Interim report for the

FIRST HALF OF 2023

DEUTZ AG

DEUTZ GROUP: OVERVIEW

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change	Q2/2023	Q2/2022	Change
New orders	991.7	1,077.6	–8.0%	465.6	568.0	–18.0%
Unit sales (units)	107,345	108,741	–1.3%	52,012	58,726	–11.4%
thereof DEUTZ	91,451	90,462	1.1%	45,341	46,901	–3.3%
thereof Torqeedo	15,894	18,279	–13.0%	6,671	11,825	–43.6%
Revenue	1,023.5	930.4	10.0%	506.3	482.5	4.9%
EBIT	61.8	35.5	74.1%	29.7	26.5	12.1%
thereof exceptional items[1]	–0.7	–7.1	–90.1%	–0.7	–0.3	133.3%
Adjusted EBIT (EBIT before exceptional items)	62.5	42.6	46.7%	30.4	26.8	13.4%
EBIT margin (%)	6.0	3.8	+2.2 pp	5.9	5.5	+0.4 pp
EBIT margin (before exceptional items, %)	6.1	4.6	+1.5 pp	6.0	5.6	+0.4 pp
Net income	44.3	28.0	58.2%	20.5	21.2	–3.3%
Net income before exceptional items	44.9	34.0	32.1%	21.1	21.5	–1.9%
Earnings per share (€)	0.36	0.23	56.5%	0.16	0.17	–5.9%
Earnings per share (before exceptional items, €)	0.36	0.28	28.6%	0.16	0.18	–11.1%
Equity at Jun. 30/Dec. 31	712.3	668.8	6.5%			
Equity ratio at Jun. 30/Dec. 31 (%)	44.6	45.3	–0.7 pp			
Cash flow from operating activities	48.9	14.6	234.9%	17.9	4.9	265.3%
Free cash flow	8.3	–24.7	–	–2.5	–19.8	87.4%
Net financial position at Jun. 30/Dec. 31	–181.4	–164.2	–10.5%			
Employees[2] (Jun. 30)	5,147	4,946	4.1%			

[1] Significant income generated or expenses incurred outside the scope of the Company's ordinary business activities that are unlikely to recur.

[2] Number of employees expressed in FTEs (full-time equivalents) including trainees; excluding temporary workers.

CONTENTS

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 5,147 people worldwide at the end of the first half of 2023. 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, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ also offers a comprehensive range of digital and analog services through more than 800 sales and service partners in over 130 countries.

The Company's operating activities are divided into the segments Classic and Green. The Classic segment, which generated around 98 percent of consolidated revenue in the first six months of 2023, 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 engines, electric drives, mobile rapid charging stations, the related service business, and the subsidiaries Torqeedo and Futavis.

STRATEGY AND OBJECTIVES

The DEUTZ Group's primary objective is to permanently establish itself among the top three independent drive manufacturers and to offer a fully carbon-neutral product and technology portfolio by no later than 2050. At the same time, the Company wants to achieve profitable and sustainable growth and has set itself clear medium-term targets for 2025: revenue in excess of €2.5 billion and an EBIT margin before exceptional items of between 6 percent and 7 percent. See also: 'Outlook for 2025', p. 21.

DEUTZ aims to achieve its financial objectives while also fulfilling its environmental, social, and corporate responsibilities. This ambition is reflected in the name of the sustainability strategy, Taking Responsibility. In line with this strategy, DEUTZ has defined various sustainability-related targets, which alongside the reduction of emissions cover topics such as respect for human rights, diversity, and sustainability in the supply chain. See also the 2022 annual report, p. 92 onward.

Dual+ strategy DEUTZ updated its overarching growth strategy in 2022, and in doing so put in place a clear framework for further business expansion. To achieve additional growth and greater profitability, DEUTZ will now be pursuing a Dual+ strategy, which is based on three key pillars: continued growth in DEUTZ's Classic business with optimized internal combustion engines, the creation of a new, zero-emission product ecosystem, and the expansion of the high-margin service business.

DEUTZ Classic The industry sectors that make up DEUTZ's customer base are in the middle of a fundamental shift toward greater carbon neutrality. The Company's objective is to empower its customers to carry out this transition successfully and capitalize on the resulting opportunities for growth. DEUTZ believes that off-highway applications will still require the use of combustion engines if the transition to more sustainable drive systems is to be a smooth one. 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 increase to, and stay at, more than 200,000 units a year. In order to achieve this target, technical and financial performance is to be improved substantially, for example by improving utilization of existing capacities and by implementing measures to increase efficiency. The aim is also to significantly increase profitability in the Classic business, for example by optimizing the product portfolio and the production network, by permanently establishing a market-oriented pricing policy, and by forging ahead with the automation and digitalization of operational and administrative processes.

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 an opportunity for achieving growth in the Classic segment through targeted acquisitions and alliances. DEUTZ is looking to seize this opportunity and will therefore play an active role in a consolidating market. The partnership with Daimler Truck, the transaction for which was completed at the end of March 2023, is the first sign of this.[1] Under the partnership, DEUTZ has acquired the IP rights to Daimler Truck's medium-duty MDEG engines in the on-highway segment so that it can further develop them itself for use in off-highway applications such as construction equipment. DEUTZ has also acquired license rights from Daimler Truck so that it can further develop the engines in the heavy-duty HDEP series for use in off-highway applications such as large agricultural machinery. It will also market these engines itself. Daimler Truck will continue to build the heavy-duty engines, whereas the medium-duty engines will be assembled at DEUTZ. The engine variants that will be marketed by DEUTZ are scheduled to go into production in 2028. In return for the IP rights for the medium-duty engines, Daimler Truck received approximately 5.285 million new, no-par-value bearer shares by way of a non-cash capital increase. As a result, it holds 4.19 percent of DEUTZ's share capital. The new shares were admitted for trading in early April. DEUTZ will pay a cash sum in installments for the acquisition of the HDEP license rights. The value of the two transactions is in the mid-double-digit millions of euros.

DEUTZ Green Some sectors have already reached a consensus on how to achieve net zero. There appears to be no going back with electrification in the automotive sector, for example. But for engines that move large loads and are in continuous use, the Company believes that a number of technological options are available – or even a combination of them. For this reason, DEUTZ pursues a technology-neutral approach when adding to or refining its drive portfolio. This means improving the carbon footprint of the internal combustion engine, such as through the use of HVO[2], hydrogen, and synthetic fuels, and developing alternative drive systems such as electric drives and fuel cell technology.

DEUTZ intends to expand its portfolio and value chains, for example by moving toward new business models beyond drivetrains, and in doing so to extend its offering across the entire product ecosystem. Reflecting the changing demands on infrastructure, the aim is to harness new value chains in areas such as the charging of electric machinery and supplying the fuel for hydrogen engines. One example of this is the DEUTZ PowerTree, a mobile rapid charging station.

DEUTZ Service The third pillar (the '+') of the Dual+ strategy is expansion of the profitable service business. The objective is for the contribution to consolidated revenue from the service business to rise to around €600 million by the end of 2025 while maintaining the same level of profitability. To achieve this, DEUTZ is focusing on adding to its regional locations in order to expand its global service network, increasing its portfolio of services by adding mainly digital service concepts, and extending its service activities to non-DEUTZ engines through targeted acquisitions and strategic partnerships.

In the reporting period, DEUTZ made further progress with the implementation of its growth strategy in the service business and expanded its service network, opening its ninth DEUTZ service center in Howell, Michigan (USA) in the first quarter of 2023 and beginning the process of acquiring its long-standing service partner M. Hochschild S.A., based in Santiago, Chile. The acquisition, which was completed at the end of July, should result in additional consolidated revenue of around €15 million per year. Furthermore, DEUTZ signed an agreement concerning the acquisition of the Diesel Motor Nordic Group, which is headquartered in Järfälla, Sweden, at the end of July. The transaction is likely to be completed at the start of the fourth quarter. As well as strengthening DEUTZ's regional service networks in South America, Sweden, Finland, and Denmark, these acquisitions will expand business involving the servicing of competitors' engines.

[1] See the press release dated March 29, 2023.
[2] Hydrotreated vegetable oils.

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

ECONOMIC ENVIRONMENT

After two consecutive quarters of negative growth, global trade seems to have recovered a little in the first quarter of 2023. According to the latest data from the United Nations Conference on Trade and Development (UNCTAD), global trade picked up by around 2 percent compared with the final quarter of 2022. However, the major economies presented a mixed picture in terms of trade growth. China was the main driver of growth. Beijing's easing of pandemic-related restrictions allowed consumers to satisfy their pent-up demand, which provided a boost for international trade.[1]

Irrespective of the positive trend in the first quarter, global trade remains under pressure and UNCTAD believes that it is likely to have slowed down again in the second quarter. The continuing war in Ukraine, geopolitical tensions and, above all, persistent inflation are likely to be the key reasons for this expected slowdown.[1] Inflation started to ease, proving the central banks' interest-rate hikes effective. The eurozone, for example, saw a slowdown from 8.6 percent to 5.5 percent in the period January to June. However, inflation remained at a high level.[2] In addition, the central banks' interest-rate increases are having a dampening effect on economic activity.[3]

PROCUREMENT MARKET

The global procurement market, which in 2022 had been hit by substantial supply shortages, major delays in the supply chain, and dramatic increases in the price of energy, raw materials, and transportation, began to recover in parts in the first half of 2023.

With regard to raw materials, prices for cast iron scrap and foundry scrap went up by around 22 percent compared with average prices for the first half of 2022, whereas prices for the non-ferrous metals aluminum and nickel, for example, fell by roughly 20 percent and 11 percent respectively. Despite raw material prices falling overall, they remained elevated compared with their pre-pandemic levels. Energy prices were still well above their pre-pandemic levels as well, but also recovered significantly relative to the prior-year period. Spot prices for electricity in Germany, for example, dropped by 50 percent.[4]

The picture was mixed on the transportation front. Whereas capacities and prices returned to pre-pandemic levels in the sea freight sector, freight costs for overland transportation remained much higher than where they were prior to the pandemic.[5,6]

The supply of materials in the semiconductor sector eased significantly compared with the prior-year period, although limited allocation arrangements were still in place for certain types of controller.

[1] Global Trade Update (June 2023) | UNCTAD
[2] Global inflation tracker: see how your country compares on rising prices | Financial Times (ft.com)
[3] World Economic Outlook Update, July 2023: Near-Term Resilience, Persistent Challenges (imf.org)
[4] Energy charts
[5] Further fall in transportation prices on most European routes | trans.info
[6] Freight Rate Index / Freightos Baltic Container Index

SALES MARKET

Based on currently available figures, the individual markets served by DEUTZ presented a mixed picture in terms of how they performed in the first half of 2023.

Figures from the Mechanical Engineering Industry Association (VDMA) indicate that unit sales of construction equipment in Europe and North America increased slightly in the reporting period thanks to long-term government investment programs and infrastructure projects.[1] By contrast, the rapid upturn in the Chinese construction equipment market looks to have peaked. Unit sales in China are falling sharply as there are signs of saturation as well as high inventory levels at construction equipment manufacturers.[2]

Demand for material handling applications has generally been following the trend in the construction industry. Unit sales of forklift trucks in Europe and North America are expected to have increased overall, for example. Demand for material handling applications rose in China, too, as a result of government subsidy programs boosting the market for electric-powered forklifts and lifting platforms in particular.[2]

Unit sales of smaller construction equipment and other material handling applications, such as telehandlers and work platforms, are expected to have grown further as well, in part because major international leasing firms have continued to invest heavily in their company fleets.[3]

There were also regional differences in how the market for agricultural machinery, and particularly tractors, performed in the first half of 2023: Whereas the market in Europe made a positive start to the new year[4], an increase in financing costs and the still high rate of inflation led to unit sales in North America falling from what had been a high level in the prior-year period.[5] In China, the structural and technological adjustments of recent years appear to have largely come to an end. However, the introduction of the new China IV emissions standard and a reduction in government subsidies for new tractor purchases meant that the Chinese agricultural machinery market still saw a decline.[4]

[1] VDMA ‘Construction equipment and building material machinery’, July 2023.
[2] Chinese Construction Machinery Association ‘CCMA Sales YTD 04-2023’, June 2023.
[3] Quarterly reports of major leasing companies such as United Rentals and Loxam.
[4] Power Systems Research, ‘OE Link Update Bulletin – Q2 2023’, July 2023.
[5] Association of Equipment Manufacturers, ‘United States Ag Tractor & Combine Report’, June 2023.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

DEUTZ reported significant increases in revenue and earnings in the first half of 2023 despite persistent difficulties with the supply of some engine control units and delays to the ramp-up of the new logistics center at its headquarters in Cologne. There was no direct material effect from the ongoing war in Ukraine during the reporting period. However, DEUTZ was not alone in experiencing the war's geopolitical impact on energy and raw material prices, which remained elevated even though they are gradually stabilizing compared with the peaks reached in 2022. See also 'Procurement market', p. 7. Cost savings and steps to boost performance as part of the implementation of the Dual+ strategy continued to have a positive effect on earnings performance, as did the market-oriented pricing policy. See also 'Strategy and objectives', p. 5 onward.

NEW ORDERS

DEUTZ Group: New orders

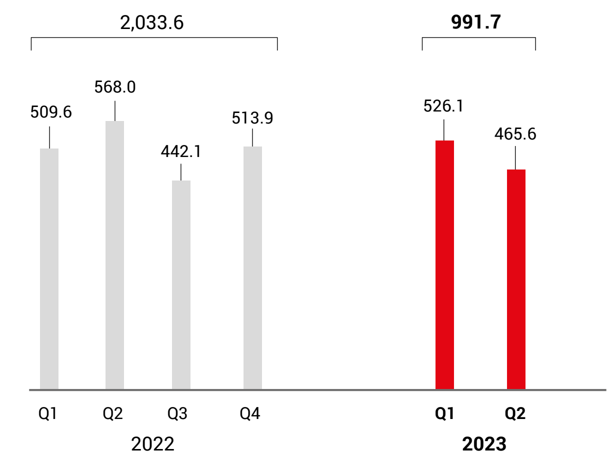
€ million

In the first half of 2023, new orders received by the DEUTZ Group fell by 8.0 percent year on year to €991.7 million. From a regional perspective, this decrease was predominantly driven by a sharp drop in demand in the Asia-Pacific region, where new orders went down by 38.8 percent compared with the prior-year period. This was attributable to signs of saturation in the Chinese market and, in particular, high inventory levels at construction equipment manufacturers in China. See also 'Sales market', p. 8. New orders in the EMEA[1] region edged down by 3.8 percent year on year, while the Americas region recorded a rise of 9.8 percent.

The decline in demand permeated virtually all application segments, with some registering double-digit percentage decreases compared with the first six months of 2022. The slump in the Construction Equipment application segment was especially pronounced, mainly as a result of the aforementioned weakness in the Asia-Pacific region. An increase in new orders was achieved only in the service business and in the Miscellaneous application segment. The service business, which is a key pillar of DEUTZ's Dual+ growth strategy, saw new orders rise by 5.0 percent year on year to reach €241.5 million. Parts sales made a particularly strong contribution to this rise, with growth of 10.3 percent.

DEUTZ Group: New orders by quarter

€ million



In the second quarter of 2023, all regions and nearly all application segments recorded a drop in new orders. Only in the service business did the level of new orders hold steady compared with the second quarter of 2022.

Orders on hand stood at €739.8 million as at June 30, 2023 (June 30, 2022: €768.9 million), indicating that business performance remains robust. The level of orders on hand attributable to the service business jumped year on year from €36.6 million to €47.9 million.

[1] Abbreviation for the economic area consisting of Europe, the Middle East, and Africa.

UNIT SALES

With total unit sales of 107,345 in the first six months of 2023, the DEUTZ Group registered a decrease of 1.3 percent compared with the same period of 2022 owing to the sharp fall at DEUTZ subsidiary Torqeedo. See also 'DEUTZ Green', p. 15. However, the number of DEUTZ engines[1] sold rose by 1.1 percent to 91,451 (H1 2022: 90,462). See also 'DEUTZ Classic', p. 13 onward.

DEUTZ Group: Unit sales

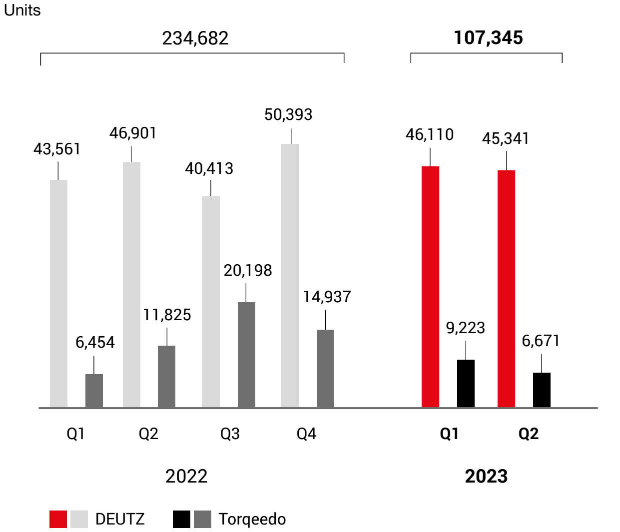
Units

Unit sales presented a disparate picture in the first half of 2023, both at application segment level and at regional level. The Material Handling and Stationary Equipment application segments generated increases in unit sales, whereas the other application segments registered year-on-year falls.

In the EMEA region, which is DEUTZ's biggest sales market, and the Asia-Pacific region, unit sales edged up by 0.7 percent and 0.5 percent respectively compared with the first six months of 2022. By contrast, unit sales declined by 6.9 percent in the Americas, which was largely due to Torqeedo.

DEUTZ Group: Unit sales by quarter

Units



In the second quarter of 2023, the DEUTZ Group's unit sales went down by 11.4 percent compared with the equivalent quarter of 2022 to stand at 52,012 engines. All regions and all application segments except Stationary Equipment reported a decrease. Unit sales of DEUTZ engines[1] declined by 3.3 percent to 45,341. Torqeedo's unit sales of electric boat drives fell by 43.6 percent to 6,671.

REVENUE

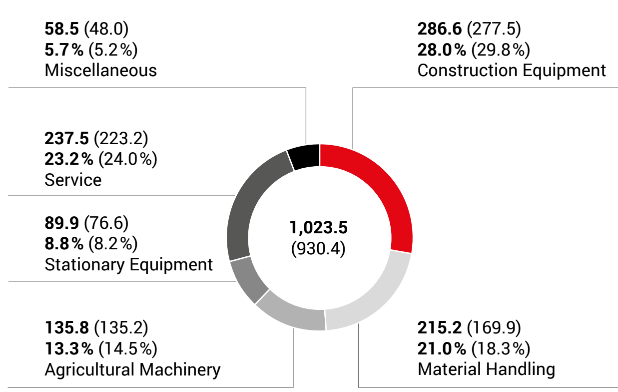
DEUTZ Group: Revenue

€ million

Contrary to the fall in unit sales, DEUTZ generated a substantial 10.0 percent increase in revenue to € 1,023.5 million in the first half of 2023. This growth was primarily thanks to the market-oriented pricing policy and positive product mix effects.

DEUTZ Group: Revenue and share of revenue by application segment

€ million (Q1–Q2/2022 figures)

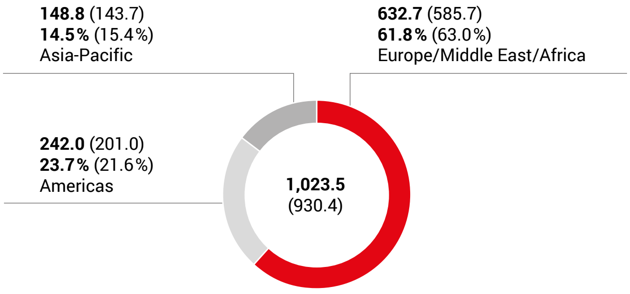


All application segments contributed to this growth in revenue, with some of them generating double-digit percentage increases. DEUTZ's revenue from the service business rose by 6.4 percent year on year to € 237.5 million, primarily thanks to the expansion of parts sales and the exchange engine business (DEUTZ Xchange).

[1] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

DEUTZ Group: Revenue and share of revenue by region

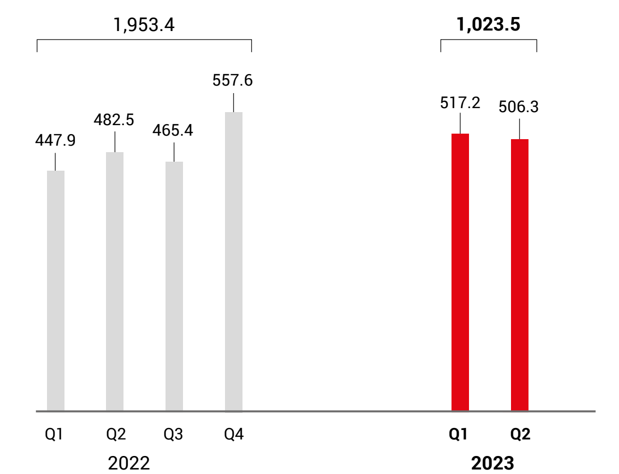
€ million (Q1–Q2/2022 figures)



All regions also reported growth. In absolute terms, the EMEA region, and particularly Germany and the rest of Europe, saw the highest rises.

DEUTZ Group: Revenue by quarter

€ million



Consolidated revenue amounted to €506.3 million in the second quarter of 2023, which was 4.9 percent more than in the corresponding period of 2022. All regions and all application segments except Agricultural Machinery contributed to this increase.

EARNINGS

DEUTZ Group: Overview of results of operations

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
Revenue	**1,023.5**	**930.4**	**10.0%**
Cost of sales	– 789.9	–759.6	4.0%
Research and development costs	– 55.9	–53.6	4.3%
Selling and administrative expenses	– 109.4	–90.1	21.4%
Other operating income	9.2	21.2	– 56.6%
Other operating expenses	– 17.0	–11.6	46.6%
Impairment of financial assets and reversals thereof	2.3	–0.6	–
Profit/loss on equity-accounted investments	– 1.0	–0.6	66.7 %
EBIT	**61.8**	**35.5**	**74.1 %**
Interest income	0.6	0.8	–25.0 %
Interest expense	– 7.6	–2.3	230.4 %
Other financial income/ finance costs	– 0.2	–0.6	66.7 %
Financial income, net	**– 7.2**	**–2.1**	**–242.9 %**
Income taxes	– 10.3	–5.4	90.7 %
Net income	**44.3**	**28.0**	**58.2 %**
Adjusted EBIT (EBIT before exceptional items): Green	– 24.4	–18.1	–34.8 %
Adjusted EBIT (EBIT before exceptional items): Classic	86.7	61.3	41.4 %
Consolidation/Other[1]	0.2	–0.6	–
Adjusted EBIT (EBIT before exceptional items)	**62.5**	**42.6**	**46.7 %**
Exceptional items	– 0.7	–7.1	– 90.1 %
EBIT	**61.8**	**35.5**	**74.1 %**

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

Explanation of adjusted EBIT (EBIT before exceptional items)

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

Adjusted EBIT DEUTZ's adjusted EBIT (EBIT before exceptional items) came to € 62.5 million in the first half of 2023, which was up by € 19.9 million compared with the prior-year period (H1 2022: € 42.6 million). This significant improvement was due to the higher volume of business, particularly service business, and to positive product mix effects and market-oriented pricing. These factors were partly offset by negative contributions to earnings from currency translation effects and Torqeedo's business and by higher procurement costs. The adjusted EBIT margin also made a strong year-on-year improvement, rising from 4.6 percent to 6.1 percent.

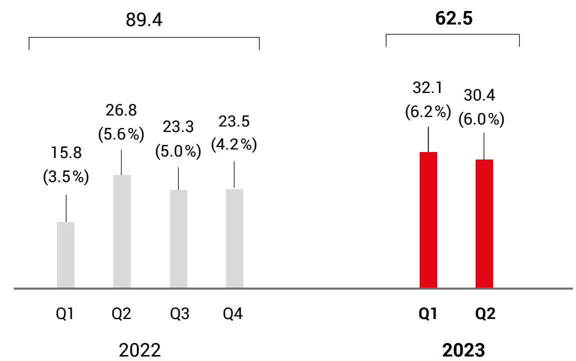
In the second quarter, adjusted EBIT increased to € 30.4 million (Q2 2022: € 26.8 million) thanks to market-oriented pricing and the positive contribution to earnings from product mix effects. However, currency effects arising on the translation of foreign currency positions had an adverse impact.

Taking account of exceptional items amounting to an expense of € 0.7 million, EBIT for the period under review amounted to € 61.8 million (H1 2022: € 35.5 million).

Due to the increase in adjusted EBIT, net income improved from € 28.0 million in the first half of 2022 to € 44.3 million in the first half of 2023. As a result, earnings per share increased from € 0.23 to € 0.36 in the reporting period. Net income before exceptional items stood at € 44.9 million and earnings per share before exceptional items at € 0.36.

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

€ million (adjusted EBIT margin)



BUSINESS PERFORMANCE IN THE SEGMENTS

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

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

DEUTZ Group: Segments

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
New orders			
Classic	964.2	1,050.6	– 8.2 %
Green	27.5	27.0	1.9 %
Total	**991.7**	**1,077.6**	**– 8.0 %**
Unit sales (units)			
Classic	91,424	90,459	1.1 %
Green	15,921	18,282	– 12.9 %
Total	**107,345**	**108,741**	**– 1.3 %**
Revenue			
Classic	997.0	900.1	10.8 %
Green	26.5	30.3	– 12.5 %
Total	**1,023.5**	**930.4**	**10.0 %**
Adjusted EBIT (EBIT before exceptional items)			
Classic	86.7	61.3	41.4 %
Green	– 24.4	– 18.1	– 34.8 %
Consolidation/Other	0.2	– 0.6	–
Total	**62.5**	**42.6**	**46.7 %**

DEUTZ CLASSIC

DEUTZ Classic

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
New orders	**964.2**	**1,050.6**	**– 8.2 %**
Unit sales (units)	**91,424**	**90,459**	**1.1 %**
Revenue	**997.0**	**900.1**	**10.8 %**
EMEA	616.0	568.3	8.4 %
Americas	235.3	190.7	23.4 %
Asia-Pacific	145.7	141.1	3.3 %
Adjusted EBIT[1]	**86.7**	**61.3**	**41.4 %**
Adjusted EBIT margin[1]	**8.7 %**	**6.8 %**	**+ 1.9 pp**

[1] Before exceptional items.

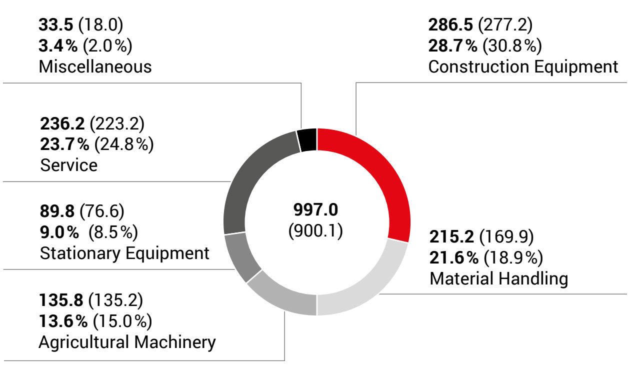
In the first half of 2023, new orders received in the Classic segment fell by 8.2 percent from the high level in the prior-year period to stand at €964.2 million. This decrease was due not only to the high level of inventories currently held by European OEMs[1] and dealers but also to a sharp drop in demand for engines used in material handling equipment and agricultural machinery in the Asia-Pacific region. As at June 30, 2023, the Classic segment's orders on hand amounted to €727.0 million (June 30, 2022: €744.1 million).

DEUTZ sold 91,424 engines in the Classic segment during the reporting period, equating to a year-on-year rise in unit sales of 1.1 percent. The situation in the individual application segments was very mixed, with increases in unit sales – in some cases significant – for Material Handling, Stationary Equipment, and Miscellaneous but decreases for Construction Equipment and Agricultural Machinery. From a regional perspective, unit sales swelled by 2.5 percent and 10.5 percent respectively in the EMEA and Americas regions. By contrast, the Asia-Pacific region recorded a year-on-year decrease of 13.9 percent owing to declining demand in the Material Handling application segment.

[1] Original equipment manufacturers.

DEUTZ Classic: Revenue and proportion of revenue by application segment

€ million (Q1–Q2/2022 figures)

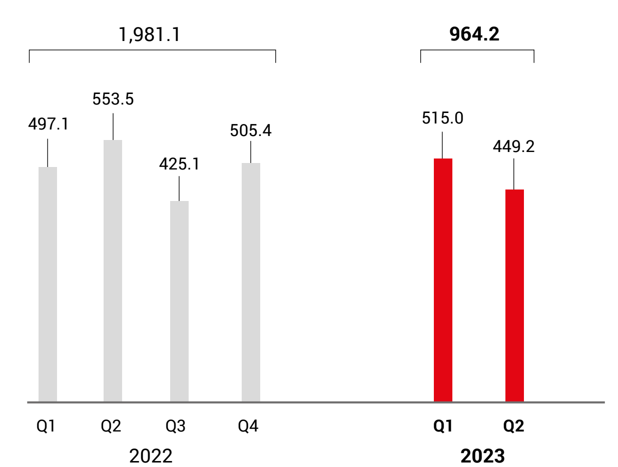


Segment revenue increased at a faster pace than unit sales, advancing by 10.8 percent to €997.0 million. This growth was primarily thanks to the consistent application of the market-oriented pricing policy and positive product mix effects.

Adjusted EBIT for the segment (EBIT before exceptional items) improved by a significant €25.4 million year on year to €86.7 million. As a result, the Classic segment's adjusted EBIT margin rose from 6.8 percent to 8.7 percent. This rise was due to the positive contribution to earnings from the higher volume of business, particularly service business, and to positive product mix effects and market-oriented pricing. Conversely, negative currency effects arising on the translation of foreign currency positions and higher procurement costs had an adverse impact.

DEUTZ Classic: New orders by quarter

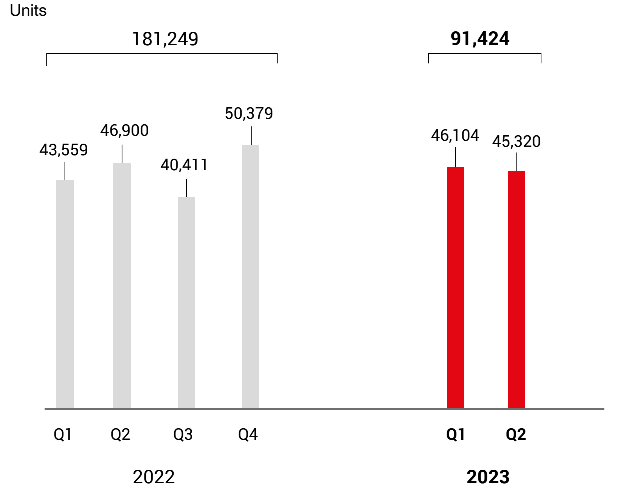
€ million



In the second quarter of 2023, new orders amounted to €449.2 million. Although this was down by 18.8 percent compared with the prior-year period, it was still at a high level. One of the reasons for the fall in demand across all regions and application segments was the robust volume of orders on hand. In the service business, new orders were up only slightly year on year at €113.9 million (Q2 2022: €113.8 million).

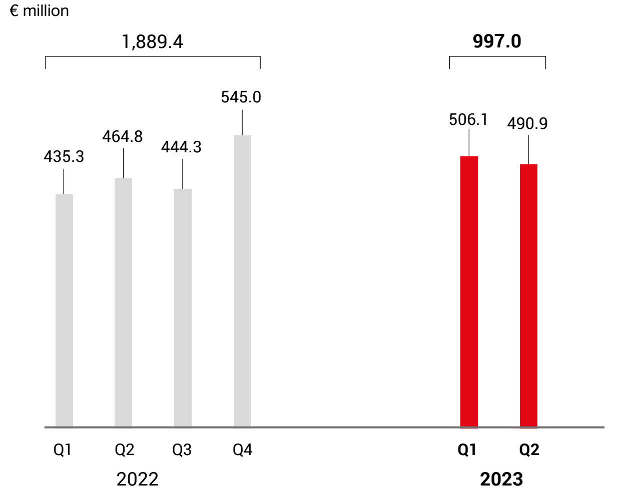
DEUTZ Group: Unit sales by quarter

Units



DEUTZ Classic: Revenue by quarter

€ million



The segment's unit sales also fell compared with the prior-year period, decreasing by 3.4 percent to 45,320 engines sold. This reduction was attributable to all regions and all application segments except Stationary Equipment and Miscellaneous. Nonetheless, the Classic segment's revenue swelled by 5.6 percent to € 490.9 million in the second quarter of 2023. This year-on-year rise was driven by all regions and virtually all application segments, with some reporting double-digit percentage revenue growth.

In the second quarter of 2023, the adjusted EBIT for the segment increased to € 42.3 million (Q2 2022: € 35.9 million). This improvement was attributable to the aforementioned positive contribution to earnings from the shift in the product mix toward engines with higher margins, plus market-oriented pricing. There were also negative effects, primarily those arising on the translation of foreign currency positions.

DEUTZ GREEN

DEUTZ Green

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
New orders	**27.5**	**27.0**	**1.9 %**
Unit sales (units)	**15,921**	**18,282**	**– 12.9 %**
Revenue	**26.5**	**30.3**	**– 12.5 %**
Europe/Middle East/Africa	16.7	17.4	– 4.0 %
Americas	6.7	10.3	– 35.0 %
Asia-Pacific	3.1	2.6	19.2 %
Adjusted EBIT[1]	**– 24.4**	**– 18.1**	**– 34.8 %**
Adjusted EBIT margin[1]	**– 92.1 %**	**– 59.7 %**	**– 32.4 pp**

[1] Before exceptional items.

New orders received in the Green segment rose by 1.9 percent to €27.5 million in the first half of 2023, which was solely thanks to the electric boat drive business of DEUTZ subsidiary Torqeedo. Orders on hand stood at € 12.8 million as at June 30, 2023, which was just over half the amount reported a year earlier (June 30, 2022: € 24.8 million). The segment's unit sales fell by 12.9 percent to 15,921 units. Segment revenue went down by 12.5 percent year on year to €26.5 million.

Adjusted EBIT for the segment declined by € 6.3 million compared with the first half of 2022 and amounted to a loss of €24.4 million. This deterioration was attributable to increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine, as well as the loss generated by the subsidiary Torqeedo. The adjusted EBIT margin reflected the year-on-year decline in the segment's adjusted EBIT.

In the second quarter of 2023, new orders received in the Green segment advanced by 13.1 percent to € 16.4 million, whereas unit sales fell by 43.4 percent to 6,692 units and revenue declined by 13.0 percent to € 15.4 million.

The segment's adjusted EBIT in the second quarter of 2023 amounted to a loss of € 12.3 million owing to increased development expenditure for new drive technologies and the negative contribution to earnings from Torqeedo (Q2 2022: loss of € 8.5 million).

FINANCIAL POSITION

FUNDING

Sufficient liquidity ensured DEUTZ had restructured its funding in the first half of 2022. This involved increasing the volume of the 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 2023, DEUTZ utilized one of these extension options, thereby extending the term to May 2, 2028.

The unused volume of the syndicated loan stood at around €105 million at the end of the first half of 2023. DEUTZ thus has sufficient financial means to be able to fund its operating business, invest in its transformation, and generate growth through acquisitions.

In addition, DEUTZ has three further bilateral credit lines, each in an amount of €25 million, which run until the end of the first quarter of 2024 and are also unsecured and floating-rate facilities. None of the three lines were drawn down as at June 30.

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

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 €158.6 million as at June 30, 2023, which was slightly above the level a year earlier (June 30, 2022: €146.8 million) due to the improved business performance.

CASH FLOW

DEUTZ Group: Overview of financial position

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
Cash flow from operating activities	48.9	14.6	234.9 %
Cash flow from investing activities	– 34.2	– 36.5	6.3 %
Cash flow from financing activities	– 1.3	29.5	–
Change in cash and cash equivalents	**13.4**	**7.6**	**76.3 %**
Free cash flow[1]	**8.3**	**– 24.7**	**–**
Cash and cash equivalents at Jun. 30/Dec. 31	67.2	54.9	22.4 %
Current and non-current interest-bearing financial debt at Jun. 30/Dec. 31	248.6	219.1	13.5 %
thereof lease liabilities (IFRS 16)	90.2	94.6	– 4.7 %
Net financial position[2] at Jun. 30/Dec. 31	**– 181.4**	**– 164.4**	**10.5 %**

[1] Cash flow from operating activities and from investing activities less net interest expense/income.
[2] Cash and cash equivalents less current and non-current interest-bearing financial debt.

The increase in cash flow from operating activities compared with the first half of 2022 was mainly due to the DEUTZ Group's healthy earnings performance.

Net cash used for investing activities was slightly lower than the figure reported in the prior-year period in spite of the increase in payments for property, plant and equipment and for intangible assets.

Under the alliance with Daimler Truck AG, DEUTZ has acquired license rights for engines in Daimler Truck's HDEP heavy-duty engine series. The payments for these rights are being made in installments up to 2028. The first installment was paid in the first quarter of 2023.

In the first half of 2022, payments had been made for the final installment of the purchase consideration for the acquisition of the investment in Blue World Technologies Holding ApS, based in Aalborg, Denmark, and for the acquisition of the former DEUTZ service partners AUSMA Motorenrevisie B. V., headquartered in Roden, Netherlands, and Kirkwell Ltd. (South Coast Diesels), based in Naas, Ireland. As a result, net cash used for investing activities in the first half of 2023 was slightly lower than in the prior-year period.

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

As a result of the increase in cash flow from operating activities, free cash flow amounted to €8.3 million. This equated to an improvement of €33.0 million compared with the first half of 2022.

Higher financial debt meant that net financial debt was up by €17.2 million as at June 30, 2023.

CAPITAL EXPENDITURE

DEUTZ Group: Capital expenditure (after deducting investment grants)

€ million

	Q1–Q2/2023	Q1–Q2/2022	Change
Property, plant and equipment	34.1	24.8	37.5%
thereof right-of-use assets for leases under IFRS 16	6.2	3.2	93.8%
Property, plant and equipment (excluding right-of-use assets for leases under IFRS 16)	27.9	21.6	29.2 %
Intangible assets	55.9	4.8	1,064.6%
	90.0	**29.7**	**203.0%**

Capital expenditure on property, plant and equipment and on intangible assets after deducting investment grants, and including capitalization of research and development expenditure, was significantly above the level of the prior-year period at €90.0 million (H1 2022: €29.7 million). This rise can be explained by DEUTZ's acquisition of IP rights from Daimler Truck AG for the latter's MDEG medium-duty engines by way of a capital increase by contribution in kind and the acquisition of license rights for engines in Daimler Truck's HDEP heavy-duty engine series.

NET ASSETS

DEUTZ Group: Overview of net assets

€ million

	Jun. 30, 2023	Dec. 31, 2022	Change
Non-current assets	768.1	730.3	5.2%
thereof right-of-use assets in connection with leases	81.3	87.3	– 6.9%
Current assets	828.1	745.1	11.1 %
Total assets	**1,596.2**	**1,475.4**	**8.2%**
Equity	712.3	668.8	6.5%
Non-current liabilities	206.7	195.8	5.6%
thereof lease liabilities	72.6	76.8	– 5.5%
Current liabilities	677.2	610.8	10.9 %
thereof lease liabilities	17.6	17.8	– 1.1 %
Total equity and liabilities	**1,596.2**	**1,475.4**	**8.2 %**
Working capital[1]	383.6	346.3	10.8 %
Working capital ratio[2] (Jun. 30, %)	18.7	17.7	+ 1.0 pp
Working capital ratio[3] (average, %)	17.9	16.7	+ 1.2 pp
Equity ratio[4] (%)	**44.6**	**45.3**	**–0 .7 pp**

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

Non-current assets had risen as at June 30, 2023, mainly due to capital expenditure on intangible assets. Under the alliance entered into with Daimler Truck AG at the end of March, DEUTZ has acquired IP rights for Daimler Truck's MDEG medium-duty engines by way of a capital increase by contribution in kind. DEUTZ has also acquired license rights for engines in Daimler Truck's HDEP heavy-duty engine series so that it can further develop them for use in off-highway applications. It will also market these engines itself. The payments for the rights for the HDEP series are being made in installments up to 2028, which is why there was also an increase in non-current liabilities as at June 30, 2023.

Inventories had risen sharply as at June 30, 2023 owing to seasonal factors and greater capacity utilization. This growth was predominantly driven by higher levels of stock being held as a result of the significant expansion of business, the restructuring of logistics, and measures taken to safeguard production. In spite of an increase in trade payables, working capital rose considerably. The working capital ratio as at the reporting date had edged up by 1.0 percentage points due to the stronger growth of revenue in the past twelve months. The average working capital ratio was up only slightly, also due to the increase in revenue.

Despite the rise in equity, the equity ratio had fallen slightly as at June 30, 2023 and stood at 44.6 percent (December 31, 2022: 45.3 percent). This was because the balance sheet grew at a slightly faster rate than equity due to the aforementioned increase in current and non-current assets and in current and non-current liabilities. The rise in equity was attributable to the healthy earnings performance and the acquisition from Daimler Truck of the IP rights to its MDEG engines. The acquisition was carried out by way of a capital increase from authorized capital by contribution in kind and grants Daimler Truck 5,285,412 new, no-par-value bearer shares in DEUTZ AG with a notional par value (rounded) of €2.56 each, resulting in a total issue price of €13.5 million. The difference of €11.5 million between the total issue price and the value of the MDEG contribution in kind was allocated to additional paid-in capital.

In view of the still sound equity ratio, which remains above the target figure of more than 40 percent, DEUTZ continues to view its financial position as comfortable.

RESEARCH AND DEVELOPMENT

DEUTZ Group: Research and development expenditure (after deducting grants)

€ million (R&D ratio)

Expenditure on research and development (R&D) increased year on year from €49.6 million to €53.1 million in the first half of 2023. The development of new drive systems and the refinement of existing ones continued to account for the bulk of this spending. After the deduction of grants received from development partners and subsidies, R&D expenditure amounted to €48.8 million (H1 2022: €46.8 million). The proportion of capitalized development expenditure after deducting grants came to €1.5 million (H1 2022: €3.2 million). R&D spending by the DEUTZ Classic segment after deducting grants came to €32.6 million (H1 2022: €30.7 million) and that of the DEUTZ Green segment to €16.2 million (H1 2022: €16.1 million), most of which went into developing the hydrogen engine and 360-volt system and expanding the E-DEUTZ battery toolkit.

Despite the rise in R&D spending, the R&D ratio[1] after deducting grants decreased from 5.0 percent in the first half of 2022 to 4.8 percent in the reporting period due to the even stronger increase in revenue.

EMPLOYEES

DEUTZ Group: Employees[1]

Number

	Jun. 30, 2023	Jun. 30, 2022
DEUTZ Group	**5,147**	**4,946**
Thereof		
in Germany	3,413	3,313
outside Germany	1,734	1,633
Thereof		
non-salaried employees	2,850	2,772
salaried employees	2,234	2,116
trainees	63	58

[1] Number of employees expressed in FTEs (full-time equivalents) including trainees; excluding temporary workers.

DEUTZ employed 5,147 people worldwide as at June 30, 2023, which was 201 more than at June 30, 2022. This rise was primarily due to the sharp increase in production volume in Germany and Spain. In response to the marked increase in demand, DEUTZ hired new employees and made previously temporary workers part of its regular workforce. New employees were also brought on board as part of the implementation of regional growth initiatives, for example in connection with the establishment of a new DEUTZ Power Center in the USA and a rise in staffing levels at the existing Power Centers.

At around 66 percent, the bulk of the Group's workforce is based in Germany. Of the 3,413 employees in Germany, 2,603 work at the Company's headquarters in Cologne.

[1] Ratio of research and development expenditure (after deducting grants) to revenue in the period in question.

The number of temporary workers stood at 297 at the end of the reporting period, which was roughly the same level as at June 30, 2022 (302). This meant that the proportion of temporary staff in the workforce as a whole fell slightly year on year from 5.8 percent to 5.5 percent.

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 2023, DEUTZ did not identify any risks and/or opportunities that would change the original assessment of the risk categories set out in the 2022 annual report. The Company therefore continues to see no risks to its ability to continue as a going concern. See also the 2022 annual report, p. 57 onward.

OUTLOOK FOR 2023

ECONOMIC OUTLOOK

The International Monetary Fund (IMF) expects global gross domestic product (GDP) to grow by 3.0 percent in 2023. It has thus raised its growth forecast by 0.1 percentage points compared with January. The recent resolution of the dispute about the US debt ceiling and action taken by government authorities to contain the turmoil in the US and Swiss banking sector at the start of the year have reduced the risk of disruption in the financial sector.[1] The comparatively flat forecast by historical standards should be seen in the context of restrictive monetary policy measures aimed at lowering inflation and, above all, higher interest rates and the ongoing war in Ukraine, which is particularly hampering growth in industrialized countries. Increasing geo-economic fragmentation – most notably in the form of tensions between the USA and China – is also regarded as a source of adverse pressure.[1,2]

GDP growth forecast for 2023 and 2024[1]

Year-on-year change

	2023	2024
Global	3.0%	3.0%
Industrialized countries	1.5%	1.4%
Eurozone	0.9%	1.5%
Germany	– 0.3%	1.3%
USA	1.8%	1.0%
Emerging markets	4.0%	4.1%
China	5.2%	4.5%

[1] IMF World Economic Outlook, July 2023.

According to the IMF, the central banks' interest-rate increases and lower raw material prices should result in a gradual slowdown of global inflation and interest-rate cycles.[2] It predicts that global overall inflation, measured by the consumer price index, will fall from 8.7 percent in 2022 to 6.8 percent in 2023. However, the IMF does not expect inflation to return to the target level of 2 percent before 2025. It also regards the remaining headroom available to governments for fiscal and monetary policy measures as limited due to the combination of significantly higher levels of public-sector debt and persistently high inflation.[1]

[1] World Economic Outlook Update, July 2023: Near-Term Resilience, Persistent Challenges (imf.org)

[2] World Economic Outlook, April 2023: A Rocky Recovery (imf.org)

PROCUREMENT MARKET

The situation in parts of the procurement market is likely to continue to be challenging due to persistent geopolitical uncertainty in connection with the ongoing war in Ukraine, to an inflationary environment, and to political debate surrounding factors such as the shift toward renewable energies and a carbon-neutral economy. It can be assumed, for example, that the prices of energy and raw materials will remain at a comparatively high level despite dropping back from their highs in 2022.

DIESEL ENGINE MARKET

DEUTZ customer industries: Forecast for 2023

YoY change in unit sales (%)

	Europe	North America	China
Construction equipment[1]	up to +5	–5 to 0	–15 to –10
Material handling[1]	–5 to +5	–5 to 0	0 to +5
Agricultural machinery[2]	–5 to +5	–5 to +5	–15 to –10

[1] Power Systems Research, 'OE Link Update Bulletin Q2 2023', July 2023.
[2] VDMA 'Agricultural Machinery Market', May 2023.

Currently available figures suggest that the key industries for sales of DEUTZ diesel engines for the off-highway segment will vary in terms of how they perform in 2023.

In both Europe and North America, recessionary fears and high inflation and investment costs look set to limit any significant rise in demand. For Europe, the ongoing war in Ukraine represents an additional source of uncertainty. In China, the industries in which DEUTZ's customers operate will probably see a decline in demand due to the current weak growth in the Chinese economy and the introduction of the stricter China IV emissions standard. Growth in other countries in Asia, especially Korea and Japan, is expected to more or less mirror the modest upward trend in Europe and North America.

The outlook in the construction equipment sector varies significantly depending on the region. Whereas the long-term investment and infrastructure programs approved by the European Commission should ensure continued, albeit modest, growth in the EU, an increase in manufacturing costs, problems with supply chains, and the switch to alternative drives is weighing on demand for diesel engines in North America. In China, sluggish domestic demand, a decline in construction investment, and the new emissions standard are likely to cause a sharp fall in unit sales.

Demand for material handling applications, especially forklift trucks, lifting platforms, and telehandlers, is also set to vary from region to region. Whereas growth is only expected to remain flat in Europe (due to the weak economy) and North America (due to the adverse factors mentioned above), the growth rate in China is likely to be slightly more positive. This is primarily attributable to the importance of the logistics industry for the Chinese economy.

The factors that will influence unit sales of agricultural machinery are also varied. Growing fears of a recession are likely to hold back demand in Europe, while in North America there are signs that the rate of growth will drop off after two years of strong unit sales and persistently high interest rates. In China, the new China IV emissions standard will probably make tractors more expensive, and with subsidies for new purchases also cut, demand is poised to fall.

BUSINESS OUTLOOK

At the end of April, DEUTZ refined the guidance for 2023 that it had published in its 2022 annual report. This updated guidance came on the back of a better than expected start to the current year. Having originally forecast unit sales of between 175,000 and 195,000 DEUTZ engines[1], resulting in an increase in revenue to between €1.9 billion and €2.1 billion and an adjusted EBIT margin of between 4.0 percent and 5.0 percent, DEUTZ now expects its results to be at the upper end of these forecast ranges.[2] As business continued to perform well in the second quarter, DEUTZ is now confirming its updated guidance for 2023 and therefore continues to anticipate unit sales of around 195,000 DEUTZ engines[2], revenue of around €2.1 billion, and an adjusted EBIT margin of around 5.0 percent. Free cash flow before mergers and acquisitions is still predicted to be in the mid-double-digit millions of euros.

[1] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[2] See the ad hoc disclosure dated April 27, 2023.

OUTLOOK FOR 2025

Based on the implementation of its Dual+ strategy, DEUTZ anticipates an increase in annual revenue to more than €2.5 billion by 2025, tied to which is an EBIT margin before exceptional items in the range of 6.0 to 7.0 percent.

Ongoing internationalization and the expansion of the service business, together with a technology-neutral approach to the development of the Classic engine portfolio, are expected to be key growth drivers. DEUTZ predicts that the volume of annual revenue attributable to its service business will rise to around €600 million by 2025. The continued implementation of measures aimed at optimizing prices while raising efficiency will further underpin its profitability going forward.
See also 'Strategy and objectives', p. 5 onward.

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 plans to invest more than €100 million in the Green portfolio in the period 2023 to 2025.

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 that may mean that the actual performances, developments, and results in the Company or those in sectors important to the Company are significantly different (especially from a negative point of view) 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2023

INCOME STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	1–6/2023	1–6/2022
Revenue	**1**	**1,023.5**	**930.4**
Cost of sales		–789.9	–759.6
Research and development costs		–55.9	–53.6
Selling expenses		–66.8	–55.0
General and administrative expenses		–42.6	–35.1
Other operating income	2	9.2	21.2
Other operating expenses	3	–17.0	–11.6
Impairment of financial assets and reversals thereof		2.3	–0.6
Profit/loss on equity-accounted investments		–1.0	–0.6
EBIT		**61.8**	**35.5**
Interest income		0.6	0.8
Interest expense		–7.6	–2.3
Other finance costs		–0.2	–0.6
Financial income, net		**–7.2**	**–2.1**
Net income before income taxes		**54.6**	**33.4**
Income taxes		–10.3	–5.4
Net income		**44.3**	**28.0**
thereof attributable to shareholders of DEUTZ AG		44.3	28.0
Earnings per share (basic/diluted, €)		**0.36**	**0.23**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million	Note	1–6/2023	1–6/2022
Net income		**44.3**	**28.0**
Amounts that will not be reclassified to the income statement in the future		**–0.9**	**16.9**
Remeasurements of defined benefit plans		–0.9	16.9
Amounts that will be reclassified to the income statement in the future if specific conditions are met		**–6.0**	**5.2**
Currency translation differences		–5.2	6.2
thereof profit/loss on equity-accounted investments		–3.6	1.9
Effective portion of change in fair value from cash flow hedges		0.4	–1.0
Fair value of financial instruments		–1.2	0.0
Other comprehensive income, net of tax	**4**	**–6.9**	**22.1**
Comprehensive income		**37.4**	**50.1**
thereof attributable to shareholders of DEUTZ AG		37.4	50.1

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	Jun. 30, 2023	Dec. 31, 2022
Property, plant and equipment	5	391.6	394.7
Intangible assets	5	213.3	169.3
Equity-accounted investments		46.0	50.6
Other financial assets		14.3	14.4
Non-current assets (before deferred tax assets)		**665.2**	**629.0**
Deferred tax assets		102.9	101.3
Non-current assets		**768.1**	**730.3**
Inventories	6	526.6	451.6
Trade receivables		171.9	186.2
Other receivables and assets		60.6	50.7
Receivables in respect of tax refunds		1.8	1.7
Cash and cash equivalents		67.2	54.9
Current assets		**828.1**	**745.1**
Total assets		**1,596.2**	**1,475.4**

Equity and liabilities	Note	Jun. 30, 2023	Dec. 31, 2022
Issued capital		**322.5**	**309.0**
Additional paid-in capital		40.3	28.8
Other reserves		–5.4	0.6
Retained earnings and accumulated income		354.9	330.4
Equity attributable to shareholders of DEUTZ AG		**712.3**	**668.8**
Equity	7	**712.3**	**668.8**
Provisions for pensions and other post-retirement benefits		83.6	86.0
Deferred tax liabilities		1.9	2.0
Other provisions	9	28.6	28.4
Financial debt	8	73.0	77.2
Other liabilities	10	19.6	2.2
Non-current liabilities		**206.7**	**195.8**
Provisions for pensions and other post-retirement benefits		10.6	11.1
Other provisions	9	83.9	81.7
Financial debt	8	175.6	141.9
Trade payables		314.9	291.5
Liabilities arising from income taxes		4.9	4.9
Other liabilities	10	87.3	79.7
Current liabilities		**677.2**	**610.8**
Total equity and liabilities		**1,596.2**	**1,475.4**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital	Additional paid-in capital	Retained earnings & accumulated income	Fair value reserve[1,2]	Currency translation reserve[1]	Equity attributable to shareholders of DEUTZ AG	**Total**
Balance at Jan. 1, 2022	**309.0**	**28.8**	**246.9**	**– 1.0**	**4.7**	**588.4**	**588.4**
Dividend payments to shareholders			– 18.1			– 18.1	– 18.1
Net income			28.0			28.0	28.0
Other comprehensive income			16.9	– 1.0	6.2	22.1	22.1
Comprehensive income			44.9	– 1.0	6.2	50.1	50.1
Changes to basis of consolidation			0.4			0.4	0.4
Balance at Jun. 30, 2022	**309.0**	**28.8**	**274.1**	**– 2.0**	**10.9**	**620.8**	**620.8**
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**

[1] On the balance sheet these items are aggregated under 'Other reserves'.
[2] Reserves from the measurement of cash flow hedges and reserves from the measurement of financial assets.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	1–6/2023	1–6/2022
EBIT		**61.8**	**35.5**
Income taxes paid		– 11.8	– 5.5
Depreciation, amortization and impairment of non-current assets		47.0	45.7
Profit/loss and impairment on equity-accounted investments		1.0	0.7
Other non-cash income and expenses		– 0.4	1.3
Change in working capital		– 44.8	– 42.2
Change in inventories		– 80.0	– 51.8
Change in trade receivables		12.4	– 32.7
Change in trade payables		22.8	42.3
Change in other receivables and other current assets		– 10.1	– 8.8
Change in provisions and other liabilities (excluding financial liabilities)		6.2	– 12.1
Cash flow from operating activities		**48.9**	**14.6**
Capital expenditure on intangible assets, property, plant and equipment		– 34.1	– 26.6
Capital expenditure on investments		– 0.1	– 4.8
Acquisition of subsidiaries		0.0	– 5.1
Cash flow from investing activities		**– 34.2**	**– 36.5**
Dividend payments to shareholders		– 18.9	– 18.1
Interest income		0.5	0.2
Interest expense		– 6.9	– 3.0
Cash receipts from borrowings		37.1	64.2
Repayments of loans		– 3.9	– 5.4
Principal elements of lease payments		– 9.2	– 8.4
Cash flow from financing activities		**– 1.3**	**29.5**
Cash flow from operating activities		48.9	14.6
Cash flow from investing activities		– 34.2	– 36.5
Cash flow from financing activities		– 1.3	29.5
Change in cash and cash equivalents		**13.4**	**7.6**
Cash and cash equivalents at Jan. 1		**54.9**	**36.1**
Change in cash and cash equivalents		13.4	7.6
Change in cash and cash equivalents related to exchange rates		– 1.1	2.2
Change in cash and cash equivalents related to the basis of consolidation		0.0	0.6
Cash and cash equivalents at Jun. 30		**67.2**	**46.5**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2023

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements for the period ended June 30, 2023 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 2022 financial year.

The condensed interim consolidated financial statements for the period ended June 30, 2023 – 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, 2023 have been reviewed by an auditor pursuant to section 115 of the German Securities Trading Act (WpHG).

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, 2022. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2022.

'Disclosure of Accounting Policies' (Amendments to IAS 1 and IFRS Practice Statement 2) In February 2021, the IASB published amendments to IAS 1 and IFRS Practice Statement 2. The amendments clarify that entities are required to disclose only 'material' accounting policies in the notes to the financial statements, and not 'significant' ones. An accounting policy is deemed 'material' if it relates to a material transaction or event. This condition is met if the accounting policy helps the reader to understand other material information in the financial statements and is applied in a manner that is specific to the company, resulting in the disclosure of company-specific information rather than generic disclosures. IFRS Practice Statement 2 has been amended accordingly. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendments to IAS 8) These amendments published by the IASB in February 2021 are intended to help entities to distinguish between changes in accounting policies and changes in accounting estimates. A definition of the term 'accounting estimate' has been added to IAS 8. According to this definition, accounting estimates are deemed to be monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy, meanwhile, sets out how monetary amounts are calculated. There has been no material impact on the DEUTZ Group's interim consolidated financial statements since initial application.

'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12) The IASB published amendments to IAS 12 in May 2021. As a result of these amendments, deferred tax assets and liabilities have to be recognized on temporary differences that arise from one transaction and are for the same amount, for example in the context of leases or decommissioning obligations. Furthermore, the amounts for the earliest comparative period presented must be adjusted if the temporary differences arise in connection with leases and decommissioning obligations. Initial application of the amended standard did not have any material impact on the interim consolidated financial statements.

IFRS 17 'Insurance Contracts' The IASB published IFRS 17 in May 2017 and amended it in June 2020. The new standard replaces IFRS 4 'Insurance Contracts'. IFRS 17 governs the accounting treatment of insurance contracts to ensure that they are measured and presented consistently. Initial application of the standard did not have any impact on the interim consolidated financial statements.

'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (Amendment to IFRS 17) The amendments published in December 2021 should help to make comparative information presented on initial application of IFRS 17 and IFRS 9 more useful for users of financial statements. 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.

Material estimates and assumptions 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 subsidiary Ad. Strüver KG (GmbH & Co.), Hamburg, was merged with the subsidiary DEUTZ Beteiligung GmbH, Cologne, on May 31, 2023. This did not have any impact on the Group's financial position or financial performance.

EFFECTS OF THE UKRAINE CRISIS ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Overall, the Ukraine crisis has a negligible impact on the financial position and financial performance of the DEUTZ Group due to the Group's insignificant level of business in Russia, Belarus, and Ukraine.

SELECTED EXPLANATORY DISCLOSURES

Selected explanatory disclosures relating to the interim consolidated financial statements are provided below. Further disclosures relating to the balance sheet, income statement, and cash flow statement as well as the segment reporting can be found in the interim group management report.

1. REVENUE

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		**215.2**
Agricultural Machinery	135.8		**135.8**
Stationary Equipment	89.8	0.1	**89.9**
Service	236.2	1.3	**237.5**
Miscellaneous/Marine	33.5	25.0	**58.5**
Total	**997.0**	**26.5**	**1,023.5**

Breakdown of revenue by application segment in the first half of 2022

€ million

	Classic	Green	Total
Construction Equipment	277.2	0.3	**277.5**
Material Handling	169.9		**169.9**
Agricultural Machinery	135.2		**135.2**
Stationary Equipment	76.6		**76.6**
Service	223.2		**223.2**
Miscellaneous/Marine	18.0	30.0	**48.0**
Total	**900.1**	**30.3**	**930.4**

Breakdown of revenue by region in the first half of 2023

€ million

	Classic	Green	Total
Europe/Middle East/Africa	616.0	16.7	**632.7**
Americas	235.3	6.7	**242.0**
Asia-Pacific	145.7	3.1	**148.8**
Total	**997.0**	**26.5**	**1,023.5**

Breakdown of revenue by region in the first half of 2022

€ million

	Classic	Green	Total
Europe/Middle East/Africa	568.3	17.4	**585.7**
Americas	190.7	10.3	**201.0**
Asia-Pacific	141.1	2.6	**143.7**
Total	**900.1**	**30.3**	**930.4**

2. OTHER OPERATING INCOME

Other operating income decreased by €12.0 million compared with the first six months of 2022. This was largely due to smaller foreign currency gains.

3. OTHER OPERATING EXPENSES

The changes in other operating expenses were largely due to the recognition of provisions of €3.9 million in connection with receivables from customers resulting from supply bottlenecks.

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:

	1–6/2023			**1–6/2022**		
€ 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**	**24.6**	**–7.7**	**16.9**
Remeasurements of defined benefit plans	–1.3	0.4	–0.9	24.6	–7.7	16.9
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**–6.4**	**0.4**	**–6.0**	**4.7**	**0.5**	**5.2**
Currency translation differences	–5.2	0.0	–5.2	6.2	0.0	6.2
thereof profit/loss on equity-accounted investments	–3.6	0.0	–3.6	1.9	0.0	1.9
Effective portion of change in fair value from cash flow hedges	0.6	–0.2	0.4	–1.5	0.5	–1.0
Fair value of financial instruments	–1.8	0.6	–1.2	0.0	0.0	0.0
Other comprehensive income	**–7.7**	**0.8**	**–6.9**	**29.3**	**–7.2**	**22.1**

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 2023 (H1 2022: pre-tax loss of €1.7 million).

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (after deducting grants) amounted to €90.0 million in the first half of the year (H1 2022: €29.7 million). This was broken down into €34.1 million (H1 2022: €24.8 million) on property, plant and equipment and €55.9 million (H1 2022: €4.8 million) on intangible assets.

Additions to property, plant and equipment mainly related to IT equipment, new test rigs for gas, electric, and hydrogen drives, the establishment of the new multi-function center, the set-up of the new assembly line for engine series with capacities of between 4 and 8 liters, and replacement purchases. The bulk of capital expenditure on intangible assets related to the acquisition of IP rights from Daimler Truck AG for the latter's MDEG medium-duty engines by way of a capital increase by contribution in kind and the acquisition of license rights for engines in Daimler Truck's HDEP heavy-duty engine series. As at June 30, 2023, property, plant and equipment included right-of-use assets in connection with leases amounting to €81.3 million (December 31, 2022: €87.3 million).

Capital expenditure was partly offset by depreciation and amortization of €47.0 million (H1 2022: €45.7 million). No impairment losses were recognized on property, plant and equipment or on intangible assets in the first half of 2023. In the prior-year period, impairment losses of €0.3 million had been recognized that were attributable to the Classic segment.

6. INVENTORIES

Inventories went up by €75.0 million year on year. This was predominantly due to higher levels of stock being held as a result of the expansion of business, the restructuring of logistics, and measures taken to safeguard production.

7. EQUITY

The rise in equity was attributable to the increase in earnings and the acquisition from Daimler Truck AG of the IP rights relating to the technology in its MDEG medium-duty engines. The acquisition was carried out as a contribution in kind by way of a capital increase from authorized capital and grants Daimler Truck 5,285,412 new, no-par-value bearer shares in DEUTZ AG with a notional par value (rounded) of €2.56 each at a total issue price of €13.5 million. The difference of €11.5 million between the total issue price and the value of the MDEG contribution in kind was allocated to additional paid-in capital.

8. FINANCIAL DEBT

€ million	**Jun. 30, 2023**	Dec. 31, 2022
Non-current	73.0	77.2
Current	175.6	141.9
Total	**248.6**	**219.1**

The growth of current financial debt can be explained by the drawdown of the syndicated working capital facility in an amount of €145.0 million as at June 30, 2023.

As at June 30, 2023, financial debt included non-current lease liabilities of €72.6 million (December 31, 2022: €76.8 million) and current lease liabilities of €17.6 million (December 31, 2022: €17.8 million).

9. OTHER PROVISIONS

€ million	**Jun. 30, 2023**	Dec. 31, 2022
Non-current	28.6	28.4
Current	83.9	81.7
Total	**112.5**	**110.1**

10. OTHER LIABILITIES

€ million	**Jun. 30, 2023**	Dec. 31, 2022
Non-current	19.6	2.2
Current	87.3	79.7
Total	**106.9**	**81.9**

The rise in other liabilities was mainly due to the acquisition of the license rights for engines in Daimler Truck's HDEP heavy-duty engine series. The payments for the license rights are being made in installments up to 2028.

OTHER INFORMATION

CONTINGENT LIABILITIES

In the first half of the year, 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 is 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 financial statements because it is considered unlikely that the complaint will not be upheld.

FINANCIAL INSTRUMENTS

The following table shows 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, 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	**0.1**	**9.0**	**2.4**	**2.8**	**14.3**
Current financial assets	**259.1**	**1.0**	**3.2**	**38.2**	**301.5**
Trade receivables	168.8	0.0	3.1	0.0	171.9
Other receivables and assets[1]	23.1	1.0	0.1	38.2	62.4
Cash and cash equivalents	67.2	0.0	0.0	0.0	67.2

[1] Incl. receivables in respect of tax refunds of €1.8 million.

Financial instruments (assets)

Dec. 31, 2022	**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**	**9.0**	**2.1**	**3.2**	**14.4**
Current financial assets	**263.3**	**0.8**	**5.0**	**24.4**	**293.5**
Trade receivables	181.2	0.0	5.0	0.0	186.2
Other receivables and assets[1]	27.2	0.8	0.0	24.4	52.4
Cash and cash equivalents	54.9	0.0	0.0	0.0	54.9

[1] Incl. receivables in respect of tax refunds of €1.7 million.

Financial instruments (liabilities)

Jun. 30, 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 as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**18.9**	**0.0**	**0.0**	**73.7**	**92.6**
Financial debt	0.4	0.0	0.0	72.6	73.0
Lease liabilities	0.0	0.0	0.0	72.6	72.6
Miscellaneous financial debt	0.4	0.0	0.0	0.0	0.4
Other liabilities	18.5	0.0	0.0	1.1	19.6
Current financial liabilities	**539.9**	**0.1**	**0.6**	**38.6**	**579.2**
Financial debt	158.0	0.0	0.0	17.6	175.6
Lease liabilities	0.0	0.0	0.0	17.6	17.6
Miscellaneous financial debt	158.0	0.0	0.0	0.0	158.0
Trade payables	314.9	0.0	0.0	0.0	314.9
Other liabilities[1]	67.0	0.1	0.6	21.0	88.7

[1] Incl. income tax liability of € 1.4 million.

Financial instruments (liabilities)

Dec. 31, 2022	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 as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**1.0**	**0.0**	**0.0**	**78.4**	**79.4**
Financial debt	0.4	0.0	0.0	76.8	77.2
Lease liabilities	0.0	0.0	0.0	76.8	76.8
Miscellaneous financial debt	0.4	0.0	0.0	0.0	0.4
Other liabilities	0.6	0.0	0.0	1.6	2.2
Current financial liabilities	**482.3**	**0.5**	**0.7**	**32.0**	**515.5**
Financial debt	124.1	0.0	0.0	17.8	141.9
Lease liabilities	0.0	0.0	0.0	17.8	17.8
Miscellaneous financial debt	124.1	0.0	0.0	0.0	124.1
Trade payables	291.5	0.0	0.0	0.0	291.5
Other liabilities[1]	66.7	0.5	0.7	14.2	82.1

[1] Incl. income tax liability of € 2.4 million.

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.

€ million	**Jun. 30, 2023**		Dec. 31, 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Trade receivables	168.8	168.8	181.2	181.2
Other receivables and assets	23.2	23.2	27.3	27.3
Cash and cash equivalents	67.2	67.2	54.9	54.9
Financial liabilities				
Financial debt – liabilities to banks	158.4	159.7	124.5	126.0
Trade payables	314.9	314.9	291.5	291.5
Other liabilities	85.5	85.5	67.3	67.3

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 calculated in the notes to the financial statements:

Jun. 30, 2023

€ million

	Carrying amount	**Fair value**	Level 1	Level 2	Level 3
Financial assets					
Equity investments – recognized through other comprehensive income	7.5	7.5	7.5	0.0	0.0
Securities – recognized through other comprehensive income	1.5	1.5	1.5	0.0	0.0
Securities – recognized through profit or loss	2.4	2.4	2.4	0.0	0.0
Currency forwards – recognized through other comprehensive income	1.0	1.0	0.0	1.0	0.0
Currency forwards – recognized through profit or loss	0.1	0.1	0.0	0.1	0.0
Trade receivables	3.1	3.1	0.0	0.0	3.1
Financial liabilities					
Currency forwards – designated as hedging instruments	0.1	0.1	0.0	0.1	0.0
Currency forwards – held for trading	0.0	0.0	0.0	0.0	0.0
Other liabilities – held for trading	0.6	0.6	0.0	0.0	0.6
Financial debt	158.4	159.7	0.0	0.0	159.7

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
Level 2: Measurement is based on the price of a similar instrument in active markets/
measurement using a method in which all the critical input factors are based on observable market data.
Level 3: Measurement using a method in which critical input factors are not based on observable market data.

Dec. 31, 2022

€ million

	Carrying amount	**Fair value**	Level 1	Level 2	Level 3
Financial assets					
Equity investments – recognized through other comprehensive income	7.5	7.5	7.5	0.0	0.0
Securities – recognized through other comprehensive income	1.5	1.5	1.5	0.0	0.0
Securities – recognized through profit or loss	2.1	2.1	2.1	0.0	0.0
Currency forwards – recognized through other comprehensive income	0.8	0.8	0.0	0.8	0.0
Currency forwards – recognized through profit or loss	0.0	0.0	0.0	0.0	0.0
Trade receivables	5.0	5.0	0.0	0.0	5.0
Financial liabilities					
Currency forwards – designated as hedging instruments	0.5	0.5	0.0	0.5	0.0
Currency forwards – held for trading	0.1	0.1	0.0	0.1	0.0
Other liabilities – held for trading	0.6	0.6	0.0	0.0	0.6
Financial debt	124.6	126.0	0.0	0.0	126.0

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
Level 2: Measurement is based on the price of a similar instrument in active markets/
measurement using a method in which all the critical input factors are based on observable market data.
Level 3: Measurement using a method in which critical input factors 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. This is a field of strategic importance to DEUTZ AG but is difficult to forecast as there are still material uncertainties.

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 financial 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.

The other liabilities recognized at fair value, which amounted to €0.6 million (December 31, 2022: €0.6 million), relate to the remaining consideration for the purchase of the shares in Futavis.

SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the first half of 2023 and the first half of 2022 is shown in the following table:

1–6/2023	Classic	Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	997.0	26.5	1,023.5	0.0	1,023.5
Intersegment revenue	0.0	0.0	0.0	0.0	0.0
Total revenue	**997.0**	**26.5**	**1,023.5**	**0.0**	**1,023.5**
Operating profit/loss (EBIT before exceptional items)	86.7	–24.4	62.3	0.2	62.5

1–6/2022	Classic	Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	900.1	30.3	930.4	0.0	930.4
Intersegment revenue	0.0	0.0	0.0	0.0	0.0
Total revenue	**900.1**	**30.3**	**930.4**	**0.0**	**930.4**
Operating profit/loss (EBIT before exceptional items)	61.3	–18.1	43.2	–0.6	42.6

Reconciliation from overall profit of the segments to net income

€ million	**1–6/2023**	1–6/2022
Overall profit of the segments	**62.3**	**42.6**
Reconciliation	0.2	0.0
EBIT before exceptional items	**62.5**	**42.6**
Exceptional items	–0.7	–7.1
EBIT	**61.8**	**35.5**
Financial income, net	–7.2	–2.1
Net income before income taxes	**54.6**	**33.4**
Income taxes	–10.3	–5.4
Net income	**44.3**	**28.0**

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.

The following table shows the volume of material business relationships with entities in which the DEUTZ Group holds significant investments:

€ million	Goods and services provided		Other expenses in connection with goods and services received		Receivables		Payables	
	1–6/2023	1–6/2022	**1–6/2023**	1–6/2022	**Jun. 30, 2023**	Dec. 31, 2022	**Jun. 30, 2023**	Dec. 31, 2022
Associates	10.4	6.1	0.0	0.0	2.9	1.7	0.9	1.0
Joint ventures	2.6	3.0	0.0	0.0	1.6	1.5	0.0	0.0
Other investments	0.0	0.0	2.4	2.4	0.0	0.0	2.4	2.8
Total	**13.0**	**9.1**	**2.4**	**2.4**	**4.5**	**3.2**	**3.3**	**3.8**

The rise in the value of goods supplied and services rendered to associates is attributable to increased customer demand and market-oriented pricing.

As at June 30, 2023, receivables of €9.2 million due from other investments had been written off in full (December 31, 2022: €9.2 million).

The receivables and liabilities mainly resulted from goods supplied and services rendered.

Related parties also include the Supervisory Board and the Board of Management. No material business relationships exist between members of these boards and the DEUTZ Group.

Further disclosures relating to the balance sheet, income statement, and cash flow statement as well as the segment reporting can be found in the group management report.

EVENTS AFTER THE REPORTING PERIOD

In June, the subsidiary DEUTZ Spain, S.A.U., Zafra, Spain, entered into an agreement to acquire all of the voting shares in a long-standing service partner, Mauricio Hochschild Ingeniería y Servicios S.A., Santiago, Chile. The transaction, which was completed on July 31, 2023, is likely to result in an increase in annual revenue of around €15 million. The preliminary purchase consideration is US$ 9.1 million. The impact of the transaction on financial position and financial performance is currently being examined.

Furthermore, DEUTZ AG signed an agreement concerning the acquisition of the Diesel Motor Nordic Group, which is headquartered in Järfälla, Sweden, in July 2023. The transaction is expected to be completed at the start of the fourth quarter. The acquisition will strengthen DEUTZ's regional service network in Sweden, Denmark, and Finland. The preliminary purchase consideration is €22 million. The impact on financial position and financial performance is also currently being examined.

Cologne, August 2, 2023

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, August 2, 2023

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr. Ing. Petra Mayer

Dr. Ing. Markus Müller

REVIEW REPORT

To DEUTZ Aktiengesellschaft, Cologne,

We have reviewed the condensed consolidated interim financial statements – comprising the condensed statement of financial position, condensed statement of profit and loss, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows, and selected explanatory notes – and the interim group management report of DEUTZ Aktiengesellschaft, Cologne, for the period from 1 January to 30 June 2023 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the 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 provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Cologne, 2 August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Wimmer	Clivia Döll
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

2023	
September 12	DEUTZ Capital Markets Day | Cologne (Germany)
November 9	Quarterly statement for the first to third quarter of 2023 Conference call with analysts and investors
2024	
March 19	2023 annual report Annual results press conference with analysts and investors
April 30	Interim management statement for the first quarter of 2024 Conference call with analysts and investors
May 8	Annual General Meeting
August 8	Interim report for the first half of 2024 Conference call with analysts and investors
November 7	Interim management statement for the first to third quarter of 2024 Conference call with analysts and investors

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This is a complete translation of the original German version of the interim report for the first half of 2023.

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 10, 2023.