PRESS RELEASE

Amid challenging conditions, DEUTZ remains profitable and provides details of cost program

- Adjusted EBIT margin of 4.4% in first nine months of 2024, despite slump in demand
- New orders only just below level of prior-year period thanks to successful portfolio development
- Cost program sets out steps for permanent savings of at least €50 million

Cologne, November 7, 2024 – DEUTZ can feel the effects of the ongoing fall in demand caused by the economic headwinds but remains profitable. This can be seen from the results published today for the first three quarters of 2024. Revenue declined by (13.4%) to €1,305.9 million, partly because production was suspended at the headquarters in Cologne for three weeks during August. Nevertheless, the Company generated adjusted EBIT (EBIT before exceptional items) of €57.3 million and an adjusted EBIT margin of 4.4% (Q1–Q3 2023: 7.1%), not least due to the continued expansion of the high-margin service business. New orders, which amounted to €1,346.2 million, were close to the level of the prior-year period. This was primarily due to the successful development of the portfolio resulting from DEUTZ's acquisition of US-based Blue Star Power Systems and its takeover of the off-highway business for selected Daimler Truck engines from Rolls-Royce Power Systems. Both of these transactions were completed in the third quarter. Their full effect on earnings will start in the fourth quarter.

"We are putting DEUTZ on a progressively broader footing and making ourselves ever more resilient. This is not only due to the improved operating performance but also to the development of the portfolio over the past two years, which means that we are able to earn money even during these difficult times," explains DEUTZ CEO Dr. Sebastian C. Schulte. "We are maintaining this trajectory. By pursuing our updated strategy and the cost program that is now under way, we are laying the foundations for further profitable growth in the years ahead."

The main changes that DEUTZ recently unveiled in respect of its Dual+ strategy are increased diversification of the portfolio, a demand-driven approach in the market for alternative drives, and a stronger positioning for the Company as a solution provider throughout its usual value chains, e.g. in the field of energy. The target is to increase revenue to around €4 billion by 2030.

DEUTZ has also launched a cost program in order to strengthen its profitability in a persistently difficult economic environment. The program is aimed at permanently lowering costs by €50 million by the end of 2026 and supplements the short-term measures already introduced, which are expected to generate savings of between €10 million and €15 million as early as the fourth quarter.

In recent weeks, steps have been defined under the cost program that set out the details and confirm the targeted permanent savings of at least €50 million. The validation and implementation of the steps is being managed by an interdisciplinary team headed up by the CFO and Labor Director, Oliver Neu. These steps include both structural measures, such as cutting jobs, and a permanent reduction in operating costs.

“We realize that the announced job cuts are creating uncertainty. And we will of course do everything we can to ensure that they are carried out as responsibly as possible. To this end, we have established a strong dialogue with the employee representatives so that negotiations can begin promptly and clarity can be provided for all employees as soon as possible. The aim is to inform all employees of the next steps in the process before Christmas,” stresses Oliver Neu.

The Group’s key figures for the first to thirst quarter of 2024 in detail[1]

New orders received by the DEUTZ Group edged down by (3.8)% to stand at €1,346.2 million in the first three quarters of 2024 (Q1–Q3 2023: €1,398.9 million). The fall in demand caused by the economic headwinds was only partly reflected in the level of new orders at Group level, firstly because Blue Star Power Systems was included in the basis of consolidation for the first time in the period under review. The genset business of Blue Star Power Systems, which was acquired at the start of August, registered new orders of around €100 million and thereby contributed to the uptrend in the Stationary Equipment application segment. As a result, the new orders of this application segment almost doubled year on year. Secondly, DEUTZ received new orders with a total volume in the high-double-digit millions of euros as a result of it taking over the sales and service activities for various Daimler Truck industrial engines from Rolls-Royce Power Systems. The service business and the Miscellaneous application segment also performed very well. New orders in the service business rose by 6.3% compared with the first nine months of 2023 to reach €383.3 million, while new orders in the Miscellaneous application segment went up by 12.5% to €59.3 million. By contrast, new orders in the Construction Equipment and Agricultural Machinery application segments fell sharply year on year. In the Material Handling application segment, new orders were more or less unchanged compared with the prior-year period owing to increased demand in the Americas region.

[1] Unless otherwise indicated, all the figures disclosed below are for continuing operations only.

Orders on hand totaled €490.7 million as at September 30, 2024 (September 30, 2023: €655.4 million). The share of orders on hand accounted for by the service business amounted to €44.2 million, which was slightly higher than the figure of €43.9 million recorded a year earlier.

DEUTZ saw a considerable decrease in **unit sales** in the reporting period as a result of falling new orders in previous quarters caused by the economic headwinds. It sold 107,350 units in the period January to September 2024, a drop of (22.0)% compared with the 137,559 units sold in the prior-year period. Among the DEUTZ application segments, Material Handling notched up significant unit sales growth of 6.6% compared with the first three quarters of 2023. The decline in unit sales was attributable to all regions, with the EMEA region recording by far the biggest decreases.

The level of **consolidated revenue** reflected the decline in unit sales, with consolidated revenue decreasing by (13.4)% year on year to €1,305.9 million (Q1–Q3 2023: €1,507.2 million). However, the fall in revenue was significantly less pronounced than the fall in unit sales thanks to market-oriented pricing, active portfolio management, and a jump in service revenue. Reflecting the pattern in unit sales, all of the main application segments with the exception of Material Handling and the service business, which does not have any unit sales with which to make a comparison, recorded a reduction in revenue during the first nine months of 2024. The growth of the high-margin service business, where revenue rose by 5.2% to €379.4 million in the reporting period, was largely due to acquisitions and to the stepping up of parts sales and expansion of the on-site customer service business. From a regional perspective, the decline in revenue was predominantly attributable to the EMEA region, within which the biggest decreases were recorded in Europe.

Adjusted EBIT (EBIT before exceptional items[2]) fell from €106.6 million to €57.3 million in the period under review. Other factors besides the decline in revenue were higher research and development costs, particularly for new drive technologies, and a rise in selling and administrative expenses. This rise was partly due to headcount growth in connection with the implementation of regional growth initiatives, especially in the Americas region, and as a result of growth in the number of consolidated entities. Conversely, earnings performance received a boost not only from acquisitions in previous years but also from the acquisition of Blue Star Power Systems, continued measures to reduce costs and raise efficiency, the flexible adjustment of operations to reflect declining demand, and an encouraging earnings performance at the equity-accounted Hunan DEUTZ Power Co., Ltd.

[2] Exceptional items in Q1–Q3 2024: expense of €(17.3) million (Q1–Q3 2023: expense of €(0.7) million), attributable to costs of €(13.5) million for strategic projects, additions of €(2.4) million to provisions for management severance payments, additions of €(1.1) million to provisions for restructuring, and additions of €(0.3) million to provisions for former Board of Management members' share options.

The **adjusted EBIT margin** stood at 4.4% in the nine-month period, compared with 7.1% in the prior-year period. This shows that the steps taken by DEUTZ under its Dual+ strategy are paying off and that DEUTZ can do business profitably even when economic conditions are challenging.

As a result of the decrease in operating profit (EBIT), **net income from continuing operations** fell year on year from €80.9 million to €23.6 million. In addition, the Torqeedo Group's **discontinued operations generated net income** of €10.2 million (Q1–Q3 2023: net loss of €(15.0) million). The **net income for the entire Group, i.e. from continuing and discontinued operations**, therefore amounted to €33.8 million, compared with €65.9 million in the prior-year period. This brought **earnings per share** down year on year from €0.53 to €0.26, or from €0.65 to €0.18 for continuing operations only.

Cash flow from operating activities amounted to €31.4 million in the first nine months of 2024, which was €(37.9) million lower than in the prior-year period. This decrease was chiefly due to the reduction in earnings on the back of the fall in revenue.

Net cash used by investing activities swelled from €(59.0) million to €(223.7) million, primarily because of mergers and acquisitions. **Free cash flow** from continuing operations therefore amounted to minus €(204.5) million in the reporting period (Q1–Q3 2023: €1.6 million). **Free cash flow before mergers and acquisitions** was minus €(28.6) million, compared with €9.4 million in the prior-year period, owing to the reduction in cash flow from operating activities.

Net debt was up by €(105.5) million compared with the end of 2023 and amounted to €(268.9) million as at September 30, 2024, primarily as a result of borrowing.

The **equity ratio** stood at 47.5% as at September 30, 2024, compared with 46.7% at the end of 2023. The DEUTZ Group's financial position therefore remains comfortable.

As stated in the adjusted **full-year guidance for 2024** issued at the start of October, DEUTZ expects unit sales of fewer than 150,000 engines and revenue of around €1.8 billion as a result of the fall in demand caused by the economic headwinds. This should give an adjusted EBIT margin of between 4.0% and 5.0%. Free cash flow before mergers and acquisitions is predicted to be at least neutral.

The **medium-term targets for 2028** are an increase in revenue to between €3.2 billion and €3.4 billion, plus an adjusted EBIT margin of between 8% and 9%.

DEUTZ Group | Continuing operations: Overview of key figures

€ million	9M 2024	9M 2023	Delta	Q3 2024	Q3 2023	Delta
New orders	1,346.2	1,398.9	-3.8%	555.2	433.0	28.2%
Unit sales (units)	107,350	137,559	-22.0%	33,188	46,108	-28.0%
Revenue	1,305.9	1,507.2	-13.4%	430.4	506.0	-14.9%
EBIT	40.0	105.9	-62.2%	0.8	35.2	-97.7%
thereof exceptional items	-17.3	-0.7	-2371.4%	-6.4	0.0	–
Adjusted EBIT (before exceptional items)	57.3	106.6	-46.2%	7.2	35.2	-79.5%
EBIT margin (before exceptional items)	4.4%	7.1%	-2,7pp	1.7%	7.0%	-5,3pp
Net income	23.6	80.9	-70.8%	-2.0	27.1	–
Earnings per share (€)	0.18	0.65	-72.3%	-0.02	0.21	–
Earnings per share (before exceptional items, €)	0.30	0.65	-53.8%	0.02	0.21	-90.5%
Equity (Sep. 30/ Dec. 31)[3]	823.3	743.2	10.8%			
Equity ratio[4]	47.5%	46.7%	+0,8pp			
Cash flow from operating activities	31.4	69.3	-54.7%	28.1	13.1	114.5%
Free cash flow	-204.5	1.6	–	-169.4	-16.5	-926.7%
Net financial position (Sep. 30/ Dec. 31)	-268.9	-163.4	-64.6%			
Employees (Sep. 30)[5]	5,239	5,086	3.0%			

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

DEUTZ Classic segment: Overview of key figures

€ million	9M 2024	9M 2023	Delta	Q3 2024	Q3 2023	Delta
New orders	1,340.1	1,392.6	-3.8%	552.1	428.4	28.9%
Unit sales (units)	106,829	137,531	-22.3%	33,023	46,107	-28.4%
Revenue	1,300.7	1,504.0	-13.5%	427.7	505.7	-15.4%
Adjusted EBIT (before exceptional items)	82.4	132.0	-37.6%			
EBIT margin (before exceptional items)	6.3%	8.8%	-2,5pp			

DEUTZ Green segment | Continuing operations: Overview of key figures

€ million	9M 2024	9M 2023	Delta	Q3 2024	Q3 2023	Delta
New orders	6.1	6.3	-3.2%	3.1	4.6	-32.6%
Unit sales (units)[6]	521	28	1,760.7%	165	1	16,400.0%
Revenue	5.2	3.2	62.5%	2.7	0.3	800.0%
Adjusted EBIT (before exceptional items)	-25.5	-25.6	0.4%			
EBIT margin (before exceptional items)	-490.4%	-800.0%	+309,6pp			

The quarterly statement for the first to third quarter of 2024 is available at www.deutz.com/en/investor-relations.

Upcoming financial dates

November 27, 2024: Eigenkapitalforum, Frankfurt

March 20, 2025: 2024 annual report

April 30, 2025: Quarterly statement for the first quarter of 2025

May 8, 2025: Annual General Meeting

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

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Forward-looking statements

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

About DEUTZ AG

DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, stationary equipment such as generator sets (gensets) as well as commercial and rail vehicles. With over 5,000 employees worldwide and around 1,000 sales and service partners in more than 120 countries, DEUTZ generated revenue of around €2.1 billion in the 2023 financial year. Further information is available at www.deutz.com.