.2
Impairment of financial assets and reversals thereof		0.7	2.4
Profit/loss on equity-accounted investments		-0.2	-1.0
EBIT		**39.2**	**70.7**
Interest income		0.8	0.7
Interest expense		-9.8	-6.7
Other financial income		0.0	-0.2
Financial income, net		**-9.0**	**-6.2**
Net income before income taxes		**30.2**	**64.5**
Income taxes		-4.6	-10.7
Net income from continuing operations	5	**25.6**	**53.8**
Net income from discontinued operations		**10.2**	**-9.5**
Net income		**35.8**	**44.3**
thereof attributable to shareholders of DEUTZ AG		35.8	44.3
Earnings per share (basic/diluted, €)		**0.28**	**0.36**
thereof from continuing operations		**0.20**	**0.44**
thereof from discontinued operations		**0.08**	**-0.08**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million

	Note	1-6/2024	1-6/2023
Net income		**35.8**	**44.3**
Amounts that will not be reclassified to the income statement in the future		**0.9**	**-0.9**
Remeasurement of defined benefit plans		0.9	-0.9
Amounts that will be reclassified to the income statement in the future if specific conditions are met		**2.7**	**-6.0**
Currency translation differences		1.5	-5.2
thereof profit/loss on equity-accounted investments		0.5	-3.6
Effective portion of change in fair value from cash flow hedges		-1.1	0.4
Fair value of financial instruments		2.3	-1.2
Other comprehensive income, net of tax	4	**3.6**	**-6.9**
Comprehensive income		**39.4**	**37.4**
thereof attributable to shareholders of DEUTZ AG		39.4	37.4

[62] Figures for the prior-year period have been restated in accordance with the provisions of IFRS 5.

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	**Jun. 30, 2024**	Dec. 31, 2023
Property, plant and equipment	6	385.9	379.3
Intangible assets	6	154.6	159.9
Equity-accounted investments		41.6	41.4
Other financial assets		25.2	26.7
Non-current assets (before deferred tax assets)		**607.3**	**607.3**
Deferred tax assets		128.9	127.4
Non-current assets		**736.2**	**734.7**
Inventories	7	480.5	433.9
Trade receivables		177.6	201.9
Other receivables and assets		58.9	49.8
Receivables in respect of tax refunds		6.3	4.1
Cash and cash equivalents		70.0	90.1
Assets of discontinued operations classified as held for sale		0.0	75.7
Current Assets		**793.3**	**855.5**
Total assets		**1,529.5**	**1,590.2**

Equity and liabilities	Note	**Jun. 30, 2024**	Dec. 31, 2023
Issued capital		**322.5**	**322.5**
Additional paid-in capital		40.3	40.3
Other reserves		-4.0	-6.7
Retained earnings and accumulated income		402.4	387.1
Equity attributable to shareholders of DEUTZ AG		**761.2**	**743.2**
Equity	8	**761.2**	**743.2**
Provisions for pensions and other post-retirement benefits		82.6	87.7
Deferred tax liabilities		5.3	5.8
Other provisions	10	24.2	23.9
Financial debt	9	68.3	65.9
Other liabilities	11	17.5	19.6
Non-current liabilities		**197.9**	**202.9**
Provisions for pensions and other post-retirement benefits		10.7	10.7
Other provisions	10	66.1	73.8
Financial debt	9	167.9	187.6
Trade payables		234.5	256.0
Liabilities arising from income taxes		6.2	6.4
Other liabilities	11	85.0	90.6
Liabilities directly associated with assets of discontinued operations		0.0	19.0
Current liabilities		**570.4**	**644.1**
Total equity and liabilities		**1,529.5**	**1,590.2**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital	Additional paid-in capital	Retained earnings & accumulated income	Fair value reserve[63,64]	Currency translation reserve[65]	Equity attributable to shareholders of DEUTZ AG	Total
Balance at Jan. 1, 2023	**309.0**	**28.8**	**330.4**	**-4.4**	**5.0**	**668.8**	**668.8**
Dividend payments to shareholders			-18.9			-18.9	-18.9
Capital increase	13.5	11.5				25.0	25.0
Net income			44.3			44.3	44.3
Other comprehensive income			-0.9	-0.8	-5.2	-6.9	-6.9
Comprehensive income			43.4	-0.8	-5.2	37.4	37.4
Changes to basis of consolidation			0.0			0.0	0.0
Balance at Jun. 30, 2023	**322.5**	**40.3**	**354.9**	**-5.2**	**-0.2**	**712.3**	**712.3**
Balance at Jan. 1, 2024	**322.5**	**40.3**	**387.1**	**-6.3**	**-0.4**	**743.2**	**743.2**
Dividend payments to shareholders			-21.4			-21.4	-21.4
Net income			35.8			35.8	35.8
Other comprehensive income			0.9	1.2	1.5	3.6	3.6
Comprehensive income			36.7	1.2	1.5	39.4	39.4
Balance at Jun. 30, 2024	**322.5**	**40.3**	**402.4**	**-5.1**	**1.1**	**761.2**	**761.2**

[63] On the balance sheet, these items are aggregated under »Other reserves«.
[64] Reserves from the measurement of cash flow hedges and reserves from the measurement of financial instruments.
[65] On the balance sheet, these items are aggregated under »Other reserves«.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP[66]

€ million

	Note	**1-6/2024**	1-6/2023
EBIT		**39.2**	**70.7**
Income taxes paid		-9.1	-11.8
Depreciation, amortization and impairment of non-current assets		44.2	44.6
Profit/loss and impairment on equity-accounted investments		0.2	1.0
Other non-cash income and expenses		-0.4	-0.4
Change in working capital		-39.4	-44.8
Change in inventories		-42.7	-79.3
Change in trade receivables		26.1	11.0
Change in trade payables		-22.8	23.5
Change in other receivables and other current assets		-8.9	-10.4
Change in provisions and other liabilities (excluding financial liabilities)		-22.5	7.3
Cash flow from operating activities – continuing operations		**3.3**	**56.2**
Cash flow from operating activities – discontinued operations		-8.3	-7.3
Cash flow from operating activities – total		**-5.0**	**48.9**
Capital expenditure on intangible assets, property, plant and equipment		-29.1	-32.6
Expenditure on investments		-0.1	-0.1
Cash flow from investing activities – continuing operations		**-29.2**	**-32.7**
Cash flow from investing activities – discontinued operations		75.1	-1.5
Cash flow from investing activities – total		**45.9**	**-34.2**
Dividend payments to shareholders		-21.4	-18.9
Interest income		0.9	0.5
Interest expense		-10.1	-5.9
Cash receipts from borrowings		63.3	37.1
Repayment of loans		-84.4	-3.9
Principal elements of lease payments		-8.9	-8.8
Cash flow from financial activities – continuing operations		**-60.6**	**0.1**
Cash flow from financial activities – discontinued operations		-0.8	-1.4
Cash flow from financial activities – total		**-61.4**	**-1.3**
Cash flow from operating activities – total		-5.0	48.9
Cash flow from investing activities – total		45.9	-34.2
Cash flow from financing activities – total		-61.4	-1.3
Change in cash and cash equivalents		**-20.5**	**13.4**
Cash and cash equivalents at Jan. 1		**90.1**	**54.9**
Change in cash and cash equivalents		-20.5	13.4
Change in cash and cash equivalents related to exchange rates		0.4	-1.1
Cash and cash equivalents at Jun. 30		**70.0**	**67.2**

[66] Figures for the prior-year period have been restated in accordance with the provisions of IFRS 5.

Notes to the condensed interim consolidated financial statements for the first half of 2024

Basic principles

Basis of preparation of the financial statements

These interim financial statements for the period ended June 30, 2024 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated financial statements do not contain all the information and notes required by IFRS for consolidated financial statements for a full financial year and should therefore be read in conjunction with the IFRS consolidated financial statements published for the 2023 financial year.

The condensed interim consolidated financial statements for the period ended June 30, 2024 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected notes to the consolidated financial statements – and the interim group management report for the period from January 1 to June 30, 2024 have been reviewed by an auditor pursuant to section 115 of the German Securities Trading Act (WpHG).

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.

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, electric, and hydrogen drives that are used in various applications, including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, and rail vehicles. 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.

Material accounting policies

With the exception of the amendments described below, the accounting policies used in the preparation of these interim consolidated financial statements are essentially the same as those used in the most recent consolidated financial statements for the year ended December 31, 2023. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2023.

»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. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

»Non-current Liabilities with Covenants« (Amendments to IAS 1) In October 2022, the IASB published amendments to IAS 1 that affect the amendments to IAS 1 that had been published in January 2020 concerning the classification of liabilities as current or non-current. The latest amendments seek to clarify which conditions affect the classification of a liability. Conditions with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. By contrast, conditions with which an entity does not have to comply until after the reporting date do not affect the classification. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

»Supplier Finance Arrangements« (Amendments to IAS 7 and IFRS 7) In May 2023, the IASB published amendments to IAS 7 and IFRS 7. The amendments require entities to include additional disclosures about finance arrangements with suppliers in the notes to the financial statements. They must also disclose how these arrangements affect their liabilities, cash flows, and liquidity risk and what the consequences will be for them if the arrangements are no longer available to them. The amendments are required to be applied for financial years commencing on or after January 1, 2024. However, if an entity's financial year-end is December 31, it is not required to include the disclosures in the 2024 interim financial statements.

»Lease Liability in a Sale and Leaseback« (Amendments to IFRS 16) The IASB published amendments to IFRS 16 in September 2022 that seek to clarify how a seller-lessee subsequently measures sale and leaseback transactions. The gain or loss arising from the transaction in relation to the retained right of use is not recognized. Initial application of the amended standard did not have any impact on the interim consolidated financial statements.

If they are material, **revenue-related and cyclical items** are accrued during the year.

Income taxes Income taxes are calculated on the basis of the effective tax rate currently expected to apply to the DEUTZ Group for the year as a whole.

The Group falls within the scope of the OECD pillar two model rules and is applying the exemption from accounting for deferred taxes arising from pillar two income taxes. It does not anticipate that the pillar two legislation, which applies from January 1, 2024, will result in any additional tax as all jurisdictions satisfy at least one of the CbCR safe harbor rules. Under the legislation, the Group must pay top-up tax in each jurisdiction; the amount to be paid is the difference between the GloBE[67] effective tax rate and the minimum rate of 15%.

Material estimates and assumptions To a certain extent, the preparation of the condensed interim 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 assets and liabilities as at the balance sheet date, and the reporting of income and expenses in the reporting period.

Changes in the basis of consolidation

The Torqeedo Group was sold to Yamaha Motor Co., Ltd. and deconsolidated with effect from April 3, 2024. In accordance with IFRS 5, the activities of the Torqeedo Group were reported as discontinued operations until the time of the sale. The figures for the prior-year period have been restated in accordance with the provisions of IFRS 5. For further disclosures relating to the first six months of 2024, please refer to Note 5. »Net income from discontinued operations«.

Effects of the Ukraine crisis and Middle East conflict on the interim consolidated financial statements

Business expectations across all sectors are being tempered by the wars in Ukraine and Israel, the attacks by Houthi militias on international shipping in the Red Sea, the resulting supply bottlenecks in global markets, and persistently high energy costs and interest rates. These factors also mean that conditions in the procurement market remain challenging.

[67] Global Anti-Base Erosion Rules.

Selected explanatory disclosures[68]

1. Revenue

Breakdown of revenue by application segment in the first half of 2024

€ million

	Classic	Green	**Total**
Construction Equipment	211.3	0.3	**211.6**
Material Handling	234.9	0.0	**234.9**
Agricultural Machinery	92.0	0.0	**92.0**
Stationary Equipment	56.2	0.0	**56.2**
Service	252.4	0.5	**252.9**
Miscellaneous	26.2	1.7	**27.9**
Total	**873.0**	**2.5**	**875.5**
thereof at a point in time	851.6	2.5	**854.1**
thereof over a period of time	21.4	0.0	**21.4**

Breakdown of revenue by application segment in the first half of 2023

€ million

	Classic	Green	**Total**
Construction Equipment	286.5	0.1	**286.6**
Material Handling	215.2	0.0	**215.2**
Agricultural Machinery	135.8	0.0	**135.8**
Stationary Equipment	89.8	0.1	**89.9**
Service	236.2	1.3	**237.5**
Miscellaneous	33.5	2.7	**36.2**
Total	**997.0**	**4.2**	**1,001.2**
thereof at point in time	981.9	4.2	**986.1**
thereof over a period of time	15.1	0.0	**15.1**

Breakdown of revenue by region in the first half of 2024

€ million

	Classic	Green	**Total**
Europe/Middle East/ Africa	509.6	1.4	**511.0**
Americas	239.0	0.9	**239.9**
Asia-Pacific	124.4	0.2	**124.6**
Total	**873.0**	**2.5**	**875.5**

Breakdown of revenue by region in the first half of 2023

€ million

	Classic	Green	**Total**
Europe/Middle East/ Africa	616.0	4.2	**620.2**
Americas	235.3	0.0	**235.3**
Asia-Pacific	145.7	0.0	**145.7**
Total	**997.0**	**4.2**	**1,001.2**

[68] The tables and notes below relate to continuing operations.

2. Other operating income

€ million	**1-6/2024**	1-6/2023
Foreign currency gains	4.9	2.0
Income from the reversal of provisions	2.7	3.2
Income from recharged costs and services	1.6	1.4
Sundry other income	1.4	1.9
Income from the measurement of derivatives	0.2	0.3
Income from the derecognition of liabilities	0.0	0.3
Total	**10.8**	**9.1**

The rise in other operating income was largely due to higher foreign currency gains.

3. Other operating expenses

€ million	**1-6/2024**	1-6/2023
Foreign currency losses	2.7	5.8
Sundry other expenses	2.7	3.9
Expenses for pensions and other post-employment benefits	2.4	2.5
Other cost of fees, contributions and advice	1.4	1.1
Expenses in connection with the measurement of derivatives	0.5	0.2
Other expenses from the adjustment of provisions	0.0	2.7
Total	**9.7**	**16.2**

The fall in other operating expenses was largely due to lower foreign currency losses and the reduction in sundry other expenses.

4. 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:

	1-6/2024			1-6/2023		
€ million	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Amounts that will not be reclassified to the income statement in the future	**1.3**	**-0.4**	**0.9**	**-1.3**	**0.4**	**-0.9**
Remeasurements of defined benefit plans	1.3	-0.4	0.9	-1.3	0.4	-0.9
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**3.3**	**-0.6**	**2.7**	**-6.4**	**0.4**	**-6.0**
Currency translation differences	1.5	0.0	1.5	-5.2	0.0	-5.2
thereof profit/loss on equity-accounted investments	0.5	0.0	0.5	-3.6	0.0	-3.6
Effective portion of change in fair value from cash flow hedges	-1.6	0.5	-1.1	0.6	-0.2	0.4
Fair value of financial instruments	3.4	-1.1	2.3	-1.8	0.6	-1.2
Other comprehensive income	**4.6**	**-1.0**	**3.6**	**-7.7**	**0.8**	**-6.9**

A pre-tax gain of €0.1 million relating to cash flow hedges was recognized in the income statement in the first six months of 2024 (1-6/ 2023: pre-tax gain of €0.0 million).

5. Net income from discontinued operations

The details of the previously announced sale of the Torqeedo Group were firmed up in December 2023. In accordance with IFRS 5, the activities of the Torqeedo Group were then reported as discontinued operations. The sale to Yamaha Motor Co., Ltd. was completed with effect from April 3, 2024. The table below gives a breakdown of the net income/loss from discontinued operations for the period up to the time of the sale in 2024:

€ million	1-6/2024	1-6/2023
Revenue	**7.6**	**22.3**
Cost of sales	-8.0	-17.4
Research and development costs	-1.7	-2.8
General and administrative expenses	-4.9	-10.1
Other operating income and expenses	-0.3	-0.9
Interest result	-0.4	-0.9
Income taxes	0.8	0.3
Income after taxes	**-6.9**	**-9.5**
Gain on the sale of the Torqeedo Group less transaction costs	17.1	0.0
Income taxes	0.0	0.0
Gain on the sale after taxes	**17.1**	**0.0**
Net income	**10.2**	**-9.5**

The gain on the sale of the Torqeedo Group is tax-exempt. The offsetting of losses up to the time of the sale had a positive impact on taxes of €0.8 million at the level of DEUTZ AG because of the consolidated tax group formed for income tax purposes.

The gain on the sale of the Torqeedo Group contains cumulative currency losses of €0.3 million resulting from the disposal of the net assets.

EBIT from discontinued operations amounted to €9.7 million and comprised not only the current loss of the Torqeedo Group up to the time of its disposal and deconsolidation but also the gain on the disposal.

6. Property, plant and equipment and intangible assets

Property, plant and equipment

Gross figures Cost of purchase/ conversion	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2024	**326.5**	**594.1**	**370.8**	**18.2**	**1,309.6**
Currency translation differences	0.7	0.6	0.5	0.0	1.8
Additions	8.9	4.5	15.6	11.8	40.8
Investment grants	0.0	-0.5	0.0	0.0	-0.5
Disposals	-8.6	-3.6	-4.2	-0.1	-16.5
Changes to basis of consolidation	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.5	3.8	1.2	-5.5	0.0
Balance at Jun. 30, 2024	**328.0**	**598.9**	**383.9**	**24.4**	**1,335.2**

Gross figures Depreciation and impairment	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2024	**163.7**	**485.9**	**280.3**	**0.4**	**930.3**
Currency translation differences	0.5	0.4	0.3	0.0	1.2
Depreciation	8.4	11.0	14.5	0.0	33.9
Impairment	0.0	0.0	0.0	0.0	0.0
Disposals	-8.6	-3.6	-3.9	0.0	-16.1
Changes to basis of consolidation	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance at Jun. 30, 2024	**164.0**	**493.7**	**291.2**	**0.4**	**949.3**
Net carrying amount at Jun. 30, 2024	**164.0**	**105.2**	**92.7**	**24.0**	**385.9**

Capital expenditure on property, plant and equipment (excluding right-of-use assets in connection with leases) mainly related to new test rigs for the Green segment, a new flexible production line, and the expansion of logistics premises.

Of the additions in the first half of 2024, a sum of €12.4 million was accounted for by right-of-use assets in connection with leases (1-6/ 2023: €6.2 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 for properties and technical equipment and machines.

Capital expenditure was partly offset by depreciation of €33.9 million (1-6/ 2023: €33.3 million). No impairment losses were recognized on property, plant and equipment in the reporting period.

Intangible assets

Gross figures Cost of purchase/ conversion	Goodwill	Internally generated intangible assets Completed	Internally generated intangible assets In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2024	**38.0**	**471.9**	**70.9**	**180.2**	**761.0**
Currency translation differences	0.0	0.0	0.0	-0.1	-0.1
Additions	0.0	0.0	2.8	2.4	5.2
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	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance at Jun. 30, 2024	**38.0**	**471.9**	**73.7**	**182.5**	**766.1**

Gross figures Amortization and impairment	Goodwill	Internally generated intangible assets Completed	Internally generated intangible assets In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2024	**0.0**	**433.5**	**26.5**	**141.1**	**601.1**
Currency translation differences	0.0	0.0	0.0	0.1	0.1
Amortization	0.0	6.2	0.0	4.1	10.3
Impairment	0.0	0.0	0.0	0.0	0.0
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
Balance at Jun. 30, 2024	**0.0**	**439.7**	**26.5**	**145.3**	**611.5**
Net carrying amount at Jun. 30, 2024	**38.0**	**32.2**	**47.2**	**37.2**	**154.6**

The capital expenditure of €5.2 million was more than offset by amortization of €10.3 million (1-6/ 2023: €5.1 million). No impairment losses were recognized on intangible assets in the reporting period.

Contrary to the presentation in the notes to the consolidated financial statements for 2023 in the section »Acquisitions«, the purchase price allocation for the acquisition of Mauricio Hochschild Ingeniería y Servicios S.A. has not yet been finalized and the goodwill of €1.3 million recognized under intangible assets is therefore still provisional.

7. Inventories

€ million	**Jun. 30, 2024**	Dec. 31, 2023
Raw materials, consumables, bought-in parts and spare parts	247.2	248.9
Work in progress	66.0	56.1
Finished goods	167.3	128.9
Total	**480.5**	**433.9**

Inventories went up by €46.6 million compared with the end of 2023. This increase was largely due to the build-up of inventories at the logistics center in Cologne, which was necessary as a key logistics service provider is closing for a period of several weeks this summer so that extensive maintenance work can be carried out.

8. Equity

The earnings generated in the first six months of the year resulted in a rise in equity, although partly offset by the dividend payment in particular.

In the first six months of 2024, DEUTZ AG distributed a dividend of €21.4 million (€0.17 per no-par-value share) from the accumulated income for 2023 calculated in accordance with the German Commercial Code (HGB).

9. Financial debt

€ million	**Jun. 30, 2024**	Dec. 31, 2023
Non-current	68.3	65.9
Current	167.9	187.6
Total	**236.2**	**253.5**

The reduction in current financial debt can primarily be explained by the repayment of drawdowns under the syndicated working capital facility as at June 30, 2024. The volume drawn down as at June 30, 2024 stood at €135.0 million (December 31, 2023: €155.0 million). This revolving line of credit, which has a total volume of €250 million and is provided by a consortium of banks, has been extended by a further year and its term now runs until May 2, 2029. The line of credit has a floating interest rate and is unsecured. DEUTZ also has access to three bilateral credit lines with an aggregate volume of €140 million that run until the end of the second quarter of 2025. They are also unsecured, 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) and non-financial covenants. DEUTZ complied with these covenants in the reporting period.

As at June 30, 2024, financial debt included non-current lease liabilities of €68.0 million (December 31, 2023: €65.6 million) and current lease liabilities of €17.1 million (December 31, 2023: €15.9 million).

10. Other provisions

€ million	**Jun. 30, 2024**	Dec. 31, 2023
Non-current	24.2	23.9
Current	66.1	73.8
Total	**90.3**	**97.7**

The decrease in other provisions was primarily attributable to a reduction in provisions for profit-sharing and warranties.

11. Other liabilities

€ million	**Jun. 30, 2024**	Dec. 31, 2023
Non-current	17.5	19.6
Current	85.0	90.6
Total	**102.5**	**110.2**

The reduction in other liabilities was mainly due to the fall in price reduction liabilities as a consequence of the lower volume of revenue and the fall in liabilities arising from other taxes.

€ million	**Jun. 30, 2024**	Dec. 31, 2023
Other liabilities		
Personnel-related liabilities	24.2	23.4
Price reduction liabilities	15.5	19.0
Liabilities to customers and factors	10.7	11.0
Advances received	9.5	7.9
Liabilities to investments	3.6	3.6
Liabilities arising from other taxes	6.1	8.5
Derivative financial instruments	0.5	0.0
Sundry other liabilities	32.4	36.8
Total	**102.5**	**110.2**

Other information

Contingent liabilities

Legal disputes

In the first half of 2024, no agreement was reached with the tax authorities concerning the timing of taxation of the profit on the final installment of the purchase consideration for the sale of the Cologne-Deutz site. The final installment depends on the gross aboveground floor area shown in the development plan, so the amount and timing of the payment are not yet known. It is expected to be around €60 million, which would result in a tax liability of approximately €7.5 million. DEUTZ AG has filed a complaint at the finance court. No risk provision was recognized for this complaint in the interim consolidated financial statements because it is considered unlikely that the complaint will not be upheld.

Other financial obligations

A preliminary payment of €167 million is expected in connection with the agreed take over of the sales and service activities for various Daimler Truck industrial engines between DEUTZ and Rolls-Royce’s Power Systems business unit at the end of 2023 and the acquisition of the shares in Blue Star Power Systems, Inc., North Mankato, Minnesota (USA).

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)

Jun. 30, 2024	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
Non-current financial assets	**0.1**	**9.7**	**2.7**	**12.7**	**25.2**
Current financial assets	**264.2**	**0.2**	**4.6**	**37.5**	**306.5**
Trade receivables	173.0	0.0	4.6	0.0	177.6
Other receivables and assets[69]	21.2	0.2	0.0	37.5	58.9
Cash and cash equivalents	70.0	0.0	0.0	0.0	70.0

Financial instruments (assets)

Dec. 31, 2023	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
Non-current financial assets	**0.2**	**9.0**	**2.2**	**15.3**	**26.7**
Current financial assets	**302.1**	**1.4**	**10.2**	**28.1**	**341.8**
Trade receivables	191.8	0.0	10.1	0.0	201.9
Other receivables and assets	20.2	1.4	0.1	28.1	49.8
Cash and cash equivalents	90.1	0.0	0.0	0.0	90.1

[69] For reasons of clarity, receivables in respect of tax refunds are no longer shown within other receivables and assets in this table because they do not fall within the scope of IFRS 9. The figures in the table for December 31, 2023 have been restated accordingly.

Financial instruments (liabilities)

Jun. 30, 2024	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million					
	Financial liabilities	Derivatives designated as hedging instruments (recognized in other comprehensive income/ loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**15.0**	**0.0**	**0.0**	**70.8**	**85.8**
Financial debt	0.3	0.0	0.0	68.0	68.3
Lease liabilities	0.0	0.0	0.0	68.0	68.0
Miscellaneous financial debt	0.3	0.0	0.0	0.0	0.3
Other liabilities	14.7	0.0	0.0	2.8	17.5
Current financial liabilities	**453.9**	**0.4**	**0.1**	**33.0**	**487.4**
Financial debt	150.8	0.0	0.0	17.1	167.9
Lease liabilities	0.0	0.0	0.0	17.1	17.1
Miscellaneous financial debt	150.8	0.0	0.0	0.0	150.8
Trade payables	234.5	0.0	0.0	0.0	234.5
Other liabilities[70]	68.6	0.4	0.1	15.9	85.0

Financial instruments (liabilities)

Dec. 31, 2023	Measured at amortized cost	Measured at fair value		Liabilities not within the scope of IFRS 9	
€ million					
	Financial liabilities	Derivatives designated as hedging instruments (recognized in other comprehensive income/ loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**18.8**	**0.0**	**0.0**	**66.7**	**85.5**
Financial debt	0.3	0.0	0.0	65.6	65.9
Lease liabilities	0.0	0.0	0.0	65.6	65.6
Miscellaneous financial debt	0.3	0.0	0.0	0.0	0.3
Other liabilities	18.5	0.0	0.0	1.1	19.6
Current financial liabilities	**501.7**	**0.0**	**0.0**	**32.5**	**534.2**
Financial debt	171.7	0.0	0.0	15.9	187.6
Lease liabilities	0.0	0.0	0.0	15.9	15.9
Miscellaneous financial debt	171.7	0.0	0.0	0.0	171.7
Trade payables	256.0	0.0	0.0	0.0	256.0
Other liabilities	74.0	0.0	0.0	16.6	90.6

[70] For reasons of clarity, income tax liabilities are no longer shown within other liabilities in this table because they do not fall within the scope of IFRS 9. The figures in the table for December 31, 2023 have been restated accordingly.

The following table shows the carrying amounts and fair values of all financial instruments included in the interim consolidated financial statements that fall within the scope of IFRS 7 'Financial Instruments: Disclosures' and that are not reported at fair value.

	Jun. 30, 2024		Dec. 31, 2023	
€ million	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Trade receivables	173.0	173.0	191.8	191.8
Other receivables and assets	21.3	21.3	20.4	20.4
Cash and cash equivalents	70.0	70.0	90.1	90.1
Financial liabilities				
Financial debt - liabilities to banks	151.1	152.4	172.0	173.6
Trade payables	234.5	234.5	256.0	256.0
Other liabilities	83.3	83.3	92.5	92.5

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 calculated 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:

Jun. 30, 2024

€ million

	Carrying amount	Fair value	Level 1[71]	Level 2[72]	Level 3[73]
Financial assets					
Equity investments - recognized through other comprehensive income	7.5	7.5	0.0	0.0	7.5
Securities - recognized through other comprehensive income	1.5	1.5	1.5	0.0	0.0
Securities - recognized through profit or loss	2.7	2.7	2.7	0.0	0.0
Interest rate swaps	0.7	0.7	0.0	0.7	0.0
Currency forwards - recognized through other comprehensive income	0.2	0.2	0.0	0.2	0.0
Currency forwards - recognized through profit or loss	0.0	0.0	0.0	0.0	0.0
Trade receivables	4.6	4.6	0.0	0.0	4.6
Financial liabilities					
Currency forwards - designated as hedging instruments	0.4	0.4	0.0	0.4	0.0
Currency forwards - held for trading	0.1	0.1	0.0	0.1	0.0
Financial debt	151.1	152.4	0.0	0.0	152.4

Dec. 31, 2023

€ million

	Carrying amount	Fair value	Level 1[74]	Level 2[75]	Level 3[76]
Financial assets					
Equity investments - recognized through other comprehensive income	7.5	7.5	0.0	0.0	7.5
Securities - recognized through other comprehensive income	1.5	1.5	1.5	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	1.4	1.4	0.0	1.4	0.0
Currency forwards - recognized through profit or loss	0.1	0.1	0.0	0.1	0.0
Trade receivables	10.1	10.1	0.0	0.0	10.1
Financial liabilities					
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
Financial debt	172.0	173.6	0.0	0.0	173.6

[71] Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
[72] Level 2: Measurement is based on the price of a similar instrument in active markets/ measurement using a method in which all the critical inputs are based on observable market data.
[73] Level 3: Measurement using a method in which critical inputs are not based on observable market data.
[74] Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
[75] Level 2: Measurement is based on the price of a similar instrument in active markets/ measurement using a method in which all the critical inputs are based on observable market data.
[76] Level 3: Measurement using a method in which critical inputs 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 in a field of strategic importance to DEUTZ AG. Transactions for shares in the investee are the most relevant for measuring fair value. Fair value is therefore based on a measurement method in which critical inputs are not based on observable market data. In the last arm's-length transaction for shares in the entity in 2022, the fair value corresponded to cost. Based on the last market transaction and an analysis of operating performance (cash flow and earnings expectations) derived from the medium-term planning at the end of 2023, the fair value is still equal to the cost of the equity investment. For ease of comparability, earlier arm's-length transactions for shares in the entity should be given preference over transactions for shares in peer-group companies. There were thus no changes in measurement in the first half of 2024. If the price of shares in the equity investment changes by 10%, the fair value would increase or decrease by €0.8 million accordingly.

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 currency hedging 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.

In the first half of 2024, the DEUTZ Group entered into interest-rate hedging instruments (interest-rate swaps) with a total volume of €80 million in order to reduce the interest-rate risk arising on the drawdown of the syndicated working capital facility. Forecast transactions (cash flows) are hedged using cash flow hedges. The fair value is calculated over the remaining term of the instrument using current market interest rates and yield curves, and taking into account a credit risk adjustment.

Segment reporting

Information about the segments of the DEUTZ Group for the first half of 2024 and the first half of 2023 is shown in the following table:

1-6/2024	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	873.0	2.5	**875.5**	0.0	**875.5**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**873.0**	**2.5**	875.5	**0.0**	875.5
Adjusted EBIT (EBIT before exceptional items)	67.7	-17.8	**49.9**	0.2	**50.1**

1-6/2023	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	997.0	4.2	**1,001.2**	0.0	**1,001.2**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**997.0**	**4.2**	1,001.2	**0.0**	1,001.2
Adjusted EBIT (EBIT before exceptional items)	86.8	-15.6	**71.2**	0.2	**71.4**

Reconciliation from overall profit of the segments to net income

€ million	**1-6/2024**	1-6/2023
Overall profit of the segments	**49.9**	**71.2**
Consolidation	0.2	0.2
Operating profit (EBIT before exceptional items)	**50.1**	**71.4**
Exceptional items	-10.9	-0.7
EBIT	**39.2**	**70.7**
Financial income, net	-9.0	-6.2
Net income before income taxes	**30.2**	**64.5**
Income taxes	-4.6	-10.7
Net income of continuing operations	**25.6**	**53.8**

In the first half of 2024, exceptional items amounted to an expense of €-10.9 million (1-6/ 2023: expense of €-0.7 million). These were attributable to costs of €10.1 million for strategic projects and additions of €0.8 million to provisions for former Board of Management members' share options.

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 Classic This segment encompasses all activities related to the development, production, distribution, maintenance, and servicing of diesel and gas engines, the associates D. D. Power Holdings (Pty) Ltd., Elandsfontein (South Africa), and DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou (China), and the equity-accounted joint venture with SANY.

DEUTZ Green This segment encompasses business involving all-electric and hybrid-electric drives, hydrogen-powered drive solutions, mobile rapid charging stations, and the development of battery management hardware and software.

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.

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 adjusted EBIT (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.

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		Payables	
	1-6/2024	1-6/2023	**1-6/2024**	1-6/2023	**Jun. 30, 2024**	Dec. 31, 2023	**Jun. 30, 2024**	Dec. 31, 2023
Associates	6.3	10.4	0.0	0.0	1.5	1.6	1.0	1.0
Joint ventures	0.1	2.6	0.0	0.0	0.5	0.5	0.0	0.0
Other investments	0.0	0.0	2.9	2.4	0.0	0.0	2.7	2.7
Total	**6.4**	**13.0**	**2.9**	**2.4**	**2.0**	**2.1**	**3.7**	**3.7**

The decrease in goods supplied and services rendered to associates was due to lower demand and the utilization of existing inventories.

The reduction in goods supplied and services rendered to joint ventures was predominantly attributable to the completion of development projects and lower demand.

As at June 30, 2024, receivables of €9.2 million due from other investments had been written off in full (December 31, 2023: €9.2 million). As had also been the case in the prior-year period, this had no impact on earnings in the reporting period.

Of these receivables, €5.2 million related to loans granted by DEUTZ (December 31, 2023: €5.2 million) on which impairment losses of €5.2 million had been recognized (December 31, 2023: €5.2 million). The interest expense arising in connection with the interest payable was immaterial.

Events after the reporting period

On July 3, 2024, DEUTZ AG placed around 12.6 million new shares with institutional investors, disapplying pre-emption rights. As a result of the placement of the new shares, DEUTZ AG's share capital has increased by 10% to €354,739,200.24 (June 30, 2024: €322,490,184.06) and is divided into 138,761,914 no-par-value bearer shares (June 30, 2024: 126,147,195). The Board of Management and Supervisory Board of DEUTZ AG set the placement price at €5.71 per share, resulting in gross issue proceeds of approximately €72 million.

The net proceeds from the capital increase give DEUTZ the flexibility to invest further in growth by acquisition.

Cologne, July 30, 2024

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr.-Ing. Petra Mayer

Dr.-Ing. Markus Müller

Additional information

Responsibility statement

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the interim management report of the Group includes a fair review 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 for the remaining months of the financial year.«

Cologne, July 30, 2024

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr.-Ing. Petra Mayer

Dr.-Ing. Markus Müller

Report on audit review

To DEUTZ Aktiengesellschaft, Cologne,

We have reviewed the condensed interim consolidated financial statements — comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and selected explanatory notes — together with the interim group management report of DEUTZ Aktiengesellschaft, Cologne, for the period from January 1, 2024 to June 30, 2024, that are part of the half-year financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz — WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim consolidated management report in accordance with the requirements of the WpHG applicable to interim consolidated management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer — IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim consolidated management reports. A review is limited primarily to questioning of company employees and analytical procedures and therefore does not provide the level of assurance attainable in an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim consolidated management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, August 7, 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Christian Winkler	Christoph Hyckel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar

2024	
October 8	DEUTZ Capital Markets Day | Cologne (Germany)
November 7	Quarterly statement for the first to third quarter of 2024 Conference call with analysts and investors
2025	
March 20	2024 annual report Annual results press conference with analysts and investors
May 8	Annual General Meeting

« FURTHER INFORMATION AT
https://www.deutz.com/en/investor-relations/financial-calendar/

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This is a complete translation of the original German version of the interim report for the first half of 2024.

Only the German version of this report is legally binding. The Company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

The report is only available in digital form. This half-year report was published on August 8, 2024.

DEUTZ 2024

160 YEARS

DEUTZ